

Dairy Co-operatives and Bacon Factories

IN SWEDEN, milk is by far the most important farm product. Some milk is used for direct consumption, but most of it is processed into cheese and butter. During prewar times we used to export large quantities of butter to England and other countries. The Rune Brand was the sign of quality produce in Sweden, just as the Lure Brand was in Denmark.

Dairy co-operatives were among the first to be introduced in this country, chiefly for the export trade, as already mentioned. The consumption of margarine was rising each year. A rather popular slogan among the farming population was: "Let us sell the expensive butter to the British, and eat the cheap margarine ourselves."

There are some dairy co-operatives in other parts of the country, too, occupied with butter- and cheese-making for the home market and retailing fresh milk to the towns. Biggest of these was the Stockholm Milk Center.

All these co-operatives were working rather well

on an independent basis. There was, however, some working together on the technical side. The Ministry of Agriculture had prepared a scheme for testing butter, and the dairy managers competed with each other at regular intervals in relation to quality. A special association for the export trade was also established.

On the home market, however, the competition was quite strong between co-operatives, private enterprise and farmer retailers.

The Agricultural Crisis

All this worked fairly well until the crisis of 1930. The world market was overstocked with everything, and there was a terrible surplus of butter in Sweden. All surplus was sent to the British market and prices kept on dropping. At the worst stage, butter-exporting dairies paid the farmers four to five cents per gallon for milk. It appeared then that export prices dropped faster than the home market, and that the retail business was better than, or perhaps not as bad as, the processing.

No one was demanding prices that would ruin the farmers, but everyone wanted to retail the milk — co-operatives, private companies and single farmers — and prices dropped.

In the federation and the union, people began to consider the matter. Everyone realized that this could not continue much longer, or the whole farming industry would collapse. Professor Nanneson, an economist, worked out the following scheme:

1. Co-operative dairies to be established all over the country.
2. All farmers to join the co-operatives.
3. The co-operatives to join into district unions.
4. District unions to join into a National Union of Co-operative Dairies.
5. On the home market we are going to take a fair and reasonable price corresponding to the costs of production. This particularly concerns retail milk, which, owing to the special costs, ought to be priced higher than milk processed into butter or cheese. This means that competition between co-operatives is eliminated.
6. The surplus to be exported at prices obtainable abroad.
7. With home market, particularly for retail milk, giving a better price than export, there must be a clearing on a reasonable scale between all the co-operatives. The clearing to be arranged by the National Union of Co-operative Dairies.
8. Propaganda for using more butter (instead of margarine) in the farmers' households, in order to get rid of part of the surplus.

In the last item mentioned, there was also an element of self-confidence. We were convinced that we ought to use our own first-class product instead of a substitute, like margarine.

Of course, there were a lot of comments, exceptions and additions to the rules, but those just listed were the essential points.

The Bucket Carters

Most of the intelligent farmers were in favor of this scheme and it was put into action. However, it was a task to get it organized in a rational way. Many of our fellow-farmers were pure individualists. They did not see that the whole system had to be

changed if the dairy production was to survive. They merely looked after their private business.

Retail farmers were the worst, a considerable number at first refusing to join the co-operatives. In the Farmers' Union we introduced the term "Bucket Carters" as a nickname for these people. Perhaps that does not sound so bad in print, but the recipients hated it, and Bucket Carters within our ranks very soon became synonymous with 'Blackleg' within the trade unions.

The Farmers' Union had to do much of the rough work. We had to inform everyone about the aims of the new co-operative union, and in particular treat the Bucket Carters according to their deserts.

On one occasion there were some Bucket Carters in the Halmstad district. We wanted to inform them about their duties toward their fellow-farmers, so we hired a bus, got a crew of Farmers' Union people, and went around to them. I particularly recall one, who lost control of himself, got dark red in the face, hastened inside and came out again with a pistol in one hand and a rifle in the other. He told us he was going to riddle everyone approaching him. However, we were not much afraid, and did nothing but tell him a little about the milk market.

It is true none of these Bucket Carters joined the co-operative at once, but it was quite evident they did not feel comfortable at such a visit by farmer-colleagues, and before very long all of them were members of the co-operative.

In this way, people belonging to the Farmers' Union branches and to the Farmers' Co-operative

Movement, did an effective job all over the country. New dairy co-operatives were started and attached to the National Union, and the total membership of that organization rose rapidly.

In districts comparatively far from the towns it was easy to organize the farmers in dairy co-operatives. It appeared that the retail market in many respects was the bottleneck. Had it been only a question of processing the milk, very few differences would have existed.

Organizing the Market

The organization urged that to influence the whole milk market it was necessary to control all the milk, both that used for processing and that for retailing. To make farming pay it was essential to raise the whole price level of milk and dairy produce.

Butter could be imported at a price lower than the inland production costs, and this formed a barrier to raising the prices. It was quite another thing with the retail milk. Since there was no importing problem, it should have been possible to make some profit in this line. But if the retailers kept their market without any interference, the gap between retail milk and milk for processing would become too big. Farmers delivering their milk to the butter-making dairies would be given no help, and would probably go back into the retail trade. This would again bring down the whole price level.

The plan was that a clearing should be arranged between the retailers and those who delivered to the processing dairies, in order to give a fair price to

everyone. Many of the retailers realized that this was necessary for the sake of the whole, but some of them did not want to relinquish the advantages they had gained. They argued that they did not see any reason why they should take part in the clearing, and they thought that the profit of retailing belonged entirely to them.

As mentioned, we got the majority of the farmers as members of the dairy co-operatives, but unfortunately we did not get quite enough at that stage to make the clearing system effective.

Government Support

We had to ask the government for support to put this scheme into action. Well, we got it, the government realizing quite clearly that the market had to be reorganized and rationalized. The clearing was arranged on a combined co-operative and governmental basis, the National Union of Co-operative Dairies having to collect the fees from all retailers, and distribute the money in a rather complicated way to the processing dairies.

This way may seem to have been all right, but no doubt it would have been better if we farmers had been able to arrange the whole dairy clearing by ourselves.

In the way it was arranged, the National Union of Co-operative Dairies became to some extent dependent on the government. This later proved at times to be a drawback, and on such occasions it was useful to have the Farmers' Union quite independent of all governmental bodies.

Modernizing the Dairies

The National Union of Co-operative Dairies and its branches did splendid work. Dairies and creameries were built or reconstructed and equipped with the most up-to-date machinery.

When the trucks appeared, it was more profitable to collect milk from large areas and process it in big factories, where labor could be saved and all equipment kept thoroughly up-to-date.



FIG. 6. Second floor of the Halmstad Co-operative Dairy.

In our district union this was, and still is, quite a problem. Often it necessitates the closing down of a dairy co-operative to concentrate on bigger units. Often there is a lot of opposition to such a step from the farmers of that district. This is quite understandable, and on the whole that strong feeling of local patriotism is a very good thing. To many farmers, particularly the older ones who have started and built up the local dairy, the closing down is almost a sacrilege.

In the long run, however, we cannot continue with the upkeep of establishments that are not up-to-date, and this local patriotism must be overcome. In most instances this has been done, but it has frequently been a hard task.

The Dairy Co-operative Organization has developed excellently during the last decade, and now I believe that ninety-seven per cent of the farmers are members. They have taken science and research into their service in solving their problems, such as how to use the by-product skimmed milk.

In the southern part of the country hog raising is an important industry, and all the skimmed milk is used for feeding. In other sections they do not keep many hogs, and in the summer there is a surplus of skimmed milk. Some district unions in the midlands therefore have started processing the skimmed milk into milk powder. This is an excellent raw material for the bakers and the chocolate industry, and there is the possibility of storing skimmed milk to be used as winter feed.

It is very important for the co-operatives to keep informed on scientific developments; to employ a staff of technicians able to do the research work; to have laboratories, etc. If this is not done, there is the risk of other industries engaging all the people worth having and step by step pressing farmers' co-operatives from their position and influence.

At the present stage, with nearly 100 per cent membership, a first-class organization and first-class equipment, the Dairy Co-operative Union would probably be able to do what they failed to do in the early 'thirties — insure the clearing between different groups of farmers without support from the government. We still have government price control, so the question has not become urgent yet.

I hope that no one will gather from the reasoning above that I am opposed to the government or its actions. However, I have seen other groups, particularly the industrial laborers and their trade unions, build up their organizations without any support from the state authorities.

The margin between the producer's and the consumer's price for milk is very small. For milk with a 3.7 per cent butterfat content, the farmer receives about 6 cents per quart. Consumers in the rural districts pay 6.5 cents per quart for this milk; and in the large towns they pay 7.5 cents per quart for milk standardized to 3 per cent butterfat (1951). I doubt if the margin between producer's and consumer's price is as low as this in any other country (with the possible exception of Switzerland). This indi-

cates, of course, the high degree of efficiency with which our distribution system operates.

Cheese used to be made in many small, primitive plants. The quality varied from plant to plant, and the market was disorganized. The dairy union undertook to centralize and standardize the manufacture of cheese by forming a special branch called "Riksost" (National Cheese). Riksost plans and supervises production; it has standardized quality and organized the market. Special plants have been set up in several parts of the country to store surplus cheese. In addition to the common household cheeses, special delicacy cheeses such as Swedish Blue, Creme de Chantilly, etc. are produced.

HALMISTAD CO-OPERATIVE BACON FACTORY

<i>Year</i>	<i>No. of Members</i>	<i>No. of Hogs</i>	<i>Av. Price/lb. Dead Weight in Kr.</i>	<i>Hogs deliv- ered. Paid in Kr.</i>
1900	1,111	7,840	0.33	359,951
1910	2,639	15,959	0.45	1,020,955
1920	5,875	14,206	1.34	3,114,542
1930	4,493	53,079	0.55	4,109,104
1931	4,987	61,681	0.35	3,005,669
1940	9,859	92,384	0.71	10,457,560
1945	10,369	65,293	1.02	12,554,099
1946	10,397	71,066	1.08	14,543,181

THE HALMSTAD CO-OPERATIVE PACKING PLANT

Until the early 1930's, the co-operative bacon factories took interest only in the export market. The inland market was left to private butchers.

In the marketing of hogs we did not have much to grumble about. Our co-operatives treated us fairly, paying according to dead weight and quality.



FIG. 7. Mobile butchers' shops.

With cattle, however, the situation was different. Private butchers bought them "per piece," and there was no weighing or grading. The butcher had the advantage of knowing the market and the quality of the meat he bought while the farmer did not.

Local and county branches of the Farmers' Union took up the matter. The British auction markets for slaughter cattle were much better than ours at the time, but the co-operative way of tackling the problem seemed to us the most natural.

This problem came up during an annual meeting of the Co-operative Bacon Factory. The existing methods of marketing slaughter cattle were characterized as prehistoric by some of the farmer members. However, there were opponents in the house, particularly some of the executives of the co-operative. They argued very hard against this new business.

"We have now," they said, "this well-managed co-operative bacon factory of ours, with a very good reputation. Bacon hogs, however, are a highly standardized product. It is much more difficult to deal with cattle and other beasts, with all their different grades and qualities."

In particular, a prominent Danish-born farmer told us that the experience of his native country showed that killing and marketing cattle was no business of the co-operatives.

We solved the problem by starting a new co-operative for killing and marketing cattle, sheep and horses. We worked together with the bacon factory, with accommodations in the same building. We started this new co-operative in order not to risk

the reputation of our original organization, should the new one not be successful.

Hiring a Manager

I had the job of engaging a competent manager for the cattle business. I knew a private dealer known for his honesty, knowledge and judgment, with whom I had transacted most of my cattle business.

I went to him and asked, "Well, Oscar, what do you think about our new co-op?"

"Rather a risky business," he answered.

"Quite frankly, Oscar, is the present way of marketing the beasts the right one? Do we all get our proper share?"

"Well," he answered, "we have been friends for many years, you and I. I suppose you understand that we private butchers and dealers make a profit wherever we can. I may try to be as honest as possible, but should there appear a chance of buying a beast below the real value, well . . . and particularly at the small farms, where they don't know much about the market, we butchers often make a bargain."

"Thank you for answering so frankly. I am here to ask if you would be interested in becoming the manager of our co-op?" He didn't reply at once, was thoughtful for a few minutes, and then said, "Well, I will consider the matter." Then we parted.

A few days afterward we met again and Mr. Bengtsson told me he would not mind accepting the offer. "And what about salary?" I asked.

"As you know, I am doing rather good business

now," he said. "My income is roughly 15,000 kronor a year. I would like to have about the same, and besides a 'risk premium' say of 2,000 kronor."

I thought it reasonable, suggested it to the Executive, and they accepted. We worked out a scale, with a minimum salary and premiums based on turnover.

This was the way we had to go in those years when engaging managers for our newly-established co-operatives. We had to take them from the ranks of the private dealers. In this case we got an excellent fellow, and he and I worked splendidly together.

Sometimes the farmers were not so successful in their choice. Too many managers were still dealers at heart and thought more of profits than of co-operation. Now it is much easier, the farmers' co-operative movement having educated a lot of people to be competent managers.

Organizing the Farmers

The Farmers' Union had to do the organizing work, and the pioneers of the local branches had to go from house to house urging the farmers to become members of the packing house co-operative. Each year more farmers joined, and the membership is now more than ninety per cent of all the farmers in the district.

Some farmers were rather hard to persuade. They apparently thought, "How can I give the animal away before I have the money in my hand?" On the whole, however, we were rather successful, thanks to the good work done by the Farmers' Union people.

Membership in both the old and the new co-operative was voluntary, but it was compulsory for members to deliver all beasts for killing. This was new, and many farmers did not like it at first, but it was done to secure a steady market for the co-operative. Otherwise, they would have delivered when the market was full instead of when there was a shortage and prices were rising. Through education, the Farmers' Union got the people to understand the necessity for keeping up a steady supply. Soon the farmers realized that they had not only rights but also duties.

All beasts were collected in trucks at the separate holdings, then killed, weighed and graded, and the members got their pay accordingly. We sold to the retail shops (private and consumers' co-operatives) in our own district, the surplus being sent to Gothenburg, the nearest of the big towns.

Opposition From Private Dealers

Of course, the private butchers did not like our co-operative business, for they saw their turnover dropping every year. They called us uncomplimentary names and tried to organize opposition against us, but without success.

There were two farmers sitting in a bus, discussing the happenings of the day. "This co-operative packing house is a good thing," one said. "I always get a fair price and I am quite content."

A private butcher was sitting two or three seats from them and heard their talk. "But nobody got so

much yet from that damned co-op so he fainted away," he grumbled. The whole bus company burst into laughter, for they knew that previously this butcher had always paid particularly bad prices to the farmers of his district.

When I look back to these early 'thirties, I can see that though we took over practically the whole business, not one of the private dealers was ruined. Some of them came over to us as managers or employees. Some made a living from their retail shops and bought all their goods from the co-operative. Others became farmers, and a few were at the age of retiring. This was a good thing, for our aim was not to ruin people but to establish a "less barbaric" market.

Hitherto I have been dealing only with our local co-operatives at Halmstad. The packing plant started in 1931 and the bacon factory in 1899, both covering the southern part of the county of Halland and certain parts of the neighboring counties. Now there is another side that I should like to mention.

Rise of the National Union

Professor Ludvig Nannesson, a prominent Swedish economist, suggested that the farmers should organize co-operative packing plants which in turn would be united into a national union. This plan was first drawn up in Lantbruksförbundet, and the organization soon spread throughout Sweden due to the efforts of the Farmers' Union people. In 1951, 78 per cent of meat and pork was marketed through the co-operatives.

By 1933 the organization had grown large enough so that the National Union of Farmers' Co-operative Packing Plants could be established. Each co-operative sold and distributed in its own district. In Stockholm, Gothenburg and parts of Norrland (the northern part of Sweden, where agricultural production is rather low), the market belonged to the union, and all co-operatives had to place their surplus at the union's disposal.

When this scheme was put into operation, the first difference arose in the Halmstad Co-operative between our manager and the Executive Committee. Bengtsson knew the Gothenburg market very well, and did not think that the newly established union was nearly as competent as himself for that job. He was following his instincts as a former private dealer. The Executive, however, resolved that we should follow the union. Bengtsson was loyal and there was no further discussion.

We all liked Bengtsson very much; his interests were in our common enterprise, and I think it even occupied his dreams by night. Some years afterwards he went to the hospital for a small operation. We never saw our friend again but followed him with deep mourning to the cemetery of Harplinge.

After that Artur Börjesson, manager of the bacon factory, took care of the cattle business as well. He was one of the pioneers of farming co-operation in our country, and in his charge both of the co-operatives worked still closer together, becoming indeed one enterprise.

Operation of the Halmstad Plant

Much could be said about the development of the Halmstad Co-operative Packing Plant, but I will discuss only a few of the details. One year we took up the marketing of live cattle and horses by arranging Auction Markets once a month. Another year we built a big refrigerator building for storing meat and pork when the market was overstocked. Then came the sausage factory for further processing of

THE DAIRY ORGANIZATION

	1890	1910	1920	1930	1939	1946
No. of dairy co-ops	73	550	565	715	759	712*
Farmer members			65,300	101,300	187,400	260,701
Milk delivered in million gallons			3,800	8,300	14,500	19,000

* The decline in co-op numbers from 1939 to 1946 was due to centralization of the organization into fewer, larger units.

our products. In a few years this factory proved to be too small and we had to rebuild it double the size. On the top of that factory we arranged an assembly hall for laborers and other people employed in the co-operative. It is also very useful when parties of farmers and their wives come to visit and inspect. On these occasions they are usually invited to have a cup of coffee and some sandwiches in the hall and Börjesson gives a survey of the work and organization of the whole enterprise.

We did not have many retail shops of our own,

but we preferred to have the retail people as our customers. Consequently we started running "rolling shops" or vans for distributing fresh meat and sausages to the farmer-members and other people living in the countryside.

In 1946 the Halmstad Co-operative bought a hotel. We had frequently considered building a "Farmers' House" in the center of town, where we could have

HALMSTAD CO-OPERATIVE PACKING PLANT

<i>Year</i>	<i>No. of Members</i>	<i>No. of Animals</i>	<i>Paid for Other Stock</i>
1932	1,422	5,582	\$ 65,025*
1935	5,243	25,623	383,020
1940	8,520	43,582	1,128,379
1945	9,347	39,420	1,120,662
1946	9,460	43,463	1,395,988

* Based upon 1950 equivalent \$1 equals 5.18 Kronor.

our meetings. But until the hotel was put up for sale, our chances of finding a meeting place appeared slim because of the shortage of suitable building plots and the red tape of building regulations.

This was the first time that a farmers' co-operative took over a hotel in Sweden, although the practice was common in Denmark and Finland. Buying the hotel gave us a psychological lift. Townspeople were prone to feel superior to country people, but now that we farmers could look upon one of the biggest houses in town as our property, we felt inferior to no one.