

# Horizontal and vertical cooperation in Dutch producer organisations

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## Outline of the presentation

- Motives for commercial cooperation
- Restructuring of agricultural cooperatives
- Horizontal and vertical cooperation
- Case: The Greenery / new growers' associations



## Three types of producer organisations

- Foundation (*stichting*)
- Association (*vereniging*)
- Cooperative (*coöperatie*)

## Motives for commercial cooperation

### *Motives*

Countervailing power  
Economies of scale  
Spreading of risk  
Reduction of transaction costs  
Access to resources  
Access to markets  
Product innovation

### *Examples*

Bargaining association  
Processing cooperative  
Mutual insurance company  
Cooperative auction  
Credit cooperative  
Marketing cooperative  
Marketing cooperative

## Developments among (Dutch) cooperatives

- *Farmer → Cooperative → Retail → Consumer*
- Increasing market orientation
- Increasing member heterogeneity
- Changing corporate governance
- Strengthening product innovation

## Characteristics of horizontal cooperation

- Function: countervailing power, economies of scale, spreading of risk
- Form: democratic decision-making, collective ownership
- Pooled interdependence
- Coordination by standardisation
- Homogeneous member interests


## Characteristics of vertical cooperation

- Function: market access, product innovation, reduction of transaction costs
- Form: bilateral or unified decision-making, divided ownership
- Sequential interdependence
- Coordination by direct supervision

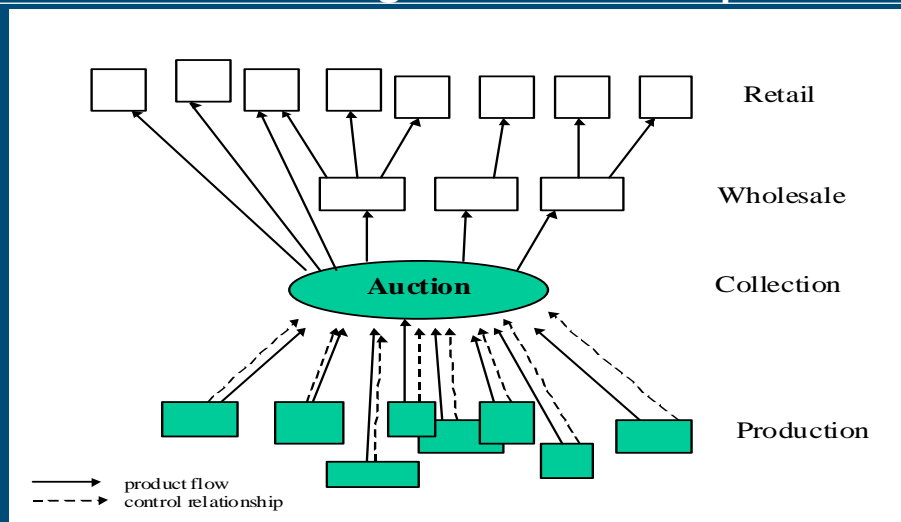
## From horizontal to vertical cooperation

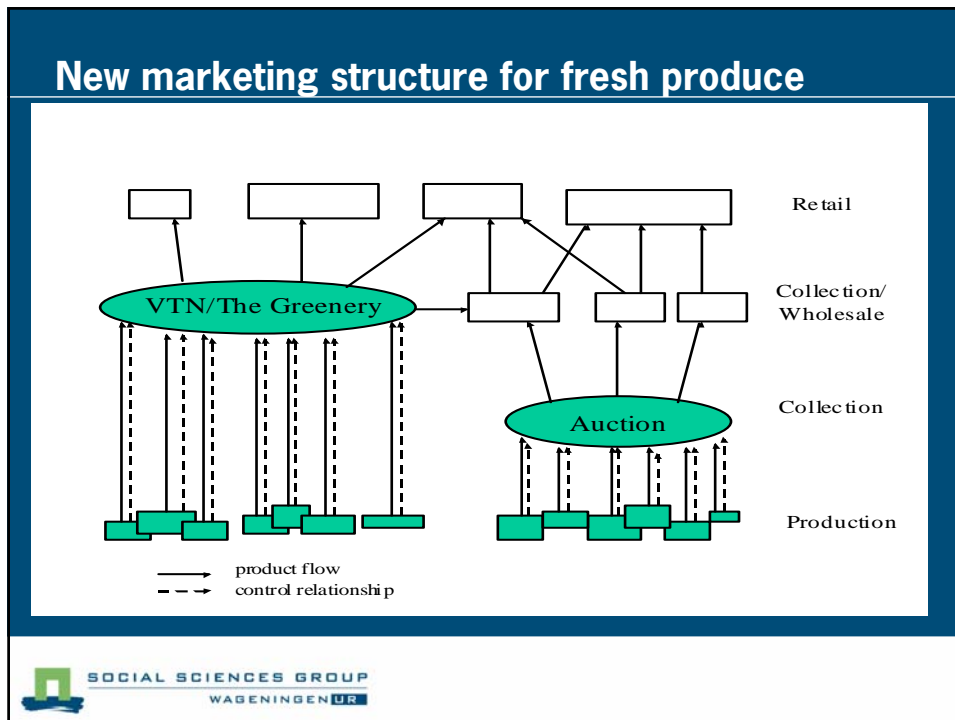
- Loss of member commitment
- More difficult decision-making
- Heterogeneity of interests increases
- Members setting up new bargaining groups

## Developments in Dutch fresh produce industry

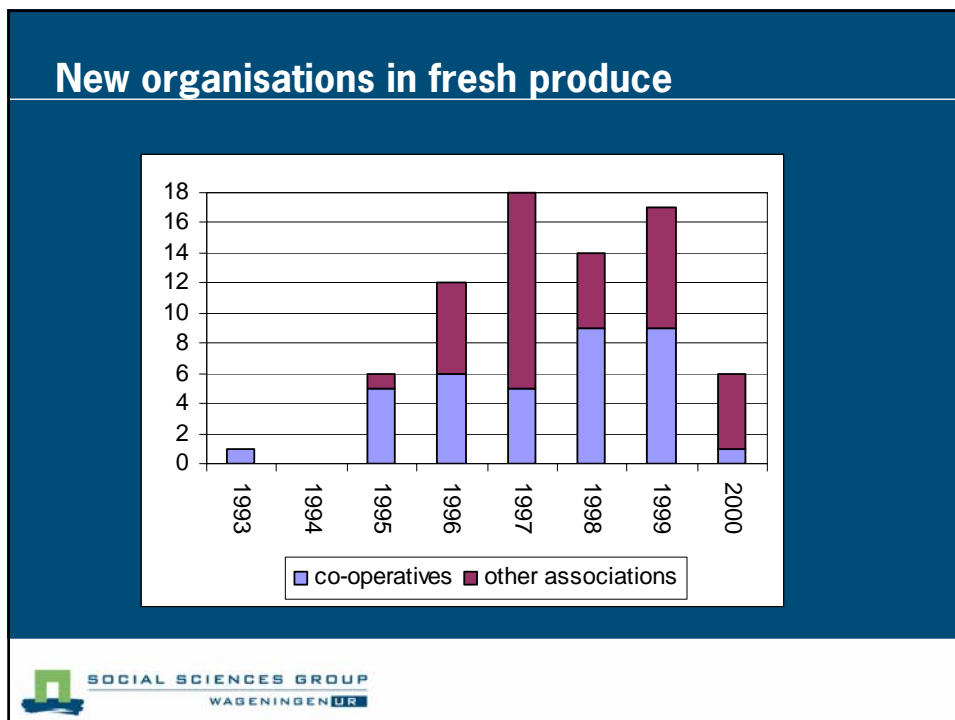
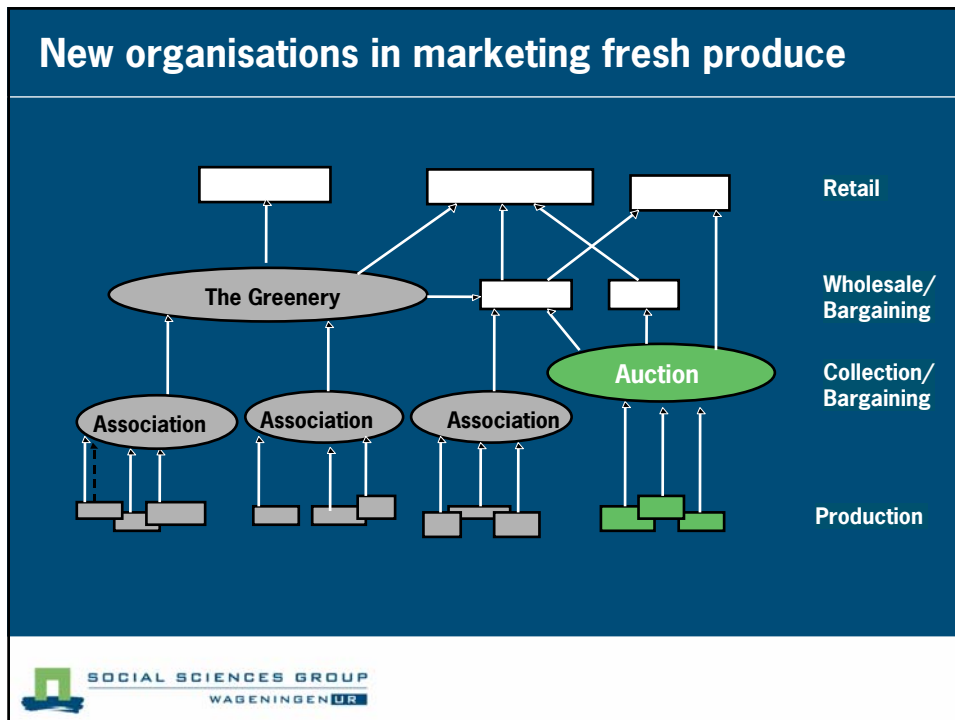
- The formation of 
- The establishment of many new producer organisations

## Traditional marketing channel for fresh produce





- ### Transformation process at The Greenery
- *Function.* from auction to trading company
  - *Organisation.* from several small homogeneous cooperatives to one large heterogenous cooperative
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## Conclusions

- Distance between members and traditional producer organisation is increasing
- Producers set up new organisations
- Producers choose between large and small organisation
- Large organisation may function as umbrella for small organisations