

COMPARISON OF THE PERFORMANCE OF DAIRY COOPERATIVES AND INVESTOR OWNED FIRMS IN DIFFERENT EU COUNTRIES

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Dairy cooperatives were established for different objectives than Investor Owned Firms (IOF), however, both types of firm function in the same market environment. Cooperatives are, to provide farmers who supply the milk, as the owners and the users of the cooperative, with more power to secure current and future returns. The IOF's were established to seek a high profitability for the investor-owners. Given the differences in objectives of cooperatives and IOF's, differences in their performance may be expected. The dairy market in some European countries is largely dependent on the performance of cooperatives and IOF's (for instance: The Netherlands and Denmark).

In this paper our objective is twofold. First, we compare the cost efficiency (decomposed into technical and allocative efficiency) of dairy cooperatives with that of the investment oriented firms in several European countries. Second, we develop a test for differences in allocative and technical efficiency between cooperatives and IOF's. Our methodology is Stochastic Frontier Analysis (SFA). The data are obtained from a European data-base, as an imbalanced panel (1996-2004) for a sample of 40 dairy plants, consisting of 18 cooperatives and 22 IOF's, from Belgium, Denmark, France, Germany and The Netherlands. In addition to the comparison between the cooperatives and investment oriented firms, the results provide comparison of the performance of dairy cooperatives in different countries

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