

**CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE**

**Faculty of Tropical AgriSciences**



**Do Agricultural Cooperatives in Post-Socialist Countries in Central and Eastern Europe Make Any Sense?**

**BACHELOR'S THESIS**

Prague 2024

**Author:** Vilém Krtička

**Supervisor:** Jiří Hejkrlik

## Declaration

I hereby declare that I have done this thesis entitled "Do Agricultural Cooperatives in Post-Socialist Countries in Central and Eastern Europe Make Any Sense?" independently, all texts in this thesis are original, and all the sources have been quoted and acknowledged by means of complete references and according to Citation rules of the FTA.

In Prague 18.4.2024

.....  
Vilém Krtička

## Acknowledgements

I would like to express my deepest gratitude to Ing. Jiří Hejkrlík, Ph.D. for his constant support during my research and providing a range of advice during our consultations.

## Abstract

The research was conducted in order to compile a case study from the Czech Republic providing insight into the situation of local agricultural cooperatives and enabling comparison with other countries in the region of post-socialist Central and Eastern Europe. The main criterion was to determine the level of fulfillment of the International Cooperative Principles by production and marketing cooperatives through qualitative research methods including full interviews with the chairmen of five agricultural cooperatives and short conversations with several dozen other chairmen. The research revealed a low awareness of cooperative principles in all agricultural production cooperatives participating in short phone calls, while in four marketing and one production cooperative participating in full interviews, it found an overall sufficient level of adherence to international cooperative principles. The expectation was confirmed that there are a number of enterprises in the Czech Republic operating under the identity of a cooperative, but in reality they operate as conventional private companies. There are a small number of cooperatives fulfilling cooperative ideas and principles, and fundamental reforms would be needed to improve the situation. To begin with, it appears to be an important reassessment of the definition of a cooperative and its setting according to the International Cooperative Principles. Furthermore, increased awareness of cooperative ideas and redistribution of land to create better conditions for the creation of new cooperatives from below.

Key words: Cooperatives, Post-Socialist Eastern Europe, Collectivization, Transformation economies

# Contents

<b>1.</b>	<b>Introduction</b>	<b>1</b>
<b>2.</b>	<b>Literature Review</b>	<b>3</b>
<b>2.1.</b>	<b>The Evolution of Cooperatives in Central and Eastern Europe Region</b>	<b>3</b>
<b>2.2.</b>	<b>The Current Situation of Agricultural Cooperatives in the Czech Republic</b>	<b>9</b>
<b>2.3.</b>	<b>International Cooperative Principles and their application in modern cooperatives</b>	<b>13</b>
<b>2.3.1.</b>	<b>Governance of Cooperatives. Social and Environmental Performance of Cooperatives and Fulfilment of Sustainable Development Goals.</b>	<b>24</b>
<b>2.3.2.</b>	<b>Privatization and Transformation of Agricultural Cooperatives in Central and Eastern Europe</b>	<b>35</b>
<b>2.4.</b>	<b>Chapter 3</b>	<b>35</b>
<b>3.</b>	<b>Aims of the Thesis</b>	<b>35</b>
<b>4.</b>	<b>Methods</b>	<b>36</b>
<b>5.</b>	<b>Results</b>	<b>38</b>
<b>6.</b>	<b>Discussion</b>	<b>49</b>
<b>7.</b>	<b>Conclusions</b>	<b>51</b>
<b>8.</b>	<b>References</b>	<b>56</b>

List of tables

List of figures

List of the abbreviations used in the thesis



# 1. Introduction

Although at its beginning the cooperative movement in the region of Central and Eastern Europe began to expand more slowly than in Western Europe and North America, over time, with the weakening of centralized monarchies, it began to build a strong position in individual countries and to be an integral part of the economic system. However, the optimistic development was disrupted by the advent of authoritarian and totalitarian regimes in the thirties of the 20th century, and the introduction of a centrally planned economy after the Second World War was associated in the countries of the so-called Eastern Bloc with the partial or complete collectivization of agriculture, which led to the devastation of authentic independent cooperatives and replacing them with collective farms. The collapse of the Soviet Union and the fall of the Eastern Bloc meant a return to the market economy in the 1990s, and this was also associated with the transformation of agriculture and its decollectivization. Due to different decollectivization strategies and their combinations across countries, different parts of the Central and Eastern European region face specific situations and challenges that differ from country to country.

Since the transformation period began, cooperatives in former socialist states have encountered prejudice. Often associated with the collective farming of the socialist era, these prejudices overlook the core principles of authentic cooperatives, such as Voluntary and Open Membership. Due to the previous long-term absence of authentic cooperatives, the current awareness of their ideas and principles in society is low, and modern successful examples can be difficult to find in individual parts of the region. All of this is reflected in insufficient political support preventing the creation of suitable objective conditions for the expansion of the cooperative movement, but also in unsuitable subjective conditions associated with low interest in establishing modern cooperatives or their management contrary to cooperative principles.

The Czech Republic and Slovakia are unique in terms of agriculture in the context of post-socialist Europe due to their common history. Unlike the former Soviet states, agricultural production in the Czech Republic was not fragmented into small producers due to transformation methods based on different historical experiences than in the states of the former USSR. As a result, today's agriculture in the Czech Republic is dominated by giant farms spread over hundreds and thousands of hectares. These farms are usually owned by companies known as production cooperatives and were created

through the transformation of former collective farms from the communist era. However, the circumstances of their creation raise questions about whether they are really based on cooperative values and fulfill the International Cooperative Principles, but also whether they differ from the marketing cooperatives represented in Czech agriculture to a lesser extent.

The aim of this study is primarily to find out to what extent production and marketing agricultural cooperatives fulfill the seven International Cooperative Principles recognized and formulated by the International Cooperative Alliance and to find out what specific challenges they face in the environment of the Czech Republic. The study should help map the effects of the transformation policy, the current situation of Czech cooperatives and provide inspiration for institutional changes in order to effectively support the cooperative movement in agriculture. It should also help to compare the situation with other post-socialist countries by contributing to a number of other researches that took place in the states of the former USSR, Central and Eastern Europe and provide a better overview, for example, in the preparation of development policies.

This thesis is organized into several chapters. The literature review is divided into five parts describing the history of cooperatives in the region of Central and Eastern Europe, the decollectivization process associated with the transformation of collective farms in post-socialist countries, the current situation of agricultural cooperatives in the Czech Republic, International cooperative principles and their application in modern cooperatives in the world, and finally the role of cooperatives in meeting the Sustainable Development Goals. Aims of the Thesis outline the aims of the research and provide more details about its purpose. The methodology provides a detailed overview of the method of selecting the sample of investigated cooperatives, their characteristics, selected research methods and data analysis. The results provide an overview of the comparison of the various answers of the individual chairmen of the cooperatives in the interviews. The discussion compares and puts into context the results from the Czech Republic with the situation in other world regions, especially Eastern and Western Europe. The summary presents conclusions based on individual interviews and offers recommendations to improve the situation for cooperatives in the Czech Republic.

## **2. Literature Review**

### **2.1. The Evolution of Cooperatives in Central and Eastern Europe Region**

The cooperative movement experienced an international boom after the founding of the Rochdale Society of Equitable Pioneers in Great Britain in 1844, considered the first modern cooperative (Forno 2013). But similar concepts had previously been supported and implemented by religious thinkers, socialists and proponents of economic progress. Cooperative practices spread rapidly from Western Europe to the east; an important role was played by enthusiasts who came into touch with Western Europe and set up cooperative organizations in their home countries (Kovaleva 1990).

Cooperatives in Austria-Hungary began to develop around the middle of the 19<sup>th</sup> century. The first cooperative in the Czech lands, the Prague Food and Saving Society was founded in 1847 (Brazda & Dellinger 2012), two years after the establishment of the first consumer and credit cooperative in the world, founded in Slovakia (Karafolas 2016). Cooperatives within the multinational monarchy have contributed to uniting and defending the interests of national minorities. Since 1851 until 1859, during the period of so-called Bach absolutism, the cooperative movement faced increased pressure from the monarchy, which sought to maintain a strong central power and restricted state-independent organizations by restricting freedom of assembly and also seeking to suppress the rights of national minorities. The first legislation in the monarchy concerning cooperatives was not adopted until 1875. After its adoption, the cooperative movement began to revive by the end of the 19<sup>th</sup> century, dozens of new cooperatives were established in the Czech and Slovak lands, and cooperatives began to emerge in areas far from the centre of the monarchy, i.e. in the Balkan states. In Croatia, for example, the “Croatian Agricultural Union” was formed at the beginning of the 20<sup>th</sup> century, reaching 293 member organizations and 35,000 individual members at the beginning of World War I. Most of them were credit and marketing cooperatives (Bartlett 2022).

A much more remarkable situation took place in the Russian Empire. There were entities similar to cooperatives as early as the beginning of the 19<sup>th</sup> century, and modern-type cooperatives were established after the middle of the century thanks to the influence of wealthy citizens who became acquainted with the principles of the movement in the West and founded them in Russia. They also benefited the poor, especially after the

abolition of serfdom in 1861, which provided an impetus for the development of market relations. Cooperatives became an irreplaceable way to get access to market and keep there a position, the peasants who rented the land and needed the financial means to buy their own land began to establish credit cooperatives. Among the urban cooperatives of the time, mention may be made of Petrovski factory in Zabaikal'e or Stroganov factory in Perm, from rural cooperatives for example Rural Credit cooperative located in Kostroma province in the village Rozhdestvenskii. As in the case of the Austro-Hungarian Empire, the absolutist monarchy in the Russian Empire sought to gain control of the emerging cooperatives and undermine their independence, posing both a political threat to the ruling regime and an economic threat to big business whose interests were close to the monarchy. It took up to several years to obtain permission to establish a cooperative.

However, even in this situation, hundreds of cooperatives were formed in the Russian Empire each year. A significant strengthening came with the revolution of 1905, when a constitutional monarchy was established in the empire. From 1915 to 1916, there was even a department at Shaniavskii University, in Moscow, which was considered the intellectual centre of the cooperative movement in the empire. Education there was provided by prominent personalities such as A.V. Chaianov, S.N. Prokopovich or M.I. Tugan-Baranovskii and A.E. Kulyzhnyi. In terms of theoretical contributions, the contribution of the author of the New Economic Policy N.D. Kondrat'ev was significant. The presence of the left in parliament increased the pressure associated with demands to support cooperatives, which led to a gradual improvement in legislation and the state's attitude towards cooperatives. The number of credit unions increased from 1,430 in 1905 to 14,500 in 1915, in the case of agricultural ones from 950 in 1905 to 11,000 in 1915, and even to 25,000 in 1918.

The total number of cooperatives in the revolutionary year of 1917 was more than 63,000. The February Revolution first brought the dominance of the left and the fall of the monarchy, while the November revolution brought the communist government to power, but both events had a positive effect on cooperative development. The new economic policy has made it possible for state-independent ownership to exist, especially in agriculture, trade and certain industries. Influential personalities holding important positions at the Ministry of Agriculture and Food or the Conjuncture Institute as mentioned by A.V. Chaianov and N.D. Kondrat'ev supported small group-run and state-independent companies such as cooperatives (Kovaleva 1990).

However, after the heyday reached its peak, it was replaced by a steep fall. During the world economic crisis, Joseph Stalin, General Secretary of the Communist Party of the Soviet Union, consolidated and centralized his political power in the Soviet Union, and subsequently centralization began to gain ground in the economy and politics, which later culminated in World War II. The Stalin era, combined with centralization and violent collectivization, forcing the peasants to join the collective farms of the “kolkhozes” marked the end of the cooperative movement and outlined the decline of free cooperatives for the future communist-ruled countries of Eastern Europe (Tauger 2006).

Cooperatives also began to emerge in Romania and Bulgaria, in both countries shortly before the end of Ottoman rule. In Romania around the middle, and in Bulgaria at the end of the 19<sup>th</sup> century. Due to the long-term relative political stability of the ruling regimes, there were no significant shocks in development until the establishment of a centrally planned economy (Doç et al. 2017; Tsvetelina 2020). A promising example in the Balkans was Serbia, where more than a thousand cooperatives were formed between the end of the 19<sup>th</sup> century and the beginning of the First World War, but some cooperatives suffered heavy losses due to the Austrian invasion during the war, including confiscation of property or destruction of accounting. At the end of the war, about 600 cooperatives survived on Serbian territory. Their prosperity, however, came again after the fulfillment of the Kingdom of Yugoslavia (Chronos Krasavac & Petković n.d.).

The First World War had a contradictory effect towards the cooperative movement, which developed significantly in the countries of Eastern and Western Europe. On the one hand, it strengthened the need for local cooperation in difficult times of war and the cooperatives were able to cover a large part of the demand, on the other hand, it sometimes left critical damage to specific enterprises. In the 1920s, however, it was the cooperatives that played a very important role in the post-war recovery and experienced the golden age from the Soviet Union through the Balkan states to Central Europe, including Czechoslovakia (Bartlett 2022).

The disintegration of centralized monarchies gave individual states the opportunity to let networks of independent business organizations develop. Cooperatives, whether housing or consumer, have long been widespread, especially in cities, but have gradually gained popularity in the countryside, where mutual cooperation and solidarity have existed naturally for centuries. This unification significantly strengthened the position of farmers, as it led to the construction of an all-inclusive system from cooperative farms to cooperative warehouses and processing plants, which

helped to change the distribution system for the benefit of farmers, who were no longer under pressure from traffickers and other intermediaries and were able to secure a fair price. Cooperative structures could be found in most rural communities, and Czechoslovakia probably had one of the strongest rural cooperative networks in the world. With the urban network it employed about two million people in the 1930s, and nearly half the population was associated with them in ways such as membership for example, as their importance grew, especially after the global economic crisis. Thanks to the maintenance of the rule of law in Czechoslovakia, this development was rare in Europe, because in the 1930s the cooperative movement began to be under pressure from authoritarian regimes in many European countries such as fascist government in Italy, Stalin's government in the Soviet Union or Nazi in Germany.

The Second World War apparently caught up with the tendency to centralize at least in most European states, the creation of the "Protectorate of Bohemia and Moravia", occupied by Germany, and the establishment of the fascist regime in Slovakia interrupted the golden era of the cooperative movement. Post-war reconstruction efforts during the so-called Third Republic did not last long, and the rise of a one-party communist government in 1948 led to a gradual development similar to that of the Soviet Union in the 1930s. Most, if not all, independent cooperatives in Czechoslovakia and other Eastern Bloc states were destroyed and replaced by state-dependent collective farms along the lines of Soviet "Kolchoz". The Czechoslovak approach was among the stricter because, unlike Hungary, Poland and East Germany, the government did not allow for significant private enterprise activities in the economy. These farms were subject to a central plan, their ability to make independent decisions was severely limited, and they did not have full freedom to buy, sell and other common property rights for private entities. Despite designating these businesses as cooperatives, their concept was not fully in line with cooperative principles, whether compared to the pre-Cold War situation or from today's perspective. This type of farm was in Czechoslovakia called United Agricultural Cooperatives (JZD). However, this type of farm was supposed to be a temporary intermediate stage, after they dominated Czechoslovak agriculture. In the early 1960s, they were merged into larger units in order to achieve popular joint ownership (Slaviček 2021).

It is a remarkable fact that authentic cooperatives, after the unfavorable period of the extreme right-wing regimes of the 1930s and 1940s, did not gain much support either subsequently during the Cold War in the Eastern Bloc or in the Keynesian-oriented West, with the exception of Italy. Even socialist Yugoslavia, which was an interesting

middle ground between the two camps, did not promote an alternative in this regard. After the Second World War, Soviet-style collectivization took place there, the number of artificially created cooperatives there reached almost seven thousand by 1953, but as the shift from violent collectivization began at that time, people began to leave them and only about a hundred survived in the early 1960s. The ownership structure of the Yugoslav economy was based primarily on self-governing enterprises, these were state-owned enterprises with a degree of autonomy, managed by employees, not cooperatives, as can be misinterpreted. The rest of the economy was based mainly on private ownership. However, the chances for authentic cooperatives were significantly damaged by the previous events (Wright & Etheredge 1971).

Agricultural cooperatives began to go through more significant changes in non-communist Europe during the 1980s, mainly related to the nature of cooperative ownership and governance, it also had a direct impact on the level of fulfilment of cooperative principles. The new era has brought change to agribusiness and value chains in general. Increase in participants in the Value Chain, including input suppliers, trading companies, etc. and the pressure on cooperatives to diversify and expand production grew as well as conflicts between subgroups of cooperative members increased. Greater emphasis on maximizing returns in enterprises has been reflected in cooperatives by increased attention to diminishing returns, which has resulted in the questioning of the principle of open membership and raised the discussion regarding the regulation of the admission of new members (International Cooperative Alliance 2015a).

The end of the Cold War opened up hope for the renewal of the cooperative movement in the states that experienced the Communist Party **government**. The abandonment of the centrally planned economy associated with the transition to a mixed economy meant the creation of state-independent enterprises and the end of forced membership or work in them enabled the achievement of principles of independence and open membership. Nevertheless, not all objective conditions were favourable. Each state undergoing a transformation of the economic system adhered to specific strategies, and these were mostly based on a neoliberal approach emphasizing individualism, competitiveness and traditional private ownership. Distrust in cooperative enterprises was strong both on the political scene and among the public, combined with a neoliberal approach, which was associated with significantly unfavorable objective and subjective conditions for the renewal of the movement in Eastern Europe (Lerman & Sedik 2016). In some post-Soviet countries, land reforms took place, which in combination with the liquidation of collective farms led to a fragmentation of land ownership and agricultural

production was thus distributed among many small farms. Farmers felt the need for cooperation and unification, with the participation of the European Union, successful projects were implemented to establish cooperatives in, for example, Georgia or Moldova(Ahado et al. 2022).

The diverse course was also associated with the Vysehrad Group states. In the case of Hungary, the trend was similar to that in the post-Soviet states, but in the 1990s, most of the assets of collective farms were sold to large companies or smaller producers instead of families as promised. The cooperatives have long been overlooked, but in the new millennium the government has recognized their importance and several programs have been run to support them and was involved in several projects with the European Union. Although there was no rapid restart of the movement in Slovakia, adequate legislation was approved there in accordance with international cooperative principles. In Poland, although the sector has made a significant contribution to the employment of people with disabilities, it has encountered a number of obstacles, from insufficient legislative and financial support to strong foreign competition.

In the Czech Republic, this issue has never been seriously addressed on the political scene and has been lacking sufficient legislative and financial support for several decades. State institutions such as the Czech National Bank even create obstacles for financial cooperatives, which existence is important for financing of agricultural ones(Fraňková & Johanišová 2017). The economic transformation in the 90s was associated with, among other things, the liquidation of collective farms and a massive shift from the agricultural sector, especially to urban services, as a result of which the sector has to deal with labour shortages and an aging population. In the current situation, when a significant part of the rural population goes to work in cities and villages, on the contrary, they are just a place for urban residents to rest for the weekend, the problem of weakening the preconditions for economic cooperation, ie a declining sense of belonging, close relations and solidarity. These consequences, together with inappropriate government policies, are one of the obstacles to the emergence of new cooperatives or cause weakening their principles in existing ones(Hunčová 2006)(Hunčová2006).



### **2.1.1. .Privatization and Transformation of Agricultural Cooperatives in Central and Eastern Europe**

The end of the Cold War combined with the breakup of the Eastern Bloc marked a turning point for the development of cooperatives in the region in CEE. The fall of communist governments in individual states was followed by the abolition of centrally controlled economies, this brought the opportunity for cooperatives to become independent from the influence of the state and run a business based on voluntary membership and independent decision-making on the one hand, but also growing new challenges stemming from the form of country-specific transformation to to the other side.

The economic transformation in the states of the former Eastern Bloc and Yugoslavia was based on privatization, which in the case of the primary sector was carried out through land reforms. States faced the critical challenge of moving from a model of large collective farms and state-owned land to a commercial model of private farms while avoiding excessive land fragmentation in terms of ownership or use. The first type of fragmentation manifests itself in the division of agricultural land among many owners of small and often poorly shaped plots. The second type of fragmentation relates to the current use of the land, which can be used by an entity other than the owner, for example a field owned by one owner can be rented to five farmers. Regarding land reforms, two main approaches have been adopted, i.e. restitution and distribution of land rights. Each of them had several specific forms such as compensation or return of land to the original owners, sale of state land and selection of land from collective farms on the restitution side and distribution of physical parcels and land shares on the distribution side. These methods were commonly combined in many CEE countries, and the prevalence of each depended on several factors, especially historical ones. However, the chosen paths significantly influenced the extent the ownership and land use fragmentation and thus the ownership structure of agricultural entities in the long term (Hartvigsen 2014).

The government of the Czech Republic has decided to follow the path of restitution and the selection of land from collective farms called JZD. Restitution returned the land back to the ownership of the original owners or their survivors, or the state provided land in other places, if the original boundaries were no longer in a condition in which they could be returned. The possibility of choosing land from collective farms allowed people who joined or were forced to join cooperatives with their property during collectivization or their descendants to leave JZD with the land they entered it with. This was made possible easily without any legal procedures, the informal process was

facilitated by the fact that individual farmers' holdings had been officially recorded since collectivization.

However, this policy resulted in a high fragmentation of land ownership, but a surprisingly low fragmentation of land use, which in the case of the Czech Republic and the Slovak Republic is a unique case in the context of all states from the former Eastern Bloc and Yugoslavia. One of them may be the decision of those who received their land back to go to work in cities rather than in agriculture, in general the situation is further complicated by the fact that many farmers were displaced during collectivization and their descendants were given land back in places where the family already has not lived for decades and currently has no relation to the place. This is one of the reasons why many smallholders prefer to lease their land to large corporate farms or cooperatives, both of which have often evolved from JZD collective farms and are overwhelmingly the only potential customer in the land market.

## **2.2. The Current Situation of Agricultural Cooperatives in the Czech Republic**

There are two main types of cooperatives in Czech agriculture, agricultural production cooperatives and marketing cooperatives. The first mentioned type refers to cooperatives where the members are usually not farmers, but in fact passive shareholders whose capital is pooled and they have the power of voting rights according to their share. These cooperatives were created as a result of the transformation of collective farms (JZD) from the communist era. During the restitution process in 1990s it was possible to trace families that were expropriated during collectivization, but they were usually descendants of the expropriated farmers so it was frequent case that they did not have connection with work or activities in agriculture and even lived in different place than the farm of the family. These expropriated families thus received a share in the mentioned agricultural production cooperatives created from the former JZD and, due to several generations of separation from their estates, they were mostly satisfied with the role of passive investors and the appreciation of their shares (Abrahámová 2015).

Compared to production agricultural cooperatives, marketing agricultural cooperatives are typically formed by various entities such as limited liability companies, cooperatives, joint-stock companies or even self-employed farmers. These shareholders are not passive investors, but agricultural producers who strive for a better sale of their

production. However, this type of cooperatives does not deal with primary agricultural production, but with the economic aspects of agriculture, especially how to ensure a stronger market position for farmers, improving and ensuring sales, better financial evaluation of production and ensuring better information about the market. In the Czech Republic, this type of cooperatives was not very widespread during the period of economic transformation, but gained importance especially after joining the EU in 2004. After entering the common market, foreign agricultural production began to exert significant pressure on domestic farmers, and this created suitable conditions for the unification of domestic producers. This effort was also supported by the government program to support the creation of groups uniting producers, i.e. " Opatření Zakládání skupin výrobců " from 2006-2011 (Abrahámová 2015).

With the exception of very small cooperatives, the vast majority of cooperatives in the Czech Republic have two-layered internal governance including the board of directors and the supervising board. This structure is prevalent primarily because it is backed by law. These bodies are usually elected for five years. If cooperatives actually run a business, their management is usually hired. Estimates were derived from the surveys that roughly half of the marketing cooperatives apply the rule one member one vote, the rest proportional voting rights in which case the votes are most often proportional to the sales of the previous year (Ratinger 2012).

According to a survey by the Agricultural Association of the Czech Republic, there were 519 agricultural cooperatives in the Czech Republic in 2021. This number was similar in previous and subsequent years. Although data on the exact share of producer and marketing cooperatives were not available, it can be assumed that producer cooperatives dominate the agricultural sector based on the recent gradual development of marketing cooperatives. In the same year, there were 130,100 entities operating in Czech agriculture, but the number of active ones for which agriculture is a primary or secondary activity and meet a certain minimum size was only around 30,000. The number of subjects in which at least some activity was detected was around 80,000. From the point of view of examining the compliance of international cooperatives, they appear to be more important marketing cooperatives, because their members are usually farmers and they were established for the purpose of mutual cooperation and alliance, not as part of a transformation process (Asociace soukromého zemědělství 2023).

Marketing cooperatives experienced a significant expansion and visibility in the period of the aforementioned government program from 2006-2011, the main objective of which was to get farmers out of a weak position and to be competitive after entering

the common European market. The program aimed at establishing marketing organizations covering a larger number of agricultural producers. These marketing organizations, as well as the members, could be different types of companies, joint-stock cooperatives, limited liability companies, etc. The number of established marketing organizations in the form of a marketing cooperative was approximately 96 within the program and overall number of all marketing organisations was 208. Most of the total number of marketing organizations consisted of groups of only two producers, who usually joined together primarily for the purpose of claiming subsidies. However, marketing cooperatives surpassed other types of companies in terms of the number of members, the first three marketing organizations with the largest number of members were cooperatives: Odbytové družstvo Moravské Budějovice with 26 members, Odbytové družstvo Rolník with 24 members and OD Maso družstvo with 22 members. From all 208 supported organizations, the OD Maso družstvo was the first with the largest volume of production. OD Maso družstvo with two other cooperatives Odbytové družstvo Vrchovina and Obchodní družstvo Žďár were among the three most important producers in the category of slaughter pigs, the second most supported production category within the program. The most supported category was cereals with the most important producers Agroveles s.r.o. (private company), NETAGRO odbytové družstvo and Odbytové družstvo Biota (both cooperatives). The third most supported category was oilseeds, with the most important producers OTBYTOVÉ DRUŽSTVO TŘEBÍČ, Odbytové družstvo Moravské Budějovice (both cooperatives) and Olejka, s.r.o. (private company). The dominance of cooperatives in the volume of production and, to a large extent, in the number of members among the first three most supported categories shows the potential of this form of business even on a larger scale. Additionally, marketing organizations with larger memberships were less likely to be established with the primary purpose of obtaining government support and then disbanding. In 2014, i.e. three years after the end of the program, around three-quarters of the supported marketing organizations out of the original 208 were still active, which, given the share of cooperatives of 46% of the original number and the disappearance of mainly two-member organizations, creates the assumption that a significant part of the cooperatives continued in business. It were these cooperatives that were founded during the first significant expansion of Czech marketing cooperatives, and due to the circumstances and time in which they were established, they can be considered a suitable object of investigation from the point of view of the application of international cooperative principles (Abrahámová 2015).

## **2.3. International Cooperative Principles and their application in modern cooperatives**

Cooperatives, as an autonomous association of people for the purpose of satisfying economic, cultural and social needs, operate on the principles of common and democratically controlled ownership, equality, solidarity and mutual assistance. Over the course of several decades of the last century, international cooperative principles were established so that there would be a common path to the fulfilment of these values by cooperative enterprises around the world. These principles have their roots in the first cooperative of the modern type, the “Rochdale Society of Equitable Pioneers” founded in Great Britain in 1844. And they were formulated successively by the International Cooperative Alliance, first in 1937 in Paris, then in 1966 in Vienna and in 1995 in Manchester. In 2016, "Guidance Notes on the Cooperative Principles" was published by the same organization for the purpose of their specification and correct application.

There are seven mentioned international principles: Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education, Training and Information, Co-operation among Co-operatives, Concern for Community(International Cooperative Alliance 2015a).

Putting these principles into practice may differ in individual cooperatives, while the legislative framework of the given country, as well as specific socio-economic conditions, may be influential factors. Nevertheless, several general trends that have developed over time can be observed in the international environment across different states.

Experiences from different regions have shown that the use of the correct theoretical organizational framework plays an important role in drawing up an appropriate strategy and keeping the company within the limits of cooperative principles, while insufficient knowledge of organizational and management theory or the use of the wrong model can lead to the collapse of the cooperative and its transformation into a conventional private company type of joint stock company(Iliopoulos & Valentinov 2022).

The first cooperative principle that must be understood from a theoretical point of view is “*Voluntary and open membership*”. A cooperative is an inclusive type of business, it must never discriminate on the basis of race, gender, social origin, political or religious beliefs, as happens with many private companies. It must accept all who are able to use its services and accept the responsibilities associated with membership. However, this

means that membership may be restricted in specific circumstances. For example, for a poultry cooperative in the suburbs of a city, where available land is limited, it will not be appropriate for the enterprise to be unable to provide each member with sufficient cash or in-kind income due to the unlimited admission of new members, and as part of maintaining community leverage, its expansion to another region is not desirable as well as expansion into industries unrelated to primary activities. However, the threshold for entry should be low so that membership is available to many people. If larger contributions are needed, such as in industrial type sectors, etc. it is desirable to have procedures in place for such cases. This may mean allowing instalments of the entry fee or deducting sums from wages to cover it, but also providing loans to new members. In case of leaving the cooperative, the member can take back his or her original deposit, but considering the situation of the cooperative, this may not be done immediately. It may happen that the contribution will be returned with a delay or in parts. It is always important to keep membership voluntary, neither the government nor anyone else can force anyone to join. It is the responsibility of cooperatives to emphasize this and inform new and potential members. Members need not to be only individual physical persons, but also legal entities that can become members of a primary, in most cases, a secondary or tertiary cooperative(International Cooperative Alliance 2015a).

Certain states of the Eastern Bloc such as Czechoslovakia and the Soviet Union significantly violated this principle. They used methods of indirect and direct coercion in which, for example, private farmers had to pay a disproportionately high portion of the harvest to the state and were severely punished for failure to do so, in order to push them into membership in state-controlled cooperatives, into which also independently functioning cooperatives were forcibly incorporated. In these countries, during the Cold War, tendencies towards hard centralization, limiting the autonomy of cooperatives and their principles, were maintained for most of the time (Conquest 1986; Pernes 2016). The states of the Western bloc and neutral countries in Europe did not interfere in the participation in cooperatives in this respect, and their overall development thus largely depended on their own decisions and the market environment limited by legislative barriers.

Early cooperatives operated on strict principles of democratic decision-making, and the second principle "*Democratic Member Control*" follows this practice. Similar to political practice, power in the cooperative should be separated into democratic and executive with representatives of individual committees elected by members with absolute equality of votes during elections and decision-making, regardless of the

contribution or invested resources of the individual. The rule of one member one vote should apply especially in primary cooperatives composed of individual people. In more complex structures such as multi-stakeholder or hybrid primary cooperatives, there may be reasons for introducing a different vote system. It is important in such case to prepare special statutes defining the rules for the operation of individual shareholders, including rights and obligations that do not violate the second cooperative principle. However, in the case of secondary and tertiary cooperatives, it is necessary to maintain equality of votes so that even smaller enterprises are not overlooked, for the long-term maintenance of the unity of cooperatives from primary to tertiary, it is crucial to ensure the voice of minority groups, because especially the majority voting system creates losers. Ignoring them in the long term could lead to a boycott of the activity or leaving the cooperative. In general, every cooperative is owned by its members, the representatives in its management are the same co-owners as every ordinary member, they can be even recalled in case of abuse of their position or non-fulfillment of duties. The members jointly create the organizational rules, decide which matters are considered by the company to be key and therefore should be decided on at the members' meeting by all members, and determine the matters on which the representatives in elected positions should decide. Representatives should interpret the steps taken in the past period clearly, without omitting essential information, and also leave room for discussion of possible alternatives to the future course of action. Their positions should be limited similar to politicians in certain parliamentary systems. The members should decide on the amount of their remuneration, the length of the mandate, the possibilities of re-election, etc.

It is advisable to adopt an election system with continuous change of parts of the board of directors, so that there is rotation. For larger cooperatives, it is possible to hire independent ombudsmen who can help deal with any complaints about the disruption of the democratic process in the company, including the exclusion of members from the opportunity to fully participate in it, but they can also deal with the non-fulfillment of the purpose of the cooperative itself, if it does not contribute to the fulfillment needs of all members. In order to avoid these problems, it is desirable for the cooperative to draw up detailed statutes and codes concerning managerial and administrative activities, etc. Clear enforced rules will make it difficult to abuse the powers of elected officials or arbitrary actions of groups within the cooperative pursuing their particular interests. If some officials have a conflict of interest, they should be able to participate in the decision as long as the benefits of such decision do not accrue to them alone, although it is important that the details of such facts are properly and transparently recorded. There should be codes for elected officials, defining their responsibilities and ethical behavior.

Conducting regular audits could contribute to the analysis of their work, according to the results, members could consider whether there is a need to correct the shortcomings of elected officials with additional training, or to support promising candidates who could be elected. Special audits focused on the cooperative's democratic governance would also be useful to enable monitoring of its development and management transparency for comparison with previous years, or even with other enterprises. In order to achieve greater inclusivity and the use of knowledge from various shareholders, cooperatives in which non-member employees work can enable their participation in elections to the board of directors, possibly also in regular decision-making. This can be realized, for example, through the establishment of employee associations or trade unions operating within the enterprise. In this regard, there are no official uniform procedures, each cooperative should adapt to the specific situation while maintaining the cooperative principles, including the one member one vote rule. The existence of a national cooperative association is an important part of the effort for the healthy development of the movement, and its active work can help to push the desired legislation in parliaments as well as to define the correct procedures for cooperatives to properly fulfill all seven principles and supervise this fulfillment (International Cooperative Alliance 2015a).

In connection with the growth of cooperatives and the number of their members, a new trend of hiring professional managers in cooperatives has become widespread, which leads to a weakening of the activity of their members and is associated with the transfer of significant rights to hired managers. In addition to being criticized as a violation of the principle of democratic control, it is also often associated with an increase in peripheral activities as a result of the managers' private agendas. However, these exclusively managerial decisions may not be in accordance with the general welfare and interests of the members of the cooperative, if, unlike professional managers, they do not have the same decision-making power and the same available information. It is at this point that one of the most important problems of contemporary cooperatives is found, that is, member preference heterogeneity. This challenge is connected with the disintegration of the unity of the cooperative, i.e. the violation of the principles of equality and the unclear boundary between the core and peripheral activities of the cooperative. The accumulation of so-called peripheral activities can be the result of the gradual weakening of the cooperative and its disintegration. Reasons behind this accumulation may be precisely the promotion of the interests of subgroups that may have disproportionate power over others or abuse the passivity of others and promote decisions contrary to the general interest of all members, exclusively for the benefit of



their own subgroup or person. Attempts to introduce proportionality on the principle of joint-stock companies, i.e. the distribution of benefits and power based on invested funds, have also proven to be harmful, because instead of trying to unify interests and goals, they preserve the division between powerful and less powerful members.

From these facts it emerged that it is important to mark a clear boundary between the core and peripheral activities of the cooperative and to minimize peripheral activities. To achieve this goal, cooperatives must find a suitable way to make joint decisions within an enterprise with a large number of members, while they can take advantage of information technology and the development of management and organization theory (Iliopoulos & Valentinov 2022) (Iliopoulos & Valentinov 2022).

The second principle on democratic control should be understood in the context of the third principle of "*members' economic participation*". Similar to a state where the majority of income comes from citizens' taxes, there is a greater prerequisite for the development of the rule of law and democratic practices, even in cooperatives it is important that all members participate in the creation of capital with an equal share, so that the cooperative will not depend on contributions from outside or on the dominant member who will provide all the necessary means and the passive members will consider him as the unofficial owner with decisive power. Individual members giving their own money or other means as a contribution to the cooperative have a greater interest in the development of the cooperative and are more likely to actively participate in decisions and activities related to the enterprise. The economic participation of each member is therefore important both in connection with democratic control and in connection with the preservation of independence, which are two points contained in the international cooperative principles. Even as a result of meeting the membership fee, members do not become investors in the manner of conventional private companies, because cooperatives are established primarily to satisfy the needs of members, using capital as a tool to achieve this goal, rather than for the pursuit of the greatest profit in an enterprise led by capital. The cooperative is not based on egalitarian values only from the point of view of its politics, but also inseparably from the economic point of view. Unlike many conventional private firms, there is an indivisible common property, created from the cooperative's surpluses and members' contributions. This is a part of the company's capital that cannot be claimed by any individual member in the sense of individual appropriation. It is common for new members in cooperatives to give a contribution considered as a condition of membership. In this way, they contribute to the capital of the cooperative, at least a part of which should be indivisible.

Those who decide to invest voluntarily should receive a return on their investment. In such a situation, it is essential that the members do not allow the cooperative to be transformed into a business primarily used for the investment income of individual members. Therefore, after the return on investment, the member should receive only a limited reward. Some cooperatives, especially in cost-intensive sectors such as industry, may also require regular contributions from their members, for example every year. All rules regarding contributions should be approved by the membership general assembly. If it was possible to achieve surpluses, they should be used for the further development of the cooperative, possibly utilised for agreed activities related to its purposes, the creation of reserves containing an indivisible part or paid to members according to the amount of their deposit, these decisions about their use should be made by the member General Assembly, while it is appropriate if they decide to set up a fixed system based on which a certain part of the surpluses is transferred to indivisible reserves every year when surpluses are reached. However, dividends may be paid to members from surpluses in the form of cash, non-voting capital or lower prices for products and services provided by the cooperative. Indivisible reserves must remain indivisible and non-tradable under all circumstances, they are even protected in some countries from a legislative point of view against possible usurpation by individuals. In the event of the dissolution of the cooperative, after payment of liabilities, the remaining property will be handed over to the support of the cooperative movement, instead of its final distribution to the members. Balances in indivisible reserves could be distributed among members in the event of dissolution, but even in this case it is recommended that they be used to support other cooperatives or community service activities, this may be specified in the statutes or state legislation. The limited liability of cooperatives depends on the legislation of individual countries, but they should strive to achieve an equal position with other types of companies or even a more favourable position. This also applies to the position within the tax system, since cooperatives spend significant resources for the benefit of society as a whole. If the liability is not limited, it is necessary for the members to contribute extra contributions to increase the capital, in a situation where the cooperative is in financial problems(InternationalCooperative Alliance 2015a)(InternationalCooperative Alliance 2015a).

The first three described principles must be applied in such a way that they do not violate the fourth principle on which the functioning of the entire cooperative depends and its ability to influence the fulfilment of all principles. This fourth principle is “*Autonomy and Independence*”. A cooperative is an enterprise operating independently of the state, but also of other entities, including financial institutions, etc. It is crucial for maintaining

its democratic control by members, guaranteeing the operation of the enterprise for the needs of its members and the fulfilment of societal goals, not exclusively the government or various types of investors. Cooperatives must therefore be able to make decisions independently without external influence from the state or private entities. Threats to independence mostly occur in the case of interactions with the state or private conventional companies. Each of these variants brings specific challenges, but this does not mean that cooperatives should isolate themselves from actors from both sides. Conversely, there may be desirable mutual interactions. Cooperatives should lobby for the interests of their movement as a whole and strive to enforce policies guaranteeing their position at least on the same level compared to other types of businesses, or even a better position. This means enforcing an appropriate regulatory framework, taxation and government support including promotion beneficial to the movement. However, it is necessary that the cooperatives do not proceed to obtain government support in exchange for the promotion of its agenda, which could significantly limit independent decision-making, thus not becoming a "National Champions" type of enterprise. In no case is it permissible for cooperatives to become a specific type of state enterprise without the ability of members to decide on purchases, sales, investments and other key business activities(International Cooperative Alliance 2015a).

Likewise, in dealing with private entities, cooperatives can obtain the necessary funds, especially in places where funds and wealth are primarily controlled by private conventional companies. Even in this case, it is important to take care to defend your own independence. For example, various types of private financial institutions can reserve demanding conditions through financial contracts guaranteeing them the right to interfere in the decisions of the cooperative or to demand ownership shares in it. Because of this, the cooperative should make decisions about these strategic issues within the entire membership base and always proceed with caution in these respects. Due to all the associated risks, it is therefore desirable that cooperatives raise capital primarily through their own members, through other cooperatives, including financial ones, or through social bonds and investors, and only lastly should they seek the necessary funds from conventional private companies, including financial ones(Andrews & Limited 2015). The risks may not only be associated with raising capital, but also with excessive dependence in terms of supply and sales on one supplier or customer, especially if it is a powerful corporation of a private conventional type. Therefore, it is recommended that cooperatives diversify in both directions and expand the number of suppliers and customers. Within the cooperative itself, it is necessary to consider whether to accept as members someone who is not a user of the cooperative's

production or an investor. The system of set rules should take into account the risks associated with the higher influence of members of this type, because they naturally have a lower commitment to the long-term development of the cooperative and the defense of its sovereignty(International Cooperative Alliance 2015a).

It is already clear from historical experience that the most visible violation of this principle was committed by states deeply applying the Soviet economic model associated with a high level of centralization, when cooperatives were subordinated to the central planning system and many of their basic decisions were subject to state requirements. Since the 1980s, problems with limiting the independence of cooperatives have begun to appear even outside the Eastern Bloc, in connection with the incipient strengthening of global economic liberalization. The related increase in financial power in the hands of a few financial institutions, wealth funds and oligarchs as well as the strengthening of the positions of the so-called "input suppliers" has built a solid system maintaining, with the help of the existing legislative and tax framework, the current form of conventional private ownership as dominant. However, this means a very difficult task for cooperatives to avoid these strong structures, especially in a situation where people have long since not deposited their savings primarily in cooperatives, but in large banks. This presents a problem of access to capital for cooperatives, and sometimes for them the cost of borrowing funds and other interactions with conventional private institutions means a partial restriction or a complete loss of independence. The economic crisis of 2009 has shaken confidence in conventional private firms and institutions, giving cooperatives the opportunity to increase their attractiveness by introducing better instruments and policies to attract individuals or at least ensure a safe increase of capital without jeopardizing their own independence. This may include, for example, extensive research focused on the motivation and approach to investing of individuals, including the creation of new financial instruments, especially those that could be labeled as venture capital and meet the needs of both funders and cooperatives. However, there are a number of other options for improvement, such as the introduction of special accounting standards adapted to cooperative business or the creation of an index to measure growth and performance. At the international level, it seems ideal to accelerate international trade between cooperatives through various agreements or the use of "Global Development Co-operative Fund"(Green et al. 2013).

Fifth cooperative principle associated even with the creation of the first cooperative is "*Education, Training and Information*". This includes consistent support and implementation of programs and activities for members, employees, elected

officials, but also the general public including representatives of the media, government, young people and others whom the cooperative movement can help to meet needs or improve living conditions. These activities and programs should take at least one of the three forms mentioned in the title of the principle.

The first mentioned is education, which should primarily contribute to the understanding of cooperative principles and values, including the ability to apply them in organizational practice. This is important so that there is no detachment from following or even fulfilling the principles and so that ordinary members, when making decisions in the company, can always correctly assess whether the proposals under discussion are in accordance with the values and principles of the entire movement. Elected officials must also have this knowledge, as they usually play an important role in initiating strategic decisions and representing the cooperative enterprise. However, this principle requires a wider interpretation and it is necessary to take into account that the purpose of education can generally be the support of social development, in less developed countries it is also appropriate to provide education replacing primary and secondary school levels for people who could not enter it due to various socio-economic or geographical reasons to fully engage. The training refers to the practice of practical experience, which is necessary especially in knowledge economies, so that cooperatives can maintain themselves in an environment of strong competition. The information is related to the obligation of the cooperatives to inform about the principles and values of their movement, including familiarizing the public with the societal benefits of their activities. They should therefore try to reach out to "opinion leaders", i.e. personalities influencing public opinion, for example politicians, teachers, journalists, so that the result of the effort to promote the movement could be many times higher. The modern age of the knowledge economy requires cooperatives to invest time and resources in the field of information technology, as information technology plays a key role in lifelong learning. Cooperatives should therefore support open source sharing of knowledge and help develop appropriate software and programs to enable it. The mutual sharing of data, information, insights and knowledge is also important in the framework of cooperative cooperation, which should be in opposition to the competition of private corporations, keeping information secret from the competition or commercializing the availability of this information.

Co-operatives should build special training centres and co-operative dormitories, where possible also allow people from the public to participate in them to help increase awareness and knowledge of this way of doing business. In addition, it is beneficial to

cooperate with established educational institutions at the primary, secondary and especially university level. This can help to expand the cooperative theme in the educational curriculum, where it has been removed to a large extent in recent decades since the onset of globalization and has been overshadowed by the model of conventional ownership, which in many business schools and universities represents almost the only theory taught and the dominant type of ownership. Reaching out to the youth is an important task for cooperatives, because their future depends on the next generations. For that reason, it is an interesting opportunity to establish cooperatives at schools, where students have the opportunity, on the basis of voluntary participation, to apply their skills and practice teamwork, including learning to adapt to life in a democratically functioning environment. Last but not least, a significant contribution can be achieved through the successful introduction of bachelor's, master's or doctoral programs at universities, which will directly deal with the cooperative form of business or will be closely connected with it, for example in connection with studies of the local economy. In such a case, cooperatives should cooperate with universities that deal with such topics and actively cooperate in research (International Cooperative Alliance 2015a).

The environment of cooperative enterprises operates on different values than in ordinary conventional companies. It does not work primarily on fierce competition and rivalry, but on "*mutual cooperation*". This is one of the basic prerequisites for cooperatives to succeed, especially in an environment dominated by conventional companies. As is well known, cooperatives operating in such a fragmented environment are usually dependent on non-cooperative enterprises governed by different principles for supply, sales or financing. This can easily lead to a weakening of the fulfillment of cooperative principles and subsequently to a transformation into a conventional company or to bankruptcy. This highlights the need for cooperation to transform the current economic model based on firms owned by private investors into a cooperative economy model. Historical examples from the Russian Empire, the early Soviet Union, the First Republic of Czechoslovakia or some current states show that, under suitable objective conditions and consistent cooperation of individual subjects, a massive expansion of cooperatives from below is possible and sustainable. Cooperation between cooperatives must be a continuous activity seeking to create new structures through the creation of secondary and tertiary cooperatives formed from those at a lower level. It is therefore not an opportunistic temporary cooperation between some enterprises in order to extract profit at the expense of others. Cooperation may even sometimes require the adoption of a decision to the detriment of one of the individual enterprises for the

collective good. Therefore, in the case of cooperation in secondary and tertiary cooperatives, relations should be based on equality, as in the primary cooperative, efforts for consensus and the fulfillment of the needs of all stakeholders should take precedence over the struggle for dominance of individual subjects. In order to ensure trust, it is essential that business is conducted transparently and that the principle of reciprocity is observed, whereby weaker cooperatives receive support from stronger ones or those in need from those who can afford to provide help in the given situation.

There are also other forms of cooperation, especially between cooperatives from individual sectors, for example, this can take the form of mutual buying and selling of products, providing discounts, joint marketing, joint education and training of employees. It is appropriate if, for example, an agricultural cooperative takes a loan from a cooperative bank, rather than from a private joint-stock company. In addition, cooperatives can also look for cooperation with other social enterprises or charitable and public benefit organizations, trade unions, etc. All this will lead to the formation of a strong social economy environment and its consolidation. Although cooperatives operate locally, this does not mean that they should avoid involvement in international trade and other economic activities on a global level, but they should still follow ethical practices. Cooperatives should strive for the development of international cooperative trade and investment agreements and their standards within the framework of the International Cooperative Alliance and other organizations of a similar type at the international level. If the activity of the cooperative exceeds the region of its natural competence, it should act in cooperation with another cooperative during the expansion. International cooperative platforms, trade fairs, etc. could help facilitate such connections and ensure trust (International Cooperative Alliance 2015a).

The seventh cooperative principle "*Concern for community*" confirms the cooperative's commitment to ensuring the benefit of society as a whole from its activities, especially in the place where it operates. Together with municipal enterprises, cooperatives are the best-known players in the local economy. Although they are not an official representative of the local community or municipality, they are naturally based on their principles and values on a local basis, where they use local resources, including human and natural, moreover, since they are founded and controlled mostly by local residents, they have a long-term interest in the sustainable development of the place in which they operate, whether in terms of economic benefit or improvement of socio-environmental conditions. Local origin, openness, transparency and the drive for local development make cooperatives an ideal partner for the municipality, local non-profit and

public benefit organizations, or even for small entrepreneurs. With effective cooperation, cooperatives with these entities can complement each other and jointly contribute to community development. Similar to the principle of cooperation between cooperatives, it is desirable that the contribution to community development is not a one-time thing, but a continuous one. If cooperatives set aside a percentage of their budget each year, for example, to support education, they should pay the same attention to allocating a regular share to support their own community. Targeted support must be in accordance with the principles of sustainable development. It should lead to socio-economic and environmental benefits. Caring for the community cannot, however, be interpreted only as the annual financing of certain locally beneficial activities. It is necessary for the cooperative to take this principle into account during its year-round routine activities. It should try to incorporate or employ mainly people from its community, prioritize local products and services, comply with local regulations, including tax ones, and strongly try to limit negative externalities from its activities, or discuss them with the entire membership base and the wider public. If the base with which the cooperative is inseparably connected is in excellent condition, the same condition can be expected in the cooperative itself(International Cooperative Alliance 2015).

## **2.4. Social and Environmental Performance of Cooperatives and Fulfilment of Sustainable Development Goals**

The neoliberal economic model coupled with growth driven by conventional private companies has caused the spread of a number of socio-economic and environmental problems. International efforts to solve them have resulted in coordinated programs such as the Millennium Development Goals and Sustainable Development Goals. Despite the fact that the fulfillment of the mentioned SDGs requires a partnership of the public and private sectors, including the involvement of various types of organizations, experience has shown that cooperatives surpass some other types of organizational forms with their potential and still offer a lot of opportunities for discovery and experimentation(Vaquero García et al. 2020). Classic conventional companies of the type of limited liability companies or joint-stock companies mainly do not demonstrate the ability to take into account the needs of future generations under current conditions, but prefer the pursuit of short-term profit, while cooperatives, due to their primary orientation to meeting the needs of members and local background, place more emphasis on the long-term good livelihood of its members and their surroundings(Gertler 2016). It is likely that this form of collectively managed independent organization will



become the driving force behind sustainable development and economic transformation, as there are currently around a billion people in the world who are members of cooperatives (Dave Grace and Associates 2014).

Open membership in cooperatives gives hope to overcome discrimination based on gender, race, religion or other affiliations, which is unofficially present especially in mainstream private companies. This benefit therefore means a reduction of gender inequalities, regarding access to work and the possibilities of economic emancipation. It also helps economically integrate members of marginalized population groups facing economic inactivity or activities that bring low or unstable income, often associated with unofficial and illegal activities also associated with risks. Further positive consequences thus become the reduction of income and gender inequality with poverty by strengthening the lower layers of the population (Jeffrey Moxom & Mohit Dave 2018).

A perfect example in the agricultural sector in Eastern Europe is the cooperative movement in Bosnia and Herzegovina. The country went through a difficult period of economic devastation during the Yugoslav war of the 1990s and is still struggling with its consequences. Damaged infrastructure with unemployment and a poverty rate of around 20% are visible mainly in the countryside, in addition to poverty problems there are also related challenges with inequality between gender or urban and rural areas. Although women usually work in agriculture, they do not hold leading positions on farms, they are excluded from the decision-making process, and many farm organizations do not allow their membership. This keeps them at a significant disadvantage in gender poverty. A significant step towards improving the situation is the development of cooperatives in agriculture with the support of non-profit organizations. The cooperatives there are also open to women and poorer villagers. For example, "The Konjic cooperative of farmers' associations" allows even poorer farmers to join, as it has introduced lower membership fees for households with a lower income. In exchange for an annual membership fee, membership brings significant benefits: agricultural extension services and free training, collection and management of records from the farm, including their delivery to the municipality, production support with the acquisition of necessary inputs such as seeds, planting material, fertilizers, packaging etc. and finally, ensuring access to the market by acquiring the production of small farmers and finding a buyer, especially in the export market. Easy open access to these benefits through membership has proven to be key for small poor farmers and women, enabling them to produce better, better access to markets, thus higher incomes contributing to reducing poverty and inequality. Open

membership thus confirms the important virtue of cooperatives, the ability to include different parts of the population (Gava et al. 2021).

The democratic nature of cooperatives, allowing members to co-decide in matters concerning the company, represents an important element in the possibility of involving employees in influencing the work order. The voice of employees/members brings more consistent enforcement of employee rights and the creation of safe working conditions, working members of cooperatives emphasize employment and decent work usually more than the pursuit of profit, thereby contributing to the achievement of the goal of ensuring decent work (Jeffrey Moxom & Mohit Dave 2018).

Although there are not many available research results in the field of this issue around the world, it is worth mentioning the university research “Measuring decent work in self-managed cooperatives: the Costa Rica case” which was published in 2019. In addition to the high share of self-employed people in employment, the Central American region is also struggling with the position of employed workers below the level of standards recommended by the ILO. In 2015, around a quarter of female employees and a third of male employees in the region worked more than 48 hours a week. In the case of both sexes, less than half worked without a contract or only within the framework of an oral contract, and practically almost the same proportion worked outside the framework of social security. In contrast to this negative situation, Costa Rican cooperatives managed to secure more dignified conditions for workers by securing membership for 87% of them and at least a temporary employment contract for the remaining 13% of non-members. Three-quarters of cooperative workers earn more than the minimum wage, and the remaining quarter are at the minimum wage level, with no one receiving less than the minimum wage, all employees are paid on time always or most of the time. Half of the working non-members receive the same salary as members. Increases are made in accordance with national standards in almost two-thirds of cases, there is an increase in a quarter of cases, but below national standards and in the remaining cases there is no increase. From the point of view of occupational safety, the manager or the workers' committee is usually responsible for the prevention and risk of accidents or diseases. Around two-thirds of workers receive health and safety training for their job. All are informed about work-related risks, responsibilities, prevention and protection through verbal, written or combined way, no one is excluded from receiving these informations. Safety conditions at work were evaluated in 75% of cases of Costa Rican cooperatives as good whereas in 25% as average and in no case as bad. It is an illustrative example of how member-controlled cooperative enterprises, prioritizing social

goals over profit, can provide decent jobs in the context of a part of the continent characterized by low levels of working conditions. In addition, it shows that the fulfillment of the goals of sustainable development, including decent work, does not concern only a few exceptional cooperatives, but can be fulfilled by most, if not all, within the entire country (Vargas Montero et al. 2020).

From the closer perspective of the post-socialist part of Europe, it is possible to examine one of the specific trends related to "Decent work", that is inclusion of people with disabilities. In the Czech Republic, cooperatives including disabled people have a tradition since the days of Czechoslovakia. Although the rise of the Communists to power after the Second World War gradually led to the decline of the authentic nature of cooperatives, they still to some extent maintained a specific position within the system of a centrally planned economy, which, depending on the course changes in top politics, either gravitated more towards the state or towards more independent decision-making. In the post-war 1950s, the state's efforts to include workers with disabilities and reduced work ability into the work process were important in an effort to cover manpower shortages. In this regard, the state decided to use production cooperatives by setting the integration of disabled people into working life as one of their priorities. As a result of this effort, dozens of cooperatives specially designed for the work of physically disabled people were created. Around 1966, there were 46 cooperatives of this type in Czechoslovakia with approximately 15,000 members, i.e. 11.5% of all members of production cooperatives. These co-operatives had special status in several respects including pricing policy, allocation of investment capital or exemption from co-operative income tax. In addition, members could enjoy a number of benefits, from leisure and sports activities such as chess, hiking, photography or musical activities to special attention in health care, when individual members could be allowed shorter working hours, a spa stay, etc. based on a medical recommendation. The activities were financed from a fund financed by parts of the cooperative's profit. About half of the members worked from home, and for those with the most severe disabilities, materials needed for production, instructions and other necessities for work were delivered to their homes. In the same way, finished products were taken from homes to the premises of the cooperative (Tyl 1966).

Many cooperatives from this period of the 50s and 60s continue to operate even after the fall of the communist government and the disintegration of Czechoslovakia. A perfect example can be, for example, Drutěva, the first disabled person cooperative which enabled the inclusion of people with different types of disabilities, at the same time

a company adhering to the international principles of ICA with regard to the management of the business by members, using more than half of the profits to fulfill social, environmental goals with the benefit of members as well as the community (Svaz českých a moravských výrobních družstev 2014; Ministerstvo práce a sociálních věcí 2022). Another successful story is DITA, cooperative in the field of metalwork, textile and plastic products and the provision of services with a significant focus on export abroad, or one of the largest employers of the physically disabled in the Czech Republic, the Otava production cooperative. Other disabled persons cooperatives have found themselves in difficulties, as in the case of the former largest employer of the physically disabled in the Pilsen region, the "Style" cooperative depends too much on state support to secure jobs for the disabled, when it lost state support and had to cancel the protected special work department for disabled people in 2007. In the same period, the cooperative "Služba" struggled with unfavorable economic results for several years, but thanks to the limitation of non-profit business activities, it managed to survive the crisis period and provide work for the disabled to this day. The group of production disabled cooperatives currently provides around 3,000 jobs for the physically disabled, and the cooperative movement in the Czech Republic represents one of the most important players in the field of employment of people with reduced working capacity and an indispensable part of the so-called social economy.

An important contribution of cooperatives to achieving goals related to socio-economic problems is the economic contribution of all members of the cooperative enshrined in the principle of "Members economic participation". Each member participates in the creation of the cooperative's capital, part of which is indivisible common property. It is a collectively owned asset that belongs to everyone equally, regardless of contributions, and its use is decided by the General Assembly. The existence of this common property brings benefits available to all members, possibly also the community, not just individuals or certain groups. An example would be agricultural cooperatives, where the accumulation of inputs from all members will create a strong production base enabling farmers to use available means (technology, fertilizers, etc.) for growing crops, raising animals, transporting and marketing. As a result, higher returns are achieved than in the case of individual farming, while the cooperative system ensures a more even distribution of returns than conventional private companies, whether the aforementioned returns are food or financial income (International Cooperative Alliance 2015a).

We can typically find such cases in post-Soviet states such as Georgia or Moldova, where after the land reforms of the 1990s, there was a significant fragmentation of land accompanied by the creation of small farms that were hardly able to produce a sufficient surplus for the market. This situation has resulted in initiatives to support cooperatives, especially in Moldova and Georgia, in order to build stronger productive farms. In this context, cooperatives fulfill one of the main goals of sustainable development, which is to maintain stable economic growth on the one hand and a reasonable distribution of income that does not create high inequalities. Higher incomes, or the satisfaction of dietary needs through access to produced food, also contribute to the fight against hunger and poverty resulting in an increase in the standard of living (Piras et al. 2021; Ahado et al. 2022).

As independent member-run organizations, cooperatives represent an important democratic aspect in society. In cooperation with other independent entities such as trade unions, they can exert pressure to adhere to the principles of accountability and transparency while trying to break the impure ties within the environment of the government and influential representatives of conventional private companies commonly associated with corruption. Dialogue, mutual cooperation, and striving for inclusion are a natural part of cooperative principles. This component can also play an important role in solving societal conflicts and processes, where a strong cooperative movement can be a connecting bridge for the unification of society and at the same time an influential power bloc between others such as the government, private groups, traditional and unofficial authorities, etc. This could generally help to distribute the power of individual actors and contribute to a peaceful dialogue among them. It is precisely all these advantages that fulfill the sixteenth goal of sustainable development, i.e. Peace, justice and strong institutions (MacPherson & Emmanuel 2007; Benson et al. 2020) (MacPherson & Emmanuel 2007; Benson et al. 2020).

A notable example of a non-state initiative based on mutual aid, joint cooperation and satisfaction of needs in strengthening peaceful coexistence is the development of cooperatives in the territories of Israel and Palestine, enabling the joint cooperation of the Jewish and Arab populations in a region plagued by discrimination and a decades-long conflict. The roots of cooperatives proclaiming mutual cooperation go back roughly to 1957, when the Arab - Jewish cooperative society was founded. However, as early as 1961, it was liquidated on the basis of a decision by the Israeli Ministry of Labor (Gideon Weigert 1963). Despite the initial complication, efforts to build peaceful coexistence together have not ended. In 1998, the largest Civil society organization called Ajeec

Nisped was established, supporting the Arab-Jewish Partnership, among other things, through the development of cooperatives and social enterprises open to members of the Arab and Jewish communities(Benson et al. 2020). A few years later, Mosaic communities were established in 2003 in the city of Ramle, plagued by financial problems, poor Jewish-Arab relations, and inequalities in access to city services, education, and housing for the Arab population due to favoritism of Jewish residents by the municipality administration. In response to this unfavorable situation, the Mosaic community started diverse cultural activities with the aim of creating friendly relations between Jewish and Arab youth, and did not neglect to develop joint dialogue and workshops on conflict issues. However, the emphasis was primarily on developing joint activities rather than more passive dialogues with the main goal of building mixed Jewish-Arab communities with strongly interconnected contacts and creating favorable objective conditions for further cooperation. After the process for registering a housing cooperative was started, these efforts culminated in plans for the establishment of another cooperative, which will provide an opportunity to unite both national groups in a mutual effort to provide local services and thus bring mutual cooperation to a higher level associated with ensuring livelihoods(Zer-Aviv 2006). Successful examples in the creation of cooperation networks between the two national groups can also be observed on the other side in the East Bank of Jordan, as was observed during the "TURBO - Tubas Rural Business Opportunities and Social Innovation" project carried out in cooperation with Italian cooperatives. That project focused on supporting human rights monitoring in local communities and supporting the development of cooperatives in the West Bank, constricted by Israeli occupation and blockades. Economic interactions between Palestinians and Israelis in the buying and selling involving agricultural products and inputs were recorded throughout. This generally contributes to reducing vulnerability and increasing interdependence, which can help reduce tension(Benson et al. 2020)(Benson et al. 2020).

The undeniable contribution of cooperatives to achieving the goals of sustainable development is their significant role in mediating and supporting education. This contribution is irreplaceable in many cases in some countries of Africa, Asia and Latin America, where the underdeveloped education system does not provide access to all young people of school age. In such a situation, it is precisely cooperative education departments or even schools that provide basic educational services including the support of reading and mathematical literacy, which means the basis for the continuation of the education of members and the training of their abilities leading to their responsible inclusion within the organization and civil society, as well as the development of

appropriate work skills. This is exactly part of the main points of the "Quality Education" goal(International Cooperative Alliance 2015a).

Cooperatives in Africa were put into practice under the influence of the colonizers and were primarily intended to satisfy their economic interests related to the export of agricultural crops according to the needs of the industrialized states of Europe. The development and form of cooperatives and cooperative education were thus significantly influenced by the colonial powers. The British sphere of influence was no exception. After the establishment of the Cooperative College UK in 1919, middle and senior staff of the co-operative movement were allowed to study at the institution, while ordinary members were educated within the movement in the home country. Over time, Colleges of this type boomed in former British colonies from Kenya to Lesotho. There are several types of educational institutions associated with cooperatives throughout Africa. They are ordinary universities offering specialized courses in this area, but these universities are usually owned by the state and operate within the framework of the conventional education system. Furthermore, there are Cooperative Colleges providing non-university education including associated degrees. The classical form, probably the most widespread, are specialized "Training centers", or training organizations" run by cooperatives and providing, in addition to business theory or highly specialized activities, training in other skills for ordinary members. Finally, specialized university colleges focused on cooperatives. In this respect, it is certainly an exemplary fulfillment of the cooperative principle of education, as it brings opportunities to develop skills and knowledge both for the members themselves, but also for those interested in a deeper study of cooperatives at a higher level, including at university, which means a greater chance for better management of these enterprises as well as the popularization of the movement and its contribution to the development of society through accessible education, an important part of the SDGs (Bee 2017).

In the Czech Republic, education in connection with cooperatives is also slowly developing, in addition to the educational services provided by the cooperatives themselves and individual unions, under the auspices of the economist Ilona Švihlíková, a bachelor's study program in Local and Global Economics was established within the University College of Business in Prague, its graduates will have the knowledge for the establishment and operation of a cooperative, which is given significant attention in the program due to its inseparable connection with the local economy. In neighboring Poland, an increase in so-called student cooperatives operating within schools without their own legal personality can be observed. Students are involved in the activities of

these cooperatives operating primarily on a commercial basis in various sectors such as agriculture, ecology and the environment, forestry, the production of sports or school equipment and much more. In this way, students in cooperatives get direct experience with the functioning of market principles, marketing, sales and many other economic activities. In 2014, the Polish government approved a program to support the social economy expecting the existence of student cooperatives in 10% of all schools in Poland in 2020, which is a few percent lower than in Germany and significantly less than in Norway, where the share is around half of the schools. However, in the case of a post-socialist country, this is still an ambitious plan (Zimnoch 2018).

A unique characteristic of cooperatives, enabling the expansion of the positive effects of their activities and systemic change, is the emphasis on cooperation within the entire movement. The development of cooperation between cooperatives at the local and international level, including their cooperation across different economic sectors, helps to shape an environment operating on different principles compared to the traditional market one. Cooperatives do not compete with each other with the aim of obtaining profit at the expense of the other, but try to develop partnership cooperation in order to fulfill the goals of their members and the whole society. Therefore, there is a rare situation on the market, as larger cooperatives support smaller ones. This cooperation may start with cooperation to fulfill social goals and share some resources together, and may also result in the establishment of so-called "secondary cooperatives" composed of individual cooperatives, this can be a significant advantage in cases where common resources can be shared, for example when several agricultural cooperatives establish a supermarket or its chain as a "secondary cooperative" in order to obtain a larger share of the final sale price for farmers instead of traders and wholesalers. It contributes to build value chains with the participation of producers with a stake in production as well as in other parts of the process, including processing or trade, which supports sustainable consumption and production. It is an important fulfillment of the second goal of the SDGs "zero hunger" because in the case of agriculture and fishing, cooperation or the unification of individual farms helps to ensure equal access to production inputs, i.e. land, technology, knowledge, markets, financial services, etc. This makes it possible to increase production and the income of smaller farmers. These are all tasks related to this goal. Cooperation between cooperatives across continents or their cooperation with the state also plays an important role (International Cooperative Alliance 2015a).

Cooperatives do not expand into foreign countries through the establishment of subsidiaries, but by cooperating with local partners in the region belonging to the same



movement and sharing the same values. Activities of this type contribute to the establishment of international cooperative enterprises, for example in banking, insurance, and are also important for the development of initiatives to share resources at the international level. The interconnectedness of cooperatives within the Fair Trade movement is remarkable, where the workers from developing countries, for example, produce products for consumers in developed countries under better conditions than those prevailing in the world of free trade, where commercial chains pressure farmers in developing countries to maintain very low prices, which has a negative impact on poor working conditions and care for the landscape. International cooperation on a cooperative basis can also be considered significant in terms of maintaining partnerships in order to achieve the SDGs, whether it is north-south or south-south cooperation, enabling the increase and maintenance of sustainable exports of developing countries or the transfer of technology and innovation to countries in need. It can also contribute to international macroeconomic stability. Since cooperatives are generally associated with care for the community, the environment and socially weaker sections of the population, it is indisputable that their mutual cooperation and interaction with the state increase the range of positive impacts of their activities in this context and are an indispensable partner for achieving the SDGs on a global level (International Cooperative Alliance 2015a).

Norway is one of the countries where cooperatives have managed to build a strong position in retail at national level. The share of cooperatives in the retail food market was around a quarter from the mid-1970s to the first decade of the 21st century (Ekberg 2008). Probably the most important actor in this respect is the secondary cooperative Coop Norge, owned by 117 cooperatives numbering around two million people, that is more than a third of the country's total population (Ingvild 2019).

A direct link to sustainable development is found in the seventh cooperative principle called "Concern for Community". This principle is linked to a reference in the wording: Co-operatives work for the sustainable development of their communities through policies approved by their members. It was adopted at the General Assembly of the International Cooperative Alliance in Manchester in 1995. The content of this point was significantly influenced by the international debate at the UN level in connection with the efforts to promote the Sustainable Development Goals and the presentation of the concept of Sustainable Development at the Earth Summit in 1992. Cooperative activities have to be in accordance with the definition of sustainable development as follows: "Sustainable development is development that meets the needs of the present, without

compromising the ability of future generations to meet their own needs." The three generally accepted aspects of Sustainable Development, such as social justice, economic security and ecological balance, are inherent to enterprises such as cooperatives. Openness, member control, an emphasis on equality, local affiliation and the well-being of both members and society are intrinsically associated with this type of business and are important in this regard. In addition, we cannot ignore the environment in which cooperatives are created, taking into account objective and subjective conditions. Cooperatives are usually established in communities living in a limited area primarily to meet the needs of members, or even the wider society, unlike conventional companies of the type of joint-stock companies with nationwide or international scope, where a disparate group of investors can gather with the primary goal of evaluating their own private investments and chooses the place of operation according to the available necessary resources, low costs and other criteria important for its own benefit, instead of the primary effort to provide needs in places where it is needed. This plays an important role in the overall impact of the enterprise for the region. Conventional companies without relation to the local environment often burden the surroundings with a number of negative externalities, especially harmful to nature and society, while using local sources (land, natural resources, labor force, etc.) but do not guarantee their sustainable use, public benefit services or keeping money in region, this consequently hinders the development of communities that are primarily used to extract wealth, but receive little, if any, compensation in return for providing their resources in the form of new jobs or funds for environmental damage. In such a situation, the state may receive revenue from the collection of taxes from these companies, but the community may end up losing more than gaining as a result of the activities of these companies. In comparison, cooperatives usually arise within communities, where specific needs arise among people related to, for example, access to goods, work, services, etc. Therefore, a significant part, if not everybody, of their members or employees should be people living in the given area. This means that these enterprises are not created as a nationally operating business with the primary goal of making a profit, but as a local project with the goal of satisfying local needs. This is what connects cooperatives with local patriotism, a sense of belonging and responsibility in the area where they operate. It means a strong bond that binds the co-operatives to the local community to which they belong, a stronger bond than the activities of investors located hundreds or thousands of kilometers away coming to a place to exploit its resources and make their own profit, sometimes in exchange for small compensation(International Cooperative Alliance 2015a).

An inspiring approach in the context of the international environment is the legislation introduced by the Philippine government giving cooperatives the obligation to allocate 3% of their annual net surplus to the so-called "Community Development funds. Through the financial means in these funds, the cooperatives provide various forms of assistance in the locality where they are located, from assistance in the event of natural disasters, improvement of school facilities, via the provision of scholarships to the support of livelihood opportunities. Research in the Cordillera region of Luzon revealed that only about a tenth of cooperatives did not participate in any community development projects between 2012 and 2017. However, the vast majority supported between two and seven community development projects each year during this five-year period. Some cooperatives, on the other hand, have decided to support one particular project for five whole years. Experience has shown that the most active in this regard are large cooperatives with the possibility of allocating more financial resources, while smaller cooperatives face various challenges such as financial instability, lack of time and manpower or the absence of plans for the use of funds in "Community Development Funds". This resulted in the desirable need for action for the government to support small cooperatives as part of supporting small businesses, for example by ensuring easier access to financing to achieve faster stabilization, this step could be reflected, among other things, in greater provision of community goods(Launio & Sotelo 2021).

### **3. Aims of the Thesis**

The aim of the thesis is to evaluate the development of modern agricultural cooperatives in Central and Eastern Europe a region with a historical tradition of the cooperative movement in which the development in individual countries began to diverge from the Second World War, which led to specific differences in its various parts. A specific specific goal is to use the Czech Republic as a case study demonstrating development of cooperatives in post-socialist countries through the evaluation of the fulfillment of the International Cooperative Principles by local agricultural cooperatives. Search for connections between the fulfillment of individual principles and selected characteristics of the cooperative, such as the number of members, region, year of establishment, etc. including the search for reasons for deviations from the mentioned principles. The results of this study should help to compare the situation in the modern development of cooperatives in the Czech Republic with other states of the former Eastern bloc and contribute to discussions on the creation of more appropriate legislation and support frameworks for cooperatives.

## 4. Methods

### 4.1. Data collection:

Qualitative research through questionnaires and qualitative (semi - structured) interviews will be predominantly used. The first phase of the research included telephone calls to 27 agricultural production cooperatives selected from seven Czech regions, specifically from: Ústecký kraj (9), Liberecký kraj(4), Středočeský kraj(1), Královohradecký kraj (3), Plzeňský kraj(5), Karlovarský kraj(4), Jihočeský kraj (1). The individual cooperatives were selected randomly according to the results displayed in Google Maps for the search term “Zemědělské družstvo”, the only emphasis was placed on the fact that cooperatives from various regions were represented in the sample. In almost all cases, there was a telephone call with the chairman of the cooperative. No cooperatives in the first phase agreed to participate in a face-to-face interview or any other form of involvement, one outcome of the communication with the representatives was a few-minute call with a brief explanation of their situation.

The second phase, running from January to April 2024, focused primarily on reaching out to marketing cooperatives and managed to contact one production cooperative as well. A total of 11 marketing cooperatives were contacted by phone and email, and 2 of them participated in the personal interview, one of them participated in phone interview and one decided to answer the questions in writing form. The addressed cooperatives were based in Prague (1), Středočeský kraj (4), Jihomoravský kraj (2), Moravskoslezský kraj (1), Královohradecký kraj (1), Ústecký kraj (1), Jihočeský kraj (1). The remaining production cooperative approached is based in the region Středočeský kraj and decided to attend interview through phone call.

Among the four actively participating marketing agricultural cooperatives were fruit, dairy, grain cooperatives and also marketing-economic cooperative buying chemicals, fertilizers, seeds and selling mainly cereals and oilseeds, this last-mentioned cooperative was the only which provided answers in written form. The first mentioned cooperative has a nationwide scope, the second has strong ties to South Bohemia, but also brings together members from other parts of the Czech Republic, and the remaining two cooperatives have almost all members from the region where they are based. The surveyed production cooperative deals with both animal and plant production and has only local scope. With the exception of the marketing-economic cooperative, all 4 cooperatives were founded in the 1990s. Three of the marketing cooperatives have tens

of members and one production and marketing cooperative in the lower hundreds. All marketing cooperatives have a diverse membership base including physical persons and legal entities including cooperatives, joint stock companies, limited liability companies. In the grain marketing cooperative and in the production cooperative, the majority of members are physical persons, that is, self-employed farmers.

## **4.2. Operacionalization of the research**

There were over 60 open-ended questions. Verbal interviews were recorded and transcribed based on the recording into written form. Both the interview and the written questionnaire contained the same questions. There were over 60 open-ended questions. The questionnaire was structured according to the individual seven International Cooperative Principles with several additional questions helping to ensure a better description of the state of cooperatives in the Czech environment.

## **4.3. Data processing**

Verbal interviews were recorded and transcribed based on the recording into written form. Data were analyzed using manual coding in MS Word. The responses of individual cooperatives to questions for data collection were compared and connections, common and different features were sought.

## 5. Results

The first research phase showed that there is very little awareness of the ideas of the cooperative movement and its principles among production agricultural cooperatives across the Czech regions. Addressed chairmen or board representatives mentioned different types of negative responses to interview requests. A frequent answer was that they do not see a reason to participate in something that will not bring them any direct benefit, or that they are busy and no one from the cooperative has time to engage in such an activity. One of the cooperatives was transformed into a joint-stock company, the chairman of another cooperative said that he does not even know what international cooperative principles are. In the case of the remaining cooperatives, it was difficult to connect with the cooperative, and in one they even ended the call after introduction of the research.

The second phase was already more successful in terms of participation mainly thanks to reaching out to marketing cooperatives, which have a greater awareness of cooperative principles and did not arise from the transformation of JZD collective farms. However, one production cooperative was also targeted for comparison based on an article in a printed publication with the expectation of a greater identification with the cooperative's ideas.

Cooperatives are generally flexible in terms of accepting and leaving members, but in some cases there are specific conditions for admission, for example, to be accepted into a dairy cooperative, applicants must be milk producers and produce a thousand liters of milk per day including the past one year, must agree to the rules of the cooperative and not use genetically modified feed, glyphosate, etc. In the marketing-economic cooperative, it is necessary to go through a one-year trial period.

In the case of withdrawal of members, an agreement is usually preferred, but it is also possible to proceed within a longer process according to legislative regulations. Upon termination of membership, members are entitled to receive back all or part of the entrance fee.

No cooperative discriminates against applicants for membership in the case of self-employed farmers or companies on the basis of political, gender, social, or racial affiliation, and the cooperatives do not intentionally try to limit the number of its members, just the grain cooperative which is the only questioned subject with stable frequency of new applications for membership, faces specific challenge of the admission of new members because of insufficient storage capacity that motivates the board to adopt plans

to expand them. Only in the case of a fruit and production cooperative there is a possibility of accepting members who do not produce or consume the products of the cooperative, in the production cooperative the position of such a member is the same as of the others, in the fruit cooperative such member has only 1 vote and may not vote on matters related to subsidies and operational plan because it does not concern him, previously a bank could be a member of the cooperative, but this was later tightened.

Entrance fees range across all five interviewed subjects from 1,000 to 20,000 CZK, and it is common to collect fees in cash, although the law allows, for example, the deposit of property, but marketing cooperatives do not see a practical reason in this due to the nature of their activity, only the production cooperative positively to alternative forms of payment of the fee and agrees, for example, to deductions from wages or investment of property, provided that it is independently evaluated, which corresponds to the composition of its membership base of physical persons and work focused on practical agricultural activities, as opposed to marketing cooperatives focused primarily on trade or storage.

All cooperatives have regulations for the expulsion of members who would harm the cooperative, such a step is usually approved by the board of directors or the General Assembly. One of the situations associated with exclusion is in the case of a dairy cooperative the independent sale of production by members without an approved exception, because the members must pay 100% of their production to the cooperative and a permit for independent sale can only be obtained for a minimum amount. In a fruit cooperative, members must also pay 100% of production, but there is no risk of expulsion for any violation, only in the case of a serious offense, when, for example, all members would have to return subsidies.

All questioned cooperatives have an organizational structure given by law including mandatory bodies consisting of a board of directors, an audit committee and a general assembly. No cooperative had established facultative or optional bodies. The composition of the board was usually between 5 and 7 members. Competences and powers differ in individual cooperatives, but basically it can be said that in all cases the General Assembly is the highest body of the cooperative meeting a few times a year and making routine decisions such as approving the financial statement or operational plan as well as strategic decisions regarding the direction of the cooperative, future investments, etc. The board of directors is usually entrusted with the day-to-day running of the cooperative. The typical competence of the board of directors is the preparation, negotiation and signing of contracts. In a fruit cooperative, this can be handled by the

board of directors without the approval of the General Assembly, but some financial institutions or suppliers may require an additional signature of the chairman of the cooperative. In the dairy cooperative, three people including the chairman and vice-chairman are entrusted with the preparation of contracts and negotiations, and they then submit the draft contract to the entire board of directors for approval, if the board of directors rejects the proposal, then it is a matter of discussion about modifying the terms and conditions. In a production cooperative, the signing of contracts falls under the competence of the chairman, he can sign the contracts himself as a lease agreement, but if it is a sale and transaction with large amounts, then the signature of at least one member of the board of directors must be added. In addition to handling contracts, the cooperative also mentioned the procurement of machines and the provision of repairs, which fall under the competence of its board of directors. In a marketing-economic cooperative, the role of the board of directors is similar and it is entrusted with the commercial management of the cooperative.

The powers and competences of the management of individual cooperatives are determined in their statutes approved by the General Assembly. No cooperative has codes defining the behaviour and actions of elected officials, but unwritten rules have mostly developed over the years, on the basis of which certain patterns of behaviour and actions can be expected. In all the interviews, it was mentioned that the interest in being elected to elected positions is minimal, often it is even necessary to convince the membership base to find a candidate for the position. Prospective bidders are usually larger, high-producing members who want more control over sales activity. The low interest is also connected with the inability of the cooperatives to sufficiently compensate the time and effort of the elected officials because, except for the low rewards approved by the "General Assembly", they do not receive any other compensation. Because of this, no one sees a reason for limiting the terms of office of elected officials. In the case of a fruit cooperative, the members agree within the regions which member would be supported in the elections to the board of directors. Electoral commissions are usually elected by the General Assembly. In any cooperative there is no special platform representing its non-member employees, which can be explained by the fact that in marketing cooperatives there is a minimum number of employees, often less than five. In the case of a production cooperative, roughly half of the employees are members and half are not. No cooperative hires external managers.

Although the distribution of powers and competences differs slightly between the surveyed cooperatives, in some cases, for example, the board of directors and in others



the General Assembly decides the exclusion and acceptance of members, however, in all of them the General Assembly is the highest authority with the power to dismiss elected officials in individual bodies, change the cooperative's statutes and carry out the most important decision. Moreover, the power of individual members of the board of directors is usually limited by the need for the consent of one of the other members, so that in no case are objective conditions set in favor of autocratic leadership. In terms of subjective conditions, the main challenge may be weak activity at the general assembly in some cases.

The chairman of the grain cooperative stated: *“Activity is weaker, there is a General Assembly meeting twice a year, where current problems are solved, the membership agreement, financial statements are approved, and strategic investments are devised. The board of directors meets once a month and decides on routine operational matters, the director invites its members to the office and prepares documents for them on what will be discussed, and they, if necessary, comment on it and vote on any decisions. At the General assembly, members usually come to have coffee and a sandwich and raise their hand when needed. Sometimes there are members who are active too much, but they mostly care about the functioning of the cooperative. There is no one here to harm it or try to destroy it.”*

The chairman of the fruit cooperative said that the level of activity depends on the topics discussed: *“When it comes to ordinary decisions on the general assembly, there is not significant activity and members obviously accept matters related to the routine, but when it comes to strategic decisions, there is more intensive debate with various opinions.”*

A specific characteristic of some Czech cooperatives is the inequality of votes when making decisions at the General Assembly. In the examined sample, a total of three cooperatives applied the rule of one member, one vote, except for the fruit and grain marketing cooperatives, where this rule applied only in certain respects, as described by the chairman of the fruit cooperative:

*This rule is valid in case of specific decisions determined by law, such are decisions relating to changing business form from cooperative to different business entity or abolition of whole cooperative etc. Otherwise power of one vote depends on the delivered production. Members get one vote per each 200 000 Crowns from annual sales which they made. But there is calculated 3 years average of the production so if there is one season of bad harvest, the farmers will not loose all votes for example. Maximum*

*share of votes for each member is 30 percentages in order to avoid situation when some member is inappropriately strong.*

In this regard, the situation can be compared with the answer of the chairman of the grain cooperative, where the situation is very similar:

*Certain issues, such as changes to the statutes, are voted on a one-member-one-vote basis, but most issues are voted on by members whose votes may have different values depending on the amount of stored production in the cooperative. It also makes sense from an economic point of view, because they give more benefit to the cooperative. Private companies are usually stronger in terms of the weight of their vote than sole proprietors because they normally have more grain stored in the cooperative, but their power is limited by the maximum weight of the vote to 12% of the cooperative's total storage capacities. No one can own more and therefore have a stronger voice. The reduction to 12% happened a few years ago.*

All interviewed cooperatives are considered sufficiently democratic and transparent that they do not need to conduct audits to check democratic administration or the work of elected officials. In the same sense, they explain that they do not even need to have a mechanism to support minority interest groups and, with the exception of a production cooperative, neither rules for a possible conflict of interest. The most common explanation was that the decentralization of power, transparency and open discussion for all prevent the abuse of power or the disregard of the interest of members. The production cooperative is even currently preparing to change the statutes and stipulate that before each decision of the General Assembly, a proper discussion on the given topic must take place and the discussion will continue until all members consider it sufficient, in order to avoid decisions without sufficient discussion and information members. No cooperative uses the services of an ombudsman for the impartial resolution of complaints and similar cases, some use a lawyer cooperating with the cooperative or refer to the General Assembly for complaint resolution.

When asked about the most frequent challenges from an organizational and economic point of view, the fruit and production cooperative answered that they mostly relate to strategic decisions about the direction of the cooperative and large investments. However, a specific situation from a political point of view is faced by a grain cooperative whose chairman described the situation as follows:

*One such challenge was recently prepared by the municipality because it increased our property tax. We were used to paying 370,000 CZK and now we will pay 1,350,000 CZK*

*in 2024. Next week we are going to the mayor to protest. The government approved a consolidation package increasing the property tax, and the municipality increased it even more by increasing the local coefficient (which they have the right to) from 2 to 4. For us, this challenge means a fight for survival in the coming years because the inflation of recent years has already led in our country to increase labour costs by 2 to 3 million Czechia within three years, energy prices have risen. On the other hand, commodity prices that were high are now back to where they were five to six years ago. The increase in real estate tax is related to changes in the town hall, where ANO previously ruled, and the new leadership wanted to damage a chemical factory with ownership ties to Andrej Babiš from the ANO movement by increasing the tax. As a result, it will not be a significant threat to the chemical company, but our cooperative was used to a profit of 1 to 2 million, and this jump change of about 350% is threatening to us.*

As advantages of membership, marketing cooperatives naturally identified better sales, in some cases also storage possibilities, in addition to the two mentioned, the fruit cooperative even helps to arrange access to subsidies from the government for its members. The marketing-economic cooperative states that the main advantages of membership are saving money, providing the same discounts and business conditions to all members, regardless of farm size. Production cooperative cites as the main benefits of membership possible share of the profits or income in the natural form of the agricultural production and also the possibility to become elected Representative in the cooperative And vote and Co decide about the decisions.

When it comes to profit sharing, the examined subjects have different approaches. The fruit cooperative gives the profit to the retained earnings fund and only finances possible losses from it. The grain cooperative does not distribute the profit either, but in addition to the retained earnings fund, it also uses part of it for new investments, especially for the expansion of storage capacities. The dairy cooperative transfers the profit to indivisible reserves. The production cooperative usually keeps the profit for the retained earnings fund, but twice it has also distributed it directly among the members. The marketing and economic cooperative distributes the profit according to the share of the traded quantity. No cooperative allows members to provide any form of return such as interest etc. for contributions or entry fees. In all cooperatives there is an indivisible fund by law, in production cooperative 10% of the profit and input contributions are transferred to it, in marketing cooperatives it contains a fixed amount that does not increase. In any cooperative, it is not established what would happen to the indivisible reserves upon dissolution of the cooperative. When asked whether they would continue to support the

cooperative movement, only the production cooperative answered positively. The prevailing opinion among the remaining respondents was that it would probably be divided among the members.

Marketing cooperatives do not see any reason for increasing their capital, except for the grain cooperative, which, in the case of expanding its storage capacity, uses bank loans, just as the production cooperative does, for example, to purchase tools. Apart from bank loans, alternative forms of capital increase are de facto not used. In terms of supply and sales, three marketing cooperatives and one production cooperative are mainly dependent on interactions with the private sector. Only the dairy cooperative is mostly supplied with production from the cooperatives that are its members, but in terms of sales, it only sells to conventional private companies. None of the investigated cooperatives have officially defined boundaries beyond which they should go in order to preserve their independence. Nevertheless, sensitive decisions such as concluding contracts with financial institutions are discussed within the General Assembly in production and grain cooperatives, whereas in the dairy cooperative it is the responsibility of the board of directors and for others this matter is not very relevant.

Views on the current support from the government and its influence on the cooperative's business were mostly negative, but they differed for individual entities. The chairman of the grain cooperative said that he did not even know about any government support, but that individual members received subsidies. The cooperative was engaged in this regard to help members gain points to obtain subsidies, but since it was not listed in the Ministry's list, it decided not to deal with member subsidies. The marketing-economic cooperative said that it does not receive any support from the state, but it would be desirable. The chairman of the dairy cooperative took a radical approach to subsidies and said that in the last 30 years the cooperative has not received a single crown in subsidies because it wants to maintain complete independence, which is illustrated by his comment:

*We have never gained any subsidies and we do not want them because we do not want to be dependent on the government. We have not take even 1 crown from the government within last 30 years. However, we are bound by European and Czech legislation, and instead of reducing it, it is increasing. We have to make different types of reports, go through different checks, etc.*

The chairman of the fruit cooperative also had a critical view of bureaucracy in particular, who described the situation regarding the growing bureaucracy in detail:

*The state supports us only through operational programs, and despite the expectation of improvement, it is gradually getting worse, in terms of processing, control, etc. Previously, we could choose whatever members wanted, we had to give three offers, downloaded from the website was enough, now we have to have address offers written directly to us and justifying why we bought it from that seller. The conditions are getting stricter. When members want to purchase anything, such as technology, within the subsidy program, the administrative burden becomes greater and greater. In addition, many things that were included in the subsidies are no longer included. These problems were exacerbated by changes in European legislation, but the laws of the Czech government made these changes even more stringent. The operational program must now also include a research task, and if it is missing, the entire operational program is not approved. The research should be about what the members want to purchase and have not purchased in the past. No one provided us with details about what the research task and the research process should look like, neither fruit union. This requirement came into effect this year.*

However, the production cooperative faces a different challenge compared to the marketing cooperative, its chairman criticized the capping of subsidies in the Czech Republic. He mentioned that because of this change, their cooperative is seen as a larger enterprise comparable to companies such as Agrofert, but while the cooperative has over two hundred owners and each one has around eight hectares of land, the big companies own thousands of hectares and are owned by one owner. He also mentioned that a number of family farmers owned around 1,000 hectares of land and because of the subsidies, they divided it between family members legally, but in the case of a cooperative it would be seen as an expedient decision. Everyone put money into the cooperative and has one vote, so they are one of many owners. Due to the current legislative perspective, the cooperative has very little support from the government.

Regarding the education provided, there are certain differences across the investigated cooperatives, neither the grain-growing nor the marketing-economic cooperative provide or organize any educational services. The dairy cooperative occasionally organizes seminars on mostly economic topics for its members, but such activities usually take place spontaneously and never concern the cooperative movement, theory, etc. The production cooperative replied that many educational activities take place under the auspices of the Agricultural Association of the Czech Republic, of which it is a member. However, four to five times a year, it organizes its own events in the form of lessons and workshops, invites specialists to give a lecture for members on, for example, harvest

technologies and other topics related to agriculture or economic affairs, and also contributes to members who want to participate in various seminars and similar educational events. Although the actual educational activities are not related to the cooperative movement, the chairman said that he would agree to such an action in case of such a proposal, moreover an interesting fact is that marketing cooperatives generally do not make an active effort to spread cooperative ideas, but the production cooperative is the only one that makes an active effort in this regard, through participation in interviews for various publications or activity on social networks. In the case of a fruit cooperative, it is even necessary to organize educational activities due to certified production. The chairman described the regular process as follows:

*Since we have certified production, members must be trained, so once a year they meet at a member's place, who has a large hall in the village, and we have an employee who is a quality manager, and she discusses with the members all the obligations they must comply with, and that credits them for having completed the required training. At the beginning of the harvest at the end of August, we have a meeting with the members and we discuss what will be harvested and stored, what must be sold directly to the must, and we also do economic training for the members. But we also do irregular online training. All trainings generally have three types, the first type concerns certificates, the second concerns economic matters and the third harvest, so that, for example, the production does not have to be transported all over the country. We do not do any trainings or educational activities dealing with cooperatives.*

The surprising fact is that none of the investigated cooperatives is a member of the Cooperative Association of the Czech Republic. However, cooperatives operate in organizations linked to the agricultural sector, for example in the Fruit Union, Agricultural Association of the Czech Republic and others. The chairman of the grain cooperative said that they are not members of any organization, but individual members belong to the Association of Private Agriculture, for example, because most members are family farms. The production cooperative, on the other hand, belongs to the Agricultural Association of the Czech Republic, and the complicated relationship with the Association of Private Agriculture was expressed by the chairman of the cooperative as follows:

*We think that we would not be accepted for example in Association of Private Farming of the CR because of different opinions about the agricultural policy. The changes in the system of subsidies led to the situation that we get about 20% less money from subsidies and these money were distributed to the smaller farmers. So the current relationship is that we are on the other side of the battle. The director of the Association of Private*

*Farming of the CR has about 600 hectares of land and divided it among his family members, but we cannot afford such actions. If our cooperative was viewed as having 280 members, we would probably be the most advantaged.*

In any case, the non-participation of the observed cooperatives in cooperative organizations proves that there is de facto no such thing as an organized cooperative movement in the Czech Republic. An illustrative example was the statement of the chairman of a cereal cooperative in which he believed that their cooperative was the only marketing cooperative in the Czech Republic. It is therefore not surprising that none of the cooperatives even allocates funds to support the cooperative movement, but most at least maintain contacts with other cooperatives and enter into interactions with them in terms of sales, supply, especially in the case of the dairy cooperative, which is a secondary type of which most of the members are primary cooperatives. One of the members is also the production cooperative approached as part of this research. Both chairmans agreed during the interviews that the principles of transparency, reciprocity and equality work well in the secondary cooperative. Most asked cooperatives see potential in their functioning as cooperatives and there has not been any criticism.

Marketing cooperatives almost never fulfill the principle of caring for the community, regardless of whether they have nationwide or local jurisdiction. In this regard, at least partially, the grain cooperative tries to contribute, for example by providing a financial sum for the local school, or to various foundations.

The most active in terms of community care is the production cooperative, which regularly allocates financial sums to support its community and annually provides support in various forms, including services. This diverse range of activities was described by the chairman of the cooperative:

*We provide services to the local scout troop, volunteer firefighters. For example, we help the scouts move their camp, allow them to store things with us, or give the firefighters a raffle. We mostly participate in organizing local events. Our members are members of community associations such as hunters, firefighters, fishermen, etc., so there is an annual cooperation with such groups.*

As the cooperative's activities cover 17 cadastral territories, it is in close contact with local authorities and has helped, for example, to build a composting plant and thus helps municipalities with the collection and transport of organic waste. The cooperative also helps with cleaning local roads to reduce negative externality of its activities. Most of the employees and members come from the region where the cooperative is based, but it

only sells around 10% of the production here because most of it is sold at a higher level or through sales organizations. This cooperative is the only one that keeps the existence of the Sustainable Development Goals in mind.



## 6. Discussion

The situation in Czech agriculture is significantly different compared to most of the countries of the former Eastern Bloc. As was outlined in the article "Land reform and land fragmentation in Central and Eastern Europe" (Hartvigsen 2014), individual states chose different strategies for the decollectivization of agriculture during the transformation period. In Czechoslovakia and its successor countries, the system of restitution and withdrawal from collective farms was preferred because it was still possible to locate and identify families expropriated during the communist era. Such a process was practically impossible in the case of the states of the former USSR, so the land was mostly sold off to many small owners. In the Czech Republic and Slovakia, most of the families affected by the restitution decided to keep their share in the production cooperatives transformed from JZD, and due to their size, they became the dominant force in Czech agriculture, owning thousands of hectares of land. Given this strength, many such production cooperatives are able to secure sales without membership in marketing cooperatives.

There are therefore only a small number of marketing cooperatives in the Czech Republic compared to production cooperatives. Due to the circumstances under which they were created, production cooperatives are owned by people who retained their share in the cooperative as part of the restitution process, and they mostly act as passive shareholders in a joint-stock company. Most production cooperatives therefore do not work as authentic cooperatives, while marketing cooperatives are closer to fulfilling cooperative principles, but given their limited scope and the strength of production cooperatives, they will probably not build a strong position in the Czech Republic, as evidenced by telephone conversations with former representatives and members of defunct marketing cooperatives cooperatives.

The change in such a case is very complicated. A significant quantitative increase in the number of marketing cooperatives cannot be expected, and a qualitative change in production cooperatives is even less likely to be expected. When compared with the states of the former USSR, it follows that while the objective conditions in these countries encourage the association of producers taking into account fragmentation and land use, in the case of the Czech Republic the environment is not set for significant changes unless there is at least a partial transformation of ownership relations.

However, a positive finding in the research is that the cooperatives participating in the full interviews meet at least the basic cooperative principles and do not even face

a number of problems like many Western cooperatives. In the case of the five investigated cooperatives participating in the interviews, caution regarding external dependence was surprisingly revealed. Cooperatives usually do not perceive an urgent need to raise capital, and if they do, they do not take risky steps that threaten the independence of the cooperative because of it. All of them either have a strict approach regarding accepting members in the form of investors, or set up democratic mechanisms so that such members cannot threaten the cooperative's independence. There were also no cases of external executive hiring, despite extremely low interest in elected positions. Similar caution applies to raising capital from external sources, where either firmly defined rules or functioning democratic processes apply, but the approach of cooperatives in this regard is conservative and apart from the occasional use of banking services, they do not use other forms of capital raising. This contrasts, for example, with co-operatives, which instead of meeting the needs of members, began to focus on generating profit and often came under the influence of externally hired managers carrying out their own agenda.

## 7. Conclusions

The research confirmed the assumptions that production cooperatives transformed from former collective farms have a very low awareness of cooperative values and principles, which in some cases was even admitted by some chairmen over the phone in the first phase of the research. However, it was also indirectly indicated by the reluctance or inability to properly discuss the research regarding the cooperative principles and other facts, including the transformation of the cooperative into a joint-stock company. The only production cooperative participating in the research properly through a complete interview is an exception that confirms the rule because, even compared to marketing cooperatives, it fulfills international cooperative principles the most.

In the overall comparison, however, the marketing cooperatives appeared to be closer to the fulfillment of international cooperative principles compared to the selected dozens of production cooperatives. Of the smaller sample of respondents, about a third fully participated in the research and fulfilled most of the basic assumptions of the first four international cooperative principles, fulfillment of the fifth principle was weaker in some cooperatives and the last two fared the worst.

All investigated cooperatives have an open approach regarding membership. Entry fees are at a very low level accessible to almost any potential member and the admission process is not associated with significant bureaucracy. In addition to the basic requirements, for example, for production in the given sector or basic environmental standards for production and its volume, there are no overly demanding criteria for admission to cooperatives. Nevertheless, the interest in membership is usually minimal because the market in the given sectors is mostly already divided and there are no major changes in terms of its actors. Only the cereal cooperative registers a stable interest in membership, but it is limited by its storage capacity, which it plans to expand. Marketing cooperatives have shown caution in accepting members who do not produce or consume their products, such as investors, etc. Admission of such members is either subject to special rules or is not allowed at all. This is related to the fact that marketing cooperatives need primarily to associate producers, collect their production and sell it in large volume, rather than seeking to increase capital, perhaps with the exception of investing in logistics, storage and transport. The production cooperative is more open to accepting such members, but does not fear any threats due to the strict application of the principles of equality and transparency. All surveyed cooperatives have rules in place to deal with

members who harm the cooperative, which is another important step to protect its independence and responsible operation. All surveyed cooperatives have rules in place to deal with members who harm the cooperative, which is another important step to protect its independence and responsible operation. However, both the prudence regarding the admission of non-producer-consumer members and the mechanism for the exclusion of problematic members are fully in line with the International Cooperative Principles.

Within the framework of democratic decision-making, the division of powers and competences between the individual bodies of the cooperative differs between the investigated cooperatives. In some cooperatives, for example, the General Assembly decides on the admission/expulsion of members or the conclusion of contracts, in others these matters are resolved by the board of directors. Nevertheless, in all cooperatives, the board of directors and the control committee are elected by the General Assembly, and individual elected representatives can be dismissed. Any complaints regarding the decisions of the Board of Directors and other matters are also resolved at the General Assembly. In the examined sample, there were two marketing cooperatives using weighted voting in General Assembly instead of one member, one vote. The others apply one member, one vote principle. However, those who apply weighted voting limit the power of the vote to a maximum value of 30% and 12%. The power of individual elected officials is limited by the emphasis on collective decision-making within the elected body, or the consent of one of the other officials. Based on the existence of this system of democratic administration, none of the cooperatives sees a reason for the existence of audits to control the work of elected officials, a mechanism for promoting the interests of minority member groups, the use of the services of an ombudsman, and with the exception of the production cooperative, none of the marketing cooperatives have set rules in case of a conflict of interest. A platform representing non-member employees also does not work in any cooperative, which may be related to the fact that marketing cooperatives do not even have tens of employees, and in the case of production cooperatives, roughly half of the employees are also members. Across cooperatives, activity at the General Assembly is greater especially when discussing strategic matters, but considerably less when discussing routine processes. A specific challenge for the day-to-day functioning of cooperatives is the very low interest in elected positions because, apart from the interests of some larger entities to have control over the organization to which they supply a significant part of their production, it is difficult to convince anyone else to hold a position with minimal financial remuneration. This is also one of the reasons why there was no record of limiting the number of terms of office of

elected representatives. Such lack of interest can lead to a challenge to fill important functions necessary for the day-to-day running of the co-op and culminate in the hiring of external managers, although this step is now resisted by all co-ops.

After examining the fulfillment of the principle of Member Economic Participation, it became clear that the selected cooperatives function primarily to fulfill the needs of members, be it sales, logistics, transport, in-kind, and not as private conventional companies for the purpose of generating profit, as is the case in many agricultural production cooperatives in the Czech Republic. Profit is usually set aside for future investments or to cover losses and is distributed minimally among members. The fact that profit is not the master but the servant can be considered with democratic decision-making as one of the most important differences between cooperatives and conventional private companies.

Cooperatives also achieved a high level of compliance with international cooperative principles in terms of the fourth principle of Autonomy and Independence. With the exception of cooperatives seeking to increase real investments, there is practically not much interest in raising capital from external sources, and when this occurs, these topics are properly discussed at the General Assembly or in the Board of Directors, where the responsible persons have limited powers. Since cooperatives, like the majority of Czech companies in the private sector, are primarily dependent on banks for financing, the consent of several members or bodies is usually required. However, due to the absence of a strong organized cooperative movement and a weak government-owned enterprise sector, cooperatives are usually dependent on conventional private enterprises for sales or supply.

Fulfillment of the Education, Training, and Information Principle depends primarily on the practical needs of individual cooperatives. If educational activities lack a vision of use within production or business, the cooperative does not usually deal with them. Individual cooperatives differ in the intensity and regularity with which they engage in educational activities, but as a rule it is an additional activity that is not firmly established in all of them.

Reactions to questions aimed at compliance with the sixth principle of Cooperation among Cooperatives were an illustrative example of the fact that there is practically no such thing as a unified and organized cooperative movement in the Czech Republic. None of the surveyed cooperatives is affiliated to any national or international cooperative organization and therefore does not allocate any funds to support the cooperative movement. At least certain interactions across cooperatives in the

framework of mutual trade, experience sharing and other activities, as well as the membership of the primary production cooperative within the secondary dairy cooperative in the examined sample, can be considered a positive fact.

Virtually no marketing cooperative takes the seventh principle of Concern for Community seriously. The only production cooperative develops regular activities in this regard and participates in cooperation with local authorities and civic organizations. It provides extensive support especially by providing its services. Compared to marketing cooperatives, the greater interest in the community can be explained by the probably more locally focused activity and also by the fact that it is a primary cooperative, whose members are mostly not companies or legal entities, but people from the region.

Based on a comparison of the five participating cooperatives, it can be said that they fulfill most of the basic features of a cooperative organization, with the exception of certain distortions such as weighted voting used by two cooperatives in certain types of decision-making. Cooperatives generally prefer a simple basic organizational structure without optional bodies, and instead of inventing sophisticated rules, procedures for non-standard situations and audits, they rely on proven democratic structures and transparency within the cooperative. However, the effort to save time and effort can have a negative effect, if it is at the expense of activities that can benefit the community in which the cooperative operates or the education of its members. In a situation where most cooperatives are not even able to sufficiently motivate their members to run for elected office, it is difficult to find, for example, motivation to actively organize programs for education and community development. The chairman of the fruit cooperative aptly mentioned that no one joins the marketing cooperative out of enthusiasm, but because of better expected returns.

The research results indicate that marketing cooperatives founded by producers for the purpose of sales have a greater awareness of cooperative ideas and values, but one can also find exceptional examples among production cooperatives. However, marketing cooperatives make up a small fraction of entities that are classified as cooperatives in Czech agriculture, their position is weakened by strong production cooperatives that can secure good access to the market even without membership in marketing cooperatives. Production cooperatives therefore make up the majority in Czech agriculture, and based on their approach and basic answers during phone calls, it can be seen that their awareness of what an authentic cooperative should look like is minimal.

It would be appropriate to adopt a new legislative definition of a cooperative enterprise that was linked to the International Cooperative Principles. Thus, for example, production cooperatives with a large number of members owning large areas of land could be viewed from the point of view of subsidy policy similarly to smaller farms, provided that they fulfill the cooperative principles and values of equality, democracy and transparency. Conversely, large cooperatives operating on the principles of a conventional private firm with one or a few owners would be viewed as large private firms and would not even be referred to as cooperatives. After establishing a clear definition of a cooperative enterprise reflecting the International Cooperative Principles, it is necessary to spread awareness about this type of business and ensure more favorable conditions for it as in developed countries if it properly fulfills the principles associated with the benefit of society as a whole. After establishing a clear definition of a cooperative enterprise reflecting the International Cooperative Principles, it is necessary to spread awareness about this type of business and ensure more favorable conditions for it as in developed countries if it properly fulfills the principles associated with the benefit of society as a whole. To ensure favorable conditions for the development of authentic cooperatives in agriculture from the bottom up, deeper changes related to rural development and attracting young people to village life are needed, but this will require solving the challenges of high business inputs and huge concentration land ownership through land reform that could acquire land for potential new entrants establishing smaller grassroots cooperatives.

## 8. References

- Ahado S, Chkhvirkia L, Hejkrlik J. 2022. Is the Success of Rural Cooperatives Conditioned by the Group Characteristics and Their Value Chain? Evidence from New Farmer Groups in Georgia. *The European Journal of Development Research* :677–702.
- Andrews AM, Limited A. 2015. *Survey of Co-operative Capital A publication of The Blueprint for a Co-operative Decade.*
- Bartlett W. 2022. THE POLITICAL ECONOMY OF THE COOPERATIVE MOVEMENT BEFORE AND AFTER THE FIRST WORLD WAR.
- Bee FK. 2017. COOPERATIVE EDUCATION IN AFRICA: OPPORTUNITIES AND CHALLENGES.
- Benson A, Sarah A, Composta E, Carabini C, Brander E, Romenteau A, Moxom J. 2020. *Cooperatives and Peace: Strengthening Democracy, Participation and Trust.*
- Chroneos Krasavac B, Petković G. (n.d.). 723 EP 2015 (62) 3 (723-735) COOPERATIVES IN SERBIA-EVOLUTION AND CURRENT ISSUES COOPERATIVES IN SERBIA-EVOLUTION AND CURRENT ISSUES.
- Conquest R. 1986. *The Harvest of Sorrow: Soviet Collectivization and the Terror-Famine.* Oxford University Press.
- Dave Grace and Associates. 2014. *Measuring the Size and Scope of the Cooperative Economy: Results of the 2014 Global Census on Co-operatives.*
- Doç Y, Tekdemir A, Üniversitesi -Tekirdağ T. 2017. A Tribute To Prof. Dr. Ali BİRİNCİ **9**:225–233.
- Ekberg E. 2008. *Consumer co-operatives and the transformation of modern food retailing.*
- Fraňková E, Johanisová N. 2017. 4.4.Social enterprises in the Czech Republic: context, practice and approaches (Eva Fraňková-Petra Francová-Nadia Johanisová).
- Gava O, Ardakani Z, Delalić A, Azzi N, Bartolini F. 2021. Agricultural cooperatives contributing to the alleviation of rural poverty. The case of Konjic (Bosnia and Herzegovina). *Journal of Rural Studies* **82**:328–339. Elsevier Ltd.
- Gertler M. 2016. *Synergy and Strategic Advantage: Cooperatives and Sustainable Development.* Available from <https://www.researchgate.net/publication/46534151>.



- Gideon Weigert. 1963. Arab Jewish Economic Cooperation in Israel. *International Journal for the Study of Modern Islam*:243–251.
- Green P, Bertrand S, Craig M, Kuria N. 2013. *International Co-operative alliance Blueprint for a Co-operative DeCaDe*.
- Hunčová M. 2006. THE POSITION OF A SOCIAL ECONOMY IN THE CZECH REPUBLIC AT PRESENT.
- Hartvigsen 2014 Land reform and land fragmentation in Central and Eastern Europe, Aalborg University, Department of Development and Planning
- Iliopoulos C, Valentinov V. 2022. Cooperative governance under increasing member diversity: Towards a new theoretical framework. *Scandinavian Journal of Management* **38**. Elsevier Ltd.
- Ingvild VS. 2019. COOP NORWAY CASE FOR THE NHH INTERNATIONAL CASE COMPETITION 2019 FOOD FOR THOUGHT.
- International Cooperative Alliance. 2015a. *Guidance Notes to the Co-operative Principles*.
- International Cooperative Alliance. 2015b. *The Capital Conundrum for Co-operatives*.
- Jeffrey Moxom, Mohit Dave. 2018. *Cooperatives and the Sustainable Development Goals: The role of cooperative organisations in facilitating SDG implementation at global, national and local levels*.
- Kovaleva T. 1990. *The Cooperative Movement in Russia*. University of Leiden.
- Launio CC, Sotelo MCB. 2021. “Concern for community”: Case of cooperatives in the Cordillera region, Philippines. *Journal of Co-operative Organization and Management* **9**. Elsevier Ltd.
- Lerman Z, Sedik D. 2016. *Agricultural Cooperatives in Transition Countries Regoverning markets View project Gender inequality View project*. Available from <https://www.researchgate.net/publication/312021126>.
- MacPherson I, Emmanuel J. 2007. *Co-operatives and the pursuit of peace*. New Rochdale Press.
- Ministerstvo práce a sociálních věcí. 2022. *Adresář sociálních podniků*.
- Pernes J. 2016. *Kolektivizace zemědělství v Československu v letech 1948 – 1960*.

- Piras S, Botnarenco S, Masotti M, Vittuari M. 2021. Post-Soviet smallholders between entrepreneurial farming and diversification. Livelihood pathways in rural Moldova. *Journal of Rural Studies* **82**:315–327. Elsevier Ltd.
- Slavíček J. 2021. From Business to Central Planning: Cooperatives in Czechoslovakia in 1918-1938 and 1948-1960. *Hungarian Historical Review* **10**:423–443. The Hungarian Historical Review.
- Svaz českých a moravských výrobních družstev. 2014. *Výrobní družstevnictví*.
- Tauger MB. 2006. Stalin, Soviet Agriculture, and Collectivisation. Pages 109–142 *Food and Conflict in Europe in the Age of the Two World Wars*. Palgrave Macmillan UK.
- Tsvetelina M. 2020. ICTOPIЯ EKOHOМИЧHOЇ ДУМКИ COOPERATIVE THOUGHT IN BULGARIA IN THE FIRST HALF OF THE 20th CENTURY. THE PLACE AND ROLE OF M.I. TUGAN-BARANOVSKY. New Bulgarian University DOI: 10.15407/ingedu2020.53.034. Available from <https://doi.org/10.15407/ingedu2020.53.034>.
- Tyl R. 1966. Disabled Persons' Co-operatives in Czechoslovakia.
- Vaquero García A, Bastida M, Vázquez Taín MÁ. 2020. Tax measures promoting cooperatives: a fiscal driver in the context of the sustainable development agenda. *European Research on Management and Business Economics* **26**:127–133. European Academy of Management and Business Economics.
- Vargas Montero M, Villalobos Rodríguez G, Araya-Castillo L. 2020. Measuring decent work in self-managed cooperatives: The costa rica case. *Apuntes* **47**:171–191. Universidad del Pacífico Press.
- Wright AW, Etheredge LS. 1971. THE SOVIET PRECEDENT IN CZECHOSLOVAK AND YUGOSLAV AGRICULTURE~ TWO CASE STUDIES OF COMMUNIST ECONOMIC IMITATION.
- Zer-Aviv A. 2006. ARAB-JEWISH COOPERATIVE COEXISTENCE IN ISRAEL/PALESTINE.
- Zimnoch K. 2018. The Role of Student Cooperatives in Education in Poland in the 21st Century. Pages 251–258. Available from [http://lufb.ltu.lv/conference/REEP/2018/Latvia\\_REEP\\_2018\\_proceedings\\_ISSN2255808X-251-258.pdf](http://lufb.ltu.lv/conference/REEP/2018/Latvia_REEP_2018_proceedings_ISSN2255808X-251-258.pdf).



## Appendices

List of the Appendices:

Appendix 1: Appendix title