

Cooperation in Finland

and

**Pellervo, the Confederation
of Finnish Cooperatives**

Summary - Cooperation in Finland



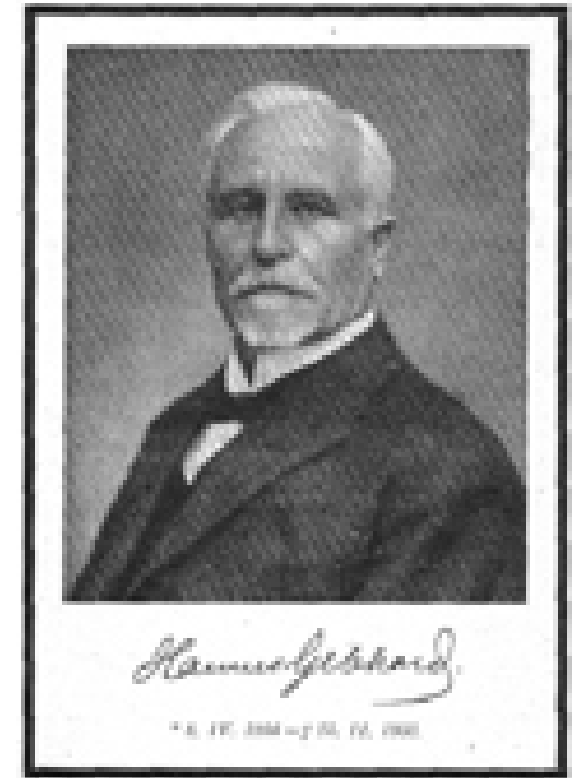
- The Cooperative movement came to Finland at the turn of the 20th century
- PELLERVO, Confederation of Finnish Cooperatives, was established in 1899
- The total number of cooperatives reached its peak in the 1930s: **6 000**
- In 2008, the number of cooperatives was **4 100** with **4 million** memberships - Finland has few, but large cooperatives
- Finland is the most cooperative country in the world with respect to total turnover of cooperatives in relation to GNP or total number of members in relation to population.

Summary - Cooperation in Finland



- Of the Finnish adult population **84 %** are members in at least one cooperative - average **2,1** memberships per person (survey 2007)
- At least 75 % of the Finnish households are members in a consumers cooperative. The Finnish food chain from stable to table is very cooperative: cooperatives have a market share of **96 %** in milk, **82 %** in meat and **44 %** in sales of daily goods
- Cooperative banks have a 35 % market share in deposits
- The forest-owner cooperative Metsäliitto (turnover EUR 6,5 Bn) is together with Arla the largest producer cooperative in Europe.
- New rise in the 1990s of so-called new cooperatives.

The birth of the Finnish co-operative movement



Hannes Gebhard
(1864-1933)

Considered to be the “Father of Finnish co-operation”.

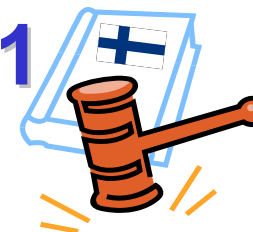
Conditions in Finland 110 years ago

- 90 % of population bound to agriculture
- Poverty especially in rural areas
- Mostly exchange economy in rural areas

Pellervo was founded in 1899

- After the foundation of Pellervo cooperation spread rapidly over the country. Ten years later there was a consumer coop, a cooperative bank and a cooperative dairy in almost every community
- The cooperative network model was built up in just a few years by the formation of secondary level cooperatives or companies: 1902 bank, 1904 consumer and 1905 dairy
- Cooperation played an important role in the vitalisation of the rural economy.

The first Cooperative Law of 1901



The impact of cooperation was described as follows:

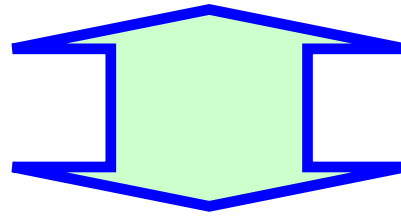
"Partly by saving, partly by supporting one another, even those of small means will be able to enjoy the profits of larger capital, buy their goods more cheaply, sell their products at better prices, and get necessary credit.

Cooperation can also promote thriftiness, activity, and solidarity.

It has therefore great economical, educational, and ethical importance."

Co-operative network model

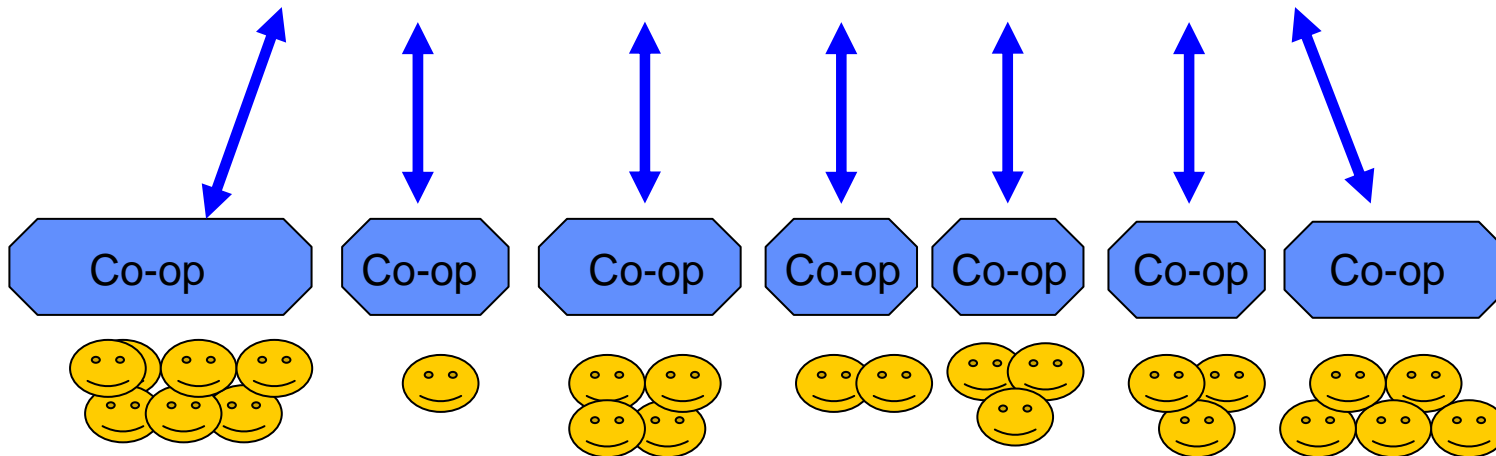
Market



Central co-operative

Secondary level

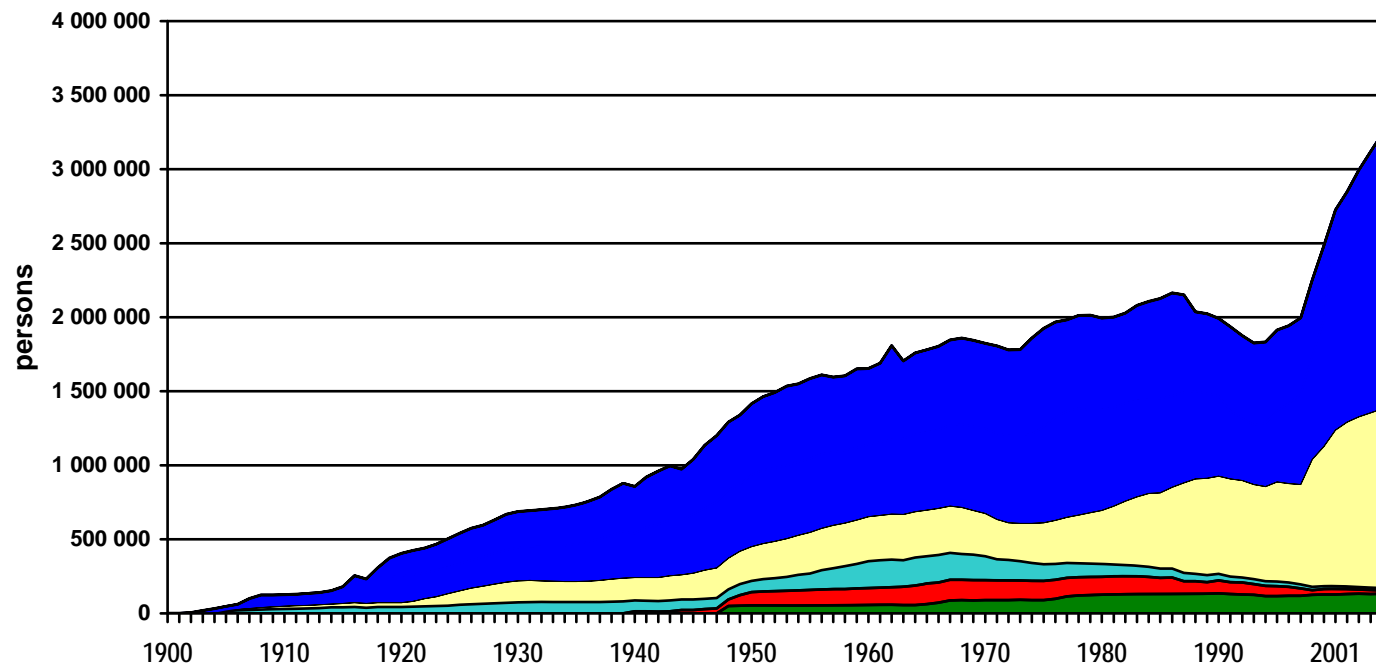
- Bank 1902
- Retail 1904
- Dairy 1905



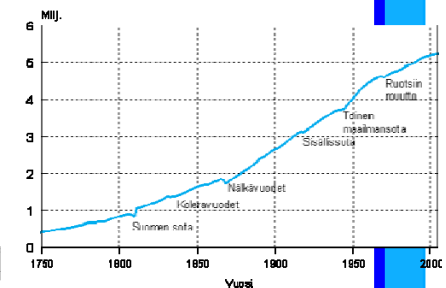
Primary level

Members

TOTAL NUMBER OF MEMBERS IN PRIMARY CO-OPS in 1902–2006 in Finland



Population:
 1900: 2,7 mil
 1950: 4,0 mil
 2006: 5,3 mil



The cooperative movement in Finland has found its place in changing economic conditions during the last century

Free market during the first two decades of the 20th century

- rapid spreading of cooperatives, especially consumer coops, banks and dairies, all over Finland

Era of protectionism started in the 20's , very strong especially after World War II

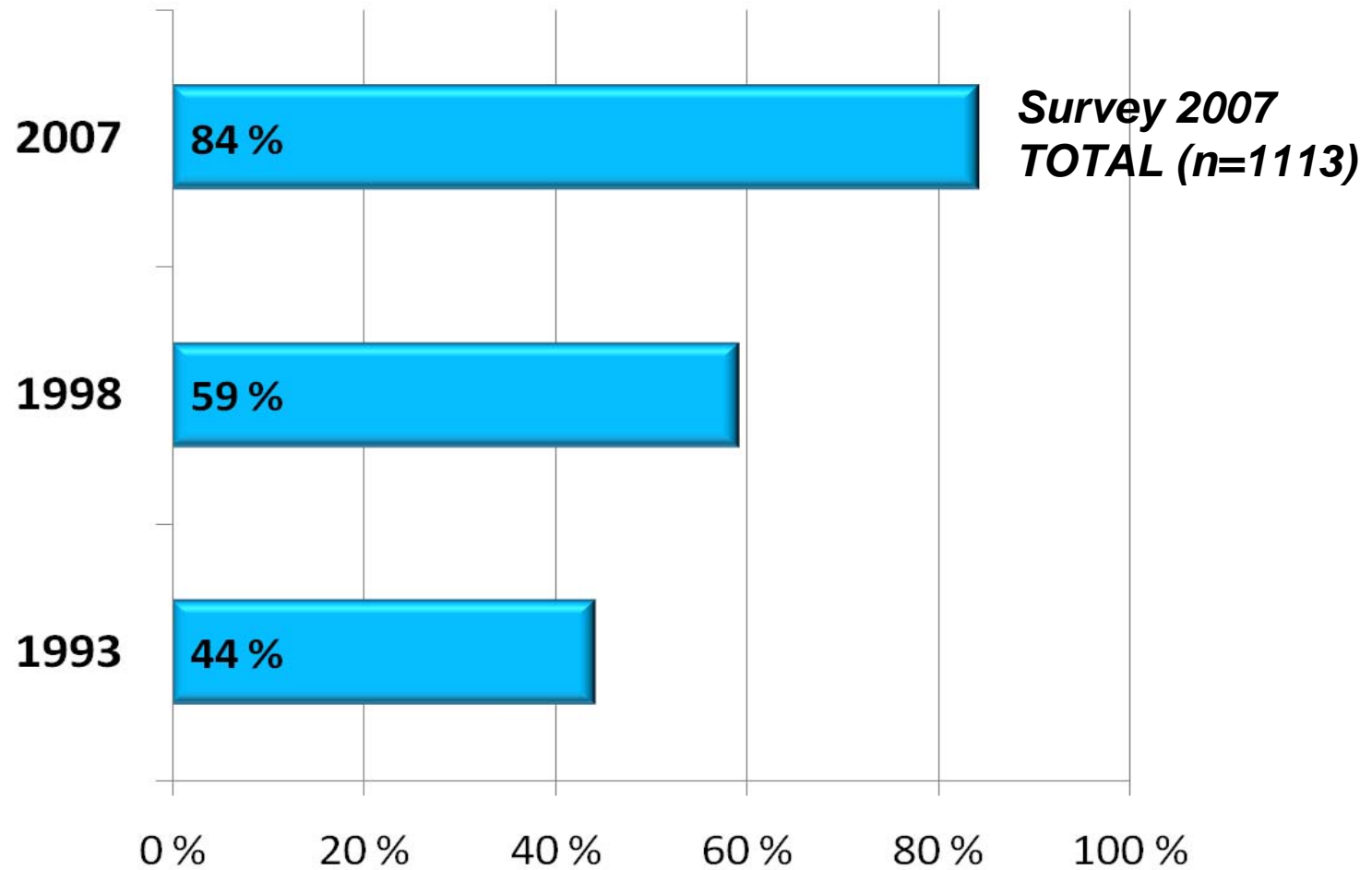
- cooperatives played a special logistic role behind the border barrier.
- economic aspects of business were often disregarded in the closed economy.

Rapid change in economy the last 15 years

- Change to a harder market economy began in the late 1980's
- Finnish EU membership 1995 (opening of markets for agricultural products in the EU)
- WTO (opening of markets for agricultural products in the world)
- Globalisation has forced the coops to find the competitive advantages in a new way.
- The corporation culture of coops suited for a closed economy managed to change to a corporation culture fit to open market economy. This has been essential.
 - Those who began developing processes in the 80's were in good condition in the 90's (for example S-group and Atria-group).
 - Those who began developing processes in the 90's had some difficulties, but many found their way (for example LSO, cooperative banks).
 - Some coops failed – the consequences were either bankruptcy (small dairies, Novera) or dept cutting (EKA, Elanto, Järvi-Suomen Portti)

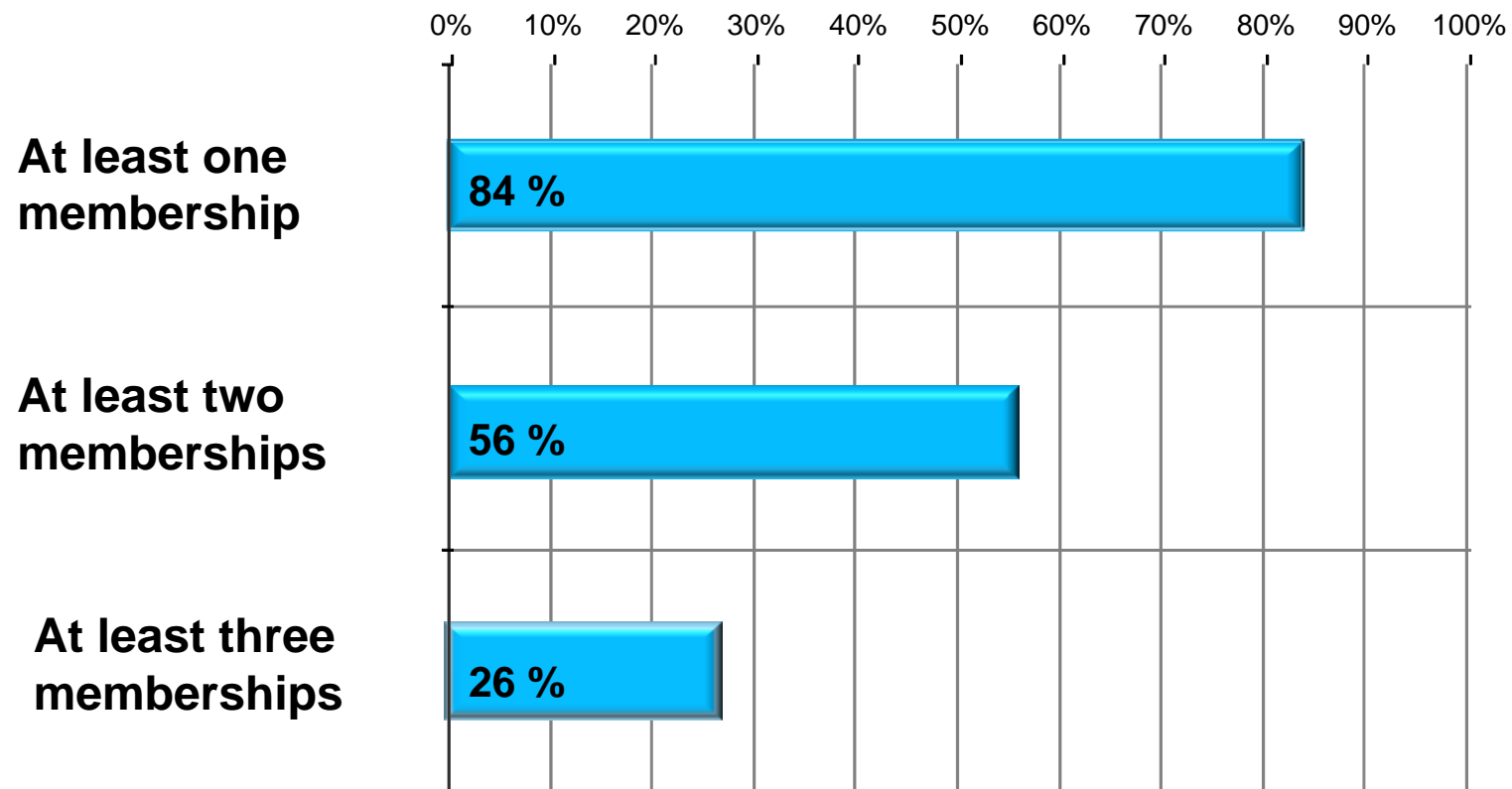
Part of population with at least one cooperative membership

The number has steadily been increasing in Finland



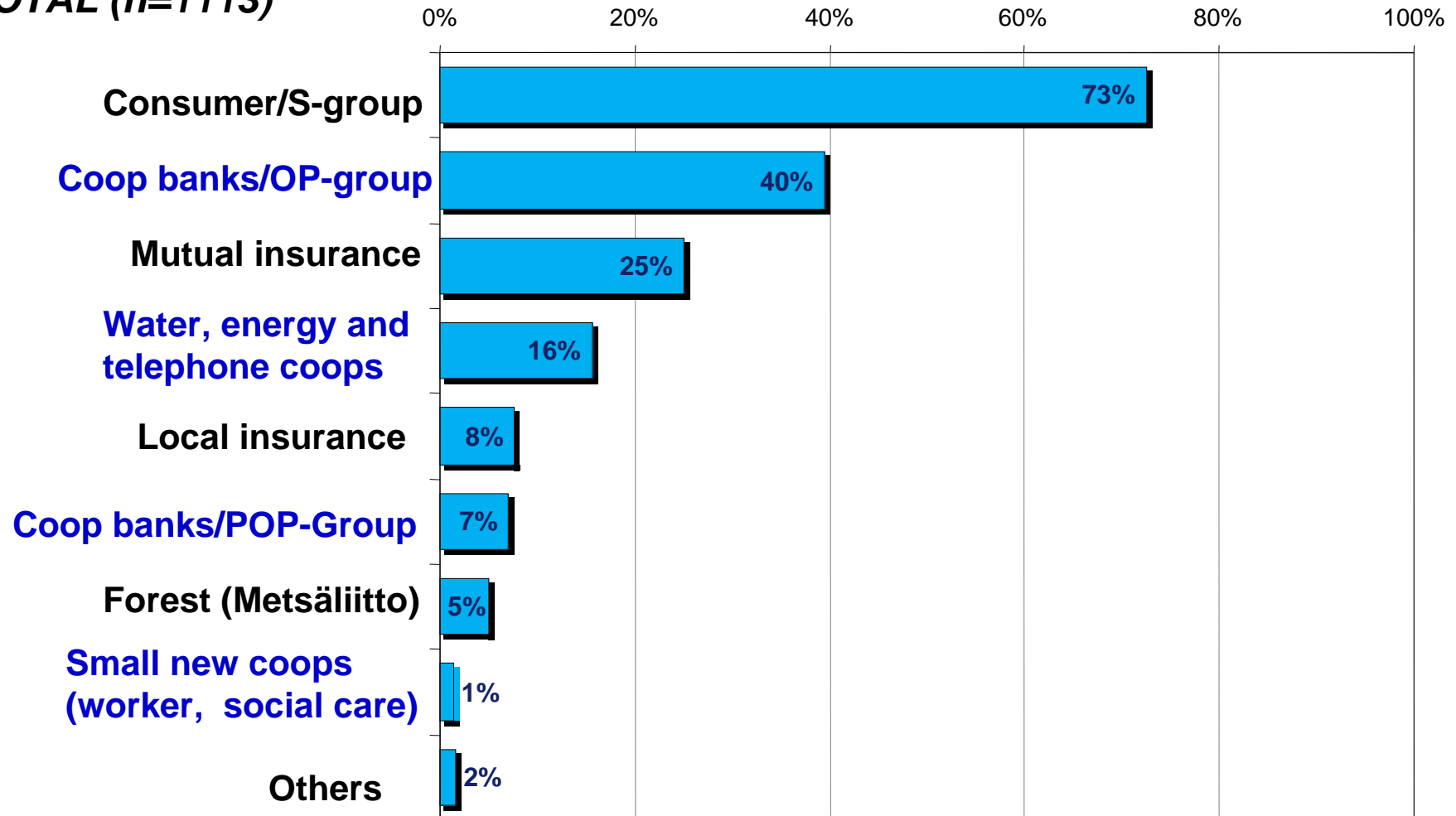
Increasing number of memberships in Finland

Average 2,1 memberships per person



Most members in consumer coops and coop banks

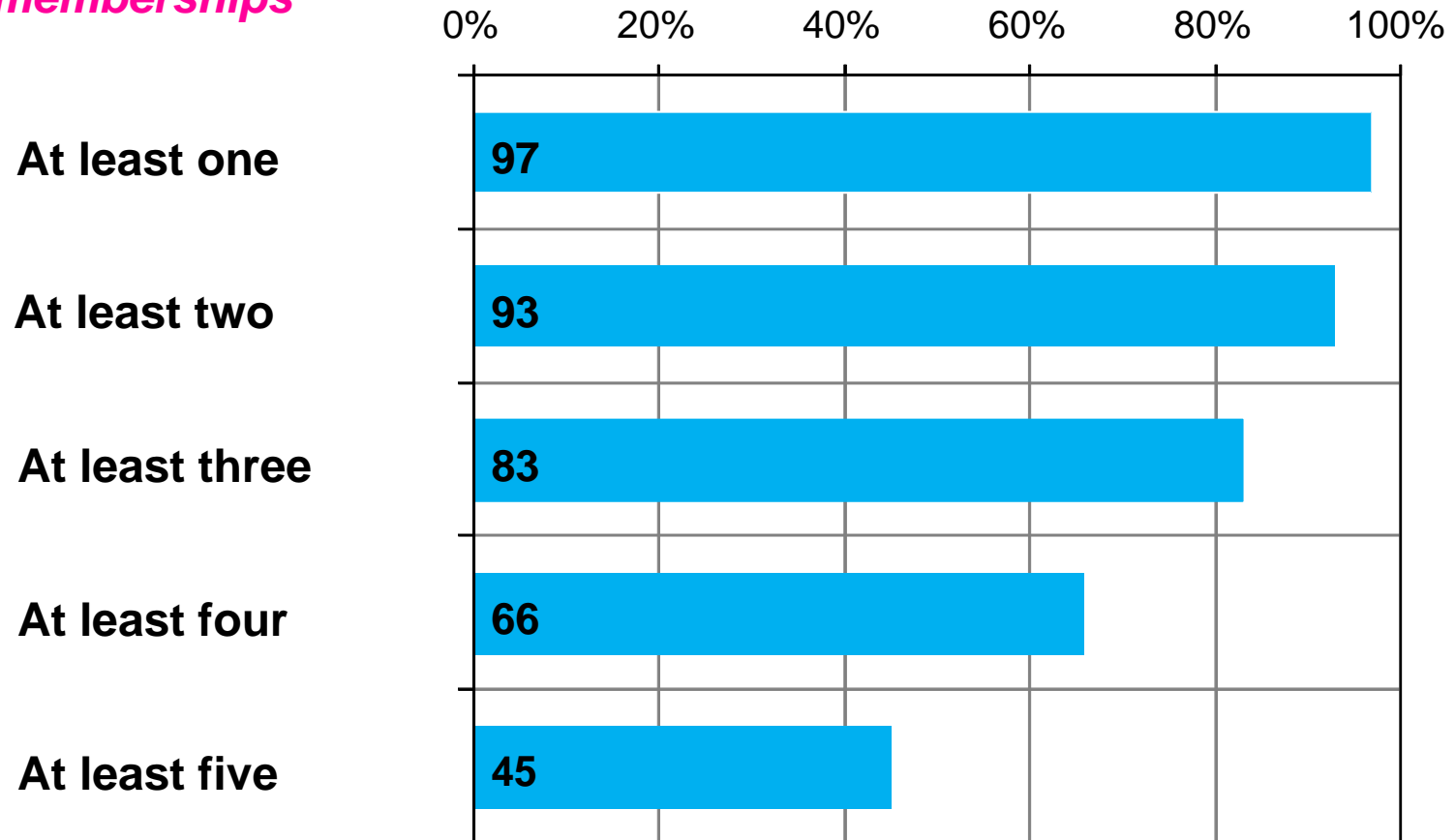
Survey 2007
TOTAL (n=1113)













Farmers have more memberships than average

*Average 4,1 memberships per farmer
In 1998 3,3 memberships*

(whole population 2,1)



Cooperatives and insurance associations
in Finland 2008
Facts and Figures

	Number of cooperatives	Members in cooperatives	Personnel in group	Turnover in group Mill €	Market share %
Meat cooperatives 	5	13 300	13 900	3 750	¹⁾ 83
Cooperative dairies 	26	11 500	4 900	3 100	²⁾ 97
Egg cooperatives 	2	350	140	55	³⁾ 47
Vegetable cooperatives 	4	500	60	50	15 - 40
Forestry cooperatives 	1	129 000	17 500	6 450	⁴⁾ 36
Animal Breeding 	4	28 000	470	30	100
Hankkija-Agriculture Ltd 	-	-	(1 400)	(1 060)	42
Consumer cooperatives 	34	2 155 000	41 000	12 600	⁵⁾ 44
Cooperative banks 	270	1 350 500	13 500	6 500	37 ⁶⁾
Insurance associations 	84	535 000	1 000	300	9 ⁷⁾
TOTAL **	430	4 223 150	92 470	32 835	
Small new cooperatives	2 790				

* Agricultural supply limited company, a subsidiary to largest consumer cooperative SOK

** Total number of cooperatives in Finland according to Trade Register was 4 100 at the end of 2008.

1) Meat from producers

2) Milk from producers

3) Eggs from producers

4) Share from market logging from private forests

5) Consumer cooperatives sales

6) Deposits

7) Premium income

Pellervo, the Confederation of Finnish Cooperatives

- **founded in 1899**
- **originally umbrella organisation for all cooperatives in Finland**
- **the consumer cooperatives left Pellervo as a group in 1993**
- **about 400 members 2009**
- **personnel 20**

Members of Pellervo (about 400)

192	Cooperative banks	+	
84	Cooperative insurance associations		Central Union of Agricultural Producers and Forest Owners (MTK)
22	Milk cooperatives		Finlands Svenska Andelsförbund r.f. (Swedish-speaking Pellervo)
3	Animal breeding cooperatives		Lähivakuutus Local Insurance Mutual Company
4	Meat cooperatives		Lähivakuutus, Federation of the Local Insurance Group
3	Cooperative retail societies		Metsäliitto Osuuskunta (Forest)
15	Other cooperatives		Munakunta (Eggs)
			Finnish Animal Breeding Association (SKJO)
			Osuustoiminnan Kehittäjät - Coop Finland ry (new-wave co-ops)
			Paikallisosuuspankkiliitto (42 local co-op banks)
		Valio Ltd	Milk processing and marketing, owned by the cooperative dairies

(1 January 2009)

The three main points of Pellervo's strategy 2006-2011:

To promote cooperation in a more and more international market economy Pellervo will

1. Promote and develop competitive operational preconditions for cooperatives (**lobbying**)
2. Improve the professional and intellectual skills of the administrators in cooperatives (**training, publications**)
3. Promote and develop the cooperative idea and the strategic advantages of user-owned enterprises and encourage the foundation of new cooperatives in all sectors of economy (**advice to small new cooperatives**)

MEMBER ORGANISATIONS

ANNUAL MEETING

DELEGATION (25)
Chairman **Tiina Varho-Lankinen** Vice Chairman **Tauno Uitto**

BOARD OF DIRECTORS (9)
Chairman **Martti Asunta** Vice Chairman **Tiina Linnainmaa**

MANAGING DIRECTOR
Veikko Hämäläinen

ADMINISTR. SERVICES

COOPERATIVE SERVICES
Sami Karhu

SWEDISH COOPERATIVE SERVICES
Per-Erik Lindström

PELLERVO MAGAZINE
Teemu Pakarinen

LEGAL SERVICES
Kari Lehto

COOPERATIVE DELEGATION
Otto Mikkonen

OSUUSTOIMINTA (Co-op) MAGAZINE:
Mauno-Markus Karjalainen
NEW COOPERATIVES: Juhani Lehto
INTERNET SERVICES: Markku Nummi

BRUSSELS OFFICE
Marjukka Manninen

FOOD & FARM FACTS LTD
(part of TNS Gallup)
Anne Kallinen

PELLERVO-INSTITUTE LTD.
Kari Huhtala

PELLERVO PUBLICATIONS SERVICES LTD.
Antti Äijö

PTT - Pellervo Economic Research Institute
Pasi Holm

Financing of Pellervo

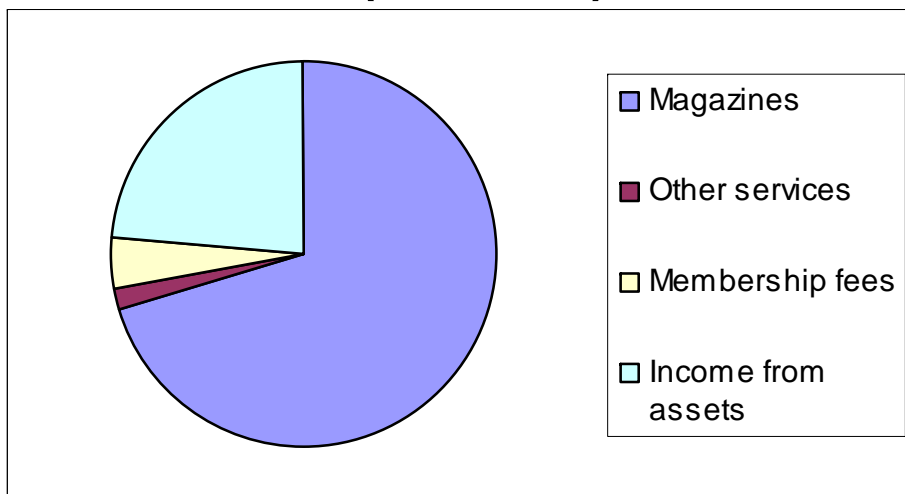
Income Pellervo

2008

Magazines	3 028 744 €	70 %
Other services	72 695	2 %
Membership fees	190 825	4 %
Income from assets	1 015 165	24 %

Total income (turnover)

4 307 428 €



Memberships in international organisations

COGECA (Brussels)



- *General Confederation of Agricultural Co-operatives in the European Union*, founded in 1959
- Pellervo member since 1995 (observer from 1992)
- Organisation for agri-cooperatives in the EU. It works together with COPA, the producers organisation in the EU
- Secretary General Pekka Pesonen
- Pellervo's Brussels office is working tightly with COGECA.

NBC



- *Confederation for Nordic farmers' organisations*, founded in 1934
- Circulating secretariat
- Meetings and seminars.



ICA (Geneva)

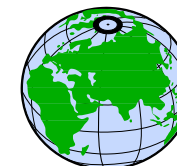


- *International Co-operative Alliance*, founded in 1895
- Pellervo member since 1902
- Secretary General Ian MacDonald
- ICA's European organisation is Cooperatives Europe (Brussels).

IFAP (Paris)



- *International Federation of Agricultural Producers*, founded in 1946
- Secretary General David King
- Cooperative committee.



Board of Directors of Pellervo (1 may 2009)

President:

Marcus H. Borgström
Farmer, M.Agr.&For., Sipoo

SOK (consumer)
Member of Supervisory Board

Vice-President:

Anne Kylmäniemi
Farmer, Posio

FABA (animal breeding)

Martti Asunta
M. Sc. (Agr.& For.) Kuru

Metsäliitto Osuuskunta (forrest)
Chairman of the Board of Directors

Jan Lähde
M.Sc.(Econ.), Turku

Munakunta (egg)
CEO

Erkki Moisander
M.Sc. (Ekon.), Helsinki

Lähivakuutus (insurance)
CEO

Salme Näsi
Professor (Ekon.), Tampere

Pirkanmaan Osuuskauppa (cons.)
Memeber of supervisory board

Pentti Santala
Farmer, Ruokolahti

Valio Ltd. (dairy)
Chairman of the Supervisory Board

Jarmo Toukola
Farmer, Kangasala

Kangasalan Osuuspankki (bank)
Member of the Board of Directors

Ilkka Yliluoma
Farmer, Ylistaro

Atria Ltd. (meat)
Board of Directors

Also participating in Board meetings:

Chairman of the Delegation:

Erkki Vähämaa Kainuun Osuuspankki
Municipal Director, (bank), Member of the
Kajaani Board of Directors

Vice-Chairman of the Delegation:

Tiina Linnainmaa Osuuskunta Länsi-Maito
Dairy farmer, (dairy), Member of the
Hämeenkyro Board of Directors

Secretary to the Board of Directors:

Sami Karhu Pellervo
Ph. Lic., Järvenpää Director of Cooperative
Services

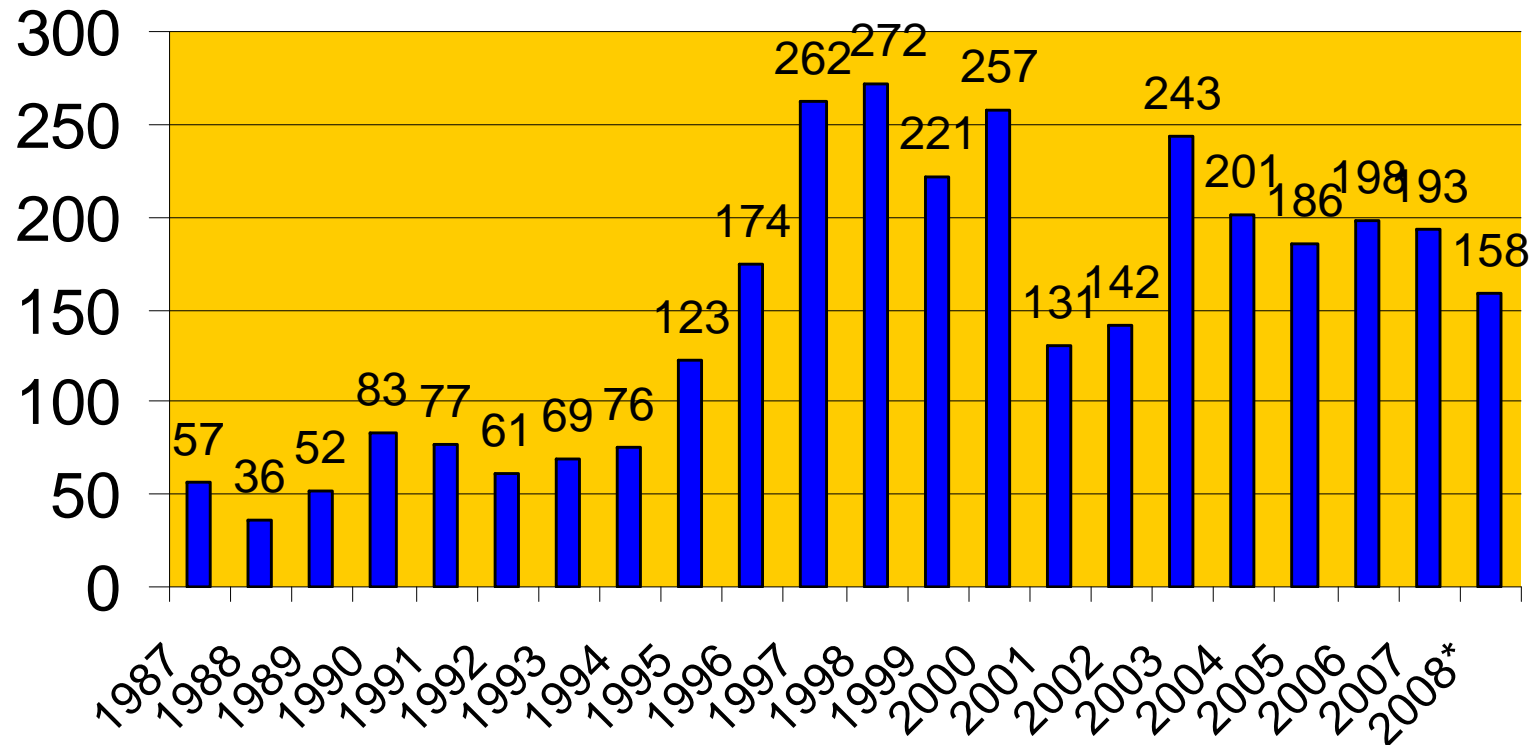
Indroducer of matters:

Veikko Hämäläinen Pellervo
Econ., Espoo Managing Director

Reasons for the New Rise of Cooperatives

- Economic restructuring
- Redefinition of welfare policies (radical cuts in services provided by municipalities)
- Changes of values in society
- Massive unemployment
- Alternative way of self-employment
- Changes in agriculture
- Local solutions to local problems
- Networking
- Evolution and development in the third sector area
- Better advisory services for cooperatives

Number of established co-operatives in Finland



■ Total 3 272

Active new cooperatives in Finland

30.12.2008

Sources:
Finnish National Board of
Patents and Registration,
and
PELLERVO Confederation of
Finnish Cooperatives

<i>Worker, service and expert co-ops</i>	813
<i>Marketing co-ops</i>	341
<i>Culture, publishing and media</i>	98
<i>Purchasing co-ops</i>	217
<i>Social, health and welfare co-ops</i>	85
<i>Energy co-ops</i>	74
<i>Travel services co-ops</i>	65
<i>Development co-ops</i>	47
<i>Water co-ops</i>	938
<i>Others</i>	111
<i>Total</i>	2.789