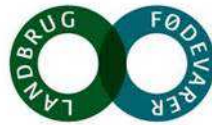


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Danish Dairy Board Brussels s.a.



Danish Agriculture & Food Council

# Developments in the Danish Dairy Cooperatives

How well prepared for the current market challenges?

Kirsten Holm Svendsen, Dairy Policy Director, Danish Dairy Board Brussels s.a.

# Historical background

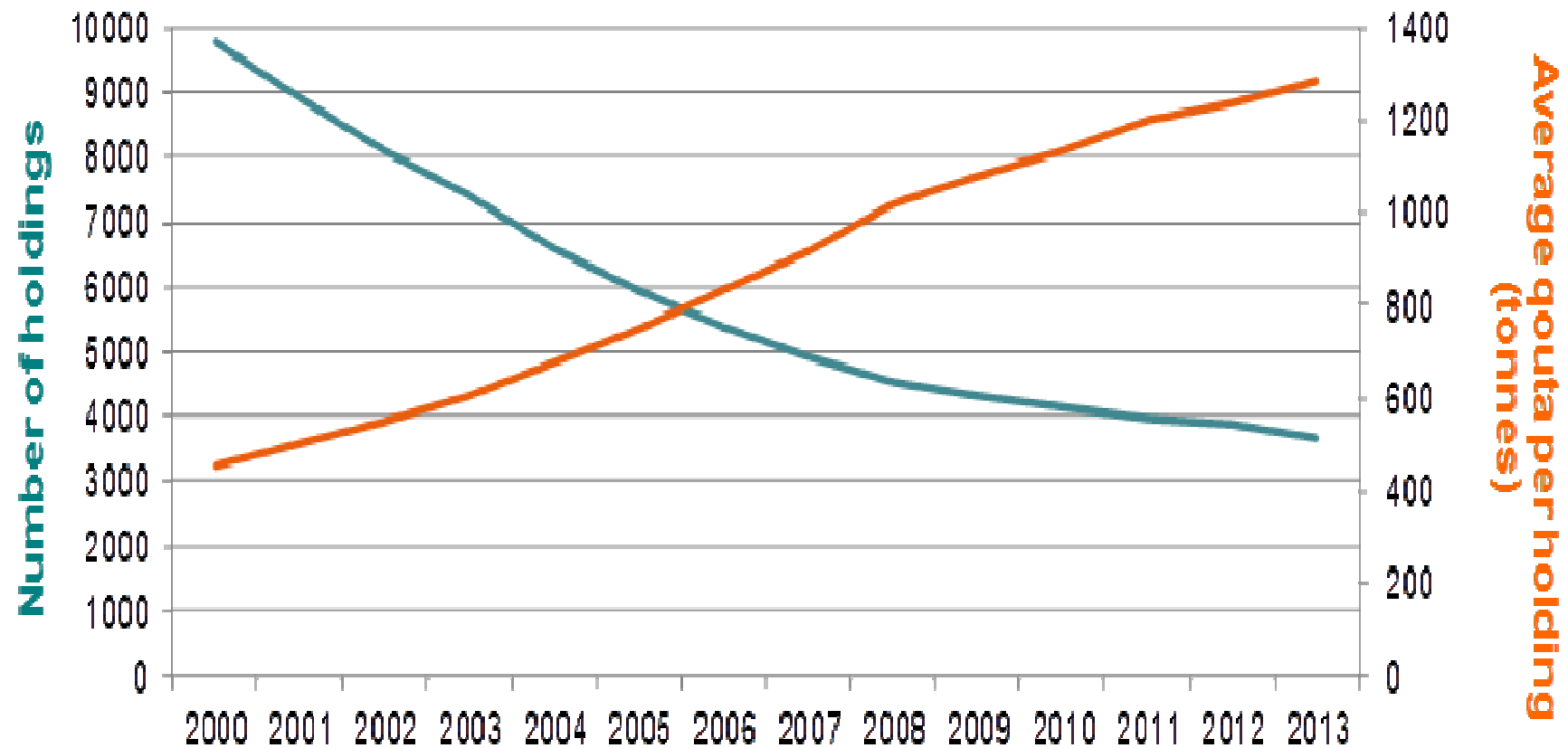
1882: The first dairy cooperative is founded

1900: More than 1.000 dairy cooperatives are established

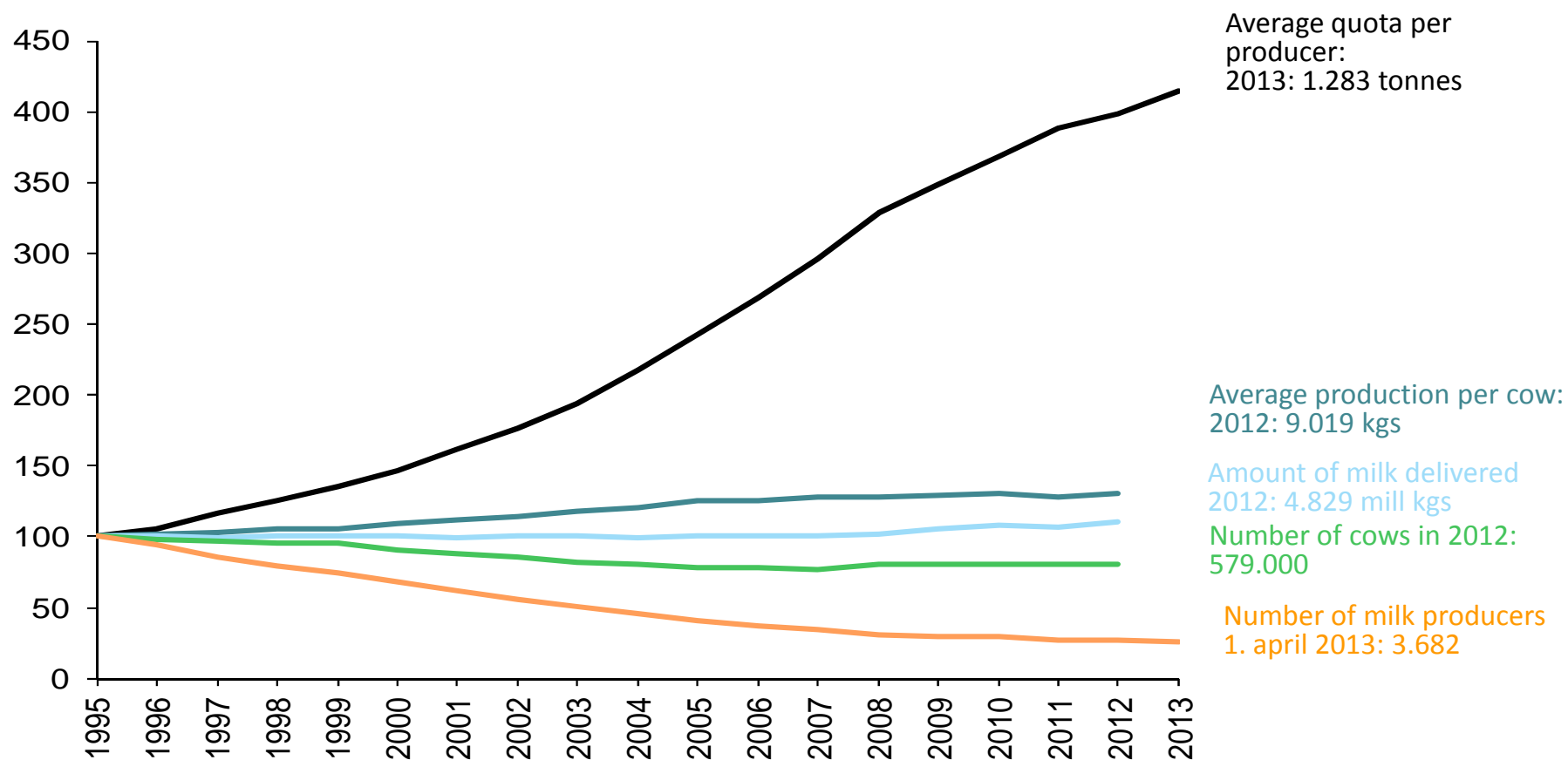
2014: More than 97% of the milk produced in Denmark is delivered to a cooperative dairy



# Number of producers and their average quota

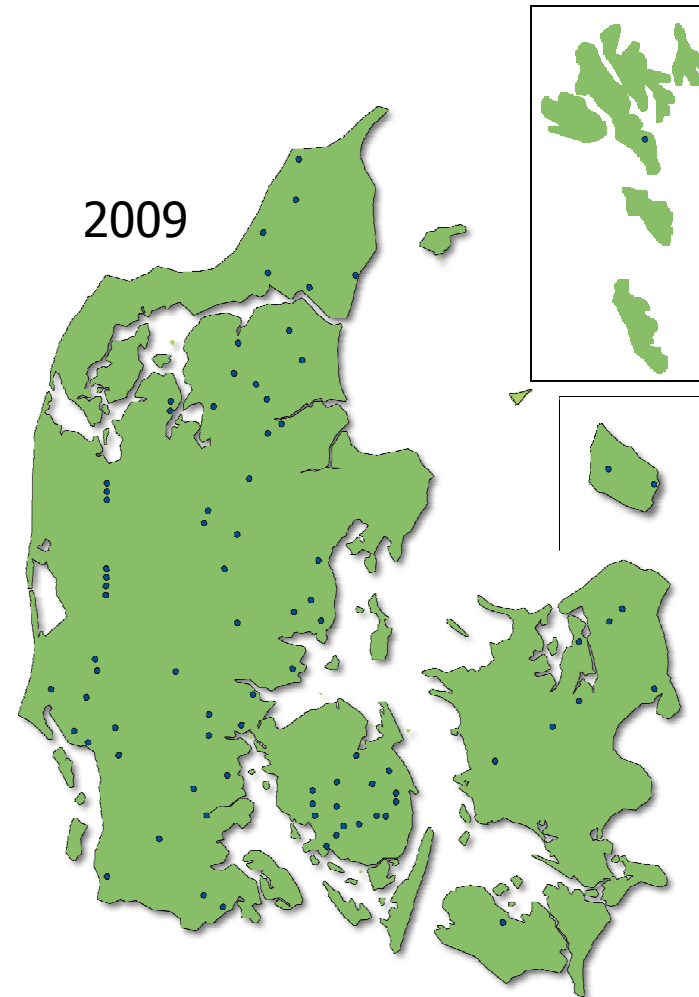


# Structural development in Denmark



1995 = indeks 100

# Dairies in Denmark



Full time employees: ca. 8.000

15.10.2010/ Dansk mejeribrug

/lwl<sup>5</sup>

ple

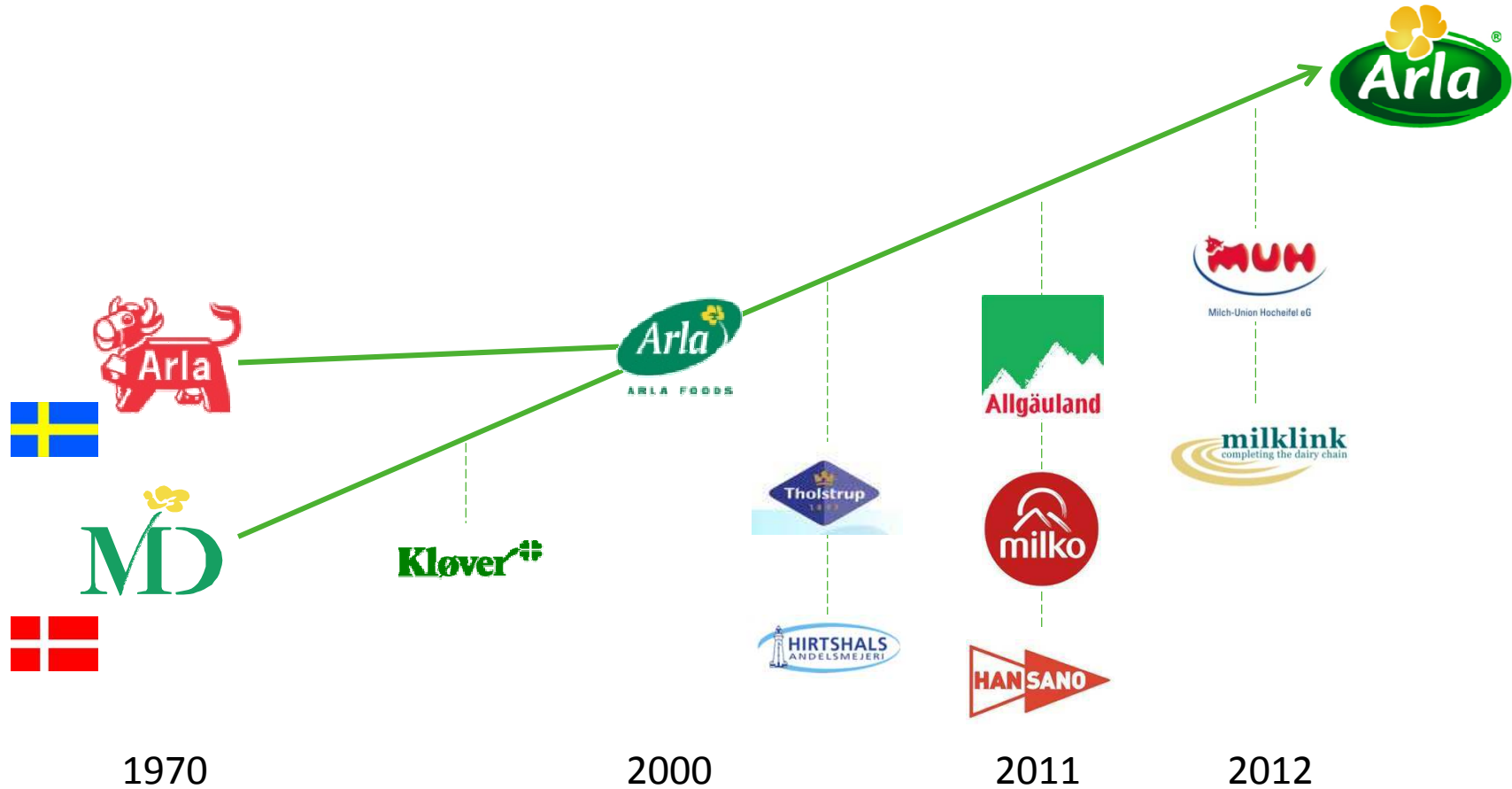


Arla

The image features the Arla logo, which consists of the word "Arla" in a white, rounded, sans-serif font centered on a vibrant green oval background. This oval is surrounded by a lush border of green foliage, including small white daisies and yellow buttercup flowers. At the top of the oval, there are several slices of bright orange citrus fruit. The entire graphic is set against a clear, bright blue sky. The word "ple" is partially visible on the left side of the image, likely from the word "people".



# Arla's progress since 1970



Source: Arla Foods, February 2013



Today, more  
than  
**13,400 farmers**  
from **seven**  
countries  
own the Arla  
cooperative

8





13,400+  
OWNERS

THE 5TH  
LARGEST  
DAIRY COMPANY

MILK INTAKE  
13.4+ BILLION KILO

PRODUCTS SOLD IN  
100+ COUNTRIES

10.6 BILLION EURO  
REVENUE

19,000+  
COLLEAGUES



- **FACTS/DENMARK**.....5,1 bn kgs
- Milk production.....4,8 bn kgs
- Milk producers.....3.500
- Average herd.....159 cows
- Average yield.....9.561 kgs
- Dairies.....34  
 The Danish Dairy Industry consists of 34 dairy companies with a total of 66 production plants all over Denmark. Danish Dairies process approx. 4,9 bn kgs of milk per year. Arla is the largest dairy in Denmark.
- Area.....43.098 km<sup>3</sup>
- Inhabitants.....5,6 mio

- **FACTS/ARLA DENMARK**

- Milk deliveries.....4,6 bn kgs
- Of which organic.....364 mio kgs
- Owners.....3.075
- Other producers delivering.....1.328
- Plants.....24

- **Products:**

Fresh milk, cream, butter (Lurpak) and spreadables, yogurt, cheese, sauces, chocolate milk, ice coffee and more.

- Fresh products 59%
- Cheese 24%
- Butter and spreadables 13%
- Others 4%



# The mission:

To secure the **highest value**  
for the farmers' milk  
while creating opportunities  
for their **growth**

# Some rights and obligations in a co-op

## Participatory democracy

- The board of representatives is the Co-operative's supreme decision-making body

## Membership

- Free entry except for a small fee (15,000 DKK ~ 2.000€)
- Exit is possible 4 months before year-end and owner certificate will be paid out

## Capital situation

- Owner certificates consolidate yearly after individual delivery

## Collection duty

- All the owner's milk will be collected

# Allocation of the milk price to the owners

*paid on account every  
2 weeks*

Payment on account

*paid once a year*

Supplementary payment

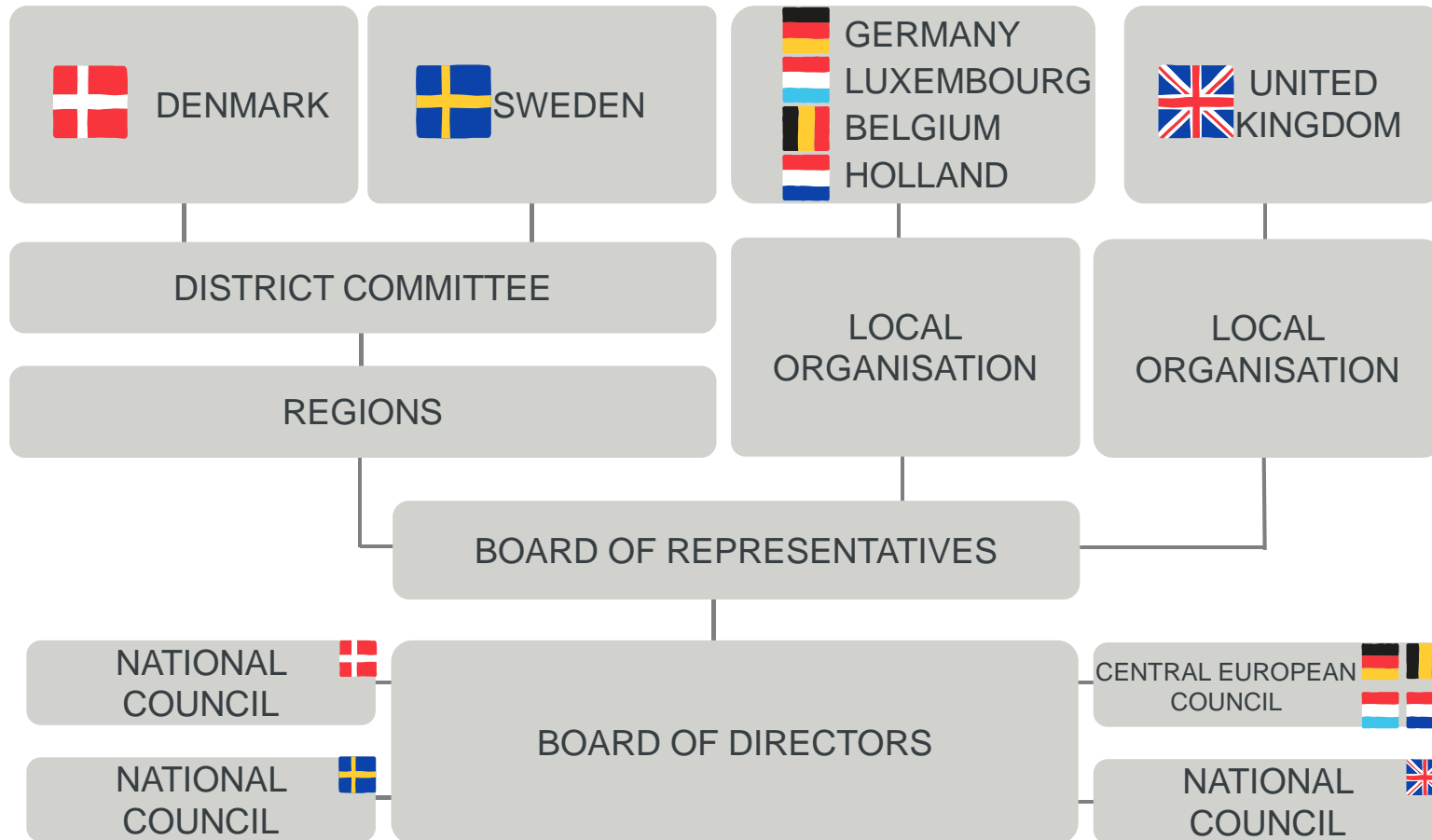
*saved in the company*

Individual consolidation  
*for owner  
certificate*

Collective consolidation  
*for development  
of the company*



# A democratic dairy cooperative



# Main characteristics

The Coop is an enterprise characterized by

- Simplicity – governed by only 24 rules
- Transparency – all rules are notified to the Competition authorities and the Coop's activities are monitored by the authorities
- Democracy – one man one vote
- Freedom of choice – owners are free to join and leave

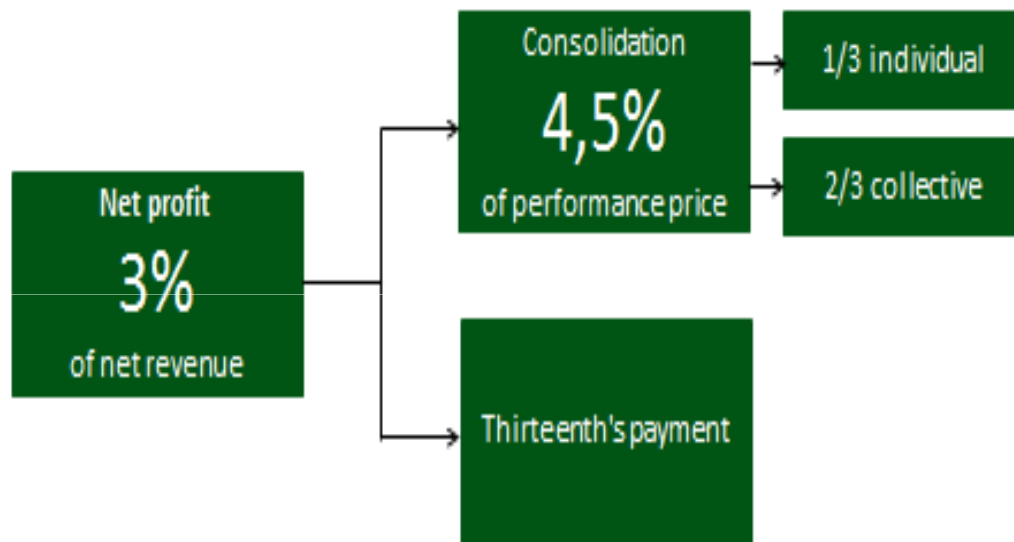
**Being organised in a coop does not automatically guarantee success. It all depends on the skills of the owners on the Board of directors.**

## Main characteristics (2)

- The coop provides the necessary influence for the producer.
- He owns the dairy and participates in the decision making process.
- Also in the determination of payments to the farmers

# What tools are available?

## Arla's consolidation and investment policies

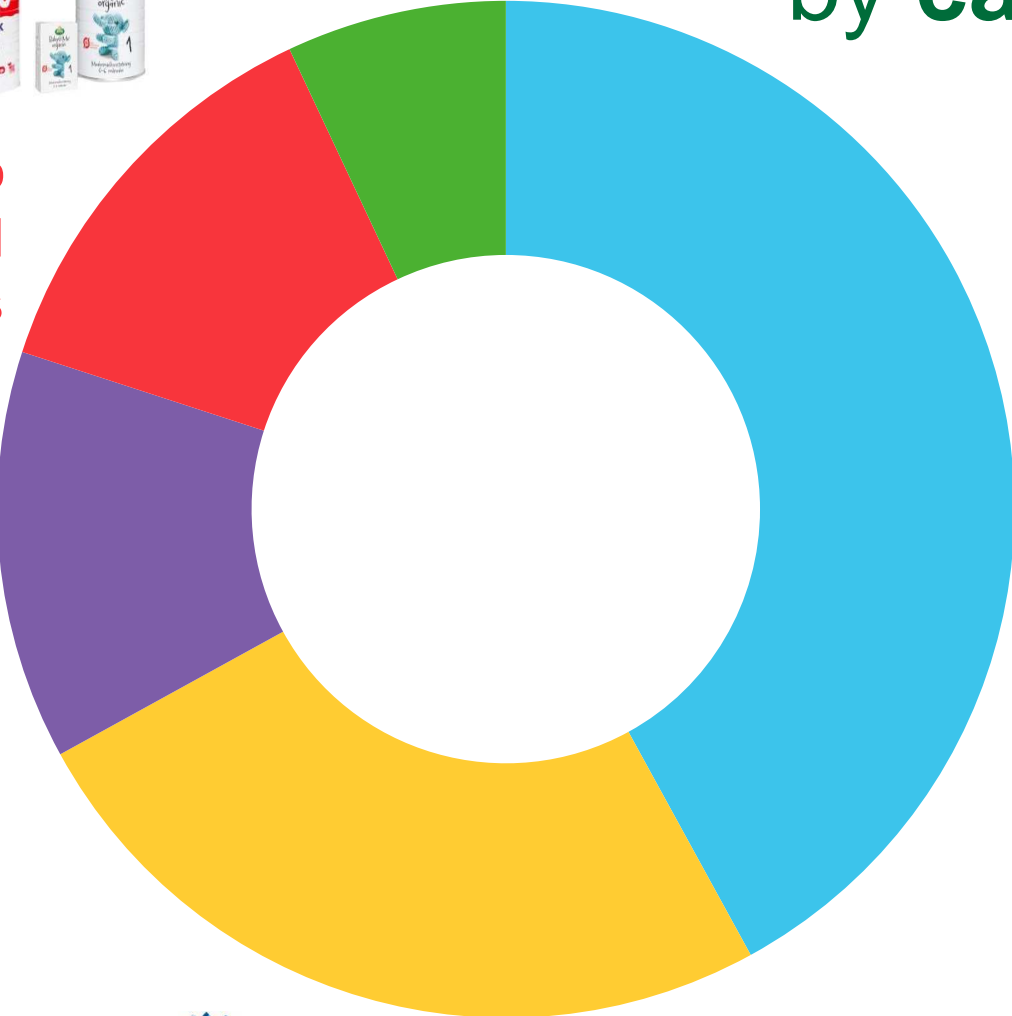


3%  
CAPEX investments

- Transparency
- Risk management
- Product diversity
- Market diversity
- More restrictive membership rules
- Need for consolidation
- Possible external financing
- A/B pricing system
- Decision: Lower the agreed net profit rate giving room for some flexibility in the price setting
- Supplementary payment of 1 eurocent/kg



# Arla products by categories



**13%**  
Milk powder and  
Whey proteins



**42%**  
Fresh  
dairy



**13%**  
Butter and  
spreads



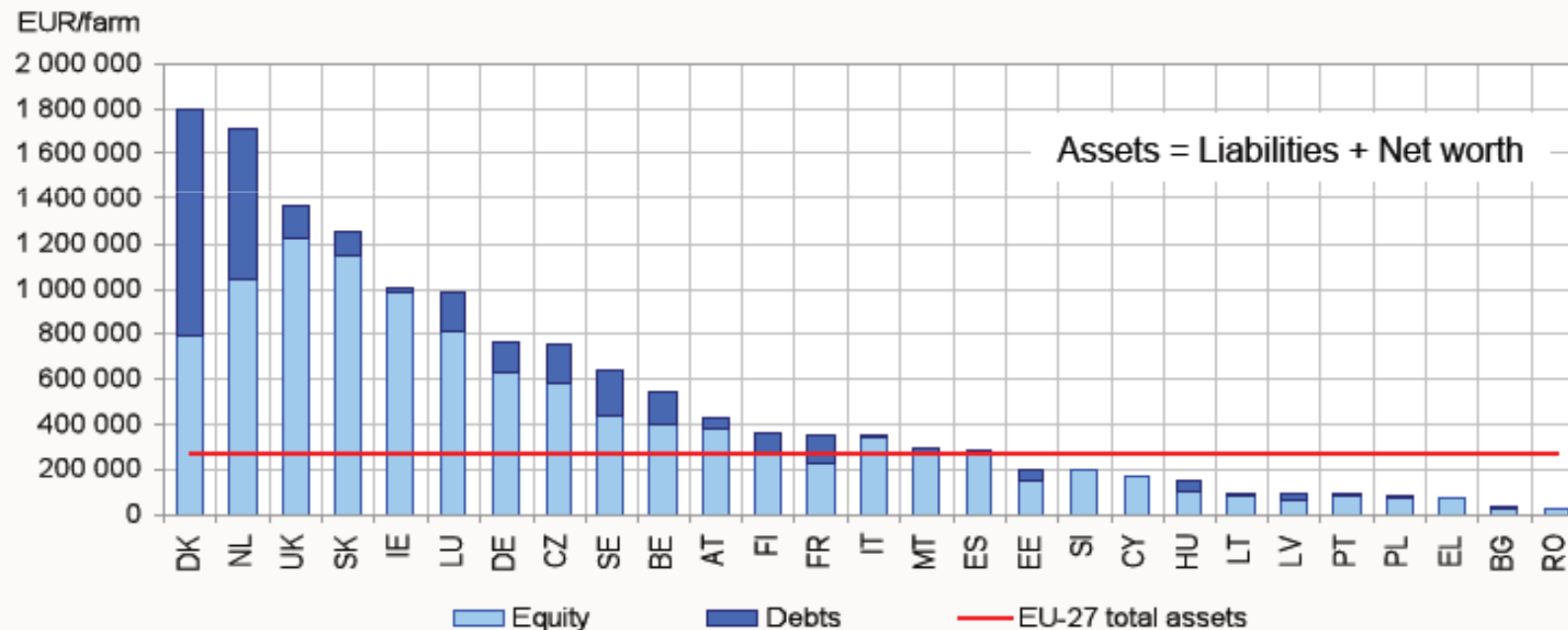
**25%**  
Cheese





# Agricultural debt structure in the EU

Figure 6: Farm financial structure per Member State in comparison with EU-27 average in 2007.



Source: DG Agriculture and Rural Development - FADN.

Note: Total assets are represented in the figure by the length of the bar, including both liabilities and net worth. EU-27 total assets weighted average expressed by horizontal line.

# Conclusions

- No one could be prepared for the perfect storm we have experienced
- The cooperative is a robust institution – the owners are well informed about the market situation and participate in the decision making

As for all companies:

- Good governance is essential
- Good products are essential
- A vision about the company and acting accordingly is essential

# Thank you for your attention!

KIRSTEN HOLM SVENDSEN  
DAIRY POLICY DIRECTOR  
DANISH DAIRY BOARD BRUSSELS S.A.

