

**CO-OPERATIVES AS A FACTOR OF THE SOCIO-ECONOMIC DEVELOPMENT
OF SOUTH BANAT AND BRANICEVO DISTRICT**

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Abstract

Co-operatives, as one of the most important factors of the socio-economic development of farms and villages nowadays, can be a strong driving force of economy through increasing employment and the standard of living, especially in poverty-affected rural areas in the Republic of Serbia. Although co-operatives in Serbia are traditionally the most important form of farmers associations and farm business organisations, their scope of business has been limited for decades due to the poor implementation of agrarian policies.

It is therefore necessary to determine the direction of co-operative development at macro and micro levels, through the reforms of Serbian economic legislation to the restructuring of the production-economic and organisational status of co-operatives.

This paper analyses and compares the standpoints of directors of differently organised agricultural co-operatives on the situation and prospects of agricultural co-operatives in Serbia, as well as on restructuring measures and activities necessary for them to have a positive impact on the economic and social position of their members, farms and the agricultural sector in general.

Questionnaire-based survey was conducted with 43 registered co-operatives in South Banat and Branicevo District.

In this paper, the authors point out it is necessary that all regional and local institutions and co-operatives make more serious efforts to establish a viable and operational co-operative model as one of important factors of creating future agrarian policies.

Key words: *Co-operatives, socio-economic factors, organisation, development, Serbia.*

Introduction

Current situation in Serbian agriculture is a result of a long-standing inadequate approach to addressing on-going problems and unviable long-term plans, mainly related to the development of villages and agriculture in general (Tomić and Ljiljanić, 2012).

Božić and Bogdanov (2006), as well as Tomić and Ševarlić (2010) agree that for a long time the main goal of Serbian agriculture was to ensure food security, thereby maintaining the social order. These authors also state that Serbian agriculture is undergoing a period of transition, having many problems caused by the national and global socio-economic crisis, which altogether lowers farmer revenue, brings fewer foreign direct investments and reduces the purchasing power of consumers.

Over the last few years, in circumstances of an acute economic crisis and growing problems related to the market of agricultural produce, there is an increased interest and a rising need for farmers to establish co-operatives.

From a historical point of view, co-operatives as organisational entities have a long tradition and an important role in developing agriculture and making it operational, both worldwide and in Serbia. There are 386 agricultural co-operatives registered in Serbia (Statistical Office of the Republic of Serbia, 2012). This implies that the number of co-operatives is too small. Considering many of these co-operatives are undergoing an organisational transformation, and some are under bankruptcy, it is necessary to re-organise the whole co-operative sector towards a balanced regional development. A well-developed and organised co-operative sector can contribute to balanced sustainable and regional development (Janković et al., 2010).

The goal of this paper was to analyse and determine key limiting factors of socio-economic development of co-operatives in Branicevo and South Banat District. The final goal is possible improvement of these co-operatives' performances towards diversification of rural economy - through increasing employment and the standard of living, especially in poverty-affected rural areas in Serbia.

Material and methods

The field questionnaire was carried out with 43 registered agricultural co-operatives (mainly mixed crop/livestock farming) in the Branicevo and South Banat District in the second half of 2013. A comparative method was used.

The first part of the questionnaire addressed the socio-economic structure of co-operatives. The authors had defined target productions and ownership structure, as a precondition of economic stability and legal certainty, as well as the specialisation of production. The second part of the questionnaire consisted of a set of questions aimed to inquire the standpoints of directors of co-operatives on competition, business and investments. The last part of the questionnaire addressed the support system and awareness of co-operatives on possibilities of using financial funds and subsidies.

This paper analyses and compares the standpoints of directors of differently organised agricultural co-operatives on the situation and prospects of agricultural co-operatives in Serbia, as well as on restructuring measures and activities necessary for them to have a positive impact on the economic and social position of their members, farms and the agricultural sector in general. The results will serve as a basis for a comparative analysis of the current situation, potential and limitations to further development of co-operatives.

Results and discussion

Target production of agricultural co-operatives

To obtain reliable results on the type of production that generate the most part of the revenue of the surveyed co-operatives, the questionnaire listed some most common types of production for the covered districts: field crops production, livestock production, beekeeping and so-called “other” – that comprised many types of production, neither of which prevailing. In both districts, field crops production is prevailing and most common type of production (72%). In South Banat, 86% of the co-operatives are engaged in this type of production, whereas small percentage are engaged in “other“ production (Table 1). In contrast to this, the co-operatives in Branicevo District are engaged in more diversified agricultural production. Field crops production is also most common (54%); 24% of the co-operatives are engaged in “other“ production, whereas few co-operatives are engaged in livestock production. It is also apparent that the field crops production co-operatives have the largest number of members.

Table 1. Target production by district

Ag Advisory Service Target production	Vr sac	Vrsac in %	Pozarevac	Pozarevac in %	Total by district	Total by district, in %	Number of members
Field crops production	19	86%	12	57%	31	72%	884
Livestock production	0	0%	3	14%	3	7%	35
Beekeeping	0	0%	1	5%	1	2%	84
Other	3	14%	5	24%	8	19%	135
Total	22	100%	21	100%	43	100%	1138

Property of agricultural co-operatives

The most common type of ownership structure of the surveyed co-operatives in Branicevo District is co-operative property – 62%, whereas 24% of the co-operatives do not own any property. When compared to the aforementioned co-operatives, twice as much co-operatives in South Banat District do not own any property, and about 20% less of them own co-operative property. The least common ownership structure of the co-operatives in both districts is state-owned property.

This only confirms the theory that co-operative property, as a special form of an ownership structure, represents a basis for economic and legal security. Co-operatives without their own property do not have that security. Those co-operatives do not have collateral so cannot take certain loans to improve their business.

Table 2. Ownership structure of co-operatives

Property:	Vrsac	Vrsac u %	Pozarevac	Pozarevac in %
Co-operative property	9	41%	13	62%
State-owned	2	9%	3	14%
No property	11	50%	5	24%
Total	22	100	21	100

On the question whether the property should be the property of the members or of the co-operative, 90% surveyed co-operatives from Branicevo District and 64% from South Banat District answered the co-operative property should be the property of the co-operative, while fewer percentage answered it should be the property of the co-operative members.

Investments

The goal of the research was to determine whether co-operatives within their regular scope of work invested in capital assets to improve their business. In South Banat District, more investments were recorded (59% co-operatives). The situation in Branicevo District was somewhat different, since 57% of co-operatives had not invested in capital assets.

Further analysis covered investments in capital assets, depending on the type of production identified as most common in the surveyed districts. Fifty-one per cent of the co-operatives of both districts invested in capital assets. When compared to Branicevo District, the co-operatives in South Banat District invested much more in capital assets.

Most co-operatives in South Banat District invested in capital assets for field crops production, unlike in Branicevo District, where 56% of field crops production co-operatives, 22% of livestock production co-operatives and 22% co-operatives engaged in other type of production invested in capital assets. Such a low percentage of investments can be explained

by the fact that about 55% co-operatives in South Banat and 34% in Branicevo District do not own any property.

Table 3. Investments made by co-operatives

Agricultural Advisory Service	Vrsac				Pozarevac			
	Yes	%	No	%	Yes	%	No	%
Production / Investments in								
Field crops production	10	77%	9	100%	5	56%	7	58%
Livestock production	0	0%	0	0%	2	22%	1	8%
Beekeeping	0	0%	0	0%	0	0%	1	8%
Other	3	23%	0	0%	2	22%	3	25%
Total	13	100%	9	100%	9	100%	12	100%

Specialisation of production

Table 4. Specialisation of production of co-operatives

Specialisation of production	Vrsac	%	Pozarevac	%
Yes	4	18%	12	57%
No	18	82%	9	43%
Total	22	100%	21	100%

The survey results show the co-operatives have divided opinions on their interest for the specialisation of production.

Unlike in Branicevo District, where 57% of the co-operatives were interested in this, only 18% of the co-operatives in South Banat District showed an interest for the specialisation of production. The authors explain this discrepancy with the fact that co-operatives gain tentatively enough profits, therefore not having a need for specialisation of their production.

Networking of co-operatives

The survey determined that 86% of the surveyed co-operatives from both districts had an interest in networking with other co-operatives. Fifty-nine per cent of the co-operatives in South Banat and 33% in Branicevo District were interested in territorial networking, whereas 36% and 43%, respectively, were interested in production and selling networking.

Although co-operatives so far have not demonstrated an interest for networking, there is a mutual understanding that a joint approach to the market, when it comes to purchasing, negotiations and produce placement, can reduce a business risk of each independent unit.

Professional support. Agricultural advisory services are an indispensable institutional support that can contribute to co-operatives development. To achieve that, good business collaboration is needed. The survey determined that a large number (77%) of the co-operatives from both districts are clients of the Agricultural Advisory Service, which is an indicator of good collaboration between these organisational entities.

Financial support and awareness. When it comes to funding, the questionnaire asked some questions to determine the level of using financial resources (state subsidies, development loans, and foreign donations) and the awareness of co-operatives on possibilities for using EU pre-accession funds (Janković et al., 2010). The results show that very low percentage of the co-operatives in both districts use state subsidies and development loans (7% on average), while none of the co-operatives have used EU pre-accession funds so far. This can be due to their unawareness this kind of financial support is available, or not knowing how to use it.

Eighty-one per cent of the surveyed co-operatives declared they were not aware of possibility to use pre-accession funds, while the others stated they were partially aware.

Conclusion

In the co-operatives from both districts, field crops production is the most dominant and most common type of production.

The most common type of the ownership structure of the co-operatives in Branicevo District is co-operative property, while there are 20% less co-operatives in South Banat District with this type of ownership structure. The least common type of ownership structure in both districts is state-owned property.

Investments in capital assets are recorded mostly in field crops production co-operatives in both districts.

As for specialisation of production, there is no complete consensus since co-operatives think this would mitigate the impact of the market, manifested in price oscillations. The authors consider this is justified in current economic conditions.

From the aspect of introducing new technologies and expanding our knowledge on the existing ones, as well as from the informational aspect, it is necessary that co-operatives collaborate with all relevant entities, and primarily with the Agriculture Advisory Service. This collaboration should extend on other institutions, such as faculties and research institutes.

A very low level of awareness was recorded regarding possibilities for using EU funds and financial sources in general, which is one of the basic preconditions for their further existence.

In the period 2009-2012 the number of registered co-operatives decreased from 2,267 to 386. This is a result of inadequate approach to addressing problems that co-operatives are facing in current economic conditions.

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