

HOW TO FACILITATE SOLIDARITY AND PROFITABILITY ?

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How can cooperatives face large non-cooperative firms on the market?

How to manage solidarity and profitability?

Do cooperative principles need to be modified?

WHY HAVE PRODUCERS BECOME ORGANIZED?

Limited experience and information about exchange economy

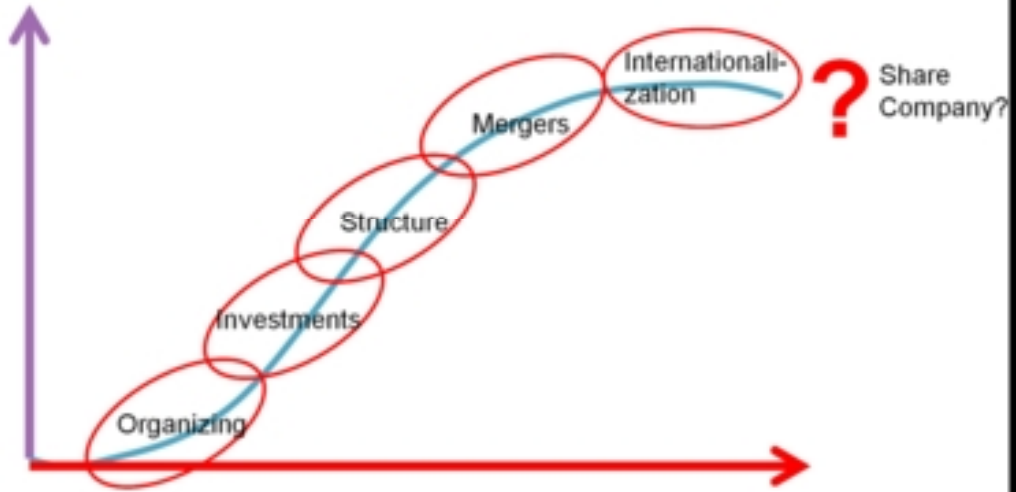
“Merchants often sell to farmers falsified goods, the state of which the latter are not able to examine, and the use of which, in the carrying of agriculture brings them considerable losses which have their effect for many years...” Gebhard 1916

Cooperatives become common in Nordic countries and in the US in the beginning of 19th century

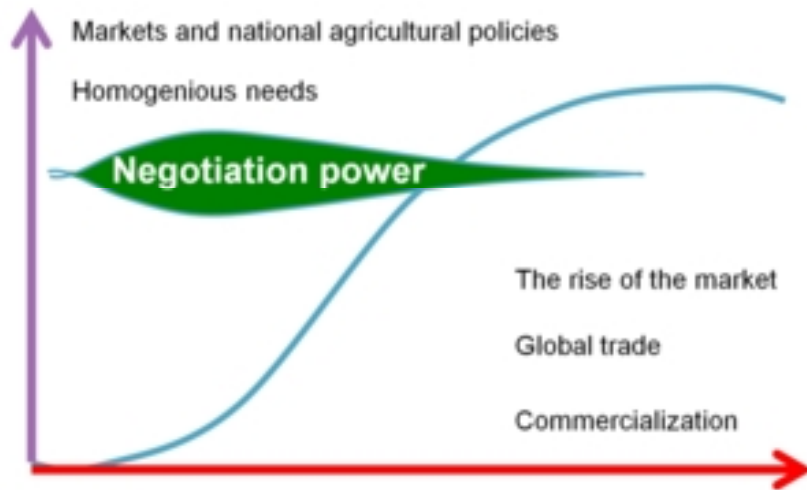
Countervailing power



Cooperative life-cycle



FARMERS' UNIONS



HOW CAN COOPERATIVES FACE LARGE NON-COOPERATIVE FIRMS ON THE MARKET?

Cooperatives' competitive advantages:

- **market power**
- **reduced uncertainty**
- **protection of transaction specific assets**
- **fairness**

If cooperatives are not able to deliver those advantages, they have difficulties in competing with Investor-Owned Firms.

HOW TO MANAGE SOLIDARITY AND PROFITABILITY?

DO COOPERATIVE PRINCIPLES NEED TO BE MODIFIED?

If a cooperative is not efficient, it is difficult to maintain solidarity.

- **Heterogeneity of interests**
- **Small and large producers**
- **Principle of equal treatment**
- **One member-one vote**
- **Transparency**
- **Patronage refund vs. interest for invested capital**

PRODUCER ORGANIZATIONS IN DEVELOPING COUNTRIES

Village and tribal levels
Lack of institutions and enforcement
Lack of market information
and trading skills
Conglomerates

Need for Producer
Organizations is as
bad as it was in Europe
one hundred years ago

