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Farmer Cooperatives in Slovenia

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Mr. Peter Bird Martin  
Institute of Current World Affairs  
Wheelock House  
4 W. Wheelock Street  
Hanover, New Hampshire

Dear Peter:

Cooperatives exist almost everywhere, but there are infinite variations on the cooperative theme. In most of eastern Europe cooperatives are really enterprises owned by the state, and the "members" are just employees of those enterprises. In western countries successful cooperatives often tend to look and act like any other corporation. Yugoslavia has an unique version of socialism, and it also has a distinctive variety of farmer cooperative, a hybrid with elements of both the East European and western style cooperative.

The Republic of Slovenia, in the northwestern part of Yugoslavia, is the most "European" of the Yugoslavian republics, and has one of the strongest cooperative sectors. Cooperatives in Slovenia began 100 years ago, when Slovenia was part of Austria, as farm credit associations similar to those emerging in western Europe at that time. These credit associations became cooperatives, providing marketing services and farm supplies to their farmer members. After 1950 they were integrated into the new Yugoslav economic system. They now have a legal status equivalent to that of other self-managed firms in Yugoslavia, but they have maintained their traditional role as farmer cooperatives in the western tradition. They have also acquired some of the functions common to cooperatives elsewhere in eastern Europe.

There are now 80 farmer cooperatives in Slovenia, and 80% of the total farmland belongs to farmers who are members of these cooperatives. Each cooperative provides credit, feed, fertilizer and so forth to its members and contracts to buy a proportion of their products. The farmers own and operate their own land, and can choose to belong or not to belong to the cooperative, but there is no real competition between cooperatives, and unless he wants to sell his products directly to consumers, the farmer must sell through the cooperative.

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The Agricultural Cooperative of Velike Lasce, in the mountains southeast of Ljubljana, is a good example of a well-run Slovenian cooperative. Established in 1913, it was a small dairy cooperative with pre-war milk deliveries of only 100 liters per day, but it merged in 1959 with three other cooperatives. It now handles 4500 liters of milk per day, but this is only one-third of its total business. Handicrafts and forestry production each comprise another third of the cooperative's activities. The cooperative returns 80% of the profits from its various business activities to the farmers in the cooperative, and retains 20% of the profits to cover overhead, provide extension services to members, and build roads and sewers in the district. It also operates retail stores in the district, where it sells some of its members' products.

All of the 458 farmers in the district belong to the cooperative, but not all of them participate in every type of production: only half of them produce handicrafts. Velike Lasce and its members have prospered partly because of these handicrafts. The cooperative found a marketing outlet for handmade wooden spoons, which were a traditional handicraft in the district, by approaching Emona, the largest agribusiness "kombinat" in Slovenia. The members make these spoons, using beech wood they cut on their own land, sell them to the cooperative, and with Emona's assistance the cooperative sells them to Progreso, a company in New York. Since electricity was extended to the villages 15 years ago production (and profit) has boomed, with the aid of power tools. A typical farm shop can produce as many as 60,000 spoons per year, and Progreso pays well by Slovenian standards. One has the feeling that America should be awash in wooden spoons by now, but apparently the market is still good.

Forestry and handicrafts are less important in the low-lying regions outside the mountains. The town of Vrhnika, southwest of Ljubljana, is headquarters for a cooperative that specializes in the dairy business. The cooperative has produced cheese in its own factory for 80 years. Every day they collect 13,000 liters of milk from the members of the cooperative, and another 12,000 liters from neighboring districts, ferment it, press it into two dozen large wheels, and begin the curing process that will turn these wheels into Emmentaler cheese. This plant is a small one by industry standards, but it will probably stay small. Currently there are 50 farmers in the cooperative who supply more than 100 liters of milk, each, per day, while the rest are smaller producers. Most of the cooperative's quality problems occur with these small farms, so the supply problems would multiply if the cooperative added more capacity to the plant.

Even if the supply of milk were adequate for expansion of the cheese plant, the cooperative doesn't really have the option of increasing its current membership, unless it merges with a neighboring cooperative. Each cooperative serves a well-defined region and set of farms, and in general the cooperatives don't compete with each other, or have any competition from other private or public sector agri-businesses. Each one holds a local monopoly on the supply of farm credit, commercial feed, fertilizer, crop insurance, and other production needs. It is also the only market outlet for its members, unless they want to bring their own produce to public consumer markets in the cities. For example, farmers in the Vrnnika cooperative can't sell wheat directly to Slovenia's one large grain trading company: the wheat must go first to the cooperative.

The larger and more progressive farmers are generally the most enthusiastic supporters of cooperatives. They are able to borrow money not only for new barns and equipment, but also for houses and other domestic needs. The cooperatives seem to be most effective in meeting the needs of this group of farmers. The smaller farmers are more likely to try to make it on their own, without the assistance of the cooperative.

Cooperatives in Slovenia also play a key role in organizing agriculture. They are a conduit for information and advice, both to and from the farmers. They provide extension services, through agronomic specialists in the cooperatives, to advise farmers on technical problems. Through the Central Union of Cooperatives in Ljubljana the farmers can in turn apply pressure on political leaders. The most recent political success of the Central Union is passage of a new law that extends pension benefits to members of cooperatives. In the past any member of a farm family could join the cooperative, but there was no particular reason for anyone other than the head of household to do so. Now there is a strong incentive, and as the new law takes effect this year, cooperative membership will likely increase substantially. It's too early to tell what impact this will have, if any, on the cooperatives themselves. But this is a significant expansion of the role of cooperatives in rural areas, and it will help to expand the role of the private farm sector in Slovenia.

These political activities of the Central Union of Cooperatives are very similar to the lobbying efforts of American cooperatives. In many respects, Slovenian cooperatives do resemble American farmer cooperatives. They

represent the interests of private farmers, self-employed owner-operators, and each cooperative tends to specialize in a particular commodity. American cooperatives provide credit, production inputs, marketing services, and some agronomic advice to their members, as do Slovenian cooperatives. But an American farmer might belong to several cooperatives, that is, a production credit association, a supply cooperative, and a marketing cooperative, and a Slovenian farmer belongs only to one. In this respect, the Slovenian cooperative is closer in spirit to other East European cooperatives, and the close relationship between cooperatives and the state strengthens this resemblance. Private ownership of farms is still the key feature of the Slovenian system, however, and this places Slovenian cooperatives much more in the western than the eastern European tradition.

Sincerely,



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