

COOPERATIVE SIGNIFICANCE FOR ECONOMIC DEVELOPMENT OF AGRO - RURAL ECONOMY OF BOSNIA AND HERCEGOVINA

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Abstract

Cooperatives in Bosnia and Herzegovina (BiH) have a long term tradition according to the data from 1991 year with 196 registered agriculture cooperatives organization of which 72 were on the today's territory of Federation of Bosnia and Herzegovina (FBiH) and 124 on the territory that belongs Republic of Srpska (RS) according to the Dayton agreement. Today on the territory of BiH according to the data of cooperative association there is around 500 cooperatives and on the territory of RS 347 cooperatives. Cooperatives have been through different phases of development and many ups and downs of economic trends, especially in sector of agriculture production. In this paper, intension of authors is to show the number of cooperatives with description of types that existed on those areas.

Cooperatives have significant factor of agriculture development in many of the countries of European Union (EU) and they contribute to economic vitality of rural areas, economic growth and development, creation of social and national income, employing population and tourism development. Represent a main link in a food chain as a long arm of agriculture production. Despite the difficulties that cooperatives in BiH and RS has been it is necessary to do a thoroughly revitalization of cooperatives with stronger competitiveness, rational usage and protection of natural resources, continuous agriculture and rural development, preservation of culture and historic values.

Key words: *cooperatives, analysis of the situation, agriculture sector, Bosnia and Herzegovina.*

Introduction

Historical development of cooperatives

The beginning of historical development of cooperatives was in England, Manchester (21.12.1844 year). Cooperatives was formed in very difficult economic and social conditions Farmers have improved their position on the market with joint forces and with joint activities for supplying raw materials, marketing, distribution and promotion.

Today, agriculture cooperatives and associations of producers and enterprises represent main link in the food industry chain in all of the EU countries and in BiH. According to the data, there are about 250.000 cooperatives in EU owned by 163 million citizens and they are employing about 5 million people (Borzaga and Defourny. 2001). Under the influence of European practice, the first cooperatives were formed in BiH in the 1888 year in municipality of Derventa, and the first housing cooperatives were formed in Sarajevo in the year 1897. First peasant cooperatives were formed in Orašje municipality in the year 1904. The first Serbian agriculture cooperatives in BiH were formed in the year 1907 in the village Strpci, near Visegrad municipality, under the name «Serbian agricultural cooperatives with unlimited guaranty».

Muslims (Bosnians) established their first agriculture cooperatives in the village Šije, near Tešanj municipality, in the year 1910 under the name «The first Muslim peasant cash register for loans and savings cooperatives with unlimited guaranty».

Merger of cooperatives represent a way of improving the competitive position on the domestic and foreign market. They also represent a big contribution to the development of agriculture production (through their own agriculture production with their own resources), purchase of agricultural products, they contribute to the economic vitality of rural areas, they are hiring young population, and they contribute to the tourism development.

Through the cooperatives, individual agricultural manufacturer can significantly increase their production capacities, level of technical and technological equipment as a volume of their production, with the pooling of possessions.

State of cooperatives in Bosnia and Herzegovina

Cooperatives in BiH have a long tradition (with ups and downs). It was developing really fast until the World War II. World War II and changes in political system have stopped positive cooperative flows. Period from World War II until the first democratic elections in 1990 was the period of abandoning principals of cooperative development, converting cooperative into the instrument of government policy, abolition of cooperative ownership. The importance of the private sector, property, business initiatives and entrepreneurship was underestimated. Only at the end of this period, there was a realization that the cooperatives should be returned to its original principles and re-established cooperative property.

In the post-war period, a large number of cooperatives faced with various difficulties, there was a collapse of the economy and infrastructure, war and destruction caused extensive damage and the entire cooperative (production facilities, machinery and equipment, warehouse and retail space, damage to crops, minefields, changes in organizational structure and staffing, etc.), but despite all of that, cooperatives have proved their vitality and popularity. In wartime destruction of the pre-war cooperative in BiH, only law on agricultural cooperatives and a small number of surviving cooperative has been preserved. Most cooperatives disappeared and all forms of agricultural cooperatives have been stopped. (*Off. Gazz. B&H nr 41/89, 1989*)

Cooperatives are among the oldest of the formed organizations, the concept of cooperative refers to the development of human society, the formation of families and their communities. According to the definition, cooperatives are so-called home cooperatives that began stratification in the arrival of capitalism and some examples are known to survive in BiH until the 50's of this century (Stoisavljević, 1973).

A long number of years, between the last two wars, cooperatives did not perform its basic functions to improve the quality of business and life.

There are 2 type of cooperatives in BiH:

- pre-war cooperatives,
- newly formed cooperatives with new management.

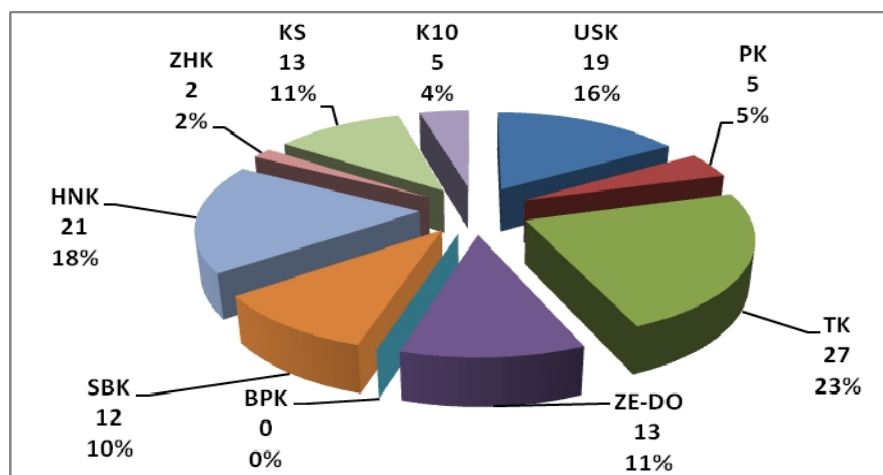
The newly established cooperatives face many problems after their privatization, the overcapacity in relation to the current capabilities and business needs. There are obstacles to the privatization of land, restore collective property seized in the 60's, unused and unacknowledged cooperative entrepreneurship in rural areas. Among the agriculture, there are other activities, like lack of government incentives, were through subventions reaffirmation of the cooperative movement would be accelerated in the rural economy and all of that can be developed through the cooperatives. All the problems and obstacles can be solved by radical changes that would lead to the promotion of co-operatives as a third sector of the economy (Ševarlić. 2011)

The newly formed cooperatives in BiH operate like any other business entity in the market. They are a function of intermediaries between farmers and markets.

According to the list in 1991, in BiH were registered a total of 196 cooperatives, of which 72 are active in the current territory of the FBiH, and 124 in the area that was given to the RS according to the Dayton agreement. In recent years, the number of cooperatives in the BiH is constantly growing, especially after the entering into force the General Law on Cooperatives

BiH. According to the data from registration courts and entities cooperative associations in BiH in 2006 was registered a total of 767 agricultural and other cooperatives (574 were registered in the RS and 193 in FBiH). (Cooperative Association of BiH, 2013).

Figure 1. Structure of cooperatives according to their headquarters in BiH (2010)



Source: AFIP

The figure notes that in Tuzla Canton exists about a quarter of registered cooperatives while the number of other cantons (Una-Sana Canton and Herzegovina-Neretva) was significantly lower but still exceeds 15% of the total number of registered cooperatives.

In Zenica-Doboj Canton exists 13% of cooperatives, few exist in Western Herzegovina and Posavina while in Gorazde there is no cooperative.

Cooperative activity is most pronounced in areas where there is significant capacity of the food industry. The most intense growth of cooperatives is in the areas where processing capacity exists and in the areas where has been revitalization (Canton Sarajevo 86%, Herzegovina-Neretva County-Canton 50%, Posavina Canton 25%).

It is difficult to obtain data on the actual number of co-operatives their number is constantly changing. Closest data can provide AFIP (Agency for the financial, IT and intermediary in FBiH), from which it can be seen which Cooperatives are active and which generate income and which are not.

One of the criteria of classification of cooperatives is their status where it can be seen are they operative or not. Cantons in BiH are 10, and the number of cooperatives in the court registry is much larger than the active cooperative. According to the AFIP in BiH in 2010, the number of cooperatives was 117, while the number decreases the value of capital (2006 to 2008) has grown from year to year at different rates, but in 2007 there is a slowdown in growth capital. The maximum value of the capital by a cooperative of over 82 million convertible marks (BAM)¹.

BiH also have a decreasing trend of employees in cooperatives, which indicate that cooperatives are not ready to face the challenges of rapid growth. Therefore, BiH come to the situation for the occasional hiring of labor.

The largest number of cooperatives turned to the organization of production and purchase of agricultural products (milk purchase, vegetables, fruits and herbs, along with the supply of agricultural raw materials and equipment). About 50% of co-operatives in their structure

¹ BAM – Convertible mark (Bosnian currency)

² The current agricultural policy and its future impact on the development of the food sector in the FBiH, (2011): Project 2007/2008 - 2010/2011, Faculty of Agriculture and Food Sciences University of Sarajevo, Sarajevo

have their own production (fruits, vegetables, grains, nursery production, and production of broilers, cheese and wine).

Cooperatives are registered as general agricultural cooperatives, agriculture, specialty agriculture, specialized beekeeping, and fisheries, environmental (Šoljić et al., 2005).

Half of the cooperative is focused on agricultural production (Figure 2), a quarter of cooperatives are engaged in the purchase of agricultural products, trade 13% and 4% on the organization.

Most cooperative believes that their core business is in mediation between farmers and customers with exports, imports, the processors or retail. The remaining 9% of cooperatives focused on the provision of services (treatment of land, maintenance of facilities, promotion of products and cooperatives).

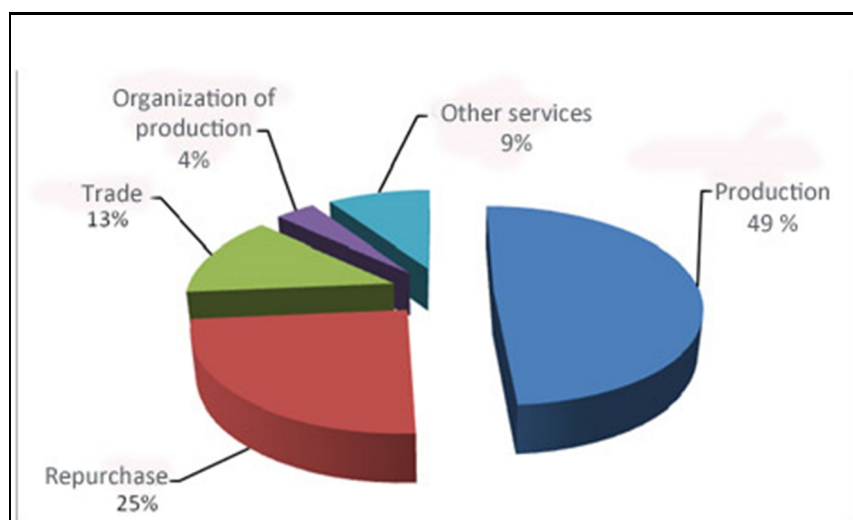
An example of this type of co-operatives in Europe is "The Best" cooperative that provides services of loading, unloading, sales promotion, promotion through the organization of different ways of prizes, stimulating, monitoring competition.² In BiH there this kind of cooperative those not exists, because of expensive services

The largest numbers of cooperatives are in agricultural production, milk production (15%) and meat (livestock 23%), production of cereals (15%), fruit production (12%), potato production (10%), production of vegetables (7%) and production of honey (3%).

Based on data from the Cooperative Association of FBiH agricultural cooperatives are usually engaged in the purchase of fruit and vegetables, buying seedlings and purchase of honey, as the main activity.

The most important thing is the placement of products on the market; cooperatives have guaranteed sales of 30% based on the signed contracts. Products are sold through various forms of sales through wholesalers, supermarkets, food industry and via dealers. There is evidence that about 70% of co-operatives have problems in the sale of agricultural products. Produced quantities are mostly small; cooperatives lack commercial centres, storage and the processing capacity.

Chart 2: The structure of cooperative activity in FBiH



Source: cooperative association FBiH

Good examples of cooperatives in the FBiH are: ZZ "GRAČANKA" Gračanica, who cooperated with two municipalities in the FBiH and two municipalities in the RS, with a number of collaborators of 1000 and 40 points in municipalities in rural areas, where achieves the purchase of about 4,000 t in the field of animal and plant production. Then, SZP "APIMED" Sanski Most, which has 30 co-operatives in Canton, the volume of honey production of 30-50 t, wax 10 t. "Golden drop" Cooperative Tesanj, buys milk from 120

small producers, with an annual processing of milk from about 400 000 liters and annual sales of various cheeses from around 40 t. Cooperative "Bios" in Visoko (agricultural and manufacturing cooperatives traffic) is engaged in the production and installation of greenhouses, nursery, buying fruits and vegetables from 380 cooperatives in over 60 municipalities.

Bad example of agricultural cooperatives is "Voćar" in municipality of Kalesija, which has 700 acres of land, issued under the lease and thus makes a profit. Before the war, "Voćar" was part of the working organization of the ZZ "Unity" Kalesija. Later, the disassociation of the "Unity", "Vocar" has 700 acres of state land and buildings that were located on the property. At the Cabinet meeting of the Municipal Council, it was decided by the majority of individuals that there is no need for the development of agriculture and the land must be excluded. BiH also have an agricultural cooperative "ZZ Trebava" Gradačac that in the year 2008 went bankrupt.

Directions for the development of cooperatives and importance for the development of agro-rural economy of Bosnia and Herzegovina

Cooperatives are an important factor in the development of agriculture in many developed and developing countries. Apart from all the misfortunes that occurred in BiH, the main objective of cooperatives should be directed to the redefinition of the role and importance of cooperatives, fundamental revitalization of cooperatives through existing cooperatives, creating the conditions and support the establishment of new farms.

After the revitalization of the old cooperatives based on the Law on Associations and Law on Cooperatives, as a special form of agricultural cooperatives was formed with various forms of independent organization that undertake various activities such as environmental cooperatives operating under the protection of the environment.

These include the production of healthy food, organic food. Also included is the new cooperatives that encourage tourism, traditional work (weaving, knitting, etc.) (Kolin and Petrušić, 2008.)

Cooperatives as a generator of economic prosperity in rural areas are gaining its importance during the transition process. The cooperative movement, which offers various forms of associations of people, can greatly ease the painful effects of the transition to further build up the action of the economic crisis. *"The cooperative model of privatization"* is not recognized or supported here (as a form of generating new jobs), as is done in other countries in transition. Cooperatives have an important role in the agricultural and integrated rural development, development of rural areas through strengthening the competitiveness of the agri-food chain, establishing a solid relationship between the cooperative and its members, rational use and protection of natural resources.

In order to strengthen competitiveness, many cooperatives are joining with other cooperatives or economic entities, retail chains, processors, in order to obtain the highest possible profit. In many countries, cooperatives unite horizontally, with the same activity or vertically engaged in other activities and thus make great competitive systems that control the market. Following international co-operative values and principles, cooperatives has focused primarily on making profits for its members.

In this mode of operation, many cooperatives earn big money as a monthly salary or money to invest in investment. The contribution of co-operative development of rural households, the rural economy is reflected in preserving the vitality of rural areas and rural communities and reducing the level of the poor population. Strengthening the market position of cooperatives is achieved through the support of agrarian policy, the association of farmers in cooperatives, as well as the fragmentation of fragmented unions and their joining in secondary cooperatives - Integrated autonomous cooperative business alliances in order to acquire the highest possible benefits for members of the cooperative (Maričić, 2006.)

Perspectives of development of agricultural cooperatives can be positive under certain conditions, social conditions, which do not fall from the sky, they have to be created by social actors.

The EU has enacted a law on the development of co-operatives in Europe in order to: significantly promote cooperatives across Europe as well as to promote establishment of new cooperatives, promotion of cooperative legislation, the maintenance and improvement of the cooperative role and contribution of the cooperative society. EU plans is to support the promotion of co-operative business, development cooperation, the development of new techniques, the organization of training, education, support the development of cooperatives through funds and programs. "Agenda 21" – passed at the conference in Rio de Janeiro (1992), provides guidance for the application of the concept of "sustainable development" in all sectors, which use the basic factors of the environment and defines instructions on how to prepare the world to the challenges of the XXI century.

It also shows the contribution of cooperatives from all sectors in terms of promoting the objectives of the new concept of sustainable development.

The success of agricultural cooperatives in BiH with implementation of the concept "sustainable development" can be seen through a number of good reasons for the establishment and development of cooperatives as generators of economic, social and cultural development and environmental sustainability of our local communities:

- cooperative members learn how to solve the problems of democratic development in their local community,
- strengthen the economic power and improve the position of small producers, not only locally but also in the broader markets,
- Enable cooperatives to influence changes and to solve economic and social problems in the community
- Connecting business communities in the regional and national economy.

Conclusion

The goal of cooperatives in countries around the world, including BiH, regardless of their level of development, is to help members to create activities that bring income-profit, which maintains higher employment, entrepreneurship development and management, strengthening the competitiveness of the agri-food chain, both domestic and international markets, integrated agro-rural development, rural areas, tourism development, improving social and economic conditions. Cooperatives in BiH entered into the second century of existence and activity. According to the number of employees and value of revenues belong to the group of micro enterprises and facing a number of problems that are typical for small business. Cooperatives operating on the edge of the economy that can threaten its survival. Cooperative are for some time is in crisis, because it is necessary to revitalize cooperatives in both, FBiH and the RS, and to consolidate existing co-operatives, as well as the creation of conditions and to support the establishment of new agricultural cooperatives. There are no economic or non-economic activities where cooperatives are not present.

Only the common interest of its members in achieving their objective contributes to the overall development of cooperatives.

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