

**Sacrifice, Solidarity and Centralisation:
Moral Economic Debate in Norwegian Agrifood Co-operatives**

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Alastair Begg died on 17th September 1999, 48 years old. In October 1998 he was told that he suffered from a malignant brain tumour, and from that date his foremost goal was to finish his dissertation. He kept up his work on the dissertation until just a few days before he died and finished it all except for the editing, proofreading, and some minor details.

To finalise his work I needed assistance, and I would like to extend a warm thank to dr. Nigel Wheale, Cambridge, who has done a full copy-editing of the typescript to senior lecturer Even Tjørve, HIL for making the maps and to professor Abraham Hallenstvedt, Tromsø for getting the dissertation published.

Lillehammer, 30.01.00
Ingvild Sigstad Begg

To Alastair:

Then let us pray that come it may,
 As come it will for a' that,
That Sense and Worth, o'er a' the earth
 Shall bear the gree, and a' that.
For a' that, and a' that,
 Its comin yet for a' that,
That Man to Man the world o'er,
 Shall brothers be for a' that
 (Robert Burns)

PREFACE:

NOTE ON UNDERLYING WORLD VIEW

Put briefly, the world view or ideology underlying the present text is a humanistic one, which recognises the fundamental importance of meaning, values and social contexts for people's aspirations, choices and actions in all spheres of activity. It contrasts sharply with the view, conveyed by orthodox economic and behaviourist-inspired approaches, that human behaviour can be boiled down to individual calculation of expected cost and gain.

Further recognising that hierarchically-structured social arrangements deny most of their participants the opportunity to realise their potential anywhere near fully, the world view to which I subscribe regards the exertion of power by the few over the many as a major problem which has to be addressed by social science, along with the related one of the inequitable appropriation of resources. This means forcefully rejecting the dominant ideology of capitalism, which makes highly-privileged elites seem functional for society as a whole, and makes it appear unproblematic to exempt the sphere of production from democratic principles. Thus it becomes important to look at alternatives: 'enabling structures', through which people in general can gain increased control over their own lives, and increased competence in working together to achieve common goals and promote common values. Cooperative organisations are designed along these lines, and I do not pretend that my interest in them is purely academic; though -- as mentioned in the text -- their relative transparency makes them particularly good objects of study.

ACKNOWLEDGEMENTS

'The man of independent mind, he looks and laughs at a' that....'

Robert Burns (from 'For a' that')

This text has been inspired by people of 'independent mind', who take a critical stance to received wisdom and 'gurus', and who treat with disdain the efforts of the established and their lackeys to induce conformity and compliance. Such people are the salt of the earth. They have managed so far to save us from Weber's nightmare scenario of the 'iron cage'.

I would like to express my gratitude to all who have inspired me, taught me, and otherwise enabled me to produce this text. Their names would fill pages. Some are to be found among the literature references at the end of this volume. Others have never written academic texts: my parents, close relatives and people who have taught me in the school of life - folk whose philosophy is expressed by Rabbie Burns, and whom he would have approved of!

I am nevertheless singling out for special mention those whose contributions to the production of the present text have been particularly direct and valuable: teachers, colleagues, sources of information and of material assistance.

- my supervisor, professor Abraham Hallenstvedt of the Norwegian College of Fishery Science at the University of Tromsø. He is the world's most patient person! His encouragement has kept me going when I was on the point of giving up. He has discreetly helped me to fill gaping holes in my reading, to moderate my polemic tendencies, and to maintain a healthy scepticism to the influence of academic 'gurus' and fashionable trends. He has provided the kind of gentle and subtle guidance which leaves the feeling that it was all my own work!
- my informants and their spouses (providers of a mine of information, as well as sustenance), co-op members, and the manager (1995) of Tana Dairy, who drove me to Kirkenes
- my colleagues who have read and commented on some of my work, or given me interesting ideas, in particular: Arne Rydningen, Olaug Lian, Hans-Kristian Hernes, Andreas Vårheim and the other research students attached to LOS i N-Norge, Svein Jentoft, Håkan Sandersen, Anniken Førde, Tor Skogstad, Petter Holm, Siri Gerrard, Alf Håkon Hoel, Peter Ørebech.
- the director and staff at NORUT Social Science, where I was based, in particular Marit Brekkås, Peter Arbo and Jan-Einar Reiersen.
- the Norwegian Research Council *Norges Forskningsråd* (who financed the research) and the LOS i Nord-Norge reference group who represented them, in particular Erik-Oddvar Eriksen and Ståle Seierstad
- my wife, Ingvild Sigstad Begg, who has kept me 'in the manner to which I have become accustomed', as well as helping in other practical ways
- family, friends and colleagues who have helped in numerous ways.

Publisher's preface

Sacrifice, Solidarity and Centralization is a doctorsl dissertation printed post mortem.

Alastair Begg was able to finish the most important work in his lifetime, despite increasing strains during his last year. The dissertation has not been confronted by a committee, but we feel confidant that it would stand up to the most valued academic standards. The Faculty of Social Science, University of Tromsø, decided to print and distribute the dissertation to hounour Alastair Begg's valuable scientific study of co-operatives.

Tromsø, June 2000

Svein Jentoft

Abraham Hallenstvedt

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NOTES ON PRESENTATION

The study consists of an introductory part, four empirical parts, and a short overall conclusion. The five long parts will be sub-divided into 'sections', varying in length from around 4 to 15 pages. It is because of this variation, which conflicts with widespread expectations of what a 'chapter' should be, that I have avoided the latter term. I use the 'header text' facility of the word processing programme *Word* to sub-divide some sections into 'sub-sections' (with a double space before the header and a single space after) and generally to break up the text into shorter thematic units, headed by an indented header without extra spacing.

Formal aspects of presentation will largely follow the guidelines of the MLA Handbook for Writers of Research Papers (3rd ed.). However, some of the points below represent exceptions or breaches.

The standard social science alternative will be used for citations in text, with the format (author date: page). Second and subsequent citations of a work, appearing shortly after a previous citation, or referring to an author who appears only once in the list of references, will be abbreviated as (op. cit.).

Because I will be using footnotes for the very many references to newspaper and interview sources, I find it necessary to breach the norm of numbering footnotes consecutively throughout the whole text. As a compromise, I will number the footnotes of a whole part together, which still makes three-figure numbers unavoidable in the case of part 5. A small number of longer notes will be appended to the respective parts (not sections, to avoid breaking the flow of text).

I will be making frequent use of *italics*, for three main purposes:

- citations
- words in Norwegian, or other languages apart from English
- occasionally, for emphasis (where bold or underlined text seems unnecessarily 'loud')

Though the MLA rules specify that citations of over 3 lines should be indented, without quotation marks, I will be citing so many texts and statements of varying length in Part 5 that I find it tidier to use quotation marks for all. Long citations will begin on a new line, but I will not be using indentation. The cited character of the text will be emphasised by the use of italics.

All translations of texts in Norwegian are my own, and will not be explicitly labelled as such in the case of citations from newspaper texts and statements which have obviously been originally formulated in Norwegian. There are many of these, and I merely give references to the original sources rather than reproducing the originals as well as giving translations. Equivalents are not always readily available, and my ignorance of sector jargon in English makes translation even more difficult. When in doubt, or where I consider the original to be either ambiguous or richer in meaning than the equivalent I have found, I include the original in the text in curly brackets {...} and italics. Where the text includes Norwegian names and titles which I consider ought to be translated, I give the English language equivalent in square brackets [...] after the Norwegian version.

When citing from scholarly works and other texts which are written in Norwegian, but where this is not obvious, I make explicit my translation of these.

The language of the text is as far as possible internationally understandable plain 'standard' English, conforming to Webster's Unabridged Dictionary (1983 ed.). The use of 'jargon' not found in this reasonably comprehensive dictionary will be kept to a minimum, as will idioms specific to the UK. Though the use of disciplinary terminology is unavoidable, I seek to introduce it so as to make quite plain what I mean. The norm of 'plain language' is long-established official state policy in Norway, and follows from values of democracy and openness which many English-speaking countries would do well to follow. Moreover, acquaintance with international literature has brought with it an understanding of 'English' as a major medium of international communication, whose linguistic norms can no longer be defined by the English or indeed the inhabitants of any particular country¹. I have accordingly adopted a relaxed attitude to what is regarded as an acceptable form, and do not discount the possibility that strictly 'incorrect' grammatical forms may occasionally creep in from my Scottish sociolect. In accordance with the latter, where alternatives exist, I always use the soft 's' rather than the hard 'z'. Though availing myself of modern technology in other areas, I have not subjected the text which follows to the grammatical or style checks - or generally even spelling checks - of word processors.

Despite my general policy outlined above, two abbreviations common in newspapers and literature on business will be used, as the terms concerned crop up frequently in the text. These are:

- **a.g.m.** = annual general meeting
- **m.d.** = managing director

In Part 1, as in the rest of the text, I have now and again made use of the first person singular (I) in order to underline the element of agency involved. This may be seen as a rhetorical device to suggest originality, so I attempt not to over-use it. The point, however, is to use reflexively the scientific method of text and discourse analysis, through which the conservative scientific convention, of using passive voice and an impersonal style, can be seen as a rhetorical device claiming objectivity and authority for the text (Potter op.cit.). Eschewal of such quasi-objectivity and pseudo-authority underlines the status of the text as a contribution to discussion and debate, not confined to the scientific community. I will by no means attempt to purge the text of impersonal statements, however. Neither will I drop the rhetorical device of the first person plural -- 'we' -- which invites the reader to share a viewpoint or conclusion.

While Norwegian has adopted a good alternative '*styre*)*leder*' ['(committee/board)leader'] to the masculine form '*formann* [chairman]', the form that seems to be currently adopted in UK English is the aesthetically jarring 'chair'. I therefore adhere to the alternatives provided by my 1989 edition of Webster's Unabridged Dictionary, which are the masculine 'chairman', the feminine 'chairwoman' and the neutral 'chairperson'. ('Chair' in the context of meetings is defined as an abstract position, not the person holding the position)

On the topic of gendering, see also note at end of Part 5.

¹ Cf.: article '*Samuel vs Alicia: the battle for the English language*' by Mark Jones in *High Life*, Aug. 99. The publishers Bloomsbury (London) are to publish a 'World English Dictionary', *Encarta*.

GENERAL INTRODUCTION

This is a study of structural concentration among Norwegian dairy co-operatives. It is a long piece of text! It will however be broken up considerably -- first as *parts* 1 - 6, then as *sections* of these. Each 'part' forms a coherent part of the study, and the sections form natural divisions within these -- with the exception of Part 6, which is short. The variation in length has led to my using the term 'section' rather than the established 'chapter'. As I use footnotes in the empirical study to refer to data, there are a lot of these, therefore they are numbered separately for each part.

Part 1 serves as a general introduction to the study as a theoretical project. After introducing the empirical theme by means of a series of first impressions, I go on to discuss the theoretical framework. Co-ops, and different views on these, are then introduced. Finally, I narrow down a set of questions to be addressed by the study.

In Part 2, I introduce the empirical field of study: agriculture and foods, in a largely Norwegian context. After introducing the food sector very generally, I draw up the broad lines of the development of the Norwegian agricultural sector since World War 2 (WW2). As well as serving as an introduction, Part 2 addresses the question of agency versus structure in the empirical analysis. This is done by simple comparison between Norway and a range of other countries.

Part 3 looks at the development of a tightly-integrated federation of dairy producers and co-ops, from the initiation of the latter. The aim is to show the degree of centralisation, and top-down control, involved.

In Part 4, I present a wide range of cases of controversial structural concentration, with qualitative data gathered from interviews and letters written by co-op members and leaders.

Part 5 returns to looking at the co-ops as a whole, and seeks to put the disputes and debates about structural concentration into perspective, using the concept of (differing) approaches to productive activity.

In Part 6, I sum up the study, and what has been learnt.

PART 1 :

STUDYING CO-OPERATIVES AND SOCIAL ASPECTS OF PRODUCTION

Introduction

Introducing a scientific dissertation involves presenting a number of elements -- theoretical and substantive theme, perspective, methodology, and research question(s). Among these, there are several contenders for first place; but one has to start somewhere. I have chosen to organise the introduction on the basis of Charles Ragin's conceptualisation of the social research process, in terms of the metaphors of 'images' and 'frames' (Ragin 1994). The former stands for what we see, and the second for how we see or interpret it on the basis of theory, in social research. The two are of course only separable analytically, and -- like all simplifications -- Ragin's scheme is not unproblematic. The point is that it works well as a practical device.

In the initial section (**1.1**) I present a range of images of the objects of study.

The main scientific perspective and key analytical concepts for 'framing' the images will be presented in Section **1.2**.

Section **1.3** is concerned with contrasting images, and theoretical perceptions or frames, of co-operative organisations in general.

Section **1.4** consists of 'framing' the initial images, with the help of the general images of co-operatives from the preceding section, sufficiently to produce researchable questions or propositions. After a brief general presentation of research method and strategy, Part 1 (apart from appendices) will conclude with an outline of the empirical study in parts 2--5.

1.1

Defining the problem

Although giant multi-national corporations have acquired control over a large share of the food industry around the world (Heffernan and Constance 1994), a substantial amount of agricultural produce is sold, packed and processed by *co-operatives (co-ops)* owned by farmers. On a world basis in the mid-1990's, some 53,000 farmers' co-operatives, with over 19 million members, had a total turnover in the region of 215,000 million US\$ (Côté and Carré 1996)². In Norway, the farmers' co-ops together represent a major group in the Norwegian economy, with over 17,000 employees and a turnover of around 32,000 million Nkr³. Together with co-operatives in other sectors, these represent a significant category of businesses which are constituted on a democratic basis, and owned directly by the people who use their services; in other words, a substantial and successful *alternative to capitalism*.

The present study is about considerable changes which Norwegian farmers' co-operatives have undergone, and are undergoing, in the latter part of the twentieth century. The changes that will be focused on are two kinds of *structural concentration*, both of which are particularly noticeable in the dairy co-ops. The first type is concentration of *organisational structure*:

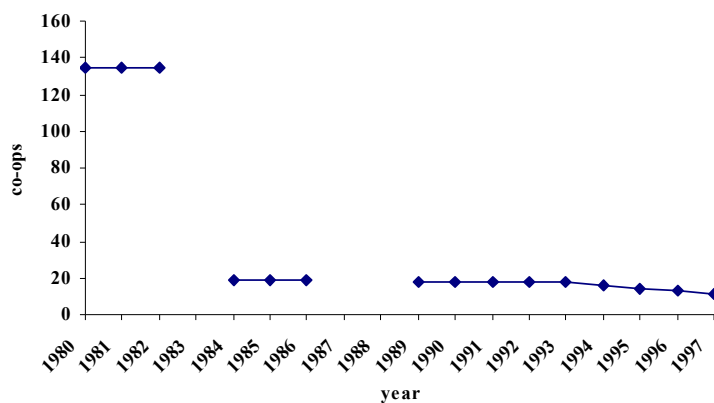


Fig. 1.1a Concentration of organisational structure in Norwegian dairy co-ops, 1980 -- 97

Source: Norwegian Dairies (Tine NM/NML) annual reports 1980 -- 1997

² So much for Williamson and Ouchi's dismissal of co-operatives, which they categorise along with utopian societies as having 'limited viability', and whose protagonists they label 'romantic' (1981: 387).

³ Figures from the 1994 annual report of the central office of the Norwegian farmers' co-operatives, Landbrukssamvirkets Felleskontor (Brandtzæg 1994). These total figures, which include farmer-owned forestry co-ops, make the co-ops as a group appear as the third biggest 'actor' in the Norwegian economy (excluding the state), after Norsk Hydro and Statoil.

What used to be local 'dairies' (dairy companies) have largely become amalgamated into big businesses. Indeed the co-operative dairy industry is widely thought of as a single corporation, and markets itself as such, with products uniformly packaged and advertised under the trade name *Tine*®.

The second kind of concentration is that of *physical production*:

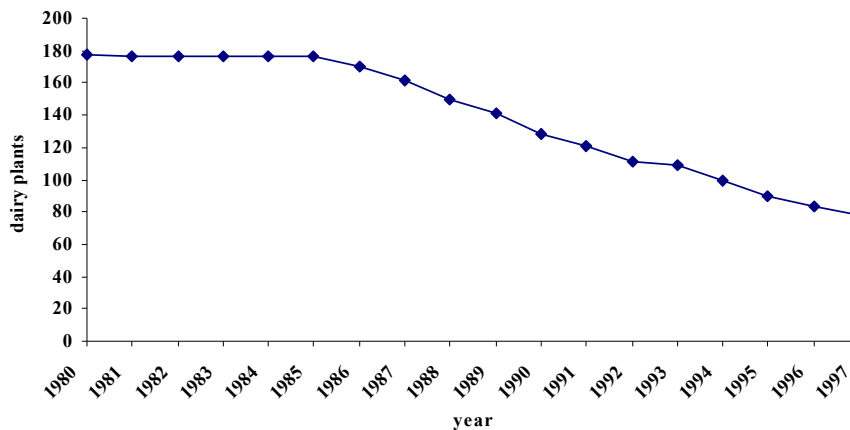


Fig. 1.1b Concentration of physical production in Norwegian dairy plants, 1980 -- 97

Source: Norwegian Dairies (*Tine NM/NML*), annual reports, 1980 -- 1997

The 'dairies' (production plants) themselves have been disappearing rapidly, and are still doing so, as production is concentrated into fewer and larger plants.

A third type of change involves the introduction of more narrowly 'business-like' practices,⁴ of a discriminatory as opposed to an egalitarian character, by some co-ops in their dealings with their members. Although outside the main focus of the study, this type of change will be brought into the discussions of structural concentration, to which it is related. The dairies will be the main object of the empirical study, but examples will also be drawn from meat and other co-operatives.

The types of change just described are widespread throughout the business world in the late twentieth century, and are commonly assumed to be both necessary and right. The acronym '*TINA*' - '*There Is No Alternative*' -- neatly covers this assumption. Therefore one might well ask 'What's the problem?'. If the changes are both beneficial and 'natural', there is neither a social problem nor a scientific 'problem', in the sense of a phenomenon requiring further explanation or interpretation. However, things are not so simple. In the business world, there would appear to exist viable alternatives, which have been pointed out -- along with the negative social consequences of the changes -- by vociferous opponents of the latter among

⁴ Such as differentiating prices according to volume, and charging members for services at calculated real cost.

the ranks of co-op members. These controversies, which I will presently enlarge on, make the changes appear problematic on both counts. The disputes bring out a further 'problem', of interest in both social scientific and normative contexts: the question of *whether and to what extent businesses in general, and co-operatives in particular, can, do and should take into account wider social considerations than 'pure business' ones in their policies and practices*. Of particular significance in this regard is the claim that co-operatives represent an 'alternative to capitalism' -- not just in terms of formal structure, but also by behaving differently from capital-controlled (capitalist) businesses. This implies that even if structural concentration is the preferred strategy among the latter, this does not mean that it should be so among co-operatives.

The above question is very general, with both scientific and morally normative components which are not easily separated. As it stands, it can hardly be addressed by empirical sociological research, but it expresses the main underlying concern of this study. My aim is to shed light on the scientific part of the question by exploring, in some breadth and depth, both the above-mentioned changes themselves and the disputes about them in the Norwegian farmers' co-ops. The relevance of this empirical study to the general question rests on the assumption that *the changes actually do represent a move towards more narrowly 'business-like' organisational policies and practices*. A second assumption is that, as the co-operatives are constituted as democratic organisations, the arguments for and against the changes can help us to understand the latter. Indeed, apart from being interesting in themselves, co-operatives -- by virtue of their open, democratic character -- provide a valuable 'window' into organisational decision-making⁵.

The initial, compound question I pose is simply:

How have the changes been brought about, and what are the respective grounds for introducing and supporting them, and for opposing them?

In this first part of the study, this broad question will give rise to a number of more specific ones. These will be developed with the aid of the scientific perspective and key concepts of the study in Sections 1.2 and 1.3.

I stress that the aim of the study is not somehow to be able to pronounce objectively and scientifically whether the changes in the co-ops are 'right' or 'wrong'. Rather my task is to look closely at changes -- particularly structural concentration -- in the co-ops; to arrive at an understanding of the processes by which they are brought about and of the arguments for and against them; and to communicate this understanding. Through a better understanding of this particular process of contested changes, the study is intended to contribute to addressing the previous general question about people's involvement with productive ('economic') activity, with theoretical and substantive implications beyond the particular organisations, sector, and ultimately also the type of organisation concerned. The morally normative aspect of the policies in question will be an integral part of the arguments; and when presenting these, I can hardly entirely exclude my own sympathies. In reflecting on the latter, I will remind the reader that I am not claiming any scientific authority for them. Besides, the diverse arguments in the co-op disputes have made me aware of the complexity of the issues. What at first sight appeared black-and-white turns out, on closer examination, to consist of a wide range of colours.

⁵ This is particularly true in Norway, because of the country's traditions and legislation which make both business and government affairs much more open than is the case in the UK, for example.

The main task of this first section in the introductory part of the study is to build up a preliminary set of impressions or 'images'. The separation of what was known or suspected previously, and what was subsequently found by research, is to some extent artificial; but it is a very deep-seated norm of narrative presentation which extends to the human sciences. Thus I do not regard the presentation of 'findings' as such as appropriate in the introduction to a study. Nonetheless, it is possible to introduce initially a limited number of impressions of the changes and the disputes in the farmers' co-ops, sufficient to indicate the diversity of aspects and what kind of theory I regard as relevant, and to elicit a number of key questions. These impressions represent basic issues which appear intuitively obvious, or which have been so prominent in public debate and comments over the changes in the co-ops that they can be regarded as 'initial information'. While some are mutually contradictory, other impressions may be seen as partial and complementary representations of aspects of the changes and disputes in the co-ops.

As noted earlier, Ragin (op. cit.) uses the metaphor of 'images' to refer to a synthesis of initial observations and impressions of a phenomenon by social scientists. In borrowing this term and applying it to the initial impressions referred to above, I am adapting it to a somewhat more 'constructivistic' way of regarding the acquisition of information (or epistemological approach), by shifting the emphasis from the observer to those actively supplying information. I will have more to say on this approach in Section 1.2. It is an attempt to come to terms with the fact that - unlike natural scientists - social researchers don't just go out and selectively 'gather' information: it is also actively supplied to us, or even shouted loudly at us. We thus have to cope with multiple -- contradictory and competing -- images of a single phenomenon, or a complex set of complementary images of parts and aspects of it. As we will shortly see, examples of conflicting images are provided by the opposing sides in the co-op disputes. To use popular market terminology, proponents and opponents of the various changes seek to 'sell' their respective images to uncommitted co-op members, the press, politicians, the general public, and to social researchers. We cannot 'buy' them as they stand, but we can note, compare and analyse them. The study will concentrate on those empirically significant images which relate to factors of a general kind, which lend themselves to sociological analysis.

Structural concentration as a natural, rational and inevitable process (TINA)

It is an indisputable fact that the structure of primary (farm) milk production, co-ops and dairy plants has been concentrated in fewer and larger units since the middle of the twentieth century:

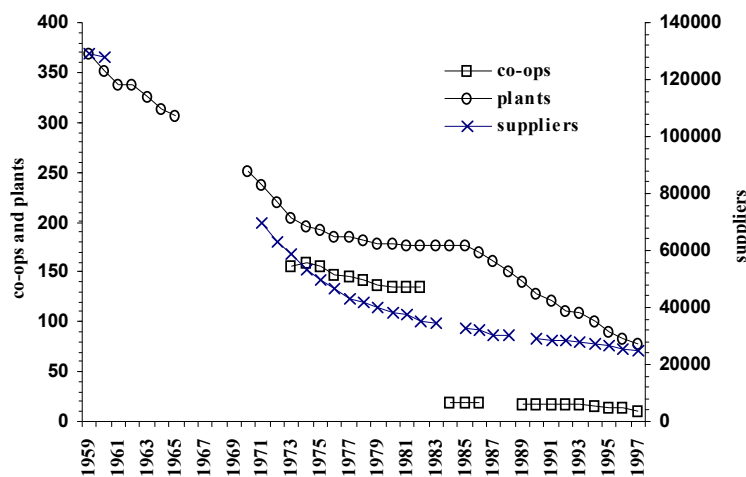


Fig. 1.1c Structural concentration of co-ops, their suppliers and their dairy plants since 1959. Source: Norwegian Dairies (Tine NM/NML) annual reports⁶

Such a reduction in numbers can be seen as a necessary and positive change. This is how the dairy co-op federation NML presents the concentration of its members' processing structure, together with the dramatic concentration which primary milk production has undergone:

'Dairying has become a modern food industry. Within 30 years the number of milk producers in Norway has been reduced by 100,000. In the same period the number of dairies has been reduced by 200,000. 30 years ago there were 350 dairy plants, as against 140 today. Rational, dependable and consumer-orientated operation is the paramount goal....' (excerpt from the annual report of NML, 1988 -- my translation⁷)

The dairy federation's account of structural concentration invites us to see it as part of a process which is both natural and beneficial. The concentration of dairy processing is presented in the context of the numerically much more dramatic concentration of primary milk production. The juxtaposition of these processes suggests that they are essentially the same -- a spontaneous and rational adaptation in accordance with the universal imperative of 'modernisation'. No further explanation is required. A few years later, the Norwegian dairies adopted the common trade mark 'Tine' for their produce -- by coincidence, remarkably like 'TINA'!

The phenomenon of structural concentration is so widespread in industry and business in the late twentieth century, that it is commonly taken for granted as inevitable. Indeed it is widely regarded as highly desirable, in the interests of competitiveness and profitability. Many business managers, journalists and economists justify take-overs and factory closures by the economic 'law' of economies of scale, and an imperative of maximising return on invested

⁶ Missing data is not regarded as a problem: the purpose is merely to show clear trends.

⁷ Unless otherwise stated, quotes from Norwegian sources are my translations, and will not be explicitly labelled as such from now on.

capital. Politicians supportive of concentration argue in terms of '*efficiency*' and '*robustness*'. They claim that '*our*' companies need to '*position*' themselves -- by merging and taking over others, and subsequently '*rationalising*' production -- in order to be competitive with large companies elsewhere, as markets expand across state boundaries and become increasingly '*globalised*'⁸. In short, TINA.

In some quarters of social science, too, there is a strong tendency to accept the re-location of production in bigger units, accompanied by a contraction in the employment it provides, as inevitable. This scientific position rests on an evolutionary concept of structural change or '*development*', linked to an assumption of perpetual economic growth. The claim is that in this '*late modern*' or '*post-modern*' era, '*secondary*' or industrial production must give way to '*tertiary*' or service industry as the main source of employment, just as it earlier took over this role from '*primary*' production of food and raw materials. To use a practical illustration, we can envisage these two major stages of transition as being first from primary beef production (farming) to jobs in co-op plants making McDonald® burgers, and then on to cooking and serving up the latter in an urban restaurant. For those in farming and rural industry who do not wish to move to the towns, an expanding tourist industry is seen as a suitable alternative source of employment: people displaced from processing jobs in rural dairies should be qualified to work in nearby hotel kitchens and bars.

Structural concentration as both a scientific and moral problem

Scientifically, to infer necessity from an observed pattern of change is surely deeply unsatisfactory. The labels '*evolutionary*' and '*development*' may be useful rhetorical devices for eliciting support for changes, but they hardly further our understanding of the processes involved. As the latter is the aim of the present study, there is no room for the idea of necessary or inevitable change. The discussion of scientific perspectives will be continued in the next section.

Furthermore, on the normative (evaluative) level, the privilege of access to creative and rewarding jobs may make it easy for the scientific community to overlook the drawbacks of the structural changes for many of the people concerned. Besides the low-paid and poorly regulated (non-union and part-time) nature of many service jobs comes the less objectively measurable or predictable social factor of the meaning attached to both location and work. Like all kinds of change, re-location and change of employment are processes which create winners and losers. As well as individuals, the latter may conceivably include communities, or rural society in general. Structural change thus represents a social and moral problem. To recognise this is not synonymous with taking sides in the structural disputes: it merely implies that authoritative claims that the changes are unproblematic and beneficial cannot be taken at face value, and counter-claims have to be taken seriously.

The social scientific image of concentration as a natural and inevitable process is countered by a contrasting set of images, signified by concepts including '*post-Fordism*', '*network*', and '*flexible specialisation*', and associated with small-to-medium-sized businesses including co-operatives. Indeed, claims and hopes of a reversal of the trend of concentration were fuelled

⁸ Hallenstvedt (1996:23) points to the rhetorical use by government politicians of the metaphor of '*trains*', on which the productive resources of society are seen as being gathered, requiring '*locomotives*' -- globally orientated companies -- to set them in motion.

in the 1980's by a growing awareness of the significance of small businesses, and the success of strategies to utilise advantages of small size (Best 1990). The best-known example is the textile industry of 'Middle Italy', which has been extremely successful, with the help of new technology and various forms of co-operation between the many small and medium-sized firms (Piore and Sabel 1984). Without going into theories about these conflicting trends at this stage, it can at least be noted that there is evidence of advantages of small scale as well as of large, and of the success of mutual co-operation as well as of merger and take-over. An image of possible structural options, rather than of a single imperative of concentration, thus emerges as a background to the disputes over concentration in the farmers' co-ops. This does not however mean excluding the possibility that concentration may be the only rational strategy in the particular industries and circumstances in question.

A powerful image of structural concentration as a moral problem is presented by a member of a large regional dairy co-operative. His version contrasts sharply with the 'official' one of the dairy federation, presented earlier:

'On the 16th of April this year the annual general meeting of Østlandsmeieriet killed off 9 dairy plants -- Ringerike, Kongsberg, Asker, Nes, Øystre Slidre, Gausdal, Heidal, Vågå and Alvdal. Of the 36 dairies the company had in 1985, 12 will remain.

For many people, the dairy massacre is incomprehensible...

(excerpt from an article by Olav Randen, in the small farmers' union journal *Bonde og Småbruker*⁹)

Like the 'official view', this version of structural concentration is rich in symbolism; but here it is the heated, explicitly affective metaphor of killing, in contrast to the cool and implicitly objective symbolism of modernisation. Again, figures are quoted; but here they are given names. Dairy production is depicted not in an aggregate sectorial context, but in the specific context of (mainly rural) places and communities which potentially stand to lose when it is re-located. Structural concentration is presented as a morally reprehensible and socially irresponsible product of fallible human agency - thus neither inevitable nor clearly rational.

Thus, while the dairy federation portrays the development of an increasingly concentrated sub-sector as a 'success story', opponents project an image of failure and 'degeneration'. They associate the co-operative organisational model with ideals and with bringing broader social considerations to bear on business. The implication is that the co-ops are becoming less distinctive, and adopting the same kind of narrow business outlook as the majority of their capitalist counterparts appear to be doing.

This image of co-operative 'degeneration' has been given support by journalists and academics. For example, the widely-read sociologist and commentator Andreas Hompland¹⁰ characterises the dairy co-ops as '*a faded movement in conflict with itself*', concluding that '*Co-operatives as sub-cultures are no longer sustainable enough to run distinctive firms. . .*' One of the most influential figures in the field of agricultural co-operative research in Norway, professor Per Ove Røkholt at the Norwegian College of Agricultural Science {NLH}, points to a tendency among large, long-established farmers' co-ops in several countries to convert to joint-stock companies. '*Developments in many European countries are*

⁹ 'Austlandsbøndenes meierimassakre' {'The Austland/Østland farmers' Dairy Massacre'}, by Olav Randen (journalist, small farmer and organisational activist), 15th May 1993.

¹⁰ 'Agrar-kosmetikk' ['Agrarian Cosmetics' - commentary following the 'Hatling Affair' in the dairy federation, cf. part 4], *Dagbladet* 20.08.94. See also Hompland (1995).

so dramatic', he writes, '*that agricultural co-operation {landbrukssamvirket}, as we know it in Norway, hardly exists any longer . . .*' (1990:18-19). Faced with similar political tendencies attributable to the ascendancy of neo-liberalism, farmers' co-ops in Norway may face an '*existential crisis*', characterised by uncertainty as to the advantages of the co-operative form and the grounds for adhering to it (op. cit: 21).

From a critical point of view, then, a compound image may be constructed of co-ops which have become more narrowly 'business-like', and may even be on the way towards abandoning the co-operative organisational model altogether. It is such an image -- seen in the light of the underlying concern about the place of wider considerations in business -- which has prompted the present study. In other words, TINA versus alternatives.

Interpreting the source of the changes: choice or compulsion?

As noted above, ruling out general theories of necessary change does not entitle us to conclude that structural concentration and other changes have been freely chosen by the co-ops. Per Ove Røkholt (cited above) sees political change as having potentially drastic consequences for the farmers' co-ops, forcing them to adapt. Some co-op leaders and their supporters also present an image of the process of structural concentration as forced on them by politicians: '*We would like to maintain the broadest possible structure. But we cannot run away from reality . . . It does not feel good for anyone to rationalise and close dairy plants. But with the policies that have been pursued, and the political signals that we see today, we have no alternative. . . .*'

(attributed to Olav Folkestad, chairman¹¹ of the board of the co-op Sunnmøre Meieri)¹²

This image contrasts somewhat with the positive image of structural concentration conveyed by the earlier quote from the dairy federation. The first question to be addressed by the study is, then:

-- *have structural concentration and other disputed policy changes been forced on the co-ops, or have they been chosen?*

This is not an easy question to address, for the borderline between being 'forced' and 'actively choosing' is far from sharp (cf. Roemer 1988; Taylor 1982). Differing perspectives are inclined to give different answers, and as we will see later, even business economic analyses may not agree on this issue. As the next section will make clear, the main social-science perspective of the present study views forced adaptation to circumstances as a limiting case: normally, a certain degree of choice is expected. I will apply a simple comparative approach to the question of compulsion.

Subsidiary questions that emerge from the image of the changes as being *forced* on the co-ops are: *how, and by whom?* Politicians have been blamed in the above citation. Another popular culprit is the market; and as we will see in Part 2, this is not so much an anonymous system as a set of identifiable agents. Writing in its 1994 annual report of the conflicts over co-op processing structure, the central office of the farmers' co-ops, Landbrukssamvirkets Felleskontor, claims that '*in many ways it is the battle for shelf space in the big [supermarket] chains that steers developments today . . .*' (Brandtzæg 1994:8).

¹¹ I will be using the conventional 'gendered' form -- see note at end of Part 1.

¹² Interview 'Vi kan ikke overse virkeligheten', *Nationen* 15.08.94 (journalist's name missing).

Interpreting the decision-making process: TINA or agency and grounds?

In the case of the changes having been forced, the grounds for introducing and supporting them will be reduced to simply understanding and accepting the situation. Otherwise, we have to ask *how the particular policies were chosen -- by whom, and on what grounds?*

First, we have to ascertain whether the changes were chosen *democratically* -- directly or indirectly -- *by the majority of members*. As the organisations are constituted as democratic, this is what we would expect. Nonetheless, the Machiavellian version of politics as a cynical 'power game' suggests that formal democracy does not always hinder strong leaders from obtaining desired outcomes, either by availing themselves of the defects of the particular democratic system, or by deceit. The openness of the farmers' co-ops makes outright abuses of their democratic systems by leaders, for whatever purposes, unlikely. However, less extreme versions are more plausible. Once again, we have to do with a poorly-defined borderline - this time, between legitimate and non-legitimate democratic methods. What criteria do we employ to determine whether the democratic system is functioning adequately? Where do we draw the line between manipulation and legitimate persuasion? This indeterminacy brings us to the question of approaches, which will be discussed in following sections. However, the character of the decision-making process can be assessed independently of approaches which categorise it as legitimate or otherwise. The question is to what extent the structural concentration and other changes appear to have been *chosen and initiated 'from the top down'* in the co-ops, rather than being a 'bottom-up' process with leaders responding to pressure from members.

Next comes the question of grounds for the choice of structural concentration and other controversial policies. The image most widely projected by co-op leaders is that these policies have been *rationaly chosen as the best means for furthering members' material interests*. Another possibility -- raised by objectors as well as by some relevant previous studies -- is that the particular policies are chosen not so much rationally, as the best available means, but because leaders and their supporters just *follow what other organisations are doing*. The other organisations concerned may be co-ops, or -- potentially more controversially -- they may be organisations in the same sub-sector or branch, including capital-controlled ones. Røkholt (1990:18) refers to the international trend of neo-liberalism which has had a considerable effect on politics in Norway as elsewhere in the late twentieth century. He sees political decisions and proposals, which are '*sometimes dramatic*', in Norway and in '*countries which are natural to use as references*' as exerting a powerful influence on Norwegian co-operatives. Listing some concrete examples from Norwegian policy in the agricultural and other sectors, Røkholt writes that these '*give unequivocal signals to Norwegian farmers' co-ops to emphasise their business/market role. . .*' He adds that this influence is further amplified by developments in farmers' co-ops in other countries. Two possible mechanisms are involved in this process of imitation and conforming to expectations: *norms* -- or appropriate ways of doing things within an established collectivity - - and, more fundamentally, *ways of perceiving, thinking and reasoning*. I will shortly return to the latter.

Allegations that leaders have ulterior motives, of bringing benefits to themselves, will not be included as a theme for research. As noted above, I regard the open character of the co-ops as preventing the non-legitimate accumulation of material benefits by leaders, at least over a

long period.¹³ In the absence of 'hard evidence' of leaders gaining benefits other than prestige, questions of ulterior motives can only be speculative.

Interpreting the disputes among co-op members

Beyond the process of decision-making by co-op leaders, this study is concerned with the question of why members in general respectively support and oppose the controversial policies in question.

If the policies have been forced on the co-ops, the reasons why members object to them -- or at least why they address objections to co-op leaders -- will be reduced to failure, or refusal, to realise or accept the inevitability of the changes. Various images to this effect have been projected by supporters of the latter. They point to particular rather than general factors, which will thus be given the analytical status of 'potential sources of error': the error in this case being on the part of the co-op members whose views are being recorded, in the first instance. Their effect would be to produce disputes which can have no influence on outcomes, leading our attention away from the real reason for the changes.

Three images in particular have been projected, seeking to explain erroneous views. All three may also be relevant if the changes have been chosen rather than forced on the co-ops. The first is that the objectors lack the necessary insight and knowledge. This could conceivably be due to *lack of education or of organisational experience*. Both of these factors are empirically ascertainable. They also lead to the question of approaches and socialisation, which I will return to. Another apparently plausible image is that *inadequate information* has reached the members who object to the changes. If this proves to be the case, it indicates organisational problems. I propose to treat this and the previous image as 'sources of error', which will not be subjected to explicit attention in the analysis. They will rather be subsumed under the broad discussion of approaches.

The third image of the objectors as mistaken presents them as irrationally refusing to 'face the facts', because they are blinded by *ideologies*, or simply 'conservatives' or 'romantics' who *oppose change of any kind*. This last claim can be seen together with a counter-claim by opponents of the changes, that the latter are unnecessary but that supporters of them have had their critical faculties impaired through socialisation in environments where orthodoxy prevails. Neither of these images give us satisfactory propositions for research purposes as they stand, but again lead on to the broader and more balanced question of approaches, to be discussed below.

Even if they do not like the disputed policies, and present them as being forced on the co-ops, members and leaders who support or defend them claim that they represent the best or only option with regard to members' material interests. That the changes are meant to benefit co-op members does not, however, necessarily imply a commitment to bring benefits equitably to all members. *Divergence of actual material interests* is the core theme in some empirically and theoretically significant images of the co-op disputes.

¹³ The 'Cabin Affair' and the 'Hatling affair' -- see Part 4 -- are two controversies about benefits acquired by managing directors of the dairy federation, which acquired the character of scandals when members got to hear of them. They have been linked by critics to the concentration of organisational power in the federation. However, these controversies have indicated that the long-term accrual of non-legitimate benefits to organisational leaders is likely to be found out.

Material interests might conceivably take a particular, rather than general form. One widespread image of the Norwegian co-op disputes is that they have a parochial character. For instance, when asked in a press interview¹⁴ if he understood that '*farmers close ranks to defend the rural area's {bygdas} own dairy*', the chairman of the dairy federation, Kåre Syrstad, is quoted as replying, '*I have no problem in understanding that locals come to the defence of their own plant. It's a competition between rural areas.*' Resistance to co-op mergers is likewise often portrayed by co-op leaders as being due to local or regional loyalties. In both cases, the loyalties are seen as a combination of material interests with a symbolic element of pride and prestige. This is a difficult image to assess the importance of. In selecting farmers to be interviewed, I made a point of choosing some who lived far from places of employment, and we will see how this affects their views in Part 5. Just now I will merely note that I do not consider parochial concerns to be weighty enough to explain more than part of the disputes. Furthermore, they are not sociological; and I feel justified in leaving them aside when formulating hypotheses.

Two previous studies, from Norway and Denmark, indicate that structural disputes in farmers' co-ops may rather be due to diverging material interests of a more general character, between objectively-defined categories of farmers. The findings of these will be summarised in Section 1.4.

Other critical images of structural concentration than those based on personal interests are prominent in the disputes. The citation from Olav Randen's article projects an image of opposition involving *principles and substantive values*, suggesting that the farmers' co-ops can and should take these into account along with members' interests when formulating policy. An image of the problem of combining interests and values is presented by the farmers' co-ops' central office in its 1994 annual report (Brandtzæg op. cit.: 7). While making plain that politicians and supermarket chains are leaving the co-ops with little real choice, the previously cited article tells of '*the farmers' co-ops' perpetual dilemma between business economic profitability and highest possible produce price for the owners, as against rural jobs and the farmers' demands for a nearby plant.*' Here, material interests in terms of profitability and economic returns to co-op members are seen as grounds for the controversial changes, while the grounds for opposition are presented as a combination of other material interests on the part of farmers, together with the issue of rural jobs. For co-op members (as distinct from employees), the latter is a matter of values, not interests.

One way of looking scientifically at this 'balancing act' is to regard both material interests and substantive values together as different kinds of '*members' utility*' (Røkholt op. cit: 14). Instead of narrowly defining utility in terms of actual and expected personal material gain, as investors in capital-controlled businesses are widely expected to do, co-op members may well bring substantive values into their 'utility function' (if we continue with the economic terminology). I will be looking critically at such economic methodology in Section 1.2.

In discussing the decision-making process among co-op leaders, I presented an image of the changes as 'imports' from other co-ops and organisations more generally. Sections 1.2 and 1.3 will bring out the problems associated with interpreting such importation in terms of norms alone. Røkholt's reference to an '*existential crisis*' (op. cit.) points to a fundamental difference in ways of regarding and understanding co-operatives. I will refer to these as differing *approaches* towards the co-ops. This concept puts principles and substantive values into a

¹⁴ TINE-formann uten kosmetikk', *Nationen* 8.10.94: Tore Mælumsæter.

context of ways of understanding and attaching meaning to reality. It represents a more 'constructivistic' alternative to the 'utility function' of economic theory, for studying the way in which co-op members combine and balance material interests and substantive values. The distinction between these very different concepts, and the scientific perspectives underlying them, will be made clearer in the next section.

Earlier, I have contrasted two versions of the process of concentration of production structure in the dairy co-ops. Though the form of presentation and the messages they seek to convey differ radically, both are built around a common core of indisputable facts and figures. In different ways, they show the extent of structural concentration, and illustrate a deep-seated divergence of views within the farmers' co-ops, which the concept of differing approaches may help us to understand. In dealing with both facts and the ways in which they are constituted and regarded, this study will alternate between a 'realistic' (or 'essentialistic') and a more 'constructivistic' scientific position, which I will present in Section 1.2.

Together, the material interests, substantive values and approaches of co-op members will constitute the main focus of attention in the study. In the following sections, I will use the concept of differing approaches to show that material interests may be empirically linked to substantive values and meaning. The question of whether the changes in the co-ops are determined by external 'forces', or are chosen by leaders, will also be re-examined in terms of approaches.

A partially sorted set of initial images

This section has introduced a variety of initial images of the changes in the co-ops and differing views about these, including grounds for supporting and opposing them. The general theme of the study, and the more specific themes and questions which I regard as researchable, are summarised below.

We began with a very general underlying *concern*, formulated as a question:
whether and to what extent businesses in general, and co-operatives in particular, can, do and should take into account wider social considerations than 'pure business' ones in their policies and practices.

Norwegian farmers' co-operatives are undergoing changes including structural concentration. This study is based on the *assumption* that *these changes together represent a move away from a co-operative organisational model in which wider social considerations than those of pure business enter into the decision-making process.* The grounds for interpreting the co-operative organisational model in this way will be explored in Section 1.3; while the interpretation of the changes will be subject to confirmation, rejection or adjustment by the empirical study.

In the light of the general concern, it becomes important to ascertain:
-- how the changes have been brought about; and the respective grounds for introducing and supporting them, and for opposing them.
 This more specific, though still very broad, question is to be addressed by the present study. Among the many conceivable possibilities opened by it, I have selected the following two sets of specific questions and themes.

On the changes themselves:

Have structural concentration and other disputed policy changes been forced on the co-ops, or have they been chosen?

If forced on the co-ops: how and by whom?

If chosen -- how and by whom, and on what grounds?

-- were they chosen and initiated 'from the top down' or from the 'bottom up'?

-- what grounds do leaders (i.e. the formal decision-makers) give for their choices; and are there other plausible grounds?

On the disputes, grounds of a *general character for supporting and opposing the changes* will be sought among:

-- material interests

-- substantive values and principles

-- approaches (including 'attitudes' and subsuming the previous categories)

The possible significance of factors of a particular character cannot be ruled out, and the following will be looked out for as 'sources of error' in the empirical study:

-- lack of understanding, due to lack of education or organisational experience

-- lack of information, due to organisational deficiencies

Having presented a set of preliminary questions and propositions, I must make it quite clear that the scientific methodological approach of the present study is not the hypothetical-deductive one of logical empiricism. Rather, it is an interpretative one involving retroduction, or a 'dialogue between ideas and evidence' (Ragin op. cit: 47). Though following the scientific convention -- or discursive device -- of presenting a set of questions and propositions before the bulk of the evidence, I do not pretend that this is exactly how the research was done. Ideas developed along the road, in response both to evidence and to research literature, by no means all of which was read before data collection commenced.

The above set of questions and themes will be developed further in Section 1.4, with the aid of theoretical tools to be presented in Section 1.2, and general ideas about the character and purpose of co-operative organisations, to be presented in Section 1.3. I will then draw up a revised set of questions which can be addressed, and propositions whose plausibility can be evaluated, through further collection of evidence or data.

1.2

Perspectives on production and business, and analytical frame of study

In this section, I will define the sociological perspective I am adopting by comparison with others, along two major dimensions of distinction: *structure* versus *agency*, and *narrow* (or formal) versus *broad* (or substantive) conceptions of economic or *productive activity*. The discussion here will be kept at a very concrete level, by linking perspectives to socio-economic practices rather than to abstract philosophical arguments. The scientific perspective I am adopting takes a broad view of economic activity, and seeks to balance structure and agency. It will constitute the main analytical frame of the study, with the alternative perspectives providing subsidiary frames.

Constructivism and a conflictual perspective

In the previous section, the same process of structural concentration in the dairies was presented in very different ways by the dairy federation and a critical farmer. The presentations differed not just in their value judgements of the process, but also in the aspects they chose to focus on. Perspective, including choice of focus, is a feature of all accounts or representations, including scientific ones; and thus - at least in the social sciences -- '*knowledge is relative to perspective*' (Bruner 1990:27). I have already introduced the idea of constructivism -- as opposed to scientific 'realism' -- in the preceeding section. This is a matter of epistemology, or how one views the acquisition of knowledge, at a more basic level than the distinction between perspectives introduced above; and I will signify it by the term '(scientific) *approach*'.

By '*constructivism*' I mean nothing more than the scientific approach that regards the acquisition of knowledge as a social process, and *knowledge as thereby being socially constructed*. It seems to me that this position is consistent with a sociological scientific perspective. For practical purposes, I regard realism and constructivism as complementary: the former is then a limiting case, where what is observed cannot contribute to the construction process, and is thus objectively verifiable. The existence of a meeting or a piece of text falls into this category. It is when we begin to interpret such 'objects' by analysing their content, that it becomes necessary to take account of the meaning and aims of participants and authors; and a constructivist approach becomes a useful tool which may provide insights beyond those of a realist one. I will have more to say in Section 1.4 about the method of text and discourse analysis, which I will employ in part of the study, and which involves a constructivist approach. In the case of observable and verifiable factual information, a realist approach is more appropriate, and will be duly adopted.

The view of scientific activity as a social practice, both influenced by and influencing other social practices, represents a radical break from the conventional, conservative view of science as something detached from and 'above' society. At least as regards the social sciences, this break involves rejecting the idea of an objective, 'positive' science which seeks to uncover singular, universal truth. Viewing social scientific research and discourse as part of the real and imperfect world by no means reduces these to the pursuit and expression of material interests, but it does mean acknowledging that they are influenced to some extent by

a plurality both of interests and of world views or ideologies. Conflict, rather than consensus, is the order of the day, and the appearance of the latter becomes anomalous and suspect, rather than being a desired outcome. A rejection of value-free social science does not mean that we can permit ourselves to substitute values for scientific criteria, or ideological dogma for scientific method. Rather, it means recognising that particular moral values and world views inform our work, and that we are obliged to make these explicit, along with our particular scientific approach.¹⁵

It follows from the above that the choice of basic analytical perspective is heavily influenced by socialisation, into both a disciplinary community with its particular discursive norms, and other social collectivities or environments with cultures characterised by class, cosmology and ideology. In principle, it is neither an individual choice from a menu, nor a matter determined by a single factor such as interests or ideology. The adoption of one particular perspective does not imply denying that others may be capable of providing valuable insights. As in other enlightened social practices, we as scientists are obliged to respect and tolerate perspectives which conflict with our own, even when arguing strongly against them¹⁶ (Bruner op. cit.: 30). The maintenance of rigid orthodoxy and the stifling of diversity is as pathological in science as elsewhere in society.

The perspective I am adopting in this study rests on a conflictual understanding of society, though not confined to class conflict. It focuses on agency whose motivations are complex, and which is both constrained and enabled by structures which are socially generated and thus open in principle to change. I will present it by distinguishing it from others: in particular, the 'mainstream' ones of economics and Marxist materialism, which between them dominate the study of productive activity or 'the economy'. The discussion will be framed by two main dimensions. The first has to do with the balance in emphasis between autonomy of human action or 'agency', and various ways in which agency may be regarded as 'structured'¹⁷ (Crespi 1992). Depending on perspective, the latter concept may signify how outcomes, means and even intentions are restricted, and possibly also enabled, by factors beyond the control of the 'agent' concerned, who may be an individual or a collectivity of some kind. The second dimension is about whether productive or 'economic' activity is to be regarded as fundamentally different from other human activity, and thus associated with narrow materialistic motivations and instrumental/strategic relations to the exclusion of others. Though I hope to show convincingly that the sociological perspective I am adopting provides valuable insights which the others do not, I must leave open the possibility that the converse may also be the case. I will later be referring to studies based on somewhat different perspectives from my own.

Agency and structure in the social sciences

A key distinguishing feature of the various social science perspectives is how they treat *agency* and *structure*. In the preceding section, a number of potentially significant factors in

¹⁵ See preface for a short note on my world view

¹⁶ Within limits, of course. Totalitarian or fundamentalist perspectives, which themselves give no room for tolerance, clearly fall outside these limits. In order to be taken seriously, scientific perspectives should also meet minimum requirements of scientific discourse.

¹⁷ In adopting the classic sociological dichotomy of agency and structure, I am underlining the *sociological* disciplinary character of this work. Though borrowing ideas from other disciplines, I do not attempt to work 'across the disciplines' like some colleagues in Tromsø, who have taken on board the concept of 'social process' from social anthropologists.

structuring human agency have been mentioned: interests, norms, substantive values, and approaches or ways of relating to organisations and activities. In enlarging on these and others, I will draw attention to their varying analytical status in different perspectives.

Aspects of structure and agency: power, interests and utilities

Power is a major aspect of social structures. The greatest contribution of Marx and Marxists to social science has surely been the critique of power relations in society, particularly those concealed by the capitalist mode of production. As well as being perceived as an oppressive relation, power can also be seen positively, as necessary in order to achieve change. Though 'mainstream' Marxism, like Marx himself, has tended to reduce ideas to a residual category, some Marxist writers have taken the mediation of power through ideas more seriously. Antonio Gramsci developed the concept of *hegemony* to take account of the role of dominant ideologies in passivating the exploited masses, later developed by other writers (McLellan 1980; Fairclough 1993). In non-Marxian sociology, the foremost 'classic' writer on power was Max Weber, who was concerned with both the power of ideas and the special legitimate kind of social power known as *authority*, a key element in his theory of bureaucracy (Weber 1978). The 'neo-Weberian' approach to the study of organisations outlined by Charles Perrow (1986) regards organisations as constituting a power base for their leaders. Such an approach may be employed far beyond organisational boundaries. However, I have not pursued power as a central concept in the present study.

Mentioned in the preceding section, *material interests* exert an important structuring influence on human agency, and form a key analytical category in both the orthodox economic and mainstream Marxian perspectives. The former has tended to treat interests as individual preferences, though the addition of the axiom of maximisation has made behaviour appear predictable on the basis of material initial conditions. The Marxian materialist perspective sees material interests not as individual preferences, but as properties of the key category of social class. The latter is generated and maintained by historically specific relations of production. Thus analyses adopting this perspective do not regard agency as a category of major significance, as action is determined by class and thereby predictable by objective observation of the place of agents in the economic system. Though a cognitive element of agency is recognised, it is also regarded as subject to objective assessment, either as true 'class consciousness' or 'false consciousness'. I will return to the topic of material interests from a sociological perspective, and to the sociological critique of orthodox economic and mainstream Marxian perspectives.

The orthodox economic perspective narrows human motivation to strategically rational calculation of cost and gain, thus largely reducing agency to a trivial function of 'preferences', which are seen as dominated in the economic sphere by material interests. As it completely lacks a concept of power, it gives a false impression of symmetry in human relations. The mainstream Marxian perspective is strong on structures and power, but again reduces agency to the pursuit of objectively defined material interests, this time on a class basis. Both of these perspectives thus tend, in their different ways, to 'over-determine' human choice and action, just as norm-based sociological ones have a reputation for doing.¹⁸ Despite their widely different moral and political implications, they have strong methodological similarities, attributable to an underlying, metaphysical assumption of a purpose or *telos* at system level --

¹⁸ This term is attributed to Dennis Wrong: 'The Oversocialised Conception of Man in Modern Sociology'. *American Sociological Review* 26 (2): 183--93. Citation after Granovetter (1985).

also found in religions. In the case of Marxist historical materialism the *telos* is historical necessity, while in orthodox economics it is system efficiency. I hasten to add that my objections apply to the 'mainstream' schools, and that I have drawn a great deal of inspiration from the writings of less orthodox economists and Marxian social scientists, to whom I will be referring.

The concept of utility has been mentioned in the preceding section. With it, orthodox economic theory has been extended to the broader utilitarian theory of society. Utilities are not confined to material interests, but can also comprise values, which are chosen individually according to preferences. Their potential diversity rules out the prediction of human behaviour on the basis of material conditions; but like interests, they are subject to the axiom of maximisation. As sociology gives room for more sophisticated, and -- in my view -- more useful concepts for dealing with values and people's concerns generally, the concept of utilities will not be employed in this study. However, utilitarian thinking as an empirical phenomenon will receive attention in Part 5.

The institution: mediating between structure and agency

Another major source of patterns of behaviour is that much of social life is structured by *institutions* or established social arrangements. This very broad concept can be understood and used in different ways, depending on perspective.

A narrow concept of institutions has been developed by the 'neo-institutional' school of economics (Coase 1937, Williamson 1983). Attempting to bring economic theory closer to empirical reality, this school has conceded that productive activity is widely organised in hierarchically organised firms, and accordingly admitted a concept of institution to deal with the existence and persistence of these. This concept of institution is deduced from the 'economic man' model of behaviour, and is interpreted in a purely material sense, with incentives and disincentives structuring the behaviour of agents through the material interests attributed to the latter. Apart from dropping the assumptions associated with perfectly functioning markets, the neo-institutional school of economics does not diverge radically in its thinking from the orthodox neoclassical one. Thus its concept of institutions is a narrow, one-dimensional one, with individual action being structured by the interplay of individual interests with external incentives and disincentives. Besides, it has taken over the ideological bias of the parent school (Perrow 1981).

Since sociology was established by the 'classic' writers as a modern science in the late-nineteenth and early-twentieth centuries, 'institution' has been one of its main concepts. Durkheim (1982: 45) writes of how social interaction brings about a synthesis '*instituting outside ourselves certain modes of action and certain ways of judging which are independent of the particular individual will considered separately.*' The institution -- the core concept of sociology according to Durkheim -- is thus '*all the beliefs and modes of behaviour instituted by the collectivity.*' In other words, institutions are socially constructed and reproduced, but appear as external reality to their participants. This is a broad definition, comprising categories as diverse as practical rules and the criteria by which fundamental distinctions and categories are constituted. Indeed, the concept of institution helps us to see not only structures but also social agents as being socially constructed categories.

The appearance of external reality assumed by institutions is not so strange, for the concept of institution implies endurance over time; and thus participants in an institution may well have

inherited its main features. Furthermore, power may be involved, so that to most participants, the institution is imposed on them. Insofar as they recognise it and conform to it, they nevertheless participate in reproducing the institution; so that the agency of all participants is relevant, even if only infinitesimally so. At the most basic level, the state, laws, property and the market are all viewed by sociology as institutions, though they are so fundamental that their socially constructed character is often 'bracketed' -- i.e. not explicitly brought to attention.

Classical sociology has regarded institutions and their norms as structuring the behaviour of participants not only externally through incentives and disincentives, but also through the process of internalisation. This brings people to adopt norms as prescriptions for behaviour, tied to positions and roles which they accept as 'natural'. This aspect of institutions brings out more fully their enabling, as well as the constraining character: without their assistance to reduce complexity and provide ready-made guidelines, social life would be chaotic, and both individual and collective action much more difficult than is the case. Authority is normally attached to roles, and accepted accordingly, as in Weber's ideal-typical modern bureaucracy (op. cit.). With the development of the constructivist position in sociology has come a focus on the institutional structuring of perceptions of reality, in addition to the two other mechanisms.

In the present study, attention will be given particularly to institutions at the level of organisations, and thus it is appropriate to set the concept of institutions in the context of the field of sociological organisational studies.¹⁹ Here, the 'old institutionalism' associated with Philip Selznick had been primarily concerned with institutions as a source of dysfunctions for organisations, as in the classic Tennessee Valley study (Selznick 1965). This school of organisational sociology has been accused of taking an uncritically functionalist perspective (Perrow 1986: 166--172). A 'new institutional' position, developed from the above-mentioned 'social construction' perspective, sees institutions as the key to understanding how organisations are capable of functioning as well as mal-functioning.

The diverse findings and theoretical variations of newer institutional theory have been very usefully summarised and systematised by the organisational sociologists Charles Perrow (op. cit.) and W. Richard Scott (1995). The latter has provided a classification scheme in which institutions are shown to structure action in three ways -- 'regulative', 'normative' and 'cognitive', which Scott refers to as 'three pillars of institutions' (op. cit.: 34 ff.). Social science perspectives vary as to which of these 'pillars' they 'see' and focus on. While the first is compatible with the one-dimensional institutions of economic theory, the second and third are sociological; and at least the third involves a degree of constructivism. I find Scott's classification scheme a useful guide, though finding the distinction between following norms and 'copying' ways of thinking to be difficult to sustain empirically. The three main concepts specified in the preceding section as potential sources of organisational conflict -- interests, values and approaches -- can respectively be placed in the three 'pillars' of institutions. I am following Scott in treating realism and constructivism pragmatically as complementing each other with different insights.

The structuralist and post-structuralist schools of social theory have focused on 'thought structures' or institutionalised approaches to social practices beyond the organisational level, comprising whole societies, classes and ethnic groups. They have shown the influence on

¹⁹ I leave aside political science views of organisations.

thought, perception and communication of the common values and meaning shared and established at the very basic levels of ideology, culture and language. These form the bases for people's understanding of their situations, interests, common meaning and even identities, and therefore constitute their opinions, preferences and perception of reality at a fundamental level. Thus institutions may be regarded as structuring the very way participants *perceive and understand* each other and their activities, defining social reality in institutionalised forms (Scott op. cit.) which cement definitions of reality. The constructivist or 'new institutional' perspective focuses on these more subtle forms of structure, treating the sociological agent or actor as more autonomous and reflected than if he or she merely responded to outer stimuli or 'programming' through internalised norms. This accords with Giddens's (1991) conception of the 'reflexive' modern agent, but may also be seen as expressing a shift in the late twentieth century towards a more 'human' approach to the study of people in both modern and other societies.

Institutions of language: discourses, approaches and prevailing definitions of reality

Different ideologies and belief systems, as well as scientific theories, can exist side by side in modern plural societies, potentially giving rise to conflicting perceptions, understandings and definitions of social reality. It is therefore conceivable that people performing similar roles in the same organisation may interpret the roles and organisation in different ways, if the cognitive institutionalisation of these is not sufficiently strong to counteract this. Power to bring about conformity in this respect, by defining reality 'authoritatively', has its limitations - - thankfully for the human condition, even if it causes problems. Thus being in a position to impose one's definition of reality on others does not mean that the latter will accept it and institutionalise it at normative or cognitive levels, even if they act outwardly in accordance with it and thereby institutionalise it in the regulative sense. 'Corporate cultures' defined by upper management in firms are a case in point. Höpfl and others (1994: 378) conclude from an empirical study of British Telecom that *'The level of intervention on which corporate culture operates is inadequate to sustain radical change in the individual. On the contrary, it tends to offer meanings and reality definitions that have only situational validity.'* In the present study, it has already been noted in the preceding section that the dairy federation's 'official version' of the structural concentration process has been challenged by some co-op members.

In Section 1.1, I introduced the concept of plural '*approaches*' in order to interpret different ways in which co-op members may be seen as relating to their organisations, balancing material interests with substantive values. I proposed this concept as an alternative to two others: 'norms' and 'utilities'. The latter stems from orthodox economic or utilitarian theory, and is accordingly constrained to reduce human concerns to a single dimension. The former deals adequately with values, but not with interests. The concept of 'approaches' brings together the constructivist versions of interests and values, seeing the relation of individuals to both of these as defined by roles and identities, themselves the properties of institutions. Used in this sense, the term 'approaches' may cause a little confusion with usage in the sense of a scientific approach; but it also has the function of 'de-privileging' the latter.²⁰ The context should make clear whether I am referring to scientific or other kinds of approaches.

²⁰ Though by no means a 'post-modernist' (Alvesson 1995), I approve of the democratic, 'de-privileging' aspect of this trend. By 'de-privileging' I do not mean removing the distinction, but just removing the hierarchical implications that it may carry.

While not abandoning the idea that people are likely to have interests related to material property and class position, I see their perception of these interests as institutionally mediated and modified. I do not accept that we can just classify such perceptions as 'false consciousness' if they do not conform to expectations.

The rejection of objective definitions of 'correct' consciousness does not mean excluding the possibility that people's perceptions of their interests, and of important values, may be influenced by powerful 'definers of reality', or that the definitions concerned may acquire hegemonic status. Prevailing definitions of reality, among which the mass media are the most prominent purveyors, are of considerable importance to any study of people's understanding of their situations and the activities they are involved in. Where institutionalised arrangements deviate significantly from the 'norm' in the rest of society, as co-operatives do from capitalist firms, it may be difficult to sustain an understanding of the distinction among participants, in the face of 'mainstream' efforts to re-define them in terms of the prevalent institutional arrangements. This problem will be discussed further in the next section.

More generally, departure from concepts of individual preferences and class consciousness makes it necessary to examine ways in which ideas and understanding are communicated. The sociological concept of 'discourse' signifies institutionalised communication which mediates definitions of reality (Fairclough 1993; Potter 1996). In everyday speech, this term means primarily the communication of ideas, and secondarily the academic exposition of a subject (cf. Webster's unabridged dictionary). The 'text and discourse' school of social analysis -- of which I will have more to say later -- has built on the broad primary meaning, retaining its generality but adding insights from language theory and philosophy. Potter (op. cit.: 105) defines discourse broadly, as *'talk and texts as parts of social practices'*. This scientific approach to communication builds on J. L. Austin's concept of the 'speech act', which treats speech, and communication in general, as social action on a level with all other social action (Potter op. cit.: 11). It thereby breaks down the 'saying-doing' dichotomy which has exerted, and still exerts, a powerful influence within social science methodology (Bruner op. cit.: 16), and which is often linked to simplistic psychological assumptions of the 'economic man' type.

Used in the particular sense -- '*a discourse*'/ (set of) discourses' -- the concept signifies communication on a particular theme or group of themes. It is in this sense that the term has been developed into a useful analytical concept, equivalent to M. Foucault's 'discursive formation' (1972). Rather than adopting the latter, I follow Fairclough (op. cit.: 5), and what I gather to be common usage, in simply speaking of '*a discourse*'. Just as the constructivist approach has shown the significance of institutions more generally in the construction of meaning, Foucault's writings have shown in particular that discourses do not just communicate their objects: they also constitute them. Thus, socially consequential concepts such as Foucault's example of 'mental illness' (op. cit.: 32) are constituted through academic discourses. By generalising from the latter, we can conceive of discourses as being centred round specific themes, having their own specific terminologies and conventions, and having varying degrees of exclusiveness. They serve to legitimate the authority of some participants, and the lack of authority of others, contributing to constituting the role or identity²¹ of both

²¹ A distinction between 'role' and 'identity' is that the latter implies a greater degree of involvement in an institution. For most people, 'patient' is a very occasional role, whereas 'employee' is part of their identity.

within a particular institution: for example, doctor and patient, teacher and pupil, manager and worker. While the everyday version of discourse is conceived of as ideally symmetrical - with participants exchanging ideas -- no such symmetry is implied in the version with which we are concerned here.

Also beyond the confines of particular institutions, discourses mediate power relations. Fairclough (1995: 95) writes that *'the hegemony of a class or group over the whole society or over particular sections of it (or indeed, these days, hegemony on a transnational scale) is in part a matter of its capacity to shape discursive practices and orders of discourse.'* An example of this contested process of domination or hegemony, of great relevance to the present study, is the constitution of economic definitions of reality such as 'global competition' referred to in the preceding section. Discourses of global competition are characterised by Ehrensals (1995: 5) as *'smoke-screens behind which the actual actions and intent of capital can be obscured.'*

Like other institutions, discourses are dependent on being socially reproduced, and can potentially be changed. They are continually being combined, with metaphors and other elements being transferred between groups of very different discourses. The concept of 'intertextuality', developed by semiologists including Roland Barthes, brings out the way in which communication generally is made up by re-combining pieces of earlier text and discourse (Potter op. cit.: 77ff.). While also criticising action-centred approaches to discourse analysis, Fairclough (1993: 45) sees Foucault's view of discourses as too structuralist, leaving too little room for agency. The 'dialectical' and conflictual alternative which Fairclough proposes (op. cit.: ch. 3) seeks to balance these elements, and accords with the view of institutions I have outlined earlier. The co-op disputes which I will be examining in the present study would appear to show a contest between 'official versions' and oppositional discourses over the definition of the material realities of the co-ops and their policies. I will also be looking at a range of relevant discourses that impinge on the changes and the disputes in the co-ops. Though I will be focusing on agency, I do not examine the process of generation of discourses, treating them as pre-structured communication, and seeing their multiplicity as a potential source of change.

To sum up: the sociological perspective I am adopting recognises that human thought and action is shaped by the range of structures discussed above, which are themselves socially generated. While acknowledging that in certain situations structures may be so constrictive as to leave virtually no choice, this perspective sees the complexity of structures in modern societies as potentially providing scope for choice and agency, and in particular, for collective action. In the same way as I have envisaged the adoption of scientific approaches or perspectives, I see agents' adoption of their approaches to their productive activities as influenced by a set of factors including world views and ideologies, rather than a single one such as class. This implies that the forms and directions of collective action are less predictable than they would appear from a Marxian analytical perspective.

Narrow 'formal' versus broad 'substantive' perspectives on productive activity

The study of productive or 'economic' activity in society has been and is dominated by the perspective of orthodox or 'mainstream' economics, based on the classical theory of Adam

Smith and his contemporaries, and on the later 'neo-classical' development of these. This perspective is a narrow, reductionist one, which reduces productive activity to the instrumentally or strategically rational pursuit of individual material interests. In contrast to it, I will be defining a sociological approach which takes a much broader view of productive practices, putting them into a complex social context in which substantive values and ideas are vital components. Between these is a range of Marxian political economy perspectives, which tend to emphasise material interests, but incorporate the major social category of class, and add the vital dimension of power. These will be given more attention in Section 1.4, in the form of particular examples of their application. The present discussion will be limited to contrasting the orthodox 'formal' economic perspective and the 'substantive' sociological one, linking them with contrasting ideological discourses and social practices.

The dichotomy 'formal -- substantive' in this context is well established. Weber (1978: 85) distinguishes between the '*formal rationality of economic action*', involving '*quantitative calculation or accounting*' and the '*substantive rationality*' of economic action, defined as '*the degree to which the provisioning of given groups of persons . . . with goods is shaped by economically oriented social action under some criterion (past, present or potential) of ultimate values.*' Later, the ideas of Karl Polanyi -- to which I will return shortly -- led to the development of the 'substantivist' school of economic anthropology, in opposition to the 'formalist' school which was based on the universal application of orthodox economic theory (Dalton 1971).

Formal economic discourses and business practice

The theoretical perspective which corresponds to narrow gain-maximising business practices, and which both describes and prescribes them as optimally rational, is orthodox economic theory in its narrowest form. This is sometimes referred to as 'economistic'²², meaning that it represents economics turned in on itself, as it were, making logical deductions from the axiomatic assumptions of maximising behaviour and perfectly clearing markets, without inductively-derived modifications. As it is closely linked to the political ideology of neo-liberalism, I use the term 'formal economic discourses' to cover both scientific and ideological categories.

Neo-liberalist writings began to exert influence from the 1930's and onwards (Cockett 1995), with the economist F. Hayek at the forefront. The latter insists that joint-stock companies must place the maximisation of long-term profit above whatever substantive aims they might have (Hayek 1967; Clegg 1994:68). However, the 'Keynesian accommodation' between the power of capital and democracy (Bowles and Gintis 1987) prevailed until the post-war boom had been replaced by the economic disorder of the 1970's. By this time the neo-liberal economist Milton Friedman had risen to prominence and become a major purveyor of formal economic discourse to political leaders on the Right. In the late 1970's, this ideology made its political breakthrough with Thatcher and Reagan as field marshals. In Part 2, I will take a brief look at the institutional structures which have ensured the continued active promotion of the further liberalisation or 'globalisation' of production and trade as the new millenium approaches.

²² Though well-established in social science literature, this term does not appear in my Webster's Unabridged Dictionary, and so I use it sparingly.

The liberalist project has been to purge the practices of the market and capitalism of all residual traces of broader social and moral considerations. Its spirit is conveyed by Milton Friedman's statement: *'No-one who buys bread knows whether the wheat from which it is made was grown by a Communist or a Republican, by a Constitutionalist or a Fascist, or, for that matter, by a Negro or a white.'* (Friedman 1962: 21).²³ Let us not romanticise: capitalism has always been about the few gaining wealth with the help of the toil of the many, and by 'externalising' a lot of the costs. But while capitalists had earlier felt an obligation to legitimate the accumulation of profit by relating business to wider social concerns, the neo-liberalists have sought -- with considerable success -- to make the naked pursuit of maximum profit socially and politically acceptable (Hallenstvedt 1990). Today a vast mass of business economic texts -- in books, periodicals and newspapers -- proclaim, or imply, that investment must be continually subjected to evaluation in terms of the single criterion of maximal expected return (allowing for risk). Nothing else matters -- or should matter -- according to the teachings of the hard-line business economics of the late twentieth century: what is produced, where, how and by whom are immaterial, save for considerations of legal repercussions. Substantive human values and meaning have no place in such a purely instrumental conception of business.

The success of the teachings of the neo-liberalist economists is indicated by evidence that they are being widely followed, or at least represent a way of thinking which has become dominant both in business practice and in world politics. Routinely come reports of the closure of factories and the take-over of businesses which are profitable, but not profitable enough for their owners, who are often financial institutions with no other *raison d'être* than to make profits. The removal of political barriers to the transnational movement of capital has facilitated the dislocation of production, which is widely referred to by the term '(economic) globalisation'.

Modern capitalist societies, since their emergence, have been arenas of struggle between the liberalist economic theory and practice of the self-regulating market on the one hand, and a variety of political and moral economic theories, linked to social governance of productive and distributive practices, on the other. Periods of liberalism and free trade have alternated with periods characterised by more active state involvement and a more controlled economy (Gilpin 1987; Hallenstvedt op. cit.). Time will tell whether developments in the late twentieth century merely represent another transitory period of liberalism or an irreversible transformation of the world economy. According to the promoters of global capitalism, however, there is no shadow of doubt that the latter is the case.

The deterministic character of orthodox economic theory lends itself to incorporation in neo-liberalist ideology and rhetoric. Though the concept of globalisation is neutral in itself, the image of a natural process which cannot -- and should not -- be controlled politically has been projected by neo-liberalists. Thus 'globalisation' has joined 'modernisation' as a weapon in the conceptual arsenal of liberalism. Its effectiveness as a rhetorical device has been pointed out by social researchers including Ehrensals (op. cit.) and Mustafa Koc, who writes: *'Although the process of globalization has been ongoing since the inception of the capitalist world economy, since the mid-1970's its public image has been reconstructed by neoconservative ideology.'* (1994: 273). Hirst and Thomson (1995: 414) observe: *'For the right in the advanced industrial countries, the rhetoric of globalization is a godsend. . . . For the radical Left, globalization proves the reality of the world capitalist system and the illusory nature of*

²³ Quoted in Bowles and Gintis op. cit.: 27)

national reformist strategies.' Governments professing diverse political ideologies, as well as industry leaders, claim that nothing can be done to hinder capital movement, and that structural concentration and plant closures are essential in order to meet global competition: i.e. TINA. The professed inability to govern key areas of countries' economies clearly has serious implications for democratic government. It is analogous to the claims of co-op leaders that the disputed changes are being forced on the organisations. In both cases, we have to ask whether the decision-makers have been made powerless, and if so by whom; or whether they have been blinded by liberalist rhetoric, or have even adopted a liberalist perspective themselves.

A substantive perspective

Though delivering a brilliant critique of both orthodox economic theory and capitalist practice, Marx did not depart substantially from the narrow, materialistic perspective of the former on productive activity. Thus while his political economy brings the vital dimension of power into the study of production, it has little to say about the aspects of meaning and ideas. Being particularly concerned with these, I turn to the broad perspective of economic sociology, founded on the theories of Max Weber and the other sociological 'classics'.

Among the aspects of 'modernisation' identified by the latter are functional differentiation (which I will return to presently) and rationalisation -- i.e. the replacement of tradition with systematic method. Weber (1985) traces the rise of modern capitalism to the systematic, goal-orientated way of thinking engendered by Calvinist religious doctrine. He sees the development of formal purposive rationality -- involving the selection of effective means for achieving given goals -- as central to the twin dominant modern institutions of capitalism and bureaucracy. This way of thinking is contrasted by Weber with substantive 'value rationality' -- involving the evaluation of goals as well as means. Modern capitalist and bureaucratic modes of organisation and production thus tend to exclude consideration of substantive values. The ascendancy of narrow formal rationality is seen by Weber as a de-humanising process, involving loss of meaning (*Sinnverlust*), and creating a powerful constraint on human action that Weber referred to by the metaphor '*stahlhartes Gehäuse*' -- a 'steel-hard shell', commonly translated less precisely as an 'iron cage'²⁴ (Weber op. cit.; Chalcraft 1994).

If we conceive of modernisation as a linear process, giving the status of a law -- which he did not claim for it -- to Weber's theory, it would appear that the trend of increasingly narrow business practices in the late twentieth century is inevitable. With reality being brought increasingly into line with orthodox economic theory, it would seem ironic that sociologists are concerned with developing broader theories of productive activity. However, it is not so strange when we drop the assumption of linear modernisation, and bear in mind the prescriptive function of theory -- its role in constituting reality -- which has just been illustrated in the case of orthodox economic theory. Radical economists²⁵ have criticised sociology for being too bound to empirical observation of what exists -- and thereby conservative -- in contrast to economics which, with its hypothetical models, is free to explore what *could* be. They undoubtedly have a point, though it is their liberalist mainstream colleagues rather than themselves who have so far made a major impact on promoting practical change in the capitalist world. Nevertheless, economic sociology also has normative pretensions. In other words, it may be regarded as a theory *for*, not just of, a morally and

²⁴ The 'iron cage' version, which comes from Talcott Parsons' translation of Weber, has 'stuck' so well that I feel obliged to use it along with the more correct version offered by Chalcraft, op. cit..

²⁵ I am indebted to Karl Ove Moene for this argument (seminar, Det Kgl. Selskap for Norges Vel, May 1997).

socially responsible economy. One of its leading theorists, Amitai Etzioni (1990), leaves no doubt that that is his intention. So we can interpret the renaissance of economic sociology in the late twentieth century as a response not just to orthodox economic theory in itself, but also to the extent to which it is being put into practice.

Economic sociology (or socio-economics) recognises that, even though the convention of instrumentally rational behaviour is empirically associated with the social sphere of production in modern market societies, any particular course of action will always be situated in a social context more complex than those depicted by economic models. Such a context -- involving real people and social relations -- will often involve meaning beyond individual gain, and moral considerations. Therefore a sociological approach to production must not only include the aspect of meaning and substantive values, but also recognise that these cannot be treated as menus of preferences, subject to instrumentally rational choices. Indeed, meaning and values ultimately determine whether a course of action will be based on instrumentally rational choice at all (Etzioni op. cit.).

Thus the sociological 'actor', even in the sphere of production, is a much more complex and less readily predictable one than the 'economic man' construct of orthodox economics. This is not to deny that calculations of individual gain are significant, or that -- other things being equal -- people prefer lower prices when buying and higher when selling; but rather to claim that even when engaged in business, people often bring wider considerations than individual cost and gain into their decision-making. A sociological approach thereby accommodates diversity, rather than seeking to compress people's actions and interactions into a tight framework centred round cost-gain calculation. It regards pure gain-seeking behaviour not as 'human nature', but rather as a social phenomenon requiring explanation in terms of a specific institutional or cultural context.

As indicated in Section 1.1, I am particularly interested in the part played in the co-op disputes by substantive values, and these will be a central concern in the empirical analysis. The significance of values and meaning in society in general, including productive practices, is a key component of Weber's theoretical legacy. Stuart Clegg sees this aspect as overshadowing Weber's pessimism about the ascendancy of formal rationality, and his interest in bureaucracy: *'The central focus [of Weber's thought on organisations] is the inescapability of substantive values - even in their formal denial. These are at the core of organizations.'* (1994: 76). Clegg explains how the lack of English-language translations of key texts until the late 1960's had hindered the development of his ideas, other than his theory of bureaucracy, in organisational science.

Weber's broad concept of rationality -- involving plural rationalities (mentioned earlier) -- is embraced and developed by Clegg, but is not accepted by all writers in the field of economic sociology. Etzioni (op. cit., Chapter 8) wishes to confine the term 'rationality' to the formal instrumental/strategic kind, arguing that it loses its analytical strength if broadened to admit plural rationalities. Complaining of the tautological use of the formal concept of rationality by economists, Dalton (op. cit: 7) asks *'why bring in rationality at all? Why not just say what they do and give their reasons for what they do?'* While following Weber's usage rather than that of Etzioni, I will largely follow Dalton's advice. I will thus generally be subsuming rationalities under the broad concept of people's 'approaches' to productive activity (cf. preceding section), which embodies the aspect of plurality, covering both formal rationality and the Weberian concept of substantive rationalities.

Weber's approach to the study of productive or economic activity was revitalised in the middle part of the twentieth century by the work of Karl Polanyi. In emphasizing the importance of ideas and ideology in bringing about social change, and in his rejection of determinism, Polanyi builds on Weber's theoretical framework. He also follows Weber's methodological approach of broad comparative studies, drawing on a great quantity of historical evidence from different parts of the world. However, he does not follow Weber's principle of separating normative judgements from scientific analysis, and his writings resemble those of Marx in being spiced with polemics against free market practices, liberalist ideology, and orthodox economic theory. He is nevertheless careful to distinguish the intellectual achievements of economic theorists such as Menger -- which he holds in the highest esteem -- from the application of economistic versions of their theories to liberalist political dogma (Polanyi 1971b). Though they made more of an impact on scientific discourse in social anthropology when they first appeared, Polanyi's writings have subsequently played an important role inspiring the development of the sub-discipline of economic sociology.

The latter is based on the substantive meaning of 'economy' -- socially instituted productive and distributive arrangements (Polanyi 1957; 1971b; 1971a), or '*the material life process of society*' (Sahlins 1974: xii). With the help of anthropological examples, Polanyi clarifies the distinction between this meaning and the 'formal' one of orthodox economics, which implies 'economising' or saving on scarce resources (see also Sahlins op. cit.). '*The two meanings could not be further apart; semantically they lie in opposite directions of the compass.*', writes Polanyi (1971a: 140). The ambiguity of this word in the English language facilitated the discursive trick of collapsing these two concepts into one by the English neo-classical school, disregarding the clear distinction between them made by the founder of the latter, Carl Menger (op. cit.). Thus, orthodox economics was able in effect to claim the universal applicability of the self-regulating market. In the present text, I will be using the term 'economic' in its substantive meaning, except where referring to the discipline of economics; but will more often avoid it and 'economy' by using 'productive' and 'production' or 'productive activity' respectively (thereby subsuming distribution, for the sake of brevity). In social anthropology, the broad perspective on productive activity associated with Polanyi's writings became known as 'substantivist', with the competing perspective based on orthodox economics being labelled 'formalist'. While the term 'formal' in this context corresponds to Weber's previously-mentioned 'formal rationality', it is not immediately clear that there is a similar correspondence with respect to the term 'substantive', which Weber associated with values.²⁶ A closer look at Polanyi's concept of the economy will show that I am not playing the same kind of trick with words as the orthodox economists did.

Polanyi's substantive version of the economy is centred on the simple but profound observations that '*No human motive is per se economic.*' (op. cit.: 63), and that '*man's economy, as a rule, is submerged in his social relationships.*' (op. cit.: 7). Expanding on this theme, he writes: '*The human economy, then, is embedded and enmeshed in institutions, economic and non-economic. The inclusion of the non-economic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines themselves that lighten the toil of labour.*' (op. cit.: 148). Thus Polanyi emphasises both the institutional character of

²⁶ In juxtaposing Polanyi's usage of 'formal' and 'substantive' with that of Weber, I am not suggesting that the substantive concept of the economy was taken over by the former from the latter. In fact, Weber maintained a dualism in his work, and accepted the collapse of the two meanings of the term 'economic' into one (Polanyi 1971a: 136 ff).

productive activity, and -- with the metaphors 'submerged', 'embedded' and 'enmeshed' -- its inseparability in principle from other social institutions, and thereby from the substantive meaning and values embodied in these. I will return to the significance of the general formulation and the use of the present tense ('is'). Granovetter (op. cit.) has later taken up the theme of 'embeddedness', but with reference specifically to inter-personal relations and networks rather than institutions. Unless otherwise stated, I will follow Polanyi's usage of this term.²⁷

Polanyi's themes were predominantly historical and comparative beyond 'modern Western' society, and much of his scientific efforts were directed towards repelling the colonisation of economic history and social anthropology by formal economic thought. Whereas traditional economic arrangements were deeply 'embedded' in a wide range of social practices laden with symbolically mediated 'non-economic' meaning, the business practices advocated by the neo-liberalists and orthodox economists are clearly not so. The position of modern state-controlled and mixed economies in Polanyi's scheme is somewhat unclear, but would seem to fall somewhere in between. It involves carrying forward the key principle of socially-controlled redistribution from traditional to modern systems; but it also entails the intervention of the market between producer and consumer, and associated mass production and consumption, by no means all of which is clearly meaningful (Galbraith 1970).

The use of a dichotomous comparative analytical scheme gives rise to a certain ambiguity in Polanyi's writings, as in Weber's. Both were concerned with the importance of substantive meaning and values to the organisation of productive activity, and both emphasised the tendency of formally rational economic arrangements in modern 'Western' society to exclude them. Thus, in the classical sociological tradition, they both tended to dichotomise 'traditional' and 'modern' societies and social arrangements, emphasising the radical institutional and cultural distinctions between them. At pains to show that 'primitive' and 'archaic' economies were based on quite different principles from that of the modern market, Polanyi tended to concede that formal economic theory was appropriate within the culturally and historically specific institutional boundaries of the latter. Thus in his comparative writings, he did not actively challenge orthodox economics on its 'home ground' in the same way as the new economic sociology does. The contrast between traditional and modern economies is further underlined in Polanyi's critique of the modern market. He argues that while 'the economy' -- i.e. productive activity -- had contributed to social integration in all other societies, the self-integrating but relatively separate economic sphere of modern market society has a socially disintegrative potential. *'A self-regulating market demands nothing less than the institutional separation of society into an economic and a political sphere.'*, he writes. *'Such an institutional pattern could not function unless society was somehow subordinated to its requirements.'* (1971a: 30).

Just as Weber has been misunderstood with regard to the loss of meaning from productive activity in modern society (Clegg op. cit.), there is a tendency to mis-interpret Polanyi's position as a kind of determinism excluding 'embeddedness' from modern economic relations.²⁸ I think it should be clear from the general remarks cited earlier, formulated in the present tense, that Polanyi regards the basis of orthodox economics -- the narrow materialism of the self-regulating market -- as an unacceptable ideological and theoretical perspective on

²⁷ Just to complicate matters, Giddens (op. cit: 18) employs the metaphor of 'disembedding' to signify 'the 'lifting out' of social relations from local contexts and their rearticulation across indefinite tracts of time-space'.

²⁸ In my view, this is what Granovetter (op. cit.) does, in criticising the substantivist position for exaggerating the difference between traditional and modern societies as regards 'embeddedness' of economic activity.

reality, even in modern societies. It represents to him a perversion of the normal institutional order -- an attempt to make the rest of society subservient to the economy, instead of *vice versa*. Far from conceding that the self-regulating market has irrevocably taken over control of modern society, Polanyi dramatically de-bunks it as a misguided ideological project which has fortunately been prevented from doing so, for: '*Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and turned his surroundings into a wilderness.*' (1957: 3). Of the introduction of laissez-faire policies during the Industrial Revolution, he writes: '*Indeed, human society would have been annihilated but for protective countermoves that blunted the action of this self-destructive mechanism.*' (1971a: 37). Thus Polanyi does not make the mistake of confusing the ideal market with empirical reality (Walzer 1990); but shows an acute awareness of the importance of ideas in constituting social practices. He draws attention to the dangers of the modern 'market mentality', as Weber does with regard to the ascendancy of the narrow purposive rationality on which the latter rests.

Unlike Weber, who was a reform liberal, Polanyi was a socialist. (Litvan 1991). A main part of his scientific and political project was to show the inadequacy of a science, and dangers of an ideology, based on the principles of gain-seeking individual 'atoms' and a self-regulating market. The other part was to formulate a scientific alternative, and join in the search for political ones. As Polanyi wrote his major works, Keynesianism was ascendant, and he could look back on laissez-faire liberalism as a historical aberration, albeit one whose ideas had to be constantly fought against to prevent a recurrence. Social control over the economy had thus not been irrevocably lost in the process of transition from traditional to modern society; but it had assumed another character. Seeing productive activity in modern societies as removed from social control of an unmediated and multi-faceted institutional kind, Polanyi was concerned with maintaining political control of it through the means of democratic government, in opposition to both the liberalist project and totalitarian ones. If we reduce his concept of institutional embeddedness to the aspect of regulation, we may conceive of the economy as having been disembedded from traditional institutions through the modernisation process, but 're-embedded' within the overarching multi-functional institutional framework of the modern polity or 'nation-state'. The political scientist John G. Ruggie (1982, 1994) thus refers to the compromise arrangement of state-regulated markets by the rather self-contradictory term 'embedded liberalism'.

Yet Polanyi himself was not satisfied to reduce the institutional 'embeddedness' of productive practices in modern societies to governmental control -- the 'regulative' component. Like Weber, he was concerned with meaning and substantive values, even in modern societies. To materialists, this emphasis makes Polanyi an 'idealist' -- a categorisation he firmly rejects: '*No protest of mine, I realize, will save me from being taken for an 'idealist'. For he who decries the importance of 'material' motives must, it seems, be relying on the strength of 'ideal' ones. Yet no worse misunderstanding is possible.*' (1971a: 72). He insists that it is '*pernicious to institutionalise the separation of the 'material' and 'ideal' components of man's being.*' (op. cit. - original emphasis). For Polanyi, as for late twentieth century economic sociology, the general rule is that material economic activities and relations are subservient to broader social ones involving substantive values; and the amoral market is a special limiting case where the latter are excluded through ideologically motivated institutional isolation. Thus, as Schroyer (1991: 66) puts it: '*Polanyi's theory converges with contemporary critical theory in identifying the socio-cultural crisis of late capitalism as the systematic suppression of moral-ethical consciousness (i.e. 'disembedding') and its replacement by an economically rationalized system.*' In opposition to this trend, Polanyi writes: '*I plead for the restoration of*

that unity of motives that should inform man in his everyday activity as a producer, for the reabsorption of the economic system in society, for the creative adaptation of our ways of life to an industrial environment.' (1971a: 72-3). Polanyi thus clearly refused to accept 'disembedding' as the inevitable fate of modern economic activity, seeing it as a contested process.

For the purposes of the present study, Polanyi gives us a dichotomy of contrasting approaches to the economy -- not just theoretically, but also as empirical categories, applied to people and their institutionalised social practices. Avoiding the complexities and ambiguity of the concept of embeddedness, I prefer to label these empirical categories simply 'formal' and 'substantive', like their theoretical counterparts. The distinction between theory and practice is far from sharp, as indicated in the preceding discussion, and as the rest of the study will illustrate. In modern societies, productive practices are generally not institutionally 'embedded' in the same way as traditional ones. On the other hand, it would seem that modern practices, more than traditional ones, are subject to the kind of plurality of understandings and approaches that I mentioned earlier: we have to do with 'reflexive' agents (Giddens op. cit.) who are often aware of theories about the practices they engage in. Thus I regard a relatively substantive approach to productive activity, involving meaning and values, as being potentially widespread even within modern economies; and the latter as arenas of conflict between formal and substantive approaches to participation in them.

Section 1.2 perspectives and frame

In Section 1.1 I showed two contrasting general images of co-operative organisations: one in which they are pure instruments of gain, and another in which they are invested with substantive values. These can now be seen to correspond to the *formal* and *substantive approaches* outlined above. With the concept of approaches, I aim to balance structure and agency on the one hand, while contrasting a formal view of economic activity with a substantive one in the empirical study. These contrasting approaches to co-ops, both in theory and practice, will be the subject of the next Section (1.3). In Section 1.4, I will apply the theoretical concepts developed in the present section to the more theoretically interesting initial images from Section 1.1, thereby generating questions and propositions for empirical research. I will also be reviewing the findings of some previous empirical studies, bringing in and considering the relevance of Marxian materialist perspectives as well as economic sociological ones.

1.3

Co-operatives: contested principles and practices

This Section explores the question of what co-operatives 'are': what distinguishes them from other business organisations, and what is the nature of this distinction? The context of the discussion, as of the rest of the study, is my concern about the place in business of broader social concerns than pure gain.

Despite the distinctive organisational form of the co-operative, its essential character is a matter of contention, as are the widely varying practices of actual co-operatives. In the preliminary introduction of Section 1.1, evidence has been presented to the effect that the word or signifier 'co-operative' means different things to different people. It was suggested that contrasting images of structural concentration in the Norwegian farmers' co-ops might be associated with different *approaches* by members and leaders to their organisations. In Section 1.2, two contrasting approaches to productive activity have been discussed. In this section, the theme of two contrasting sets of ideas and practices of production will be developed further, this time in the context of the co-operative as a specific type of organisation. So the initial question of what co-operatives 'are' will be looked at from two different angles, producing two sets of answers. In this process, the question effectively becomes re-formulated, with the realist 'are' being replaced with the constructivist 'are perceived and defined to be'.

As the aim is to inform the present study of co-operatives of one particular type, the discussion will be limited to co-operative organisational forms conforming to the mainstream 'Western' tradition, originating in Europe in the nineteenth century. Based on the political principles of liberal democracy, they may conveniently be referred to as 'liberal-democratic' (Melnik 1985) to distinguish them from more strongly collectivist arrangements ('collectives', kibbutzim, and so on) which may also be regarded as co-operatives. Despite this limitation, there is considerable diversity of co-operative practices, and there is profound disagreement as to the 'essence' of the liberal-democratic co-operative as a distinctive type of organisation. As in the previous section, ideas and practices will be discussed together, with the distinction between them being bridged by the sociological concept of 'discourse'.

Though the focus will be on the single form of producers' co-operatives - the subject of the empirical study - much of the discussion will deal generally with co-operatives of the liberal-democratic type, because of common institutional characteristics attributed to them. Though these vary according to perspective, they have a 'core' of objective socio-material reality, consisting of basic features of form and practices which distinguish co-operatives from capital-controlled (joint-stock) firms. After these 'core' features have been briefly presented, the discussion will move to the question of different perspectives on co-operatives, and the different practices associated with these, linked to the perspectives on production which were introduced in the previous section. The aim is to construct a frame of reference for the empirical analysis in later sections. For the sake of brevity, certain details will be placed in an appendix rather than in the main text.

Distinctive material/regulative institutional features of co-ops

A minimal definition of (liberal-democratic) co-ops is that they are businesses or service organisations owned and controlled by those who either supply them with goods or labour, or who obtain goods or services from them. This tells us little about the way organisations of this type function; though it does imply quite a different type of owner involvement from that of Hayek's and Friedman's ideal investor (cf. Section 1.2), interested only in maximising financial returns.

Underlining this difference in owner involvement are two closely linked general institutional features of co-operatives: a substantial proportion of company capital is indivisibly collective, and cannot be appropriated by individual members; and financial gains are passed on to members primarily as adjustments in price.²⁹ Though there are significant variations in practice with respect to the first of these,³⁰ the principle of ownership being confined to users inevitably places restrictions on the transfer of capital not normally found in joint-stock firms. The second feature -- of financial benefits to members being primarily in the form of advantageous adjustments in prices -- can be regarded as a key distinguishing one, as without it the distinction from joint-stock companies becomes blurred. While the incentive system for members' involvement and responsible behaviour in the latter is based on financial investment and returns on it, the point of running co-ops is to meet substantive needs - which cannot be reduced to pure financial gain - and the incentive system is based on this.

There are legal-fiscal definitions of co-ops, but they vary between countries. In Norway, for example, there is at present no specific co-operative legislation, so that co-ops are treated as exceptions from the 'standard' types of company. The user-owned aspect is regarded as basic for taxation purposes, as the absence of 'profit' as such makes co-op financial accounts rather different from those of standard businesses. In producer co-ops, the 'profits' are passed on to individual owners as advantageous prices, giving them increased taxable income.

Producer-owned co-ops involve the suspension of market competition between their members, and thereby represent a certain degree of market power. In principle, such power conflicts with anti-trust legislation associated with market economies. However, as co-operatives of primary producers generally do no more than compensate for the imbalance of market power that would exist in a free market, they are widely granted exemption from anti-trust laws. Such exemption does not necessarily extend to federations or 'secondary co-ops' at polity or national level, which may dominate markets for certain products such as milk.

Two contrasting versions of what co-ops are

A comment on the debate in the former regional co-op Meieriet Sør -- which we will hear more of in parts 4 and 5 -- provides a good illustration of an image of co-operatives which is subscribed to by many advocates of this special type of organisation:

²⁹ This study is concerned with producers' co-operatives. In housing and workers' co-operatives, financial benefits are measured in (lower) rent and (higher) wage levels respectively.

³⁰ For example, the Mondragon group of co-operatives (Whyte and Whyte 1988) require substantial individual capital investments from their worker-owners.

*'The treatment of the structure issue in Meieriet Sør shows what is special about the co-operative as a company model, and the strength of the co-operative compared with the joint-stock company. The strategic decisions for the company are made in a democratic and open process which other types of company are unable to match. It means that more importance is attached to social value {samfunnsnytte} than is the case in other businesses, both privately and publicly owned. Irrespective of views on the dairy issue, the public {omverda} ought to have deep respect for the milk producers, and the process they have worked through up to the decision by their a.g.m., which takes into account both their own private finances and the social value of the dairy's activity.'*³¹

A rather different view of the farmers' co-ops, and the considerations they ought to take in making decisions on structure, is conveyed by the following two statements by leaders of Meieriet Nord, the former regional dairy co-op in the counties of Nordland and Troms. At the 1994 annual general meeting (a.g.m.), the managing director (m.d.), Kjell Schive, is quoted as reminding members: *'The numbers of employees and dairies must never be goals in themselves. A plant is only an instrument to secure the members a sale and price.'*³² At the a.g.m. two years later, Ole Johan Rist, then newly elected as chairman, was quoted as conceding that concentration of processing structure had been met with stiff opposition, adding: *'But the dairy co-ops were not formed to build dairies or provide jobs. The goal is to collect milk, and have it processed and sold to bring money to the milk producers.'*³³

These two contrasting images of Norwegian farmers' co-operatives give us a starting point for a more general discussion of views as to what exactly co-operatives are, and what they are about. Both are to be found in society at large as well as among the organisations themselves and their members. They are directly linked to the broad and narrow academic perspectives on production, and corresponding approaches of producers, which were presented in the previous section, and may respectively be labelled *substantive* and *formal* images of co-operatives. They correspond to the two 'dominant schools' in the history of co-operative ideas referred to by Böök (1991). They represent the two alternative answers to the question: *'Do co-operatives represent the Sectional interests of their members or the broader interests of the community?'*, which Mellor and others (1988:178) see as having dogged co-operatives *'from as long ago as the Webbs'*³⁴.

The substantive image presents co-operatives as qualitatively different from capitalist firms and market arrangements. Co-ops are envisaged as combining instrumental business considerations with the moral ones of socially responsible behaviour, and a solidaric attitude towards apportioning costs and benefits of membership. Unlike joint-stock companies, they are organised according to normal democratic principles³⁵ -- a feature which has endeared

³¹ Full-page article 'Mjølke, bønder og politikarar [Milk, Farmers and Politicians]' in the national daily *Nationen*, 22.11.96: Gaute Midtbøen (fylkesleiar [county chairman]) and Amund Johnsrud (organisasjonssjef [organisation secretary]), Telemark Bondelag.

³² EU-priser gir 2,5 milliarder i tap', *Nordlys* 15.04.94: Gunnar Grytås.

³³ Report 'Oppgjør med eierne [Confrontation with the Owners]', *Nordlys* 11.04.96: Lars Egil Mogård. Having interviewed Ole Johan Rist, I should point out that his views on co-operatives are not consistently so narrowly business-like as they appear here; but I have no reason to believe that he has been mis-quoted.

³⁴ Sydney Webb and Beatrice Potter Webb were leading figures in the early twentieth century in both the U.K. consumer co-operative movement and the elitist Fabian wing of the U.K. Labour movement which came to dominate the latter. They were firmly opposed to producer co-operatives and syndicalist tendencies (MacKenzie 1966).

³⁵ i.e. with equal rights for all participants, in contrast to the distribution of rights according to capital investment in capital-controlled firms.

them to reformist political parties, from socialist to reform liberal. Co-operatives have also been perceived as 'rooted' to place and community to a greater degree than joint-stock firms, as their capital structure protects them from being bought up in the same way as the latter. These attributes have led governments, development bodies, and social scientists to regard the co-operative organisational model favourably in a development context.³⁶ In 'developed' countries such as Scotland, the Republic of Ireland, Spain and Canada, the Catholic Church and government agencies have promoted the formation of 'community co-operatives' in rural areas and 'post-industrial' urban ones. In Norway, a government-appointed committee produced a report (NOU 1988:30) on the potential of co-operatives to foster '*renewal, self-help and democracy*'. As well as having many protagonists among politicians, development workers and academics, the substantive image is widely projected by co-ops themselves, implying a substantive approach on the part of their members.

In contrast to the above image, the formal one portrays co-operatives as pragmatic arrangements formed to further the individual interests of members, and with no wider aims or social obligations. Such a view is prevalent among business economists, but is also expressed by some co-ops anxious to shake off the image described above, which they regard as 'old-fashioned' or ideologically misguided, and incompatible with running an efficient modern business.

Below, I will enlarge on the above pair of contrasting images, in order to derive a specifically co-operative version of the analytical frame presented in Section 1.2. Used in this way, the images acquire the status of 'pure types', between which there may exist mixed or intermediate forms. As in Section 1.2, the frame is not symmetrical: the substantive image of co-op allows room for instrumental aspects, but the formal one has no room for moral aspects. As the substantive image will be of particular concern in the empirical analysis, and is the more complex of the two, it will receive the most attention in this section. The aim is to construct a frame of reference adequate for the discussion and analysis of the views expressed in the co-op disputes. Initial impressions (cf. Section 1.1) indicate that at least some proponents of 'modernising' changes project a formal image of their organisations, while the substantive image is prominent in arguments against the changes.

A third type of image of co-ops also occurs, both among critical members and outside the farmers' co-ops. Unlike the above two types, it has a purely negative character, associating co-ops '*as much with bureaucratic inefficiency, monopoly and coercion as with volunteering, self-help and solidarity*.' (Gåsdaal 1995). Containing the stereotype of 'bureaucratic inefficiency', it has the form of a critical caricature, with considerable rhetorical potential. As an empirical phenomenon, this image is important, and has been used by politicians in Norway as well as in Sweden (op. cit.) to justify changes in legislation designed to increase competition and weaken the dominance of powerful co-operative groupings. This image may be regarded as a 'degenerate' version of co-operatives -- a theme I will return to -- and will not be incorporated into the analytical scheme.

The formal version: co-ops as devices of expediency

³⁶ See for example Karl (1996).

In the formal image of co-operatives, only instrumental aspects are visible. To a limited extent, it can be found among the self-definitions of these organisations. Böök (op. cit.) writes that it was particularly linked with the German co-operative movements of Schultze Delitsch and Raiffeisen around the turn of the century and in the early twentieth century. Bager (1992: 45) quotes Anders Nielsen, a leading figure in the Danish farmers' co-operatives at the time, as writing in 1906 that it was only the prospect of advantage that had brought the farmers together in co-operatives, and only advantage that kept them together. In more recent times, Münkner (1988) notes that such a view is found in British farmers' co-operatives, as well as in Germany and the Netherlands.

More commonly, the formal view is applied to co-ops by outside commentators and analysts. In seeking to construct an analytical frame, I am particularly concerned with the role of orthodox economic thinking in constituting the formal version of co-ops in discourses, organisational policy and the approaches of members. Thus the 'pure type' formal version I present here is the theoretical one of 'formal' or orthodox business economics, rather than being an empirical category based on actual practices.

The orthodox economic perspective regards co-operative practices in general, including co-operative organisations, as instruments of expediency which are held together by participants' individual calculations of expected gain, and which are thus potentially unstable. Though in a sociological perspective co-operation is just as 'natural' as competition, orthodox economics sees it as an exception from the general rule of the latter. Even Marxist and other radical economists and games theorists are thus constrained to derive co-operation from an initial state of competition; and a few of these -- who are interested in and sympathetic towards co-operative practices -- have expended much energy doing so (Elster and Moene 1989; Taylor 1987; Axelrod 1984). These and other writers have demonstrated that co-operation can emerge, in certain situations, as a strategy which is superior to competition even in terms of ego-centred gain-seeking, but is often dogged by the problem of parasitic 'free riders', and may also involve starting-up risks which no strategically rational actor is prepared to take.

As the history of the Norwegian dairy sub-sector will illustrate (Part 3), these games models would appear to give reasonably good simulations of real problems which have faced producers attempting to raise prices by organising sales through monopolistic co-operative arrangements. On the other hand, they can also lead us to focus unduly on 'free riding' and opportunism, and overlook other motivations -- including strong principles -- which people may have for non-co-operation in real-life situations. Furthermore, games models are blind to mechanisms, other than convergence of interests, which stimulate the formation and maintenance of co-operative movements and organisations.

Orthodox economics thus reduces the co-operative organisation to:

'a coalition of enterprises which have found it expedient to enter a co-operative arrangement (horizontal integration) and which often also engages in production upstream or downstream (vertical integration).'

(Hegrenes, Hoveid and Tjernæs 1991: 23, my translation).

This minimal definition does not identify any essential features that would distinguish co-ops from organisational arrangements such as joint ventures.

In principle, orthodox economic theory regards co-operation, or coalitions, as perversions of the market. However, these arrangements or organisations are seen as tolerable -- or even functional for the economy as a whole -- in cases of 'market failure', where the structure of

the market departs from the classic one of many small sellers of durable commodities, and many small buyers. The vertically integrated character of most co-ops is viewed by economists as rational insofar as it reduces 'transaction costs' (cf. Section 1.2).

The formal view of co-operatives is of great importance empirically, being both widespread and highly influential in the environment of co-ops (Røkholt 1984b: 38). In particular, it is vigorously promoted by business economists. These include one of the foremost academics in the field of co-operative studies in Sweden, Professor Jerker Nilsson, who teaches co-operative business economics at the Swedish University of Agricultural Science at Uppsala. Though adopting a broader analytical approach than many of his colleagues, and a firm supporter of retaining the main features of the established co-operative organisational model (Nilsson 1992), Nilsson nonetheless follows orthodox economic reasoning in his arguments. Arguing for the abandonment of key traditional co-operative principles, Nilsson *'presents himself as a 'neutral scientist' and then goes on a crusade for the individual co-operator's pure economic gain {egennytte} and against social considerations and equalising measures.'* (Gåsdaal op. cit.: 68, original emphasis, my transl.). In Norway, the Norwegian College of Agricultural Science (NLH) has long been an arena of tension between the formal and substantive views of co-ops and economics. The latter position has traditionally had a strong base among teaching staff, including Sigmund Borgan and Per Ove Røkholt. Re-organisation at the College has weakened the position of co-operatives on the curriculum, and the formal economic view is being vigorously projected to agronomy students and farmers by the economist professor Ole Gjølberg, a farmer himself. In discussing specific issues later in the text, we will see examples of the presentation of the formal version of co-ops to Norwegian farmers by these and other academics.

The substantive version: principles and values as significant elements

The majority of co-operative organisations in the world define themselves in relation not only to legal and fiscal rules, and the minimal features outlined earlier, but also to co-operative principles and discourses of an explicitly moral and ideological character. Such principles and discourses are institutionalised in world-wide organisations, including the International Labour Organisation of the United Nations. The main organisation concerned with maintaining and developing common co-operative rules, principles and values is the International Co-operative Alliance, based in Geneva. This is a world-wide umbrella organisation, with over 200 affiliated 'national' (polity-level) organisations whose total membership is quoted as around 700 million (1993 figures, ICA).³⁷ We can speak of the ICA and affiliated co-operatives as the 'mainstream' co-operative movement, where the latter term implies no more than a collectivity defined in terms of a common ideology or set of ideals (as in the Labour and Trades Union movement, for example).³⁸

At its 1995 congress, the ICA agreed on the following definition:

A Co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. (MacPherson 1996: 1)

This definition implies high ambitions for co-ops, compared to the orthodox economic one presented above. Nevertheless, the substantive image of co-ops only emerges when we

³⁷ Cf. ICA's internet site (see list of internet addresses).

³⁸ Melnyk (op. cit.: 6) sees 'ideological fervour' as essential to movements, and regards most established co-operatives today as having moved beyond the 'movement phase' into a 'systems phase'.

consider the principles formulated by the ICA. As well as being practical guidelines, distinguishing co-ops from capitalist firms, these express various aspects of what is variously referred to as the *co-operative idea* or *co-operative spirit*.

The official ICA co-operative principles have varied over the years (cf. Appendix, Part 1), but have always included the following five components, in varying formulations:

- *Voluntary and non-exclusive membership, open in principle*
- *Democratic member control, with equal rights for all members*
- *Limited and fixed return on invested capital*
- *Divisible surplus to be distributed in proportion to members' transactions with the co-op*
- *Promotion of co-operative ideas and principles through education*

(These are my own formulations, based on my interpretation of those of the ICA.)

An adequate interpretation of these principles requires that they be placed in the context of their origins, in the radical social movements of the nineteenth century.

Early sources of co-operative thought and principles

According to the ICA's preamble to its 'Statement on the Co-operative Identity' of 1995 (MacPherson op. cit.: 3), there is '*no single tap-root from which all kinds of co-operatives emerge*.' The ICA identifies five distinct traditions in European co-operatives: consumer, worker, credit, agricultural, and 'service' (including housing). It adds: '*All of these traditions flourished, albeit with different degrees of success, in most European countries in the nineteenth century; all spread throughout most of the remainder of the world in the twentieth century*.' (op. cit.). Indeed, co-operatives can be linked historically to traditional co-operative institutional arrangements³⁹ (cf. Part 3), and 'modern' co-operatives of a kind date back to the early days of the Industrial Revolution.⁴⁰

Nonetheless, the main core of ICA principles has historically been explicitly based on one main source. Like religious and political movements, as well as tribes and nations, the international consumer co-operative movement -- and with it the broader co-operative movement affiliated to the ICA -- has its 'myth of origin': the opening of the co-op store in Rochdale, England, in 1844, where the unbroken organisational lineage begins. The significance of such 'myths of origin' lies in what they tell us of the self-understanding of modern collectivities.

The Rochdale co-op (of which more below) was founded on the basis of radical social ideas, developed by early political movements. These aimed to replace the oppressive class relations of capitalism and the contemporary state with egalitarian systems of various kinds, in which co-operatives were central components. According to MacKenzie (op. cit.: 12), the first recorded use of the organisational concept of 'co-operative' was in 'The Co-operative Magazine'⁴¹ which appeared in 1827; and '*for several years thereafter, no clear distinction was made between 'socialism', 'co-operation', 'radical democracy', or even 'communism'. All these terms were loosely used for any system of ideas which was politically radical and socially collectivist*.' Early socialism in general, and the co-operative idea in particular, may

³⁹ For examples of these, see Kropotkin (1987) and Polanyi (1971b).

⁴⁰ Kinloch and Butt (1981:1) mention the Fenwick Weavers' Society in Scotland, founded in 1769.

⁴¹ Published by Robert Owen's co-operative movement.

be regarded as a 'third way', rejecting both the dominant liberalist ideology of competitive individualism and the old conservative one of hierarchical collectivism. Its ideological vision was of a just, egalitarian society incorporating both the desirable collective aspects of the old rural communities (cf. Tönnies's *Gemeinschaft*) and the new liberal ideals of individual autonomy and democracy.

In contrast to the state socialism which sprang out of the works of Marx in the mid-nineteenth century, the early socialist thought associated with co-operative movements was predominantly communitarian. In the UK, the idea of a new social order based on self-supporting co-operative communities is traced as far back as 1696, when it was proposed in a book, *The College of Industry*, by an English writer John Bellers. Mackenzie (op. cit.: 24) writes that this book inspired Robert Owen -- a Welsh industrialist, born in 1771 -- who is generally regarded as the founder of co-operative movements and ideology in the UK. It was through social movements, inspired and initiated by Owen and other radical thinkers from the 1820's and onwards, that the organisational model was developed, formalised and propagated. In France, co-operative movements are linked to the radical utopian ideas of Charles Fourier, who was a contemporary of Owen and had contact with him, but disagreed on fundamental points (Ustvedt 1979).

The early co-operative movements in both the UK and France had similar goals: the improvement of the miserable conditions of ordinary working people in the short term, and the achievement of a new egalitarian social order based on co-operative communities, or socialist communes, in the long term. However, the means of achieving these goals differed. In the UK the emphasis was on consumer co-operatives, while on the production side Owen and other radical reformers promoted trade union formation. In France the main co-operative movements were producer and worker ones. In both cases, the co-operatives were to be democratic and non-capitalist. The standard system of financial rewards associated with passive capital investment were to be replaced with rewards in proportion to members' active economic participation -- through purchasing, selling and working.

There were two main schools of thought on how to solve the problem of acquiring capital to start co-ops and communes, which we can label 'paternalism' and 'self-help'. Owen -- himself a wealthy philanthropist⁴² -- favoured the former, seeing it as the duty of the state and people like himself to supply the necessary capital. Louis Blanc -- an early advocate of state socialism -- moved towards the self-help position (Ustvedt op. cit.: 36; Mellor and others op. cit.: 12). Similarly, Dr. Philippe Buchez, regarded as the founder of the French workers' co-operative movement in practice, began to advocate self-help when state loans for worker-run factories did not materialise. In 1832, he published detailed proposals for the setting up of self-financing *associations* (workers' co-operatives) by tradesmen with modest capital requirements.⁴³ The accumulation of indivisible and inalienable capital funds, to which a fifth of the notional annual profit was to be allocated, was a key element in this scheme (Demoustier 1984: 20--21). Marx's communitarian anarchist rival in the Socialist International, Pierre-Joseph Proudhon, was an unequivocal proponent of self-help. He produced a model whereby small workers' co-operatives were to be financed by the workers' own interest-free banks (Mellor and others op. cit.: 23). In the UK, the self-help approach was promoted by the communitarian co-operative movement of Dr. William King, through a monthly journal 'The Co-operator'⁴⁴ (Craig 1993:30). According to King's model, funds for

⁴² Owen made a considerable sum of money from managing a cotton mill at New Lanark.

⁴³ In the journal *l'Européen*, July 1832.

⁴⁴ The paper only lasted from 1828 to 1830, but is said by MacKenzie (op. cit.) to have had a wide circulation.

setting up co-operative communities were to be raised from the proceeds of consumer co-operatives, known as 'Union stores'. Though the latter -- like the Owenite co-ops -- fell into difficulties, King's self-help model was adopted by the Rochdale Society of Equitable Pioneers.

The social and political thinking of Owen and other radicals was based -- like the science of sociology -- on the idea that people's behaviour and attitudes are shaped to a great extent by their social environment. It implies that people can learn responsibility and other moral values through participation in organisations such as co-operatives and trades unions. The idea of the educative value of democratic participation was later developed more fully in political theory by John Stuart Mill. The latter warmly embraced workers' co-operatives, hoping that these would replace the hierarchical capitalist firm, and seeing them as training grounds for participation in state politics (Pateman 1970: 27 - 38). In the case of producers' and workers' co-operatives, another key idea is the 'expressive' view of work, as a meaningful activity when under the control of the worker. This idea was propounded by the early English socialist William Morris (Mellor and others op. cit: 27); and it underlies the early writings of Marx as well as Weber's approach to production (cf. Section 1.2). It is diametrically opposed to the formal orthodox economic view, which defines work in principle as a burden or cost which all rational actors will seek to minimise. Both the expressive view of work and the conviction that ordinary working people were capable of learning to manage their own industries were central ideas for two socialist movements of the late nineteenth and early twentieth centuries: guild socialism in the U.K., and the more revolutionary syndicalist one, originating in France. Guild socialists established a number of long-lived workers' co-operatives in the U.K. (Mellor and others op. cit.: 27); and Pateman (op. cit.) cites the writings of a leading figure in the movement, Professor G.D.H. Cole, as an important source of modern participatory democratic theory. Cole's interest in co-operatives is indicated by his writings.⁴⁵

The ascendancy of the state socialist ideas and movements of Marx, and later of social democracy, marginalised communitarian socialist, anarchist and syndicalist ideas and movements. The ambitious alternative of worker-owned industry became overshadowed by the accommodation to capitalism represented by the trades union movements -- also initiated by Owen and other early radicals. While co-operative movements of various kinds continued to develop, the idea of establishing co-operative communities was left behind, and social radicalism largely gave way to moderate aims of improving material conditions. Nevertheless, as we shall see, the basic ideas of the early co-operative thinkers are still alive in today's co-operatives.

Despite their diversity, the early European co-operative movements did not crop up totally independently of each other. The radical thinkers who inspired, and in some cases led them, were highly literate and well-read, even though not all had a formal higher education. As mentioned above, for example, Fourier was familiar with Owen's ideas across the English Channel; and even if he did not think very much of them, they shared with his own a basis of radical communitarian thinking, linked to a common European and North American discourse of human rights and social improvement. We therefore find basic principles such as that of proportionality -- the allocation of returns in direct proportion to input or use -- in such diverse texts as Buchez's principles for tradesmen's co-ops (Demoustier op. cit.) and the Rochdale consumer co-op rules, formulated some 12 years later in another country and

⁴⁵ For example, *A Century of Co-operation* (1945) and *The British Co-operative Movement in a Socialist Economy* (1951).

language (cf. Appendix, Part 1). Furthermore, a certain degree of convergence and standardisation appears to have taken place with time, independent of legislation and across national boundaries, even before the emergence of formal international organisations such as ICA.

For example, Norwegian farmer-owned dairies were initially fairly heterogeneous as regards organisational principles; but those established in the main wave of co-operative formation in the latter part of the nineteenth century tended to conform to the co-operative model, following the standard principles of democracy with equal rights for all members, and proportionality (Lunden 1988). It seems reasonable to assume that the national rural development body *Det Kongelige Selskapet for Norges Vel*, which played a major role in promoting co-operative formation (cf. Part 3), had a significant influence in this regard. According to Bager (1992: 139) there was no such coordination in the establishment of farmers' co-ops in Denmark. The spontaneous adoption of the co-operative organisational model implies the presence of a strong current of ideas emanating from existing co-operative movements, and conditions favourable to putting these into practice. The social and political ideas of the radical Danish cleric, educator and politician Grundtvig are credited with an important role in the formation of co-operatives (MacPherson op. cit.: 11).

Rochdale and the rules attributed to it

At least in a U.K. context, the opening of the Rochdale store in 1844 represents a 'watershed' in co-operative history (Melnik op. cit.: 6) between the early utopian stage and the expansive stage of the large co-operative movements. The post-Rochdale history is one of commercial success, coupled with the abandonment of communitarian utopianism. By regarding 1844 as the starting point, modern co-operative organisations effectively disown their more radically idealist distant ancestry. In focusing on the commercial enterprise of the store, they separate the latter from its original political context: an ambitious communitarian socialist program. The store was merely to be the first phase. Houses were to be built for those members who needed them, and employment was to be provided for unemployed or poorly paid members through the purchase of rural estates (with farms) and the establishment of manufacturing enterprises. Finally, the Rochdale programme declared that *'as soon as possible, this society shall proceed to arrange the powers of production, distribution, education and government, or in other words to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.'* (Böök 1992: 56)⁴⁶

It is not for its failed programme that Rochdale is remembered today, but its success as a business, and its organisational rules or 'Rochdale principles'. Through their adoption by the UK consumer co-op movement, which became large and influential, the rules instituted by the Rochdale Pioneers laid the basis for general co-operative norms. Besides being pragmatic guidelines for running a co-operative business, the Rochdale principles also contained significant moral elements, and ideological implications. These can hardly be understood in isolation from their historical context, which has just been summarised; and they thus provide an implicit link to the early radical co-operators.

So what, exactly, were the Rochdale principles? Widely referred to and quoted as they are, one might assume that they were clearly traceable to a single document, or series of documents, written in mid-nineteenth century England. With neither documentation nor

⁴⁶ Böök cites Hall and Watkins (1937: 86–87).

language posing any problems, the objectively true reproduction of the rules should therefore be a straightforward matter. In fact, several sets of rules or principles are presented in secondary sources as being those of the Rochdale co-op. These provide a good example of the process of selection and interpretation which occurs whenever main points are extracted from texts. I am consigning the details of these versions to the appendix to this section (at end of Part 1). The ICA has played a particularly significant role in reconstructing the 'Rochdale principles', and in investing the name of Rochdale with a powerful symbolism, which has made its invocation a key device for legitimating arguments in co-operative discourses.

Among the various principles attributed to Rochdale are those characterised earlier as enduring key principles of the ICA. We have a pair of principles of membership and organisational governance: *voluntary, non-discriminatory and non-exclusive membership, open in principle*, together with *democratic member control, with equal rights for all members*. A second pair of principles defines the economic relation of members to their co-op: *limited and fixed return on invested capital*, and *the allocation of remaining divisible surplus to members in proportion to their transactions with the co-op*. Reinforcing the other principles is that of *promotion of co-operative ideas and principles among members through education*.

The two pairs of principles above express an ethos combining moral individualism with egalitarian collectivism, which lies at the heart of the liberal-democratic co-operative model. The principle of proportionality, giving all members the same rate of price discount regardless of how much or how little they purchased, embodies a concept of fairness diametrically opposed to that of capitalism. According to the latter, it is right that big customers should be accorded favourable terms of business. Proportionality is nonetheless pragmatically neutral, discriminating in favour neither of the most nor the least needy; and thus falling short of the socialist ideal of favouring the former. The rule of one vote per member also rejects arrangements favouring those with most resources, and clearly distinguishes co-ops from joint-stock companies where voting rights are proportional to investment.

Some of the rules identified with the Rochdale co-op in the literature (cf. Appendix) were of a more mundane business character, such as adherence to prevailing local prices, the keeping of proper accounts, and the prohibition of credit.⁴⁷

One business rule not among those listed in the sources cited here has been attributed to Rochdale by a leading Norwegian co-op practitioner:

'I think the principles the Rochdale pioneers established, of the shortest possible path from producer to consumer, are still good rules of conduct, but then we must listen to the weavers and run [the business] with the lowest possible costs.' (Rolf Rønning, m.d. of NKL [the Norwegian consumer co-operative wholesale federation]).⁴⁸

Low costs were unquestionably a feature of the early co-ops, including Rochdale where the Pioneers put in a great deal of voluntary work. The elimination of the 'entrepreneur' or 'middleman' and his profits -- which were widely considered to be immoral -- was part of the co-operative idea and, for example, figured largely in Buchez's principles (Demoustier op.

⁴⁷ Also, deeply engrained in working-class consciousness was a strong aversion to credit.

⁴⁸ Addressing the national co-operative conference *Samvirkekonferansen*, 1992 (quoted in the consumer co-op magazine *Vårt Blad* 3/92).

cit.). The Rochdale Society went as far as to integrate backwards to take over a mill, thereby eliminating not only the wholesaler but also the mill owner. After the U.K. consumer federations were established, they set up factories of many kinds to lessen their dependency on capitalist producers.

However the minimisation of costs in itself is the very essence of the formal neo-classical concept of 'economy' (cf. Section 1.2), and is thereby a key element in market relations and capitalism. What distinguished the early co-operatives in this respect was their determination to eliminate exploitation and dependency on an inherently exploitative system. In the case of Rochdale, the store initially had the twin roles of alleviating poverty and generating a collective fund; minimisation of costs can thus be understood in the context of these ideal aims. But in the market economy of today, low-cost operation has become a universal maxim, if not an obsession, for no other ultimate reason than to improve returns to owners. Thus as a principle it has a purely instrumental character, and it does not distinguish co-ops from capital-controlled firms.

The ICA Principles at the close of the century

The successive sets of ICA Principles are detailed in the appendix. The latest of these, adopted in 1995 (MacPherson op. cit.: 1), represents a reinforcement of the long-established principles. It also has some significant additions, compared to earlier sets.

The principle of democratic governance had previously been formulated fairly vaguely by the ICA to take account of practices in many large and bureaucratic member organisations -- not to mention those of the Eastern Bloc. The 1995 formulation is more precise, seeking to revive the participative spirit of the early co-ops:

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are organised in a democratic manner.

I will return to the theme of varying democratic practices in co-ops.

The element of common capital, found in Bouchez's and King's models, and well established in liberal-democratic co-operative practice, has at last been formally elevated by the ICA to an explicit principle. Combined with the well-established principle of proportionality of divisible returns under the heading *member economic participation*, it states:

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative.

The formulation leaves the way open for making some or even most of the capital divisible, however; and part of surpluses may also be allocated to capital funds, which need only be partly indivisible. Thus the principle accommodates the wide variation in co-operative practice on this point.

Another previously implicit key aspect of liberal democratic co-ops -- organisational autonomy -- has now been formulated as an ICA principle:

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that

ensure democratic control by their members and maintain their co-operative autonomy.

Thus the ICA makes plain that co-ops must not accept external control by governments or by external sources of capital. The question of external control has been a controversial one in the ICA, particularly due to the affiliation of large numbers of state- or party-controlled organisations which Melnyk (op. cit.) terms 'Marxist co-operatives'. According to the new ICA policy, even corporative arrangements would appear problematic if they compromise autonomy and member control. As we will see in the present study, though they have never been controlled by the state or one party, the Norwegian farmers' co-ops have nonetheless been subject to considerable *de facto* influence from these.

The principle of *co-operation among co-operatives* is long-established in the ICA, and is formally institutionalised there and in national coordinating bodies, such as the Norwegian *Samvirkeutvalget*.⁴⁹ We will see in Part 2 that the Norwegian farmers' co-ops co-operate very closely through a central office. I will return to the question of a potential collision between this principle and that of autonomy.

A new ICA principle is particularly significant for the present study. Headed '*Concern for Community*' it states:

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.

Thus the communitarian legacy of co-ops has been formally recognised and its ethos re-invigorated. While the early co-operators aimed to establish new communities of choice, they also worked for the betterment of the existing local communities in which they were situated. The widespread use of the co-operative model in development projects (referred to previously) has been based on the assumption that co-ops are beneficial not just for their members, but also for their local communities. In Section 1.1 it was noted that concern for communities is expressed by at least some opponents of structural concentration in the Norwegian co-op disputes.

Together with the long-established principles of *voluntary and open membership*, and *education, training and information*, the above elements make up a set of seven principles. The ICA supplements these with a set of values for co-operatives:

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Again, the ICA expresses high expectations of its members. Ethical values such as social responsibility and caring for others know no organisational boundaries.

Though the mainstream co-operative movement turned co-operation into '*a way of business rather than a way of life*' (Melnyk op. cit.: 25), it continued to define itself in relation to ideals derived from its radical ancestors. On the basis of the principles and substantive values presented above, co-operatives affiliated to the ICA would appear to have a reasonable claim to be categorised as having a substantive economic approach to production. However, only insofar as the principles and values are actually institutionalised in practice, with real effects on business policy and practices, are we justified in accepting such a claim. Otherwise, we fall into the same trap as the orthodox economists, whom I have been criticising for assuming

⁴⁹ *Samvirkeutvalget* is administered by *Det Kongelige Selskap for Norges Vel* [The Royal Norwegian Society for Rural Development] (SNV), mentioned earlier -- a key body in Norwegian co-operative history (cf. Part 3).

that people behave according to their narrow and ideologically-based models. The question of whether co-ops in practice are best described as coalitions of gain-seeking individuals, or as organisations with broader social concerns, is an empirical as well as a theoretical one. The analytical status of the ICA principles and values in this study is that they are empirically observable elements of co-operative discourses, acting as norms to which co-operative organisations are expected to adhere as a condition of affiliation to the ICA.

Formal and substantive approaches in practice

So far, we have two contrasting basic versions of the nature of co-ops: a 'substantive' one, incorporating principles of a broadly 'moral' character as well as instrumental elements; and a 'formal' one which has only the latter. As in the preceding section, the 'formal - substantive' dichotomy gives us an analytical frame against which we can assess images of co-operative practice, and the approaches of co-op leaders and members. In co-operative practice we might not expect to find a pure formal type, whereas the term 'substantive' accommodates broad diversity. Thus it will be appropriate to characterise empirical forms as 'relatively formal' when they are predominantly instrumental, and 'substantive' by comparison with the latter, when values and meaning are clearly involved. In the discussion of the ICA and Rochdale principles, it has been apparent that interpretations and approaches differ along the formal-substantive scale. I now wish to look at some of the main areas of problems and disputes stemming from differing approaches to co-ops and their principles.

The preceding account of the ICA's co-operative principles, and that in the Appendix, show that there has been a considerable amount of disagreement over them throughout the years, but that key ones have nonetheless been retained virtually unchanged since the early days of co-ops. Even these are not exempt from controversy, however. Concepts like democracy, equality and autonomy are open to a wide variety of interpretations, both in theory and in practice. Practical considerations also set limits to the application of principles. A further problem when putting several principles, such as those just mentioned, into practice is that they may contradict or come into conflict with each other. In addition come adaptations of co-op principles due to the influence of the formal view. Lastly, the possession of disproportionate power by some individuals or groupings within the organisation may effectively neutralise egalitarian democratic principles. Altogether, we may say that the substantive version of co-ops faces both internal and external problems, bringing about disputes and dilemmas.

The key principle of organisational *democracy* has already been mentioned under Rochdale. Though clearly distinct from the capitalist mode of company governance, democracy is a concept open to a wide range of interpretations in co-ops as in the political sphere -- even within the limits imposed by liberal democracy. Like production itself, democracy has both instrumental and expressive or symbolic aspects, and requires competence. Perspectives on democracy, and democratic practices, differ greatly in their emphasis on these three elements. In this section, I have linked early co-operative theorists and movements with a conception of democracy which can be labelled 'participative-educative', in which the expressive aspect is recognised as significant, and all members of the system are seen in principle as capable of acquiring the competence required at all levels. Such a view of democracy differs radically from the 'mainstream' view in liberal-democratic societies, and the corresponding practices of the latter, which may be characterised as 'elitist-instrumental'. This version of democracy

regards participation by the many as costly and inefficient, and the competence required to govern as beyond the abilities of more than a few (Bowles and Gintis op. cit.).

The dichotomy 'formal - substantive', which I have applied to economic ideas and practice generally and to co-operative ones in particular, would also seem to be appropriate in the context of democracy. Again, the formal can be regarded as a limiting case which only has a single, instrumental dimension; whereas the substantive covers a broad spectrum with several dimensions, comprising substantive values and meaning as well as an instrumental element. As for co-ops, I regard the purely formal version of democracy as a special case, hopefully more likely to be found in theory and ideology than in practice. Indeed, a purely instrumental democratic practice would be democratic only in name and form, but otherwise indistinguishable from non-democratic elitist practices. As long as the terms 'formal' and 'substantive' are used in a relative rather than absolute sense, and the context is clear, I see this extension of their application as being legitimate and analytically useful. As I have defined them above, the *elitist-instrumental* position is relatively *formal*, while the *participative-educative* is clearly *substantive*.

It would be remarkable if the prevalence of the elitist-instrumental view and practices of democracy in society did not exert a powerful influence on co-operatives. This influence tends to be reinforced by the business environment of co-ops, which generally compete in markets with capital-controlled firms whose unashamedly undemocratic elitist and instrumental decision-making systems are capable of working quickly at comparatively little cost. Particularly in turbulent and highly competitive markets, these features represent significant advantages. Thus the institutional environment of co-ops would appear generally to exert pressures in the direction of more 'streamlined' and 'cost-effective' decision-making, with reduced participation (Røkholt 1990).

Hard competition, or the exertion of market power by large firms -- as competitors, suppliers or customers -- may threaten the real policy-making autonomy of co-ops. Examples from the footwear and clothing sector in the UK show how workers' co-op members have been forced by powerful oligopsonic customers into a situation of 'self-exploitation' in order to survive (Mellor and others op. cit.). In order to counterbalance such market power, co-ops may respond by acquiring advantages of scale (see below) or by further vertical integration. The latter strategy brings the problem that the competence required to run the enterprise is removed one step further from that of co-op members -- as producers, for example. This has potentially negative implications for democratic practice, tending to make members highly dependent on employed management, without the insight necessary to control the latter (Craig op. cit.: 102). I will expand on this theme in Part 5.

Organisational size clearly sets limits to the individual member's influence and the extent of average participation. While early co-ops were small organisations where all members could participate in the making of policy and could keep a close check on its implementation, many co-operatives grew into large organisations characterised by representative democracy and bureaucracy. In these, the involvement of most members tends to be reduced to that of users, and organisational control is left in the hands of employed management and a handful of elected leaders (Dülfer and Hamm 1985; Craig op. cit.: 90-93). Though it is possible in principle to counteract oligarchic and bureaucratic tendencies to some extent,⁵⁰ it would seem that they often follow organisational concentration. The concerns expressed about loss of

⁵⁰ Als and Møgelhøj (1981) discuss a model of 'interactive democracy' {*samspilsdemokrati*}, attributed to the Swedish author Leif Lewin (1977).

democracy in Norwegian dairy co-ops by opponents of mergers (cf. Section 1.1) would thus appear to be well-founded.

An alternative to organisational growth through large size is proliferation through establishing new, small autonomous units; and many advantages of large scale can be achieved by co-operation between these (cf. ICA principle). For established small locally-based co-ops, mutual co-operation thus represents an alternative to merger. Such co-operation tends to be organised in the form of 'secondary co-ops' or federal bodies whose corporate members are the ('primary') co-ops. In principle, these are very different from capital-controlled concerns, as Craig (op. cit.: 164) explains: *'The logic of the co-operative activity of federating together is not the logic of hierarchy as assumed in the bureaucratic paradigm but rather the logic of heterarchy . . . where there are internal controls and self-regulated groups co-operating with the centre but not dominated by it.'* Thus the principle of *organisational autonomy* should be compatible with that of *co-operation between co-ops*. However, as Craig adds, in practice this distinctive logic is often not understood by co-op leaders, or becomes undermined by managers schooled in the hierarchical traditions of capitalism. This brings the two principles into collision with each other. The balance between organisational autonomy and federal organisation will be an important theme in the empirical analysis of the present study, in Parts 3--5.

While the ICA attempts to promote moral aspects of co-op practice in its substantive co-operative discourses, orthodox business economists generally see the latter as ideologically misguided and seek to undermine them, through discourses of the formal version of the co-operative. As mentioned above, management schooled in orthodox business economics may promote the formal version from within the organisations.

Proponents of the formal version confine co-operative principles to a minimum, and judge these according to their utility. Thus democratic control, in a relatively formal version, is accepted as functional in order to keep management from taking over the organisation for its own ends⁵¹. The formal view does not see equal rights for all members as essential - in fact, it may be regarded as a hindrance to efficiency. Thus Jerker Nilsson, writing on Swedish farmers' co-ops, maintains that *'the co-operative enterprise must differentiate the treatment of its members, if it is to work effectively.'* (Nilsson 1994). He sees the long-established co-operative practice of giving farmers equal prices for their produce -- irrespective of location and quantity supplied -- as unsustainable, and differentiated voting rights (proportional to volume supplied) as desirable in order to promote structural concentration and efficiency in general. Common capital, another established co-operative feature of a moral character, is regarded as dysfunctional according to the formal view. Like all other kinds of common property, common capital is condemned by orthodox economics and neo-liberalist ideology as a recipe for irresponsibility (Begg 1992). In arguing for a reduction in the proportion of indivisible capital in Swedish farmers' co-ops, Nilsson (1992) cites the classic economic orthodox theory of collective action, formulated by Mancur Olson (1965).⁵²

Even before the ascendancy of neo-liberalist ideology and business practices in society lent legitimacy to demands for preferential treatment, the 'larger' members of farmers' and other producer co-ops have always had a certain degree of potential power outside the formal egalitarian democratic system. If they can make credible threats to transfer their business elsewhere, they may be able to exert influence disproportionate to their numbers over co-op

⁵¹ This corresponds to Jeremy Bentham's justification for democracy (Held 1995: 10).

⁵² See Jentoft (1998) for a broad discussion of common property, and different approaches to it.

policy. Sogaard (1990: 35) links this non-legitimate form of power with the fact that the larger members have 'traditionally' been over-represented on Danish dairy co-op boards. In the present study, the tension between formal democracy and power linked to size in the farmers' co-ops will be taken into account as a factor of potential significance.

Thus, for various reasons, co-ops aspiring to the substantive version experience pressures of several kinds to change in the direction of the formal one. Together, such pressures would often appear to be greater than that which the ICA and its affiliates can manage to exert through substantive discourse and norms. Whether this represents a long-term trend is another matter. As in much sociological literature on modernisation and social change, writers on co-operatives tend to focus on problems and 'degeneration'. I have mentioned an image of 'degenerate' co-operatives as large, bureaucratic organisations demanding compliance of farmers, in accordance with the 'iron cage' of bureaucratisation and the 'iron law of oligarchy' attributed to Weber and Michels respectively. A transition to a less substantive and more formal version of the co-operative does not necessarily imply bureaucratic tendencies, but may still be understood as a form of 'degeneration'. There is a danger here of falling into a type of determinism, replacing analysis with a standard narrative. Sogaard warns against the '*myth of the fall from grace, whereby modern co-operative practice appears as cold and cynical business, while classical co-operative practice is idealised as the lost paradise.*' (op. cit.: 13 -- my translation). Clearly, co-operative practice has always had both moral and instrumental aspects. The predominance of one or other of these is a question of actual practices, involving leaders' and members' approaches; but -- as the insights of constructivism emphasise -- it is also a question of accounts and interpretations, and the perspectives of observers. Tendencies to romanticise the past will be borne in mind in the empirical analysis, along with counter-tendencies to disassociate 'modern' organisations and practices from co-operative history.

This section has shown that the concept of co-operatives is indeed an ambiguous one. Broadly, we can speak of 'formal' co-operatives and 'substantive' ones, corresponding to two different versions of reality. Only empirical investigation can tell us whether a particular organisation, or set of organisations, corresponds most closely to one or other description, taking a broad, sociological view. In the last section of Part 1, I will use the theoretical concepts developed here and in Section 1.2, to construct a set of questions which will be applied to the Norwegian disputes.

1.4

Framing the images and outlining the empirical study

Having developed the concept of approaches, along with the 'formal - substantive' distinction, in the two preceding sections, these can now be related more explicitly to the initial images and questions presented in Section 1.1. After doing so, I will sketch the broad outlines of the empirical study, leaving details of research design to the respective parts of the text.

Developing a set of more specific and theoretical research questions

The underlying theoretical concern is the extent to which businesses -- particularly co-ops -- can and do bring wider concerns than the maximisation of gain for owners to bear on their policies and practices. The empirical study concerns controversial changes in Norwegian farmers' co-operatives, and the disputes surrounding them. It is based on the *assumption* that *these changes together represent a move away from a co-operative organisational model in which wider social considerations than those of pure business enter into the decision-making process*. In the light of the discussion in Section 1.3, this can be re-formulated as a move *towards a more formal version of co-operative practice*. Though this is formulated as an assumption, its validity will have to be subjected to empirical assessment in the course of the study.

The changes we are mainly concerned with are concentration of production and organisational structure in the dairy co-ops; but I also take in some other changes which I suggest may be related, and stretch the empirical object of study to include some limited data on other farmers' co-ops. The very general question I initially formulated in Section 1.1 was: *How have the changes been brought about, and what are the respective grounds for introducing and supporting them, and for opposing them?*

This led to two sets of more specific questions.

On the changes themselves:

-- *have structural concentration and other disputed policy changes been forced on the co-ops, or have they been chosen?*

Irrespective of whether forced or chosen:

-- *how and by whom, and on what grounds?*

If chosen:

-- *were they chosen and initiated from the 'top down' (by leaders) or from the 'bottom up' (by members)?*

-- *what grounds do the formal decision-makers (leaders) give for their choices; and are there other plausible grounds?*

In Section 1.3, an additional question emerged from a discussion about democracy in practice:

-- *are the choices of policy attributable to disproportionate influence from 'larger' members?*

On the disputes, *grounds of a general character for supporting and opposing the changes* will be sought among:

-- *material interests*

- *substantive values and principles*
- *approaches* (including 'attitudes')

The third of these, in the main perspective of the study, will subsume the other two.

In addition, two potential sources of 'error' among participants in the debates will be borne in mind: lack of understanding, due to lack of education or organisational experience; and lack of information, due to organisational deficiencies. As well as being sources of error, these factors can also be seen as aspects of different approaches.

Before going on to develop the general question of grounds for supporting and opposing the changes in the co-ops, I wish to present briefly a number of particularly relevant studies. These have a variety of theoretical perspectives, which have informed the present one.

Previous studies: from objective interests to approaches

In the previous studies of disputes in co-operatives that I am acquainted with, 'material interests' is a major analytical and explanatory category. The 'classical' line of differentiation or divergence of interests is that between large-scale and small-scale producers, or in a Marxist formulation, between producers practising a capitalist mode of production, and those practising a *petit bourgeois* or artisan mode. The latter, having lower capital investments, being more flexible and less specialised, and producing smaller volumes than capitalist-style producers, can be expected to be less concerned than the latter with obtaining the highest possible unit prices for particular products. 'Peasant' farming typically has a 'steady-state' character, making it potentially relatively resistant to change compared to expansive modern professional farming. It is also conceivable that small-scale producers may find a more concentrated industry a threat, as it might be expected to lose interest in catering for their needs.

An example of a sociological perspective based on the Marxian frame of class interest is a study of a Norwegian dairy co-op dispute in the early 1970's by Almås (1973), which is so directly relevant that its findings will be summarised in Part 4 of this text. Looking for material explanatory factors, Almås finds a positive correlation between the proportion of members' total income obtained from milk production, and their support for structural concentration, in a situation where the latter was perceived as bringing substantial price increases. Roughly speaking, full-time (capitalist and proto-capitalist) farmers tended to support concentration, and part-timers (artisans) to oppose it. Though the main focus of the analysis is on the material interests of the farmers, Almås concludes that other factors were also important in the disputes -- in particular, solidarity based on locality; but also a more general ideologically-based defence of rural production. Nevertheless, the Marxian analytical frame would seem to imply that these other factors are 'epiphenomena' of underlying material ones.

The general image associated with the Marxian frame -- of opposing positions as regards structural concentration being attributable to different objectively ascertainable material interests -- will be taken into consideration in the selection of informants in Part 5 of the present study.

In a study of Danish dairy co-op members' needs, involving the issue of structural concentration, Michelsen (1984: 119) finds a clear correlation between farmers' support for

mergers, and milk volume supplied by them to their co-ops. Through interviews, he finds (op. cit.: 113) that opponents as well as supporters of change were very concerned with material aspects, but that these concerns were of different kinds, linked to dependency on income from milk production, in turn linked to scale of production and capital investment. While large-scale producers were in favour of structural concentration in order to maximise produce price and ensure adequate returns on their investments in their farms, small-scale producers were anxious that concentration might lead to increased costs for producers, which would hit them hardest.

Michelsen's study, like that of Almås, broadens the interpretation of co-op disputes to include other factors. Underlying the overall correlation between scale of production and support for mergers, Michelsen finds considerable variation among farmers in each size category, when these are sub-divided according to their primary concerns with regard to the way their co-op was run. Thus there was a higher incidence of support for mergers among relatively small-scale farmers who indicated that they were most concerned with financial returns from the co-op, than among large-scale ones who expressed most concern with local considerations.

Two studies of Danish farmers' co-operatives see concentration as a fashionable or dominant idea (or 'paradigm') rather than either the only possible strategy, or even a strategy rationally chosen as the best for the particular organisations in their particular circumstances. Søgaaard, op. cit., concludes that the wave of structural concentration among Danish dairy co-ops in the 1960's and '70's was due to a combination of circumstances -- including concentration in the co-ops' sales market -- and the ascendancy of the *idea* of organisational concentration. He emphasises the significance of deliberate action by dairy co-op leaders, who chose competitive strategies which accelerated the process of structural concentration. This study is a particularly fine example of what can be achieved by business economic analysis which departs from orthodox assumptions of maximisation, and utilises insights from sociology. Bager (1990, 1992) comes to a similar conclusion, using the concept of '*institutional isomorphism*' (DiMaggio and Powell 1983). This refers to strong similarities which develop between organisations due to the predominance of policies and business practices in the institutional environment. This is the source of the strategy of structural concentration which was pointed out by Per Ove Røkholt, cited in Section 1.1, and which I have interpreted in terms of the influence of norms on leaders' decisions. However, the concept of institutional isomorphism also contains a cognitive element, and is thus classified by Scott (op. cit: 44--45) under the 'cognitive pillar', where my concept of 'approaches' also belongs.

Søgaaard's and Bager's studies suggest that while co-op leaders and their supporters may perceive changing circumstances to be the reason for concentration, it is nonetheless they who have chosen concentration rather than other strategies of response. These choices are thus attributable to norms, or to perceptions of reality (approaches), rather than to material constraints by themselves, or to external power. Looking back to claims that the changes have been forced on the co-ops, lack of evidence to support these would not necessitate dismissing them as 'empty rhetoric', as they could still be genuinely believed by those making them.

Harry Nyström and Carl Utterström have applied a dialectical system model to studies of mergers in Swedish farmers' co-operatives (Nyström and Utterström 1978; Utterström 1980). It is more symmetrical than the basically materialist-dialectical model of social change developed by Marx, which sees technological development as the driving force changing the material 'base' of society, and thereby precipitating change in the socio-cultural 'superstructure'. Nyström and Utterström analyse the process of organisational structural

concentration in terms of the interplay between a 'techno-economic' dimension and a 'socio-political' one, which includes organisational visions, paradigms, myths and ideologies. The latter factors, affecting how structural concentration is perceived, are seen as highly significant in bringing about concentration; and the socio-political dimension has parallels to my concept of 'approaches', in a frame based on system rather than structured agency.

In a study of conflict in a Canadian fishermen's co-operative, Jentoft and Davis (1993)⁵³ identify different outlooks (equivalent to my 'approaches') with material differences of a class character among members, but show how the latter may be initially generated by the former, rather than *vice versa*. The source of the different outlooks, suggest the authors, are to be found in the institutional environment of the fishers. The conflicting groups differed significantly not only in the degree of capital investment in their boats, but also in age distribution. This latter factor implied a substantial difference in education and life experience. Younger fishers had undergone a modern, competitive and individualistic education, and had entered fishing after the introduction of individual catch quotas. These factors engendered a 'utilitarian individualist' outlook on fishing as a business, and the associated proto-capitalist strategy of investing in expensive modern boats and gear. Along with the latter went a narrowly 'business-like', profit-maximising approach to both primary production and the co-operatives. This contrasted with the 'rugged individualism' of the predominantly older fishers, to whom artisanal fishing was a way of life allowing autonomy at sea to be combined with a strong community orientation, and who had no desire to expand into more highly capitalised fishing. The latter group were thus less inclined than their younger colleagues to press their co-op into paying them high fish prices, being more concerned with the long-term survival of the local co-op facilities. The analytical frame of Jentoft and Davis's analysis may be placed within the economic sociological one presented in Section 1.2, and has been one of the main initial sources of inspiration for the present study.

A similar pair of 'ideal types' of economic rationality, or ways of relating to production, has been constructed by Nitsch (1982) in a study of Swedish dairy farming. Following a well-established sociological dichotomy, Nitsch uses the terms *instrumental* and *expressive* to characterise the relation of farmers to their work. Again, these would appear to correspond at least roughly to the concept of approaches, together with the distinction 'formal - substantive'.

Jentoft and Davis's findings suggest a general proposition:

Co-op members taking a more 'formal' view of their own primary production will do likewise with respect to their co-op and its production, and correspondingly, a substantive view of the latter will be associated with a substantive view of members' own primary production.

This appears plausible, and I have taken it into account when interviewing co-op members (cf. Part 5).

The small number of previous studies briefly reviewed here have been chosen for their particular relevance to the present empirical study. While I am basing the latter on analytical frames which seek to balance material factors and ideas, the implications of materialist frames, and particularly the Marxian version, will be borne in mind in designing the empirical analysis (cf. Part 5).

⁵³ See also Jentoft (1998: 53).

The present empirical study: agency and approaches

As stated above, the present study seeks to balance structure and agency. Therefore the claim that the changes are being forced on the co-ops (TINA) is treated particularly critically. The concept of approaches seeks to subsume both values and interests.

The claim that the changes have been *forced on the co-ops* from outside has to be assessed first. This is not an issue I can illuminate theoretically, and I will be using simple comparisons -- diachronic and international -- to assess its plausibility. The conditions which may be forcing the co-ops to adopt the changes will be looked at in terms of agency and grounds, as well as structures.

As well as material interests and substantive values, I proposed the category of '*approaches*' for analysing grounds given by co-op members and leaders for their support of, or opposition to the changes. This concept allows us to shift the focus to *perceived* interests, rather than mechanically attributing interests to individuals or groups on the basis of axioms of maximisation, or categories such as class.

The findings of Sogaard and Bager, cited above, suggest that the image of the changes having been forced on the co-ops should be re-examined from a more constructivist position. Again the focus is on perceptions and understanding, or '*approaches*', this time those of leaders in particular, though not involving the 'formal - substantive' distinction. Rather than trying to evaluate the evidence for and against this claim, we can rather treat it as a piece of data in itself, indicating a particular perception of the co-ops' circumstances and the options available, attributable to a particular approach to production and co-operative organisation. Within this approach, only one realistic adaptation to the particular circumstances is visible: i.e. TINA. Other approaches see other possibilities: they do not represent misunderstandings, but *different* understandings or interpretations of the same evidence. In this case, the difference has nothing to do either with inadequate flows of information, or inadequate abilities (cf. Section 1.1). Though it may well have something to do with different education or socialisation, that does not imply that the protesting side is wrong: only that different groups of members have learned different approaches. This interpretation would also fit the counter-claim that supporters of the changes have become 'blinkered' through socialisation.

Both the above interpretation of the changes, and a realist one if the changes have been chosen, require us to look within the organisations for agency and grounds. Here, I will examine cases and statements by co-op leaders about the changes. By taking into account formal organisational structures and procedures, and the extent to which these appear to have been followed, it should be possible to assess whether the decision to adopt the changes -- or, in a few cases, reject them -- has been mainly the outcome of a '*top-down*' or a '*bottom-up*' process. Associating these respectively with relatively *formal and substantive approaches to democracy* (cf. Section 1.3), we will be able to relate actual democratic processes to the views expressed by leaders on democracy and co-operative organisation. Leaders' interests, values and approaches will be dealt with along with those of members. The possibility of disproportionate influence by 'larger' members will also be examined, though not as a main issue.

As a tool for analysing the disputes, the concept of *approaches* has been developed in the two preceding sections, in relation to the dichotomy '*formal - substantive*'. While a purely formal approach is limited to concerns with material interests, a substantive approach also brings values and meaning to bear on the co-ops and their production. So, within the concept of

plural approaches, which requires a certain degree of scientific constructivism, we can incorporate the other main categories of expected grounds for supporting or opposing the changes in the co-ops. Using the concept of *discourses*, I envisage members' and leaders' approaches as being communicated and potentially changed. Empirically, we might expect to find types of approach which are more or less substantive -- i.e. *relatively* substantive or formal -- without necessarily finding the pure formal type generated by theory. Although the 'formal - substantive' distinction is a key one, the concept of approaches is not tied to it alone, and it may accommodate other possible distinctions, as we have seen. By comparing empirically observed distinctions with theoretical ones, the analytical usefulness of the latter, together with this broad concept of approaches, can be assessed at the end of the study.

Having discussed at some length the conceptual tools to be used, I now wish to present the broad outlines of the methodological approach of the empirical study.

Methodological approach and main outlines of research strategy

Making priorities on the basis of my underlying research interests presented in Section 1.1, I take for granted that material interests exert a significant influence on views, and regard the real challenge as looking beyond interests to examine the significance of ideas and meaning. For this purpose, in examining accounts and arguments of co-op leaders and participants in the disputes, I have adopted a *qualitative* methodological approach.

A qualitative analysis of debate is quite different from a quantitative survey of opinion. The latter approach involves constructing a representation of aggregate views on the basis of standardised questions and representative sampling, effectively treating views in the same way as consumer preferences. While such an approach has the benefit of being democratic, in that it treats all members as equal and gives their views equal weight, it suffers from an inability to frame individuals' views in the discursive contexts from which they are taken, and to provide insight into the processes through which they develop and change. The approach of the present work seeks to construct another type of representation: one where the views and arguments are treated as neither mere personal preferences nor emergent properties of interests and circumstances, but as being generated by structured social interaction including discourses. Such a focus on the social and trans-subjective character of views and arguments involves relating these, as well as interests, to values, ideologies, culture and power. Here lies the basis of critique in this approach; whereas the survey approach allows critical comparison between organisational policy and the majority view of the members. I take the pragmatic view that the different representations are not necessarily mutually exclusive, but can complement each other. Although I have not had resources to conduct a survey in addition to interviews, I will be referring to available survey data where it can fill in the picture of how co-op members think and feel about their organisations and changes in them (cf. Part 5).

The qualitative methodological approach in this study was initially fairly intuitive. An interpretative approach combining textual and interview data is well established in the social sciences, and I had used such an approach earlier (Begg, op. cit.). The idea of studying ways of arguing and reasoning was particularly inspired and informed by the book 'Habits of the Heart' (Bellah and others 1986), in which different forms of individualistic reasoning are identified through in-depth interviews with a variety of Americans about their lives. Only after carrying out most of my interviews and collecting a large amount of the textual data did I become more fully acquainted with the methodological approach -- or set of approaches -- which has become known as 'text and discourse analysis'. This is an interpretative way of

dealing with data, aimed at eliciting meaning, values and logic from communication of all kinds, rather than restricting data collection to the standard sociological form of more or less structured interviews, or conducting ethnographic field work. The distinction between written and spoken communication loses its significance to a large extent in this approach, so that the term 'text' is often used to encompass both, or even more generally to include art, architecture and anything which can be interpreted as conveying meaning. 'Discourse' -- defined in Section 1.2 - can equally refer to written as well as spoken communication. I do not regard the present work as applying text and discourse as a formal method (Potter op. cit.; Fairclough op. cit.) but rather as informed by some of the insights of the broad text and discourse methodology, or group of methodologies.

The 'text and discourse' approach is concerned with the pragmatic features of empirically observable communication, including rhetoric and the mediation of relations of authority and power. The term 'rhetoric' is not reserved for communication aimed specifically at persuasion, as it recognises an element of rhetoric in communication in general (Potter op. cit.). As noted earlier, my use of the concept of discourse (in the particular sense) in the present study is limited, with the emphasis being on the part played by various discourses in influencing the ways in which co-op members understand their organisations and the activities of these.

Accounts of events and developments can be expected to vary greatly according to who is telling the story and with what purpose. They are commonly used to justify the actions or attitudes of the person or group presenting them (Potter op. cit.); and these justifications are often of at least as much interest as the 'whole story' of events. The text and discourse approach allows us to leave aside the question of what is verifiable 'fact' and concentrate on the rhetorical or 'discursive' aspects of the text. These can help us to build up a picture, not so much about the writer/speaker personally as about prevalent social norms, ideologies and discourses in the social context concerned.

Thus if people lie, break promises or act inconsistently with stated intentions or motives, it does not make what they say valueless as data. Rather than cross-checking statements with direct observation of actions to which they refer, in order to check the veracity of the former -- a difficult task in most research situations -- we can rather look for norms which apply in the particular contexts concerned. Not least, we have to bear in mind the context of the interview, in which the informant attributes certain expectations to the researcher. 'Impression management' (Goffman 1971) is part of normal social interaction, and thus a normal part of data collection. For example, as I told my informants of my interest in co-operatives, they could emphasise the 'correctness' of their views and arguments in relation to an assumed mutual understanding of co-operatives and their principles. This provided valuable data particularly when my understanding differed from theirs.

My main research strategy has been extensive, looking through a relatively large volume of texts on the co-op disputes by organisational leaders and members for pieces which clearly make a point or express an attitude, including ambivalence. The texts I have collected and examined are highly varied. They comprise notes and transcripts of partly-structured interviews -- sometimes followed by unstructured thematic discussions -- with co-op members and officials; articles and letters written by co-op leaders and other members and published in newspapers; annual reports and other co-op documents; book texts written by people involved in the co-ops; and - to a small extent, and with qualifications - newspaper reports. I have also made much use of all these types of text as 'background' sources of

information about events and actions, to which the accounts of people involved in these relate.

In interpreting this data, I seek to maintain a pragmatic balance between a constructivist approach -- in which reality is seen as fragmented and contested -- and a conventional essentialist or realist one concerned with verifiable facts. Meetings, demonstrations, and decisions to make organisational mergers and plant closures are examples of socially consequential events which can be located objectively in time and place. On the other hand, there may be widely diverging perceptions and accounts of what actually took place, why, and with what consequences. The balance between realism and constructivism will change as the text proceeds. Part 2 is mainly concerned with representing the co-op's situation, and its historical development, in terms of 'facts and figures' which are not under dispute. Part 3 combines a historical account of the dairy co-ops and federation, based on 'facts and figures', with textual data on the view of developments 'from the top' of the federation. Part 4 presents cases both in terms of actual events and as competing accounts by participants in the disputes. Part 5 concentrates on argument and discourse, and is thus somewhat more constructivist in character.

Notes concerning specific research strategy, method and data will be appended to each of the four empirical parts (Parts 2--5) of the text.

A word about relevance. I see the study as being relevant on three levels:

- concretely, to co-op members
- to co-ops and other organisations (including the state) run along democratic lines.
- to economic sociology

By studying the Norwegian co-op disputes and debates, social relations -- between farmers, and between them and the rest of society -- come out into the open, instead of being hidden by markets.

To conclude Part 1 as a whole, I will sum up (on the following page) the main questions to be addressed by the empirical study.

Main outlines of the empirical study (Parts 2--5)

The first of the major questions to be answered is whether it is reasonable to regard policy choice in the co-ops as so constrained as to be practically *determined by circumstances*. As well as introducing the co-ops, Part 2 addresses this issue. Against the background of a summary of historical developments in the sector, major change in the co-ops' environment in the late twentieth century will be discussed. To counteract any impression of a natural process, the *sources* of pressure for change will be located. Turning to a comparative strategy, I will explore the significance of circumstances on structural concentration and other policies in co-operative dairies, by looking at developments over a period in different countries with varying circumstances.

Part 2 also serves as a *general introduction* to the empirical field of *agriculture and foods* ('agri-foods'), and the dominant 'Fordist' or 'orthodox modern' model of industrial production and consumption will be presented. The presentation of statistics will indicate the degree of asymmetry of potential organisational power relative to size of farm -- a theme that will be further developed in Parts 3 and 4.

Co-op strategies under *changing circumstances* will be further examined in Part 3, this time by diachronic comparison. I will review the historical development of the dairy co-ops and their national federation from early days to recent times. The significance of corporative arrangements, involving the federation in close co-operation with the state, will be given particular attention. *Agency* will be emphasised, and the question of decision-making *structures* and internal organisational *power* will be addressed. The 'voices' heard in this part -- expressing or implying approaches to the organisation of production -- will be those of federation *leaders*.

In the 8 sections of Part 4, a range of cases (some of them composite) of co-op disputes will be presented. These will vary in depth, and will use a variety of sources including two previous studies. The aim is to cover the general issues involved, carrying over the question of the *location of decision-making* from Part 3. Commonalities and diversity will be identified. Some views of both leaders and dissident members, indicative of approaches, will be presented.

Part 5 will examine in detail but in general terms the arguments relating to the disputes. Text and interview data will be examined with regard to the functioning of organisational democracy, and *disagreement* over co-op strategies and *grounds* for it -- in particular, lines of *divergence of material interests*, and differing *approaches* including ideas and meaning.

APPENDIX TO 1.1

Data for Figs. 1a, 1b & 1c

| year | plants | co-ops | suppliers |
|------|--------|--------|-----------|
| 1950 | | 465 | 120,000 |
| 1951 | | 455 | |
| 1952 | | 442 | |
| 1953 | | 431 | |
| 1954 | | 400 | 128,700 |
| 1955 | | 383 | 128,850 |
| 1956 | | 381 | |
| 1957 | | 374 | |
| 1959 | | 369 | 128,900 |
| 1960 | | 351 | 127,700 |
| 1961 | | 337 | |
| 1962 | | 337 | |
| 1963 | | 325 | |
| 1964 | | 314 | |
| 1965 | | 307 | |
| 1966 | | | |
| 1967 | | | |
| 1968 | | | |
| 1969 | | | |
| 1970 | | 251 | |
| 1971 | | 238 | 70,000 |
| 1972 | | 220 | 63,000 |
| 1973 | 155 | 204 | 58,500 |
| 1974 | 160 | 195 | 53,600 |
| 1975 | 156 | 193 | 49,900 |
| 1976 | 148 | 186 | 46,500 |
| 1977 | 145 | 185 | 43,000 |
| 1978 | 142 | 181 | 42,000 |
| 1979 | 137 | 179 | 40,300 |
| 1980 | 135 | 178 | 38,300 |
| 1981 | 135 | 177 | 37,600 |
| 1982 | 135 | 176 | 35,300 |
| 1983 | | 176 | 34,800 |
| 1984 | 19 | 176 | |
| 1985 | 19 | 176 | 32,500 |
| 1986 | 19 | 170 | 32,000 |
| 1987 | | 161 | 30,300 |
| 1988 | | 150 | 30,200 |
| 1989 | 18 | 141 | |
| 1990 | 18 | 128 | 29,000 |
| 1991 | 18 | 121 | 28,600 |
| 1992 | 18 | 111 | 28,300 |
| 1993 | 18 | 109 | 27,600 |
| 1994 | 16 | 100 | 27,200 |
| 1995 | 14 | 90 | 26,600 |
| 1996 | 13 | 83 | 25,400 |

| | | | |
|------|----|----|--------|
| 1997 | 11 | 78 | 25,100 |
|------|----|----|--------|

Source: SSB/Statistics Norway historisk statistikk/historical statistics; NML årsrapporter/annual reports.

APPENDIX TO 1.3

The Rochdale and ICA principles

The Rochdale rules: different versions

Böök (op. cit.) lists the following eight rules, (which I abbreviate slightly):

1. *To sell goods at prevailing local prices*
2. *Restriction to a fixed rate of the interest upon capital . . .*
3. *The distribution of profits (after meeting expenses and interest charges) in proportion to purchases*
4. *No credit . . .*
5. *Both sexes to have equality in member rights*
6. *Each member to have one vote and no more*
7. *Regular and frequent meetings to be held for the discussion of the society's business and of [sic] receiving suggestions for improving the society's welfare*
8. *Accounts to be properly kept and audited, and balance sheets to be presented regularly to the members.*

These rules have to be interpreted in the context of UK society at the time. Formal equality of rights between the sexes (Rule 5) is now incorporated into law in many countries; but at the time it was quite radical, and indicates how strongly egalitarian the ethos of the Rochdale society was. Some of the rules -- 1 and 4 -- would seem to be aimed at guarding against making potentially ruinous losses rather than promoting distinctly co-operative organisational practices. The banning of credit did however also have moral implications, linked to the social stigma of debt. The rules which have become widely adopted as key distinctive co-operative principles, together distinguishing co-ops from joint-stock and other firms, are 2, 3 and 6, (discussed in Section 1.3). Rules 7 and 8 seek to reinforce organisational democracy by ensuring that members are kept well informed and are given sufficient opportunity to influence the policy-making process.

Craig, op. cit: 31, quoting Lambert (1963: 292) lists a slightly different set of 10 rules attributed to Rochdale. These include the organisational principles of open and voluntary membership, political and religious neutrality, and education of members; as well as a trading principle of high-quality and pure produce. Rules 5, 7 and 8 in the Böök /Hall and Watkins list do not appear. Demoustier (op. cit.: 8) -- whose main topic is workers' co-ops -- does not name her source, but offers a third set of 'Rochdale principles', eight in number. These include numbers 2,3 and 6 from the Böök /Hall and Watkins list, plus open membership and education of members (cf. the Craig /Lambert list), and two additional rules concerning capital: non-divisible reserves and the transfer of remaining equity to another co-op in the event of dissolution. The formation of a co-operative community is the eighth 'principle' in Demoustier's list, and she comments that neither it nor the education principle were unanimously recognised by co-operators struggling to put the remaining six into practice. Without going to original sources it is impossible to judge the comparative merits of these three lists; and they would seem to illustrate well the process of selection that occurs in interpreting texts and constructing representations of essential principles.

The development of the ICA Principles

The International Co-operative Alliance, ICA, was formed in 1895. It was dominated by consumer co-ops based on the Rochdale model, with the U.K. consumer federations having a strong position; and the principles to which members co-ops were expected to conform were regarded as the 'Rochdale Principles'. The pragmatic co-operators, of the Schultze Delitsche and Raiffeisen and allied movements, found these principles unacceptable, and left the ICA; though some later re-joined (Böök 1991). Craig (op. cit.) writes that it was the process of expanding the ICA to include farmers' marketing co-ops which brought about a revision of these principles during the 1930's. There was considerable controversy on this matter at the 1934 congress (Røkholt 1984b: 21), and it was not until the 1937 congress in Paris that a set of seven principles was agreed on:

- voluntary membership
- democratic control
- proportionality of returns
- limited interest on capital.
- political and religious neutrality
- cash sales only
- education of members

Craig (op. cit.) writes that the first four of these were identified as the most basic, and universal for all co-operatives, while the other three were classed as subsidiary and mainly applicable to consumer co-ops, which still dominated ICA. The 'cash sales' principle is clearly only applicable to co-operatives selling goods to members.

The above set of seven principles is commonly referred to as 'The Rochdale Principles', though in fact they were compiled almost a century after the founding of the Rochdale co-op. All seven are found in one or other of the three sets of 'Rochdale rules/principles' detailed above. It is tempting to speculate as to whether the magic number seven played a part in the selection process,⁵⁴ just as the analogy with the Biblical ten commandments suggests itself with reference to the set of ten Rochdale principles reproduced by Lambert and Craig. In any case, the considerations guiding the selection are not immediately obvious. It seems strange that political and religious neutrality should be included, but not equality between the sexes. As none of these three principles of non-discrimination is distinctive for co-operatives, the inclusion of two but not the third is inconsistent. Moreover, why political and religious neutrality, along with the education of members, should have been more applicable to consumer co-ops than to others is unclear. The moral aspect of the prohibition of credit may account for the retention of this Rochdale principle as a subsidiary one confined to consumer co-ops, despite the dropping of the purely practical guideline of following local prices. The last two rules on the Böök/Watkins list, stipulating regular meetings where members had the chance to influence policy-making, and where they were to be presented with up-to-date business accounts, were dropped. This may be interpreted as a pragmatic acceptance of the consequences for member involvement of large organisational size and indirect democracy; but it nevertheless seems strange that the principles concerned were not at least retained in a modified form. Also the omission of the rules on capital funds and dissolution cited by Demoustier is hard to understand, as they certainly diverge substantially from capitalist business practices.

⁵⁴ As it did in Newton's construction of the spectrum. Incidentally, the ICA has the rainbow as its symbol.

The omission of some rules may be interpreted as the result of their perceived redundancy through time, due to legislation. For example, the passing of the U.K. Adulteration of Food Act in 1860 had presumably made the principle of pure and high quality produce seem less important to specify explicitly in the U.K. consumer co-ops. The legislative framework round the latter was also altered significantly a few years after the founding of the Rochdale Society, through the passing of the Industrial and Provident Societies Act of 1852.

Though the ICA's initial selection principles were heavily influenced by the dominant position of the U.K. consumer co-op movement, another factor which became increasingly important was the extreme diversity of organisations which sought to join the Association. Besides the tensions between the different types of co-operative, the ICA also has had to cope with major cultural, social and political heterogeneity in the societies in which its members are situated, and in the organisational adaptations of the co-ops. There are still strong differences of opinion about whether ICA went too far in accommodating the Centrosoyus co-ops in the Soviet Union, which were more or less under the control of the state.⁵⁵ As my purpose here is merely to review the wide range of principles and values adopted along the line by the ICA or attributed to Rochdale, I leave aside the issue of the organisational processes behind the selection and changes that have taken place over the years.

On-going debate and disagreement led to a new review of the essential co-operative principles by ICA in the 1960's, culminating in the adoption in 1966 at the congress in Vienna of a set of six principles, more comprehensively formulated than previously:

- 1. Membership of a co-operative society should be voluntary and available without artificial restrictions or any social, political, racial or religious discriminations, to all persons who can make use of its services and are willing to accept the responsibilities of membership.*
 - 2. Co-operative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies, the administration should be conducted on a democratic basis in a suitable form.*
 - 3. Share capital should receive only a limited rate of interest, if any.*
 - 4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by decision of the members as follows:*
 - a) By provision for development of the business of the Co-operative*
 - b) By provision of common services; or*
 - c) By distribution among the members in proportion to their transaction with the society.*
 - 5. All co-operative societies should make provisions for the education of their members, officers and employees and of the general public, in principles and techniques of Co-operation, both economic and democratic.*
 - 6. In order to best serve the interests of their members and their communities, all co-operative organisations should actively co-operate in every practical way with other co-operatives at local, national and international levels.*
- (Böök op. cit.: 241).

The broad formulation of many of the principles was designed to accommodate other types of co-op than consumer ones more adequately than previously. The principle inherited from

⁵⁵ Cf. Münkner (1995); Rhodes (1995).

Rochdale of prohibiting credit in consumer co-ops was at last removed completely. The specification of religious and political neutrality was now applied to recruitment rather than generally to the society's activities, and combined with the principle of voluntary membership. The use of the word 'persons' can be interpreted as a statement -- albeit implicit -- of equality between the sexes. The principle of member democracy was now worded to fit large organisations based on indirect democracy. The open formulation regarding democracy in second-order co-ops and federations, whose members are organisations and not persons, gave scope for a wide range of arrangements, which we will later see examples of. The options open for allocating the net proceeds were specified more fully than previously, thereby drawing attention to indivisible benefits as well as individual returns. The essential role of co-operative education, recognised by the early co-operators, was brought back to the fore; and the principle of co-operation between co-operatives, central to co-operative movements and federations, was now made explicit and more general. It is the above set which has been the 'official' version of 'The Co-operative Principles' in the majority of co-operative organisations, including those focused on in this study, until the mid-1990's.

Continuing disputes about the principles, and not least the demise of the Soviet bloc and the European 'communist' regimes, brought about a new review process. A preliminary report (Böök 1992) was presented to the 1992 congress in Tokyo. After a '*lengthy process of consultation involving thousands of co-operatives around the world.*' (MacPherson op. cit.: 71), a revised set of principles was presented at the 1995 centennial congress in Manchester, by a working group chaired by Professor Ian MacPherson, a Canadian historian. The tendency to formulate the principles more fully and precisely was continued, with some of the existing ones being combined into composites. Gender equality has been made explicit again, being incorporated in to the first of the 1966 principles as well as the second. Common capital, organisational independence, and active democratic involvement by members were other key moral economic aspects which were consolidated as formal principles. The full list, as presented by the ICA, is reproduced on the following page.

PRINCIPLES

The co-operative principles are guidelines by which co-operatives put their values into practice.

First PRINCIPLE: VOLUNTARY AND OPEN MEMBERSHIP

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

Second PRINCIPLE: DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are organised in a democratic manner.

Third PRINCIPLE: MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Fourth PRINCIPLE: AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Fifth PRINCIPLE: EDUCATION, TRAINING AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public -- particularly young people and opinion leaders -- about the nature and benefits of co-operation.

Sixth PRINCIPLE: CO-OPERATION AMONG CO-OPERATIVES

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

Seventh PRINCIPLE: CONCERN FOR COMMUNITY

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.

Adopted in Manchester (UK) 23 September 1995

(MacPherson op. cit.: 1)⁵⁶

⁵⁶ Text reproduced from the ICA internet document 'The Statement on the Co-operative Identity'.

PART 2:

THE AGRI-FOOD SECTOR AND THE CIRCUMSTANCES OF THE CO-OPS

Introduction

The aim of this first part of the empirical study is two-fold. Firstly, it introduces the empirical theme of 'agri-foods' -- i.e. agriculture and the processing and distribution of its products -- and the specific theme of the Norwegian co-ops, their sectoral environment and general circumstances. Secondly, it addresses the first of my questions: whether the evidence indicates that the changes adopted by the co-ops -- particularly structural concentration -- have been forced on them by circumstances, rather than being chosen.

Section 2.1 begins with some general observations about the transformation that has taken place in modern times of the social organisation of food production and preparation. The discussion then moves to the liberalisation of food trade, which is widely regarded as an unstoppable process forcing governments and industry alike to adapt by making drastic changes. As I have made clear in Part 1, the present study treats both modernisation and global liberalisation as socio-political processes, involving human agency and power, and the discussion will focus on these aspects.

Agricultural sectors in general have been noted for a high degree of state regulation and complexity, and the Norwegian one is certainly no exception. 'Outsiders' like myself who attempt to confine a study to one particular segment soon become aware of the need for a broader understanding. For example, dairy processing structure is indirectly strongly affected by government policy on corn. Such complex relations and tight couplings are implicitly taken into account by farmers and co-op officials in discussing and deciding organisational policy; and an understanding of these discussions and decisions involves making them explicit. In Section 2.2, I will be introducing the Norwegian farming sector, and government policy on agri-foods, more broadly than might seem necessary for a study of dairy and meat co-ops. The presentation will have a historical perspective, in order to bring out change and its direction; and also to provide background information for the more narrow and detailed presentation in Part 3 of the history of the dairy co-ops.

In Section 2.3, the Norwegian farmers' co-ops, and the dairy co-ops in particular, will be presented against a background of changing circumstances in the last two decades of the twentieth century. It turns out that circumstances have indeed undergone and are undergoing major change, so that claims that these have determined changes in the co-ops cannot be dismissed lightly. In an attempt to assess the plausibility of these claims, Section 2.4 takes a comparative look back at structural and other changes in dairy co-ops over a period of time, in a number of particularly relevant countries.

2.1

Agri-foods: from household to global industrial production and consumption

Today it is easy to take specialised primary production and the giant industry of food processing for granted. A historical perspective is an essential aid to 'de-constructing', and thereby more adequately understanding, these sectoral characteristics, and the contemporary changes in the industry with which this study is concerned. This section starts with a brief summary of the transformation of agri-foods from a household activity into a modern industry. The focus is on the socially constructed and political nature of this transformation. The discussion will then move to the process of 'globalisation' which is going hand-in-hand with the industrialisation of food production in the late twentieth century. Again, the political character of the process will be stressed, by highlighting the roles of powerful actors, liberalist ideology, and institutional arrangements which are promoting the global liberalisation of trade. As well as informing the specific discussion of the Norwegian agri-food sector, the point of the section is to counteract the tendency to regard 'modernisation' and 'globalisation' as natural processes, driven by currents of technological progress and cultural change beyond human control.

Modernisation and re-structuring in primary agriculture

Since the beginning of the 'modern' period of scientific thinking and technological innovation in Europe, farming has been increasingly liberated from the constraints imposed by nature. To begin with, simple techniques of draining and manuring increased soil fertility greatly, and the technological innovation of the horse-drawn plough brought a further dramatic increase in the productivity of the land. In the age of industrial mass-production beginning in the nineteenth century, mechanisation has further transformed farming, bringing vast gains in the productivity of labour as well as land. In the present era, bio-technology -- largely under the firm control of trans-national corporations -- is further increasing yields per hectare and per animal. Agriculture has become progressively integrated into the capitalist industrial system of accumulation. A smaller share than previously of the returns from agriculture remains within the rural economy; and farming acquires a business-like character, with incentives to make strategic dispositions to minimise tax, and so on. Together with these technological and economic changes go socio-cultural and political ones.

Modern dairy and meat farming arose in the nineteenth century, in response to a conjunction of circumstances. A long-term wave of full-scale trade liberalisation, together with the expropriation of indigenous peoples' lands by military force, were the political pre-conditions for the establishment of extensive wheat farms on the North American prairies. Combined with the technological innovations of the mechanical reaper, the railway and the steamboat, this development brought North American wheat exports to Western Europe in unprecedented volumes. Russian exports boosted supply further, and the price of wheat and other cereals fell substantially (Polanyi 1957: 182). This situation arose at a time of increasing market demand, from a growing number of affluent urban consumers, for high-grade proteins. The widely-adopted solution was to use plant biomass to feed animals rather than to feed humans directly. Østerud (1978:184) notes that this specialisation in commercial

livestock husbandry was promoted by the state, in Norway and its neighbours Sweden and Denmark.

Formerly, a large proportion of households in Western Europe had domestic animals -- hens, a pig, perhaps a few sheep or goats and a milk cow -- and seasonal production was based on the natural ovulation and lactation cycles and on extensive local grazing and forage gathering, including transhumance (summer husbandry in hill- and forest-grazing areas). The high-grade animal proteins and fats in eggs, meat and milk were produced purely from low-grade biomass in the local eco-system. By contrast, modern commercial meat and dairy farming in Europe and North America is largely carried out in specialised units, characterised by continuous and increasingly intensive production. Though local fodder may still be used, the high yields of protein per animal are largely due to the use of high-grade feed concentrates, which may come from virtually any part of the world (McMichael 1994). Considerable resources have been put into animal breeding and the manipulation of natural cycles through artificial insemination to make year-round meat and milk production possible. Thus modernisation has reduced the significance of time and place in the production of animal protein.

The transformation of agriculture from artisanal farming⁵⁷ into capitalist 'agri-business' is being promoted not just by the supply of input factors, but also by demands from the food processing industry, which the latter in turn attributes to 'the Consumer'. Constructed for the food industry by the enormous and powerful marketing industry, the image of the universal, affluent 'average consumer', with uniform taste, influences consumers' perceptions not only of the particular products concerned but also of norms of consumption. The idealised urban, predominantly middle-class 'average consumer' is so far removed from bio-production and natural cycles that he or she expects to find the same attractively-packaged products on the supermarket shelves regardless of season or geographical location. This expectation fits the needs of the food industry, which constantly strives to expand markets, standardise products and flatten out both demand and supply fluctuations, so as to achieve optimal utilisation of invested capital and employed labour. Thus the imperatives of industrial capitalism increasingly replace those of nature, extending their field of influence throughout the whole food chain.

The commercialisation and industrialisation of food processing

The production, distribution and preparation of food are central functions of all societies, and their organisation varies according to the culture and political structure of the particular society. In pre-modern Europe, the bulk of the populace produced, processed, prepared and consumed foodstuffs on a household basis. Processing on a larger scale was carried out to meet the needs of urban populations and ruling elites, including sustaining the excessive consumption and military adventures of the latter, as well as redistribution organised by the Church. In medieval times, large-scale technology was developed to facilitate such centralised processing. In particular, corn milling was mechanised by animal, wind and water power on the scale required by the feudal lords, and peasants were constrained to use the mills of the latter, even though their needs could be met quite adequately -- and probably better -- by small household mills powered by hand, or by the small horizontal water wheel

⁵⁷ I prefer this term -- implying small-scale non-industrial production -- rather than 'peasant', which tends to suggest class relations of the feudal type.

which persisted in the non-feudal Nordic countries.⁵⁸ In more recent times, capitalist enterprise has both drawn people from the land and industrialised a steadily greater share of food processing.

Industries -- including that foodproducing -- are constituted by the modern process of differentiation involving specialised division of human activity, technology and knowledge. This has profound cultural implications (Ritzer 1993). Industrialisation and highly-developed commercialisation involve the disembedding of food processing -- and ultimately also both primary production and preparation -- from the social institutions of the household and community, with the roles of producer and consumer moving steadily further apart (Eriksen 1994). A long 'food chain' now intervenes between a steadily decreasing number of producers and the rest of society. Primary agricultural products are increasingly regarded not as 'food' but as raw commodities requiring considerable added-value input to make them into products saleable to consumers. As it becomes more advanced, this process of commodification allows the food industry to appropriate not only value but also knowledge and skills. The latter, of a culture-specific character, are removed from the social activities of primary production, food retail, and domestic food preparation, and replaced with 'global' scientific knowledge concentrated in the processing industry. The following diagram illustrates some of the activities which have been transferred to the food industry and the related fast-food branch:

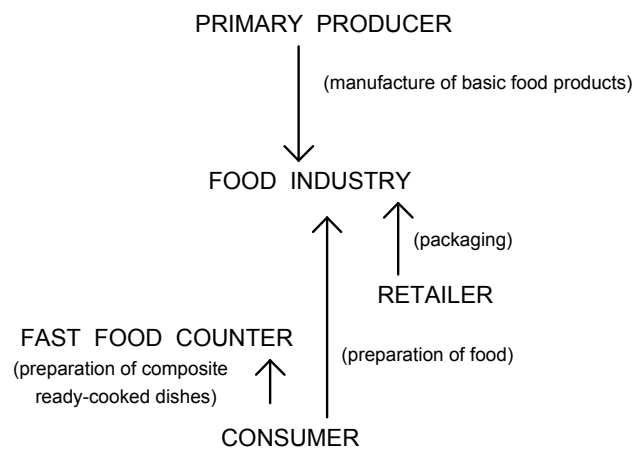


Fig. 2.1a The concentration of activity in the food sector

For the consumer, these changes bring on the one hand an expanding range of sophisticated, highly-processed and readily-consumable products, and on the other an increasing dependency on these and on cash to buy them. For the primary producer it means increasing specialisation and dependency on large industrial buyers. Breaking or at least reducing such dependency is a primary function of producer co-operatives.

This is of course an extremely compressed and simplified summary of a long historical process, beginning with small dairies and butchers' shops, and proceeding apace in the

⁵⁸ Bloch (1985) writes of an early conflict over the structure of food processing, in which English peasants revolted and took back the hand mills which had been confiscated from them by their feudal masters. This story illustrates elegantly the political nature of technology and industry structure -- an insight which is central to the present study.

present day with a global industry dominated by giant corporations, manufacturing an ever-expanding range of highly-processed products with the aid of modern science and vast amounts of capital. The main point is to bring out the socially-constructed and political nature of the food chain. As in the division of productive activity in general, there are no fixed or 'natural' boundaries; nor is the rapid movement of boundaries in the food chain in modern times 'natural' or inevitable. While the *conditions* necessary for expanding the processing industry and the related fast-food branch are created by the aggregate processes of industrialisation and urbanisation, the expansion itself is led by powerful agents: giant capital-controlled corporations, whose role I will have more to say about shortly.

The orthodox modern models of production and consumption

Structural concentration -- the main focus of the present study -- is a business strategy based on a particular model of production, in which large scale and hierarchical organisation together are seen as preconditions for efficiency and market power. As mentioned in Section 1.2, this model is predominant in the industrialised part of the world. We can call it the 'orthodox modern' model, emphasising the contradiction it embodies between modernity -- implying change -- and orthodoxy, which is conservative.⁵⁹

This model rests on a particular perspective and discourse of 'modernised' production, in which large-scale production with a high degree of mechanisation and automation is understood to bring gains in both efficiency and quality, compared with labour-intensive production involving craft skills. Not only efficiency, but also quality is seen in this perspective as objectively measurable. Standardisation is a main goal. Different production runs from different plants must be indistinguishable, with their origin indicated only by a discreetly placed code on the packaging. As mentioned earlier in this section, a corresponding modern model of consumption has been developed, not so much as a spontaneous adaptation to the needs of the modern consumer as a carefully designed and promoted adaptation to the needs of the modern manufacturing, distribution and retailing industries.

The development of milk as a standard supermarket product in the late twentieth century provides a particularly relevant illustration of the application of orthodox models of production and consumption. The classical economic model of the ideal market is based on durable commodities, and it breaks down in the case of many agri-food products because of their lack of durability, with liquid milk being particularly perishable. According to the orthodox models of modern production and consumption, such anomalies are undesirable, and efforts must be made to bring about as much conformity as possible. As grocery shops have been transformed into supermarkets, the processing and packaging of milk has brought it into their refrigerated cabinets, undermining the need for dairy shops. Parallel with this development, the refrigerator has become a virtually universal household item. Scientific and technological developments, applied to all stages of the production and distribution chain, have extended the life of fresh milk so much that collection more frequently than every second day is considered unnecessary, and three days in the farm tank considered acceptable, at least by the Norwegian co-op dairies. On the consumption side, frequency of buying food has decreased, and dairies have responded with 1.5 litre packaging. Thus a product that had to be consumed within a day or two of production in the 1950's can now be stored on the farm, in the dairy, in the shop, and in the home, and still last for a week or so in the latter.

⁵⁹ I avoid the term 'Fordist' because it has specific implications with regard to the production process on the one hand, while on the other it is widely used in a 'macro' sense, to designate a political-economic regime of production.

By contrast to traditional 'embedded' institutionalised systems of production and consumption, the orthodox modern model is radically disembedded. Indeed it is predicated on Milton Friedman's ideal of the totally anonymous market, where the origin of the produce is - or should be -- of no concern to the buyer, logically implying that trust in the producer is not necessary. This hardly corresponds with our experience of consumer goods, which generally bear a trade mark, in many cases backed by an enormous marketing effort, aimed at inducing trust. In any case, the creation of international markets for many products has created sufficient opacity as to necessitate comprehensive and costly regulatory systems. In the Single European Market of the EU, food producers are required by law to meet increasingly stringent hygiene and safety standards. In addition, voluntary standard quality control systems have been introduced, and the large supermarket chain buyers are increasingly able to demand certification from producers who wish to be included in the list of potential suppliers. Through the EEA agreement, these mandatory and 'voluntary' systems are being extended into Norway, where the market in the past has been sheltered, small and sufficiently transparent as to make such sophisticated formal systems unnecessary.

As mentioned in Section 1.1, an alternative model of production and consumption is thriving in some sectors and areas, based on diversified production for segmented markets. A ready label is harder to find for this model, or group of models, which has both traditional and modern features. Finding the term 'post-Fordist' potentially misleading, 'post-modern' likewise, and too full of other connotations (Clegg 1990: 180; Alvesson op. cit.), and 'flexible specialisation' (Piore and Sabel op. cit.) too specific, I will merely refer to it loosely as 'the alternative model', understood as being with reference to the particular context of the farmers' co-ops. In Part 5 we will see how it is defined by opponents of structural concentration.

Structural power, integration and the rationale of co-operatives

Insofar as primary agriculture is characterised by high risk -- with returns being contingent on the vagaries of nature -- and highly specific trade skills, including local ecological knowledge, it is not readily industrialised, and is an unattractive object of capitalist investment. Hence the latter was long mainly confined to the processing industry on the one side, and supplies to farmers on the other. However, scientific and technological developments have allowed an increasing proportion of primary production to be subjected to industrial principles, and thereby made more attractive to capital-controlled organisations. Large, established processors are particularly interested in gaining control over the whole production process, and there has been a degree of 'backward integration' by these into primary agriculture. Even the wholesale and retail branches have become involved in primary production. For instance, the consumer co-operative wholesale association CWS has become the biggest farm owner in the UK., with a large dairy herd supplying its supermarkets.

An alternative to full backward integration, which gives processors the benefits of control while leaving farmers to take the risks, are contract supply arrangements. Torgerson (1993) tells that primary production of beef cattle, broiler poultry and pig meat in the USA is being increasingly taken over by capital-controlled companies, through large chain-type franchise arrangements. In pig meat production, the growth of the latter is described as 'phenomenal' (op. cit.). Here, the nominally autonomous 'hog producers' are provided with practically everything - breeder stock, credit, feed, advisory and veterinary services -- by the food processing corporations, who closely specify standards for both production facilities and the finished animals, as well as monitoring production. The animals are owned throughout the

process by the franchise chain, which pays the producer a piece rate for 'finishing' them -- an arrangement only formally different from employing wage labour. Thus the boundary between full integration and contracting is blurred.

Crop production is another area where contract production has become significant. Here there is not only 'backward' contracting by processors, but also 'forward' contracting by seed and chemical suppliers. The development of 'identity-preserved' crops, produced by bio-engineering, has given the suppliers the leverage they require to gain control over the farmers (Sorj and Wilkinson 1994).

By getting together to market their produce, small farmers can compensate to some extent for their weak position in markets dominated by small numbers of large buyers. This 'countervailing power' -- originally against merchants or landlords -- has been and remains the primary rationale behind co-operative formation, protecting farmers against exploitative arrangements and allowing them to retain their autonomy in the primary production process itself. When -- as is often the case today -- the large buyers are processors, a strategy of 'forward integration' into processing allows the farmers' co-operatives to compete with the latter, potentially gaining some of the added value which processing gives their produce.

The globalisation of food production and consumption

The expansion of the processing and fast-food industries is led by giant multi-national corporations (MNC's), whose ability to dominate markets and force others to conform to their requirements gives them a position somewhat analogous to the feudal lords with their mills, but on a global scale (Heffernan and Constance op. cit.). Through the scientific tool of biotechnology, the MNC's have commodified plant and animal fats and amino acids to an extent which makes food processing increasingly resemble a chemical industry, whose components can be extracted from a wide variety of raw materials depending on their price. Global multi-sourcing has thus become an important feature of the food as well as other major industries.

Though world-wide trade in food items has gone on since antiquity, the development of the orthodox modern model of production and consumption has brought the new phenomenon of '*global food*' -- freed from both cultural and material ties to location. The pizza -- originally Italian -- was globalised in a cheaply mass-produced North American version. New global products have been specially designed to overcome regional differences in taste. Processed cheeses, like Kraft's Philadelphia, are characterised by inoffensive blandness, in contrast to traditional regional specialities such as the strongly-smelling Norwegian delicacies *pultost* and *gamalost*. The highly standardised McDonald's burger has become the classic example of globalised food (Ritzer op. cit.).

National and regional cultural differences still constitute important limitations to the homogenisation of food products, however. Ultra-heat treated (UHT) milk -- which can be stored for a long time without refrigeration -- is an example of a technological innovation whose success has been considerable in some markets but not in others. In France, milk is largely used in coffee and in cooking. This allows price and convenience to take precedence over taste quality, and UHT milk has accordingly taken over a large share of the market. In Norway, the consumption of coffee and fresh milk is largely separate, ruling out the substitution of the latter with UHT milk, though UHT cream for coffee has been successfully introduced. In the British Isles, UHT milk has taken over a modest market share, but the general preference for milky tea rather than coffee is a strong limiting factor. Thus though

well-established modern technology would allow the creation of an international market for liquid milk -- with a potential for an enormous degree of concentration of production -- cultural differences ensure that such a market remains rather limited, even within the EU where such open markets formally exist for all products. On the other hand, the same technology has made orange and other fruit juices cheaply available to consumers all over Western Europe, including Norway. Together with a cultural change in eating habits, this has made the substitution of milk by fruit juice a serious challenge to the Norwegian dairies.

Trade governance and liberalisation

So far we have looked at the role of technological innovation and the trans-national corporations in the internationalisation or globalisation of foods. There is a third factor in the process: political institutional changes. The liberalisation of trade is not just happening spontaneously, but is being actively promoted through international institutional arrangements. Moreover, these arrangements or bodies are constraining national agri-food policy-making to a considerable extent, as Norwegian government policy documents make clear (cf. Section 2.3).

Food differs fundamentally from most marketable commodities in that it is essential to life. It has a special status in traditional societies, its exchange for valuables within the community being widely if not universally regarded as morally unacceptable (Sahlins op. cit.: 215). Thus it is not strange that the food sector has been particularly resistant to 'liberalisation', or 'disembedding' from systems of political and socio-cultural governance. When the modern state with its market economy appropriated the regulation of economic activity from the community level, food retained a special position, distinct from goods of other kinds. Considerations of national security brought governments to seek to maintain a high degree of national self-sufficiency in basic foodstuffs, while the requirements of industrial capitalism for low labour costs made it desirable to keep food prices low. Balancing and combining these two major considerations -- often in a political situation where the farming population has some political power -- has led to a high degree of state market management and support for agriculture in many polities.

The degree of state governance of trade in general has fluctuated in long-term international trends. A long period of minimal governance was disrupted by the First World War, and came to an end with the growing economic difficulties of the 1920's and '30's. Political management of the economy -- in various forms -- gained widespread support; and the 'mixed economy' regime of the Western European democracies became firmly established before World War Two. In Part 3 we will see how the partnership between the state and the co-operative dairy industry developed in Norway. After the war, world trade in industrial goods took off, led on the supply side by the USA; with its industry intact and a large labour reserve; and with war-torn Western Europe representing demand on a massive scale. Political management of the domestic economy began to be combined with a liberalisation of international trade. Two institutional arrangements of great importance today were initiated in 1948: the GATT (now WTO) and the OEEC (now OECD). The development of these will be summarised in an Appendix to Part 2.

The promotion of productivity in agriculture, with enormous inputs of mechanical energy and non-renewable resources, has brought about in the late twentieth century the problem of food surpluses relative to home markets and to what can be exported without support. Thus -- though a large proportion of the world's population is under-nourished -- the affluent

industrial countries perceive the over-production of food as a serious problem. The conjunction of this situation with the fall of the Soviet empire in the late 1980's, and with the ascendancy of neo-liberalist ideology, has dramatically changed the politics of food and agriculture in the late twentieth century. With the perceived threats of war and military hindrances to trade removed in much -- though by no means all -- of the world, the main threat to food supplies is now seen to be natural disasters and acute pollution of the kind caused by the Chernobyl nuclear reactor in the mid-1980's. National food security is now widely viewed in terms of transport logistics rather than domestic agricultural capacity; and with the over-supply of food being matched by an over-supply of transport, state involvement in food supply is no longer taken for granted as essential.

The above circumstances hardly account by themselves for the convergence of the trade and economic governance policies of many countries in the late twentieth century. The common definition of over-production as a problem -- despite shortages elsewhere on the globe -- and de-regulation as a solution, can only be explained by a commonality of perspective. Though a common political culture, involving the application of certain economic models, goes some way towards explaining the broad consensus, the process of bringing about convergence also involves institutional arrangements. These are provided by the WTO and the OECD, as well as regional trade blocs including the EU.

The arguments for the global liberalisation of trade rest on the doctrine of 'comparative advantage', which a document of the World Trade Organisation elevates to the status of being '*arguably the single most powerful insight in economics*.'⁶⁰ Ricardo's hypothesis of comparative advantage means essentially that international trade is beneficial to all 'national'⁶¹ economies, regardless of their condition, because it allows them to concentrate on producing what they are best able to produce. It was proposed at a time when the new industrial economies of Western Europe were being built up with the help of raw material imports from, and the export of mass-produced goods to, far-flung empires -- including most of today's 'under-developed' countries. The limited benefits for the common populace of one-sided export-orientated agriculture have been recognised at least since the 1840's, when famine ravaged the peasant population of Ireland, who had been constrained to a diet of potatoes while the large farms were producing grain for export.⁶² Today, poverty and undernourishment remain rife in many countries heavily dependent on exporting agricultural commodities. However, the hypothesis of comparative advantage -- like utilitarian theory in general -- leaves aside questions of the distribution of benefits. Pointing to a present-day correlation between economic growth and freer trade,⁶³ the document cited above states that '*liberal trade policies - policies that allow the unrestricted flow of goods and services - multiply the rewards that result from producing the best products, with the best design, at the best price*.' No mention is made of whom the rewards accrue to. The assumption that national economies benefit as well as firms is questionable in a situation where the latter are increasingly independent of the former (McMichael op. cit.: 292).

⁶⁰ WTO: 'The case for open trade'. Internet document, revised May 1997.

⁶¹ Coming from the pluri-national state of the UK, I put the term 'national' in inverted commas in this context, to signify a broad meaning beyond the national.

⁶² Brunstad, Gaasland and Vårdal (1995: 65) cite Ricardo's contemporary detached and 'rational' explanation of this crime of English imperialism against humanity, and seek to extend Ricardo's narrow market rationality in order to 'explain' the dire outcomes of equivalent crimes of the late twentieth century.

⁶³ Correlations can 'cut both ways': there are good reasons to expect trade to increase as a result of economic growth and the surplus it generates, as well as *vice versa*.

Thus global liberalisation is no spontaneous process, impelled by a *telos* of progress or by technological innovation. Facilitated by the latter, it is a political process centrally planned and promoted by the GATT/WTO and the OECD. The process is conducted in elite fora, and partly veiled in secrecy, but the decisions are subsequently ratified by elected politicians in the parliaments of all member states -- though with little public debate, at least in Norway. It is as if liberalisation and cuts in state support were imperatives -- adjustments to a new global reality which exists independently of human intentions and action. In Norway, while the issue of membership of the EU has generated a great deal of heat, membership of the above organisations is virtually a 'non-issue' in the press and politics. Though the Uruguay Round of the GATT did receive some publicity and was the subject of some controversy, the routine role of the OECD in defining parameters for government policy goes largely unremarked and unchallenged. In Section 2.4, we will see that the main lines of Norwegian agri-food and trade policy in the 1990's have been drafted by these two organisations, more details of which will be found in Appendix 2.1.

Industrialisation and liberalisation: unstoppable processes?

In this section, we have looked at two aspects of change which are widely subsumed under the heading of 'modernisation': industrialisation and liberalisation. The former has transformed the activities of food production and preparation to a considerable extent, and the latter is further promoting the transformation, particularly favouring the growth of large business organisations. Like all change, the development of a modern agri-food sector has brought both benefits and drawbacks, which are unevenly distributed in society; and the 'globalisation' of agri-foods is doing likewise on a world basis. While they are facilitated by technological innovation, and are functional with regard to changing lifestyles, we have seen that these processes of change are nonetheless far from being natural and independent of human agency. This section has indicated that it is misleading to accord technological and cultural change analytical status as independent or causal variables: for the direction of technological change is not given, but socio-politically determined, and changed eating patterns are as much the outcome as the cause of changes in food production. In both cases, policies pursued by large organisations have far-reaching effects.

Though industrialisation and global liberalisation of agri-foods have been met with little effective political resistance so far, it is not certain that this situation will continue indefinitely. What is bringing about 'grass-root' reaction, and thereby political controversy, in the late twentieth century, is a growing awareness that the attractive outward appearance of modern food is no guarantee of wholesomeness. The emergence of the horrendous cattle disease BSE -- apparently created by modern intensive production methods -- has shaken the confidence of farmers and consumers alike in these methods. Outbreaks of food poisoning due to new, aggressive strains of common bacteria are lending weight to arguments for the banning of the routine use of antibiotics for animal growth promotion. New plant products with manipulated genes are meeting widespread scepticism from consumers. In Norway, whose tightly-governed agri-food sector has so far largely escaped these problems, attention is being focused on the hazards of removing import restrictions and lowering certain standards to conform to free trade requirements. Even if the mass of consumers is still mainly concerned with food price, articulate and politically influential consumers are voicing demands for wholesome food, whose origin is known (Mingione and Pugliese 1994). These demands may yet prove a substantial obstacle to the further progress of industrialisation and globalisation of agri-foods.

2.2

The Norwegian agri-food sector: broad outlines of development

In this section, I will be juxtaposing an account of major political developments with an outline of structural and technological change -- based on a few quantitative indicators -- to form a chronological sequence. This form of presentation puts political events and processes into a contemporary context, limited to the sector but with clearly wider social implications. The danger of such an account is that it may generate an impression of cause and effect, even where this is not explicitly suggested. Assessing the effects of political action is a notoriously difficult business; and the best we can normally do is to show lack of effect, with similar logic to falsifying scientific hypotheses. Later in this section, in the case of the dairy sub-sector, I will be referring to an example of alleged effects which conform to standard economic logic, but whose existence is not supported by readily available evidence. I shall therefore be cautious in my comments on effects of government policy, focusing rather on sources of influence on the latter. I shall also avoid breaking the account into periods based on policy changes, and merely look for change in terms of decades -- the basis of census figures. The 1990's will be left to the next section, receiving special attention because they form the immediate background for the contemporary study of the co-ops, and because of major developments in agri-food policy, both nationally and internationally.

Early development: feeding the emerging nation-state

The development of Norwegian agriculture in the nineteenth century appears closely linked with the development of the emerging Norwegian nation state (Østerud 1978). By the time Norway was constituted as a modern, fully autonomous polity in 1905, a national agri-food sector had been established and developed so as to be capable of providing a large proportion of the basic food needs of the population.

The scientifically-based ideas of modern agriculture spread gradually to the northern periphery of Europe in the eighteenth and nineteenth centuries. For a large part of this period, the principal agents of change -- introducing new ideas to the farmers -- were paternalistic organisations supported by members of the educated class of clergy and public officials. In 1769 the agricultural improvement organisation *Det Kongelige Danske Landhusholdningsselskab* was formed in Norway's dominant union partner Denmark, and the first regional agricultural improvement society in Norway was formed in Bergen in 1773.

A national society for economic and rural development, *Det Kongelige Selskapet for Norges Vel* (SNV), was formed in 1809, preceding the first democratic national assembly by five years. Like its Danish fore-runner, it was dominated by public officials, including clergy, later supplemented by some prominent 'big' farmers. During the nineteenth century it was a major force in promoting development first in primary agriculture and subsequently also in processing of produce. Branches -- called *landhusholdningsselskaper* [husbandry societies] - - were gradually set up in each county in the period 1855--1880, with societies also being formed at parish level in some areas. Commercial agriculture was accompanied from the outset by the development of a processing industry, which soon became physically separated

from the farms. From mid-nineteenth century, farmer-owned dairy co-operatives were established under the guidance of SNV (cf. Part 3). In the middle of the century -- by which time the self-owning farming class had become a considerable political force -- the state began to involve itself in promoting the development of the sector (Lunden op. cit.). The state agricultural advisory service gradually expanded to cover the whole country, with offices in each county. Østerud (op. cit.: 183) writes that the real breakthrough for commercial agriculture occurred during the last decades of the nineteenth century; and we will see in the next section that this is the period when co-operative dairies were established in large numbers. An organisation for the dairy co-ops which aspired to be national was formed during this period, as was *Norges Landmannsforbund*, the national farmers' union (later re-named *Norges Bondelag*).

The development of a Norwegian agri-food sector would hardly have been undertaken as a national political project, had it not also been demand-led. The growth of towns and of an affluent professional middle class created expanding markets for food products. The country's population grew dramatically in the course of the nineteenth century, from 0.88 to 2.23 million; and the proportion living in towns roughly trebled from under 9% to 28% -- representing an enormous numerical increase.⁶⁴ Nevertheless, by 1890 the rapidly growing dairy sub-sector was already exporting increasing amounts of butter (cf. Part 3).

The large increases in agricultural production in nineteenth-century Norway were achieved partly through a widespread division of farms and the establishment of new ones, and partly through considerable increases in the productivity of both land and labour. Thus the characteristic Norwegian farm structure which has endured to the present day -- a distribution predominated by relatively small self-owned family units -- became firmly established. The changes brought gains for some and losses for others. While productivity gains brought an increase in average agricultural income from 37% to 58% of the average for industry between 1855 and 1910 (Lunden op. cit.), a large number of cottars and rural labourers became redundant, and many had little choice but to leave the main farming areas in Southern Norway for the New World, the towns, and more marginal agricultural districts.

Major developments in the twentieth century

The total population continued to increase considerably in the first half of the twentieth century,⁶⁵ but as labour productivity increases accelerated, the proportion of the population employed in farming declined steadily. Census figures⁶⁶ show a fall by about half in the percentage of the population over 15 years registered with farming as main employment: from 20% in 1900 to 10.1% in 1950. As we will see in Part 3, problems of over-production relative to the home market were already making themselves felt in the 1920's.

The year 1930 is a milestone in the governance of the Norwegian agri-food sector, with the introduction of a corporative regime for market regulation of the main agricultural products (cf. Part 3), which is still in force as the end of the century approaches. The establishment of

⁶⁴ Statistics Norway: Historical Statistics 1968: 33.

⁶⁵ From 2.23 million in 1900 to 3.27 million in 1950.

⁶⁶ There is a large discrepancy between the official employment figures and the sector estimates of labour input on the farms. The latter give a total of 0.57 million full-time job equivalents in 1928--29, falling to 0.51 million in 1948--49. They include both housework and forestry work until the late 1950's (cf. table 2.2a).

the statutory market regulation board *Omsetningsrådet* provided the impetus for the development of national co-operative federations in the respective sub-sectors, which were represented on the board. The largest and strongest of these, the dairy federation *Norske Melkeprodusenters Landsforbund* (NML), developed a particularly close relationship with the state, as we will see. The corporative governance arrangement, initially provisional, was given a more permanent legal status in 1936. The depression kept many people on the land, and under the minority Labour government of Johan Nygaardsvold in the latter half of the 1930's, small-scale farming was encouraged in an effort to curb unemployment. With the help of modest state support, farms were extended by cultivating rough ground, and new 'pioneer' farms {*bureisingsbruk*} were established in outlying areas. Between 1929 and 1939, the number of holdings over 5 da. increased from 209,000 to 214,000, falling slightly to 213,000 by 1949⁶⁷. In absolute terms, the employment figures remained in the region of 0.3 million until after World War Two.

Following World War Two, the authorities saw increased productivity in agriculture as essential both for the sake of national food security -- with the 'Cold War' dominating world politics -- and in order to release labour for the massive re-building and industrial development effort in the post-war period. With economists playing a leading role in drafting policy, the key concept was 'rationalisation', with structural concentration as one of the main components. A 'Committee for Agricultural Production and Rationalisation' {*Jordbrukets produksjons- og rasjonaliseringskomité*} was formed in 1946. This represented a break with the pre-war policy of stimulating small-scale farming: now more food was to be produced on fewer and larger farms. Through the Marshall Aid program of the late 1940's '*the U.S. model of capital- and energy-intensive agriculture was exported to Europe.*' (McMichael op. cit.) including Norway, but the process of intensification was fairly gradual. The 1949 farm census shows that tractors had begun to appear, but with under 10,000 of these to 213,000 farms,⁶⁸ the horse was still by far the main source of traction power, and would remain so for some time (SSB/Historical Statistics).

That a significant amount of labour 'slack' had built up on the farms during the 1930's and the war years is suggested by the rapid decline in the number of people classed as employed mainly in agriculture -- falling from around 0.3 million to 0.25 million by 1950, before mechanisation had made a significant impact.⁶⁹ The post-war boom brought jobs in construction and industry; and on many small farms, women were left to tend the farm while their husbands became commuters to better-paid jobs.⁷⁰ On the larger farms, farm workers left for better-paid work elsewhere, and as machines became available, the increased wage pressure was an incentive for the farmers to substitute these for employed labour (Brox 1989: 28). Thus many small farms survived and were developed with the aid of wages earned elsewhere, while large farms mechanised and re-organised their operations so that they could be run largely by household labour.

In 1950, the government formally instituted the present system of support negotiations -- *jordbruksforhandlingene* -- as an element in the corporative governance of the sector, further increasing the scope for central planning. Target prices for the main agricultural products were now the subject of negotiation between government and the two farmers' unions,

⁶⁷ Statistics Norway, Historical Statistics: figures rounded to nearest 1000

⁶⁸ The official statistics count as 'farms' holdings of 5 decares and more.

⁶⁹ Statistics Norway, Agricultural Statistics. Cf. also fig 2.2a.

⁷⁰ This is not to suggest that such a division of labour was new; but it took on a new character, and household cash income increased significantly.

Norges Bondelag and Norsk Bonde- og Småbrukerlag. Røkholt (1984a) points out that this brought a major change in the role of the co-ops: the product prices paid to members were now the subject not just of market conditions and their own internal dispositions, but also of a political process in which the unions looked after the interests of co-op members along with those of other farmers. Formerly, members had been dependent on their co-ops to improve their income; but now it was as much the job of the unions to do so. The autonomy of the co-ops was compromised: their internal decision-making process was circumscribed by the target price agreements; and to a certain extent their function was reduced to an administrative one. Initially the support agreement was limited to prices for the main products, but in 1956 it was extended to cover more products and other areas of policy than price (Borgen 1981: 260).

Between 1954 and 1958, four Norwegian government select committees on aspects of agriculture and rural policy were set up, and their reports formed the basis for the policy document St. meld. nr. 64 (1963--64). In this period, the international context for Norwegian policy-making underwent major long-term change, with the formation of the EEC in 1957, and the OECD in 1961. From the start in 1961, the OECD became a significant source of influence in agri-food policy-making. It advocated major reductions in the number of people employed in agriculture, as a means to ensure those remaining the same level of economic growth as the rest of the population (op. cit.). This logic was also implicit in both the EEC and Norwegian policies. Borgan (1969) points out that structural concentration was attractive to policy-makers not just for economic reasons, but also because a major reduction in the number of autonomous farms would greatly facilitate central planning and control of production.

The Common Agricultural Policy (CAP) has been a central aspect of the community/union since its formation, with objectives set out in Article 39 of the Treaty of Rome:

- i. *to increase productivity,*
- ii. *to ensure a fair standard of living for the agricultural Community,*
- iii. *to stabilize markets,*
- iv. *to assure food supplies,*
- v. *to provide consumers with food at reasonable prices.*

In addition, the CAP '*recognises the need to take account of the social structure of agriculture and of the structural and natural disparities between the various agricultural regions and to effect the appropriate adjustments by degrees.*'⁷¹

In Norway, the above-mentioned policy document also contained a set of general agricultural policy goals, and was the first such policy document in Norway, according to Almås (1985: 84). Four main goals were defined, with a broadly similar content to those of the CAP: national self-sufficiency in main products; the raising of farm incomes to the same level as others; increased efficiency and the development of a more concentrated structure consisting of 'sustainable family farms'; and the maintenance of rural communities. As advocated by the OECD, farm income was to be raised by reducing the number of farmers, but as in the CAP, the reduction was to be moderated so as not to conflict too severely with rural policy. Though items iii to v of the CAP were not among the main explicit goals of the Norwegian policy, they have always been pursued by Norwegian governments, and can indeed be regarded as universal minimal goals of agri-food policy. The formulation of the Norwegian policy

⁷¹ EU internet document '*Agricultural Policy*,' as of May 1997.

document can thus be seen as following an international trend, as much as a response to new internal needs.

The 1960's brought a drastic fall in farm numbers by about 43,000, from 198,000 in 1959 to 155,000 in 1969. Rural depopulation provoked political turbulence and a wave of rural populism,⁷² which played a large part in the majority vote against Norwegian membership of the EEC in the referendum of 1972. In the EEC there was also widespread unrest among the rural population, not always expressed so peacefully as in Norway, following the submission in 1968 of a plan for 'streamlining' the CAP, removing the social components of the policy to leave purely economic goals. Responsible for the plan, as vice-chairman of the EEC Commission with responsibility for agriculture, was Dr. Sicco Mansholt, an agricultural economist. A key element was a drastic degree of structural concentration, which was aimed at reducing the percentage of the working population employed in agriculture from 15,7% in 1965 to 6% in 1980 (Borgan op. cit.). The Mansholt plan proved to be too politically controversial, and the CAP was not changed dramatically. Nevertheless, figures from 1981 -- by which time the EEC had been enlarged from 6 to 9 member countries -- show that the percentage of the working population employed in agriculture had fallen to 6.8% -- not far short of Mansholt's target (Marsh 1981).

A government select committee, chaired by agronomist and Labour Party politician Oskar Øksnes, was given the task of reviewing state support to agriculture in the early 1970's. Besides the domestic situation, the committee also had to take into account the call for increased food self-sufficiency in the 'developed' countries, made by the international food conference in Rome in 1973. The 'Øksnes Report' of 1974 (NOU 1974: 26) recommended increased national self-sufficiency combined with measures to boost and equalise farm incomes and generally improve living standards for farmers (Almås 1991). The aim of moderate structural concentration remained (Hersoug 1988). A policy document on nutrition and food supply, St.meld. nr. 32 (1975--76)⁷³ underlined the need both to increase production in order to reduce imports, and to locate the increase in economically disadvantaged areas.

Øksnes became Minister of Agriculture in the mid-1970's, and was thus able to turn committee recommendations into agricultural policy, formulated in St.meld. nr.14 (1976--77). A decision to raise farm incomes substantially had already been made by parliament in 1975, following considerable unrest among farmers culminating in the 'Hitra campaign' {Hitra-aksjonen} involving the withholding of tax payments (Borgen 1981: 335). The 'model farm' -- a tool of governance designed to allocate support where it is most needed, which had been proposed in 1963 -- was introduced with the new policy. This complex economic model, still in use in the late 1990's, simulates the effects of changes in product prices on farm incomes, taking into account the diversity of farms both in size and location. The new policy aimed to counteract rural depopulation by securing jobs not only on the farms but also in the processing industry (cf. St.meld. nr.14 (1976--77), page 153).

The 1970's also brought the 'green wave' to Norway as elsewhere, attracting a small, but locally significant, influx of 'new blood' into farming, and sowing the seeds of the organic farming movement which is becoming significant two decades later. The optimism generated by the rising support levels in the mid-1970's can also be assumed to have had a positive

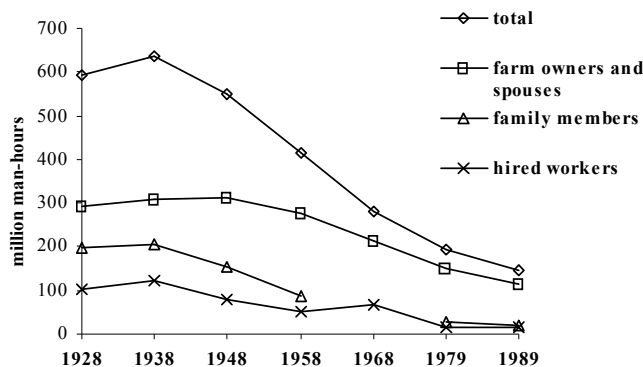
⁷² The text by Sigmund Borgan quoted above, along with others in the same volume (Brox 1969), linked the discussion of rural problems with the debate on EU membership.

⁷³ Norway was the first country in the world to formulate a policy on nutrition, according to the later government paper St.prp. nr. 8 (1992--93).

effect on recruitment. Many of the new farmers were well-educated, and some came from an urban middle-class background, considerably extending the diversity of the farming community. Among them are highly articulate and ideologically motivated people, who have made their views heard in the organisational politics of the agri-food sector, including the co-op disputes; and we will be hearing some of them in later sections.

The substantial increase in support levels in the latter half of the 1970's brought about a considerable amount of capital investment on the farms (Brox 1988; Brunstad, Gaasland and Vårdal 1995)). Investment in buildings and land was particularly high in the period 1972--82 (NOU 1991: 2 B, page 41), with the state Agricultural Bank (*Statens Landbruksbank*) seeking to channel investment to farms considered to have a future, and thus contributing to concentrating structure. The growth in intensive pig and poultry production, based on corn and imported feedstuffs, led to the introduction by the state of a system of concessions to limit the number of units exceeding a certain size. Over-production relative to the market led to the introduction of farm quotas for milk production in the early 1980's. Like their colleagues in the EEC, Norwegian farmers were hedged in by an increasing number of regulations, and faced with more paper-work. Aanesland (1982) sees the decision to raise farm incomes in 1975 as having brought about a massive bureaucratisation of the sector, considerably weakening farmers' autonomy.

Notwithstanding optimism and new recruits in the 1970's, the number of farms and



employment on them continued to fall steeply, as fig. 2.2a shows:

Fig. 2.2a Employment on farms (cf. Appendix 2.2)

Concern about rural depopulation led to the appointment of a government select committee -- 'Bygdeutvalget' -- in 1981. In its report (NOU 1984: 21) the majority of the committee concluded that the major share of the support was going to larger farms in central areas,⁷⁴ and recommended that an increasing share of support should be channeled away from food production and into forestry, animal fur production and rural tourism. Following this serious challenge, the legitimacy of the support system was subjected to attack '*both from outside and inside*' (Hersoug 1988: 31).

⁷⁴ Though I have not specifically sought farmers' views on government policies, informants have frequently brought these into the discussion. It has struck me that the few who have strongly criticised the policies of the mid-1970's have not been among the smallest farmers, but among the biggest.

Two of the most prominent critics of the support system in the 1980's were professors Ottar Brox (Brox op. cit.) and Norman Aanesland (Aanesland op. cit.). The latter blames the corporative model for replacing broader considerations of social economy by a business economic perspective, promoting policies which favoured the bigger farmers in particular. He explains this by the disproportionate influence of the '*most skilled and dynamic farmers*' through their union, Norges Bondelag (op. cit: 147). Other writers have however attributed the narrowing of the policy perspective to Aanesland's colleagues - the agricultural economists who have increasingly dominated both the formulation and assessment of agricultural policy, confining the latter within an econometric framework (Cox, Lowe and Winter 1986). In this view, the trend is an international one which has been influencing agricultural policy since World War Two, and is not particularly associated with corporatist governance arrangements. We have already seen the example of the Mansholt Plan, and will shortly be looking at the role of the OECD in promoting narrow sector policy.

As in Norway, the EEC experienced increasing problems of over-production -- including the notorious 'butter mountain' of the 1970's -- due to great productivity gains. Subsidising the export of surplus was costly not only economically but also politically. A present-day EU document tells that '*tension grew in our relations with certain of our trading partners annoyed at the perceived impact of EU subsidized exports on their world market share and the world price.*'⁷⁵ Policy instruments to reduce excess production, including farm quotas, were introduced in the 1980's. The support system was criticised, as in Norway, because it '*was not taking adequate account of the agricultural incomes of the vast majority of small and medium-size family farms.*' -- in other words, the big farmers were taking the lion's share of the support. Moreover, the cost of the CAP created internal tensions between member states; but attempts at major revision proved politically extremely difficult.

The mid-1980's brought further developments both in Norway and internationally. These, and the substantial revision of sector policy which has occurred in both Norway and the EU in the 1990's, will be outlined Section 2.3.

The transformation of the milk sub-sector in the second half of the twentieth century

As the study of disputed change in the co-ops is mainly focused on the dairy ones, it is necessary to look more closely at milk production, with its particular history and special governance arrangements. The earlier history will be dealt with along with that of the dairies in Part 3, and here I wish to concentrate on developments which have transformed milk production in the second half of the twentieth century.

The development of specialised and intensified milk production

The three decades from 1950 to 1980 saw the rapid development of specialised and intensified 'modern' primary milk production. A policy of regional specialisation of production, known as 'channeling' (*kanalisering*), was developed during the post-war period. This was aimed at preventing concentration of milk and meat production in the fertile eastern lowlands of the southern half of Norway, at the expense of other regions. The main policy

⁷⁵ EU: internet document 'The Old CAP' as of May 1997.

instruments were the state monopoly trading organisation for corn, which limited import, and state support for corn production, to make the latter more attractive than the much more labour-intensive alternative of dairy farming, in the areas suited to it. The latter are concentrated, along with much industry and commerce, in the eastern lowlands; and particularly if seasonal help is available for harvesting, corn growing can readily be combined with other work. A thriving corn sub-sector has allowed dairy farming to be developed in the more outlying areas of Østlandet, and in other regions.

The 1949 farm census tells us that there were still cows⁷⁶ on most farms -- 192,000 out of 213,000, or 90% of registered farms -- and of these 80,000 or 42% only had 1--2 cows. Specialisation, as well as the demise of many small farms, changed this picture substantially in the following decades. Fig 2.2a shows the fall in the total number of farms with cows and the change in herd structure.

Merknad [ID1]:

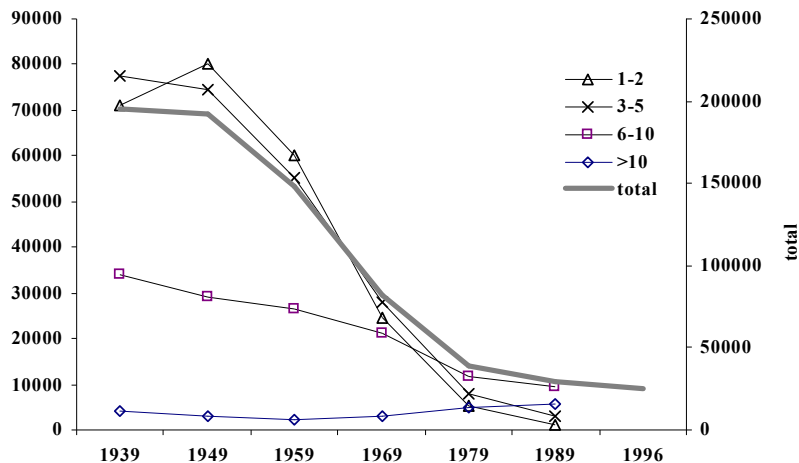


Fig. 2.2b Dairy herd structure 1939--89 and total herd numbers 1939--96 (cf. Appendix 2.2)

The fall in both the total number of herds and in the number of smaller ones was steep in the 1950's, '60's and '70's. While the greatest fall in the '60's was in the number of farms with 1--2 cows, there was also an appreciable fall in the number of farms with 6--10 cows⁷⁷ during the '70's. It would appear that many of the latter expanded their milk production, as the number of herds of 10 or more cattle increased considerably in the same period, from 8,200 to 13,700. Along with increased specialisation came corresponding occupational categories: 'milk producer' began to replace the generic term 'farmer'.

While the number of herds and cows declined, the total amount of milk received by the dairies continued to increase. Milk recording figures⁷⁸ show a sharp rise in the average milk

⁷⁶ As the number of suckler cows kept purely for beef production has been small, the total number of cows gives an approximate indication of the extent of milk production.

⁷⁷ Brox (op. cit.: 29 refers to the farms with 1--2 cows as 'subsistence' holdings {*sjølforsyningsbruk*} and farms with 4--7 cows as 'transitional' holdings {*overgangsbruk*}.

⁷⁸ The milk recording {*kukontroll*} societies earlier had predominantly the more 'professional' farmers as members, and thus figures for yield, use of feed concentrates, and so on, were well above true national averages.

yield per cow in the 1960's, from 3.5 tons in 1959 to 4.9 tons a decade later, rising further to 5.6 tons in 1979.⁷⁹ After reaching 6.2 tons in 1987, the average yield has remained fairly steady (6.26 tons in 1996)⁸⁰ Both breeding and feeding contributed to increased yields, with the co-operative organisation NRF being largely responsible for the former. The amount of fodder grazed directly by cattle declined steadily in the whole post-war period (NOU 1991: 2 C, page 15). Between 1959 and 1979, the average proportion of the cows' feed obtained by grazing fell by just over half, from 35% to 16.9%, according to milk recording.⁸¹ Fodder was produced more intensively on farm fields, rather than extensively over a wider area; and in the above period, silage took over almost entirely from hay to make up the third or so of the fodder ration prepared from cut grass. The estimated proportion of fodder obtained from feed concentrates almost doubled in this period, from 22.5% to 42.5% (op. cit.). Prof. Thor Homb⁸² presents estimates showing that the average input of feed concentrate used to produce 1kg of milk increased by almost double -- from 0.17kg to 0.32kg -- between 1952 and 1976. He writes that the transition to feed concentrates happened more rapidly in Norway than in most other countries. A particularly steep increase occurred in the 1960's and early 1970's, with a doubling of (absolute) intake of feed concentrate per milk cow in the eight years from 1965 to 1973, according to Homb, who adds that the level of feed concentrates used was flattening out by the late 1970's.⁸³

Not only milking cows but also their calves had their diet changed as a consequence of technological development. Up to the 1960's, it was normal practice for the dairies to return a proportion of skimmed milk and whey to the farms for calf feed; but the introduction of farm milk tanks and bulk collection in the 1960's made this more difficult (Borgen op. cit.: 321). Thus dried milk, and later a composite product with added animal fat (*'Kalvegodt'*) came into use as calf feed. This arrangement had the advantage for the dairies that the flexibility of a storable feed helped to smooth out seasonal variation in milk supply. However it was also costly for the industry, and thus indirectly for the farmers, bringing about the building of several dried milk plants. Perhaps more than any other aspect of development in the sector, the feeding of calves with a highly processed product illustrates the bizarre and irrational side-effects of 'rationalising' changes, and the de-coupling of primary production from natural processes.

From the figures quoted above, it is clear that the main period of intensification in the primary milk sub-sector occurred *before* the large increase in farm support in the mid-1970's, and can thus hardly be included in the effects of the latter. Milk production rose steadily in the '60's and '70's, continuing to rise at much the same rate in the late '70's and the beginning of the next decade.⁸⁴ By the early 1980's, over-production was becoming a serious problem, perhaps even meriting the over-used term 'crisis'. Vatn (1991: 31) points to a reduction in

They are nevertheless useful as indicators of trends. In the mid-1990's, the dairies' milk recording service is used by the majority of dairy farms.

⁷⁹ These figures are well above EEC averages for the period : 3.4 tons in 1968, and 4.0 tons in 1978 (EEC Agricultural Information Service, 1980).

⁸⁰ Statistics Norway: Agricultural Statistics, milk recording figures.

⁸¹ Estimates, SSB/Statistics Norway: Agricultural Statistics.

⁸² Quoted by Borgen (op. cit.: 262).

⁸³ In the milk recording figures, the proportion has indeed remained steady, in the region of 40%, from 1979 to the mid-1990's.

⁸⁴ If we include the exceptional peak year of 1982, milk production rose by an average of 31,500 tons a year from 1975 to that year: an average rate of roughly 1.7% per year. If we take the 6-year period 1975--1981, the average rise per year is 27,100 tons, giving an approximate average rate of 1.55% . By comparison, the average annual increase in the period 1965--1975 was 30,300 tons, giving an average rate of around 1.7%. The figures thus do not support claims of an exceptional increase in milk production after 1975 (Brox op. cit.: 35).

consumer subsidies - with a subsequent fall in consumption - as a significant factor; though the context of over-production internationally and falling world prices at the time (NOU 1991: 2 C, op. cit.) indicates that market problems would have become increasingly severe in any case. As milk production increased by 20--30% in most industrialised countries in the 15-year period 1970--85 (NOU 1991: 2 C, page 27), the increase in Norway in the period was not exceptional.

Over-production was no new problem for the sub-sector (cf. Part 3), but this time a new solution was found, similar to that introduced in the EEC and elsewhere in the same period: individual farm quotas. The administration of the quota and dual price system was delegated by the Department of Agriculture to the dairy federation NML, further adding to the size of its central bureaucracy. As the quotas were based on previous production, there was a peak of total production in 1982, due to a 'rush' the last year before final quota size was determined. Total annual production beyond the quota gives a milk price so low as to represent a strong disincentive; and the system has proved effective in preventing further growth in production, and subsequently bringing about reduction. Total production has been reduced through several rounds of quota cuts on a percentage basis, and additionally in the early 1990's through a scheme of compensation for those giving up dairy production.

Together with the agricultural concession laws, the quota system was also intended to hinder a greater concentration of primary milk production. That it has been reasonably successful is indicated by the slowing down in the 1980's of the increase in the number of larger dairy herds (cf. fig. 2.2b and more detailed figures in NOU 1991: 2 C, page 34). In the mid-1990's, the average Norwegian dairy cow herd size was still slightly under 13 - very small by comparison with the average sizes of dairy herds in Denmark (30), Netherlands (38) and the UK.⁽⁶³⁾ (Strøm 1994). On the negative side, the quota system formally 'closed' milk production - and thus, to a large extent, full-time farming - to new entrants. It arbitrarily froze the production level on the individual farm at a particular point in time, irrespective of individual considerations such as generation change and level of investment, thereby producing inequitable results. Some farm households had made large capital investments in order to increase dairy production, but were prevented from utilising the increased capacity (Brox op. cit: 44). The punitive interest rates of the 1980's brought these -- particularly young people with large loans -- into a very tight financial situation.⁸⁵ Brox (op. cit: 35) points out that well-established dairy farmers in a favourable economic situation could afford to produce at a loss during the introductory phase of the quota system, in order to obtain larger quotas.

Though intensive, Norwegian milk production in the late twentieth century is still predominantly small-scale, like the rest of Norwegian agriculture. This lack of concentration allows many more full-time farming jobs, particularly in outlying areas, than would be otherwise be possible in a country whose geographical parameters severely limit the range of agricultural production. In the Section 2.3, we will review the dairy sub-sector in the 1990's, and the changes to which it is being subjected.

⁸⁵ Some of my informants had been in this category in the 1980's, and were particularly bitter about the inequities of the quota system.

Conclusions: the development of modern agriculture and milk production in Norway

During the nineteenth and twentieth centuries, agriculture in Norway has been transformed beyond recognition. An increasing share of the population has moved away from the land, drawn by urbanisation and industrialisation, and pushed out by technological innovation and techniques of steadily more intensive production in agriculture. This transformation has occurred in all industrialised ('developed') countries, though at different rates and to different degrees. Government policy has largely promoted the process, but has also sought to moderate it in various ways. Though topography and climate can partly account for the comparative lack of structural concentration in Norwegian agriculture in the late twentieth century, there can be little doubt that state governance and support has also been a major factor.

The milk sub-sector serves to illustrate the extent to which the demands of industry -- albeit farmer-owned -- have taken precedence over the demands of nature. This has become possible through scientific and technological innovation, together with developments of a political economic character, both in Norway and elsewhere. Selective breeding and artificial insemination have brought year-round high milk yields per animal, produced from highly nutritious feed concentrates -- partly imported -- and intensively-produced fodder, rather than natural meadow and hill forage. The changes have been particularly rapid in the 1950's, '60's and '70's. The 1980's brought increasingly restrictive governance in order to moderate over-production. In the next section, we will look at further developments in the governance of the sector, with a focus on the consequences for the farmers' co-ops.

2.3

The co-ops and their changed circumstances in the late twentieth century

It is the Norwegian dairy co-ops which are the main focus of this text, and thus they receive particular attention in this section. Along with the co-ops, I introduce the farmers' political organisations, the two unions. By 'environment' I mean both other organisations with which the co-ops interact, and the institutional arrangements within which interaction takes place, including both markets and state governance. This section is meant as a broad introduction to the co-ops in the period to which the contemporary study in Parts 3 and 4 relates. As in the previous section, the emphasis will be on change.

Farmers' organisations in Norway: the co-ops and the unions

There are two types of farmers' organisations in Norway: the business ones -- the co-ops -- and the unions. The latter are an important element in the co-ops' environment: Indeed the borders between the union *Norges Bondelag* and the co-ops are diffuse, as we will see.

The co-op 'family'

Norwegian farmers run co-operative organisations for both purchase and sale/processing, as well as for credit and animal breeding. In some cases, like fruit and vegetable marketing, there is a single national organisation; while in others, like the dairy and meat co-ops, formally independent local and regional organisations have a national federation. At national level there are 16 organisations or groups in all, including forestry ones. In the case of agri-food sales and processing, these are generally organised around product categories - dairy, meat, fruit and vegetables, eggs and poultry, and so on. The co-ops form a 'family' which run a 'Joint Office of the Agricultural Co-operatives' {*Landbrukssamvirkets Felleskontor*} under the umbrella of the main national farmers' union *Norges Bondelag*. This has common information, research, training, and limited coordinating functions including central purchasing.

According to the 1995 annual report of the latter (Brandtzæg, op. cit.), there are around 90 individual co-ops, with 450 places of employment, in 234 of the around 440 municipalities in the country. Altogether they employ around 18,000 people directly, as well as keeping 2,400 transport contractors in work. About 80,000 agricultural holdings belong to one or more co-ops, with the forest owner associations being numerically the largest group at 58,000 members. The total annual turnover in 1995 amounted to Nkr 34,300M; and the central office boasts that this gives the co-ops -- as a whole -- third place after Statoil and Norsk Hydro in the national league. The report also points out that the co-ops have been recognised as a single group by the national telecommunications provider *Telenor*, and as the biggest customer of the latter they are accorded favourable terms. The Joint Office is not just concerned with 'co-operation between co-operatives', but also with 'thinking big' and achieving market power.

The dairy co-ops and their federation

The dairies together make up the largest food business in the country, with a total annual turnover of about Nkr 10,000M. The Norwegian dairy co-ops are autonomous legal entities, organised in a federation, *Norske Melkeprodusenters Landsforbund* (NML), whose marketing and product development arm *Norske Meierier* (NM) introduced the trade name *Tine* on a national basis in the early 1990's. NM and NML together represent a powerful central organisation, which makes strategic decisions including allocation of production quotas between the co-ops. As they are two arms of the same organisation, I will normally refer loosely to (Tine) NM and NML together as 'the dairy federation'.

Designed to avoid internal competition and over-production, this structure clearly centralises decision-making and gives considerable influence to central management. It is underpinned by a considerable amount of central capital, as noted by Almås (op. cit.) and further researched by Hegrenes, Hoveid and Tjernæs (op. cit.). The latter (op. cit.: 79) see the concentration of dairy capital in NML and NM as a result over time of strategic adaptation to tax rules. Another factor promoting the growth of a central bureaucracy has been the role accorded in the past to the dairy federation by the state in distributing price support to farmers. Until 1997, this function has been integrated into the federation's system for redistribution of returns on milk and dairy products -- known as *Riksoppgjøret* (RO)⁸⁶ -- which considerably reduces differences in the farm price of milk which would otherwise arise due to location and type of processing.

It is important to note that the dairy and other co-ops are financially autonomous and have not received any regular state support in themselves, other than as compensation for carrying out market regulation and other sectoral governance functions. However, the fact that they are owned co-operatively by the farmers means that the economic demarcation between processing and state-supported primary production must be somewhat arbitrary.

The farming unions

There are two farmers' unions in Norway. Norges Bondelag ('*Bondelaget*') is the main union, with around 66,000 members among all categories of farmers, but projecting the image of the professional farming household -- the 'family farm' -- as the backbone of Norwegian agriculture. Norsk Bonde- og Småbrukarlaget ('*Småbrukarlaget*') is a much smaller but nonetheless significant organisation, whose membership of approximately 12,000 is dominated by small-scale and part-time farmers.⁸⁷

Bondelaget has close formal ties to the co-ops, and also strong informal connections with the traditionally agrarian Centre Party (formerly 'Farmers' Party' *Bondepartiet*) which it established in the 1920's. The national executive of *Bondelaget* is largely made up of representatives from the major co-operative organisations; and the union runs a joint information office for itself and the co-ops -- the previously-mentioned *Landbrukssamvirkets Felleskontor*.⁸⁸ The circulation of organisational leaders among the party, the union and the co-ops is well known.⁸⁹ In 1997 the chairperson of the dairy co-op federation, Kåre Syrstad,

⁸⁶ Literally 'the National Settlement'.

⁸⁷ Both membership totals are given by the respective unions for the end of 1996.

⁸⁸ The establishment of the latter in the early 1980's was exceedingly controversial, and activated latent tensions within the co-ops, between the members of the respective unions.

⁸⁹ I am however unaware of any research on the party-union-co-operative 'triangle'.

has previously held the same position in *Bondelaget*; while the newly-elected chairperson of *Bondelaget*, Kirsten Indgerd Værdal, has been on the national executive of the dairy federation for a good number of years. Hans Borgen, whose writings (Borgen op. cit) are an important source for Part 3 of this study, was a prominent member of both NML and *Bondelaget*, as well as being a member of parliament for Senterpartiet.

Despite the close ties between the co-ops and *Bondelaget* at central level, union membership is formally irrelevant in the organisational context of the co-ops themselves. However, few members of *Småbrukarlaget* hold office in the co-ops at regional or national level, or aspire to do so; but the union is greatly over-represented among the leading critics of co-op policy. While *Bondelaget* does not comment on internal co-op policy, *Småbrukarlaget* is actively opposed to structural change and changes in business practices favouring large farmers.

Småbrukarlaget was traditionally linked to the Labour and Trades Union movement, but took on a more 'red-green' political colour during the 1970's. This change was at least partly attributable to the influence of a relatively small number of highly articulate new young entrants into farming, brought from urban areas by the 'green wave' (cf. Section 2.2). Today, the union has established a broad set of 'red-green' alliances. These cross party lines, even extending into the Centre Party, as well as to the youth environmental organisation *Natur og Ungdom*. The image projected by *Småbrukarlaget* is of an organisation which seeks to further idealistic aims of rural development and environmental protection as well as members' economic interests.

The aggressive rhetoric of the Brundtland Government, and the substantial policy shift it implemented -- along with the unsuccessful attempt to bring Norway into the EU -- brought farmers and their unions closer together in the 1990's on the question of farm structure. *Bondelaget* has stood shoulder to shoulder with *Småbrukarlaget* in determined opposition to government policies aimed at further speeding up exit and concentration; and among my informants the only open dissent from this virtual consensus came from a non-union farmer. However, it has not always been so. Though neither party would welcome the comparison, the Government's 'robust' farming policy sounds remarkably like the earlier one of *Bondelaget*, summarised by the slogan '*fewer but stronger*'. The smallholders' union goes further than opposing a planned reduction in farmer numbers: it has the declared policy of keeping entry to farming open, in the face of progressively increasing hindrances imposed by the state. Open entry can only mean more diversification for existing farmers, as there is little room for increased production, while technological innovation brings steady productivity gains. The model underlying this policy is thus of a sector comprising a large number of part-time farmers, similar to the situation in many European countries -- such as Italy, France and Germany -- which EU politicians regard as a 'structural problem'. Here the unions still part company: *Bondelaget* has no desire to turn most of its members into part-timers by expanding the sector.

Co-op supplies: primary milk production structure and its politics

As a consequence of the dual owner-supplier role of co-op members, the organisational politics of co-ops cannot be separated from the politics of the primary production of their

supplies. I confine the discussion here to cow milk,⁹⁰ whose supply is particularly highly regulated.

The aggregate figures given by the dairy federation for cow milk production in 1997 are as follows:

| | |
|--|----------------------|
| Number of dairy farms (to nearest hundred): | 25,000 |
| Average number of milking cows per farm: | 13.0 |
| Average volume supplied per farm (to nearest 100 l): | 67,000 litres |
| Total volume supplied (to nearest 10M l): | 1,680M litres |

Fig. 2.3a Total figures for 1997. *Source: Tine NM/ NML annual report.*

Behind the average volume supplied lies a skewed distribution, which can be illustrated by a Lorenz curve:

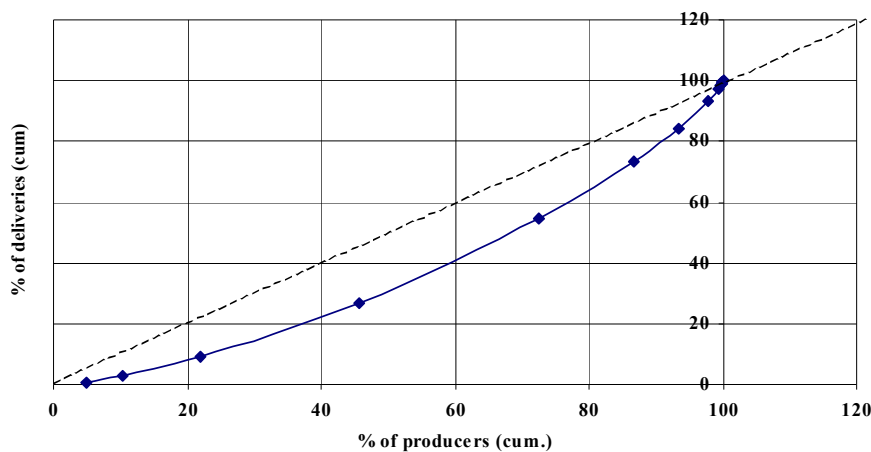


Fig. 2.3b Lorenz curve⁹¹: showing **actual distribution** (curved line) against **even distribution** (dotted straight line) of the **milk produced on dairy farms**: proportion of milk delivered to dairies (cumulated %) by proportion of all producers (cumulated %) - cf. Appendix 2.2.

In 1997, over a quarter (26.5%) of the milk was supplied by about an eighth (13.3%) of the farms - those who delivered 100,000 litres or more per year; and as much as 45.2% of the milk was supplied by as few as 27.4% of the farms (i.e. slightly more than the upper quartile) producing 80,000 litres or more. At the other end of the scale, the small farms delivering under 40,000 litres a year represented 22% of the farms, but only 8.9% of the milk. Taking all

⁹⁰ As there were only 900 farms supplying goat milk to the dairies, I leave aside the politics of goat milk production, significant as the latter is in several areas.

⁹¹ The degree of skewness is indicated by the area between the actual distribution (curve) and a theoretical even distribution (straight diagonal line).

the farms with production up to 60,000 litres (somewhat under average production of 67,000 liter in 1997), they made up 45.8% of the total numbers, but accounted for only 26.9% of the milk volume. These figures suggest a potential source of strain for the co-ops, which are dependent on a minority of members for a large proportion of their supplies; and we shall see in subsequent sections that egalitarian organisational structures do not provide immunity from the exercise of such *de facto* economic power.

Another markedly skewed distribution is the spatial one of milk supply compared to population:

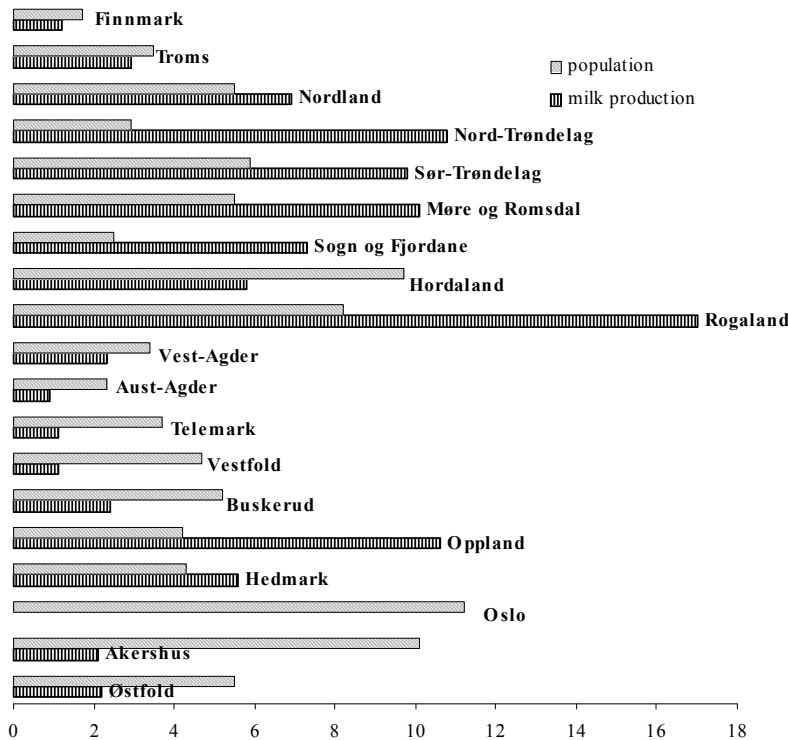


Fig. 2.3c Share of primary milk production (%) against share of population by county. (cf. Appendix 2.2)

The populous region round Oslofjorden [the Oslo Fjord] is markedly deficient in milk, whereas many regions -- for example, the counties of Rogaland, Oppland, and Nord-Trøndelag -- have a substantial surplus. Nearness to markets is a strategic factor which could potentially encourage concentration of primary milk production, in the absence of institutional arrangements which counteract this tendency. Two such arrangements are the Sale of Agricultural Produce Act of 10th July 1936 {*Omsetningsloven*}, and the national price equalisation system RO {*Riksoppgjøret*}, which together re-allocate much of the extra premium which fresh milk attracts on the market, compared to 'production milk' used for other products (cf. Part 3). Another mechanism has been the 'channeling policy' of boosting returns from corn farming, mentioned earlier. A third mechanism is the quota system. To some extent the introduction of the latter in the early 1980's made the other institutional arrangements redundant as regards hindering concentration. From 1997, however, the quota system has been changed, with the introduction of regulated and regionally delimited quota

markets, in order to further the process of concentration in a partly controlled way, while also creating limited opportunities for new entrants.

There is a long-established division of dairy processing, based on the above spatial distribution of primary production. In the comparatively populous areas -- where milk supply has generally never exceeded demand for fresh milk and other liquid products -- dairies have concentrated on producing these; while dairies in the outlying areas, which have a milk surplus, have made most of the compact and longer-lasting products, butter and cheese. This division of production arose spontaneously long before the advent of central planning in the industry; though as we will see in Part 3, over-production de-stabilised it in the 1920's, and it has since been maintained through a strong governance system.

From the above, it is clear that there are potential divisions along interest lines between groups of co-op members, both within the individual co-ops and between them. State governance has played a key role in preventing these divisions from developing into open conflicts, and this has made the milk sub-sector highly sensitive to changes in government policy.

Markets: increased competition and buyer concentration

All the agri-food co-ops have always had capital-controlled competitors in their respective product markets, though the degree of competition varies considerably. For both dairy and meat products, domestic markets have been highly sheltered since the 1930's, and are still highly sheltered compared to other products in the late 1990's. The greatest change in the market environment of the meat and dairy co-ops during the 1980's and '90's has been brought about not by politicians, but by commercial entrepreneurs who have attained powerful positions through major structural concentration in the wholesale and retail branches. In addition come changes in consumption patterns, which we will look at in the case of dairy produce. Both competition from large multi- and transnational corporations and export sales are being affected by the changes in trade regulations to be discussed in the next section under the heading of government policy.

Competition

Since the 1930's, the dairy co-ops have had a monopsony of first-hand purchase of milk. Their position has been so strong that in practice they have had a virtual monopoly for sales of fresh milk, and no real competition for major products in the domestic market. The meat and other co-ops have not enjoyed such a position, and have always had substantial competition. The Norwegian consumer market has long been regarded as too small to be of interest to multi-national food corporations. Moreover, apart from tight restrictions on import, Norway has concession laws designed to prevent large foreign companies becoming established in the country and exerting market power. There no longer appears to be political will to use the latter, however; and the multi-nationals are now gaining a foothold in the Norwegian agri-food sector. Kraft General Foods has a majority of shares in the major chocolate manufacturer, Freia-Marabou; while Unilever indirectly controls the margarine producer Forma (Onsager and Johansen 1993: 10). Apart from Kraft's ubiquitous Philadelphia processed cheese, by 1997 these giants have not made a noticeable impact on the market for sales of dairy produce. The limited liberalisation of import being brought

about by the EEA arrangement may however bring about major changes in the market for margarine, and for many composite food products which at present are made by Norwegian firms using Norwegian raw materials and products. The relationship between these firms -- dominated by the large Orkla Group -- and the co-ops may also be changing. Up to the mid-1990's, they have mainly been customers of, rather than direct competitors to the co-ops. Whether or not Orkla and others will seek to move backwards along the processing chain, to take over an increasing share of agri-food processing (Borch 1994), it is certain that the co-ops are moving further forward into the field of highly-processed products, in order to diversify and add value. Increased direct competition thus seems inevitable.

In the mid-1990's, the government has actively encouraged increased competition in dairy production. In 1995 the company Gårdsmeierier A.S. was formed; and for the first time in many years, a farm dairy competing with the co-ops in fresh milk and other liquid products was opened: Nordås Meieri, Toten (cf. Part 4). The same year, Synnøve Finden a.s. -- a long-established small producer of traditional cheeses -- acquired the recently-closed dairy plant at Alvdal (cf. Section 4.4). It began producing standard 'white' cheese {gulost} in direct competition with the co-ops, and in late 1996 it also began to produce whey cheese. Nordås Gårdsmeieri was short-lived, closing in 1997; but the parent company is still active at the time of writing. Meanwhile, in 1997 another company -- Gausdalmeieri a.s. -- was formed, and is the first dairy established outside the co-ops to recruit its own suppliers. It began selling fresh milk in the summer of 1998 (cf. Part 5). A major shareholder in Gausdalmeieri is Kavli a.s., a long-established manufacturer of processed cheese. The state development body SND is a shareholder in both Synnøve Finden and Gausdalmeieri.

Concentration at wholesale and retail level

A process of concentration at the retail and wholesale end of the food sector began in the 1980's, with the establishment of low-price chains; and it accelerated in the 1990's as the latter have grown rapidly. This development is not special for Norway. All over Western Europe, a similar process has been taking place: control over food supply is being concentrated into the hands of steadily fewer actors at wholesale and retail level. However, in Norway the degree of concentration is particularly high. Four wholesale groups were estimated in 1996 to account for 98% of grocery {dagligvare} supplies to shops belonging to their respective chains (ACNielsen, Market Report 1996).⁹² The number of food shops has fallen -- it was 5,200 at the end of 1995 (Statistics Norway) -- though this does not include the large number of petrol stations and 'big kiosks' {storkiosk}, many of which have expanded to carry a wide range of foodstuffs.⁹³ The concentration of buying power means that margins are squeezed and contracting replaces market, creating dependency relationships.

Onsager and Johansen (op. cit.: 9) point to the role that the state-run Consumer Council (*Forbrukerrådet*) has played in this development, with a one-sided focus on price. Undoubtedly the existence of lower prices in neighbouring Sweden and Denmark, and the attention given to these by the press, have also exerted a significant influence on consumer expectations, as has the fall in price of many consumer goods due to progressively cheaper mass-production. The government sees the lowering of food prices to the consumer as an

⁹² The market analysts ACNielsen base this figure on trading figures for 1995, together with up-dated data on chain structure. A figure of 98.6% is quoted in the 1997 annual report of Tine NM/NML.

⁹³ This type of retail outlet accounted for 14% of total dairy co-op sales in 1997 (Tine NM/NML annual report).

important objective (cf. St.meld. nr. 40 (1993--94)). However, although fairly expensive in absolute terms, Norwegian food has become relatively cheap in terms of average income. Statistics Norway estimated that the average Norwegian household in 1996 spent under 14% of its income on food; and the annual survey the same year by Landbrukssamvirkets Felleskontor⁹⁴ indicated that a consumer on an average wage only requires to work 2 hours and 47 minutes to pay for a typical week's food supply. In these terms, Norwegian food prices are somewhere in the 'middle of the league' among industrialised countries, even though most of them carry full value added tax (22%), unlike most other European countries. In the mid-1990's, heightened concern about food quality -- particularly red meat, poultry and eggs -- would appear to be bringing about a counter-trend in public opinion in favour of Norwegian agri-foods. How strong it will prove to be if cheap imports come on the market in large quantities is another matter.

Changing markets for dairy produce

Partly due to dietary concerns -- with animal fats being blamed for contributing to heart disease -- and partly due to changes in life-style, the 1980's and '90's have seen a considerable change in total consumption levels of dairy products. Formerly regarded as relatively insensitive to price, demand for fresh milk is now seen as being significantly affected by the availability of fruit juices, which are generally cheaper and are seen as 'healthy'. The overall trends are illustrated by a comparison between 1996 -- the last year before competitors came on the market -- and 1986.

| Totals for domestic co-op sales | 1996 | 1986 |
|--|------|------|
| Fresh milk (million litres) | 610 | 683 |
| White cheese ⁹⁵ (thousand tons) | 47.0 | 37.0 |
| Whey cheese (thousand tons) | 12.1 | 13.2 |
| Butter (thousand tons) | 9.3 | 18.8 |
| Margarine ⁹⁶ (thousand tons) | 9.8 | 1.3 |

Table 2.3d Sales of major product groups on the domestic market, and market trends.

Sources: Tine NM/NML 1986 and 1996 annual reports; and Statistics Norway, *Agricultural Statistics 1992*.⁹⁷
 Figures rounded to nearest million litres for milk/ hundred tons for other products.

In the decade preceeding 1996, there has been a large drop in sales of fresh milk and butter; a smaller drop for whey cheese; and a substantial rise in sales of white cheese and margarine. The changes represent significant dietary changes among the Norwegian population. The fall in consumption of fresh milk -- which seems set to continue -- is particularly serious for the farmers and hence also for the co-ops, as this product gives substantially greater returns than others. Though there has been an increase in sales of yoghurt and other liquid products, there is still a net decrease in the component of the farm milk price obtained from the market, at the same time as the other component -- state support -- is also decreasing.

Sales to the retail food market made up over 80% of volume (Tine NM/NML annual reports for 1986 and 1987) but sales to the food industry were increasing. The dairy federation attributes this increase to the following trends:

⁹⁴ Cf. article 'Ola og Kari jobber mindre for maten', *Nationen* 9.07.97: Per Kollstad.

⁹⁵ 'White cheese' and *gulost* are the official terms used by Statistics Norway for cheeses made from curd.

⁹⁶ The dairy 'margarines' have a butter content of up to 80%.

⁹⁷ There is a small variation in total sales figures between these two sources.

- ready-made food is making up an increasing share of household budgets
- the catering industry is buying more ready-prepared products
- 'kiosks' and petrol stations are selling more fast food.

The federation also notes that its largest industrial customers have a substantial export to EU countries.

In 1996, the central sales organisation Norske Meierier exported approximately 2,400 tons of butter (cf. 4,500 in 1986) and 22,000 tons of cheese (cf. 20,000 in 1986), to a total value of approx. Nkr 500M. As in the home market, there has been a big drop in butter sales in the 1980's and '90's. Of the cheese export, about 45% went to Japan, mainly to the food industry; while most of the remaining 55% was exported as branded consumer cheese to North America, the EU, and Australia (Tine NM/NML 1996 annual report). Export is thus of great importance for both farmers and the industry, amounting to over 1/4 of total cheese production and 1/5 of total butter production. To what extent it is subsidised by domestic sales, and thereby subject to reductions specified by WTO, is a matter of contention. What is clear at any rate is that Norwegian primary milk and dairy industry production is considerably in excess of domestic demand; and that as long as this situation prevails, export is essential. Furthermore, Norway exports much more butter and cheese than it imports. Thus changes in the governance of trade are of great importance to the dairy industry and the milk sub-sector as a whole.

Government policy changes and international commitments, and their effects

In Section 2.2, it was indicated that the 1990's were to bring substantial changes in government policy. As before, I will present these in an international context.

The policy changes and their background

The major changes to Norwegian agri-food policy introduced in the 1990's have been presented by politicians as necessary responses to problems. One, which we have seen in the previous section, is the encouragement of over-production by the price support system. The complexity of the latter has also made it difficult for politicians and most farmers to understand the details of the negotiations, and there has been broad political agreement on the need to simplify the system (cf. St.prp. nr. 8 (1992--93), p.31). The cost of support also became a major political theme in Norway as in many other countries in the course of the 1980's. A fall in world oil prices was an important factor on the income side, while the dynamics of the welfare state put ever-increasing pressure on public spending. There is thus no doubt that there were real problems. Nonetheless, the new policy was also influenced by factors of a less material kind; and a look at the international context is essential in order to understand the selective focus on certain problems and the choice of solutions. We have already seen that the GATT/WTO and the OECD have promoted a preoccupation, if not obsession, with reducing and eliminating state support and protection of industry including agriculture. Another important institutional source of influence has been and is the European Community, or European Union (EU).

In 1987, following the previously-mentioned OECD ministerial communiqué on support reduction, and the publication of a government paper (St.meld. nr. 4 (1987--88)), a broadly-

based government select committee chaired by Professor Håvard Alstadheim was set up. The 'Alstadheim Committee' {*Alstadheimutvalget*}, as it was known, was mandated to carry out a thorough review of agricultural sector policy, by examining ways to '*strengthen the country's basis for production, improve the use of resources, and increase the efficiency of economic {nærings-} and rural {distrikts-} policy.*' While this was in progress, the OECD carried out a review of Norwegian agriculture together with the Department of Agriculture, and the report was presented in 1990. The Brundtland Government tells that '*OECD was highly critical of parts of Norwegian agricultural policy . . . The main complaint was that the agricultural policy was insufficiently orientated to the market.*' (St.prp. nr. 8 (1992--93) p.11).

The Alstadheim Committee's report came in 1991 (NOU 1991: 2) -- a massive set of three documents, containing a considerable amount of both data and dissenting notes. The majority recommendations were along the same lines as those of the joint departmental-OECD report mentioned above, and thus already familiar to the Government. The latter presented a preliminary outline of its substantial revision of agricultural policy the same year, in the annual Agricultural Support Agreement, *Innstilling S. nr. 191(1990--91)*. Like many other of the Labour government proposals, this one was passed with the support of the conservative/liberalist parties, with opposition confined to a centre-left minority. The stated objective of the new policy is to achieve a '*more robust*' agricultural sector -- meaning leaner and more competitive. The means of achieving this are support reduction and the stimulation of competition, by trade liberalisation and also by promoting domestic competition where it is considered inadequate -- particularly in the milk sub-sector.

In the EC, pressure for a major revision of the Common Agricultural Policy (CAP) was particularly high in the early 1990's, not just for reasons related to the food sector and trade, but also in order to pave the way for a further step towards economic and political integration -- the Treaty of European Union. The 'new CAP' was approved in June 1992. The changes were very much in line with the aims of the OECD and the GATT. They involved reductions in farm prices, compensated by various schemes including 'set aside' -- the removal of arable land from food production. Environmental goals were also incorporated: extensification of production was to be promoted, as was management of landscape. The EU sees '*a competitive agriculture*' as essential to its aim -- incorporated into the Treaty of the European Union of 1993 -- of developing the rural economy and '*maintaining viable rural communities*'.⁹⁸ Another key element is diversification of the rural economy, creating jobs not related to food production. Though the policy still comprises a set of broad and partially conflicting aims, the qualifying terms '*competitive*' and '*viable*' (cf. '*robust*' in Norwegian policy) indicate a firm formal economic basis.

Based on the Alstadheim Committee's majority report, the formal policy paper -- St.prp. nr. 8 (1992--93): *Landbruk i Utvikling* -- was presented by the Government in October 1992 -- a few months after the EU approved the new CAP. This government document formalises what had already become *de facto* policy, with a presumption of productivity increases -- in primary production and also in the co-ops -- being built into the support system in the form of annual reductions. The Government writes: '*in the most recent agricultural support agreements, Norway has made changes . . . in line with the recommendations of OECD.*'⁹⁹ The new policy marks a major step in principle away from the actively governed mixed economy model which has previously been the hallmark of social democracy, even if the change in direction is not so drastic as in Sweden where a combination of support cuts and

⁹⁸ EU internet document: 'Instruments of the CAP', as of May 1997

⁹⁹ St.prp. nr. 8 (1992--93) p.11.

liberalisation in the early 1990's have caused considerable upheaval in the agri-food sector. Though the main direction of the changes in policy goals was similar to that of the CAP, the policy instruments -- mentioned above -- were different.

The move towards liberalisation and support reduction was presented as inevitable adaptation to international trends; and the policy documents made it quite clear that the Government had committed itself to further reducing both support and market protection through the two international institutional arrangements WTO/GATT and OECD. These commitments had also been made by the short-lived Conservative-centre coalition government of Jan P. Syse. Additional policy commitments came with the agreement in 1992 between the EFTA countries and the EC on the establishment of a common European Economic Area (EEA) of free trade. Though excluding trade in most basic foods, the EEA has nevertheless involved harmonising standards for all products and production processes, including food and the food industry.

Further developments 1994--97

The Brundtland Government's sudden decision¹⁰⁰ to apply for full EU membership in the spring of 1994 threw the whole agricultural sector into a virtual state of emergency, until the application was withdrawn after the negative referendum majority at the end of November that year. A vast amount of resources was expended by government, the farmers and their unions, and the agri-food industry, on planning for drastic changes in the event of EU membership. In addition, the farmers' organisations, including the co-ops, put up a great deal of money for the campaign against membership.¹⁰¹ Despite transitional arrangements, it is difficult to avoid the conclusion that the whole agri-food sector in Norway would have undergone both substantial structural concentration and contraction in the event of membership, due to free import of produce, particularly from the large Danish and Swedish co-operatives.

The government established a capital investment fund for the food industry, amounting to Nkr 900M, to help to alleviate the great expense both of adapting to EU regulations, and of re-structuring processing facilities in order to cut costs. The fund remained despite the decision not to join the EU, as EEA membership also requires conformity to EU product and industry regulations. The cost of up-grading processing facilities -- including the provision of separate production lines for each animal species in the slaughterhouses -- together with the government funds which have been linked to re-structuring,¹⁰² have provided strong financial incentives for the concentration of processing facilities in the mid-1990's.

In 1994, the Norwegian parliament ratified the World Trade Agreement (WTO/GATT), with only three dissenting votes from members of the socialist parties SV and RV. The World Trade Agreement on Agriculture came into effect in 1995, lasting until 2000. Quantitative import restrictions on food products were replaced by import duties whose initial level is

¹⁰⁰ The EEA agreement, which had been finalised a short time previously, had been presented as adequate for the near future. The Norwegian application -- supported by a clear parliamentary majority -- followed the Swedish government's decision to apply for EU membership.

¹⁰¹ This fact was not forgotten by the Brundtland Government and political departmental leaders, whose bitterness over the referendum result has been quite open. 'If the farmers' organisations could afford so much money for the 'no' campaign' -- the argument has gone -- 'they and their members can well afford a cut in state support.'

¹⁰² Though the granting of assistance was not formally contingent on structural concentration of processing, it would appear to have been so in practice.

based on the difference between domestic and world market prices in a reference period (1986--88). Within the period of the agreement, the *average*¹⁰³ level of import duties was to be reduced by 36%, with a minimum reduction of 15% for each individual commodity. Minimum quotas of import at a low rate of duty were to be introduced for all product categories. Export subsidies were to be reduced by 36%, and quantities of subsidised export by 21%, during the period 1995--2000. This applies to all forms of subsidy, including that financed by levies on producers. Total domestic production support -- quantified as the 'total aggregate measure of support' -- was to be reduced by 20% from 1995 to 2000. However, support which is tied to production control arrangements (e.g. milk quota systems) is exempted, as are types of support which are paid to producers but are independent of production volume.

For Norway, the 'tariffication' of import restrictions initially allowed prohibitively high import duties on many products, of the order of 200 -- 500% (Blytt 1994: 12). The government did not avail itself of the provision for gradual reductions, but implemented the full specified reductions in July 1995, and brought tariffs on some products '*significantly below bound rates*'.¹⁰⁴ The duty level on many others, including meat and dairy products, was still high, bringing the average rate to 98% in 1996 according to WTO calculations. The imports of dairy and meat products at low tariff rates have been too small to make a significant impact on the market. The limitation of subsidies on export brought by the agreement has however had effects, particularly for the meat sub-sector, where market regulation has depended on the disposal of periodic over-production by export supported by producer funds. The extent to which the dairy sub-sector subsidises its exports has been a topic of dispute between NML and the Department of Agriculture (cf. next section).

As part of its goal to bring more competition into the milk sub-sector, the Labour government initiated a review of the market arrangement for milk, the RO. This brought considerable uncertainty to farmers and their dairies, as there was a significant and vociferous body of opinion in favour of full liberalisation, both in parliament and among economists. Eventually, however, the government settled for a moderate revision, implemented in the summer of 1997. The basic principles of price discrimination and cross-subsidisation remain unchanged. The administration of the milk price equalisation system has been moved out of NML to the joint board for farm produce, *Omsetningsrådet*; and the system has been revised and simplified, with fewer product categories.

Prospects of further change

In its Trade Policy Review of Norway in 1996, the WTO notes with satisfaction that transfers to farmers had been reduced in the previous three years, and that '*Norway's already liberal trade policy has been extended as a result of unilateral reforms building on the implementation of the Uruguay Round results and the EEA Agreement. Even in agriculture, a major area of concern at the previous review, initial moves have been made to bring prices more into line with those in neighbouring markets.*'¹⁰⁵

In 1997, after the support reductions and import tariff reductions agreed through WTO have been implemented by the Norwegian government, the OECD Economic Survey (summary,

¹⁰³ Blytt (op. cit.) points out the significance of the use of the arithmetical average: by granting a large reduction on products which do not compete with domestic production, signatory states can effectively limit the tariff reduction to the minimum of 15% for those which do compete.

¹⁰⁴ WTO TPRM report, internet document PRESS/TPRB/35, 5 June 1996.

¹⁰⁵ WTO TPRM report 1996, op. cit.

op. cit.) calls for more of the same medicine, in order to lower cost levels through lower food prices. The OECD has also examined changes in dairy sub-sector policy in 5 member states, in order to draw lessons which others can follow. We are told that reforms in dairy policy will become increasingly necessary, *'driven by budgetary considerations, market pressures and the impact of the Uruguay Round Agreement on Agriculture.'*¹⁰⁶ As noted earlier, the latter agreement only lasts to the end of the century, and negotiations on a new round of liberalisation will begin well before then.

In the mid -1990's, the EU is also moving in the direction desired by the WTO and the OECD. Reviewing the first three years of the revised CAP, the EU claims that the positive results *'have exceeded expectations'*, with excess cereal production virtually eliminated.¹⁰⁷ The proportion of the EU's total budget allocated to the agri-food sector has been reduced from 70% in 1980 to around 48% in 1995, about half of which goes to direct payments to farmers.¹⁰⁸ Though one of its fundamental principles is full internal liberalisation, the EU has been an important advocate of moderation or 'protectionism' in GATT/WTO. Nonetheless, it sees one of its big challenges as *'continuing to adapt EU agriculture to an increasingly competitive international context characterized by further moves towards trade liberalization.'* (op. cit.). Now including Finland and Sweden as well as Denmark, the EU is likely to exert an even greater influence than before on Norwegian trade and agri-food policies. Furthermore, though basic foods have been excluded from the initial EEA, the agreement is not static. In its information booklet about the EEA (produced in 1992), the government notes that *'there is agreement that the parties will gradually extend the trade in agricultural produce.'*, with the qualification that *'such extended trade must take place within the framework of the parties' national agricultural policy.'* and that (obviously) *'both parties must be in agreement before the trade can be extended.'* The difficulties faced by Norway in the 1990's in exporting farmed salmon to the EU represent a potential incentive for Norway to seek to extend the EEA to food trade.

Further adaptation by Norway to the requirements of the WTO, OECD and EEA would seem assured, as they -- and indeed full EU membership -- have been supported by a sizeable parliamentary majority in the mid-1990's;¹⁰⁹ and as a reversal of this majority in the near future appears virtually inconceivable at the time of writing, irrespective of whoever forms the government.

Changes in the co-ops as adaptations to circumstances

The preceding introduction to the co-ops and their circumstances allows us to assess the plausibility of claims that structural concentration and changing business practices are being forced on the co-ops in the 1990's by worsening circumstances.

¹⁰⁶ OECD Letter 5/9, November 1996.

¹⁰⁷ EU internet document: 'The New CAP', as of May 1997.

¹⁰⁸ EU internet document: 'Instruments of the CAP', as of May 1997.

¹⁰⁹ Even the mainly agrarian/rural Centre Party has opposed neither the GATT/WTO agreement nor OECD membership.

Structural concentration in the dairy co-ops in the 1980's and '90's

First, let us quantify the overall extent and consequences of structural concentration. Both the organisational structure and the production plant structure of the dairy co-ops have been concentrated to a great extent during the 1980's and '90's. The number of processing plants was more than halved in 15 years, from 178 at the end of 1982 to 78 at the end of 1997, while there was a reduction by over 90% in the number of co-ops in the same period, from 135 to 11. The main phase of organisational re-structuring, in which most local co-ops merged into regional ones, was carried out in the early '80's, with a second phase in the mid-'90's; while processing plant re-structuring has been going on for much of this century (cf. Part 3).

Onsager and Johansen (op. cit.: 30) find that though the number of dairy production facilities fell by 26% from 1980 to 1990, the number of employees fell by only 5.9%, and conclude that *'the dairy industry has maintained the level of employment despite considerable closure of plants, to a greater extent than other agri-food industry.'* Nevertheless, Onsager (1994) notes that dairy employment in districts classified as 'least central' fell by a more significant 13.2%. Thus dairy closures have had real significance in areas with little alternative employment. Of unquestionably greater significance in these areas, however, has been the decline in employment provided in primary milk production (cf. Section 2.4). Proponents of structural concentration have been quick to point this out, as mentioned in Part 1.

Concentration in order to eliminate inequalities due to circumstances

The uneven distribution of milk supply described earlier tends to create differences in milk price between co-ops. Neither the RO nor its successor has evened these out completely. Indeed -- as we will see later -- one of the matters of dispute in the co-ops has been and is to what extent price differences should be evened out. One type of cost which was particularly controversial under the RO regime was that related to differences in processing plant structure. Under the new regime of 1997, compensation is given instead for extra costs entailed by a de-concentrated primary production structure.

Price differences between co-ops have been a main element in arguments for greater organisational concentration in the 1990's; though, as we will see in later sections, they have been so for much longer. Federation leaders have maintained that mergers were necessary in order to make the co-ops more homogeneous -- with all co-ops having a wide variety of production and a similar distribution of the size of members' farms -- so that conflicts of interest between them would be less liable to break out. In fact, the dream of NML leaders for some time has been full concentration at national level: *Meieri Norge*, similar to the Danish *Meieri Danmark*, or *MD Foods*, as the giant dairy co-op now styles itself. Among my informants in Northern Norway (cf. Part 5), a commonly expressed view on organisational concentration -- among both proponents and opponents -- was that regionalisation was a 'half-way house' to full national concentration. As the latter would not be accepted by the big farmers and the co-ops in the central regions -- it was claimed -- regionalisation was a pragmatic compromise.

Concentration as adaptation to the market

It is argued that major trends in sales must have consequences for processing structure, and this is clearly the case. The fall between 1986 and 1996 of 1,100 tons a year in whey cheese sales, for example, is equivalent to twice the production of the dairy plant in Lesja (Oppland

County), closed in late 1997. For fresh milk, the reduction in ten years of around 73M litres represents over 14 times the annual production of the Hadeland dairy, whose closure is among the cases to be examined in Part 4. On the other hand, the increased yearly sale of 10,000 tons of white cheese is equivalent to 40 times the production of the small but thriving Vikedal Dairy (cf. Section 4.3);¹¹⁰ and there have also been substantial production increases in yoghurt and other liquid products. On the face of it, the net reduction in sales from the mid-'80's to the mid-'90's does not appear a sufficient reason on its own for closing about 80 plants in this period.

Concentration of organisational structure is widely presented in the 1990's as a necessary adaptation to the market: a response to the high degree of concentration which has transformed the wholesale and retail branches in the 1980's and '90's. The egg/poultry and fruit/vegetable co-ops have become highly centralised in the course of the two decades. The meat co-ops -- organised on a regional basis since their formation -- have a much less dominating national federation than the dairy co-ops, and balance co-operation with a degree of mutual competition. There has been debate in the meat co-ops about the degree of administrative centralisation necessary to cope with the wholesale chains, and the resignation of the managing director of the federation in 1996 was a result of the board's decision to maintain the status quo. Calls for tighter organisational integration in the meat co-ops have come from business economists (Borch, op. cit.).

In the dairy co-ops, the first phase of regional concentration occurred before the market changes referred to above. However, the concentration then rapidly taking place in the retail and wholesale branches was a major argument used in the early 1990's by leaders of NML to gain acceptance for the second phase of regionalisation. The appropriateness of the latter as a response to concentration at *national* level by the buyers seems questionable.

It has been plausibly alleged that the co-ops, and other large suppliers, have largely themselves to blame for the structural concentration at wholesale and retail level which they are now faced with. Trond Lykke -- who owns a regional chain of grocery shops in Trøndelag -- is reported as confronting the 1995 a.g.m. of the national organisation of meat producers (*Kjøttbransjens Landsforbund*) with this message.¹¹¹ Lykke pointed out that the co-ops and others, by giving progressive discounts, had rewarded size and thus encouraged concentration, instead of helping to maintain a decentralised structure of local shops.

Concentration as an adaptation to actual and anticipated government policy change

Though I have presented the international policy-making bodies as sources of national sector policy, it must be borne in mind that co-op policy is affected not just by actual changes in agri-food policy at polity level, but also by *perceptions* of the institutional environment at all levels, and *expectations* of policy changes. Co-op leaders claim to be 'forward-looking', and that it is vital to adapt before it is too late.

Long before an agreement was reached, the Uruguay Round of GATT negotiations -- with the prospect of liberalisation of trade in agri-foods -- had consequences for the Norwegian disputes on co-op structure. Member of parliament Inge Staldevik (Labour) brought this up in

¹¹⁰ As Vikedal produces speciality cheese (*Port Salut*) the comparison is not direct.

¹¹¹ 'Prispresset er deres egen skyld', *Bondebladet* 3.05.95 (article unsigned).

a parliamentary question in 1990¹¹²: *'In recent times the co-operative organisations have referred to the GATT negotiations when the co-operatives {bedrifter} are centralised and 'rationalised'. Social tasks, like considerations of security {beredskap}, rural areas and the utilisation of resources, are thus put aside.'* Staldevik later mentioned the dairy co-op Østlandsmeieriet and the meat co-op Bøndernes Salgslag -- who were closing their Verdal slaughterhouse -- as examples of co-ops using the GATT as an argument. He went on to ask the Minister of Agriculture -- then Anne Vik of the Centre Party (herself a farmer) -- whether the GATT agreement of 8 April 1989, or the still current agricultural policy document St. meld. nr.14 (1976--77), gave grounds for co-op centralisation.

In her reply, the Minister made clear that the consensus preliminary agreement in GATT committed Norway to liberalisation of trade in agri-foods and a reduction in agricultural support. She declared however that the Government (a coalition of the Conservatives with the Christian Democrats and the Centre Party) would work hard for the recognition of non-commercial considerations including environmental, rural and social aspects in the final agreement. She conceded that liberalisation would make the market conditions for Norwegian agriculture *'dependent on the competitiveness of the processing industry to quite another extent than up to now.'* The balance between efficiency and other considerations had been under constant review, both in government sector policy and in the processing industry, and would continue to be so. Thus *'The result of the GATT negotiations will necessarily come to influence the weighting given to the minimisation of costs in sales and processing -- not to reduce the consideration given to environment and rural areas in agricultural policy -- but purely and simply because competitive sales organisations {omsetningsledd} can be essential to enable us to maintain the agriculture which best takes care of these considerations.'*¹¹³ She added that *'I think I must emphasise that a certain degree of efficiency increase is necessary in the co-operatives.'* However, she had not heard co-op leaders citing the GATT negotiations as an argument for carrying out such necessary change, and hoped that misuse {misbruk} of reference to the GATT was not occurring.

Though it was a typically non-committal 'political' answer, the Minister's remarks indicate that -- from her well-informed position as a member of both government and the co-ops -- she did indeed see the GATT as a significant factor necessitating adaptation by means including the concentration of production structure.

The uncertainty over the future of the national milk price system RO in the 1990's has lent weight to the case for regional mergers of the co-ops. An emergency general meeting of NML prior to the EU referendum approved a merger of the dairy co-ops into a single-tier organisation in the event of Norway joining the EU, as it was claimed by federation leaders that the anti-trust law of the latter would prohibit the RO.¹¹⁴ After the EU issue was settled, these drastic plans were put aside. Nevertheless they exist, and they will no doubt be re-submitted if the EU membership issue re-emerges in a few years time.

The government policy changes of the 1990's have also been addressed directly to the co-ops. In its policy document of 1992 (op. cit., p. 28), the Brundtland government claimed that the

¹¹² Stortingets Spørretime: Spørsmål 24, 1990-02-07. Available as internet document.

¹¹³ The grounds given here by Anne Vik for seeing the concentration of co-op production as necessary -- minimisation of processing costs, in order to help primary agriculture to survive in a harsher competitive environment -- have been and still are dominant in the co-op disputes, as we will see later.

¹¹⁴ Probably mistakenly -- cf. Solberg 1994. The question of good faith in this matter has been the subject of debate.

co-ops had effectively appropriated agricultural support which should have gone to the farmers, by having unnecessarily high costs. These had therefore to be cut, and the co-ops were to concentrate on maximising returns from the market. Their social remit from government was formally withdrawn, and the matter of rural industrial employment was to be taken care of by the state directly through the development agency *Distriktenes utbyggingsfond* (now *Statens nærings- og distriktutviklingsfond*).¹¹⁵

Important arguments for concentration of both processing and organisational structure in the co-ops have been, and are, based on circumstances and changes in these structures. The latter include falling sales of important products; increased competition and a high degree of buyer concentration in domestic markets; tighter restrictions on market clearance through subsidised export; and government cuts in farm price support. Further changes, in the direction of farm price support cuts and greater competition, are virtually assured due to international commitments with strong political backing in Norway. In the dairy co-ops, additional arguments for organisational concentration arise from the uneven distribution of both primary production and processing, and from the de-stabilising effects of actual and potential changes in legislation and government policy.

The arguments themselves will be presented more fully in later sections, along with counter-arguments. For the moment, it appears clear that the co-ops have been faced with serious problems stemming from circumstances and changes in these on which the co-ops can have little influence. Changes have been, and are being, forced on the co-ops. But whether concentration of organisational and processing structure is the appropriate -- or only possible -- response is another matter. The next section, and the historical analysis of Part 3, will shed more light on this question.

¹¹⁵ I.e. an obligation to retain small rural production facilities, for which an element of compensation was included in price support to producers. This applies particularly to the dairy co-ops -- cf. next chapter.

2.4

Change in farmers' co-ops: international comparisons

To complete the context in which the changes in the Norwegian farmers' co-ops are taking place, this section will draw comparisons to some international cases, again mainly in the dairy sub-sector. Such comparisons have two purposes: to broaden beyond national boundaries the organisational context in which to look at the changes in Norway; and as a research strategy to help to assess the plausibility of the claim that the changes have been forced on the co-ops by circumstances. This strategy hinges on the assumption that if dairy co-ops elsewhere appear to have adapted passively to changing circumstances in a way similar to that observed in Norway, it seems reasonable to accept that the Norwegian case is also attributable to the changing circumstances which have been documented in the preceding sections.

As I have not studied farmers co-ops at first hand outside of Norway -- except in Scotland where processing co-ops are generally too new to provide useful comparisons -- the data and some analytical conclusions in this section are taken from literature. The latter is varied, comprising both reports written for practical purposes and scientific studies. Though the data does not give an up-to-date picture in the mid-1990's, and was indeed mainly compiled around 1980, it nevertheless provides useful comparative data on trends in co-op structure and policies. I will combine a brief summary of developments in four countries -- confined to the dairy sub-sector -- with a broader and more detailed look at changes in one of the most significant countries for the Norwegian co-ops: Denmark, which will be accorded a subsection of its own.

Co-ops in other countries: conformity and competition

Co-operative leaders and ordinary members confirm and modify the perceptions of their organisations and their policy choices by comparison with others. In fact, unless guided by an extremely powerful ideology, co-operative organisations in capitalist societies are dependent on having a co-operative reference group, as a counterbalance to the influence exerted by the capital-controlled organisations which predominate in their business environments. Though the Norwegian farmers' co-operative 'family' is a large reference group in its own right, co-ops also have a need for comparisons specific to their respective sub-sectors. This is particularly so for the dairy co-ops, whose activities are so highly coordinated and standardised centrally that comparison with each other has limited value. Information about co-ops in other countries reaches the farmers and their organisations through their own press and other media, and is also acquired through various international fora.

A Nordic forum for dairy co-op leaders has existed since 1951, in association with the Nordic confederation of farmers' unions NBC {*Nordens Bondeorganisasjoners Centralråd*}. A former chairman of the Norwegian dairy co-op federation, Hans Borgen, wrote in 1981 that besides exchanging information and coordinating business and professional activities to some extent, the forum had been so successful that friendship had developed between the management and office-bearers of the different dairy co-op federations (op. cit.: 307). Thus we can speak of a well-developed Nordic network among leaders of the co-operative

dairies.¹¹⁶ This makes Nordic comparisons particularly relevant, and in this section I will combine a brief review of four international cases -- including Sweden -- with a closer look at the Danish co-operative dairies.

Farmers' co-ops in other countries are not just allies, however: they are also potential competitors. This is particularly the case for large and powerful Nordic co-ops such as *MD* (Denmark) and *Arla* (Sweden), which are already selling small quantities of dairy products on the Norwegian market (in the mid-1990's). Along with the Danish pig meat co-ops, these are potentially the most important competitors for the Norwegian dairy and meat co-ops as markets become more open -- through WTO and EEA -- or even fully open if Norway joins the EU. As such, their business practices and structure are of particular interest to the Norwegian co-ops.

Four countries: commonalities and diversity

In 1983, the International Dairy Federation published an international study of dairy co-operatives (IDF 1983). Though it does not give an up-to-date or consistently detailed picture, the study provides a useful summary of developments up to around 1980, showing a clear trend of structural concentration of both production and organisation. Some additional data have been obtained from other studies. I have selected four countries -- Sweden, Canada, Ireland, and Switzerland -- in addition to Denmark which will be left to the next sub-section. The numerical data, on numbers of organisations, processing plants, and co-op members/suppliers, will be confined to the period from 1950 and onwards. The aim is to make broad but relevant comparisons. The countries selected differ widely from each other and from Norway in several respects, but also display many similarities in the development of the dairy sub-sector.

As in the previous two sections, much of the data is numerical, and much of it is presented as aggregates and arithmetic averages. The latter can be highly misleading when used in conjunction with uneven distributions, but for present purposes I consider that their use as rough indicators is justifiable. For the sake of simplicity, the very rough conversion *1,000 litres = 1 ton (tonne)* will be used for milk quantities, as these different measures are both used extensively in the statistics.

For the sake of comparison, I begin by presenting a summary of structural concentration in Norway for the period 1950--1980.

¹¹⁶ I have not ascertained whether the arrangement has survived the increasingly competitive climate of the 1990's.

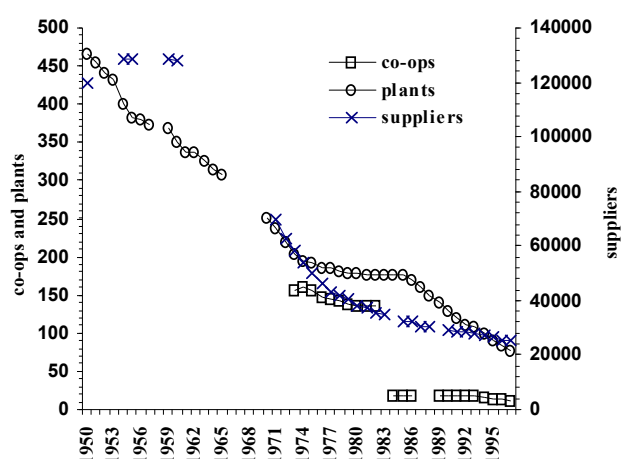


Fig. 2.4a Structural concentration in Norway, 1950--80.

Sources: 1980 Statistics Norway, dairy statistics (to 1965) and historical statistics; Tine NM/NML annual reports.

Sweden

Data on Sweden are from the IDF report of 1983. When the report was written there were three independent dairy companies in Sweden, with two plants, besides the co-ops affiliated to SMR.

A comparison between the Swedish and Norwegian dairy sub-sectors in 1980 shows that the former produced about 40% more milk with fewer farms, not much over half the processing plants, and many fewer co-ops:

| | Sweden | Norway |
|-----------------------------------|--------|--------|
| number of dairy farms | 41,000 | 38,300 |
| total milk supplied (M tons) | 3.3 | 1.9 |
| number of co-ops | 24 | 135 |
| number of co-op processing plants | 97 | 178 |

Fig. 2.4b Comparison of key figures for co-operative dairy sub-sector in Norway and Sweden in 1980. Sources: IDF report and NM/NML annual report.

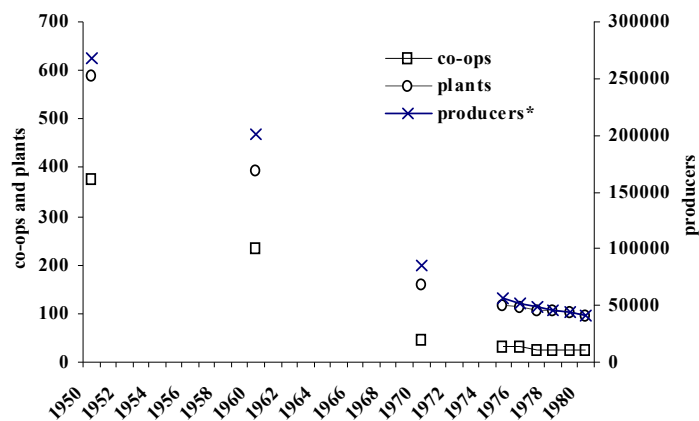


Fig. 2.4c Structural concentration in **Sweden**, 1950--1980. *Source: IDF (1983)*. Note: The report gives total number of producers, which is somewhat larger than the number of co-op members.

Co-operatives dominate the dairy sub-sector in Sweden, as in Norway. In 1981, the IDF report notes that there was only one small private dairy receiving milk directly from farms. Also as in Norway, a market governance system was developed in the early 1930's, with the co-ops' national association being given a central role; and both first-hand milk sales and the sale of dairy products were centralised in regional federations. By the end of World War Two, the co-ops had attained 95% of total dairy milk volume.

Structural concentration of both co-ops and processing plants has been occurring in Sweden since the 1930's, but accelerated after World War Two, with numbers declining rapidly in the 1950's and '60's. The national dairy co-op federation SMR was actively involved in promoting and planning this process. The IDF report records that in the 1960's and '70's there was much debate in SMR about industry structure. In 1966 a committee proposed a structure of five large regional co-ops, and in 1970 a single national co-op was proposed. The latter plan led in 1975 to the formation of the large co-op *Arla*, through the merger of several medium-sized co-ops in central Sweden. In 1978 SMR finally abandoned the idea of merging all the co-ops, leaving a highly differentiated structure.

By 1981, *Arla* received 60% of the total dairy milk volume, and had a similar share of the market for dairy produce. It had 46 processing plants out of a total of 99 in Sweden, and had 22,000 member-suppliers out of a total of 41,000 dairy farmers. These figures indicate that the average farm size of *Arla* members was not greatly different from the national average, while *Arla*'s average dairy plant size was somewhat above the national average. We see that *Arla* alone processed a milk volume similar to the Norwegian total, but with not much more than half the number of suppliers, and with about a quarter of the number of processing plants.

Concentration of primary production has been promoted more actively by government policy in Sweden than in Norway; and the abandonment of small farms in northern and other

outlying areas of Sweden has produced a sharp contrast in farm and settlement patterns to those of comparable areas of Norway (Brox 1984).

Canada

The data quoted here are all from the IDF report of 1983.

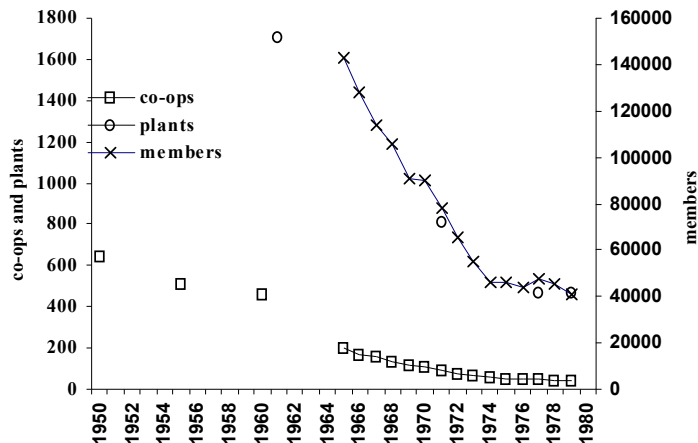


Fig. 2.4d Structural concentration in **Canada** 1950--80. *Source: IDF (1983)*

Much of Canada's milk production is concentrated in two of the most populous provinces, Ontario and Quebec, with 35% and 40% respectively of farm milk sales in the country in 1980. The report describes a two-level governance system for the sub-sector, with a national system of farm milk quotas -- based on national self-sufficiency in milk fat -- and intervention state purchase of butter and skim milk powder. The further governance of the sub-sector varied between provinces, with Ontario having statutory milk marketing boards with a monopoly of first-hand sales. Big capital-controlled corporations, including the multi-nationals Carnation and Safeway, had a large share of the fresh milk market, while the co-ops dominated the processing industry. They had an estimated 3/4 share of total national dairy output in 1979. The number of dairy co-operatives in the country reached a peak in 1950, falling substantially in the 1950's and more sharply in the 1960's, and continuing to fall in the 1970's.

Most of this concentration took place in Quebec, which had 45% of the total dairy co-op turnover in the country in 1979. In 1951 Quebec had 609 co-ops out of the national total of around 640. A scheme of organisational concentration was promoted by the provincial government, which made financial support for regional mergers available through an act of parliament in 1966. Regional co-ops were thus formed by mergers between the constituent members of the existing regional co-op associations. After the initial wave of mergers the organisational concentration process continued, as the co-ops moved into the fresh milk market in response to the dominance of large capital-controlled companies -- including Kraft General Foods -- on the wholesale and distribution side. In the late 1970's the large co-op

Agropur was formed, with 17 processing plants and 27% of the total milk supply in the province. By 1980 there were just eight co-ops in Quebec, compared to 609 in 1951.

The number of processing plants -- which has been much greater than the number of autonomous co-ops, at least within the period covered -- also fell sharply. It was cut by more than half in the 1960's, and somewhat less drastically in the following decade. The number of member-suppliers fell by about half in the five years from 1965 to 1970, and was roughly halved again in the 1970's. There has been a similar fall in total dairy farm numbers in the country, at least since the late 1960's. By 1980, the average milk herd size in Canada was 31.5 cows -- about three times the Norwegian average. Dividing the total milk produced in the country -- 7,2M tons -- by the total number of milk producers -- 56,400 -- gives an average annual quantity delivered per farm of about 130 tons: over two-and-a-half times the Norwegian average.

The process of organisational concentration has continued into the 1990's. A leading office-bearer in the Quebec *Desjardins* co-operative confederation describes Canadian co-operatives in general:

'The co-operatives' main problem has revolved around administrative efficiency. If at the turn of the century their decentralised character was their strong point, it quickly became a weakness when competitors achieved economies of scale through mass production. The co-operatives then had to work collectively to develop mass production techniques in order to solve their problems. The dairy co-operatives are a good example of this orientation, and during the last few years have seen important re-alignment through mergers or acquisitions.' (Doray 1993).

According to the above account, circumstances forced the co-ops into concentrating processing structure; and the tighter inter-organisational co-operation which this involved then brought about organisational concentration.

Republic of Ireland

My sources here are the IDF report of 1983 and a Plunkett Foundation report (Meynell 1989).

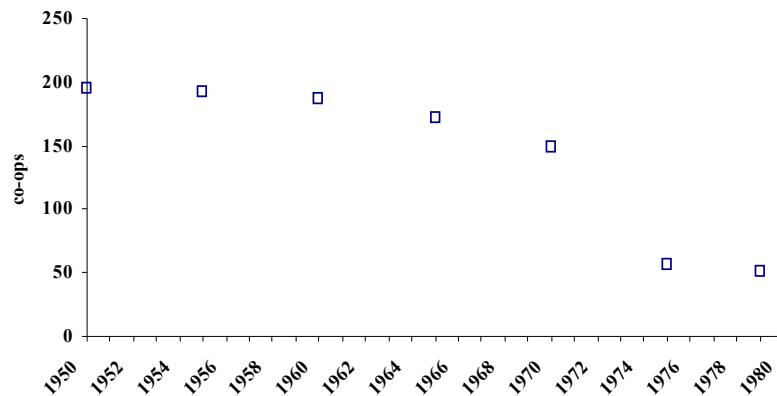


Fig. 2.4e Structural concentration in the **Republic of Ireland** 1950--80: co-ops only.

Source: IDF (1983).

With a small population, much good farm land and a mild climate, Ireland has long been an exporter of agricultural produce. In the 1980's, between 60% and 70% of total milk deliveries (5,2 M tons in 1987) in the Republic of Ireland was processed for export. Meynell (op. cit.) writes that export sales were coordinated through a federal export co-operative, the former state-controlled export board *an Bòrd Bàinne* which had to be re-organised due to EEC regulations. Direct state governance of the domestic market through area milk boards was limited to the main centres of population. The co-ops had a virtual monopsony of milk purchase from the farms, though neither of the cited reports tells whether this was originally due to state regulation, as in Norway. It is clear from both reports that government intervention in the 1920's -- through the purchase of private dairies which were re-sold to co-ops -- helped the latter to attain their leading position in the 'manufacturing' industry (i.e. processing of products other than fresh milk). As in Norway, the development of an indigenous dairy industry was linked to the development of an autonomous nation-state. Economic ties between the Republic of Ireland and the UK were loosened in the 1970's, with entry to the EEC. When the major English dairy company Unigate gave up its processing plants in the Republic of Ireland in the 1970's, they were bought over by some of the larger co-ops.

By contrast with their Nordic counterparts, Irish farmers' co-ops have generally been multi-purpose and have remained so, with some diversifying their activities even further in the late twentieth century. Thus, rather than being grouped according to product, all farmers' co-ops are affiliated to the Irish Co-operative Organisation Society (ICOS) as a central coordinating body.

There was a fairly steady decline in the number of co-ops in the 1950's and '60's, followed by a period of rapid concentration in the first half of the 1970's. The central organisation ICOS was actively involved in promoting mergers in at least some cases (Meynell op. cit.: 22). The IDF report (p. 82) notes in the early 1980's that over the years there had been discussions concerning '*the necessary rationalization plans*' for the Irish Dairy Industry, and that currently there was a plan to create 10 area 'milk pools' - in reality regional co-ops, to be

formed by amalgamations. Six such regional co-ops had already been formed by the early 1980's, each processing about 0.5M tons of milk annually, together accounting for about 65% of the total national milk supply. As milk production and dairy processing are concentrated mainly in the south and west of the country, there was considerable overlap between the areas covered by the big co-ops. There had been strong competition both for supplies and sales, with several 'milk wars' breaking out (Meynell op. cit.).¹¹⁷ In the late 1980's the ICOS was proposing a highly concentrated structure of just three regional co-ops.

It would appear that there are no general rules prohibiting sale of co-operative shares in Ireland, and in the 1980's there were two cases of the take-over of co-ops -- Bailleboro and West Meath -- by a capital-controlled firm, Goodman International. In the case of West Meath, the Avonmore co-op made a strong rival bid for take-over by share purchase. This mode of structural change in co-ops seems strange from a Norwegian perspective.

While subsidiary activities such as the sale of farm supplies had been commonly carried on by dairy co-ops, there was a strong trend to further diversification in the 1980's among the large co-ops, including pig meat processing and the production of composite food products. This involved substantially increased capital requirements, which three of the 'big six' met by forming joint-stock subsidiaries, floating a minority of shares in these on the open market. The big co-ops have been expanding by taking over capital-controlled food processing companies, including some in England and USA (Meynell op. cit.).

Neither of the cited reports gives any total numbers of production plants, but the IDF report gives tables of size distribution of butter and cheese plants. Of the total of 29 butter plants, only six produced less than 1000 tons a year,¹¹⁸ and a single large plant produced 26.6% of the total national annual production; while of the 11 cheese plants, all but one were producing over 2,000 tons a year. Compared with Norway at this time, processing structure -- at least for these main products -- was highly concentrated.

By 1987 there had been considerable concentration of primary milk production, though the rate of change was less than that in Norway. The number of dairy co-op supplier-members was approximately halved between 1960 and the late 1980's. By contrast with Norway, milk production was still largely based on grazing, giving low input costs, low yields per cow (3.6 -- 3.9 tons/year in 1987)¹¹⁹ and high seasonal variation -- with 72% of the milk being produced between April and September (1987). The average milk herd size was around 20 in the late 1980's -- giving an average production per farm of between 72,000 and 78,000 litres (cf. around 57,000 litres in Norway) -- though Meynell (op. cit.) points out that herds in the main milk producing areas were considerably larger. The average herd size of suppliers to the large co-op Mitchelstown was 39, and the average annual delivery from the suppliers of another of the 'big six', the Kerry Group, was 182,000 litres. Compared with Norway, then, primary milk production in the late 1980's was less intensive and 'modern', but nevertheless more concentrated in terms of volume per farm.

¹¹⁷ See later Denmark (this chapter) and Norway.

¹¹⁸ By comparison, production of the 'mixed' plants in Northern Norway at the time ranged from 20 tons (Fauske) to 864 tons (Sandnessjøen). The total butter production of Northern Norwegian dairies in 1980 was about 1,800 tons (Nilsen 1985: 59).

¹¹⁹ Meynell (op. cit.) quotes both these figures, presumably obtained from different sources.

Switzerland

The following is based on the IDF report of 1983 and an earlier review of Swiss agricultural co-operatives (Jaggi 1974).

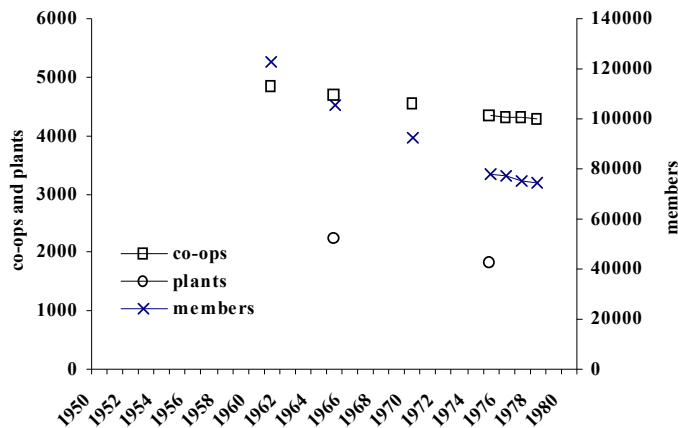


Fig. 2.4f Structural concentration in **Switzerland** 1950--80. *Source: IDF (1983), Jaggi (op. cit.).*

Switzerland is the country on whose dairying practices the early Norwegian industry was developed (cf. Part 3), and it has a similar situation to that of Norway in several respects. As the IDF report (p. 31) puts it, '*the topography, the climate and the soil have all contributed to making milk production the main agricultural activity.*' Hard winter conditions make cattle housing essential, as in Norway, substantially contributing to capital costs for primary production. Politically, in the late twentieth century, Switzerland is in a comparable situation to that of Norway, as both are outside the EU.

The IDF report (late 1970's) states that there was close co-operation between the central association of milk producers UCPL¹²⁰ and the government, and considerable state involvement in the marketing of the major dairy products through the corporative boards USF (cheese) and Butyra (butter). State and corporative governance of the sub-sector began early in Switzerland, with UCPL being given powers to organise collection and disposal of milk in 1917. As in Norway and Sweden some years later, a three-tier structure was organised: the co-ops, regional federations, and the national central organisation. All first-hand sales of milk to dairies were conducted through the co-operatives. In the late 1970's, UCPL, together with the state department responsible for agriculture, drew up half-yearly production plans for the industry.

In the late 1970's, the co-ops had 100% of butter production, 90% of cheese production, and 75% of liquid milk sales. Even in the production of condensed milk and milk powder -- where they compete with the giant Nestlé corporation and other capital-controlled firms, the co-ops had 50% and 60% of the market respectively. The large confectionery industry is an important buyer of milk on the domestic market. Switzerland is famous for its Gruyère and

¹²⁰ Jaggi (op. cit.) uses the initials ZVSM -- presumably the German version, with UCPL being the French one.

Emmental cheeses, which it exports in considerable quantities. In 1979, 60,000 tons of cheese were exported annually (cf. Norway's export of about 20,000 tons the same year).

In 1979 there were 4279 local dairy co-ops - 568 less than in 1961, but still a very de-concentrated structure compared with most other countries. The average volume of milk handled by a co-op was just 707 tons a year. Many co-ops -- more than half -- did no processing themselves, but were pure sales organisations. According to the IDF report, much of the processing other than cheese-making was done by the regional federations, whose numbers were reduced from 16 to 13 in 1977. The number of processing plants was reduced by 395 between 1965 and 1975, leaving 1,842 -- still a considerable number. A large majority of the plants -- about 1,500 in 1979 -- were producing cheese. Of these, 330 produced under 60 tons a year, 60% produced under 100 tons a year, and only 45 produced over 200 tons a year¹²¹ -- a striking contrast to the Irish figures.

Though I do not have more recent data from Switzerland, relatively small-scale dairy plants would still seem to be operating successfully in 1997, when a delegation from the Norwegian regional co-op Østlandsmeieriet travelled to Switzerland to study small-scale dairy processing.

Before making general observations on the basis of the four short country summaries so far, I will present the case of Denmark in some detail.

Denmark: developments in dairy and other farmers' co-ops

I have chosen to focus particularly on Denmark, partly because of empirical relevance, and also because a good deal of research on Danish farmers' co-operatives has been carried out in the 1980's and early '90's. Apart from the IDF report of 1983, all my sources¹²² in the following review of change in the Danish co-ops are, or have been, based at the South Jylland University Centre; but the studies nevertheless encompass a variety of perspectives; and their conclusions are by no means identical. The following summary of developments in the co-ops between 1960 and the early 1990's, like the rest of Part 2, views structural concentration against a background of changing circumstances. Though I begin with a broader look at trends, the main focus will be on structural concentration in the dairy co-ops.

Structural concentration as a general trend in the Danish co-ops (1960--1990)

The Danish farmers' co-operatives underwent a considerable degree of concentration of organisational structure in the 1960's and '70's, with more to follow. Michelsen (op. cit.: 145) writes that the rationale behind co-op mergers -- among consumer as well as farmers' co-ops - changed in the 1960's, with the ascendancy of the idea of forming unitary national co-ops. When such plans -- for single national consumer, farm supplies and dairy co-ops -- met widespread opposition and had to be shelved, their proponents went over to an incremental strategy, according to Bager (op. cit.: 229). This involved establishing a core organisation

¹²¹ By comparison, the medium-sized non-specialised plant at Finnsnes in Northern Norway produced just under 60 tons of cheese in 1980, while the larger plants at Brønnøysund and Sømna produced 745 and 1,100 tons respectively (Nilsen op. cit.).

¹²² Als and Møgelhøj (op. cit.), Michelsen (op. cit.), Søgaard (op. cit.) and Bager (op. cit., 1994).

which grew by merging co-ops into it when they were 'ripe for picking'. A considerable degree of concentration took place in the dairy sub-sector, which we will shortly look at more closely, as well as in the supplies co-ops, and in the pig meat co-ops {*andelssvineslakterier*}. The numbers of the latter decreased from 62 to 16 in the course of the 1960's and '70's (Als and Møgelhøj op. cit.: 12), and by the end of the 1980's there were less than 10 left, with a few large ones including *Tulip* dominating the market (Bager op. cit.: 259). Mergers into single national co-ops were achieved in the egg and poultry sub-sectors,¹²³ both of which underwent an extreme degree of concentration in primary production, losing most of their members.

Structural concentration in the Danish dairy co-ops

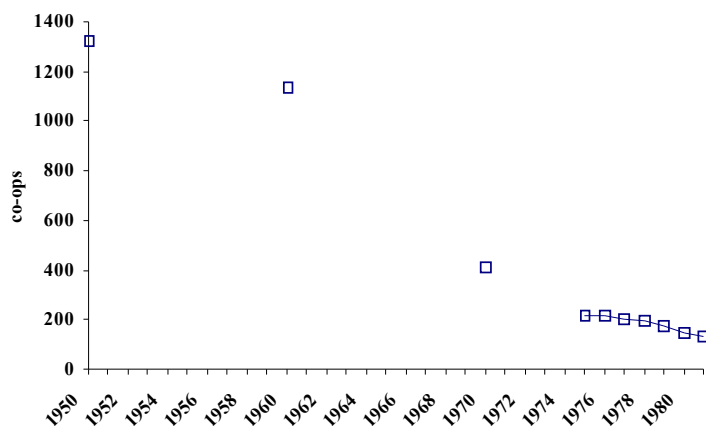


Fig. 2.4g Structural concentration in **Denmark** 1950--80: co-ops only. Source: IDF (1983).

In 1980, 73% of all Danish dairy companies were co-operatives, and they received 87% of the total milk delivered from farms (Søgaard op. cit.: 84). Up to 1950 co-op structure in Denmark had remained fairly stable; and up to 1960 the rate of structural concentration of dairy processing was also low -- much lower than in both Norway and Sweden (Søgaard op. cit.: 41). Fig. 2.4g above shows that co-op numbers fell particularly dramatically in the 1960's. Bager (op. cit.: 256) sees the relative stability up to then as probably largely attributable to inter-parish rivalries, and notes that a major local government re-organisation led to the merger of the small parishes into larger units in 1970.

The 1960's brought significant changes in the Danish co-ops' market situation, with over-production of milk combining with increased concentration in the wholesale branch to produce heightened price competition. Even though co-op numbers were already falling rapidly, director Thorkil Mathiassen of the dairy federation saw processing structure as still hopelessly de-concentrated.¹²⁴ *'Today we have 800 small, autonomous and inefficient {ineffektive} production businesses. They are inefficient because of their small size, which*

¹²³ Bager (op. cit.: 231) notes that *Danpo*, the poultry processing company, has been organised as a 'mixed' company since 1974, with poultry farmers owning only part through their national organisation.

¹²⁴ Interviewed in *Andelsbladet* no. 21, 1963, page 933. Reproduced by Søgaard (1990: 46) -- my translation.

prevents them from utilising the potential of modern technology and large scale, and because of their autonomy, which is however only an illusion in practice.' Together with leading elected members, the director saw the only answer to this structural problem as being a full-scale merger of the small dairies into a unitary national co-op, referred to as *Mejeriselskabet Danmark* [The Dairy Company (of) Denmark]. Intermediate solutions of co-operation and joint ventures between autonomous co-ops were dismissed (op. cit.). The federation leaders' plans, put forward in 1963, proved highly controversial, with opponents drawing parallels to the Eastern Bloc central planning systems. Despite being approved by both the board and the council of representatives in the federation, the scheme was opposed so strongly by the dairies that it failed to materialise in its original form. As in the later Norwegian disputes over mergers (cf. previous section), an important element was conflicting interests between co-ops over the equalisation of farm milk prices.

Instead of a single national merger, several regional ones took place in the late 1960's and early 1970's. In 1970 a co-op with national pretensions named *Mejeriselskabet Danmark* (MD) was formed; though there seems to be disagreement as to whether its formation represents a centrally-planned incremental strategy -- as alleged by Bager (cited above) -- or a spontaneous 'bottom-up' process (Søgaard op. cit.). After Denmark joined the EEC in 1972, interest in mergers declined for a while. Søgaard attributes this to an improvement in the dairies' economic situation, citing a study in Sweden (Utterström 1980) which found that mergers had become significantly fewer when the dairy co-ops' financial situation improved. The fresh milk market in the cities was liberalised in the early 1970's, allowing grocery shops to sell milk. MD began to compete with the urban fresh milk dairies in supplying the shops. In the mid-1970's the competition over fresh milk became so hard that the term 'milk wars' was used (Als and Møgelhøj op. cit.; Søgaard op. cit.). MD pursued an aggressive policy of expansion. Through the strategic purchase of shares in the capital-controlled dairy *Det danske Mælkecompagni A/S*, it gained substantial influence in *Østlige Øers Mælkeudvalg*, the organisation which administered fresh milk sales in Copenhagen.¹²⁵

Increased concentration in the retail branch is seen by Søgaard (op. cit.) as contributing to an increase in the number of mergers in the processing industry generally, including the dairies. The use of brand names grew, and the supermarket chains began to adopt more 'own brand' products¹²⁶ -- a development which has been much slower in Norway. The establishment of stable 'vertical' relations between dairies and wholesale/supermarket chains led to more intense competition between the dairy co-ops. Of particular importance was the *Danmælk* supply arrangement which the powerful consumer co-op federation FDB¹²⁷ established with MD and a number of smaller dairy co-ops in 1977. This followed a fundamental change of market governance legislation -- presumably reflecting technological advances in milk transport and storage -- which allowed milk to be sold wholesale rather than direct from dairy to shop.¹²⁸

¹²⁵ Søgaard (op. cit.: 62) refers to a study by S. Winther Kristensen: *Mejeriselskabet Danmark A.m.b.a. (MD). Dannelse, etablering, udvikling*. Specialeafhandling [dissertation], Institut for Statskundskab, Aarhus Universitet, 1983.

¹²⁶ Søgaard (op. cit. 61) refers to an article by A. Rasmussen: 'Magtudviklingen i en vertikal struktur'. *Nationaløkonomisk tidsskrift* nr. 1/1977, p. 93--103.

¹²⁷ FDB assumed the double role of federation/wholesaler for member co-ops, and a retailer in its own right, when it re-organised and took over the retail activities of the large HB co-op in 1973 (Als and Møgelhøj op. cit.: 13).

¹²⁸ Cf. the minutes of a meeting in the Danish consumer co-op federation FDB, published in *Andelsbladet* nr. 4 1978, p. 90; quoted by Søgaard, op. cit.: 63.

The centralisation of sales through *Danmælk* cut the direct ties between consumer co-op shops and local dairy plants, thus opening the way to concentration in dairy processing structure (Søgaard op. cit.). Moreover, FDB was interested in bringing down the price of milk, which accounted for as much as 10% of the consumer co-ops' turnover. The minutes of a meeting in FDB¹²⁹ refer to an analysis of production costs, which concludes that fresh milk processing ought to be concentrated in about 10 pure fresh milk dairies and two plants for special products, instead of being spread across about 100 dairy plants as it was at the time (Søgaard op. cit.: 64). The *Danmælk* contract between FDB and MD -- the largest of the dairies involved -- states unequivocally (§2): '*The aim of the co-operation between MD and FDB is to establish the legal and technical basis for a desirable structural rationalisation of the production and distribution of fresh milk in Denmark.*' (Søgaard op. cit.: 64). Besides explicitly promoting concentration of processing structure in MD, the *Danmælk* arrangement also weakened many of the smaller dairy co-ops, which lost direct sales to their local consumer co-ops; and thus it contributed to bringing about mergers. Søgaard (op. cit.: 66) quotes the take-over of Fynsk Mælk by MD as an example. The coalescence of rival groupings including the sales organisation *Kløver Mælk* is also interpreted by Søgaard as a response to *Danmælk* and the growing market power of MD.

The *Danmælk* arrangement brought MD an even greater share of fresh milk sales, passing 40% by 1980 (Søgaard op. cit.). Als and Møgelhøj (op. cit.: 12) note that MD then had 30% of the co-ops' total milk supplies and 9,000 supplier-members, compared to the next-largest co-op dairies which had just 2--5% of the milk supplies and between one and two thousand members. In 1980, there were still 55 co-ops processing fresh milk (op. cit.: 31); and the co-operative dairy processing industry as a whole consisted of 147 co-ops with 244 processing plants (cf. Als and Møgelhøj op. cit.: 31), compared to the 800 or so autonomous co-ops - with presumably a similar number of plants - that had existed in the early 1960's.

Whereas part of the rationale behind the concept of a single national co-operative dairy had been to eliminate competition between the co-ops, the rise of MD and rival groupings brought increased competition instead. A new 'price war' broke out in the early 1980's, and the dairy co-op federation tried to mediate, but without success. Further structural concentration followed, with the *Kløver Mælk* arrangement being dominated by two large member dairies by the late 1980's, and finally transformed into a full merger in the early 1990's (Bager op. cit.). MD and other large co-ops have integrated functions formerly carried out by the co-op federation, with the latter becoming correspondingly weakened (Søgaard op. cit.: 234).

Conclusions on structural concentration in the Danish co-ops

The Danish studies show that -- as in Norway -- circumstances have changed considerably for the co-ops, with change being generally greater, and coming earlier, than in Norway. Of particular significance has been a high degree of concentration in both primary agriculture and the wholesale/retail branch; and there has also been major change in sub-sector governance. However, interpretations differ as to the degree of constraint exerted by circumstances on structural, and other, co-op policies. Als and Møgelhøj (op. cit.: 126) conclude that co-op members have been forced into merging their organisations by developments in the environment, despite their misgivings about large organisations and

¹²⁹ Cf. previous footnote.

indirect democracy. Bager (op. cit.: 256) seems to share this view to a certain extent, but emphasises the diverging perceptions among members of the necessity of merging: some saw concentration as essential 'development', even if they did not like it; while others fought against it. Søgaaard's (op. cit.) account of concentration in the dairy co-ops tells of a process of change characterised by strategic interaction rather than by passive adaptation. It was proponents of concentration among co-op leaders who, by establishing MD and *Danmælk*, brought about a climate of heightened competition -- rather than co-operation -- between the co-ops, which made size strategically important.

Michelsen (op. cit.: 145) finds that arguments in support of mergers have been based purely on economic efficiency. A standard business economic argument for concentration of production structure is that it brings economies of scale and thus greater profits -- or, in the case of co-ops, a higher price paid to members for their produce. Corresponding to this prescriptive economic model is the orthodox economic explanation for structural concentration, which assumes that technological innovation brings increasing economies of scale, which all rational actors will seek to achieve in order to increase profits. Søgaaard (op. cit.) has formulated a set of hypotheses, based on this explanatory model, and tested these against data on the structural concentration of the Danish dairy co-ops. He fails to find a clear pattern conforming to the predictions of the hypotheses. One anomaly (op. cit.: 84) is that structural concentration proceeded much more slowly among 'private' (capital-controlled/ personally owned) small dairies than among co-operative ones. Furthermore, while the hypotheses predict that the frequency of mergers would be highest among the smallest co-ops -- those which according to economic theory should have the highest 'diseconomies' (extra costs) of scale -- this is not borne out by the size distribution of the co-ops which merged. Some of the small co-ops which remained autonomous continued to have good financial results, which they should not have had in a competitive situation if economies of scale had been substantial. Another observation (op. cit.: 169) is that while the co-ops' economic performance became more even in the 1980's, as the weakest were absorbed by mergers, the process of concentration of organisational structure accelerated. Again, this is contrary to what would be expected in a process of concentration driven by economic optimisation. Søgaaard concludes that, at least after the initial phase in the 1960's, structural concentration had less to do with economies of scale than with attaining positional power. This finding accords well with the general conclusions of Perrow (1981, 1986) on concentration of big industry in the USA.

Large organisational size has considerable advantages of other kinds -- for example, in marketing and product research and development. However, as Michelsen (op. cit: 146) reminds us, these advantages can be obtained through inter-organisational co-operative arrangements such as the original *Kløver Mælk*, and do not necessitate mergers.

Altogether, then, it seems that although changing circumstances have been a significant factor, requiring adaptation, they cannot be regarded as having compelled the co-ops to adapt by concentrating production and organisational structure to the extent which has occurred. Søgaaard (op. cit.) attributes the wave of structural concentration in the Danish dairies in the 1960's and '70's to a combination of circumstances with the ascendancy of the paradigm, or dominant idea, of organisational concentration. Bager (1994) comes to a similar conclusion, emphasising normative and cognitive channels of isomorphism.

Changes in co-op business practices

Though focused particularly on the widespread phenomenon of structural concentration, the present study is also concerned to look for signs of a narrowing of organisational policy -- a trend which appears to accompany structural concentration in capital-controlled businesses in the late twentieth century.

The Danish studies tell of some significant deviations from established co-operative principles, in the direction of discrimination against small-scale farmers. With the growth of large primary production units -- particularly in the intensive production of poultry/eggs and pig meat, based on feed concentrates -- came a divergence of interests between large-scale and small-scale producers. By the early 1990's, 80% of pig meat production was concentrated in about 20% of production units; and the co-op democratic rule of one vote per member had become the subject of debate (Bager 1990: 261--265). In two fruit and vegetable co-operatives, voting rights were withdrawn from members with sales below a certain level (op. cit.). In many dairy co-ops, the 1960's and '70's brought the expense to farmers of providing milk tanks, and a standard charge per milk collection was introduced; both of which represented greater economic burdens for small farmers than for large-scale ones (op. cit.). The introduction of quantity discounts by farmers' supply co-ops provoked a number of small farmers to break out and form new supply organisations. The most drastic deviation from co-op principles was in the egg co-ops, whose membership fell from 6,500 in 1972 to 350 in 1979. (op. cit.) Though most of the members who left had given up egg production, because of disadvantages of small scale, the reduction was also partly due to the imposition by the national co-op *Danæg* of a minimum limit to production unit size (300 hens) as a criterion for membership (op. cit.).

The adoption by farmers' co-ops of differentiated prices paid to members for their produce (or paid by them for supplies) according to quantity is reported to be widespread in Ireland in the 1990's. Tyrrell (1993) regards the introduction of this practice as an inevitable consequence of the increasing differentiation in size among co-op members' farms.

In the IDF report of 1983 for Ireland, concern was expressed at the high level of common (unallocated) capital in the co-ops -- 82% in 1977. The report states that '*It was recognised that this is not healthy for co-operatives, as nobody is identified as earning that 82%*',¹³⁰ and comparison was drawn to the USA, where only 13% of the co-ops' capital is unallocated. By whom 'it was recognised' is not stated, but the IDF reports appear to have been largely drafted by the respective national federations. Why the capital structure was considered unhealthy is not explained; and the remark leaves the impression that the Irish co-op federation had begun to think of organisational capital in capitalist -- rather than co-operative -- terms (cf. Section 1.3). This view of capital may well be linked to the transferability of co-op shares in Ireland and the real problem of share buy-outs in co-ops mentioned earlier.

Bager concludes that the structural differentiation in primary production in the latter part of the twentieth century represents a serious challenge to the Danish co-operatives; and that the latter have become more narrowly concerned with members' financial returns (op. cit.:245). While the above remarks on the Irish co-ops give an impression of a narrowing of business practices at the expense of the organisations' co-operative character, Tyrrell also writes that the farmers' co-operatives are concerned with rural development: '*Farmer-shareholders in*

¹³⁰ Cf Begg 1992.

co-operatives also live in rural areas and it is in their interests to see these regions developed. Furthermore they see the need to use co-operative resources to encourage local initiatives and to provide employment opportunities for young people in these areas . . . Priority will always have to be given to core activities . . . However, increasing resources are being devoted to addressing the development possibilities in rural areas.' (op. cit.). Thus the Irish co-ops, despite becoming more 'business-like', are apparently still concerned with broader issues. This reminds us that changes in organisational practices are complex, and generalisations therefore difficult to make.

Comparative summary and general conclusions

The comparisons in this section have extended the review of the Norwegian co-ops' environment beyond national boundaries, in order to gain an impression of the structural and other developments which co-op leaders either saw as examples to follow, or as potentially threatening and demanding adaptation. The comparisons have also broadened the empirical basis for assessing the plausibility of the claim that structural concentration in particular, along with other changes, has been 'forced' on the co-ops by circumstances.

It is now time to make a concise comparative summary, before considering the effect of developments elsewhere on co-op policy in Norway, and drawing tentative conclusions as to co-op leaders' 'room for manoeuvre' in deciding the latter.

Comparing structural concentration

In the present study the central concept of structural concentration is used primarily in a processual sense, to denote change. In this sense there have been clear trends of structural concentration in co-operative organisation and dairy processing, as well as in primary milk production, in all the countries examined (cf. Figs. 2.4a /c/d /e /f/g). There has also been a great deal of variation.

To make a true comparison -- as opposed to a series of cases -- I will summarise the positions of Norway and the five countries reviewed in this section, in terms of structural concentration, for a single year. This will both help to put Norway's situation into perspective, and to bring out the diversity which existed. When used comparatively -- *between* greatly different countries -- the concept of structural concentration has at least in principle to be 'operationalised', or given a specific meaning in relation to the data. Indexes of *relative concentration* will be defined here as follows:

- for organisational structure, as the number of member-suppliers per co-op
- for processing structure as annual production per plant
- for farm structure as the annual production per farm.

It must however be stressed that the derived figures are merely rough indicators and nothing more. Other indicators -- such as milk volume per co-op -- would give a different picture.

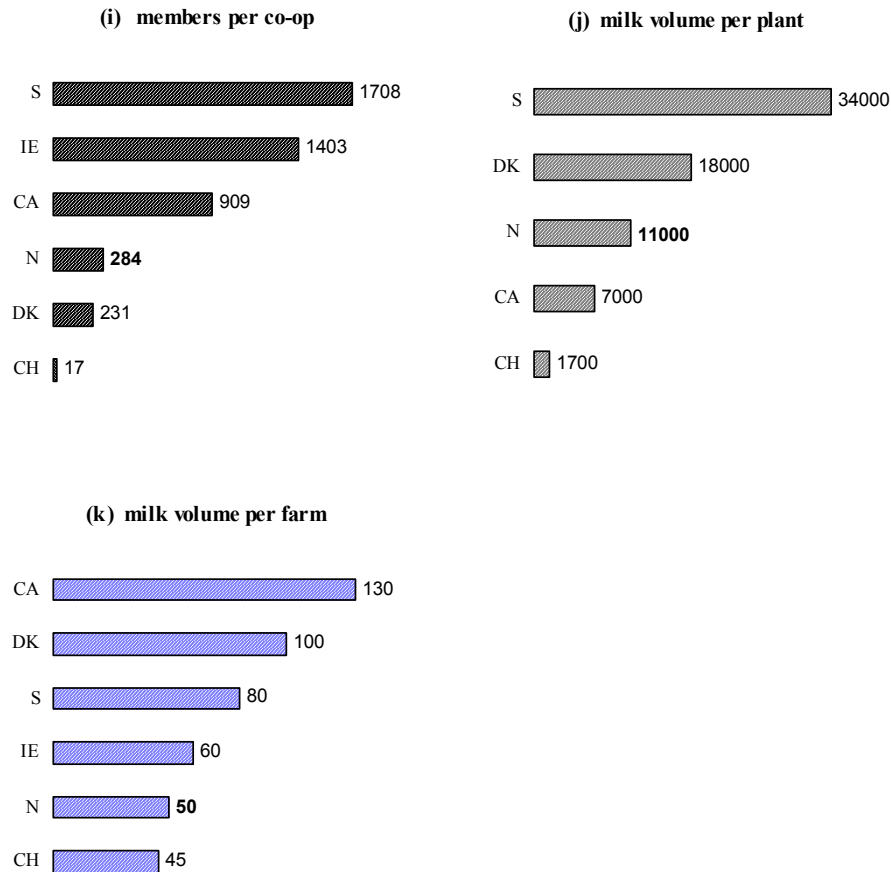
| <i>relative concentration</i> | Nor. | Swe. | Den. | Ir. Rep. | Switz. | Can. |
|---|--------|--------|--------|----------|--------|-------|
| organisation: member-suppliers/co-op | 284 | 1708 | 231 | 1,403 | 17 | 909 |
| processing: annual milk delivery/plant (tons) | 11,000 | 34,000 | 18,000 | - | 1,700 | 7,000 |

| | | | | | | |
|--|----|----|-----|----|----|-----|
| farm production: annual production/farm (tons) | 50 | 80 | 100 | 60 | 45 | 130 |
|--|----|----|-----|----|----|-----|

Table 2.4h: Indices of **relative structural concentration** 1979--1980

It should be stressed that these are rough, generally rounded figures; and being aggregates/averages, they hide a wide variation of distributions, as well as significant factors such as type of dairy production.

Figs. 2.4i, /j, /k show the countries ranked in ascending order according to the three sets of indicators. The countries are indicated by the international abbreviations N (Norway), S (Sweden), CA (Canada), CH (Switzerland), IE (Ireland/Eire), DK (Denmark).



Figs. 2.4i, /j, /k Norway's comparative position with regard to structural concentration of three kinds.

Source: IDF (1983) -- all data not available for all 6 countries.

Firstly, the figures remind us that the variation in the structure of processing cannot be explained as a mere function of topography. While the landscape and distribution of dairy farms in Sweden and Denmark are relatively conducive to concentration of processing

structure, consistent with the high indices for these countries, Switzerland's much less concentrated processing structure than Norway's can hardly be explained just by the somewhat smaller size of dairy farms, particularly as the area of the country is much smaller while milk production was about double that of Norway in 1980.

Nor would competition appear necessarily to bring about concentration of both kinds. Though I have little data on the circumstances of the co-ops as regards market conditions, it is possible to make some simple comparisons. Sweden had the highest levels of relative concentration of both processing and organisation, yet it had a similar highly-governed dairy regime to the Norwegian one, with no real competition between the co-ops. In Canada, where there was a considerable degree of competition from capital-controlled firms, concentration of processing structure was markedly lower.

The varying position of Canada on the three scales reminds us that there is no simple one-to-one relation between the three kinds of concentration. In particular, it would appear that big farmers (e.g. in Canada) do not necessarily concentrate their processing more than small-to-medium-scale ones (e.g. in Norway).¹³¹ One has however to be extremely wary of drawing conclusions -- even negative ones -- on the basis of simple aggregate and average figures. Though all countries have experienced increasing structural concentration of all three variables to varying degrees, there is no reason to assume that falling producer numbers on its own leads to concentration of either processing or organisation, as milk volume delivered per farm has increased greatly. On the other hand, there is logically a certain relation between the structure of organisations and the processing plants belonging to them, which the rankings also indicate, while showing that there is room for variation.

Compared to the five other countries selected, the degree of structural concentration of the Norwegian dairy co-ops in 1980 was 'middle of the road' both with respect to organisation and processing plants. The relative degree of structural concentration of primary milk production was low, but not the lowest.

Though this comparison for a single year is useful, its arbitrary character is made clear by the earlier time series for each country (Figs. 2.4a, /c, /d, /e, /f, /g). Discontinuities in development can change the ranking order quite drastically from year to year. For example, from 1982 to 1983, the number of Norwegian co-ops fell abruptly from 135 to 19, bringing the average number of member-suppliers per co-op up from 259 to 1842, thereby moving Norway up to the high end of the organisational concentration scale.

The view from Norway

There is no doubt that perceptions of processing and organisational structure in Norway have been, and still are, influenced by international comparisons. Co-op leaders have actively employed comparisons with selected countries to convince members of the benefits of structural concentration. Introducing a section headed 'Rationalisation' in the 1971 annual report of the dairy federation NML is a comparison between costs¹³² of processing butter, cheese and dried milk in Norway and the Netherlands¹³³ respectively. The reason for the much lower costs in the latter, write the NML leaders, is that the Netherlands farmers had

¹³¹ Distance is a factor which moderates concentration, and Norway and Canada are reasonably alike in having widely-scattered farms.

¹³² Presumably the costs quoted are the 'norms' used in calculating the product 'margins' (cf. previous chapter).

¹³³ 'Holland' (sic).

concentrated more milk in their specialised plants.¹³⁴ Denmark is mentioned as a further example to follow. Implicit in this claim is the orthodox economic assumption that increased plant size always brings lower costs. Considerable differences in topography and in the structure of primary production -- both of which contribute to higher costs for the co-ops in Norway -- are not mentioned.

Reasons and motives for increasing concentration

The above review of structural concentration in Sweden, Canada, Ireland and Switzerland brings out variation on general trends and identifies some major organisational actors, but tells us little about the motives behind the concentration processes in the co-ops, or what changes in circumstances the co-ops are seeking to adapt to. In several of the countries, both central co-op organisations and the state have been actively involved in promoting the process of structural concentration, though their reasons for doing so are not mentioned in the IDF report.

The Danish studies tell us a good deal about both motives and circumstances. The goal of increasing efficiency was combined by state and federation officials with the circumstance of changing market conditions to construct powerful arguments for concentrating both organisational and processing structure. Once organisational concentration had begun, it would seem that -- behind boardroom doors -- the rather more controversial goal on the part of co-op leaders, of achieving positional power relative to other co-ops, was also a highly significant factor bringing about further mergers.

Is, or was, structural concentration an inevitable process? Certainly, the dairy co-ops in Norway and the five other countries featured in this section have all concentrated both organisational and processing structures in the period examined, and in at least some cases have continued with substantial concentration since. When we look at the degree and rate of concentration, however, there is wide variation, which the most obvious factors of circumstance do not readily account for adequately. The Danish studies suggest that while a certain amount of concentration of both processing and organisational structure appears 'natural' in view of technological change, this does not mean that the actual degree of concentration which has occurred was inevitable. It would appear that human agency and ways of thinking have been significant in bringing about structural concentration.

¹³⁴ The co-ops in the Netherlands underwent considerable structural concentration afterwards: they are praised in the IDF report of 1983 for the 'substantial achievement' of cutting production plant numbers by a half in the course of the 1970's. (I avoid the bizarre and antiquated English term 'Dutch', resented by colleagues in the Netherlands).

2.5

Forced or chosen?: Summary and conclusions for Part 2

The sections in Part 2 have taken us from general observations about industrialisation and trade liberalisation, through the specific development of the Norwegian agri-food sector and the dairy sub-sector, to the situation of the Norwegian farmers' co-ops - and the dairy ones in particular -- in the late twentieth century, and further to comparisons with co-ops in other countries. The agri-food sector has been presented as an arena of political conflict between regulation and liberalisation, respectively associated with relatively substantive and formal approaches to production (cf. Section 1.2). The latter is clearly ascendant in the late twentieth century.

The concept of contrasting approaches has been applied both to the co-ops themselves (i.e. secondary production) and primary production. The dominant 'orthodox modern' model involves a relatively formal, 'disembedded' approach, even if it is compatible with a regulatory political regime. A more 'embedded' and substantive approach has been associated with traditional-style artisanal production; and later parts of the empirical study will assess its significance for the Norwegian co-op disputes.

The Norwegian co-ops have been presented in a context characterised by changes of various kinds -- in technology, sector governance, farm structure, market structure, and so on. The co-ops' political environment has been shown to be structured in a way which effectively shifts agency to a quasi-global, international level, leaving the government and the political system with little more than the role of implementing policies agreed behind closed doors in remote elite fora. The process of structural concentration in the dairies has itself been shown to be an international one, with Norway about the middle of a limited 'league table' in a comparison with five other countries of organisational and processing structure.

The question overshadowing Part 2 has been *whether the co-ops have been forced, by circumstances beyond their control, to merge into bigger organisations and concentrate processing in fewer and larger plants*. We have seen how farm structure has become increasingly concentrated due to technological change combined with state policy. Are not these two factors, together with more highly concentrated buyer power in produce markets, sufficient to explain structural concentration in the co-ops? Certainly, these are all cited as reasons by proponents of concentration in the Norwegian disputes. In the 1990's, the farmers' co-ops have been facing potentially drastic changes in their environment, and have had little choice but to cut costs in order to compensate for falling market prices and/or reduced state support to their owner-members.

Yet to interpret change as mere passive adaptation is too simple. Even while their environment was relatively stable (cf. Section 2.2), the Norwegian co-ops were concentrating organisational and production structure to a considerable degree (cf. Fig. 2.4a). The international comparisons remind us that -- though a certain degree of concentration of both kinds was found in all the countries examined -- there would appear to have been a considerable amount of room for manoeuvre. Moreover, far from being a spontaneous 'natural' adaptation, the concentration process was actively promoted by the state and central co-op federations in several of the cases. In both Denmark and Sweden, federation leaders wished to concentrate the co-ops into single national organisations, but what emerged instead

were highly differentiated structures dominated by large co-ops. In Norway, too, we have seen that the dairy co-op federation has promoted concentration, and its role will be examined in detail in Part 3. Underlying the Danish and Norwegian arguments for concentration mentioned so far has been an assumption that large size brings greater efficiency. Attaining market power has also been a main reason for concentration. Though presented as defensive 'countervailing power' against large competitors or buyers, it appears that market power has also been used offensively by co-ops, and it has even been argued that this has contributed significantly to bringing about buyer concentration.

As Perrow (op. cit.: 1986) reminds us, organisations do not just adapt passively to their environments: they also shape them. Danish studies cited in Section 2.4 have indicated that this is true of the farmers' co-ops in Denmark, and in Part 3 we will look at the role of the Norwegian dairy co-op federation in shaping the environment of its members.

APPENDIX TO 2.1

Institutions of globalisation: the GATT/ WTO and OECD

The GATT and WTO

The first General Agreement on Tariffs and Trade (GATT) took effect in 1948 as a provisional arrangement between 23 signatory states, while negotiations were proceeding to establish a comprehensive International Trade Organisation under the umbrella of the United Nations. The failure of the latter scheme in 1950, due partly to opposition in the U.S. Congress, led to the further development of the GATT as an interim multilateral treaty. The number of signatories grew in the 1960's to 62, and in the following decade to 102. Although in principle the treaty covered trade in food as well as industrial goods, there has been major disagreement between signatory states as to the desirability of free trade in food. The large food exporting countries -- particularly USA, New Zealand and Australia -- have pressed for full liberalisation, while most European countries and the European Community/EU have opposed it (Blytt op. cit.).

The seventh GATT, signed in 1979, was supplemented by a number of 'plurilateral' agreements signed by some of the signatories. These agreements included four areas of international trade in agri-food products :

- subsidies and redistributive levies
- technical trade barriers
- dairy products
- meat products

The eighth round of negotiations, lasting from 1986 to 1994 -- known as the Uruguay Round -- led eventually to a major breakthrough in agricultural trade as well as other areas which GATT had previously made little impact on. The World Trade Organisation (WTO) was constituted in 1995 by the 123 states who were signatories to the eighth GATT. In the process of broadening the scope of its policy-making, the WTO sees the 'package approach' to negotiations, as it has been practised in the Uruguay Round, as advantageous: *'Concessions (perhaps in one sector) which would otherwise be difficult to defend in domestic political terms, can be made more easily in the context of a package because the package also contains politically and economically attractive benefits (in other sectors). As a result, reform in politically-sensitive sectors of world trade can be more feasible in the context of a global package -- reform of agricultural trade was a good example in the Uruguay Round.'*¹³⁵

The further expansion of the policy field covered by the WTO seems likely. An OECD document¹³⁶ tells that competition policy -- governing domestic markets -- *'is frequently identified as an issue likely to be on the agenda of the next round of multi-lateral trade negotiations, with potentially significant implications for the agro-food sector.'*

By May 1997, the WTO had expanded to comprise 131 member states. The organisational structure is completely flat, with all member states participating in all decisions, which take the form of legally binding voluntary commitments. These are enforced by members rather than the organisation as such (WTO: 'Whose WTO is it anyway?'. Internet document, revised

¹³⁵ WTO: 'Roots: from Havana to Marrakesh'; internet document revised May 1997.

¹³⁶ 'Competition Policy and the Agro-food Sector', 1996, page 2.

May 1997); and thus the regulative mechanism is that of a multilateral treaty rather than of an organisation. Nevertheless the WTO exerts a strong influence on the behaviour of member states through its normative institutional character.

As noted earlier, the doctrine of comparative advantage forms the basis for the organisation's efforts at liberalising world trade. In line with prevalent capitalist ideology, the belief in market is accompanied by an equally strong belief in the hierarchy of the large company or corporation. The WTO writes that the global market allows firms to '*expand until they are at their most efficient size*.' ('The case for open trade' op. cit.). Implicit here is an assumption that the most efficient size of firms is in excess of what domestic markets can sustain, even when augmented by limited export. The concentration of industry structure is thus an *aim* of liberalisation -- not just a by-product; and the growth of the trans-national corporations is therefore being deliberately promoted by WTO policy. The question of governance of the TNCs' global operations is not raised; and certainly at present WTO is in no position to assume such a role, even if its members wished it to.

On the other hand, the organisation is concerned with governing the behaviour of states; and this governance extends beyond trade hindrances to any kind of state support for producers which has the effect of 'distorting' trade. As food production is widely subject to state support of many kinds, the World Trade Agreement on Agriculture exerts considerable influence on national sector policy.

The OECD

The OECD -- the Organisation for Economic Co-operation and Development -- is a world-wide association of 'developed' states. Numbering 29 in 1997, it is much smaller than the WTO, and its exclusiveness has - by its own admission - given it the reputation of being a club for rich countries. The OECD assures us, however, that admission to membership is contingent not on wealth but on a commitment to an open market economy, pluralistic democracy and respect for human rights.¹³⁷ Indeed the organisation's forerunner, the OEEC, consisted of the impoverished European beneficiaries of the U.S. Marshall Aid program, and was established in 1948 to prepare the post-war European Recovery Program.

The central concern of the OECD is the promotion of economic growth. Its initial goal in the 1960's was to boost the G.N.P of member countries by 50% by 1970 (cf. St.meld. nr. 64 (1963--64), part 2). In the late 1990's it declares: '*The purpose of the OECD is to boost prosperity by helping to knit a web of compatible policies and practices across countries that are part of an ever more globalised world*.' ('How the OECD works': internet document July 1997) In the early years of the OEEC, the organisation was instrumental in liberalising trade within Western Europe. With the development of GATT/WTO, there is a division of functions between the two bodies, based on close liaison. The focus in the OECD has thus been mainly on domestic policy areas: '*At the OECD, international co-operation means co-operation among nations essentially on domestic policies where these interact with those of other countries . . . Co-operation usually means that Member countries seek to adapt their domestic policies to minimise conflict with other countries . . . Many policies that previously had little international impact now have consequences for trade and investment and may generate friction with other countries*.' as a consequence of economic globalisation.¹³⁸ The

¹³⁷ 'The OECD and its member countries'. Undated internet document, downloaded July 1997. The degree of commitment to this principle appears to vary considerably among member states, which include Turkey.

¹³⁸ 'The OECD and its Origins'. Undated internet document, downloaded July 1997.

number of policy areas covered by the OECD has thus increased, and is now extremely comprehensive: in 1997 there were about 200 specialised committees and groups each covering a subject area.

In focusing on adapting to the effects of globalisation, the OECD presents the latter as an external process. However it is clear that the 'adaptation' it seeks to achieve is itself furthering world-wide economic liberalisation and globalisation. In the late 1990's the organisation is preparing a further major contribution to these processes, through the negotiation of a 'Multilateral Agreement on Investment (MAI)' designed to lift restrictions on foreign investment, which will be open to all countries willing to meet its standards.¹³⁹

The highest body of the OECD is the Council, which meets at ministerial level once a year and otherwise consists of ambassadors. The real work of the organisation is done at committee level: '*Committee discussions which use the research and guidance of the Secretariat are generally confidential so that frank discussion can take place. They regularly seek outside contributions from business . . . and labour.*'¹⁴⁰ As in the WTO, formal agreements are generally made by consensus, and all member states have an equal voice, irrespective of the size of their respective contributions to the organisation. Also as in the WTO, the OECD has no formal hierarchical governance mechanism to sanction breaches of agreements, and the generation of strong norms would appear to be the primary mechanism of achieving conformity. The criterion of commitment to free trade ensures a common liberalist ideological basis for membership, which prevails regardless of the formal party 'colours' of the member governments at any particular time. A strong bureaucracy is essential to the maintenance of consistency and continuity; and the orthodox economic perspective of the documents prepared by the secretariat -- at times strongly prescriptive -- reinforces the liberalist view of reality. For example, the annual Economic Survey of Norway for 1997¹⁴¹ complains about the relatively egalitarian wage structure of the country, and that the relatively high levels of social benefits '*continue to distort work incentives.*' It recommends that 'market forces' be allowed to operate more freely with respect to wages in key industries, and that public sector employment growth should be curbed.

The OECD seeks to achieve not only consensus on policy changes among member governments, but also consent among the governed. On the subject of 'structural reforms' in the economy, the organisation recognises that there is generally strong resistance to these, '*often at the political level.*'¹⁴² Like the WTO, the OECD is concerned with plus-sum effects, and not with the distribution of benefits from change. It admits that one of the reasons for opposition to structural reforms is that these '*might produce inequitable outcomes.*', and that '*the adjustment costs are often borne by rather narrow homogeneous groups.*' (op. cit). The progress of reform is sometimes slow because the latter '*are easy to organise and . . . have a strong incentive to resist structural reform.*'; and the OECD offers advice to governments on how to '*overcome resistance and help establish consensus in favour of reform. . .*' This includes linking reforms in different areas (cf. the WTO package approach) '*so as to generate expectations of gains among the majority of the population.*' (op. cit.).

One of the areas where public resistance to structural reforms is particularly strong, according to the same document, is the agricultural sector. Ever since its establishment in 1961, the

¹³⁹ Cf. OECD internet abstract of statement by secretary-general Donald Johnstone to the U.N. General Assembly, New York, 24 June 1997.

¹⁴⁰ 'How the OECD is organised'; Internet document, updated 3 June 1996.

¹⁴¹ OECD; internet summary, updated 21 March 1997.

¹⁴² OECD Letter vol. 5 no. 9 Nov. 1996.

OECD has been advocating major reductions in the number of people employed in agriculture, as a means to ensure those remaining the same level of economic growth as the rest of the population (cf. St. meld. nr. 64 (1963--64)). In the agricultural policy document St.prp. nr. 8 (1992--93), page 11, the Norwegian Government affirmed that '*In recent years, OECD has become of central importance in setting premises for the international debate on reforms in agricultural policy.*' Certain guidelines for the reform of agricultural policy were adopted by the organisation in a ministerial communiqué of 1987 (cf. St.prp. nr. 96 (1991--92), p.12). There was to be a '*progressive and coordinated reduction in agricultural support*' so that '*market signals . . . will influence the extent and composition of agricultural production.*' However, member states were allowed to make allowances for other considerations, such as employment, in their reduction of support. Ten years later, in 1997, the organisation estimated total annual agriculture subsidies among its members to be \$300 billion dollars, equivalent to 1.3% of the total GDP, and saw 'much scope' for reductions (Donald Johnstone's address to U.N., op. cit.).

APPENDIX TO 2.2 – 2.4

Data

- 2.1a figure: food chain (Word diag.)
- 2.2a figure: no.of farms and farm employment (arb_bruk.xls)
- 2.2b figure: dairy herd structure (dairherd.xls)
- 2.3a table: prim. milk production (Word)
- 2.3b figure: Lorenz curve of milk produced (lever97.xls)
- 2.3c figure: share of raw milk produced v. share of population, by county (fylkmil.xls)
- 2.3d table: sales of main product groups (Word)
- 2.4a figure: structural concentration primary products in Norway, 1950--80 (nor50_97.xls)
- 2.4b table: comparison Norway/Sweden (Word)
- 2.4c figure: structural concentration in Sweden (s.xls)
- 2.4d figure: structural concentration in Canada (cdn.xls)
- 2.4e figure: structural concentration in Republic of Ireland (ie.xls)
- 2.4f figure: structural concentration in Switzerland (ch.xls)
- 2.4g figure: structural concentration in Denmark (dk.xls)
- 2.4h table: 6-way comparison (Word)
- 2.4i figure: members per co-op. Norway's comparative position(comp_con.xls, sheet 2)
- 2.4j figure: vol. per plant. Norway's comparative position (comp_con.xls, sheet 3)
- 2.4k figure: milk volume per farm. Norway's comparative position (comp_con.xls, sheet 4)

Table for fig. 2.2a: labour on farms

| year | total | owner & spouse | family | hired workers |
|------|-------|----------------|--------|---------------|
| 1928 | 594 | 294 | 197 | 104 |
| 1938 | 637 | 310 | 206 | 121 |
| 1948 | 549 | 314 | 153 | 81 |
| 1958 | 415 | 277 | 88 | 51 |
| 1968 | 280 | 212 | | 68 |
| 1979 | 194 | 151 | 27 | 16 |
| 1989 | 147 | 114 | 19 | 14 |

Source: SSB/Statistics Norway, jordbruksstatistikk/ agricultural statistics, Internet.

Table for fig. 2.2b: dairy herd structure

| | 1-2 | 3-5 | 6-10 | >10 | total |
|------|--------|--------|--------|--------|---------|
| 1939 | 71,200 | 77,700 | 34,000 | 12,000 | 194,900 |
| 1949 | 80,200 | 74,400 | 29,300 | 8,600 | 192,500 |
| 1959 | 60,100 | 55,200 | 26,300 | 6,500 | 148,200 |
| 1969 | 24,500 | 28,100 | 21,300 | 8,200 | 82,200 |
| 1979 | 5,400 | 8,100 | 11,700 | 13,700 | 38,900 |
| 1989 | 1,100 | 3,100 | 9,500 | 15,300 | 29,100 |
| 1996 | | | | | 25,400 |

Source: SSB/Statistics Norway, Historical Statistics

Table for fig. 2.3b: Lorenz curve of concentration in dairy farming

| cum. % of producers 19 97 | cum. % of milk 1997 |
|---------------------------|---------------------|
| 4.86 | 0.77 |
| 10.38 | 2.9 |

| | |
|-------|-------|
| 21.9 | 8.88 |
| 45.77 | 26.83 |
| 72.6 | 54.84 |
| 86.73 | 73.56 |
| 93.41 | 84.42 |
| 97.86 | 93.45 |
| 99.25 | 9.,1 |
| 99.68 | 9.,5 |
| 99.84 | 99.09 |
| 99.93 | 99.48 |
| 100 | 100 |

Source: *NM/NML annual report 1977*

Table for fig. 2.3c: where the milk is produced

| county | share of national milk production % | share of population % |
|------------------|-------------------------------------|-----------------------|
| Østfold | 2.2 | 5.5 |
| Akershus | 2.1 | 10.1 |
| Oslo | 0 | 11.2 |
| Hedmark | 5.6 | 4.3 |
| Oppland | 10.6 | 4.2 |
| Buskerud | 2.4 | 5.2 |
| Vestfold | 1.1 | 4.7 |
| Telemark | 1.1 | 3.7 |
| Aust-Agder | 0.9 | 2.3 |
| Vest-Agder | 2.3 | 3.4 |
| Rogaland | 1.7 | 8.2 |
| Hordaland | 5.8 | 9.7 |
| Sogn og Fjordane | 7.3 | 2.5 |
| Møre og Romsdal | 10.1 | 5.5 |
| Sør-Trøndelag | 9.8 | 5.9 |
| Nord-Trøndelag | 10.8 | 2.9 |
| Nordland | 6.9 | 5.5 |
| Troms | 2.9 | 3.5 |
| Finnmark | 1.2 | 1.7 |

Source: *NM/NML Annual report, 1997*

table for fig. 2.4c: structural concentration in Sweden (S)

| | co-ops | plants | producers* |
|------|--------|--------|------------|
| 1950 | 375 | 590 | 268,000 |
| 1951 | | | |
| 1952 | | | |
| 1953 | | | |
| 1954 | | | |
| 1955 | | | |
| 1956 | | | |
| 1957 | | | |
| 1958 | | | |
| 1959 | | | |
| 1960 | 233 | 396 | 201,000 |
| 1961 | | | |
| 1962 | | | |
| 1963 | | | |
| 1964 | | | |
| 1965 | | | |
| 1966 | | | |

| | | | |
|------|----|-----|--------|
| 1967 | | | |
| 1968 | | | |
| 1969 | | | |
| 1970 | 46 | 159 | 85,000 |
| 1971 | | | |
| 1972 | | | |
| 1973 | | | |
| 1974 | | | |
| 1975 | 33 | 117 | 57,000 |
| 1976 | 33 | 114 | 52,000 |
| 1977 | 25 | 107 | 48,000 |
| 1978 | 24 | 106 | 46,000 |
| 1979 | 24 | 102 | 44,000 |
| 1980 | 24 | 97 | 41,000 |
| 1981 | | | |
| 1982 | | | |
| 1983 | | | |
| 1984 | | | |
| 1985 | | | |
| 1986 | | | |
| 1987 | | | |
| 1988 | | | |
| 1989 | | | |
| 1990 | | | |
| 1991 | 13 | | 23,100 |
| 1992 | 10 | | 21,200 |

Note: the IDF study lists 'Producers' rather than 'Members' for the Swedish co-ops. Source: *IDF 1983*

Table for fig. 2.4d dairy co-op concentration in Canada (CDN)

| | co-ops | plants | members |
|------|--------|--------|---------|
| 1950 | 641 | | |
| 1951 | | | |
| 1952 | | | |
| 1953 | | | |
| 1954 | | | |
| 1955 | 509 | | |
| 1956 | | | |
| 1957 | | | |
| 1958 | | | |
| 1959 | | | |
| 1960 | 463 | | |
| 1961 | | 1,710 | |
| 1962 | | | |
| 1963 | | | |
| 1964 | | | |
| 1965 | 204 | | 142,565 |
| 1966 | 169 | | 127,804 |
| 1967 | 156 | | 113,757 |
| 1968 | 132 | | 105,584 |
| 1969 | 117 | | 90,770 |
| 1970 | 111 | | 90,059 |
| 1971 | 95 | 809 | 78,033 |
| 1972 | 72 | | 65,173 |

| | | | |
|------|----|-----|--------|
| 1973 | 66 | | 54,841 |
| 1974 | 58 | | 46,443 |
| 1975 | 52 | | 46,419 |
| 1976 | 49 | | 43,571 |
| 1977 | 50 | 466 | 47,316 |
| 1978 | 45 | | 45,083 |
| 1979 | 45 | 472 | 40,897 |
| 1980 | | | |

Source: *IDF 1983*

Table for fig. 2.4c: dairy co-op structural concentration
in the Republic of Ireland (IE)

| | co- ops |
|------|---------|
| 1950 | 196 |
| 1951 | |
| 1952 | |
| 1953 | |
| 1954 | |
| 1955 | 193 |
| 1956 | |
| 1957 | |
| 1958 | |
| 1959 | |
| 1960 | 188 |
| 1961 | |
| 1962 | |
| 1963 | |
| 1964 | |
| 1965 | 172 |
| 1966 | |
| 1967 | |
| 1968 | |
| 1969 | |
| 1970 | 149 |
| 1971 | |
| 1972 | |
| 1973 | |
| 1974 | |
| 1975 | 57 |
| 1976 | |
| 1977 | |
| 1978 | |
| 1979 | 52 |
| 1980 | |

Source: *IDF 1983*

Table for fig. 2.4f: structural concentration in Switzerland (CH)

| | co-ops | plants | members |
|------|--------|--------|---------|
| 1950 | | | |
| 1951 | | | |
| 1952 | | | |
| 1953 | | | |
| 1954 | | | |
| 1955 | | | |
| 1956 | | | |
| 1957 | | | |
| 1958 | | | |
| 1959 | | | |
| 1960 | | | |
| 1961 | 4,847 | | 122,826 |
| 1962 | | | |
| 1963 | | | |
| 1964 | | | |
| 1965 | 4,,703 | 2,237 | 105,396 |
| 1966 | | | |
| 1967 | | | |
| 1968 | | | |
| 1969 | | | |
| 1970 | 4,546 | | 92,745 |
| 1971 | | | |
| 1972 | | | |
| 1973 | | | |
| 1974 | | | |
| 1975 | 4,338 | 1,842 | 77,881 |
| 1976 | 4,328 | | 76,968 |
| 1977 | 4,306 | | 75,463 |
| 1978 | 4,279 | | 74,569 |
| 1979 | | | |
| 1980 | | | |

Source: IDF 1983, Jaggi 1972

Table for fig.2.4g: structural concentration in Danish (DK) dairy co-ops

| | co-ops | plants | members |
|------|--------|--------|---------|
| 1950 | 1,326 | | |
| 1951 | | | |
| 1952 | | | |
| 1953 | | | |
| 1954 | | | |
| 1955 | | | |
| 1956 | | | |
| 1957 | | | |
| 1958 | | | |
| 1959 | | | |
| 1960 | 1,135 | | |
| 1961 | | | |
| 1962 | | | |
| 1963 | | | |
| 1964 | | | |
| 1965 | | | |
| 1966 | | | |

| | | | |
|------|-----|-----|--------|
| 1967 | | | |
| 1968 | | | |
| 1969 | | | |
| 1970 | 410 | | |
| 1971 | | | |
| 1972 | | | |
| 1973 | | | |
| 1974 | | | |
| 1975 | 219 | | |
| 1976 | 216 | | |
| 1977 | 204 | | |
| 1978 | 192 | | |
| 1979 | 171 | | |
| 1980 | 147 | 235 | 34,000 |
| 1981 | 132 | | |

Source: IDF (1983)

Table for fig. 2.4i: comparison of member numbers per co-op

| | mem/co-op |
|-----|-----------|
| CH | 17 |
| DK | 231 |
| N | 284 |
| CDN | 909 |
| IE | 1,403 |
| S | 1,708 |

Source: *IDF 1983*

Table for fig. 2.4j: comparison of milk volume per plant

| | |
|-----|--------|
| CH | 1,700 |
| CDN | 7,000 |
| N | 11,000 |
| DK | 18,000 |
| S | 34,000 |

Source: *IDF 1983*

Table for fig. 2.4k: comparison of milk volume per farm

| | |
|-----|-----|
| CH | 45 |
| N | 50 |
| IE | 60 |
| S | 80 |
| DK | 100 |
| CDN | 130 |

Source: *IDF 1983*

PART 3 :

THE DAIRIES: FROM CO-OPERATION TO CORPORATION

Introduction

Since its humble beginnings in the middle of the nineteenth century, the Norwegian co-operative dairy industry has been transformed beyond recognition. To give a broad and balanced account of this change is beyond the scope of the present work. In the following chapters, the main focus is on the development of organisation and governance, which I will seek to relate to broad outlines of material industrial development, mainly in the form of aggregate industry figures. As the heading indicates, the transformation of the industry has brought its co-operative character into the shadow of central control and corporative relations with the state. The aim of Part 3 is to bring the present-day disputes into a historical context, bringing out both continuity and change in circumstances, with particular focus on the role of the national dairy federation (NM/NML).

Along with selectivity goes a thematic structure, which I superimpose on a more or less chronological outline. First, some early history is required to set the scene for the development of organisational integration and sub-sector governance, which in turn have led to concentration of both organisation and production. I have divided the account into five sections:

- 3.1 *From small beginnings to growth problems*
- 3.2 *Bringing about integration and pursuing order*
- 3.3 *National governance: stabilising and clearing the market*
- 3.4 *Steady re-structuring: the role of federation and state*
- 3.5 *Engineering organisational transformation*

The first of these takes us from the early promotion and initiation of the dairy co-operatives up to the 1920's and the market problems of the decade. The second overlaps to some extent, focusing on national and regional organisational integration and attempts at creating order and stability. The third covers the establishment and subsequent development of a national governance regime from 1930 onwards. The fourth section is contemporaneous with the previous one, dealing with the devices employed to promote re-structuring in the half century from 1930 to 1980, as well as political 'interference' in the process at the end of this period. The last section focuses on the efforts of federation leaders to bring about a radical re-organisation, which came to fruition in the first half of the 1980's when most of the co-ops merged into large regional organisations; further organisational developments will be briefly summarised to take us up to the time of writing.

As well as official statistics and the research of historians Berge Furre and Kåre Lunden, I have made considerable use of 'official versions' of dairy history, written by milk board directors Sigve Erland (an economist) and Arne Nilsen, and federation chairman Hans Borgen (agronomist, economist, farmer and politician). These versatile and highly knowledgeable individuals have produced thorough historical accounts, spiced with lots of fascinating detail including quotes from original sources. As with chronological narratives generally, these trace particular paths that have been followed in a way which often implies

necessity or inevitability, and takes for granted certain definitions of problems. My task in interpreting them will be to bring out more clearly the socially constructed aspect of the perception of problems and solutions, and the element of human agency and choice in the course of events.

An important aspect of these 'official' historical accounts is that the writers have 'an axe to grind' by virtue of their prominent positions in the dairy co-op system in recent times. This inevitably colours their interpretation and presentation of events and developments, not only in their own period, but also earlier. In constructing a continuous and consistent narrative of organisational and industrial development, these writers have projected their 'inside' understanding of the contemporary situation backwards in time. While clearly problematic if one's foremost aim is to achieve an impartial presentation of history, the 'slant' put on developments and events in the writings of the dairy industry leaders -- which shines through more or less explicitly from time to time -- provides highly useful data on their influential views.

Therefore these accounts of history are not only secondary sources, but also primary,¹⁴³ particularly in the period when the writers tell -- albeit in third person -- of events with which they were closely involved, within the period from the late 1930's to the early 1980's. Borgen -- my chief source for much of the following chapters -- is at times very open and frank about actions that he was involved in or knew about at first hand, which appear quite problematic to the critical reader concerned with democratic principles, but which he clearly saw as justified and necessary in the circumstances. From 1970 onwards, I have made much use of the annual reports of the dairy federation NML, and to a small extent of the archives of the joint board SFR.

¹⁴³ In a constructivist perspective, the distinction disappears.

3.1

From small beginnings to growth problems

For roughly a century, from the 1830's to 1930, the dairy industry in Norway developed along the principles of individual enterprise and market. True, most of the enterprises involved were co-operatively organised, and their emergence was strongly promoted from 'above'. But previous to 1930 there existed no formal system of governance at national level, and structural change was largely a function of spontaneous adaptation to conditions, particularly relating to the market. The turn of the century provides a convenient division of this section into two parts, as the number of dairies reached a peak then.

Innovation, paternalism and local collective enterprise

Dairy processing and commercial dairy farming were developed along modern lines in eighteenth century Norway. The new practices were superimposed on long-established ones. In the traditional agrarian society, Norwegian households had made butter, soured products and cheeses from seasonal surpluses of milk and milk fat. Ringen (1981: 15) refers to a study in 1769 by Bishop John E. Gunnerus, who listed over 20 traditional cheeses and gave detailed descriptions of how they were made. Butter in particular was a valued and highly tradeable commodity, having a wide range of uses as an oil as well as a foodstuff.

It was Swiss entrepreneurs who brought modern dairy production and processing techniques to Norway, and the rural development agency SNV (Selskapet for Norges Vel) turned to these in its efforts to develop farming and rural processing throughout the country. Around 1830, the merchant firm Blumer and Tschudy bought the farm of Vallø in Vestfold, bringing its own farm dairymen and cheese-making specialists, and establishing the production of Swiss-type cheeses. Through Blumer and Tschudy, Swiss dairymen began to find employment on some of the large farms in South-Eastern Norway, and in 1851 SNV employed the first of several to travel around and teach modern dairy practices and cheese-making. Altogether it is estimated that around 100 Swiss dairymen came to Norway, to work on farms or for SNV, between 1830 and 1870. (Ringen, op. cit.: 26) The significance of imported Swiss expertise to the development of modern dairy farming is indicated by the term used up to the present day for an employed dairyman on the big farms of Østlandet -- *sveiser*, a corruption of *sveitser* (a person of Swiss nationality). Later, SNV also sponsored the study of cheese-making in the Netherlands by a Norwegian agronomist. Though they have acquired Norwegian names, the origins of Nøkkelost, Norvegia and Jarlsberg lie in imported recipes. It would have been strange if the promotion by SNV of the manufacture of these foreign cheeses rather than indigenous ones had been uncontroversial. Danish-born State Agronomist Jensenius -- who was hired as a consultant by SNV -- favoured putting more effort into traditional Norwegian cheeses such as brown goat whey cheese and *gamalost* (Ringen op. cit: 26).

Though some large farms in central locations began commercial cheese production on their own, most farms in the country were small and far from markets. The promoters of agricultural improvement saw the key to the rational development of cheese-making as lying not in on-farm production but in *'the establishment of larger cheese-making dairies, where the production and whole treatment of the cheeses is carried out by men who are in*

possession of full competence in this undoubtedly far from easy craft.' (Report to SNV in 1856 by State Agronomist Jensenius, quoted in Ringen (op. cit.: 24)) The same year, the first pilot co-operative dairy project was established with the help of SNV in the mountains east of Tolga in Northern Østerdal, in Rausjødalen -- a remote *sæter* (shieling) area used for summer grazing. It was a seasonal dairy, producing cheese from the summer milk under the expert leadership of Swiss dairymaster Caspar Hiestand. The project was short-lived, but others soon followed. Paternalistic idealism went hand in hand with enterprising self-help: in a sample of 30 dairy co-ops started between 1856 and 1898, Lunden (op. cit.) finds that public officials were involved in starting the majority of them, while in all but 3 cases the board chairmen were farmers.

As with the new dairy industry, the co-operative organisational practices promoted by SNV were an imported innovation, built on an indigenous basis. Long-established institutionalised co-operation within farming communities was widespread, with traditional collective practices in hill grazing and forest management surviving the 'individualisation of agriculture' (Østerud op. cit.: 113) which took place throughout the country in the late eighteenth and early nineteenth centuries. By mid-nineteenth century democratic thought -- central to the co-operative organisational model -- had taken root in the Norwegian farming community. The establishment of the Norwegian model of strongly autonomous local government in 1837 -- itself a product of agrarian communitarian political ideas -- had given many farmers practical experience of democratic organisation; and by 1844, an estimated 58% of municipal councils had farmers as chairmen (Østerud, op. cit.: 223).

Like the early industries of the industrial revolution (cf. Braverman 1974, Landes 1971) dairy enterprises began with existing technology, and technological innovation followed after. In other words, the initial rationale underpinning industrial organisation was socio-cultural -- the application of ideas and practices or 'soft' technology, and not of material 'hard' technology. Moved out of its traditional setting, dairy production became subjected to the new scientific approach to hygiene and consistent production techniques, though the latter still had a strong craft basis. The new industry was constituted by formally articulated and rationally legitimated expertise, while traditional practices -- characterised by strong elements of tacit knowledge and skills -- became de-valued and marginalised. This changed basis of competence upset the traditional gender-related organisation of production. Milk and dairy products had been -- one might almost say 'naturally' -- the exclusive domain of women; whereas the bearers of the new expertise were men, relegating women to the routine menial tasks. The establishment by SNV of 12 schools for dairywomen between 1868 and 1888 brought about a temporary and partial restoration of the traditional division of labour and competence between the sexes, and many of the small dairies were run by women well into the present century (Nilsen 1985). However, male domination asserted itself as mechanisation progressed, and became virtually complete in the industry.

The mass-production of thermometers, and the technological innovations of the cooler and separator, revolutionised the new industry on a technical level in the second half of the nineteenth century. Nilsen (op. cit: 19) tells that farmers or their workers shared the labour of turning the separator and churns in the early small co-operative 'hand dairies'. Steam power was used in the larger dairies, necessitating considerably more capital and the employment of a machine operator in addition to the dairywoman (who was the boss). That the organisation of production was not dictated by technological innovation is further underlined by the parallel development of on-farm butter-making, facilitated by the availability of small hand separators. Many of the early dairies were pure creameries, producing only butter and

returning the skimmed milk to the farms for human and animal consumption; and compared to these farm production of butter was more rational with regard to transport. Indeed in many remote areas it was the only practicable means of commercial butter production. Thus alongside the dairies there emerged an alternative type of local co-operative enterprise -- the *smørlag*, or butter sales organisation. Again SNV played a central role in encouraging developments. Nilsen (op. cit.) underlines the importance of the *smørlag* organisations for many small farmers in remote settlements in the North and elsewhere. On-farm production of brown whey cheese and other traditional cheeses also persisted in outlying areas, but the sale of these products did not become organised to the same extent.

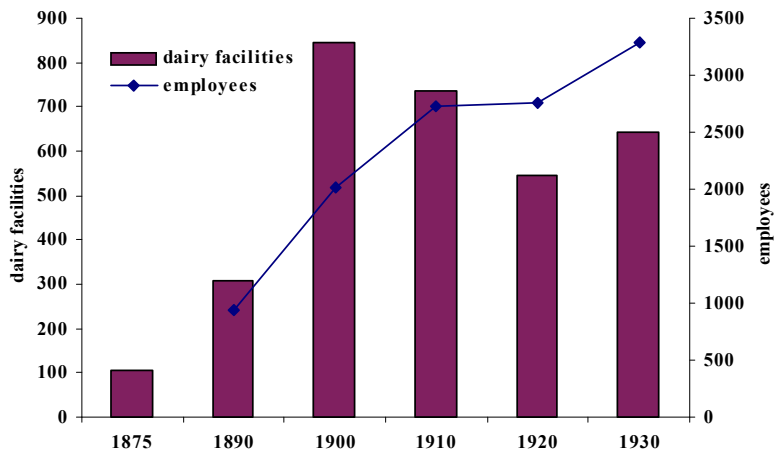


Fig 3.1a Dairy facilities and employees. Source: official figures (*meieristatistikk*)

The industry -- and particularly the co-operative segment -- really 'took off' in the last decade of the nineteenth century -- cf. Fig 3.1a. Most of the new dairies were small rural co-ops; and by the turn of the century the vast majority of dairies -- 688 out of a total of 775, or approximately 90% -- were classified as co-operatives (Lunden op. cit.). They were mainly local organisations, with no horizontal linkages; and Erland (1981:-48, quoted later) comments on the fierce competition between them. Co-operative arrangements between dairies did nevertheless begin to emerge in some regions by the turn of the century: butter export organisations were formed in Trøndelag, Nord-Møre and Rogaland (Ringén op. cit.: 37).

The great dairy expansion of the 1890's would not have been possible without markets large enough to buy the produce. Despite growing protectionism, some markets were still open for exports, including that of the UK, which became readily accessible with the help of a state-subsidised steamer connection which began in 1890 (Ringén op. cit.: 36). In 1897, Norway increased import duties, making more room in the domestic market for the increased production (Erland op. cit.: 104). Butter imports fell to a low level at this time, while exports and production rose (fig. 3.1b). The condensed milk industry of Nestlé (the early multi-national company) and others has also been mentioned as having played an important role in clearing the Norwegian milk market around the turn of the century (Ringén op. cit.).

As the dairy sector grew, the task of supporting it at national level became too big for SNV, whose main role has always been as a catalyst for new developments. The state took over the education and training functions of the Society in 1888.

Fig. 3.1a shows a clear discontinuity of industrial development around 1900, with the extremely rapid proliferation of small dairies in the final decade of the nineteenth century giving way to a re-structuring and decline in numbers. To sum up the initial phase: a small-scale dairy industry was established in rural Norway as the outcome of a combination of paternalistic promotion -- at both national and local levels -- and locally-orientated co-operative enterprise. It had a Janus head, representing both continuity with collective practices of the past, and innovation involving a radical break with traditional organisation of production. The state came to play an increasingly significant role in its expansion towards the end of the nineteenth century, not least through trade policy.

Growth, spontaneous re-structuring and market problems

If the metaphor of infancy is used to characterise the dairy industry in the nineteenth century, the term 'adolescence' would be appropriate for the first thirty years of the twentieth, when the industry grew and underwent an unruly phase. The period culminated in fundamental organisational change in the industry, along with the initiation of a new governance regime. There was a considerable re-structuring of processing plants, though not according to any plan. The third decade -- the 1920's -- stands out from the rest of the period on both the industrial and organisational dimensions, and will thus be given particular attention.

Without doing first-hand historical research, it is impossible to separate the industrial and organisational dimensions in the published statistics for the sector, and to give more than a rough outline of structural changes. The reason for this is that the term 'dairy' (N. '*meieri*') is widely used ambiguously to refer both to organisation and production plant, so that when numbers of 'dairies' are presented it is often unclear which is meant. In the earlier part of the history of the sub-sector, most organisations had only a single production plant; but as we come further into the twentieth century it would appear that the number of plants diverged increasingly from the number of organisations. Moreover, even the term 'production plant' covers a wide spectrum, including such different entities as milk collection stations with no processing, seasonal *sæter* dairies, small creameries with hand-powered separators, larger plants with cheese production, and urban fresh milk dairies. Pasteurising -- the least common denominator of dairy processing today -- was still far from making its breakthrough.

The total number of 'dairies' (in this case, production plants) in Norway reached a peak in 1901 at 845, of which over 700 were co-operatively run: by comparison there were 600 municipalities in the country at the time (Lunden, op. cit.), and it must be borne in mind that there were still few dairies in Northern Norway. Despite the number of plants, the industry was still in its infancy as regards volume processed or handled: in the period 1901--1905 only an estimated 20% or so of the total milk produced passed through the dairies (cf. Fig. 3.1c).¹⁴⁴ The figures for 1900 show that somewhat under 40% of the dairies handled under 100 tons of milk a year -- the equivalent of the average total production of not more than 75 cattle -- while most of the rest handled between 100 and 500 tons. Only about 6% handled over 500 tons.

¹⁴⁴ Estimates of total milk produced include the considerable quantity retained for human and animal consumption on the farms in this period.

There was a decrease in the total number of dairies of over 100 in the first decade of the period, and nearly 200 in the second (Fig.3.1b), followed by a rise of almost 100 in the third.

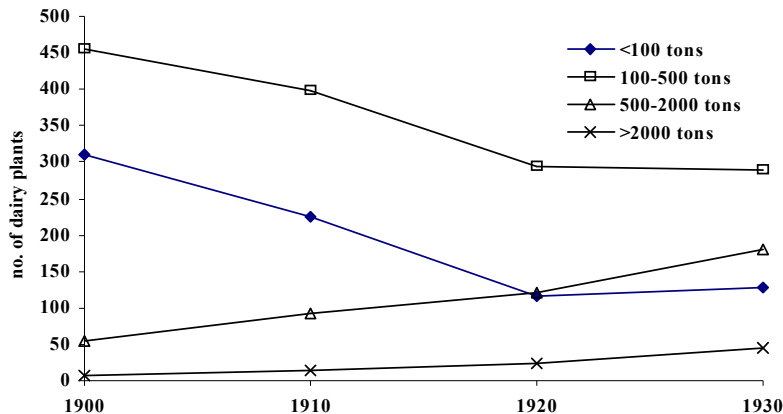


Fig. 3.1b Dairy plants according to size, 1900 -- 30.

Source: dairy statistics (*meieristatistikk*)

Fig.3.1b breaks up the structural development in fairly wide bands. It shows a rapid fall in the number of small dairies in the <100 ton category between 1900 and 1920, with those handling 100-500 tons declining almost as rapidly in numbers. Though the increase in the number of larger dairies was much slower, total throughput rose substantially from approximately 180,000 tons in 1900 to 280,000 tons in 1910, rising further and then falling back again slightly to about the same level in 1920. By that year dairies handling 500--2000 tons were more numerous than those with a capacity under 100 tons; and their numbers rose more steeply during the following decade, while the decline in the smaller dairies slowed down. Of course, these broad categories are arbitrary, and their function here is merely to indicate an overall trend of production re-structuring.

Overall trends between 1900 and 1930:

The number of **town** dairies grew slightly from 61 in 1900 to 74 in 1930, while the number of **rural** ones fell from 784 to 569, bringing the proportion of urban dairies up from just over 7% to approximately 10% of the total.

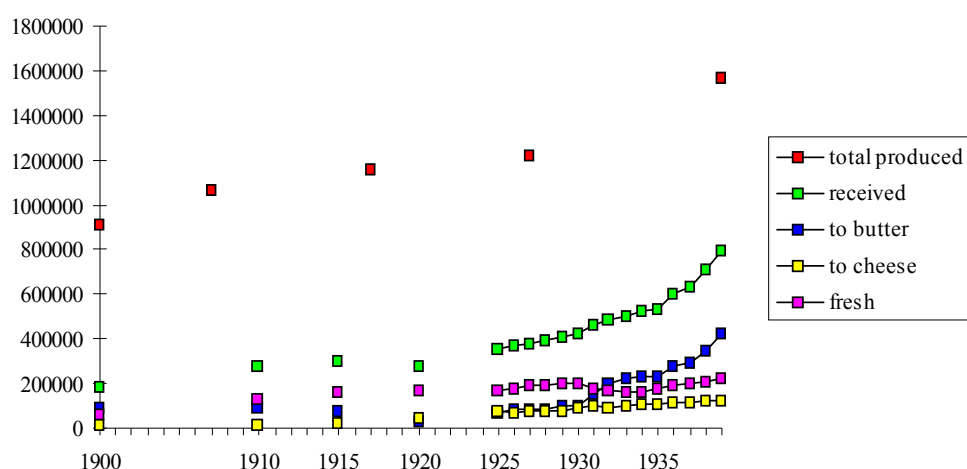
The number of **people employed** in the industry (cf. Fig.3.1a and Erland op. cit.:121) increased from just over 2,000 in 1900 to 2,730 in 1910, with the following decade bringing no significant net increase. While there was a substantial increase in the early 1920's, sources differ as to developments in the latter part of the decade. Furre (1971: 354), quoting NOS V3: 179 (*Meieristatistikk* 1930) shows a slight decline, while SSB *Meieribruket i Norge 1935* and Erland (op. cit: 121) show a slight increase; but in any case, the number of employees in 1930 was well over 3,000 (Furre quotes 3,158 while SSB and Erland give 3,285). In the 30-year period as a whole, there was thus a net increase of over 50%.

The total **volume of milk** handled by the dairies more than doubled between 1900 and 1930, from 184 to 427 thousand tons, though with a 'dip' around 1920. This net increase in volume also represented an increasing proportion of the total milk produced in the country, from 20% to 35% (approximately).

Thus the overall picture in the first three decades of the century was one of gradual expansion coupled with a considerable degree of re-structuring. Published statistics previous to 1925 do not give details of type of production, but Furre (op. cit.: 36) attributes much of the re-structuring between 1900 and 1920 to a fall in the number of small rural creameries, which had sprung up in large numbers in the 1890's, particularly in the west. Improved transport made the sale of fresh milk more widely feasible, bringing the collapse of some dairy organisations (Nilsen op. cit.) and the merger of others, which established bigger plants with diversified production. The number of dairies classified as having 'mixed production' rose from 96 in 1925 to 191 in 1930.

As Furre (op. cit.) points out,¹⁴⁵ diversification made the dairies better able to withstand the vagaries of an unstable market, as well as allowing better utilisation of the milk. As in traditional dairying, the large natural surplus of milk in the spring and early summer could be converted into the long-lasting products butter and cheese, to be sold when the price was acceptable; while for the rest of the year the dairies which were not too remote from urban markets could supply fairly steady quantities of fresh milk and other liquid products. Such a strategy meant substantial seasonal variation in production and labour requirements, which the rural society at the time would have been well able to cope with -- except that the peak season of dairying activity partly coincided with that on the farms. However, the statistics tell us that the bulk of the mixed dairies must nevertheless have been situated in rural areas, as there were only 74 'town' dairies in 1930. The same year, the proportion of dairies classed as operating for less than 12 months was 20%.

The market instability referred to above had its origins in world market conditions following the First World War (Tracy 1964: 117). Fig. 3.1c shows that the total volume of milk received by the dairies fell in the period around 1920, with the quantity made into butter falling to the lowest level ever -- the only period it has fallen below the quantity made into



cheese.

Fig. 3.1c Liquid milk: production, volume received by dairies, and main product groups. Source: SSB/Statistics Norway, *Historical Statistics (Historisk Statistikk)*

¹⁴⁵ Opposite argument used later, to justify specialisation.

This fall in production corresponds with an enormous increase in imports for a short period around 1920:

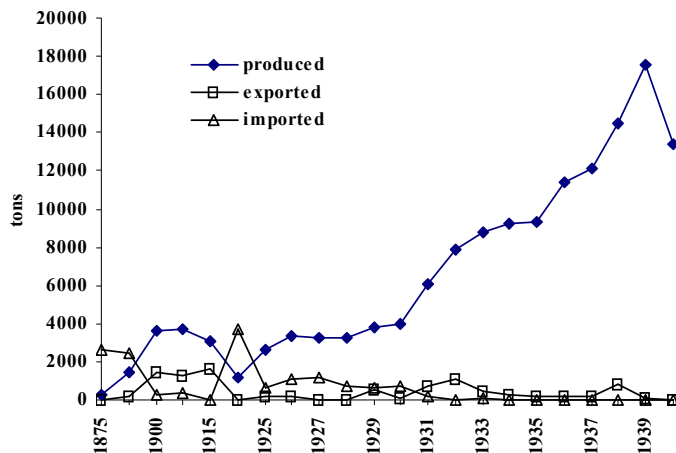


Fig. 3.1d Production, import and export of dairy products, 1875 -- WW2.

Source: SSB/Statistics Norway, *Historical statistics* (Internet)

Furre (op. cit.: 359, 362--363, 372--373) shows that the farm price of milk underwent a drastic fall from 1921, relieved only by a short-lived peak around 1925.¹⁴⁶ The fall in farm prices was steepest from 1925 until 1927, from when it proceeded at a more gradual rate until 1933. 1927 was the year the Norwegian government reluctantly increased tariff levels; and the price trend in Norway matched very closely the wider international one (Tracy op. cit.: 119). Though the price of feed concentrates fell at a comparable rate to that of milk, other items of expenditure did not become correspondingly cheaper. It was an extremely hard time for many farmers, as it was for much of society as the economic depression set in. Just how hard it was is indicated by the number of warrant sales in rural areas: Furre (op. cit.: 232--238) quotes a figure of 4,000 for 1929.

The 1920's have also attained notoriety for the 'milk wars' which broke out locally and sporadically in the cities -- especially Bergen and Nidaros/Trondheim -- and many of the larger towns (Furre, op. cit.; Erland, op. cit.), with increased frequency in the latter part of the decade. The low prices for butter and cheese led rural dairies to compete for shares of the urban fresh milk markets, along with both the town dairies and many farmers who supplied fresh milk directly. Furre (op. cit.: 44) writes of the 'transport revolution' in the 1920's, with motorised road transport being introduced in many parts of the country, bringing an increasing number of dairies within the fresh milk supply radius of urban markets. For a perishable foodstuff like milk, such competition readily led to over-supply and 'dumping' prices. Furre shows how the structure of the situation gave rise to a reciprocal downward leverage effect between the price of 'production milk' for butter and cheese and 'consumption milk', or fresh milk and cream. The long-term end result according to 'market laws' would have been an equalling out of the farm price of milk, regardless of its utilisation, at the lowest level -- that paid by creameries (Furre op. cit., Erland op. cit.)¹⁴⁷ The latter price in turn was kept low both by the international market price and by substitution, with industrially-produced margarine being a cheaper alternative for the mass of less affluent consumers.

¹⁴⁶ See also S.J. Benterud's table, reproduced by Erland (op. cit.: 112).

¹⁴⁷ Expressed as a natural law, this result is of course hypothetical.

Yet developments in dairy industry structure during the decade -- as represented by total figures -- give no indication of serious difficulties in the industry itself, far less a crisis, even in the late 1920's (cf. Figs. 3.1 a, b). Indeed the figures give the impression of a decade of relative stability and consolidation for the dairy industry, following a significant degree of re-structuring in the two preceeding decades. The historically low level of butter production did not bring a decrease in the number of the smallest dairies, as might have been expected: on the contrary, there was a slight recovery in their numbers after the steep decline in the previous two decades. Though these net figures could conceivably conceal change within the same size class, the trend of diversification discussed above could conceivably account for the survival of many small creameries situated sufficiently close to urban fresh milk markets.

The failure of the industry statistics to give any indication of crisis even in the late 1920's is something of a mystery. However, it must be borne in mind that sales and processing co-operatives -- which most of the dairies were -- are extensions of the primary businesses of their members, and cannot be regarded in isolation from the economy of these. The expansion of primary milk production in the decade may be an expression of peasant or artisan economic rationality, as suggested by Furre (op. cit.: 40), by which falling prices tend to stimulate increasing rather than decreasing production in order to maintain individual household incomes. This alone would not account for the expansion of the dairies, however. Despite their increasingly difficult financial situation, farmers appear to have perceived collective arrangements as their best chance of survival.

To sum up: in the first 20 years of the century, the dairy industry both expanded and underwent some re-structuring. By the 1920's, the growth of the dairy sub-sector, not only in Norway but in many countries, led to over-supply and depressed prices. Moreover, the difference in farm price between fresh milk and production milk -- magnified by international market problems for butter -- led to great inequalities of income between areas near urban markets and more remote areas. Dairies adapted to the situation by diversifying their production and by trying to sell as much fresh milk as possible, with rural dairies encroaching on urban markets. Re-structuring ground to a halt in this decade, and the number of dairies increased.

We see that the hard times of the 1920's and '30's did not force concentration and specialisation on the dairy industry -- in fact, the response was the opposite.

3. 2

Bringing about integration and pursuing order

Whether or not much of the dairy industry was facing collapse in the late 1920's, and whether 'wars' or 'skirmishes' is the more appropriate term to describe the outbreaks of destructive competition in the urban markets, there is no doubt that there was widespread and deep concern about what was by all accounts a deteriorating situation. With the liberal (Venstre) government unwilling to interfere in the workings of the free market beyond making some increases in import tariffs, leading figures in the sector saw organisation as the solution. In fact, they had been attempting to organise and regulate the dairy industry at regional and national level for a long time, with some success. It is time to take a look back at these efforts at national organisational integration and co-operative governance.

National organisation

Erland (op. cit.: 48) sums up well the perception of the early dairy industry's problems by leading figures in the sub-sector:

'The dairy companies gradually developed a strong inner, but most often local, solidarity. Internally it was a case of standing together and trying to achieve the best possible result for one's fellow-co-operators. Outwardly, however, and not least in relation to equivalent companies with the same purpose and the same market, the fiercest competition prevailed. This lack of understanding between occupational comrades and occupational organisations -- indeed a lack of will to see the collectivity -- was the main problem in large parts of this period. Instead of common effort and co-operation for a common cause and interests, a struggle of all against all prevailed as soon as one moved beyond the local.'

This definition of a problem clearly called for a solution involving organisational integration.

The first dairy industry organisation, Den Norske Meieriforening (DNM) {The Norwegian Dairy Union}, was founded in 1881. The man who took the initiative was a young but already prominent agronomist K. K. Heje (later well known for other achievements), who was employed as manager of the largest dairy in the country by far, Kristiania (Oslo) Dairy Company. Membership was open to all who were interested in the dairy industry, including both co-operatives and other dairy companies as well as individuals. From 1890 the organisation was affiliated to SNV. Though it aspired to national status, it remained largely confined to south-eastern Norway; and others -- explicitly regional and local -- began to emerge elsewhere. In 1907 DNM approved an interim draft of a revised constitution, and invited these other unions to merge into a truly national organisation with branches in each county. Erland (op. cit: 55) traces this organisational model to an article by a prominent dairy manager J. Grude in 1899, who based it on the structure of the Norwegian Mission Association {Det Norske Misjonsselskap}; though the idea of a national organisation with affiliated organisations at county level would also have been familiar to farmers through SNV. Several regional and local organisations joined the new DNM -- whose constitution was ratified by the 1910 a.g.m. -- and more followed in the following years.

DNM at this time had the character of a professional body rather than an industrial confederation: Erland (op. cit.: 56) writes that it was dominated by employed dairy managers and state-employed sector officials at all levels. Though the vast majority of the dairies were co-operatives owned by farmers, the latter were conspicuous by their absence in the committees of DNM. In 1914 there was a change in the procedures for electing the council of representatives: only chairmen and dairy managers were eligible to represent member dairies. The same year, the council of representatives voted that the organisation was to apply for affiliate membership of the national farmers' union Norsk Landmandsforbund (subsequently Norges Bondelag). The affiliation went ahead the following January, without being ratified by the a.g.m (Erland, op. cit.: 54). At the 1919 a.g.m. new statutes for DNM were under discussion, and a proposal that these should specify affiliation to the farmers' union attracted so little support that it was withdrawn. Apparently many members, including some of the more active ones, were unaware of the decision that had been taken on their behalf five years earlier. Nevertheless neither the affiliation itself, nor the legally and democratically irregular way it was brought about, seem to have been seriously challenged. Since then, the close relations between the main farmers' union and the co-operative federal organisations have been the subject of some controversy, as we will see later.

The new statutes of 1919 brought a transformation of the organisation into a more truly federal one, in which only local and regional organisations of dairies and milk producers were admitted to membership. Farmers were now to have a majority of seats in the national executive. The aim of the re-constituted DNM was '*to work towards orderly conditions for the sale and resale of milk and milk products*' (Erland op. cit.: 57). The annual membership fee was raised, and - in line with co-operative principles - made proportionate to the amount of milk handled by the member dairies belonging to the respective local and regional organisations. The draft of the statutes which was approved at the 1919 a.g.m. had only just been adopted by the national executive, and had not been circulated to the branches and general membership. However, the approval of the a.g.m. was conditional on subsequent ratification. By the end of the year, most of the branches and members had given their approval, albeit with various reservations; and the national executive decided that it had a mandate to call the 1920 a.g.m. according to the new statutes. The latter were found acceptable to the members of a large regional association with which DNM had been negotiating a merger: the union of suppliers to the condensed milk factories in Eastern Norway. A condition of merger was a change of name; and in 1921 the present name, Norske Melkeprodusenters Landsforbund (NML)¹⁴⁸ was adopted, completing the transformation into a national federation and confirming the dominant position of the dairy farmers in it.

The organisation's pretensions of representing the country's milk producers may however be put in perspective by a glance at Fig. 3.1c, which shows that even by 1930, the dairies were still only receiving about a quarter of the total produced. Even though the estimate of total milk produced includes a large proportion retained for human and animal consumption on the farms, it seems clear that the dairies were still a long way from receiving all the rest. Furthermore, by no means all dairies were affiliated to the constituent organisations of NML. Furre (op. cit.: 369) shows that these dairies handled about 150M tons of milk in 1921, while the figure for the dairies as a whole was probably in excess of 281M tons.

¹⁴⁸ The Norwegian Federation of Milk Producers. I refer loosely to (Tine)NM/NML as 'the federation'.

Efforts at market regulation during the 1920's, which increased in intensity as the decade progressed, led NML to re-organise once again, to attain the powerful position at the hub of the industry which it has had ever since. They also led to the establishment in 1930 of the governance regime which, with modifications, has been in force for most of the subsequent history of the industry. Therefore they deserve some closer attention.

Regional and national co-operative governance schemes

Proposals were put forward as early as 1886, by DNM, for an organisation to coordinate sales to the largest urban market in the country -- Oslo/Kristiania -- which was attracting supplies of fresh milk from an increasing number of dairies and independent farmers. Though the idea did not gain sufficient support, it was not abandoned; but the breakthrough did not come until 1910, when the Akershus county agricultural development society convened a meeting on the initiative of Dairy Inspector S.J. Benterud. A secondary co-operative sales organisation, *Kristiania Melkeforsyning*, was formed the following year (Erland op. cit.: 158). By 1929 it had 75 dairies and 17 farmers, from all 6 counties in the region, as members (Furre op. cit.: 68). The constituent dairies retained their independence, but together owned a central dairy in the city which distributed the milk they supplied. In 1921, 13 years after it was first proposed, a similar organisation was constituted in Trondheim: Trondheims Melkeforsyning, with 29 dairies as members (Erland op. cit.: 159).

DNM's main implement for stabilising the domestic market was the regular price quotations it produced, based on returns from its members, and NML continued this function. The First World War had brought shortages, rationing and mandatory maximum prices, and price control was continued with the passing of the Price Regulation Act (*lov om prisregulering av 6. august 1920*). When NML attempted to advise dairies to increase their prices in 1921, it was stopped by the Directorate of Prices. Moreover, writes Erland (op. cit.: 110), *'there was still a lot of disloyalty towards the quotations, and it increased as market conditions deteriorated.'* The national executive of NML was apparently undecided as to whether to make the quoted prices advisory or compulsory; but with so much milk being sold outwith its member organisations, it made little difference in practice.

In 1920 a committee was set up by NML to consider the possibility of establishing a 'Sales and Export Board' for butter and cheese, to stabilise prices on both domestic and export markets. The following year, it submitted draft proposals for such an organisation -- in the form of a co-operative owned and run by the dairies -- to the a.g.m. of the federation. There was a divergence of interests within NML, between the processing dairies (mainly rural) and the fresh milk ones (mainly urban), on the matter of domestic market regulation (Furre op. cit.: 73). While both categories would benefit from the proposed scheme, the costs would be borne by the sales and export co-op members - mainly the processing dairies. Erland (op. cit.: 125) writes of a 'heated debate' on the proposals, which were nevertheless approved as a draft for the committee to continue working on. After the draft was commented on by the constituent organisations, it was re-submitted in a modified form to the a.g.m. in 1922, which approved it. However, when the dairies were invited to join the sales and export co-operative, only a few committed themselves to buying shares. Meanwhile, a group of dairies in Rogaland formed their own export group which began exporting cheese through the Bergen firm Kavli (today a soft cheese manufacturer). The NML plans came to nothing, despite renewed efforts: although they were backed by the dairy 'establishment' of organisational leaders and officials, they failed to gain sufficient support among the dairies (Furre op. cit.: 71). Various alternative national and regional schemes were floated, including one in 1927 to

merge the dairies in the Østlandet region (Eastern Southern Norway), based on the Stockholm central dairy *Stockholm Melkesentral*. Like the NML proposals, this one was dropped for lack of support (Furre op. cit.: 78).

It was not until 1928 that a second-order co-operative for butter and cheese sales materialised -- this time purely for export. Though NML gave its support, the initiator of the scheme was O. J. Brataas, the manager of Sunnmøre Dairy in Ålesund, who called a meeting of 'representatives of various dairies and dairy organisations' (Erland op. cit.: 132). The initial capital was raised, and the organisation - Norske Meieriers Eksportlag (NME)¹⁴⁹ -- was constituted within half a year. The success of the NME export scheme in 1928 stands in striking contrast to NML's failure throughout the decade to attract sufficient support for its sales organisation scheme. Furre (op. cit.: 76) offers an explanation combining several factors. The timing was one: after several years of falling prices and destructive competition, the pressing need for something to be done overshadowed the question of allocating the burden of market regulation which had divided the fresh milk and processing dairies. Though not mentioned by Furre, it is reasonable to suppose that the establishment the previous year in Ålesund of the first producer organisation for the export of fish -- *Storsildlaget* -- (Hallenstvedt 1982: 91) would have been a significant source of inspiration for Brataas.

Important among the substantive differences between the proposed NML sales organisation scheme and the NME one was the limited impact the latter had on the autonomy of the co-ops. Not only had the NML scheme been comparatively expensive: it also involved severely curtailing the individual dairy's autonomy. Furre (op. cit.: 52) writes that many of the dairy managers were '*more ordinary business-people than confirmed {overtydde} co-operators.*', and felt their strong positions of authority threatened by the NML plans which might put the real control of the dairies into the hands of the leaders of the central organisation.¹⁵⁰ The co-op members tended to follow their managers' advice rather than that of their elected colleagues; moreover, their own difficult financial situation made them reluctant to commit the co-ops to costly and risky ventures.

The breakthrough in organising dairy exports marks the beginning of the creation of an integrated scheme for regulating the domestic market at regional level, and coordinating the export of surplus production at national level. Again, NML played only a supporting role: the foremost organisational vehicle was the main farmers' union Norges Bondelag, with one prominent individual -- Jon Sundby -- as the *primus motor*. As well as being an agronomist, farmer and (from 1928 to 1946) chairman of the large Oslo dairy Meieribolaget, Sundby was a member of parliament for Bondepartiet (the Farmers' Party) and an influential -- though not leading -- member of Norges Bondelag. Furre (op. cit.: 81) tells that Sundby led a committee in the Akershus division of the union, which submitted a plan in 1929 for a regional market regulation scheme. The principle was that the dairy farmers were to organise themselves in local producer groups, which were to form a regional organisation along with the dairies. The members were to undertake to follow the directives of the regional board as to which dairy was to receive their milk, and at what price. The sales contracts were to be submitted to the board for approval.

¹⁴⁹ Norwegian Dairies' Export Association.

¹⁵⁰ We will see in Part 4 that though domineering managers have played a role in resisting central control, there is no indication that it has generally been a leading one in more recent times. This makes me wary of accepting the above explanation by Furre, whose informants included leading figures in NML. Interestingly, lack of co-operative ideology among managers is widely cited by critics in recent times as a main factor bringing about structural concentration.

It was a modified version of this scheme which was proposed in 1930 as the model for a regional regulatory regime, by a 'Joint Committee' {'*Felleskomiteen*'} set up under the auspices of Norges Bondelag. Chaired by Sundby, and with Rasmus Mork (then senior lecturer, later professor at the Norwegian Agricultural College) as secretary, the committee had broad representation from the industry and the dairy farmers. Both the Akershus plan and that of the Joint Committee were influenced by regulatory systems developed abroad: the New York regional system, run by the Dairymen's Co-operative Association, was held up by Mork as a model example Furre (op. cit.: 118); while Sundby was greatly inspired by the Swiss regional milk boards. Schemes in Finland, Sweden, and Scotland were also discussed in the broad debate at the time. Furre underlines the role of the press -- particularly the agrarian national daily newspaper *Nationen* -- and the organisational bulletins and journals, in stimulating debate, propagating ideas, and extolling the virtues of governance in this critical period. SNV was a vigorous promoter of second-order co-operatives (i.e. federations), and had succeeded in bringing about the establishment of a national federation of local egg sales co-operatives in 1929. The state Department of Agriculture was also actively promoting sales organisations. Opinion among farmers was swayed massively towards supporting the Joint Committee's proposals for regional milk boards. Furre (op. cit.: 53) writes of a breakthrough in 1929--30: whereas the organisational elite had tried since 1920 to motivate the farmers and their co-ops to form sales organisations, the mass of farmers were now pressing 'upwards' on their leaders to find a solution to the continuing fall in prices.

The Joint Committee plan involved dividing the country into seven regions, with the boundaries drawn so as to make the proportion of fresh to 'production' milk¹⁵¹ roughly equal in all of them. The plan was a flexible compromise between those who wished to bring about regional mergers, of the Stockholm type mentioned earlier, and those who favoured the Akershus type of arrangement with autonomous dairies, a producer organisation, and joint board. While favouring the regional merger model, the committee doubted whether it would receive sufficient support, and whether the necessary capital to build new large processing plants would be forthcoming. The regional board model also had the advantage of bringing the private dairies into the scheme, and even potentially accommodating direct suppliers. Thus the plan was based on the regional producer organisations and boards, but farmers in each region were to decide for themselves whether the producer organisation was to run central dairies, with which the existing co-operative dairies could merge if they wished. The plan also involved the re-organisation of NML into a federation not of dairies but of the regional producer organisations.

The purely voluntary organisational solution of the milk boards had its limitations as a governance regime: it had no jurisdiction over the direct suppliers who -- as the figures have shown -- produced about as much milk as the dairies received. In other words, the scheme could only control half of the market, unless direct suppliers could be persuaded to join. The export consortium NME was also very much a voluntary scheme, and by no means all the dairies affiliated to NML joined it. As in the milk board scheme, benefits could not be confined to members, but could also be appropriated by 'free riders'.¹⁵²

Though Sundby and his associates succeeded in establishing the milk board for the Østlandet region early in 1930, and several other regions followed shortly after, it was not until legislation had been passed -- effectively transforming the boards into statutory bodies -- that

¹⁵¹ This is the common term for milk which goes into the production of butter and cheese.

¹⁵² See for example Elster op. cit., Taylor op. cit., on collective action problems.

the scheme was brought to completion for the whole country. In the next section, we will look more closely at the crucial role of the state in the governance of the dairy sub-sector. So far, we can conclude that NML was a centrally planned, 'top-down' scheme, not a spontaneous process of organisation.

3.3

National governance: Regulating and clearing the market

Though voluntary co-operative governance schemes laid the foundation, the role of legislation and the state was crucial in implementing and developing these into an effective governance regime capable of dealing with the 'free rider' problem. As it involved delegating powers to a sectorial body of private interest organisations, the resulting regime can be termed *corporative*.

The establishment and development of a corporative regime

Parallel with the Joint Committee, and with partly overlapping membership, another working group was formed by Norges Bondelag to consider further developments at national level, in using export to remove surpluses from the domestic market. Besides addressing the above-mentioned problem of spreading the cost of loss-making export of dairy products, Norges Bondelag also wished to find a solution for national market surpluses of other agricultural products: pork and eggs. The draft proposals, approved by Norges Bondelag in 1930, involved a compulsory levy on all first-hand sales of primary produce in the appropriate categories, to be used to subsidise the export of surpluses. The regulatory scheme was to be administered by a national 'Sales Board' (Omsetningsråd) where the reorganised NML and both the farmers' unions would represent producer interests, and SNV and two government representatives would represent the broad public interest. Furre (op. cit.: 139) traces the origins of this idea to the sectorial boards set up by the government during the First World War to regulate production and trade, and an Agricultural Board which had been established in 1919, as well as to export regimes in other countries, particularly Australia and New Zealand. Additionally, it must be mentioned that Norges Bondelag and its political wing Bondepartiet displayed a rather strong fascination at the time for the anti-democratic brand of corporatism then being developed by the Fascists in Italy and the Nazis in Germany.

By 1930 the general economic depression had set in, and political acceptance of the fairly controversial proposals became easier. Jon Sundby took the Sales Board plans to parliament, and by negotiating a political compromise, formed a cross-party group along with two other members of parliament: one from the party of government, Venstre, and one from the Conservatives (Høyre). The proposals -- now somewhat watered down -- were submitted by the group to parliament as a private members' bill, which was referred to the government. Despite its strong free trade principles, the latter grudgingly accepted the need for compulsory market regulation under the prevailing circumstances. It had already introduced an order (*kongelig resolusjon*) in 1929 prohibiting the export of herring outwith producer organisations approved by the Department of Fisheries (Hallenstvedt 1982:93).

The Interim Sale of Agricultural Produce Act (*Millombils lov til å fremja umsetnaden av jordbruksvarer*) was drafted by a sceptical Department of Agriculture, after a round of consultation with other departments and the organisations involved. In the parliamentary debates (the Committee stage, followed by the two legislative chambers Odelsting and Lagting) a few amendments were made, including the insertion of the words 'by co-operation' in the introduction to the Act, by the *Arbeiderparti* (Labour Party) representatives in the Committee. The final Act, passed on June 6th 1930, included the crucial component of a

compulsory national levy on all milk and pork, though it did not explicitly empower the Sales Board to use it to subsidise exports. Besides the four producer representatives initially proposed, and one from SNV, the Board was to include a representative from *Norges Handelsstands Forbund* (The Federation of the Retail and Wholesale Trades). There were to be no government representatives, but the use of the funds collected by the Board was made subject to the approval of the Department of Agriculture.

Thus the two components of the first comprehensive governance regime for the dairy sub-sector fell into place in 1930: co-operation supplemented by compulsion. The regional market problems of over-supply of fresh milk were to be solved through a set of voluntary regional market regulation schemes, linked by a national federation. The national market problems of periodic over-supply of butter and cheese were to be solved by a body dominated by farmers' organisations, empowered by statute to impose a compulsory levy on the first-hand sale of milk.

The national Sales Board was constituted in August 1930, and lost no time in setting about consolidating its position and that of NML in a document containing a range of proposals. Borgen (op. cit.: 208) cites from the document:

'It is quite essential that a permanent central organisation for the milk producers is created, which together with the Sales Board can take over responsibility for the use of the funds which may be levied according to the Act. Such an organisation must incorporate the regions' {distriktenes} milk boards, dairy unions or other sales organisations, together with NME, so that all these interests as a whole come under a common and decisive {målbevisst} leadership. The Board suggests that NML be re-organised for the tasks at hand.'

NML was duly re-constituted as a federation of milk boards in 1931, largely along the lines proposed by the Sales Board, with the regional milk boards as members.¹⁵³ Agreement was reached with the export organisation NME to set up a joint committee to represent the industry; and NME was given the task of storing butter and cheese for the regulation of the domestic market, as well as for export.

The voluntary character of the regional milk board redistributive system was short-lived. Borgen (op. cit.: 222) tells that the price -- before equalisation -- of processing milk fell drastically from kr0.15 in 1930 to kr0.09 in July 1931 (he does not specify which region). Rivalry and competition between dairies was apparently far from eliminated, and the milk boards -- that is, those which had been formed by that time -- were facing a crisis. By this time Venstre had been replaced as the party of government by the farmers' party Bondepartiet, and the new minister of agriculture was none other than Jon Sundby. On the 24th June 1931, not much over a year after it was passed, the Interim Sale of Agricultural Produce Act was amended. The national Sales Board was given powers to impose regional price equalising levies -- determined by the milk boards -- on all milk produced in the respective regions. The Board lost no time in putting its new powers to use. It announced in July that the regional levies were to be enforced from the first of August, and that direct suppliers and non-affiliated dairies were to register with the milk boards. The regional levies came in addition to the national market regulation one which the Sales Board was initially empowered to impose, and were much larger.

¹⁵³ It is unclear whether this arrangement is exactly the same as that proposed by the Joint Committee, referred to previously.

It appears that the legislative change, or at least a widespread expectation that the price equalisation levy would become compulsory, was instrumental in bringing about the establishment of milk boards in all regions by the end of 1931 (cf. Erland op. cit.: 83). The amended Act specified all six regional boards as if they already existed; and thus their formation took on something of a mandatory character.

Resistance to the compulsory price equalisation levy soon materialised. Though this could be construed as opportunistic 'free riding', feelings ran high, and there were clearly strong principles at stake. A group of producers in Askøy near Bergen not only refused to pay the levy, but when they were prosecuted they went to jail rather than pay the fine (Borgen op. cit.: 224). This was not an isolated case of non-payment and protest. Borgen writes further that *'The protests, and the ructions that followed in the form of warrant sales and demonstrations, brought a great deal of attention from the public, the press and the authorities. In the course of a year, a strong body of opinion had formed against the price equalisation system and against the milk boards and the Sales Board.'* In a report to parliament in May 1932, detailing the regulations currently in force and the situation in the six milk regions, the Department of Agriculture gave an account of the protests it had received; and those protesting included a large number of producers from practically the whole country (Borgen op. cit.: 227). A 'hard core' of these -- as Borgen calls them -- organised themselves in local groups -- 'Free Milk Producers' Unions' -- which formed a national federation in 1932. Following the Department's report, this federation wrote to parliament, arguing that *'The regulation [the compulsory equalisation levy] involves a mixing of public administration and private business. In the milk boards bureaucracy {funksjonærisme} is proliferating and hostile towards free business'* (cited by Borgen op. cit.). The union had however no objection to the national market regulation levy. Parliament made some sympathetic noises about granting exemption to the smallest farmers, but made no change to the Act itself.

Interestingly, the free producers' union claimed that the levy gave the large dairy suppliers unfair advantages, indicating that its own members were not predominantly large themselves. Many were reputedly small part-time farmers with one or two cows. The imposition of the compulsory levy, and the enforcement measures associated with it, were also bitterly opposed by the rural populist movement Bygdefolkets Krisehjelp, whose chief objective was to fight the impoverishment of farmers by debt, and whose means included direct action to hinder warrant sales.¹⁵⁴

The legality of the levy and the Sales Board's powers to enforce it was challenged in the courts by some of the direct suppliers around Bergen and Ålesund. The case was an important test, and the free producers argued that the Sales Board was in breach of the Constitution. They took their case all the way to the High Court, which ruled in 1933 that the levy and the powers of the Sales Board were lawful, with the presiding judge noting that the free producers *'can have no legal claim to retain undiminished an advantage of the kind which the favourable position of fresh milk confers.'* (cited by Borgen op. cit.: 228).

The corporative governance regime was further developed during the 1930's, with a set of crisis measures being introduced in 1934 (cf. next sub-section), and the consolidation of the Sale of Agricultural Produce Act which was made permanent by the minority Labour Party government -- supported by Bondepartiet -- in 1936.

¹⁵⁴ This movement's support for Quisling's party in the 1933 general election indicates that, though radical, it was as far removed from revolutionary socialism as the farmers' main organisations.

The onset of war brought a sharp discontinuity in terms of production, but not as regards governance. In fact, not only did the occupying/collaborating authorities retain the existing corporative governance system, at least in form: they strengthened it considerably with two pieces of legislation which made a lasting and major impact on the dairy industry. Not much is told about their introduction,¹⁵⁵ as the democratic parliamentary process was suspended, and the democratic farmers' organisations were excluded from the consultation process. The first had the character of an emergency wartime measure: a decree of 6th August 1941 forbidding the direct sale of milk. It had a lasting effect, for direct sale did not return other than on a small scale after the War. The second measure was the institution of the *Riksoppgjør*, bringing in price equalisation between the milk boards. The arrangement was apparently offered to the farmers as a condition attached to a substantial rise in milk price; but Borgen implies it was 'an offer they could not refuse'. It seems that the imposition of the *Riksoppgjør* was highly unpopular with the farmers and their organisations, though it is uncertain whether they resented the measure itself or just the way it was introduced.¹⁵⁶ At any rate, the goal of equalising prices over the whole country appears to have been shared by leading circles in NML, who had set up a committee in the 1930's to examine '*the implementation of national equalisation {landsutjevning} for milk*' (Borgen op. cit.: 238). From the start, the federation was given the task of administering the system, which was worked out in detail by Prof. R. Mork of NLH, who had played a leading role in the design of both the regional and national governance systems of 1930. By the end of the war, we are told (Borgen op. cit.) that the *Riksoppgjør* system had attained such legitimacy that it was not revoked.

The governance regime developed for the dairy industry through legislation introduced between 1930 and 1945 comprised:

- the regional milk boards, empowered to impose a compulsory equalisation levy
- NML as a federation of milk boards, administering the *Riksoppgjør* equalisation scheme
- the national export board, closely linked to NML
- the national Sales Board, empowered to impose a national sales levy and to enforce the regional equalisation levy
- (in the background) the state, represented by the Department of Agriculture.

With some modifications, the above governance regime was maintained until the early 1980's, when two major changes took place: the regional milk boards were superseded by regional dairies (cf. next section), and individual farm production quotas were imposed by the state (cf. Part 2).

Boosting demand by command

The milk boards, the Sale of Agricultural Produce Act and the corporative governance regime which followed are widely regarded by co-op members as having solved the problems of the 'milk wars' and falling produce prices. Closer examination of developments shows however that this is an incomplete picture, selectively framed by wishful thinking.

¹⁵⁵ In contrast to the detailed account of previous decade, Borgen's chapter on the important developments during the war is very short, even though he was obviously able to follow events closely from his job in the directorate of food supply.

¹⁵⁶ We will see later that the device of an inducement of a milk price rise in return for a greater degree of price equalisation has been adopted in recent times by NML.

Furre's figures (op. cit: 372--373) show that the decline in farm prices did not flatten out until 1933, and Erland (op. cit.: 160) tells that 'milk wars' continued in Bergen well into the decade. Nonetheless, noticeable changes occurred in 1930--31 as regards production totals:

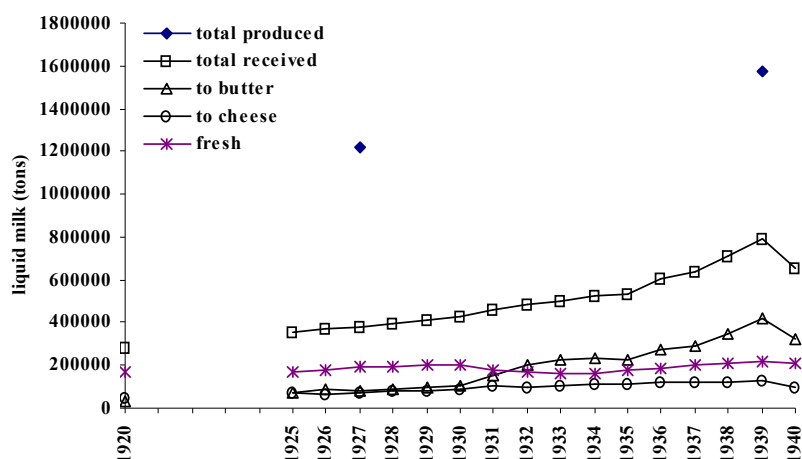


Fig. 3.3a Liquid milk received and processed by the dairies, 1920 -- 40.

Source: SSB/Statistics Norway, *Historical statistics* (Internet)

The dairies' production of butter rose sharply, and their sale of fresh milk declined. The total amount of milk handled by the dairies began to increase somewhat more steeply than it had done in the late 1920's. It appears that the milk boards had a fairly immediate effect in inducing the creameries to make more of their milk into butter and reduce their sale of fresh milk. This was a fine stabilising measure at regional level, but it brought rapidly increasing amounts of dairy butter onto the national market:

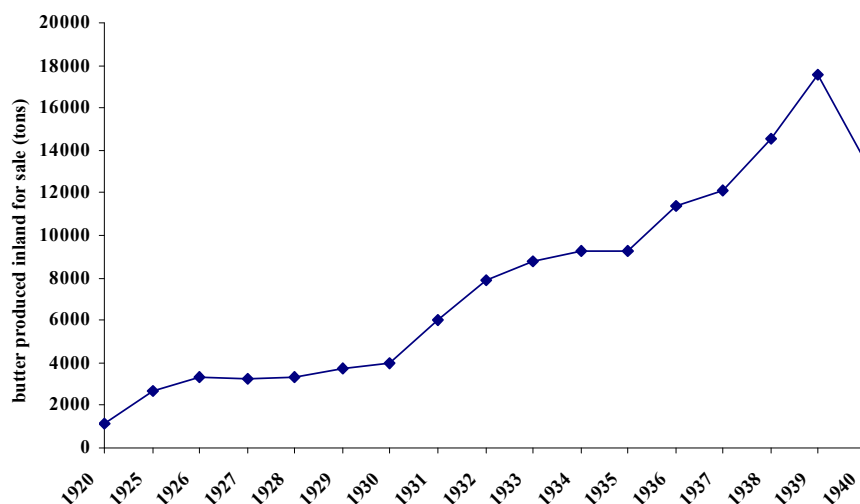


Fig. 3.3b Inland production of butter, (1920) -- '25 -- WW2

Source: SSB/Statistics Norway, *historical statistics* (Internet).

The problems of the industry and the farmers could not be solved without selling this butter for an acceptable price. With international market prices for butter and other foodstuffs

plunging (cf. Furre op. cit., Tracy op. cit.), export was a loss-making proposition. NME made a loss of nearly a quarter of a million kroner on the export of butter and cheese in 1931, and though the Sales Board agreed to cover the loss in the special circumstances, three of its six members made it clear that they would support no further use of funds to subsidise exports (Borgen op. cit.: 213).

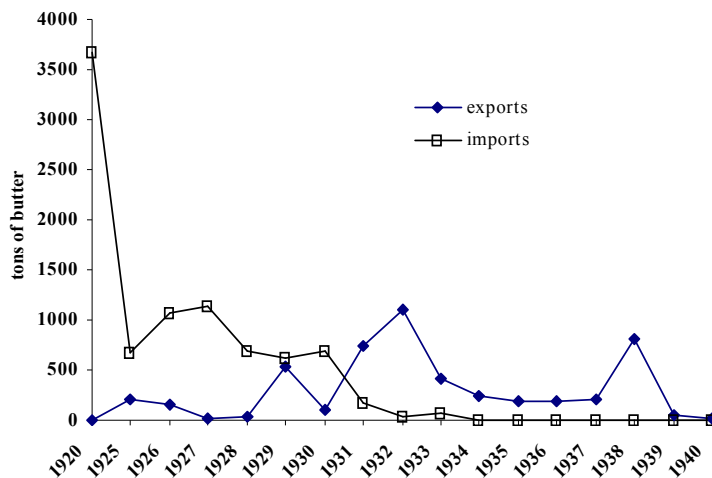


Fig. 3.3c Butter exports and imports, (1920) -- '25 -- WW2

Source: SSB/ Statistics Norway, historical statistics (Internet)

Fig. 3.3c shows that exports increased further the following year, and though the export market had improved slightly, this must nevertheless have brought a substantial loss. Exports fell to a very low level for the rest of the decade, apart from 1938. Increasing tariff protection had become an acceptable political option, and the import duty on butter was doubled in 1931 (Borgen op. cit.: 235), after which imports fell to a low level until prohibited entirely by the emergency measures of 1934 (see below). The state subsidisation of butter export was however not a viable political or economic option.

The Farmers' Party Government turned its attention to the demand side of the domestic market to find a solution to the increasing problem of surplus butter. The existing 'Margarine Act' -- passed in 1902 to make a clear distinction between margarine and butter -- was turned on its head, as it were, with legislation passed in 1931. Whereas the original act had limited the milk fat content of margarine to a maximum of 15%, the new one empowered the Department of Agriculture to require that all margarine must contain a specified minimum percentage of butter. This percentage was to be determined by the amount of surplus butter in storage. It is unclear whether this ingenious if rather bizarre arrangement was an original idea or an imported one, and whether Jon Sundby as Minister of Agriculture played a central role in introducing it. That the Sales Board and farmers' organisations had a hand in the process seems fairly certain, as Borgen tells further that:

'As part of the crisis measures, the Federation [NML] succeeded in 1931 in obtaining a departmental order that imported fat emulsions could only be sold in coloured form, so that they were clearly distinguished from milk and cream . . . According to the order, the fat emulsions could only be sold in an orange-red colour. This worked as expected. The unaccustomed colour led to sales becoming minimal, and eventually coming completely to an end. Consumers did not want such fat, no matter how cheap it was.' (Borgen op. cit.: 231, my emphasis)

Borgen writes that the addition of butter to margarine '*made possible the great increase in milk production in the 1930's*' (op. cit.: 231) and '*rescued the sale of the increasing milk production and the farm price*' (op. cit.: 232). While export was negligibly low, dairy butter production rose sharply along with the total volume of dairy milk in the latter part of the '30's. In addition comes the unrecorded but apparently large amounts of farm butter produced at the time. It is clear that domestic consumption must have increased substantially, and Borgen tells us that the percentage of butter in margarine had risen to between 19 and 22% by the end of the decade. In the spring of 1940 it reached its highest ever level of 30%. The Margarine Act was supplemented by two further pieces of legislation in the middle of the decade. The 'Crisis Measures Act' (see below) of 1934 included the imposition of a levy on margarine, inversely proportional to the amount of butter mixed with the latter. The net proceeds of the levy were allocated to the milk boards, partly to subsidise milk for processing and partly to even out differences in farm milk prices between the boards. Borgen (op. cit.: 232) shows that the sums involved were substantial in the period 1934--38, falling from over kr 5M to kr 3,6M as the proportion of butter in margarine increased. The year after the margarine levy was introduced, parliament passed an act stipulating that the armed forces were to consume butter instead of margarine, and also making butter at reduced prices -- subsidised by the state -- available to hospitals and residential institutions for children and the elderly. Together, the above measures might have been expected to hit the margarine industry rather severely; but official statistics¹⁵⁷ show that margarine production increased slowly throughout the '30's, apart from a fall of 2000 tons from 1936 to 1937. The exceptional circumstances of the War brought a sharp fall in both butter and margarine production, and the end of the compulsory addition of butter to margarine.

Today, in retrospect, in the context of medical concern about possible unhealthy effects of animal fats, the measures of the 1930's appear rather problematic; and one might have expected the 'official version' of NML's history to gloss over them in embarrassment. Fortunately for us, Hans Borgen had no qualms about telling the full story. Having dismissed medical misgivings, he wrote defensively that '*For the consumers, it did indeed involve a certain increase in price for margarine, but in return it brought considerable amounts of valuable butter fat to all levels of society.*' (op. cit.: 231) Perhaps he was right. At any rate, the story tells that it was politically acceptable in the 1930's to curb freedom of choice and 'market forces' among not only suppliers but also consumers.

Other regulative measures

With the general economic slump continuing into the 1930's, combined with the ascendancy of both the Farmers' Party and the Labour Party in Norwegian politics, direct state participation in the economy together with sectoral governance through corporative arrangements became firmly established. The minority government of Venstre introduced a number of special measures in an act of parliament in 1934.¹⁵⁸ In addition to the margarine levy mentioned above, these include a total ban on butter and cheese imports, commencing in 1934. The problem of over-supply was also addressed by measures to limit the increased use of animal feed concentrates, through import restrictions accompanied first by rationing and from 1935 by a levy on the purchase of quantities in excess of the allowed quota. The

¹⁵⁷ SSB Historical Statistics.

¹⁵⁸ Lov av 29. juli 1934 om krisetiltak til støtte for landbruket.

proceeds from the levy were earmarked for the market regulation of meat, eggs and milk (Borgen op. cit.: 233). Another piece of important legislation followed in 1936 -- the Dairies' Act -- but as it is particularly relevant to the theme of re-structuring, it will be dealt with in the following section.

The rapid rise in milk production in the late 1930's was brought to an abrupt stop, not by the governance regime but by the onset of war. The total production figures show dramatic falls for the duration of the war, from which the milk sub-sector took a long time to recover. By the 1970's there was again over-supply, and concern about possible negative effects on health of animal fats began to affect consumption patterns. With a monopoly in practice of sales of fresh milk, the co-operative industry was impervious to growing demands for semi-skimmed milk, as it had difficulty selling the milk fat it already had. It was not until 1983, following government intervention, that trial sales of semi-skimmed milk began. As we have seen in Part 2, the steady rise in primary milk production was only halted by the imposition of individual farm production quotas by the government, in co-operation with NML, in the early 1980's.

As this section has made clear, the maintenance of market order was only made possible by substantial government intervention. The root problem, of over-production relative to the domestic market, was not -- and indeed could not be -- solved by the formation of a co-op federation. As the previous section also showed, the latter was totally dependent on the state in order to function effectively.

There is no doubt that the spectre of relative over-production has dogged the co-ops and their federation continuously, apart from the war years. Sheltered by the government, the farmers could continue over-producing milk. That a reduction had to come sooner or later is clear; but whether structural concentration of the dairy co-ops and plants was necessary, is another matter.

The next section will examine the combined roles of dairy federation and state in bringing about concentration.

3.4

Steady restructuring: The role of the federation and state

In this section, we will look at the means by which concentration was promoted until a major re-organisation plan dominated developments from the 1970's. We will also look at a brief interlude in the 1970's, when the state emerged from a background role supportive of concentration and attempted to slow down the process by 'interfering' with the promotion of concentration by the federation.

First, a brief look at the increase in the size of dairy plants from 1930 to the 1960's:

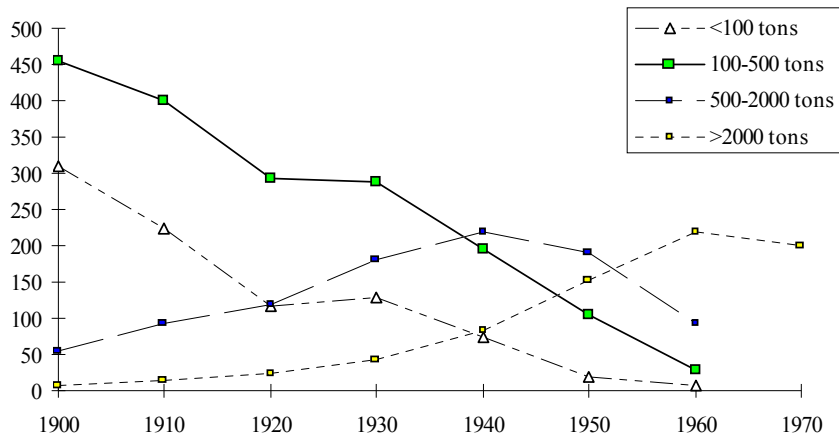


Fig. 3.4a Size of dairy plants, (1900) 1930 -- 60 ('70); annual capacity (tons)

Source: SSB Meieristatistikk/ Statistics Norway, dairy statistics (Not available after mid-1960's) + industry statistics 1970

After 1930, there has been an unbroken trend towards fewer and larger dairy production plants. The 'middle size' category of 500--2,000 tons per year capacity grew up to the end of the 1930's, but then began to decline; and after 1960 even plants over 2,000 tons began to decline in number. The number of organisations has also decreased though mergers -- gradually up to the last two decades of the twentieth century, then rapidly through two phases of planned regional mergers, the second of which is causing much debate and controversy at the time of writing. Though some of the changes have been brought about by spontaneous adaptation, there has been a strong and increasing element of central promotion of concentration. This has been justified by federation leaders as necessary in order to achieve the twin goals of higher and more equal prices.

Promoting re-structuring through regulation, legislation and financial incentives

As previously mentioned, the national Sales Board produced a lengthy statement of intent soon after it was formed in 1930. It not only established the principle of central planning for the dairy industry, but even contained clear lines of policy on industry structure. Borgen (op. cit.: 209) quotes from this document which appears to have set the pattern for the subsequent development of the industry:

'Hand in hand with a re-organisation of sales and the standardising of production, a specialisation of the latter must be implemented, such that the individual dairy devotes itself to only a single or at most a few related types of production. The creation of a central organisation with the Export Association attached to it will make it possible to draw up guidelines for the operation of the dairy industry, rationalise and adapt the operation according to the requirements of market fluctuations and development.'

Standardisation, specialisation and rationalisation -- central aspects of modern industrial development -- were not new ideas in the dairy sub-sector; but only now did it become realistic to put them together in a programme capable of realisation. The organisational tool for implementing them was to be the re-constituted NML which, as we saw, came into being the following year.

The Crisis Measures Act of 1934 allocated the funds obtained from the national sales levy to price support for processing milk and farm butter, subject to the Department's approval of the produce and the dairies concerned. The committee appointed to inspect and approve dairies had to decide on criteria for what could be classed as a dairy in the first instance, before going on to specify standards. Thus the first official working definition of a dairy was produced, and this alone -- apart from actual closures -- affected subsequent industry statistics. One basic criterion was that only joint facilities were to qualify, thereby excluding farm dairies. Borgen (op. cit.: 209) writes that: *'the approval procedure led to improvements both as regards quality and dairy structure. Quite a number could only be approved as butter association stations {smørlagsstasjoner}.'* Western Norway in particular is mentioned as having a large number of the latter category of processing facilities; and in the county of Sogn og Fjordane alone, 43 'dairies' were found not to meet the criteria for approval. Classification as *'smørlagsstasjon'* presumably meant that the co-operative concerned would have to sell its butter via an approved dairy in order to obtain a share of the milk price support funds.

As the historical review here is confined to aspects of particular relevance to the main theme - of recent and present-day developments in the dairy co-ops -- the history of the butter associations¹⁵⁹ will be left aside. We can merely note here that the disappearance of a 'dairy' from the statistics in the 1930's does not necessarily mean closure or merger; though it seems likely that some of the butter associations merged with dairy co-ops and their facilities were physically down-graded to milk collecting stations. In the absence of readily available statistics, I am unable to say to what extent this happened.

Erland (op. cit.: 160) writes that the failure of plans to merge the many small dairies in the Bergen area in 1930--31 focused the concern of NML on the organisational hindrances to mergers. According to company law -- as well as widespread democratic organisational practice -- the dissolution of a co-operative dairy, like major changes in its statutes, required the support of a 2/3 majority at its a.g.m. As mergers were regarded as involving the dissolution of at least some of the co-ops concerned, they could thus be blocked by a minority of members -- and often were, according to Erland. NML set out to change the rules of the game through legislation, and the corporative machinery worked smoothly. Erland (op. cit.) writes that the Dairies Act¹⁶⁰ was drafted in collaboration with NML; and in 1936 it was

¹⁵⁹ The associations produced significant quantities of butter, and were of great importance in maintaining farming in many remote areas until recent times.

¹⁶⁰ *Lov om enkelte bestemmelser angående meieriselskaper* (see Appendix 3.2 for text in Norwegian).

passed by parliament, where Bondepartiet had considerable influence through a pact with the minority Labour government. The Act allowed mergers to be approved by a simple majority, either of total votes of the members, or of the votes of the members present at two general meetings. This special arrangement was justified, according to the parliamentary majority, on the grounds that a merger of dairies was '*in reality a matter of business operation {driftsspørsmål}*'.¹⁶¹ Erland (op. cit.: 160) notes: '*The new law became an effective device {hjelpemiddel} in the many rationalisation cases which followed, both in this area [Bergen] and elsewhere in the country.*'

In 1950 a paragraph was added to the Dairies Act giving co-op members the right to transfer to another dairy co-op, regardless of the rules governing transfer in the statutes of the organisation, '*if such a transfer is associated with substantial advantages for the member concerned or is advisable for the sake of rational dairy operation.*' (§ 5, Act of nineteenth May 1950). Mentioning this seemingly innocuous paragraph, Borgen (op. cit.: 246) comments that '*the authorities sought to support the rationalisation of the dairy industry by an addition to the Dairies Act.*' Nothing further is said about how or why the addition was brought about, though there cannot be much doubt that the initiative came from NML, as it did for the original Act.

While the original Act ensured that a minority opposed to a merger could not block it, § 5 was a kind of mirror image. 'Rational dairy operation' has inevitably been interpreted by NML and state authorities alike as synonymous with mergers; and the new paragraph thus allowed a minority of members to go over to another co-op in the event of losing a vote to merge their own co-op with it. If the minority consisted of larger producers -- not an unlikely situation, as we shall see in Part 4 -- these could thus effectively sabotage a majority decision by leaving and undermining the viability of the residual co-op. Thus the function of the amended act is asymmetric -- analogous to 'heads we win, tails you lose'. It has proved to be a two-edged weapon of concentration: it made mergers easier to achieve by democratic or other means, and also made it more difficult for members to leave in protest against dairy plant closures, as they have had to prove that the transfer would give them 'substantial advantages' (cf. examples in Part 4). As far as I can ascertain, however, § 5 -- abolished in January 1997 -- was never actually put to the test in court.¹⁶²

After §5 had been in force for a decade or so, central organisational leaders again showed impatience with the progress of organisational concentration. Rather than being left to the outcome of spontaneous voluntary processes between two or more dairies, mergers were now being planned by NML and the milk boards, involving groups of dairies in a district. Yet it seems that the rules of the merger game were still not sufficiently biased to overcome resistance from obstinate majorities in many small co-ops. Viewed from 'above', the problem of hopelessly irrational fragmentation was hindering efficient operation and satisfactory results not only in industrial processing, but also in the democratic process. Local majorities were often minorities in a bigger context. Thus in 1966 a 'Rationalisation Committee' -- appointed three years earlier by the national executive of the federation¹⁶³ put forward, among its recommendations, a proposal to seek a further amendment of the Dairies Act (cf. Borgen op. cit.: 274). In order to remove the power of veto over merger proposals which was available to members of each individual co-op, the democratic decision-making process was to be lifted out of the hands of the latter: merger plans were to be put to the vote among the

¹⁶¹ Innst. O. XV (1936).

¹⁶² A search by Tromsø University Library in the database 'Lovdata' failed to find any cases.

¹⁶³ Referred to as *Meieribrukets Sentralstyre*.

combined mass of the members of all the involved co-ops. It is interesting that among the committee members -- who included milk board director Sigve Erland and lawyer Sverre Lie -- the only one dissenting from this proposal was not a co-op member but a managing director. The national executive of NML -- under Hans Borgen's chairmanship -- approved the proposal, as did the council of representatives. However, the a.g.m. in 1967 decided by a majority vote to send it out to hearing in the milk boards before reconsidering it the following year. The response from the boards was 'mainly negative', and in 1968 the national executive therefore recommended dropping the proposed attempt at legislative change. Both the council of representatives and the a.g.m. voted unanimously to follow this recommendation, which explicitly ruled out seeking amendment of the Dairies Act. Borgen (op. cit: 275) exclaims with unconcealed frustration: *'A major piece of work ran out into almost no result!'*

Specific legislative change was only one of several devices available to industry leaders to bring about the rationalisation of organisational structure. Erland (op. cit.: 161) writes that an amendment in 1936 to taxation legislation¹⁶⁴ allowed the milk boards to accumulate tax-free funds, and that these were used to promote rationalisation after World War Two. The Rationalisation Committee of 1966 recommended the setting up of a central 'rationalisation fund'; and this was unanimously approved by the 1968 a.g.m. Having twice unsuccessfully attempted to have money set aside for such a fund through the annual price and support negotiations between the farmers' unions and the government, NML now decided to finance the fund by a levy on members' milk, starting at a rate of kr 0.002 per litre. This seemingly small deduction would have amounted to a total of around kr 3, 2 million the first years it was imposed, increasing to 6, 9 million when it was doubled in 1972, and further to 7, 6 million in 1981 -- though Borgen (op. cit.: 275) gives a much smaller estimate of 'about 4 million kroner yearly'. Additionally, according to NML's annual report of 1981, 'significant sums' had been added to the fund through the years through the year-end allocation of resources [årsoppgjør]. Even if he underestimates its size, Borgen does not undervalue the significance of the fund:

'Through the years the fund has proved extremely useful. If a case has hung in the balance between approval and rejection, the milk producers have more readily responded positively when resources 'from outside' could be brought in to smooth the transition to a merged {felles}company.' (op. cit.)

In 1979 the fund was given a boost of an extra kr 40 million from the ordinary price regulation funds of Riksoppgjøret, bringing the balance up to about 65 million. This was in preparation for the forthcoming regional mergers, which we will shortly turn to. In 1994, at the start of the second round of regional mergers, the sum of kr 17,6 million was raised, corresponding to a deduction of kr 0.01 per litre; and the fund stood at kr 656 million, equivalent to over kr 24,000 per member farm.¹⁶⁵ It thus represents a significant financial incentive for promoting the new regional mergers (cf Section 4.8.) Despite several increases in the levy, the rationalisation fund does not appear to have caused major dissent at federation level. It has nonetheless been deeply resented by the minority of members solidly opposed to concentration, according to some of my informants.

In this sub-section, we have seen how NML progressively facilitated mergers, partly with state help through legislation, and partly by the federation's own financial incentives. As examples in Part 4 will show, milk board management sought to rationalise production structure through specialisation and also through mergers and plant closures. A great amount of re-structuring took place in the half century or so of the milk board regime, with the

¹⁶⁴ § 26 of *Skatteloven*.

¹⁶⁵ Total figures from NML annual report 1994.

number of dairy plants falling from 639 in 1930 to 177 in 1980: an average reduction of over 9 a year. Borgen (op. cit.: 272) writes that *'As long as no merger and no closure was realised without a solid majority in the affected dairies' own membership - at the annual general meetings - there was no significant criticism against closure of plants.'* There were doubtless indeed many cases of fairly painless plant closures, including a large number of milk collecting stations round the cities. Enormous advances in transport, together with dwindling farm numbers, made a certain amount of change virtually inevitable. However, there were also -- then as now -- highly controversial cases of both merger and closure. The political tide of rural populism, which contributed greatly to a majority vote against E. E. C. membership in 1972, brought a focus on rural de-population and decline in general; and dairy plant closures increased in political significance.

From state help to state 'interference'

The controversial issue of rural dairy plant closures was addressed by the select committee, chaired by agronomist and Labour Party politician Oskar Øksnes, which was appointed by the government in the early 1970's to examine state support to agriculture. In its report,¹⁶⁶ the Øksnes Committee drew attention to the significance of the rationalisation fund in bringing about the centralisation of dairy processing, and pointed out that it reinforced the centralising tendencies already built into the rules for the price equalisation system, which favoured large plants. The report therefore recommended that the use of the rationalisation fund should be coordinated with other mechanisms of governance, including the use of the state fund for regional development (DU) ; and that it should therefore be regulated by guidelines set by the Department of Agriculture. Of the 20 members of the Øksnes Committee, only 4 dissented from the recommendation that there should be *'strong public control of the resources of the present rationalisation fund'*: these were Norges Bondelag's representatives. As Borgen pointedly remarks, the four representatives from the other farmers' union Småbrukarlaget did not dissent. This is hardly surprising, given the strongly differing views of the two unions on the subject of the concentration of production (cf. Part 2).

The Øksnes Committee report was followed in 1974 by the setting up of a working party. This 'Milk Committee' (*melkeutvalget*) -- also chaired by Oskar Øksnes -- was given a broad remit to examine the Rikssoppkjøret system of price equalisation and the freight subsidy arrangements applying to milk. It comprised representatives from the two farming unions and the Department of Agriculture as well as NML, with prof. G. Syrrist of the Norwegian Agricultural College as secretary. Borgen -- who was on the national executive of Norges Bondelag as well as being chairman of NML -- recorded his strong dissent from the union's decision to accept what he characterised as *'new state {offentlig} interference in the price equalisation system and the rationalisation of dairies.'* (cited in Borgen op. cit.: 284). The Milk Committee submitted its report in 1976, by which time its chairman had moved to the position of Minister of Agriculture. Confirming that the sale of milk *'should have a co-operative basis'*, the report recommends that *'within the framework of [government] agricultural policy objectives and the co-operative principles, the national price equalisation system {riksutjevningen} should stimulate the most rational operation possible of the dairy industry'*. It states further that the attainment of agricultural policy objectives is a *'shared responsibility of society'* and that the instruments of policy implementation include the price equalisation scheme for milk. Therefore the resources which are allocated through the scheme must be subjected to *'adequate public supervision'*. (cited in Borgen op. cit.)

¹⁶⁶ NOU 1974: 26.

Thus the national price equalisation system was to contain incentives to run the industry as rationally as possible. This involved accepting a certain difference in farm price between co-ops *'as part of the price that has to be paid for maintaining the efficiency of the dairies and the decentralised leadership of the industry.'* As we will see later, the tension between equality and organisational decentralisation has been and still is a central component of the co-op structure controversy. In contrast to the belief held by the NML leadership in governance by centralised hierarchy, and concentration as a means to achieving efficiency gains, the majority in the Committee favoured decentralised decision-making, combined with an element of competition, as the means to promote efficiency in the industry. Furthermore, it wished the pursuit of rational and efficient operation to be constrained by limits, and kept under state supervision. The limits imposed by the co-operative principles were and still are a matter of debate, to which we will return. However, the limits imposed by government policy were more readily specified. The new government agricultural policy paper¹⁶⁷ stated (page 153) that *'the agricultural policy is designed with the aim of increasing income and developing good and secure jobs in areas with a weak and one-sided economic basis {næringsgrunnlag}.'*

The Milk Committee clearly wished to bring the issue of rural industrial employment into the decision-making process about dairy plant structure:

'In considering structural developments in the dairy industry, the increase in farm price which will normally result from the closure of a dairy plant ought . . . to be weighed up against the loss of employment and earning potential from the plant. In addition . . . it is important to recognise the significance a dairy plant has for the agricultural milieu and the social life in the rural communities. In considering this matter, it ought to be taken into account that some systems and incentives within the national price equalisation system have a centralising effect.' (cited by Borgen op. cit.)

It was proposed that the extra cost of maintaining small rural dairies would be met through compensation payments, to be agreed through the annual agricultural support negotiations in which the farmers' unions -- but not NML -- participate.

Following the Milk Committee's recommendations, the government established a fund for the support of small dairies, and set up a new corporative body to administer it and to oversee the national price equalisation and freight subsidy system. This body -- *Samarbeidsorganet for Riksoppgjøret* (SFR) -- consisted of a board with representatives from the two farmers' unions, NML, and the Department of Agriculture; and a secretariat. Borgen was apparently bitter at being 'let down' by Bondelaget, and writes (op. cit.: 285): *'it created a stir that the union representatives on the board did not participate in the attempt to avert {avverge} the setting up of a body which would have the function of a higher instance of authority over the milk organisations, and independent to the extent of having its own secretariat.'*

The NML representative on the Milk Committee had made an attempt to curtail the independent status of SFR, by having his organisation take over the secretariat function. Though this offer was firmly rejected, it was agreed to locate the secretariat physically in the large federation headquarters building, Breigata 10 in central Oslo. This arrangement does not appear to have been totally satisfactory, as SFR was later moved to another building owned by the industry.

¹⁶⁷ St.meld. nr. 14 (1976--77).

Borgen (op. cit: 286) complains that after the establishment of the fund for small dairies and SFR 'interest in mergers and dairy closures naturally subsided.' Though the number of cases where SFR has actually intervened to prevent closure is not large, Borgen claims that the prospect of obtaining support from the fund for small dairies led many co-ops to reject merger plans. Plant closures did not stop, but they did slow down markedly: there were 18 in the 5 years from 1975 to 1980, compared to 50 in the previous 5-year period.

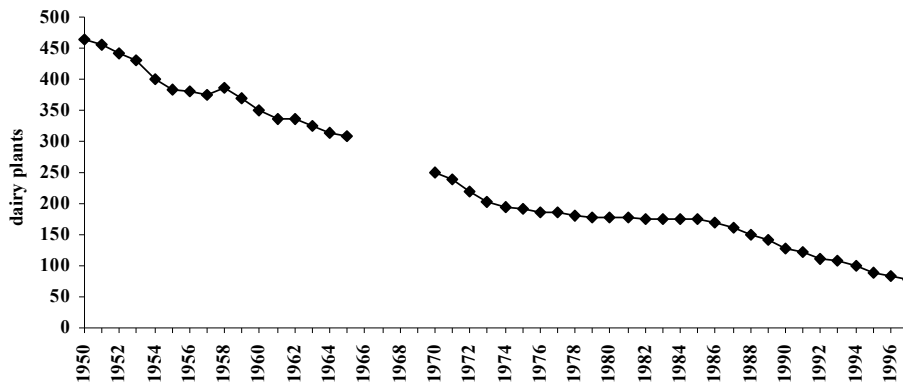


Fig. 3.4b Concentration of dairy plants, 1950 --'97

Source: SSB/Statistics Norway (*Meieristatistikk*) and NM/NML annual report

In interpreting these figures, it has however to be borne in mind that the efforts of NML to bring about 'district' mergers (cf. next section) may have contributed to a fall in interest in spontaneous mergers and associated plant closures from the mid-'70's and onwards.

The role of SFR will be further examined in the next section and in Part 4. For the moment, it can be noted that relations between SFR and the dairy federation NML have always been strained. It seems that NML has only accepted corporative arrangements on its own terms. The corporative regime built around the national Sales Board was invaluable to the federation, as was state help - through legislation and more directly (cf. Part 4) -- to facilitate re-structuring. But NML has always bitterly resented the involvement of SFR in what it considers the internal business of the industry.

Concluding Section 3.4, the role of both state and federation can be seen as important in bringing about a relatively centralised structure. However, the independent actions of SFR show that the relationship between the two principal actors was not always harmonious. Nevertheless, the picture as a whole is one of a corporative system, where state aid by way of appropriate legislation was essential in enabling the federation to centralise as much as it could. The approach of both state and federation would seem to be that of modernist 'top-down' planning, for what was seen to be the good of the dairies.

3.5

Engineering organisational transformation

Following the defeat at the 1967 a.g.m. of the proposals to amend the Dairies Act, *'the milk boards also generally adopted a negative attitude towards giving NML greater authority. But they [the boards] continued . . . working for rationalisation according to the same recipe as before [i.e. on an ad hoc basis]. However, NML set in motion internally a major operation to solve the big problems with the help of the so-called district dairy scheme {distriktsmeieriordningen}.'* (Borgen op. cit.: 286)

In other words: though denied by their members the free rein they sought to bring about structural concentration, Borgen¹⁶⁸ and his colleagues in the upper echelons of NML went ahead anyway, with the best interests of the industry at heart, and formulated a bold plan. This 'district dairy scheme' involved replacing the milk boards and the co-ops in their areas with integrated district, or regional,¹⁶⁹ co-operatives. Such a scheme had been dropped somewhat reluctantly in favour of the milk boards by the Joint Committee of 1930, who recognised that it had no hope of gaining majority support across the country. It had been revived in a limited form in 1944, when NML set up a committee *'to prepare proposals for rationalising the sale of milk in Oslo, Bergen and Trondheim'* (Erland op. cit.: 159).

In the annual report of NML in 1972, the executive hints at the need to reconsider and adjust the 'structure and forms of co-operation' in the industry. However, no indication is given that plans were actively under preparation in the inner precincts of Breigata 10, or that there was any debate on the subject in the organisation. Neither does there seem to have been any open discussion of organisation schemes in the federation the following year. The council of representatives had been largely preoccupied with a major report on goat milk and whey cheese production, while the subject of what appears to be the main address delivered to the a.g.m. was the rather uncontroversial topic of the preparation of silage. However, when it comes to the summary of the executive's activities in 1973, we are told - under the heading 'The organisational structure in the dairy industry' -- that *'The Executive has discussed this question on a number of occasions, and has passed the following motion.'* The motion had three points, the first of which I abbreviate:

1. *'The Executive decided to declare as the objective of the organisational form of our dairy industry that it shall be built up as area combinations {sammenslutninger} with an equal milk price to all milk producers within each area.'*
2. *'The division into areas will be decided after the matter has been thoroughly dealt with [in ways] including the debate among milk producers that the Executive expects that the objective will bring about.'*
3. *'The organisational objective is intended to be implemented {gjennomført} after the implementation of a systematic and comprehensive information campaign, in which the assistance of Norges Bondelag, Norsk Bonde-og Småbrukarlag [the two unions] and Landbrukets Sentralforbund [the central bureau of the farmers' co-operatives] will be sought.'*

¹⁶⁸ Borgen's personal standing among the farmers presumably reached new heights following the campaign against Norwegian EEC membership which he led to success at the 1972 referendum.

¹⁶⁹ Although the Norwegian term is 'distriktsmeieri', I prefer to call the large dairy co-ops 'regional'. There were thus two phases of regionalisation, in the early 1980's and the late 1990's.

The term 'area combination' is suitably vague for such a controversial proposal. Borgen (op. cit.: 287) explains it as something short of a full merger: *'The local co-ops would remain, but under a joint administrative leadership with regard to the main factors, including first and foremost a common basic price.'* The economic gain would be achieved not principally through the closure of plants, but through increased specialisation and more rational transport arrangements.

Further on in the report, in a section headed 'Organisational and company structure in the dairy industry', the national executive expands on the justification for its proposals. Differences between the dairy co-ops in the degree of production concentration and mechanisation were leading to considerable and increasing differences in milk price to their respective producers.¹⁷⁰ Though the point of the milk boards and the national price equalisation system was to lessen, if not completely remove, these differences, these organisational arrangements and their deficiencies are not even mentioned. Pointing out that the development of large district co-ops had already begun in some areas, the executive argues that the proposed organisational structure would *'clash less with our existing system than other potential solutions'*. Here they may be referring to the idea of a full national merger, which had been discussed but dismissed as unattainable in the short term by NML's Rationalisation Committee (cf. Borgen op. cit.: 273).

NML's annual report in 1975 makes no mention of any discussion of the executive's proposals in any of the organisation's representative fora. In 1976 -- in response to the Milk Committee's criticisms -- the NML executive appointed a committee with a wide mandate to consider and make recommendations on both the price equalisation system and the structure of the industry. The committee submitted its report in 1977, in which it formulated a set of proposed objectives for the industry under five points. These were:

- The dairy industry is to be run as rationally as possible with the highest possible milk price
- The milk price for all producers is to be as equal as possible (excluding regional support)
- The dairy industry is to take rural policy into consideration in its operation
- The dairy industry must adapt its organisational and production structure
- The dairy industry is to be owned and controlled by milk producers.

(NML annual report 1977)

The third point deals with the thorny question of dairy plant closures in rural areas. The committee displays a considerable degree of insight in the arguments and protests against the closure of dairy plants in communities where *'every single job can be of vital importance for the community and therefore for the milk producer.'* Recognising that *'it is natural that these threatened rural communities react when workplaces are closed, if it is not possible to create new ones.'*, the report points out that such controversial closures represent a serious political embarrassment for the industry. It advises that *'Arguments of a business economic nature and demands for rational and efficient operation are inappropriate in such situations, where the dairy is regarded as vitally important and feelings come into the picture.'* Finally it adds that political signals indicate a willingness to provide economic support to maintain rural dairies.

On production structure, under the fourth point, the report favours an *'economic combination {sammenslutning} into district dairies'*, though this is not formulated as a clear imperative. It reflects the conclusion of the majority of the committee (10 members), with one dissenting member wishing to retain the existing structure. The arguments used by the majority represent an inversion of the logic previously applied by NML, by which concentration of

¹⁷⁰ The word 'member' is seldom if ever used.

organisational structure was a prerequisite for the concentration of processing plant structure. The committee admits that *'Local autonomy has been regarded as important, and has been seen by many producers as providing security against central closure of dairy plants. At the same time the word merger has been saddled with fear of closure, and these have almost become synonymous terms in the industry generally.'* It then argues that *'A possible merger or re-organisation into bigger regional dairy companies (district dairies) will however be a merger of a completely different character and with completely different potential.'* Besides securing a more equal price, such mergers *'will also make it possible to retain small plants for the sake of rural social considerations {distriktshensyn} in a way in which the costs can be transferred to the authorities or the consumers.'* Thus, the report maintains that the ability of the industry to implement the previous point and retain rural plants *'depends on organisational combination into bigger companies'*. In retrospect, this argument has a rather hollow ring to it, as we shall see shortly.

When it received the report, the council of representatives decided to send it out on hearing to all the dairies and milk boards. The result is presented in the 1978 annual report, in a rather special way: *'61 dairies representing approx. 60% of the country's milk supported the committee's majority recommendation about the establishment of district dairies, while 55 dairies, representing about 33% of the milk supported the committee's minority recommendation [i.e. the retention of the status quo].'* Such weighting according to economy rather than member numbers was not a new principle in NML -- it was already established in the rules governing the allocation of seats in the council of representatives and the a.g.m. to the respective milk boards. It can hardly be said to comply with the co-operative and general democratic principle of one vote per member, bearing more resemblance to the capitalist rules of decision-making embodied in the joint-stock company model. In the present instance the weighting was not being applied formally in the decision-making process, but rhetorically in an effort to make a fairly narrow majority appear more like a 2/3 one.

There is some disagreement as to the stance subsequently taken on the 'district dairy' scheme by the council of representatives, following the hearings. While Borgen (op. cit.: 287) writes that the council voted by a large majority to recommend the scheme to the 1978 a.g.m., the annual report for that year gives a rather different picture. At the meeting of the council of representatives immediately preceeding the a.g.m., two motions were put forward following group discussions. The difference in wording between them is quite subtle. The first requested the executive to *'work out support arrangements within the present organisational structure, and to assist the dairies on the establishment of {ved dannelse av} 'district dairies' on a voluntary basis.'* The second motion began by requesting the executive to *'work actively on the matte'*, further specifying that this included working *'with changing the organisational structure by the establishment of {ved dannelse av} 'district dairies'*. The second motion -- which opened the way for the executive to actively promote full-scale re-organisation -- was defeated decisively by 14 votes to 6, according to the annual report.

The following a.g.m. endorsed the view of the majority of the council of representatives, and passed -- with only one dissenting vote -- a resolution formulated by the Managing Director, Petter Slagsvold. This instructed the executive to *'work out support arrangements within the existing organisational form. Further, to work towards the formation of district dairies where the conditions are suitable for it.'* The resolution added: *'The annual general meeting wishes to emphasise that the use of differentiated margins as a general incentive {virkemiddel} is*

regarded as inappropriate {uhensiktsmessig}.'¹⁷¹ This resolution was a compromise, giving the executive slightly more leeway than allowed by the motion passed by the council of representatives. The executive was to get on with the job of modifying the price equalisation system in order to satisfy both members and politicians; and this did not necessitate major structural change. It was nevertheless to encourage the formation of 'district dairies' in areas where members wished such a re-organisation. Though exactly what is meant by 'differentiated' margins is unclear, the second part of the motion -- added as a qualification to the first -- would appear to be warning the executive against using the device of applying financial incentives through the price equalisation system to promote concentration.

Borgen (op. cit: 287) does not mention the lukewarm reception given to the proposals at the a.g.m., and it seems that the executive continued undaunted in their efforts to promote the 'district dairy' model. Federation officials set about 'in consultation with most of the milk board' preparing plans for 'combinations of the district dairy type', of which 'some were successful', according to Borgen. The 1978 annual report mentions two such plans -- for Sunnmøre and for Nordmøre and Romsdal. It also records: 'It must be admitted that it is very difficult to find general forms of support which give a fair effect on the [milk] price paid by the dairies.' The reasons given for this -- expanded on later in the report -- included the varying size of the dairies and the amount of debt they had. The executive thus made it plain that it was finding it difficult to follow the line of action specified by the a.g.m. How hard it was trying is a matter for conjecture. In any case, it most certainly did not welcome the assistance of SFR in this difficult task. Borgen (op. cit.) tells that in the course of 1978-79, 'the co-operation between NML and SFR encountered an increasing number of problems' due to the efforts of the latter to follow up government policy on price equalisation and dairy structure. He continues 'Interference from SFR became considerable, and mergers and other rationalisations {rasjonalisering} were made practically impossible. The situation was felt for a time to be almost unacceptable for NML.' However, the latter clearly had other corporative channels of influence open to it, for Borgen tells further that 'After continued deliberations and negotiations on various levels, the climate of co-operation and the opportunities for rationalisation became significantly better in the course of 1978 and 1979.' The 1978 annual report mentions that NML and SFR were jointly attempting to determine which dairy plants should be maintained on the grounds of rural policy and which should be closed on economic grounds.

The following year NML's annual report devoted nearly two pages to the questions of price equalisation and structure, and the executive continued pressing the case for 'district dairies': 'It is the view of the Executive that all considerations point to {tilsier} the formation of district dairies, incorporating all dairies in the area.' After listing several grounds for this, including equality of farm price and better utilisation of production capacity, the executive tells that 'There has been considerable opposition to such a change of organisational form. Nevertheless it must be said that there has been considerable development just lately.' A list of diverse district and regional schemes follows, including several which later became approved as regional dairies. The executive was clearly not prepared to allow this dynamic development be stopped by dissent: the dissenters had to be brought into line. It concludes: 'It seems crucial that the milk producers and their organisations, dairy employees, and the

¹⁷¹ The term 'margin' refers to the dairies' equivalent of profit margin per litre of milk: the difference between the agreed basic price they are to pay out to their members for their milk and the net price -- after price equalisation -- they receive for their products. Price equalisation is achieved in practice by the central calculation of margins for the different products.

farming unions now work out a unified {enhetlig} view on these questions, and through the active contribution of all parties, work to implement the necessary changes very soon.'

Presumably the executive followed up this declaration of intent by doing what it could to promote the desired consensus; and in 1980 it found that the time was ripe to make the final assault and obtain the formal approval of the a.g.m. for the re-organisation scheme. The justification given in the annual report for bringing up the scheme again, only two years after it failed to win sufficient support from an a.g.m., is short and cryptic: it was because SFR had sought to implement government policy in its deliberations on price equalisation and structure. No new round of hearings is mentioned in the annual report. This time, the council of representatives held group meetings to discuss price equalisation and dairy structure, and unanimously approved an 8-point programme which was submitted to the a.g.m. The price equalisation system was to be maintained unchanged until the end of 1983, by which time the industry was to be reorganised in '*district-based {distriktsvise} dairy companies with a uniform price to all producers in the district.*' Note that the rather imprecise term used earlier -- 'combinations' -- is replaced here with the specific one 'companies'. Whereas earlier -- according to Hans Borgen -- it was intended that the individual co-ops would not disappear but form district groups under a joint leadership, the scheme as now presented involved mergers. The responsibility for implementing the re-organisation scheme was to be placed on the milk boards '*with the support of the federation and the unions*', and NML was to continue setting aside funds to support the formation of district-based co-ops. The programme also signalled a harder line of policy with regard to dairy plant structure: economically unviable plants were to be maintained only if the extra costs were '*covered by society through special grants.*' The whole programme, including the re-organisation proposals, was passed by the a.g.m. by a majority of 88 to 24. In the annual report the executive notes with satisfaction that '*The view on price equalisation and organisational structure had changed greatly.*' Indeed the achievement of such massive structural concentration in such a short time was no mean feat.

In the agricultural support negotiations which followed shortly after NML's a.g.m. in 1980, it was agreed that the changes which had been decided by the federation would have significant consequences for the allocation of state agricultural support, and their implementation was therefore a matter for the Department of Agriculture and the farmers' unions to work out together with the federation. The matter was delegated not to the existing joint board SFR, but to a specially-appointed committee, whose recommendations are given in detail in NML's annual report for 1980. These are far-reaching, and include powerful economic incentives and disincentives designed to bring all the co-ops into the 'district dairy' scheme. A 'district dairy supplement' -- amounting to the significant sum of kr 0.06 per litre -- was to be paid from January 1982 on all milk supplied to dairies agreeing to merge according to the scheme. In order to bring about a greater degree of equality in farm milk price, special support was earmarked for dairies handling under 10,000 tons of milk per year; but this was only to be paid in the period 1981--83. The fund for small and disadvantaged dairies, administered by SFR, was to be scrapped; and the remaining money transferred to NML's rationalisation fund. A joint committee was appointed to work out guidelines for the size of the areas to be covered by the 'district dairies', and another committee -- which included 4 representatives from the dairy managers' union -- was given the task of working out models of organisational structure [*styringsmodeller*] and outline statutes.

The ability of the 'district dairies' to concentrate their production structure was not to be unduly hampered by interference from SFR. The agricultural support agreement of 1980

included an amended mandate for the latter, which was to '*change its practice so that the main emphasis in its work is directed towards matters of principal significance.*'

The 1981 annual report gives an account of the process of delimiting the new 'districts'. After guidelines had been established by a joint committee in 1980, a set of committees was formed to draw up the boundaries. Each milk board formed a regional committee consisting of four of its board members plus a 'common core' of four centrally appointed members, representing NML, the two unions, and SFR. These committees were to have consultative meetings with the boards of all the dairy co-ops in their respective regions, and then work out a draft scheme which was to be sent out on hearing to the individual co-ops. After considering the submissions, the committees would finalise their schemes, which were to be submitted to SFR for approval. The individual co-ops would then be given a simple choice -- to join, or remain 'outside' and face the economic consequences. Dairies failing to commit themselves to merging were to be treated by the price equalisation system as if they were handling 20,000 tons a year (corresponding to quite a large plant), and would receive neither compensation for small size nor the price supplement reserved for dairies committed to merging.

Even if the critics of the re-organisation had been well and truly outmanoeuvred and out-voted, opposition to the scheme was still far from eliminated. The annual report for 1981 indicates that there had been some dissent in the council of representatives on the issue of the milk price incentives for the formation of 'district dairies', but that the issue was smoothed over without a vote being held. The dissent was not so severe as to prevent the council of representatives from unanimously approving the executive's proposals for new statutes for the rationalisation fund, permitting it to be used to assist in the establishment of district dairies. In its rather short section on the a.g.m., the annual report does not even mention the topic of reorganisation. However, towards the end of the year, when the regional hearings on 'district' boundaries were virtually complete, the annual report records that '*ideas had emerged*', proposing a revision of the existing milk board system to satisfy demands for greater equalisation of milk prices, as an alternative to the 'district dairy' scheme. The executive responded with a formal statement, acknowledging that '*a desire to consider another course of action than that which is proposed in the the outline for district dairy companies*' had been expressed in the debate. However, the executive asserted, '*the organisational structure in the co-operative dairy industry has been planned and submitted to organisational consideration repeatedly since 1963.*' Following the majority decision by the a.g.m. in 1980, and the further agreement on incentives by the parties to the agricultural support negotiations the same year, the executive could not see that there were any new grounds for reconsidering the plans, and would therefore be implementing them as soon as possible.

It appears that it was not until 1982 that the re-organisation plans as worked out by the joint committee, including the 'district dairy' milk price supplement, were finally given formal ratification by the a.g.m. By that time they were a *fait accompli*. There were only 4 dissenting votes, but a resolution from the floor was passed, instructing the executive on the matter of the size of the new co-ops:

'The a.g.m. wishes to underline: In deciding the district dairy boundaries, great importance must be placed on achieving operational units of such a size as to allow a good general view and effective management {sikker styring}. This is also important on the grounds that the producers must feel that they are involved in the process.'

This statement indicates that there was widespread concern that the 'districts' might turn out to be large regions, where co-op members had little feeling of participation in decision-making; and it also indicates that the majority at the a.g.m. wished to limit the districts to a

manageable size. It seems reasonable to infer from this that the use of the vague word 'district' rather than 'region' in the re-organisation scheme had been significant in achieving majority support for the scheme; and that 'district' was not generally understood as corresponding to the milk board areas (even if 'district' was the term used), which were indeed large regions.

Whether or not it had been the original intention, the initial outcome of the planning process was a set of 'districts' which indeed corresponded approximately to the large milk board areas in the majority of cases. In Northern Norway, the proposed district was even larger. After a good deal of controversy, the final number of 'district dairies' turned out somewhat greater, with some of the areas being no larger than a single county (though one of the latter, Finnmark, is nevertheless the size of Denmark). In Part 4 we will look briefly at the decision-making process in the north of the country. In the Østlandet milk board region, the already established Fellesmeieriet (formed through mergers) maintained that it was large enough to be granted 'district dairy' status, and thus the region was divided -- rather untidily -- between Fellesmeieriet and the new Østlandsmeieriet which was formed by the merger of 31 mainly small, rural co-ops.

When the extended deadline for approval ran out at the end of 1984, 126 co-ops had merged, or agreed to merge, to form 10 approved 'district co-ops'; while 9 remained independent. The latter included Fellesmeieriet and Namdalsmeieriet which later gained approval as 'district dairies'. In the merger process, the provisions of the Dairies Act proved useful in assuring sufficient majorities in favour.

In deference to the widespread scepticism towards the concentration of decision-making implied by such a drastic re-organisation, the new co-ops adopted a divisional structure corresponding initially to the old co-op boundaries. Thus members remained attached to familiar organisational units, which were delegated a certain degree of authority over the processing plants they had formally owned and managed directly. As we will see in Part 4, this decision-making structure soon proved problematic; and diverging interpretations emerged of the degree of delegation involved and even of legal ownership rights.

As early as 1984, some of the regional co-ops had prepared draft structure plans, and the annual report mentions that there had been a lot of unwelcome publicity both about these and about the mergers. The federation's information department wrote that it had stressed in response to questions and criticism that *'a dramatic change in the industry's processing plant structure is not about to happen, but a moderate adaptation is necessary in order to keep processing and sales costs at an acceptable level.'* In fact, the decade from 1983 to 1993 brought the number of dairy plants down by 68 from 178 to 110: an average rate of 6.8 a year (cf. Fig. 1.1b). Compared to the average rate of over 9 a year in the period 1930--1980, this could be characterised as a moderate adaptation, though compared to the average rate in the previous decade (1973--83) of only 2.6 closures a year, it appears rather more dramatic. In any case, many of the closures were controversial, and we will see some examples of these in Part 4.

So finally, centralised 'top-down' control triumphed over decentralised 'bottom-up' governance. While the state played an active role in the previous section, the present section has concentrated on the decision-making process within the co-op federation.

3.6

The victory of corporatism over co-operative autonomy: Summary and conclusion for Part 3

The Norwegian co-operative dairy industry emerged in the nineteenth century through the combination of a national project and local enterprise. As the present century advanced, however, these two elements have become less readily compatible, due to the strength of price as a factor motivating integration at the expense of local autonomy.

Part 3 is a historical review of the dairy co-ops and their federation, with two analytical aims. Firstly, I wish to subject to critical scrutiny the myths surrounding the events of 1930. It is claimed that the formation of a strong and highly centralised dairy federation was necessary, because of the chaotic nature of the market; and that the federation was able to sort out the latter. Secondly, the development of the dairy federation in more recent times tells a great deal about the nature of the organisation, and hence about the decision-making process leading to structural concentration. In fact, Part 3 goes further in its findings on organisational concentration than was expected. The federation turns out to be a *primus motor* for centralisation.

As Sections 3.1 and 3.2 show, the problems of the industry were first and foremost those of growth at the primary stage. Severe problems of over-supply of both fresh milk and butter, resulting in price fall, were an inevitable consequence, which no co-operative body could avert. As the principal markets were regional and national, these were the levels at which regulatory solutions were applied, designed both to raise prices and to even out the most glaring inequalities. The resulting governance regimes enhanced regional and national integration, though at first without directly curbing local autonomy.

Part 3 has indicated that it was not so much the governance regime introduced in 1930 -- with regional milk boards and a national intervention scheme -- which led to increased tensions between the local and the national. Rather, the increase was due to the strong role given in the regime to the dairy federation NML. In the pursuit of the twin aims of higher and more equal farm prices throughout the country, federation leaders came increasingly to regard local autonomy as a hindrance, and the governance regime as inadequate to overcome its negative effects. The dairies continued to compete, albeit in a very restrained form within a co-operative federative framework. Being mainly small, they had very limited potential for increased specialisation and concentration of production, which federation chiefs saw as the single rational means for raising prices. Thus organisational concentration was perceived by the latter as a panacæa: the means for achieving both higher and more equal prices. A radical re-organisation was finally achieved in the 1980's. At the time of writing local co-ops have been all but eliminated, and a second round of mergers has concentrated the co-ops even further organisationally and opened the way for a new round of concentration of production. Apart from a short period -- under the tenure of Oskar Øksnes as Minister of Agriculture in the 1970's -- the state has generally supported structural concentration of the processing industry, besides encouraging gradual concentration in primary agriculture.

In little over half a century, the dairy sub-sector was transformed from an interdependent system of fully autonomous local organisations to a highly integrated federation consisting

mainly of a small number of large regional organisations; and from a large number of mainly small processing plants to a much smaller number of mainly large ones. This transformation owes less to spontaneous processes than to central promotion and planning, in which corporative arrangements played a more decisive role than co-operative organisational ones. In terms of *democracy*, the changes owe much more to the '*top-down*' and *formal* version than to the '*bottom-up*', substantive view. The early governance system worked out by farmers before 1930 only came to fruition after it had been reinforced by legislation (Section 3.2). It took the iron hand of the wartime dictatorship to establish a system of national price equalisation (Section 3.3). Highly controversial legislation from a democratic point of view -- the Dairies Act -- had to be tailor-made to the requirements of federation leaders before they could make much headway with their aim of concentrating organisational and production structure (Section 3.4 and Appendix). In the period leading up to the major re-organisation of the 1980's, the slow and unpredictable democratic process was to a large extent by-passed and confined to a subsidiary role by impatient and elitist federation leaders. All the time, the latter acted for what they were certain was for the good of the industry as a whole and its owners -- the farmers.

There is no doubt that the system of governance which was developed since 1930 has brought increased stability to the farmers, particularly through the certainty of being able to sell their milk. As we will hear in Part 5, many farmers today see this security as being the most important aspect of co-operatives. However, as long as co-op members were free to produce as much milk as they could, this certainty left the co-ops with the problem of getting rid of excess milk and products -- particularly butter -- without making a loss, as markets approached saturation. The dairy federation gained a considerable degree of control over both supply -- through primary production quotas -- and seasonal fluctuations in production -- through storage -- and has also exported surplus production. However, on their own these regulative devices have been insufficient to maintain prices.

In fact, a satisfactory solution to the over-supply problem has been beyond the scope of co-operative organisations, irrespective of organisational concentration; and in the final instance the state has often been left to mop up the overspill. Various devices have been used, among them export subsidies. When export failed after the First World War, the solution that eventually took care of the surplus and allowed milk production to continue to expand was not the governance regime of the milk boards and the Sale of Agricultural Produce Act -- important as it was in evening out price differences -- but state decrees which gave consumers an extra dose of animal fats in their diet, and left them to foot the bill. The converse, and less controversial, strategy of subsidising retail prices has been the main device for clearing the domestic market after milk production recovered from the war around 1950, besides export subsidised by the farmers themselves through a levy on animal feed concentrates. On the supply side, it was the state which put a levy on feed concentrates in the 1930's in an effort to stem the flood of milk; and it took the imposition by the state of individual farm production quotas in the early 1980's to put an end to the steady increase in milk production. As market clearance is essential to achieving a satisfactory price, we are led to the conclusion that the state has played a crucial, and often leading role in maintaining farm milk prices (apart from its direct role in subsidising farming, cf. Part 2).

The account of developments in this part of the study has indicated that the spirit and ideology of strong central planning, ascendant in society in the 1930's, remained institutionally embodied in the milk regime until the mid 1990's, and in the dairy federation where it still reigns supreme at the time of writing (cf. Parts 4 and 5). The preceeding account

has also indicated that this spirit and ideology, while more compatible with co-operative practices than that of neo-liberalism, tends to conflict with some co-operative principles, and engender a formal (instrumental) view of others.

A co-operative principle I have focused on particularly is that of organisational autonomy. In fact, we have seen that the latter has been regarded by central planners as a hindrance to the development of a rational industry structure ever since the early days of the co-ops, long before the rise of NML and corporative governance. It was however these organisational and institutional arrangements which gave central planning the upper hand. The undermining of organisational autonomy necessarily had consequences for democracy, which is predicated on it. The spirit in which the regional re-organisation of the early 1980's was brought about, and the methods used, may be characterised as undemocratic at worst, and at best democratic in the instrumental-elitist sense. The re-organisation itself necessitated a substantial move along the participative-representative axis, in the direction of the latter, accompanied by a greater element of bureaucracy. The federation itself, whose autonomy had been compromised from the start of the corporative system, became even less autonomous with the establishment of the central planning device of the support negotiation system *{jordbruksoppgjøret}*. The latter effectively turned the whole co-operative system into a device for meeting the price and production targets set by the corporative body.¹⁷²

¹⁷² Cf. Røkholt (1984b).

APPENDIX TO 3.1 -- 3.4

Data

- 3.1a figure: dairy facilities and employees, 1860 -- 1980 (dair_em.xls)
- 3.1b figure: dairy plants according to size, 1900 -- 1930 (book3.xls)
- 3.1c figure: liquid milk: production, volume received by dairies, and main product, 1900 -- 1930 (milkhist.xls)
- 3.1d figure: production, import and export of dairy products, 1875 -- WW2 (imp_exp2.xls)
- 3.3a figure: liquid milk received and processed by the dairies, 1920 -- 1939 (milkhist.xls)
- 3.3b figure: inland production of butter, (1920) -- '25 -- WW2 (imp_exp2.xls)
- 3.3c figure: butter exports and imports, (1920) -- '25 -- WW2 (imp_exp2.xls)
- 3.4a figure: size of dairy plants, 1930 -- 1960 (70); annual capacity (book3.xls)
- 3.4b figure: concentration of dairy plants, 1950 -- 1997 (grafikk.xls)

Table for **Fig 3.1a**: structural concentration in dairies and employment

| | dairy facilities | employees |
|------|---------------------|-----------|
| 1875 | 106 | |
| 1890 | 307 | 935 |

| | | |
|------|-----|-------|
| 1900 | 845 | 2,018 |
| 1910 | 738 | 2,731 |
| 1920 | 544 | 2,756 |
| 1930 | 643 | 3,285 |
| 1940 | 573 | 3,528 |
| 1950 | 465 | 4,209 |
| 1960 | 348 | 5,226 |
| 1970 | 256 | 5,184 |
| 1980 | 182 | 5,415 |
| 1990 | 129 | 5,864 |
| 1993 | 110 | 5,222 |

Source: SSB/Statistics Norway & NML annual reports

Table for **Fig 3.1b and 3.4a**: increasing size of plants. All figures in tons.

| 1900 | 1910 | 1920 | 1930 | 1940 | 1950 | 1960 | 1970 plant size |
|------|------|------|------|------|------|------|-----------------|
| 310 | 225 | 116 | 129 | 75 | 18 | 8 | <100 tons |
| 454 | 399 | 293 | 288 | 195 | 104 | 29 | 100–150 tons |
| 54 | 93 | 120 | 181 | 219 | 191 | 92 | 500—2,000 tons |
| 7 | 15 | 23 | 44 | 83 | 152 | 219 | 201 >2,000 tons |

Source: SSB/ Statistics Norway, *meieristatistikk/ dairy statistics (up to 1960) + idustristatistikk/ industrial statistics 1970*

Table for **Fig. 3.1c and 3.3a**: liquid milk received an processed.

| year | total produced | received | to butter | to cheese | fresh |
|------|----------------|----------|-----------|-----------|---------|
| 1900 | | 184,024 | 89,436 | 12,514 | 64,040 |
| 1907 | | | | | |
| 1910 | | 277,765 | 92,496 | 16,944 | 129,438 |
| 1915 | | 304,807 | 74,982 | 25,604 | 16,3072 |
| 1917 | | | | | |
| 1920 | | 28,1434 | 30,113 | 44,467 | 17,1956 |

| | | | | | |
|------|-----------|-----------|---------|---------|---------|
| 1925 | | 351,869 | 70,188 | 75,005 | 169,087 |
| 1926 | | 368,323 | 87,976 | 67,065 | 176,302 |
| 1927 | | 380,775 | 83,530 | 76,337 | 190,874 |
| 1928 | | 393,457 | 86,531 | 79,652 | 193,394 |
| 1929 | | 408,900 | 96,997 | 80,110 | 200,174 |
| 1930 | 1,269,000 | 427,676 | 103,356 | 90,721 | 203,715 |
| 1931 | 1,304,000 | 460,552 | 156,741 | 101,690 | 179,880 |
| | | | | | |
| 1932 | 1,347,000 | 483,169 | 201,497 | 95,314 | 167,283 |
| 1933 | 1,382,000 | 500,526 | 223,142 | 101,236 | 160,144 |
| 1934 | 1,365,000 | 522,931 | 231,925 | 110,699 | 164,535 |
| 1935 | 1,385,000 | 536,145 | 229,909 | 111,982 | 178,059 |
| 1936 | 1,410,000 | 602,904 | 276,793 | 118,155 | 189,348 |
| 1937 | 1,429,000 | 636,306 | 293,590 | 119,134 | 200,245 |
| 1938 | 1,481,000 | 710,217 | 350,301 | 124,990 | 211,012 |
| 1939 | | 792,621 | 422,511 | 125,126 | 220,923 |
| 1940 | | 653,052 | 323,532 | 95,867 | 209,221 |
| 1941 | | 524,757 | 193,425 | 51,505 | 264,032 |
| 1942 | | 424,989 | 260,560 | 28,397 | 126,522 |
| 1943 | | 375,509 | 211,566 | 16,402 | 138,686 |
| 1944 | | 337,772 | 169,035 | 10,034 | 149,873 |
| 1945 | | 341,892 | 95,887 | 15,218 | 221,488 |
| 1946 | | 567,610 | 148,980 | 46,845 | 358,076 |
| 1947 | | 647,352 | 186,196 | 58,951 | 385,415 |
| 1948 | | 734,076 | 209,345 | 72,276 | 434,559 |
| 1949 | | 890,569 | 238,166 | 117,809 | 508,701 |
| 1950 | | 991,411 | 250,985 | 157,843 | 542,178 |
| 1951 | | 1,006,770 | 243,734 | 195,100 | 515,796 |
| 1952 | | 997,084 | 221,742 | 22,1731 | 505,942 |
| 1953 | | 1,064,231 | 276,681 | 205,478 | 539,800 |
| 1954 | | 1,052,175 | 229,374 | 223,061 | 550,288 |
| 1955 | | 1,060,699 | 227,471 | 217,754 | 563,729 |
| 1956 | | 1,136,120 | 266,949 | 247,617 | 575,315 |
| 1957 | | 1,196,717 | 331,612 | 232,253 | 589,302 |
| 1958 | | 1,184,632 | 282,962 | 270,854 | 591,200 |
| 1959 | | 1,235,057 | 314,943 | 284,003 | 601,867 |
| 1960 | | 1,321,540 | 372,674 | 284,131 | 621,124 |
| 1961 | | 1,327,651 | 355,185 | 290,571 | 638,439 |
| 1962 | | 1,380,297 | 371,999 | 311,000 | 657,799 |
| 1963 | | 1,410,628 | 378,887 | 303,391 | 679,626 |
| 1964 | | 1,420,819 | 379,687 | 296,274 | 695,082 |
| 1965 | | 1,442,402 | 368,387 | 312,407 | 723,641 |
| 1966 | | 1,499,000 | 390,000 | 325,000 | |
| 1967 | | | | | |
| 1968 | | | | | |
| 1969 | | | | | |
| 1970 | | | | | |
| 1971 | | | | | |
| 1972 | | | | | |
| 1973 | | | | | |
| 1974 | | | | | |

| | |
|------|-----------|
| 1975 | |
| 1976 | |
| 1977 | |
| 1978 | |
| 1979 | |
| 1980 | |
| 1981 | |
| 1982 | 1,907,273 |
| 1983 | 1,881,193 |
| 1984 | 1,883,046 |
| 1985 | 1,842,620 |
| 1986 | 1,845,107 |
| 1987 | 1,878,884 |
| 1988 | 1,820,028 |
| 1989 | 1,861,040 |
| 1990 | 1,863,317 |
| 1991 | 1,816,743 |
| 1992 | 1,808,748 |
| 1993 | |
| 1994 | |
| 1995 | |

Source: *meiristatistikk/ dairy statistics (-1996) and NML annual reports (1982-)*

Table for **Fig. 3.1d, 3.3b and 3.3c**: imports, domestic production and exports of dairy products, tons

| year | produced | exported | imported |
|-------------|-----------------|-----------------|-----------------|
| 1875 | 298 | 26 | 2,626 |
| 1890 | 1,440 | 211 | 2,451 |
| 1900 | 3,580 | 1,452 | 238 |
| 1910 | 3,707 | 1,242 | 358 |
| 1915 | 3,070 | 1,636 | 33 |
| 1920 | 1,157 | 2 | 3,673 |
| 1925 | 2,668 | 212 | 666 |
| 1926 | 3,355 | 153 | 1,075 |
| 1927 | 3,246 | 11 | 1,139 |
| 1928 | 3,299 | 37 | 695 |
| 1929 | 3,768 | 540 | 613 |
| 1930 | 3,945 | 107 | 694 |
| 1931 | 6,020 | 739 | 173 |
| 1932 | 7,882 | 1,102 | 41 |
| 1933 | 8,778 | 410 | 66 |
| 1934 | 9,238 | 248 | 2 |
| 1935 | 9,285 | 189 | 2 |
| 1936 | 11,379 | 192 | 0 |
| 1937 | 12,118 | 201 | 0 |
| 1938 | 14,521 | 815 | 0 |
| 1939 | 17,589 | 57 | 0 |
| 1940 | 13,435 | 22 | 1 |

Source: *SSB/ Statistics Norway, historisk statistikk/ historical statistics*

Table for **Fig. 3.4b**: concentration of dairy plants

| year | plants |
|------|--------|
| 1950 | 465 |
| 1951 | 455 |
| 1952 | 442 |
| 1953 | 431 |
| 1954 | 400 |
| 1955 | 383 |
| 1956 | 381 |
| 1957 | 374 |
| 1958 | 387 |
| 1959 | 369 |
| 1960 | 351 |
| 1961 | 337 |
| 1962 | 337 |
| 1963 | 325 |
| 1964 | 314 |
| 1965 | 307 |
| 1966 | |
| 1967 | |
| 1968 | |
| 1969 | |
| 1970 | 251 |
| 1971 | 238 |
| 1972 | 220 |
| 1973 | 204 |
| 1974 | 195 |
| 1975 | 193 |
| 1976 | 186 |
| 1977 | 185 |
| 1978 | 181 |
| 1979 | 179 |
| 1980 | 178 |
| 1981 | 177 |
| 1982 | 176 |
| 1983 | 176 |
| 1984 | 176 |
| 1985 | 176 |
| 1986 | 170 |
| 1987 | 161 |
| 1988 | 150 |
| 1989 | 141 |
| 1990 | 128 |
| 1991 | 121 |
| 1992 | 111 |
| 1993 | 109 |
| 1994 | 100 |
| 1995 | 90 |
| 1996 | 83 |
| 1997 | 78 |

Source SSB/Statistics Norway (*Meieristatistikk*) and NM/NML annual report

APPENDIX TO 3.4

Lov om enkelte bestemmelser angående meieriselskaper av 25. juni 1936 nr. 4. [The Dairies' Act]

Note: §§5--7 were abolished by act of parliament in December 1996.

§ 1. Denne lov får anvendelse på aksjeselskaper, allmennaksjeselskaper og andre selskaper med begrenset ansvar som har meieribedrift eller melkeomsetning til hovedformål.
Endret ved lov 13 juni 1997 nr. 44 (i kraft 1 jan 1999 iflg. res. 17 juli 1998 nr. 615).

II.

§ 2. I aksjeselskap eller allmennaksjeselskap som nevnt i § 1 kan generalforsamlingen med to tredjedeler av de avgitte stemmer beslutte at selskapet skal gå over til å være et selskap med vekslende kapital og medlemsantall.

Endret ved lov 13 juni 1997 nr. 44 (i kraft 1 jan 1999 iflg. res. 17 juli 1998 nr. 615).

§ 3. Om sammenslutning av selskaper som nevnt i § 1 gjelder bestemmelsene i aksjeloven kapittel 13, selv om et eller begge selskaper ikke er aksjeselskaper. Er ett eller flere av selskapene allmennaksjeselskap, gjelder reglene i allmennaksjeloven kapittel 13.

I forbindelse med en slik sammenslutning kan det bestemmes at de medlemmer som har plikt til å levere melk til selskap som oppløses, isteden skal ha leveringsplikt overfor det overtakende selskap. De alminnelige regler for leveringen i dette selskap skal i så fall også gjelde de nye medlemmer, med mindre annet blir særskilt vedtatt, eller reglene etter sin art ikke kunne ha vært påtvunget den enkelte som nye regler for levering til det første selskap om dette skulle ha fortsatt. Var leveringsplikten overfor det selskap som oppløses mere begrenset, kan et medlem kreve denne begrensning opprettholdt også overfor det nye selskap, såfremt han gir skriftlig melding om det innen 3 måneder etter at selskapet har spurt ham. Beslutning om overdragelse av formuen og retten til melkeleveranse og oppløsning i forbindelse med sådan overdragelse fattes av generalforsamlingen. Til gyldig beslutning herom kreves simpelt flertall blandt de møtende, og at enten de medlemmer som stemmer for beslutningen representerer halvdel av stemmene i selskapet, eller at beslutningen gjentas av en ny generalforsamling med simpelt flertall blandt de som da møter. Det samme gjelder beslutning hvorved det annet selskap går med på overdragelsen.

Translating to English the rules on deviation from accepted voting procedures (my translation): '*Decisions about transfer of assets and the right to deliver milk and liquidation in connection with such a transfer, are made by the general meeting. For a valid decision a simple majority is required among those attending, and that either the members who vote for the decision represent half the votes in the company, or that the decision is made again by a new general meeting with a simple majority among those who then attend. The same applies to the decision as to whether the other company agrees to the transfer.*'

Endret ved lover 6 juli 1957 nr. 4, 4 juni 1976 nr. 59, 13 juni 1997 nr. 44 (i kraft 1 jan 1999 iflg. res. 17 juli 1998 nr. 615).

§ 4. Et selskap som nevnt i § 1 har rett til å innløse andeler (aksjer) tilhørende medlemmer som ikke har levert melk til selskapet i løpet av det siste år. Innløsningssummen fastsettes ved skjønn. I aksjeselskaper gjelder for øvrig aksjeloven § 9-6 annet ledd og § 12-7 annet ledd og i allmennaksjeselskaper gjelder allmennaksjeloven § 9-6 annet ledd og § 12-7 annet ledd.

Endret ved lover 6 juli 1957 nr. 4, 4 juni 1976 nr. 59, 22 des 1995 nr. 80 (i kraft 1 jan 1996), 13 juni 1997 nr. 44 (i kraft 1 jan 1999 iflg. res. 17 juli 1998 nr. 615). Endret ved lover/changed by laws of 6 juli/ July 1957 nr. 4, 4 juni/ 4th June 1976 nr. 59, 13 juni/ 13th June 1997 nr. 44 (i kraft 1 jan 1999 iflg. res. 17 juli 1998 nr. 615/ (changes) in force 1st Jan. 1999 according to decree of 17 July 1998 nr. 615).

III.

§§ 5 --7. (Opphevd ved lov 20 des 1996 nr. 107 (i kraft 1 jan 1997).)

Tidligere §§ 5 -- 7

§ 5. Medlem av et meieriselskap har uten hensyn til hva derom er bestemt i selskapets vedtekter, rett til å tre ut av selskapet for å gå over som medlem av et annet meieriselskap, hvis slik overgang er forbundet med vesentlige fordeler for vedkommende medlem eller tilsis av hensyn til en rasjonell meieridrift.

Translated into English (my translation) this paragraph reads,

'A member of a dairy company has, without regard to what is decided about this in the company statutes, the right to leave the company to join another, if such a transfer is associated with important advantages for the member in question or is advisable with regard to rational dairy management.'

§ 6. Krav etter § 5 avgjøres i tilfelle tvist ved skjønn.

Skjønn kan ikke forlanges før spørsmålet om samtykke til uttreddelsen har vært behandlet av selskapets organer i samsvar med gjeldende vedtekter.

Blir kravet tatt til følge, fastsetter skjønnset de nærmere vilkår for uttreddelsen, således om og i tilfelle i hvilken utstrekning saksøkeren har krav på å få tilbake innskudd eller andel i selskapet. Uttredelsen kan gjøres betinget av at selskapet får nærmere bestemt erstatning av saksøkeren eller det meieriselskap som han akter å melde seg inn i.

Skjønnset skal sette en frist for saksøkeren til å si fra om han vil tre ut på de fastsatte vilkår og til å ordne sitt medlemskap i det selskap han vil gå over til. Blir fristen oversittet, bortfaller retten til å tre ut på grunnlag av skjønnsetavgjørelsen.

Skjønnset kan fordele omkostningene i sin helhet.

§ 7. Aksjelovens § 7 - 1 første ledd er ikke til hinder for at selskapet overtar aksje tilhørende et medlem som trer ut etter § 5. Aksjelovens § 7 - 1 annet ledd annet punktum gjelder i så fall tilsvarende. Ved kapitalnedsetting på grunn av ervervet gjelder aksjelovens § 6 - 4 nr. 2.

Karnovs kommentarer til § 5:

§ 5 vart sett ved lov 19. mai 1950, og regulerer retten for andelseigarane til å tre ut av eit meieriselskap for å gå over til eit anna selskap. Føreseigna gjeld også i selskap stifta før lovendringa, sjølv om vedtektene med klare ord seier at selskapsmedlemmene ikkje har rett til å tre ut. Retten til å tre ut gjeld berre ved overgang til eit anna meieriselskap, ikkje der medlemmet ynskjer å tre ut av andre grunnar. Vidare fastset paragrafen to alternative vilkår for uttreddelsen. Medlemmet kan tre ut der det **'er forbundet med vesentlige fordeler for vedkommende medlem'**. Fordelene kan koma av at det er bygd eit nytt meieri, omlegging av rutetrafikk, bygging av veg eller jernbane eller lignende. Uttredelsen kan også skje dersom dette **'tilsies av hensynet til en rasjonell meieridrift'**. Dei momenta som er nemnt som aktuelle ved vurderinga av om det er ein fordel for medlemmet å tre ut, vil også kunne vera relevante her. Vidare vil endringar i distriktsinndeling, samanslåingar m.m. for å rasjonalisera drifta kunne vera avgjærnade. Reglene gjev ikkje meieriselskapet heimel for å påleggja medlemmer å

A third co-operative principle which was compromised by the institutional arrangements of central planning was the voluntary nature of membership, even though formal membership of the co-ops has remained voluntary. Not only have farmers had virtually no choice as to where to deliver their milk, but the Dairies Act stipulated conditions of transfer of membership in utilitarian terms. These imply at best a formal, instrumental view of co-ops -- if indeed such externally imposed conditions of transfer are at all compatible with the liberal-democratic co-operative model (cf. Section 1.3).

Finally, we saw that the newly formulated principle of 'concern for community' was promoted by one set of central planners -- particularly those of the corporative body SFR -- but rejected by another -- those of the dairy co-op federation.

In Part 3, we have looked at the dual 'myths of origin' of the Norwegian co-operative dairy industry: the Rausjødalen pioneering project, and the emergence of a governance system which put an end to 'the war of all against all'. Both were unquestionably manifestations of the co-operative spirit among Norwegian farmers. However, let us not forget -- as the mythology invites us to -- the role of the wider society, and of spirits of a different kind, in these developments. In the first instance the co-ops came about through paternalism, in the form of the gentle hand of '*help to self-help*', in the spirit of Robert Owen. Secondly, it was the heavier hand of *corporatism* which lifted an ineffective NML and gave it the power to bring a diverse and unruly industry -- kicking and struggling -- into shape. The shape was prescribed by the prevalent ideas of rational industrial management; and in Part 4 we shall examine some of the struggles involved and what kind of rationality they might represent.

gå over til eit anna meieri. Føresegnene i § 5 avskjer ikkje medlemene sine eventuelle rett til å tre ut av selskapet etter andre reglar i vedtektene, etter asl. § 13 - 3 (for akseselskap) eller ulovfesta reglar.

PART 4:

STRUGGLES OVER STRUCTURE

Introduction

So far, the changes in the co-ops' organisational and production structure have been treated on an aggregate, national level. In Part 4, we move to the regional and local organisational levels, in order to examine in more detail the processes involved, and the struggles in the co-ops over structural change. The aim is to construct a background against which the arguments and views of co-op leaders and members, in present-day debates and disputes, will be presented in Part 5.

Eight 'cases', including composite ones, will be outlined. In selecting these, I am aiming to strike a balance between depth and diversity. In some of them, recent and present-day events will be set into a historical context. A variety of secondary sources have been used: books, scientific studies, annual reports and documents, and newspaper reports. In some cases I have supplemented these with data from first-hand interviews and observations. Apart from one, which is a summary of the findings of an earlier study, the cases will be presented as chronologically structured narratives of developments. Analytical comments will be made at the end of some of these, and at the end of Part 4.

Sections 4.1 and 4.2 belong together. The former takes a broad look at the historical development of dairy co-op structure in Northern Norway, leading up to a number of disputes in the 1990's. There will be a focus on central planning, under the successive regimes of the milk boards and the regional dairies. In Section 4.2, the example of Målselv/Bakkehaug in Troms County will be examined in some detail, as a trajectory or 'life story' of a local co-op and plant, both starting and ending in controversy.

In Section 4.3, we move to the other end of the country, to find the one remaining rural local dairy co-op in the mid-1990's. The survival of Vikedal Meieri reminds us that though the odds are stacked heavily in favour of concentration, outcomes of struggles over structure are nevertheless not determined. In giving a short account of the Vikedal story, I am particularly concerned with aspects which may help to explain its anomalous existence.

In the studies from Northern Norway in Sections 4.1 and 4.2, the structural planning process in the regional dairy co-ops was mentioned but not focused on in any detail. Thus in Section 4.4, the case of the Alvådal dairy will be placed in the context of structural planning by the regional co-op Østlandsmeieriet, in the sub-region of Nord-Østerdal. This account is largely based on a study by Jorunn Reitan (1992), which followed the two-phase structure planning process. Incidentally, it was the outcome of the second phase of the latter, in which 9 plants including Alvådal were closed, which was dramatically characterised as a 'dairy massacre' by a critical co-op member, cited in the introduction to the present study.

Section 4.5 moves back in time to the early 1970's, to give an example of a local dairy dispute under the milk board regime. This case is purely a review of a contemporary study of the dispute, by Reidar Almås. This thorough local case study has a Marxian perspective,

focusing on class-based, objectively ascertainable material interests. It complements the present study, bringing out several aspects which have informed the latter.

Section **4.6** examines a local structural conflict in the Østlandet region which escalated in the mid-1990's, and at the time of writing looks likely to lead to the establishment of a 'private' dairy in the Hadeland district. The account here will be based entirely on press reports and letters.

In Section **4.7**, I shall briefly review four more cases of 'exit' -- threatened, attempted or actual -- by local groups of co-op members. This time, the comparative base will be broadened further to include a meat co-op. Unlike the dairies, most of the latter have always had to live with competition from 'private' buyers and the possibility that dissatisfied members can leave at any time. I have first-hand acquaintance with the meat co-op cases, but the other two accounts of 'exit' cases are based on reports and letters in the press.

Section **4.8** brings the study up to date by giving a summary of the second merger process in the late 1990's. I do not believe that it is possible to give a completely objective and neutral account of the structural changes. This I have enlarged on in 'Notes on sources and presentation', Appendix to Part 4.

4.1

Dairy co-op and plant structure in a region: Northern Norway

On the history of the region's dairies from the start up to the early 1980's, my main source is the official history of the Milk Board for Northern Norway, 'Melken i Sentrum av Nord-Norsk Jordbruk', written by Arne Nilsen in conjunction with the 50th anniversary of the founding of the board (Nilsen 1985). This very thorough piece of work is a mine of information, not least because Nilsen himself, as director of the organisation, was a central actor in developments in the long and eventful period from 1948 until he retired in 1980. Rather than seeing such a source as a problem as regards objectivity, I regard Nilsen's many small comments, and his perspective on events, as extremely interesting data. I will have more to say about sources in general, and Nilsen's book in particular, at the end of Part 4.

The early phase

As early as 1894, when the region had only 3 dairies in production and 3 more under construction, the state Dairy Advisor for Mid and Northern Norway, S.J. Benterud, was expressing concern about further developments. In an account of his work in Northern Norway he writes:

'Our dairy industry suffers particularly from a lack of agreement among farmers and their resulting tendency to divide themselves into too many small dairies . . . it is incredible how little it takes as regards unequal length and quality of roads, before the whole project comes to a halt, or they divide up into several small groups. And once the disagreement begins, their own interests come so strongly to the fore that a good solution for the dairy industry is a secondary issue.' (Nilsen op. cit: 22)

Thus right from the start a pattern was set that has persisted to the present day: local groups of farmers wanted to have their own small dairy, while officials sought to achieve a rational industry structure with fewer, larger ones. By 1901 there were 66 dairies in the two counties of Nordland and Troms, which suggests that Benterud had a point. However, it must also be borne in mind that roads in this vast region were few and poor at that time, with the sea providing the main transport routes. In line with the trends in the rest of the country (cf. Fig. 3.1a), there was a rapid decline in the number of dairies between the beginning of the century and 1920, due mainly to the disappearance of many small ones, followed by an increase again during the 1920's. From a total of 19 in 1920, the number of dairies in the region rose to 28 in 1930, including the first of the Finnmark co-ops.

On the initiative of a state official (landbrukssekretær) and *Nordland Landbrukssekskap* [Nordland Agricultural Society], a Northern regional dairy association -- *Nord-Norges Meierilag* -- was formed in 1926. The inaugural meeting was attended by representatives for 14 dairies, along with various officials and a representative from the national dairy federation NML. The aim of the association was to work, together with the other farmers' organisations, for market regulation for milk and milk products, and for improved returns from milk production. A few years afterwards, NML began to establish regional milk boards {melkesentral(er)}, and the Association was given the task of planning and establishing such a board for Northern Norway. The Milk Board for Northern Norway {*Nord-Norges Melkesentral*} was constituted in 1931, with an office in Harstad. All the 11 co-ops in Troms county joined straight away, but only 7 from Nordland did so -- leaving 9 outside. By 1940,

there were 36 co-ops in Nordland and Troms, and 33 of these had joined the Board. The one dairy which existed in Finnmark in 1931 -- Altafjord/Hammerfest -- was made exempt from the levy on fresh milk, as was presumably Sør-Varanger (Kirkenes) when it started up in 1937. Neither of these joined the Milk Board for Northern Norway, and it will be convenient to review developments in Finnmark separately.

The role of the milk board regime in Nordland and Troms

Although it had existed since 1931, it was after 1945 that the Milk Board really began to assert itself as an agent of re-structuring. In the general wave of re-building and modernisation after 1945, the dairy industry, along with primary agriculture, underwent considerable renewal and expansion. As improved communications eased problems of milk transport, the planning of new modern dairy plants brought up questions of mergers between neighbouring dairies and concentration of production in fewer plants. 12 co-ops became incorporated into larger neighbouring ones, and one was wound up, in the 24 years between 1945 and 1969. Some of the mergers were highly controversial. Nilsen (op. cit.) makes clear that the Milk Board played an active role in several cases, though others seem to have been motivated more by local considerations.

Some attempts at merger failed -- for example, that between the Southern Helgeland (Sør-Helgeland, Brønnøysund) and Sømna co-ops, which the regional Milk Board was involved in from the outset in 1945. A major obstacle to the merger was the choice of the site of the single plant which was to serve the whole district, though the distance between Brønnøysund and Berg -- the site chosen by the Sømna farmers -- is only some 30 km. In 1950 a merger agreement was drafted by the state dairy advisor, proposing a compromise solution with plants at both Brønnøysund and Berg. This was backed by the board of South Helgeland, but the members then almost unanimously rejected it at the a.g.m., bringing about the resignation of the board. Nilsen (op. cit.: 149) does not give details of the voting in Sømna, but the majority there clearly also rejected a merger. 11 members then attempted to leave Sømna, but lost their case in court. Nilsen (op. cit.) concludes sadly:

'Despite the involvement of many resourceful people {'gode krefter'} with strong professional competence, particularly the dairy inspector, the state advisor and the Milk Board, it was not possible to achieve a merger into a 'big dairy'.'

The Board was heavily involved in bringing about the formation of Midt-Troms Meieri (Midt-Troms Meieri) and the Salten Dairy (Saltenmeieriet) -- in 1976 and 1980 respectively. Each of these new co-ops was formed by the amalgamation of three local ones. More will be said about the Mid-Troms merger in the next section. In the case of Salten, the final merger was the result of a long process and several previous mergers. The Milk Board had first begun in the mid-1950's to promote a merger between the neighbouring Saltdal and Fauske co-ops, the latter of which was about to expand into ice cream production. By 1964 a merger plan was prepared, but was finally turned down by the Saltdal board and members. The Milk Board officials then proposed a wider merger incorporating the same two co-ops plus Bodin (Bodø) and Misvær. Saltdal merged with Bodin in 1970, and its plant was closed. The merger was more controversial in the small Misvær co-op -- which finally joined with Bodin in 1972 -- but the decision to close its whey cheese production plant a few years later was more so (cf. Part 3). Fauske stayed out, but the plan for a single district dairy was not abandoned. Nilsen (1985: 195) writes that when Bodin submitted a plan for a new building in the latter part of the '70's, *'the Department of Agriculture decided to request SFR to appoint a committee to consider the dairy structure in the Salten area.'* The structure committee was

appointed, but its recommendations were rejected by Bodin. Another committee was then formed, with Nilsen as secretary, and it achieved the final merger in the process, between Bodin, Fauske and Meløy, in 1980. Nilsen notes that '*An important instrument of leverage {brekkstang} in this work was the promise of a grant of 4,5 million kroner from NML's rationalisation fund.*'

As noted earlier, financial incentives were also necessary in order to achieve the centrally-planned mergers in the early 1980's of the co-ops in the respective Milk Board regions. In 1979, it was decided by the a.g.m. of the Northern Norway Milk Board to appoint a committee to consider and submit proposals for the future dairy structure in the region covered by the board. The committee reported in 1981, with the majority proposing that the dairies in the region merge to form 4 district co-ops, and a minority proposing a single regional one. However, nothing further was done with the majority proposal, as it had been overtaken by events at national level (cf. Part 3). A new committee was appointed centrally, with representatives from the region, and again there was dissent. This time the majority, four members, recommended a single regional co-op; a minority of three recommended two co-ops, with the Saltfjell mountains as the boundary; and one member stuck to the recommendation of the earlier committee, i.e. four co-ops. The matter was finally resolved after the corporative body SFR was given the authority to decide the number and boundaries of the regional co-ops. In 1982, SFR decreed that there would be a single regional co-op for the area covered by the Milk Board, i.e. the counties of Nordland and Troms. Of the 16 co-ops in the region, 13 decided to join. The voting figures (Nilsen, op. cit.: 131) show that there was a significant degree of opposition in several of the co-ops, and in three of them -- Vefsn, South Helgeland (Brønnøysund) and Sortland -- it took three meetings to satisfy the constitutional requirement for a sufficiently clear majority. In most cases, however, there was a comfortable majority in favour of the merger. Meieriet Nord was constituted in 1983.

An unsuccessful attempt was made in Helgeland to set up a district dairy there by merging the 5 existing co-ops, as an alternative to joining the regional one. Nilsen says little about it, other than commenting that the Sømna co-op expressed interest in the idea. Though this alternative scheme fell through, only one of the five Helgeland dairy co-ops -- Mo i Rana, on the north-eastern edge of the region -- joined Meieriet Nord initially; and the last -- Sandnessjøen -- held out until 1994.

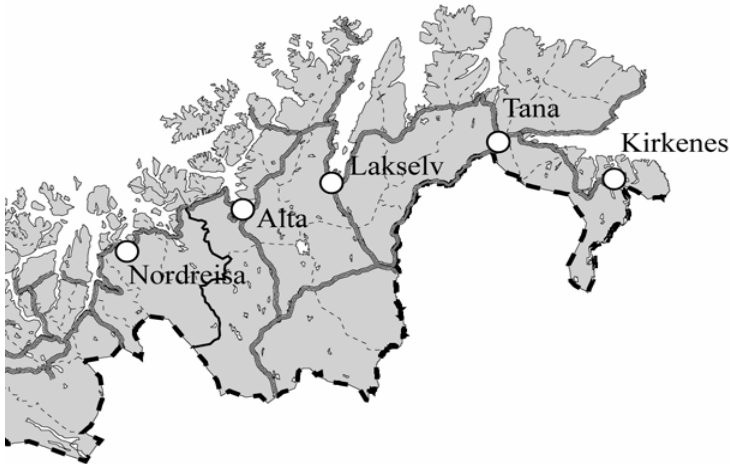
The three co-ops which stayed out of Meieriet Nord were Sømna, Sandnessjøen and Harstad. In Sømna and Harstad, the majorities against were so large that there was no second vote, while at Sandnessjøen the majority against was slim on the second occasion. Circumstances forced Sømna to join in 1989 after it became clear that the debt burden from its new plant (opened in 1988) was too great for it to bear, particularly following the secession of its members in the Bindal area (cf. Section 5.1). The dairy federation NML 'baled out' Sømna financially on the condition that it merge with the regional co-op: an action that caused considerable resentment among members of the latter, who tended to regard their colleagues in Sømna as unsolidaric opportunists.¹⁷³ For the opposite reason -- having a milk price higher than the rest of the region -- members of Harstad Meieri were also accused of lack of solidarity. Their dairy was highly successful, situated in one of the main urban centres in the region, with many good farms in the vicinity. It obtained income from town property, and ran an ice cream factory until the dairy federation re-organised co-operative ice cream production as a national company in the early 1990's. Along with Sandnessjøen, Harstad came under

¹⁷³ According to informants.

heavy pressure to merge, particularly after the new regionalisation plan was adopted by the federation in 1992. Though opposition was still strong, majority votes brought about the merger of these two remaining independent dairies with Meieriet Nord, to form the re-organised regional co-op Tine Nord-Norge in 1995.

The formation of the regional co-op in 1983 brought with it structure planning and the closure of many plants, and the story of one of these will shortly be presented in some detail. First, the outline of the regional picture remains to be completed.

Finnmark



In addition to Nilsen (op. cit.) I shall be using documents from SFR and other data to bring the account of developments in Finnmark reasonably up-to-date.

The course of developments in Finnmark up to the 1980's was quite different to that in the rest of the North. There are enormous expanses of mountain and moorland between the fertile fjords and river valleys where the farms lie, and the main centres of population are relatively small and scattered. The logistics of organising dairies in this vast region are formidable; and it is hardly surprising that these, and indeed commercial farming, were slow to develop. Nilsen (op. cit.: 320) notes that state agricultural advisory officials were central in organising all four dairy co-ops in Finnmark, even serving as interim chairmen in order to get the organisations 'off the ground'. The structure was thus 'rational' from the start, with distances of several hundred kilometres separating the co-ops. There have never been 'local' dairies in the county, in the sense of the term in the rest of the North or the country as a whole. On the other hand, in areas where farms and houses are scattered, and the nearest church, hall and shop may be tens of kilometres away, the concept of 'local' is also somewhat different (cf. Part 5).

In Finnmark the post-war re-building was virtually total.¹⁷⁴ The late 1940's and early 1950's saw the establishment of two new co-ops and the building of four dairy plants in the county.

¹⁷⁴ Brox (1984) gives an account of the re-building as a victory of the rural population over state planning.

Before these plants opened, milk had to be imported to Finnmark from Troms, and the Milk Board was responsible for coordinating supply. It also became involved in distributing transport subsidies to the Finnmark dairies, and collecting statistics from them for NML. As the dairy industry in Finnmark began to 'get on its feet', the question of membership of the Board was raised by the latter. However, this initiative in 1951 came to nothing, and Nilsen blames the state Dairy Advisor¹⁷⁵ for warning the dairies that the costs of joining would greatly exceed the benefits. The Board continued to carry out certain functions for the Finnmark dairies, and in the early 1960's, NML raised the question of membership again. The outcome was that in 1964 the Finnmark Dairies' Joint Office (Finnmarkmeierienes Felleskontor) was established, following an initiative by the Dairy Advisor, to take over the distribution of subsidies and other common functions. However, the Joint Office was not allowed by the Department of Agriculture to take over the distribution of state subsidies until it and the constituent co-ops had applied for and been granted membership in NML, a process which took four years. Nilsen (op. cit.: 311) writes:

'On the way and after the Joint Office had been set up, it was repeatedly pointed out by both the Department of Agriculture and the Federation [NML] that the dairies in Finnmark ought to join the Milk Board for Northern Norway, but it is clear that there were strong forces in motion to prevent such a thing happening'.

Who the 'strong forces' were, Nilsen does not say; but they were clearly strong enough to balance the formidable forces he names.

By the mid-1970's, Finnmark was producing enough milk to meet the county's demands for fresh milk and liquid products, but not much more: an ideal situation for dairy farmers (cf. Parts 2 and 3). In the rest of the country, the RO system took away the 'unfair' advantages conferred to farmers in areas where demand matched supply; but Finnmark still enjoyed exemption. According to the SFR secretariat (document 33/89), the Finnmark dairies were thus able to build themselves up financially and pay high milk prices to members. In such a highly-integrated sector, this privileged position could not be maintained indefinitely. In 1976 it was decided as part of the Agricultural Support Agreement that the Finnmark dairies were to pay kr 0.1 per litre into a 'Dairy Fund for Finnmark' in preparation for the establishment of a Milk Board for Finnmark.¹⁷⁶ The Board was set up the following year, replacing the Joint Office of the four co-ops. Thus the separate regional status of Finnmark relative to the rest of the North was formally accepted, while at the same time the county was being more fully integrated into the national dairy system. The Agricultural Support Agreement for 1978 brought Finnmark into the RO; but the special circumstances of the county continued to be recognised, with a Finnmark supplement of kr 0.72 per litre of milk being added to the national base price.¹⁷⁷ Northern Troms has also received a special price supplement, and in 1981 Nordreisa Dairy transferred from the Northern Norway milk board to the Finnmark one.

During the lifetime of the four local co-ops in Finnmark, two of them -- Altafjord and East Finnmark -- re-located their plants closer to the main body of producers, in Alta and Tana/Deatnu respectively. The latter plant was built in the period of rapid expansion in the late 1970's, with a considerable over-capacity. Otherwise there were no plant closures.

Though the Finnmark co-ops had been very late in coming into line with the rest of the country as regards milk boards, they were ahead when it came to merging into a regional co-op. All four, plus Nordreisa, merged in 1983 to form Finnmarksmeieriet. As in other regions,

¹⁷⁵ For Finnmark.

¹⁷⁶ According to a centrally-placed informant, there was considerable resistance to this proposal.

¹⁷⁷ I.e. in addition to the farm milk price agreed for the region.

the merger was not uncontroversial, and scepticism was strongest in Sør-Varanger (Kirkenes) and Midt-Finnmark (Lakselv). SFR (cf. document 33/89) was somewhat sceptical about granting regional dairy status to a co-op with such a small amount of milk, and would presumably have preferred the Finnmark co-ops to have been incorporated into Meieriet Nord instead.

In the Agricultural Support Agreement for 1988, the special supplement for Finnmark of kr 0.72 per litre of milk was removed, and a new zone (J) for state support was brought in instead, covering all of Finnmark except the Alta area. The neighbouring zone (H), including Alta, was given a substantial increase in support. The secretary for SFR (op. cit.) notes that this change was in line with the wishes of both Bondelaget and NML, expressed as early as 1978. What it did was effectively to take the special support out of RO and the milk price, and replace it with direct farm income support. Regardless of how the change affected individual incomes on various sizes of farm, such a fall in milk price made a considerable impact -- both psychologically and in the accounts of the co-op. Suddenly the milk price paid out by Finnmarksmeieriet had fallen from above the national base price to 0.37 kroner below. This made the '*weak results*' of the co-op more visible, according to the SFR secretary (op. cit.), who also writes (SFR document 28/89) that the payment of the Finnmark supplement to the co-op had '*had a clear inhibiting effect on the incentive to rational operation which is meant to be contained in the RO system.*'

Following this change, in 1988, a committee was nominated by the board of Finnmark Dairy, with a wide mandate to review the commercial activities of the co-op and find ways to cut costs. In addition to co-op member representatives, the committee included a representative for the employees and a member of the co-op's management.¹⁷⁸ The following year it produced its draft plan: drastic cuts were to produce estimated savings in the period up to the end of the century of 5, 85M kr, equivalent to an increase in milk price of kr 0.263 per litre for the whole period. This involved closing two distribution depots and three production plants - Kirkenes (Sør-Varanger), Lakselv (Midt-Finnmark) and Nordreisa -- leaving only two plants -- Tana and Alta -- to cover the whole county. The closure of Kirkenes was fiercely contested (with both demonstrations and court cases); and the impending closure of Lakselv also provoked strong opposition. One former member of the planning committee tells¹⁷⁹ that bad feeling and hostile reactions generated by the report were not easy to cope with, and several of his fellow-members had '*a pretty hard time*'.

The draft plan was sent to the member divisions of Finnmarksmeieriet, and also to NML and SFR. The latter had already become involved in a review of the status of Finnmark in relation to the RO milk price redistributive system. The SFR report (document 33/89) concludes that the efficiency of the Finnmark dairy plants was low by comparison with ones of similar size and type in the rest of the country, indicating that it should be possible to make savings equal to those proposed in the draft plan through 'internal rationalisation' and increased efficiency within the existing plants. Nevertheless, the report continues, both plant structure and the cost of a head office relative to the small volume of milk handled by the co-op were factors which would still leave Finnmarksmeieriet's milk price below the national base price. The board of SFR unanimously decided to ask the Department of Agriculture for guidance before following normal procedures in dealing with the plan. The proposed closure of the Kirkenes

¹⁷⁸ It was administered by NML and LBR (*Landbrukets Bygnings- og Rasjonaliseringsutvalget*), controlled by Bondelaget.

¹⁷⁹ Personal interview (1995).

plant fairly soon became a political issue which dominated further discussion of the draft plan.

Implementation of further re-structuring was suddenly halted in 1995, following the election of a new board dominated by members of Småbrukerlaget; and at the time of writing there are no further plans to close Lakselv. The new board also halted the merger process by which Finnmarksmeieriet was set to become part of the new regional co-op Tine Nord-Norge. The MD,¹⁸⁰ who had only served in the post for a year, found this abrupt turn-around in policy unacceptable, and resigned. In common with the previous chairman, he believes that dairy farmers and their co-ops in the rest of the country will not be prepared indefinitely to treat Finnmarksmeieriet as a special case, and milk price will suffer as the co-op lags behind the others in reducing costs. The new chairperson, Randi Larsen,¹⁸¹ is more concerned with gaining acceptance from politicians for the special needs of Finnmark, and sees both the closure of rural dairy plants and the loss of a separate Finnmark co-op as weakening the county's case.¹⁸²

Local autonomy versus managed regional order in Northern Norway

This regional case -- with two sub-cases -- exemplifies the phases of dairy co-op development described in Part 3. Progressive organisational integration at regional or sub-regional level -- first through the regime of the milk boards {*melkesentral[ene]*}, and subsequently through that of the regional dairies {*distriktsmeieri[ene]*} -- has brought about considerable concentration of production structure; and the second phase of regional mergers (cf. Section 4.8) is sure to bring more. Both types of re-structuring have been controversial and are still so. Nevertheless, federation leaders have had a high degree of success in achieving their aims, with the help of the national corporative regime.

The account in this section of dairy co-op re-structuring in the North, is largely based on the 'official version', by Arne Nilsen. The latter is formulated as a narrative of *enlightenment*. It tells of a struggle by the progressive 'good forces' of the Milk Board, state officials and the corporative national regime to achieve a rational dairy structure in the best interests of the farmers and the nation, against the dark forces of parochialism, ignorance and reaction. It does not go into details about the means used to secure the desired outcomes. Nevertheless, it gives such interesting details of conflict as the voting figures for regional amalgamation; and gives considerable insight into the views of Nilsen the Milk Board director, thereby shedding useful light on his role as a central actor in the organisational re-structuring of the Northern Norwegian dairy co-ops.

Particularly interesting is Nilsen's dismissal of what he perceives as the two main arguments against the 1983 regional merger in Nordland and Troms. These were (op. cit.: 131):

- 'we have not been properly informed about the matter -- it has been thrust upon us'
- 'we will lose our autonomy'.

The first he characterises as nonsense: a great deal of information was disseminated '*but when one has made up one's mind and does not want any information, it cannot get through*.' The contradiction here suggests that the information which was sent out was either one-sided (omitting negative aspects of the mergers), too technical for most members to follow, or

¹⁸⁰ Managing director Morten Mellkvist (an interviewee).

¹⁸¹ Cf. newspaper interviews.

¹⁸² Cf. press reports in Landbruk i Nord, and personal interviews with the director in question, Morten Mellkvist; the former chairperson, Einar Hagalid; and the current chairperson, Randi Larsen (May 1995).

simply inadequate. There does not seem to be any question of information from the Board being deliberately withheld from members by their local co-ops.

Nilsen's response to the second rests on his interpretation of the term 'autonomy' {*selvbestemmelsesrett*}. He writes:

'As regards autonomy, the individual milk producer surrendered that right over the milk the day he or she became a supplier to a dairy. It's as easy as that.'

The question of autonomy thus becomes reduced to one of individuals and their relation to a material product; whereas -- as further examples will show -- the issue at stake in mergers is the right of local collectivities to decide over the organisation of the co-op's production.

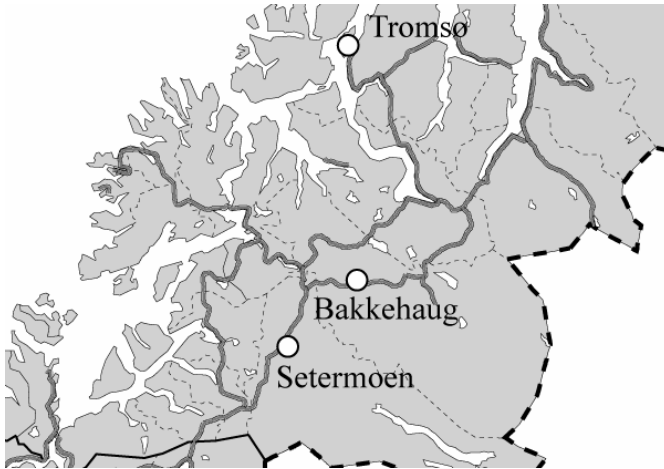
Though delivered as a piece of ironic rhetoric, this individualistic and instrumental interpretation of a central collectivistic and value-laden concept in the organisational debate is highly significant. It is further accentuated by the use of the term '*supplier to*', rather than '*member of*', to signify the relationship between farmers and their dairy co-ops. As we have seen in Part 3, disregard for organisational autonomy at co-op level has been displayed by dairy federation leaders since the inauguration of the national corporative system; and thus it is not surprising to see it expressed here by a milk board director.

In focusing critically on Nilsen's views and the message he seeks to convey, like those of Hans Borgen in Part 3, I am perhaps going too far in the direction of de-bunking them. The point has been to bring out the opposition between autonomy at the level of the individual co-op, and the 'top-down' process of bringing about a 'rational order' in the co-op system at regional and national levels. This is a topic which will be enlarged on, with the arguments of both sides, in Part 5. The question of form of presentation, and its consequences for engendering sympathies, will be discussed further at the end of the study.

We will now take a closer look at the case of a single local co-op and its plant, which will illustrate structural struggles in the region in more detail, particularly under the regime of the regional dairies. The activities of local opponents to closure will be given particular prominence here.

4.2

Målselv/ Bakkehaug Meieri: a local dairy, from start to closure



I shall continue to lean on the Milk Board's official history (Nilsen op. cit) for the first part of the 'life history' of the Målselv/Bakkehaug dairy. By contrast, the main source for the story of the closure process is the selective documentation by the local opposition.¹⁸³

Structural controversies up to regional merger

It was settlers from the southern half of Norway -- particularly the valleys of Østerdal and Gudbrandsdal -- who first began to farm the fertile river valleys of inland Troms in the eighteenth century, bringing with them farming traditions from a culture with its roots stretching into pre-history. The new ideas of the following century were also brought northwards, with continuing immigration and family contact. The municipalities of Bardu, Målselv and Balsfjord in Inner Troms have today a strong farming culture and a relatively high concentration of production.

Among the new ideas which reached Inner Troms relatively early were dairying based on modern principles, and co-operative organisation. Two particularly competent farmers from Målselv -- Ole Haagensen from Bakkehaug and Ole Nilsen from Nordmo -- were employed by the Troms County Agricultural Improvement Organisation {Troms Landbruksselskap} in the late 1870's and early '80's, and they were central figures in the development of the dairy industry in the county. It was Nilsen who brought two dairywomen from Østerdal and Gudbrandsdal to his farm at Nordmo in 1915 to start a cheese-making dairy in Målselv. By around 1920 there was interest among the Målselv farmers for starting co-operative dairying, but despite the efforts of Nordmo and the county dairy inspector, it proved impossible to establish a single organisation and dairy plant for the district, which at that time was divided

¹⁸³ Two large ring binders containing copies of documents and newspaper cuttings were kindly lent to me in 1994--95 by Øyvind Frihetsli, one of the leaders of the campaign against closure.

into several municipalities. Thus two dairies -- Trangen Cheese Dairy (Trangen Ysteri) and Målselv Co-operative Dairy {Målselv Andelsmeieri} at Bakkehaug -- were established in the upper Målselv valley only 7 km apart, with a third -- Lower Målselv Co-operative Cheese Dairy {Nedre Målselv Andelsysteri} down-river at Olsborg. Despite repeated attempts to achieve a merger, involving the regional agricultural advisory officials, these continued as separate co-ops until the Bakkehaug plant burnt down in 1946. This gave the state dairy advisor a new opportunity to bring up the question of a single co-op for the Målselv district, and he succeeded in getting the boards of the three dairy co-ops to meet to discuss it. These agreed on a merger plan, but when a committee had made recommendations on the siting of the plant -- presumably at Bakkehaug -- the annual meeting of the Lower Målselv co-op voted against merger. The two co-ops from upper Målselv then went ahead and merged, building a new plant at Bakkehaug which opened in 1949. The Milk Board for Troms continued the Dairy Advisor's attempts to bring Lower Målselv (re-named Olsborg) into the new co-op, but to no avail.

By the mid 1950's, the Milk Board had begun to raise its sights and look at the possibility of mergers encompassing larger districts. It contacted the boards of all the dairies in Mid-Troms except Finnsnes (Nilsen does not explain this seemingly odd omission), but the response was so poor that the matter was taken no further at the time. In 1963, a committee appointed by the Milk Board to examine 'dried milk and rationalisation' succeeded in setting up a working group with representatives from the five dairy co-ops in inner Troms, with a mandate to examine the possibility of merger. The working group was convinced from the start that a merger was desirable in the long term, but before its job was completed, the Olsborg co-op brought up the issue at its 1964 a.g.m., which threw out the tentative merger plan. The working group resigned as a result. However, the Milk Board persisted, and a new working group was nominated in 1966. Finnsnes Dairy was subsequently included in the merger discussion. Again a merger was recommended, and in 1969 the proposals of the working group were sent out to the 6 co-ops involved. Once more, however, the plans fell through. The a.g.m. of Finnsnes turned down a merger under the terms proposed, while the Olsborg members decided instead to close their plant and join the neighbouring Balsfjord co-op. The continuing efforts of the Milk Board finally bore fruit, and in 1974 a merger with Bardu and Salangen co-ops was unanimously approved at the a.g.m. of Målselv Dairy. It may be significant that the managing director of 43 years' standing had retired the previous year.¹⁸⁴ In Salangen, only 2 members voted against merger; while in Bardu there was substantial opposition, but the majority in favour was sufficiently large. In 1976 the product of the merger, *Midt-Troms Meieri*, was formally established.

Pressure to 'rationalise' dairy structure in the central part of Troms County began to come from 'above' through the national corporative regime. In 1979 Midt-Troms Meieri planned to make necessary improvements to the Bakkehaug plant, and applied for a grant and loan from the state development agency DU. Following normal procedures, the application had to be sent first to SFR for approval there. Two members of SFR called for the postponement of a decision, on the grounds that it was time to consider concentrating fresh milk processing and packing in the district in a single plant (SFR document 81/79). With majority support, the application proceeded further. However, a letter from the Department of Agriculture (dated 6.3.80, and signed by director Almar Sagelvmo) makes clear that no further public financial assistance should be given to dairy plants in the district before '*coordination of the operation of the two dairies*' was evaluated. The letter tells that the Department had taken the initiative

¹⁸⁴ Cf. the claims in Part 3 that mergers were hindered by strong managers.

'with the approval of the dairy industry organisations' to ask the two dairies involved to evaluate 'co-operation to make best possible use of the dairy plants in the district.' However, claiming that 'there seems to be broad agreement on the need for such an evaluation in the longer term', the Department concedes that 'the time does not yet seem ripe for such an evaluation.' as the Midt-Troms merger was still quite recent.

In 1983 the a.g.m. of *Midt-Troms Meieri* voted by a large majority to join with 12 other co-ops in Troms and Nordland counties, to form the regional dairy Meieriet Nord (cf. previous Section). To begin with, the organisation of members at local level remained unchanged, with Målselv having its own division and management committee with responsibility for the Bakkehaug dairy plant. In the first phase of production re-structuring following the merger, the dairy plant at Bardu was closed and its member division merged with the Målselv one into a new Bakkehaug division, with a membership of 115 in 1987.

In 1989¹⁸⁵ Bakkehaug employed 17 people and received 7, 3M litres of milk from 121 member-suppliers, processing and packing a total of 3, 9M litres of fresh milk. The accounts for the division showed a balance of kr 1, 4M.

The closure process

In 1987 the board of M. Nord turned its attention to the production structure in the adjacent Mid Troms and Ofoten districts as a whole. A draft structure plan was drawn up by a sub-committee and sent out in the autumn of 1988 to the member divisions for discussion. It involved the closure of the ageing plant at Bakkehaug, with the milk from Bardu and Målselv being transferred to the Finnsnes plant, which was more modern and had surplus capacity. The draft was sent to NML and SFR according to normal procedures, and at a meeting on 27th October 1988 the plan was unanimously approved by the latter.¹⁸⁶ Though SFR drew attention to certain weaknesses in the calculations in the draft, and asked to be kept informed of developments by Meieriet Nord, the fact that the decision was unanimous indicates that the co-op had a particularly strong case in economic terms.

The Bakkehaug management committee convened local consultative member meetings in October, and then prepared a lengthy draft submission which rejected the planned closure. Alternative figures were presented, indicating that the savings made by closing the plant would be much less than those calculated by the planning committee of Meieriet Nord. Funds were requested to carry out a cost study of two alternatives: expanding Bakkehaug, and building a new centrally-located plant for the whole of the Mid-Troms district. The divisional committee also suggested that the Bakkehaug plant could specialise in soured milk products. In addition to the economic arguments, the Bakkehaug committee wrote:

'We, as farmers, cannot be indifferent to the loss of jobs at Bakkehaug or elsewhere in the district. One of the reasons that we farmers receive support through the Agricultural Support Agreement is that we are supposed to help to maintain rural population levels . . . We as farmers cannot accept this [centralisation of processing with the help of state support]. We will lose credibility in the eyes of the rest of society.'

The divisional committee put forward its draft submission to an extraordinary divisional a.g.m. on November 28th 1988. The board and management of Meieriet Nord were clearly

¹⁸⁵ Cf. Meieriet Nord: Annual Report.

¹⁸⁶ SFR document 27/88.

determined to convince the Bakkehaug members that their local plant should close; and they turned up in force with 6 board members including the chairman, along with the m.d.[managing director]. 57 local members turned up, of whom 44 were from Målselv. Not all supported the draft submission, but the local committee received a vote of confidence to continue its work in preparing alternatives to closure, and the meeting voted to ask for a year's postponement of the time limit for submissions. A sizeable majority also voted to ask the board for funds to finance an analysis of the various alternatives for dairy structure in the district, not only in terms of costs and benefit to members, but also showing the wider consequences for the rural communities.

The Bakkehaug division was in a minority in its rejection of the draft structure plan, however: it was approved by all three neighbouring divisional committees, and a majority of other divisions.¹⁸⁷ The Balsfjord committee went even further and proposed the closure of the Finnsnes plant as well, with all milk from the Midt-Troms district going to its own large, modern plant at Storsteinnes. This suggestion had by no means full support in the division, however. It was denounced as *'egoistic and short-sighted'* by 43 members (representing 24 farms) in a letter published in the local newspaper.¹⁸⁸ Under the heading *'Cannibalism among Balsfjord Farmers'* these members appealed to colleagues in the Balsfjord and Tromsø divisions to look at agriculture and the co-operatives in a wider perspective rather than making decisions on the basis of *'narrow business economic considerations'*, adding (in heavy type) *'We support all farmers and dairy workers who are fighting to keep their dairies!'*

One particularly outspoken campaigner against the closure, Øyvind Frihetsli from Dividalen, appealed in the press to the minister of agriculture to *'stop the madness'* of *'the dairy demolition'* in Troms.¹⁸⁹ A fund proposed by the dairy federation NML, for creating new activity in closed-down dairies was contemptuously dismissed as a *'Judas fund'* by Frihetsli, who blamed the widespread closure of dairies on the centralisation of power in the federation. The appeal cut no ice with the minister of agriculture, Gunnhild Øyangeren of the Labour government, who (according to the newspaper report) placed responsibility firmly on the co-ops and their members.¹⁹⁰

The chairman of Meieriet Nord, Arne Nordgård from Tromsø, was clearly annoyed by Frihetsli's accusations, and responded with a statement to the same paper.¹⁹¹ Pointing out that Meieriet Nord was at the bottom of the national milk price table, Nordgård is quoted as saying:

'We cannot belong to a big collectivity of dairy farmers from the whole country and demand equal milk prices for all without ourselves being prepared to examine our own organisation . . . The others in the Norwegian dairy industry will not understand if we do not do all we can to improve our own situation . . . We have a duty to ourselves but also to the rest of society to look after resources in the best possible way . . . We have had similar cases [of protests] throughout the country, but the fact is that we don't take the milk to the dairies by horse and cart any longer. The small dairies were built for other times. They wore out the plants to the last nail to keep production going. Had Meieriet Nord not been formed, the dairy industry in the region would have faced great problems.'

I shall return to the important issue of capital investment raised here by Nordgård.

¹⁸⁷ Cf. Meieriet Nord, report dated 17.03.89.

¹⁸⁸ *Nye Troms* 7.01.89.

¹⁸⁹ *Nordlys* 19.12.88, Olsen.

¹⁹⁰ *Nordlys* 20.12.88, Olsen.

¹⁹¹ *Nordlys* 22.12.88, Olsen.

The campaign against closure was formalised by the formation of an action group, based on the local branches of the farmers' unions and the local council of trades unions. In a letter to the board of Meieriet Nord,¹⁹² the group expressed concern that the co-op chairman's statement quoted above implied that the closure was a foregone conclusion. Referring to the 'myth' that the closure of dairies leads to better prices for the farmer, the letter continues: *'Agriculture is obliged to take care of conflicting goals, whether we like it or not. Were it to be purely a matter of private economic goals, milk production in Northern Norway would cease immediately! We must also think in terms of maintaining the rural population, jobs, contingency planning, and environmental conservation in the widest sense.'*

Around the same time, the group held a press conference and stated its three main reasons for opposing the closure:¹⁹³

- loss of service to the farmers
- loss of 14 jobs to the municipality
- closure was unwarranted in business economic terms.

On 17th February 1989 over 100 people attended a public meeting in Målselv to protest at the closure, with leaders of Meieriet Nord present. The meeting was addressed by Ståle Støen, a farmer from Folldal, who represented *Norsk forum for meieribevarelse*, a national organisation to campaign against dairy closures. At the meeting and afterwards, a range of political parties (SV, SP, KrF, Venstre) and the local consumer co-op confirmed their support for the campaign, and it also had the support of the Målselv municipal council. The action group send an appeal from the meeting to the board of Meieriet Nord, with a copy to SFR, but neither of these regarded it as giving grounds for reconsidering their earlier decisions.¹⁹⁴

On 25th April 1989 the representative council [råd] of Meieriet Nord approved by a majority vote the board's recommendations on production structure in Mid-Troms, including the closure of Bakkehaug. The recommendations were then put to the a.g.m. a few days later, which was attended by 70 delegates. After a long debate, and after a motion of postponement was defeated, the board's recommendations were approved, with only 17 delegates voting against.¹⁹⁵ In February 1990 the board set the date for the closure of Bakkehaug to March 1st 1992. On 9th May 1990 a prominent Labour Party politician from Målselv, William Engseth, raised the closure in parliament in the form of a question to the minister of agriculture, then Anne Vik of the Centre Party.¹⁹⁶ Engseth requested the minister if she would contact Meieriet Nord and ask the co-op to reconsider its decision. The minister replied by referring to SFR's unanimous approval of the structure plan. Like the minister who both preceded and followed her, Gunnhild Øyangen of the Labour Party, Vik refused to intervene.

The action group, together with colleagues from elsewhere in Troms, convened a conference on dairy rationalisation and closure at Storsteinnes on September 29th 1990. Speakers included the Minister of Agriculture (still Anne Vik of the Centre Party), leaders from the dairy federation and the farmers' unions, and Professor Per Ove Røkholt from the Norwegian College of Agricultural Sciencr (NLH). Røkholt is cited as warning against the destructive potential of '*dictatorship by the majority*' where the views of a stable minority were

¹⁹² Dated 25.01.89.

¹⁹³ *Harstad Tidende*, 28.01.89.

¹⁹⁴ SFR document 13/89.

¹⁹⁵ Cf. *Meieriet Nord*: Annual Report for 1989.

¹⁹⁶ Stortingets spørretime 09.05.90, spørsmål 20

consistently ignored, and as advising the leaders of Meieriet Nord to enter into a dialogue with the opposition. However, there was no question of compromise for the co-op leaders: dairy federation chairman Jens Frogner defended the re-structuring policies, and the m.d. of Meieriet Nord defended the closure of Bakkehaug, supported by the chairman of Bondelaget in Troms, Jens Olav Løvlid from Balsfjord. The Minister of Agriculture again made clear that she would not interfere with the internal affairs of the farmers' co-ops, and that the processing sector had to rationalise and reduce costs.¹⁹⁷

The local action group did not give up, and continued to write to the press and to Meieriet Nord. The Målselv municipal council financed an analysis of the consequences of the plant closure on the local economy and agricultural sector, which was carried out by the research institute FORUT¹⁹⁸ (Aanesen and Utstøl 1991). The report pointed to a number of negative consequences, and Målselv municipal council (document 437/91) sent a copy to SFR, asking the latter to re-consider its conclusion. However, it became increasingly apparent that the campaign to save Bakkehaug had no chance of success, and as the closure date approached only a small 'hard core' of active protesters was left. The plant closed in 1992, as scheduled.

General issues raised by Målselv/ Bakkehaug and its closure

The case of Målselv/Bakkehaug exemplifies at individual co-op level the developments in Northern Norway outlined in the previous section. In the beginning, local rivalries prevented the establishment of a 'rational' structure of organisation and production until closer organisational integration was achieved, first through the milk board regime and subsequently through regional merger. The decision-making structure of the regional dairies lifted plant closures out of emotive local fora into the comparatively cool climate of central board meetings, where impartial economic expertise and instrumental rationality dominated the debate.

Although more protracted and intense than most, the dispute over the closure of Bakkehaug has typical features, as I hope to show through further examples. There is a lack of dialogue. Though both sides speak of wider responsibilities, one is talking about local communities, environment and rural employment, while the other speaks in terms of milk price, the economy, and the national collectivity of farmers. These general lines of argument will be enlarged on in Part 5.

By contrast to the official 'enlightenment' version of the structural concentration process, the latter part of the story of Målselv/Bakkehaug as presented here is a narrative of the type *'brave but hopeless struggle of the small and weak against the big and powerful'*. Both the selection of documents and press reports -- by the local action group -- and the press reports themselves are structured in this way. As I believe both earlier chapters and Nilsen's account bring out the case for re-structuring in general sufficiently clearly, I have not sought out additional data on the particular grounds for selecting Bakkehaug for closure, beyond SFR's documents on the case which sum up the economic position. Altogether, then, the form of presentation may give the impression of bias, as in the preceding section. I hope this will be rectified to some extent by the more balanced presentation of arguments in Part 5.

¹⁹⁷ Nordlys 1.10.90: Aspen; Nye Troms 2.10.90: Løvland.

¹⁹⁸ Now NORUT Social Science Research.

The significance of the national corporative regime to re-structuring issues is illustrated by the active role played by the Department of Agriculture in promoting structural concentration in the late 1970's. In Nilsen's account of developments in the Salten district in the previous section, it was also stated that the Department had initiated a review of dairy structure. Today, such direct state intervention in co-op structure is unthinkable, as the only legitimate instrument of state governance is now financial constraints. It is also questionable whether the Department would have taken these initiatives at the time without being asked to by the Federation. At any event, the letter cited (on the structure of Midt-Troms Meieri in 1980) showed clearly that there was close collaboration.

A common myth about the re-structuring disputes in the regional co-ops is that farmers are in favour of closures generally but not when it comes to their own plants -- in other words, opposition to closures is an expression of parochialism, or locally-based collective egoism. Though indeed the Bakkehaug division did not get very much support from others through the formal democratic channels, the letter from members in Balsfjord indicates that, at least at 'grass-root' level, there exists principled opposition to closures. As the decision-making process on regional structure is structured as a 'zero-sum' game with winners and losers, it is only to be expected that those area representatives identified as 'winners' should refrain from jeopardising the position of their own local plants. To reject the 'rules of the game' of regional structure planning logically means rejecting the terms of the regional merger, which is the strategy arrived at by the protestors at the Bakkehaug closure. A case where protestors attempted to revoke the merger in the courts will be presented later (Section 5.6).

Before leaving the regional co-op Meieriet Nord, I would like to examine briefly an important claim, formulated as a general statement of fact applying at least to the region. This is the sweeping assertion, attributed to co-op chairman Arne Nordgård, that the small dairies '*wore out the plants to the last nail*': in other words, that they failed to invest in essential maintenance and renewal. The implication is that they fell for the temptation of awarding themselves a higher product price than that allowed by good co-op business practice.¹⁹⁹ In the absence of data on this matter, let us for the sake of argument assume that the claim is not without foundation, as Nordgård undoubtedly had knowledge of the pre-merger finances of the co-ops. Can we conclude -- as the statement implicitly invites us to -- that the small co-ops were weakly managed, with short-sighted and opportunistic members?

Firstly, it must be borne in mind that the question of mergers had been 'in the air' at least since the early 1970's for many if not most of the co-ops. If the latter were convinced that a merger sooner or later was inevitable, this would have effectively promoted short-term thinking, presenting them with a disincentive against following good financial practices and making sacrifices for the future. This would have applied particularly to the smallest co-ops. Secondly, it is plain from Nilsen's history and other sources that the converse sin of over-investment -- the building of capacity substantially in excess of needs -- occurred and spilled over into the regional co-ops, leaving them with a debt burden at a time when further expansion of primary milk production was curtailed. Such over-investment, like under-investment, can be interpreted as a pre-merger strategy, with the co-ops who built new plants banking on taking over the milk from neighbouring co-ops and spreading the debt among more members. As the money had to be borrowed, and the investments approved at both regional and national level, it is tempting to speculate as to whether opportunism of this type may have been encouraged somewhere in the system.

¹⁹⁹ The balance between re-investment and produce price is a well-known problem for co-ops (Begg 1992), just as the balance between re-investment and dividend is for capital-controlled companies.

The implication of the above is that a situation of instability and uncertainty of organisational structure, created largely by the dairy federation's and milk boards' policies of concentration, stimulated short-term strategic thinking in the co-ops. This in turn promoted under-investment in some cases, and over-investment in others -- neither of which were sound long-term business strategies, either for the individual co-op or the co-ops as a whole. However, over-investment paid off in at least some cases, as it gave the regional co-ops a strong incentive to keep the large modern plants, and close down the others -- both those which had suffered from under-investment, and those which had been maintained at an adequate capacity and standard.

From a case of merger and closure, we will move in the following section to one of a small rural co-op which has maintained its autonomy and its production.

4.3

Vikedal - the last of the rural local co-ops



During the period of the present study, the number of autonomous local dairy co-ops has been reduced to two, of which Vikedal Meieri in South-Western Norway is the only rural one. I have therefore chosen it as a case to contrast with the merger and closure stories of the preceding, and some following, Sections. My sources are a short official history of the co-op (Bergsåker 1989), annual reports and other documents supplied by co-op management, and first-hand impressions and interviews (November 1996). As a year and a half have passed between my visit and final editing of this manuscript, I re-phrase my observations in the past tense.

Vikedal lies on Vindafjord in the north of Rogaland, close to the county boundary with Hordaland. The valley above Vikedal village is fertile, but the farms in the area are small, typical of the West coast -- by contrast with the large and prosperous farms of lowland Jæren which give Rogaland its high status among the farming regions of Norway. In 1995 the dairy received a total of 5, 27M litres of milk (plus just over 1 ton of farm butter), from 91 producer-members: an average of 57,900 litres of liquid milk, with only 7 members producing 100,000 litres or over. The dairy plant employed 10 people full-time plus a part-time driver -- a significant number in a small community where employment is otherwise confined to the primary and tertiary sectors.

Vikedal has a 'niche' product -- 'Port Salut', a French cheese adapted for the Norwegian market, with a milder taste than the original. It produces the entire requirements of the market nationally -- just under 280 tons in 1995. Since 1977 this has been the sole product from Vikedal, so that milk and cream surplus to requirements are sent westwards to the Haugesund dairy. The production plant has been expanded and modernised considerably over the years. The managing director whom I met on my visit -- Kjell Rønnevik, who ran the plant from 1958 until he retired in 1997 -- expressed satisfaction that he had maintained a good balance between the financial requirements of the dairy and the co-operative goal of giving members as good a price as possible for their products. The sparsely furnished and equipped offices, built in 1940, bore witness to a policy of frugality and a spirit of ascetism; and the

organisation appeared 'slim' and flexible, with the m.d. frequently helping out on the factory floor like a traditional small business owner. In fact, the title of m.d., adopted by his colleagues in the larger co-ops, was shunned by Rønnevik, who kept the traditional title of 'dairy manager' [*meieribestyrer*].

Vikedal is surrounded by four other dairy plants, belonging to the two large regional co-ops Tine Meieriet Sør²⁰⁰ (based in Stavanger to the south) and Vestlandsmeieriet (based in Bergen to the north). The former took over Haugesund in 1996, and also has Finnøy in Boknafjorden [the Bokna Fjord] near Stavanger; while Vestlandsmeieriet has Etne in southern Hordaland, and Sand in Rogaland. To planners used to drawing neat 'rational' boundaries on the map, this district must be a source of great irritation. While the territory of Tine Meieriet Sør now stretches as far north-west as Haugesund, that of Vestlandsmeieriet extends into Rogaland as far as Sand, south-east of Vikedal. The north-western 'horn' of Tine Meieriet Sør and the south-eastern 'tail' of Vestlandsmeieriet thus bend around the catchment area of Vikedal. On the dairy federation's map dividing Norway into 5 dairy regions - the territories of the planned 5 regional co-ops of the 'phase 2' mergers -- boundaries are drawn with smoothly curving lines everywhere in the country but here. The boundary between the Western and Southern regions takes a sharp bend northwards between Sand and the island of Finnøy, and then bends westwards again in a right angle to come between Vikedal and Etne, before meeting the coast north of Haugesund. The new regional boundary deviates from the earlier milk board one, which went through Boknafjorden well south of Vikedal.

Dairy industry structure in general cannot be adequately understood without a knowledge of both historical developments and product specialisation, and this is particularly so in the district around Vikedal. Apart from Etne which has only liquid milk and cream, which are also produced by Haugesund, the five dairies in this area have their own special products, including four different white cheeses. They have been able to co-exist due to this division of production, together with the high concentration of dairy farms in the district and the extremely complex topography of fjords and islands. There is some overlap between the Vikedal co-op 'catchment area' and those of its neighbours, for reasons of history (see below). Most of Vikedal's milk comes however from a relatively compact area, so that transport costs for collection are low compared to other dairies in the region.

Though there has been a co-operatively-owned dairy in Vikedal since 1914, the present co-op is the product of two mergers, and the dissolution of one of them, with neighbouring small co-ops; and it has withstood repeated attempts at 'take-over' by larger co-ops. Bergsaker (1989: 15) writes that it was the regional milk board in Bergen which took the initiative which led to the dairy farmers in Sandeid and Vats becoming members of the Vikedal co-op in the period 1938--1940. It is unclear whether Sandeid had previously had its own co-op, and what brought the farmers of Vats to give up theirs. In 1946, in the wave of dairy renewal and expansion following World War Two, the board of the Vikedal co-op asked the regional Dairy Advisor to produce a plan for a new production plant. Around the same time, the Bergen Dairy co-op (Bergensmeieriet) had taken over nearby Ølen Dairy (now closed), and the question of Vikedal also merging was raised. That the initiative did not come from the latter seems clear, as when the merger with Bergen was put to the vote at the 1949 a.g.m., only one single member out of the 110 attending the meeting voted in favour (Bergsaker, op. cit.: 16). This display of unity among the membership was soon replaced by a deep split over the siting of the new production plant. The majority of members voted in 1952 for the

²⁰⁰ Formerly Rogalandsmeieriet, with headquarters at Klepp in Jæren.

building of a new plant at Sandeid rather than extending and modernising the existing one at Vikedal; and after a long dispute involving a court case, Vikedal became re-established as an independent co-op, with a membership mainly -- but not exclusively -- from Vikedal itself. A new plant was built at Sandeid, while some of the members from Vats joined Bergensmeieriet [the Bergen dairy co-op], sending their milk to Ølen. The Vikedal co-op expanded its milk quantity and membership once more in 1970 when it merged with the neighbouring dairy co-op based in the industrial town of Sauda, which had purely liquid milk production. The two dairies had been co-operating since 1960 to match supply of fresh milk to demand.

In the period 1983--85, in the previous wave of regional amalgamations, the question of the Vikedal members giving up their independence and joining Vestlandsmeieriet was raised several times. Though the majority was narrow, members voted to keep their own co-op. They may have been encouraged to do so by the fact that neighbouring Haugesund also remained independent. One of the arguments against merging was that Vikedal belonged to Rogaland and should rather merge with Rogalandsmeieriet. This may have been motivated by milk price, but it may also have been a strategic bluff, in the knowledge that the farmers in the main part of Rogaland were not particularly interested in expanding their co-op into the rugged lands north of Boknafjorden, where farms are small and scattered, and transport costs are relatively high.

In recent years, since the new regional boundaries were established, pressure has been mounting for Vikedal to amalgamate -- first with Rogalandsmeieriet, and then with the latter and Meieriet Sør, to form the new Southern regional dairy co-op. The majority of members are still sceptical about a merger, as they have a successful dairy of which they are proud, and a good milk price. Board chairman Magne Hundseid speaks for these: he sees little advantage in merging, but a lot of disadvantages. In particular, the aim of concentrating production in fewer and larger plants may well threaten the future of the Vikedal dairy, even though there are virtually no economies of scale to be gained by moving its specialised production elsewhere. However, the present drive towards regionalisation, like the previous one in the early '80's, is bringing with it a fear of being 'left behind'. One Vikedal farmer who now supports a merger²⁰¹ explains that he would have liked Vikedal to remain independent were it not for the long-term uncertainty involved in remaining outside the new big co-ops, particularly with regard to product sales. At present his is virtually a lone voice in Vikedal itself, and according to the chairman the minority of members who are now in favour of amalgamation are mainly from around Sauda. Unlike the Vikedal farmers, these do not have the commitment associated with a local production plant in a small community.

An example of the kind of discursive pressure brought to bear on the Vikedal co-op to bring it 'into the fold' of the new regional co-ops was an article in a newsletter sent out to all members in the Southern Region of the dairy co-op federation.²⁰² Under the headline '*New progress towards merger to regional company*', accompanied by a photograph of the three chairmen of the co-ops involved, the message is that the co-ops are now well on their way towards merging. The article is a selective account of a two-day conference about the merger plans, attended by the board members from the three co-ops. Arguments for merger are summarised, while counter-arguments are not mentioned; and it is stated that the three boards will recommend the merger to their members. The message is presented in a highly professionally produced medium, with high quality colour printing. This slick and costly

²⁰¹ Cf. interview.

²⁰² *Nytt frå Region Sør*, nr. 2 - 1996.

presentation contrasts sharply with that of the response from the Vikedal co-op, typed on a conventional typewriter and copied on a well-used photocopier which gives a functional but aesthetically unappealing result. Copies have been sent to the other participating co-ops, and to the regional press who had accepted and published in good faith what had been said in the newsletter. Signed by the chairman, the letter points out politely that the board has been misquoted: it has never been stated that it will recommend the merger.

The 'survival' of Vikedal against the odds can be attributed to several factors. Its strategic position on the border between regions is one, and the complex topography of the district is another. These by themselves are not sufficient though. Vikedal also has had a good product with its own market 'niche', a strong community spirit among the majority of members, and a committed managing director who has combined technical, business and -- not least -- organisational skills. The work-force is characterised as skilful and highly motivated by the m.d. and chairman. The dairy produces results that appear to satisfy the majority of co-op members, and which make a positive contribution to the collective economy of Norske Meierier. Thus situational factors have been exploited by members and employees, whose combined efforts have so far kept Vikedal on the map.

On the other side, the case of Vikedal shows that the inclusion of several separate communities in a single co-op can cause tensions. It is not hard to see that such local tensions can lead to a lack of solidarity on the part of some of the members (i.e. those from communities other than that where the dairy plant is situated).

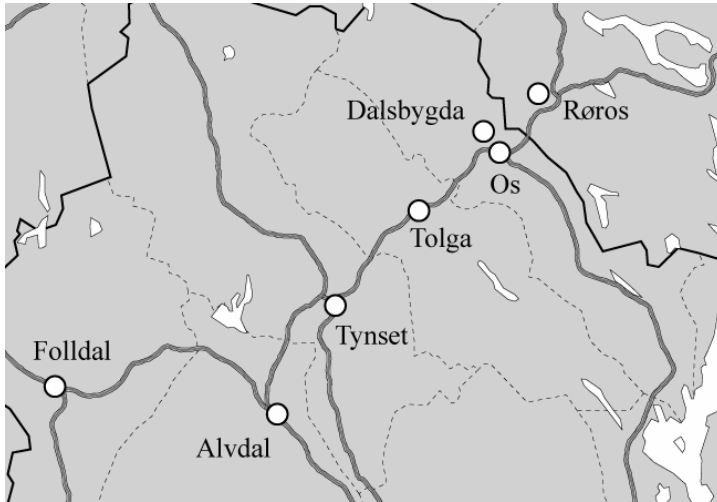
Though the case of Vikedal is special, it also has typical elements, in that the present co-op is the product of a merger, and has been encouraged by successive regimes to amalgamate with larger co-ops. As in the cases of the larger Harstad and Sandnessjøen co-ops in the North which merged with Meieriet Nord in 1995, the 'encouragement' to merge has come increasingly to resemble pressure from 'above'.²⁰³

The following case also concerns a successful struggle by co-op members to retain their co-op's autonomy and their local plant, studied around 1970.

²⁰³ I have been told of such pressure by former board and representative council members of these two local co-ops (interviews 1995).

4.4

The Alvdal plant and planned structural concentration in Nord-Østerdal



Dairy co-operatives in the Nord-Østerdal [Northern Østerdal] district, in the north-east of the Østlandet region, have a long history. It was here, in Rausjødalen (in Tolga municipality), that the first co-operative cheese-making project in Norway was initiated in 1856 (cf. Section 3.1). Leaving the earlier history aside, Section 4.4 takes a brief look at dairy plant re-structuring in the district, focusing mainly on the decade 1985--95. (cf Olav Randen's version of dairy re-structuring in the introduction). My main source is Jorunn Reitan's study (Reitan 1993), supplemented by the history of one of the dairy co-ops, Alvdal, (Thorleifsen and others 1996) together with some press reports, particularly from around the time of the re-opening of Alvdal Dairy in 1996.

Like its counterpart in Northern Norway, the Milk Board for the Østlandet region was an active promoter of re-structuring in the post-war period. Thorleifsen (1996: 63) writes that the first attempt at dairy structural concentration in the Nord-Østerdal district appears to have been in 1947, when the Milk Board invited the co-ops in the district to a meeting to discuss building a central dairy, located at Tynset. He notes that the board of the Alvdal co-op did not find it worthwhile attending, and the idea does not seem to have been taken any further. Then in 1966 the Milk Board appointed a committee to make a rationalisation plan for the Nord-Østerdal district. The plan, produced in 1968, recommended that the six existing co-ops should be merged into three '*economically independent areas*'. Though the co-ops did not merge, other recommendations of the committee were followed up: the dairy plants became specialised, and the treatment and packaging of fresh milk was overtaken by Røros Dairy, just outside the district to the north. Three of the dairies -- Alvdal, Dalsbygda and Folldal -- specialised in whey cheese, and two -- Tolga and Tynset -- in butter, while the one at Os continued producing both.

The regional dairy co-op Østlandsmeieriet was founded in 1984 through the merger of 31 co-ops which had belonged to the Milk Board for Østlandet. As in Northern Norway, there were

several competing views about the number and extent of regional dairies, but the final decision was made by SFR. The new regional co-op lost no time in initiating a review of structure, and in 1985 the board of Østlandsmeierietan appointed an 'Overall Plan' committee and six 'area committees' -- including one for Nord-Østerdal -- for the task (Reitan 1993: 92). The area committees were composed of two representatives for the farmer-members, two for the employees, and two plant managers. They were administered by a group of three representatives from NML, Norske Meierier, and the head office of Østlandsmeieriet. The Overall Plan committee had one farmer-member representative from each of the area committees, two 'professional specialists' from outside the co-op's area, and a secretariat consisting of two more 'professional specialists', from Østlandsmeieriet and Norske Meierier (op. cit.). A parameter which considerably limited the possibilities open to the committees was NML's national production plan and policy (op. cit.: 100; NM/NML annual reports) which included re-locating whey cheese production to areas where whey was available as a by-product of white cheese production.

The planning process was carried out in two stages: the area committees submitted their reports to the Overall Plan committee, which then prepared a draft plan. This was sent out to the local divisions in 1987, along with the respective area plans. For Nord-Østerdal, the area committee recommended²⁰⁴ closure of the plants at Dalsbygda, Os, Tolga and Tynset, continued production of whey cheese in Alvdal and Folldal, and the building of a new plant for white cheese and butter production at the northern end of the area to replace the four plants which were to close. Reasons given for such a drastic re-structuring were the relatively small size and/or age of the plants, and the fairly short distances between them, together with the declining whey cheese production quota allocated to the co-op (op. cit.: 109). The introduction of white cheese production to the area was a strategy not only to compensate for reduced whey cheese production quotas, but also to halt their decline in line with the policy of Norske Meierier referred to above.

The Overall Plan committee recommended the cheaper alternative of expanding Alvdal rather than building a new plant further north, and the closure of all five other plants in the district. Reitan (op. cit.: 93) notes that of the 6 divisions involved, only Alvdal approved of the plan, while in the others there was a majority vote in favour of the area committee's recommendation. The board of Østlandsmeieriet then proposed to amend the overall plan in accordance with the latter. When NML received the plan, it expressed disapproval of this amendment, pointing to the extra cost involved in building a new plant compared with expanding Alvdal. Reidar Grønningen, who was involved as a senior member of the technical staff of Norske Meierier in planning the expansion of Alvdal as proposed by the Overall Plan, is quoted²⁰⁵ as commenting some years later that *'a firm which has lived for years without having to comply with optimal economic operation could allow itself to build such a plant.'* Reitan (op. cit.: 112) writes that *'The grass roots in Nord-Østerdal went against the placement in Alvdal, the most optimal solution according to business economics, and gained the support of the board'*. At the divisional meetings, members emphasised that they wished to have a nearby plant and to secure local dairy jobs. As the majority of the members were located in Tynset municipality and further north, the recommendations of the area committee appear to have been a compromise in terms of both location and concentration (Reitan, op. cit.: 104). Though the co-op board expressed concern for the maintainance of employment in rural areas, its support for the members' wishes was motivated mainly by considerations of

²⁰⁴ By a 4:2 majority (Thorleifsen, op. cit.: 64).

²⁰⁵ Hamar Arbeiderbladet, 22.01.96. Grønningen was by this time employed by Synnøve Finden a.s. (see later in this section).

efficiency, according to Reitan (op. cit.:102). Tolga was more central than Alvdal for the district as a whole, and a completely new building on the proposed site allowed a more rational design than the extension of an existing one.

Thus the board of Østlandsmeieriet stuck to its decision, and obtained the approval of the a.g.m. in 1988 to implement the amended plan, with the new plant being located at Tolga, some distance from the old one. The scheme soon hit more obstacles, however. In 1987, when the plan was originally drafted, obtaining a quota for white cheese production does not seem to have been regarded as a problem. By 1990 the situation had changed: it was clear that a down-turn in exports was likely to bring about a reduction in total white cheese sales, and that no new production quotas would therefore be forthcoming (Reitan, op. cit.: 91). With the building of the plant already under way, changes had to be made, and the plant was adapted for the production of new products, ice cream concentrate and acid casein {syrekasein}. This brought extra costs, but the changes were backed by a large majority of the co-op's council of representatives (Thorleifsen op. cit.: 65).

Only a few years later, Østlandsmeieriet began a new structure planning process, following the same procedure. The composition of the committees was slightly different: this time, the area committees were represented in the Overall Plan committee by their chairmen; and all the committees had the same secretariat, consisting of three members of the management of Østlandsmeieriet and one representative from Norske Meierier. The draft plans were submitted in 1992, and this time the recommendations for Nord-Østerdal in the Overall Plan did not differ substantially from those in the area plan. Dairy production in the district was to be concentrated in Tolga in the long term, with the Alvdal and Folldal plants being kept going for an interim period. Reitan (op. cit.: 95) notes that in the Os, Tolga and Tynset divisions members showed little interest in the plan, while in Alvdal and Folldal there was opposition. The same year, Østlandsmeieriet decided to apply for a whey cheese production quota for Tolga, and this made the closure of the Alvdal plant a virtual certainty. It was decided to keep production going in Folldal until its future was re-evaluated in 1994. The situation of Folldal was special, as the small community lost around 100 jobs in 1993 with the closure of a mine; and Reitan (op. cit.: 112) believes that this was taken into account in postponing closure. When the plan was sent to NML and Norske Meierier it was approved, except for the recommendation that whey cheese production should be transferred to existing plants producing this product rather than to Tolga. SFR agreed on the closure of Alvdal, but recommended that the future of Folldal should be assured by transferring the Alvdal whey cheese production quota to it.²⁰⁶ The final decision of the board of Østlandsmeieriet, ratified by the a.g.m. in 1993, was to follow the plan as modified by NML and Norske Meierier. The future of Folldal was left open, and Alvdal was to be closed by the end of 1994. The Alvdal division protested, with support from the municipal council, but to no avail.

The campaign to save the Alvdal plant was however successful, though not within the co-operative dairy industry. The small Oslo-based speciality cheese manufacturer, Synnøve Finden a.s., was planning to expand, encouraged by signals from the government that increased competition in the dairy sector was to be welcomed. With state support being available for establishing industry outside the main urban centres, and with a large number of plants being vacated by the dairy co-ops, the northern part of the Østlandet region was attractive; and Synnøve Finden first considered buying the plant at Vågå in Gudbrandsdalen, also due to close. The Alvdal division urged Østlandsmeieriet to offer the complete plant to

²⁰⁶ It is reasonable to assume that the case of Folldal had a good spokesman in SFR at the time: Ståle Støen from Folldal was the representative for Småbrukarlaget in the consultative body.

Synnøve Finden, with the municipal council doing what it could to encourage the potential new owner. The sale went through in 1995, but with the plant stripped of all machinery and electrical installations, in accordance with federation policy. In 1996, the production of white cheese commenced, with whey cheese production following in 1997. As Norske Meierier are supplying the raw milk, there have been knock-on effects extending to the Western region, to prevent a local shortage of milk.²⁰⁷

There was also an attempt by the co-op members in Os to re-start production in their much smaller plant after it closed in 1992, but it fared less well (SFR 1994). The local branch of the Farming Women's Association {*Bondekvinnelaget*} was already engaged in niche production of local dairy products. An approach was made to Østlandsmeieriet in March 1992 via the municipal development office {*næringssetaten*} about the possibility of taking over the plant and equipment in order to expand such production, which it was hoped could be carried out in co-operation with the regional dairy. The m.d. of the co-op replied politely, agreeing on the desirability of local niche production, and confirming that Østlandsmeieriet would be prepared to consider supplying raw milk.²⁰⁸ However, the letter made clear that the board had not welcomed the idea, and that Østlandsmeieriet required all the usable capital equipment for its other plants. This effectively killed off the plan for local dairy production. Nonetheless, the earlier members of the pre-merger Os Dairy and a few others formed a co-operative and bought back the plant for kr 350,000, setting up a petrol station and renting out the rest to a shop and various agriculture-related activities.

The efforts of the Os members -- or at least the senior segment of the membership -- indicate that they did not regard the new plant at Tolga as an adequate compensation for the loss of their own local one; and also that their motives for wishing to re-start production had more to do with community interests than personal economic ones. Similarly, the Alvdal members had no conceivable business-related motives -- at least in the short term -- for their involvement in the plant after closure.

The procedural details documented in Reitan's study are interesting, for they show that Østlandsmeieriet -- unlike Meieriet Nord -- took the planning process itself, and not just subsequent hearings, out to district level. It is also clear that federation advisors had a strong presence at both district and central levels. The change in composition of the committees in the second phase of planning would appear to have been aimed at avoiding the kind of disagreement that had occurred in the first phase between the Nord-Østerdal committee and the central one; and the strategy seems to have been effective.

The study also brings out the significance of production quotas as an instrument of governance in the co-operative dairy system. Whereas independent firms or co-ops would be constrained by the market in their choice of products and production volume levels, the federative Norwegian dairy co-ops are constrained by the mechanism of hierarchy, or central planning, which places a considerable amount of overall decision-making power over plant structure in the hands of Norske Meierier. On the other hand, the limitations in the power of the latter, as regards *detailed* planning within the jurisdiction of the co-ops, are also shown.

²⁰⁷ Since the summer of 1997 I have not followed developments in the strategic struggle between the co-op federation and Synnøve Finden over milk supply. The federation warned at an early stage that the supply of cheese from Alvdal was likely to have structural consequences for the co-ops producing similar products.

²⁰⁸ Letter dated 19.05.92, in SFR report (1994).

A central concern in Reitan's analysis is the extent to which the decision-making process was influenced by what she terms 'co-operative considerations' (*samvirkehensyn*) as opposed to pure business economics. These 'co-operative considerations' are defined (op. cit.: 112) as mainly consisting of concern about jobs and the importance of a local plant. As the decision to build the new Tolga plant was apparently seen as optimal in the long term by the co-op, Reitan concludes that the final decision on production structure seems to have been the result of a coalition whose partners had different motives but wished the same result. She also raises doubts as to whether co-ops can afford to take 'co-operative considerations' into account in the harsher economic climate prevailing in the 1990's; but nevertheless sees such considerations as having postponed the closure of Folldal. I find the term 'co-operative considerations' somewhat problematic in a scientific context. It was shown in Section 1.3 that the co-operative organisational model, and principles associated with it, may be interpreted in widely different ways. Thus, as Part 5 will confirm, 'co-operative considerations' is an ambiguous concept; and something like 'wider rural considerations' would be a more precise and appropriate term in an analytic context.

Terminology aside, however, Reitan's finding that the co-op took wider social considerations in the structure planning process is of considerable interest. Up to 1992, while the main part of the process was taking place, the co-op was still bound in principle by the state agricultural sector policy of the mid-1970's (St. meld. nr.14, 1976--77). By the time the second phase of the plan was passed by the co-op board, however, the co-ops' obligation to take account of the need for rural employment had been explicitly removed in the new government policy document (cf. Section 2.3). SFR still brought wider considerations into its deliberations, but these no longer had the force of government policy behind them. As we will see in Section 5.4, wider rural considerations are still a key element in the disputes over structural concentration in the late 1990's. Reitan's conclusion contrasts with the view of a highly critical member of the co-op, Olav Randen, whose condemnation of Østlandsmeieriet's '*dairy massacre*' including Alvdal was cited in Section 1.1, and from whom we will hear more in Part 5.

4.5

Singsås Meieri: a Marxian study of an unsuccessful attempted merger in the 1970's



The case of the Singsås dairy co-op in Sør-Trøndelag, studied by Reidar Almås in the early 1970's, represents a structural dispute at local level, before the regional mergers and centralised structure planning. It provides an interesting comparison with the recent cases, involving the latter, in the preceding and following sections. It combines the two types of structural dispute, as a merger would have involved the fairly immediate closure of the local plant. It is an example of a victory -- at least in the short term -- by local opponents of a merger.

The period concerned -- the early 1970's -- is also of particular interest (cf. Section 2.3). Dairy farming in outlying areas had entered a phase of rapid transformation by technological innovation. Farm quotas (the 'two-price system') had not yet 'frozen' dairy farm structure, and both entry into and expansion within the sub-sector were still possible. The expansive agricultural policies of the latter part of the decade were not yet on the horizon, and farm income levels were relatively low. 'Rural mobilisation' - related to the Norwegian EEC debate -- was on the increase.

As a piece of in-depth research at local level, Almås's study contrasts with and complements the present one. The Marxian materialist socio-economic approach adopted by Almås, together with the quantitative data on Singsås, provide a further contrast with the present study -- which is based on a more Weber-inspired approach and mainly qualitative data -- and complement it with valuable insights.

Singsås Dairy co-op in the county of Sør-Trøndelag was founded in 1930, the same year as the Trøndelag Milk Board, with the dairy plant located in the small settlement of Kotsøy in Midt-Gauldal [Mid-Gauldal, south of Trondheim]. Almås (op. cit.: 56) writes that in the initial phase, *'the farmers around Kotsøy put in great efforts, both ideologically, economically and in terms of labour.'* In the period from 1930 to 1951, the membership expanded in four

phases to include farmers from four neighbouring communities; though it is not clear whether some of these had previously had their own small local dairies. There were around 200 active supplier-members in the co-op in the early 1970's.

A crisis occurred in the co-op in the late 1960's, following the death of the co-op manager. Not only did parts of the dairy plant require renewal, but the technological innovation of tank collection of milk was becoming increasingly widespread on larger farms where it brought enormous savings in labour. Besides the problem of acquiring the necessary capital for both vehicles and farm storage tanks, a further hindrance to the introduction of tanker vehicles at Singsås was the narrow bridge they would have to cross to the dairy. Meanwhile, the large co-op Trøndermeieriet was nearing completion of its large new plant at Tunga in Trondheim, which -- in the normal fashion -- was built with generous reserve capacity. This was the situation when, according to Almås (op. cit.: 57), the director of the Trøndelag Milk Board was requested by the Singsås co-op board to draw up an analysis of the future operation of the co-op.

The report was presented at an extraordinary general meeting in March 1971, and -- 'not surprisingly', as Almås notes -- the Milk Board recommended that Singsås merge with Trøndermeieriet. A merger was calculated to bring a gain in milk price of at least kr 0.01 - 0.02, and possibly as much as kr 0.03-0.04 per liter (a significant amount), compared to what the co-op could manage if it remained independent. Though a number of members protested that the economic arguments in the report were difficult to follow and that they required critical professional evaluation, there was a small majority (65:59) in favour of a merger. In the few weeks between that meeting and the ordinary a.g.m., campaigns were organised by both sides; and the opponents of merger put forward an alternative proposal to enter a co-operative arrangement with a neighbouring small dairy, Soknedal. This alternative was approved by a small majority (88:82). Almås (op. cit.: 58) writes that the majority in April was due to the mobilisation of support from many passive members. A procedural motion at the a.g.m to disenfranchise the latter was defeated.

A lively debate ensued in the following summer and autumn, and the opponents of merger grew considerably in numbers. This time there was a genuine change of majority opinion among members. Almås (op. cit.: 58) links the debate to other contemporary ones in the municipality, and writes: *'The ideological climate in the municipality was marked by an awakening opposition towards centralisation and de-population.'* It has to be borne in mind here that the year was 1971 -- the year before the EEC referendum -- and the trend Almås describes was sweeping over the whole country. The majority against merger was conclusive (108:59) at an extraordinary general meeting in December 1971, even though the proposed co-operation with Soknedal had failed to materialise. However, the matter did not finish there. A large 'militant faction' of the supporters of merger, amounting to 75 members -- 23% of the total membership -- signed a joint application to leave the co-op (presumably in order to transfer to Trøndermeieriet). Almås (op. cit.: 59) points out the discrepancy between the numerical strength and corresponding formal influence of these on the one hand, and their economic strength and latent power on the other (cf. Section 2.3): they supplied 49% of the milk. The exit of these members would have been fatal for the co-op, and the 1972 a.g.m. refused to approve the application. However, as Almås was writing in 1973 there was a strong possibility that the dissatisfied group could still appeal to arbitration and have the decision over-ruled.²⁰⁹

²⁰⁹ Reidar Almås tells me (personal communication) that they remained in the co-op. The latter joined Trøndelag Meieri in the regional mergers of the early 1980's, and the plant was closed in 1987 (SFR report, 1994).

The merger debate was highly polarised between communities, with support for the merger being concentrated in Budal, a valley at the south-eastern end of the dairy's catchment area which had formerly been a separate municipality. 83% of the active supplier-members from Budal signed the petition to leave the co-op, whereas the percentage from the rest of the co-op's area was only 13. In Almås's representative sample of 55 committed members (i.e. excluding undecided ones), not a single one of those from the area around Kotsøy declared themselves to be in favour of the merger, as against 87% of the Budal members.²¹⁰ In the rest of the dairy's area, there was a low level of support for merger (17% in Almås's sample). The local press presented the dairy controversy in terms of rivalry between neighbouring communities, but Almås looks for material economic explanatory factors. First, dividing the farmers in his sample according to the quantity of milk supplied to the dairy, he does not find a significant difference between those delivering less than 20,000 litres and those delivering more. When he divides these farmers according to the proportion of their income which comes from milk production, however, he finds a considerable difference (op. cit.: 66). The merger was supported by 73% of those obtaining over 2/3 of their income from milk production, but by only 25% of those in each of the other three income categories (<1/3, 1/3-1/2, 1/2-2/3).

Almås also compares the production of co-op members who signed the petition for merger with that of those who did not sign (op. cit.: 65). This shows that, excluding 'passive' (non-producing) members, the mean *{middels}*²¹¹ annual volume of milk produced by those who did not sign the petition was low - around 10,000 litres - and did not vary significantly between Budal and the rest of the co-op's catchment area. The mean volume produced by those who wished to leave the co-op was much higher, and furthermore it varied considerably between Budal (24,341 litres), and the rest of the area (33,997 litres). It has to be borne in mind in interpreting these figures that the structure of primary production has changed quite dramatically since the study, as indeed Almås predicted. Whereas today a volume of under 34,000 litres is regarded as very small, in the context of the Singsås controversy it was relatively large.

It turns out that the development of dairy farming in Budal was quite distinctive in relation to the rest of the co-op's area (op. cit.: 63). There had been an 'explosive' expansion after the Second World War, with a new road as a major factor. Though the farms were generally not large, the Budal farmers were putting great effort into transforming them into modern milk production units, involving a considerable degree of investment. The Budal farmers were therefore exceptionally interested in maximising their milk price, and their mode of production could be regarded as moving in the direction of capitalism. The correlations between mean milk volumes and support for a merger are thus explained by Almås. Small-scale producers in general were particularly sceptical to the merger, being less dependent on maximising the milk price and also fearing adverse effects of joining a large and remote co-op -- even to the extent of possible exclusion. In Budal these only constituted a small minority of the membership, while in the rest of the area they were a significant proportion. Most of the Budal members were medium-scale producers, and the mean figure of just over 24,000 litres among the Budal signatories reflects this. Elsewhere in the dairy's area the

²¹⁰ A sample size of 55 is approaching the lower limit for the legitimate use of percentages rather than actual numbers [Blalock (1987: 34) quotes about 50 as the lower limit]. Thus when the sample is further sub-divided, the use of percentages is inappropriate, but I do not have sufficient figures to re-calculate the actual numbers involved.

²¹¹ It is unclear whether this term refers to the average, median or modus.

number of medium-scale producers was fairly small. The mean figure of just under 34,000 litres, for the 13% of signatories from locations other than Budal, indicates that these were mainly relatively large-scale producers, who could be placed firmly in the 'capitalist mode' category.

The latter conformed to the individualist maximising type of behaviour expected of capitalist producers, and were thus solidaric neither in a local co-op nor local community context. By contrast the majority of the Budal farmers - though also unsolidaric towards their fellow co-op members -- are seen by Almås (op. cit.: 64) as solidaric with regard to their community. In fact he finds such solidarity to be on the increase in Budal, indicated by projects such as the development of common grazing areas {fellesbeite}. The general concept of 'community solidarity' {bygdesolidaritet} is used by Almås (op. cit.: 64--65), to bring together and contrast the broadly-based type of solidarity in the area around Kotsøy with the narrowly class- or occupationally-based type of solidarity in the much more uniformly agrarian Budal. In Part 5, we will see that two such types of solidarity are also evident in the data on co-op disputes in the 1990's.

Almås finds that both support of and opposition to structural concentration in this case are complex, having both a material and a socio-cultural component. Support of structural concentration came from large-scale 'capitalist' and medium-scale 'proto-capitalist' farmers specialising in milk production. The latter group came mainly from outside the community where the dairy plant was located. Opposition to structural concentration, on the other hand, came mainly from the latter community; with the addition of a small number of small-scale farmers elsewhere, who feared that merger and plant closure would bring disadvantages for their type of production.

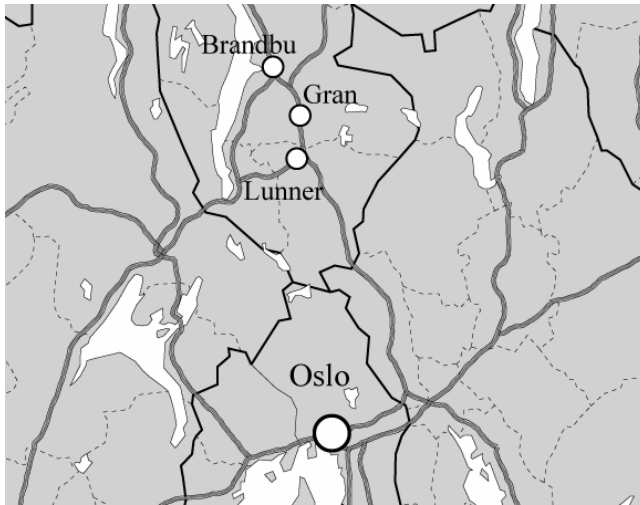
In addition to the local case, Almås's study also addresses the general question of dairy federation structure policy. The many interesting observations and citations on this matter serve to reinforce the findings of the present study (cf. Part 3 and preceding Sections of Part 4), indicating the active promotion of structural concentration of both kinds from 'above'.

Like that of Vikedal, the case of Singsås shows that mergers which bring together more than one community in the same co-op can result in tensions, and a lack of identification of the 'remote' community with the co-op.

A central feature of the Singsås story is the attempt by a powerful minority in favour of restructuring to leave the co-op when the majority rejected the proposed merger -- a situation discussed in Part 3 in connection with § 5 of the Dairies Act. The following section will illustrate further the consequences of the paragraph.

4.6

The closure of the Hadeland dairy plant



In 1995, the year it closed, the pasteurising and packaging plant belonging to the Fellesmeieriet co-op at Lunner in the Hadeland district employed 12 persons. It was packaging about 5M litres of the approximately 8M litres of milk supplied by the 120 or so member-suppliers in the district, with the remaining 3M litres being transported to Oslo for packing and distribution there.

The plant was built in 1973 to replace older ones at Lunner, Gran and Brandbu, when Hadeland Dairy co-op (*Hadeland Meieri AL.*) centralised its production. In 1981 the large co-op in the area, Fellesmeieriet, made an offer of merger to Hadeland, but this was refused. Three years later a new merger bid succeeded, but the circumstances of the acceptance by the general membership of Hadeland were controversial. Only 41 producer-members attended the annual meeting to approve the merger; and the statutory second meeting -- failing a qualified majority -- was held the same day. According to a press interview with members who fought to reclaim the plant in 1995,²¹² and a letter from another member,²¹³ the statutes of the co-op required that the second meeting should have been held a month later, and stipulated a 2/3 majority rather than the simple majority which approved the merger.

In 1993, only 20 years after the Hadeland plant opened, local members began to express disquiet about threats of closure. Fellesmeieriet -- which had acquired regional dairy status in 1988 -- had appointed a committee to examine production structure. The committee produced its recommendations at the end of the year. The majority recommendation -- rejected by the Hadeland members of the committee -- was to close the plants at Hadeland, Toten and Lillestrøm. According to press reports, the Hadeland members warned immediately that they would fight for their plant.²¹⁴ The head of the co-op's organisational division, Jon Aass, is

²¹² *Nationen* 30.09.95, report by Tor Mælumsæter.

²¹³ Paul Helmen: letter in *Hadeland*, 13.11.96.

²¹⁴ *Nationen* 7.01.94, report by Gunnar Syverud.

quoted in the same report as saying that he realised that a lot of feelings had been attached to the Hadeland plant, but hoped that the minority would loyally accept the decision of the majority when it was made. Though the democratic process of considering the structure plan was just beginning, this remark would appear to imply that the majority decision was a foregone conclusion. The savings to be gained by the closure were claimed to be considerable -- 0.69 kroner per litre of processed milk, according to the calculations in the report.

As mentioned earlier, 1994 was an exceptional year for agriculture and the co-ops, and it appears that it was not until its first meeting after the EU referendum, on 19th December 1994, that the structure plan was put before the co-op's council of representatives. The latter -- the co-op's highest decision-making body -- approved the closure of all three plants by a large majority (22 out of 31), again with the Hadeland representatives voting against. The Hadeland plant was set to close in October 1995. Despite an appeal by the divisional chairman Einar Stenrud to accept the democratic decision,²¹⁵ there was unrest among members. There was also concern among the general public and the local grocery trade, and 5,000 signatures were gathered in a short time by the latter who organised a petition against the dairy plant closure. None of this made any impression on the co-op leaders, who were satisfied that democratic procedures had been followed.

A rather different view on the democratic process was expressed by Tarald Koller from Brandbu, a leading opponent of closure. In long letter in *Bondebladet*²¹⁶ Koller complains of the 'power arrogance' of the 'Norwegian milk monopoly', disputing the calculations of the structure committee. Elsewhere²¹⁷ Koller argues that the Hadeland members had a right to determine the future of their plant, which they had paid for in the 1970's by sacrificing kroner 0.1--0.15 per liter of milk -- then a substantial fraction of their returns. In September 1995 -- only a month before the plant was due to close -- Koller and four fellow-members formed an action group under the dramatic name '*Meieriet brenner*' [The Dairy is Burning] in a last-ditch attempt to postpone the closure. In a press interview²¹⁸ Koller maintains that he and other members had waited in vain for the structure plan to be subjected to the democratic process at 'grass-roots' divisional level. He claims that a Hadeland delegate who attempted to have the structure plan debated at the 1994 a.g.m. was told that it would be put aside until after the EU referendum in the autumn. Members had assumed that this meant it would be put on the agenda for the following year's a.g.m., after first being subjected to a full debate at divisional level. After the plan was instead approved directly by the council of representatives, there was apparently to be a divisional meeting for members on the subject, but this had to be cancelled due to an outbreak of cattle disease in the area. After that, Koller gradually came to the conclusion that the divisional committee was avoiding a meeting on the closure. Finally, the divisional committee decided unanimously in August 1995 to reject demands for such a meeting, and this provoked the formation of '*Meieriet brenner*'.

The action group sent out a standard letter to all members in the division, which was to be signed and returned, demanding an extraordinary divisional election meeting at which a proposal to postpone the closure was to be discussed. It seems that group saw the procedural device of calling for an election meeting as the only means available to force a general meeting, and that the election of a new divisional committee was not the real goal. The level

²¹⁵ letter in *Bondebladet* 29.03.95.

²¹⁶ 5.04.95.

²¹⁷ *Nationen* 7.09.95, article by Gunnar Syverud.

²¹⁸ *Nationen*, same article.

of response among members was so high -- around 100 out of 120 members²¹⁹ -- that the divisional committee was bound to accede. The committee did so, after holding a meeting to discuss the demands with the head of the organisational division and chairman of Fellesmeieriet. However, it did not accept the agenda set out in the letter, on which the closure of the dairy plant was the main issue, and which included a proposal that the divisional committee should seek powers to keep the plant running. Such a proposal could come from the floor of the meeting but could not be placed on the agenda by the committee, it was pointed out.²²⁰ The committee also rejected the proposal in the letter to invite Jarl Iversen - renowned or infamous as 'the man who brought down Per Hatling'²²¹ -- as principal speaker, in addition to the chairman of Fellesmeieriet Johannes Bieltvedt. Clearly regarding the proposed invitation of Iversen as a provocation, the divisional chairman Einar Stenrud is quoted as saying that '*We regard this [meeting] as an internal matter for Fellesmeieriet. Iversen cannot have much to contribute to that*'.²²² The meeting was scheduled for 25th September, only four days before the plant was to close.

In the weeks leading up to the meeting, the situation became increasingly polarised. '*Meieriet brenner*' engaged the services of a lawyer, and invited members to a pre-meeting earlier in the day on the 25th, at which Jarl Iversen was to address them. The subsidiary strategy was now to re-establish Hadeland Dairy as an independent co-op by having the merger in 1984 with Fellesmeieriet declared invalid, if the latter would not agree to postpone the closure for half a year. Though by this time the private dairy Nordås nearby at Toten had come into being and the Government had declared that more competition was required in the sector, the action group expressed no desire to break out of the co-operative movement. However they are quoted as warning: '*There is a lot of bitterness in the communities here about what is about to happen. We are afraid that there will be a vacuum in the area between Oslo and Gjøvik if Hadeland is closed. In this vacuum there can emerge innovations that we could have done without, if the dairy co-op movement had behaved differently*'. (Nationen 23.09.95, Mælumsæter). Johannes Bieltvedt, the chairman of Fellesmeieriet, wrote to members in the division, appealing to them to come to the official election meeting but to think twice before attending the unofficial pre-meeting. He expressed strong annoyance that the notice advertising the latter had been accompanied by the co-op's official logo -- a pure mistake by the newspaper, according to '*Meieriet brenner*', who accused the chairman of being fully aware of this, and of using the matter as a pretext to discredit them. The newspaper (Nationen, same report) quotes Bieltvedt as writing that '*What is happening now is harming Fellesmeieriet. Our reputation is being damaged by the spread of distrust of all we have done and are doing. We have a great deal to put up with in the dairy co-operative movement just now. It is really quite meaningless to have too many open conflicts among the owners, and the situation will be exploited by all who wish to weaken us . . . There are limits to what strains our dairy co-operative movement can bear*'. The chairman added that the board were aware that the action to oppose the closure was the work of 'a small core', but that it was doing so much damage that it was necessary to react.

The election meeting itself was characterised as uncompromising in press reports.²²³ Lawyers were brought in by both Fellesmeieriet and the action group, with the latter also bringing Jarl Iversen with them as an 'expert advisor'. Another prominent critic of dairy federation policy,

²¹⁹ Nationen 23.09.95, report by Tor Mælumsæter; and Bonde og Småbruker 28.09.95, report by Ståle Støen.

²²⁰ Nationen 7.09.95, Syverud op. cit.

²²¹ The 'Hatling Affair' will be discussed more fully later.

²²² Nationen, same report.

²²³ Nationen 27.09.95, report by Gunnar Syverud; Bonde og Småbruker 28.09.95, Støen op. cit.

Ståle Støen, was present but in the capacity of observer and reporter for Bonde- og Småbruker. There was a high turn-out among the divisional membership, with around 200 people altogether at the meeting.²²⁴ First it took two hours for the meeting to approve the agenda, with a motion to include the closure issue being carried by around 70:25 votes.²²⁵ The divisional chairman and the interim m.d. of Fellesmeieriet made it clear that the discussion of tactics to hinder or postpone the closure would be constitutionally out of order, and that they would have to refuse to recognise the election meeting and leave if members forced it onto the agenda. The lawyers representing both sides took active part in this procedural debate, and eventually a compromise was reached whereby it was agreed to take the items on the approved agenda first. According to the report in *Nationen*, there was a hostile and incredulous reaction to the refusal to allow the membership to challenge the closure, but also a counter-reaction towards the most militant members. One (named) member interviewed by the newspaper after the meeting is quoted as deploring what he saw as the efforts of the co-op leaders to stifle debate: *'This is a first-class display of the degree of tolerance and democratic spirit in the dairy co-op movement . . . They must also accept opposition within the organisation without showing the kind of attitude we have seen this evening.'*

The divisional chairman regretted that the action to save the dairy had come a year too late. The divisional committee had done what it could to prevent the closure, and had felt itself *'overpowered but never the object of manipulation.'*²²⁶ The chairman of Fellesmeieriet gave an account of the structure planning process, presenting it as successful and properly conducted, and stressing that the plan took into account broader considerations than pure business economy.

According to the report in Bonde og Småbruker, members had initially not intended to replace the divisional committee, but the popularity of the latter was considerably weakened by its intransigence in the procedural dispute. At any rate, a motion of no confidence in the committee was passed by a clear though not overwhelming majority (over 90 to 58, according to both press reports) after 6 hours of meeting. Torstein Dynna from Lunner, a member of *'Meieriet brenner'*, was elected as chairman; and the new committee also included action leader Tarald Koller. The question of challenging the closure in court if necessary was then brought up. As the committee was prevented by the constitution from doing this itself, an action group to carry out this task -- if required -- was also elected, including all the initiators of *'Meieriet brenner'*. The opposition to closure had now acquired democratic legitimacy at local level, though by the time the committee acquired the approval of the meeting to take the case all the way to court the time was 2.30 in the morning, and the number of members carrying the motion was only 39.²²⁷ The new divisional committee was also instructed by the meeting to send a written appeal to Fellesmeieriet asking for a postponement of the closure. The lawyer representing the co-op warned²²⁸ that the board of Fellesmeieriet would sue the Hadeland committee if it succeeded in forcing a postponement against the board's wishes.

²²⁴ It has to be borne in mind when assessing meeting attendance and voting in the co-ops in recent years that a 'member' is not an individual but a farm, and that each farm has two votes. The demands of cattle feeding and twice-daily milking make it difficult for couples to leave the farm together, but the one who attends the meeting can vote as proxy for the other. In addition comes the question of 'passive' members, cf. the account of Singsås.

²²⁵ According to *Bonde-og Småbruker*.

²²⁶ *Nationen*, same report.

²²⁷ According to *Nationen*.

²²⁸ According to *Bonde og Småbruker*.

At a meeting two days later, the board of Fellesmeieriet turned down the appeal for postponement, maintaining that it would bring extremely negative reactions from customers who had been preparing themselves for the new distribution schedules.²²⁹ In a press statement the board said that *'When no new substantial points have been raised, the board of Fellesmeieriet cannot accept that a minority creates a situation which prevents the implementation of thoroughly prepared and lawful decisions in the company.'* The board's main concern at the meeting, according to the Nationen report, was whether there was a danger that the controversy over the closure would create so much distrust among members that it ought to be reconsidered. The conclusion was that it would not.

The following morning -- the final day of operation for the plant -- representatives for the co-op and the divisional action group met in Hadeland district court {*namsretten*} along with their lawyers.²³⁰ An important part of the case against closure was the contention by the action group -- mentioned previously -- that the merger of Hadeland Dairy with Fellesmeieriet in 1984 was unlawful as the proper constitutional procedures had not been followed. Hadeland Dairy had thus never been properly dissolved, and was still the legal owner of the plant. The action group also questioned the legality of the decision to close the plant, as it had not been subject to ratification by an a.g.m. of the co-op. The lawyer representing Fellesmeieriet dismissed these claims and asked for evidence of the continued existence of Hadeland Dairy as a company. He further argued that the Hadeland members had accepted the merger by default, and that 11 years was too long to wait before complaining about procedures. A few days later the judge produced his ruling, finding in favour of Fellesmeieriet on all points. The plant closure could proceed, and the action group had to pay the co-op's costs of over 8,000 kroner.

The matter did not rest there, however. The municipal council acquired the Hadeland dairy building, though to date (Summer 1999) nothing has materialised from an approach, by a group of Hadeland dairy farmers led by Tarald Koller, to Synnøve Finden a.s. about re-opening the plant.

The Hadeland case has similarities to Målselv/Bakkehaug, with farmers in the municipality going to great lengths to defend their plant against the outcome of a regional planning process. These farmers refused to accept the latter as legitimate, seeing plant closure as being ultimately a matter for decision at local level. While this indicates a lack of understanding of the way a regional organisation functions, it also highlights the ambiguity surrounding the regional merger process (cf. Section 3.5). Not surprisingly, the retention of the former local co-ops as organisational units with responsibility for their local plants gave support to the impression that the regional co-ops were confederate, rather than centralised, in character. The re-organisation of local member constituencies in many regional co-ops, breaking the link between these and processing plants, can be interpreted as a consequence of disputes of this kind.

In both cases the campaign was spear-headed by a relatively small number of highly committed activists who were determined not to give in, and were left embittered and alienated from their co-op. I will pursue the theme of actual or threatened collective 'exit' from co-ops by briefly reviewing some more cases.

²²⁹ *Nationen* 29.09.95, report by Gunnar Syverud.

²³⁰ *Nationen* 30.09.95, report by Tore Mælumsæter.

4.7

Further examples of exit - actual, attempted or threatened

The ultimate reaction to policies one disagrees with is exit from the organisation. Unlike disloyalty -- remaining in the co-op but trading with its competitors -- exit is a demonstrative action, a last resort where the democratic channel has produced an unacceptable result. Plausible threats of exit can also be used as levers to tip the balance of opinion without abandoning the democratic process. Though such strategies hardly belong within the legitimate bounds of democratic discourse, they are nevertheless resorted to by some groups who -- for one reason or another -- are not prepared to accept the majority view.

Earlier, in the case of Singsås, we have seen how a comparatively powerful group of members attempted to leave the local co-op, a move that would have brought them economic advantages. In the following examples, like that of Hadeland, attempted or threatened exit has been resorted to by local groups of members opposed to the closure of their local co-op plants, apparently with a variety of grounds and objectives. I review two pairs of connected cases -- the first from the dairy co-ops, and the second from the meat ones. My data here come purely from press reports in the first pair of cases, and both personal interviews and press reports in the second pair.

Meieriet Sør and the Kviteseid and Arendal dairy plants

Meieriet Sør -- the regional dairy for the counties of Øst-Agder, Vest-Agder and Telemark in the south of Norway -- concentrated its production structure considerably a few years after its formation in the 1980's, closing 9 plants. In 1994 it produced a new structure plan. With the co-op paying a lower milk price than its neighbours, and with mounting pressure from the federation to bring its scheme of 5 regions to fruition, it was seen as necessary to cut costs in order to pave the way for the planned merger with Rogaland Dairy {*Rogalandsmeieriet*}. Among the 7 alternative proposals in the structure plan was the 'moderate rationalisation' model, involving closure of the relatively small plants at Kviteseid (19--20 employees and 5, 4 M litres of milk) and Arendal (10M litres) and giving a calculated saving of kr 6, 5M, representing a theoretical increase in the farm milk price of kroner 0.09 per litre. The plan was controversial, and the co-op board was divided between a minority of 5, who backed the 'moderate rationalisation' line, and a majority of 7, including the chairman, who wished to maintain the existing plant structure. According to a press report,²³¹ the majority argued that dairy farmers had to take responsibility to counteract further centralisation and the effects of market liberalism, which were weakening the rural areas. Environmental considerations were also important. The savings made by plant closures were said to be marginal compared with the politically-determined component of farm incomes. Moreover, in the majority view, dairy closures were now so controversial that they threatened to split the co-ops. The minority, on the other hand, saw the greatest danger of a split coming from a failure by the co-op to pay a competitive price for milk, which would bring members to leave and sell their milk to competitors. Thus the two sides based their arguments on quite different analyses of the situation.

²³¹ *Nationen* 13.11.96, article by Knut Herefoss.

Meanwhile, campaigns against the threatened closures were mounted locally. In the autumn of 1996 a big meeting was held in support of the Arendal plant.²³² In attendance at the meeting were representatives of the two 'private' dairy companies, Gårdsmeierier a.s. (an associate company of Nordås) and Synnøve Finden. In a letter to the press²³³ the member division {*produsentlag*} in Vest-Arendal made known that it had decided at a recent meeting -- with only one member opposing the motion -- to have plans drawn up for 'a new co-operative dairy'. Members signed a declaration to pay for the plan on a basis of kr 0.01 per litre of milk -- i.e. the largest producers would pay most, in line with classical co-operative principles. The division was 'strongly opposed' to structural changes in Meieriet Sør, and underlined the importance of 'a local connection'. The letter goes on: '*The co-operative spirit {samvirketanken} in Meieriet Sør is now about to disappear, and we as producers feel that we have no real influence any longer.*'

In and around Kviteseid, local opposition to the proposed closure was strong, with the chairman of the municipal council -- Inge Fjalestad of the Centre Party -- figuring prominently. A demonstration in early November in the village of Kviteseid, which has a population of 600, gathered around 500 people.²³⁴ A group of activists among the co-op members warned that closure of the plant would give them no alternative but to approach Gårdsmeierier and start a 'private' local dairy. The group was headed by Edvard Mæland, the vice-chairman of Seljord municipal council where he represents the Conservative Party {*Høyre*}. Mæland is quoted as saying: '*It is really as easy as that we are not prepared to be simply raw material suppliers here in the rural areas. Being purely raw material suppliers is the biggest problem of the communities today. If Meieriet Sør does not understand this, and withdraws from the community, we will get private interests in to fill the gap.*'²³⁵ However, it appears that Mæland was committed to the idea of a private dairy in the area, regardless of the future of the co-op plant. He is quoted²³⁶ as saying that '*We are going to conclude the negotiations [with Gårdsmeierier] in any case. There is a core of us who are very keen to join Vingebacken's farm dairy scheme.*'

On the 13th November, Per-Idar Vingebacken and another representative from Gårdsmeierier came to Kviteseid to meet the action group, the chairpersons of the municipalities in the area -- representing the local Labour and Centre Parties as well as the Conservatives -- and the chairman of the West-Telemark Regional Committee of the Telemark County Council.²³⁷ The latter brought a unanimous declaration of support from his committee, including a promise of favourable consideration of an application for financial assistance, for the establishment of a new dairy in Kviteseid if the existing one were to be closed.

The report in Varden goes on to tell that, though the campaign against closure had widespread support among the dairy farmers in the area, by no means all were prepared to go as far as to back the establishment of a 'private' dairy. Other press reports quote a figure of around 40 who had expressed interest in supplying milk, out of a total of around 120 in the Kviteseid division of the co-op.²³⁸ There was reportedly concern among the rest of the members (cf. Varden, cited report) that such a dairy would only be interested in collecting

²³² *Nationen* 13.11.96, article by Knut Herefoss.

²³³ *Grimstad Adresstidende*, 5.11.96, signed by Arnstein Øyslebø.

²³⁴ *Nationen* 14.11.96, report by Knut Herefoss.

²³⁵ *Nationen*, same report.

²³⁶ *Samhold* (Gjøvik) 6.11.96, report by Strifeldt.

²³⁷ *Varden* 14.11.96, Straume; *Telemarksavisa* 14.11.96, Lundeberg Reinholt; *Nationen* 14.11.96, Herefoss.

²³⁸ *Samhold*, op. cit.; *Oppland Arbeiderblad* 6.11.96, Narum

milk from the largest farms around Kviteseid, leaving Meieriet Sør with the costly collection from outlying and small farms. By thus undermining the economic situation of the co-op, the private dairy could lead to a net loss of jobs, it was claimed. These fears were not unfounded: according to the *Samhold* report (op. cit.), Mæland stated that the 40 farmers who had expressed interest in supplying milk to a private dairy had the capacity to produce the 2, 5M litres required by a plant in the Gårdsmeierier scheme. In other words, the dairy would only require milk from these 40 -- a third of the local farmers in number, but supplying almost half of the present total of 5, 4M litres. Such a scheme seems far removed from co-op principles. However, according to *Nationen* (op. cit.), the interest in supplying milk to a private dairy was likely to decrease significantly if the Kviteseid plant was kept going, implying that many of the 40 were primarily interested in maintaining the local co-op plant.

As it turned out, the majority of representatives at the a.g.m. followed the majority recommendation of the board of Meieriet Sør, and after a heated debate voted for no change to the dairy structure. However, it was clear that the planned merger with Rogalandsmeieriet - which took place in 1997 -- would bring a new structure review; and the long-term future of Kviteseid and Arendal was thus far from secure. Edvard Mæland and Gårdsmeierier decided to continue planning a new dairy in the area, though not necessarily located in Kviteseid. I have not followed developments since the end of 1996.

Cases from the Northern regional meat co-op: Leknes and Brønnøysund

On the island of Vestvågøy in Lofoten, one of the main dairy and sheep farming areas in the North, the regional meat co-op *Nord-Norges Salgslag* closed down the slaughterhouse at Leknes in the mid-1980's. Some 10 years later, feelings still run high about the closure: even an informant who was only a youngster at the time refers to it as a betrayal of the Lofoten farmers by their own organisation. After the closure, only a handful of farmers on the island remained with the co-op, whose nearest slaughterhouse is now at Sortland (143 km from Leknes, including a 25 min. ferry crossing). The rest transferred their loyalty to the small local family firm Horn, which rose to the occasion and now has a modern slaughterhouse with capacity well in excess of the island's needs. Though Horn keep their prices above those of *Nord-Norges Salgslag*, and factors such as animal welfare and transport costs/convenience were undoubtedly significant, there is no doubt that community spirit plays a part in the success of the enterprise. A further indication of strong community spirit among the Vestvågøy farmers has been the mobilisation of support for the dairy plant at Leknes, which had come under threat shortly before I visited the area.

As mentioned earlier, the meat industry in Norway was faced with considerable investments to meet the EU standards brought in by the EEA {EØS} treaty in 1994. Although small slaughterhouses with large seasonal fluctuations in activity, such as Horn's, were able to comply without major expansion, the larger plants with continuous operation have had to build separate slaughtering units for the different animal species. At Brønnøysund in Southern Helgeland, the co-op *Nord-Norges Salgslag* had a slaughterhouse where both cattle and pigs were slaughtered and partitioned in the same unit. The new standards were presumably made to accommodate large European beef cattle varieties, rather than the comparatively small NRF which the plant had been designed for, so that the roof was now lower than the minimum allowed for cattle. Thus in order to continue to slaughter cattle at the plant, substantial extension would be required, as well as other changes to meet the new hygiene rules. The much larger plant at Mosjøen in Inner Helgeland also required capital investment to meet the new standards. This was the situation facing *Nord-Norges Salgslag* in

late 1993, together with chronically poor overall financial results. A decision was made to discontinue slaughtering cattle at Brønnøysund, sending them to Mosjøen about 170 km away. In return, pigs were to be sent from Indre Helgeland to Brønnøysund.

The specialisation plan was seen as the beginning of the end for the local slaughterhouse by employees and farmers in Brønnøysund. The union representative²³⁹ for the employees at Brønnøysund, Trond Horn, is quoted²⁴⁰ as saying that the large plant at Mosjøen had been built to service the whole of Helegeland. According to the local chairman of Bondelaget, Tore Holm, there had been concern about the plant's future since the late 1980's. Holm reacted quickly to the plan, organising a petition which he says was signed by over 90% of the members of Brønnøysund division of *Nord-Norges Salgslag*. The petition carried a threat to withhold cattle from the Mosjøen slaughterhouse if the plan was implemented. Sør-Helgeland is a key area, producing 18--19% of the total meat production in the whole of Northern Norway. Holm also points out that the high concentration of primary production in the area gives relatively low unit costs for collection and processing. Though he did not boast of the fact, Holm himself was reportedly the biggest beef cattle farmer in the whole of Norway in the mid-1990's. There are no private meat buyers in the district, but it borders onto Nord-Trøndelag which is served by both the meat co-op for Mid-Norway, *BS*²⁴¹, and private buyers. Thus collective exit was a real possibility, and -- with the experience of Leknes not forgotten by co-op leaders -- the Brønnøysund members wielded a fair degree of power. The plan to down-grade Brønnøysund was temporarily shelved, with dispensation from the new regulations being readily obtainable for 1994.

However, when a new draft regional structure plan was presented by the board for discussion at the 1994 a.g.m., the future of the Brønnøysund slaughterhouse was put in doubt. It was only after intense efforts by the divisional representatives that it was decided by a majority vote to make the necessary investments in the plant. Like many other decisions in the co-ops that year, this one carried the condition that Norway did not join the EU. After the referendum in November the Brønnøysund activists began to ask about the progress of the rebuilding plans, and were not satisfied by the answer. A working group was then formed, comprising Tore Holm, the chairman of the municipal council Harald Solbakk, the manager of the Brønnøysund branch of Helgeland Sparebank,²⁴² and the financial director of the local transport company Torghatten Trafikkselskap. The group's aim was to evaluate the alternative of a locally-owned slaughterhouse in the event of *Nord-Norges Salgslag* failing to go ahead with bringing the plant up to standard. According to Holm the local slaughterhouse was to be a co-operative, which would have the right to membership of the meat co-op federation and its marketing organisation *Gilde Norge*. However, as outside capital appeared to be involved, not everyone outside the working group understood or believed this; and the proposed slaughterhouse was frequently referred to as 'private' -- a negatively-charged term in the co-operative world.

At the 1995 a.g.m. of *Nord-Norges Salgslag*, the board confirmed its intention to renovate and expand Brønnøysund, though the plans depended on the availability of the necessary capital (kr 15, 5M) from the state development agency SND. The union representative at Brønnøysund is quoted²⁴³ as expressing doubts as to whether SND would support the

²³⁹ NNN - Norsk nærings- og -nytelsesmiddelarbeiderforbund.

²⁴⁰ *Nationen* 16.08.95, Størdal.

²⁴¹ *Bøndernes Salgslag*.

²⁴² The sub-regional savings bank.

²⁴³ *Nationen*, op. cit.

application, with the Mosjøen plant also requiring investment. The board's proposal to make a major investment in the Brønnøysund plant met widespread approval or at least acceptance at the a.g.m., but was clearly controversial in the Inner Helgeland district. Two divisional committee members from the Mosjøen area, Torstein Utgaard and Finn Drevvatn, subsequently called for the resignation of the co-op chairman in an interview which appeared on the front page of the district newspaper Helgeland Arbeiderblad.²⁴⁴ They argued that the co-op leadership was too weak, and was allowing itself to be held to ransom by a bunch of egoists. In the following autumn, around 100 members from Inner Helgeland attended a meeting in Korgen, where they condemned the Brønnøysund campaign. The meeting was attended by the co-op chairman -- a farmer in the area -- and according to newspaper reports²⁴⁵ the final formulation of the resolution was considerably more moderate than the original version, in which it had been claimed that it would be most economical to concentrate all slaughtering in Helgeland in one plant.

The development of the Brønnøysund plant was backed by farmers from Sømna, with the local branch of Bondelaget passing a unanimous resolution of support for demands for a second slaughtering unit. Meanwhile members in Bindal -- an area where farmers had previously refused to back investments in the central part of Southern Helgeland (cf. Section 4.1) -- objected to the Brønnøysund action group's alternative plans. A unanimous statement by a divisional meeting attended by 17 members expressed loyalty to the co-op and stressed the importance of co-operatives to farmers in marginal areas.²⁴⁶ It continued: '*The demands of mutual solidarity {samhold} are greater than special demands. The Bindal producers deplore loud-mouthed threats of sending produce to Trondheim, and of a private slaughterhouse in Brønnøysund.*' Stung by the criticism, Tore Holm responded in a statement loaded with sarcasm to the same paper,²⁴⁷ making counter-accusations of disloyalty against the Bindal farmers, based on the trade in pigs which some had been conducting across the regional border.

Several of the elected co-op divisional representatives for Southern Helegland were embarrassed by the campaign and particularly by the threats to break away from *Nord-Norges Salgslag*. One whom I spoke to²⁴⁸ acknowledged that the campaigners had sought to help the divisional representatives in arguing for the plant, but saw it as wrong to '*set up that kind of guerrilla.*' He was sure that the co-op would have decided to develop Brønnøysund in any case, and blames the local distrust of the co-op board on the latter's over-optimistic time schedule for the improvements to the plant.

The up-grading of the Brønnøysund plant was finally given the go-ahead in December 1995, after the municipal council agreed to contribute 3, 5M kroner to the cost. The proposals to set up a locally-owned slaughterhouse were immediately shelved. However, new developments in the autumn of 1996, with the building work nearing completion, indicate that the struggle over the Brønnøysund plant was far from over. Cattle were once again being transported to Mosjøen, and some of the Brønnøysund staff had to be temporarily laid off. Arguing that the extra transport was losing the co-op 1.4 kroner per kg of meat, Tore Holm was again protesting vigorously.²⁴⁹

²⁴⁴ 30.05.95.

²⁴⁵ *Brønnøysunds Avis* 14.11.95, Hanssen, quoting *Helgeland Arbeiderblad*.

²⁴⁶ *Brønnøysunds Avis*, -.10.95, Berg-Hansen.

²⁴⁷ 7.10.95, Berg-Hansen.

²⁴⁸ Interview June 1995.

²⁴⁹ *Brønnøysunds Avis* 12.11.96: Bjørkli, and 13.11.96: Fosdahl

Without having followed the Brønnøysund case more closely, it is difficult to judge whether it was the local campaign that tipped the balance in the co-op in favour of up-grading the slaughterhouse, or whether the case made and argued by local representatives in the democratic debate, together with the involvement of the municipal council, would have been sufficient. On the other hand, I am in no doubt whatsoever as to the credibility of the threat of exit or the seriousness of the scheme to set up a locally-owned facility.

Varied grounds for exit

Together with the preceding case of Hadeland, the four cases of attempted and threatened exit in the present section show that this strategy has been used in attempts to retain local plants, as well as in attempts to have them closed (cf. Section 4.5). In compressing the four cases into brief summaries, breadth has been given priority over depth. Cases have been drawn from both dairy and meat sub-sectors, and include unsuccessful attempts, threats, and actual exit. Motives vary. Matters of principle have been mentioned, and these will be enlarged on in Part 5. The issue of material interests raised in this and preceding sections will be discussed in the general summary of Part 4.

The examples from the meat co-ops show how these have been 'squeezed' by market pressures, having to cut costs to keep up prices to members and prevent disloyalty and exit due to price, but at the same time having to tread carefully so as not to lose members through structural disputes. Like that of Leknes, the example of Brønnøysund shows that there are limits to the centralisation of co-op processing, at least in areas where alternatives exist.

Apart from the organisational and institutional differences between the sub-sectors, debates about slaughterhouse structure carry the important extra element of animal welfare, compared with those concerning dairy plant structure.

With the co-operative industry having a monopsony on first-hand purchase of milk, and the Dairies Act of 1936 regulating transfer of members between co-ops, the option of exit was not a very realistic one in the dairies until recently. Following the changes in legislation and institutional governance of the mid-1990's (cf. Section 2.3), structural controversies from now on may well follow the pattern of Meieriet Sør in 1996, with dissatisfied minorities making serious preparations to break out. In addition comes the real possibility of strategically-positioned farmers with no other motives than the pursuit of higher profits breaking out to sell to competitors -- a possibility the meat and other co-ops have constantly had to contend with. It must be borne in mind that as long as no alternatives have existed, the dairy co-ops have accommodated members with views diametrically opposed to co-op principles and ideology. There is thus a danger that the co-ops may be drawn into a spiral of cost-cutting and plant closures in order to compete for milk from the larger farmers, bringing about the exit of groups opposed to concentration where these are able to find local alternatives.

4.8

The second wave of co-op concentration -- the late 1990's

In this section, I give a résumé of the second merger process. Although the study was initially meant to end in 1996, it has lasted longer. 1997 was the year of the big mergers, and the arguments used in the debate are prominent in Part 5. Preceding sections have told the story of how the first big wave of mergers in 1983 was brought about; and a little has been said about the disputes surrounding these. The present section will therefore be confined to the merger process itself.

For the leaders of the dairy federation, the mergers of 1983 left a rather messy structure, as not all dairies voted to join the 'district'/regional co-ops. In 1988 there were 19 dairy co-ops; and the federation management made it clear that more concentration was required. There were two broad schools: those leaders who felt that the time had now come to carry out a full-scale integration of the Norwegian co-ops; and those who favoured a compromise solution, with a small number of regional co-ops. At the a.g.m. of NM/NML which was held in April 1988, retiring chairman Ole Holan is also said to have criticised the existing structure;²⁵⁰ but the meeting gave few guidelines for how the federation was to achieve further concentration.

Adm. dir. Jørgen Nygaard favoured the more drastic solution. Though presumably keeping a fairly low profile at the a.g.m. itself, he aired his views soon after, through a press interview. He is quoted as saying: *'We ought to work to make the whole of dairy co-operation one big concern. We must make better use of the resources we have, and it is impossible with the present organisational model.'*²⁵¹ In December 1990 Nygaard's successor Per Hatling addressed a meeting of leaders in the regional co-op *Nordmøre og Romsdal Meieri*. He was fairly vague about the solution he preferred, but made clear that a more centralised structure, and a faster decision-making process, were called for.²⁵²

The option of a full-scale merger was however seen by a majority of federation leaders as either too radical for most of the members to swallow, or simply as involving too much concentration. After all, the memory of bitter struggles over the first phase of re-structuring was still quite fresh. A structure consisting of regional co-ops was therefore the most favoured option, which was aired at moments judged to be suitable. The federation chairman²⁵³ Jens Frogner, addressing the same meeting as Per Hatling (above) is quoted as saying that *'we have an organisation that is not good enough to meet the challenges of the future'*, and so it was *'high time to start a new organisational debate in the dairy co-ops.'*²⁵⁴ However, he also stressed that *'co-operative thought {samvirketanken} must be central.'*²⁵⁴ Just after New Year 1991, Frogner is quoted by *Nationen*²⁵⁵ in connection with the start of a 'new organisational debate' in the dairy co-ops. The debate was designed to lead to *'a concrete a.g.m. motio.'*; and Frogner indicated that a structure consisting of 5--7 regional co-ops was desirable.

²⁵⁰ Op. cit.

²⁵¹ *Nationen*, 25.04.88; report by Petter Haugan.

²⁵² According to *Bondebladet*, 5.12.90; report by Synnøve Valle.

²⁵³ Also chairman of the merged co-op *Østlandsmeieriet*.

²⁵⁴ Op. cit.

²⁵⁵ 2.01.91; report by Tor Mælumsæter.

An organisational debate of sorts was indeed set in motion by the federation, through the 'study project' *'One industry, one market {én næring, ett marked}'*. It took place in the autumn of '91; and according to the federation, involved the participation of some 17,000 members and employees. These were in effect confronted with 3 ready choices: the status quo, a regional structure with 5 or so regions, and a unitary co-op. With its strong message of unity, the study booklet could be said to favour the last of these; and because of its aim at reaching a consensus, was dubbed *'one industry, one opinion {én næring én mening}'* by wags in *Småbrukarlaget*. Though allegations of bias have been refuted,²⁵⁶ the study booklet contained the formulations of the federation leaders, and left little doubt that the way forward was via concentration of one kind or another. The booklet, and the whole study process, belonged clearly to the 'top-down' version of democracy.

1992 was the year when decisions were made by the federation.²⁵⁷ The results of the 'study circles' were relayed to the co-op leaders, then to the federation leaders, in February and March. In May, the board of the federation formulated a set of recommendations *{høringsnotat}*, which were sent out to the co-ops for their comments. The co-ops then sent their comments to the federation headquarters in the spring/summer -- a time of hectic activity on the farms. In the autumn the board of the federation made 'corrections' to take account of the co-ops' comments; and then formulated a new set of procedural rules which were designed to fit a more centralised structure. An extraordinary a.g.m. was then called in October, where the scheme and procedural rules were subjected to approval by delegates from the co-ops. Finally, the new rules were submitted for ratification to the following regular a.g.m. in May '93. According to the federation,²⁵⁸ *'the question of organisation has been very comprehensive, both with regard to time and type of work {arbeidsform}'*.

In its summing-up of the results of the 'study' process,²⁵⁹ the federation admits that there was *'disagreement about the number of companies'*; but that *'a majority recommended fewer and bigger companies than today.'* The federation board was more specific in its recommendations, when these were sent out on hearing. The proposed procedural rules are quoted²⁶⁰ as specifying (§ 8) that *'the companies (sic) co-operate in 5 regions with a view to merging into 5 dairy companies'*. According to Olav Randen²⁶¹ in *Bonde og Småbruker*, this decision on structure elicited a storm of protest from the board of Fellesmeieriet, which sent a unanimously approved 6-page response. Among its comments, the co-op board is reported as writing that *'this is not a federative system like co-operatives are supposed to have. It is a business company and not a co-operative enterprise which will be centrally controlled with such great authority.'* As we saw in Section 1.3, this problem of federal control is a known one in co-operatives. The board of Fellesmeieriet is quoted as commenting that it was *'extremely undemocratic to use majority power in the dairy co-ops to force independent co-*

²⁵⁶ Johannes Bieltvedt is quoted in the report cited below as claiming that the study 'went according to the rules', giving 'a fresh dissertation from Ås' as his source. Bieltvedt may have been referring to Mehus and Trosten (1992), which was submitted in May of that year. However, the cited dissertation only covers the northern co-op Meiriet Nord. Neither it nor other dissertations I have found address the specific issue in question as a main theme.

²⁵⁷ Cf. Tine NM documents filed as SFR case 26a/92.

²⁵⁸ Op. cit.

²⁵⁹ Op. cit.

²⁶⁰ Cf. report by Olav Randen in *Bonde og Småbruker*, 19.09.92.

²⁶¹ Op. cit. Olav Randen is of course a leading critic of the federation, but subsequent reports substantiate the strong opposition to the proposals voiced by the chairman of Fellesmeieriet, Johannes Bieltveit.

ops to merge.' Leaders from the same co-op are quoted as voicing strong criticism of the NML leadership at the a.g.m. (see below). As Fellesmeieriet covered a good milk-producing area and had a share of the Oslo market, proponents of concentration interpreted such resistance as expressing the interests of the big dairy farmers. This interpretation will later be seen to be somewhat problematic.

The board of the federation was said to see it '*as its responsibility to create dynamics in this [merger] process.*' It presented its proposals at an extraordinary a.g.m of the federation on the 22nd October. According to the Bonde og Småbruker report,²⁶² delegates to the a.g.m. were split on the issue of a single co-op versus a regional structure. After a motion to leave open the final number of dairy co-ops only gained the support of 22 out of a total of 125 delegates -- those from the region *Vestlandet* and the two co-ops Fellesmeieriet and Meiriet Sør -- the original proposal was passed unanimously. A report by the news agency NTB comments: '*The vague formulation to work towards a goal of 5 regional dairies is probably the strongest NM could pass without causing severe inner problems within the organisation.*'²⁶³ Bonde og Småbruker²⁶⁴ quotes the chairman of Fellesmeieriet, Johannes Bieltvedt, as saying publicly that there was a '*permanent crisis of trust*' between the grass roots and the federation leadership. Bieltvedt is further quoted as saying that the delegates from Fellesmeieriet considered voting against the proposal of 5 co-ops, but '*feel that we were given clear signals at the a.g.m. that we could still work for a federative model*' (i.e. one which would allow Fellesmeieriet to continue as an independent co-op). Criticism was also voiced by Arne Grue from *Østlandsmeieriet*, who is quoted in the same report as saying that the proposal from the federation board bore the marks of formulation without the involvement of ordinary members.

The annual report of NM/NML did not mention the initial disagreement about the number of dairy co-ops at all; simply describing the decision to work within 5 regions, with 5 regional co-ops as the long-term goal, as '*unanimous*'. The decision had taken over 2 years to reach, according to the report, where the board took the opportunity to thank '*all those who had taken part with broad interest.*' In summing up the process, the federation stressed that the organisational model which had now been decided on '*is a two-stage model with NML/Norske Meierier as the one part, and the dairy companies as the other.*' It was specifically stated that both parts were '*independent economic and judicial units.*'

The alternative of a single dairy co-op was not dead and buried, however. The EEA {EØS} agreement -- hailed as a satisfactory alternative to EU membership -- had only been ratified by Parliament a few months earlier when full membership was suddenly proposed by the Government. It was now 1994, and the Swedish government had just announced that -- subject to a referendum -- it would apply for full membership of the EU. With a Finnish application for membership on the cards, this move left the Norwegian government of Gro Harlem Brundtland with the prospect of being the only major Nordic government not in the EU. The response was a hasty application for membership, and a campaign -- preceeding the referendum in November 1994 -- which was both intense and bitter. More will be said about the arguments for and against membership in part 5. What is important to mention here is that the dairy federation saw a full-blown merger as the only adaptation permitted by EU rules.

²⁶² *Bonde og Småbruker*, 31.10.92; Børre Solberg. The report tells that the motion was proposed by delegate Martin Haugland from Meieriet Sør.

²⁶³ *Norsk Telegrambyrået* (a neutral and highly respected news agency) 22.10.92, Internet (unsigned).

²⁶⁴ Op. cit.

Though this was a controversial interpretation,²⁶⁵ the federation called a '*board conference*' {*styrekonferanse*}, in November 1994, at which all 19 co-ops were represented. The conference supported the federation's contingency plans for a single co-op; but as the application for membership was withdrawn following the referendum, the plans were shelved at the end of 1994.

Meanwhile, some of the proposed regions had already begun to work out how much a merger would save them. In the west, the boards of Vestlandsmeieriet, Sogn og Fjordane Meieri and Sunnmøre Meieri spoke of annual savings of the order of kr 15 million; with the loss of 33 jobs in production and 12 in administration, and the closure of 16 dairy plants.²⁶⁶ However, the newspaper reporting the regional meeting also noted that '*scepticism over merger has hitherto been greatest in Vestlandsmeieriet*'.²⁶⁷ Another report²⁶⁸ tells that the plans for a regional co-op were first to be sent out to the members for comments in February-March, before the decision on merger being made at the co-op's respective a.g.m's in April. The same report announces the formation of a group designed to stop the formation of a big co-op. One of the initiators, Hallvard Fjørstad from Sunnmøre Meieri, is quoted as explaining: '*We feel that there will be a great concentration of power if the whole of the West {Vestlandet} becomes a single region. It's far enough to the administration and head office in Ålesund. Besides, it's a goal for us to show the will to get the power back to the owners in the dairy co-ops.*'

Part 5 will go into more detail with regard to arguments for and against merger.

At the a.g.m. in Tromsø in April 1995,²⁶⁹ the federation leadership displayed impatience with the co-ops, whom they saw as dragging their feet over the formation of regional dairies. '*The political conditions {rammestrukturen} demand faster progress.*' the chairman, Kåre Syrstad, is quoted as saying. One of the reasons given for the urgent need for mergers was the failure of the existing (Riksoppgjør) system to even out farm milk prices between co-ops.

A delegate from the co-op Vestlandsmeieriet, Henrik Lunde from Sand,²⁷⁰ is reported as pointing out in an interview that the merger process depended on the members, and that the co-op's a.g.m. '*signalled scepticism to a merger just now.*'²⁷¹ When asked whether this scepticism was because the unanimous decision of 1992 did not have a basis of owner support, he is quoted as replying that '*it seems that we were presented with a rather too well-chewed starting point for discussing and formulating decisions.*'

The following month, the forthcoming formation of the first regional dairy -- *Tine Midt-Norge* -- was announced following the a.g.m's in *Trøndelag Meieri*, *Nordmøre og Romsdal Meieri*, and *Namdalsmeieriet*.²⁷² In all 3 co-ops, massive majorities of the delegates voted for merger. The new co-op would replace the existing ones at the start of 1996, and would have 20 plants. The report notes that '*there seems to be fairly broad agreement that the number of plants must be reduced.*' Meanwhile, the co-op Meieriet Nord had changed name when it

²⁶⁵ Cf. interview with professor Per Ove Røkholt in *Bondebladet* 9.11.94, with Marta Kjøllesdal. According to Røkholt, it was not necessary to form a single co-op to conform to EU regulations.

²⁶⁶ *Nationen*, 17.12.94; report by Gunnar Syverud.

²⁶⁷ Op. cit.

²⁶⁸ *Nationen* 19.01.95; report by Tore Mælumsæter.

²⁶⁹ I was allowed to attend the a.g.m. as an observer.

²⁷⁰ A report in *Bondebladet* by Aud Klingen Sjøvik (cited below) tells that Lunde was elected chairman of Vestlandsmeieriet the following month.

²⁷¹ *Nationen* 21.04.95; report by Gunnar Syverud.

²⁷² *Bondebladet*, 16.05.1995; report by Aud Klingen Sjøvik.

merged with Harstad and Sandnessjøen from 1st January 1995. The new name -- Tine Nord-Norge -- indicated rather cheekily that the co-op covered the whole of Northern Norway, including Finnmark.

In the federation's annual report for 1995, a stylised map showed the 'regions of co-operation' which were to become regional dairies.

In October 1995, the board of the federation decided that a deadline should be set. It announced²⁷³ that the ordinary a.g.m. of the co-ops in 1997 would be the final date for the approval of the required merger agreement, so that the new co-ops would be up and running by New Year 1998. General financial incentives, such as the '6 øre' used in the first round of regional mergers (cf. Part 3), were however ruled out. According to the report, chairman Kåre Syrstad said there would be '*no general financial incentives*', but added that the federation '*aim to enter into a dialogue with each individual company to see what problems exist, and how we can contribute with economic solutions.*' In other words, the resistance to mergers was defined by federation leaders as a financial problem. This definition was however rejected by journalist Gunnar Syverud, who stated in an article²⁷⁴ that the question of mergers '*won't be decided by a few measly øre per litre milk.*' '*This matter,*' continued Syverud '*will be decided by trust, that the leaders are acting in the best interests of the members with their proposals for merger; that the neighbour won't trick you and override you as soon as you enter the fold, that the organisations won't be so big and distant that they lose the feeling for it and contact with it.*' The elected leaders would have to show enthusiasm for the mergers, claimed Syverud.

In fact, both Syrstad and Syverud were right, as the analysis will shortly demonstrate. Money was indeed not everything, but it seems to have been a major component of the resistance to mergers; and the money involved was considerably more than 6 øre per litre. Nationen announced in December 1995²⁷⁵ that a large sum was being made available for the mergers by the federation. Of this, kr 150M was to come from the 'Rationalisation fund', built up through a deduction in farm milk price (cf. Part 3).²⁷⁶

Kåre Syrstad was hailed as the Norwegian equivalent of Robin Hood in a newspaper article²⁷⁷ which made clear that Syrstad's financial incentive for merging the co-ops was an evening-out of the farm milk price. It had been calculated that around kr 250M was required in order that all members would attain the average national price in the new co-ops. However, Syrstad admitted in the same article that as well as redistribution, he was also aiming at '*considerably lower costs*' in dairy processing.

Of the total sum of kr 200M, 150M -- or the amount to be taken from the Rationalisation Fund -- were to be used to pay off capital debt in dairy co-ops. Almost kr 100M was earmarked for Region Øst, 45M for Region Vest, and 7, 5M for Region Nord.²⁷⁸

²⁷³ Nationen 20.10.95; article by Gunnar Syverud.

²⁷⁴ Nationen 23.10.95.

²⁷⁵ 8.12.95. The sum of 250M kroner was quoted. A later article in Bondebladet (6.03.96; Aud Klingen Sjøvik) quotes the correct amount of 200M kroner.

²⁷⁶ Cf. Nationen 4.03.96; article by (editor) John Kvadsheim.

²⁷⁷ Op. cit.

²⁷⁸ Cf. previously cited article in Bondebladet.

The a.g.m's of the co-ops in April 1997 were the fora where the historic decisions to merge (or not) were made. Already in February of that year, it was clear that Drammen Meieriet -- a small co-op with 185 active members -- was not going to vote to join the big merger in Region Øst. The reasons for this decision -- partly financial, partly local, and partly principled -- will be discussed in Part 5, along with those from other co-ops. Other co-ops where delegates or members voted against mergers were Tine Finnmark, Vestlandsmeieriet and the small, rural Vikedal Meieriet (cf Section 4.3). In all the other co-ops there was a majority in support of merging. However, because the planned merger was ruled out in Region Vest, the two co-ops Sogn og Fjordane Meieri and Sunnmøre Meieri were also left as independent.

I have calculated some simple statistics on the basis of the voting figures. Apart from Vikedal, all the a.g.m's consist of delegates, so that the voting figures only give a picture of how delegates voted.²⁷⁹

| | % for merger | % opposed | Rank % opposed |
|-------------------------|--------------|-----------|----------------|
| Østlandsmeieriet | 95.5 | 4.5 | 11 |
| Rogalandsmeieriet | 95.3 | 4.7 | 10 |
| Sogn og Fjordane Meieri | 87.8 | 12.2 | 9 |
| Meieriet Sør | 66.7 | 33.3 | 8 |
| Fellesmeieriet | 64 | 36 | 7 |
| Sunnmøre Meieri | 58.9 | 41.1 | 6 |
| Østfoldmeieriet | 56 | 44 | 5 |
| Vestlandsmeieriet | 41.8 | 58.2 | 4 |
| Tine Finnmark | 33.3 | 66.7 | 3 |
| Vikedal Meieri | 20.4 | 79.6 | 2 |
| Drammen Meieri | 7.4 | 92.6 | 1 |

Fig. 4.8.1 Dairy co-ops voting in April 1997 for and against regional mergers, ranked according to support for mergers.

The table shows that the small co-ops Drammen and Vikedal had the highest figures for resistance to the mergers, followed by the small and special region, Finnmark. At the other end of the scale are co-ops covering large regions -- Østlandsmeieriet and Rogalandsmeieriet.

The simplest hypothesis about a relation between farm milk price and resistance to mergers is that farmers receiving a good milk price will tend to be more sceptical about mergers (which tend to lead to a lower price). First, this was tested by comparing the farm price received in 1995 (the year which formed the basis for comparisons) with the percentage opposed to merger.

²⁷⁹ According to an estimate by Endre Tjelmeland (*Nationen* 25.03.97), there was an average turnout of about 30% at the local members' {*produsentlag*} meetings in Vestlandsmeieriet. The voting figures from these meetings were 461 against and 350 for a merger, giving 57% against a merger -- nearly identical with how the delegates voted (cf. Fig. 4.8.1).

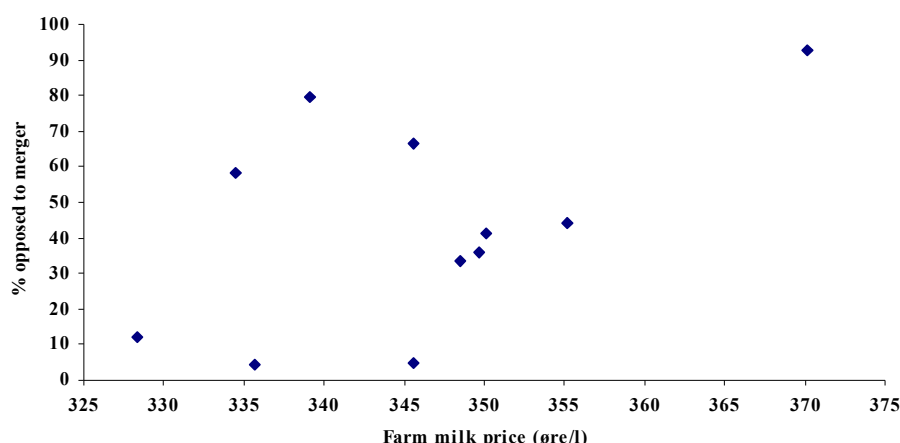


Fig. 4.8.1a Opposition to merger plotted against farm milk price for '95. *Source: NML (Internet)*

We see from the figure that there is quite a wide variation in how well opposition to merger corresponds to farm milk price. The correlation coefficient calculated is 0.497.²⁸⁰ The corresponding RSQ, or square of the correlation coefficient, is only 0.247 -- i.e. just over a quarter of the variation in support for, or opposition to the merger can be explained by price.

A somewhat more sophisticated hypothesis is that farmers will pay most attention to how much neighbouring co-ops are paying. To take account of this, I calculated the mean price for each region (again for 1995).²⁸¹ This gave the following table:

| | %opposed | Price diff. From group mean | Rank % opposed | Rank price diff. from group mean |
|-------------------------|----------|-----------------------------|----------------|----------------------------------|
| Østlandsmeieriet | 4.5 | -13.7 | 11 | 11 |
| Rogalandsmeieriet | 4.7 | 0.7 | 10 | 7 |
| Sogn og Fjordane Meieri | 12.2 | -7.6 | 9 | 10 |
| Meieriet Sør | 33.3 | 3.6 | 8 | 6 |
| Fellesmeieriet | 36 | 7.7 | 7 | 5 |
| Sunnmøre Meieri | 41.1 | 14.2 | 6 | 2 |
| Østfoldmeieriet | 44 | 13.2 | 5 | 3 |
| Vestlandsmeieriet | 58.2 | -1.4 | 4 | 8 |
| Tine Finmark | 66.7 | 8.4 | 3 | 4 |
| Vikedal Meieri | 79.6 | -5.8 | 2 | 9 |
| Drammen Meieri | 92.6 | 28.1 | 1 | 1 |

Fig. 4.8.1b Dairy co-ops voting in April 1997 for and against regional mergers, ranked according to difference from regional farm milk price, and approval of mergers.

Again we notice that Drammen heads the table and Østlandsmeieriet is at the bottom of the league; but now Vikedal is reduced to 9th place for milk price. Graphically, a fair amount of variation can again be seen:

²⁸⁰ Pearson's product moment (r); cf. Blalock 1979: 396ff.

²⁸¹ I have not used the adjusted price figures (cf. *Bondebladet* *) as though these give a better picture of co-op performance, the cash price is the one commonly referred to in the disputes.

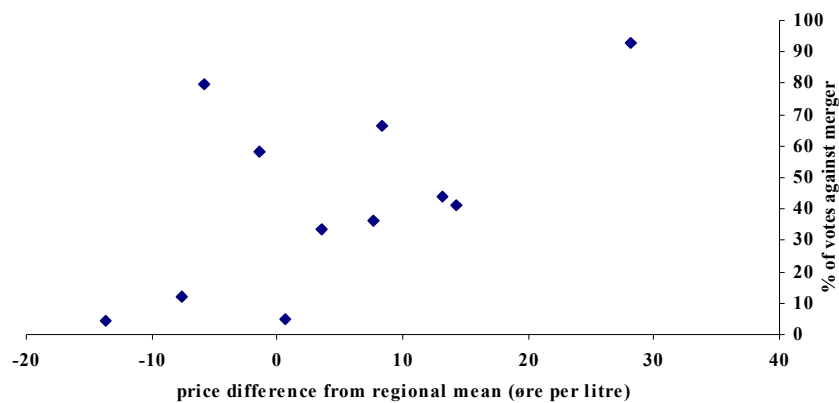


Fig. 4.8.1c Support for/ opposition to mergers, plotted against difference between co-op's farm milk price and the regional average. Source: Nationen

The correlation coefficient this time is 0.576 - again showing a rather poor correspondence between farm milk price and opposition to the mergers.

Perhaps the opposition to mergers has more to do with co-op size than with farm milk price? I have tested this hypothesis:

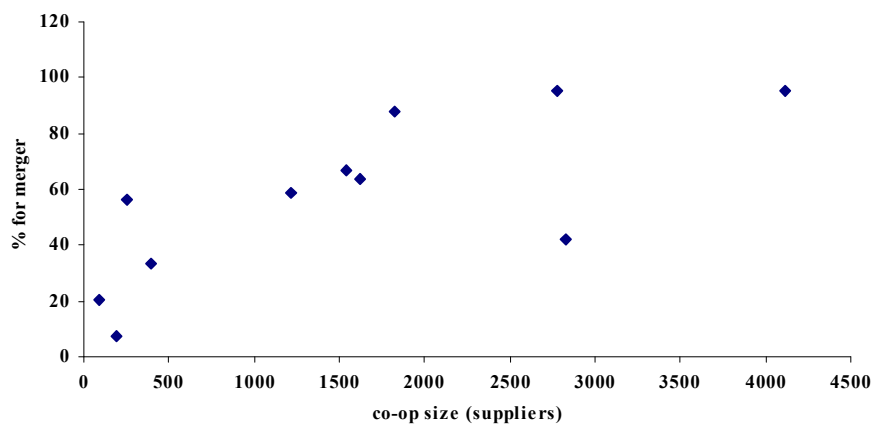


Fig. 4.8.1d Co-op size plotted against support for mergers

Indeed, the correlation coefficient is now 0.744; substantially higher than obtained from farm milk price. The square value, RSQ, is 0.553, i.e. the size of the co-op accounts for 55% of the variation in support for mergers.

Thus about 3/4 of the total variation in support of/opposition to mergers can be attributed to size and price. Though interesting, these figures do not however tell, for example, why size seems to be such an important factor for many members. To appreciate why this is the case, the views of co-op members and leaders will be heard in Part 5.

4.9

Issues of dispute: Summary and conclusions for Part 4:

The range of cases presented in the preceding sections has displayed both diversity and similarities. We have looked at disputes concerning the structural concentration of both production and organisation, involving both regional and local organisational levels, in different parts of the country, and in the meat as well as the dairy sub-sector. As well as economic interests, they involve wider concerns about communities and the rural economy.

Section 4.1 continued the theme, discussed in Part 3, of the imposition of a 'rational order' on the dairy co-ops from 'above', and of the conflict between this 'top-down' process and the autonomy of the co-ops. As well as federation leaders and the corporative system, the regional milk boards also played an active role in promoting structural concentration of both kinds. The role of the milk boards was also illustrated in the case of Nord-Østerdal (Section 4.4), while the later history of this area underlined the power of the federation to set the parameters for regional structure, through its centralised system of product quotas. The conflict between central 'top-down' planning and co-op autonomy is further illustrated in Section 4.8, which tells of the second phase of regional mergers.

The case of Målselv/Bakkehaug (Section 4.2) completed the shift in focus from national to local level of the preceding section, illustrating how a 'local' case of dairy plant closure was the outcome of both national and regional policies of structural concentration. This case also shows how regional and national 'grass-root' alliances, opposing structural concentration in principle, could be built. On the other hand, both Bakkehaug and Nord-Østerdal illustrate the 'zero-sum' character of the regional structure planning process, which promoted narrowly parochial attitudes towards plant closures on the part of co-op area representatives. The behaviour of the latter -- largely looking only after the interests of their own areas -- conforms to the stereotype myth which claims that opposition to plant closures is evidence of narrowly parochial thinking among farmers. However, by locating this particular form of behaviour in the institutional context which promotes it, we can readily identify it as a rational adaptation to the latter. This is an insight which the sociological version of 'games theory'²⁸² helps us to acquire.

The exchange of views over the Bakkehaug case brought out another stereotype image of the small co-ops in general, as having chronically under-invested in their plants. By contrast, Nilsen's (op. cit.) history of the co-ops in Nordland and Troms, as well as Almås's account of the Singsås case (Section 4.5), show examples of over-investment by expansive local and area co-ops. Again, a 'strategic games' analogy helps us to understand both of these strategies in relation to the decision-making context. The instability and uncertainty created by federation and milk board policies of structural concentration -- particularly in the 1970's, after the big drive towards regional mergers had been set in motion by federation leaders -- would logically have had the effect of polarising investment strategies. Co-ops which saw themselves as well-placed to expand thus tended to invest in over-capacity, while the smaller and less centrally-situated co-ops had little incentive to continue investing in a plant which

²⁸² Though not particularly enthusiastic about this theoretical school, closely linked as it is to orthodox economics and rational choice, I find some of its insights useful. See Boudon (1979/1981) for a discussion of the basic games and strategies.

was likely to be taken over and closed down. The co-ops' analyses of future developments thereby acquired a partly self-fulfilling character. Inheritance of the debts associated with over-investment was a factor whose adverse effect on milk price would appear to have further promoted structural concentration after the formation of the regional co-ops. The victims of concentration were by no means limited to co-ops which had under-invested.

The powerlessness of local member constituencies in regional co-ops to prevent the closure of plants they had been responsible for, and had previously owned, is brought out in particular by the cases of Bakkehaug and Hadeland (Section 4.6). This aspect of these disputes underlines what was said in Section 3.5 about the ambiguity surrounding the establishment of the regional dairies *{distriktsmeieri(ene)}*. The bitterness displayed by opponents to both these closures would appear to stem, at least partly, from a feeling of injustice. While structural decisions can hardly be other than highly centralised in a unitary regional co-op -- a theme I will elaborate on in Section 5.7 -- the opponents of closure in Målselv and Hadeland would seem to have been under the impression that their regional co-ops were of a confederative character. This impression was undoubtedly given substance by the way in which the regional co-ops were organised at local level, with the local constituency committees having formal responsibility for the running of their plants.

The case of the Nord-Østerdal district showed that, even though the final decision was centralised, it was possible for a regional co-op to bring the structural planning process out to the members at an early stage. Though the federation was heavily involved, and there seems to have been little leeway as regards the extent of concentration to be achieved, it would appear from Jorunn Reitan's study (Section 4.4) that input from local member meetings was taken into account in deciding on the location of a new central plant. The extensive character of the planning process itself, together with the compromise on the siting of the main dairy plant, and the decision to keep the small Follidal dairy plant running for an interim period, may well have averted the kind of bitter conflict experienced by Meieriet Nord at Bakkehaug, and Fellesmeieriet at Hadeland.

The Bakkehaug protestors listed three main reasons for their objection to the closure: loss of services to farmers in the area, loss of employment in the rural community, and disagreement as to the business economic grounds given for closure. Thus their concerns were a combination of their own interests and wider issues, extending beyond the business to the community. A similar combination of concerns was voiced by protestors in the Hadeland case, and in the four cases summarised in Section 4.7. The two earlier studies, in Section 4.4 and 4.5, also brought out a combination of interests and broader concerns for employment and the community, in the protests against closure. In particular, Almås's study of Singsås drew attention to material interests among opponents as well as supporters of plant closures: small farmers feared for their survival in a more centralised and 'business-minded' co-op. In none of the cases did there emerge any grounds other than business economic ones for structural concentration. In the account of Bakkehaug, I contrasted the heated arguments against closure with the cool and detached 'boardroom rationality' by which the calculations of federation 'experts' were translated into decisions on plant closures.

In the meat sub-sector, the case of the Northern regional co-op reminded us that market, as well as hierarchy, is a major factor bringing about cost-cutting and plant closures. Structural concentration in the meat co-ops has taken place in the absence of the kind of close integration and centralised control which apply to the dairy co-ops.

The cases of the Leknes and Brønnøysund plants showed that exit, in the presence of competition, is a strategy which the meat co-ops have had to take into account. Having experienced to its cost that it was no empty threat in the case of Leknes, the co-op made efforts to accommodate the Brønnøysund farmers. As long as the dairy co-ops had no competition, exit was not an option for objectors to plant closures or mergers. On the other hand, the case of Singsås illustrated what was said in Part 2, on the consequences of the Dairies' Act. The latter institutionalised exit as a viable option, and thus a credible threat, for relatively large-scale producers whose desire for merger or the concentration of processing structure had been thwarted by majorities in their co-ops. In the mid-1990's, changes to the raw milk governance regime, and also to the Dairies' Act (cf. Section 2.3) - together with the emergence of so-called 'private'²⁸³ competitors to the co-ops -- has made exit a real option for co-op members opposed to structural concentration. This new element was brought out in the most recent of the dairy cases -- Hadeland and Meieriet Sør.

Almås's analysis of the Singsås case indicates a close correspondence between a farmer's mode of primary production and his or her support for a particular model of organisation of secondary production. 'Capitalist' and 'proto-capitalist' producers had a strong tendency to support the 'capitalist' business strategy of structural concentration in the co-ops. However, the cases in the 1990's in which threats of exit were associated with attempts to save the local facility -- Hadeland, Meieriet Sør and Brønnøysund -- have cast doubt on such a general correspondence. They show that comparatively large-scale farmers, and even those whose farms might be characterised as 'agri-business' by Norwegian standards, may well see their interests as being best served by small-scale local processing facilities, in which they may or may not wish to become involved as investors. It would seem that the correspondence found by Almås between the pursuit of business strategies in primary production and the co-ops was contingent on the institutional context. In the meat sub-sector, and in the milk one of the mid-1990's, structural concentration within the co-ops is not necessarily perceived as the only, or best, strategy for bringing optimal returns to the farm business.

The case of Vikedal (Section 4.3), and those of the other co-ops which rejected the second phase of mergers in 1997 (Section 4.8), show that the autonomy of the co-ops is more than just a formality. Even though the pressure from 'above' to merge has been strong, it has nonetheless not always brought about the desired 'rational' outcomes.

The quantitative studies in section 4.8 have brought out a divergence of views and perspectives on key issues: organisational democracy and governance; material interests; the physical organisation of processing; wider responsibilities and solidarity. A greater selection of arguments and views on these and related matters of contention -- largely put forward by participants in the structural disputes referred to in Part 4 -- will be presented in Part 5.

²⁸³ Partly financed by the state development agency SND, Synnøve Finden is arguably less privately-owned than the co-ops, whose capital is 100% farmer-owned.

APPENDIX TO 4.1

Note on sources and presentation

In part 1, I have said a little about the approach of discourse and narrative analysis. This involves the recognition that events and situations can in principle be represented by a multiplicity of accounts, containing competing claims to validity, if for no other reason than that no single account can convey every aspect in detail. Even before we begin explicitly to discuss causes, explanations and motives, these are already to some extent built into our supposedly purely descriptive accounts by way of implicit assumptions. The categories used, and the very structure of the account, invite the reader or listener to share our assumptions and ultimately our implicit moral judgements. Thus it is clear that I do not believe it is possible to give an objective and neutral account, let alone analysis, of the struggles over structural change. Though I have presented a variety of accounts based on a variety of sources, it is hard to avoid a certain bias.

The bias ultimately comes from the very perception of structural concentration, and the exclusion of wider considerations from business decisions, as "problems". This bias is compounded by the use of a chronological narrative structure which focuses on readily identifiable events and explicit arguments, rather than on figures indicating cost and gain in business accounts. Such narratives readily take the form - intended or otherwise - of "a brave but hopeless struggle of the small and weak against the big and strong", which will commonly elicit sympathy with the former. My extensive use of press sources contributes to the predominance of this narrative form, as the press commonly likes to see itself as the champion of the weak and the losers. Though some of the accounts show that those opposing structural concentration are not necessarily small and weak, this hardly changes the overall impression.

To some extent, I have balanced the above type of narrative by giving voice to the authoritative one of federation and milk board leaders. Their "official versions" of the history of the dairy co-ops tell of the project of "enlightenment" which they have struggled to carry out, against resistance grounded in ignorance and narrow parochialism. However, I have largely compounded the bias, by frequently framing this version of events in a critical way.

The SFR documents I have used as a third source seek to provide an impartial analysis; but there is no doubt that the proponents of merger and re-structuring have generally regarded SFR as working against them. Though I do not accept this claim (cf. section 3.5), I cannot hope to convince supporters of structural concentration of SFR's neutrality.

This leaves my first-hand interviews with people on both sides of the disputes as the remaining source with a potential for correcting the perceived bias indicated above. In part 5, views and arguments from these, as well as from the public debate in the press, will be presented - in many cases, related to the disputes presented in part 4. These will bring out more clearly the fact that support for structural concentration is not just a matter of narrow calculation of personal gain, but also involves substantive values and principles.

As regards the reliability of quotes and factual information which I have reproduced from press reports, I am satisfied that it is acceptable. In some cases I have been able to cross-reference reports. In many of the other cases where I rely on single reports, these have been

written by journalists I have come to trust over a period of time. The newspaper *Nationen*, which I have quoted extensively, is closely involved with and indeed largely owned by *Bondelaget* and the farmers' co-ops, and pursues an editorial policy which I would characterise as constructive criticism. Its senior staff journalists, including Gunnar Syverud, Knut Herefoss, and Tore Mælumsæter, know the co-op organisations well and have access to sources at the "top". They are unlikely to jeopardise their working relations with such sources by resorting to sensationalism or undue bias in favour of oppositional minorities. If anything, they appear a little too defensive of the co-ops at times, but when it comes to internal disputes they give critical members plenty of scope. Information from my other main sources, *Bondebladet* and *Bonde og Småbruker*, has to be treated as potentially biased, respectively for and against co-op leaders and their policies of structural concentration. Nevertheless, reports and interviews by senior journalists like Aud Klingen Sjøvik in *Bondebladet* generally take a neutral stance, with critical questions being asked. Some of the contributors to *Bonde og Småbruker*, including Olav Randen and Ståle Støen, are leading participants on the "anti-concentration" side in the general debate on co-op structure; and I have thus been particularly careful not to present them as neutral sources.

APPENDIX TO 4.8

Table for figures 4.8.1 to 4.8.1d

| | % for | % | rank % | total milk | rank price | price diff. |
|-------------------------|-------|------|--------|------------|------------|-------------|
| Østlandsmeieriet | 95.5 | 4.5 | 11 | 335.7 | 9 | -13.7 |
| Rogalandsmeieriet | 95.3 | 4.7 | 10 | 345.6 | 7 | 0.7 |
| Sogn og Fjordane Meieri | 87.8 | 12.2 | 9 | 328.3 | 11 | -7.6 |
| Meieriet Sør | 66.7 | 33.3 | 8 | 348.5 | 5 | 3.6 |
| Fellesmeieriet | 64 | 36 | 7 | 349.7 | 4 | 7.7 |
| Sunnmøre Meieri | 58.9 | 41.1 | 6 | 350.1 | 3 | 14.2 |
| Østfoldmeieriet | 56 | 44 | 5 | 355.2 | 2 | 13.2 |
| Vestlandsmeieriet | 41.8 | 58.2 | 4 | 334.5 | 10 | -1.4 |
| Tine Finnmark | 33.3 | 66.7 | 3 | 345.6 | 6 | 8.4 |
| Vikedal Meieri | 20.4 | 79.6 | 2 | 339.1 | 8 | -5.8 |
| Drammen Meieri | 7.4 | 92.6 | 1 | 370.1 | 1 | 28.1 |

Source for total milk price: Bondebladet 6.June 1996

PART 5:

ANALYSING THE ARGUMENTS

Introduction

The selection of cases in Part 4 displayed both diversity and similarity. Within and related to the main theme of structural concentration, a number of issues of dispute were identified. Co-op leaders' and members' views and arguments about these issues have been collected, in the form of texts and interviews. In Sections 5.1-- 5.7, these will be presented and discussed. The analytical process will be interpretative: I will not be aggregating individual views and arguments, but identifying and exploring commonalities and distinctions between them. Some of these patterns can be attributed to material interests, and others to social affinities. My main concern in Part 5, however, is to examine the 'structuring' influence of underlying perspectives, norms and ideologies on the co-op disputes and debates.

More explicitly than in Parts 3 and 4, the analysis takes the form of a dialogue between the ideas guiding the research and the data collected. In this case the data is also mainly in the form of ideas and ways of thinking and reasoning, expressed or implied in the debates and disputes; though other factors will also be integrated into the discussion (see below). The ideas initially guiding the research are those presented in Part 1 and Section 2.1, on various aspects of the organisation of productive activity. These ideas have been developed, and others have been brought in, as a result of the dialogue. The main focus will be on diverging perspectives on the co-operative organisational model and on the principles associated with it. Secondly, the theme of alternatives to the orthodox modern model of production and consumption (cf. Section 2.1) will be discussed. The balance of emphasis between these two main themes reflects the attention given to them in the debates and disputes. I have indicated earlier (part 2) that they are conceptually related. A third theme has emerged from the evidence: the various ways in which collectivities -- the social bases for the disputes -- are defined. The discussion of these three main themes brings out a number of norms, perspectives and ideologies which together influence or structure the debates and disputes and the views of participants, and by implication also the policy decisions to which these relate.

When it comes to interpreting the actual decisions made by co-op leaders on co-op structure, other factors require to be brought in. Part 2 showed that there are severe external constraints involved; while evidence from Parts 3 and 4 points to the role of internal organisational dynamics and the distribution of power. In discussing the views and arguments in the following sections, I will draw attention to various constraints on both physical production and democratic organisation, whose effects on outcomes are at least partly independent of perspectives.

The sections

Section 5.1 deals briefly with the important broad issue of financial concerns, and summarises the other main areas of concern that I have identified in the data.

Section **5.2** addresses the issue of conflicting perspectives on production and consumption. One set of perspectives is associated with the orthodox modern model of production and consumption (cf. Section 2.1), whose dominance is upheld by the co-op federations generally, and the dairy one in particular. Some members challenging policies of structural concentration not only criticise this model of production, but also put forward concrete alternatives. These will be examined together as elements of an alternative model. Limitations and problems of an objectively real character, associated with each of the models, will be brought into the discussion.

In Sections **5.3 and 5.4**, the theme is the diversity of collectivities to which co-op members relate their interests, and towards which they express solidarity. These collectivities do not necessarily fit into formally defined organisational boundaries, as we shall see; and views diverge as to where the limits of organisational responsibilities do or should lie. I examine the informal social production and reproduction of commonalities, distinctions and limits, on the basis of social affinities, perceived common interests, and the moral concept of responsibility. The criteria on which the various boundaries are based may conform or conflict with official organisational and co-operative principles, or may expose ambiguities in these. Differing perceptions of organisational responsibilities will be linked to differing perspectives on co-operative organisation: the substantive and the formal (cf. Section 1.3).

The theme of distinctions and limits is carried over into Sections **5.5 and 5.6**. These examine different aspects of members' and leaders' concerns with equality with regard to price. Section **5.5** gives examples of how dairy co-op leaders have extended this co-operative principle, bringing it into conflict with that of organisational autonomy -- a theme already illustrated in Parts 3 and 4. The discussion then moves, in Section **5.6**, to the challenge to egalitarian norms posed by utilitarian instrumental thinking.

Aspects of democratic governance are the subject of Section **5.7**. We saw in Section 1.3 that differing conceptions of co-operatives embody perspectives on organisational democracy which vary along the participative-instrumental dimension. I seek to link these differing perspectives on democracy with arguments and views about co-op democracy and member control, which are a substantial element in the co-op disputes and debates.

Section **5.8** rounds off the analysis by looking at issues of principled contention beyond those of the co-op disputes, and discourses concerning these wider issues which are brought to bear on the latter. The aim is to show the influence, on the arguments and views expressed by co-op members, of discursively mediated perspectives and ideologies from society at large. I begin by briefly summarising the range of these which have been referred to explicitly in the data I have examined. Then, taking the major political issue of Norwegian membership of the European Union (EU) as a starting point, I bring the focus to the key ideological issue of concentration and centralisation in society.

The question of the distribution of views among members in general is not addressed systematically by the above data and analysis. This leaves a gap between the objective facts of majority-based organisational decisions, and the views and arguments of the relatively few who are actively involved in bringing these about, or opposing them. Section **5.9** has been appended to the analysis in order to partially fill this gap, by summarising relevant findings of a recent survey of members' views on, and participation in, their dairy co-ops. These overall

patterns of views, based on a large sample of all dairy co-op members, indicate to what extent the debates and disputes express major divisions within the dairy co-ops.

Before subjecting certain key themes to closer scrutiny in the following Sections, I will present them together with a wider range of concerns expressed in the co-op debates and disputes. I begin the section with a brief description of my text and interview data and how the latter has been gathered.

The text and interview data and their collection

The empirical study began in the spring of 1994 with the collection of information on the current structural changes and disputes in the farmers' co-ops, principally in the dairy and meat sub-sectors, and with a focus on Northern Norway. The information was mainly in the form of text from the press. On becoming aware of the degree of integration and centralised control in the dairy federation, I realised that the processes of structural concentration and the disputes about them could only be understood adequately in the national context. With so much happening in the dairy sub-sector both in the region and in the rest of the country, it became necessary to focus mainly on it, collecting only a very limited amount of data on the meat co-ops. Until the summer of 1995, I followed developments and exchanges of views in Northern Norway particularly closely, while also collecting press cuttings from national sources. After this time I have been based in Lillehammer, in the northern part of the Østlandet region, and have supplemented my national data with text on the co-ops and 'private' dairies in the region from the local press. My own collection of press cuttings has been supplemented from various sources. Other valuable sources of data have been books, archive documents and current annual reports.

For much of 1994, the whole agricultural and agri-food sector was thrown into a virtual state of emergency by the Norwegian government's application for membership of the European Union. Data collection in that period, other than on the EU issue, was limited; and -- with seasonal limitations on travel -- it was not until the summer of 1995 that I felt ready to carry out extensive 'field work' in Northern Norway.

This 'field work' involved interviewing current and former elected representatives (at local, regional and national levels), activists and others who had expressed views on changes in the co-ops, and a few other informants. A certain degree of theoretical sampling was involved (Ragin op. cit.: 98), inasmuch as I was concerned to obtain a good balance of views from both sides of as many cases of dispute as I could reasonably cover, as well as the views of some leading members, and a few who were prominent neither in the co-ops nor in the disputes. Paying due regard to the expected effects of material circumstances on positions in the disputes, I also endeavoured to have a reasonable balance of informants with regard to farm size and other indicators (see below). I further sought to obtain a reasonable gender balance among informants, bearing in mind that women are very much in the minority both in elected office and among participants in the public co-op debates. In several areas, I supplemented the names of participants I had selected myself, by contacting the municipal agricultural department. The latter provided me with the names of farmers who had either been involved in structure disputes, or were office-bearers in the co-ops, or were known to be good at explaining their views. As it was a busy time of year, some farmers were simply unable to take time to speak to me, and many interviews had to be fitted in to suit the long working day. In a few cases, some informants suggested others -- not necessarily with similar views -- whom I subsequently interviewed.

I covered eight districts in Northern Norway where there were or had recently been disputes in the co-ops, from Sør-Varanger on the Russian border to Sør-Helgeland at the southern end of the region, including the Lofoten and Vesterålen islands. I also visited some areas and islands which have not had a production plant in the recent past, and some with plants which were not under threat. Altogether, I obtained data from over 40 farmers or farming couples in the region, visiting most of them on their farms. I also visited one co-op head office, two dairy plants, and a family-owned slaughterhouse. In November 1996, I paid a short visit to the Vikedal dairy co-op, where I interviewed the chairman and two other members, and the manager.

The interviews were unstructured, and varied considerably in subject and scope. I had a list of topics I wished to obtain data on (cf. Appendix 1), but did not stick rigidly to it as an interview guide, as I soon found it was better to discuss specific disputes and current issues in the co-ops, and use these as a focus for arguments and views. Using this approach, it was possible to cover most of the topics on the list in a natural way in the course of an interview. Some informants had written letters in the press or been interviewed there, and these texts were a good starting point. Others were elected representatives at co-op board or federation level, and could be asked more generally about organisational policies and problems. See Appendix 5.1 for more details.

My policy in interviewing has been to guarantee informants anonymity. In some cases at least, this has made informants more relaxed, and more open about views than they otherwise might have been. My aim was to supplement the data from the public debate with more detail on certain aspects, and with views exchanged informally among farmers. It is hard to judge how far I succeeded in the latter aim. In any case, there was no great discrepancy between publicly-aired views and arguments, and those put to me. The supplementary information, in the form of explanations, little remarks, and spontaneous comments, was however a useful aid to interpretation. As the number of informants is small, and many live in sparsely populated areas, I am careful to avoid giving information which would indicate their identity to locals, colleagues - and particularly, to co-op officials. I thus give only two characteristics of individual informants. These are given the first time the particular informant is introduced by a pair of fictitious initials, and will either be put in the text itself, where this is natural, or in a footnote.²⁸⁴ The first is scale of production, where I have ascertained this, to give some indication of the variety of informants. The second is gender, which will be specified explicitly only where there is no personal pronoun in the immediate text which makes it clear. For consistency, because first names are often difficult to 'gender' for foreigners -- myself included -- I shall also endeavour to assure that named sources in the following sections are 'gendered'.

The research project finished formally at the end of 1996, but I continued regular collection of press cuttings until the following summer, after the second round of regional mergers in the dairies had been completed. Counting 1994 as a half year because of the extraordinary circumstances, I have thus followed the structural changes and disputes in the co-ops for three full years, in addition to collecting archival material from previous years. I have not attempted to quantify the considerable amount of background information I have gathered. I have filed specially the cases of Bakkehaug, Vikedal, and Hadeland and the various cases of 'exit/ threatened exit' featured in Section 4.7., and the general issue of the second phase of

²⁸⁴ In Appendix 2, will be given a table of informants with fictitious initials, age group, gender and size of farm, together with an indication of type of interview.

regional mergers. All of these include texts and citations expressing the views of members and leaders. Altogether, this gives some 240 particularly relevant texts by, or citing, co-op members or leaders other than my informants. About 50 of them are on the 'cases of exit/threatened exit', and about 60 specifically concern the second round of regional mergers. More than half of the statements are made by ordinary co-op members, or local area representatives. More than half are also critical of the co-ops; but to supplement the views of leaders in the press data, I have a number of documents. Details of these and the press sources are given in the appendices to Part 5.

Data collection has been a learning process. Previous to 1994, I had only superficial knowledge of the farming and agri-food sector, in Norway and elsewhere. Had I had good previous knowledge of the sector, I could have been more selective, and would not have needed so many informants. Meeting farmers on their farms has helped me to gain an understanding of their situation -- the 'micro' or immediate context in which their views and arguments about the co-ops are framed. As not all farmers I spoke to were closely involved in the disputes, I was able to complement the frequently heated views expressed by participants in the latter, with more detached ones.

An advantage of collecting data mainly from the public debate in the press, and by speaking to leading participants in it, is that the views expressed are largely coherent and well thought-out. How typical they are of views among members as a whole on the two sides of the disputes is another matter, which my qualitative research strategy does not attempt to address. I have been particularly concerned with principles underlying arguments, and have not made a big issue of the extent to which the arguments may be presented opportunistically. The arguments and views in my data -- including interviews -- are largely of a quality suitable for public debate and scrutiny; and I cannot rule out the possibility that egoistic, vindictive and irrational views may be exchanged informally among 'grass root' members, and may influence their decisions. My analysis is based on the assumption that these elements are of lesser significance than the views and concerns which are publicly aired in the debates and disputes, together with those which participants in these are willing to express in the context of a confidential interview.

5.1

Concerns — financial and other — expressed by co-op members and leaders

The purpose of such an extensive coverage of the structural changes and views about them, has been to capture the diversity involved, as well as to explore particular aspects in greater depth. Sections 5.2 -- 5.7 will deal at some length with key areas of substantive concern which members relate to their co-ops: models of production; solidarity and equality; social affinities and identities; limits to organisational responsibilities; the economic sustainability of rural areas, and aspects of democracy. The subject of financial concerns will be brought into the discussion of these, and will not be accorded its own section. I will start by summarising this basic area of concern, before looking briefly at the range of others I have observed.

The importance of **financial considerations** in the arguments of co-op leaders for structural concentration has been documented in Parts 3 and 4. It would appear that financial inducements from the dairy federation have played a significant part in assuring majority votes in favour of regional mergers in the 1980's and '90's, and that the prospect of increased product price has ensured majority support for plant closures in most cases. We have seen in Section 2.3 that farm incomes have been 'squeezed' in the 1990's, due to support cuts on the one hand, and the power of the supermarket chains on the other. One of the few women among my informants, D.T.²⁸⁵, presents financial gain as a question of the household's needs rather than her own personal desire for higher income. Every little increase in the farm milk price counts, she says: *'You can maybe buy an extra cycle for the kids when they keep asking, and maybe you can change a -- my T.V. that has been faulty for 10 years, and that sort of thing.'*

Though improvement in farm incomes is not in itself an issue of contention, the question of how the farmers and their co-ops are to go about achieving it certainly is. One central issue is whether the co-ops are to maximise, or whether they are to balance the goal of best possible price against others, involving wider organisational responsibilities and substantive values. In a leader article, *Bondeblader*²⁸⁶ proclaims: *'The principal aim of the co-operatives is to maximise the farm income for those farmers who have built up the co-ops. This is why the co-ops were formed.'* The article notes that the co-ops are often expected to take other things into consideration, but emphasises the pressure to reduce costs, bringing in the situation in Sweden for comparison. It concludes that *'Maybe the co-ops should just carry out their very specific task as cheaply as possible -- and leave it at that.'* The question of goals was posed at a meeting of co-op members in 1993, by the chairman of the dairy federation, Kåre Syrstad, and the vice-chairman of Bondelaget, Gunnar Dalen. The theme of the meeting, held in Askvoll (Sogn og Fjordane) was 'co-operative structure now and in the future'. According to a report in *Bonde og Småbruker*,²⁸⁷ both these main speakers asked: *'Are the farmers' co-ops to take other considerations than those that serve the farmer economically in the short term?'* Gunnar Dalen is reported as adding: *'The agri-food industry {landbruksindustrien} gets no special treatment. Society {storsamfunnet} doesn't foot the bill if we take other things into*

²⁸⁵ Large-scale.

²⁸⁶ 7.09.86.

²⁸⁷ 18.09.93: Åsmund Bertelsen.

consideration -- employment in the industry or the environment. We must make up our minds if we will pay for it, and how much.'

It seems that many farmers feel that in these circumstances, they have no option but to support structural concentration. Torleif Roland was among the minority of co-op representatives supporting plant closures in Meieriet Sør in 1996 (cf. Section 4.7). He is quoted²⁸⁸ as arguing: *'The reality is that the price paid out in Meieriet Sør has gone down from kr 3.80 in 1992 to 3.20 in 1996. Am I supposed to come home to my community and tell that the a.g.m. in Meieriet Sør didn't think it mattered too much about the financial situation and reduction in income?'* Another firm supporter of the concentration of processing structure in Meieriet Sør, Wenche Øygarden²⁸⁹, tells of financial problems in both households and farms: *'We have had our income reduced considerably the last few years. You have to think more to make ends meet. The financial situation has become so bad that many have problems, for example, with making advance payments for farm relief. There is even less spare time, maintenance has to be postponed, and you have to find extra income.'* We will hear more from Wenche Øygarden in Section 5.3.

Some supporters of structural concentration make it clear that their concerns are limited to financial returns. For example, the chairman of the Rakkestad (Østfold) branch of Bondelaget, Tollef Grindstad, is quoted as saying at a meeting²⁹⁰: *'It doesn't matter where my milk is processed, as long as I get an acceptable price at the door of the milk-house.'* Several informants have told me the same. Yet further discussion has usually brought out concerns with wider responsibilities and substantive values, which are either combined or balanced with pure financial concerns. My firm overall impression from the text and discourse study is that the same applies to most members and leaders supporting structural concentration. In some cases, the various concerns are weighed against financial gains; while in others, the values and responsibilities in question are compatible with structural concentration, or perceived to be so. This impression is reinforced by the member survey summarised in Section 5.8.

Dairy farmer Ingrid Fossen²⁹¹ does not wish to see more plant closures in rural areas, but presents the dilemma she and many others experience between financial interests and principles. She asks: *'Is it not naive to believe that a milk producer can say no to a 'gain' of around 1,000 -- 3,000 kroner a year?'* The concern which Fossen balances against this gain in price -- the responsibility of supporting rural areas -- will be enlarged on in Section 5.3.

Co-op members firmly opposed to structural concentration view the promised gains as either illusory, or simply unacceptable when they will be made at the expense of principles. Both interests and principles are brought into the argument by Helen Grefsrud from Brandbu, whom we met in section 4.6 as one of the leading activists who fought to retain Hadeland dairy. *'We have been enticed with higher milk prices.'* she writes,²⁹² and continues, *'Why should we fall for this carrot strategy {gulrot-politikken} when we know that we are losing service, jobs, getting more air pollution, a greater burden on infrastructure, and products of poorer quality?'*

²⁸⁸ *Nationen* 16.11.96: Knut Herefoss.

²⁸⁹ (Woman), letter in *Varden* 14.11.96.

²⁹⁰ Meeting at Rakkestad, in a series arranged by Landbrukssamvirkets Felleskontor to discuss the future for the farmers' co-ops; reported in *Bondebladet* 21.02.96: Arvid Gjeltén.

²⁹¹ (Woman), no location given: letter in *Nationen* 5.01.95.

²⁹² Letter, *Bondebladet* 22.03.95.

Principled opposition to concentration of processing structure is also expressed by Jan Sande,²⁹³ who maintains that *'It is wrong to take only narrow business economic considerations into account and forget social, environmental and human considerations. That we as milk producers are enticed with a gain of 6--7 øre per litre of milk seems derisory. We are in danger of paying the price for closures and centralisation many times over.'* Besides asserting principled opposition to co-op 'centralisation', Sande goes on to argue that the **political cost** of this strategy outweighs whatever gains in price it may bring. The cost referred to is loss of public and political support for the farmers, and thereby also for the subsidies and tariff protection which are essential to maintaining a de-concentrated farm structure. In Section 4.1, concern about political support was mentioned as a key element in the disputes in Finnmark over structural concentration of both kinds.

The loss of a local dairy plant or slaughterhouse has **practical** aspects of importance for local farmers. Having a local slaughterhouse allows nearby farmers to transport animals in small numbers, which is convenient and saves a deduction in price for freight (cf. Part 4). Suggestions that the co-ops should deduct the real cost of collection, calculated individually, accentuate fears that distance from slaughtering and processing facilities may become a severe handicap. The question of differentiated transport charges will be brought into the discussion in Section 5.5. In the case of dairy plant closures, a common matter of concern among local farmers is the loss of services. A de-centralised advisory service has been maintained when plants close, but not local maintenance and repair services for the farm milk storage equipment, which have also been provided by at least some dairies. In addition to this loss of service comes loss of contact with the processing facility (cf. Section 5.2). These practical issues are of considerable significance in the co-op disputes. However, they will only be discussed further insofar as they enter into arguments of a general nature about how production and co-operatives should be organised.

Opponents of structural concentration often do not deny that costs in the co-ops can be cut, but disagree that concentrating plant and co-op structure is the **most rational way to achieve savings** -- if indeed it is rational at all. The arguments vary in sophistication, according to the level of economic and technical expertise involved. A common focus is the high capital costs which have been involved in building large new plants to replace old ones. These, along with increased transport costs, are widely cited as eating away, or even exceeding, the savings made by closing plants. Other arguments point to costs at the 'top' or centre, in the administration of the federation and large co-ops. The enormous sums spent on marketing are seen by some as an area for potential cuts.²⁹⁴

Some opponents of structural concentration explicitly challenge the rationale of the strategy, and advocate an alternative one, in business terms. Two of the main factors affecting price are efficiency of production and product quality. As Section 5.2 will show, participants on both sides of the structure disputes express concern with price, efficiency and quality; but their views on how best to achieve these vary considerably. They can be roughly dichotomised between two opposing **models of production** and their associated discourses, involving both organisation and technology. On examining the arguments more closely, we will see that product quality is not a purely material concern, but also has a symbolic aspect:

²⁹³ Farmer from Korgen -- a mountainous area in inland Nordland: letter in *Nationen* 11.04.94, protesting at plant closures (see next section).

²⁹⁴ The form of the advertising -- projecting images and values alien to most farmers -- is particularly provocative for many.

it is a matter of pride, and is an important component of meaning attached to production. Indeed, product price and efficiency are also the subject of pride and prestige among co-op leaders, though in the arguments of members, these matters generally take on a more prosaic and material character.

Opponents of structural concentration also bring a wider range of issues to bear on the location of co-op plants. In particular, they often mention the consequences of increased transport, not only for product quality, but also for the **environment**, and -- in the case of the meat co-ops -- **animal welfare**. Both these themes are featured in the arguments in Section 5.2.

With a Marxian, or modified Marxian, analytical frame in mind (cf. Sections 1.2 and 1.4), I initially attempted to ascertain whether the opposing sets of views in the co-op disputes could be readily explained as two clearly distinguishable ways of **regarding and relating to production**: an artisanal versus a capitalist view and relation, corresponding to these classic 'modes of production'. Such a difference could be expected to be expressed in differing perspectives and practices, with respect to members' own farms as well as to co-op production. Stereotype images of the two farming unions also suggest such a dichotomy of contrasting ways of relating to production.

As the study is qualitative, with a relatively small number of informants who are not chosen on a strictly representative basis, there has never been any question of trying to find statistical correlations. A clear pattern would thus mean in practice something approaching a one-to-one correspondence. In my field work, no such clear general pattern emerged. Most farmers on both sides of the disputes were strongly attached to their work, farms and communities; and though they varied in the emphasis they placed on income, this variation was no greater than one could expect within any group of wage workers or professionals. Furthermore, there was a substantial degree of difference in views on the co-ops among farmers whose circumstances and farming strategies were similar, judging by indicators such as production volumes, capital investment, and degree of dependency on income from the co-ops. It also turned out that views among members of the same union -- particularly Bondelaget -- varied greatly. The only apparent one-to-one correspondence I found between informants' views on the co-ops and their relation -- expressed and material -- to their own production, was in the case of farmers who had adopted an organic approach to farming. These were all strongly opposed to structural concentration in the co-ops.

Had one adopted a Marxian perspective, cases deviating from the expected pattern could have been subjected to further investigation, in order to see if there was a clear and readily explainable pattern among them. However, I have rather chosen to regard the lack of a clear pattern as underlining the complexity of people's views and grounds for making decisions, due to the interplay of a number of factors: a combination of ideas and individual life history and circumstances. Such complexity is regarded as normal in the sociological approach, presented in Section 1.2. As the analysis is concerned with the co-operatives, I do not pursue the question of farmers' relation to their primary production other than where it is of particular significance in interpreting their relation to the co-ops - as in the case of organic farming. To show the diversity of informants, I have nonetheless generally ascertained scale of production, whether there are other sources of income on the farm, and union membership.

A concern widely expressed in both written texts and the interviews is for the continued existence of the co-ops. If the latter were to disappear, farmers would be left to the mercies of

buyers, many of them large. This **commitment to co-operatives** requires closer investigation: as we saw in Section 1.3, co-operative organisation means different things to different people. Can such differing perspectives on co-operatives help us to understand the disputes over structural concentration and other changes? Formally, affiliation to the ICA obliges the Norwegian farmers' co-ops to follow its co-operative principles. Furthermore, the co-ops as a whole -- through the central office *Landbrukssamvirkets Felleskontor* -- promote awareness of co-operative principles and the co-operative model by running 'study circles' among members. It is therefore to be expected that -- as indicated in the introduction -- co-op principles are referred to in the disputes. This does not however necessarily mean that the participants in the disputes actually subscribe to a 'substantive' view of co-ops, as the principles may conceivably be used as a rhetoric device. Differing perspectives on co-ops give differing interpretations of key principles, depending on the balance between instrumental and moral aspects (cf. Section 1.3). Furthermore, certain principles may potentially 'collide' with each other in practice, bringing dilemmas as to which to follow. From this general theme, I have selected specific principles and related values, which will be brought into the discussion of the areas of concern which follow.

Distributive justice and **limits to organisational responsibilities** are key inter-related areas of concern, which differ according to how members regard the co-operative organisational model (cf. Section 1.3). The co-operative spirit of egalitarian solidarity, associated with the 'moral economic' version of co-operatives, has its limits in practice -- not just due to utilitarian anti-egalitarianism, but also because of the boundaries constructed officially by organisations, and unofficially by members. The theme of how **solidaric fellowships** are defined and delimited, will be developed in Section 5.3, along with the **delimitation of wider organisational responsibilities**, with which it overlaps. Views differ as to whether the principal unit of solidaric fellowship is the **national occupational group** or the **local community**. In the former case, concern with job losses tends to be confined to **jobs in farming**. In the latter, the perceived responsibilities of the organisation are often extended to include the wider community, and co-op **employees**. In general terms, opponents of the concentration of processing structure tend to see their co-ops as having a responsibility to support the economy of **rural/peripheral areas** by maintaining processing activity there. To supporters of structural concentration, the responsibility of the co-ops is limited to securing the jobs of their own members and of colleagues in other areas. The issue of supporting rural/peripheral areas has been a key element in the debate on Norwegian membership of the EU, whose relevance to the co-op disputes will be discussed in Section 5.8, along with the broad political theme of **centralisation**. In Section 5.5 we will look at differing views on how far solidarity should be stretched across the boundaries of organisations -- at the expense of their **autonomy** -- when it comes to equality of product price. In Section 5.6, the focus will move to the opposition between moral economic principles and utilitarian reasoning, and the implications for the **delimitation of solidarity within the co-ops** themselves.

Organisational centralisation, and the balance of **organisational control** between elected representatives and management has been the focus of much attention in the co-ops. The 'Hatling affair' and other controversial episodes have lent weight to claims that federation management has too much power. One of the main areas of concern for objectors to the second round of dairy co-op mergers was organisational **democracy**. Increased organisational size is seen by many as detrimental to democracy, tending to dilute member control with increased bureaucracy. The democratic functioning of the dairy federation has been criticised heavily by opponents of structural concentration, particularly with regard to its role in promoting change 'from the top down'. Part 4 has indicated that these arguments are

not without foundation; and Parts 3 and 4 have shown how federation leaders have promoted change by various means over the years. In Section 5.7, we will look at the arguments in the late 1990's. Organisational democracy, participation, and member control are the main themes of a member survey of the dairy co-ops, whose findings I will summarise in Section 5.9.

5.2

Contrasting approaches to production

Production in both the dairy and meat co-ops and their federations is based on the orthodox modern model (cf. Section 2.1) characterised by standardised mass production. Milk is sold in identical cartons across the country, and cheese is typically sold in large, visually unappealing blocks packed in clear plastic. Much meat appears on the market in crudely machine-cut frozen form, to the despair of chefs. The dairy federation's presentation of structural concentration in the introduction is an example of the discourse of orthodox modern production, in which the key elements of efficiency and quality are taken as improving with large size. This model of production is so well established and dominant that its proponents take its superiority largely for granted, and arguments for structural concentration are commonly reduced to calculations showing projected savings.

This section will thus be focusing almost exclusively on problems arising from deficiencies in the orthodox model, and on the alternative strategies of production proposed by some opponents of structural concentration. This focus may give the impression that I am taking sides on the issue; but my intention is rather to correct an imbalance. The orthodox modern model is typically presented authoritatively as if there is no realistic alternative. It therefore becomes necessary to 'give voice' to the alternatives proposed or implied by many objectors to co-op policies. I will not do so uncritically, and begin by presenting the case for the orthodox modern model.

The orthodox modern model: TINA?

As mentioned in Section 2.1, the orthodox modern model of production goes hand in hand with a corresponding model of consumption, in which homogeneous consumers -- conditioned by advertising -- buy standardised mass-produced products. In countries like Norway, characterised by a high degree of affluence, this model of the market has become somewhat inaccurate, as many consumers are looking for greater product diversity. This gives increasing scope for 'niche' production of more highly-priced special products. Nonetheless, this 'post-modern' trend in consumption should not be exaggerated. In many countries, a large segment of consumers do not buy, or cannot afford, other than mass-produced products (Friedland 1994: 219). In Norway, the success of the Rema and Rimi supermarket chains, whose strategy is to sell a limited product range as cheaply as possible, tells its own story.

Thus, even if the co-ops did not seek actively to create a mass consumption market, it may be argued that such a market exists, created by others. Failure to meet its demands could only lead to the relaxing of protection against high-volume imports. Besides, the co-ops' *raison d'être* is to sell their members' milk in one form or another. The total volume concerned is large, and there is simply no realistic alternative to supplying a mass domestic market with both fresh milk and other products. Export -- though by no means purely loss-making -- has so far given much poorer returns on the whole than sales to the domestic market, and most of Norway has 'comparative disadvantages' for agricultural export, to turn Ricardo's term on its head.

Besides, the orthodox modern model of production can be adapted to cope with demands for increased product diversity. Such an adaptation has been dubbed 'Sloanism', after the head of General Motors who developed a more sophisticated and flexible variation on the 'Fordist' production process, which gave customers a wide choice of finishing details for their otherwise mass-produced cars (Friedland op. cit.: 210). If one adopts a cynical 'post-modern' view of diversified consumer demand, such quasi-diversity as variations in packaging might be judged sufficient to satisfy most consumers.

Of course, the above is only a defence of the orthodox modern model as a main strategy; it does not represent an argument against local and small-scale 'niche' production as a substantial supplement.

Criticism of the orthodox modern model and elements of an alternative

Besides substantive values, a significant element in the criticism of the orthodox modern model is that it is the wrong business strategy. Though concentration of co-op processing may bring short-term gains, it is argued, the long-term effect will be to weaken the co-ops.

In March 1996, a group of about ten leading 'dissidents' in the dairy co-ops from the southern half of Norway had a meeting with the Parliamentary Committee on Industry {Næringskomiteen}, in an attempt to gain political support for their efforts to stop structural concentration of both kinds in their co-ops. They included Jarl Iversen from Askvoll, Tarald Koller from Hadeland (both introduced in Section 4.6) and Erling Rusten from the Hellesylt area (cf. Section 4.7). Another member of the group, Endre Tjelmeland from Etne, is quoted as saying:²⁹⁵ *'We want dairy production, activity and the creation of value {verdiskaping} in the rural areas, and are strongly opposed to the closure of the dairies that are working best in order to improve the results of the big dairies that are far too dear for the dairy farmer. It is a fact that the smaller a dairy is, the more economically successful it is. But it's hopeless to be heard within the dairy co-op system {meierisamvirket} which is hard hit by 'elephantiasis'.'*

The metaphor of elephantiasis, signifying uncontrollable growth in size, is frequently used by opponents of structural concentration. So is the argument that it is the big, highly capitalised plants which represent a burden on the co-ops' economy; while the small plants which are being closed are paying their way well.²⁹⁶

Einar Almaas²⁹⁷ is a prominent critic of structural concentration, who has not only transferred his union membership from Bondelaget to Småbrukerlaget, but also gone over to a more extensive and organic type of farming. In a press letter,²⁹⁸ he argues: *'Norske Meierier [i.e. the co-ops as a whole] have chosen the wrong strategy for all their activities. The greatest possible volume gathered in as few plants as possible. At the same time they use their monopoly power to block local initiatives that seek to exploit niches in the market. I am sure that it is the wrong strategy. The development we are faced with cannot be solved by*

²⁹⁵ Article 'Til tings for å tale småmeierienes sak', *Nationen* 14.03.96: Gunnar Syverud. We will hear more from Tjelmeland in this and following sections.

²⁹⁶ Another example is an article by Olav Randen, 'Den ulønnsame meierinedlegginga [The unprofitable closure of dairies]', *Bonde og Småbruker* 16.03.96. Randen compares key figures from the accounts of his co-op Østlandsmeieriet in a 10-year period from the mid-1980's to the mid-1990's. His conclusion -- disputed by the co-op director in a subsequent letter -- is that structural concentration had brought an increase instead of a decrease in costs.

²⁹⁷ Chairman of the Nord-Trøndelag branch of Småbrukerlaget in 1994.

²⁹⁸ *Bonde og Småbruker*, 27.08.94.

*continual rationalisation and big-scale operation. When the import barriers begin to crack, we will discover that the foreign companies we are to compete with are infinitely larger than the Norwegian plants will be, however much they rationalise. It has been pointed out by several that it is the very biggest and the small which will have a chance of surviving. There will be no room for the middle-sized.'*²⁹⁹

Almaas points out here that what looks big in the domestic Norwegian context is really only middle-sized in an international one; and thus the economies of scale gained by structural concentration will be insufficient to enable the Norwegian co-ops to compete on price. He advocates the development of an alternative model of production (see below).

Another critic of the orthodox modern model of production is Jostein Sande.³⁰⁰ He argues, like Almaas, that Norwegian co-ops cannot hope to win on the basis of price in an open market: *'We are doomed to lose a match on the 'away' field, where the 'rules' will always suit others better than us. Norwegian agriculture can never compete in price and degree of industrialised ('efficient') production, so why adapt blindly to a market strategy which is tailor-made by and for the big food producers in the world? It is just that we are now doing by removing the last remains of local bonds and identity in a co-operatively-based food industry. The present debate about plant structure in the dairy co-ops is about the remains.'*

Endre Tjelmeland (introduced above) denounces the regional merger scheme in a letter to the press,³⁰¹ and concludes by outlining his vision for farming and co-op production in a few words: *'nearness, freshness, emergency supply {beredskap}, small units both in farming and processing. That was what we said yes to when we said no to the EU.'*

I will return in subsequent sections to the analogy with the EU debate, which occurs frequently in the arguments of critics of structural concentration.

The above critics of established co-op business strategies have identified three aspects of the latter which they regard as unsatisfactory, and to which they believe alternatives exist:

- #### **plant size (including capitalisation and choice of technology)**
- #### **freshness of products**
- #### **identity of products (including niche production)**

I will examine these in more detail.

Plant size and flexibility

Einar Almaas concludes his criticism of the orthodox modern model of production in the dairy co-ops (cited above) with the argument: *'Small and flexible plants will be able to do well in the local market on the basis of quality and low transport costs. But such ideas unfortunately do not fit into Norske Meieriers strategy.'*

²⁹⁹ An example of this argument, advanced in a forum readily accessible to many farmers, is an article by Håvard Teigen (a rural economist, based at the Lillehammer College): 'Landbrukssamvirket: berre stordrift?' ['The farmers' co-ops: only big scale?'] in *Nationen* 6.01.94.

³⁰⁰ Goat farmer from the Møre og Romsdal region, and (in 1992) convener of the council of representatives in the regional supply co-op Møre Felleskjøp. I will shortly present more of Sande's views about locally-based production.

³⁰¹ Letter, *Nationen*, 18.04.96.

Almaas does not define what he means by small, but is clearly not limiting this term to very small niche production. His argument rests on the ability of dairies to re-create local markets, which seemed far-fetched in 1994, but has since been proved to be possible in the case of fresh milk, through the development of the Nordås farm dairy (see below).

Flexibility is a key component of the alternative model suggested by Almaas. As Part 3 showed, flexibility and diversification was the strategy chosen by many small co-ops in the 1920's, in response to the market crisis of the time. We have seen how the dairy federation has adopted the opposite strategy of specialisation and interdependence. Today, capital equipment, such as the modern vacuum vessels used for making whey cheese, is both costly and specialised. The viability of a flexible model of production thus depends on the availability of other, more flexible technology.

A major problem facing proponents of an alternative strategy has been lack of access to small-scale technology, or even to knowledge of it. The dairy co-ops own 90% of the second-order co-op Landteknikk, which supplies both machinery and packaging to the processing industry. The supply of machinery to the co-ops is thus channeled through a central organisation which is closely linked to the dairy federation. Olav Randen -- another leading critic of the dairy federation -- complains³⁰² that *'There is not just a dairy monopoly in Norway, there is also a monopoly of knowledge on dairy operation. The dairy leaders have the expertise, put their people through courses, and get them into the same way of thinking.'* The Norwegian College of Agricultural Science at Ås is generally regarded by critics of the orthodox modern model of production as a bastion of the latter; and they have nowhere in Norway to turn to for technological expertise on alternatives.³⁰³ The emergence of the farm dairy company Norske Gårdsmeierier a.s. (cf. Part 4) has given some of the farmers a ready-made alternative, but only if they leave the co-ops.

The case of Horn, the slaughterhouse company on Lofoten (cf. Section 4.7), illustrates the limitations small plants may face. Economies of scale are apparently³⁰⁴ so great for processed product manufacture that it does not pay for small companies, other than specialised niche producers; and thus Horn is dependent on the large meat firm Fatland a.s. to process much of its meat. The Lofoten plant is a model of flexibility, but this means that it directly provides mainly part-time and seasonal employment. This is nevertheless highly significant in a rural context of diversified household income. Insofar as it does not seek to break away as radically as the orthodox modern model from the constraints imposed by natural cycles, the alternative model of production may involve moving away from the idea of all-year full-time jobs in the processing industry, as well as in farming.

Nearness: advantages for producers, consumers, animals and the environment

Nearness to a processing plant confers advantages with regard to services, which many farmers are reluctant to lose, as has been mentioned in the previous section. It also has implications for product quality, both as regards the effects of long-distance transport, and the quality control process. Concerns for animal welfare and the environment are also expressed in arguments favouring a de-centralised processing structure.

³⁰² Randen was cited in Section 1.1. The present citation is from a commentary 'Tilpassarene i meirileinga [The adapters in the dairy leadership]' in *Bonde og Småbruker* 19.09.92.

³⁰³ Cf. article by Torgeir Strøm, chairman of Småbrukarlaget: 'NLH -- 100 år på industrilandbrukets side [NLH - 100 years on the side of industrial agriculture]'. Printed in GD 28.11.97.

³⁰⁴ According to managing director Ernst Horn (interview).

For meat, the question of nearness to a processing plant is clearly important for farmers, as the cases of Leknes and Brønnøysund indicated (cf. Section 4.7). There are considerations of both meat quality -- adversely affected by stress induced by transport -- and animal welfare. Opinions vary widely as to how much difference longer distances make, and what is an acceptable maximum.

In the dairy co-ops, some defenders of local plants see proximity, together with small size, as important for coordination of farm and dairy production, bringing advantages in terms of quality. Informant F.T.,³⁰⁵ who has fought to keep his local dairy plant, speaks of this team work: *'it has to do with sort-of working together, that they in the dairy should also know where the milk comes from.'* A leading defender of another dairy plant, H.D.,³⁰⁶ tells of a close working relationship with dairy staff: they would let farmers know straight away by telephone if their milk did not come up to scratch, rather than following formal procedures. This, in her view, helped greatly towards bringing milk quality for the district well above the average for the regional co-op as a whole. Informants Ø.J and I.J.³⁰⁷ in a third area, which has lost its local plant, illustrated vividly how their relation with the co-op had changed from being near and informal to being distant and formal. They told how a neighbour -- a conscientious farmer who produces high quality milk -- suddenly received a registered letter from the dairy. The laboratory had found an unacceptably high 'cell count'³⁰⁸ in his milk, and the standard letter warned him that if this happened again, collection of his milk would be stopped until the situation was rectified. Subsequent tests showed that the milk was satisfactory, indicating that a mistake had been made by the lab. The farmer found the experience upsetting and humiliating, and both he and the local farming community reacted with dismay at what they experienced as the formal and arrogant approach of their co-op.

As long as they had a monopoly on the sale of fresh milk, the dairy co-ops could concentrate on considerations other than optimum freshness to the consumer.³⁰⁹ Some informants complained to me that, as a consequence of structural concentration, their milk is at least 4--5 days old before it comes on the supermarket shelf. Until EEA regulations forbade it, milk transferred between dairies in Norway -- for example, to supply the large Oslo market -- was often first pasteurised for local storage, and then re-pasteurised at the final processing plant, thus boosting its shelf life.³¹⁰ In their defence, the co-ops imply that freshness can hardly be a prime concern of the average consumer, when about 60% of milk purchases are made on Fridays and Saturdays, in line with the general concentrated pattern of food shopping.

The mid-1990's have brought the challenge of farm dairies, offering local consumers 'same-day' fresh milk. This represents a radical break with the twin orthodox models of modern

³⁰⁵ Man; large-scale.

³⁰⁶ Woman; large-scale.

³⁰⁷ Couple; medium-scale.

³⁰⁸ The cell count specifies the total number of bacteria (not necessarily pathogens) in the milk. The regulations set by the Department of Agriculture -- *Forskrift om bedømmelse og betaling av leverandørmjølke etter kvalitet* -- specify that the dairy must serve a written notice that collection will be stopped, when the cell count exceeds 300,000 per ml in 2/3 of the tests in the previous two months (according to the rules published 21.06.91).

³⁰⁹ While the dairy co-ops protested that they were not in a classical monopolist situation because prices were fixed by the corporative system, they nonetheless had no competitors for fresh milk. That this position brought a certain lack of sensitivity to consumer demands is indicated by the resistance of the federation to the introduction of 'light milk', which soon proved to be highly popular with consumers.

³¹⁰ In an article 'Sju dager gammel mjølk [7-day-old milk]' (*Bonde og Småbruker* 19.12.92), Olav Randen claims that this milk may be up to a week old even before it is packaged.

consumption and production, even though the farm dairy model uses modern technology, with milk being sold in modern packaging side-by-side with 'standard' milk. The demise of Nordås in 1997 represented a setback for farm dairies; but as the parent company Gårdsmeierier a.s. is alive and well, the establishment of more such dairies can be expected in the near future.³¹¹ Criticism of the orthodox modern model of the co-ops was a key element of the Nordås marketing strategy. The dairy proclaimed cheekily on its cartons: *'We have surely the world's best milk in Norway, if it can just be spared from being stored for days before being transported all over the country. Now you can again buy milk from your local farm dairy.'*

In this alternative discourse of production and consumption, quality is not just measurable by laboratory tests: in the case of milk it depends on freshness, and can be tasted. To underline the aspect of freshness, Nordås stamped its cartons with the time and date of processing, as well as the sell-by date. Only the latter appears on the co-op cartons.³¹²

In a letter to the press³¹³ defending the co-ops against their new 'private' competitors, Kari Grøneng -- a member of the council of representatives in Østlandsmeieriet -- stresses that modern food hygiene regulations set limits on freshness. She points out that it takes 6 hours to carry out a test for the pathogen E. Coli in the milk, whereas Nordås had boasted that it only took 4 hours 'from the udder to the shop'.

Many other opponents of structural concentration share the view of Endre Tjelmeland (cited earlier) on the importance of freshness. Even co-op members not particularly concerned about structural concentration have begun to be concerned at the distances involved in transporting their milk. Lars Petter Bartnes³¹⁴ is a member of Bondelaget and the son of a board member of the local dairy who supported the closure of the latter. In a press interview³¹⁵ he is quoted as saying that he has previously defended concentration of production structure; but : *'If the milk from this farm has to be transported further than it has to today, I am going to get involved. We also have a cut-off point when it comes to the quality of milk going out to consumers.'*

When I visited the Indre Helgeland and Rana districts in Northern Norway, a committee in the regional dairy co-op was considering a suggestion that the processing and packing of fresh milk in the county of Nordland should be concentrated at the plant in Bodø (the largest urban centre)³¹⁶. The proposal would mean that milk from Indre Helegeland and Rana would be taken north by train, over the Saltfjell mountains and the Arctic circle, and then back again for consumption. This arrangement was jokingly compared by some informants to the treatment given the Norwegian national spirit, *aquevit*, which is matured by sending it by ship across the equator and back. After calculations had been made, this extreme example of the orthodox modern production model was subsequently rejected by the co-op.

Many opponents of the structural concentration of processing bring concerns for environmental effects of increased transport into their arguments. In Sør-Varanger in Finnmark (cf. Section 4.1), an informant³¹⁷ claimed that the district produced just enough

³¹¹ At the time of final editing (summer 1999) I knew of a Nordås dairy in the Jæren district.

³¹² No date of production appeared on the cartons of the locally-produced Gudbrandsdal milk which was marketed in the Lillehammer area for a trial period after the establishment of Nordås.

³¹³ 'Private meierier truer distriktene', *Nationen* 1.12.95.

³¹⁴ Young farmer with a large milk quota the Steinkjer area in Nord-Trøndelag.

³¹⁵ *Bondebladet* 2.04.97: Aud Klinge Sjøvik.

³¹⁶ Cf. one of my informants A.C. (man, large-scale).

³¹⁷ B.G. -- man, large-scale(?).

milk for its own needs, rendering unnecessary the transport of milk to the nearest plant at Tana and back again. A similar argument was also made by the farmers in Grimstad who were prepared to leave their co-op if the dairy plant at Arendal had been closed (cf. Section 4.7). One of them, Johan Ribe from Naxbie, is quoted³¹⁸ as saying that the area was roughly self-sufficient in milk, and pointing to the '*environmental aspect*' of the extra transport involved if the plant were to be closed. Environmental consequences of structural concentration were pointed out in a letter written in 1989 to the then Minister of Environment, Sissel Rønbeck, by Norsk Forum for Meieribevaring, an organised campaign against dairy closures led by Ståle Støen from Folldal.³¹⁹ According to the letter, that the Ministry of Environment was about to be included in the annual farm support negotiations (*Jordbruksforhandlingene*), and the Minister was urged to seek a change in the rules governing equalisation of transport costs. Whatever the response of the Minister, the rules remained unchanged. In general, claims of environmental effects of structural concentration are dismissed by co-op and federation leaders, whose calculations show that the total energy requirements of processing are reduced by concentrating structure.

Local supply of milk may well be a realistic proposition in many areas. But what about the cities -- particularly the main conurbation of Oslo and its district? Could the alternative model cope with a large demand for locally-produced milk? Clearly it could not, at least without upsetting the regional division of production which presently exists, and which allows milk production to be spread much more widely over the country than would otherwise be the case (cf. Section 2.3). However, there is room for niche production in the Oslo region, such as the organic milk which Fellesmeieriet is now producing in Odal. Nearness of supply is nonetheless a major issue the co-ops will have to address if Norway enters the EU or for other reasons abandons its import restrictions. The large co-ops in Sweden and Denmark would have no difficulty in supplying the Oslo market with fresh milk, unless there is a major rise in transport costs. Unable to compete on price, the Norwegian co-ops would be left with quality -- particularly freshness -- as their only advantage in the market. The creation of a large consumer demand for freshness would be a formidable task, implying a change in shopping patterns.

Local identity of produce: a more 'embedded' form of production

The concept of local identity of produce, and the production of local specialities, have no place in the orthodox modern model of production and consumption, based as it is on the radically 'disembedded' model of the anonymous market (cf. Section 1.2). We have seen in Section 3.1 that the importation of foreign cheese types and production was a key feature of the early development of commercial dairy cheese production in Norway. This non-local type of production co-existed in the small, autonomous co-ops with the production of traditional cheeses, with a considerable degree of diversity of varieties. Today, however, the central production planning of the dairy federation makes local identity of products undesirable, for it hinders 'rational' utilisation of plant capacity and raw materials from the orthodox business economic point of view. Thus some special products have simply been eliminated, while others have been re-located.

³¹⁸ Report in *Grimstad Adressetidende* 14.11.96: Erling Lauverak.

³¹⁹ Letter dated 14.02.89, signed by Ståle Støen, with copies sent to various bodies including SFR (journal no. 0040, 22.02.89). Norsk Forum for Meieribevaring seems to have been a fairly loosely organised group for mutual support between activists opposing dairy plant closures in different parts of the country. I have not ascertained whether it still exists; and because of its limited impact on the public debate, I have not focused on it in this study. That is not to deny that it may have been significant in sustaining resistance to plant closures.

Room was given for critical and alternative views on the co-ops in a publication sent out to members in a study program in 1992 by the co-operatives' central office Landbrukssamvirkets Felleskontor.³²⁰ Jostein Sande³²¹ is among the members interviewed in the booklet. He attacks the orthodox modern model of production in the dairies, and is quoted as saying '*Cheese -- to take the product which is dearest to me as a goat farmer -- has become far too social-democratic, standardised and lacking in character.*' With the political metaphor, he underlines the conceptual kinship between orthodox modern production and social-democratic central planning and standardisation. It is also interesting to see that he expresses an affective relation to the products made from his farm produce. This farmer sees the orthodox modern model, and the associated policy of structural concentration, as destroying not only physical product quality but also the valuable attribute of product identity: '*Of course we must have efficiency in the processing and sales parts of our enterprise . . . But we don't increase efficiency by centralising to such an extent that the products lose identity and the credibility it creates that folk know where they come from, and what the conditions of production are. There is something very wrong if the consumers get the idea that the food comes from a P.O. box in Vaterland.*'³²² *The products must have the local bond that the consumers can identify with.*'

Sande criticises the meat co-ops as well as the dairy ones for their adherence to the orthodox modern model. In a letter to the press,³²³ he points out that according to co-op leaders, concentration of processing is necessary 'with regard to the market'. How can this be, he asks, when demand is growing for food whose origin is itself a mark of quality? The universal trade marks Tine (dairy) and Gilde (meat) cannot fill this role. He cites Arne Brimi from Lom, a well-known chef, as asking:³²⁴ '*What is Gilde? Where is Gilde? Gilde is all over the country, and cannot have the trust that I am referring to. No, the products must have the local basis that the customers can relate to and identify with.*'

An important element in the alternative model of small-scale production is the re-construction of local and regional markets for a range of products. In some cases, local and regional market niches for one or a few speciality products have survived, and may potentially be built on. Thus these speciality products may have strategic importance far exceeding their direct economic significance. The stories of some of these tell us of their problematic status in the large co-ops, and of the importance attached to them in their local communities or districts.

As mentioned in Section 4.4, the dairy federation has declared that production of whey cheese must be discontinued in areas where whey is not readily available as a by-product of white cheese production. This was a major factor in the re-structuring of processing in Østlandsmeieriet, both in Østerdalen and Gudbrandsdalen, which have strong traditions of whey cheese manufacture. Such traditions make the re-location of production a particularly emotive issue locally: there is an element of identity involved. This even applies to fresh milk. The closure of the Gausdal plant by Østlandsmeieriet was felt as an affront to local pride. The area has a high concentration of dairy farms, and has had co-operative dairies since the nineteenth century. A few years after the plant finally closed, proposals to set up a

³²⁰ *Samvirket er ditt -- ordet er fritt*, published by Landbrukssamvirkets Felleskontor, Oslo, 1992.

³²¹ Cited earlier; here, interviewed by Sveinung Gjestrud.

³²² This P.O. box number in central Oslo, belonging to the headquarters of Tine Norske Meierier, is the only address given on nearly all dairy co-op products.

³²³ *Bonde og Småbruker* 22.08.92.

³²⁴ In an interview with the supplies co-op member magazine Landbrukssamvirket (no date given).

'private' fresh milk dairy were welcomed by many Gausdal farmers as well as consumers; and a sufficient number of farmers signed on as suppliers. Local identity of the product is a key element in the business concept of the dairy.³²⁵

In Section 4.1, I mentioned the closure of the little Misvær dairy in Nordland, with its special light-coloured and mild tasting goat whey cheese production. Afficionados in the region are said to have bought up and frozen large stocks before the plant closed, and were still able to serve up Misvær cheese to selected guests for years after. In the mid-1990's there was still so much interest in this legendary delicacy that a local businessman made a contract with the co-op dairy in Leknes to produce a special production run of goat whey cheese, made according to a reconstructed Misvær recipe. There was reportedly great interest in the product from locals and tourists alike.³²⁶ Another dairy plant whose whey cheese was highly popular locally and in its region was Heidal, in the Gudbrandsdalen district. The plant was closed by Østlandsmeieriet in 1995, with the production of decoratively moulded cheeses -- called 'Heidalsost' -- being transferred to two other plants in the region. The closure brought strong reactions from the community, and the county director of agriculture, Frøydis Vold, was quoted³²⁷ as calling the re-localisation of the special production as '*the theft of the century*'. At the time of writing, enthusiasts in Heidal are in the process of re-establishing production on a very limited scale for sale locally, in co-operation with Østlandsmeieriet, which is to supply the whey. This represents a significant turn-around in the attitudes of the federation and the regional co-ops towards such local projects, which have been blocked in the past (cf. Section 4.4). It may be significant in this respect that the Heidal project has been started after Synnøve Finden began to produce whey cheese in competition with the co-ops.

A regional speciality in the counties of Hedmark and Oppland is the strong-smelling traditional cheese 'pultost'. In the late 1980's, the production of pultost was transferred by Østlandsmeieriet to Trysil when the dairy plant at Løten was shut down. The re-location of such special production proved not to be so easy as expected by planners, and production problems at Trysil kept the product off the market for some considerable time. The economic effects for the co-op were minimal, but for the regular consumers of the product, the loss of pultost from the breakfast table represented a deprivation. Fortunately for them, the then small firm Synnøve Finden was producing pultost in the Oslo area, and after a while was able to fill the gap on the supermarket shelves. Though this was a minor event, it may well have contributed -- through increased production and the positive impression made on the regional market -- to the major expansion made by Synnøve Finden some years later in Hedmark (cf. Section 4.4). Østlandsmeieriet has since 're-launched' its pultost in two varieties in decorative tubs, and is clearly intent on maintaining this mainly regional niche product. But, though one variety is appropriately marked 'Hedemark', nothing on the packaging confirms that it is even made in the county, far less naming the dairy of origin. However, another variety is made by Fellesmeieriet in the neighbouring county of Oppland, at the Lillehammer plant. Being aimed at purely local consumption, it is packaged unpretentiously in plastic bags and marked with the dairy of manufacture.

³²⁵ Cf. Section 5.3.

³²⁶ Cf. 'Gjenfødt misværøst', article in *Bondebladet* 9.08.95: Jon Lauritzen. The special manufacture at Leknes came about after the businessman, Sven-Åke Hagen, had abandoned plans to make his own goat cheese at the Ljøshammer Seter, where he runs a roadside catering establishment. The dairies had insisted that he had to take all the local goat milk for this project, and he found that the capital investment involved would have been too great.

³²⁷ Local paper *GLT*: article by Vidar Heitkøtter 25.10.96.

Another traditional speciality from Hedmark is 'surost', a variant of brown cheese made from soured whey and used in cooking certain traditional dishes. In the mid-1990's, its production at the Hemsedal plant of Østlandsmeieriet was discontinued, and the consumer advisory centre of Norske Meierier put out a press release telling how other products could be used as a substitute. This did not satisfy the small segment of consumers involved, and surost was re-introduced at the Folldal plant.³²⁸ This and other types of special production may save the plant from total closure (cf. Section 4.4), rewarding the determined efforts of local co-op members.

Not all local products survive structural concentration. Jostein Sande³²⁹ writes of the disappearance of the local cheese 'Son-grauten' with the closure of the Opdal dairy plant. He points out that such products are popular not only with locals but also with tourists, and therefore of particular significance in the area around Oppdal.

The above cases bring out the tensions between the co-ops' orthodox modern approach to production, and demands for local and regional speciality products. As the latter are of negligible importance as regards the quantity of milk used in their production, and as small-scale production is basically regarded as uneconomic by the dairy federation, it seems remarkable that such products have survived at all in the co-ops. One possible explanatory factor, in the case of pultost and surost, is that many consumers live in rural areas, and some are farmers. It thus seems likely that they constitute a segment of consumers whose influence on co-op production is disproportionate to its economic significance. With the increased competition now faced by the co-ops in cheese sales, another factor would appear to be the recognition of the strategic importance of niche products for creating consumer good-will. In any case, we are left to conclude that the dominance of the orthodox modern model of production is not complete in the co-ops, as long as local speciality products are still produced.

The survival of local speciality products reminds us that segments of consumers successfully resist being constrained by an 'iron cage' of instrumentally rational production and consumption. Contrary to the impression given by some research (Friedland op. cit.) these segments are not all sophisticated, middle-class and urban: on the contrary, the segments presented above are rural, with a relatively simple and traditional life-style. Locally-based production, aimed at catering for such market segments, represents a form of embeddedness, analogous to that of traditional production. It involves shared meaning of a qualitatively different kind to the modern synthetic symbolism of 'Tine' and other such trade-names, or membership of a fictitious fellowship like *Norsk Gamalostlag*.³³⁰ Producer and consumer are familiar with each other, not necessarily through personal acquaintance, but through shared local knowledge and culture, and a commitment to a community or district. The greatest obstacle to the development of such a model of production is the absorption which has taken place of nearly all local retailers, including consumer co-ops, into national chains with central purchasing. Nevertheless, Nordås milk and Lillehammer pultost have been on sale in many supermarkets in Oppland,³³¹ indicating that central purchasing does not constitute an absolute barrier.

³²⁸ Cf. 'Surost og bestemorost fra Folldal Meieri', article in *Nationen* 18.12.96: Knut Herefoss.

³²⁹ Half-page article: 'Landbrukssamvirket og tilpassinga -- til kva?' ['The agricultural co-ops and adaptation -- to what?'] in *Bonde og Småbruker* 22.08.92.

³³⁰ *Norsk Gamalostlag* was a marketing gimmick to promote the dwindling sales of the traditional and very special West-coast cheese *Gamalost* in the early 1990's.

³³¹ Joined in 1998 by 'Q-melk' from *Gausdalmeieriet*.

The factor of local identity -- this time, of producers rather than products -- will be a topic in Section 5.3, in the context of organisational solidarity.

Organic production

Another form of niche production is organic, involving a radically different approach to primary production as well as having implications for processing. Since the 'green wave' of the 1970's, interest for organic farming and its produce has gradually been growing among farmers and consumers. Though by the mid-1990's the dairy co-ops had introduced organic fresh milk to the Oslo market, as noted above, the progress of the co-ops in catering for this growing market segment has generally been too slow for many members. The logistics of milk processing in few large plants means that organic producers in many areas cannot realistically hope to have their milk handled separately by the co-op dairies.

Among the minority of farmers who have turned to organic production are the most bitterly disillusioned co-op members I have met: people who have fought hard against structural concentration, and lost. Their opposition to concentration of co-op production structure may be interpreted as driven by economic needs. However, there is also ideological common ground involved in both organic farming and the alternative model of processing outlined in this section. The small farmers' union *Småbrukarlaget* provides a forum and ideological base for both of these, though some of the farmers concerned belong to the main union *Bondelaget*. Moreover, in at least some cases, interest in organic farming was not put into practice until after the farmers concerned had lost the battle to prevent structural concentration in their co-ops.

One young couple had built up a new dairy farm during the expansion of the '80's. The husband, F.K.³³² -- who comes from a big farm and has farmers' co-operatives 'in his blood' -- had been active in the dairy co-op locally, and had fought hard against the closure of the local plant. After the decision on closure was finalised, the couple took advantage of a state scheme designed to promote structural change, and cashed in their milk quota. They have now turned to extensive meat production, seeking to maximise the utilisation of local resources and keep costs low. Although he disagrees with the term 'organic' {'*økologisk*'} and does not seek to conform to the criteria for using that designation, F.K. is co-operating with other extensive meat producers to persuade the regional meat co-op to market their products separately.

Another (N.N.),³³³ whom I spoke to by telephone, was convinced that the dairy co-op 'had it in for them' after voicing strong criticism of co-op re-structuring. Though not the only one to use the powerful metaphor of the Mafia about the co-op establishment, N.N. did so with disconcerting seriousness, underlining the position of total dependency of milk producers on the co-ops. Refusing to be interviewed, N.N. was keeping a low profile until new legislation allowed them to start up an independant farm dairy, selling organic milk.

A third, N.U.,³³⁴ was contemplating setting up a new small dairy for himself and a few neighbours who were turning to organic milk, if the regional co-op did not soon begin to

³³² Medium-scale.

³³³ As I have promised '*to forget I had ever spoken to*' this farmer, I have not included N.N. in the register of (anonymous) informants, and provide no information about this individual.

³³⁴ Man; medium-scale.

cater for their needs. As they are situated in an area which lost its local plant, it seems likely that these producers will have to 'go it alone'. He sees such a dairy as going back to the 'real' co-operative spirit, with production firmly under local control.

A fourth, P.S.,³³⁵ also sees organic production as a basis for a new wave of co-operation. He interprets dairy federation policy, and the practice of concentrating dairy production, as expressing reprehensible attitudes to both the environment and the needs of consumers for wholesome products. Together with other controversial aspects of the co-ops, this leads him to despair of the latter. Rather than fighting a losing battle within the existing co-ops, he sees organic farming as the basis for a fresh start. It *'can be the beginning -- where you get rid of the old -- with all pension contracts³³⁶ and all that dead wood from the past, and it can be where people start up with something new . . . where maybe you have people who think a bit alike, and a bit differently. They have these products, which so far have been given second-class treatment by the big - by the co-operatives.'*

The contrast between organic and conventional approaches to processing is brought out particularly well in cheese production. The organic approach is to use traditional methods, which are regarded as unhygienic by both dairies and public authorities who apply the orthodox modern scientific approach. The latter is criticised in an article³³⁷ by Pascale Baudonnel, a French dairy technician who has established organic cheese production at her farm in Undredal. She contends that modern milk technology is both expensive and based on an erroneous idea of eliminating bacteria: *'More aggressive and tough bacteria are bred by systematically attempting to eliminate them. In a cheese-making context, the good bacteria will always die first . . . In an environment one tries to keep practically sterile, unwelcome intruders will have much more scope than in an environment consisting of a comprehensive good flora.'* She adds that people are losing their natural resistance to bacteria because they are artificially sheltered from daily contact with them. Because of this, together with the development of resistant bacteria, the results when infection does occur are much more serious than in a traditional environment characterised by regular contact with a natural bacterial flora. The radical difference in approach is not a matter of unscientific tradition against science, but about two completely different scientific perspectives. One is based on orthodox approaches in chemistry and micro-biology which have been developed since the nineteenth century; while the other builds on the relatively young science of ecology, which is compatible with traditional knowledge. The organic approach thus seeks to adapt to nature rather than to master it.

Organic processing methods do not lend themselves to large-scale mass-production. A scientific argument against the concentration of processing is also put forward by Baudonnel in her article: *'If anything should go wrong, the risk that many will become ill is much greater than when the production is divided between many small processing units.'* Besides, she adds, *'infections spread much faster among large concentrations, both of raw materials and of animals'*.

So far, organic food production has been confined to a small niche by the established industry, and -- in the case of cheese -- is struggling to survive against regulations based on the orthodox modern perspective. However, growing concern among consumers in the late

³³⁵ Man; large-scale.

³³⁶ This refers to the 'golden handshakes' and other controversial forms of remuneration awarded to top management in the co-ops, including managing director Per Hatling who departed under a cloud.

³³⁷ 'Økologisk hygiene', a two-part article published in *Nationen* 19.07.96 and 20.07.96.

twentieth century about the health risks associated with orthodox modern methods seems likely to favour both the growth of the organic niche, and increased scientific interest in this radically alternative approach to production.

A coherent set of alternatives, and their organisational implications

Together, the arguments of opponents of structural concentration constitute a coherent alternative to the orthodox modern model of production. They claim that smaller scale and lower volume, combined with short distances, allow the production of fresher products with higher quality in terms of taste, and organic products with other qualities in addition. Products with local identity also fit much more comfortably into this model than the orthodox modern one. The alternative model is by no means 'old-fashioned' -- as proponents of structural concentration frequently claim -- but has achieved considerable popularity, among not only critical social scientists (cf. Section 1.2) but also some business economists. Some competitors to the co-ops are also putting it into practice. At least one new, independent co-operative has also been established along alternative lines: Foldal Sauemjølke AL, who have produced a blue cheese from milk from members' sheep.³³⁸

Some advocates of the alternative model explicitly acknowledge its limitations with regard to total supply and demand. Jostein Sande (quoted earlier) sees the need for a dual production strategy in the dairies: the orthodox modern one for bulk products, and the alternative for special products with a local identity.

Finally, this topic also has organisational implications. The orthodox modern model of production requires big organisational units; but does the alternative one require small ones? There is no immediate logical reason why it should: a single organisation can have many small production units, geared to local markets. However, in practice this model of production is associated with small autonomous organisational units, which may well co-operate closely in networks, as in the 'flexible specialisation' variety. Despite such co-operation, a certain degree of competition would appear to be functional, if not essential, for promoting innovation and efficiency. The virtues of the alternative model of production, organised in small, autonomous, mutually co-operating units, have been extolled by the business economist and economic historian Eric Reinert, in a report commissioned by Bondelaget (Reinert 1997). Interviewed about the report,³³⁹ Reinert is reported as criticising structural concentration in the co-ops in no uncertain terms: *'disadvantages of scale have to do with bureaucratisation, over-administration, lack of innovation and lack of diversity. But this does not become clear when there is no competition.'* The 'Reinert Report' was warmly embraced by proponents of the alternative model.

One of the latter, Saxe Frøshaug,³⁴⁰ referred to the conclusions of the report as regards owner involvement. Arguing against the second round of regional mergers in a press interview, Frøshaug is quoted as saying: *'The opportunity to take more out of the market lies in diversity and quality. This can only happen where there are actively involved owners. It's impossible to feel nearness and involvement when the company gets too big. It's bad enough in*

³³⁸ Cf. article 'Muggost av sauemelk', *Nationen* 24.08.94: Bjørg Engdahl. The project was started with the aid of a state grant from the development agency SND. The company did not have an entry in the telephone directory in 1997, and I have not ascertained whether it has survived.

³³⁹ *Nationen* 05.04.1998; interview by Tone Jørstad.

³⁴⁰ Farmer from Trøgstad in Østfold, and member of Fellesmeieriet; interviewed in *Nationen* 03.04.97: Tone Jørstad.

Fellesmeieriet today. It will be hopeless in an even bigger concern.' What is required, according to Frøshaug, is '*co-operation between autonomous small companies with involved owners*', rather than the federation's strategy of structural concentration. Jostein Sande (cited earlier) also stresses the importance of member involvement in the co-ops to ensure that products are of good quality and marketed well: '*We must be participants in our co-ops, not suppliers.*'³⁴¹ The perspective on production here is a substantive one, as opposed to a formal, instrumental one (cf. Section 1.2).

The above arguments lead us into the issues of member involvement and control - which will be examined further in Section 5.6 - and organisational autonomy, which will be discussed in Section 5.4. Although I have chosen to develop these themes further in the context of co-operative principles and values, they are also clearly linked to the contrasting models of production. In particular, it may be noted that the orthodox modern, instrumental approach implies largely delegating control of production and business to specialist 'experts'; while the alternative approach implies active involvement by co-op members.

Looking analytically at the alternative model as a whole -- including organisational aspects -- it combines a substantive perspective on production -- involving intrinsic meaning and a degree of socio-cultural 'embeddedness' -- with de-concentration. The orthodox modern model, by contrast, combines a formal, instrumental perspective on production with concentration. I will have more to say about this pattern in the conclusion of Part 5. The discussion in the present section has underlined the fact that the definition of what is rational is dependent on perspective -- on which model it relates to. Is it rational to produce dried milk at a loss in Northern Norway, while importing ice cream from the Oslo region? Is it rational to produce small quantities of a variety of products in a local dairy, rather than taking advantage of economies of scale?

³⁴¹ Previously cited interview.

5.3

Defining solidaric collectivities, interests and responsibilities

Though individual interests are involved in the co-op disputes, most participants argue on behalf of 'we' rather than 'I', relating their interests to collectivities beyond the household: farmers, groups of farmers, communities and so on. Some of these can be identified with material class interests. However, as we will see, many of the collectivities referred to are heterogeneous as regards social class and material circumstances. In this section, I will present a range of collectivities to which informants and other participants in the co-op disputes relate their interests. It will soon become clear that these categories are no mere aggregates of individuals with convergent interests: they also have a symbolic element of common identity, accompanied by a perception of common destiny. Furthermore, they are often so heterogeneous as to make the question of common interests unclear or controversial. The collectivism of many of the participants in the disputes is underlined by their perception of having responsibilities towards the collectivities they refer to. Their relation to the latter thus has a solidaric character. Distinguishing solidarity from 'group egoism' is a willingness to make sacrifices for the common good (Hallenstvedt 1990).

Local collectivities versus 'rational' and national occupationally delimited ones

The historical account in Part 3 showed that even when local dairy co-ops were being established in the nineteenth century, there were fierce disputes about their size, with a strong tendency for farmers to favour small units, and a tendency in the opposite direction among public officials. The dairy co-op federation has sought, ever since it came in a position of power, to strengthen the national collectivity -- based on the occupation of milk producer -- at the expense of local ones with strong spatial boundaries (cf. Parts 3 and 4). We have seen that the tensions between these two dimensions -- local and occupational -- for defining and delimiting solidaric collectivities, are at the centre of the co-op disputes at the present time.

Underpinning the dairy federation's discourse, justifying its own strong position and its promotion of structural concentration, is an institutionalised narrative of the destructive consequences of competition between the early local co-ops. It is worth taking another look at the citation of S.Erland's version of this (cf. Part 3):

'The dairy companies gradually developed a strong inner, but most often local, solidarity. Internally it was a case of standing together and trying to achieve the best possible result for one's fellow-co-operators. Outwardly, however, and not least in relation to equivalent companies with the same purpose and the same market, the fiercest competition prevailed. This lack of understanding between occupational comrades and occupational organisations - indeed a lack of will to see the collectivity - was the main problem in large parts of this period. Instead of common effort and co-operation for a common cause and interests, a struggle of all against all prevailed as soon as one moved beyond the local.'
(op. cit.)

Erland uses the term 'the collectivity' {felleskapet} rhetorically. He clearly does not have in mind the local collectivity or community, to which the farmers would seem to have related very strongly - too strongly, in his view. He is implicitly saying that lines of locality are not a

legitimate basis for delimiting co-operative solidarity. To him and other federation leaders, co-operative collectivism must follow occupational lines. The collectivity on which the dairy federation policy, and the corresponding discourse, are based is defined implicitly in national terms, and explicitly in terms of occupation. In the milk sub-sector, the occupational group is usually referred to as 'milk producers' or simply 'producers', rather than the less specific category of 'farmers'.

The dairy federation has been very active in exhorting members to think in terms of the national collectivity, and in raising awareness of the need to match the market power now being exerted by the nation-wide wholesale and retail chains (cf. its study campaign '*One Industry -- One Market*' featured in Part 4). The strategy of organisational centralisation and structural concentration is projected by the federation as the only viable alternative to a scenario of destructive competition between the co-ops.

One indication of a solidaric element in occupational group collectivism is the concern which is expressed by supporters of structural concentration for equality of produce price. Another is openness of membership, or the willingness of members to share the burdens which the circumstances of others may represent to the organisation. I will return to these questions of the limits of occupational group solidarity later in this section, and in subsequent ones.

Extending occupational group collectivism across organisational boundaries

We have seen that close organisational linkages between the various sub-sectors ensure the extension of occupational group solidarity across the narrow limits defined by production specialisation. The various national co-op organisations club together under the wing of *Bondelaget*, in Landbrukssamvirkets Felleskontor; and practical co-operation is developing across the sub-sectors in such areas as transport and product development. But to what extent do co-op members themselves see the various co-operatives as members of one big family, and view loyalty, solidarity and commitment in that context?

A dispute brings out the divergence of views on this question. It involved the nomination of candidates for election to the board of the new regional dairy *Tine Nord-Norge*, constituted in 1995. Several members objected to the nomination of one particular candidate, because he was 'disloyal to the co-operative movement'. This disloyalty did not relate to the dairy co-op, where it would be impossible in the absence of competitors, but to the regional supplies co-op Felleskjøpet Trondheim. It was alleged that the member in question bought his supplies from a 'private' competitor to the latter. The protesting members expressed a view of the co-op movement as a totality, demanding undivided loyalty.

This point of view was vigorously defended by one of my informants. Å.D.³⁴² is a prominent member of *Bondelaget* regionally and an active member not only of several farmers' co-ops but also the consumer co-op movement. He makes clear that the co-ops are inseparable parts of a whole, and that those who 'egoistically' buy their cattle feed from competitors are disqualified from elected positions in any of the co-ops. Like other informants who express strong organisational and occupationally-based collectivism, Å.D. is an advocate of co-op mergers and concentration of production.

³⁴² Large scale.

Another informant, R.E.³⁴³, a young farmer on Vestvågøy, is active in the dairy co-op but sends his livestock to Horn's slaughterhouse. He has experienced sarcastic comments expressing the above view, implying that he is disqualified from holding an elected office in the co-ops. He shrugs these off, as he himself sees the two co-ops as quite separate, and his support of the local slaughterhouse as completely legitimate. Similarly, a couple who run a machinery supply business from their farm, competing to a certain extent with the regional supplies co-op, see no reason why this should be held against them in the other co-ops, where they are active members. These, as well as R.E., have been involved in protests against structural concentration of processing.

Unlike those mentioned above, some protestors have withdrawn completely from the co-ops, other than to deliver their produce where they have no choice. One of these -- N.U. -- indicates that to him, the idea of obligatory total commitment to the co-ops has a frightening, totalitarian character, giving the very term 'co-operative' an odious connotation analogous to that commonly attached to 'communism'. Thus he and other radical critics of co-op policy have problems in formulating their alternative ideas, which are based on local, small-scale organisation and co-operative principles.

Ways of delimiting the occupational collectivity

Though farmers supportive of dairy federation policies tend to think in terms of the national occupational collectivity, they do not all necessarily extend their solidarity to all existing members of the latter. Some opponents of structural concentration suggest alternatives to the existing co-ops. Both these types of limits are based on occupational criteria.

As mentioned in Section 1.1, the loss of processing jobs is often presented by the dairy federation as insignificant compared with the reduction in farmer numbers; and a slowing down in this decline is declared to be a principle aim of co-op policy by members supportive of structural concentration. However, several full-time farmers belonging to Bondelaget, whom I have spoken to, made it clear that they do not care so much about the disappearance of part-timers, or 'hobby farmers' as they sometimes call them: it is their full-time professional colleagues they are concerned about. They made disparaging references to people in public service jobs -- schoolteachers and others -- who are using farm income, including state subsidy, to 'top up secure wages'. They imply that as these part-timers are not exposed to the same risks and hardships as themselves, they belong to another category with lesser rights. As one informant, P.Ø.,³⁴⁴ put it, '*they are welcome to keep on farming, but without support.*' Another member of Bondelaget whom I interviewed, R.D., has himself been a part-timer, and his household still has one outside income; so he sees things somewhat differently. He and his wife were previously both teachers, but he has become a full-time farmer, and would like to raise the income from the farm sufficiently to provide full-time employment for his wife as well. He argues that cost-cutting, including plant closures, in the co-ops is essential in order to raise farm incomes, and thereby convert part-time farm employment to full-time, making other jobs available in the community in the process.

The distinction between 'real farmers' and 'part-timers' was brought out in the debate over the election of chairman for the Northern regional meat co-op NNS at the 1997 a.g.m. Steinar Vestvik -- a large-scale dairy farmer and meat producer from Ibestad -- is reported³⁴⁵ as

³⁴³ Large scale.

³⁴⁴ Woman, large-scale farmer.

³⁴⁵ *Bondebladet* 9.04.97: Ådne Aadnesen.

objecting to the nomination of Jan Solheim -- a lecturer at the local agricultural college in Lenvik, who runs a small farm. Vestvik is quoted as saying that to elect a chairman who was not a full-time farmer would be a 'bad signal to the members'. The majority of delegates clearly did not agree, for Solheim was voted in by 66:43, against the sitting chairman, full-time farmer Bjørn Kristiansen.

Despite their general emphasis on extending solidarity to all members, dairy federation leaders see 'full-time' farmers as more important than 'part-timers', according to an article in *Bonde og Småbruker*.³⁴⁶ In the face of threatened cuts in the total milk quota and in state support for milk production, the federation board had made it clear that its first priority must be to maintain income levels for the farms of so-called 'family' scale, with a production corresponding to the norm for 1.5 full-time jobs. When confronted with this differentiation between members, federation chairman Kåre Syrstad is quoted as replying: *'If we are forced to choose between two evils, as one often is in the farm income negotiations, our conclusion is clear . . . It doesn't help just to struggle. When the state has made up its mind to reduce the number of milk producers, NML must take a stance on whom they must defend.'*

The terms 'family farm' and 'full-time farmer' are notoriously ambiguous. Norms of labour requirements per unit of production vary according to district, being calculated on the basis of the 'model farm' (cf. Section 2.2). However, conditions of climate and soil can vary considerably within a district; and labour requirements also vary according to investment in machinery and buildings. A major source of ambiguity is the fact that farms are commonly run by couples, and the complexities of the female partner's working day are often considerable. Furthermore, professionalism is not a straightforward function of the proportion of time spent on the farm, or of income derived from it. My own, albeit limited, observations indicate that a high degree of both dedication and farming skills is not uncommon among 'part-time' farmers.

To some extent, the demarcation follows union lines. As they are invariably also union members, co-op members carry over these distinctions into the co-op debates. The dairy federation leaders are, without exception, members of *Bondelaget*; and Kåre Syrstad is a former chairman of the union. One of my informants, S.U.,³⁴⁷ who has served on committees at regional level in *Bondelaget*, laments what he regards as the degeneration of *Småbrukarlaget* in the region due to the influx of new members in the 1970's (cf. Section 2.3). Now, he says, the union is run by a bunch of *'red wine-drinking academics, eco-philosophers and madmen!'* By means of mutual caricatures, the unions maintain boundaries despite a considerable variation among members' views, particularly in the large and diverse union *Bondelaget*.

My informant S.U. does not see the injection of fresh blood into farming during the 'green wave' in a particularly positive light, as the above remark about *Småbrukarlaget* implies. However, his main concern is not with the cultural and class background of new entrants, but the pragmatic issue of economic viability in a context of over-production. He dismisses the promotion of new farms in the '70's and '80's -- a consequence of the government policy document *'Stortingsmelding 14'* (cf. Part 2) -- as totally misguided: *'You could have worked out with an ordinary joiner's pencil how many stalls were needed in the country, when you know the production per cow.'*

³⁴⁶ 'NML prioriterer familiebruka', 8.04.95: Ivar Vaage.

³⁴⁷ Large scale.

Rather than spending large amounts of public money on supporting new and non-viable entrants, S.U. maintains, the state should instead have helped existing farmers who had the potential to expand over a certain size. He himself had invested over half a million kroner in a large new cattle house around 1980, only to be caught out by the introduction of milk quotas in 1983. Although his quota of 130,000 litres is almost double the average, he has room for 30 milk cows and a production of just under 200,000 litres, and could have employed a helper if he had been allowed to produce this amount. Yet he draws back when he thinks of the consequences of such structural change: if milk production was to be concentrated in units of 200,000 litres in his district, there would only be room for half of the existing number of farmers. *'and we can't have that. Then we no longer have a society you want to live in.'* A committed and active union and co-op member who identifies himself with the traditional Labour Party and its philosophy of firm state regulation, he experiences questions of structural change in both primary agriculture and co-op processing as dilemmas.

As mentioned in the previous section, some of the most vigorous opponents of structural concentration in the co-ops have turned to organic farming, which represents the basis for a new occupationally-delimited fellowship: an open one, though delimited by commitment to an ideology.

Locally-based collectivism

As noted in Part 4, opposition to plant closure often appears as narrow parochialism: 'not *our* plant', similar to the classic 'not in *my* back yard' (NIMBY) type of argument. This is the stereotype image of opposition to structural concentration, projected by co-op leaders and their supporters. We have seen that this narrow local focus and opportunistic line of argument is a logical consequence of the policy of structural concentration and the 'zero-sum' character of the regional structure planning process. A further element of opportunism may conceivably be involved, in cases where co-op members publicly oppose the closure of their local plant, despite the closure being in their economic interests, in the knowledge that they will lose. This type of political 'free riding' is focused on by theorists of the 'rational choice' school. My interview and text data indicates, however, that there is considerable principled and consistent opposition to concentration of production structure.

In the citation above from the writings of S. Erland, the local solidarity in the early co-ops was seen purely in terms of farmers. There is no doubt that the local farming collectivity is the primary institutional entity engendering affinity at the local level. It figures widely in arguments against co-op plant closures, where it is normally delimited to the members of the pre-merger local co-op and their successors. Plant closures involve losses of material, social (interactive) and symbolic kinds for the local farming community.

When the Kirkenes dairy plant in Sør-Varanger closed, the supplies co-op Felleskjøpet Trondheim also gave up a store for machine parts and animal feed which had been located in the dairy building. After failing to persuade the supplies co-op to keep on the store, a group of farmers -- activists from the campaign to save the dairy -- succeeded in leasing the premises. When I visited the area, plans were being finalised to have the store re-opened, with supplies being obtained from Stormøllen, the main animal feeds competitor of the supplies co-op. As we have just seen, such an action is regarded as treachery by the most 'co-operatively loyal' farmers; but to the group concerned (two of whose members I spoke to), it was the co-op that had reneged on its responsibilities, and thereby forfeited its claim to their

loyalty. The issue involved here was a straightforward one of the collective interests of the local group.

The closure of the Kirkenes dairy was also a social loss. A leading protestor -- H.D.-- explains: *'The whole milieu has gone . . . The dairy was a kind of meeting-point. It was almost like home for us when we were in town -- it was there farmers met and had a cup of coffee . . . and it was kind of our company too . . . So when it went the farmers had nothing left to relate to. That was also why the co-operative way of thinking also just evaporated.'*

The dairy had a strong symbolic function for the farmers:

'It was here your father had delivered milk, and . . . you could look in the old minute books, and there was this one's father and that one's father, and they struggled with this and that problem then, and it was very personal . . . You kind-of kept up a tradition.'

The local farming collectivity is not confined to its present members: like the broader local communities and the long-established co-op organisations, it is an enduring institutional structure spanning the generations. The local co-op plant was an integral part of it. In this perspective, it is not surprising that local farmers fought so hard to defend it (cf. Part 4).

An informant from the northerly municipality of Porsanger (F.T.) tells that after the local store for feed and machine parts was closed by the supplies co-op, supplies have to come all the way from Alta. The store was a natural meeting place for farmers, not just round the Porsanger fjord, but also from the inland district extending to Karasjok. The informant points out the value of such social contact, both for the farming milieu and for the Saami³⁴⁸ culture in the region.

In most cases, arguments against plant closures go beyond the farming community and visualise the broader local community as an organic whole in which the loss of one part adversely affects all the others. I have termed this type of argument 'local community collectivist'. The extents and limits of what people regard as a 'local community' {*lokalsamfunn*} vary: however, in the recent debates in Northern Norway, they have usually corresponded to a single municipality, or an area which extends into two municipalities. Though the municipalities concerned are mostly small, with just a few thousand inhabitants, they are in any case much bigger than neighbourhood communities of regular social contact. Examples (with approximate population figures for 1995 in round thousands) are Målselv (7), Sør-Varanger (10), and Sortland (9). A significant proportion of my farmer informants (12 out of 45) are active in municipal politics, and it is hardly surprising that most of these should see the co-op plant in the context of the municipality and defend it on grounds of local employment and maintenance of the population level. Supporters of plant closures are quick to make the objection that these opponents are 'mixing roles'.

In the late 1990's, the emergence in a few areas of 'private' competitors to the dairy co-ops, combined with legislative change, has presented some farmers with a choice of whom to deliver their milk to. One of the many small dairy plants closed by Østlandsmeieriet in the 1990's was in the municipality of Gausdal, near Lillehammer in Oppland. On the 1st of January 1998, 81 farmers in Gausdal -- both big and small -- formally left Østlandsmeieriet and signed up as suppliers to the newly-established Gausdal Meieri a.s. A considerably higher milk price was a significant factor in bringing about the transfer, but not the only one. Interviewed in the local press,³⁴⁹ farmer Jon Arild Sagheim -- a medium-scale producer with

³⁴⁸ An ethnic minority (widely known by the Finnish name 'Lapp') whose traditional homelands are in Northern Fenno-Scandia and Russia.

³⁴⁹ GD, 3.01.98: Karen Bleken. GD has been my main source of information about the Gausdal dairy.

a quota of 60,000 litres -- admits that he is taking a chance in leaving the security of the co-op. Emphasising that it was not the increased price that made him leave, Sagheim is quoted as saying, with reference to the co-op: *'I think it's bad that it's not even considered possible even to set up fresh milk packing in the third biggest milk-producing municipality in the country -- that 17 million litres of milk should just be transported out of the area {bygda}. Therefore I think it's right to support Gjeften when he is now investing millions in Gausdal and creating 12--15 jobs.'*

Sagheim's argument above combines local pride with a concern for creating employment. As I will show in the next section with another citation, he extends his local concerns to rural society generally, as do many of those who express local community collectivism.

Perceiving the region as a unit

The meat co-ops have been organised largely on a regional basis from the outset, and the 'milk centres' established in the early 1930's also made regions significant units in the dairy sub-sector. The regional co-ops have consolidated the regional level at the expense of the local one, as we have seen in Part 4.

In some instances, the regional co-ops have countered criticism of plant closures with figures showing that they have increased their total production in terms of added value, and total employment, in the region as a whole. For example, the m.d. of Østlandsmeieriet responded to critics of structural concentration by claiming that the co-op had increased the degree of processing by 30%, and that this had brought not only financial gains, but also 70 new jobs to the valleys of Østlandet.³⁵⁰

Though local identity is well known to be a force to be reckoned with at community and municipality level, co-op planners might be forgiven for assuming that regions are less problematic. Northern Norway, for example, is widely regarded as a topographical and cultural unit, comprising the counties of Nordland, Troms and Finnmark, with inhabitants categorised as '*nordlending[er]*' [Northerner(s)]. Many of my informants make use of the common dichotomous distinction between Northern Norway and the rest of the country (labelled simply 'South'). To the latter is often implicitly attached a stereotype image -- a myth based on the best farming areas, characterised by favourable climate, fertile soil, high farm density, large nearby markets, and large and prosperous farms and co-ops. The 'North' is defined by way of contrast to this: harsh climate, poor soil, widely scattered and small farms, long distances from markets, and poor profitability for both farms and co-ops. Informants commonly stressed the special importance of the co-ops in the 'North', by contrast with the 'South', on the basis of these definitions. The centre-periphery dimension is often brought into discussions about the region, as mentioned under the preceding sub-heading.

Northern Norway is a single organisational unit in the meat co-ops. Yet -- as we have seen in Part 4 -- a single regional dairy co-op for the three most northerly counties has lain long on the drawing-board at NML without materialising, and has indeed been fiercely resisted by some members. This is not so difficult to understand when one is aware of the diversity of the

³⁵⁰ Letter in *Bonde og Småbruker* 26.04.96. The chairman of the same co-op, Jens Frogner, is quoted in *Nationen* (17.03.94) as telling that the number of employees in Østlandsmeieriet had been reduced by only 3, from 434 to 430, between 1985 and 1993. By out-sourcing milk collection transport, the co-op had however cut its direct employment by 63 jobs.

region. One of my informants (N.F.)³⁵¹ complains that dairy federation planners, based in Oslo, fly around the country and have therefore little conception of the landscape and farming conditions.

In the early 1980's, there was a movement among the dairy farmers in the Helgeland region of Nordland county to merge their five local co-ops into a regional dairy co-op of their own instead of following the federation plans (cf. Section 4.1). One of the leaders of the campaign, (G.A.)³⁵², implicitly justifies the scheme by characterising Helgeland as the best agricultural area in Northern Norway, with a relatively high concentration of milk and five dairy plants. From this, one may infer that the material motive of a higher milk price was a significant factor. The delimitation of the proposed region could not have been made on the basis of price alone, however: it clearly also rested on a common identity as '*helgelendinger*'.

Similarly, a majority of Finnmark dairy farmers has so far blocked efforts to bring the county into the new regional co-op Tine Nord-Norge. Again, material considerations are significant, as Finnmark and Northern Troms have traditionally been accorded special status with regard to state assistance, because of extreme climate and sparse population in addition to politically strategic importance. Other factors are also involved, as we shall see in later sections. Among them appears to be a sense of social affinity, based on the county's history and particularly strong degree of ethnic diversity.

On the southern edge of the three most northerly counties, the farmers of Bindal municipality seem to have a pragmatic attitude to regional bonds. In the mid-1980's, the dairy co-op to whose area Bindal belonged -- based in the neighbouring municipality of Sømna -- finalised plans for a large new production plant. A group of 65 farmers in Bindal refused to be drawn into what they saw as an over-ambitious scheme which would adversely affect their milk price, and applied to leave Sømna and join the neighbouring co-op to the south, Namdalsmeieriet -- now part of Tine Midt-Norge. When the co-op refused to let them leave, the Bindal members took the matter to legal arbitration {*skjønnsretten*}.³⁵³ On the basis of the Dairy Companies' Act (cf. Part 3) they had a strong case, as the transfer would undoubtedly have furthered their economic interests. The federation stepped in and achieved a settlement between the two co-ops, allowing the farmers to transfer to Namdalsmeieriet in 1988. When it comes to meat, however, Bindal still belongs to the Northern region. A row erupted in 1995 when word got around that pig farmers from Bindal had exploited the differentiated regional subsidy system for pig meat by buying young animals from over the regional border, making substantial gains. When the special Northern regional subsidy for pig meat production was subsequently cut, the Bindal farmers were blamed and branded as being disloyal to the North (cf. informants and *Brønnøysunds Avis*).³⁵⁴

The survival of Vikedal as an autonomous dairy co-op (cf. Section 4.3) may be partly due to its position on the border between two regions. It has first declined to join the regional co-op to the north, Vestlandsmeieriet, and then turned down the proposal that it join in the new regional co-op to the south.

³⁵¹ Man, medium scale.

³⁵² Man, large scale.

³⁵³ My source for this detail of the account, along with the number of farmers, is an article '*Få meieriopprør krones med hell*', *Nationen* 13.09.95: Tore Mælumsæter.

³⁵⁴ The story of the Bindal farmers' controversial purchase is told by Tore Holm to Roar Berg-Hansen, *Brønnøysunds Avis* (Internet edition) 7.11.95.

Employment: cost or responsibility?

In arguments supporting production re-structuring, co-op employees tend not to be explicitly mentioned, other than in assurances that those under early retirement age will generally be offered jobs elsewhere in the co-op. The position assigned to them by proponents of structural concentration is not that of essential partners in the enterprise, but of costly and expendable factors of production. In this perspective, the imperative of cutting costs is seen as a winner-loser, or zero-sum, situation: if farming jobs are to be saved, jobs in processing must be cut. Almost invariably, co-op leaders and their supporters point out that the overall reduction in farmer numbers has been much greater than the net decrease in employee numbers in the co-ops.³⁵⁵ Indeed it is quite commonly argued that as the function of the co-ops is to serve the needs of members, the number of people employed is of no concern to the latter.

While defence of local production facilities does not necessarily imply the converse, many of the opponents of plant closures do in fact include employees in their circle of solidarity. We have already seen some examples of these under the sub-heading of concern with rural/peripheral areas. Almås (1973: 60) tells that approximately half of the members he interviewed spontaneously declared that an important consideration for them was to maintain the jobs of the dairy employees.

Ottar Flatland³⁵⁶ criticised the dairy federation's proposals in 1997 to even out milk transport costs between co-ops without regard for the physical location of plants. While the previous 'structure margin' system (cf. Section 2.3) had compensated co-ops for a de-centralised processing structure, the new arrangements would no longer do so, thereby encouraging concentration. Defending the proposals, a dairy spokesman had argued that it was important to maintain a de-concentrated structure in primary production -- not in processing. Flatland writes: *'I believe there is an inconsistency here, for a job in a rural/peripheral area {distriktsarbeidsplass} in the dairy industry is surely just as important as one in primary production.'* This argument extends solidarity from the farmers as a group to include the dairy employees. It also belongs with arguments in support of rural/peripheral areas, to be discussed in the next section.

In the previous section, my informant H.D. was cited as explaining how close contact with the dairy plant was an advantage in terms of services and product quality. She sees the relationship with dairy staff as co-operative rather than instrumental, and attributes a moral as well as an economic content to it:³⁵⁷ *'Yes, we felt a responsibility for them. In my view, we are mutually dependent on each other, and I maintain that we must feel a mutual responsibility for each other too.'*

When presented with the arguments of the 'other side',³⁵⁸ about maintaining income levels on a par with the rest of society, H.D. responds:

'Yes, but I am not happy to see dairy workers going unemployed, even if I know that it maybe puts a couple of thousand kroner a year into my pocket. It isn't worth it, in my view. . . . Of

³⁵⁵ An example of this argument is provided by Jens Frogner (cf. earlier footnote) who tells that the number of milk producers in Østlandsmeieriet had been reduced by 120 in the same period.

³⁵⁶ Farmer from Flatdal and member of the dairy co-op Meieriet Sør; letter in *Bondebladet* 29.01.97. The proposals concerned the re-organisation of the national milk price equalisation system (the former RO) in 1997.

³⁵⁷ In response to a direct question from me about whether organisational responsibilities extended to employees.

³⁵⁸ Cf. the concern expressed about financial returns in Section 5.1.

course, I would love to earn any amount more, I don't deny that: but it doesn't taste so good when you know what it is at the expense of.'

To her, there is something fundamentally wrong with instrumental thinking about employees: *'You are supposed to distance yourself -- you are not supposed to relate to it [the plant closure] at all, and then it doesn't hurt to just cut them out. I think it's a dangerous way of thinking -- and particularly here . . . in Northern Norway. I think it's so cynical, that kind of way of thinking. It's something that clashes with your basic values -- to care about each other and take care of each other and that sort of thing.'*

The values H.D. expresses are commonly associated with small communities; but she extends them to include dairy workers in the municipal centre (a small town).

The question of job losses also has strategic political implications (cf. Section 5.1).

Organisational leaders are at pains to point out that job losses in the co-ops due to production re-structuring have been relatively small at regional level. The development of new product lines, in an effort to maximise added value and throughput of members' produce, has helped to maintain employment levels in the co-ops. In the 1980's, the Northern regional meat co-op NNS concentrated a large part of its meat processing in a new modern plant situated in the rural municipality of Målselv. Several members I spoke to regard the plant as an over-ambitious over-investment, a main cause of poor meat prices. However, not even the strongest supporters of structural concentration advocated closing the processing division and sending the meat south to be processed - as the meat company Horn on Vestvågøy largely does (cf. Sections 4.7 and 5.2). One reason for this seems to be the 'cost' which would be involved, in terms of a considerable loss of prestige and political goodwill for the co-op. The case of Vestvågøy illustrates the dilemmas that can arise between local and regional considerations. The success and continued survival of the local slaughterhouse is dependent on keeping costs low, which in practice means 'exporting jobs' in meat processing to Fatland a.s. in Southern Norway. Thus while it is an asset to the local economy, the plant does not contribute as much as the co-op to the regional one, on a *pro rata* basis of production volume.

Distinctions and limits

This section has examined various social units of responsibility and solidarity in terms of which co-op members define their interests with respect to the structural disputes. Alongside officially defined and delimited organisational units, we see that co-op members think and argue in terms of other collectivities, which are just as real to them. The socially constructed - rather than objective -- character of common interests and responsibilities does not hinder these from having real, observable consequences in the form of both conflicts and solidaric actions. These consequences arise over the drawing of boundaries (cf. Section 5.5) and over the delimitation of organisational responsibilities. As well as conflicts between clearly-defined groups, the co-op disputes also involve personal dilemmas of loyalties, and hard choices between personal advantage and perceived responsibilities.

We have seen that opponents of structural concentration commonly link their interests to those of their communities, and feel a corresponding responsibility towards the latter. To a lesser extent this also applies to regions. In the preceding section, communities and regions were also the focus of concerns, in the context of the alternative model of production and consumption. In the latter case, the community and region were seen as representing a resource. Altogether, then, to opponents of structural concentration, communities and regions are more than just organisational units within which farmers have converging interests. They

also represent both resources and responsibilities for the co-ops, implying a form of social 'embeddedness'. Though supporters of structural concentration may share concerns for communities and regions, they do not see these in the context of the co-ops. In this more 'modern' and 'disembedded' view of production, the responsibilities of owners do not extend directly to communities and society at large.

Of theoretical interest with regard to the co-operative organisational model, mentioned in Section 1.3 is the tension between individualism and collectivism embodied in the latter and in liberal democracy in general. This tension has been highlighted in the present section by the demands of some members for 'total co-operative commitment', and the varied reactions to these, indicating diverging views on the legitimacy of such demands with respect to the liberal-democratic co-op model. I will return to the theme of disputed limits to collectivism in Section 5.5.

The concerns of farmers on both sides of the disputes for their communities, regions and co-op employees may take on the generalised form of a concern for rural and peripheral areas. I am giving this topic a section of its own, due to the amount and diversity of data on it.

5.4

The rural-peripheral dimension: generalised solidarity and responsibility

Extending beyond both specific locality and occupational group are concerns for rural and peripheral areas *{distriktene}* in general. The category of rural/peripheral areas signifies commonality of characteristics and interests, and is normally also invested with the added connotation of divergence of interests relative to urban and central areas. The issues which have been presented under the previous sub-heading are not confined to the respective localities, but are of a general nature. Concern for the particular municipal economy, or local community, is often extended explicitly to the rural economy and society in general. As we will see below, and in Section 5.6, concern among farmers for rural areas can be interpreted as a form of self-interest. As this applies to concern with most problems in society, however, it hardly detracts from the force of the arguments.

The case for processing in rural areas

One of the main concerns expressed within the broad theme of the rural/peripheral economy is that as much as possible of value-added processing should be located near the source of the raw materials in the periphery, rather than near the market at the centre. As we saw in Part 3, the relatively durable products have traditionally been made in the peripheral areas, due to the economics and physical limitations of transport. Though the latter are much less significant today, butter and cheese are still largely produced in the peripheries. However, structural concentration has led to vast quantities of raw milk being transported into the city areas for processing into fresh milk and an increasing range of fresh products. This is a contentious issue, particularly in the region supplying Oslo with raw milk. It was brought into arguments³⁵⁹ against the closure of rural plants by Helen Grefsrud from Brandbu (cf. Sections 4.6 and 5.1). She asks rhetorically: *'Is the idea that there will only be one dairy left? It will presumably be in Oslo where there isn't a single cow.'*

One co-operative dairy product whose production has become extremely centralised in the 1990's is ice cream. Formerly located around the country and run by a number of co-ops under a joint marketing arrangement, farmer-owned ice cream production became organisationally concentrated in one second-order co-operative,³⁶⁰ Norsk Iskrem BA. As in the dairies themselves, concentration of production structure soon followed organisational concentration. In Northern Norway, the last remaining co-operative ice cream plant at Harstad was closed in 1994, leaving Trondheim (since closed) as the most northerly location of production in the country. Northern Norway has a long history of being a region which supplied raw materials to the south of the country, where value was added and profits were made. This theme -- applied both to the particular region and to the rural periphery in general -- is developed by Arne-Martin Dahle,³⁶¹ in relation to the closure of the Harstad plant. He presents figures to show how profitable the Harstad plant was, underlining the significance of

³⁵⁹ Letter in *Bondebladet*, 22.03.95.

³⁶⁰ In 1994, this co-operative was owned by 15 dairy co-ops, i.e. all but one of the co-ops, with Fellesmeieriet and Østfoldmeieriet being the biggest share-holders (*Bondebladet* 16.05.95: Aud Klingen Sjøvik).

³⁶¹ Farmer from Kvæfjord in Troms, chairman of the council of representatives in the local dairy co-op Harstad Meieri at the time: letter in *Nordlys* 7.05.94.

the rapidly-growing market in North-East Russia which it had been supplying. *'This is now being taken from Northern Norway'*, he writes. *'We are to be suppliers of raw materials. Processing, transport and administration are to be carried out from the South. That is the pattern in all value-adding activity in this country; the colonial status of the peripheries is to be maintained.'*

Welcoming the many campaigns against dairy plant closures, Jan Hetland -- the political vice-chairman of Småbrukarlaget -- is cited in an interview³⁶² as saying: *'If the rural areas lose this struggle which is going on, resources will be moved to urban areas . . . It is the dairy co-ops that are giving the rural areas more and more the function of a developing country: values are created in the country, and are then extracted in the towns . . . What we must do is to spread the burdens, and we farmers must take responsibility for the rural areas.'*

The co-ops' formal responsibility for supporting rural/peripheral areas

In the late 1970's and '80's, the co-ops had a certain formal obligation to maintain employment in rural areas (cf. Section 2.2). At the end of the structure planning process in Østlandsmeieriet (cf. Section 4.4), the board of the co-op recommended the closure of 9 dairy plants. According to Olav Randen,³⁶³ the board noted that it had *'taken into account the view which had been expressed in the hearings, that considerable weight should be accorded in the decision-making process to the needs of rural/peripheral areas {distriktspolitiske hensyn}'*. It is in this regard for the rural periphery that Jorunn Reitan (op. cit - cf. Section 4.4) calls 'co-operative considerations'. Randen -- who later referred to the closures as a 'dairy massacre' (cf. Section 1.1) -- remarks sarcastically *'The board of Østlandsmeieriet call it paying regard to the needs of rural/peripheral areas when they close 9 and not 12 dairies.'*

By the time Randen was writing, the Government had formally revoked the responsibility for maintaining employment in rural/peripheral areas which had been imposed by the agricultural policy of the mid-1970's (cf. Section 2.3). We saw in Part 3 that dairy federation leaders resisted, and bitterly resented, this imposition; and since 1992, arguments in support of the concentration of processing structure frequently draw attention to the fact that it has been revoked.

Rural interests as the extension of farmers' interests

Some supporters of structural concentration maintain that looking after farmers' financial interests is also the best way to look after the rural/peripheral areas: there is no conflict between the two goals. Almås (1973: 47) cites Hans Borgen -- then chairman of NML -- and (op. cit.: 99) Kristen K. Flaa -- then chairman of Agder og Telemark Melkesentral -- as arguing in this way. Iver Jakob Hage from Rauma, the first chairman of the regional co-op Tine Midt-Norge, was asked in a press interview³⁶⁴ whether the farmers' co-ops have a responsibility for the rural/peripheral areas. He is quoted as replying: *'Yes, and they have always had that. Some claim that after Stortingsproposisjon 8, that we no longer have this responsibility. The question is how one understands the term responsibility for rural areas. To ensure a proper milk price is also responsibility for rural areas. In my view it is at least as important as sustaining jobs in the dairies.'*

³⁶² Interview in *Bonde og Småbruker* 15.10.92: Ragnar Guran.

³⁶³ (Cited in Section 1.1); present citation from article 'ØM-styret: Ni meieri vekk' in *Bonde og Småbruker* 19.12.92.

³⁶⁴ *Bondebladet* 27.09.95: Aud Klingen Sjøvik.

One of my informants, J.Ø.,³⁶⁵ argues in a similar vein. He explains the positions of both sides on the issue of production structure:

'the one side say that they will take care of all the jobs in our area . . . they must not think of themselves, for that is egoistic. But I think egoistically, in the sense that I say that when I am elected by our farmers, I am elected to look after these farmers' special interests. Someone who is elected in a trade union looks after the special interests of his union. Here I believe it is just the same principle that applies. But then I also believe that when we can look after that interest as well as possible, bring as much economic resources as possible out to the individual farm, it is also the best rural policy {distriktspolitikken}. For you cannot get resources any further out to the periphery . . . and if you strengthen the economic situation of the individual farm, which is situated in the periphery, in any local community, you also strengthen the other jobs in that community, for we are a big customer of goods and services.' We will meet this line of argument again in Section 5.5, in that case applied to maintaining farm numbers. It has the form of utilitarian reasoning, in that it sees the common interest as best served by the aggregate result of individuals and groups looking after their own narrow interests.

While proponents of production re-structuring are largely preoccupied with maintaining the number of farmers, several critics of co-op policy express concern with maintaining diversity in their communities and in rural areas generally. My informant H.D. (cited earlier) comments that it is good for a community to have more than just farmers. Another critic of structural concentration is G.A. (cited earlier) -- a member of *Bondelaget*, municipal councillor for the Centre Party, and a relatively large-scale farmer, who has served on the board of his local co-op. He tells of how sectorial specialisation has changed the face of the island where he lives. When he was a boy in the late 1940's and early 1950's, the traditional combination of smallholding and fishing was still to the fore, and about 400 people lived on the island. Now, he says, there isn't a single fishing boat left; there are just over 20 farms averaging a couple of hundred decares; the population has fallen to 130--140; and the community is *'very one-sided.'* Conversations too easily turn to common interests like produce prices, and social life becomes very dominated by work and therefore dull. G.A.'s argument, made in the context of co-op plant closures, is a general one: the island in question has never had a dairy plant.

Financial interests versus responsibility for rural areas

The question of who is to foot the bill for supporting co-op employment in rural/peripheral areas when the Government will not do so, is posed by dairy farmer Wenche Øygarden. In a forceful letter, headed *'Sleep well, Centre Party mayors in Telemark!'* (cited in Section 5.1), she tells of an area member meeting in her co-op, Meieriet Sør, to discuss the future of the Kviteseid plant (cf. Section 4.7). A telefax was received at the end of the meeting, signed by three mayors belonging to the Centre Party, urging the farmers strongly to support the local plant. Everyone could agree with the message, she writes -- but there was not a word about who was to pay for being solidaric. *'It is we who have to go early to the milking shed most holidays and Sundays when the above-mentioned mayors and dairy employees are sound asleep.'* she writes bitterly. *'They can sleep well. They have got their wage increases like other employees, and they have their spare time.'* The Centre Party mayors *'put jobs in the*

³⁶⁵ (Man) large-scale farmer; elected representative at federation level, and former regional co-op board member.

dairy before us milk producers.' she contends, and adds accusingly 'You demand that we, with a much lower wage and having to work on most holidays and Sundays, are to pay for supporting the rural/peripheral areas {distriktpolitikken}.' Had the mayors been willing to support the dairies financially in order to save them from closing, they would have had more credibility, writes Øygarden.

Another elected area representative in Meieriet Sør, Henning Kolnes,³⁶⁶ is quoted in a press article as supporting structural concentration of both kinds. He wishes his co-op to merge with Rogalandsmeieriet because 'The Rogaland farmers {Rogalendingene} represent sense. They are concerned with earning money. Meieriet Sør has been far too preoccupied with culture and supporting rural areas . . . The government must take the responsibility for supporting rural areas in this country, it's not our task. The Rogaland farmers understand that.'

Though Engebret Norderhus³⁶⁷ farms in Lesja, an outlying municipality in the Northern Gudbrandsdalen district, he has no time for arguments in the co-ops about responsibility for the rural periphery. His concern is with financial returns from his dairy co-op Østlandsmeieriet, and he complains in an interview about a sharp fall in price in May 1997. He tells the interviewer that settlement in rural areas must be based on economic viability, both in agriculture and other business. Therefore job losses in the processing industry in rural areas are nothing to be concerned about, when these are due to cuts in activity which is not paying. The milk price could have been better, he claims, if the processing plant structure had been more rational. He dismisses arguments against plant closures as being just based on feelings, and resents the delays they cause for necessary structural concentration.

Trade union leaders in the processing industry were among those pointing out that the farmers had fought in the EU referendum campaign for the maintainance of living communities in the rural periphery, and of employment in these. Replying to this argument, Ingrid Fossen (cited in Section 5.1) makes clear that she subscribes wholeheartedly to the values in question, and agrees with the desirability of maintaining local rather than centralised control of the industry. However, she points to the real reduction in income to which dairy farmers had been subjected in the 1990's, and indicates (cf. earlier citation) that she and her colleagues cannot afford to refuse the increase in milk price which they expect structural concentration to bring. She lays the blame for structural concentration on the Government and the Minister of Agriculture. In conclusion, she urges co-op board members to postpone decisions on plant closures, and combine forces with the unions in making the economic realities of the situation clear to the Government.

For committed opponents of structural concentration, however, principles are not to be compromised by the prospect of a modest increase in income. One of these is Jan Sande from Korgen, who wrote in protest at the recommendation in April 1994, by the board of his regional dairy co-op, to close 'four loyal profitable plants'³⁶⁸ -- none of which was his nearest plant. Sande's views on the promised gains from the closures were cited in the previous section. On the other side of the Kviteseid dispute from Wenche Øygarden, farmer Arne Vinje admits that milk price is important, the more so for the larger farms where 'a few øre

³⁶⁶ Chairman of the area producer group in Lista; cited in article in *Farsunds Avis*, 4.11.96: Gro Reinertsen.

³⁶⁷ Norderhus is among the largest dairy farmers, with a milk quota of 228,000 litres, and annual meat production of 20--25 ton. Interviewed in *Bondebladet* 25.06.97: Håvard Altern.

³⁶⁸ The co-op concerned was the regional dairy Meieriet Nord, and the plants were Brønnøysund, Narvik, Sortland and Finnsnes (cf. Section 4.1).

easily become thousands of kroner in a year.' He continues: *'But it's not the price of either milk or meat that will decide the future of agriculture in Vest-Telemark. An agricultural policy which continues to steer towards an industrialised agriculture of the kind which made both farmers and consumers vote no to the EU, is a much worse threat. In this situation we must be both disobedient and solidaric. We farmers regularly point out that agriculture is an economic basis {basisnæring} for the rural municipalities. Then we ought not to reduce the economic effects {ringverknadene} which are so important for the community, just for a short-term gain. If we carry on like this, it's ourselves who will fall in the next instance, for no-one will lift a finger to support agriculture in Vest-Telemark.'*

Vinje points out the inconsistency when farmers demand that the big public postal and telephone utilities *'should pay as much heed to social as to business economic considerations.'*, but *'As soon as we come into a decision-making position ourselves, we act as if we had come newly qualified straight from the Institute of Business Management {Bedriftsøkonomisk Institutt}.* It doesn't give us a great deal of credibility.'

Though arguing specifically with reference to the county, Vinje is making a general point, linking moral responsibility to rational, self-interested political strategy.

Ståle Støen from Folldal, a leading campaigner in Småbrukarlaget against concentration of dairy plant structure, wrote in 1992, well before the main EU campaign.³⁶⁹ *'These choices are of course not just of a business economic character, but choices of values: how do we want our rural communities to look, and do we want to make use of the whole of Norway? In an EU context, one often meets the same arguments from those who are taking the lead in knocking down the dairies.'* In a similar vein, Jan Hetland (cf. earlier citation) is quoted as saying that *'What we see from some of the top co-op bosses is a tasteless double morality. They talk about support for the rural periphery {distriktspolitik} and small-scale agriculture, while at the same time they are rationalising structure and centralising like mad. In reality they feel no responsibility for rural Norway. They say one thing -- and do something quite different. Politically that is deadly dangerous for agriculture, and undermines understanding for the sector.'*

Another opponent of structural concentration, Lars Myrvold,³⁷⁰ refers to the general issue of rural decline, and the widespread concern with closure of post offices, schools and so on. He contends that these are only symptoms: *'The illness is the centralisation of business and loss of jobs in rural/peripheral areas.'* He continues: *'and there is no reason to conceal the fact that farmers, through their economic organisations, have been in the lead, with centralisation of dairies and slaughterhouses and so on, thus doing away with jobs in their communities {bygda}.'* Though the Minister of Agriculture is trying hard to kill off agriculture and related industries, he writes, this is no reason to give up: *'If we keep up the fight, she will have to give up in the end.'* Finally, Myrvold reminds readers that the victory in the struggle against EU membership brings with it both responsibilities and encouragement.

Many opponents of structural concentration in the co-ops -- like Sande, Vinje and Myrvold -- allude in their arguments to the campaign against Norwegian membership of the EU, in which concern for rural/peripheral areas has been a key theme.³⁷¹ The significance to the co-op debates of the political debate on Norwegian membership of the EU will be discussed further in Section 5.8. Another important element of the above arguments against structural

³⁶⁹ 'Meieriene og Mytene I', *Bonde og Småbruker* 19.12.92.

³⁷⁰ Presumably a farmer, from Stårheim: letter in *Bondebladet* 1.03.95.

³⁷¹ Others include Helen Grefsrud (cited earlier), Endre Tjelmeland and Jostein Sande (cited in Section 5.1).

concentration is concern for the jobs of co-op employees, a theme discussed in the preceding section.

As a post-script, it may be noted that the emergence of 'private' dairies, offering a higher milk price than the co-ops, has created a situation where farmers opposed to structural concentration can gain financially while supporting rural industry according to their principles. In explaining why he chose to take the chance of transferring to Gausdal Meieri, Jon Arild Sagheim (cited in Section 5.3) is quoted as saying: *'My transfer to Gausdal Meieri is in a way a kind of demonstration. Everything is to be centralised now: the outlying areas are systematically drained of jobs. Here we got a chance to demonstrate that enough is enough. It wasn't the 20 øre per litre that was decisive.'* Asked if he felt like a 'traitor', Sagheim replied: *'No. I feel that I am just as good a co-operator {samvirkemann} although I no longer participate in Tine'*, adding *'For me, it counts that I am contributing to paying the collective costs.'* He emphasises that, with the new price equalisation system, Gausdal Meieri is contributing to evening out the milk price across the country in exactly the same way as a co-op dairy.

5.5

Equality versus autonomy

The theme of how co-op members define commonalities and distinctions, limits and boundaries, will be carried over into the present section, to a discussion of equality and autonomy. In Section 1.3 a potential conflict was claimed to exist between the principles of organisational autonomy and co-operation between co-operatives, when the latter becomes formalised through federal arrangements. In Parts 3 and 4, empirical evidence has confirmed that this is a real area of conflict, particularly in the Norwegian dairy co-ops which have a very tightly integrated federal structure. In the preceding section, the degree of integration between the dairy co-ops was underlined by the tendency among federation leaders to refer to them as a single solidaric collectivity. As we have seen (cf. Part 3), equality of price across individual co-op organisational boundaries was an important aspect of the regulatory regime for milk in 1930 and later the RO institution, and has been a key motivating factor in the dairy federation's untiring efforts to concentrate organisational structure. Disputes over the latter bring out diametrically opposed views on fairness, related to different conceptions of how co-ops ought to balance equality and autonomy.

There is a widespread view, reflected in dairy federation policy, that the differences in milk prices between co-ops is largely due to circumstances and should therefore be reduced: *'No milk producer in Norway has a right to a better milk price than the collectivity permits him or her to have.'* (Iver Jakob Hage, chairman of Tine Midt-Norge)³⁷² As is common among dairy co-op leaders (cf. preceding Section), the term 'the collectivity' is used rhetorically without qualification, to carry the message that there is only one relevant collectivity: the national federation of dairy co-ops.

In a letter headed *'The agricultural co-operatives are solidarity'*³⁷³ co-op area representative Wenche Øygarden explains her support for the closure of her local dairy plant at Kviteseid (cf. her arguments in Section 5.4). She asks: *'How long can we expect that large-scale producers near the cities will be willing to subsidise us, both with transport and operation of dairies, when we are not willing to make any sacrifices ourselves?'* *'It seems that some [co-op members] wish themselves back to the time before the regional dairies {distriktsmeieriene}, with the right of control over their own dairy'*, writes Øygarden. *'What is forgotten is that the small dairies in the outlying areas paid the lowest price . . . It was a laborious task to get the best districts, for example Halse and Lyngdal, to go into the regional dairy and share their good price with poorer areas. But the co-operative spirit {samvirketanken} was strong, and they all joined. It was a great advance to get equal milk price across the whole of the Agder and Telemark Regional Dairy (Meieriet Sør) area. It was especially important for the small outlying dairies, like Haukeli and Kviteseid, and has meant a lot for milk production in Vest-Telemark.'*

Øygarden claims that without the regional merger, the Kviteseid plant would long since have had to close. We have heard this last argument, from co-op leaders, in Section 3.5. However, it is clear from her position in the local dispute that Øygarden does not see maintaining a local dairy as a goal in itself: in accordance with dairy federation policy, she consistently supports structural concentration of both kinds, in order to both equalise and improve the

³⁷² Quoted in *Nationen* 5.03.95.

³⁷³ {'Landbrukssamvirket er solidaritet'}, *Vest-Telemark Blad* 14.11.96.

milk price. She interprets the co-operative spirit as willingness to extend solidarity by sharing economic advantages across existing organisational boundaries. From this point of view, the first round of regional mergers was a considerable achievement, and Øygarden makes clear that it involved a lot of hard work.

On the other side of the organisational structure disputes is Sven J. Gammelsrud.³⁷⁴ He sums up well the two main arguments against co-op mergers: *'The whole model of big companies and remote control repels us. Solidarity exists between most dairy farmers, but it is limited to a few øre per litre.'* Gammelsrud claims here that most co-op members, like himself, are prepared to be solidaric across organisational boundaries, but only to a limited extent. Furthermore, mergers are not only a question of sacrificing price: they also involve sacrificing organisational control. Following examples will enlarge on these two main areas of concern.

The analysis in Section 4.8 indicated a certain correlation between dairy co-ops' milk price (absolute and comparative) and opposition to mergers. At the top of the league for both price and level of opposition to the second round of regional mergers was the small and centrally located co-op Drammen Meieri, with 185 active members producing 14M litres of milk.³⁷⁵ The board chairman, Sigurd Indresæter, summed up reasons for opposing the planned merger in an interview.³⁷⁶ First, he pointed to the small size of the calculated gain in milk price (kr 0.04 per litre). In addition, he feared problems of information and control in the large merged co-op, and that member influence would be too weak. As Drammen would only have 3 representatives in a large a.g.m., his members feared they would be marginalised, and some feared that they would lose their dairy plant. Asked if a guaranteed price of kr 0.35 above the national average for 5 years, plus a once-of payment of kr 7M from the structure fund, was not sufficient 'bait', the chairman responded: *'I just don't think that this proposal is crucial for how our members reason. I think the co-operative [system] can do with both big and small companies'*, adding that his co-op has always had the aim of obtaining the best price for its owners, and that the latter seem to be satisfied.

Another member of Drammen Meieri, Halvor Kalberg, begins a letter to the press with much the same arguments:³⁷⁷ *'The quoted gain from rationalisation is too small, nor is it explained. For us, the stipulated milk price will at best be the same for the first 5 years, before falling drastically. At the same time we see clearly the possibility that our dairy will be closed in order to free capital.'* Kalberg then goes on to make clear that his opposition to concentration of production structure is not general: he blames the largest co-op in the region, Østlandsmeieriet, for not having concentrated its production nearly enough. He puts across his views with extreme frankness. Referring to the tensions in the region between the upland and lowland areas, he claims: *'The upland areas have increasingly made demands that all their plants should be kept, and that the number of jobs ought to be increased by packing milk locally, for example. This view is not compatible with cost reduction and putting a premium on quality. I think it must be easily understood that we will not unreservedly share the bill for such attitudes. One must remember that in a regional dairy, the upland areas will have an absolute majority.'*

³⁷⁴ Dairy farmer from Mysen, apparently member of Fellesmeieriet; letter in *Nationen*, 22.03.96.

³⁷⁵ The average production of 75,700 litres is well over the national average for 1977 of 66,300 litres, but nevertheless indicates that there are many medium-scale producers as well as big ones in Drammen Meieri.

³⁷⁶ *Nationen* 08.02.97: Tore Mælumsæter.

³⁷⁷ *Nationen* 20.03.97.

As the figures quoted in Sections 1.1 and 4.4 indicate that Østlandsmeieriet has concentrated its production structure quite drastically (cf. the 'dairy massacre' referred to in Section 1.1), one must conclude that Kalberg is among the strongest proponents of the concentration of production. He confirms the significance of a centre-periphery dimension in the opposition to regional mergers, and thereby the stereotype image of prosperous farmers in the centre who are unwilling to share their good milk prices with less well-placed colleagues. Though few participants in the press debates identify themselves so openly with it as Kalberg, this image has been given much exposure in the disputes over regional mergers by proponents of the latter, who characterise it in terms of greed and related lack of solidarity.

Defending the proposed merger in the Østlandet region, Haakon Solberg³⁷⁸ maintains that *'Arguments that Østlandsmeieriet does not have a business culture, and therefore must not be subsidised by us, must fall on their own unreasonableness'*, adding that *'We must stop being distrustful towards the leaders we have elected, and the colleagues we have in other areas.'* Solberg accuses opponents of merger of *'going behind barricades for their short-term higher milk price and their local dairy, even though the structure debate will largely go on independently of merger.'* He points out that the large differences in milk price between co-ops which cover closely interlocking areas *'must be experienced as very unjust by those who come out worst.'* He continues: *'At the same time it is natural that those with the highest milk price fight to maintain their privileges. I am afraid that this is helping to undermine the co-operative spirit {samvirkeidéen} and split the milk producers. This makes the industry vulnerable, at a time when solidarity against the big buyer chains and the rest of the market is more important than perhaps at any time. One industry -- one market, one farm -- one vote, are appropriate expressions.'*

While Kalberg, an opponent of organisational concentration, expressed strong general support for the concentration of processing structure, Solberg is an example of the opposite combination: he supports organisational concentration, but expresses cautious opposition to *'further hard-handed dairy closures'*, referring to the case of Hadeland. By contrast with Kalberg, Solberg is arguing not for himself and others in his own co-op, but with reference to a wider fellowship across present boundaries. Like Wenche Øygarden, he identifies the 'co-operative spirit' with such broadly-based solidarity. Though, Solberg stood to make a short-term gain from the merger, like all other farmers in the co-ops with above-average prices (cf. Section 4.8), his commitment to sharing gains and costs with his upland colleagues implies a willingness to make long-term sacrifices.

Returning to Kalberg's arguments: If we set aside the issue of concentration of processing structure, along with the centre-periphery aspect, it becomes easier to discern a view of limits to solidarity which is not reducible to egoism. As further examples will show, arguments against organisational concentration often express a discourse of distributive justice involving autonomy and responsibility. Though we may or may not agree with his basis for judging the conduct of the members of Østlandsmeieriet, Kalberg is arguing that the latter are behaving irresponsibly, and that he objects to subsidising them for doing so. The moral force of this line of argument would be limited if it were only advanced by those who stood to gain from its acceptance. This is not the case, however.

The same argument is advanced by Rasmus Surdal from Hovsherad, a member of the regional co-op Rogalandsmeieriet, who has had little to gain or lose from the second round of

³⁷⁸ Farmer from Skiptvet; letter, *Bondebladet* 09.04.97.

regional dairy co-op mergers (cf. Section 4.8). In the run-up to the decision on the proposed regional merger between his own co-op, Meieriet Sør, and Vikedal, Surdahl urged members of the latter two co-ops to maintain their autonomy rather than merge with his own, which he warned would dominate them and close down many of their plants.³⁷⁹ In an earlier article, he argues in principle against the regional mergers.³⁸⁰

'It is logical that dairies and their owners who have not over-invested but have a competent board and good economy, and who can pay a good bonus, should not be punished by the transfer of their good surplus to dairies which have over-invested -- made wrong investments in buildings, machines and subsidiary activities -- which have brought big losses; which perhaps have a board which does not listen to the owners or take seriously signals from them; so that these dairies have, altogether, miserable economic results.'

Like the preceeding one, this is an argument against sharing not just material gains, but also organisational control, with a group of people perceived as having demonstrated inferior organisational competence if not downright moral weakness. It expresses a discourse of distributive justice involving the concepts of 'just rewards', for working hard and well and taking good care of the proceeds, along with 'just sanctions' for laziness, poor work and profligacy.

In Part 4, Harstad Meieri was mentioned as one of two dairy co-ops which held out against regional mergers until the mid-1990's. It paid a better milk price than the surrounding regional co-op Meieriet Nord, and its members were accused of being unsolidaric by those of the latter. A board member of Harstad Meieri, Reidulf Hokland -- among the biggest farmers in the area -- resigned in 1990 after a majority decision to continue as an independent co-op. According to a newspaper interview,³⁸¹ Hokland described the majority view as an expression of '*short-sighted economic considerations*', and declared that he supported a merger because '*my solidarity with colleagues {yrkesbrødre} extends far beyond Harstad Meieri's borders*.' Nine years previously, Hokland -- as a members of the regional structure committee -- had supported a compromise between extended solidarity and manageability, which involved creating two regional dairies instead of the single one Meieriet Nord (Nilsen 1985: 130; cf. Section 4.1).

By the mid-1990's Harstad had lost its ice cream factory and the production of butter and *rømme*,³⁸² and the price gap between it and Meieriet Nord had narrowed. The chairman Steinar Vestvik had changed his position on merging with the regional co-op from opposition to support. He maintained that the long-term financial prospects of remaining autonomous were no longer satisfactory, and members stood to gain financially by merging (cf. interview). Despite the recommendations of the chairman, backed by federation expertise, resistance to merger was strong among members; but a majority at the 1994 a.g.m. finally voted in favour. The merger agreement allowed property and a sum of money to be retained by the Harstad members. At the a.g.m. of Meieriet Nord where the agreement was ratified, one representative -- Bård Skipsfjord from Brønnøysund -- was quoted as remarking:³⁸³ '*The values that the Harstad producers are keeping represent in reality a bonus of about 50,000 kroner to each of them for being unsolidaric for years while they achieved high milk prices. In recent years the price has fallen, and then they have become more interested in co-operating.*'

³⁷⁹ Cf. articles in *Bondebladet* 12.03.97, *Nationen* 17.03.97.

³⁸⁰ Full-page article in *Nationen*, 26.03.96, also printed in *Bondebladet* 27.03.96.

³⁸¹ *Nordlys* 21.03.90: Terje Olsen.

³⁸² A type of soured cream.

³⁸³ *Nordlys* 15.04.94: Gunnar Grytås.

Milk price was by no means the only issue for the Harstad members, however. One of the leading figures in the campaign against the merger, P.S.(previously cited), says:
'Harstad Dairy was a well-run company, which did a number of right things at the right time, and within the system it came out very well, as we had a much better economic situation than other [dairy] co-ops in Northern Norway. Maybe more or less by chance . . . As far as I'm concerned, I could easily have accepted an equal milk price . . . if we could just have kept our independence. But at the same time, we mustn't lose the incentive to run the business rationally. It's a question of balance . . . It has been said within the co-ops that a certain difference in price - up to 30 øre per litre -- has been tolerated, and then the differences have been evened out, so that you could still have well-run and badly-run co-ops.'

This informant, whose politics are socialist, qualifies his egalitarian world view with values of autonomy and responsibility. An essential element of co-operatives, to him, is that members actively take on the responsibility of running an enterprise. This means in practice that the co-ops must be relatively small in size, like Harstad which had about 160 active supplier-members.

The balance, or compromise, between equality and autonomy referred to above has been maintained by the federation and the RO system; but, as we have seen, it has been an uneasy one. Over the years, the federation has sought to promote equality at the expense of autonomy, and broadly speaking, it has succeeded through the two rounds of regional mergers. This is no mean feat, in an era when popular support for egalitarian ideas is at a low ebb, all the more when equality is associated with centralised control. This is not to say that the discourse of autonomy associated with neo-liberalism could reasonably have been expected to boost support for organisational autonomy, for the latter is firmly collectivist in character, as the foregoing arguments show. These arguments bring out the tension between individualism/autonomy and egalitarian collectivism inherent in the liberal-democratic co-op model (cf. Section 1.3). I will return to this theme in Section 5.8. In Section 5.7, I will present further examples of struggles to retain autonomy, in relation to the theme of democracy. Before that, Section 5.6 will deal with the challenge to egalitarianism from utilitarian individualist ideas.

5.6

Equality of price and open membership, versus utilitarian discrimination

Though the focus of the present study is on disputes over structural concentration, the controversial issue of deviations from established co-operative organisational practices has also been mentioned. In examining arguments over this issue, we will see that it is of relevance to the question of production structure.

The principle of proportionality indicates that advantages of membership in terms of price are to be the same for all members of the same organisation. This contrasts with the logic of the neo-liberalist market, which requires that preferential treatment be accorded to powerful trading partners. For example, big customers expect generous discounts; while in situations where processors compete for supplies, big suppliers can demand favourable terms. These practices of volume-based price discrimination are so widespread in capitalist economies that they are largely taken for granted.

Likewise -- within the limits imposed by anti-trust legislation -- capital-controlled buyers can choose whom they want as suppliers, and can offer small or remote ones unfavourable terms or even exclude them altogether under various pretexts. Arbitrary buyer power of this kind has been a main motivating factor in the formation of co-ops by small-scale producers; and tales of the 'bad old days' before the co-ops act as powerful reminders to members of the need to support their organisations. The applicability of the principle of open membership is limited in producer co-ops by the nature of their businesses, so that in practice it means open to all producers of specified products within the co-op's area. This principle has traditionally been followed by the Norwegian farmers' co-ops, and the purchase of produce of acceptable quality from any producer in their area is also a legal obligation for those co-ops affiliated to a federation -- including the dairy and meat ones -- which has been delegated the task of market regulation by the state.

It has been a long-established practice in many co-ops to extend equality of unit price to total prices inclusive of freight charges. The dairy co-ops and the northern regional meat one NNS still practise this principle of 'distance neutrality'. It clearly depends on a high degree of solidarity between members, and has come under threat, not least from business economists. The views of Professor Jerker Nilsson on the subject (cf. Section 1.3) have been presented to Norwegian co-op members through an interview with the weekly newspaper *Bondebladet* (25.10.95). Nilsson is quoted as dismissing the principle of distance neutrality as '*absurd*', claiming that producers close to production plants will simply not continue to accept it.

It has even been argued that the entire costs of collecting produce must be pushed over to producers, or that those whose produce costs too much per unit to collect should simply be excluded. The ascendancy of orthodox business economic thinking has raised doubts in some quarters as to whether the co-ops can 'afford' to continue with the basic egalitarian principles of open membership and equal prices at all. Utilitarian logic makes plain that all remaining members will be better off if those who cost most per unit of produce leave the organisation, and if those who cost least can be induced to stay. These ideas have been put forward at a time when the co-ops are faced by a pressing need to cut costs, together with problems of

over-production, and the changed relation between the co-ops and the state; with revision of the market regulation system and fears of the abolition of the latter altogether.

Those publicly raising the issue of open membership and equal prices have not been confined to the ranks of business economists. *Bondebladet* -- the journal of the farmers and the co-ops -- carried a leader article (13.05.97) with the heading '*Nothing is free*', with reference to the services carried out free of individual charge for co-op members. The argument goes: '*The margins at all stages are getting narrower. If the co-ops are to keep their members, they must be able to compete on price. What they do for members in other areas is quickly forgotten. We believe the farmer in the future must be prepared to pay him/herself for the services he and she want from the co-ops.*'

A prominent defender of the co-operative organisational model in Norway is Ole Hvamstad, a farmer and member of the management of the central coordinating office Landbrukssamvirkets Felleskontor. Discussing co-operative principles in *Bondebladet*,³⁸⁴ Hvamstad is quoted as saying that '*the principle of member trade allows room for differentiation of prices and service, in situations with heavy economic pressure and stiff competition. Such differentiation should be unproblematic, when the basis for it is that the members impose different costs on the organisation. Cost-dependent payment or invoicing strongly increases efficiency, and leads to increased competitiveness.*' Hvamstad adds the proviso that differentiation should be introduced '*in such a way that most members can adapt to the system.*' With the word '*most*' -- rather than '*all*' -- this highly influential participant in co-operative debate underlines the utilitarian rationality of his argument. The latter brings out the significance of the vague formulation of the ICA's combined 'principle of economic participation' of 1995 (cf. Appendix to part 1). Though referring to tradition, the principle does not stipulate that divisible returns to members must be directly proportional to their trade with the co-op -- as was the case with earlier versions -- and thus it leaves the way open for the utilitarian kind of interpretation which we are offered here. Hvamstad has also joined orthodox business economists in applying utilitarian reasoning to organisational democracy -- cf. next Section.

Another leading figure in co-operative circles in Norway -- whose commitment to the co-operative model of the substantive kind is well known to active co-op members -- is the organisational sociologist Per Ove Røkholt. Røkholt is professor at the Norwegian College of Agricultural Science (cf. several cited writings in the present study). The day before a meeting of politicians and co-op leaders in Oslo, marking the 150th anniversary of the founding of Rochdale, Røkholt presented a set of provocative policy options for the farmers' co-ops in a double-page interview in *Nationen*.³⁸⁵ He warned that co-ops would be forced to seriously consider these options -- including closed membership, price differentiation, and even differentiated voting rights -- as a result of the changed political climate. Røkholt also put forward these controversial proposals at the annual conference of farmers' co-op leaders, convened by Landbrukssamvirkets Felleskontor, four days later. According to a press interview, the idea of deviating so radically from key co-operative principles was largely rejected by Kåre Syrstad and Sigbjørn Schmidt, the chairmen of the dairy and meat federations respectively.³⁸⁶ However, while the former ruled out closed membership entirely -- on business grounds -- the latter did not dismiss the possibility of closing the membership of the meat co-ops if the market regulation regime were to be abolished.

³⁸⁴ Interview 12.07.95: Jon Lauritzen.

³⁸⁵ 16.01.95: Gunnar Syverud.

³⁸⁶ *Nationen* 17.01.95: Gunnar Syverud.

The resistance to price discrimination and closed membership in the dairy co-ops runs deeper than pragmatic business considerations. For example, the chairman of the board of the regional co-op Tine Midt-Norge, farmer Iver Jakob Hage, is quoted as saying:³⁸⁷ *'The day the dairy co-ops stop accepting the costs of these producers, dairy co-operation in Norway is finished . . . co-operation has lost if we have to say to a remote producer that we no longer want his or her milk. Then I at least will no longer accept responsibility for the co-ops. To divide producers according to geography rocks the foundations of our co-operative movement.'*

From a cynical perspective, it may be objected that it is easy to stick to principles when one is sheltered from harsh market realities.³⁸⁸ While the dairy co-ops did not have to worry about competition for their supplies until the revision of the RO system in 1997, both meat and supply co-ops have had to compete against capital-controlled firms in most areas of the country. The degree of concentration of primary production is also greater for meat than for milk, at least in some co-ops. In the meat co-op Fellesslakteriet, pig meat is supplied by over 1000 farmers, but 90% of it is supplied by about half of them, according to a newspaper report.³⁸⁹ These differences in circumstances and structure may at least partly explain why price differentiation of various kinds was not seriously considered as an option by any of the dairy co-ops during the period of the present study, while it had already been put into practice in some meat and supplies co-ops.

The large meat co-op Hed-Opp, for example, has introduced the 'graded bonus' principle whereby surplus at the end of the year is no longer distributed to members as a flat-rate price adjustment on all produce delivered, but at a rate which increases in several steps according to the member's volume of delivery. Similarly, the Northern regional supply co-op Felleskjøpet Trondheim gives volume discounts on the purchase of animal feed concentrates. Legitimated as rewards for loyalty, these forms of price discrimination favour large producers at the expense of smaller ones. The loyalty of the latter can often be taken for granted, at least unless they have a nearby alternative to the co-ops. In any case it is not so economically significant as the loyalty of the large producers, which allegedly has to be 'bought' with preferential treatment at least matching what they could obtain elsewhere. The loss of several large producers would substantially weaken the economic situation of Hed-Opp, which has made large investments in modern production facilities whose dimensions are based on obtaining supplies at present levels. Thus capital commitments have brought with them increased dependency on large producers, implying an increase in the *de facto* power of the latter in the organisation. Utilitarian pragmatic logic makes clear that all remaining members will be worse off if the largest ones take their business elsewhere; and indeed there would be a risk of the co-op getting into a 'vicious circle' or downward spiral, with falling prices resulting in the exit of increasing numbers of larger supplier-members and thus further fall in prices, and so on. After some initial dissent, this logic seems to have prevailed; and the bitter pill of accepting inequality has apparently been swallowed by the majority of members.

The regional supply co-op Felleskjøpet Trondheim has abandoned its former policy of distance neutrality, so that members in remote places are now faced with hefty transport

³⁸⁷ *Bondebladet*, 27.09.95: interviewed by Aud Klingen Sjøvik.

³⁸⁸ Not being a true cynic, I do not imply that co-ops must abandon these principles if not sheltered. I am grateful to Simon Barry, m.d. of the Scottish co-op Highland Grain, who has shown me that it is possible to stick to egalitarian principles in a highly competitive situation.

³⁸⁹ *Bondebladet* 21.02.96: Arvid Gjeltén -- quoting Kristian Bartnes, Director of Organisation in Fellesslakteriet.

charges (cf. informants in Finnmark). Bøndernes Salgslag -- the neighbouring regional meat co-op to the one my informants belong to -- has introduced a fixed collection charge for taking animals to the slaughterhouse, in addition to the small price deduction per kilogram that has been made in the past. The reason is the sound commercial one of discouraging farmers from sending animals one or a few at a time. Despite its formal neutrality, in practice such a charge is felt more by small producers, and puts an extra burden on more remote ones, compared to those situated so near the slaughterhouse that they can quickly and cheaply transport the animals themselves. It must be emphasised that this is a far cry from cost-dependent payment; yet it is enough to cause disquiet among co-op members in sparsely populated regions.

Among my informants in Northern Norway, who generally belong to both the dairy and the meat co-ops, there was a high degree of support for maintaining open membership and equality of price among members, including distance neutrality. Even those with above-average production, located relatively centrally, were determined to maintain their co-op's obligation to collect all produce from all members without collection charges, regardless of scale of production or location. One such informant L.V.,³⁹⁰ a member of the regional dairy co-op board, tells of concern over the issue among members, generated by the general atmosphere of insecurity in the sector, coupled with discussions of price discrimination in the press and changed practices in some co-ops including their own supply one:

'You see this at annual meetings, that folk are very anxious . . . that you will no longer have the right to supply [produce] -- how essential and important it [the right] is for folk. And the evening out of price differences for collecting produce -- folk are terribly afraid that it will be taken away.'

According to the same informant, the Northern regional meat co-op NNS had discussed a collection charge, but the suggestion met strong opposition at the a.g.m. and was not pursued any further. Thus it seems that the predominant view among my informants reflects the majority view of co-op members in Northern Norway.

The rationality underlying the arguments for unqualified equal rights is deontological or based on principle, in contrast to the utilitarian rationality of standard business practice based on net gains per unit. *'If we begin to cut out the most outlying and smallest producers, where will it stop?'*, asks one member rhetorically. He is saying in effect that the logic of utilitarianism has no room for arbitrary limits: once adopted, a policy of excluding the 'least profitable' members would steadily erode the membership, cutting out progressively bigger and less remote producers.

Implicit in the above argument is a deep concern, shared by virtually all my informants, about the exodus from the farms and the rural communities. 'We are few enough already', the argument goes, 'and if numbers decline further not only will we suffer as farmers, but the community as a whole will lose out.' This concern has a strong element of self-interest. Most of my informants were dependent to some extent on neighbours for mutual help on the farm. This applies even to big farmers, like my informant I.S.,³⁹¹ who points out:

'If there were to be just 3--4 farms in the area here, there would be several kilometres between neighbours, and what if you suddenly needed help with something, for example with calving.' In this and other ways, the thinning-out process has the character of a downward spiral. As several informants mentioned, it brings increased costs per farm in the form of delivery charges for supplies, and do so even more if collection charges for produce were to

³⁹⁰ (Female), large scale.

³⁹¹ (Man), large scale.

be introduced. Informants were also greatly concerned with the sustainability of the local community as regards services, in a time when facilities such as post offices, banks, shops and schools are disappearing from many rural areas. The concern expressed for community was not purely material, however; the social value of neighbours and the local community was stressed by virtually all informants. Their self-interest is of the mutual kind, inseparable from the interests of all other members of the collectivity, by contrast with the competitive self-interest embodied in neo-liberalist thought and practices.

Not all co-op members insist on equal rights at all costs, however. There are shades of opinion -- differences in how far members are prepared to stretch their solidarity with fellow-members in the question of equal rights. The limits of solidarity are defined, largely by implication, in terms of various criteria used to distinguish 'us' from 'them' or 'that one'. As we saw in the preceding section, these criteria include drawing distinctions between 'real' farmers and others. They also include utilitarian criteria of size and remoteness. Discussions of these bring out differences in how strong an influence the co-operative principles and their egalitarian spirit exert on members' views.

An informant, M.V., is a fairly large-scale farmer in one of the main farming areas, and is active in *Bondelaget* and in the meat co-op. He points to the pricing practices of Felleskjøpet Trondheim, mentioned earlier, and comments that *'That isn't exactly co-operative principles'*, adding that if the dairy and meat co-ops adopted these practices they would give cheapest freight to those who supply most -- *'but then we're really throwing the issue of co-operatives wide open, for that is a total breach of the co-operative idea.'*

It appears that deviations from co-op principles are grudgingly accepted when it comes to the supply co-op -- which has competitors -- but not for the processing co-ops, which are regarded as essential for members.

M.V. is clearly in doubt about strict adherence to co-op principles, however:

'You spoke about co-operatives and all that, but we will come to a point at some time . . . that it will be so dear to collect that sheep or cow or pig out on that island -- far away -- that it will be better that you -- well, I don't know -- the co-op can maybe just not undertake to collect, to drive here with the milk tanker. We can maybe come to the stage that -- it's a bit unpleasant to say it, but -- eventually . . . if co-operation is to survive at all, we can't really commit ourselves to collect everything.'

He refers to the above-mentioned interview with Per Ove Røkholt in *Nationen*, and comments: *'We cannot rule out some of the things he pointed out. In a few years we may discover that he is right about a few things -- unfortunately.'*

This last word, and the hesitations in his previous statement, suggest that M.V. still finds morally unacceptable the changes that he believes will come. Yet his belief in their inevitability implies resignation -- a passive acceptance.

One of the most aggressive advocates of co-op plant re-structuring among my informants is E.G., a member of *Bondelaget* aged in his late 30's. He and his wife run a farm with a milk quota slightly over the average for the region, and associated beef production. He looks to the future in the light of present trends, and worries for his livelihood and his family. After an acute illness some years ago, he became determined to spend as much time as possible with his family and on leisure activities, and so he aims to maximise his hourly rate of income. In his first years as a farmer and co-op member, he had bitter experience of being let down by people now in prominent positions in the co-op, and gave up active participation in the organisation. However, he is known among colleagues for his forthright views, and has

recently been persuaded to make a come-back. He states bluntly '*I am no idealist*', and makes it clear that his aim and duty as an elected representative in the meat co-op is to achieve better product prices by cutting costs as much as possible. He sees a commercially successful co-op as essential for himself and his colleagues, explaining this by referring to a song about a small farmer taking his animals to market and being at the mercy of the merchants.

E.G. may not be an idealist, but he does express deeply-felt indignation at alleged preferential treatment of a large-scale producer by the co-op, implying that he subscribes to the co-operative ideal of equality among members. He sees a full-scale amalgamation into a single national dairy co-op as essential in order to achieve equal milk prices, and is confident that it will come. When asked if he believes the farmers in the 'South' will go along with such a development, he replies: '*If not, the co-operative spirit has gone.*' He sees the equalisation of costs and prices as central to the latter: co-operation will fall apart if the stronger members are not prepared to help the weaker ones. However, his pessimism about future government policy is accompanied by a fatalistic attitude to his future ability to maintain solidarity with all fellow-members of the co-op. When the going gets too rough, he says, he and the majority of members will have to draw the line when it comes to sharing transport costs with remote small farmers. He mentions the example of an isolated goat farmer, whose milk costs so much to collect that it would be cheaper for the co-op to pay him the standard price but let him keep the milk for animal feed. E.G.'s wife protests that '*you wouldn't like that to happen to your milk.*' and is clearly of another opinion; but it is his views rather than hers that are likely to be heard in the debate.

An informant from Finnmark, F.T. (previously cited), makes clear the connection between this discussion of the co-op principle of equal rights, and the issue of concentration of processing structure. He says:

'If it gets to the point where there are just maybe two, maybe just one plant left in Finnmark, then it may also be that they begin to think, where does it pay to collect milk -- or to put it another way, where does it not pay.' Though he has a large milk quota himself, he realises that other farmers in remote areas might well be threatened by such a development. He has been in the forefront of the campaign to save his local plant at Lakselv, and sees the utilitarian logic of cutting out remote producers as unacceptable in the co-ops: '*That way of thinking, I can't go along with it . . . [for if I did] -- then I have given up -- then I am beginning to think only about myself.*'

The foregoing statements and arguments serve to contrast a result-orientated (or utilitarian) line of reasoning -- represented by the logic of capitalism and the market -- with a principled (or deontological) line of reasoning, represented by the co-op principle of unconditional equal rights. In practice, as we have seen, these two types of reasoning may be combined. For example many co-op members argue in terms of absolute principles for keeping up farmer numbers and maintaining equal rights within the organisation. The means for achieving this goal is to cut costs in order to raise returns to all members, thereby preventing the financially weakest ones from going out of business. Then utilitarian logic takes over: cost-cutting is achieved by the progressive closure of the least viable production plants. The boundary between these types of reasoning is quite clear to those who apply it, as it is only *members* who have rights and are thereby protected by principles from becoming objects of calculations of net contributions and costs.

However, the question arises as to whether familiarity with utilitarian reasoning may bring the co-op members and their organisations to begin to apply it on the wrong side of the

divide. Though their source is external -- the practices of competitors -- the deviations from co-op principles which have been introduced by some co-ops may have been more readily accepted because of such a mechanism. If this is the case, it is likely that these utilitarian practices will also gradually gain acceptance in the other co-ops serving largely the same members. This hypothesis is based on Weber's view (cf. Section 1.2) of the tendency of purposive rationality to replace reasoning based on substantive values; but it must remain untested in the present study.

5.7

Member control and involvement, and different versions of democracy

We saw in Section 1.3 that the basic principle of democratic member control of co-ops is open to a diversity of interpretations, as well as being subject to attack from proponents of a disembedded view of co-ops, who are concerned with 'efficiency' rather than democratic principles. The disputes on structural concentration, of both organisations and production, illustrate the divergence of views on this important issue. This section will examine these, in the context of problems generally encountered in putting democratic ideas into practice in large organisations with complex production. These problems and limits will be discussed within the analytical frame of types of democracy (substantive or participative-educative versus formal or elitist-instrumental) presented in Section 1.3. This will give us a more practical version of the frame, which will then be used to view the specific issues raised in the co-op disputes. The co-operative principle of organisational autonomy, and the tension between it and tight federal integration, will also be brought into the discussion.

The first theme is the implications for democracy of the choice of organisational size -- an issue which has featured in some of the arguments in the last two sections. This leads on to the theme of the degree of centralisation of decision-making in large organisations and federations. The need to centralise decision-making is partly a matter of perspectives, but also depends on the type of decision involved. Given that centralised systems have been created in the dairy federation and the regional co-ops, widely differing views emerge as to how democratically responsive these are to members' views and wishes: whether policy decision-making is more of a 'top-down' process than it needs to be. This subject of controversy will form the major part of the section. Finally, we will look at some disagreements over democratic procedure, in which differing views are expressed as to what constitutes a majority in various contexts.

General constraints on member participation in co-op governance

Underlying some of the arguments against concentration of organisational structure is a participative-educative perspective on democracy, which as Section 1.3 showed, has deep roots in the history of co-operative ideas. Before examining the arguments, I wish to expand on the theme -- which was briefly touched on in Section 1.3 -- of constraints on the realisation of participative ideals in organisational practice. It follows from the earlier discussion that the perceived *feasible* limits of participation vary according to perspectives, which rest on views of what are *desirable* limits. Even when a participative perspective on democracy is adopted, however, feasible limits of an objective character are encountered. An awareness of these is essential as background to interpreting views on the subject. There are two kinds of limiting parameters: the competence required to run the organisation, and organisational size.

Underlying any discussion on co-op democracy and governance is the fact that co-ops are owned by users, not investors as such. The latter can delegate control of the firms they own to employed management, and simply judge performance in terms of net gain. Co-op members

are required to play a much more active part in the running of their businesses, to ensure that their substantive and potentially complex needs as users continue to be met. Management cannot simply be delegated to employed professionals, even in co-ops whose members subscribe to a purely instrumental view of democracy. At a minimum, a co-op requires a board with sufficient competence in both substantive and financial aspects of the business to ensure that employed management is following defined policies. In addition to material goals, co-ops adhering to the ICA principles will wish to ensure that these are being followed. The more participative/direct the model of democracy adopted, the more competence in these different areas has to be built up among the general membership.

As I have argued in Section 2.1, the division of labour along the production chain is arbitrary. Simple processing skills like butter and cheese-making have traditionally been within the range of skills associated with farming, and are still so to a limited extent in Norway. The same applies to competence in selling produce to retailers and consumers. Thus in principle, the competence required to run small, simple processing co-ops appears to be within the reach of the average co-op member. It can be acquired by building onto the knowledge and skills members already have as farmers, in areas such as product quality and the economics of production. This becomes more difficult, however, the further a co-op integrates vertically. For farmers' processing co-ops, this means that the further these move into areas such as the manufacture of complex food products, distribution, and marketing, the more farmers will need to expand their knowledge and skills into completely new areas, in order to run them. Even simple processing, combined with the intricacies of marketing in increasingly sophisticated and competitive markets, places substantial demands on those who participate in organisational governance.

Practical considerations set constraints which prevent all but very small organisations from adopting a fully participative model of democracy. The larger the co-op, the smaller will be the proportion of members who can be actively involved in the running of it. General meetings of all members become impractical, and thus the democratic system will have to become more indirect. Even 'small' co-ops of a hundred or so members will find it impractical to involve all members at any one time in day-to-day decisions, or even to keep them informed of all aspects of the business. Much has to be delegated to employed management and an elected board; and indeed Norwegian company law requires co-ops to have such a board, on which the formal responsibility for the organisation's conduct rests.

If co-ops are committed to a participative-educative model of democracy, they may however be able to keep all members sufficiently well informed of affairs, largely through informal personal contact; and to hold general meetings whenever decisions of a more major kind have to be made or ratified. By circulation of elected office, a large proportion of members should be able to gain insight in and experience of running the business, so that the competence of the average member can reach a reasonably high level. Such a high level of general competence is an asset, which should at least partly offset the extra costs involved. For a farmers' processing co-op, an understanding of and close involvement in the business should help to counteract problems of product quality, and promote an integrated problem-solving approach to primary and secondary production, and marketing of products, together. A key assumption here, as in the participative democracy model generally, is that most of the individuals involved have sufficient capacity, motivation and time -- not just to read the information sent to them and turn up for meetings when required, but also to acquire the necessary competence. The latter comprises organisational and business skills, and a certain measure of technical knowledge.

The increased demands which participation places on members, when businesses become more complex and vertically integrated, may be expected to bring about a pragmatic adjustment in the direction of an increasingly indirect form of democracy. Office-bearing will be such a demanding task in terms both of time and learning, that many members may not feel themselves capable, while many others may simply not wish to make the necessary sacrifices. From a participative-educative perspective, this trend may be counteracted to some extent by education of members and financial compensation for absence from the farm. This involves shifting the balance between individual and organisational costs of participation in the direction of the latter. The different models of democracy reflect different perceptions of what the organisation and individual members gain from participation relative to its cost, and to what extent gains are measurable in financial terms. The more instrumental version of democracy requires the active involvement of fewer members in the decision-making process, and thus costs less to run, as well as being economical with respect to time. Conversely, the more participative the model of democracy, the more advantages of a long-term and non-financial character must be perceived by members, whose commitment to the organisation must be strong.

The delay caused by involving members in major decisions may be considerable compared to the decision-making process in capital-controlled competitors of co-ops -- a 'cost' business economists have made much of. As indicated above, a participative perspective sees involvement of members as bringing gains to the organisation, which compensate for this disadvantage.

From an instrumental-elitist perspective, the selection of a strong board from the ranks of the most competent members is the main function of the democratic system; and the turn-over of board members should be slow in order to make the most of the added competence they acquire while serving. A participative-educative perspective implies the opposite -- as rapid a turn-over of board members as practicable, and an emphasis on building up high competence among as many members as possible.

The qualitative difference in democratic structure between large and small co-ops does not necessarily mean that members' influence on organisational policy is less in large co-ops than in small ones, in practice. A Danish study cited earlier, by Als and Møgelhøj, concluded on the basis of empirical evidence that '*member influence and company size are not strongly [and] unambiguously related.*' (op. cit.: 126). The authors found that smaller co-ops did not necessarily practice a participative version of democracy, while some larger ones had developed effective formal systems of information and consultation, which Als and Møgelhøj relate to the concept of 'interactive democracy' (cf. Section 1.3).

The above study reminds us that the connection between the physical attributes of an organisation and the way it organises its affairs is not a simple mechanical one. Though large size reduces opportunities for direct democratic participation, it may not necessarily reduce democratic member control in practice. We have seen in Section 5.1 that members would appear to have had closer, more personal, contact with small, local co-ops than with large regional ones. Nonetheless, to what extent most members actually participated in the running of their affairs, and had real influence, is another matter; and we must be wary of accepting romanticised accounts of the past.

Furthermore, in a long-term perspective, organisational size and complexity are not just parameters: organisations do not just 'become' big and complex. Size and complexity are the outcome of choices -- albeit choices made under environmental constraints, which may involve external power, and may be experienced as compulsion. Organisational size is an aspect of decisions by co-ops whether or not to merge, and thus also of arguments about mergers.

Organisational size, democracy and member involvement

An examination of arguments about organisational size shows that considerations of democracy and member involvement are an important element. In objecting to mergers, members commonly express concern with the limitations which larger units place on member participation, or with the dilution of control which the merger will involve from the point of view of members of an existing co-op. We have seen examples of this line of argument in the preceding section.

The big qualitative difference in democratic structure is between small local co-ops with a single plant, and co-ops resulting from the merger of several of these, such as even the smallest of the regional co-ops. In the former, there is potentially room for a high degree of participation by members; and the structure can in principle be flat, except for the board which may be elected directly by all members at the a.g.m. The regional co-ops formed by the first round of mergers are so large that such a structure is impractical, and a tier of representatives -- elected on a local basis -- act as intermediaries between their colleagues and the board. The democratic system varies between regional co-ops, with some having a council of representatives as an intermediate level between the formally highest decision-making body -- the a.g.m. -- and the board. In all regional co-ops, the a.g.m. consists of representatives, as it does in the small co-op Østfoldmeieriet with two plants. Only the two surviving local co-ops with a single plant -- Drammen (185 active members)³⁹² and Vikedal (89 active members) -- have a.g.m.'s where members participate directly. Drammen has a council of representatives in addition to the board. In the preceding section, we saw that members of the latter co-op were concerned with democratic influence as well as financial aspects of merger. The case of Vikedal was presented in Section 4.3. As well as using the formal democratic channel, members of small co-ops can also make their views known directly to co-op management -- an aspect I will shortly expand on.

The small district co-op Østfoldmeieriet has about 250 members, and the proposed merger to form the large regional co-op Tine Øst, with 6,000 members, represented a drastic change as regards member involvement and democracy. As noted earlier, the vote on the matter by representatives at the a.g.m. was a tie. A board member, Arild Strand, is quoted³⁹³ as arguing that in a big, merged co-op, the farmers would lose influence: *'The grass roots will have far too little say.'*

For many members of the larger regional co-ops, democratic structure and influence has not been an issue of any consequence in the second round of mergers. They have felt they had little influence in their existing co-ops. An example of this argument was put forward at a member meeting of Fellesmeieriet in the Lillehammer area. The newspaper report³⁹⁴ quotes farmer Lars Skaug as saying that member influence had been pulverised when the small dairy

³⁹² Membership figures are from 1996.

³⁹³ Report in *Bondebladet* 16.04.97: Ådne Aadnesen.

³⁹⁴ *GLT* 14.03.97: Karen Bleken.

co-ops were wound up, and that it made no difference if there were 1,600 or 6,000 members. Many of my informants in Northern Norway saw no great difference in democratic terms between the new regions and a full-scale national merger, which was widely believed to be inevitable sooner or later. The new regional re-organisation was characterised by several of its opponents in Finnmark as a costly irrelevance: They would rather wait until a national merger came about. This argument has also been put forward in other regions.

By no means all members accept this line of argument, however. One of my informants in Finnmark, F.T., is opposed to both the proposed merger with Meieriet Nord and a national merger. Of the latter, he says: *'To speak of Tine Norge now -- that means we have given up already.'* At present, the federation is bad enough, but with a single national co-op *'you would have even more concentrated power; then it will be even more difficult for the farmer from the less central areas to be heard with his views. Economically it won't necessarily be worse, but it weakens democracy.'*

Besides the formal democratic system, member control has to do with the relation members have to the co-ops in their day-to-day dealings with them. F.T. explains that to have a single national co-op *'is almost the same as phoning to Steen and Strøm, a firm of that name in Oslo . . . Because you have to have a relation with . . . so that you feel you are a participant, that you are involved, that you are a member of [the co-op]. You must know that this [business], this is me too, and you expect that those you speak to have the same understanding.'* At present, you can meet arrogant employees who do not seem to appreciate that farmers are supporting their jobs, he says, but as long as distances are reasonable *'you can at least go there and give them hell, and say <<now you have to begin to understand the connection here!>>'. But there's no point in going to Oslo -- then you have to fly, and that's very expensive! (laughs). Yes it's easier to drive to Alta -- now and again you can take a trip to Alta and look in at the head office and lay off to them, <<now you have to begin to understand>>. You have to do that now and again, you have to say how far -- what you think, to get them to begin to understand.'* Even though the physical distances involved in Finnmark are enormous, inhabitants are used to them. The culture of the region -- characterised by informality and 'straight talk' -- together with the limited size of the dairy co-op (under 400 members) thus gives the latter the character of an extended local co-op. Though F.T. is an elected representative, the direct mechanism he refers to -- of being able to go to the head office and speak directly to management, and if necessary 'give them hell' -- is (at least in principle) available to all members of such co-ops of limited size. It may well be as important as the formal democratic channel in engendering member involvement, and the feeling that they are in control.

As in Drammen Meieri, members of *Fellesmeieriet* did not confine their arguments against merger to financial aspects. One of the leading protestors against the closure of Fellesmeieriet's plant at Hadeland (cf. Section 4.7), Helen Grefsrud, declares strong opposition to the merger in a letter to *Bondebladet* (19.03.97). With reference to the Hadeland campaign, she tells how an attempt to distribute a petition to members of the co-op in other areas was foiled by the m.d. of Fellesmeieriet, who refused to make the milk transport system available for the purpose. *'We cannot reach 1,600 producers, what about 6,000?'* she asks. Thus her conclusion is the opposite of that of Lars Skaug, quoted above. Gisle Gudim from Askim, a leading campaigner against merger in Fellesmeieriet, points out in a letter to the press³⁹⁵ that he and his colleagues in the Indre Østfold district would only

³⁹⁵ *Bondebladet* 26.02.97; *Nationen* 28.02.97; *GLT* 7.03.97.

represent a few percent of the total membership of the proposed regional co-op. He continues: *'As far as I have learnt, the co-operative idea is based, among other things, on member influence. In such giant concerns, this influence will naturally be gone. The result will presumably be, as before, that the elected office-bearers at the top level will be further and further from the grass roots.'* By the phrase 'as before', Gudim is making plain that the experience of the first phase of regional mergers has been bad with respect to organisational democracy; but he nonetheless objects to making bad matters worse.

Nor were opponents of the Østlandet regional merger confined to the big farms of the lowland areas. At the above-mentioned meeting of Fellesmeieriet in the largely upland Lillehammer member division, the vote was 90:73 against merger, according to the report in the local paper (cited above). The latter notes that of those who spoke at the meeting, many opponents of the merger emphasised their scepticism towards big organisations and the lack of member influence in these. Among those advancing this line of argument was the chairman of the area committee. Another member, Hans Petter Svelle, is quoted as saying he feared that member democracy would 'evaporate', and that members would feel powerless.

In the debate at the 1997 a.g.m. of *Meieriet Sør*, which ended in a majority for merger, aspects of democracy were a main concern in arguments against the latter, according to a newspaper report.³⁹⁶ These aspects included distance to decisions, and active member involvement. A third aspect of concern was '*democratic deficit*' -- a term well-known from the debate on Norwegian membership of the EU. A member who used this argument was Jon Mælandsmo, who is quoted as saying that in the merged co-op, members of *Meieriet Sør* would be under-represented and in a permanent minority.

In the large co-op *Vestlandsmeieriet*, considerations of democracy would appear to have been significant in bringing about a majority vote against merger. The report in *Nationen* from the a.g.m.³⁹⁷ quotes the m.d. of the federation, who addressed the meeting, as commenting afterwards that member democracy had received more attention in *Vestlandsmeieriet* than in other co-ops. Endre Tjelmeland (introduced earlier), a member of the co-op's council of representatives, has been one of the leading opponents of merger in *Vestlandsmeieriet*. He writes:³⁹⁸ *'Had merging been in the interests of the owners of the co-ops, we wouldn't have taken 5--6 years to bring it about. But this is a power strategy from the top to make the distance from stall to director as big as possible. Where is the co-operative idea there?'*

It seems a little surprising that there should be such concern with potential deterioration of democracy when large co-ops grow even larger. The resistance to mergers would appear to indicate dissatisfaction with democracy in the existing regional co-ops, and a determination to prevent any further deterioration. Tjelmeland's arguments above bring in another area of concern with regard to democracy: the merger process itself. As we have seen, there appears to be considerable justification for Tjelmeland's assertion that the process was imposed 'from the top down'. Before turning to the issue of democratic practice in the dairy federation, it is necessary to consider the general question of centralisation of decision-making.

³⁹⁶*Nationen* 11.04.97: Knut Herefoss

³⁹⁷12.04.97: Gunnar Syverud

³⁹⁸letter, *Nationen*, 12.02.97

The rationale of centralised decision-making in the co-ops

In a large organisation or federation, decision-making may be more or less centralised. The dairy co-op federation has a considerably more centralised decision-making system than the meat one, for example. Within such a centralised system, there should still be room for the decentralisation of some areas of decision-making. Just how centralised or decentralised decisions should be, or have to be, is clearly partly a question of democratic perspectives, and follows from the foregoing discussion of member involvement in the democratic process. However, this matter cannot be addressed without considering the subject area of the particular decision, which may largely determine the location of decision-making. This aspect has to be borne in mind when interpreting arguments concerning the degree of centralisation of decision-making, and requires a little elaboration.

The rationale of centralised decision-making within a democratic system is that certain decisions require a matter to be viewed from the point of view of the organisation as a whole. An impartial, detached judgement is required -- 'representatives' cannot represent constituencies. This need for impartiality lends itself to giving a leading role to 'experts', and also to quantifying the factors involved. Numbers are a neutral medium, and the reduction of substantive choices to calculations of cost and gain greatly relieve decision-makers of the burden of taking a wide range of other, unquantifiable factors into account. This is of course the same logic as that of the joint-stock company, mentioned earlier. Its legitimacy in co-ops is therefore limited, at least in principle. Calculations of financial gain have been a key component of disputes over both mergers and plant closures. In both cases, as we have seen (cf. Part 4), the federation's economic planners have played a vital role in calculating the most 'cost-effective' solutions. In most if not all cases of conflict, opponents of concentration have produced alternative figures to support their case (cf. the cases in Part 4 of Bakkehaug, Hellesylt, Kirkenes, Brønnøysund slaughterhouse); but they have not rested their arguments on figures alone.

The character of decisions determines to a certain extent how centralised the decision-making process has to be. In the present study, we are concerned with two subjects of controversial decision: organisational structure, and production (processing) structure. The character of these two areas of decision-making is somewhat different, leading to different implications for the degree of centralisation required in the decision-making process.

Total processing structure is objectively constrained by the external parameter of market demand; and -- apart from solidarity and principles -- it is in the interests of all co-ops to avoid a situation where they are under-bidding each other to sell their produce (cf. Part 3). The increased integration of the market at national level, linked to the high degree of concentration on the buyer side, makes such a situation particularly competitive for sellers. At the end of the day, the federation -- as market regulator -- has the job of ensuring that all produce is sold, and any losses involved have to be borne by common funds. The chosen solution to the problem in the dairy federation has been a centralised decision-making system to allocate production quotas, rather than a system of negotiation between autonomous co-ops. Within each co-op, the parameter of total production determines how much total production capacity is required. As long as the co-op is a single economic and decision-making unit, it follows that the allocation of production to individual plants is a matter for central planning. It is difficult to see how the detailed planning of the location of production in regional co-ops could be other than a centralised process, unless these co-ops had a federative internal structure. In both the dairy federation and the co-ops, the choice of planning, rather than spontaneous competitive or co-operative processes, implies that the

final decision must be delegated to a central body which is capable of taking an overall view and setting aside particular interests. This implies that the body must be granted a degree of organisational independence which does not rest easily with a participative view of democracy.

Despite what has been said above about the necessarily centralised character of structure planning, disputes over plant closures in regional co-ops have brought out differing views as to what level in the democratic system has the right to decide the issue. In the examples of Bakkehaug, Hadeland and Hellesylt, local members -- whose former co-ops had built and owned the plants -- have claimed that the right lies at local level. Invariably, such claims have been dismissed by the regional co-ops and by the federation. The local members are accused of being undemocratic for refusing to accept the decision of the majority, while they in turn accuse the regional co-op of undemocratically ignoring their wishes. The vagueness about the degree of autonomy to be retained by the local co-ops when they merged into regional ones was identified in Part 4 as an objective cause of misunderstanding and contention over this issue. The most determined opponents of plant closures have effectively denied the legitimacy of the full merger of their former co-ops, and indeed we have seen that those in Hadeland and Hellesylt took their cases to court in an attempt to restore their former co-op's autonomy.

Organisational structure: formal and substantive democratic perspectives

Part 3 showed that dairy federation leaders -- until recently backed by the state -- have never been in any doubt as to the necessity to centralise as far as possible decisions on the structure of production. In the 1930's, problems arising from the regional integration of markets were addressed by the coordination of sales at regional level, though national coordination was also required to clear the markets for butter and cheese. The introduction of the RO system for milk price, and subsequently the annual farm price negotiation system, brought with them a greater degree of decision-making at national level. Independently of the corporative system, decision-making has been further centralised through the development of national production planning by the federation, which allocates production quotas for individual products to the co-ops (cf. Section 2.3). The case of Nord-Østerdal (4.4) showed that these product quotas, and federation policy on the future allocation of these, represent a major parameter for decisions in the co-ops on production structure. At the close of the twentieth century, national integration of markets and a high concentration of buyer power provide powerful arguments for continued strong coordination of co-op sales, and thereby also production, at national level.

It is harder to justify centralisation of decision-making for organisational structure than for production structure. Planning in the former case is an alternative, not to competition and its potentially damaging consequences, but to spontaneous mergers or the status quo. The experience of the Danish dairy co-ops (cf. Part 2.4) might suggest that spontaneous mergers were potentially undesirable; but the central planning of production quotas and sales areas in Norway removes incentives for regional co-ops to pursue an aggressive strategy of expansion by take-over and merger. Thus there is no apparent reason why mergers should be planned centrally, other than on grounds of total efficiency in the system. The latter is a technical issue, involving such factors as reduction in the administrative complexity associated with the transfer of milk between co-ops. In a purely instrumental perspective, organisational structure can be reduced -- like production structure -- to a function of cost, and thus readily subjected to a centralised planning procedure. In the more substantively democratic perspective of the

substantive version of co-operatives, considerations of autonomy weigh heavily against centralised planning of organisational structure. These conflicting perspectives on democracy are expressed in the arguments about the second round of regional mergers, of which we will shortly see some examples.

As a tool to bring about the concentration of production, and also to reduce inequalities in milk price, the dairy federation leaders also saw it as their task to promote the concentration of organisational structure. The state authorities helped them to do so by introducing the Dairies' Act, which the federation leaders later sought unsuccessfully to amend in order to centralise decisions on mergers at regional level (cf. Section 3.4). Eventually they largely succeeded in bringing about this centralising measure through organisational concentration, in the first round of regional mergers. Though some co-ops, like Østlandsmeieriet, carried out an extensive consultation process (cf. Section 4.8), the logic of production structural planning ruled out delegating decision-making to local level. The 'zero-sum' character of the situation has ensured -- intendedly or otherwise -- that local committees have concentrated on retaining their own plant, and though there have been some notable exceptions, they have generally supported -- or at least not opposed -- the closure of other plants.

The first and second rounds of regional mergers are consequences of the efforts of dairy federation leaders to subject organisational structure to central planning. Widespread resistance from co-ops and individual co-op members, based on the principle of organisational autonomy, has however prevented the complete centralisation of the decision-making process on this matter. The result, as we have seen in Part 4 and earlier sections of Part 5, is an uneasy balance between central plans -- which federation leaders make clear that co-ops are obliged to follow up -- and a formally decentralised system of decision-making in the federation. The active role of federation leaders in this process has been widely criticised, and we will shortly look at some examples of the criticisms.

As noted in Parts 2 and 3, the position in the corporative system of the dairy federation, together with its regional offshoots the milk boards while they existed, gave these central bodies a degree of autonomy and indeed power over the co-ops. In other words, the system was centralised and hierarchical, by contrast to the heterarchical model prescribed by Craig (1993). The central planning of production in Tine Norske Meierier, and the development of large subsidiaries of the latter, have ensured the continuation of this centralised decision-making structure even after the revision of the corporative system and the RO system of price equalisation (cf. Section 2.3). Still, the system could hardly have survived -- far less continued in the same direction without a high degree of unrest -- had it not been accepted as legitimate by a majority of co-op members.

Democracy in the dairy federation and co-ops: 'top-down' or 'bottom-up'?

The desire exhibited by the dairy federation, to centralise decision-making as far as possible, represents a 'top-down' view of the democratic process, which can be placed at the instrumental-elitist end of our scale of reference. In the co-op disputes, this view is confronted head-on by a 'bottom-up' one, based on a conception of democracy of a more participative-educative kind, related to a representative democratic framework. The arguments between adherents to the respective views bring out differing interpretations of the role of representatives, and of the character of consensus at higher organisational levels.

Under the provocative heading '*NML/Norske Meierier -- the farmer's friend or enemy?*'³⁹⁹ dairy farmer Rasmus Surdal points out that while he and his colleagues had been accorded a direct vote on the vital issue of Norwegian membership of the EU, they were being denied a direct say on the re-structuring of their own co-ops -- also a matter of vital importance to them.⁴⁰⁰ He regards the regional mergers as imposed from the 'top':

'When Syrstad [the dairy federation chairman] says jump, the dairy farmer jumps. NML/NM want five regions, and Syrstad says five regions [there] will be, without having asked the dairy farmer if he is willing to sacrifice 12 øre of the milk price on the altar of regionalisation . . . One can wonder whether this is 'co-operation', democracy or dictatorship. Personally, I would say the last [of these].'

In a short reply,⁴⁰¹ Kåre Syrstad dismissed Surdal's polemics as unworthy of comment. However, he left no doubt that he regarded the financial incentives involved in the regionalisation process as justified by future gains. He and the federation had a strong mandate to lead the process, the chairman maintained, on the basis of members' response in 'study circles' to the policy options the federation had presented in its consultative 'study' scheme '*One industry -- one market*' (cf. Section 4.8).

Farmer, active co-op member, and journalist Olav Randen is among the fiercest critics of structural concentration in the dairy co-ops - both with regard to processing (cf. his expression 'dairy massacre', cited in the introduction) and organisation. In an article in *Bonde og Småbruker*,⁴⁰² he tells ironically of the generous attendance allowance he has received, along with the unaccustomed luxuries of a fine hotel room, dinner and drinks, as a delegate to the a.g.m. of his dairy co-op, Østlandsmeieriet. He argues that such generosity is designed to generate loyalty, and that it was such loyalty in the federation that allowed the 'Hatling Affair' to take place, like the 'Cabin Affair' a few years previously (cf. Part 4). Thus, he writes, it does not help to sack the m.d. and oust the chairman, as long as the system remains unchanged, controlled from the top down instead of the opposite way:

'The dairy co-op [federation] doesn't exist any longer. Instead we -- the owners -- have developed a monopoly concern where the elected representatives are hired agents. Who accept that rural Norway is driven by Breigata, not Breigata by rural Norway. And who exclude folk who think for themselves.' The only way to change this state of affairs, he writes, *'is that we throw the way of thinking and working in the dairy co-ops on the scrap-heap. Instead we need idealism, small and manageable units, openness, attentive administrators, member control, co-operation [samvirke], as in co-operatives.'* Like Surdal, Randen associates the concept of co-operatives with 'bottom-up' democracy, where the decision-making process is firmly under the control of members. According to him, as to Craig (op. cit., cf. Section 1.3), co-op federations should have a heterarchic rather than hierarchic structure. But his most damning indictment of the dairy co-op democratic system concerns the function of representatives. He maintains that, though selected by 'grass root' members in the first instance, representatives can only remain and progress to higher decision-making levels if selected by the system itself, on the basis of strict criteria of conformity.

Jens Frogner was chairman of Østlandsmeieriet from its formation until 1996, and also chairman of the dairy federation for a few years. In an interview about his time as leader of the regional co-op, he presents a different version of the democratic decision-making process:

³⁹⁹ Previously cited article in *Nationen/Bondebladet*.

⁴⁰⁰ Surdal draws a stronger analogy with the EU issue than indicated here, but I shall return to it in the next section.

⁴⁰¹ *Nationen* 02.04.96; *Bondebladet* 10.04.96.

⁴⁰² 'Ein hatling mindre', 10.09.94.

'At times there have been big disagreements in the board, but we have always managed to find solutions acceptable to all {omforente løsninger}. But I get provoked every time I hear that administration 'buys' board members. It is a nasty denunciation of professional colleagues.'⁴⁰³

After the second round of regional mergers in the spring of 1997 had been concluded, Erling Kjekstad, the editor of *Nationen*, wrote a perceptive and critical commentary about the divisive consequences of the highly controversial process.⁴⁰⁴ 'It is smouldering among the grass roots', he writes, pointing out that 'in a big-scale co-op {storsamvirke}, there must necessarily be long distances between the ordinary members and the top.' Referring to the 'old co-operative ideals of direct democracy', Kjekstad admits that these may be impossible to apply in an organisation which is 'tailor-made to create weight in the struggle against other giants in the market.'

The dairy federation responded, with a lengthy letter from the information director, Steinar Drogseth.⁴⁰⁵ Making plain that the editor was out of touch with reality, the latter asserts: 'we know of no other organisation which has taken such a long time, and involved so many owners, in a merger process such as this one.' Like the federation chairman, he refers to the comprehensive study scheme 'One industry, one market' which preceded the formal initiation of the merger plans, and which the federation regards as a thorough 'grass-roots' consultation process. He continues:

'The dairy co-operative [federation] is a democratic organisation. And it is a representative democracy . . . It is unclear what Kjekstad means by the old co-operative ideals of direct democracy -- and whether they have ever existed -- but it is clear that Kjekstad's ideals are impossible to practise in present-day society and in big organisations . . . In a democratic organisation, the rules of the game are such that the majority decides. And the majority of the farmers who have participated in the regionalisation process have said yes to dairy mergers.' To Kjekstad's claims of unrest in the dairy co-ops, Drogseth responds that there was no sign of such unrest at the federation's a.g.m.

The letter from the federation prompted a response from dairy farmer Harald Lund,⁴⁰⁶ who fully supported the editor's analysis of the situation in the dairy co-ops. By invoking the parodic title 'One industry, one opinion', Lund indicates that he does not consider the study activity 'One industry, one market' -- in which he himself had taken part -- as a truly consultative process. He claims that the mergers had taken such a long time to bring about not because of a democratic process, but because of an undemocratic one: 'the only way *Tine Norske Meierier* could possibly bring about the re-organisation we have now seen, was to work on {bearbeide} the elected representative system slowly.' Had the Swiss system of direct democracy via the votes of individual members been used, writes Lund, the result might have been very different. Responding to Drogseth's assurance of an absence of unrest at the federation's a.g.m., Lund comments that this is hardly surprising: 'Those who could bring about such unrest have no chance of participating in such an a.g.m. They are sorted out or have been 'converted' before they get there.'

⁴⁰³ *Bondebladet* 10.04.96, interviewed by Aud Klingen Sjøvik.

⁴⁰⁴ 'Fusjoner med bitter ettersmak [Mergers with a bitter after-taste]', *Nationen* 24.04.97.

⁴⁰⁵ *Nationen* 02.05.97.

⁴⁰⁶ *Nationen* 13.05.97.

Lund's allegations were hotly denied by Drogseth,⁴⁰⁷ who interprets them as criticism not only of representatives, but also of fellow-members who elected them. He underlines that the dairy co-op federation is run according to representative democracy '*in the same way as the municipal councils, Parliament and the rest of the organisations in the country.*' It is the duty of all members, he points out, to demand information about decision processes from their representatives, and to replace the latter if they are not satisfied with their performance. In his final reply,⁴⁰⁸ Lund assured Drogseth that '*I am fully aware that we have a representative democracy. How representative it is, is another question. For it is striking how little difference of opinion there is to be heard on issues such as the regionalisation process. It is a defect that we are not given a chance to discuss choice of [policy] direction. The main path is marked out at the top level.*'

That consensus and lack of unrest would appear to be the norm at the top level of the dairy federation is also my own first-hand impression, after attending the a.g.m. in April 1995. The preceding year had been turbulent, to say the least: the 'Hatling Affair' had broken out in September, and highly controversial contingency plans of a national merger, in the event of Norwegian membership of EU, had been approved by an extraordinary conference of co-op representatives in November. There had been widespread calls for the resignation of the chairman over the 'Hatling Affair', and his determination to continue 'for one more year' prompted the nomination of an opposing candidate. Yet my firm impression at the a.g.m. was of 'business as usual'. The only animated statement came from a member of the central federation staff, who demanded an apology from certain delegates because they had publicly insinuated that the Hatling Affair had exposed an 'unfortunate culture' in the Breigata headquarters. A form of apology was delivered, no principled discussion developed of the authority structure of the federation, and later in the day Kåre Syrstad was re-elected by a comfortable majority as chairman. Indeed he has been re-elected unopposed at the three following a.g.m.'s, with no further mention of standing down. However, it is fair to add that the a.g.m. of the federation has not always been so forgiving. In 1991, Syrstad took over the chairmanship from Jens Frogner, when the latter stood down in response to reactions to his handling of the 'Cabin Affair'. Frogner himself (in the interview cited above) admits: '*I handled the case clumsily, and experienced that it does not pay to fail to be open enough when meeting the a.g.m.*'

Lack of open dissent at the 'top' or centre can be interpreted in two diametrically opposed ways, as the above exchange between the federation's information director and a critical co-op member shows. To the former, who believes the representative democratic system is working well, it is a good sign, indicating that the membership in general has accepted the results of the democratic process. To the latter, the lack of dissent at the apex of the democratic system is a danger sign, in a situation where his own experience -- reinforced by the newspaper editor's article -- tells him that many members share his dissatisfaction with both the result of the democratic process, and the process itself. In explaining this anomalous state of affairs, he claims -- like Olav Randen (above) -- that though initially selected by 'grass root' colleagues, representatives have no chance of coming within the inner decision-making circles if they do not conform to the norms of the latter, of which the main one is loyalty to the system. In other words, democratic selection by members at the bottom of the system becomes neutralised at higher levels by 'system selection', coupled with the active inducement of conformity through socialisation.

⁴⁰⁷ *Nationen* 20.05.97.

⁴⁰⁸ *Nationen* 24.05.97.

How do representatives who have reached the higher levels of the system view the latter? One of my informants, D.T. (previously cited), has been a member of the dairy federation's council of representatives in the mid-1990's -- one of relatively few women to reach that level in the co-ops. She tells that at national level *'you have to know your stuff in order to be listened to . . . If you step outside what is acceptable, you are pretty well finished as an elected representative.'* When I ask if that means that representatives have to conform to the views of the majority, she replies:

'No, it doesn't. It's completely legitimate to have other views. But you must have views - do you see the difference? I mean, you must have kept yourself informed, and you must have considered, you must be able to give reasons, you must be capable of standing up and presenting what you mean . . . so it is completely legitimate to have opinions, and to have other opinions than what the majority has. But you must be able to give reasons for them, and you must keep up-to-date, and you have to stand on your own feet all the time. Those who are always in agreement with the majority don't get far either (laughs) -- yes you get so far, you do that, but sooner or later you'll be found out. So it's very demanding to have an elected position, at least in the NM/NML system, it is that. I don't think farmers in general have any idea how much reading you have to do.'

According to this account, there is indeed a high degree of 'system selection'; but the system criterion is not conformity, but competence together with hard work. It still does not explain the strong outward unanimity displayed by the highest decision-making bodies in the dairy federation. When I told D.T. of my impression of the federation a.g.m. I had attended some weeks previously, she explained that much of the real discussion and argument takes place in the closed fora of the board and council of representatives, immediately before the a.g.m.

This explanation, and Jens Frogner's remark quoted above, would indicate that there is a strong norm of negotiating a consensus both in at least some regional boards and at top federation level. Such a norm is by no means uncommon in organisations, unions and parties, where a principle function of leadership consists of avoiding the emergence of open factions. However, it contrasts with the image, conveyed daily by the media, of democracy in the political sphere as involving open dissent along party lines.

The point of presenting the above arguments and observations is not to attempt to judge whether the democratic decision-making process in the regional dairy co-ops and the dairy federation is best described as 'bottom-up' or 'top-down'. That there is a strong element of 'top-down' decision-making in the federation is already clear from the evidence in Parts 3 and 4. However, the point is that the opposing views on 'what is' express differing conceptions of 'what should be', and thus we can say that disagreements between relatively formal (instrumental-elitist) and substantive (participative-educative) conceptions of democracy are a significant element in the co-op disputes.

Majority decisions

According to the dairy federation, democracy means that the majority decides, and that all members are bound to abide by that decision (cf. Information Director Drogseth, cited earlier). The question of what constitutes a majority is however an issue of disagreement in itself. The requirement of a 2/3 majority for major changes, such as amending organisational statutes, mergers, or winding up the organisation, is common among organisations generally, and is included in the statutes of some co-ops. As mentioned earlier, the Dairies Act was introduced in 1936 to circumvent such provisions, as they tend to hinder mergers. § 3 of the Act (cf. Appendix to Part 3) declares that a simple majority at the a.g.m. -- provided it

represents a majority of members -- is sufficient to bring about a merger, irrespective of provisions in the co-op's statutes. This paragraph is deeply resented, as an undemocratic device designed to undermine the co-ops' autonomy, by the more outspoken opponents of mergers.

One of the latter is Jarl Iversen (mentioned in Part 4), a member of the regional co-op Vestlandsmeieriet, which was expected by the federation to merge with two neighbouring co-ops in the 1997 round of regional mergers. Though Vestlandsmeieriet lacked a statutory provision for mergers, its statutes demanded a 2/3 majority for the dissolution of the co-op. Therefore, Iversen writes,⁴⁰⁹ he and his fellow-members found it unreasonable that the Dairies Act, requiring only a simple majority, should be applied. If it were nonetheless applied, in accordance with the wishes of the federation and the leaders of the co-ops, Iversen concludes that this would mean that *'the owners have said no to their own statutes, which are the dairy company's own instruments of governance. The question is whether this is what we want. The answer must be no.'* Iversen made clear that he would appeal to the Department of Industry if his co-op decided to merge on the basis of a simple majority. As it turned out (cf. Section 4.8), this proved unnecessary.

Iversen's colleague Endre Tjelemland argues along the same lines:⁴¹⁰

'Unfortunately. For and against merger has taken a completely new turn recently. Now it's about paragraphs and simple -- or 2/3 majority, for the decision at the a.g.m. The ordinary owner (dairy farmer) has been sent Vestlandsmeieriet's statutes, and believes that they are valid and as dependable as the Bible. But good colleague, just burn them, for when it comes to the bit, the majority of the board won't use them. They choose rather to use the Dairies Act of 1936, it suits them much better.'

While all appear to have accepted a simple majority as sufficient, co-ops which have a.g.m.'s of the representative type have varied considerably with regard to voting procedures. In Vestlandsmeieriet, the merger issue was decided by area representatives alone, as the board and council of representatives do not have a vote at the a.g.m.⁴¹¹ The final result of 58% against merger represented almost exactly the proportion of total votes cast by members in local meetings (57%). In most other cases, the final result included the votes of the board and employee representatives, along with the council of representatives in the co-ops which have one. In Meieriet Sør, the area representatives voted 28:21 for -- a majority of 57%.⁴¹² The final figures, quoted by the federation, were 46:23 -- a 2/3 majority. In Fellesmeieriet, the final figure of 103:58 for merger is much more impressive than the 65:54 majority among the area representatives.⁴¹³ In Østfoldmeieriet, the vote among area representatives was even -- 20:20 -- and a majority for merger was only achieved with the help of the votes of the board, the supervisory committee, and the employee representatives.⁴¹⁴ It would thus appear that only in 3 of the 11 dairies involved, was the majority among area representatives 2/3 or greater.

The dairy federation has presented the results of the voting in the second round of regional mergers in two ways. First, it presented a table of total voting figures from the respective

⁴⁰⁹ *Bondebladet* 12.03.97.

⁴¹⁰ Previously cited letter, *Nationen* 12.02.97.

⁴¹¹ According to report in *Nationen* 12.04.97: Gunnar Syverud.

⁴¹² According to report in *Nationen* 11.04.97: Knut Herefoss.

⁴¹³ According to report in *GLT* 9.04.97: Karen Bleken.

⁴¹⁴ According to report in *Bondebladet* 16.04.97: Ådne Aadnesen.

a.g.m.'s.⁴¹⁵ It has also presented total figures in a way which makes the decisions against merger, in Vestlandsmeieriet and Tine Finnmark in particular, appear to have unreasonable, undemocratic outcomes. The federation writes that *'The dairy co-ops have about 26,000 members, and 3,400 of these voted no to merger. The result of this is that 9,000 members will now be left outside the regions.'*⁴¹⁶ The logic of democratic decision-making implied here is the same as that which underlay the attempt of federation leaders in the late 1960's to amend the Dairies' Act (cf. Section 3.4). Majorities in individual co-ops were blocking mergers of several co-ops in a district; and this was viewed from 'above' as undemocratic. The proposed solution was to subject the issue of district mergers to a vote among members in the district as a whole. Again we see that co-op leaders regard the farmers as a whole group, and boundaries based on locality as irrational and undesirable. Considerations of organisational autonomy do not weigh heavily in this perspective.

The question addressed in this section has been whether differing conceptions of democracy in co-operative organisations can be regarded as a significant factor in the co-op disputes. Clearly, they can indeed. The above examples give some indication of the divergence of views on democracy and member control in the dairy co-ops - as to both how it is, and how it should be. It is hardly possible to assess the former without first taking a position on the latter; and thus when co-op leaders and members argue about how the democratic system functions, they justify their arguments with reference to norms and principles, telling us explicitly or implicitly how they view democracy. Though there are also shades of difference, there is a deep divergence of views on this matter, in addition to lack of trust and schisms of various kinds which amplify the differences.

⁴¹⁵ Tine Norske Meierier: internet document 'Sju selskap utenfor regionene', dated 14.04.97.

⁴¹⁶ Tine Norske Meierier: internet document 'Tre regioner på plass'.

5.8

Perspectives, discourses and ideologies

In the preceding sections, arguments over particular substantive issues in the co-ops have been linked to a number of more general underlying concerns and views about aspects of production and co-operative organisation. We have seen that these concerns and views are shared by many members in different parts of the country, and mediated by the press. Though participants in the co-op debates and disputes often display originality in turn of phrase or adaptation of arguments, they employ a limited repertoire of basic forms of the latter. This is a necessary feature of debates and disputes, at least when they have a wide intended audience. In advancing arguments, participants must be able to assume that they are understood not only by those who share their views, but also by both adversaries and members of the audience whose views may potentially be influenced by what they consider the best argument. In open debate, narrowly particularistic claims tend to be exposed for what they are. Also, a process of selection tends to marginalise arguments that do not have a wide appeal -- however good they may be.

In Section 1.2, I introduced the sociological concept of discourse as an institutionalised form of communication about a more or less narrowly limited subject area, presupposing a common understanding of the latter, and in some cases according certain participants privileged status. The norms pertaining to a particular discourse define what statements and views are acceptable. Participants in debates and disputes frequently use analogies and concepts which relate the issues concerned to discourses which are broader in scope than the particular discussion to which the arguments are being applied. Similarly, members of the audience interpret and assess arguments by relating them to a wide variety of relevant discourses with which they are familiar, and which provide comparisons and standards.

People's understanding and views are developed through more or less critical reflection on a wide range of ideas and discourses of a general character. Though a person's basic ideological position may derive from class and material circumstances, there is no simple one-to-one correspondence (as Part 4 and preceding sections indicate). First-hand discussion and participation in institutional settings play an important part in forming views and even basic positions, and in some cases literature also exerts a strong influence. However, the prime source of ideas and discourses in modern society is undoubtedly the mass media.

Co-op leaders and members typically belong to a range of organisations, and participate in a range of social institutions, which influence their values and ways of thinking. Many have experience of work outside the farming sector, and some have travelled widely. Some are very well-read. At least those who are active in the disputes would appear⁴¹⁷ to keep themselves well informed about politics and society in general. Many of the texts and informants in this study display critical and reflected views of current affairs as well as the affairs of their co-ops. In the preceding sections, I have referred to some issues in society which provide analogies, arguments and symbols for the co-op debates and disputes.

Furthermore, it has to be taken into account that input to the co-op disputes and debates is provided by others than co-op members and leaders. Employees' unions contribute to

⁴¹⁷ According to my conversations with some, and texts written by others.

arguments against plant closures. A major customer, the consumer co-op federation NKL, has complained that plant closures are not happening fast enough.⁴¹⁸ Politicians, journalists, academics, and other 'outsiders' also make their views known on structural concentration and other matters in the co-ops. Members and leaders are aware of these views, and that they pay heed to at least some of them is indicated by the references they make to them (cf. previous Sections). For analytical purposes, I have however found it necessary to keep the views of members and leaders -- i.e. those who own and run the co-ops, and are entitled to make decisions on their future -- largely separate from the views of others who participate in the public debates or otherwise influence the views of decision-makers. These 'outside' views will be given voice in the present section.

A wide range of relevant discourses

It follows from what has been said above that the views expressed in the co-op disputes and debates are shaped or structured by particular discursive norms and perspectives. That a plurality of the latter are involved has been indicated in preceding sections by the diversity of themes and views brought to bear on the discussions. Besides discourses centred on the core themes of production and co-operative organisation, arguments in the co-op disputes draw on discursive repertoires involving issues which range from sectorial ones to major political ones, in which participants extend far beyond the ranks of farmers.

There are other discourses in society which impinge indirectly on decisions about co-op structure and practices, through their effects on government policy and market conditions. In Part 2, we saw that **neo-liberalist** political discourses have a major effect on government policy, and thereby on the material circumstances of the co-ops. Discourses of **nutrition/diet and health** affect consumer preferences to an extent which marketing cannot compensate more than partially for. They also impose limits both on government policy (cf. Part 3) and on the kinds of advertising which consumers will find acceptable. Thus these discourses ultimately play an important part in structuring the co-ops' options as regards production type and volume, and thereby in inducing change. Nevertheless, the present discussion will focus on discourses which would appear to influence directly the democratic decision-making process in the co-ops, judging by their significance in shaping the arguments and views expressed by co-op leaders and members. Most of the themes involved have been discussed earlier, and will merely be referred to briefly here.

Firstly, there are discourses within the agricultural sector, concerning the **structure of primary production**. As noted earlier, a de-concentrated and geographically de-centralised agricultural production structure has been maintained in Norway by political measures, which even today enjoy the support of all political parties except for the Progressives {*Fremskrittspartiet*}. Opportunistic flaunting of production concessions by a few farmers is subject to widespread condemnation in the farming community. We have seen (cf. Section 5.6) that co-op members bring the issue of primary production structure to bear on that of co-op processing structure. Structural concentration in the co-ops has provoked concern among its opponents that it may pose a threat to small and remotely located producers. We have also seen that the continued existence of such producers is staunchly defended by co-op leaders; and is supported by many supporters as well as opponents of structural concentration in the

⁴¹⁸ Cf. interview with Egil Sætveit, director of the consumer co-op supply division *NK. Vareforsyning*, in *Bondebladet* (3.01.96: Aud Klingen Sjøvik), and article 'Kjedemakt' by Sætveit in *Nationen* 11.04.97.

co-ops. On the other hand, structural concentration in the co-ops themselves is portrayed by its supporters as a necessary means for improving farm incomes and thus counteracting the drift away from the farms. There is agreement between the farming unions that further reduction in farm numbers is undesirable, and both unions have opposed measures such as the introduction of marketable milk quotas, designed to speed up concentration of primary production structure. However, some members of Bondelaget make clear that they wish to see the exit of part-timers, and thus an overall reduction in farm numbers (cf. Section 5.6). These display consistency in views on structural concentration, extending across both primary production and processing; but discourses in support of concentration of primary production are not widespread, at least in public, among farmers. Radical discourses of economic efficiency, originating from some business economic circles⁴¹⁹ and enthusiastically propagated by the business press, have tended to bring farmers together in a defensive reaction.

More general discourses on the **organisation of production** exert an influence on co-op members' views, as we have seen (cf. Section 5.2). Discourses asserting the superiority of the orthodox modern model of production have been, and still are dominant in society. As mentioned earlier, these discourses place great emphasis on technical expertise, thus leaving little room for democratic participation. The orthodox business economists who advise co-op leaders formulate their arguments largely as financial calculations, or -- for the lay audience - the results of these.

Outside the co-ops, both the business press and business economists put across the message that the co-ops must concentrate their organisational and production structure. For example, *Bondebladet* (18.10.95) carries an article entitled 'Farmers must learn the corporation way of thinking -- and quick'.⁴²⁰ According to the article, this was the message delivered to an information seminar at NLH by the business economist Odd Jarl Borch from the Nordland Research Institute in Bodø.⁴²¹ Mentioned among a number of recommendations to the co-ops was further specialisation of plants, together with structural concentration. Borch is quoted as emphasising the need to leave considerations of supporting rural areas to the state development system, in line with government policy.

Like the political Right, the orthodox school of business economics in the late twentieth century consists of a rather uncomfortable alliance between the ideas and discourses of hierarchy and those of individualism. I will look more closely at the ideological implications of this problem later in this section. The breakthrough achieved by the ideas of Milton Friedman in the last three decades of the twentieth century (cf. Section 1.2) brought a shift of emphasis in business discourses from hierarchy and central planning to market. That this did not shake the actual dominance of large, hierarchical organisations is witnessed by the rapid expansion undergone by multi-national capitalism in this period, boosted by neo-liberalist policies. However, the political rhetoric -- and a degree of active support -- of the Reagan and Thatcher regimes brought entrepreneurial individualism back into respectability, from the shadows of 'Fordist' capitalism and corporatism. The latter, and central economic planning in a state context, were declared dead, and were well and truly buried by the collapse of the European centrally planned regimes.

⁴¹⁹ The LOS centre, based in Bergen (to which the program LOS i Nord-Norge was connected only by common funding) has been prominent in this respect (Brunstad, Gaasland and Vårdal 1995).

⁴²⁰ 'Bønder må brennkvikte lære konserntenkning': Jon Lauritzen.

⁴²¹ See Borch's study of the meat industry (Borch 1994), where his recommendations are more circumspect.

In Norway, the neo-liberalist discourse of entrepreneurial individualism has been conveyed particularly forcefully in the business press, though largely excluding small primary producers, who do not fit into the entrepreneurial image. Indeed, readership of the business press is a discursive factor of differentiation, with most farmers 'outside'; and at least co-op federation management, if not also board members, 'inside'. The business press is generally highly critical of tariff protection and support for agriculture, and sceptical towards the co-ops whose capital structure excludes outside investors. In politics, the Progressives {*Fremskrittspartiet*} have been particularly successful in establishing a profile of strong support for small entrepreneurs, again combined with opposition to all kinds of state support and protection for agriculture and agri-foods. While neo-liberalist entrepreneurial discourse has inspired, and been a source of support to Per-Idar Vingebakken of Nordås and his farm dairy concept, it is largely rejected by co-op members on both sides of the structure disputes. Even farmers preparing to break out of the co-ops to join farm dairies have argued in terms of community or other values, rather than the naked self-interest of neo-liberalist discourse; and Vingebakken himself has been careful not to identify himself explicitly with neo-liberalist ideology.

Alongside the discourse of entrepreneurial individualism has risen a quite different one, conveying alternative ideas of the 'flexible specialisation' type, and a more substantive concept of business and production. As we saw in Section 5.2, it is promoted by a number -- perhaps growing -- of business economists, such as Erik Reinert in Norway. The latter's report to Bondelaget in 1997 (Reinert op. cit.) represented a breakthrough for alternative discourses in the co-ops. Lacking the backing of authoritative business economic expertise to match that enjoyed by the dominant orthodox modern discourse, alternative ideas had previously tended to be dismissed by co-op leaders as reactionary and unrealistic traditionalism, or simply 'cranky'. With the dominance of the new business economic discourse, the rhetorical device 'There Is No Alternative' (TINA) has lost some of its force.

Arguments against the orthodox modern model of production, and in favour of an alternative model, draw on discourses from beyond the field of production. One major theme is that of **environment**. The increased transport involved by the concentration of processing facilities is a common target for criticism on environmental as well as economic grounds. The use of plastic packaging and the associated use of antibacterial chemicals in the orthodox modern model of production is another element which attracts criticism based on environmental discourses. The newsletter of Småbrukarlaget, *Bonde og Småbruker*, is a forum where discourses of alternative production and environment are combined. Both sets of ideas are merged in the increasingly popular, but by no means uncontroversial,⁴²² niche of organic farming. Customers of the latter, and members of environmental organisations, make up a small but highly articulate body of allies for opponents to structural concentration. However, as we will see shortly, the 1990's have also brought some bitter confrontations between environmentalists and farming communities.

Two opposing perspectives and discourses of **co-operative organisation** were presented in Section 1.3: a 'formal' and a 'substantive' one. The latter, associated with the world-wide International Co-operative Alliance, is promoted in Norway by the co-op federations and by their central office, Landbrukssamvirkets Felleskontor. However, the position of these bodies with respect to the competing co-operative discourses is ambivalent, for they also frequently

⁴²² Press articles attacking organic farming as humbug include 'Hvorfor 3,000 nye økobønder i Norge?' by prof. emeritus Erling Strand, NLH, in *Bondebladet* 18.06.97; and 'Økologisk landbruk' by Dag C. Weberg, farmer and (then) member of parliament for the Conservatives {*Høyre*}, in *Nationen* 14.03.97.

underline the instrumental character of co-ops, and tend to refer to the ICA principles in terms of their usefulness. The substantive character of the principles, and in particular the view that co-ops have a social responsibility beyond the bounds of the organisations, are put across more strongly by Småbrukarlaget. Some examples of texts bringing out these contrasting types of co-operative discourse have been presented in preceding sections.

Beyond the farmers' co-ops, many members of these are also familiar with co-operatives and co-operative discourses through the consumer co-ops, which are strong in most rural areas. As a whole, the consumer co-ops have become increasingly concentrated structurally, and dominated by their wholesale federation NKL. Though traditional co-operative symbols such as the name 'Rochdale' are employed by the latter, the character of its discursive and business practices is at least as formal/instrumental as that of the dairy federation. The focus is on market power and business success, coupled to 'special offers' and individual financial returns to members. Nevertheless, the federation seeks to maintain the egalitarian principle of direct proportionality for member 'bonuses' or discounts.

Among the ICA principles, **democracy** is one which is open to a variety of interpretations, some more instrumental and exclusive than others. In Section 5.7, we have seen that the organisational practices and discourse of the dairy federation convey a largely formal -- instrumental and elitist -- variety of democracy. This is identical with the dominant perception of democracy in the political sphere, based as the latter is on the active participation of a few, and characterised by debates where substantive issues are often overshadowed by tactical considerations of *realpolitik*.

The co-op disputes have brought out a conflict of loyalties between local community and national occupational group. Corresponding to these two types of social affinity are two sets of political discourses. The dominant form and discourse of solidarity in the co-ops is that of **organised occupationally-based interests**. As this is also the basis for trade unions and employers' federations, it is well-established and universally understood. It is reinforced by the strong link between Bondelaget and the co-ops. As well as serving their material interests, this type of discourse also serves to reinforce farmers' occupational identity, still an important component of personal identity in much of late twentieth century society.

Also an important component of identity for many, including farmers, is **locality-based community**. In Section 1.3, I drew attention to the role of communitarian ideas in early co-ops; and we saw that the ICA has incorporated 'concern for community' into its latest set of official principles. The concept of community has experienced a revival in 'post-modern' political discourse in Western societies of the late twentieth century (Etzioni 1995). The new communitarianism shares with the old, socialist one a deep distrust for centralised authority and power; and a focus on education and participation, mutual help and the relative self-sufficiency of the community. Rights are to be matched by responsibilities. These ideas can be interpreted as a reaction to both neo-liberalist rhetoric of naked self-interest and competition, and the actual authoritarian economic and political practices which have accompanied it -- a theme I shall return to shortly. However, the idea of community-based mutual aid is also contrary to the centralised character which the Welfare State has in most countries. As the dismantling of the latter is a key element in the neo-liberalist political project, this particular aspect of communitarianism has been siezed on by Thatcher, Reagan and their followers and successors. Thus the symbol of community, and communitarian discourse, have acquired neo-liberalist connotations in today's political debate in an international context. In Norway, the political scene is somewhat special. Neo-liberalism in

its pure form has not so far gained majority support here; while elements of modified communitarianism have co-existed with support for a strong welfare state, through the institution of strong local government in the form of many small municipalities. I will expand later on the broad concept of de-centralism, within which communitarian ideas and discourses can be placed.

The symbolic strength of community is brought out in issues of structure and location in **municipal politics**, analogous to those in the co-ops. As just mentioned, Norway has a strong tradition of local government, with the municipalities receiving a large share of personal income taxation, and having considerable responsibilities including health, social, and educational services. Though still comparatively de-concentrated, municipal structure has been concentrated significantly over the years. In some cases this has been brought about by act of parliament, against the wishes and active resistance of local populations.⁴²³ Also, within single municipalities, questions of location of central facilities and closure of schools are common issues of heated dispute in the late twentieth century. Both types of structural dispute are most common in rural areas, and many farmers are familiar with them.

Sections 5.3 and 5.4 indicated that concerns for particular communities are closely linked to the general issue of **rurality and peripheral location**, more concisely expressed in Norwegian as *distriktshensyn*. This is a vague concept, and does not correspond to a coherent ideology or discourse. That does not prevent it from having a powerful symbolic appeal in Norway, where a comparatively large proportion of the population still lives in rural areas, including small centres. Historian Berge Furre⁴²⁴ emphasises the importance of rural social and political movements for the development of democracy in Norway, where they were progressive, whereas the urban middle class of public officials was predominantly conservative. In this respect, according to Furre, Norwegian political history differs from that of the rest of Europe. In Europe generally, including Norway, discourses extolling the virtues of rurality gained popularity among the educated middle classes in the Romantic period which accompanied the rise of industrial capitalism from the late eighteenth century and onwards. Expressed in pictorial art, poetry, and music, discourses of romanticised rurality varied from conservative to radical, having in common a critique or rejection of industrial capitalism (Hobsbawm 1962). Nationalism was a strong element in many cases.

In the latter part of the twentieth century, de-population and decline in rural areas has again become a matter of widespread concern, of which the present study is an expression. Demands of economic viability have been applied to public services, with local telephone centres being done away with, and post offices disappearing from many rural centres. In a newspaper debate article, economist Dag Seierstad criticises the failure of public authorities to see the local rural economy as a whole, asking rhetorically '*Is the community {bygda} profitable?*'.⁴²⁵ Together with the more rational concept of de-centralisation (see below) with which it is associated, rurality has been an important element in oppositional political discourses in Norway in the late twentieth century.⁴²⁶ One of these, which I shall deal with at some length, is opposition to membership of the European (Economic) Community/Union.

⁴²³ The incorporation of the small municipality of Vang in Hedmark in the urban municipality of Hamar is an example I am familiar with.

⁴²⁴ 'Den særnorske bygdekampen'(interview) *Nationen* 17.03.95: Kari Gåsvatn.

⁴²⁵ GLT 26.07.97. Seierstad is well known for his writings in opposition to Norwegian membership of the EU.

⁴²⁶ The classic example in debate literature is Brox (1966): *Hva Skjer i Nord-Norge?*. Rural populism was one of the main themes of the Norwegian version of the folk/ballad music 'wave', associated with left-wing protest, which rose to popularity in the 1960's and '70's. Dairy plant closures featured in the highly popular songs of Hans Rotmo.

Due to the problem of predatory animals,⁴²⁷ rural areas have become arenas of conflict between farmers and environmental groups in Norway in the 1990's. The concept of rurality itself is the subject of contest, with farmers claiming that environmentalists are superimposing a romanticised, urban interpretation on the countryside, and environmentalists accusing the farmers of being preoccupied with their own narrow economic interests. As well as underlining the rural-urban cultural divide, these disputes give expression to a feeling on the part of farmers of being under threat from many quarters.

An aspect of the rural-urban and centre-periphery divide in Norway is the existence of two official written languages, *Bokmål* and *Nynorsk*. The former of these is the majority one, descended from Danish -- the old language of state authority, church and school. The latter is a reconstructed indigenous Norwegian, based on selected dialects. Though by no means adopted by all rural municipalities and inhabitants as their main written language, *Nynorsk* has a symbolic association with the culture of rural and peripheral areas, and discourses of rurality generally tend to be formulated in dialect when spoken, and *Nynorsk* when written. The language divide is a permanent source of friction in Norwegian society, and breaches of norms associated with language usage can spark off heated disputes. The application of the orthodox modern model of production by the co-ops has had consequences in this respect; as the standardisation of milk packaging across the country led to the disappearance of *Nynorsk* text from milk cartons, even in areas where *Nynorsk* is the main official written language. Hartvig Sætra, a well-known political radical who lives in Northern Troms, complains in a letter to the press⁴²⁸ of the 'new style' and 'lack of culture' in Tine Norske Meierier. Romantic symbols of the old farming culture are good enough to be adopted in marketing dairy products, Sætra writes, '*But the farmer's language? No, it's so humble {simpelt} and shameful that the directors get shivers from 'a' endings.*'⁴²⁹

The theme of the survival of rural/peripheral communities is an important element in a major area of contemporary political debate, which preceding sections have indicated is of particular relevance to the co-op disputes: Norwegian membership of the EU. A key issue of principle in the debate has been autonomy and democratic control. The arguments on this particular subject bring out the dimension of concentration/centralisation in political-economic thought and discourse, which has been touched on in the discussion of communitarianism. I will be devoting the rest of this section to these particular and general themes.

The Norwegian debate on EU membership

The efforts of governments to bring Norway into the European (Economic) Community/Union have been thwarted by majorities in referenda in 1972 and 1994. Resistance has been particularly strong in rural areas, and -- as mentioned earlier -- farmers and their organisations have played a leading role in the campaigns against membership on both occasions. My observations about the debate are from the 1994 one.⁴³⁰ Economic issues were important, bringing out a perceived divergence of interests largely along the rural-urban dimension; and both sides used the discursive tactic of 'attribution of stake' (Potter 1996: 128) in attempting to demonstrate that their opponents were pursuing their own economic

⁴²⁷ Rather than land use and access, as in the UK.

⁴²⁸ 'Språksøppel i bondesamvirket', *Nationen* 2.02.96.

⁴²⁹ These are characteristic of *Nynorsk*.

⁴³⁰ I have to declare an interest here: though not active in the campaign, I was a paid-up member of the 'no' side.

interests. The basic political issue of 'national sovereignty' or political autonomy nevertheless remained in the forefront of the debate and the campaigns.

The 'yes' side could avail themselves of the 'globalisation' arguments which had become current by the mid-1990's, to the effect that political autonomy is largely illusory, and that only large political-economic entities like the EU are capable of exerting any real influence on economic matters. As pointed out earlier, there is a strong undercurrent of determinism in discourses of globalisation, not only of the neo-liberalist Right, but also of the orthodox Marxian Left: technology and capital are accorded the status of independent actors whose combined forces are uncontrollable. Thus a strong rhetorical device was the message that change was inevitable (TINA), and that it was pointless to stand in the way of the march of 'progress'. The mainstream Labour -- Conservative cross-party alliance on the 'yes' side combined discourses of liberalism with those of political governance, with emphasis varying according to ideological position. On the 'no' side, the political coalition was between the reform-liberal Centre and the socialist Left, with farmers well represented in both. It combined a discourse of democratic governance at national polity level with one of de-centralisation and de-concentration. It employed the powerful rhetorical concept of a 'democratic deficit', signifying that the political power taken from the member states was being put mainly in the hands of civil servants, not elected politicians.

As we saw in Section 5.4, critics of structural concentration point out the irony in the adoption by co-op leaders of the logic of the arguments of their opponents in the EU debate. In arguing for concentration of organisational structure, dairy federation leaders have tended to depict the autonomy of small co-ops as illusory, and have stressed that only big units can survive in highly competitive markets. The idea that co-ops refusing to amalgamate are standing in the path of progress is also part of the message from the dairy federation. It was clearly spelt out in his account of developments (cf. Part 3) by former chairman Hans Borgen -- the leader of the successful 'no' campaign preceding the 1972 EEC referendum. The phrase 'democratic deficit' was mentioned among the arguments in Section 5.7 against co-op mergers; and many critics have spoken of remote, centralised control by the Oslo-based dairy federation. Rasmus Surdal, whose arguments against structural concentration have been quoted earlier, applies the analogy of the EU debate particularly explicitly:⁴³¹ *'One can just imagine what influence we will have in a 'Mini-EU' (Regional dairy) with Breigata, Oslo, as 'Brussels'.'*

Plant closures have regularly been referred to as 'adaptation to EU', referring to the drastic effects on the co-ops which EU membership would have brought. For example, Jan Sande, protesting in 1994 against dairy closures,⁴³² writes that *'Such an adaptation to the EU will have a very negative signal effect now, when the battle against Norwegian membership of the EU is in full swing, and the fight is on for every firm and every job in rural Norway and Norway as a whole.'* Later that year, the whole of the agri-food processing industry, including the co-ops, was busy making contingency plans for a massive reduction in costs and capacity in the event of Norwegian entry into the EU. The government had set aside large funds for such 'adjustment', and when members got to hear that the dairy federation was preparing an application, some members reacted sharply. Hans Ellef Wettre, chairman of the Akershus branch of Bondelaget, is quoted in a press interview⁴³³ as saying: *'It seems as if the dairy leaders completely lack an ideological platform . . . If the farmers' own industry accepts*

⁴³¹ Letter, *Bondebladet* 12.03.97.

⁴³² Cf. citation in Section 5.4.

⁴³³ *Nationen* 15.08.94: Gunnar Syverud.

money to bring about an even stronger structural rationalisation, it means giving our opponents an extremely good card.'

Thus discourses of political de-centralisation and democratic control, as well as of industrial de-centralisation and the maintenance of the rural economy, conceptually link two struggles involving many farmers: the campaign against Norwegian membership of the EU, and the structural disputes in the co-ops. The analogy of the former debate is employed by opponents of structural concentration, not only to underline the principles involved, but also to discredit co-op leaders by portraying them as hypocrites. Its close ties with the farming population and Bondelaget makes the Centre Party particularly sensitive to accusations of double standards with regard to structural concentration in the co-ops; and several prominent members -- particularly on the left of the party -- have publicly criticised the concentration of processing structure during the 1990's. Jan Sande⁴³⁴ quotes Anne Enger Lahnstein -- leader of the Centre Party and a leading figure in the campaign against Norwegian membership of the EU -- as saying that centralisation of co-op processing plants accorded badly with her party's policy of '*putting the whole of Norway to use*'.

The political and ideological dimension of centralism/de-centralism

The importance of the general issue of concentration and centralisation⁴³⁵ in society extends far beyond the specific issue of EU membership. However its fundamental significance is seldom acknowledged, because it crosses conventional 'Left-Right' divisions within and between established parties.

To proponents of centralisation, the social order they wish to achieve can only be brought about by concentrating power and resources in the centre. For socialists this is an egalitarian order, while for conservatives it is an elitist, hierarchical one. De-centralists pursue the same ends with opposite means. Rather than centralised power and resources, they believe in the effectiveness of spontaneous processes. Liberalists believe that those with ability will rise to positions of power and wealth, while de-centralists on the Left believe that the only way to prevent the institutionalisation of a hierarchical social order is to block all attempts to concentrate or centralise power and resources, irrespective of purpose. This latter position implies being prepared to accept a lesser degree of equality than that promised by centralist projects.

The two different dimensions of political dissent represented by the distinctions Left/Right and centralisation/de-centralisation can be combined in a simple analytical scheme:

| | Left (egalitarian society) | Right (elitist society) |
|----------------------|--|--------------------------------|
| centralist | <i>Marxist and mainstream social-democratic</i> | <i>orthodox conservative</i> |
| de-centralist | <i>communitarian-anarchist, 'new Left', 'rural Labour'</i> | <i>(neo-)liberalist</i> |

⁴³⁴ Previously cited.

⁴³⁵ The term 'centralisation' is often used instead of 'concentration' in the co-op disputes. Strictly speaking, it has the additional implication of spatial location in central rather than peripheral areas. In a political context, this spatial aspect is inevitably associated with the concentration of power. In the following discussion, I will use the terms interchangeably.

Like all dichotomous schemes, this one over-simplifies, painting a black-and-white picture. The least well-established of the four categories is undoubtedly that on the bottom left, where I have indicated three different ideological groupings which have in common socialism and a de-centralist tendency. Rural Labour has been a major political force in Norway, but has suffered a decline in the late twentieth century; while in the UK in the same period, the 'new Left' emerged in the Labour Party, resurrecting some of the old de-centralist ideas of the early socialists.

The above scheme 'squeezes out' empirically significant hybrid forms. In particular, reform liberalism -- arguably the dominant school of politics in Western Europe in the late twentieth century -- can be placed roughly in the centre of the four categories, having both centralist and de-centralist variants. Emanating from the USA, the new communitarianism -- though firmly de-centralist -- is difficult for a European to locate on the Left-Right axis; and I opt for a position between Left and Right on the lower line of the table.

By introducing the category of the de-centralist Left, the scheme illustrates how both the latter and traditional conservatism are largely marginalised by the polarised political discourses of late twentieth century European democracies. The de-centralist Left was of course marginalised much earlier in an international context, first with the ascendancy of Marxian socialism, and later with the rise of Keynes-inspired social democracy. 'Keynsianism' and the Welfare State -- as well as shadows of 'Communism' -- have linked centralism to the Left; while on the Right, the ascendancy of the more radically individualist version of liberalism represented by neo-liberalism has left little room for hierarchical collectivism.

In a long-term historical context, political centralisation is associated with the concept of 'civilisation'. From the Pyramids to both modern medical technology and the nuclear bomb, big projects have been brought about through centralisation, and are indeed inconceivable without it. Political discourses of centralism link the thinking of classic conservatives, like Hobbes, with the revolutionary ideas of Leninist Marxism. In both cases, the paramount goal of achieving and maintaining the desired kind of order is seen as necessitating strong central leadership. Though more moderate in their means, the approaches of democratic conservatism and mainstream social democracy share this basic premise. Neither people's own judgement and abilities, nor a strong ideology, are considered in these perspectives to be sufficient to secure the respective form of social order. A mechanistic view of society, and an instrumental approach to achieving goals, are implied by centralism. Indeed, a certain amount of elitism is also a key element, in both left-wing and right-wing versions. This is unproblematic in the latter, but not in the former, where it is legitimated as a necessary evil.

De-centralisation, in a historical and anthropological context, tends to be associated with the concepts of 'barbarism' and 'savagery'. Its appeal to nineteenth century utopians may be linked to the positive Romantic image of these social conditions, projected by writers and painters of the period.⁴³⁶ De-centralism is at the core of two contrasting political traditions in modern times, represented by the respective theories of Adam Smith and the Utilitarians on the Right, and those of Robert Owen and socialist anarchists (Proudhon and others) on the Left. Between these there is a wide gulf as regards assumptions about basic human nature. Smith shared with conservatives the pessimistic view that individuals were primarily

⁴³⁶ More balanced views of de-centralised societies have emerged through the studies of later anthropologists (Evans-Pritchard, Malinowski, Clastres).

motivated by greed, but optimistically saw the aggregate result as beneficial, and superior to what could be achieved by planning. Owen's view of human nature (cf. Part 1.3) -- shared by the anarchists -- was optimistic, seeing both intelligence and moral character as being largely shaped by social environment. From this view emerges the political discourse of educative participatory democracy (cf. Section 1.3), which sees widespread participation as essential to ensure both good decisions and their implementation. As coordination requires political organisation, this version of de-centralism is not nearly as extreme as the neo-liberalist one, but is widely dismissed as leading to weak government and thus opening the door to authoritarian reaction. The neo-liberalist discourse of de-centralism, on the other hand, has gained widespread acceptance; but when it comes to practical politics, economic de-centralism has been accompanied by a high degree of centralised political control,⁴³⁷ besides paving the way for unprecedented concentration of control in the business sphere at global level (cf. Section 2.1).

The positions outlined here are related to domestic politics within a single polity. When it comes to international relations, the situation is more complex. De-centralism may involve supporting the nation-state if it is small and itself de-centralised, like Norway; or it may imply the partition of pluri-national states such as the UK. The latter position is generally associated with 'regionalism', involving large confederative entities such as a version of the EU, within which regions and small states can enjoy a greater degree of autonomy than they do in their present situation. In the Norwegian debate on membership of the EU, the broad lines of alliance on the 'yes' side -- described earlier -- cross the diagram on the previous page diagonally, linking neo-liberalists with 'mainstream' social-democrats. Following a symmetrical pattern, the arguments for national autonomy on the 'no' side would have appealed to nationalist conservatism, but traditional conservatism is of no consequence in Norway; and in terms of political alliances, the 'no' side consisted of reform liberals of the centre, together with the de-centralist Left.

The EU referendum was followed by speculation about the redundancy of the conventional Left-Right divide and even of the existing party structure. Though the latter has survived, the conventional 'bourgeois' Centre-Right bloc has been dissolved, at least for a time, bringing about the emergence in 1997 of a minority Centre government, comprising the Christian Democrats {*Kristelig Folkepartiet*}, the Centre Party {*Senterpartiet*}, and the Liberals {*Venstre*}. The policies of the Government parties are reform liberal and moderately de-centralist, with an element of communitarianism; but their minority position and internal differences give them little scope to develop these in any coherent way.

Centralisation versus de-centralisation: a deep ideological divide in co-operatives

Moving back to a co-operative context, the tension between centralisation and de-centralisation represents a fundamental ideological divide. In reviewing early co-operative history, I have emphasised the role of anarchist and communitarian thinkers, to whom co-operatives were by definition small and local, and represented a radical alternative to the centralised and hierarchical character of industrial society. By contrast, the present-day co-operative scene is dominated by giant national federations which have taken on the character of corporations. The co-op disputes in this study have brought out two opposing co-operative discourses associated with these contrasting organisational forms. The 'established' co-operative discourse of the federations emphasises the imperative of market power, with

⁴³⁷ Cf. Dan Atkinson: 'Ministry of Love in the Era of P.R.', *the Guardian* 17.04.95.

monopoly/monopsony as the ideal means for achieving this, and sees large production units as the other means for obtaining best possible prices for members. In practice, both of these means require hierarchical, centralised structures, like those of capitalist corporations. The 'traditional' co-operative discourse of the opposition conveys the more limited ambition of attaining countervailing power sufficient to redress at least the most glaring inequities; and sees such power as attainable through co-operative alliances rather than formal hierarchical structures. The latter are to be avoided in this perspective, even at the cost of a certain degree of competition between co-operatives.

Arguments can be made in favour of one or other of these discourses, as being the more 'truly co-operative', or the more 'relevant to present-day circumstances'. A more scientifically fruitful approach is to look at them together as bringing out the fundamental antinomy or contradiction between individualism/ autonomy and collectivism. This lies at the heart of liberal-democratic organisation in general, and poses a particularly severe problem for the substantive version of the co-operative model, as well as for democratic socialism. All democratic organisations are faced with balancing the autonomy of members with the need for coordinating their efforts to attain organisational goals; and this balance is particularly difficult when the goals include the value of equality. We have seen how the dairy federation has steadily tightened its grip on the co-ops, with the aim of bringing about a greater degree of equality between them. This opposition between autonomy and equality was brought out particularly explicitly in Section 5.5.

However, equality is not the only reason -- perhaps not even the main reason -- for the perceived need for increasingly tight integration within the dairy federation. Efficiency is a paramount goal of federation leaders, and is synonymous with strong central control in the orthodox modern perspective which is strongly institutionalised in the federation. Today, this perspective is challenged by alternative business discourses on the one hand, and by the currently dominant rhetoric of neo-liberalism on the other, both of which claim that efficiency requires competition rather than large size and central planning. We are left to conclude that support for structural concentration rests partly on the strength of the orthodox modern perspective, and partly on the strength of the value of equality, among co-op members. The evidence presented in this study suggests that both are significant.

In this section, I have only taken a sample of the wide variety of perspectives and ideologies, and corresponding discourses, which have been brought to bear on the co-op disputes. The latter clearly cannot be reduced to a single issue. Nevertheless, the above discussion of the dimension of centralism and its opposite would seem to capture a large portion of the main arguments, and the irony of the situation. Though centralist ideology has little political appeal to Norwegian farmers, centralist thinking in the form of the orthodox modern model of production has achieved a dominant position in the co-ops.

5.9

Co-op members' participation and views: a general image of patterns

A survey of members' participation in the democratic system of the dairy co-ops, and their views on the system, was carried out for the dairy federation in the summer of 1997. It was designed -- in close co-operation with the dairy federation NML /Norske Meierier -- by Landbrukets Utredningskontor, who also analysed the finding and published a summary of these (Eldby and Strøm 1997). The latter is a research institute owned by Bondelaget and the farmers' co-ops, and attached to the co-operative coordinating body, Landbrukssamvirkets Felleskontor. The findings give a general impression of the relation co-op members in general have to their organisations, which forms a useful background against which the findings of the present study may be viewed. Like all research, the survey also provides some insights into the ideas and views of those who designed it. Below, I will summarise briefly the main findings of relevance to the present study.

Out of a total membership of somewhat under 26,000 in the dairy co-ops, the survey was carried out on a sample of 2,257, or 8.7%. The sample was sub-divided into five regions and two districts, and for some questions the responses were further sub-divided into 9 categories of which 8 were the larger regional co-ops, and the ninth comprised the remaining smaller ones. 1,502 valid responses were obtained, a response rate of 66.5%, representing 5.8% of the total membership.

Participation

40% of respondents say they seldom or never *attend meetings* in their dairy co-op; 22% say they attend 'occasionally' and 38% 'always or often'. For this question, the responses are broken up according to co-op, with each regional co-op having its own category, and the smaller co-ops being put together in the single category 'others'. There is a certain amount of variation, with the Northern Norwegian members appearing to be relatively good attenders despite the long distances involved for many. But the most interesting finding with regard to the present study is that the proportion claiming to attend 'always or often' was markedly larger than average for the smaller co-ops: 54%.⁴³⁸ The widespread belief that participation is higher in smaller co-ops is clearly not just a myth (cf. Section 5.4). Those respondents who said they seldom or never attended were asked to choose one or more of 9 grounds.⁴³⁹ The most frequently chosen of these was lack of time. Other common reasons were 'uninteresting meetings or themes', 'no opportunity to influence [decisions]', and 'other grounds', which included the loss of their local dairy.

The response was more positive when respondents were asked '*Do you sometimes participate in consultation processes, for example about plant closures and regionalisation?*' 66% of all respondents answered in the affirmative; and when this figure was broken up according to co-op, it varied from 47% in Rogalandsmeieriet to 79% in Fellesmeieriet. This difference corresponds to the considerable difference in the level of open disagreement in these co-ops,

⁴³⁸ As only percentages, and not numbers of respondents, are given in this table, it is impossible to estimate the statistical significance of this difference.

⁴³⁹ Percentage figures are given for these options, but differ between tables.

as indicated by my text data; though percentage figures for Fellesmeieriet cannot be taken too literally. The high level in the smaller co-ops -- 74% -- is also to be expected on the basis of the public debates and disputes. The regional merger issue has been highly controversial in both the Finnmark and Østfold co-ops, while in Vikedal and Drammen, pressure from outside and 'above' to merge has led to a mobilisation of support for continued autonomy. In addition, the disputes over plant closure at Kirkenes, and threatened closure at Lakselv, have involved a large proportion of the members of Tine Finnmark. When respondents answering negatively were asked why they did not take part in consultation processes, the most frequent answer chosen was lack of time. Together, the grounds 'will not be listened to' and 'the decision is already taken' also make up a significant proportion of responses. In Rogaland, they account for half, with lack of interest accounting for 22%. Regional differences in the grounds for non-participation were found by the authors to be statistically significant.

Respondents were asked if they '*attempt to influence decision-makers by other means than [attending] member meetings*'. 26% answered positively to this question. The responses were broken up according to co-ops, as above, but the differences are found not to be significant by Eldby and Strøm. Respondents were then given a choice of seven main channels of such influence. The main one chosen was 'conversations with elected representatives'; and the second most common was 'conversations with employees in the co-op'. Few chose 'letter to the press', underlining the fact that such letters are far from being a representative sample of all members' views.

Later in the questionnaire, members' awareness of federation policy was assessed by asking respondents whether they had read the strategy document 'Tine 2000', which had been sent out to members some months previously. On aggregate, only 4% said they had read the whole document, and 9% said they had read a lot of it. 28% had only skimmed through it, and 44% had not read it at all. Of those who had skimmed through the document, 60% agreed that the language was easy to understand, and only 15% disagreed; so readability was clearly not a major hindrance for most members. The findings from this question suggest that the proportion of members who keep themselves well informed of federation policy is in the region of 13%. As the proportion of elected representatives among respondents was 8%, this suggests that only a further 5% find it worth their while to read about federation policy in detail. One may only guess whether the remainder just lack sufficient interest, or feel that there is no point in expending effort when they have no influence in any case.

Views on the democratic system

Respondents were asked '*To what extent do you feel that your views are listened to in the dairy co-op?*' Together, 61% of all respondents chose the two most negative categories, 'to a small extent' or 'not at all'; and only 24% chose the two most positive, 'to a large extent' or 'to some extent'. (These categories were already combined in the summary of results published.) When the responses were broken up according to co-op, the smaller co-ops as a group come out markedly better than average: almost half -- 49% -- chose the two most positive responses, and 39% the two most negative. At the other end of the scale was the large co-op Østlandsmeieriet, where only 19% chose the two most positive responses, against 72% who chose the two most negative. Apart from the latter figure, the differences among the regional co-ops is not great. Altogether, the response to this question indicates a fairly high level of dissatisfaction with democracy at the level of ordinary members in the co-ops as a whole. But

again we see that the democratic system of smaller co-ops is superior to that of larger ones in the eyes of their respective members.

When respondents were asked to agree or disagree with the statement that '*milk producers as a group have sufficient influence over their dairy co-op*', the result was still hardly encouraging for co-op leaders. 57% of all respondents chose the two most negative responses (completely or partly disagree), and only 35% chose the two most positive (completely or partly agree). The break-up of responses by co-op showed considerable variation. However, bearing in mind the general formulation of this question, the differences between co-ops do not necessarily reflect on how members perceive their own co-op, and thus have limited value. A similar statement, that '*milk producers as a group have sufficient influence over Norske Meierier* [i.e. the federation]', brought an even more disturbing response. Only 27% agreed (or partly agreed), while 61% disagreed (or partly disagreed). The results were broken up regionally, with Northern Norway being more positive (32% agreed/partly agreed) than average, and the West less so (22%). The authors calculate that the differences are not statistically significant.

Despite the widespread dissatisfaction with the level of member influence over the co-ops and the federation, 74% of respondents answered positively ('to a great extent' or 'to some extent') to the question '*To what extent do you feel that the elected representatives in your dairy co-op look after members' interests?*', and only 22% answered negatively ('hardly' or 'not at all'). The question was specific -- '*your dairy co-op*' -- so the break-up of responses according to co-op is of interest. The smaller co-ops had the lowest level of negative response at 14%, as against 88% who expressed a reasonable or high degree of satisfaction. They were closely followed by Tine Nord-Norge, with 16% negative and 83% positive. Among all respondents who answered negatively, the most frequent reason chosen was that the representatives '*are easily influenced by the management of the co-op*'. Other frequently chosen responses were '*they are easily influenced by leading [federation] representatives {sentrale tillitsvalgte}*', and '*they do not understand us ordinary milk producers*'. Claims that representatives are 'in the pockets' of management or federation chiefs are common among the arguments of critical members (cf. Section 5.4); so it is interesting to see that they do not appear to be widely shared, despite the dissatisfaction with member influence indicated by the previous set of responses.

Somewhat less positive, but nonetheless convincingly so, were aggregate views on whether the *board of the federation looks after members' interests*. The questions and responses were formulated as for the previous question. 60% of respondents indicated that the board was taking care of their interests to a great extent or to some extent, and 34% that it was not. Regionally, satisfaction was highest (67%), and dissatisfaction lowest (27%) in the northern region; and the opposite was the case in the western region, where the proportion of satisfied to dissatisfied was reduced to 53:40. The reason most frequently chosen by dissatisfied respondents was that board members had 'too little contact with ordinary milk producers', followed by 'they are most concerned with their own participation and position', and 'the directors and management influence them'. A similar overall proportion of satisfied to dissatisfied responses (59:30) was obtained to the question of whether the federation was '*noticeable and active in public debate in matters which have to do with milk producers' interests*'. Regional differences were small. The majority view accords with my own impressions of debates: the chairman and management have had many articles and letters in the press, not only in the internal debates and disputes, but also with regard to the politics of the industry. All in all, the dissatisfaction with federation leaders and management, which has

been strongly expressed in the co-op debates, would appear to be confined to a third of the total membership.⁴⁴⁰ This confirms my assumption that the federation could not have maintained its strong position and line of policy without the support of a (largely silent) majority of members.

The overall impression of members' views of the democratic system in their co-ops and federation is a mixed one. It would appear that there is a widespread feeling among members that their views are not listened to, and that as a group they have too little say in the running of their co-ops. On the other hand, the majority appears reasonably satisfied that their interests are being looked after by elected representatives, both at co-op and federation level. My interpretation of this somewhat contradictory combination of views is that the majority of co-op members accept that their representatives are doing as well as can be expected within the system as it is; but that they would like to see the system changed to give members and their representatives more control, and management less.

Commitment to co-operative organisation and the dairy co-ops

The survey also included a few questions designed to find out how members relate to their organisations as co-operatives: whether they are in favour of this type of organisation, and how committed they are to the dairy co-ops. The results were very positive.

To the statement '*Milk producers can best advance their interests by standing together in the dairy co-ops* [as a group, {*meierisamvirket*}]', 93% of all respondents wholly or partly agreed. In Jæren the level of agreement was somewhat lower -- 86% -- but otherwise there was little variation.

45% of all respondents were concerned that the co-ops themselves should process their milk. They answered 'no' when asked '*Is it o.k. for you if your milk is sold to another dairy outwith the co-ops for processing?*' There was a noticeable regional variation, with the 'no' response being lowest in Jæren (35%) and highest in the west, mid and north regions (48-49%).

Respondents were asked whether their interest for finding an alternative buyer for their milk had increased after such buyers had come on the scene, and it had become easier to leave the co-ops. This question is hardly a good standard one for the whole country, as 'private' dairies are so far confined to a few areas. Nonetheless, the responses are interesting. The average level of affirmative response was only 14%, but in both Østerdalen and Jæren it was 22%. While Synnøve Finden was well established in the former by the time of the survey, I am not aware of any definite plans for 'private' dairies in Jæren at the time. That the similar level of positive response in these two districts stems from different motives, is suggested by the grounds selected by respondents who answered 'yes'. This time, respondents were only allowed to select a single response. In Østerdalen, there were two main responses, with '*higher price*' dominating, followed by '*competition is positive -- the co-ops should not have a monopoly*'. In Jæren, these two responses were fairly equally distributed, along with '*dissatisfied with how the co-ops are run*' -- a response hardly chosen at all in Østerdalen. Bearing in mind the small numbers involved, however, these differences may include a large element of chance variation.

⁴⁴⁰ Though critical views may be under-represented by up to 5%, this does not alter the findings significantly.

Respondents were asked whether they 'normally', 'occasionally', or 'seldom or never' defended 'the ideology behind co-operatives' in discussions with others. In this case, the question was at least as interesting as the responses. The ideology referred to was explained in the survey guidance notes for the interviewers, who could be expected to know nothing about co-operatives. The explanation reads: '*the ideology behind dairy co-operatives {meierisamvirket} is based on collective action in the market to secure access to the market*'. Note that this is about *ideology*, and not simply 'the idea' behind dairy co-operatives, which may be interpreted in a practical sense. Those who designed the survey -- including some of senior management in the dairy federation -- thus use purely instrumental language to convey their understanding of co-operative ideology. They thereby reduce the latter to a matter of strategy for attaining an instrumental goal, and imply that they subscribe to a purely instrumental view of co-ops. We have already seen examples of the expression of such a view by co-op leaders.

The response to the above question was very positive, with 83% of all respondents answering either 'normally' or 'occasionally'. Again, there was no great difference between geographical divisions, apart from Jæren, where the percentage answering 'normally' or 'occasionally' was noticeably lower at 74%. The north and Østerdalen scored highest, at 89%. Though differences may reflect the different amount of discussion on co-op issues in these areas, the consistent deviation of Jæren from the national average (cf. also next question) suggests a somewhat lower level of commitment to the co-ops. It is tempting to interpret this in terms of the stereotype image of the Jæren farmer as more competitively orientated and narrowly 'business-like' than average; though the extent of the difference indicated by the survey reminds us that this stereotype misrepresents the majority of the group.⁴⁴¹

Another question was aimed at assessing how members balance their co-ops' financial goals with broader social responsibilities: a key concern of the present study. Respondents were asked what, in their view, *should be the most important aim* for the dairy co-ops: either to *maintain population levels in rural areas*, or to *secure the best possible price for producers*. From my own experience of initially asking a similar -- but open-ended -- question, I would characterise the question as it stands as somewhat naïve, and likely to elicit a high response for 'best price'. Proponents of the concentration of processing structure, among the informants I put this question to, have opted unequivocally for best price; but -- as we saw in Section 5.3 -- they claim that this goal is also the best means of maintaining population levels. Opponents of plant closures typically indicated that the co-ops should attempt to obtain the best price possible within the constraints imposed by maintaining the rural population. They argued that there are other ways of improving price than to close rural processing plants and make changes which disfavour small producers.

So much more impressive, therefore, is the proportion of respondents in the survey who chose 'maintain population levels': 41% on aggregate, as against 48% who chose 'best price'. Once again, the greatest geographical deviation was shown by Jæren, where the respective percentages were 29:65. In Northern Norway, the balance tipped decisively (48:39) in favour of maintaining population levels. In Østerdalen the proportions were equal. The authors comment: '*In a situation where the focus for many years has been on the economic side, both for primary producers and for the co-operative businesses, it is worth noting the comparatively high support there is for the rural policy goal.*' For co-op and federation

⁴⁴¹ It is presumably not coincidental that Gårdsmeierier a.s. has established a farm dairy in the Jæren district.

leaders, this level of support for a policy goal they have never wholeheartedly embraced, and long since abandoned, must be highly disturbing.

The member survey has provided useful contextual information, which helps us to understand the outcomes of co-op debates and disputes. It seems that a majority of members are interested enough in specific issues, such as structural changes, to become involved at least to the extent of attending meetings. They have however no illusions about having much influence on outcomes, and are reasonably satisfied that their elected representatives look after their interests as well as they can in the circumstances. Though most of the majority are dissatisfied with the balance of control in their organisations, and some disagree about organisational goals, they do not feel so strongly about these concerns that they are prepared to challenge the established system. They are highly supportive of co-operative organisation as a strategy, and highly committed to remaining with the co-ops, even in areas where the latter have potential competitors. This commitment may make them wary of 'rocking the boat'.

The survey also confirms my impression, from the many disputes, that there is a substantial minority of members who are thoroughly dissatisfied with the dairy co-ops and federation as a whole. These are not just a few 'trouble-makers', even though only a few go as far as to make public protests. The findings of the survey suggest that between a quarter and a third of the members may be in this category, with even more dissenting with regard to organisational goals.

5.10

The structuring of actions and arguments: Summary and conclusion for Part 5

Sections 5.1 -- 5.7 have presented a range of concerns, and arguments about them. They bring out the many-sided character of the co-op disputes, with both rational and affective aspects; and involving meaning, responsibilities and principles as well as interests.

Though the study is too limited in scope to allow generalisation with regard to patterns, the findings would appear to justify the analytical emphasis on diversity and complexity, and on the influence of factors other than objectively ascertainable material interests. Indeed, the status of the latter concept within an analysis of human agency and choice is problematic (cf. Section 1.2). This theoretical observation is underlined by the empirical one, that co-op members commonly define their interests in relation to a collectivity whose composition is heterogeneous in terms of material circumstances and socio-economic class (cf. Sections 5.3 and 5.4). As well as interests, participants in the co-op disputes perceive these collectivities in terms of responsibilities, and express solidarity towards them. The collectivities concerned may cross organisational boundaries, include whole communities, extend to rural society in general, or confine themselves to narrower groupings of various kinds. Substantive values and symbolic elements, as well as shared circumstances and ways of life, are criteria by which solidaric collectivities are constituted. Thus material interests interact with, and are partly defined in relation to, other factors. This makes them less predictable than economic or orthodox Marxian theory would suggest.

There are, moreover, strongly diverging views among co-op members as to how the production of their co-ops can best be organised so as to serve their 'interests' (cf. Section 5.2). Even when the latter are defined fairly narrowly in financial terms, there is disagreement as to whether the strategy of structural concentration gives the returns promised by co-op leaders, and whether it is more viable than alternatives in the long term. A coherent alternative model of production is offered by some opponents of structural concentration, based on relatively small scale and products with local and regional identity. A fundamentally different approach to production and consumption, involving a much greater degree of socio-cultural embeddedness, is entailed by this alternative, compared to that of the orthodox modern model which is predominant in the co-ops.

The co-operative organisational model itself, and the principles associated with it, are further sources of deep divisions (cf. Sections 5.5 -- 5.7). In the dairy co-ops in particular, 'top-down' coordination and planning is legitimated on grounds of both efficiency and equality; but it is resisted by many members who stress the principle of organisational autonomy, and interpret the principle of democracy and member control in a 'bottom-up' perspective. On both sides of disputes on this broad issue, participants lay claim to a 'true' understanding of co-operative principles and 'the co-operative spirit'. In addition comes a divergence of views as to whether deviations of a utilitarian character from established norms are acceptable and necessary adaptations, or whether they constitute unacceptable breaches of fundamental co-operative principles. This area of dispute mainly concerns equality and openness of organisational membership, but even democratic voting rights have been mentioned in discussions. While the outsiders who promote this type of change can argue in purely utilitarian terms, co-op

members and leaders who agree with them are constrained to 'sell' the changes as acceptable adaptations to co-operative principles.

It might be objected that the principled concerns expressed in the public co-op disputes and debates are mere rhetoric, or that they are at best confined to a small number of members. However, the findings summarised in Section 5.8, from a member survey in the dairy co-ops, suggest that this is not the case. A large proportion of co-op members indicate a willingness to make sacrifices in order to support rural and outlying areas, and there also appears to be widespread disillusionment with co-op democracy.

APPENDIX 1 TO PART 5: THE INTERVIEWS

Questions from the original interview guide which were supplemented with the questions specifically mentioned in Part 5.

GENERELLE SPØRSMÅL TIL LEDELSE, TILLITSVALGTE OG ØVRIGE MEDLEMMER (i tillegg til spesifikke spørsmål om konkrete saker)

LEDELSE

- egen bakgrunn, utdanning.
- hva er målet med meieri/kjøttssamvirket? -- evt. flere mål?
- har du en *visjon* for selskapet/ meieri/kjøttssamvirket?
- hva er hovedmålsettingen for dette selskapet? Er det enighet om denne målsettingen?
- hva er selskapets ansvarsområde -- hvor går grensene?
- hva skiller samvirke fra andre selskapsformer?
- kunne det være mer formålstjenlig å gå over til aksjeselskapsformen?
- hva er fordelene med større selskap? Hva er ulempene?
- er storfusjon den eneste veien å gå for å unngå priskrig?
- hva legger du i betegnelsen "moderne":
 - m.h.t. anlegg?
 - m.h.t. selskap?
- hva legger du i betegnelsen "rasjonell" m.h.t. anleggsstruktur?
- har ledelsen/ medlemmene kontroll over utviklingen i samvirket idag?

MEDLEMMER/PRODUSENTENE

- egen bakgrunn, utdanning.
- hva er målet med meieri/kjøttssamvirket? -- eventuelt flere mål?
- har du en *visjon* for selskapet/ meieri/kjøttssamvirket?
- hva er hovedmålsettingen for dette selskapet? Er det enighet om denne målsettingen?
- hva er selskapets ansvarsområde -- hvor går grensene?
- hva betyr det for deg å drive med jordbruk? Hva tror du om framtida for jordbruk og melke/kjøttproduksjon?
- ser du på rollen som samvirkemedlem som en vesentlig del av bondeyrket?
- er det viktig at produsentene utøver kontroll over samvirket, eller er det viktigst å ha en slank og effektiv organisasjon? Er det greit at kontrollen flyttes til Oslo, bare det drives effektivt?
- er det viktigere å få høyeste mulig melke/kjøttpris enn å ha et lokalt anlegg? Eller synes du at du ikke har noe valg?

- hvordan fungerer medlemsdemokratiet i NNS sammenligna med meierisamvirket?

TILLEGGSSPØRSMÅL TIL NML TILLITTSVALGTE/ ÅRSMØTEUTSENDINGER

- hva var det Hatling-saken egentlig dreide seg om?
- hvorfor var det ikke tegn til noen stor debatt på årsmøtet i år?
- Enkelte journalister påstår at det er en nord-sør konflikt angående spørsmålet om Tine Norge versus regionselskapene. Stemmer det?

APPENDIX 2 TO PART 5: THE INFORMANTS

Table of informants containing the following information and abbreviations:

B1: Names

All the initials are fictive and they are listed in no specific order.

C1: Type of interview and record

s short conversation (brief notes)
t telephone
N good note (no tape)
n less good notes
R usable recording
(r) unusable/stolen recording
+ transcribed

E1: Age group

younger: under 44

mid: 45 -- 64

old: over 65

Gender

Female informants are marked with f

F1: Size by production vol:

small: up to 40 tons/6 cows

mid: 40 -- 80 tons/7 -- 14 cows

large: over 80 tons/15 cows or more

| B1 | C1 | E1 | gender | F1 |
|------|------|-----------|--------|---------|
| A.M. | N | mid | | small |
| B.N. | R+ | old | | big |
| B.G. | N | young-mid | | big? |
| D.P. | R | mid | | big |
| P.S. | R+ | young-mid | | big |
| E.G. | R+ | young-mid | | med |
| F.T. | R+ | young/mid | | big |
| D.T. | R+ | young/mid | f | big |
| I.V. | " | young/mid | | big |
| J.W. | (r) | mid | | |
| N.U. | R | young/mid | | medium? |
| J.Ø. | R+ | old | | big |
| M.A. | (r) | mid | f | big |
| N.B. | " | mid | | big |
| P.Ø. | R | mid | f | big |
| I.S. | R+ | mid | | big |
| R.E. | (r) | young | | big |
| S.F. | N | mid | | big |
| T.G. | n | mid | | |
| U.H. | N | mid | | big |
| L.V. | R+ | mid | f | big |
| M.V. | " | mid | | big |
| Y.K. | (r) | mid | | big |
| R.D. | N | mid | | |
| H.D. | R+ | mid | f | big |
| N.F. | (r) | mid | | med |
| A.C. | R | mid | | big |
| Å.D. | R | mid | | big |
| E.U. | R | mid | | med |
| F.V. | R+ | mid | | small |
| G.W. | R+ | mid | | |
| G.A. | R+ | mid | | big |
| I.Å. | R+ | young | | med |
| J.A. | (r) | mid | f | small |
| K.B. | R+ | mid | | big |
| L.C. | (r) | mid | | med-big |
| M.D. | N | mid | | med? |
| N.E. | N | mid | | med |
| O.F. | (r) | mid | | large |
| Ø.J. | n | mid | | med |
| I.J. | " | mid | f | med |
| S.I. | R | mid | | small |
| T.J. | (r) | mid | | v.big |
| F.K. | n | young | | medium |
| S.U. | R+ | mid | | v.big |
| W.M. | n | old (ret) | | {big} |
| Y.N. | (r) | mid/old | | big |
| Å.O. | R | old | | med |
| Ø.A. | s, n | old | | big |
| Ø.B. | t, n | young/mid | | |
| B.Ø. | (r) | | | |

PART 6

CONCLUSION: TINA: NO ROOM IN THE MILK TANK FOR THE SUBSTANTIVE?

Summary of findings, conclusions and reflections

The purpose of this final Part is to summarise what I regard as the main insights from the study. The aim has been to arrive at a better understanding of structural concentration and other changes in Norwegian farmers' co-operatives, and the disputes about them. In summing up the findings, I will reflect on wider implications.

I have traced divergent views and perspectives on the disputes and changes to two dimensions of fundamental difference in ways of thinking and reasoning about the organisation of co-operatives, production, democracy and society. These may be respectively characterised by the dichotomies '*formal -- substantive*' and '*centralised -- decentralised*'. Differences in perspectives along these two dimensions are expressed in both theoretical discourses and descriptive accounts about how things are, and in ideological discourses and prescriptive statements about how they should be.

The discussion will be centred round 6 main points:

- specific initial questions
- tendency/ bias
- the role of structure in constituting agency and power
- formal/ substantive approaches v. material circumstances, utility and norms
- centralisation/decentralisation
- TINA v. the possibility of being different

Addressing the specific initial questions

In Part 1, various specific issues were raised, and a number of questions formulated. In Parts 2 -- 5, these have been addressed, and conclusions drawn. As noted earlier, this study has been a dialogue between ideas and evidence. As Ragin (1994: 20) puts it, social researchers tend to find that '*they could have been much more efficient in their collection of evidence if only they had known at the start what they learned towards the end of the investigation*'. An account of the real process of interplay between ideas and evidence would be fairly unreadable, at least in the present case. Thus some of the ideas which have been formally categorised as initial information, theoretical concepts, and specific research questions were actually generated in the course of the study. It is however more convenient, and conforms better to expectations, to place these at the beginning. Seeking to compensate for this conventional sleight-of-hand, I have also retained initial questions which I have not found fruitful, and initial impressions which -- viewed in retrospect -- were obviously quite badly mistaken.

The empirical study of the Norwegian co-ops and the disputes over changes in them has shown that the initial impression of the phenomenon as something recent -- and the consequent formulation of present-tense questions -- was misleading. The structural concentration we are observing in the dairy co-ops in the 1990's is a process which has been going on for a long time (cf. Part 3). Furthermore, the dramatic organisational concentration of the 1980's, and the subsequent regionally planned concentration of processing structure, was *the outcome of long-term efforts*.

The relevance of the study rests on the assumption that structural concentration and the adoption of more 'business-like' practices, though not always occurring together, represent aspects of a more general phenomenon: *a move in the direction of a relatively formal, or 'disembedded' version of co-operatives*, which has less room than previously for considerations that do not readily convert to financial gain. *The evidence has supported this assumption*. However, while currently dominant discourses of capital investment presuppose a purely formal approach, the *abandonment of the co-operative organisational model* in favour of the joint-stock one is another matter. Though the latter is based on both a formal approach on behalf of owners and a centralised bureaucratic structure, it is not designed as a tool for users, and has no room for egalitarian values. Even in those meat and supply co-ops where such values are on the decline -- as witnessed by the adoption of discriminatory practices -- the advantages of the co-operative model as a tool for users are so great as to make *conversion to the joint-stock model appear unlikely*.

The question of whether the changes were *chosen or forced* on the dairy co-ops has been addressed in two ways. First, it has been taken literally, in a 'realist' sense, and assessed for plausibility in relation to changes in the co-ops' circumstances, and a comparison of the past adaptation of co-ops in five relevant countries. The conclusion was that *circumstances in the late twentieth century have indeed become appreciably harder for the co-ops*, which are under pressure to cut costs to compensate for both a drop in state support to farmers, and tougher market conditions at home and abroad. The high level of concentration among buyers in the home market, which has been cited as necessitating concentration of organisational structure as a response, is also very real. We have seen how responsibility for the main lines of government policy on sectorial and trade governance has been largely delegated to the elitist bodies of international governance, *the OECD and the WTO*. It is these, along with the *multi-national corporations*, which have become the *prime agents of globalisation* at the close of the twentieth century, and are thus ultimately responsible for the disempowerment of producers and the empowerment, not so much of consumers, as of large food corporations and supermarket chains.

Yet the arguments that there is no other way to cut costs, and that buyer concentration necessitates mergers rather than closer federal co-operation, do not sound totally convincing. Further doubt arises from the *international comparison in an earlier period*, when concentration of both kinds in Norway followed general trends, being much greater than in Switzerland but much less than in Sweden. This comparison in Part 2 points to the *state and national federations as important agents promoting concentration* in the countries where it has been strongest. Then, in Part 3, it has become apparent that *structural concentration is a long-established strategy of dairy federation leaders in Norway*, and that it has been pursued consistently, *irrespective of changing circumstances*. The 'realist' assessment is thus that *structural concentration has been deliberately chosen*, despite claims to the contrary. The grounds given by leaders for bringing about structural concentration -- apart from external compulsion -- are increased efficiency and lower costs, with the addition of equality as

grounds for organisational concentration. However, rather than being a rational choice based on clear alternatives, this choice would appear to have been influenced by strong norms among dairy co-op leaders, other industry leaders, and politicians.

Seen from a more *constructivist* position, the issues of 'forced or chosen' and 'why chosen' become matters of *perspective or approach*. To dissenting co-op members, it may seem that the co-ops had a choice of strategy; but such a choice may not have been an option for co-op leaders and the majority they won over to support the changes. To the proponents of structural concentration, there was simply no choice (TINA); the constraints on policy were external and real, and they acted accordingly, in good faith. At least, there is no reason to suppose otherwise, in the absence of firm evidence to that effect. This interpretation of the decision-making process rests on how co-op leaders defined reality for themselves and their followers -- i.e. on what I refer to as their approach to production and organisation. It differs from the 'realist' interpretation above inasmuch as it gives leaders and their supporters more credit for reasoning, as opposed to following internalised norms.

The analysis in Parts 3 -- 5 leaves no doubt as to the '*top-down*' origin of the changes in the co-ops. However, the interpretation of whether this is right and appropriate differs according to perspective or approach. Adherents to a relatively formal approach to democracy and co-ops approve of a 'top-down' process, while those with a more substantive approach refuse to accept it as legitimate.

In briefly considering the decisions to *deviate from established egalitarian principles* in some meat and supply co-ops, we have seen that actual or expected disproportionate influence of larger members has been an important consideration. Again, we have to do with differing perspectives and approaches. Utilitarian arguments, advanced by orthodox economists, make it appear that the co-ops have no choice but to favour larger members, to avoid losing them. Adherents to a substantive approach do not accept this logic. However, the dominant formal approach to both organisation and production has led to an increase in capital commitments and an associated *inflexibility in production*, which make it very hard to resist the utilitarian policies of discrimination.

When it comes to my main focus of analysis, the dairy co-ops, it is less easy to see that large members have exerted a disproportionate influence, at least one which has had major consequences. *Egalitarianism is strong in the dairy co-ops*, and the introduction of discriminatory practices of the type mentioned above has been firmly resisted by leaders and members in general. Whether this may change if the dairy sub-sector becomes significantly more competitive, or as it becomes more concentrated, can only be speculation at this stage.

The remaining question to be explored, which has been a major concern in the study, is the grounds which supporters and opponents of the changes give for their respective positions in the disputes and debates. Under these can be subsumed the grounds given by leaders for introducing the changes, namely efficiency and equality. I will return to the subject of grounds under 'approaches'.

Tendency in the text

In the preceding Parts, I have sought to represent adequately the arguments and views of both sides in the co-op debates and disputes. However, it will be clear that my sympathies lie with a substantive approach to production and co-ops, and the efforts of those who strive to put it

into practice. I have been particularly critical of those who have succeeded in marginalising this approach, and achieving hegemonic status for a more formal one. This does not mean that I reject the latter approach in its own right, or equate it with very different values. As Part 5 in particular shows, the farmers who subscribe to it also have wider concerns and substantive values; and the big issue of contention is to what extent these have anything to do with the co-ops as businesses. As long as the ideas and practices of formal economics are dominant in society, the room for more substantive practices is ultimately constrained by the number of consumers willing and able to join producers in breaking out of the 'steel shell' of formal rationality, which the orthodox model of production and consumption represents. In wishing to cater for all the others, the majority of Norwegian dairy farmers are being realistic; and I have no grounds to criticise them for that, as long as they do not dismiss alternatives as unrealistic.

Agency, structure and power in the dairy co-ops

The third sub-section will be a short summary of my account of the struggle over organisational and processing structure in the dairy co-ops, from early days to the present. This recapitulation is centred round the theoretical dichotomy of agency and structure, together with the concept of power; and the interplay of these elements in the course of events. In applying these theoretical concepts, I have improved my understanding of them as well as of the empirical phenomenon. This is in accordance with Ragin's observation that '*Qualitative research clarifies concepts . . . and empirical categories . . . in a reciprocal manner.*' (op. cit: 88). In clarifying these concepts for myself, I have in effect done no more than to take on board the well-established insights of the Weberian school of social science. But as the study concerns the specific subject of farmers' co-ops, it will hopefully help to clarify both the disputes over policy, and the theoretical concept of 'co-op'.

A look back at the early days of the dairy co-ops and federation, in part 3, has made it clear that those in authority saw with dismay how the farmers demanded nearby, small dairies rather than accepting more 'rational' proposals for a more concentrated structure. The agents concerned -- public officials, and later federation ones -- were however powerless to over-rule the local organisations. *The vesting of power in institutional structures was a necessary precondition for socially consequential agency of a regulative kind.*

The evidence in Parts 2 -- 5 has shown that the accumulation of power over the co-ops by the dairy federation has been a key factor in bringing about organisational change. This process of accumulation has had a material (capital) and an institutional component, with the latter being identified as primary by the historical analysis in Part 3. Indeed, the dairy federation was fairly ineffective and had comparatively little resources until the political events of 1930 brought it into the centre of a new corporative system. Within the latter, the market for fresh milk was stabilised, and government measures provided a temporary solution to the remaining over-production problems in the dairy sub-sector. The central position of the dairy federation allowed it to take much of the credit for these achievements of regulation, and establish itself firmly in the centre of a national co-operative system as the indispensable solver of market problems. By securing a key piece of legislation -- the Dairies Act of 1936 -- and a later extension of it, the federation acquired a regulative institutional tool with which to integrate the co-ops more closely, and promote structural concentration.

Though World War Two represented a severe financial set-back to the industry, it also brought continuity with regard to the long-term development of corporative governance. Under the occupying/collaborating Nazi regime, the federation acquired the strategically crucial national redistributive function; and it took on an increasingly centralised and hierarchical character as corporative governance was further expanded after the War. Particularly significant in this regard was the institution of annual farm price and income negotiations between government and the farming unions. With the consumer price of staple food items being fixed by government at one end, and target farm prices at the other, the co-op system became well and truly incorporated into public administration.

Still, the mainly small and local co-ops were autonomous organisations, and could make major decisions on development and investment if they had the financial strength to carry these out. Frustration increased among the leaders of the regional milk boards and the national federation, over the 'irrational' structure of the co-ops, and the difficulties involved in changing it. Although the financial resources accumulated at the centre were increasing, the structural transformation of the organisations was not achieved until the help of the corporative system -- through the farm price support arrangements -- had been secured in 1980. Though I have focused on the agency of Hans Borgen and his associates in the federation leadership, it is hardly remarkable that they won the main structural struggle. Given the heavily centralised system that had been built up in the sub-sector, *what is remarkable is that so many small co-ops managed to keep their autonomy until the 1980's*. This achievement surely indicates the strength of commitment among local leaders and active co-op members, which it took a long struggle, a significant financial incentive, and the provisions of the Dairies' Act to overcome. Another significant institutional factor in constraining the dairy co-ops' autonomy, and enabling planned structural concentration, has been and is the centralised production quota system. While the overall constraints of this system on total volumes produced are no greater than those of the market, to which the system continually adjusts, central planning brings additional constraints on the choice of adaptation.

Constraints of a materially institutionalised kind, in the form of large capital investments in orthodox modern processing technology, also limit severely the options open to co-op members. Even when people with a relatively substantive approach to co-ops are elected to the boards of the latter -- as in Finnmark in the mid-1990's -- their hands are largely tied by heavy commitments to invested capital and employees, geared to production according to the orthodox modern model.

With the new organisational structure of the early 1980's, the concentration of processing structure followed without the need for significant direct help on the part of the federation or the corporative system. Indeed, it seemed in the beginning that the latter, in the shape of SFR, represented a considerable hindrance to the concentration process. Government policy -- backed by broad agreement in parliament -- charged this corporative innovation with the task of moderating the concentration of processing structure in rural areas. However, it would appear that both the federation itself and the commitment to structural concentration were so solidly entrenched in the corporative system that the new and tiny SFR stood little chance of making perceptible progress with this task. The momentum of structural concentration had brought the process out of political control -- as indeed policy ought to be according to the current ICA principle of co-operative autonomy. In this case, however -- given the integration of the federation in the corporative regime in other respects, and the dependency of farmers on state support - the grounds for freedom from political regulation were much less clear. The

point is that the institutional position of the federation enabled it first to build up a solid power base and bring about co-op re-structuring according to its plans, and then to insist on its autonomy and that of its member organisations, and resist political 'interference'. Alliances as well as institutional and financial power were significant here. The federation could largely count on the support of the major union Bondelaget, with which it is closely integrated, as well as sympathisers in parliament and in the Department of Agriculture.

The regulative institutional changes in the sub-sector in the mid-1990's have eroded one foot of the federation's power base considerably. The removal of the milk price redistributive system RO from the federation to the corporative body Omsetningsrådet, represented a new and clearer definition of the boundary between the co-op system and sectoral governance. This was a pre-condition for the establishment of new dairies outside the co-op system, and was motivated by the new political doctrine of off-loading part of governance to the market. The other necessary condition for the emergence of new dairies with direct supply arrangements was a change in the Dairies' Act, which was also passed by parliament in the mid-1990's. In retaining the remainder of the Act, and resisting earlier attempts at reform aimed at helping to prevent the disappearance of local co-ops, the Government showed that its sole motivation was to open up the sub-sector for competition. While individual farmers were now much more free to transfer their milk to another processor, the legislative provisions regarding co-op mergers remained unchanged.

The second wave of regional mergers in the 1990's met with more resistance than the first; and when it was finally put to the vote in most of the remaining autonomous co-ops, there was a considerable degree of dissent. At the time of final editing (summer 1999), only one of the proposed five regional co-ops has been constituted according to the federation blueprint. In the changed institutional circumstances of the late 1990's, the federation has not such a firm hold over its members as previously; and appears to be treading carefully in realisation of this. The degree of actual freedom of choice open to the co-ops is however constrained by another structure: the high level of concentration of the wholesale and retail markets. As long as they are dependent on the federation for selling their products, the co-ops are still not free to make a clean break, even if they should desire to do so. Thus the positional power of the federation has changed character somewhat, but is still considerable. Earlier, it stemmed from its virtually monopsonistic position between the co-ops and the market, accorded to it by the corporative system. In the new 'market-orientated' climate of the late 1990's, this key intermediate position is a result of adversarial power exercised by the beneficiaries of the dominant ideology. As Hallenstvedt (1996: 22) notes, *'In the post-industrial society, power is dependent on control of the distribution link. Power belongs to whoever controls the way to the consumers.'* (original emphasis).

Though the intention of co-op members and leaders was always to promote the interests of their farms through the co-ops, it would appear that both intentions and outcomes acquired a more broadly social character from the context of multi-institutional small communities in which farmers and their co-ops were predominantly situated. The farm and the co-op were parts of a local whole, and were perceived as such. The dislocation of both organisation and production from local communities makes it easier for accountants and formal 'boardroom rationality' to take over. Structural concentration, and practices favouring larger producers, both contribute to and are promoted by this process of formalisation, which thus potentially acquires a 'spiral' or self-augmenting character.

In Section 1.2, I introduced the sociological perspective of this study in terms of a 'balance' between agency and structure. The above findings have made clear, however, that a view of agency and structure as poles or ends of a scale is inadequate and misleading. Socially consequential agency generally requires institutional structures and organisation. This is the key insight of the 'neo-Weberian' approach to organisational studies, outlined by Perrow (1986). Indeed, by making full use of the tools of constructivism, we can 'de-construct' the agent entirely into a set of roles and identities -- meaningless without collectivities to which these relate. The complexity of such a set ensures that we still retain a meaningful concept of the agent. Without taking de-construction as far as that, this study has treated agency and structure as complementary elements of social analysis and interpretation.

'Formal / substantive approaches' v. material circumstances, utility and norms

Though developed in the course of the study, the key concepts -- '*approaches*' and the dichotomous distinction '*formal - substantive*' - have been built into the account of the analysis from the introduction as if their application was natural and unproblematic. The function of these concepts is to help us to understand the co-op disputes and the way in which they are structured or patterned: what separates the two sides, and what makes particular people take a particular side? In assessing their usefulness, the insights provided with the help of these concepts have to be compared to those which can be gained by using relevant alternatives: material circumstances (*class*), *utility*, and *norms*.

The main alternative category that has been considered in this study has been that of material circumstances or *class*. The attraction of class from a scientific point of view is that it is directly ascertainable, using objective criteria of material interests. Given the axiom that people in a particular class will follow their material interests in a particular way, there is no need to look further for an explanation of behaviour and attitudes.

In the conclusion of Part 4, I contrasted the findings of Reidar Almås in the early 1970's on the case of Singsås with my own observations on some contemporary cases of threatened exit from the co-ops. While Almås found a link between support for structural concentration and a capitalist or proto-capitalist mode of production, the contemporary cases (Part 4) suggest that in the mid-1990's, the capitalist pursuit of maximal profit may well be associated with resistance to concentration, based on ambitions of running a small local facility outside the co-op system. In other words, *the actual strategies of different classes depend on the institutional circumstances*. In my first-hand interviews, I ceased to pursue the question of class-based distinctions after finding important supporters of concentration among farmers with substantial household income from other sources, and important opponents of concentration among specialised and relatively large-scale farmers. Though these were only a few individuals, and do not represent any hindrance to the possibility of a statistical co-variance, they represent diversity which statistics tend to overlook, but which appear as highly significant in a qualitative study.

One source of such diversity -- identified by Almås's and other studies, including the present one - is local identity and social bonds. If we replace 'material interests' with the broader category of '*utility*', concerns of both material and other kinds can be accommodated. This requires a move from a Marxian class-based perspective to a utilitarian or economic one. It has the advantage that co-op members' concerns of all kinds can be 'costed'. For example, it would appear that the 'marginal cost' of bringing about majority votes in favour of co-op mergers in most co-ops, in the face of widespread resistance, was 6 øre per litre. Equally, it

would appear that much greater financial incentives in the 1980's failed to overcome resistance to the same extent. However, I have earlier criticised the concept of utilities as being 'one-dimensional', unable to accommodate concepts of power or of collectivities other than aggregates. The contemporary study has shown that the balance between financial and other concerns varies considerably between individuals and groups. I do not find the concept of utilities useful in gaining an understanding of the formation of groupings with opposing positions in the disputes, or the dominance of one position. In that respect, the Marxian perspective is clearly superior.

A sociological concept that has been brought into the discussion is that of *norms*. A case has been made for interpreting the support of co-op leaders for structural concentration in terms of following norms set by leaders of other co-ops, industry in general, and politicians. This seems quite plausible; and the opposition of a minority of co-op leaders can be interpreted as due to interests or values which are strong enough to lead to breach of norms. However, we have seen that structural concentration -- at least when implemented 'from the top down' -- clearly clashes with the established co-operative norm of organisational autonomy. Leaders and members are thus faced with choosing between conflicting norms; and require other criteria for making their decisions.

Compared with the Marxian concept of class, that of *approaches* suffers from the disadvantage that it is not immediately identifiable with objectively observable material circumstances. While in principle it is possible to check readily and objectively to what extent a group of supporters or opponents of changes in the co-ops conforms to expectations in terms of these circumstances, the interpretation of positions in the disputes by means of specified approaches requires qualitative analysis. Whereas circumstances 'explain' everything in the Marxian model, the categorisation of approaches as formal or substantive still leaves open the question of how and why they were adopted by particular individuals and groups. I would submit, however, that this is a difficulty we have to live with if we are to take diversity and change seriously. To answer this question adequately, we have to look to shared ideas -- ideologies, beliefs and theories -- and to identity and meaning, structured by a variety of discourses that mediate them, and related to collectivities beyond those of the organisations.

By associating support of and opposition to the changes in the co-ops with different 'approaches' to production and organisation, we give co-op members as well as leaders credit for being decision-makers capable of taking considerations of many kinds into account. An objection to this interpretation is that it makes the individual decision-making process look more rational and reflected than it normally is, particularly as I associate the respective types of approach with contrasting theoretical perspectives on organisation and production. Recall, however, that I am not claiming that approaches rest directly on theories, but that both of these categories rest on definitions of reality and morally normative presuppositions.

Moreover, my overall impression, from reading the arguments of some co-op members and hearing those of others, on both sides of the debates and disputes, is that they largely indicate a well-informed and reflected point of view. While the arguments may at times have a significant affective element, and become heated as a consequence, the same can be said of the arguments of the elite elected to govern this and other countries; and indeed scientific debates are by no means always coolly rational. In other words, who are we to relegate the farmers' arguments and debates to a 'lower' category than our own? However, I hope I have made clear that I do not identify my approach with that of the 'rational choice' school, which

gives social agents the benefit of acting rationally, but defines their rationality in the narrowly formal, individualistic, utilitarian terms I have just criticised. I am not claiming that approaches are *purely rational* -- only that they have a *solid core of rationality*, of the *formal* and *substantive* (value-based) kinds respectively.

The formal -- substantive dimension signifies a difference in balance between instrumentality and aspects of socio-cultural 'embeddedness' involving meaning and moral principles. It has been applied in Part 1 to economic systems and to versions of the co-operative organisational model. It has also been used to distinguish between narrowly instrumental conceptions of democracy, and broader views of the democratic process as having intrinsic meaning and being associated with substantive values. The evidence in Part 5 has indicated that arguments in support of structural concentration, and other 'efficiency-promoting' changes in the co-ops, tend to rest on perspectives of a relatively formal kind on economy, co-ops and democracy. The vigorous promotion of a purely formal perspective in orthodox economic and neo-liberal discourses outwith the co-ops would appear to have increased the legitimacy of such a perspective in the co-op disputes to a certain extent; though it has also provoked strong reactions. Opponents of structural concentration and changed business practices tend to argue in terms of a substantive perspective, in which two key features are wider organisational responsibilities and active participation by members in their co-ops.

In adopting the established social scientific dichotomy 'formal -- substantive', I have brought together distinctions in many areas: rationality, and approaches to production, co-operative organisation, and democracy. I have earlier assured the reader that this linking of categories by the same concepts is not a 'sleight-of-hand', comparable with that of the neoclassical economists, or of those who would 'sell' us a package labelled 'globalisation'. Perhaps a reassurance would now be in order. By 'formal', I mean purely instrumental, excluding considerations of meaning and values. Though promoted by the currently ascendant discourses of neo-liberalism and orthodox economics, I do not see the purely formal approach to production, co-operative organisation and democracy as having been adopted by a significant body of co-op members. However, the findings of this study indicate that the dominant approach to these areas, adopted by those bringing and supporting *structural concentration and discriminatory practices to the co-ops*, is *more formal (and less substantive) than the approach of opponents of these changes*. The latter bring a variety of wider considerations to bear on the co-op disputes: local identity and loyalties, responsibility to employees, a concept of a balanced rural society and economy. The meaning they attach to participation in co-operative organisations, and to involvement in their production, is related to these. Supporters of the changes commonly share at least some of the wider concerns, but see them as separate from the co-ops and their production. Though these members, and particularly leaders, may attach meaning to the co-ops, it is as a business and a social fellowship limited to the sector. Co-operative organisation is defined by them in terms of securing better financial returns for themselves and colleagues.

This last observation underlines the finding of the study that it is *wrong to associate a relatively formal approach in a co-operative context with narrow individualism and lack of solidarity*. The evidence indicates that it is rather associated with *collectivism and solidarity* defined in *occupational* terms, as in the typical trade union. The value of equality, which is strong in the Norwegian dairy co-ops, as well as in many occupational groups within trade unions generally, is an introverted one which does not extend beyond the particular collectivity. Thus it cements the latter and underlines the distinction between its members and the 'others' outside it. Rather than a competitive market orientation, the relatively formal

approach dominant in the dairy co-ops is empirically associated with a predilection for *central planning*. The functioning of the latter, like that of the ideal market, is associated with *formal* rationality, and an instrumental approach to social interaction, as Weber showed with his model of modern rational bureaucracy.

It would appear from the study that *the material and institutional structures of the dairy co-op federation act like Weber's classical 'iron cage/ steel shell'* -- or, to use an appropriate metaphor, a *steel (milk) tank*. Inasmuch as they are 'victims', co-op leaders and their supporters become trapped in an instrumental mode of thinking and reasoning about their co-ops. Alternatives to orthodox modern production and structural concentration are simply excluded. The contextual, institutional -- rather than more generally cultural -- nature of the constraint in reasoning is however apparent in the commitments of the same people to political campaigns for autonomy and de-centralisation.

Centralisation/ decentralisation

The '*centralised -- decentralised*' dimension was referred to in Section 1.3 as 'collective -- individual', where it was identified as an antinomy or opposition at the heart of liberal democracy. As it mainly involves the opposition between small and big collectivities in the present context, I find the former pair of terms more appropriate. Organisationally, the question is the extent to which the autonomy of an individual or group must, or should, be compromised for the good of a larger collectivity. This dimension also has a bearing directly on the physical organisation of production, with centralisation involving structural concentration and mass production, and de-centralisation implying the converse.

While the above two dimensions of difference are distinct, they are not unrelated. In Section 5.6 I discussed the limitations posed by organisational size on individual democratic participation, and the consequent tendency for democracy to take on an increasingly formal, instrumental character as organisational size increases. Equally, centralised production means in practice radically disembedded mass-production, of the 'orthodox modern' kind. In these cases, the democratic and productive processes respectively are reduced to means, which tend to be defined in terms of efficiency, and adapted accordingly. These processes are thereby removed from considerations of substantive meaning and values. The reverse relation does not hold in general: a formal, instrumental perspective on production and organisation may conceivably rather lead to instrumental individualism -- of the kind found in the world of small business, as well as in orthodox economic and liberalist theories -- and thereby a de-concentrated structure. Thus the latter, in turn, does not necessarily imply a substantive perspective on organisation and production; while the reverse seems plausible: that is, that a substantive perspective on organisation and production tends to favour a de-concentrated business strategy.

When we examine the empirical evidence from the co-op disputes and debates, a link between the two dimensions is most readily apparent in the principled arguments *against* structural concentration and centralised control. These generally express a more substantive perspective on production, democracy and the co-ops than the arguments in support of concentration.

On the other side in the disputes, the picture is more complex. Official discourse in the co-ops, iterated by co-op leaders and *Bondebladet*, promotes structural concentration while stressing the instrumental character of the organisations. However, the empirical evidence

does not indicate that centralism and structural concentration in the dairy co-ops derives from a purely formal perspective on the co-ops, production and society. Though they put forward instrumental arguments, couched in terms of efficiency, supporters of structural concentration often relate their material goals to deeply-held substantive values. These include equality, and an autonomous status as primary producers. Indeed, they often include a de-concentrated structure in primary production. In other contexts of wider political discourse, co-op leaders and their supporters are generally committed to economic and political de-centralism. However, the means for attaining the material goals is a centrally-planned orthodox modern system of production in the co-ops. This is not so much deliberately chosen by present-day leaders as inherited by them in a strongly institutionalised and materialised form. Together with this system goes an organisational tradition, or institutionalised commitment, which brings the dairy federation leaders to disregard the principle of organisational autonomy, and interpret the principle of democracy in a largely formal, instrumental way.

By juxtaposing the two dimensions in a classic 2 x 2 diagram, fundamental mechanisms of governance can be discerned:

| | centralised | de-centralised |
|--------------------|-------------------------------|----------------------------------|
| formal | <i>bureaucracy/ hierarchy</i> | <i>market</i> |
| substantive | <i>public enterprise</i> | <i>substantive co-op network</i> |

Fig. 6.1 formal -- substantive v. centralised -- de-centralised

Because public enterprise is often necessarily both centralised and substantive, it is also often inherently unstable. Though the combination 'substantive -- decentralised' is stable, a co-op network can only survive if its members are committed to the high ideals of substantive co-ops and a decentralised network.

I have also explored the political implications of the centralised/de-centralised axis:

| | Left (egalitarian society) | Right (elitist society) |
|-----------------------|--|--------------------------------|
| centralised | <i>Marxist and mainstream social-democratic</i> | <i>orthodox conservative</i> |
| de-centralised | <i>communitarian-anarchist, 'new Left', 'rural Labour'</i> | <i>(neo-)liberalist</i> |

Fig. 6.2 Left -- Right v. centralised -- de-centralised

Here it is harder to say that any of the cells is 'unstable', though the de-centralist Left is very diverse.

TINA v. the possibility of being 'different'

In my account of change in the dairy co-ops in the second sub-section, the focus was on agency in the form of the elite, and how they and their formal approach attained a dominant position with the help of the state and various institutional arrangements. But what about the potential of agency to *create and sustain business policies and practices that differ from the dominant ones*? This -- rather than the co-operative organisational model itself -- is the underlying concern of the study.

The importance of *organisational autonomy* has also been underlined. It is clearly a precondition for the formulation of socially consequential policy, and the adoption of practices, other than those currently dominant in the organisation's environment. In other words, *'alternative' organisations, and policies and practices of a substantive economic character, can only be viable insofar as they are able to make autonomous decisions.*

As we have seen, institutional arrangements can undermine autonomy by centralising power. In the case of the *dairy* co-ops, federal integration has been involved, linked to a *corporate* system. The findings of the present study would lead us to conclude that it is the latter which has enabled *federal integration* to *expand at the expense of co-operative autonomy*. Comparison shows that though the meat co-ops are also federally organised, they are much less dominated by their federation.

Ultimately, the key to maintaining 'different' business policies and practices is a shared commitment to do so. Without that, autonomy is of little value. Obviously, while commitment and autonomy are necessary, they are not sufficient. There are plenty of examples of co-ops that have failed to survive financially. But to conclude that financial survival is only possible through the abandonment of substantive co-operative or other principles is a mistake. An alternative route to financial survival would appear to be via the abandonment of the orthodox modern model of production. This in turn requires the abandonment of the latter by a sufficient segment of consumers to make alternatives viable. The autonomy of producers is thus contingent on the consent of consumers.

In reflecting on the theme of autonomy, I implicitly link the co-op disputes and problems with the more general ones of government in an age of 'globalisation'. As indicated in the short discussion of the politics of 'globalisation' in Section 2.1, governments appear -- and even claim -- to be powerless in the face of the relentless expansion of impersonal global 'systems'. The findings of the present study suggest that the appropriation of political power by these systems is a matter of institutional arrangements. The maintenance and further development of global systems is very much a political issue involving real choice, even if it is kept out of the fora where it should be openly debated and contested. It would appear that the political rhetoric of 'force of circumstances' (TINA) has been seized on almost universally as a convenient means for off-loading responsibility onto the impersonal system of the market, and thereby avoiding hard choices and the blame for unpopular decisions. As in co-ops, we see that if autonomy is to have any substance, it must be backed by a commitment to substantive values. And again, such a commitment on the part of leaders is not enough: committed members are also required, for otherwise leadership will soon be undermined. Also here, the room for alternatives is constrained by the willingness of consumers to deviate from the behaviour attributed to and expected from them by theorists and practitioners of formal economics.

The study has made clear that there is no reason to expect the policies and practices of the formal version of co-ops to take into account any broader social considerations than those of joint-stock companies. Therefore, when considering co-operatives and other types of non-standard businesses, it is important to make clear the distinction between formal and substantive versions.

POSTSCRIPT

'Maynard Keynes in my youth in London once said to me that ultimately economics made no sense except in a supreme human context and failed if its own material instrumentally was not related to ultimate and classical humanistic preconsiderations. He had not long before written a book that made his reputation, *The Economic Consequences of the Treaty of Versailles*. I wish he were here today to write on the economic consequences of, say, the inferiority complex, or another, for that matter, on the totality of complexes which represents the loss of meaning men find in themselves, their institutions and societies. The loss of output on the factory floor, the loss of attendances in church, all I am certain are directly proportionate to the decline in the input of meaning from the life of our time.'

(Laurence van der Post (1978): *Jung and the Story of our Time*. Penguin, London.)

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