

# Surviving together

The development of alpine dairy cooperatives and their importance to preserving mountain farming in South Tyrol

J. Christian Rainer

Mountains leave their mark. They leave their mark on the landscape, the people and the economy. This is no different in South Tyrol, 86 percent of the area of which lies at altitudes above 1000 metres. Moreover, as only around one-third of the entire area is used for agriculture, South Tyrol is a land not only of mountains but also of the mountain farmers who operate farms here at altitudes of 800 to almost 2000 metres above sea level. At altitudes like these, the choice of farming methods is limited; milk is the

most important mainstay for nine in ten mountain farmers.

A second characteristic of alpine farming in South Tyrol is the small size of the individual farming operations. Farms here cultivate 14 hectares on average and have no more than 13 cows. These figures may sound ridiculous when compared to large farming operations in favourable settings. Above all, however, they raise a question: How can a farm of this size survive in a market characterised by agricultural giants?

## Collaboration in cooperatives as a recipe for success

The answer to this is a recipe with two ingredients. The first: The vast majority of alpine farms in South Tyrol are run as supplementary and secondary occupations. This alleviates the farm from existential pressures. The focus of this article, however, is on ingredient number two: on the collaboration among farmers in cooperatives that perform nearly 100 percent of the joint collection, processing and marketing of milk produced in South Tyrol. Thus, it is not the single mini-operation that confronts the competition on the market. Instead, it is a combination of mini-operations that join forces to attain a considerable size – and thus a certain market power.

To understand the roots of agricultural cooperatives in South Tyrol, one must consider their historical development. Even in the mid-19<sup>th</sup> century, mountain farmers in the southern part of Tyrol were mostly subsistence farmers who could distribute only a few of their products in the immediate vicinity: selling them to neighbours, to a few villagers nearby or at small markets. This model of direct marketing was particularly suited to milk, not least because it was perishable. Long transport routes were out of the question. The model of ‘From the udder to the churn to the table’ was the order of the day. For centuries, there was no need to deal with the laws of the market, supply and demand, or considerations of competition and pricing.

## The railway as an engine for development

All this changed in 1867 when the first train crossed the Brenner Pass. This marked the first time that Tyrol to the south of the Alps was linked to the rest of the empire by modern transport. Just four years later, the railway opened up the Puster Valley, and in 1881 the spa town of Merano was connected to the rail network. The railway proved a catalyst for development: tourism perked up, new guests discover the countryside, and new markets for South

Tyrolean products opened up. So it was the railroad that parted the heavy, conservative curtain that surrounded South Tyrol. It brought in fresh ideas and, with them, new political freedoms. It opened up new markets, and with them came hitherto-unimagined opportunities for economic development.

Both developments provided the inspiration for establishing the first agricultural cooperatives in South Tyrol. The former development – those fresh ideas and new freedoms – paved the way, politically and socially, in the form of the Austro-Hungarian freedom of association, on the one hand, and the social-reformist approaches of Friedrich Wilhelm Raiffeisen, on the other. The latter development – the opening of new markets – presented farmers with completely new challenges that called for new solutions.

So it came as no accident that in June 1875, just four years after the opening of the railway line through the Puster Valley in the east of South Tyrol, an alpine dairy cooperative was launched: the ‘Registrierte Erste Swarz’sche Sennerei-Genossenschaft Hochpusterthal in Innichen mit unbeschränkter Haftung’. This would have been the first South Tyrolean alpine dairy cooperative, and in fact the first South Tyrolean cooperative in general, if the board of directors of the cooperative had not waited until 1879 to register their organisation in the Register of Cooperatives. Consequently, the title of the first officially recognised alpine dairy cooperative in South Tyrol meandered a few kilometres down the valley: to the ‘Registrierte Sennerei-Genossenschaft Niederdorf m. b. H.’, which was entered to the Register of Cooperatives on 12 March 1878.

But regardless of the registration date: the pioneers of the cooperatives of South Tyrol were five farmers, innkeepers and businesspeople from Innichen who recognised early on – and tapped into – the new opportunities that the railway had opened up. Right from the outset, their alpine dairy cooperative was running full-tilt; the Southern Railway itself was among the alpine dairy cooperative’s largest customers. Butter in particular – which seems to have been highly sought-after at the time – was delivered to the empire. The com-

pany that ran the Southern Railway thus asked the cooperative to ‘bind the crates with wire and seal them to prevent butter from being “stolen away”’.

### A model catches on

As could have been expected, in the years that followed, the successful cooperative model that had originated in the Eastern Puster Valley caught on in the South Tyrolean dairy industry. Fifteen additional alpine dairy cooperatives were established between then and the outbreak of World War I. The economic success of the first cooperatives may be a reason for this development. Another is probably because the subsistence farm had come to an end with the Industrial Revolution and the consumption and commerce of goods it fuelled. Elsewhere, this transition led to the demise of the farm, to rural exodus and urban misery. Not in South Tyrol. Here, where farmers have always been masters of their own fate, the independence so deeply rooted in agrarian DNA was a value the locals did not easily want to forfeit.

Raiffeisen’s idea of reciprocity and the organisational form of the cooperative offered a way out of this dilemma: the disadvantages of small structures could be compensated by joining forces, yet without requiring the farmers to give up their independence. Rather than deliver milk to a large operation in the hands of an entrepreneur, the mountain farmers of South Tyrol opted to try to use joint farms of their own to collect, process and market their members’ milk. This made the individual farmer not an insignificant cog in an anonymous system but rather a member and hence co-owner of a cooperative that, thanks to its size, could operate as a market player.

### The watershed of war and fascism

However, the pioneering period of the alpine dairy cooperatives in South Tyrol in the early 20<sup>th</sup> century was followed by a phase in which the cooperatives had to fight for their survival. First, the alpine dairy cooperatives nearly dried up as a result of the First World War. This was followed by

***Handwork: The greatest logistical challenge for the cooperatives was (and remains) the daily collection of milk. Shown here is the collection of milk at the Marling alpine dairy in 1958.***



the award of South Tyrol to Italy, closing down the cooperatives' access to long-standing markets. This is why it could be said that in the early 1920s they had to start over from scratch, under new conditions, subject to new rules, speaking a new language and establishing new distribution networks – this time to the south.

Paradoxically, it was fascism that brought the alpine dairy cooperatives a second boom phase. Between 1923 and 1929 alone, 15 new cooperatives were established and joined the 17 already in existence. The reason for this boom was simple and – like so many others – lay in the survival instinct of the regime. To prevent social unrest, an effort was made to ensure that the population would be kept supplied with the vital necessities, even in the years of the economic crisis. And these necessities undoubtedly included milk. Because the regime was concerned for public health as well, hygiene standards for milk were raised as well.

Cooperatives thus enjoyed the support of the ruling regime; in some cases, they were even given a monopoly in the milk trade, as happened in the City of Brixen in 1929. Because there was more money to be earned through direct sale, however, unusual (illegal) business models flourished. For example, farmers would sell their milk shortly before the city policemen went on duty, with milk delivered to the city at six o'clock in the morning. In order not to rob the valued customer of sleep, farmers had keys to the entry staircase, where the fresh milk was deposited.

### Downsizing after the boom

For all its difficulties, the cooperative model in South Tyrol became a model of success. The number of alpine dairy cooperatives peaked at 36 in 1960, followed by a rapid decline. It would be incorrect, however, to read this as a sign that the organisational model had lost attractiveness. Rather, it is a sign of changed conditions in times of unbridled capitalism.

Open markets, new possibilities in logistics, new dairy products, new players and new subsi-

dies – especially through Brussels – ensured that the South Tyrolean cooperatives grew too small and suffered one drawback in particular. Because machines are only usable to a limited extent on steep meadows, the feed base and cattle density are both low, and production costs in mountainous terrain are significantly higher than in favourable locations. In the wake of exponential growth in the cross-border exchange of goods during the 1960s, 1970s and 1980s, this meant that the market for raw milk market promised little success for South Tyrolean producers. Quality hardly counts here, and the only argument that counts is the price. In this price war, the dairy farmers of South Tyrol inevitably – or better: naturally – came up short.

### The picture following concentration and specialisation

The alpine dairy cooperatives of South Tyrol responded to this market development with a strategy of concentration and specialisation. What were originally 36 small and micro cooperatives were thus combined in ever-larger cooperatives, of which ten still exist today - ten alpine dairy cooperatives that could hardly be more different. The largest alpine dairy cooperative around by far is Bergmilch Südtirol with around 185 million kilograms of milk collected, processed and marketed each year by 2700 members. Around a quarter of the milk produced in South Tyrol, on the other hand, flows into the area's second-largest cooperative, Milchhof Brixen, which in 1978 specialised in the production of mozzarella, a cheese variety that was hardly known at the time. The reward for the risk: With at least 180 tonnes of weekly production, Milchhof Brixen has become one of the largest mozzarella producers in Italy.

The concert of the big operations also includes Milchhof Sterzing, with just over 50 million kilograms of milk delivered annually. Here too, the cornerstone of success was laid in the 1970s, again with specialisation in a particular product: yoghurt. At that time, the Sterzing were ploughing a market that scarcely existed in Italy but would boom in the years that followed. Today, Milchhof

Sterzing produces and sells more than 50 million kilograms of yoghurt annually. Yoghurt also leads the product range for Milchhof Meran, where around 90 percent of the 30 million kilograms of milk delivered annually are processed into yoghurt.

Along with the top dog, Bergmilch Südtirol, and the three major cooperatives in Brixen, Sterzing and Merano, there are five smaller alpine dairy cooperatives still active in South Tyrol as well. The Drei Zinnen alpine dairy cooperative in Toblach, the Sexten cheese dairy, the Burgeis alpine dairy cooperative, the Algund alpine dairy cooperative and the Psairer alpine cheese dairy rely mainly on niche markets on which their businesses depend. Finally, there is a highly specialised South Tyrolean cooperative for goat milk operating under the aegis of Bergmilch.

### Old model, lasting success

The development of the alpine dairy cooperatives in South Tyrol is an impressive demonstration of how up-to-date reciprocity and collaboration have remained to this day. Even in markets as competitive as those of the agricultural sector. This may owe to farmers' roots in 'their' cooperatives, but it is also down to the fact that the cooperatives have shown that they can respond to challenges and keep pace with change. The creation of cooperatives was the right answer to the social upheaval of the second half of the 19<sup>th</sup> century; later on, cooperatives rose to the challenges of the day through concentration and specialisation. And through collaboration – not just internally, but among cooperatives as well. Hence, quality control is carried out in the South Tyrolean Alpine Dairy Association with the joint support of members cooperatives.

Ground-breaking projects – such as the introduction at the turn of the millennium of a production chain that is consistently free from genetically modified ingredients – are also being launched together. Today, dairies are working together closely on lactose-free, organic or pasture milk.

Cooperation in South Tyrol's dairy industry is thus not a buzzword but a recipe for success. Or better: a recipe for survival, as if not for the cooperative collection, processing and marketing of milk, the farms of the mountains of South Tyrol would not stand a chance. Nor, without them, would the province itself, either.

***Signed and sealed: The milk of all of the cooperatives is subject to strict hygiene and quality controls in the laboratory of the South Tyrolean Alpine Dairy Association.***

