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Experiences of Organic Dairy Farmers with Ailing Milk Markets - A Sociological Study in Northern Germany -

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Abstract

The case refers to organic milk production and the marketing of organic milk produce. We describe the situation of two groups of organic dairy farmers working in northern Germany.

The two groups are confronted with an extremely difficult choice. They have to choose whether they will continue to follow a quality oriented strategy of organic farming or whether they will favour mass production concepts – based on the principles for organic production of course.

Against this background several general results can be drawn from our study. The process which we characterize as "transforming rural communication" is actually underway in rural areas. The consciousness of problems and tasks related to the development of rural areas has become stronger. More off, actors who want to dedicate themselves to these tasks are joining together. In Germany, significantly more regional initiatives can be found today than several years ago, whereby certain political promotion programs play a large role.

Keywords: Organic milk marketing, Northern Germany, Rural communication

Abstrakt

Erfahrungen von Ökologischen Milchviehhaltern mit sich verändernden Milchmärkten – Eine soziologische Studie in Norddeutschland

Die Fallstudie befasst sich mit zwei Gruppen von der ökologischen Milchproduzenten und der Vermarktung ihrer Milch in Norddeutschland.

Beide Gruppen haben sehr unterschiedliche Vermarktungsstrategien und stehen gegenwärtig am Scheidepunkt, ob sie eine Nischenproduktion (qualitätsorientiert) oder eine Massenproduktion (preisorientiert) anstreben sollen.

Aus soziologischer Sicht konnte festgestellt werden, dass die Veränderungen einem allgemeinen Trend in der ländlichen Entwicklung entsprechen. Das Bewusstsein der Möglichkeiten und Grenzen und damit der Probleme und Aufgaben des ländlichen Raumes ist stärker geworden.

Wirtschaftlicher Druck ist meistens der zentrale treibende Faktor für Veränderungen. Zusammenarbeit von Interessensgruppen nimmt an Bedeutung zu, die Herausforderungen für Gestaltung der Zukunft anzunehmen. Förderprogramme sind dabei nicht immer notwendig, sind aber häufig auslösender Faktor.

Schlüsselwörter: Öko-Milchvermarktung, Norddeutschland, Ländliche Kommunikation

Introduction

The case refers to organic milk production and the marketing of organic milk produce. We describe the situation of two groups of organic dairy farmers working in northern Germany.

The two groups are confronted with an extremely difficult choice. They have to choose whether they will continue to follow a quality oriented strategy of organic farming or whether they will favour mass production concepts – based on the principles for organic production of course.

Whoever is interested in organic

farming might be frightened by the term mass production. In last years it has however become apparent that organic farmers are facing constraints which lead them to think over their traditional models of production as well as their social styles of farming.

One of the problems they have to bear in mind and one of the harshest consequences which must be taken in account when we talk about the future of organic dairy farming is the re-definition of their function as producers and vendors of goods without relying on wishful thinking.

Dairy farmers, especially organic dairy farmers are mostly affected by the challenges related to this situation, because ailing milk markets help to dramatize the needs for thinking over production systems and styles of farming. The sharp fall of payout prices farmers get for their milk is the most apparent signal for markets which are changing dramatically and have largely become buyers markets. The question which attitude organic farmers should adopt facing changing markets however isn't specific to organic dairy farms.

All these problems must be understood as integral parts of changing economic and social realities in today's countryside and these problems also have much to do with rural communication issues. Which meanings the organic farmers are giving to their experiences with changing markets – meanings they actually discuss with regard to the development of their farms and with regard to the economic and social profile of the entire organic sector – is one important factor for the explanation of opportunities and risks in rural development. What lessons the farmers draw from their experiences particularly matter a lot for the activities other actors in rural areas are planning and for the establishment of broader social networks in the countryside.

There are not only patterns of profitability and economic success at stake when organic farmers are rethinking their future and are communicating their hopes and their fears to the public.

Most of the partisans of organic production (farmers as well as customers) initially have chosen the "organic way" not only with regard to the outstanding ecological benefits of organic production but they have opted for a genuine social way as well.

They have favoured organic farming because they saw a chance that the organic sector could establish social relations which give more development chances to small economic and social units. "Small is beautiful" has become a well known slogan and the slogan was related very much to organic farming, because organic production at the beginning could be regarded as a highly decentralized system of production and marketing - mostly relying on small and medium-sized farms and a more handicraft oriented food industry. It could be regarded as well as a transformation of general ideas of personal relations between farmers (producer) and customers and of regional markets and marketing circles into concrete economic and social structures. Finally, all the small-is-beautiful-aspirations were seen as starting-points for differentiated bottom-up dynamics for rural areas and grassroots driven innovations.

Seen from this perspective, and using afflicted social terms the organic farming sector was regarded as a sector which really can claim to be suitable for the empowerment of local and regional actors.

These hopes have vanished to a great part and partly must be reformulated on a more realistic base. The experiences we are reporting in the following are showing two things.

First, the organic dairy farmers we have met are in need of a clear understanding where social hopes for empowerment of small actors are realistic and where they are not and the must understand the reasons of changes. Under these circumstances communication is regarding the process of adoption to galling prospects and the process of separation between realistic and unrealistic topics. In addition it has much to do with the question, how actors leave utopian perspectives behind them without falling into resignation.

According to our experiences this is easy to proclaim but much more difficult to put it in practice. The difficulties in communication the organic dairy farmers are suffering however can be explained by these factors to a large extent.

Second, whoever wants to reformulate his economic and social profile and wants to establish promising marketing strategies for organic dairy markets must be sure that his partners in the food processing sector and on the side of retailers are sharing the same options. A lot of difficulties and problems we have heard from in our interviews are resulting from diverging options between farmers, dairies and retailers. And a lot of problems organic dairy farmers are facing today derive from unspoken or unresolved problems of communication between farmers and their dairies and the retail sector.

Both groups of organic farmers which we present in our case are commercially associated to conventional dairies, a constellation which is rather typical for organic dairy farmers in Germany. Today round about 40 dairies are counted in Germany which are processing organic milk. Most of them are conventionally run but they have created an organic range in last years in order to diverse and in order to test new market prospects.

The dairies of our two groups of organic farmers are also located in the North (one in Holstein and the other in neighbouring Mecklenburg). Although the concrete situation of the two dairies is different the dairies as well as our two groups of organic farmers are facing a common problem. They have to choose whether they will turn to mass production or stay on the side of specific quality requirements.

For farmers and dairies it is not only the question whether a quality based segment of markets has to be chosen or not. Actually the cooperation between organic dairy farmers and their conventionally run dairies has become worse because of the downward trend of milk markets in general and organic milk markets following this trend. Because milk markets and the markets for organic milk are characterized by a sharp decline in prices organic dairy farmers are confronted with the alternative either to follow price cutting strategies or to look for alternative concepts of milk processing and milk marketing. In general recent downward trends in milk markets have led to increased concerns for rationalization on the side of milk producers and have made cost cutting strategies flourishing.

Yet, what has to be done to cope with these problems is unclear for concerned actors in many respects. A lot of uncertainties dominate the discourse of actors. For this reason it cannot be graded as a surprise that cautious and sometimes even tentative efforts of redefining the future of organic dairy farming and the marketing of dairy products play an important role in the presentation of the case.

Starting Points of the Case Study

Organic milk production as well as the processing and marketing of organic milk represent only a small part of the organic food sector. For many experts the organic milk market still has to be regarded as one of the problem children of organic food markets. In contrast to the growth of organic markets in neighbouring Austria and Denmark, where organic milk markets have grown fast, the growth of the German organic milk market was only a moderate one. The organic milk market therefore still has to be regarded as a niche market. Only 1.5 % of the milk which is produced on German farms today comes from organic farms (see top agrar, 3/2003, p. 138).

To characterize the current situation on organic milk markets it is often underscored that an important share of organic milk still has to be sold for conventional prices. It is estimated that big quantities of organic milk in a range between 25% and 30% cannot be sold organically which means that they have to be sold for conventional prices (see Walter 2004, p. 6 and ZMP 2004 b, p 203). Some years ago the percentage of organic milk which could not be sold organically was estimated for 50% of the market. That means that half of organic milk farmers had no remuneration for the specific extra costs of organic milk production which estimated near 20%.

From this point of view, the market situation certainly has improved in last years. In strict terms of market balance a range between 20% and 30% of organic milk sold for conventional prices however gives a clear signal: Organic dairy farmers are still facing overproduction. They are confronted with the uncomfortable economic perspective to succeed in markets which due to overproduction can be characterized as buyers markets. With production outstripping consumption constant pressure on prices and a structural weakness of the offering side is typical.

It is significant for the growth dynamics of markets in the organic milk sector, that even in the remarkable good year of 2001, when demand for organic milk grew fast in Germany; production always was higher than demand. At that time the inflexibility of contracts between farmers and dairies, some regional disparities and most of all a rush of new retailers in organic markets were responsible for short-term shortages in organic milk markets which caused sharp upward movements of prices for organic milk.

Beginning in 2000 and with even more dynamics in 2001 in many cases food retailers were desperately searching organic milk, because they had ignored organic milk products completely before. Even though the business wide organic boom of 2001 was not so impressing in the dairy sector as the trend was in other sectors of organic production, retailers began to enlarge their range of organic products which boosted organic milk production and led to favourable prices. A large retailer told us that the demand for standardized organic consumer milk rose significantly in this year, a statement which can be confirmed by official figures (see ZMP 2004a and 2004b).

As organic farmers could not meet rising demand on behalf of existing contracts with their dairies and as it takes at least two years to convert to organic farming a bottleneck on the supply side emerged and forced retailers to look for organic products in other regions and countries. Due to the geographic situation in northern Germany retailers even began to import organic milk from Denmark.

Although prospects of organic milk markets are looking unsatisfactory at the moment our interlocutors are convinced that organic milk markets will continue to grow in the future. They are not pessimistic with regard to the general development of the demand side and see no tendencies for a real stagnation.

According to their estimations, however, no spectacular, double digit growth rates can be awaited in coming years. The extension of production capacities on the side of already producing organic milk farmers and the conversion of conventional farmers to organic farming can meat rising demand without problems so that it may last some further years to reach fully balanced organic milk markets.

Like all the other cases our case study is located in Schleswig-Holstein. The reasons for this choice are not the consequence of the laziness on the side of the research team but they are connected with the above described situation.

On from the beginning of organic milk production in Schleswig-Holstein the quantities of organic milk production as well as the number of organic dairy farms and organic milk markets fell well behind the potential which could have been presumed if one takes in account the traditional agrarian structures and potentials in this state.

With regard to milk production in general and the marketing tradition for milk produce Schleswig-Holstein still can be called a "milk state". Along with Bavaria, Lower Saxony and Mecklenburg farmers in Schleswig-Holstein have a long tradition of specialised milk production and the same is true for milk processing in dairies or in cheese factories. We were convinced that it would be of special interest to look for the development of organic dairy farming and of organic dairies in this state with regard to the question whether the organic sector would be able to take up old traditions of dairy farming.

The volume of organic milk produced in Schleswig-Holstein however is estimated near 15 million kg, which means that the current production level is very low – even for a state with an underdeveloped organic farming tradition in general. A quite similar situation can be found in most parts of northern Germany – all with a strong milk state tradition. Although conventional milk producing farms and the dairy industry form a strong pillar of agribusiness, the organic milk sector has remained weak.

Several reasons can be blamed for this. First, farms in the North in average are better structured than they are in other parts of Germany so that there is less economic and structural pressure for conventional farmers to look for alternatives as for example organic farming.

Second, the net of dairies processing organic milk is very thin woven in the whole North. Long distances to bring organic milk from farms to dairies are typical and the costs arising from transport are an additional economic handicap for organic dairy farmers in the North.

In the state of Schleswig-Holstein itself we only find one dairy which processes organic milk (the dairy in Trittau). Another dairy in neighbouring regions in Mecklenburg (the dairy in Upahl) can be regarded as de facto also belonging to Schleswig-Holstein. The Upahl dairy processes organic milk and is mostly supplied by organic dairy farmers from Schleswig-Holstein.

Taking the Federal States of Lower Saxony, Schleswig-Holstein and Mecklenburg-Western Pommerania together, we find only four dairies which process organic milk – two of them have started to process organic milk only recently (one dairy in Lower Saxony and another one more in the centre of Mecklenburg-Western Pommerania).

In Germany organic milk production and milk processing is concentrated in the South. In 2001, according to ZMP figures approximately 410 million kg of organic milk were produced (ZMP 2002, p. 17). Nearly the same figure is indicated for 2003 (see Walter 2004, p. 6 and ZMP 2004 b, p. 203). The number of organic dairies is estimated at 40 dairies (see Walter, p 7). Most of the organic milk comes from southern Germany and is processed in the South. The organic dairy with the by far biggest volume of milk processing capacities for instance is located in Bavaria. A second bigger dairy is located in Western Germany. In addition, all other dairies in the leading group of organic dairies are located in Bavaria or Baden-Württemberg.

This also sheds light upon third problem organic milk producers in Schleswig-Holstein are confronted with. The high concentration of production and processing is accompanied by an overwhelming dominance of organic milk produce coming from the south of Germany at markets via retail chains and organic food stores. Whoever wants to buy organic milk products in Schleswig-Holstein can make the experience that organic milk products coming from the North are rare. Instead, organic milk products coming from Bavaria and other southern or western dairies top the marketing lists.

What has made the situation completely paradox until recently, is the paradox that at the same time Italian consumers could buy organic milk coming from Schleswig-Holstein. Meanwhile the contracts with the Italian supermarket chain have fallen through. But when we visited the dairy, which had exported organic milk to Italy the manager was just negotiating a contract to export organic milk to Greece.

Exploring the situation of organic milk farmers in Schleswig-Holstein and studying their experiences with the development of markets therefore mean that unlike other organic markets we are looking for a market and economic developments which were difficult in the past. So the question arises, if this constellation will endure and what organic farmers can do to improve their situation and change the course of things.
Without any doubt, whether there are good opportunities for economic empowerment or not is of special interest for afflicted actors under these circumstances.

Empirical Backgrounds

The study is based on interviews with leading actors. In addition a guided visit of some of the farms was undertaken.

Our main interlocutors are four organic dairy farmers; three of them belong to the already mentioned groups of organic farmers. The two groups represent roughly 90% of organic milk production in Schleswig-Holstein. An additional interview was conducted with representatives of the conventional co-operative milk association in Schleswig-Holstein in order to become more familiar with basic structures and constraints in milk markets.

Two other interviews were conducted with the manager of one of the affected dairies and with the sales manager of a big German retailer group with a turnover of roughly 2 billions of Euros in 2002 and approximately 120 supermarkets and multiples in the North.

Experiences which have been gained by the case study on the Regional Partnership Lübeck Bay also have found their way into the following presentation, because regional production and marketing of organic milk is an important part of the program of the Partnership in the field of activities named „Production, Processing, and Marketing of organic and regional Products“.

Most of the members of the two groups of farmers which we have studied more closely are farming in Schleswig-Holstein. Some farms, however, are located in the bordering parts of Mecklenburg, Hamburg, and Lower Saxony.

Apart from the two groups of farmers visited by us, only small circles of individual producers can be identified in Schleswig-Holstein. Those farmers are marketing milk and milk products directly to consumers or they are producing cheese on their farms and market it directly from their farms.

In general, the sector of direct marketing can be regarded as a more profitable sector for organic farmers. In Germany this sector represents today 18% of organic markets. In the organic milk sector this segment is regarded as less promising. First, the quantities of organic milk which can be marketed directly in many cases are so small that a specialised organic dairy farmer who produces 400,000 kg of organic milk or so has difficulties to sell this volume completely to consumers. Thus, even farmers with established concepts of direct marketing must look for traditional market channels via dairies.

Organic dairy farmers with already working concepts of direct marketing additionally point out that they must take a position at markets and have to foster a profile which is very close to customers and their demands. Much time and good knowledge about living conditions and consumer preferences is afforded. Farmers also must be ready to sharpen their profile as service agents. For these additional qualifications, as well as a specific mentality are required, something many farmers are not used to. Farmers which build up their own direct marketing channel are also forced to invest heavily in hygiene systems and have to develop a highly professional, sophisticated way of quality control to convince their customers.

Markets for certified milk (T.T. milk), which often is sold directly by dairy farmers as well as markets for organic farm cheese have been nevertheless qualified as promising niche markets by our interlocutors. On the other side they are convinced, that in many regions there is not enough demand to guarantee enough sales volume for more than two or three organic farmers per region.

Some experts even claim that the share (not the volume) of direct marketed organic products will continue to shrink in the future because the mass of consumers prefer retail shops and supermarkets. Given this situation it is quite logical for organic dairy farmers to give their milk to dairies.

Our interlocutors, one of them can look back to a good deal of personal experiences with direct marketing, are convinced that direct marketing doesn't present enough chances for a real breakthrough for organic milk producers. For this reasons direct marketing is regarded as a restricted perspective. Our interlocutors suppose that only a minority of organic dairy farmers will achieve convincing marketing solutions and ongoing economic success in this all in all small part of the market.

In addition, our interlocutors underline that economic success and market chances are not the only things which matter. Direct marketing is widely regarded by them as a question of personal talents and of individual character. It is seen as a good solution for persons who are in principle more extrovert persons and are interested in intense processes of communication processes with consumers. But many farmers in the organic sector don't see themselves as born communicators.

The "Northern Lights"

The first group we would like to introduce in our presentation is a group of organic farmers, who call themselves „Northern Lights". Their full name is „We – the Northern Lights", but we will only speak of Northern Lights in the following.

The name itself is an ironic allusion to people of the northernmost parts of Germany. Among those are to be counted, at any rate people in Hamburg and Schleswig-Holstein and after reunification also people in Mecklenburg-Western Pommerania. This is also the spatial horizon of milk markets the group wants to conquer. Approximately 5 million people are living in this region.

The Northern Lights group already was founded in the mid 90s. At this time only six organic farmers had joined the group. On from the beginning they had set up the group as a stock corporation. The business of selling organic milk has been organized by a subsidiary which operates as a limited company owned for 100% by the stock corporation. The construction is qualified as useful by our interlocutors because it facilitates the integration of organic milk coming from other organic farmers. The spokesman of the group told us that within a limited company the group is not forced to integrate other suppliers as full members of the stock corporation.

The group, i.e. the stock corporation, counted 16 shareholders by the end of 2002. Together, all shareholders hold a milk quota of 3.6 Mio kg. On average, this is slightly more than 300,000 kg per farm. It follows from this, that the dominant structures of the Northern Lights group are those of medium sized family farms. This classification is confirmed by our interlocutors. According to the groups spokesman, the size of farms does not vary widely.

The group acts as there own marketer (see below). It sells its milk under its own label. The name of it is „Weidemilch" ("Pasture Milk"). The milk is mainly sold by conventional food retailers. The main customers are two conventional supermarket chains which have integrated a limited spectre of organic products in their standard offer since a couple of years.

The milk sold by the group can be classified as organic market milk. Currently, other milk products are not offered, so that the economic success of the Northern Lights exclusively depends from one product. Given the situation that the markets for market milk are typical mass markets, offering little chances for actors to communicate a quality profile, economic success depends from expansions in volume.

The founding of the group in the mid 90s was the consequence of a number of difficulties with which organic dairy farmers were confronted at that time. The biggest problem was then, to find a dairy, which was willing to accept organic milk and to sell it at markets. For that period, no reliable figures on the size of organic milk market do exist. ZMP estimations for 1991 speak about 60 million kg of organic milk sold in Germany (see ZMP 2002, p 157). At the end of the 90s, the market share of organic milk was estimated at 0.5% of the entire milk market, so that a much lower market share must be estimated for the mid 90s for organic milk. As we have already mentioned about 50% of organic milk – and that, too, is only an estimate – was marketed conventionally at that time.

Under these conditions, to find a dairy which was willing to process and market organic milk certainly could be seen as a progress for the group of farmers which later formed the Northern Lights. Alternatives were not persecuted at that time. Especially, the purchase of an own dairy seemed too risky for them – particularly for financial reasons.

The second problem for organic dairy farmers at that time was the price paid for organic milk. Production costs for organic milk are higher than those for conventional milk, something to be traced back essentially to the higher costs for labour and for concentrates (Heissenhuber and Hoffmann 2001). Organic milk farmers therefore need a substantial surcharge in order to come up to the level of profitability and income achieved by their conventional colleagues.

In a previous study we have carried out (Oppermann 2001), agrarian experts named surcharges of 5 to 7.5 cents which were needed to cover higher production costs of organic dairy production (Oppermann 2001). Surcharges in a range between 5 and 7.5 cent, however, had been rarely achieved at markets. Moreover, our previous study showed that organic farmers normally had to accept surcharges equalling only half of the desired extra charge, and sometimes even less. The experiences of the Northern Lights fell without any question into the latter category. A more differentiated calculation published recently by the ZMP (see Ökomarkt Forum, 13/2002, p.10) comes to the conclusion that conventional farms which want to convert to organic farming face an higher amount of production costs between 6,76 Cents and 9,80 Cents.

Looking back to what things were like when the Northern Lights were founded, one of the interviewed farmers describes the bargaining on prices in the following terms: „While the dairy in H. was willing to guarantee that it would buy my organic milk for 5 years, they only wanted to pay 24.5 cents per kg. This was at the bottom end of the price range for organic milk and it meant that the dairy was not willing to pay any surcharge.

The only alternative I had at this time was an offer by a newly founded "Bioland" cheese dairy. This dairy was prepared to pay a surcharge in the range of 0.4 – 1.5 cents for organic milk, but their contracts would have run for a much shorter period. In addition, the surcharge paid, would have depended on the fat and protein content. As I use a high percentage of basic rations and because the quality of my basic ration varies considerably, especially that of green stuff - for instance hay and grass silage - I calculated that on average I would have ended up during the following years with probably very close to 0.4 cents of surcharge. For me, that would not have been worth it financially.

In principle, I did not even know whether the Bioland cheese dairy would be financially viable over a longer time. With the conventional dairy in H., I knew quite well were I was and therefore finally I accepted their offer. As other alternatives didn't exist for me, I had really no other choice. Then, we all hoped that organic milk markets would grow very fast in the future and that pushed by higher demand margin for real surcharges would emerge."

So, the Northern lights started with a rather gloomy economic perspective. It was clear on from the beginning that the group could win a sound economic future only with sufficient growth rates.

In other interviews with Northern Lights representatives similar statements were made on the market situation in the nineties and the choice which had to be made between low pay-out prices and security. The lowest surcharge offer we have heard from other interlocutors in this period was at 0.25 cent. It seems quite logical that organic farmers strived for bundling their offer at that time in order to obtain a better starting position for higher price levels in future negotiations with their dairies.

Although organic milk markets expanded in the following years, economic success remained limited for the Northern Lights. While it was possible to push through an organic surcharge, the prices which were obtained varied considerably and the average level of surcharge remained problematic. Between 1 and 7 cents surcharge was paid in the following years. To achieve 7 cents however was a great exception and was only possible in the boom year 2001.

On average surcharge prices for organic milk were 3 to 4 cents above the conventional price level, which means that payout prices were slightly below the economically needed surcharge level in most years. When we visited the Northern Lights in winter 2002 / 2003 organic milk markets already had slumped down and the payout prices had fallen to 32 cents. According to some private contacts which we had with organic dairy farmers in the second half of 2003 the payout prices had fallen to 30 cents in some cases.

The figures which are presented by the ZMP indicate that the price level obtained by the Northern Lights in 2002 and at the beginning of 2003 was lower than the average payout price for organic milk paid in Germany. The latter stood around 35,8 cents in 2002 (Schoch 2003, p. a). The figures presented in the ZMP overview show, that the Northern Lights all the same were not the big exception. Some other dairies also paid not more than 33 cents and the figures also show that at that time most dairies already had reduced payout prices in a range between 2 and 4 cents compared to the price peak in 2001 (see also top agrar 9/2003, S. 82). The third problem with which the founding group of the Northern Lights was faced in the mid 90s was the establishment of their own marketing concept.

Here too, theoretically two alternatives were on offer. On the one hand, the founding of an own dairy would have lead to a situation which would have given the group the full control over the entire chain of value creation, and thus would have been lead to an independent marketing strategy.

There are some other organic milk producers who have chosen this way in the 90s (see Oppermann 2001). But the situation of these groups cannot be compared with the situation of the Northern Lights. First, the number of participants was much greater. Second, those groups relied strongly on public help - also financial help. The financial risks were shared between state programs, organic farmers and private persons which became engaged for organic dairy farming.

The Northern lights group didn't worked under such conditions. Although it is necessary to underscore the financial risks and the limitations created by an undeveloped market some individual and political constraints must be appreciated. It seems that the leading persons of the group were driven by traditional farmer mentalities to concentrate on the production side and to ignore marketing. In addition, strong family traditions – some persons in the founding group of the Northern Lights look back to traditions of cooperation with the regional cooperative dairy which once were founded by their grandfathers.

Moreover, at that time political support with respect to favourable credit programs and with respect to all forms of moral and political backing was not on the agenda in the North. Therefore the Northern Lights decided to enter into a long-term commitment with the dairy in H. which was based on the following arrangement. The dairy H. took over full responsibilities for the processing of milk and additionally gave some support in the establishment of commercial relationships with the larger buyer groups in the food retail sector. On the other hand it became not directly involved in the trade business.

With a processing quantity of 500 million kg milk (2003), the dairy in H. is one of the major dairies in northern Germany. It belongs to the group of dairies with sound structures concentrating itself on rationalisation and modern technologies. The proportion of organic milk in relation to the entire volume of milk processed by the dairy is very low, but this is typical for many dairies in Germany which have just begun to process organic milk in recent years. A survey on this issue indicates that the 20 dairies regarded are processing 364 Mio. kg of conventional milk on average and only 7,5 Mio. kg of organic milk. So, the proportions between organic and conventional milk we have found in the H. dairy are not unusual. But the figures also show that in the case of the H. dairy the organic producers are in a even more inferior position than we can find it in comparable dairies.

The H. dairy primarily produces market milk (fresh milk and long-life milk). It is supplied by 850 farmers from Schleswig-Holstein and Mecklenburg-Western Pommerania. These farmers, in turn, are affiliated in a supply co-operative consisting of roughly 1000 members. In recent years the dairy in H. has developed an intense cooperation with the second biggest dairy group in Germany. The dairy in H. argues that the cooperation has specific benefits. Particularly sales guarantees for big quantities of milk and a better standing when confronting big retail chains are cited.

Within this framework, the Northern Lights present themselves at markets on the one hand as a regional producer and on the other hand, as the name “Weidemilch“ [Pasture Milk] is intended to express, as a producer of organic milk unequivocally following the tradition of pasture keeping.

“We want consumers to know that we get our milk straight from north German pastures. We want that the consumer is able to know exactly what the organic farmer feeds his animals with and that the farmer himselfs stand up for fodder quality. When hearing ´Weidemilch´ we want the consumer to associate with it that the fodder has not been imported from Brazil, and that farmers have used their experiences and their professional know-how to produce good animal feed and to eliminate all risks. This, more or less, is the guiding theme in our advertising“.

Regional application, however, is meant in a very broad sense. The entire north of Germany is understood to be one region, so that we have a regional market which counts for 6 - 7 Million consumers. By and large, this area (all of Schleswig-Holstein, Mecklenburg-Western Pommerania, Hamburg, North of Lower Saxony) is identical with the marketing area of one of the larger food retail trade chains supplied.

In comparison, the catchments areas of two other of the supplied food retailers are somewhat smaller. These are food retailers carrying out the majority of their trade in Schleswig-Holstein, and which have established themselves only partly in Hamburg, Mecklenburg, and in northern Lower Saxony.

The Hamfeld Group

The second group we have visited borrows its name from the farm still run by the group’s original initiator. It is a group with most of its members working and living in the southern parts of Schleswig-Holstein. Furthermore, some farms in Mecklenburg (3 farms), in northern Lower Saxony (4 farms), and a farm in the town of Hamburg belong to this group. In principle, there is no greater spatial overlapping with the Northern Lights region.

Today, the Hamfeld group consists of 13 farms. With an acreage of 150 ha each, the size of the farms is much above the average size in Schleswig-Holstein. The quota of the milk producer varies considerably. The smallest producer supplies 60,000 kg of organic milk, and the largest 1.2 million kg. Another large producer supplies 900,000 kg. Thereafter, a number of farms follow with 600,000 and 500,000 kg. These farms can be qualified as big family farms which, with respect to structural requirements, are fit for the future.

Because of the size and the structure of farms, the transportation costs are relatively low. They are stated with 0.7 cent per kg of milk. In 2002, the payout price for organic milk was 37.5 cents. So the Hamfeld group is a good example for organic farmers, which enjoyed high prices for organic milk in last years. Some producers even have reached prices of 43 cents - all extra charges included.

The group’s starting point, were sales difficulties of the group’s initiator in his attempts with direct marketing concepts for his organic milk. Customers, scared by press reports on E. coli in milk which had not been pasteurised in 1994 did not want to take any more non-pasteurized organic milk directly from the farm. As an alternative initially there were considerations to build up a farm dairy and to pasteurize their own milk.

At the same time, a management change took place in the neighbouring conventional dairy in T. In the face of the merry-go-round of take-overs within the dairy industry, the new manager was looking for further opportunities to maintain the independence of his only small to medium sized dairy.
The manager in T. looked for other quality offers and specialized production concepts in order to find a niche for its dairy. He was convinced that an organic range of products could be useful for him, while continuing to emphasize on conventional products.

Thus cooperation was established between Hamfeld farm and the dairy in T. and in the end all concepts for a farm dairy were given up by the Hamfeld farm. The Hamfeld farm began to gather a group of organic farmers ready to deliver organic milk to the dairy in T. and the dairy in T. began to establish an organic range of market milk.

The dairy which works with the Hamfeld group is a co-operative dairy processing approximately 60 million kg of milk. The dairy was founded in the end of the 19th century as a village dairy, and from 1910 onwards was managed as a co-operative dairy. In every respect, it has been established on the market as a producer of specialities. In the first half of the twentieth century the dairy had been specialised in cheese production. From 1949 to 1989 it was an ice cream producer which produced ice cream under its own label and was very successful in this market for nearly 30 years.

However, when the ice cream market was flooded with standardized products in the late 80s the dairy was facing the question of where a new market for specialities could be built up. The dairy management was clear about the fact that „a small dairy, offering standard products could not be viable, because the larger dairies are more cost effective by miles“. If a decision in favour of serving the mass market for standard consumer milk would have been taken at this time, a radical downsizing would have become unavoidable. According to the management, this would have meant to lay off at least 50 of the 75 employees.

The remedy came in form of introducing a longer lasting consumer milk. With the help of a so-called downdraught procedure, the milk is heated up gently, whereby the nutritional values remain unchanged. The procedure is based on a Dutch patent and was introduced by the dairy in T. to Germany in the 90es. The milk processed in this way will last for 15 days.

Most of the organic market milk of the dairy in T. is also processed to longer lasting organic milk. The dairy in T. initially introduced the „longer lasting organic milk" into its product range in order to supplement its conventional line.

First of all, this step turned out to be a very successful one. Sales quickly overtook supply, so that the group was soon able to expand in the organic sector. Furthermore, prices obtained for the milk were very high. The Hamfeld group therefore achieved „the best organic milk price which you could find in the North at that time". This is not an abstract statement but can be underpinned by facts. An overview over market trends in the organic milk sector which has been published by an organic journal only recently shows that the payout prices of the dairy in T. are ranking in the upper quarter.

The marketing of milk products takes place on two levels. The Hamfeld group has an own label for milk, butter, and – still in the process of being established – for cheese. This label is marketed through health-food shops and whole food stores. About 2 million kg of milk flow into this marketing channel. In total 7-8 million kg of organic milk are produced.

Most of the milk, however, flows into the longer lasting organic milk and is marketed nationally by the dairy and in some cases even Europe-wide. The national marketing also involves the organic wholesalers. Since the group maintains good relationships with a big organic wholesaler (denree) operating nationally, this marketing link cannot be described as regional either.

Compared to the Northern Lights, market prospects however always looked better for the Hamfeld group in last years. The first years are described as a period of constant growth and even for the weak year 2002 a growth rate of 10% was expected by our interlocutors. One reason was the opening of new national marketing channels for the group. Thus in comparison with the Northern lights the Hamfeld-group worked under much better conditions economic on from the beginning.

In addition, economic weights between conventional products and the organic product line are much better balanced in the T. dairy. Conventional milk is not so predominant as it is for the H. dairy. Nevertheless the dairy in T. will stay a conventionally run dairy – at least for a very long time. According to our interlocutors there are no signs that relevant factions of the conventional farmers will shift to organic dairy farming in the near future.

Another advantage for the Hamfeld-group however is the marketing strategy of the T. dairy. All in all the marketing strategy can be characterized as a more quality oriented strategy. Convincing the markets with quality products and working in niche markets therefore is not uncommon for the dairies management, because its own dairy tradition has been marked by niche marketing with stronger quality requirements deriving from this.

Problems of Cooperation between Farmers and Dairies

According to our interlocutors communication between farmers and dairies has become more difficult in last years. The climate of communication between dairies and farmers has changed for which the already mentioned downturn of the milk markets and particularly of organic milk market has to be blamed first.

The most serious consequence of sluggish milk markets can be characterized very simple: bargaining on prices and on other conditions of milk delivery has become harder - a fact which is underlined by both sides.

Nevertheless the organic farmers feel more concerned by these changes than the two dairies do. Members of Northern Lights as well as of the Hamfeld group are reporting constant pressures by their dairies in order to bring down payout prices for organic milk.

For the Northern Lights, who were already better accustomed to price pressures in the years before 2000, recent price cutbacks lived up their expectations. But as recent price cuts have led to a situation where the loss of profitability for organic milk production has become an acute problem it is reported that the atmosphere of communication between farmers and their dairy is charged with more tensions.

In addition, growing dissatisfaction among the members of the Northern Lights group can be noticed. When we met the spokesman of the group he even didn't exclude that some members of the Northern Lights could be tempted to reconvert their farms to conventional dairy farming. Especially some newcomers in the group who were attracted by more comfortable payout prices and fast growing markets in 2000 and 2001 could do so, our interlocutor said.

On the other hand the existing structural similarities between depressed conventional markets and ailing organic markets are seen as a stabilizing factor for organic dairy production by the Northern Lights spokesman because a switch to conventional farming wouldn't ease the economic situation for concerned farmers. So the reported reflections should be seen more as general indicator for uncertainties prevailing at the moment.

With regard to the next years the Northern Lights are convinced that pressures on payout prices will last. There is not a too restricted growth which is responsible for this outlook. From the point of view of the Northern Lights most consumers of organic produce are more attracted by low prices than by quality products so that low-price-retailers and low-price food in general will considerably extend their market-share in organic markets. As a result organic farmers will be confronted with pressures on payout prices for organic milk despite growing markets. One of the Northern Lights members has put his conviction into remarkable clear and open words:

"The consumer attitude towards organic produce is not as friendly, as it is often maintained. In conventional marketing channels, cost effectiveness counts most and in consequence we find a situation that 20% of consumer milk is sold by ALDI. On top of this, there are all the other discounters as for example the LIDL group, the PLUS group and so on. Taken together discounters count for more than 50% of the milk market and no end of the expansion of discounters is actually in sight."

…

"On the other hand, even in average supermarkets you will find a lot of "white label goods" today, which means goods which are sold under a genuine low-price-label of the respective supermarket chain and not under the label of the dairy which has processed the milk. These products have been created in last years in order to compete directly with the product range offered by discounters. What we saw in recent years is a strong growth in the segment of cheap milk products. It can be concluded, that most of the consumers are interested in low prices and not so much in quality. And as far as I can see it, this is especially true for organic milk markets, because we have seen growing price competition in this markets last years ".

A recent report about the success of organic milk in discounter shops shows that in a very short time the discount marketing channel has reached a market share of 12% (see Bio-Handel, January 2004, p. 9). Being confronted with such experiences the considerations of the Northern Lights seem proving a lot of realism.

According to the Northern Lights spokesman, the attitudes of organic consumers will lead to high growth rates of white label products in organic markets. He supposes that the great numbers of organic white labels which have been created by retailers in last years are an unambiguous proof for these changes.

Furthermore, he expects that sooner or

later the discounter chains will become a permanent feature in organic milk markets. Several test runs have already taken place and experts indicate that the reactions of consumers were friendly.

The most discussed example in Germany was the integration of organic milk in the organic BioBio-range of the PLUS discounter chain in 2002. If this example will be followed by other discounters, pressures on prices for organic milk would certainly increase. In consequence, a further reduction in the organic surcharge by one or two cents is considered as a realistic scenario for the future by our interlocutors.

On the other hand we know from our interview with a big retailer group that there is no rule that prices in mass markets can only go down. Particularly in 2001, when the BSE crisis reached its peak in Germany food became a matter of public concern and supported by a changing public climate some big retailers managed to bring up milk prices because even standardized produce like consumer milk became produce of a higher esteem. In this period prices rose by nearly 5 cent per kg milk and milk selling became a very profitable segment for retailers.

This period however ended very soon. According to our interlocutors in 2002 concerns over food quality became weaker and the general economic crisis with high unemployment rates and consumers looking for cheap products brought the upswing period to an end.

The Northern Lights for their part are sure that they cannot escape from the logics of downward going prices. As they are strongly committed to the food retail trade business in their commercial relations, they either have to follow suit or withdraw into smaller marketing niches. One of the farmers we have seen explains:

“I am not convinced by the general condemnation of the discounters which you can hear very often in the organic scene. We will have to face reality and try out what can be really achieved in markets ruled by discounters by us. We cannot ignore that even organic consumers are attracted by discount-lines. I think, that when we are facing a situation that the discounters are fully implemented in organic milk markets, we must play an active part in this development“.

On the other side this means that everybody who strives for a positive arrangement with discount channels and other low-price marketing concepts must be aware of the consequences for his standing on markets for organic milk produce. It would be misleading to ignore that harsh consequences for internal communication, communication to customers and marketing strategies for the public as well as for cooperation strategies with all involved dairies have to be taken in account.

For these questions we didn’t find clear strategies and convictions but a more or less shy flirt with new options and ways of thinking the future. What we have heard from farmers are some general reflections but no practical consequences and tactical reflections at all.

A Shy Flirt with Organic Mass Production

Some general reflections can be summarized as well. Although they are not made concrete by our interlocutors they show that traditional meanings with regard to the general the economic and social function of organic farming are put under the microscope by some of our actors.

First, getting involved in organic mass production is no longer seen as an act of treason of the holy principles of organic production. In consequence, organic farmers have to revise their concepts of communication. To communicate to consumers in an effective way certainly means that organic farmers will go on in underlining the environmental benefits of organic production and they will continue to underpin the relevance of animal welfare for organic dairy farming.

But it looks neither convincing nor

does it really help organic farmers to create progressive social meanings with regard to the role and function of organic farming if they continue to portray themselves as stewards of small economic and social units and decentralized marketing strategies. The economic and social dynamics they are involved cannot discussed in categories of an idyllic "small is beautiful world".

In addition, whoever takes serious the assumptions of a growing low-price/mass production segment in organic markets must be prepared to form a longstanding "cartel of rationalization" with his partners in the domain of processing and marketing. If it becomes necessary for organic farmers to make their own cost structures „winter tight", as one Northern Lights farmer has called it, first organic farms must constantly strive for economies of scale and the farmers themselves must become ardent pioneers of rationalization and cost effective organization.

But second a systemic dimension appears and must be taken in account. It is the question of synergies in the whole food chain which has to be taken serious and which implies a constant dialogue about economic prospects and strategies of marketing.

What we have found on the side of the farmers and of the side of the dairies in this respect is neither fish nor fowl. A shy flirt with the perspectives of organic mass production has begun on the side of some farmers. The above cited positions about the relevance of discounter channels and low-price concepts are a testimony to the relevance of these problems.

What we have seen on the side of the dairies and the retailers is even less, because there are no signs for common discussions with organic farmers about this subject.

This is an astonishing fact if we regard to the situation of the Hamfeld Group. In contrast to the experiences of the Northern Lights the price pressure executed on the Hamfeld group in 2002 to bring down payout prices was a completely new experience for this group.

The cutback of prices provoked anxieties among the members of the group. But as other groups of organic farmers had to resign to deeper price cuts and as the payout prices even after the price cut of 2002 stayed relatively high for the Hamfeld group, the downswing of prices was not regarded as a cause for fighting for a new basis of cooperation between organic farmers and their dairy.

In the months following the decline of the milk markets the attitude to marketing strategies which bind together organic farmers and conventional dairies began to change. For the first time general doubts were expressed on the side of the Hamfeld group.

"We are now aware that we don't have the same way of thinking. We have learned that our dairy doesn't share our ideas with regard to strategic options. We try to grow smoothly and are convinced that growth always must be based on the quality of our products. Although organic farming is also a business we have quality aspirations which have to do with animal welfare, nature protection and trustful relationships to consumers based on trust in good products".

On the side of the dairy the aspirations of organic farmers were not taken up. The position of the management can be resumed in the following words.

"Organic is business. You will make profit, and if you cannot make money in the business you have to give it up".

What has become questionable for the Hamfeld group is the division of functions between organic farmers and their conventional dairy. Under ideal circumstances organic farmers had to look for an outstanding quality of the produce while the dairy had look for an outstanding quality of procession and a marketing strategy focused on quality marketing.

For the Hamfeld group this kind of functional division of responsibilities has become doubtful. In the interviews examples are cited by organic farmers that they had been presented by their dairy with accomplished facts and simply had to swallow them.

Further doubts formulated by Hamfeld members concern the balance of risks. From their point of view the dairy has improved its quality image on milk markets by integrating an organic milk line. New groups of customers have been won, so that as an appropriate service in return an offensive marketing strategy for organic products had been expected by the Hamfeld group. But that didn’t happen at all. Doubts of the Hamfeld group therefore are also based on the abilities of their dairy to foster a marketing strategy which highlights the specific qualities of organic production. Finally, the Hamfeld group argues that the building up of full line program of organic produce was not pushed ahead by the dairy in T. The Hamfeld group wishes a long term engagement of their dairy in organic markets which on the other side would lead to a certain disregard of short term profitability.

At the moment the internal discourse of the Hamfeld group points in a complete other direction as the discourse of the Northern Lights is pointing.

The members of the Hamfeld group are discussing whether their “commercial marriage” with a conventional run dairy hasn’t to be qualified an anachronism. When we visited the Hamfeld group the discussion whether it wouldn’t be appropriate to change the partner was just beginning. All what we have heard about this has to be qualified as very prudent considerations.

We have heard in the interviews that some efforts in this direction had been undertaken in the past. But these efforts have faltered because in practice the only short term working alternative would be the dairy in H. with its much lower price level so that this alternative soon turned out to be fruitless.

The representatives of the Hamfeld group are convinced that it would be the best solution to have a dairy of their own. But for the Hamfeld group the strategic hurdle remains the question whether the full control of processing and marketing is really worth a big and risky financial engagement.

At the moment the members of the Hamfeld group don’t see a real chance for building up an own organic dairy, but they also make clear that they would take a higher financial risk if any public aid could be mobilized for such a project.

Poor Chances for Intensified Cooperation between the two Groups of Organic Dairy Farmers

Today, a second factor makes the position of both groups of organic farmers extremely vulnerable. Under the conditions described above it would be extremely helpful to unite the two groups of farmers or to form cooperation in marketing. As success on markets depends heavily from a powerful position with regard to their dairies and as additionally a broader range of organic milk products could help to improve their standing on markets the forces of the two groups should be combined or marketing perspectives will stay bleak. In theory this position is confirmed by all actors to whom we have spoken. In one of the interviews for example the following was stated:

“If all organic dairy farmers in Schleswig-Holstein would cooperate with each other, a broad north German organic milk range could be built up. We would have much more clout against the competition from the South and West. And of course, we would be able to advertise in a much more offensive way than we do it today“.

In our interviews, both groups referred to this issue. But both described examples of cooperation which had been tried out in the past, but had failed each time because of the other group mistakes. Basically, the actors of each of the other group are blamed for not being able and willing to cooperate.

In one interview, it is stated that one could not cooperate with the other group because the representative of that group would „only think of his own interests“. Furthermore, a lack of understanding for long-term strategies is blamed. The other group would not be prepared to think beyond the ”confines of the day-to-day business“. All these statements are being fed with single examples such as the example that the respectively other group allowed a joint butter business to fall through, when „from one day to the other“ a firmly promised butter supply was cancelled because, at that time, the other group was able to sell the milk to another dairy at a better price.

This, in turn, is countered by the other group with the accusation, that this butter business was an attempt at „price dumping“, which would have led to a destruction of the price level at market. It is even being recorded that the butter price would have fallen below the price for conventional non-blended butter. Since some financial investment had already been carried out in expectation of the planned cooperation (wrapping paper and packaging materials for butter), not only future market opportunities had been destroyed, but a real financial loss had also incurred.

The question whether organic dairy farmers can foster a common perspective for their activities at markets should be solved very quickly. It is a large handicap that they are separately facing dairies. Our experiences however show that a radical solution seems unrealistic. After we had finished our field work, some experts reported that the idea of forming a common round table of organic dairy farmers in the North has gained acceptance. We cannot make a fair judgement on this information. Referring to the intense quarrels we have heard from we are however sceptical that the climate will change soon. On the other side the ongoing deterioration of the milk markets in the second half of 2003 leaves no alternatives to affected organic farmers.

The Missing Regional Perspective

As we have already indicated a very specific problem of organic milk producers in the north of Germany is the competition from organic produce coming from south German organic dairies as well as coming from a big organic dairy in North Rhine-Westphalia. This problem had already existed for a number of years. During the boom years of 2000 and 2001 it was not noticed very much by organic farmers, because the strong growth of organic milk markets seemed to offer room for the expansion of all competitors.

Since 2002 the competition with goods coming from other parts of Germany however is regarded again as a major problem for organic farmers in the North. In this context our interlocutors outline two topics.

First, fierce competition in organic milk markets with good from “outsiders” puts more pressure on prices and is restricting the chances to establish a better payout price in the North. In addition, our interlocutors accuse southern dairies for price dumping. For example it is being reported that the Northern Lights lost its deliveries to a cross-regional food retailer because a south German competitor had offered its organic milk products 10 cents cheaper. Our interlocutor told us:

“The dairies in S. and A. are market leaders on the organic milk market. They act nation-wide and at the moment they are waging a real price war against us in order to safeguard their market share. We did have solid business relations with the food retail trade chain E. and regularly delivered our milk to this retailer. But some moths ago we were dumped from this business because the organic dairy A. from Bavaria undercut us by an entire 10 cents. How they are going to be able to cope with these prices, I really don not know. What I know very well is that when pressure on prices assumes such proportions, we are no longer able to withstand it“.

The Hamfelder-group also describes the already cited companies in S. and A. as “troublemakers” in the market and as their main competitors. Here too, relevant pressures on prices and the same price dumping practices which are reported by Northern Lights are mentioned.

"We all know the methods of S. He pays less and less to organic farmers. Recently, Bioland organized a meeting in the region where all organic dairy farmers and our dairies agreed to fixed prices for organic milk we were going to offer on the market. Immediately afterwards, S. undercut our common arrangement by 4 cents. With such prices farmers are no longer able to work and to cover their costs. The farmers who produce for S., however, don´t dare to fight back against these methods. They probably don´t have an alternative for the sale of their milk".

The problem with competitors coming from other regions however isn't only a problem of prices. Under the already cited conditions one can hardly imagine how organic dairies which are located in northern Germany can conquer a greater share of the organic milk market. The two groups of organic farmers are delivering milk for consumer milk production and they observe that it is risky to expand their production if big dairies from outside occupy the market and are using dumping practices.

But with regard to the entire milk and cheese business another problem will soon emerge. If northern organic dairies and organic farmers try to build up new lines of products - for example in the markets of cheese, whey cheese, yogurt or cream they are facing competitors which have already put these products on the markets and have won the confidence of consumers.

Consequences for the Future: Chances and Challenges for Reasonable Discourses on Growth and Empowerment

The experiences presented above show how difficult it is for organic farmers in the dairy sector to build up a long standing economic perspective for their own farms and by doing this to offer a promising example for conventional farmers which are flirting with the idea to become organic.

The most important problem organic dairy farmers are facing, a problem directly related to the question of empowerment of regional actors, is the question, whether the conquest of markets and the development of appropriate concepts for marketing can be put forward by favouring clear preferences for mass production or for quality production.

What has to be stated first is the fact that the development of markets indicates that a clear choice has to be made but that the discussion among organic dairy farmers is just beginning. Today, this discussion is in its infancy at best. This is not only a question of time-lag for farmers and other actors in the countryside. It is also a question whether organic farmers can act in a offensive manner or are only reacting in a defensive style to deteriorating market conditions.

Especially the members of the Northern Lights, which have worked under uncomfortable economic conditions for a long time, are aware that something has to be done and are beginning to reflect the advantages and disadvantages of organic mass production. Nevertheless a clear concept and a clear decision have not been worked out yet. What we have seen are more tentative efforts than strategic considerations or an elaborated plan to cope with their problems.

But up to now neither the Hamfeld-group nor the Northern Lights have begun to reflect whether an alliance between medium sized farms and much bigger dairies following the logics of industrialized production and of a market dominated by big retailers and low-price strategies can really work on a basis of equality, of confidence and mutual understanding or if farmers.

The critics about dairies and retailers we have heard are reconstruct able. But they are not accompanied by concrete measures so that we cannot be sure that they will be productive and lead to a break with former traditions of cooperation.

The question whether it is possible to build up an own organic dairy must be put on the agenda. Both groups have raised the question and have ruled out the creation of an own dairy because the amount of investments would stretch the actors´ financial possibilities too much.

Under these circumstances the question must be raised if a combined initiative would be more successful and as this issue is not only relevant for organic dairy farmers but for the entire organic sector as well as for organic friendly consumers and institutions the chances for a broader based initiative should be evaluated.

Perhaps a mixed solution would be more realistic. Given the situation of medium sized dairies in northern Germany which is characterized by fierce competition and pressure on their prices it would be possible to find a solution which gives organic dairy farmers better chances to bring more different products to markets.

In principle organic dairy farmers which opt for quality strategies have a lot of problems to solve. They must broaden the range of organic products. They must create regional labels. They must play the card of regional identity in order to compete with dairies from the South and the West. Communication of regional values and regionally based quality images to the public is still underdeveloped. A strategy grounded on regional aspirations has not been developed yet, despite some single attempts which have been undertaken in the past.

Last but not least the question how organic dairy farmers can be led to more sector internal cooperation must be raised. Because organic markets are not balanced and because organic milk production and its produce must defend its profile in typical mass markets, whoever raises the question whether it is possible for organic farmers to free themselves from the constraints of mass markets must show how to do this in practice and therefore must test new concepts and ways out. When we met the two groups of farmers we didn’t find a clear discourse about internal changes, alternatives in business organisations and concrete measures as well as of financial, institutional and personal “costs” of ways out but a more or less backward looking discourse was dominating.

It is not appropriate to give good advices from outside and additionally we have no idea who is really guilty for uncooperative practices and who is not. However, our general impression is that there are no objective constraints to overcome. Neither the structures between the two groups of farmers are incompatible nor do we see deep going problems in marketing access and in marketing power

The already mentioned personal rivalries are a clear signal for backward oriented discourses for us, because this discourse is concentrating on bad experiences in the past and not concentrating on the challenges of the future which afford that all narrow-minded ways of thinking about cooperation among organic dairy farms must be brought to an end. Most of all farmers must get aware of the catastrophic consequences of their sectarian keeping distance from another. A radical improvement of their situation only can be achieved if the speechlessness among the two groups of farmers will be finished. As long as we objectively have a *divide et impera* situation the chances of rebalancing the power structures in markets and of conquering new markets remain weak.

Second, for the examination of the future for organic farming it is crucial to clarify, if organic farmers can escape from objective inferiority as mere producers of raw materials by forming alliances with conventional dairies and retailers which are concentrating on quality management, quality control and the development of new marketing channels with proper communication concepts in the domain of advertising and public information.

To cope with these problems a big leap forward in the creation of adequate structures of internal cooperation is needed. Perhaps this is the most important lesson which can be drawn from our field experiences. If organic dairy farmers will handle the problem of quality control in an offensive manner and if consumer aspirations on transparent lines of production and marketing are taken serious not only a new field of communication must be build up and fundamental organisational prerequisites (common structures of business representation) have to be established.

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