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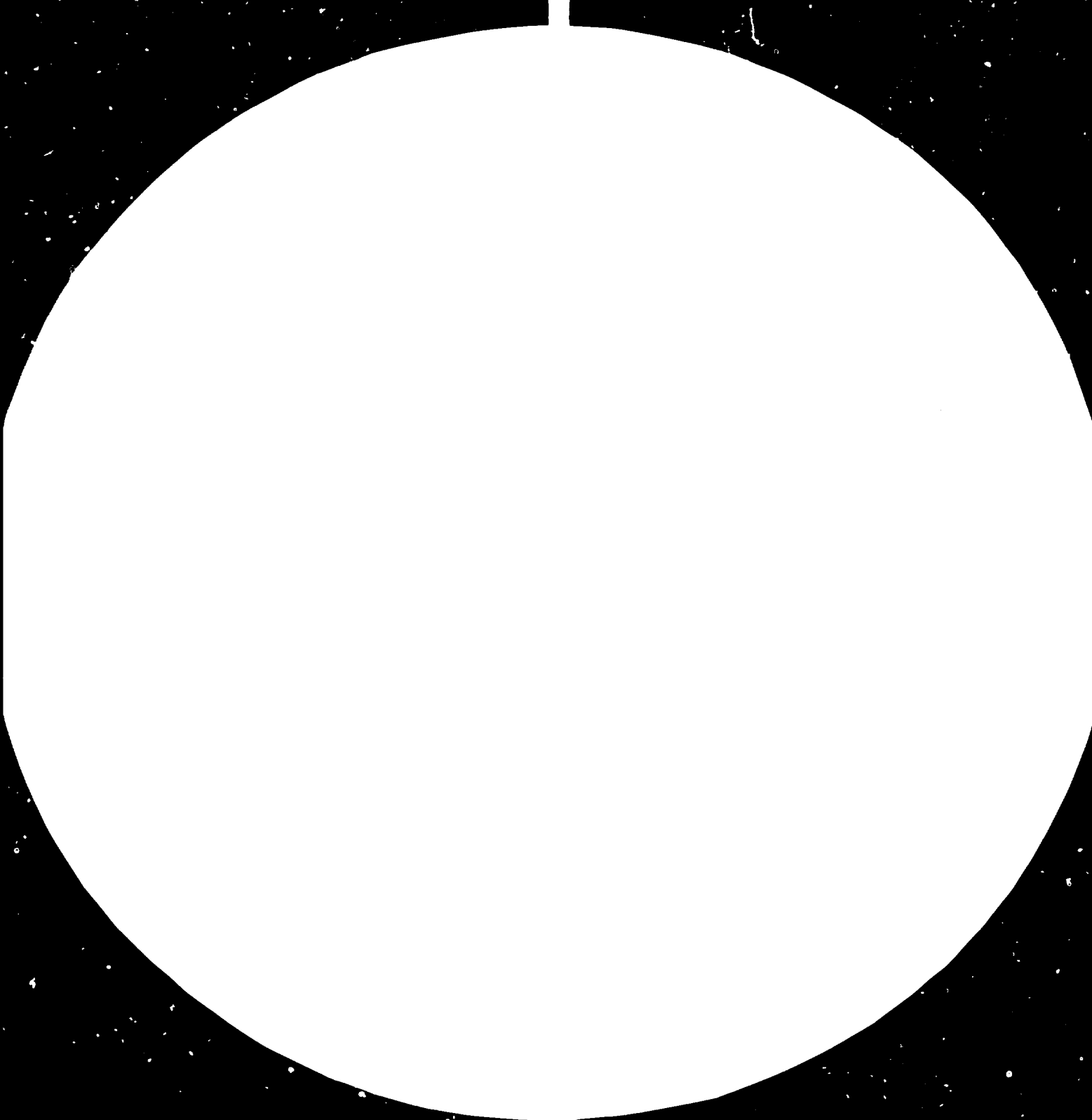
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Expert Group Meeting
Role of Co-operatives in the Development
of Food-Processing Industries in
Developing Countries

Vienna, Austria, 22-24 April 1981

REPORT*

Co-operatives in the Development of Food-Processing Industries in Developing Countries

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PREFACE

1. The Second General Conference of the United Nations Industrial Development Organization (UNIDO) held at Lima, Peru, in March 1975, recommended as one of the major conclusions, that UNIDO includes among its activities a system of continuing consultations between developed and developing countries and among developing countries themselves with the objective of raising the developing countries' share in world industrial output through increased international co-operation.
2. At its seventh special session in September 1975, the General Assembly of the United Nations endorsed the Lima Declaration and Plan of Action, and decided that the system of consultations should be established at the global, regional, inter-regional and sectoral levels. The consultations are intended to explore ways and means of bringing about the above objective and a new distribution of industrial activities in the world that will adjust the present economic imbalance between developing and developed countries.
3. The Industrial Development Board, at its tenth and eleventh sessions in 1976 and 1977, decided that consultations should be convened among member countries with the participation of officials from governments, industry, trade unions and consumer groups.
4. One of the priority sectors mentioned in the Lima Declaration and Plan of Action is the development of efficient agro-industries by securing an effective and viable link between agriculture and industry with the objective of achieving a high degree of integration and interaction between these two sectors of the economy in the developing countries.
5. The Industrial Development Board authorized UNIDO to proceed with preparations to convene the First Consultation Meeting on the Food-Processing Industry. This Consultation will be held in The Hague, Netherlands, from 9 to 13 November 1981.

6. Within the framework of the preparatory programme, UNIDO organized a Global Preparatory Meeting on the Food-Processing Industry in January 1979. This meeting decided that the First Consultation Meeting on the Food-Processing Industry should deal with the food-processing industry as a whole and identified four broad issues for consideration by the Consultation, namely:

- Integrated development of all sectors in the food production, processing and marketing chain;
- Meeting technology requirements of developing countries;
- Expansion of technical and economic co-operation between developed and developing countries and among developing countries themselves;
- Improvement of marketing and distribution.

7. The Meeting on the Role of Co-operatives in the Development of Food-Processing Industries was also convened as part of the preparations for the First Consultation with the purpose of elaborating the issues to be discussed at the Consultation - in particular Issue II-B "Expansion of technical and economic co-operation between developed and developing countries and among developing countries themselves".

8. A review of co-operation between developed and developing countries in the field of food-processing industry indicates the need for alternative partners in food-industry development. Well established agro-food co-operatives could provide alternative partners in food industry development because of the following:

- Experience in an integrated development of agro-food industries from raw material production to marketing;
- Flexibility in adapting to and understanding conditions prevailing in developing countries;
- Specialization in food lines (notably milk, meat, cereals, fruits and vegetables) where mostly an increase in production is needed in developing countries;
- Consideration of development goals which go beyond strict profitability and give a special emphasis to the participation of the rural population in the production process.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

9. The Meeting agreed that co-operative organizations have the potential to play a more significant role in sound economic development particularly in the development of rural areas and promotion of agro-food industries,^{1/} both for domestic and export markets.
10. Co-operatives in many developed and developing countries have proved to be successful partners in development of food-processing industry and they provide an effective and workable link between agriculture and industry. Integrated development of various sub-sectors of the food-processing industry has taken place through the industries established by co-operatives (dairy industry, cereals, vegetable oils and fats, fruits and vegetable processing, meat processing).
11. The Meeting recognized that collaboration between well-established co-operatives and developing countries is already taking place in many instances and concluded that this experience should be used for further expansion of collaboration.
12. The Meeting recognized that some of the existing constraints connected with the development of food-processing industry in developing countries could be largely overcome through increased collaboration between existing co-operative organizations and suitable partners in developing countries.
13. Recognizing the importance of the First Consultation on the Food-Processing Industry, the Meeting concluded that the co-operative organizations should undertake necessary steps in order to be able to take active participation in the Consultation.

^{1/} Agro-food industries include all processes through which agricultural (plant and livestock) and fishery products are transformed (whatever the degree and type of transformation) from "raw materials" into "foods".

Recommendations

14. The Meeting recommended

1. UNIDO and other international organizations dealing with food-processing industry should give due recognition to co-operatives as partners in integrated food-industry development.
2. UNIDO and other international organizations should give active consideration to co-operatives' experience in transfer of technology and know-how including management.
3. UNIDO and other international organizations should continue to devise ways and means to assist co-operative organizations willing to collaborate with partners in developing countries in overcoming some of specific constraints which they face, namely: lack of information on suitable projects for their participation as well as lack of financing for the implementation of these projects.
4. UNIDO and other international organizations should continue to provide partners in developing countries with information on well established co-operatives as potential partners for collaboration in food-processing industry.
5. In providing technical assistance to developing countries, UNIDO and other international organizations should take into consideration the willingness of well established co-operatives to collaborate with developing countries in supplying expertise and consultancy services.
6. UNIDO, in collaboration with the International Co-operative Alliance (ICA) and other appropriate institutions, should identify the existing management training centres and expand collaboration with these institutions in providing training relevant to the food-processing sector.

ORGANIZATION OF THE MEETING

Opening of the meeting

15. The Expert Group Meeting on the Role of Co-operatives in the Development of Food-Processing Industries in Developing Countries was held at UNIDO headquarters, Vienna, from 22 to 24 April 1981. The Meeting was attended by 6 participants from 6 countries and 13 representatives of 6 organizations (please refer to Annex 1).

16. The session was opened by Mr. Siddiqui, Chairman of the UNIDO Task Force on Agro-based Industries and Director of the Division of Policy Co-ordination, who welcomed the participants and stressed the fact that this Meeting was the first to be held by UNIDO with the purpose of examining, on a systematic basis, to which extent food-industry co-operatives can extend their collaboration to developing countries and represent an alternative to multinational corporations in food industry development.

17. The Meeting was chaired by Mr. Aref, Vice-Chairman of the UNIDO Task Force on Agro-based Industries and Special Technical Adviser.

Conclusions and Recommendations

18. The Conclusions and Recommendations of the Meeting were adopted by the Meeting at its morning session on 24 April 1981.

SUMMARY OF DISCUSSION

19. There was a lengthy discussion on the purpose of the meeting. It was clarified that the purpose of the meeting was to explore to what extent well-established co-operatives can be partners in the development of food-processing industries in developing countries, regardless of whether the counterpart in the developing country was a co-operative or a state enterprise. To avoid confusion between 'co-operative' and 'co-operation' it was decided that the word 'collaboration' should be used when referring to partnership in development.

20. As 'collaboration' between well established co-operatives and developing countries is already taking place in many instances, the participants were invited to share their experience with regard to:

- (I) The present capabilities and willingness of co-operatives from developed countries (and in certain cases also from developing countries) to transfer technology under various forms to developing countries;
- (II) Their past experiences of technological transfer and management and training in developing countries, the benefits and costs of such operations and the constraints encountered;
- (III) The possibilities of further expanding technical and economic collaboration with local partners in developing countries' co-operatives and also private enterprises and state agencies.

21. The Meeting agreed on the capabilities and willingness of well established co-operatives to collaborate with developing countries in food industry development. Collaboration could take the following forms:

- (a) Feasibility studies. The view was expressed that collaboration should start from feasibility studies and that an integrated approach to food production, processing and marketing should always be taken into consideration;

- (b) Transfer of technology and know-how. It was agreed that co-operatives' experience in technological and know-how development was under-utilized and that it could be transferred under various forms to developing countries;
- (c) Joint ventures. Only a limited number of co-operatives are willing and institutionally capable of entering into joint ventures in developing countries. Participation in joint ventures may however be possible when equipment is sold to the project or products bought by the co-operative organization participating as a technical partner.
- (d) Financial assistance. Most representatives stated that by institution, co-operatives are not able to provide financial assistance directly; however, they agreed that the financing of viable projects in developing countries would not be a problem because it can be arranged through ordinary institutions financing development projects. Some financing could probably be acquired by the co-operatives through financing of feasibility studies or guarantees of equity participation or investments abroad by their respective national government institutions. In many cases, however, such facilities are not available. In this connexion, concern was expressed that collaboration without capital investment would affect the credibility of co-operatives as partners in development particularly in the form of joint ventures. UNIDO was therefore invited to suggest a framework of collaboration where co-operatives, without the securing of capital investment, could be considered reliable partners in development.
- (e) Management training. The participants agreed on the importance of training of specialist and management staff, and on their readiness to give management assistance to developing countries. Opportunities do exist for the co-operatives to arrange in-plant training in their home industries, but it was stressed that ideally training and particularly management training should be on-the-job training in the specific projects and that most of it should take place in the developing countries in question.

- (f) Consulting services. Many participants mentioned that they have substantial experience in providing consulting services to developing countries, both in form of pre-investment studies, design and supervision services, technical advisory services, training and management assistance.

22. The participants reviewed the food subsectors in which co-operatives are operating industrial enterprises namely, milk, cereals, animal feed production and meat processing (beef, pork, poultry) fruit and vegetables, vegetable oils and fats. In some cases sugar, fishery and beverages industries are also operated by co-operatives. The co-operative food industries usually operate an integrated system including collection of the produce from the farms, processing of the products up to finished branded consumer goods as well as marketing of such products.

23. The participants reviewed their experience of technical and economic collaboration ^{2/} with developing countries under the following heads:

I. Transfer of technology

By subsectors. The transfer of technology seemed to have taken place mostly in the area of milk processing, followed by cereals, meat (especially poultry) and animal feed, fruit and vegetables, vegetable oils and fats, sugar, fishery and beverages.

Co-operatives have also provided know-how for related operations like advisory services to the farmers, organization of supply of credit and farm inputs and services like seed and animal breeding programmes, which often are necessary for the successful establishment of food industries in developing countries.

By type. A general review allowed the conclusions that technology was transferred with particular consideration of its economic, technical, organizational suitability to the market of the developing country in question.

^{2/} In a few cases collaboration does not take place directly between co-operatives and developing countries' partners, but through societies which they created for this purpose.

Type of enterprise to which it was transferred. The experience of the participants revealed that the counterpart in developing countries were not only co-operative organizations which are often not sufficiently developed to grow into industrial operations, but often private or state enterprises. The view was expressed by some participants that co-operatives in developing countries would be more desirable partners because of their organizational affinity with co-operatives in industrialized countries; other participants felt that in many instances co-operatives in developing countries are very weak, and therefore other enterprises are more suitable partners. It was stressed, however, that when participating in development projects, co-operatives would give special consideration to the fact that such projects did not have negative effects for the development of local co-operatives or their members.

For what market. Co-operatives expressed a particular interest in collaborating in food industry development for the domestic markets of developing countries. However, there was some discussion on the possibility for developing countries of producing food for exports; the possible advantages (increased foreign exchange earnings), disadvantages, (cultivating the land for export crops instead of basic crops, and consequently importing basic foods) and difficulties (tariff and non-tariff barriers in import markets) for increasing food production for exports were mentioned.

With regard to intra-trade development, (trade among developing countries), a representative stated that co-operatives have no objection, in principle, to assisting developing countries; however, a lack of knowledge of projects (concerning intra-trade development) was a serious constraint to participation of co-operatives in these kind of projects.

Forms of technology transfer. Various forms of transfer of technology have already been taking place between well established co-operatives and developed country partners. Consultant services, technical assistance contracts, licensing agreements and management training seem to be more widely used than joint ventures and turn-key contracts.

II. Constraints in co-operation. Two were mentioned as major constraints faced particularly by co-operative organizations:

- Lack of information on suitable projects and project potentials in developing countries. Also, information on the specific market conditions, raw material potential etc. in the developing country in question may be incomplete for co-operative organizations willing to participate in the development of food industries. It was, however, realized that UN organizations have gathered substantial amounts of data which could be made available for such studies.

- Lack of financing. Most participants reported that their co-operative organizations would be reluctant to invest funds abroad, except in cases when they would sell equipment to the project or buy products from the project. This limitation could then become a serious obstacle for their participation in the development project since participation in investment is often demanded by the client.

24. It was agreed that co-operatives could and should expand technical and economic collaboration to developing countries and provide a valid alternative to multinational corporations for the following reasons:

- (a) In identifying a project suitable for collaboration, they would keep in mind the overall development strategy of the country in question with particular consideration of the farmers' role in relation to the project and not be exclusively profit-oriented;
- (b) They could play a relevant role in helping developing countries attain self-sufficiency in food since such a goal would be given special consideration, and furthermore, since they specialize in food lines that are relevant for internal consumption. The case of collaborating for the storage and handling of cereals was specially mentioned;
- (c) In transfer of technology co-operatives are sensitive to the needs of the countries in question, and show flexibility in adapting to the conditions prevailing in the market in question. This does not only mean a transfer of scaled-down technology, but also transfer of sophisticated technology (e.g. packaging) that would help developing countries to break into the export market (e.g. India exports to Saudi Arabia). Several participants stressed that co-operatives have a role to play in adapting technology to the needs of developing countries because of their expertise; furthermore, since they do not represent vested interests and political power, they could provide developing countries with a good structure for negotiations.

- (d) In the light of their experience of a step-wise integrated development of agro-food industries, co-operatives could assist developing countries to:
- (i) Explore ways of utilizing and improving local raw material inputs for processing;
 - (ii) Devise appropriate food technology policy in consideration of existing raw materials market, and capacities and potentials of the local industries;
 - (iii) Devise organizational solutions to integrate the various stages of production, processing and marketing into a complete system, including arrangements for farmers' participation in the production process.

25. Other points were stressed throughout the discussions.

The importance of food-processing co-operatives' participation in the First Consultation Meeting on the Food-Processing Industry was emphasized. The representatives agreed to make efforts in order to secure their participation.

Views were expressed that developing countries should be participating to a larger extent in this and similar meetings organized by UNIDO to facilitate the dialogue on co-operation.

Annex i

MEETING ON THE ROLE OF CO-OPERATIVES IN THE
DEVELOPMENT OF FOOD-PROCESSING INDUSTRIES
IN DEVELOPING COUNTRIES

Vienna, 22-24 April 1981

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