CHAPTER 4

COOPERATION IN NORWAY

Norway Is Cooperative, Too. So much has been written in the past about the fine progress made in marketing and consumers cooperatives in Denmark and Sweden, little has been told about the cooperative activities of their sister Scandinavian country, Norway. This country, however, is very much alive to the advantages offered by cooperative efforts. Norway, in her characteristic fashion, is probably as far advanced, considering everything, as either Denmark or Sweden. She has solved some marketing problems, such as over-production, much better than most of the other countries of the world, and this has been done solely through cooperative methods. Her early cooperative history, however, is much the same as that of other countries. For many years Norway stumbled about in cooperative darkness, but finally, after many years of experimentation, cooperatives of Norway are now functioning extremely well. Likewise, this is true of all other countries now engaged in cooperative enterprises. The farmers of Norway are now reaping the benefits of their earlier experiences.

Marketing Control. The marketing cooperatives of Norway are controlled largely by a committee called the Marketing Board. This board is granted considerable power by the Norwegian government, and is subject only to the Trust Control Board. The primary purpose of the marketing board is to fix prices and otherwise regulate marketing practices of agricultural commodities in Norway. This board is not financed by the government, but by a small marketing fee placed on milk, pigs, sheep, and feed concentrates, called “stockfeed” in Norway. This board also has the power to levy a tax on every pound of margarine sold.

Marketing Centrals. The Norwegian farm marketing cooperatives are located in eight separate districts of Norway. Each marketing association located in the eight respective districts is called a “central” or “pool”. Each of these centrals are cooperatives in themselves, but they also are united in one large national organization for benefits of administration, adjustments, etc. Thus in Norway, the three big marketing centrals, eight in number in each case, are the Milk centrals, the Meat and Pork centrals, and the Egg centrals. Each commodity marketing central is entirely independent
of the others. For example, the Milk central is separate from the Egg central, despite the fact that they might be located in the same area. A farmer located on a certain farm in Norway may belong to a Milk central, a Meat and Pork central, and an Egg central. From 75 to 95 per cent of the farmers in Norway belong to these marketing centrals, except the Egg centrals. This is because many farmers prefer to barter their eggs for groceries.

The Milk Centrals. Norway enjoys a unique position in its method of marketing milk. Students of marketing cooperatives from all over the world have visited Norway to study its system. Ordinarily, farmers receive more money by marketing milk for fluid uses than by marketing for the manufacture of cheese and butter. The marketing board realized that this fact was the seat of the trouble with the dairy industry, and set about to attack the problem at this point. Consumption milk is classed as milk used in the home; while production milk is a term used to describe milk to be processed into butter and cheese. At the time the marketing board started to function, there was stiff competition in the marketing of consumption milk, with the result that prices were ruinous.

Solving The Problem. The marketing board finally succeeded in adjusting the price difference between milk consumed and milk processed into butter and cheese. Perhaps this can best be explained by the following example: Let us presume that consumption milk nets the farmer 5½ cents per quart, and production milk nets him only 3 cents per quart. This is a spread of 2½ cents per quart, which is obviously unfair to the farmer who sells his milk for cheese or butter. But the production milk farmer is protected by the marketing board in the following manner: Each pound of margarine is taxed 3⁄8 cent per pound. Also, the consumption milk is taxed 5⁄8 cent per liter (A liter is slightly more than a quart). These two taxes are given over to the producers of production milk for every quart or liter that they deliver to the creamery. These two taxes would raise the price of production milk to 4 cents, instead of three. Then the cost of transportation of consumption milk to marketing centers would enter into the matter sufficiently to bring down the final price to the producer of consumption milk to about 4 cents net, which is about what the farmer who produces production milk gets per quart. In other words, the consumption milk tax paid by the producer of consumption milk to production milk farmers plus the margarine tax, just about equalizes the net price received by each, after the consumption milk producer also pays for the transportation of his product to the central markets. By this process, both kinds of producers are satis-
fied. Of course, in each case the milk is tested and graded, thus providing a system whereby the farmers who produce the cleanest milk with the highest test receive more than those who produce an inferior product. Thus, to Norway goes the credit of stabilizing the prices of production and consumption milk.

The Surplus Problem. The marketing board of Norway soon found other disturbing problems to solve, however, besides price stabilizing. It found, for example, that occasionally too much butter was being manufactured at certain times. Many people in Norway use margarine instead of butter despite the fact that the Scandinavian people consume as much butter as we do in this country. Because of the fact that the marketing board also has control over the margarine factories, it can compel these factories to use a high per cent of butterfat in its margarine when there is a surplus of butter. However, when the margarine contains butterfat, the margarine factories are forced to sell it cheaper than when it contained no butterfat, and furthermore, the marketing board has the right to set the price as to what this mixture is to be sold for. After this plan is tried for a while, and there is still a surplus of butter on the market, then the remaining surplus butter is taken out of cold storage, mixed with margarine, and shipped either to England or Germany and sold for whatever it will bring. The difference between this export price and the regular market price is made up to the farmer from the regular margarine tax. To date, the marketing board has been able to protect the dairymen from ruinous prices by virtue of its complete control over dairy products and the manufacture of margarine.

Meat And Pork Centrals. The basic idea of marketing meat is much the same in Norway as it is for milk. The marketing board receives funds from a small sales tax on each animal that is marketed, as well as from the sale of grain concentrates, which is called cake meal or stockfood, in Norway. Not enough grain is raised in Norway to provide sufficient feed for its livestock. Much feed still has to be imported. Every farmer is allowed a small amount of stockfood tax-free each year. After he has used up this quota, he must pay a tax for each pound fed to his stock thereafter. This plan automatically keeps down any large production of meat. Also, the production of silver fox fur is a thriving industry in Norway. Inferior grades of fish and meat are fed to the foxes instead of being allowed to compete in the open market with the better grades of meat. Each central owns its own slaughtering plant, as well as its own marketing agencies for furnishing meat to the various cooperative consumer and other retail stores.
Egg Centrals. While the Egg centrals do not enjoy the large volume of business that the Milk or Meat centrals do, their organizations are just as effective. With the Egg centrals, the government establishes a marketing price board consisting of three representatives from the Egg centrals, three from the private egg trade, and one government representative; the latter acting as chairman of the board. This board meets daily, and sets the price of eggs for each day. Both pool and private egg dealers must abide by this price. Here again, the marketing price board has authority to act when there is an egg surplus. They can export eggs when too many are on the market and make up the difference to the producers from the stockfood tax. This difference is given to both egg pool members and those who market their eggs through private channels. The primary object of the board is to see that ALL farmers are given a fair price for the commodities that they have produced. The Egg centrals also handle poultry in a similar manner.

The Results. The Norwegian method of regulating the price and production of farm commodities has resulted in awarding the farmer a fair price for his products as well as serving as a damper to over-production and that was exactly what the system was intended for. It has helped him in other ways also. It has encouraged a sane marketing system, prevented speculators from making large fortunes at the farmers' expense, and it has even benefitted private trade because of the stabilizing effect that it has had upon all agricultural products. Norwegian farmers apparently are in favor of this marketing system as witnessed by the large percentage of those who are members of the various centrals.

Other Centrals. Only three of the most important marketing centrals have been discussed in this book so far. However, there are countless other marketing centrals in Norway, all of which function much the same as those described. Commodities such as vegetables, fruits, timber, wool, and silver fox fur all have their respective pools, or marketing outlets fashioned after the methods already described. In fact, any agricultural product produced in Norway in any volume at all is sold with the same efficiency as are milk, meat and eggs. In each case, the government steps in and acts as a regulator, so that the producers will not be exploited by private agencies. Middlemen however, do handle some of the farm commodities of Norway, but because of the existence of the cooperatives, prices are kept down to normal, and the middleman is thereby not able to make any unreasonable or monopolistic profits.
Consumer Cooperatives In Norway. While Norway is a leader in marketing agricultural commodities, she is also one of the foremost nations in the matter of consumer cooperatives. The main objective of Norwegian cooperatives has been to bring the consumer and producer in direct contact with each other. There are about 1,000 local consumers cooperatives in Norway, 612 of which are members of one large national organization, the Cooperative Union and Wholesale Society. These consumer cooperatives supply both farm and city people. For fifty years these consumer cooperatives of Norway struggled for success, but they did not achieve it until the dawn of the twentieth century. Different systems of organization were tried, with ultimate failure, until they finally hit upon the Rochdale plan. When this plan was set up and followed, success was theirs. Shortly after 1900 the Rochdale plan was introduced and adopted, and since that time the Norwegian consumers cooperatives have been uniformly successful.

The Cooperative Union And Wholesale Society. As has already been stated, the Cooperative Union and Wholesale Society is by far the largest consumer cooperative in Norway. It was established in 1906, and has enjoyed a steady growth since that time, until now it boasts over 560 locals. Ninety per cent of its trade is rural. Like the successful consumer cooperatives of other countries, it does not confine its efforts entirely to selling. This particular organization, besides following the Rochdale principles of consumer cooperatives, has also entered the manufacturing field with pronounced success. At the present time it manufactures soap, tobacco, electric bulbs, shoes, chocolate, and margarine in addition to milling flour and roasting coffee. By thus entering the manufacturing industry, consumer cooperatives are enabled in keeping prices down to a normal level for their members. This organization is also a member of the Scandinavian Cooperative Society, which is a union of cooperatives of Sweden, Denmark, Finland, and Norway. This is a buying organization which purchases commodities from other countries at wholesale. The Cooperative Union and Wholesale Society buys such commodities as rice, grain, sugar, coffee, fruits and stockfood from foreign countries for its various local units.

Purchasing Pools. Besides the 1,000 or more consumer cooperatives already mentioned, there are six large purchasing pools, consisting of about 1,900 locals, with a membership of over 60,000 farmers, representing 250,000 people. These pools specialize in buying supplies needed by farmers, such as farm machinery, fertilizers, seeds, flour, cement and stockfood. Many of these purchases are made in
foreign countries, and are carried by Norwegian vessels to some port in Norway, where they are transferred on railroad cars and shipped directly to the numerous locals who helped make up the order. No middleman handles these commodities. When the shipment arrives at a certain railroad depot, the farmers, being notified previously the day of arrival, are there ready to haul the articles home. This is another idea of consumer cooperatives that has had a wide appeal among Norwegian farmers.

Consumer Cooperatives Have Helped. More than half of the farmers of Norway are members of the consumer cooperatives in its many forms. Farmers appreciate the fact that such organizations have helped them considerably in their struggle for existence. They have prevented the formation of monopolies in the various lines of consumer needs. However, the consumer cooperatives of Norway have not finished their work yet. They are already looking ahead to that proverbial day when prices might, for some reason, sink to low levels. To that end, the Cooperative Union and Wholesale Society has established its own bank, a savings account, and two insurance companies. Other forms of credit are now being planned if that uneventful day of low prices should ever descend upon the land of the Arctic circle.

GUIDE QUESTIONS FOR CHAPTER 4

1. How does cooperation in Norway compare with the other Scandinavian countries as to scope?
2. Explain how the Marketing Board functions in Norway.
3. Describe the structure of the “centrals” or “pools” used by farmers in Norway for marketing their products.
4. Distinguish between consumption and production milk.
5. Explain how the price difference between consumption and production milk has been adjusted in Norway.
6. Describe how surplus butter is handled in Norway.
7. Why is there never a meat surplus in Norway?
8. Explain how the price of eggs is determined in Norway.
9. What has been the effect of regulating prices of farm commodities on the Norwegian farmer?
10. Name four other minor farm commodities sold through the cooperative “centrals” by Norwegian farmers.
11. Is Norway greater in consumer or producer cooperatives?
12. Describe some of the activities of the Cooperative Union and Wholesale Society.
13. Name some products manufactured by some of the smaller consumer cooperatives of Norway.
14. Describe how the purchasing pools for farmers operate in Norway.