

## COOPERATIVE MOVEMENTS SETTING EXAMPLE FOR CLASSIC TEAMWORKS OF COUNTRYSIDES IN TRANSYLVANIA

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### ABSTRACT

Cooperative movements assured economic welfare of villages, led them to the way of becoming real citizens in the first half of the XXth century. By that period we can say that for improving competitiveness advancing coops, and their social role is necessary. In an active coop continuous modernization is needed. This is due to global challenges and multinational companies, and also smaller dominant ones. This is **why Hangya cooperative organisations** are to be remembered for being the first in the Carpathian basin from the late 19th century.

Manufacturers can realize their interests by building their own organizations. This is **the cooperation of separate farmers**, today dealing with very complicated transnational organizations. Realizing these may be the way to improve livings in the countryside, especially in the agriculture. Joining the following forms of groups is a unique and necessary way to reach these.

By this the conclusion is: there must be an integrated network system for production branches controlled by coops with cooperative tenets in Transylvania. **For this historical examples of helping farmers remain separate, reach markets must be known and adopted into today's circumstances.**

### INTRODUCTION

The agricultural matters of the last of the countries entering the extending European Union, Romania deserves outstandingly great attention in Hungary due to our proximity, economic views and solidarity towards Hungarian people on the other side of the borders. While trying to make Romania advance up to other countries Hungarian experiences

generated during our advancements have raised more times. The Hungarian agriculture has mostly followed the forms of Western-Europe, still its structures of owning remained different. This way has been intense, consumed much industrial products, needed great payouts and polluted the environment. Romania has used a much more extensive way.

Transylvania is ecologically different from other parts of Romania, due to its geology affect manufactures and session in markets. Relatively small territories used are due to historical events. Uneven landscapes and undeveloped physical and market infrastucture established self-supplying farming and partially producing for selling.

With this overview I try to examine the options of using well-proven forms to cooperate of Western Europe in Romania, especially in its agriculture. Hangya cooperative organisations are to be remembered for being the first in the Carpatian Basin from the late 19th century. Classical forms making countryside-economy improve were twice hit in the 20th century:

1. Forcing the socialist forms of cooperative manufacturing in the 50's, what destroyed the founds of manufactures in smaller regions and prospering farmers. This revoked the meaning of cooperativity and intentions to work for a bigger welfare. So no selling, transforming, consuming or credit network was created during the 90's.
2. In the early 90's private farming was restarted, still farmers were in a worse situation than a half century before because of failure of tools and animals of burden, poor lands given to them and empty stables, storehouses. This uncompetitive way was preserved for 15 years by the success-agricultural politics, which was not beloved by farmers and is today declared to be outdated.

Coops have a long history in Transylvania, the HANGYA cooperations proved useful since the 19th century until the Hungarian system was nationalized in the middle of the 20th century. Manufacturers can realize their interests by building their own organizations. This is the cooperation of separate farmers, today dealing with very complicated transnational organizations.

Realizing these may be the way to improve livings in the countryside, especially in the agriculture. Joining the following forms of groups is a unique and necessary way to reach these.

## MATERIALS AND METHODS

### *Economic circumstances of cooperative movements*

Smaller ways or farming (due to uneven landscape and market sessions) are a disadvantage for selling products and keeping competitive. The landscape creates smaller quantities in agricultural familiar farming. In regions where there are fields to farm, especially modernization, but supplying and selling are still problematic. Useable fields are so seper-

ated that greater deals of producing would increment their payouts and might draw them to failure. This is why there are mostly familiar groups which give the option of separate progressing. Increasing effectiveness can be begun by decrementing the calculation for input tools (and services). The groups require:

- Bank loads,
- To receive raw materials,
- Mechanized services
- To unify products,
- To receive goods for home.

It has the advantage of decreasing investing and working payouts, the most suitable machine can be bought for every role, and the investing pays return in short time. This improvement makes modernization of machines available. Members can synchronize these among one another so all roles shall be filled with minimal costs. The great benefit from this cooperation is that the charge does not leave a certain community.

#### *Judiciary bases of Romanian cooperations (1)*

Effectiveness of productive cooperation muchly depend on its controlling system including its inner rules and the conditions of reaching sources. Not synchronizing them may create diversion. Should members' deed of giving up their autonomy not be considered, they would lose their competitiveness. In the „neutral” competition coops have obvious advantage with today's short duration interests.

Two laws referring to Romanian agricultural coops exist. Beside the universal law of cooperations (year 2005 law 1) the law of agricultural cooperations exists too (year 2004, law 566). In the followings I shall examine the universal one, the other one says different at some points, but essentially they are the same.

In the law (2005.1.) **the coop („szövetkezet”) expression was exchanged for cooperative group („szövetkezeti társaság”)**. Its tenets are equal with the classic cooperative principles: volunteer and opened cooperation, democratic control, members take part of farming, limited shares of profit. The purposes for which coops can be founded are: small-scale, consumer, seller, agricultural groups, fisher, transporting and forestry groups.

The EU conformity of this law is represented by the meaning of coops: a coop is a community created by the free will of private and artificial people, it serves their deals in economy, culture and society, owned and controlled by its members by cooperative tenets. At least 5 people are required to found one. Investing money is compulsory, though other investments are allowed with it. Funds of coops are different, but must be over 500 RON, one member ticket must be worth at least 10 RON. One member may possess maximum 20% of the total fund. The group shall count as an artificial person since it is registered by the law 359/2004., and this shall be published in the VII. issue of Románia Hivatalos Közlönye by the order of court.

By these can be told that joining a coop does not mean too much paying out, paying in nature supports poorer people in smaller settlements. Limiting sharing fund should prevent anyone from being dominant, or prevent a smaller community in cases of bigger coops. Registration of foundations, and money-transfers taking more than 10% of total fund improve reliability and judiciary safety of coops.

## RESULTS

### *Privilage of election, structure*

Democratic revision is mirrored by the fact in primary coops every single member has one possibility to elect no matter how many ticket he/she has. By its rules members all have the following privileges: determining order of sessions, voting in them, electing leading units and working in them, asking leaders for information, asking for extraordinary sessions, suing orders of sessions, quitting coops.

Stability is increased by a rule, which determines a period of time within what members cannot quit, and which must not be longer than 3 years. Members dealing with not ethical manners (ex. Joining a competitive group, separately competing the coop) can be close off the cooperation by a session, still the member is allowed to his share in the present year.

Judiciary relations between a member and the coops are defined by laws: relation of fortune, of labour, of commerce. Members basically use their privilege of voting in sessions. The ordinary session meets at least once a year, elects the director, work leaders, censors, chooses the objects of leaders, present year's salary for work leaders and censors, decides how to generate and apply sources. The law cares about democratic controls, so only members inside sessions have the power to determine coops. Extraordinary sessions may decide of: changing judiciary form of group, incrementing, decrementing fund, uniting up with other groups or dismissing and allocating sources of a group.

Working processes and handling fund is revised by only a single director or a leading group elected classifiedly.

### *Owned rates, sharing profit*

A member is in financial session with a coop, realized by tickets. Members get them in charge for their registered investments. A ticket is a registered, printed material having a same value, not shareable, cannot be transferred to others, does not grow interest. The shareable fortune of a coop is the total of the investments from members, and their shares.

All members get shares from yearly profits in relation with their inputs. This law is not synchronized to West European ones either. In several countries of the EU shares are calculated by transactions toward the coop. This method benefits those, who had more transactions, so helped to maintain the coop, and used its services more. Romania likely

wanted to prevent arguments about that who take part in activities more than others should have bigger share. At the same time the democratic control is to prevent richer members from domination.

### *Communal wealth and its allocation*

The wealth of a coop has an allocatable and an unallocatable part. As it is in the EU too, at least 5% of the yearly profit must be paid into a compulsory supply until it reaches the one fifth of the total wealth. In the founding documents compulsory and free supplies' handling can be fixed. This allows coops to handle some supplies by their will, it is also like in many EU-countries.

### *Applying only investing units, coopearting with non-members*

A coop may give obligations with the maximum value of 30% of the registered and input wealth. These obligations are physical materials growing interest and can be transfered. The value of these are paid by the coop making them when it is time to. This tries to satisfy the fund requirement of coops. Allowance to transfer them is important for non-member investors. The cooperative rules limit the maximum paid interest to be equal or less than the 10% of the reference interest determined by National Bank of Romania.

### *Organisations of counties and in the country*

Cooperative communities may freely unite by the decision of sessions. A secondary group is an artificial person created from primary coops and other private and artificial people. An association can be of two or more coops of the same or different forms. A fellowship of a county can be created from coops and associations having headquarters in the county and belonging to the same form with the condition: the directly or indirectly joining coops must represent at least the 45% of the same formed coops. When making an association, coops invest money, and pay in nature without the will of getting it back.

By the law 31/1990. associations and fellowships can found economic communities, subcompanies. This option is a great advancement toward so called product-oriented coops, because in this way complex transforming, selling infrastucture could be built with flexible forms, but under cooperative controll. In subcompanies paying interests is not limited, that is why it is better to found selling and transforming units as subunits (with strict revision).

All three levels of cooperations are controlled by laws. Laws force old forms to renew themselves in order that higher levels serve primary coops' interests indeed, and primary coops can make higher level (county, country) organizations.

### *The rule of the state*

The law year 2005 number 1 is universal, so it cares about rights of purchasing immovables, in case of renting them preference, and integrating knowledges about coops into education. The law year 2004 n. 566. contains direct financial rules:

- Makes groups in its range tax-free in their first 5 year,
- Profit-tax decreased by 20% in this period,
- Assures coops have acces to internal and international sources,
- Sets tool and machines for agriculture free of toll.

## RESULTS AND DISCUSSION

*What do cooperations mean in the EU?*

*- Basic tenets of cooperation*

In the making laws for coops is a newer advancement, until order 2003/1435 was published, only national control was there. International coops affect laws too. Despite of no synchronization 'till very recently did not result in huge differences. The tenets of the International Cooperative Alliance (ICA), were solidly validated in the 15 member states.

Coops progress with the following basic principles in the EU:

1. volunteer members, and opened membership,
2. democratic revision,
3. direct, personal presence,
4. structural autonomy, independence,
5. education, re-education, informing,
6. fellowships of coops.

These serve to realize cooperative values (self-support, democracy, equality, reasonability and solidarity). These tentes are formally present in East European countries, still the cooperative system of new EU members is far different.

The basic difference is structural, and roots deep in economic and social matters. The fund of West European agriculture are main and part time farmers doing agricultural activities. By sectors they still group mostly in coops to sell their goods and get tools needed. While in West Europe coops mean slaughterhouse, transforming unit, granary(mill perhaps), vegetable-fruit market, in East Europe they are a community primarily producing agricultural goods, separated from its owners, employing them.

*Figure 1. Relations of producing*

### **East-Middle Europe**

Production	Buying up	Transforming	Wholesale trade	Retail trade	Consumer
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*Atomized manufacturers*

### **International practise**

Production	Buying up	Transforming	Wholesale trade	Retail trade	Consumer
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*Cooperative group of farmers with separate working*

In organizing cooperative systems are important:

- Obvious differentiation from fund-oriented groups, social preference,
- Democratic leading community,
- Real volunteering, and taking responsibility
- Reasonability by separation branches.

Active coop system requires a modernized classic one. Globalization challenges, so as multinational fund, or commercial chains dominating may make improving cooperation and competitiveness of groups. This is why developing classic forms is necessary, and it is present in the HANGYA.

### *Supporting coops in the EU*

Common Agricultural politics are not to prefer one coop, so no group can be far differentiated from others. The politics try to improve market shares of farmers. The EU has been supporting selling-oriented groups since 1970's. This has been revoked for the 15 member states, but since 2000 very poor shared coops can be supported. In cases of new member states considering the difference founding and progressing coops have still been supported, which is still in the budget for the period 2007-2013.

Coops' judiciary control is shown in the table below.

*Table 1.* The EU control of cooperative groups

1. 1360/78/EEC order (23. June. 1978.)
2. 220/91/EEC order (31. January. 1991.)
3. 952/97/EEC order (2. June. 1997)
4. 2759/99 EC order 6. paragraph
5. 2000/C028/02 Directions point10 (1. February. 2002.)
6. Agreement of developing member states in Copenhagen

The support gives 3-5% yearly decreasing supply for coops to create their marketing, its costs, administration, for 5 years. This is present in all the sectors in which national agricultural politics intend to inspire coops. The vegetable-fruit sector does not support coops directly but controls its markets.

**Coops can fortify themselves on other ways too, by their own tools.** Safety of food and its improvement is outstanding, by this trust of consumers can be gained. Geographic indicators and origin security are also important having great marketing value.

### *Options to apply Western-European forms of cooperation in Romania (3)*

#### *Cooperative forms*

Following the changes of government the most urgent problem was that the chain between producers and consumers was torn apart. This is to be reunited in Romania. This sector is worthy to examine at once because nearly half of the Romanian population re-

sides in smaller settlements, farming and wanting to reach goods and manufactural input tools in their proximity.

In the 19th century financial and consumers' cooperations raised in villages. After the 1950's these unified. In the 1990's drastically decreasing consuming and value of money resulted in many financial and consuming coops were shut down. These changes generated the false belief of all classic forms and methods are out of date, new are needed. The two forms mentioned above were victims of this.

### *Financial coops*

These are capable to provide agricultural loads, they can become the farmers' own unit under their control. Agricultural loads need special communities, resident near the farmers for only in their proximity can specialists revise them day by day. Building a separate financial community is the way to create a system which gives the same quality in every settlement, these may be the bases of building a financial group in the background. Every European bank, so cooperative ones too are under the press of the world wide competition. Ways to involve outer funds from members and other are mortal, but while reserving its tenets.

These units to be going to improve are to inform manufacturers about banking methods. Its faith depends on whether people can understand why to put their savings into coops helping to join them into world's economy.

### *Consumers' coops*

The uneven landscape of Romania, information-moving and travelling problems harden the joining of countryside to metropolitan economy. Consumer's coops are to solve this. They work in the end of the farming chain, where coordinating may cause problems. In smaller settlements, or where little number of people live learning consumer's needs require so much payout that companies do it with a hope of huge profit.

The Romanian countryside-economy is in a specially difficult situation, so for shorter time it is vital to reconnect producing chain elements, and coordinate them. This makes funds investable in proximity, and makes market for agricultural goods. This makes the population feel they support agriculture, their biggest warranty of existence through financial and consumer's coops.

Romanian consumer's coops have a long historical background. To improve competitiveness services of commerce: extending list of goods, making better image for shops, reeducating specialists, logistic methods' modernization and cooperating with other similar groups.

### *Security of incomes and population-reserving power of the countryside*

**Gathering funds into common budgets and cooperating may save Transylvanian villages.** Growing wealth and economic power of them may be the only reserver of Hungary.

ian communities there. The fact of the economy is above all in reserving livings must be admitted, otherwise people shall fall under minimal living levels, and communities be torn apart. Regionalism, views of small districts may have positive effects, global thinking prevents seeing the lowest unit of economy: manufacturers.

As international examples show either in West Europe, America or Japan, 69-90% of countryside-farming happens in coops (in the EU and North America coops are currently the most significant financial companies.). Today's farming in Transylvania is a direct opposition to its past or today's EU farming. Romanian hungarian communities are interested in that the whole Romanian economy pass the conditions of civilized economies during its modernization, this can be achieved by only carefully organization. The difficulties of the hungarians in Romania can be eased by an advanced coop-system. This is why their old experiences, and modern EU methods are needed applied in making coops which can dynamically handle resources.

For example if several villages make a cooperation, it could handle gathering, calibrating, packing, market researching, applying regional smaller manufactories. Manufacturers only have to farm. This could create marketing shares, and increase selling transfer with bigger market chains too. They however need warranty for quality and packed goods as national agreements say. This could be the task of the mentioned coops. They are nearly completely missing in Transylvania. Separate farmers are incapable to apply for today's quality trends.

Besides coops are some of those few who are close to farmers, village communities, cultural values of the population. A coop basically serves the interests its members, its function can be completed by validating the economic interests. By other words a coop is working well if its members gain direct or indirect advantages from it.

The agricultural politics of the EU is going to put competitiveness in foreground in time. The competition is won by the ones who can produce with the less costs, in the best quality, and can sell it in the most paying way. So those can remain in existence who can satisfy the requirements of the globalizing challenges and consumers in quality, prices and marketing.

Marketing is based on gaining and keeping trust of consumers. Of course it is different in local markets, but without personal takecaring it cannot be done. Security of different goods mean also different, but without cooperation and good organizing it will not work. Producing the needed quantity is also important. So farmers producing less are in a disadvantage against those who can react to needs more flexibly. From this farmers can break out only by coops.

In the globalizing competition fight of prices has intensified. Those will pass who can keep prices of production low reserving the previous conditions. **In the separate parts of producing chain profits are different, so who does not control the whole has great disadvantages in selling, especially if that does not happen to consumers directly.** Farmers can have losses on buying tools needed for farming if they buy them in small quantities with poor conditions. These can barely be compensated by lowering selling prices, the right way leads through cooperative deals.

As the previous matters, sending products to market is also so problematic for private farmers, only the wealthier can solve it. So are timing transports, assuring warranties. So profit can be gained only through matters above.

Manufacturers can defend their interests only by an own interest validating unit. This is a cooperation, able to react globally to global needs through borders. Caring about interests is the way to improve living levels and population maintaining power of the countryside.

## CONCLUSIONS

Without competitive cooperations global market needs cannot be satisfied. Building the system needs outstandingly synchronized team work, organizing, prepared people, informed people, preference of other progresses in service of good of the population.

The extending European Union gives a chance to poorer units break out of dead-zones. Only real marketing farmers can gain these supports. Both economic workers and the state are interested of making good conditions in Romania considering the followings:

- Due to big part of population resides in villages, towns, coordination must be improved. This can be moved forward by leading producing processes around in the same region if possible
- The Romanian National Countryside-Developing 2007-2013 program includes founding cooperative farming societies. This may help those coops whom members can be private farmers, or cooperative groups. To reach it these groups (coops, tool using fellowships) must be created the soonest as possible.
- The National Countryside-Developing program supports investments of coops. Separate amounts of money should be spent on modernizing transforming units controlled by coops to improve their position in markets, and assure profit.

These advancements may not only improve competitiveness, but even countryside infrastructure and population reservation and employment rates.

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