

### The history of the Danish cooperatives

The Danish cooperative movement dates to the 19th century. After the United Kingdom and France had achieved initial success with the formation of cooperative industries within weaving and financial institutions, Denmark implemented the approach within the agriculture and food sector.

This resulted in the beginning of cooperative dairies, slaughterhouses, egg productions, feed industries and retail associations in the 19th century.

The cooperatives in Denmark started out within the grain industry, but gradually the mindset emerged to both the milk, cattle and pig production to meet international demands. Ever since the start, the Danish cooperatives has had a global mindset. The farmers imported grain for their animal production from the United States and started exporting processed goods to nearby markets - primarily the United Kingdom.

During the 20th century, some of the Danish cooperatives developed and continues to be a very central part of the agriculture and food sector.

Collaboration is the essence of Denmark's DNA within food and agriculture.

Denmark was one of the first countries with a cooperative movement within the agriculture and food sector



### The business model of a cooperative

The cooperatives were established with the aim to unify the farmers' resources and ensure that each farmer got a proportional share of the profits. In a cooperative it is the suppliers who own the business in collaboration and it has voluntary and open memberships. The core of cooperatives consists of mutual obligations: an obligation to deliver and an obligation to purchase. Consequently, there is a solidarity of sales as both small and large suppliers are paid the same amount per unit for their goods.

A cooperative is owned by the farmers through memberships and all farmers take part of the daily operation. It is a democratic membership where the standing principle is one co-owner = one vote. The profits of cooperatives belong to the members and are distributed in proportion to their share of contributed yields.

When taking part in a cooperative, it becomes easier to reach economies of scale and increase both efficiency as well as the farmers' marginal profit and at the same time lower the consumer price. By cutting the middlemen, farmers are closer to both production, food processing, delivery and sales.

### Today - fewer and larger cooperatives

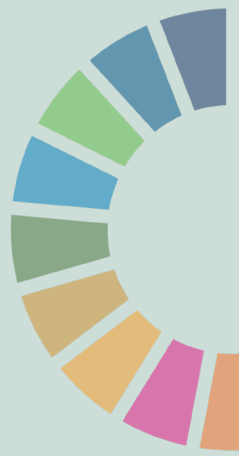
In Denmark, cooperatives have had a huge impact on the country's economy. Cooperatives were some of the first Danish companies to export food products and today, several of them are still among of the world's largest within their respective industries and have formed the very backbone of Denmark as a food nation.

Cooperatives were originally established to pool farmers' resources, knowledge and yields. Even though producer-based cooperatives still have their production facilities jointly owned by the farmers and share the profits, recent decades have been characterised by consolidation, mergers, acquisitions and internationalisation. As a result, we in Denmark today have fewer but larger Danish cooperatives in each of their fields, e.g. Arla Foods, DLG and Danish Crown.

### Cooperatives and the Sustainable Development Goals

Sustainable development is at the very core of cooperative enterprises and they are recognised as important partners to achieve the UN Sustainable Development Goals (SDGs), as they promote democracy, enhance income, foster social inclusion and care for the environment.

Cooperatives play a vital role in strengthening local community needs and objectives as the business model is based on ethical values and principles whose goal it is to provide for the needs of their members. Cooperatives has thus been acknowledged for contributing to social inclusion and poverty reduction, in particular in developing countries by the United Nations.



### Globalisation and the role of cooperatives in the future

The world as we know it today is fundamentally different from the one that led to the cooperatives' formation more than a century ago. With globalisation, climate change, demographic shifts, changes in consumption patterns and technology, cooperatives must take the necessary steps to become future frontrunners.

Running a cooperative involves both pros and cons, which the Danish agriculture and food sector has experienced throughout history. Among the advantages is the strong vertical integration in the value chain, giving the cooperative great control of the products' journey from farm to the consumer. At the same time the transaction costs are minimised because farmers unite. Another major advantage is the division of labour within cooperatives where the farmers can focus on their core business and outsource activities to other parts of the cooperative organisation without compromising on the benefits that is returned to the cooperative members. However, working collaboratively has some drawbacks, such as the ability to artificially raise or lower agricultural and food costs. In addition, a potential conflict of interest may arise between the members and it can be difficult, especially for small cooperatives, to predict the cooperative's total production.

Denmark has a strong tradition for identifying challenges and enabling the dialogue that leads to solutions. Whether responding to consumer demands for innovative, high quality foods or cooperating with global business partners, the Danish food cluster continues to develop its culture of collaboration.