

Review

Experiences of European Union Countries in the Field of Agricultural Cooperatives

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Received: 11 March 2021; Accepted: 29 May 2021

Abstract: A cooperative is an autonomous association of persons voluntarily united to meet their common economic, social and cultural needs and desires through a jointly owned, democratically controlled enterprise. The key values on which authentic cooperatives are based were defined at the thirtieth congress of the International Cooperative Alliance in Manchester in 1995. The five key values of cooperatives are: self-help, democracy, equality, justice and solidarity. The aim of the research is to review the experiences of European Union countries in the field of agricultural cooperatives. These experiences should serve as guidelines in creating a strategy for further development of agricultural cooperatives in the Republic of Serbia. The research focused on three topics in the field of agricultural cooperatives, namely: (1) market participation of cooperatives, (2) development policies and strategies, and (3) attitudes of young farmers about association. The research was conducted using comparative and historical methods, as well as methods of analysis, synthesis, induction and deduction. In the countries of the European Union, service and traffic are more represented, in relation to the production function of cooperatives. Also, all EU countries have integration processes in cooperatives at the vertical level, ie economic association and connection of cooperatives, which results in a reduction in the total number of cooperatives and an increase in their share in total turnover.

Keywords: agricultural cooperatives; EU; agriculture; association; young farmers.

1. Introduction

Cooperatives, as a form of association, are present in all countries of the world and in a large number of economic and non-economic activities. They are recognized as a sustainable form of organization, which successfully combines economic and social sustainability. In modern conditions, in the XXI century, cooperatives are a quality and sustainable way of organizing with specific differences in relation to the classic, exclusively profit-driven companies [1]. The cooperative, as a special organizational form, has its own specifics that separate it from the company [2]. The key parameters of the success of cooperatives are: priority of the cooperative membership, cooperative diversion, strengthening the economic power of people, careful management of resources, the creation of the financial power of the people, strategic thinking [3].

What speaks in favor of this model of association today is the fact that cooperatives have shown greater resilience during the economic crisis compared to traditional companies [4]. Namely, given their orientation towards long-term sustainable goals and pronounced, in addition to economic, and social character, cooperatives in the period of economic instability have adapted much easier to new conditions and managed to overcome the negative effects of the crisis. Given the advantages they

have as a form of association, cooperatives are most represented in industries such as banking, insurance and agriculture [5].

Cooperatives are institutions that have a significant role in strengthening the economic position of agricultural producers. They realize this role, among other things, through the joint intervention of farmers in negotiations with buyers of their products and suppliers of inputs [6]. In recent decades, there has been a concentration of entities in the market of agricultural and food products, so the role of cooperatives is reflected in the need for farmers to unite and connect to a greater extent. In addition, cooperatives become a guarantor of the quality of products delivered to the market. Also, their importance is reflected in the reduction of transaction costs in the sales relationship between farmers and their customers.



Figure 1. Advantages of farmers' associations [6].

Agricultural cooperatives have a long tradition in the European Union. The emergence and development of cooperatives is primarily related to the emergence and development of capitalism in the countries of Western Europe. Namely, according to cooperative theorists, the period of the beginning of capitalism, characterized by the emergence of mass poverty of the majority of the population, inevitably led to the emergence of consumer, credit, and cooperatives for the sale of agricultural products [7]. Although they are based on the same cooperative values and principles, there are differences between Member States in terms of the organization and functioning of cooperatives in agriculture [8]. The reasons for the existence of differences are the specifics of products and markets, national legislative systems, as well as certain cultural aspects [9].

2. Material and method of research

The market share of agricultural cooperatives, strategies for their development and the attitudes of young farmers towards association in the European Union were analyzed on the basis of available literature, ie published scientific papers and studies. Qualitative methods inherent in the social sciences were used in the research. The historical method was used, then the method of analysis and synthesis, induction and deduction, as well as the comparative method.

3. Market share of agricultural cooperatives in the European Union

There are 250,000 registered cooperatives in the European Union, and cooperative members, of which there are 163 million according to official statistics, make up a third of the Union's population. The cooperative sector employs 5.4 million people. According to official Eurostat data, agricultural

cooperatives make up about 1/3 of the total number of cooperatives in the European Union. Their share in the total income of the cooperative sector is 34%, and the number of employees in agricultural cooperatives is 15% in relation to the total number of employees in cooperatives of various activities in the European Union [10].

Cooperatives are present in agriculture, forestry, banking, pharmacy and other sectors. The share of cooperatives in the trade of agricultural products in the Netherlands is 83%, in Finland 79%, in Italy 55% and in France 50% [11].

There are significant differences in the participation of cooperatives in the trade of agri - food products between individual member states of the European Union, as well as at the level of individual sectors or products. Cooperatives in the Scandinavian countries have the largest share in trade in agricultural products. According to a study published in 2014, the share of the cooperative sector in the trade of agricultural products is more than 50% in Denmark, Finland, Sweden, Ireland, the Netherlands, France and Austria. In Spain, Belgium and Germany, this share ranges from 40 to 50%, while in other Member States it is significantly lower [11].

Observed by agricultural sectors, the largest share of cooperatives is in the trade of dairy products, fruits and vegetables and wine. Market share is a valid indicator of the success of cooperatives. Greater participation in turnover indicates the ability of cooperatives to be competitive market participants and equal partners to corporations. Developed and well-organized cooperatives have a positive impact on the price of agri-food products for farmers. This contact is confirmed by research in the dairy sector conducted in European Union countries [12].

One of the factors influencing the development of cooperatives, as well as their market share, are agricultural policy measures. Agricultural cooperatives in the European Union are provided with state support by the state [13]:

- Provision of legal services;
- Adequate legal regulations;
- Tax relief;
- Favorable credit conditions, as well as
- Technical support.

Support measures vary between European Union member states. The most important types of support are: legislative and legal regulations in the field of cooperatives, competition laws, as well as financial support measures, ie subsidies. The common agricultural policy recognizes the importance of cooperatives, not only in the development of agriculture, but also in rural areas in general, defines measures to support the cooperative sector. First of all, it is about the measures of the Common Market Organization for certain agricultural and food products. These measures have influenced the growth of the efficiency of supply chain coordination, and have achieved their best effects in the dairy sector, as well as in the fruit and vegetable sector [14].

The development of cooperatives in the agricultural sector of the European Union in the previous programming period was supported through the Rural Development Program 2014-2020 within the second pillar of the Common Agrarian Policy. The Rural Development Program is one of the main instruments of support within the Common Agrarian Policy of the European Union, and about 25% of the total agricultural budget is spent on its implementation [15]. The goals of this program were [16]:

- Acquisition of knowledge and transfer of innovations;
- Preservation and protection of ecosystems;
- Promoting resource efficiency and preventing climate change, and
- Social inclusion and economic development of rural areas.

A special measure within this program, measure 16 "Cooperation" was aimed at supporting farmers and other participants in agribusiness to create innovative products and technologies. This support measure is designed to overcome the problems faced by rural areas, such as communication constraints, the inability to achieve economies of scale and integration difficulties. Measure 16, among other things, contributed to the emergence and development of cooperatives in the field of organic production [17]. The use of subsidies is conditioned by the respect of cooperative principles, as well as by the fact that 80% of the turnover in the cooperative is realized by its members [18].

The degree of development of cooperatives in a certain country, and thus their market share, is determined by socio-historical factors. Namely, research shows that historical negative experiences in the countries of Central and Eastern Europe affect a lower level of trust of farmers in cooperatives and less motivation to join cooperatives [19]. Also, there is a clear and direct connection between the level of development of social capital and cooperatives [20].

4. Policies and strategies for the development of agricultural cooperatives in the European Union

Although cultural factors and inherited experiences related to the cooperative sector have a significant impact on the affirmation of the cooperative idea in a particular country, the work of cooperatives is influenced by a number of institutional factors. In other words, the state and the institutional framework it sets up act directly to regulate the work of cooperatives and support their development. The conditions for the establishment and the manner of organization of cooperatives in each country are defined within the relevant legislative and legal regulations. Experience shows that the existence of legally regulated rules significantly increases the interest of farmers in establishing cooperatives. A positive example is the regulation of work and support to cooperatives in the fruit and vegetable sector in the European Union, which has contributed to increasing the participation of cooperatives in the trade of these products [21].

When it comes to the support provided by the state through agricultural policy measures and legislation, these factors have had the greatest impact on the development of cooperatives in the countries of Central and Eastern Europe, ie the former socialist countries. Such tendencies are also expected given the mostly negative experiences with cooperatives in the previous period and the distrust that most farmers have in this type of association.

Reforms of the Common Agricultural Policy of the European Union and the processes of concentration in food retail are the key reasons why there are changes in the development strategies of cooperatives and their structure. In accordance with the stated factors, answers to the questions are sought:

- What should be the key functions of the cooperative;
- Should the cooperative be a negotiating organization that represents a form of horizontal integration or is it better to adopt vertical integration strategies;
- Should cooperatives become producers of final consumer goods and sellers of branded food products.

The organization and manner of work of cooperatives depend on the rights and obligations of cooperative members, as members of the cooperative. This primarily refers to the participation of cooperative members in the distribution of realized profits, then in decision-making and ownership of cooperative property.

The dominant strategy of cooperatives in the wine sector of the European Union is branding. There are two dominant types of cooperatives in this sector. One type of cooperative organization is oriented exclusively to placement, while other types of wine cooperatives are engaged in the production and procurement of raw materials. Changes in the functions of cooperatives occur both due to changes in the interests and motives of cooperatives, and due to changes in consumer preferences [22].

Research within the project of the European Commission, which was conducted from 2000 to 2010, found that, due to changes in the market, cooperatives in the field of agriculture are increasingly deviating from the traditional cooperative model. The main reason for this deviation is the need to improve their competitiveness. All cooperatives, regardless of their sector of operation, are characterized by a process of horizontal and vertical growth.

According to Alfred Chandler in 1972, "structure follows strategy" [23]. This saying can also be applied when it comes to the structure and strategy of development of agricultural cooperatives. Namely, if the cooperative is oriented towards a new strategy, the necessary condition for success is change, ie adjustment of its structure.

The group of authors cites cooperatives in the dairy sector in Ireland as the most successful in the European Union, followed by cooperatives in the fruit and vegetable sector in the Netherlands and

cooperatives in the meat sector in Denmark. Research has shown that all successful cooperatives have been guided by the idea of growth, as a key determinant of their strategy. However, there is no single model of growth, but each cooperative organization develops in accordance with its specifics [24]. At the same time, direct or indirect institutional support is mentioned as one of the key factors of sustainable development of agricultural cooperatives. Support measures provide several significant advantages [25]: lowering transaction costs in sales, achieving economies of scale and strengthening the negotiating position of farmers.

One form of integration involves attracting investors to improve financial capacity. In this way, the activities of the cooperative are developed and the turnover increases. The second type of growth involves diversification as a key business strategy. In that case, the cooperative connects with various business entities, both at the national level and on the international market.

5. Attitudes of young farmers in the European Union towards agricultural cooperatives

One of the key problems in the agrarian structure of the European Union is the pronounced aging of the agricultural population [26]. Only 6% of farmers are younger than 35, while more than half are older than 55 [27]. Young farmers face a number of constraints, among which stand out: access to land [28], access to information [29], as well as unfavorable living conditions in rural areas.

The research was conducted among young farmers, beneficiaries of measure 112, on their participation and potential participation in agricultural cooperatives. 250 young farmers from all regions of Greece took part in the survey. Their views on agricultural cooperatives were considered.

The research showed that there is no significant interest among young farmers to integrate into cooperatives. The main reason for not joining cooperatives, which is stated by young farmers, is the lack of trust in the cooperative organization. The survey confirmed that only 23% of young farmers are members of the cooperative, while the majority of 77% are not included in the system of agricultural cooperatives [30].

Table 1. Motives of young farmers to join cooperatives [30]

| Motive for joining the cooperative | Share in total number (in %) |
|------------------------------------|------------------------------|
| Secure product placement | 31.2 |
| Stable, pre-known prices | 18.2 |
| Social reasons | 14.3 |
| Better services | 10.4 |
| Family tradition | 5.2 |
| Easier access to credit | 5.2 |
| Informing | 3.9 |
| Other reasons | 11.7 |
| TOTAL | 100.0 |

As many as a third of young farmers who participated in the survey point out that the basic motive for membership in an agricultural cooperative is the safe placement of their products. Stable, well-known prices determine 18% of young farmers to become members of the cooperative. These two economic motives are most prevalent when making decisions of young farmers to opt for this system of integration. In addition, social reasons, easier access to credit, better information or family tradition are also motives for joining cooperatives.

A survey conducted among young farmers in Greece found that eight out of ten farmers under the age of 40 are not members of the cooperative. The key reason for such a low representation of membership in cooperatives is the distrust of farmers towards cooperative organizations, ie the way of management and decision-making. The research confirmed that mostly farmers with a higher level of education and holders of agricultural holdings with a higher level of income opt for membership in cooperatives. As the main recommendation for mass membership and affirmation of the cooperative system among young farmers, the authors single out measures that would improve the awareness and knowledge of farmers about the importance of cooperatives and the benefits of participating in them.

Also, changes in the way the cooperative's management bodies work and greater participation of the members of the cooperative in the decision-making process would have a positive effect on the representation of cooperative organizations among young farmers.

6. Conclusions

Agricultural cooperatives have a long tradition in the European Union. Although they are based on the same ideas and principles, cooperatives in the countries of the European Union differ from each other, both in the way they are organized and in their development strategies. Nevertheless, the common denominator of agricultural cooperatives in all member states is their pronounced role in transport and service in relation to the production function.

Also, all member states of the European Union have immanent horizontal and vertical integration processes in cooperatives, ie economic association and co-operation of cooperatives. This development strategy leads to a decrease in the total number of cooperatives, but at the same time results in an increase in the market share of the cooperative sector.

Territorially, agricultural cooperatives have the largest market share in the Scandinavian countries, primarily in Denmark, Finland and Sweden. Also, a significant share in the turnover of agricultural and food products is realized by cooperatives in Ireland, the Netherlands, France, Germany and Spain. If we analyze the participation of cooperatives in trade by individual sectors of agriculture, the dominance of cooperatives in the trade of dairy products, fruits and vegetables, wine and meat is convincing in the European Union.

Since they represent the basic development potential of European agriculture, it was important to consider the attitudes of young farmers about organizing into cooperatives. On the example of young farmers in Greece, insufficient interest was found to participate in this form of integration. Namely, only 23% of farmers under the age of 40 are members of the cooperative, while the majority of 77% do not see interest in associating. The advantages of cooperatives have been proven, both in terms of reducing risk and transaction costs, as well as increasing competitiveness and better negotiating positions. That is why it would be of great importance to intensify activities on informing and educating young farmers in order to raise the level of knowledge about the benefits of cooperatives and their greater participation in these organizations.

Acknowledgments: Funds for the realization of the research were provided by the Ministry of Education, Science and Technological Development of the Republic of Serbia (contract 451-03-9/2021-14/200117).

Conflicts of Interest: The authors declare no conflict of interest.

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