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Round Table – Table ronde – Runder Tisch

**AGRICULTURAL COOPERATIVES – EVOLUTION, IMPORTANCE,
PERSPECTIVES**

**COOPERATIVES AGRICOLES – EVOLUTION, PORTEE,
PERSPECTIVES**

**LANDWIRTSCHAFTLICHE GENOSSENSCHAFTEN –
ENTWICKLUNG, BEDEUTUNG, PERSPEKTIVEN**

General Report – Rapport général – Generalbericht

Dr. Isabelle COUTURIER

**Maître de Conférences à l'Université d'Angers, Magistrat,
Délégué général adjoint du CEDR**

Agricultural Cooperatives – Evolution, importance, perspectives

Dr. Isabelle COUTURIER – Maître de Conférences à l'Université d'Angers;
Magistrat; Délégué général adjoint du CEDR

It is proper first of all to thank the authors of the various reports provided for this Round Table devoted to agricultural co-operation. Very different countries are represented here: Germany, Argentina, Bulgaria, Great Britain, Greece, the Netherlands, Poland, Romania, Slovenia and Switzerland.

The theme was chosen mainly from the technical point of view of the development of co-operative structures two years after Regulation 1435/2003, creating the European Co-operative Society. In the finish, it has rather shown the different forms of an institution of social economy in the different participating countries, characterised by their very distinct political and economic histories.

The co-operative is an idea implemented in each of the countries represented at the Round Table, in various different configurations, in various shapes and sizes, but for each one the meaning of the expression 'agricultural co-operation' is the same.

It is to be noted, first of all, that everyone agrees in recognising the peculiar contribution of co-operation to agricultural development, and, more, to social development. Co-operation is a means which producers have at their disposal to create a power for themselves, increasingly necessary for them to find and retain a place in the market, to improve their productivity or to find the best commercial conditions for their production.

It seems that agricultural co-operation has for the future a common meaning for all those represented at the Round Table, but this does not mean that the co-operatives themselves are identical. This is explained by the fact that, whilst the co-operative principles are shared by all, they are not implemented in the same way. The picture of co-operation presented here, in prospect as well as at present, might consequently appear heterogeneous. This position results from the fact that agricultural co-operation, just like the legal system, is intimately linked with the diversity of the rural economies of the different countries.

1. Some common definitions for distinct legal institutions

Co-operation assumes a group of people developing an activity in their common interest. This primary definition is common to all. But the term 'co-operative' appears to take on a different meaning according to the context in which it is used. The evolution reported by the participants testifies to this. With the progressive harmonisation in the political and economic context, 'co-operation' takes on a more precise homogenised meaning accepted by everyone. This definition is then transposed according to the distinct legal requirements of the law of each country.

1.1 Historical differences surrounding the term 'co-operative'

Almost all the rapporteurs indicated that co-operatives were founded in their country in the course of the 19th century, often in different economic sectors. They suggest a means used by people, especially agriculturalists, to deal with problems amongst which are cited the need for credit or for specialised insurance, but also the need for business supplies, to generate sales or to transform production. Co-operation was used quite seldom in this era for agricultural production itself, and with relatively little success. It is often underlined that co-operation brought with it at that time positive social consequences, contributing to the education and training of men. It is interesting to note that co-operation was able to be used, in Poland and Argentina, as a tool in colonising new lands, as a stage of regional development at the time of their exploitation.

A little later, in the 20th century, co-operatives were often used to develop both horizontal and vertical integration of agricultural businesses. In the eastern European countries production co-operatives were put in place with the advent of the Communist regimes. So in Romania, landowners and businessmen were forced into co-operatives, which became inalienably the owners of the lands. Similar arrangements were put in place in Slovenia, Bulgaria and Poland. In terms of production, the results of these structures were often weak. They disappeared with the political changes in these countries, at the same time as land reforms were put in place reinstating private ownership. New co-operatives have developed, although most often without having agricultural production as the object.

These countries have these days a liberal economy and have re-established private ownership, and the definition of 'co-operative' appears to have come into line with other states.

1.2 Present agreement of the definition of 'co-operative'

The rapporteurs all agree that a co-operative is defined by a specific means and aim. It presents itself as a structure within which a common activity is carried on with the aim of promoting the economic interests of its members. It does not aim to create a profit for the organisation itself but to create profits for its members. The co-operative will directly create benefits for its members, or it will create the means whereby its members can create profits for themselves.

The agricultural co-operative throughout is defined by a transposition of the preceding definition. It is an association of producers who, together, deliver all the operations and services required for their business.

On this definition, shared by all, various legal structures are formed, because the legal systems involved are organised according to different principles.

1.3 The variety of legal structures of co-operative according to the country

In certain countries (Romania, Bulgaria), there is a (recent) law on agricultural co-operatives, creating for this structure a special body of law, distinct from other types of co-operative which are governed by their own particular rules.

In other countries, only the nature of the co-operative is defined – Slovenia, Switzerland, Poland – and agricultural co-operatives develop as particular entities within that overall framework. It is noted that the co-operative regime in some countries has been developed by meticulous reference to one or more branches of the law relating to companies and similar business structures.

And again, in other countries, co-operatives are not dealt with or regulated by any particular rules. In Germany, co-operatives may be organisations of private or public law according to their object. In the Netherlands, co-operatives are governed by the law of companies or associations to which they are akin, but with some particular provisions. In Great Britain, co-operatives have no special legal structure; they may be established as "Industrial and Provident Societies" and subject to the rules relating to the activities and objectives of that type of organisation.

In all countries, these organisations have a peculiarity, developed to a greater or lesser degree. Their structures are subject to legal control, and they may be wound up in the case of breach of formal or substantive conditions; this control is judicial and is facilitated by the requirements for publicity to which the organisation is subject. Very rare are the countries in which administrative control derives from the constitution (Greece).

Sometimes, fiscal law recognises the co-operative specifically. The principle is that co-operatives are subjected to fiscal law applicable to other business organisations. Certain countries accord a particular treatment, more or less favourable, subject however to

respect for co-operative principles and to the extent that the activity is managed by the members. (Greece, United Kingdom, Germany).

The meaning of the word 'co-operative' is at present globally converging; equally, the precise nature of the idea varies according to the country and to the quite varied implementation of the co-operative principles.

2. The constitutional variations of co-operative principles

= The object of the co-operative managed by its members is fixed by the articles of association. The activity is initially fixed according to its nature; co-operatives exist which are general-purpose (rare in Switzerland) or specialised. The participating countries have demonstrated the great versatility of operations carried out by agricultural co-operatives.

The articles will provide for sales and purchases, services, equipment, development; co-operatives for the principal business activity exist less commonly than in the past. Also, the business objects are stipulated in the articles; they will say whether the activities are exclusive or not, time limited, annually renewable (in the Netherlands), etc.

Involvement of third parties is sometimes possible but in a limited form (e.g. United Kingdom, Slovenia).

= Becoming a member of a co-operative is voluntary and unrestricted; the expression 'open door policy' defines, in general, the principle. In all countries, all producers are at liberty to join. In reality, in many countries, there is a joining procedure which supposes that candidates apply to become members of the co-operative (cf. Netherlands, Slovenia). There is often a possibility of limiting entry based on the objects of the co-operative (e.g. Switzerland) or on the processing capacity of the co-operative concerned. It is noteworthy that, in the Netherlands, admission of non-nationals is contemplated in the context of the internationalisation of agriculture and the fall in the number of producers nationally.

As a corollary, the right of withdrawal is freely available on notice. There as well, the economic activity undertaken by the co-operative leads sometimes to restrictions such as a retirement indemnity (Switzerland or the Netherlands) or a waiting period before repayment of contributions.

= It appears that everywhere there is democratic management of co-operatives, directed and controlled by the members. In all countries, the power of management is vested in the general meeting. In countries where co-operatives are more highly developed, representative meetings are sometimes organised in order to make the democracy more effective (Germany). The concept of a management board or college composed of co-operative members exists everywhere. A supervising authority sometimes exists, which may take the form of reviewers from within the co-operative, but which may not be specifically regulated. A salaried, non-member manager is often appointed.

Participation of the members in management is on the basis of one-man-one-vote. Many countries permit the use of weighted voting in order to reflect economic reality (Slovenia, the Netherlands, Greece, Germany). Non-executive members do not always have a vote (e.g. Greece).

= Two forms of organisation exist side by side for the sharing of capital. In a number of countries, each member shares the capital, according to his activity. There are countries in which very particular regulations have been laid down, often with a view to the past, as a result of which common ownership of land is prohibited in Poland and the capital share of each member is limited. On the other hand, in countries

where a co-operative is close to a partnership, the members subscribe and the co-operative finances itself the activities undertaken for a profit to the subscribers or more generally according to conditions laid down in the co-operative's constitution (United Kingdom). The second form corresponds to less powerful economic structures. The system of shares varies a great deal; sometimes they are transferable (e.g. Switzerland, Romania), sometimes not (Netherlands or Slovenia).

- = The distribution of the rewards takes the form of a discount proportional to the activity contributed to the co-operative, on the conditions laid down in the articles. Certain countries require reserves. In all cases it is possible to create free reserves. Argentina allocates profits attributable to contributions of non-executive members to a fixed reserve. It also places a ceiling on interest paid on capital if that exists.
- = The members are generally liable for the actions of the co-operative to the extent of their contributions. There are often contractual variations, usually because of insufficient capital requiring the co-operative to find financial partners.

The contractual basis of the articles of association explains the variety of interpretations of the co-operative principles found in them.

The legal picture of agricultural co-operation in all the countries represented at this Round Table is contrasting. It is clear that the degree of agricultural development of each country deeply influences the disparities revealed. The modern reality of agricultural co-operatives is therefore very heterogeneous.

3. Contrasting perspectives

It has been stated that the position of co-operatives these days remains limited (Great Britain) or in marked decline to a greater or lesser degree (Switzerland, Argentina, Bulgaria). In Poland, where co-operatives might appear numerous, their difficulties in the context of strong political and economic change have given private enterprise the opportunity to take their business and their markets.

It is clear that this situation does not apply throughout Europe; Germany has shown as much, and this positive situation might have been confirmed by countries such as Denmark or France in ways even more pronounced.

In order to resist the demands of an increasingly internationalised market economy as much as possible, co-operatives have shown a tendency to make structural adaptations. For example, Germany has experienced this tendency which has given rise to strong co-operatives, even though there are regional disparities. In other countries, these changes have hardly begun.

Practically everywhere, associations of co-operatives – co-operatives of co-operatives – have been formed which are almost amalgamations. Sometimes, through this process, co-operatives become companies. Sometimes, co-operatives take shares in common law companies. The law applicable to these operations aims essentially at recording information about the members and the co-operative's creditors, and equally at the preservation of the rights of members in businesses merged or taken over.

This movement has nothing to do with the setting up of federations, as in several countries, offering technical services to co-operatives (such as advice or marketing) and facilitating the representation of the co-operative's interest to the authorities.

The co-operative movement is based on principles of solidarity, democracy and responsibility. Each country has demonstrated in its submission its meticulous commitment to these concepts which have underpinned the development of the agricultural economy. And the participants have shown that co-operatives can today occupy a place in the economy which is of service to farmers, demonstrating that a form of social economy

supported by focused legislation can be useful in a free market, to the profit of the partners who invest in it.