Botschaft
der Bundesrepublik Deutschland
Ankara

2nd Agriculture, Food & Nutrition Policies Summit

Co-operatives in Agriculture - German Model

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A Co-operative is…

- an enterprise
- natural and/or legal persons join voluntarily, because they
    - share at least one common interest and
    - **to achieve their goals together better than alone.**

Entrepreneurial Activity for the Members

Not shareholder value maximization

but

Membership value maximization through**:**

➔ better prices
➔ lower costs
➔ access to inputs
➔ (additional) services

„Together we are strong“.

Agricultural Co-operatives in Germany (2017)

- Number of Co-operatives: 2.104
- Members: 364.000 (without credit Co-operatives)
- Turnover: 63 billion €
- 50 % of total turnover in agriculture by Co-operatives.

Higher Farm Income through Co-operatives

Higher Farm Income through:

- 1. Turnover (Price) increase

  and/or
- 2. Cost reduction.

1. Higher Prices through higher quantity

Coops impact on **Quantity** of supply

- Be able to offer more than one farmer or a small number of farmers can produce
- Can lead to price increase
- Example: Fill a ship for export ("minimum Quantity").

Example for minimum quantity for export (figures of 2016/2017)

Term	Unit	Result
Capacity of Panamax ship	tons	60.000
Average Farm Size in Germany	hectar	60
Thereof under Cereals (assumed 67 % of total size)	hectar	40
Average Yield (Wheat) in Germany	tons/ha	7,5
Wheat Production by average Farm	tons	300
Farms needed to produce Capacity of Panamax ship	Number	200

Higher Price through better Quality

Production of a better quality (e.g.: cooperative for quality wheat production)

Dry (clean) cereals to reach minimum quality and higher prices.

Coops ensure high Quality

- Quality controls
- Work with reliable quality assurance systems
- Guarantee a complete proof of origin
- Quality and safety are top priorities
- Branded products of cooperative origin are therefore highly valued by trading partners and consumers both at home and abroad

- Production of a homogenous quality.

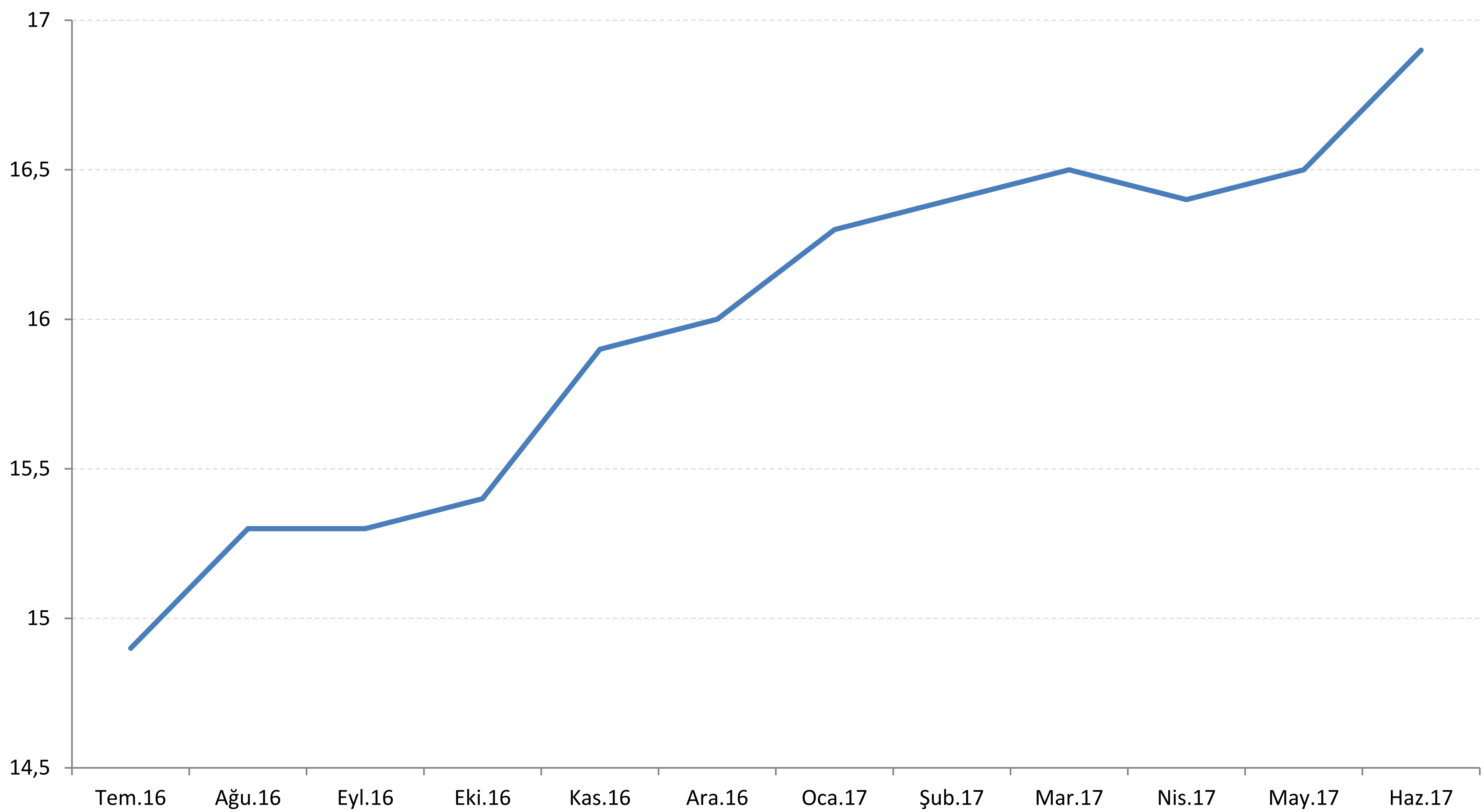
Supply at the right time

Storage capacity is needed.

- Price increase to the end of the season through availability of storage capacity

- Example: Bread wheat price on the German market.

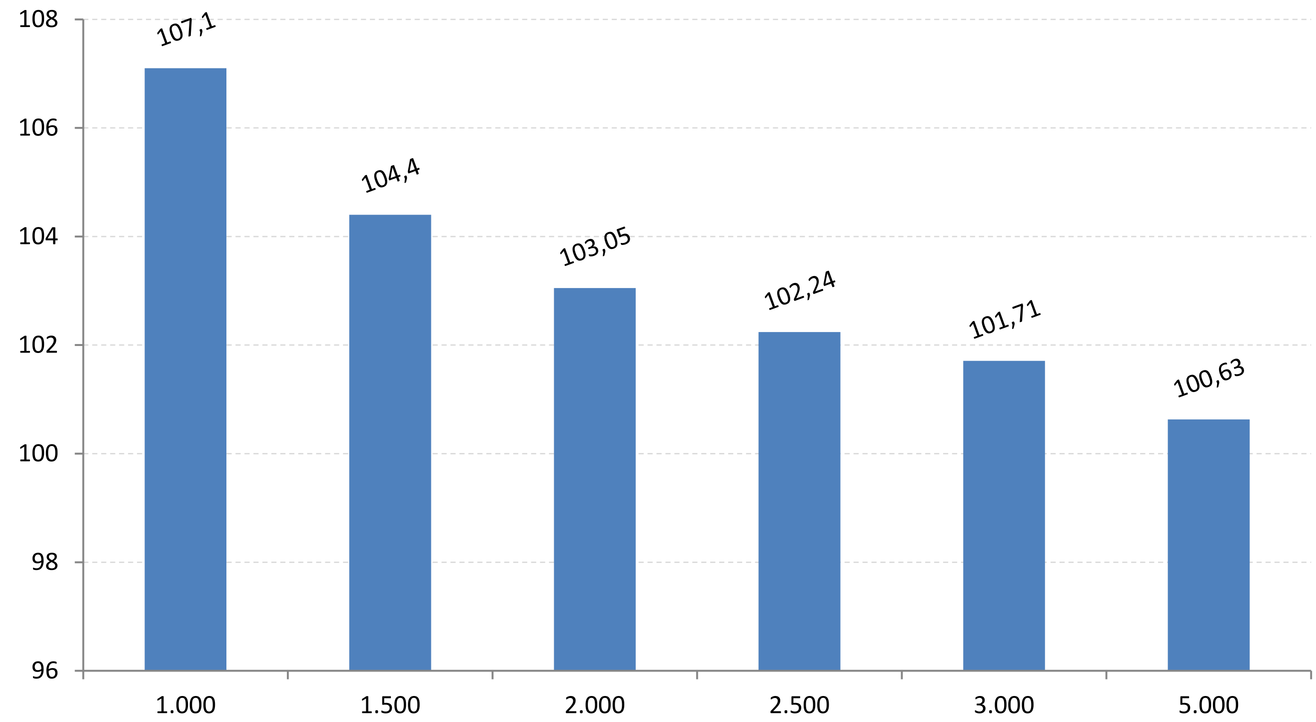
Producer Price for domestic Bread Wheat



2. Higher Farm Income through Cost reduction

- Buying in a higher quantity for a reduced price (e.g.: fuel)
- Possibly in better quality (feed)
- Generally: Increasing availability of inputs in rural areas through coops.

Fuel Price according to Purchase Quantity



Services of Coops for a better Market Position

Examples:

- Better access to information (Extension for production methods, new products, plant protection advice, renewable resources)
- Better access to machinery
- Better access to inputs (fuel, fertilizer, plant protection).

Conclusions

- Advantage of a membership in a Co-operative through
  - Higher turn over
  - Lower costs
  - Access to inputs
  - Services for members.
- In more and more globalized markets competition in agriculture becomes ever more intense.
- Coops strengthen farmers position in the market.
- The more, the smaller farm structure is.
- Against this background I’m sure Co-operatives strengthen the position of Turkish farmers as well.

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Thank you very much for your attention

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Annex

- Further Information on German Co-operatives

On the basis of: - Andreas Kappes: Competition Edge through Co-operation
- Figures of the German Raiffeisen Association

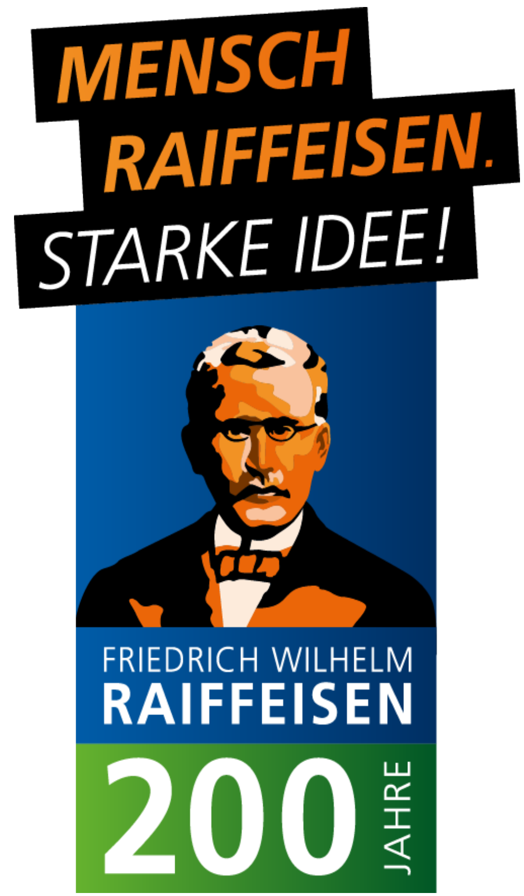
Co-operatives– A Successful Idea Fit for the Future

- **Middle of the 19th century**: Foundation of the first cooperatives through Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch

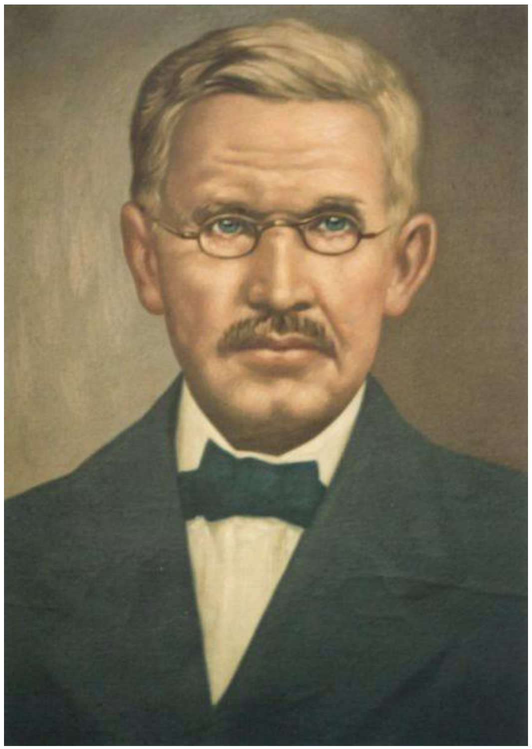
- **1870ties**: First co-operative federations

- **1889**: Passing of the German Co-operative Societies Act

- **1972**: Merger of the Raiffeisen and Schulze-Delitzsch organisations
  ➔ Establishment of DGRV



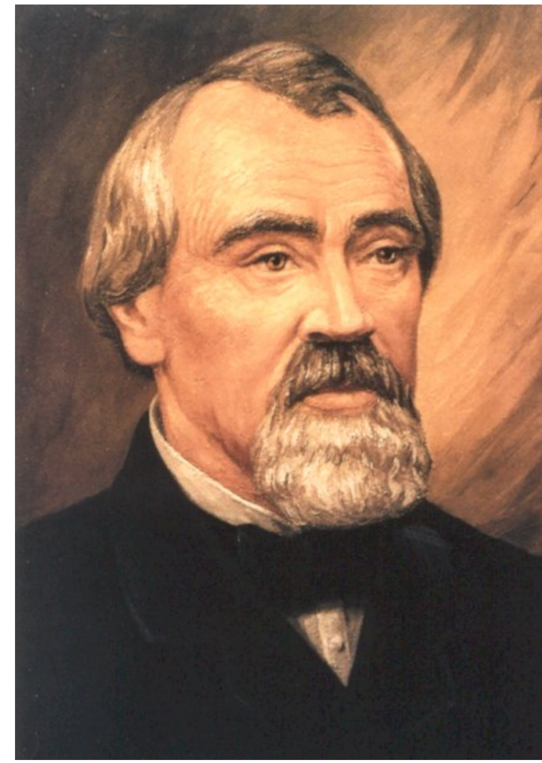
Co-operative Principles



Friedrich Wilhelm
Raiffeisen

Guiding Principles:

- ✓ **Self-help**
- ✓ **Self-responsibility**
- ✓ **Self-administration**



Hermann
Schulze - Delitzsch

DGRV – German Co-operative and Raiffeisen Confederation

- National head organisation
- Top-level auditing federation

…. for the co-operative group in Germany

- Largest economic organization in Germany in terms of members:
  - 5.514 co-operatives
  - > 890.000 jobs
  - > 19 mio. members
    (excl. 1,925 housing co-ops,
    2,8 mio. members)

- **German co-operatives:**
  → 160 years of successfull business-tradition

Germany: Legal Frame - Stable since 1889

- Special co-operative law (no choice of legal form): Co-operative Societies Act
- Contains the co-operative principles
- Creation of a „eG“ (reg. coop. soc.) with three persons/ enterprises already possible
- Legal continuity creates stability
- Last amendment in May 2018
- „eG“ by far the safest legal form in Germany with regard to insolvency

Cooperatives in Germany: Key Data 31.12.2017

	No.	Balance sheet total	Members
Savings and Credit Cooperative Banks	915 [1)]	891 billion €	18,51 Mio.
Central Banks and specialized Financial Institutions of the cooperative financial Link-up System (FinanzVerbund)	10	545 billion €	
	No.	**Turn-over**	**Members**
Raiffeisen commodity, service and agricultural cooperatives incl. centers	2.104 [1)]	62 billion € [2)]	1,3Mio. [3)]
Small-scale industry commodity and service cooperatives incl. centers	1.342	133 billion € [2)]	0,32 Mio.
Cooperatives in Renewable Energies	862	1 billion € [2)]	0,18 Mio. [2)]
Consumer and Service Cooperatives	379	1 billion € [4)]	0,3 Mio. [2)]
Total	**5.514** [2)]		**19,71 Mio.** [2) 5)]

1) Incl. 98 cooperative banks with agricultural trading services
2) preliminary figures
3) incl. members of 98 cooperative banks with agricultural trading services
4) Estimated
5) incl. multi-memberships

Division of Labour on Secondary Level

Non Financial Functions

Co-operative Federations

- Training, HRD
- Auditing
- Technical Assistance
- Data Processing / IT
- Deposit Protection
  Institutional Protection

Financial Functions

Co-operative Apex Institutes
Coop. Central Banks

- Liquidity Compensation
- Re-finance
- Giro-system
- Credit Funds

Commercial Centrals in Agriculture and Trade

- Centralized Purchase
- Centralized Marketing
- Import / Export

Primary Co-operatives

Important Institutions in German Agriculture

Ministries of Agriculture (federal & state-levels)

Joint Committee on German Agriculture

DBV
German Farmers Association

approx. 300,000 farmers and families as members,

local-regional-national structure

DRV
German Raiffeisen Federation

members: 2,104 agricult. coops,
5 central institutions,
Co-operatives: 400,000 memberships,
turnover 62 bn. €

local-regional-national structure

Association of Chambers of Agriculture

Chambers of Agriculture
farmers: mandatory membership

DLG
German Agricultural Society

> 25,500 nat. + internat. Members

enterprises in agro-business

approx. 276,000 Farmers (> 5 ha: 250,000 farmers)

Agricultural Co-operatives in Germany

Kind of Co-operative	Number	Members (1000) in (2016)	Turnover (billion €)
Credit (with supply and marketing)	98	934	
Supply and Marketing	273	85	35,5
Central (Supply and Marketing)	5		
Dairies of which processing enterprises	198 32	69	13,7
Livestock and meat	85	125	7,0
Wine-powers	162	41	0,8
Fruit, vegetable and gardening	83	21	3,3
Agric. Co-operatives (primary production)	714	23	1,8
Other agric. Co-operatives	486		0,9
Total	2.104	1.298	63,0

Co-operatives – Important Partners in Agriculture

<u>In Germany:</u>

- 50 % of turn-over in agriculture by co-operatives
- Market share of co-operatives:
  - approx. 30 %: wine, meat
  - approx. 50 %: fruit & vegetable, cereals
  - approx. 60 % milk
  - 28% of agricultural land use in Eastern Germany
  - 33% of agricultural exports from Germany
- Co-operatives serve as bridges to the markets

Structural Changes in Agriculture

	No. Of farms	Average farm size	No. of coops
1950 Western-Germany	1,600,000	8 ha	23,750
2017 East & West Germany	268,000	62 ha	2,104

Agricultural co-operatives respond actively to structural changes:

- **Mergers**
- **Close-down of co-operatives combined with transfer of business to other co-operative enterprises.**