Development models of the cooperative sector in the agro-industrial complex of North American and European countries

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Abstract. The research focuses on the characteristic features of the modern development in the cooperative sector in the agro-industrial complex of North American and European countries, taking into account the existing differences in legislation, national traditions, local differences, and the importance of the cooperative movement to search for effective responses to the new challenges of globalization of the economic space. The purpose of the work is to identify the most significant achievements and features inherent in the cooperative sector in the agro-industrial complex of the USA, Canada, France, and Spain. The paper presents quantitative data characterizing the level of development of cooperation in individual countries and the legislative framework for the functioning of agricultural cooperatives. The areas of activity of the largest cooperatives and measures for state support of the development of the cooperative movement in the USA, Canada, France, and Spain are considered. As a result, conclusions were formulated reflecting the significance of the contribution of cooperatives to the economic and financial stability of countries in the context of globalization, to the creation of jobs and increasing the innovative potential of business.

1. Introduction

An analysis of the world economic system over the past ten years shows that crisis phenomena encompass an increasing number of states, reducing their development indicators. Particularly painful for the humanity is the stratification of society into poor and rich and the preservation of this trend in almost all countries. At the same time, the poverty level of a significant part of the population is such that out of the 7.5 billion people living on the globe, only one billion, the so-called “golden billion”, can afford a balanced healthy diet [1, 17, 18].

World experience of human development shows that one of the ways to reduce the tension between labor and capital can be the use of collective forms of management, including cooperatives [2].

The first cooperative model of management appeared in England in 1769, at a time when the economic situation in the country became more complicated. Then, constantly improving, in the conditions of globalization of the economic space, it began to spread throughout the world [3].

For a more in-depth study of the patterns of development of the cooperative sector in North American and European countries, let’s consider the activities of agricultural cooperatives in the United States, Canada, France, and Spain.
2. Research Materials

The USA is one of the world leaders in the production and export of agricultural products. The USA accounts for half of the world’s production of beans, soybeans and maize, and from 10 to 25% of cotton, wheat, tobacco, and vegetable oils. Over the past two decades, the country’s agricultural productivity has increased by almost 50%. In the United States, there are more than 3 thousand agricultural cooperatives with 2.8 million members, with the total net income of nearly 1.2 billion dollars and the net production of more than 96 billion dollars [4].

The statistical agencies of the United States classify cooperatives according to their primary function, which is largely conditional, since each type of cooperative has a number of side functions. Thus, the range of functions of sales cooperation, which occupies a leading place in the system of American farmers' cooperation, has expanded significantly over the past decades. Now the list of its functions (in addition to the sale of products) includes receiving, processing products, warehousing, storage, packaging, transportation.

The most developed cooperation is developed in the dairy industry in the United States. The largest dairy cooperative union is the Dairy Farmers of America (DFA), which unites about 16 thousand farmers in 48 American states. The annual revenue of this cooperative in 2012 amounted to $13 billion. The main brands of the DFA products: Borden Cheese, Kemps and Guida’s Dairy, Keller’s Creamery Butter.

The main task underlying the ideology of DFA is to ensure stable processing and sales of products of the participants of the farmers’ cooperative. The Global Dairy Products Group, owned by the DFA cooperative, owns 21 milk processing plants and not only sells dairy products under its own brands, but also carries out production under the order of the cooperative members from milk [5].

Cooperative legislation in several states of the United States (as in some other countries) allows for the principle of proportional voting. It is about giving the participant such a number of votes, which corresponds to the activity of his interaction with the cooperative in the period preceding the voting. However, as a rule, the limiting number of votes from one participant is fixed in order to prevent a minority from taking control over the cooperative. The opportunity to participate in voting when making decisions on the affairs of the cooperative is also provided to persons who provide it with financial support.

According to the results of the year, a certain share of cooperative profit can be distributed among the enterprise members in the form of dividends on investments. In accordance with the norms of the United States (federal and most states), the amount of funds allocated to pay dividends to members of a cooperative cannot exceed 8% of the profits received. The purpose of this limitation is as follows: incomes received by co-operators as a result of joint activities (according to the cooperative principle, the distribution of the benefits from joint activities among participants is proportional to their contributions to it) should exceed the incomes of persons providing financial support for these activities. Thus, the role of financial resources in this case is assessed as secondary. This factor leads to a decrease in the attractiveness of investments in cooperative organizations in comparison with enterprises of other forms of business. This has a negative impact on the competitiveness of cooperatives, especially in the processing of agricultural raw materials, the organization of which requires significant initial investment [4].

In Canada, the share of agricultural cooperatives in the total number of non-financial cooperatives is 16%. At the same time, the value of their income reaches 15.6 billion dollars, which corresponds to 44% of the income of the entire cooperative sector of the country. In the annual ranking of the 50 largest non-financial cooperatives, the first lines are traditionally occupied by agricultural cooperatives [6].

The total number of agricultural cooperatives in Canada in the last decade has remained at 1,300. Saskatchewan is leading among the Canadian provinces (31% of the total number of cooperatives), followed by Quebec (21%), Alberta (17%), Ontario (11%) [7].

Depending on the nature of the operations performed, cooperatives in Canada are divided into supply, marketing, production, and service ones.
The share of supply and marketing cooperatives account for more than 90% of the proceeds from the activities of the cooperative sector in the agricultural sector of Canada; some of them are among the ten largest Canadian cooperatives. The annual turnover of supply cooperatives reaches $6.2 billion [6]. The largest concentration of cooperatives involved in the supply of fuel and lubricants, fertilizers and pesticides is observed in Saskatchewan and Alberta. In Quebec, cooperatives for the joint use of agricultural machinery are widespread. Most of the servicing cooperatives are specialized seed-cleaning enterprises concentrated in Alberta. Local farmers’ markets (created on a cooperative basis, they now account for about 10% of the total number of farmers' markets in Canada) also belong to the category of service cooperatives. Along with the farmers, their members may also be the consumers [8].

The 1999 Federal Law “On Cooperatives of Canada” allows cooperative structures to have a joint-stock form of capital consolidation. In accordance with the law, each cooperative in its charter may provide for the issue of ordinary shares for distribution among founding members. Moreover, each founder can have only one voting share. The charter may also include the issue of investment shares in two categories: for the founding members and the member-shareholders. The charter of the cooperative determines the order of issue, distribution of shares and the right to participate in the general meeting for shareholders. Shares are issued by a cooperative without a nominal value with the approval of the general meeting.

Active state support for the cooperative movement in Canada was provided by the “Cooperative Development Initiative” program, which consisted of three components:

1. Consultative: providing consulting services for the creation of new and support for existing cooperatives;
2. Innovative: financing projects for the formation of cooperatives in the priority areas for state policy, including the processing of agricultural products and the production of biofuels;
3. Applied: supporting research in the field of cooperative movement [7].

The program contributed to the creation of about 300 new cooperatives, up to 25% of which operate in the agri-food sector. The problem of increasing the capitalization of cooperatives is designed to be solved by the Federal Agricultural Loans Program (Canadian Agricultural Loans Act program). According to the document, a cooperative can receive a loan of up to $3 million from financial institutions. At the same time, the government provides loan guarantees of up to 95% of the loan amount. The program is intended mainly for marketing and processing cooperatives.

At the provincial level, there are special tax incentive programs to attract resources to the development of cooperatives, including tax cuts for investors purchasing shares of their cooperatives; grants to promote the creation of new cooperatives [9].

The French cooperative sector has formed more than 23 thousand cooperative organizations (agricultural, consumer, credit, transport, etc.), the total number of members of which is 24.4 million people [10].

Agrarian cooperatives account for 31.1% of agricultural land, over 42% of gross agricultural production and about 60% of its sales. Cooperatives cover grain sales up to 67–70%, 65% of pork, and more than 50% of milk. Thus, cooperatives are a very significant element of the country's agriculture.

The list of cooperatives in France includes such well-known names as “Cereales” (a champagne producer), “Tereos” (sugar), “Sodiaal” (dairy products), “Agrial” (various food products), and “Limagrain” a seed producer [11].

The legislation provides for two ways to manage a cooperative. The first method assumes that the chairman of the board of directors, the executive director and several cooperators elected by the cooperative members are on the board, the second is a two-tier management structure (the board of directors and the supervisory board).

According to the territorial restrictions imposed on cooperatives, France is a unique country: cooperatives must receive official, the so-called “territorial” permission, the right to work with the fixation of their specialization and the territory covered by the activity.
More than 50% of farmers are members of service cooperatives sharing agricultural equipment (CUMA), which allows farmers to access high-performance equipment and reduce the cost of purchasing and maintaining technical equipment. The CUMA cooperatives contain one third of the grain and forage harvester fleet, one fifth of fertilizer spreaders, high-powered tractors, sprayers, specialized repair equipment, land-improvement, and other specialized equipment [12].

Agricultural cooperatives of France are exempted from income taxes. At the same time, in accordance with the legislation, cooperatives are entitled to provide services to third parties who are not their members, to the maximum extent of 20% of turnover [9]. During the first five years of operation of French cooperatives, the state finances administrative expenses and maintains specialists who help develop and apply new technologies in the framework of a cooperative association in order to improve the quality of commercial products. In France, cooperatives for the storage and packaging of products are provided with loans at a preferential interest rate. In the case of overproduction, cooperatives receive funding to remove surplus products from the market, which helps balance supply and stabilize prices and incomes [12].

In Spain, cooperatives cover 15% of the population [13]. The number of agri-food cooperatives operating in the country is about 3.5 thousand. The largest number of such cooperatives operate in Andalusia. The share of cooperatives in the market of wine, olives, and olive oil is about 70%; it is more than 40% in the butter industry, the supply of fruits and vegetables, and about 25% in other agro-food sectors [14].

Most cooperatives are based on regional, not national, legislation. Cooperative associations are small, and their number significantly exceeds the average of other European countries. Only 39% of cooperatives have more than 1,000 members. Their small scale often makes it impossible for united farmers to make a profit.

Spain’s peculiarity are significant political, economic, and social differences between regions (in particular, certain agricultural sub-sectors dominate in one region and absent in others). For example, in Catalonia, the activities of an enterprise in the main industrial sector are being developed. Andalusia produces more than 90% of Spanish cotton. The share of olive trees in this region in the total number of plants in the country is 80% [11].

The noted differences between the regions are reflected in the cooperative legislation. Significant discrepancies between the national cooperative law and regional laws on cooperative organizations that compose a set of cooperative laws of the country, make it difficult to conduct a national policy to improve the competitiveness of cooperatives in the context of globalized markets [13].

Most of the enterprises of the collective form of management are focused on the local (regional) community in order to receive various subsidies. Territorial differences in the conditions of the activities of cooperatives complicate the development of interregional cooperation. In addition, regional linkage makes it difficult to ease the financial constraints experienced by many cooperatives.

3. Conclusion

The study of foreign experience of modern cooperation allows us to conclude that one of the conditions for its development is the program-targeted state support existing at the macro level and the public-private partnership in the regions and rural areas.

The analysis shows the existence of widespread cooperatives in the developed countries of North America and Europe. As of 2015, 250 million people worked in cooperative enterprises all over the world (for comparison, in the early 1990s, the figure was 100 million) [2, 20]. In the G20 countries, as of 2015, the share of cooperators was almost 12% of the total employed population. The turnover of the largest 300 cooperatives in 2016 grew by 7.2% compared with the previous year and exceeded $2.5 trillion [6].

Cooperatives can make a significant contribution to the implementation of state strategies to overcome global challenges in the field of innovations, since the high innovative potential of cooperatives is due to their democratic model of complicity in management (when each participant has
one vote when making decisions by the general meeting), the proximity of these enterprises to consumers [15]. A strong connection between cooperatives (participants) and society (customers) ensures that these enterprises can get direct information about the expectations and needs of the population. It promotes appropriate studies and the introduction of innovative processes and products [16].

At the same time, differences in the legislation, national traditions, and local characteristics of the countries reviewed cause a large variety of cooperative practices that can and should be used in the vast expanses of the Russian Federation, taking into account local characteristics and the state of the country's economy.

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