Agricultural Cooperative Organizations in Greece throughout the 20th Century: A Critical Overview

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Abstract
The first centenary (1900-2000) of the establishment of agricultural cooperatives in the Greek countryside is an appropriate occasion for offering a critical retrospective of their operations during the 20th century. Initially, the causes of their delayed appearance and establishment in Greece are investigated. Subsequently, the large extension of agricultural credit, as well as the constantly increasing involvement of the government and banks in their internal affairs are described and analyzed. This analysis also focuses on the particular interwar conditions that favored the protectionism of the agricultural economy and the “State’s supervision” of cooperatives, an essential element of agrarian policy, even during the first post-war period. Finally, we examine developments relating to the cooperatives during the transition from dictatorship to democracy, namely, the subsequent legislative interference, doubtful investments, as well as the transformation of the organizations into an arena of self-interest for political parties and their leaders and into a means of implementing government social policy.

Introduction: The delayed appearance of cooperatives in Greece. From Almyros to Law 602/1914

November 2000 marked one century of the Greek agricultural cooperatives’ presence in the economic and social life of Greece. On November 12th 1900, the first agricultural “cooperative” was established in the village of Almyros in Volos, named the Mutual Shareholders’ Agricultural Fund, in the form of an association, as legislation regarding the formation of cooperatives was non-existent at the time. Although its foundation came much later than that of cooperatives in other European countries, it
signaled the beginning of agricultural cooperatives in rural Greece. In fact, as was proved later, these institutions constituted an important means of coordination of agricultural production as well as a tool of external intervention and promotion of governmental agricultural policy.

The late appearance of cooperatives in Greece (by the standards not only of Europe but also of the Balkans) is associated with the delayed capitalistic development in the agricultural sector, as well as the particular form of social structures at the time and the representation of agricultural interests. Agricultural reform in Greece was a long, drawn-out process, which lasted almost a century (1830-1922) and was substantially influenced by the continual annexation of territories. Consequently, Greek agricultural reform was delayed and was essentially completed during the 1930s. This determined the content of farmers’ demands and claims in the 19th century and principles in the 20th, typically placing emphasis on the pressing question of land distribution to tenant farmers and assigning much less importance to cooperative organization.

Another factor of the delayed cooperatives development in Greece was the “indirect” means of representation of agricultural interests and demands in the country. In other words, this representation was not effected directly through any farmers’ organization (non-existent at the time) but mainly through the incorporation of the agricultural sector into the central institutions of the bourgeois government (Sakellaropoulos, 1991). In this way, the representation and organization of their interests were not the result of an organized, agricultural, cooperative movement, but of political power aimed at agricultural alignment with government policies. This process was intensified by the non-existence of any organized agricultural movement, which could have promoted its own demands and priorities. The sporadic rural revolts, either in the regions of small landowners in Old Greece or in the areas of large landowners after the annexation of Thessaly (1881), were rather the exception to the rule. Moreover, the very foundation and survival of the cooperative of Almyros was not the result of any organized agricultural action (which at that time had as its main goal the distribution of land to tenant farmers) but mainly the work of the intellectuals Grigoriadis and Mixopoulos and later Iasemidis.1 Very few in the rest of Greece followed the example of Almyros and no other attempts at founding cooperatives in the 1909-1911 enjoyed lasting success.2 Thus, on the eve of State intervention in cooperative operations with the enactment of Law 602/1914, rural Greece did not have a powerful and extensive cooperative network which could have influenced the ensuing developments in the agricultural sector.

1 Functioning as an “active minority” (Charalambous, 1993:87), these intellectuals needed only to “catechize” the rural population and encourage them with their decisiveness to resolve their uncertainties. The survival and continued operation of the Almyros cooperative seems exclusively to be due to their persistence and courage (Koliou, 1996:101-102).

2 Iasemidis noted in 1909: “It was, unfortunately, in Greece the sole example of an agricultural cooperative at a time when in Rumania there were 100, in Bulgaria approximately 90 and in Serbia roughly 150, not to mention the 10,500 in Germany and nearly 700 in Italy” (Koliou, 1996:120).
Cooperatives in Greece emerged not as a mature demand of farmers but as an expression of the government’s desire to create new means for facilitating implementation of agricultural policies. At the end of 1914 this desire was expressed in the proposed bill (which was to become Law 602) put forward by the Secretary General of the Ministry of Finance, A. Mylonas, and his colleagues belonging to A. Papanastasiou’s “Sociologists” group. This initiative was a part of the more general spirit of “bourgeois modernization” (Mavrogordatos, 1992:9-11), that is to say, of a wider context of basic intervention and change which dominated Greek society at this time, induced by the important developments in national and international affairs, as well as the annexation of new territory. This conception marked a new direction for the Greek farmers, which emphasized the insufficiencies in traditional agricultural policies and the need to extend credit to the majority of the rural population in such a way as to ensure the interests of the banks. The enactment of Law 602/1914 filled this gap and was finally imposed “from above” on Greek cooperatives, constituting a characteristic example of an externally imposed institution in the agricultural economy.

This study, moreover, pursues a critical approach regarding the operation of Greek agricultural cooperatives after their establishment with Law 602/1914. It particularly examines the definitive role of the government and the banks in their development during the interwar years, as well as the first post-war period. In addition, it examines the evolution of cooperatives after the fall of the dictatorship (1974) and their entanglement with the State and political parties, a factor which strongly determines their current operation.

Agricultural cooperatives in the interwar period (1915-1940)

The development of agricultural cooperatives in the interwar years is related to the rapid changes, for the better, in agricultural conditions taking place at that time. Under such conditions the enactment of Law 602/1914 led to impressive coordinated development of agricultural cooperatives and agricultural credit in the whole of rural Greece; 4,150 cooperatives were founded up to 1926, belonging to 39 provincial cooperative unions and representing nearly 270,000 farmers (Avdelidis, 1976:60-61). This increase created an extensive network for the promotion of the government’s agrarian policies and a basic mechanism for limiting usury and expanding credit.

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3 Radical agricultural reforms, the settlement of refugees in rural areas, the establishment of the Ministry of Agriculture in 1917 with subsequent proliferation of autonomous agricultural organizations, the extension of subsidies by the National Bank of Greece to the rural population after 1915, the founding of the Agricultural Bank in 1929, the draining, irrigation and reclamation works initiated in the countryside, the policy of “self-sufficiency,” the increase in cultivation of exportable crops (tobacco and cotton) at the expense of “traditional products”: these are some basic features of the period in question, when by means of subsidies and price reductions on inputs the government injected funds into the agricultural sector.
availability, as well as providing basic inputs at a low cost (fertilizers, pesticides and
selected seeds).

Also, according to the provision of Law 602/1914, agricultural cooperatives acted
as guarantors for loans granted by the National Bank of Greece (NBG), enabling thus
farmers to use their crops as collateral. In this way, the NGB located a “safe” sector
in which to place its capital, protected from the competition of other commercial
banks (Kostis, 1987:160). This resulted in the impressive increase in bank loans ex-
tended to agriculture by the NBG from 1915 to 1929 and by the Agricultural Bank
(AGB) from 1930 to 1940. The contribution of the cooperatives to the impressive
extension of farm credit was definite, since agricultural credit rose from 4.8 percent
of total credit in Greece in 1915 to 75 percent in 1929. Furthermore, the small farm-
ers became members in the cooperatives en masse, mainly to have access to
inexpensive credit. They also realized that collective organization would lead to im-
proving their economic and social position. To quote a widely held view: “they did
not have a great sense of solidarity or collective obligation but regarded the organiza-
tion as a new means of acquiring credit” (Mazower, 2002:164).

An important factor in the nature of the agricultural cooperatives was the fact that
their activity was limited to that of a lending agent. They played an intermediary role
on behalf of the banks, denying themselves all possibility of autonomous develop-
ment. Three out of four cooperatives at the time were exclusively involved with
credit. Furthermore, certain cooperatives used the title as a pretext, purely for the
sake of facilitating the flow of capital to producers. This prevalent one-dimensional
character of the cooperatives was not due only to their weakness in developing pro-
duction but was mainly the result of extensive intervention by the National Bank and
the Greek government, which both attempted to take advantage of this fertile move-
ment and to confine it within their own strategies (Kapogiannis, 1999).

The National Bank’s intervention came as a result of the new legislative frame-
work for issuing agricultural loans created mainly with the enactment of Law
2184/1920 “Regarding Agricultural Collateral.” A basic change was brought about in
the way credit was made available. The National Bank no longer issued loans to col-
lectivities but instead lent its money on a case-by-case basis, making each farmer
personally responsible. The introduction of this practice made it easier to by-pass
the board of directors of the cooperatives and to deprive them of any decision-
making power, thereby weakening the sense of collective responsibility. This devel-
opment led to the deterioration of cooperative operations. The attempt of the
government to control the cooperative movement was also strengthened by the en-

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4 Thus, whereas in 1915 the total amount of agricultural loan revenue made available by the National
Bank was 4,685,000 drachmas, by 1929 the figure had risen to 1,613,333,000 drachmas. In 1939 the
amount lent by the Agricultural Bank was 4,316,400,000 drachmas.

5 Klimis notes that “the National Bank of Greece is totally covered, because the cooperative’s role as
lending agent has been changed from that of a responsible party to that of a mechanism performing only
preparatory work […] leaving the National Bank solely responsible for decisions to extend credit to
individual cooperative members” (Klimis, 2001:29).
Agricultural cooperatives in Greece

The enactment of Legislative Decrees of 31/5/1919 and 28/11/1925 regarding the State Supervision of cooperative organizations which increased the authority of the agents of external supervision and limited the corresponding authority of cooperative administration.\(^6\) The result of this was a decline in activism in the cooperative movement, with credit-oriented cooperatives acquiring predominance at the expense of those of the “productive” type. In the 10-year period 1923-1933 the percentage of “credit” cooperatives rose from 70 to 82 percent of the total, with a corresponding decrease in the percentage of “productive” and “supply” cooperatives (Avdelidis, 1976:61).

The foundation of the Agricultural Bank of Greece (AGB) in 1929 satisfied a long-standing demand of the rural population for the creation of a purely agricultural bank and gave hope for the development of a balanced relationship amongst banks, farmers and cooperatives. However, the relationship of the new bank with the cooperatives was actually not better than that of the cooperatives with the National Bank, as the close-dependence relationship remained equally strong. The Agricultural Bank would henceforth play a central role in cooperative operations “as a privileged partner, creditor, controller, associate and advisor” (Petmezas 2002:236-237), a role of ever growing importance during the interwar period. The government’s and the Bank’s involvement in agricultural cooperative affairs intensified even more during the 1930s due to the policy of increased government intervention in the economy and particularly agriculture as a result of the worldwide economic recession. This intervention took the form of autonomous agencies of intervention and regulation of production and marketing, and gradually developed a protection framework (Sakellarakopoulos, 1992), which vastly influenced the development of both the agrarian economy and cooperatives.\(^7\) The enactment of anti-democratic laws and decrees (such as Law 5289/1931) was a part of the political system’s general tendency towards authoritarian methods of governing. In view of this situation, the cooperatives had no choice but to become a part of an organized State-corporatism, something which happened without delay in light of the climate devastating liberal democracies in the 1930s.

Agricultural cooperatives in the post-war period (1945-2000)

During the first post-war period (1945-1967) the agricultural sector continued having particular importance for the Greek economy. Being responsible for 86.4 percent of

\(^6\) It is obvious that the implementation of external – and specifically governmental – supervision, in violation of cooperative principles of self-government, was directly instrumental in the State’s acquiring dominant political power over the cooperatives, in effect becoming their custodian.

\(^7\) Government intervention increased with the establishment of autonomous agencies, which were responsible for exportable agricultural products, as well as those for domestic consumption. They focused on the concentration of products, the absorption of agricultural surplus and the assurance of base prices.
the total exports in 1955 and 73 percent in 1966, it constituted the basic source of foreign exchange of the country’s development effort at the time. At the same time, a large percentage of the population was in agriculture. In 1961 it reached 3,674,592 (the country’s total population was 8,388,553), and during the same year the total number of working farms reached 1,139,379. However, during this same period there appears to be a continually increasing discrepancy between the rural and the bourgeois sector of the economy because the Gross National Product increased at an annual rate of 7 percent, whereas the corresponding percentage in the agricultural sector increased only at a 3 percent annual rate. Furthermore, the share of the agricultural production out of the Gross National Product decreased constantly in opposition to the ever increasing contribution of the processing sector due to the more rapid growth of the bourgeois sector. Likewise, the per capita income of the farmer was quite low in comparison to the overall total income and that of the mid-income groups. It is evident that priority was given to the development of the middle-class economy by the governments of the interwar period; in other wards, to industrialization and mainly to the creation of public utilities as a necessary support. Arguing that the country was lacking in wealth-producing capital, the government supported capitalist development based on large sums of capital. Public works were founded with foreign loans and domestic bank deposits while various institutional and economic measures were taken to boost industrial development to the disadvantage of the agricultural sector. This restrictive policy and the drastic decrease in agricultural income resulted in the vast exodus of the rural population to large urban centers and abroad in order to ensure their survival.

In view of this economic policy, which put agricultural development at a disadvantage, the cooperatives’ opportunities for action were clearly limited. During the post-war period, the number of cooperative organizations greatly increased to include the large majority of rural households. Through these organizations the government channeled the funds necessary for production in the form of loans and materials (fertilizer, tools, supplies, etc.). However, the Ministry of Agriculture’s and the AGB’s centralization, together with the Greek bureaucracy made it difficult for the cooperatives to improve financially, giving them little opportunity for productivity. Agricultural policies during the first post-war period (1945-1967) consisted of systematic state intervention by various agencies of centralization and management of domestic products (Sakellaropoulos, 1992).

Also, most of these quasi-governmental agencies were reorganized after the war into consortiums in which the cooperatives participated. The above associations, consortiums and individual organizations of particular products “contributed to a multi-dimensional institutional, productive and industrial development in the agricultural sector in the very first post-war years” (Kolymvas et al., 2001:34). At the same

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8 Greece was not an exception in this area. It is well-known that common elements of all the stabilization programs throughout all of post-war Europe were wage controls, the stimulation of production and investment incentives for those with investment capabilities.
time, however, it should be emphasized that these agencies were to a large extent controlled by the government (through the Agricultural Bank) and its economic policy, being state-financed. Their strong dependence on the government restricted these agencies in many cases into mechanisms of implementing official agricultural policy (Sakellaropoulos, 1991). A corresponding development also appeared with regard to agricultural products and industries. With the help of the Agricultural Bank, post-war cooperatives “acquired their own installations, established processing factories, imported machinery and created a broad framework of technological modernization and production facilities” (Kolymvas et al., 2001:34). These investments were largely controlled by the Agricultural Bank, a fact which increased State intervention in agrarian economy.

In summary, with regard to the presence and operation of Greek agricultural cooperatives during the post-war period (1945-1967), we would particularly like to stress the fact that the economic policy’s main priority of developing the bourgeois sector of the economy created many difficulties for agricultural cooperative development. Further difficulties were created by the internal operations of the cooperatives (the majority vote system, voting through representatives, and the exclusion of elected officials from party membership), which resulted in the continual re-election of the same leadership and a passive farm population, which sought almost exclusively only to improve its economic situation “through personal and professional connections” (Legg, 1969:122). Even more so, the political consequences of the civil war, such as the constant states of emergency and the semi-parliamentarian regime imposed on the country, only created obstacles for the agents of social economy such as the cooperatives.

The fall of the seven-year dictatorial regime (1974) upset political and social balances and signaled extensive reorganization in the agricultural cooperative sector, which sought its place in the new order of things created by the post-civil war government. New social conditions arose in rural Greece by the “new politicization of the agricultural sector” (Marantzidis, 1995) within an ever changing political scene revolving around the system of “bureaucratic patronage” (Louloudis and Maraveyas, 2000), as well as a revival of public debate over questions of agricultural policy and development. The first-tier cooperatives increased in number, grouping together with other agricultural organizations to emerge as vehicles for agricultural claims as well as focal points for political discussion and party debate.

The first serious point of conflict among the political parties occurred with the enactment of Law 921/79 by the Conservatives, which attempted to provide a rationale for the cooperative movement in view of the upcoming membership in the

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9 According to Mavrogordatos (1988:63), “[…] the government owned Agricultural Bank not only supplied the cooperatives with vital supplies and credit (mostly subsidies) on behalf of each government, but also possessed most of the stocks (40%-85%) in so-called cooperative enterprises”.

10 “A regime in which the right to vote was universal but at the same time was accompanied by systematic class exclusion” (Mouzelis, 1978:269).
European Community. Although Law 921/79 in theory intended to modernize cooperative organizations, in practice it appeared to reproduce the old status quo. Preserving the majority vote system ensured the leadership of the large farming industry “establishment” in the cooperatives, while a series of regulations increased the cooperatives’ dependence on the State. After the Socialist Party’s (Pan-Hellenic Socialist Movement – PASOK) rise to power, Law 921/79 was replaced by a series of Laws passed through 1982-1985, which intended to regulate *ab initio* the relation of the State to the cooperative organizations. In 1982, Law 1257 was enacted with the ambiguous title “The Restoration of Democratic Order to Cooperative Organizations”. In 1983, Law 1361 was enacted with regard to cooperative organizations and, in 1985, Law 1541 provoked intense reactions.

The main objective of the new legal framework was to abolish the old rules of the electoral game played by the cooperatives (which, for whole decades, ensured the election of more or less the same traditional cooperative leadership) and to replace them with political party competition based on *decentralized corporatism* (Kioukias, 1994:122-123). This new field of “opposition” was of course favorable to PASOK and the left-wing parties which had a tradition of active membership and, therefore, could easily prevail over the ideologically and organizationally unprepared conservative party.

Finally, the result of the intervention in the Greek cooperative movement was far from the expectations of those who inspired it. It was, in fact, quite poor. The structural and operational weaknesses of the cooperatives (dependence on the State, ambiguity of their economic and social role and limited production) remained unchanged. On the contrary, emphasis was given to the trade union type of control of the organization, a fact that intensified party infiltration and antagonism amongst them. In this way, the agricultural cooperatives were gradually transformed into “messengers” of the political parties and their leaders, who, in turn, proposed candidates “whose main required qualifications were party devotion and performance and not knowledge, ability or experience in cooperative affairs […] and who considered
the cooperative ranks as the first step in their political career, [...]” (Papageorgiou, 1998:43-44). Even more, their great dependence on and involvement with the State undermined their independence and led them to make unwise investment and production choices (Klimis, 1985).

Also, in the period after 1981, the cooperatives undertook an active role in the gathering and storage of farm products on behalf of the State and the Agricultural Bank. In fact, when the farmers were not satisfied with the prices that they were offered, the government urged the cooperatives to pay higher prices, while deficits were temporarily covered by loans from the Agricultural Bank, usually without written agreements and with doubtful practices lacking accountability and control. Thus, cooperatives were prompted to engage in financial activities, which surpassed their capabilities and finally led to their being overextended, while, in reality, they became agents of the government’s social policy.

Furthermore, the cooperatives took serious risks in investments of doubtful outcome, mainly in trade and processing of agricultural products. This was done at a time when corresponding private agricultural enterprises avoided such investments because of the related low margin of profit. Finally, these investments were planned by elected leaders that lacked the necessary professional credentials and were carried out without being based on feasibility and viability studies. Another factor leading to their failure was the lack of competitive, productive units within the agricultural sector.

As a result of this unsuccessful policy, from 1985 onwards, cooperative-debt rose to dangerous levels and after 1989 it reached uncontrollable levels which threatened the very existence of many organizations. In fact, competitive enterprises with years of operation in the agricultural sector incurred enormous damage, which not only destroyed their position in the market place, but also deprived them of the possibility to obtain credit. Even greater damage was caused by the prevalent perceptions that the cooperatives were just a sector of a wider government mechanism, which would be able to solve all their problems, regardless of the demands and fluctuations of the market. Thus, the cooperatives lost the ability to engage in profitable enterprise and their image was reduced to that of a quasi public service, synonymous with suspect transactions, economic failure and debt.

**Concluding remarks**

In comparison with other European countries and the Balkans, there was a long delay in the appearance of agricultural cooperatives in Greece. The reason for this delay can be attributed to national, social, economic and political factors, but even more so to a non-existent agricultural movement, at least until the 1930s, as well as the major

14 Attempts to regulate cooperative debt in the 1990s were made in a climate of intense pressure and reactions from both sides and provoked the most heated conflict between the cooperatives and private organizations which had become active in the agricultural sector.
delay in the completion of agricultural reforms. During the 19th and the first decades of the 20th century the question of the distribution of land to smallholders and rural workers overshadowed all others. The fact that Greek agricultural cooperatives were initially established and supported, not by the farmers themselves but by the government, has several implications. Firstly, during the interwar period cooperatives constituted the principal mechanism for channeling bank loans to farmers. They also served as a checking force concerning usury in rural areas. However, at that time, they occupied a privileged position as the object of intervention and the exercise of political power by the State and the banks. In fact, this intervention policy was intensified during the 1930s, due to the national and international environment.

Although agricultural cooperatives increased in number and membership after World War II, their role did not change. They continued to serve as a conduit for government funding; in other words, their policies continued to be closely dependent on the State and the banking system. Various problems relating to their internal structure, their direct connection to political parties after 1974 and unwise business practices simply magnified this dependence. The latter, especially, during the last two decades, created huge debts in the cooperatives which led either to their ruin or to their direct dependence on the State, which was called upon to cover their debts. An invisible thread characteristically connected the Greek agricultural cooperatives to the State almost from their foundation. Their integration during the interwar period into an organized State corporatism, their separation from civil society and their transformation into a branch of the central powers comprised the most important factors preventing Greek agricultural cooperatives from developing an autonomous, productive framework and condemning them to play a marginal, intermediary role.

After one century of presence and operation within the Greek society, the agricultural cooperative movement appears to have exhausted its ability to develop and to have incurred a persistent crisis. Instability in the structural and legislative framework, the lack of accountability, strong dependence on and involvement with the government, its practice of social policy, unwise investments, over-lending and its resultant poor reputation, comprise the questionable image characterizing this agent of social and economic policy in rural Greece. Since there were no strategies aimed at unification or mergers in the past, Greece, in the eyes of the European Union, is presented as the country with the most cooperatives and the least membership.

Their weakness in encouraging production has placed them in an intermediary role between the banks and the farmers. Furthermore, their contribution to an increase in income for their members can only be deemed unsatisfactory, while their share in agricultural production has reached its lowest level in the post-war period. Consequently, not only their organizational autonomy but also their commercial credibility were shaken. This was beneficial to their competitors who believed they would be displaced because of the prevailing policies.
References


