

Tnuva - the Marketing Cooperative: Demutualization or Revival.

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1. Introduction

This paper describes a short period of time Tnuva has gone through during November and December 2006. During this period the process of demutualization of Tnuva, from a cooperative, has been accelerated. On the other side, it is unclear now if this process would end up in the demutualization of the cooperative or with a revival of the cooperative, since underestimated cooperative forces are emerging to direct the process towards a new cooperative road.

This huge secondary marketing cooperative includes many members who for many years contributed to the formation of a big body of capital which presents the huge value of Tnuva. The majority of the Moshavim members are no more today dairy farmers, and aren't engaged in agriculture needed to be marketed by Tnuva, like the flowers growers and these for export, and many those who are no more in farming occupation. The same situation exists as well in many of the Kibbutzim.

Still, the majority of the economic activities of Tnuva is based on milk and milk products marketing. Selling Tnuva to private ownership and abandoning the cooperative structure, may hurt the dairy-farmers heavily.

Tnuva is considered as one the biggest marketing cooperatives in the world. Tnuva has been established in 1926.¹ At the end of the nineties of the twentieth century the general assembly of Tnuva has decided that the whole equity-property of Tnuva, which now we know is worth more than one billion dollars and belongs entirely to its members, practically and individually.

The next step happened during the last month, November 2006, and I will try to describe it in the next pages. On Sunday 19.11.06 the envelopes of the tender for the selling of the shares of Tnuva² were five economic bodies which have taken part in the competition to purchase Tnuva from the members. The management of Tnuva has sent a document which constitute "an application to get proposals", and which has been phrased by the legal advisers of the cooperative. The central component of this tender is that the winner will purchased at least 51% of Tnuva shares, and that the offer would be based on the nominal value, at least, of 800 millions US dollars.³ The fifth economic bodies who stood for the tender are very serious economic enterprises. Their concern of Tnuva is not restricted to only agricultural marketing activities, and mainly milk and milk products, but also to the accumulation of yielding real estate which, according to evaluations done by close source to Tnuva management, is valued at least up to 700 millions dollars, as well as very considerable cash balance, from which lot of dividends can be withdrawn. It is worth noting here that the tender stipulates that the winner will not be able to touch the accumulated cash, but only after some years after the purchase.

2. Considerations towards the Selling of Tnuva

During months before the decision to whom Tnuva would be sold, the

director of Tnuva, as well as other management members, stipulated that the control of Tnuva would remain in the hands of the farmers. The farmers in general, and the dairy farmers in particular, were sure that Tnuva was going to sell 20%-30% of the shares, but the ongoing negotiations with the various investment groups spoke about the selling of 51%-100% of Tnuva. It turns out that⁴ that the process through which Tnuva mind about the selling was gradual and started with negotiating with the investment fund Apax, which demanded a complete control over the cooperative, and which were ready to pay several hundreds of millions dollars more than the amount dealt with until then. The proposal then spoke about the sum of 900 millions dollars. So the management of Tnuva considered this situation as an opportunity not to miss by the share holders of the cooperative.

More information were found in the different media, even before the opening of the envelops of the tender and the decision concerning the winning company,⁵ about the difficulties Tnuva is facing in this process.

Tnuva has many members who are agricultural producers in various branches. The membership in Tnuva is composed almost equally of Kibbutzim and Moshavim as members. Third element is that most of Tnuva members today are no more active farmers, and they would be tempted by the highest possible price from Tnuva. The fourth component is the dairy-farmers members. They are minority among the members but the majority in the total volume of marketing done by Tnuva today.

Another obstacle Tnuva is facing to completing the selling of Tnuva is that Tnuva is a cooperative, and to decide about the selling a general meeting should adopt the decision in special majority of 75% of the members. The general assembly of Tnuva will be convened March 2007. Another obstacle, less serious , is the demand of the

government that the Kibbutzim would transfer to the state 25% of Tnuva shares they hold, as part of reimbursement of the state in the writing off of the debts of the Kibbutzim to the banks in the middle of the nineties.

Why dairy-farmers oppose the selling of Tnuva. Dairy farmers⁶ are getting for their marketed milk "target price" (The price Tnuva and other milk products production plants, pay to dairy farmers; this price is arranged in an agreement among milk producers, dairies and government, and is not subject to market fluctuations.) and in other words, a price, assured by the government to agreed milk production quotas. This target price assured the profitability of this capital intensive production branch. These dairy farmers know that private buyer of Tnuva would turn it from a cooperative into a limited company, where such arrangements, known as related party dealing, since they happen between the suppliers of the enterprise who happened to be the owners as well, so they can exist only in a cooperative but not in a private or public company.

3. The Owners of Tnuva

Tnuva is a secondary cooperative, that is to say where the members are primary cooperatives, and in the case of the Tnuva these are the Kibbutzim and the Moshavim, all together 620 in number. 52% of the ownership belongs to the Kibbutzim and 48% to the Moshavim. Up to 1999 the ownership was not linked to the members as explained in my paper cited in endnote 1. The general assembly of Tnuva that year decided that all property and equity of Tnuva belongs completely to the members of the cooperative. The assembly decided as well that 50% of the shares will belong to the primary cooperatives and 50% of

the shares to their members (and this refers mainly to Moshavim) individually, and will be distributed according to volume of marketing done during years of membership. This decision gave priority to the dairy farmers members, since their marketing volume is higher than other agricultural produce. This situation is creating a possible difficulty towards the coming general meeting on the first trimester of 2007.

On the other side of the arena we find the majority of the members of Tnuva, at least 2/3 of them, and it is true in the Moshavim and in the Kibbutzim, that are not engaged in agriculture at all or in agriculture produce which doesn't need the marketing services of Tnuva. These members are supposed to get individually huge sum of money, sometime hundreds of thousands of Shekels, and do not find any interest or any significance to continue to have shares of Tnuva, and prefer getting money which is theirs legally already. Considerable number of Moshavim and Kibbutzim are heavily in indebtedness and the selling of Tnuva may give them some refreshing air. So, the selling is back and supported by the leadership of the Moshavim movement and the one of the Kibbutzim. So, we have a situation where on one hand side the majority of the members of Tnuva and on the other hand the dairy farmers, minority, but quite possible capable to organise on his side more than the needed 25% of the shares to block any attempt to sell Tnuva.

The total of the annual income of Tnuva has been published⁷ and here.⁸

Items	2005	2006	comments
Dairy products	3.329.000.000 Sh	3.521.000.000 Sh	
Meat, poultry, fish	1.047.000.000 Sh	1.307.000.000 Sh	

Eggs	230.000.000 Sh	239.000.000 Sh	
Vegetables and frozen pastry	272.000.000 Sh	264.000.000 Sh	
Others	419.000.000 Sh	506.000.000 Sh	
Real estate	50.000.000 Sh	----	
Total	5.347.000.000 Sh	5.837.000.000 Sh	

From both groups of data we see clearly that milk and dairy products constitute much more than fifty percent of the total sells of Tnuva. It is clear why dairy farmers among the members of Tnuva are opposing the selling of the cooperative to a private ownership. How the members of Tnuva are planning to halt this process. The main step they are intended to take is a counter proposal to the purchasing of Tnuva to be presented to the general meeting of the cooperative. The meaning is that they would seek to have a control over the decision making body of Tnuva, by purchasing more than 50% of the cooperative's shares.

4. Who are the Intended Purchasers.

In an information published in the internet version of The Marker⁹ five groups of investors are competing on the purchasing of Tnuva. The groups include the Africa-Israel company, the investment fund Markston, the international investment fund Apax, the investment group of Meir Shamir and the groups of Yigal Hauvi.

The composition of these groups are as follows:

- Markston fund is the biggest investment fund in Israel associated to the Deutsche Bank, as well as to Tené investment fund.
- Meir Shamir associated to the Merill-Lynch and to Bank Leumi.
- The real estate promoter Yigal Hauvi associated to the Fibi investment bank belonging to Tzadik Bino.
- The investment fund Apax is a private investment fund.¹⁰ Apax has 8 centres worldwide in the major financial centres worldwide. This fund has already invested in Israel, mainly in the purchasing of Bezeq, the Israeli Telecom company, as well as tenth of Israeli start-up companies.
- Africa-Israel company belongs to the billionaire Lev Lebayev.

In the tender among the five competitors the Apax company won¹¹ after a process of bid. The price Apax offered was 1.025 billion dollars. According to that information which quote Arik Reichman, the general director of Tnuva, Apax didn't offer the highest price, but their offer was the closest to the demands of Tnuva. Apax was obligated to protect the target price of the milk, and to preserve the equity capital of 3 billions dollars for at least 8 years without getting any dividends.

The chairperson of the cooperative, Naftali Ben-Sira, added¹² that the decision about the winner has been adopted after Apax has offered the most valuable proposal as well as the most significant strategic contribution to future development of Tnuva. The Africa-Israel group and the Meir Shamir group have offered higher in 25 millions dollars.

The main components of the Apax offer, published the day the decision has been taken, contain the elements that Tnuva will remain a cooperative. Apax obligate itself to purchase, in the agreed price, all Tnuva shares which would be offered by members. Members who

would not wish to sell their shares will be organised into a body associated to Apax in the management of Tnuva. Apax will not withdraw any money from the equity capital of Tnuva for the next coming 8 years, and this comes to ensure that the buyer would not finance the purchasing from Tnuva money itself. Another component in the decision to purchase Tnuva is the ability to leverage Tnuva to direct it towards the international market, since the actual management came to the conclusion that there is no more room in the local market for any form of expansion for Tnuva. Tnuva fixed a minimum of 800 millions dollars, so the price offered by Apax responded to all Tnuva expectations.

The general director of Apax in Israel, Ms. Zehavit Yoseph Cohen, mentioned that the policy of Apax towards Israel Economy is very positive, and as evidence its participation in purchasing of Bezeq, and the additional investment in Israel worth more than one billions dollars.

The interdiction applies on Apax to withdraw from the equity capital of Tnuva up to the amount of 3 billions shekels, seems surprising, since¹³ the equity capital of Tnuva in 2005 stands on the amount of 2.3 billions shekels. A possible explanation is that the real value of the real estate of Tnuva is really higher than the former estimation, and it brings the total value of the equity capital to the 3 billions figure, and may be More. The assumption is that Apax think that Tnuva is managed so inefficiently, that good and effective management would increase the profit of Tnuva to a level which enables the fund to achieve better yields on their investment.

One of the factor brought Apax to offer the purchasing of Tnuva is the international activities of Tnuva¹⁴ provided that the purchasing will be approved. First planned step is the foundation of a dairy and the purchasing of various companies engaged in the production and the

processing of milk in India. Similar steps planned towards Europe and USA. Parallely, the purchasing of large Israeli food companies, to the extent that the general director of the Israeli Antitrust Authority would approve it.

5. Registrar of Cooperatives

One of the major influential element in the selling of Tnuva is the registrar of cooperatives in Israel. The registrar has the authority of regional court of law judge concerning all activities of cooperatives in Israel. All steps done by Tnuva management were under the supervision of the registrar of cooperatives.

On August 2006 the registrar of cooperatives has rejected¹⁵ a one year old demand of representatives of some of the Moshavim, members in Tnuva, mostly dairy-farmers. The registrar has checked their claims concerning deficiencies in the management of the cooperative. The members claimed that Tnuva did wrong financial investments in a dairy in Roumania and in a fresh beef plant in Israel, as well as the selling of some real estates. The registrar explained that no sufficient evidences brought to him to proof the claims, so he accept the answer of Tnuva that it is her power to decide on issues relating to financial issues and not the general meeting.

A further step in the struggle of the members opposing the sell of Tnuva was in the recent request of 23 Moshavim who claims to the registrar¹⁶ and asked him the issue an injunction against the meeting of the management of Tnuva. The registrar gave an order to Tnuva to explain in 48 hours to him why should they be convened on Sunday 19.11.06. But, later on, on the same day,¹⁷ he has decided to confirm this meeting and to enable Tnuva to discuss and to decide freely concerning the coming selling of Tnuva. In fact, he has rejected the

demand of these Moshavim, mainly representing members who are dairy farmers, who are opposed to the selling. The registrar approved the meeting of Tnuva management because, mainly, the decision is not creating an irreversible situation, especially when this decision should be approved by the general meeting of the cooperative.

The selling procedure of Tnuva has created a further to members, shares owners, in the cooperative. It refers to the issue of the ownership of Tnuva. Does the cooperative, the Moshav or the Kibbutz be the owner of the shares of Tnuva, or are the individual members the owners of the cooperative. Decision on this issue has a considerable importance since it is about very considerable amount of money.¹⁸

The decision of the registrar in this case has a very high importance since it may affect the ability of the management of Tnuva to achieve the special majority of 75% of the votes in the general meeting of Tnuva.¹⁹ Another issue which might be of concern to the registrar and would requires him to decide is the change of Tnuva from a cooperative to a limited company. In such cases the registrar ought to nominate a special enquirer in order to clarify if any of the share holders of Tnuva may be hurt from this decision.

In the case of Moshav Nir Banim, the registrar ruled in the dispute between the management of the Moshav on one side and a group of 16 members, all dairy farmers, on the issue of the ownership of the shares of Tnuva. The Moshav claims that the shares belong to the cooperative as a whole, but the dairy farmers claim that the shares value should be credited to members according to their participation in the economic activities of the cooperative towards Tnuva, and as dairy farmers, their participation was larger than that of other members.

The registrar ruled that the shares belong to the cooperative and not to the individual members. He gave the following reasons:

- In the balance sheets of Tnuva the shares are registered on the Moshav name and not on members names. Even in the balance sheet of the Moshav the Tnuva shares are presented as part of the cooperative equity capital. The dairy farmers of Nir Banim have never registered these shares as their own property and never declared them to the income tax authority.
- The dairy farmers have received their milk production quota free of charge from the Moshav, and have never paid for.
- The dairy farmers show no evidence that the shares were written on their names.
- There is no evidence that the real value of Tnuva is derived only or mainly, from the milk production, during the years of existence.

The decision of the registrar may have some influence on the decisions of Tnuva general meeting in the coming meeting on March 2007.

A further chapter in this conflict took place²⁰ at the district court of law in Jerusalem where the judge ordered the registrar of cooperatives to appoint a special enquirer to check the process of the selling of Tnuva up to this date. The court determines that the enquirer will be appointed before the sell take place well before the selling of Tnuva and as consequence, the delay of the dates of the coming general meeting of Tnuva.

This decision was given in the framework of a court compromise, where the management of Tnuva will present in three weeks time to the registrar the whole selling file, and immediately afterwards, the registrar will nominate an enquirer.

6. The Dairy Farmers Activities

On the 16/11/06²¹ Ynet published an interview with Ziv Matalon, one of the leaders of the dairy farmers members of Moshavim. In this interview he promised that the privatisation of Tnuva will not take place without the consent of the dairy farmers. At the beginning of November 2006,²² in Moshav Nir Etzion, took place a meeting of 500 dairy farmers from different Moshavim. The meeting decided on the actions plan to mobilise the necessary funds needed to thwarting to plans of Arik Reichman the general director of Tnuva to sell Tnuva to private ownership.

The dairy farmers prepared a detailed plan to acquire Tnuva. They were assisted by one of the biggest firm of certified accountants in Israel, Kesselman and Kesselman, and with one of the major law office in Israel, Ardinst and Ben-Nathan. The former director of the Milk Marketing Board, Avshalom Dolav, reminds what happens to the fish farming branch, when a private investor entered, who turned latter on to become the owner with majority of shares, and the branch turned to be showing a deficit from a very profitable one. A further information is that already in October 2006²³ the association of cattle growers, organising all the cattle growers in Israel and presenting their interests, that the association will act in all means to prevent the selling of Tnuva.

On the day the management of Tnuva convened to decide about the results of the tender²⁴ the dairy farmers organised a large demonstration outside of the main offices at the head quarter of Tnuva. The management called upon the police to separate between the demonstrators and the offices.

Later development from the dairy farmer side²⁵ is the announcement

that at least two of the groups which didn't succeed, and another financial group, of Moty Zisser, as an owner of another big financial concern, have engaged a negotiation to join them to present a counter proposal to purchase Tnuva, and to bring it to the general meeting of Tnuva, to enable them to remain the co-owners of Tnuva.

At the same page brought another information which quotes a passage from a letter sent by Danny Kritchman, former director general of the Ministry of Agriculture, and member of Moshav himself, and who presents the members of Moshavim wishing to sell Tnuva, and wishing to distribute to money among the so many members who do not use the services of Tnuva now-a-days.²⁶

A new player is entering to the picture in this story of the purchasing of Tnuva by the dairy farmers.²⁷ Yitzhak Bader, member of Kibbutz and director general of Granot²⁸ who joined to the dairy farmers to present a counter proposal to the one which won the tender. The dairy farmers propose that they will join, according to their choice, with one of the groups.

The dairy farmers proposal includes the following components:

- The private investor will purchase the shares of members who will wish to sell at the price offered by Apax, namely 1.025 billions dollars.
- The investor and the dairy farmers will hold 50% of Tnuva shares each, and will own Tnuva equally.
- The investor will give to members of Tnuva, who will choose to not sell their shares immediately, an option for 8 years to pay them for their shares the price of the agreement, the value of 1.025 billions dollars.
- In the first 3 years, members would be able to sell their shares only to other Tnuva members.
- The investor is committed to maintain the target price of the milk,

and a planed dairy farm.

- The investor will allocate a non-recourse loan to dairy farmers to enable them to pay for the shares of the members who wish to sell their shares.

- The only security for the loan will be the shares in the hands of the members. The loan will be reimbursed from the annual dividends.

(It is important to add here my explanations to the above last two paragraphs: the investor will purchase only 50% of Tnuva shares. In case that more than 50% of the members will wish to sell their shares, the investor will finance the remaining dairy farmers members to purchase, if they wish, up to 50% of Tnuva shares. The security for this loan will be only the shares themselves, and the reimbursement of the loan would be done out of the yearly dividends.)

- The investor will nominate a general director.

- The dairy farmers and the investor will nominate two co-chairpersons.

- The dairy farmers will not oppose any structural change in Tnuva.

- The milk and milk products part of Tnuva will remain as a cooperative.

Yitzhak Bader hopes that when it will be decided who is to be the partner-investor, there will be no need to wait to the general meeting date, but they will start to mobilise more and more members to their side in order to come to the general meeting with a proposal sound and supported by sufficient number of members. It is important to note here that Tnuva and Granot are considered among the larger cooperatives in the world²⁹ according to a publication of the International Cooperative Alliance (ICA). Tnuva stands in the 143 place in the world with an annual turnover of around 1.5 billions dollars, and Granot is in the 300 place in the world with 600 millions

dollars annual turnover. It is important to complete the picture and to mention that Granot is basically, (now it is much wider than,) a regional purchasing organisation. The Kibbutz movement has today 16 regional purchasing organisations with a total of 4.5 billions dollars of annual turnover.

7. Last Chapter

The standing committee preparing the coming general meeting of Tnuva, which convened few days earlier to this information item publication³⁰ discussed the agenda of the general meeting where the decision if Tnuva would be sold or not and to whom if yes. Parallely to this activity a team of dairy farmers on behalf of the dairy farmers members of Tnuva. Apparently, according to the information item, and which would be changed few days later, the dairy farmers are cooperating with the management of Tnuva. The standing committee informed that they have accepted the proposals of the management of Tnuva to gather the meeting on the 6th of March 2007. The standing committee headed by Yaakov Tzur former minister of agriculture and one of the leader of the Kibbutz movement, announce that if the dairy farmer will request a certain delay to the planed date to complete their preparations, he will grant it.

An article published one day later,³¹ the journalist, Amiram Cohen, sum-up the further development in the story of the selling of Tnuva.

The first component in the whole process is the ego conflicts, among the members of Tnuva, as well as among the future buyers of Tnuva.

At the beginning of the process of making a bid it was clear to various groups of buyers that the value of Tnuva can't be over 850 millions

dollars. But, the price label now is over 1 billion dollars. The continuing process of the selling forecast by the activity of the dairy farmers, as well as the competition among the buyers, may increase the price label of for the cooperative to higher height.

The dairy farmers side, the investor who will join them will need to finance for them in a loan the purchasing of shares at the amount of around 200 millions dollars, in order that they will own 50% of Tnuva shares. How will they reimburse this loan. The dairy farmers claims to return the credit out of the betterment of the value of the cooperative, selling out of deficit activities, the improvement and making efficient of the management, and the dividends.

But, analysing the figures of these assessments raises the following givens: the last net annual profit of Tnuva was at the level of 170 millions shekels, and in the assumption that improved management would increase the net profit to 205 millions shekels, after tax payments, and assuming that half of this profit will serve for dividends, the share of the dairy farmers would be around 60 millions shekels, an amount which will hardly serve the interest payments.

Further critic aimed at the issue of co-ownership and controlling. The assumption is that the investor will give Put options to those members of Tnuva who will decide not to sell them immediately' and assuming that in few years 10% of them would wish to sell their shares, then the investor will have 60% of the share.

I think that the issue was clarified by the dairy farmers, and that they will find the formula which will have them always 50% of the shares. It is clear that there always be 50% of the shares with the dairy farmers, so the mechanism of the investor to finance the purchasing of shares, up to 50%, will be an operation as long at it will be needed.

The writer refers to another point where the dairy farmers may meet

difficulties. The actual management of Tnuva will be able to come back to the winning group, Apax, and to inform them about the better price offer, and this group will be able to raise the price. As a result: the dairy farmers are going to arrange to Reichman and to the management of Tnuva a better price.

The dairy farmers, oppositely, are relying on two major mistakes of Arik Reichman.³² The first one, in their opinion, is that Reichman was wrong in not reaching with them a situation of constructive dialogue. The second wrong step of Reichman was that he has not accepted the higher offer of the bid, but has chosen an offer containing as well as ideological components, namely preserving cooperative elements inside the new structure of Tnuva. The next step of the dairy farmers will be a counter proposal to acquire Tnuva, which will be presented before the coming general meeting of Tnuva, where the decision will be taken.

Another mistake of Reichman is that he didn't include the director of Granot in the team dealt with the selling. It might be a situation where the regional purchasing organisation would join the dairy farmers, and by so doing they would have more than 25% needed to block all the selling process. The journalist, Yoram Gabizon, adds that Yitzhak Bader, the director of Granot didn't deny his will to become the next director of Tnuva, as well as that he is the cousin of Meir Shamir, who proposed the highest value bid for Tnuva, and to this fact the journalist adds a further significance. It is important to note once again that Danny Kritchman, member of Moshav and former director general of the ministry of agriculture, who belongs to the selling supporters. He threatens that if the process would fail by the general meeting, then the non-dairy farmers, who are the majority of the members of Tnuva, will decide about annual distribution of dividends of 200 millions shekels instead of the 50 millions distributed today. Another threat of the supporters is that in case of failure in the selling of Tnuva they will hurt the target price of the milk, so important to the

dairy farmers.

As an almost last development in the evolution one can mention the fact that either Apax and Africa-Israel company³³ are ready to collaborate with the dairy farmers in the acquisition of Tnuva. This step shows that Apax is not assured that the decision about the selling of Tnuva would be approved by the coming general meeting. Whereas in a news published on the 28.12.06³⁴ a story about an agreement signed between the group of the dairy farmers and the group of Meir Shamir, is told. The agreement speaks about principles, which have already been mention in our paper before, and the main points are that the control of Tnuva will be owned together by the concern of Meir Shamir and the group of the dairy farmers. The ownership of the cooperative would be shared equally between the two parties. The Meir `Shamir concern will finance to the remaining members the purchasing of shares up to the amount of 50% of the total shares of Tnuva, with a loan which would be reimbursed out of the profit of Tnuva in the future. After the signature of the agreement, the dairy farmers representatives are calling the actual management of Tnuva to come together with a joint resolution to the coming general meeting of Tnuva, scheduled to march 2007.

8. Some Comments Towards the End.

The story of the selling of Tnuva is interesting and attractive. It contains very interesting findings:

- First of all, Tnuva is a very large cooperative. It is one of the largest economic enterprise of Israel, and among the largest cooperatives in the world. This is another proof that a cooperative can operate successfully in a capitalistic environment.

- The story of Tnuva shows us once again the importance of the fact that a cooperative can't exist if the members, at least the majority, have no more interest in the services it renders, for which they have created the cooperative.
- Tnuva is a good example that members understand, finally, that the cooperative belongs to them entirely, practically. And this is in contrary to the prevailing approach of the ICA.
- The registrar of cooperatives has finally understood, contrary to his position in the past, that the approach of the ICA concerning the ownership of the members on their cooperative is wrong, and has adapted the approach that the cooperative belongs entirely to the members individually.
- The Tnuva case shows that when there exists a group of members, who find financial interest alive and clear in their cooperative, they will do anything in their capacities against the demutualization, and will be active to make their cooperative living in the framework of the cooperative, and to look and to find the solution which will combine their will with will of the members who wish to quit the cooperative and to get their real value share in the cooperative equity.

9. References.

1. To know more about Tnuva, see my paper No. 19 below where I describe the changes which took place during the last years, especially, the understanding that the cooperative belongs to its members individually also when it comes to the property of the cooperative. The paper can be found and downloaded here:

19. The Member Owns His Cooperative: Two Israeli Case Studies

a. The Member Owns His19.pdf

http://www.coopgalor.com/i_publications.html#RuralDevelop

b. <http://www.lednetupdate.org/IMG/pdf/0102.pdf>

More background material on Tnuva can be found and downloaded here:

15. A Marketing Cooperative in Israel - The Tnuva Case Study

AMarketingCoopinIsrael.doc

http://www.coopgalor.com/i_publications.html#RuralDevelop

And in other papers here:

http://www.coopgalor.com/i_publications.html#RuralDevelop

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<http://www.themarker.com/tmc/archive/arcSimplePrint.jhtml?ElementId=skira20061119_697&ElementId=skira20061119_697>

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4. The Marker Online. 17/11/06.

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7. The Marker, the printed version, 26/11/06, p. 3.

8. The Marker, the printed version, 26/11/06, p. 1.

9. The Marker Online. 16/11/06

<http://www.themarker.com/tmc/article.jhtml?ElementId=skira20061117_788687&strToSearch=%FA%F0%E5%E1%E4>

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<http://www.ynet.co.il/articles/0,7340,L-3330483,00.html>

11. Ynet, the internet version of the daily Yediot Aharonot. 20/11/06
<http://www.ynet.co.il/articles/0,7340,L-3330376,00.html>

12. The Marker, the printed version, 21/11/06, p. 2.

13. The Marker, the printed version, 22/11/06, p. 5.

14. The Marker, the printed version, 26/11/06, p. 1.

15. Ynet, the internet version of the daily Yediot Aharonot. 30/8/06
<http://www.ynet.co.il/articles/0,7340,L-3297854,00.html>

16. The Marker Online. 16/11/06

<http://www.themarker.com/tmc/article.jhtml?ElementId=skira20061117_788687&strToSearch=%FA%F0%E5%E1%E4>

17. Ynet, the internet version of the daily Yediot Aharonot. 16/11/06
<http://www.ynet.co.il/articles/0,7340,L-3329000,00.html>

18. Ynet, the internet version of the daily Yediot Aharonot. 6/12/06
<http://www.ynet.co.il/articles/0,7340,L-3336860,00.html>

19. The Marker, the printed version, 24/11/06, p. 40.

20. Ynet, the internet version of the daily Yediot Aharonot. 27/12/06
<http://www.ynet.co.il/articles/0,7340,L-3345053,00.html#n>

21. Ynet, the internet version of the daily Yediot Aharonot. 16/11/06
<http://www.ynet.co.il/articles/0,7340,L-3329116,00.html>

22. Ynet, the internet version of the daily Yediot Aharonot. 6/11/06
<http://www.ynet.co.il/articles/0,7340,L-3324497,00.html>

23. Ynet, the internet version of the daily Yediot Aharonot. 23/10/06
<http://www.ynet.co.il/articles/0,7340,L-3318494,00.html>

24. Ynet, the internet version of the daily Yediot Aharonot. 19/11/06

<http://www.ynet.co.il/articles/0,7340,L-3329596,00.html>

25. Ynet, the internet version of the daily Yediot Aharonot. 3/12/06

<http://www.ynet.co.il/articles/0,7340,L-3335450,00.html>

26. At the same news and on the same date: Danny Kritchman writes to Brown, the head of the Israeli association of cattle growers:

" I am trying to explain you the irreversible large damage that you and your collaborators may cause to the shares holders of Tnuva in general and to the dairy farmers in particular. Most Kibbutzim and Moshavim today are rich on paper, owners of large fixed assets, but unable to face economically the daily life needs and submerged in actuary deficits soared high and live below the minimum wage level in impossible conditions although they worked, exerted and sacrifice themselves more than 50 years now. Fixed assets of Kibbutzim and Moshavim, including Tnuva, are alike pension funds, so they should serve as financial resource to the owners. No need to re-mention the high financial value of Tnuva and at the same time, to my embarrassment, to mention the size of distress of these settlements. Even if there is a fraction of truth in your argument that the selling of Tnuva would hurt the price of the milk, still there is a real need to sell Tnuva as soon as possible." In addition, Kritchman added to his letter an hidden threat, according to it, if Tnuva would not be sold, the other members of Tnuva will do to reduce the price of the milk paid to the dairy farmers: " To the extent that you will succeed to destroy the selling of Tnuva, the members of Tnuva would be able to decide to increase the annual dividends to all the members, and parallely decrease the price of milk to the dairy farmers. To your sorrow, it could be done in any given majority, and no need to a special majority (as opposed to the selling of Tnuva which needs the special majority in the general meeting, Z,G,). You and your colleagues will be

remembered as those who led Tnuva to this situation. I certainly see your will to purchase Tnuva by yourselves, but I know that you know that there is no air in this balloon."

27. The Marker, the printed version, 13/12/06, pp. 16-17

28. From the news item referred to in endnote no. 15.

Granot is a secondary cooperative belonging to 41 Kibbutzim, most of them in the regions of Emek Heffer and the centre of Israel. Yitzhak Bader, a member of a Kibbutz, is the general Director of Granot for the last 13 years. Granot has an annual turnover of 1.5 billions shekels. Granot has been established initially as centre for the production of provender or animal fodder to be supplied for its Kibbutzim members.

Granot has today various plants as packing houses for oranges and avocados for export, has slaughter houses for turkeys and broilers, plants for the processing turkey meat to finished products for export. Granot has other various plants as well as those acquired by itself or in partnership, such as the fuel company Dor-Alon, the cultivation of fruit plantations all over the country. Granot owns also the cowshed of Kibbutz Beit Hashita. Kibbutz Beit Hashita faced economic difficulties, and Granot bought the debt of the Kibbutz the cowshed of the Kibbutz. The cowshed belongs mutually to the Kibbutz and to Granot, and after 18 years the ownership will returned to the Kibbutz. Granot bought as well from Kibbutzim in economic difficulties their shares in Tnuva and write off the debts. Granot has a company to create reproduction components of broilers and turkeys, mainly for export. It purchased half of ownership in Amal company which operates old age nursing centres of hundreds of beds in various

Kibbutzim. Granot expects to a turnover of 1.7 billions shekels and net profit of 100 millions shekels.

29. Ynet, the internet version of the daily Yediot Aharonot. 19/11/06
<http://www.ynet.co.il/articles/1,7340,L-3335858,00.html>

30. The Marker, the printed version, 19/12/06, p. 10

31. The Marker, the printed version, 20/12/06, p. 10

32. The Marker, the printed version, 4/12/06, p. 4

33. The Marker, the printed version, 7/12/06, p. 8

34. Ynet, the internet version of the daily Yediot Aharonot. 19/11/06
<http://www.ynet.co.il/articles/0,7340,L-3345760,00.html>