



BUILDING COOPERATIVE BUSINESS MODELS IN AGRICULTURE

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ABSTRACT

Cooperative models are a specific form of successful business. In their activity, they refer to specific principles and values, and due to their democratic structure, they contribute to socio-economic development, provide employment, help to satisfy the needs of their members and clients. Due to their unique business model, cooperatives manage to adapt and respond more effectively to economic, market and financial challenges. The numerous advantages of the cooperative business model are a prerequisite for its transformation into a condition for sustainable regional development. On the other hand, the lack of detailed information on cooperatives limits the possibility of a detailed assessment regarding the size and influence of these structures. The purpose of this report is to reveal the prerequisites for building cooperative business models in agriculture, to indicate their main characteristics and condition, as well as to outline the main prospects for their development.

Key words: association of farmers marketing cooperatives, cooperative approach

INTRODUCTION

The objective conditions in our country convincingly show that the fate of Bulgarian agriculture is connected and determined by the fate of the agricultural cooperatives, since they contain opportunities for the implementation of modern and competitive agricultural production. This is precisely what confirms them as basic structural units, main economic subjects and producers of goods in Bulgarian agriculture, on which the region can count.

Today, agriculture requires specific agro-ecological knowledge, know-how and management skills, which are often more complex than those in other economic sectors. Agrotechnical practices are more labor-intensive, environmental protection requires "green" technologies, including biopesticides and organic fertilizers, manual tillage, crop rotations, and others. For some experienced farmers, farming provides new market niches,

better prices and a "green image". In a number of sub-sectors of agriculture, diversification of agricultural production is required, thereby reducing risks and guaranteeing additional income during the non-productive (winter-spring) season. Newly established farms face a number of problems while the agro-ecological farming system balances and stabilizes. At this stage yields are lower than conventional, the farmer is still gathering the necessary knowledge and skills for production and for creating appropriate channels to the market. After the completion of this process, the effective realization of the production comes to the fore, which is a new challenge for the farmer. In the search for effective solutions, approaches for association (cooperation) between producers are often proposed to contribute a number of benefits at an individual and regional level. Therefore, the purpose of this report is to reveal the prerequisites for building cooperative business models in agriculture, to indicate their main characteristics and status, as well as to outline the main prospects for their development.

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TYPES OF COOPERATIVE BUSINESS MODEL STRUCTURES

In principle, any agrarian activity and exchange can be managed through a wide variety of alternative forms. The distribution of overall activity among different farms, agrarian organizations and markets will be determined by the comparative costs of using alternative management forms, and in the long run the most efficient ones that minimize aggregate (internal and external) transaction costs will dominate (1).

The cooperative business model in agriculture today is related to the activity of several types of economic structures that successfully carry out their activities in the conditions of a market economy and a strong competitive environment. The main structure related to the implementation of the cooperative business model is the cooperatives, but a cooperative approach is also applied by various forms of association of individual farmers for the realization of collective economic goals.

In this sense, the cooperative business model is represented by two main groups (2-4) of cooperative structures providing production activity to agricultural producers and cooperatives uniting the economic potential of the owners in an independent enterprise. The first group provides production activity to farmers and functions at the entrance and exit of family farms. They practically provide the production infrastructure of family farms.

The second group of cooperatives, which unite the economic potential of the owners in the individual enterprise, in practice implement a closed reproduction cycle and an organizational - complete reproduction process. They combine all factors of production, including land, labor, capital and immediate reproduction of these means of production.

The cooperative as a form of association has a significant potential to support the survival of small and medium-sized businesses in the country, especially in the conditions of the highly competitive pan-European market for agricultural products. Similar conclusions, the result of scientific research, are reflected in the publications of Boevski and Kramer (5), Boevski and Sarov, (6), as well as Atanassova (7); Atanassova, Kostadinova, Petrova (8); Atanassova, Gaidardzhieva, Kostadinova (9).

Prerequisites for referring the association of individual farmers based on collective goals to the cooperative business model are the theoretical statements about the cooperative system, as well as the generally valid Ward-Vanek model. The theoretical statements about the cooperative model refer to: the cooperative approach as a voluntary association of people for a specific activity and with a specific goal; the cooperative model as an economic organization emphasizes the motives for voluntary association; cooperative organization and the achievement of certain social and moral-ethical goals and the need for a specific attitude of managers.

The Ward-Vanek model (10) identifies several principle models of cooperative organization that go beyond the cooperative, namely business models with:

- collective ownership combined with individual goals;
- individual property and with individual purposes;
- collective property and with individual goals;
- a combined model of the specified variants.

According to the Declaration of Cooperative Identity of the International Cooperative Alliance, the word "cooperative" means "an autonomous association of persons who voluntarily associate themselves in response to their economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises." The dual nature of cooperatives stems from the simultaneous role of cooperative members as owners and stakeholders and defines the economic and social aspects of the cooperative business model.

In the cooperative theory of these key characteristics is also based the so-called "proportional" (11) understanding of the cooperative. A cooperative is defined as "... a private business that is organized and managed by its members to satisfy the economic needs of its owners, who control, manage and decide on the distribution of income in proportion to their participation. This means that the members participate in the management, invest capital and distribute the income among themselves in proportion to the use of the cooperative". This approach fully corresponds to the definition of a cooperative organization formulated by the

International Cooperative Congress: "A cooperative is a collective democratically managed organization, a voluntary association of people, based on the principle of improving the common economic, social and cultural goods."

The positive results that members of agricultural cooperatives receive depend on the subject of activity and the type of cooperative model (8). When they are farmers, these outcomes are related to quality inputs at low prices and economies of scale; access to markets for their output and greater control over value added. The creation of credit cooperatives is linked to the benefit of a stable return on their savings and access to credit at a lower interest rate.

The Bulgarian agricultural production cooperative is the most common form of private cooperative organizational forms in the industry. Agricultural cooperatives manage about 30% of the country's arable land and are the main producer of cereals and some technical crops, especially in specialized grain-producing areas. Through their functioning, they provide employment to the rural population and are the main participants in the local markets of agricultural produce and mechanized services. Agricultural production cooperatives from these regions have a completely market-oriented strategy, with a part of their production also intended for sale on foreign markets.

In the mountainous and semi-mountainous rural areas of the country, agricultural production cooperatives have a much more limited distribution. The subject of activity is almost entirely oriented towards the production activity of the family farms of their member-cooperators. The member-cooperators annually assign the type and volume of production and provide funds to finance the current economic activity. Cooperatives mainly produce fodder and other agricultural products that are necessary to feed the animals raised in the family farms of their members and perform mechanized services with specialized agricultural machinery that the family farmers are unable to manage and effectively exploit on their own. Agricultural production cooperatives of this type contribute to the development of family farms by using the advantages of large-

scale production and help to effectively use and maintain high-performance and expensive agricultural machinery.

DEVELOPMENT AND PERSPECTIVES OF THE COOPERATIVE SYSTEM IN BULGARIA

The cooperative system in our country began its development in the 19th century, unlike Western European countries in Bulgaria, it started first in the villages. Several stages in the development of the cooperative model in Bulgaria are outlined. The beginning was made with the emergence of cooperative organizational structures and the adoption of the first Law on cooperatives in Bulgaria in 1907, which set the legal-institutional framework.

The second stage covers the evolutionary development of the cooperative approach in Bulgaria during the period 1907-1947. The third stage is the period 1944-1991, when the administrative-planning centralization of the cooperative system took place.

From 1991, the next stage in the development of the cooperative system in Bulgaria began with the launch of the Agrarian Reform and the restoration of private ownership of agricultural land. The main problem of the cooperative system in Bulgaria is the political interference and the trampling of the basic principles - voluntariness, autonomy and self-initiative, which led to severe consequences and mistrust of this model in Bulgaria. The private agricultural cooperatives created after 1991 preserved and transferred ownership (land, material, etc.) during the period of transition to a market economy, but their survival required internal restructuring - closing unprofitable activities, choosing an organizational cooperative form in dependence on the optimal utilization of the available production factors, market orientation of the business.

The integration of Bulgaria into the European Union in 2007 and the accompanying processes of transformations in the socio-economic aspect did not leave the agricultural cooperatives behind. During the period 2003-2020, the processes of restructuring of agricultural holdings in the country are expressed in a decrease in the total number of agricultural cooperatives (**Table 1**).

Table 1. Changes in the number and legal form of agricultural holdings during the period

Census	2010	2020
Individuals	362 766	121 372
Sole traders	2 257	1 751
Cooperatives	946	714
Commercial companies	3 921	8 624
Associations and others	332	281
Total	370 222	132 742

Source: Ministry of Health, Census of agricultural holdings in Bulgaria in 2020

Similar processes of concentration of production in cooperatives also take place in the majority of Western European countries. The largest decrease in the number of cooperatives was observed in the Czech Republic - by 50%, Estonia - by 47%, Bulgaria - by 44%, Latvia - by 34%, Poland - by 31%, Great Britain - by 28%, Lithuania - by 27%. The smallest decrease in the number of cooperatives was registered in Slovenia - 3%, Sweden - 4% and Norway - 9%. Modern production cooperatives in agriculture are subject not only to quantitative, but also to qualitative changes in the activities carried out in several aspects: the possibility of purchasing more productive production equipment; an increase in labor productivity compared to that of the small producer, due to the use of machine labor and more and more productive machines in the production process; labor costs for the realization of the production are reduced and more favorable conditions are created for the realization itself.

One of the most effective ways to implement joint marketing by farmers in a region is to create a marketing cooperative. The marketing cooperative is a form of collective entrepreneurship in the marketing of agricultural products, in which the risk is shared among the members of this organization. The formation of this type of cooperative must be in accordance with the existing law on cooperatives in our country (SG No. 113/28.12.1999, last amended SG No. 42 of May 22, 2018). In this organization of marketing of agricultural produce, priority is given to collective interests, not to individual interests, and in order to be effectively operational and useful to its members, it must develop and follow a definite marketing plan.

Specific to Bulgaria is the continued dominance of the production type of cooperative and the almost complete absence of other types of cooperative organizational forms, which is a result of the features of the informal institutional environment in the country.

At present, marketing cooperatives are underrepresented in the agricultural sector. They were built only for the production and sale of varietal planting material, mainly for potatoes and some vegetable seeds, and their construction was carried out with the help of joint programs of the European Union. The main weakness of this type of cooperatives is the dependence on financial support from European programs, because after exhausting these funds, a large part of these cooperatives cease their activity or are about to cease it.

CONCLUSION

Regional cooperative models can be appropriate as a means of achieving a wide variety of community goals, the most important of which are:

- To correct defects in market regulation and help to organize markets effectively, allowing those in a weaker market position to join forces to buy or sell;
- To combine small entrepreneurial activities with larger, viable and more efficient units while maintaining their autonomy;
- To allow citizens to influence or determine the services they need;
- To integrate large sectors of the population into economic activity;
- To be useful for the local markets and serve the local needs, in close contact with citizens. To increase economic activity in the regions and the agricultural sector.
- To ensure economic, social and environmental sustainability;
- To generate trust, create and maintain social capital, thanks to democratic leadership and economic participation.

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