Support for Farmers' Cooperatives

Country Report Slovenia

Andrej Udovč

European Commission

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***Country Report* Slovenia**

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November 2012

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Preface and acknowledgements

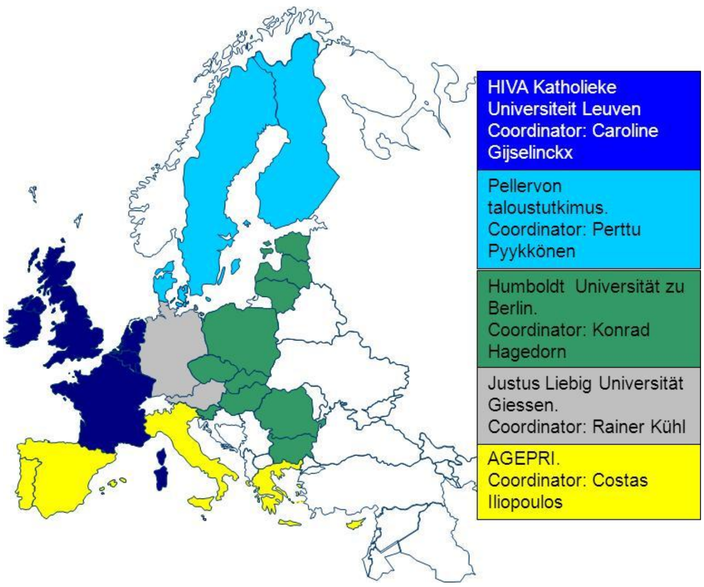
In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, "Support for Farmers' Cooperatives (SFC)", that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC project this country report on the evolution of agricultural cooperatives in Slovenia has been written.

Data collection for this report has been done in the summer of 2011.

In addition to this report, the project has delivered 26 other country reports, 8 sector reports, 33 case studies, 6 EU synthesis reports, a report on cluster analysis, a study on the development of agricultural cooperatives in other OECD countries, and a final report.

The Country Report Slovenia is one of the country reports that have been coordinated by Konrad Hagedorn and Renate Judis, Humboldt Universität zu Berlin. The following figure shows the five regional coordinators of the SFC project.



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1 Introduction

1.1 Objective of the study

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, also from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, "Support for Farmers' Cooperatives", which will provide the background knowledge that will help farmers organise themselves in cooperatives as a tool to consolidate their market orientation and so generate a solid market income. In the framework of this study, this report provides the relevant knowledge from Slovenia.

In this context, the specific objectives of the project, and this country report, are the following:

First, to provide a comprehensive description of the current level of development of cooperatives and other forms of producer organisations in Slovenia. The description presented in this report will pay special attention to the following drivers and constraints for the development of cooperatives:

- Economic and fiscal incentives or disincentives and other public support measures at regional and national;
- Legal aspects, including those related to competition law and tax law;
- Historical, cultural and sociologically relevant aspects;
- The relationship between cooperatives/POs and the actors of the food chain;
- Internal governance of the cooperatives/POs.

Second, identify laws and regulations that enable or constrain cooperative development and third, to identify specific support measures and initiatives which have proved to be effective and efficient for promoting cooperatives and other forms of producer organisations in the agricultural sector in Slovenia.

1.2 Analytical framework

There are at least three main factors that determine the success of cooperatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the cooperative in the food supply chain refers to the competitiveness of the cooperative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that goes with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the cooperative is operating, and which may have a supporting or constraining effect on the performance of the cooperative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

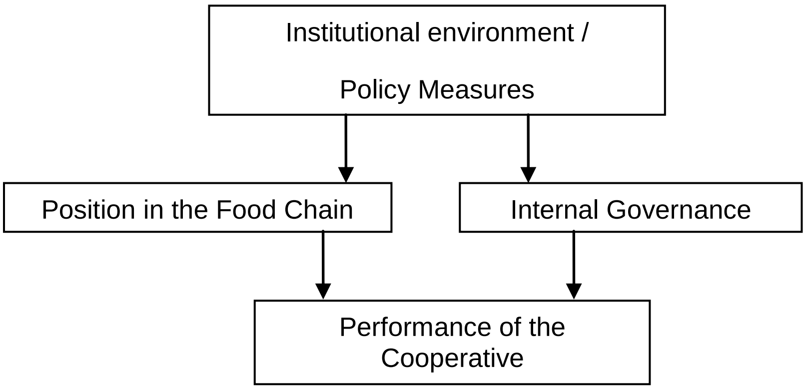


Figure 1. The core concepts of the study and their interrelatedness

1.3 Definition of the cooperative

In this study on cooperatives and policy measures we have used the following definition of cooperatives and Producer Organisations (POs). A cooperative/PO is an enterprise characterized by user-ownership, user-control and user-benefit:

- It is user-owned because the users of the services of the cooperative/PO also own the cooperative organisation; ownership means that the users are the main providers of the equity capital in the organisation;

- It is user-controlled because the users of the services of the cooperative/PO are also the ones that decide on the strategies and policies of the organisation;

- It is for user-benefit, because all the benefits of the cooperative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

This definition of cooperatives and POs (from now on shortened in the text as cooperatives) includes cooperatives of cooperatives and associations of producer organisation (often called federated or secondary cooperatives).

1.4 Method of data collection

Multiple sources of information have been used, such as databases, interviews, corporate documents, academic and trade journal articles. The databases used are national statistics, Amadeus, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. Also data provided by Copa-Cogeca has been used. In addition, information on individual cooperatives has been collected by studying annual reports, other corporate publications and websites. Interviews have been conducted with representatives of national associations of cooperatives, managers and board members of individual cooperatives, and academic or professional experts on cooperatives.

1.5 Period under study

This report covers the period from 2004 to 2010 and presents the most up-to-date information. This refers to both the factual data that has been collected and the literature that has been reviewed.

2 Facts and figures on agriculture

2.1 Share of agriculture in the economy

A study of farmers' cooperatives can best start at the farmers' side, in agriculture. In 2009, agriculture is representing 2.4% of GDP. During the analysed period, the share of agriculture in the GDP has constantly decreased, due to quicker increase of the GDP in the other sectors of the national economy and the increased competitiveness of the agricultural products from other countries, what significantly influenced the domestic agricultural production.

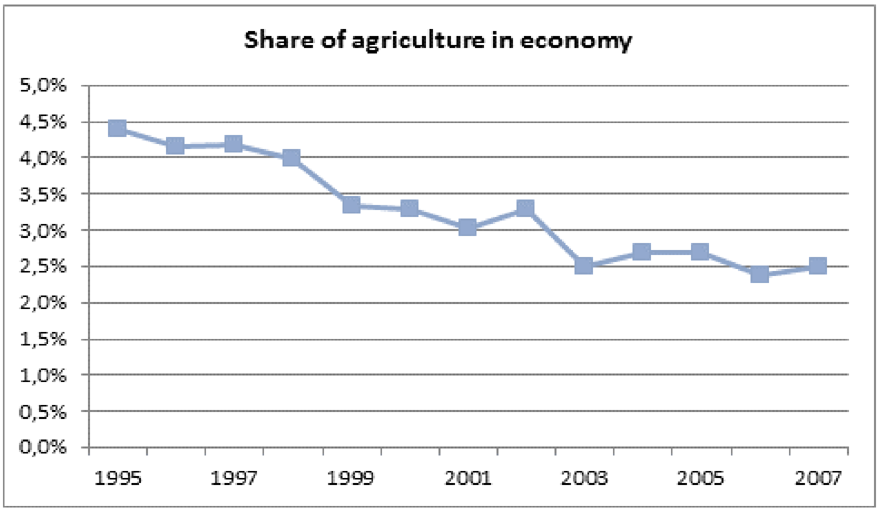


Figure 2. Share of Slovenian agriculture in GDP in period 1995 to 2007. Source: Eurostat Nat. Accounts

2.2 Agricultural output per sector

Within agriculture several sectors exist. Figure 3 provides information on the main sectors in Slovenia in the period between 1995 and 2010. In Slovenia the most important agricultural single sectors are dairy and beef, what also influences the arable farming structure, as maize for fodder is occupying the biggest share of arable land. Among other cereals, wheat production is the most important. Also the sugar beet production played an important role until 2007, when its production was, due to EU sugar reform, completely abolished.

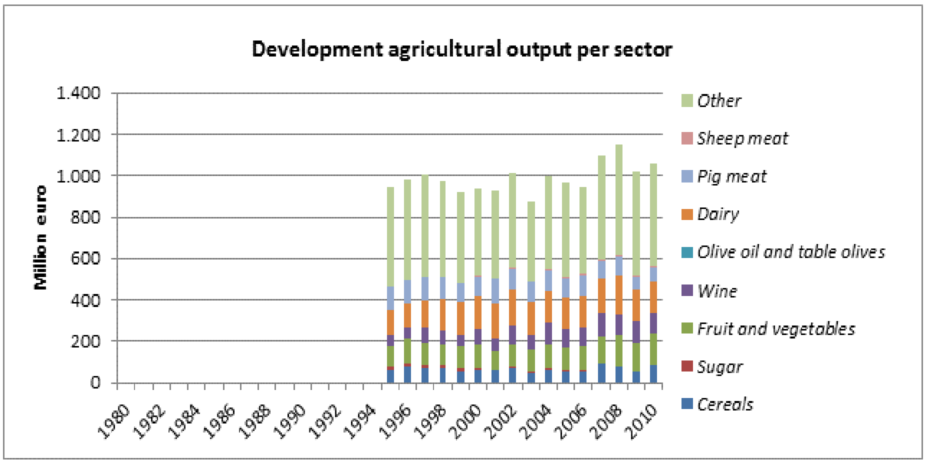


Figure 3. Development of the different sectors in agriculture, value of production at producer prices, in million of Euro. Source: Agriculture Economic Accounts, Eurostat

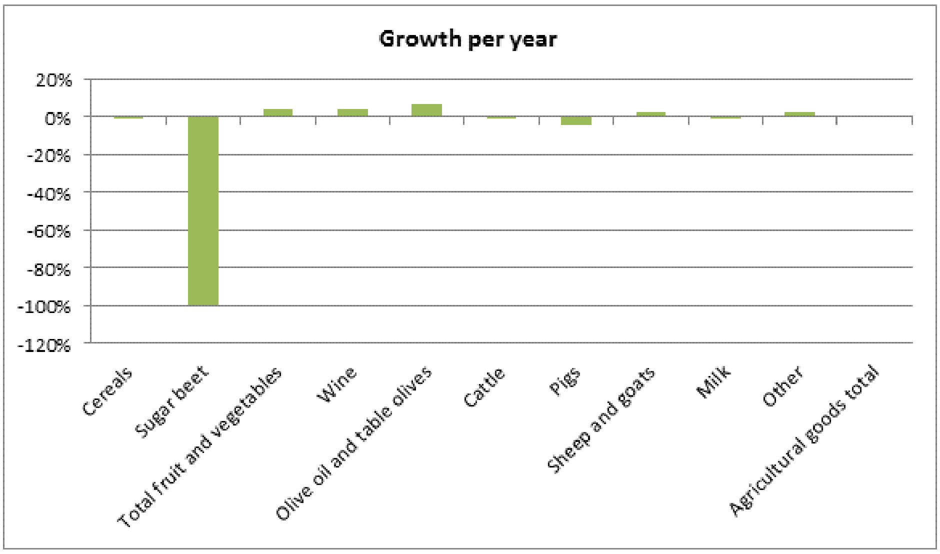


Figure 4. Trend in output per sector "2001" - "2009". Source: Economic Accounts of Agriculture, Eurostat.

2.3 Development in the number of farms

The number of farms in Slovenia is given in Table 1 and Figure 5. Within the analysed period we can observe the general decrease in the number of farms with an annual rate of 2.8 % (about 2000 farms). Besides the general decrease, we can also observe some restructuring within the certain sectors where the highest increase is notable in fruits and vegetables, which are the products with the lowest share of domestic production. And on the other hand, the highest decrease was observed in the wine and pig meat sectors, which face the highest competition with the products from other EU member states.

Table 1. Number of farms

	2000	2007	% change per year
Cereals	1,280	2,830	12.00
Sugar	2,260	2,000	-1.73
Pig meat	1,950	330	-22.41
Sheep meat	6,570	11,520	8.35
Total fruits and vegetables	770	2,520	18.46
horticulture	350	480	
fruit and citrus fruit	420	2,040	
Olive oil and table olives	270	260	-0.54
Wine	8,630	2,940	-14.26
Dairy	12,950	7,390	-7.70
Beef	12,900	7,660	-7.18

Source: Eurostat, Farm Structure Survey.

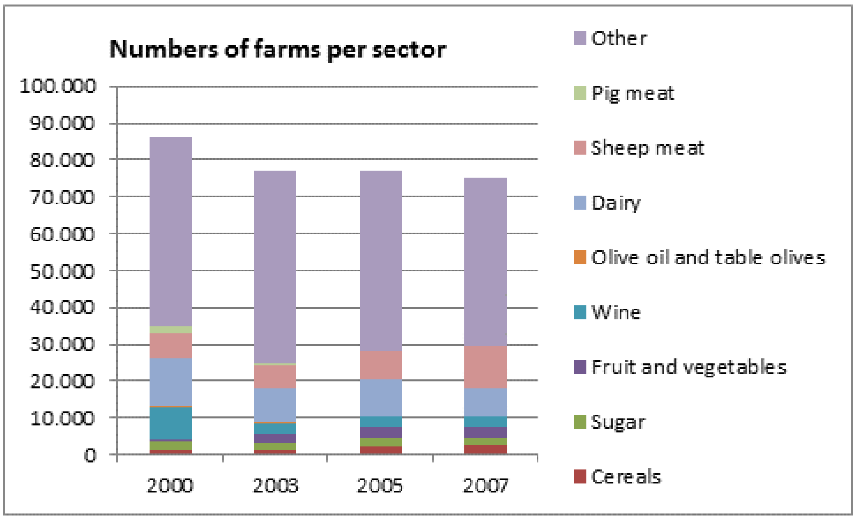


Figure 5. Number of farms 2000 - 2007 with data per specialist type of farming Source: Eurostat, Farm Structure Survey.

The predominant farming system in Slovenia is mixed farming with combination of cereals and dairy or beef production.

2.4 Size of farms

Farms come in different sizes from small part-time farms to large exploitations. Figure 6 shows the distribution of farms per size class, measured in European Size Units (ESU). In Slovenia, small size farms both in physical as well as in economic size still predominate. And there is no significant difference among selected types of farms. This is also confirmed with the existing socio-economic typology of farms, where aprox. 50% of all existing farms are classified as supplementary farms, what means that farming represents only a supplementary source of income for all active farm family members.

The only exception is pig meat production, where there is still a significant share of agricultural enterprises in operations, what shifts the ESU size of farms within this sector towards bigger farms.

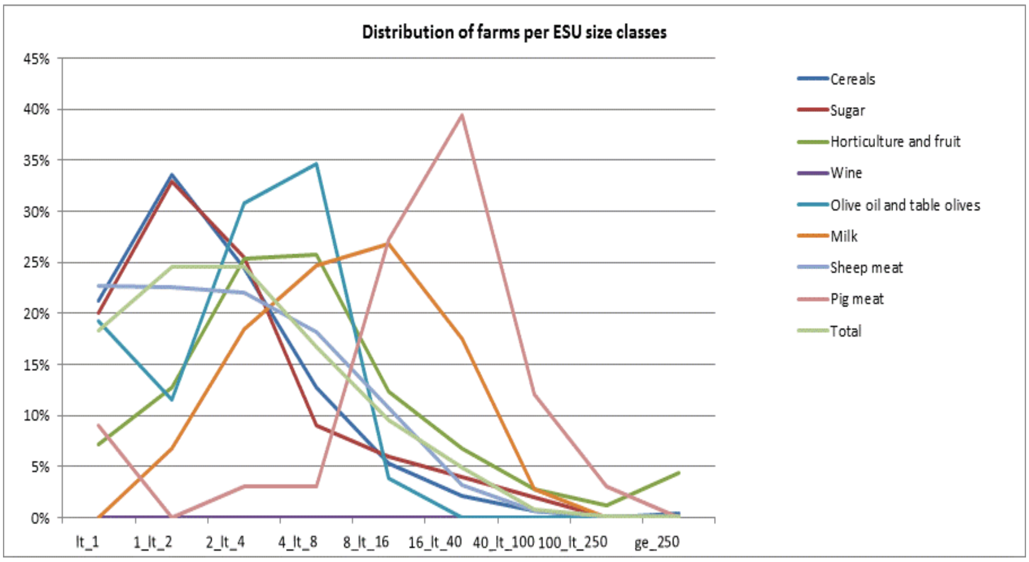
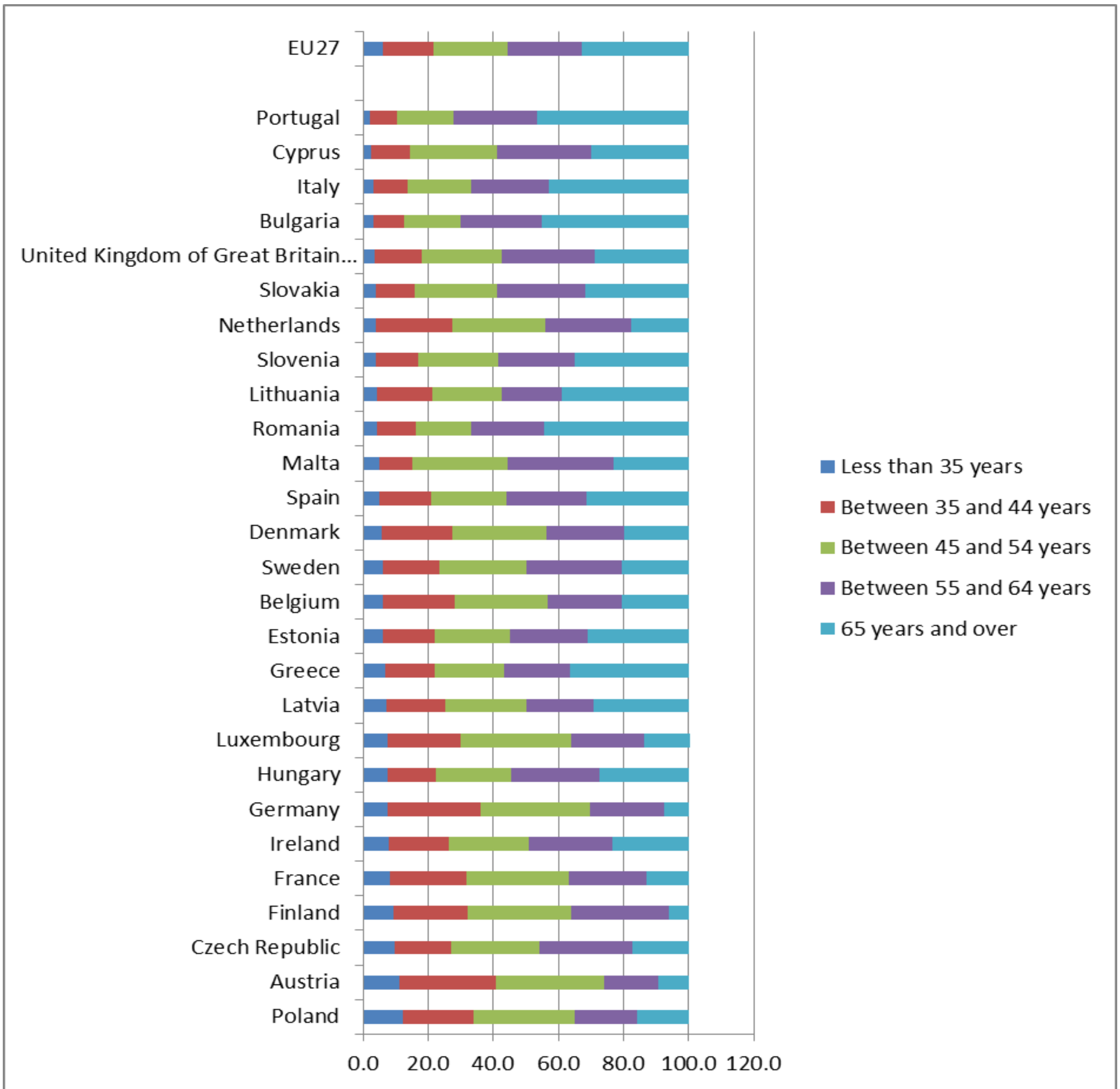


Figure 6. Number of farms per size class, measured in ESU, per specialist type of farming. Source: Eurostat, Farm Structure Survey.

2.5 Age of farmers: distribution of farms to age classes

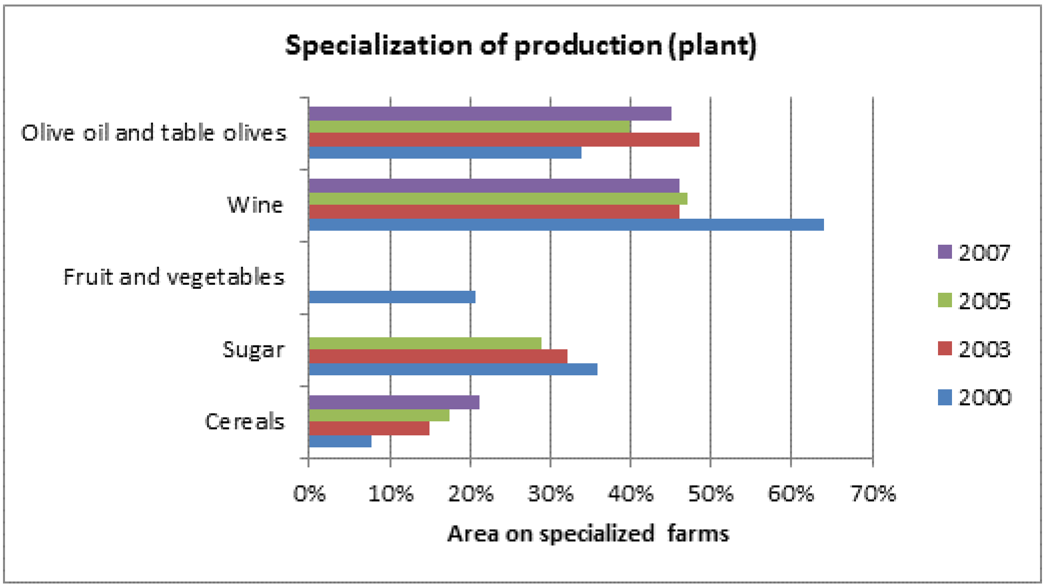
The age of farmers differs. In Slovenia, the average age of the farm manager is 58 years and the biggest age class are farmers older than 64 years. On the other hand, the farmers younger than 45 years represent less than 20%. The age structure of cooperatives members is even worse, as many young farmers don't decide to become a coop member, or the membership is left to their parents who are still legal owners of the farm.



Figrue 7. Percentage of farmers per age class, per Member State and EU27, 2007 (ranked with countries with the lowest percentage of young farmers on top). Source: Eurostat, Farm Structure Survey.

2.6 Specialisation of farm production

Cooperatives might not only have member-farmers with different farm sizes or of different age. Farms also have a different composition of their production and therefore their input. This is very common for Slovenian farms which are traditionally mixed production farms. This is especially true for arable farms and some so-called specialist dairy farms that also keep cattle or sheep or sell cereals. The situation is a bit different in the wine and olive sectors, where the majority of these farms are actually supplementary farms, with farm managers also having some off-farm job and, thus, is only involved in one type of farming. The heterogeneity of farming in terms of specialisation can be estimated by calculating the share that specialized farms have in the total production. This is what Figure 8 (split in 8A for plant production and 8B for animal production) shows.



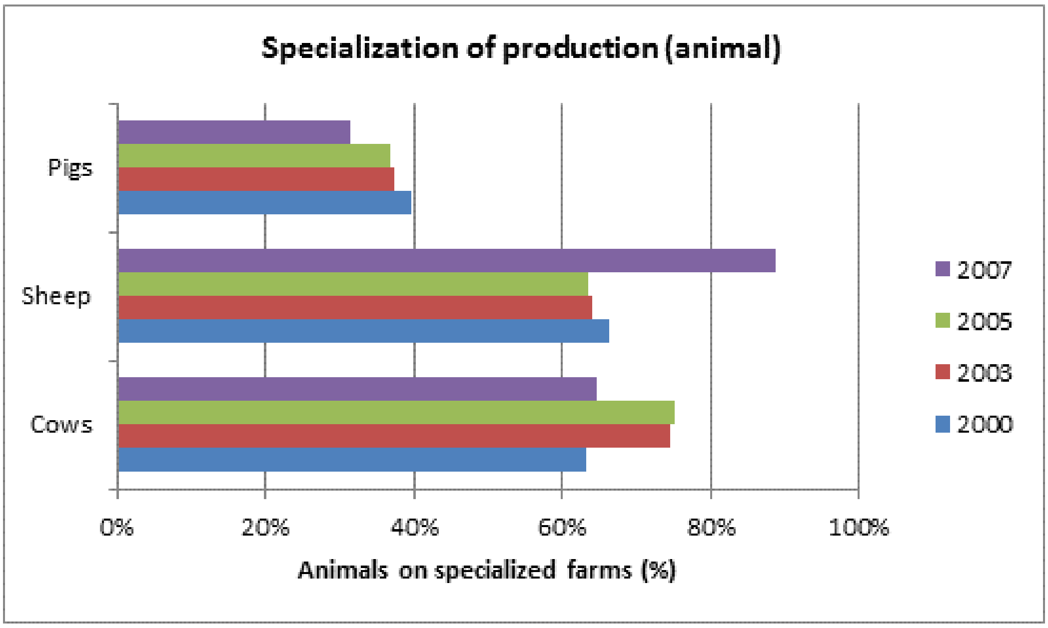


Figure 8 A & B. Heterogeneity in farm production: the share of specialist farm types in total production. Source: Economic Accounts of Agriculture, Eurostat.

2.7 Economic indicators of farms

The description of agriculture is concluded with some economic indicators (Table 2). These indicators focus on the net value added and income from farming for farmers as well as the level of their investment. A very small part of this investment might be in equity of the cooperatives, the great majority are in farm assets.

Table 2. Economic indicators for farms

Economic indicators average per farm (2006-2008)

	Cereals	Sugar	Fruit and vegetables	Olive oil and table olives	Dairy	Wine	Pig meat	Sheep meat
Economic size - ESU	7.35	9.95	7.13	-	12.63	7.33	-	7.60
Total labour input - AWU	1.15	1.26	1.29	-	2.03	2.03	-	1.39
Total Utilised Agricultural Area (ha)	14.8	13.0	4.70	-	14.0	5.27	-	13.2
Total output €	20,699	22,745	10705.33	-	35,987	25655.67	-	10,889
Farm Net Value Added €	13,666	9,267	2979.33	-	10,974	12022.33	-	2,741
Farm Net Income €	13,263	7,814	2394.00	-	10,424	10525.00	-	2,693
Total assets €	112,994	125,708	98651.00	-	264,416	165463.33	-	219,010
Net worth €	100,294	123,363	97929.67	-	258,498	161663.00	-	218,024
Gross Investment €	10,296	7,054	3345.00	-	10,010	11207.67	-	9,164
Net Investment €	5,614	2,305	-330.00	-	1,748	4986.33	-	4,997
Total subsidies - excl. on investm. €	14,285	5,347	2585.00	-	7,554	2245.00	-	6,366
Farms represented	1,170	930	1,823	97	6,670	1,627	113	6,320

note: less than 3 years available

Source: DG Agri, FADN.

3 Evolution, position and performance of cooperatives

3.1 Types of cooperatives

In Slovenia, cooperative movement has the similar tradition as in other countries of central Europe. The first Act on cooperatives was passed already in the year 1873. Very powerful was the cooperative movement in the times of the former Kingdom of Yugoslavia: In that time, beside grazing, wood processing, wine producers and dairy cooperatives, also strong financial cooperatives in form of savings and credit cooperatives were established. The supervision was done by the revision unions. After World War II (between 1944 and 1949), the cooperatives were adopted to the new regime. The government of the Republic of Slovenia formed different commissions and committees which politically directed the operation of the cooperatives. The cooperatives were nationalized, and thus departed from the basic cooperative ideas of offering the benefits to the members. Their paramount task became the support to the national economic plans. At that time mostly the agricultural production and purchase cooperatives were formed and their formation was politically directed. In the year 1948, there were 1150 agricultural cooperatives of different types. The membership was for farmers almost compulsory, whereas the membership rights were very limited. They operated as state companies. Later the strategy changed and many production cooperatives were transformed in state farms.

This attitude changed with passing the Act on Farmers' Cooperation in 1972, when some cooperative spirit was brought back to cooperatives with the reestablishment of the role of members in the context of the workers self-management ideology of that time. At the same year, the Cooperative Union of Slovenia was established, which exists up to today and is also a member of the International Cooperative Alliance.

After this period, the agricultural and forestry cooperatives played an important role in development, especially in the hilly and mountainous areas, where the membership in the cooperatives was used to develop the necessary infrastructure, foster the tourism development and support the introduction of supplementary activities on farms.

During the emerging socio-political changes in the late 1980s and stimulation of private entrepreneurship in market economy in early 1990s, the cooperative movement led by Cooperative Union of Slovenia started with forming some central cooperative institutions: Slovenian cooperative agricultural bank, Cooperative agricultural company, Cooperative tourist agency and later also a Licensed investment company, which was involved in the process of privatisation.

The new Act on cooperatives passed in 1992 re-established the traditional cooperative principles and enabled formation of all types of cooperatives. The law regulated the legal status of the cooperatives and their operation, and it also defined their position within the food processing industry by defining the ownership shares in those companies where the former socialist cooperatives were a part of vertical integration. On the other hand, the law abolished almost all benefits that socialist type cooperatives had in the fields of interventionist, land, fiscal and social policy. Also, the agricultural advisory service was transferred from the cooperatives to the state administration.

Nevertheless, the cooperative movement shows a positive development in the decades after the change. The data show the increase in the number of cooperatives, number of employed and turnovers. The number of employed started to decrease in the 2001, but the total turnover has still been constantly increasing.

Table 1. No of cooperatives by sectors, Slovenia, 1991 – 2005

Year	Total	Agriculture, hunting and forestry	Processing industry	Construction	Trade, car repair	Transportation	Immobility, lease, business services	Other sectors
1991	78	12	8	4	4	0	50	0
1992	184	97	15	6	8	0	58	0
1993	314	165	30	11	18	8	82	0
1994	346	179	31	13	21	10	91	1
1995	363	179	32	17	21	11	100	2
1996	475	153	52	29	70	17	147	7
1997	493	158	53	29	71	21	152	9
1998	514	162	56	32	75	22	156	11
1999	523	165	56	34	77	23	157	11
2000	539	168	57	35	80	23	161	14
2001	537	165	55	35	80	24	163	14
2002	534	155	57	35	80	25	165	17
2003	501	150	49	33	78	24	150	16
2004	499	151	46	31	81	24	148	18
2005	499	151	46	31	79	24	147	21

Source: www.zzs.si

Table 2. No of employed in cooperatives and turnover, Slovenia, 1998 - 2003

Year	No of employed	turnover, Mio SIT
1998	5171	119,303
1999	5214	124,018
2000	5107	131,319
2001	4913	140,979
2002	4530	148,576
2003	4362	147,880

Source: Source: www.zzs.si

Table 3. No of cooperatives by sector, Slovenia, end of 2008

No of cooperatives in Slovenia at the end of 2008 by sector			31 Dec2008
Description		No	Share (%)
A	Agriculture, hunting, forestry, fishin	117	26.77
B	Mining	1	0.23
C	Processing industry	36	8.24
E	Water supply, waste management, environment improvements	9	2.10
F	Construction	31	7.10
G	trade, car repair	89	20.37
H	Transportation and storage	11	2.52
I	Catering industry	3	0.67
J	Information and communication services	3	0.67
K	Financial and insurance services	1	0.23
L	Immobility	92	21.05
M	Research and development	25	5.72
N	Other services	6	1.37
O	Public services, defence, compulsory social security	3	0.67
Q	Health and social services	4	0.92
R	Cultural, entertainment and recreational servises	1	0.23
S	Other sectors	5	1.14
Total		437	100

Source: www.zzs.si

The Cooperative Union of Slovenia is an association which bases on voluntary membership of cooperatives. It has 73 member cooperatives from agricultural, forestry, hunting and fishery sector. Also, two companies are members. Its basic activity are representation of the interests of the members nationally and internationally, consulting the members in legal and economic matters, informing about current situation in fields of agriculture and cooperative movement, education, promotion of cooperative movement and fostering the economic cooperation among members.

Until the formation of the Agricultural and Forestry Chamber, the Cooperative Union of Slovenia had been the key representative of the Slovenian agriculture and cooperative movement.

The basic activities of the Cooperative Union of Slovenia are:

- Representation of the members and theirs interests against state institutions, in the chamber of commerce and other national associations as well as in the international organisations,
- Consultation for members in cooperative, legal, economic and organisational matters,
- Public relations, publications of informative and expert publications,
- Informing, training and educating members of the cooperatives and employees in member cooperatives,
- Data collection ,
- Reconciliation of interests among cooperatives,
- Management of the equity, which was acquired by the Cooperative Union according to the regulation governing the return of cooperative property in the restitution process.

Table 4: No. of agricultural cooperatives, members and employed for members of the Cooperative Union of Slovenia, by statistical regions

Region	**No of coops**	**No of employed**	**No. Of members**
LJUBLJANSKA	10	168	813>
KAMNIŠKO ZASAVSKA	6	194	1.567
ŠTAJERSKA	10	187	1.066
PTUJSKO ORMOŠKA	5	176	2.078
KOROŠKA	1	141	1.029
CELJSKA	10	345	2.094
SAVINJSKO ŠALEŠKA	2	211	749
GORENJSKA	8	288	2.294
SEVERNO PRIMORSKA	4	270	1.645
NOTRANJSKA	3	14	274
JUŽNO PRIMORSKA	3	139	427
POSAVSKA	6	196	796
DOLENJSKO BELOKRANJSKA	3	612	1.175
PREKMURSKO PRLEŠKA	5	81	532
Total	76	3.022	16.539

Source: Cooperative Union of Slovenia

Agricultural and forestry cooperatives in Slovenia are involved in many different activities. Among them the major activities are:

- supplying farmers and rural inhabitants,
- purchase of agricultural products: milk, grapes, potatoes, beef, pork, cereals, wood, vegetables, hops,
- Supply of inputs for agricultural production,
- They are involved in processing, mainly milk, grapes and meat,
- An important segment is grocery purveyance in rural areas, what contributes to keep settlements in rural areas alive and secure jobs.

The existing cooperatives are by their purpose mainly general or multipurpose buying and selling agricultural produce, etc., but there are also specialized cooperatives, i.e. forestry, fruit growers, dairy and others.

3.2 Market share of farmers' cooperatives in the food chain

The highest number of cooperatives members of the Cooperative Union of Slovenia is registered for intermediation and wholesale trade: 34 cooperatives with 1450 employees. In the retail trade 10 cooperatives are active with 794 employees. Several cooperatives are active in breeding. Other activities are plant production, services for agricultural production, agricultural product processing, etc.

The buying and selling functions are most often connected with agricultural products and wood processing as well as the production of some specific agricultural inputs (i.e. food stuff). The processing facilities are most often in the ownership of cooperatives in the wine sector (wine cellars) and in the meat sector (slaughter houses), but to a much smaller extent also in the dairy sector (some cheese production). In the segment of supplying agricultural inputs, the cooperatives still hold more than half of the market share with regard to mineral fertilizers and phyto-pharmaceutical products. The specialized cooperatives, above all forestry, dairy, poultry, fruit and wine producers, are those which are besides purchasing also involved to some extent into the processing.

Table 5. Development of agricultural cooperatives

	Agricultural Cooperatives (N°)		**Market Share** (%)	
	2003	**2008**	**2003**	**2008**
General	74	64	:	:
Cereals	38	24	28	
Flax & Hemp	5		:	:
Sugar	7	0	:	:
Feeding stuffs	58	46	:	:
Milk & Dairy	56	59	80	:
Beef & Cattle	65	56	76	:
Pig meat	33	18	:	:
Eggs & Poultry	13	5	:	:
Insemination	:	1	:	:
Olive Oil	:	:	:	:
Wine	4	6	:	:
Tobacco	:	:	:	:
Cotton	:	:	:	:
Fruit & Vegetables	24	26	76	
Honey	:	:	:	:
Supplies	59	47	114	:
Forestry	24	16	90	:

Source: COOPA

3.3 List of top 50 largest farmers’ cooperatives

Table 6. The 50 largest farmers’ cooperatives in the food chain of Slovenia

Name of the cooperative	Sector(s) involved in:
KZ METLIKA	Wine wholesale
KZ TREBNJE	cattle breeding
KOROŠKA KGZ SLOVENJ GRADEC	Intermediation in sale of agricultural products
KZ LENART	Intermediation in sale of agricultural products
KZ KRKA NOVO MESTO	cattle breeding
KGZ SLOGA KRANJ	cattle breeding
KZ PTUJ	Intermediation in sale of agricultural products
ZKZ MOZIRJE	Intermediation in sale of agricultural products
KGZ ŠKOFJA LOKA	Intermediation in sale of agricultural products
KZ SEVNICA	cattle breeding
KZ RADGONA	Intermediation in sale of agricultural products
KGZ LITIJA	Intermediation in sale of agricultural products
VK GORIŠKA BRDA	Wine growing
KZ ŠMARJE PRI JELŠAH	Growing of cereals (except rice), leguminous crops and oil seeds
KZ TOLMIN	cattle breeding
KZ LAŠKO	production of meat products
KZ CERKLJE	Intermediation in sale of agricultural products
KGZ SAVA LESCE	other services for plant production
MZ PTUJ	cattle breeding
KZ AGRARIA KOPER	Growing of cereals (except rice), leguminous crops and oil seeds
KZ ŠALEŠKA DOLINA	Intermediation in sale of agricultural products
KZ ORMOŽ	cattle breeding
KZ SLOVENSKA BISTRICA	cattle breeding
KGZ SLOVENSKE KONJICE	cattle breeding
KZ MEDVODE	Intermediation in sale of agricultural products
KZ ŠENTJUR	Intermediation in sale of agricultural products
KZ CELJE	cattle breeding
HKZ PETROVČE	Growing of cereals (except rice), leguminous crops and oil seeds
KZ STIČNA	cattle breeding
KZ HOČE	cattle breeding
KGZ IDRIJA	Intermediation in sale of agricultural products
KGZ RIBNICA	cattle breeding
KZ RAČE	cattle breeding
KZ IZLAKE	Intermediation in sale of agricultural products
SKZ KMETOVALEC LJUTOMER	cattle breeding
KZ VELIKE LAŠČE	cattle breeding
SKZ KLAS KRIŽEVCI	Intermediation in sale of agricultural products
KZ DOMŽALE	services for animal production
KZ VINA KRAS SEŽANA	Wine production from grapes

ZVEZA ZADRUG MARIBOR	cattle breeding
HKZ GOTOVLJE	Growing of cereals (except rice), leguminous crops and oil seeds
KZ KRŠKO	cattle breeding
KGZ KAMNIK	Growing of cereals (except rice), leguminous crops and oil seeds
KGZ KRPAN	Retail sale of foodstuff
KZ BREŽICE	Retail sale of foodstuff
KZ GROSUPLJE	Intermediation in sale of agricultural products
HKZ BRASLOVČE	Growing of cereals (except rice), leguminous crops and oil seeds
KZ DOLOMITI DOBROVA	Intermediation in sale of agricultural products
KZ VIPAVA	other services for plant production
KGZ LOGATEC	Retail sale of foodstuff

3.4 List of top 5 largest farmers' cooperatives per sector

Table 7. Most important cooperatives in the sectors studied in this project

Sector		**Name of Cooperative**
Cereals	1	KZ Ptuj
	2	KZ Radgona
	3	KZ Lenart
	4	SKZ Kmetovalec Ljutomer
	5	KGZ Sloga Kranj
Fruit and vegetables	1	KZ KRKA Novo mesto z.o.o.
	2	KZ Agraria Koper, z.o.o., Koper
	3	KZ Ptuj
	4	KZ Vipava
	5	KZ Ormož
Olive oil and table olives	1	KZ Agraria Koper, z.o.o., Koper
	2	Oleum Nostrum Slovenske Istre
	3	Vinska klet "Goriška Brda" z.o.o., Dobrovo
Wine	1	Vinska klet "Goriška Brda" z.o.o., Dobrovo
	2	VINAKRAS z.o.o. Sežana
	3	KZ Vipava
	4	KZ Ormož
	5	KZ Krško
Dairy	1.	KGGZ Slovenj Gradec
	2	KZ Trebnje
	3	MLEKARSKA ZADRUGA Ptuj z.o.o.
	4	KGZ Sloga Kranj
	5	KZ Cerklje
Sheep meat	1	KZ Tolmin
	2	KGZ Škofja Loka
	3	KZ Krka Novo mesto
	4	KZ Laško
	5	KGZ Slovenske Konjice
Pig meat	1	KZ Radgona
	2	KZ Lenart
	3	KZ Ptuj
	4	KZ Kmetovalec Ljutomer
	5	SKZ Klas Križevci

Source: Own data

3.5 Transnational cooperatives

Many cooperatives are active internationally. In most cases the foreign activities of cooperatives are limited to marketing, trade and sales. Usually they do not buy agricultural products from farmers, or supply inputs to them. However, there is a growing group of cooperatives that do business with farmers in other EU Member States. These cooperatives are called international cooperatives. They can be marketing cooperatives that buy from farmers in different countries, or they could be supply cooperatives that sell inputs to farmers in different countries. One particular group of international cooperatives is the so-called transnational cooperatives. These cooperatives do not just contract with farmers to buy their products or to sell them inputs, they actually have a membership relationship with those supplying or purchasing farmers. In sum, a transnational cooperative has members in more than one country.

Table 8 below presents the foreign transnational cooperatives and the international cooperatives active in Slovenia. These are cooperatives from other EU Member States that have come to Slovenia to directly trade with farmers, either as members or as contractual customers.

Table 8. The foreign transnational cooperatives and international cooperatives that are trading with farmers in Slovenia

Name of the Cooperative	**Mother country**	**Sector(s) involved in:**
Transnationals		
Raiffeisen	AT	Cereals
Internationals		

Table 9. The transnational cooperatives and international cooperatives from Slovenia that are trading with farmers in other countries

Name of the Cooperative	**Host countries**	**Sector(s) involved in:**
Transnationals		
none		
Internationals		

Table 9 above shows that there are no transnational and international cooperatives that have their seat in Slovenia.

3.6 Data gathering per cooperative

For the data collection and for the filling of the questionnaire, multiple data sources that were available and different data collection methods were used. The list of cooperatives to be questioned was obtained from the Cooperative Union of Slovenia and it is based on the existing data of the total annual turnover.

The individual data were obtained from available published business reports, balance sheets, web sites, telephone and email interviews and when necessary by personal interviews. The data collection mainly took place in June 2011, but some responses were not obtained before mid July.

3.7 Position in the food chain

The cooperatives are still the most important link between the producers and retailers in all investigated production branches. But the importance of their position in a food chain is different. The next table shows the position of the cooperatives in different production branches.

Table 10. Share of cooperative purchase in the total purchase of agricultural products in 2008

Product	Share of total purchase (%)
Beef (t)	93
Pork (t)	25
Raw milk (1000 litres)	78
Cereals (t)	42
Grapes (t)	71
Wood (m^3)	29
Vegetables (t)	68
Industrial peaches (t)	93

Source: www.zzs.si

The most important products, where the cooperatives hold the majority of the purchased amounts from farmers are beef, raw milk, grapes and vegetables. For the other products, the most important partner of the farmers is either the food processing industry (cereals, pork and fruits) or the consumer, i.e. farmers sell directly to the consumer through direct marketing channels (on-farm sales or farmers markets). This is the case by olives and olive oil as well as sheep.

Most cooperatives, which are involved in purchasing agricultural products from farmers, are marketing cooperatives and are only an intermediary between the producers and food processing industry. A significantly different situation exists, however, in the grapes and wine sector, where the cooperatives also have their own wine cellars and sell wine.

On the other hand, the cooperatives have still been the most important partners to the farmers in providing the necessary inputs for agricultural production.

3.8 Institutional environment

The history of the cooperative movement on the area of nowadays Slovenia is dated back to the mid 19th century. The first legal framework was given with the Austrian Cooperative Act from 1873. In the period before World War I, the cooperative movement in Slovenia reached its first peak and was then heavily affected by this war.

In the period between both World Wars, the cooperative movement regained momentum and in the year 1936, the agricultural cooperatives comprised over 200.000 farms, i.e. almost 100 per cent of individual farms at that time. It was World War II which interrupted this development again.

After the Second World War, the cooperatives became an important part in the socialist development strategies and the first legislation which regulated the cooperatives was passed in 1946. It turned the cooperatives into peasant collective working cooperatives as a means of socialist farming and, thus, opened up the way to socialist farming. The model which developed over the following years was a mixture of private farms with limited size and state agricultural companies, where the cooperatives became state owned entities which besides their own production also organized production on private farms.

The next important change in the cooperative movement happened in the early 1990s after the political change and declared independence of Slovenia. The adopted Cooperatives Act from 1992 reintroduced the classical cooperative model with membership governance and liability. This was expected to be an important push to reaffirmation of the cooperative movement among farmers, but the later development didn't show the expected results.

The farmers intensively tried to individualize their production and only kept to cooperate with cooperatives in those sectors where the market had been very centralised already during the socialist period (beef and raw milk). The second reason why farmers stopped cooperating with cooperatives is believed to root in a fact that with the reformation of the cooperatives the agricultural advisory service was outsourced from the agricultural cooperatives and transferred to a central authority: First to the Ministry of Agriculture and later to the Chamber of Agriculture and Forestry.

Since 1992, the Cooperative Act was amended three times. The amendments did not change the basic model, but adapted the cooperative legislation to other legislation concerned. With the last amendment in the year 2009, the EU cooperative was introduced in the Slovenian legislation.

3.9 Internal Governance

The governance of the cooperatives is based on membership rights. Members get their rights when paying their membership share by entering the cooperative. Usually, this share is also connected with a limited liability which comprehends a certain multiplication of the membership share.

All the members have a right to decide on the Cooperative Assembly, which is the highest decision-making organ of a cooperative. In the majority of cooperatives, they use a one member on vote principle, but this principle can be changed by the internal rules of the cooperative.

The usual way of managing a cooperative is a two-way system with a president of the cooperative or a management board and a supervisory committee. For the president of the cooperative (or president of the management board), it is mandatory, that he is a member of the cooperative as this function is a mandatory function. For the other members of the management board, this is not a requirement. The assembly can vote also non-members into the management board. Often, in a case of bigger cooperatives, the management board is composed of members and non-members and if they appoint a director, this person is very often not a member of the cooperative. In bigger cooperatives, at least a part of the management are professionals hired by the cooperative.

On the other hand, a supervisory committee is generally set up from the members of the cooperative, although this is not a mandatory demand either.

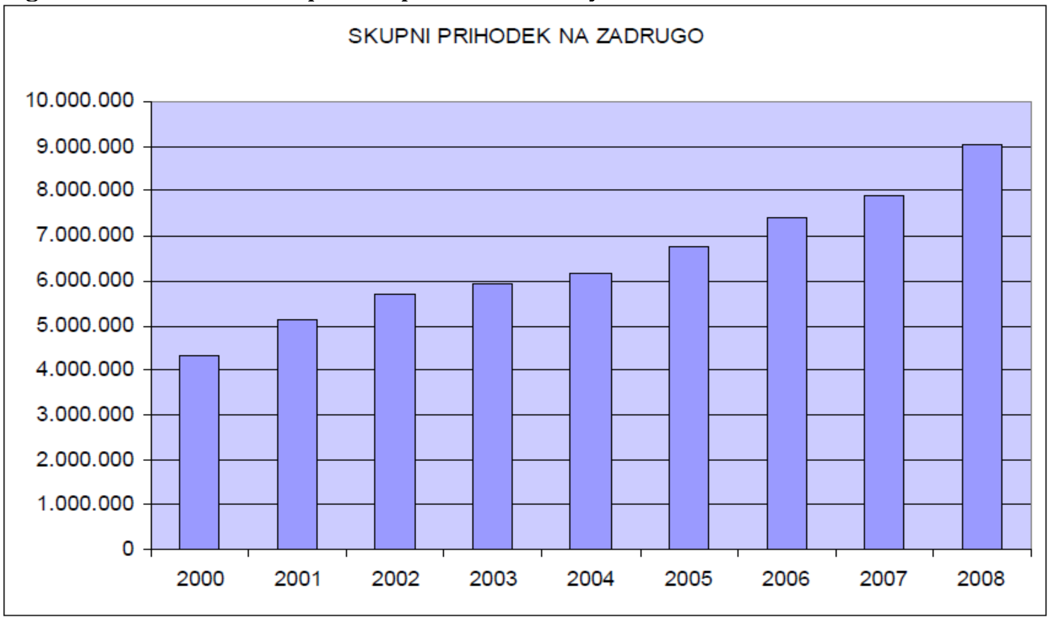
3.10 Performance of the cooperatives

Agricultural cooperatives are with their activities present all around Slovenia, have over 16,500 members and give employment to 3,022 employees.

As outlined in the figure below, the cooperatives have in last decade constantly in-creased their turnover. In 2008, the average agricultural cooperative had a turnover of 9 million €, equity capital of 2.6 million € , 40 employees and 218 members. Between 2003 to 2005, the total net profit of cooperatives was negative. For the rest of the period, they have performed well. This trend changed again in 2009, when they completed their business year with a net loss.

During the analysed period we can observe a decrease in the number of cooperatives and number of employees. The number of cooperatives decreased by 8.9% and the number of employees by 20.9%. The decrease occurred mainly due to some insolvency procedures and to a minor extent due to mergers or voluntary revocation.

Figure 9. Total turnover per cooperative in the years 2000 to 2008



Source: Novak, J. M. 2011

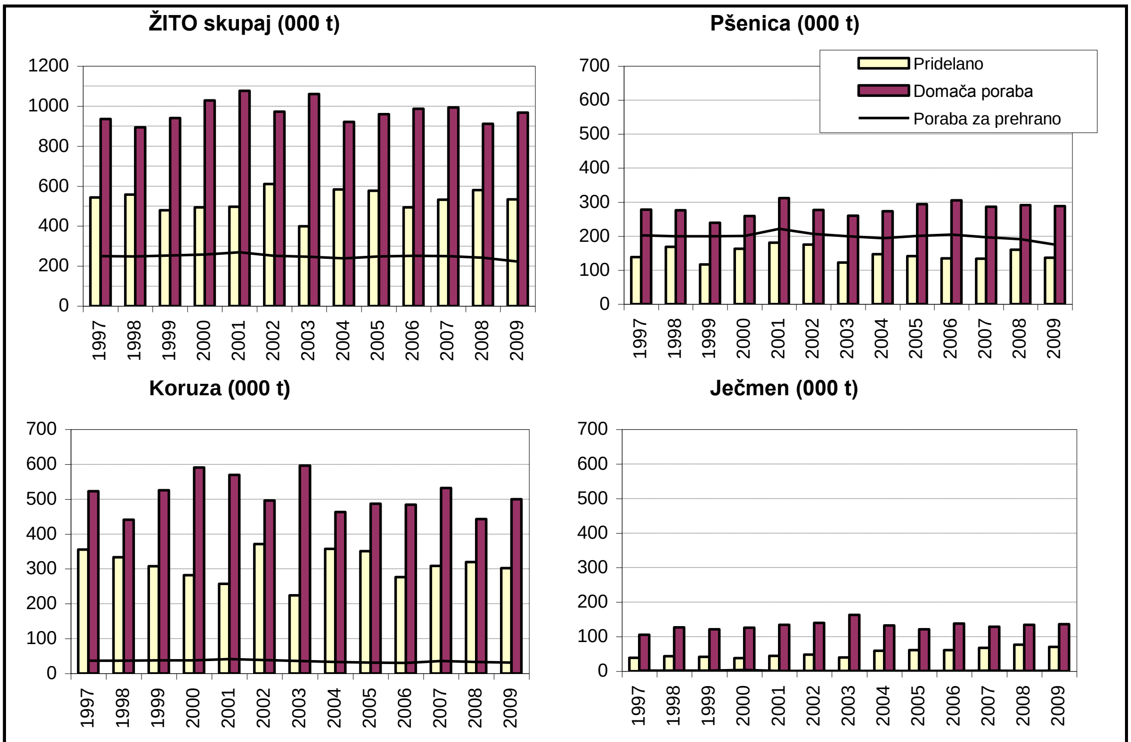
4 Sector analysis

4.1 Introduction

In this chapter we discuss the developments in the eight sectors that are central in this study. We report on trends in the markets, important changes in (agricultural) policy and we try to link this to the strategies and performance of the investor-owned firms and cooperatives in the sector. The period of observation is 2000 – 2010.

4.2 Cereals

The cereals are the most important field crop in Slovenia and, on average, cover 56% of all the crop area. Since 2000, cereals have contributed between 6.5 and 8.5% to the total value of the agricultural production. In the last years, cereals have covered about 100,000 ha with predominantly corn (41%), wheat (31%) and barley (18%).



Vir: SURS, KIS

Figure 10. Production and consumption of cereals total, wheat, corn and barley (in grain equivalent); 1997-2009. Note: Žito skupaj – Cereals total, Pšenica – wheat, Koruza – corn, Ječmen – Barley Yellow – production, red – domestic consumption, line – human consumption for food. Source: Slovenian Statistical Office - SURS

Domestic consumption exceeds the domestic production and ranges between 0.9 and 1 million tons per year. From this, two thirds are used for feedstuff (on average 65% for the period 2005-2009).

Over the last five years, Slovenia has imported, on average, 487,000 tons of cereals, of which 70 to 85% were grains and the rest flour and other processed products. In 2009, there were imported 422,000 tons from which 173,000 tons were wheat, 178,000 tons corn and 50,000 tons barley. The export of cereals is small with an average of 58,000 tons over the last five years. The average self-sufficiency is 55% and it is falling.

The cereals prices in Slovenia are under strong influence by the prices on international markets (mainly the commodity exchange in Budapest). In the year 2010, the wheat price in Slovenia was 140 €/t, and the average corn price was 160 €/t.

Between 2000 and 2006, the area payments for the cereals production were part of the market order for cereals production and the payments were organized according to this. In 2007, Slovenia introduced the regional single payment which was 332 €/ha for fields.

The cooperatives are not paying the central role in cereals production, as the most important cereal product is corn, which is predominately used for on farm own fodder production. The traditional system of wheat and barley purchase is, that the farmers sell their products directly to mills, so the cooperatives are not so important partner in the process, and that is why their market share is only 42%. Very often they only act as a local logistic centre if the mills are too far away. Also the role of cooperatives in grain price formation is small, as the prices are agreed directly between farmers' representatives and milling industry representatives.

4.3 Sugar

The new market order for sugar has changed the production conditions to such an extent, that the negotiations between owners of the Ormož sugar factory, sugar beet producers and the Ministry of agriculture resulted in the decision to stop producing sugar in Slovenia in the year 2007/08.

Before that, the sugar beet production was stabilized on around 5,000 ha with an increase in year 2006 to 6,700 ha, as the year 2006 counts as the reference year for the payments rights. In overall agricultural production, the sugar beet production had a share of about 1%.

The existing sugar production had always been smaller than the consumption, and the average self-sufficiency level was around 50%.

All the farmers who produced sugar beet in 2006 were entitled to historical payments in the form of supplement for sugar.

The cooperatives were not involved in the sugar production and purchase, as the production was centrally organized by sugar factory itself.

4.4 Fruit and vegetables

In last five years, vegetables were produced on less than 2% of the overall arable crop area and its contribution to the total value of the agricultural production was between 3.5 and 5%. Since 1995, the total production area has ranged from 3,200 to 4,300 ha. From this total area, the market oriented production area comprised about 1,700 ha. This acreage has been relatively stable. Variations occur due to changes in the farmers' own consumption. Due to more intensive production of the market oriented producers, their share represents 60% of all produced vegetables.

The total production of vegetables in Slovenia is around 84,000 tons. With an average consumption of 222,000 tons, this means that about 150,000 tons of vegetables must be imported, of which 65% are fresh vegetables. In this situation, it is understandable that the export is very small (around 10,000 tons). As fresh vegetables, Slovenia imports mainly tomatoes, onions, paprika and lettuce. The total self-sufficiency level is around 38% and is decreasing due to an increase in fresh vegetable consumption.

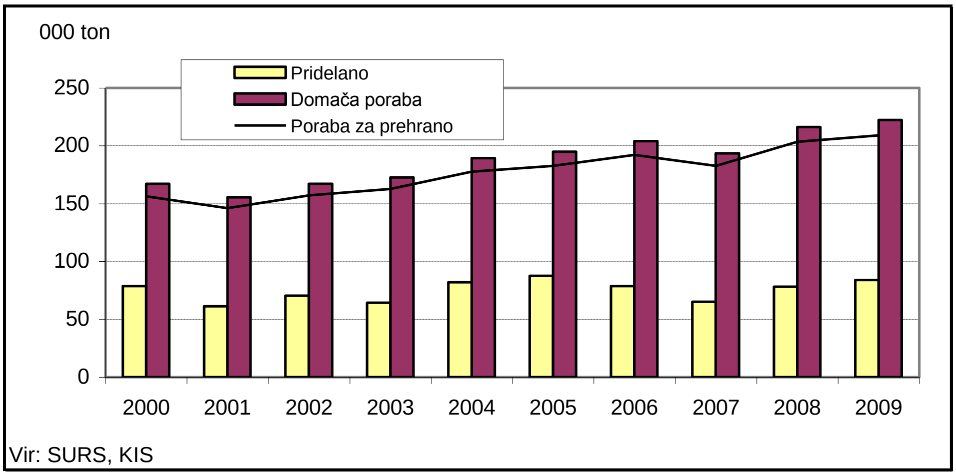


Figure 11. Production and consumption of vegetables (in fresh vegetables equivalent), 2000-2009. Note: Yellow – production, red – domestic consumption, line – human consumption for food. Source: Slovenian Statistical Office - SURS

Until the year 2007, the common market order for vegetables did not provide direct payments for producers, but only the co-financing of the producer organisations programmes, what was not made use of in Slovenia. Since 2007, the fields under vegetable production have the payments rights for fields which has amounted to 332 €/ha.

The role of cooperatives in vegetable production is increasing, as many small producers are entering the production, due to economic reasons and existing investment support within the CAP. The market share of cooperatives represents 68 % of the total domestic production, what in total vegetable market represents 25%. The activities of two cooperatives (KZ Krka and KZ Agraria) represent the most of this share. As in total the market share of cooperatives is low, are the mayor traders, who influence the market and the prices.

The production of fruits including strawberry production occupies between eight to ten thousand hectares, representing about 2% of the total agricultural area. The extensive orchards still make up for 55% of all acreage, but their share is decreasing. The fruit production contributes between 4.5 and 7% to the total value of the Slovenian agricultural production. The most important fruit species is apple.

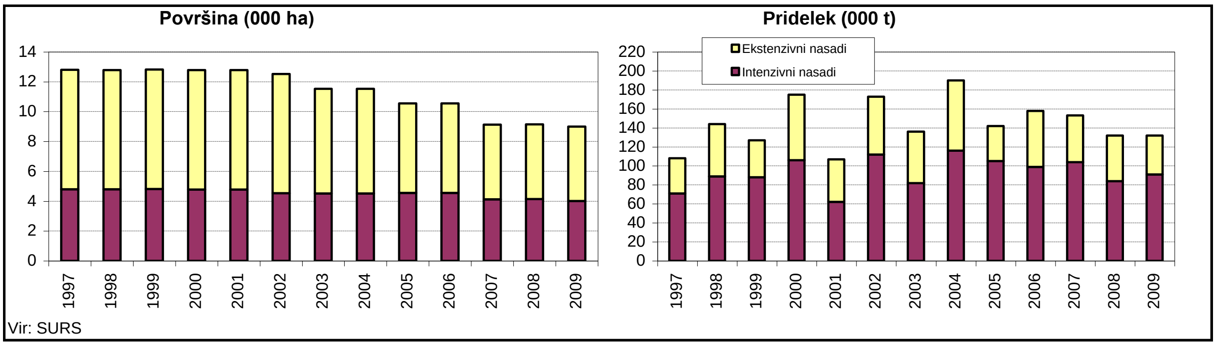


Figure 12. Acreage and yields of fruit production, 1997-2009. Note: Površina – acreage, Pridelek – yield, yellow - extensive and red - intensive orchards. Source: Slovenian Statistical Office - SURS

The purchase of fruits by regular marketing channels (organized purchase and selling on market places) has decreased over the last years and has, in 2009, totalled in 32,000 tons, what represents about a quarter of all fruit produce.

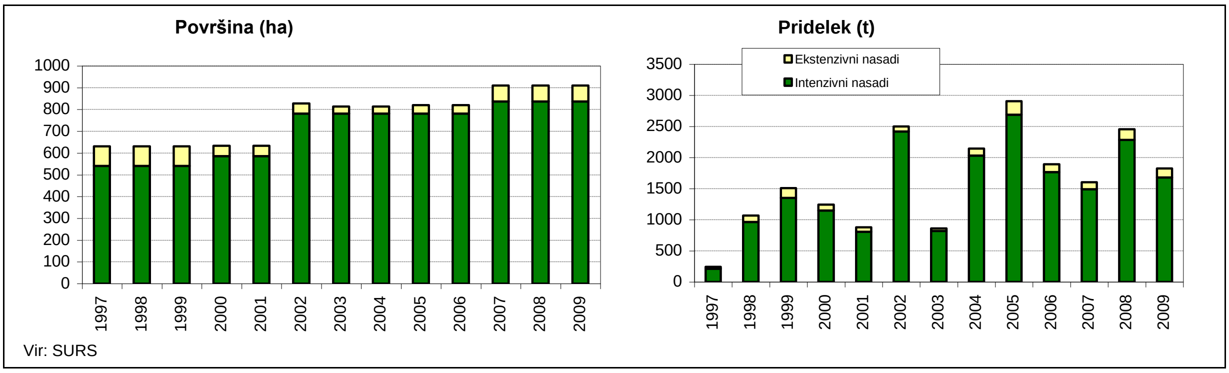
In 2009, the import of fresh fruit amounted to over 200,000 tons, whereof over two thirds had been citrus fruits, bananas and other exotic fruits. The most important export fruit is apples, where Slovenian export still exceeds the import.

Within the common market regulation, since 2004, the fruit producers have the right on payments for nuts. In 2009, these payments came up to 108.67 €/ha. And all intensive orchards can exercise their right for area payments in amount of 332 €/ha. Furthermore, both vegetable and fruit producers can organize themselves into producers' organisations, and thus, can get the support for executing their operational programmes.

The cooperatives have compared to vegetables in fruit production even lower importance, as the fruits are mainly grown in orchards in the ownership of private companies and these are also the main buyer from private producers. The only exception is a production of industrial peaches, where the cooperative is a direct partner to a processing company, which in the 80es also together with the cooperative invested in the peaches production.

4.5 Olive oil and table olives

According to statistical data, a total of 910 ha olive gardens exist in Slovenia, whereof 837 ha are intensive plantations. Since 2002, there has been the trend in increasing the acreage of olive gardens.



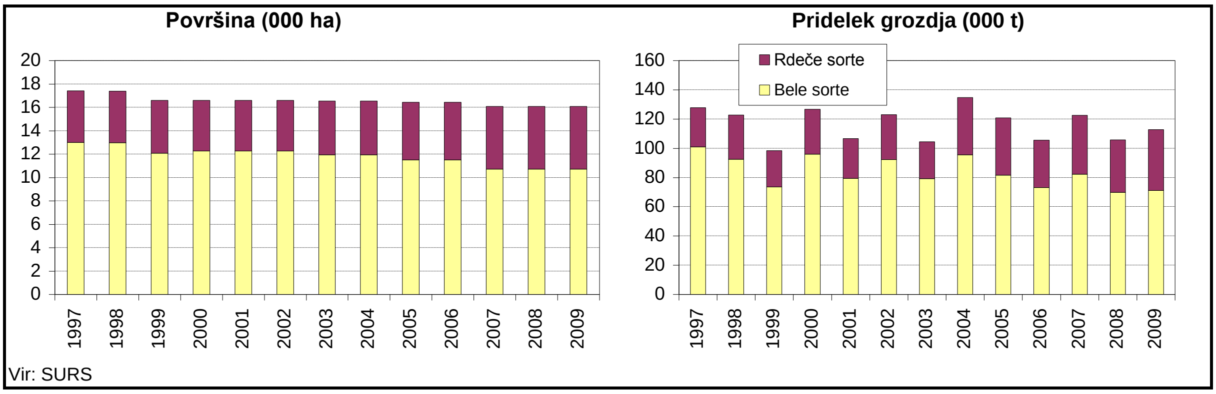
Figrue 13. Acreage and yield of olive production, 1997-2009. Note: Površina – acreage, Pridelek – yield, yellow - extensive and green - intensive olive gardens. Source: Slovenian Statistical Office - SURS

The total production has been constantly fluctuating due to changing weather conditions over the years. In 2009, the total production amounted to 1,823 tons of olives or 328 tons of olive oil. Most of olives and olive oil is sold outside of monitored marketing channels. Only 1% of all production is marketed on organized markets. As the share of the organised marketing is so law the role of the cooperatives in the sector is negligible, and the existing cooperatives are more acting like expert associations for knowledge exchange and not as a production and marketing instrument.

With the introduction of the market order for olive oil, Slovenian olive producers got the opportunity to use the production support. In the year 2005/06, this support amounted to 793.5€/t and in the year 2006 to 567 €/ha. With the reform in 2007, the olive gardens have been entitled for a regional payment in the amount of 332 €/ha.

4.6 Wine

Over last five years, grapes and wine production has contributed to between 9.5 and 12% of total value of the Slovenian agricultural production, what represents the highest share among plant products.



Figrue 14. Acreage and yields of wine yards; 1997-2009. Note: Površina – acreage, Pridelek – yield, yellow - white and violet - red varieties. Source: Slovenian Statistical Office - SURS

Wine growing occupies around 16.000 ha or approximately 3% of utilized agriculture area. Among the grapes, the white varieties are still predominating, although their share has decreased from 74 to 67% since 2002.

As with most other agricultural products, the trade balance is mostly negative with regard to the production quantities. However, it used to be positive with regard to output, which is due to structural reasons. Slovenia predominantly exports quality wine and imports table wine. But this changed in 2008, when the export of table wine started to increase.

Table 11. Structure of wine import and export; 2005-2009

	IMPORT					**EXPORT**				
Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2005**	**2006**	**2007**	**2008**	**2009**
Value (000 €)	4,643	5,961	7,169	8,586	7,315	6,177	6,949	7,240	7,599	7,199
Volume (000 l)	**2,803**	**6,498**	**6,624**	**6,757**	**6,415**	**4,091**	**5,290**	**4,316**	**5,117**	**6,199**

Source: Slovenian Statistical Office - SURS

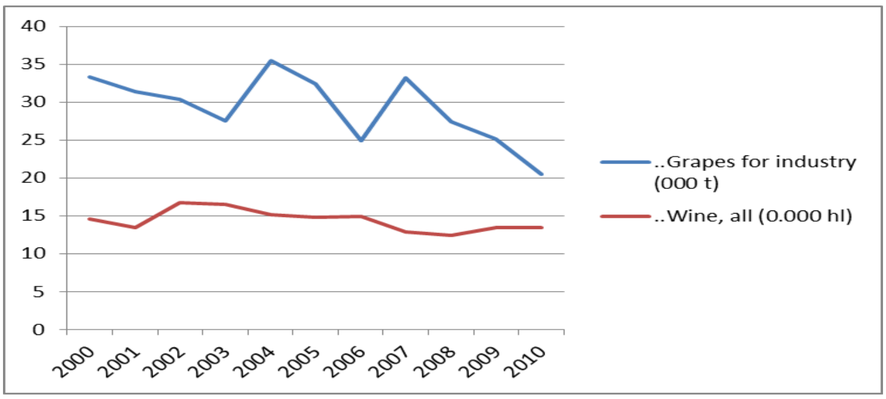


Figure 15. Production of grapes and wine 2000-2010. Source: Slovenian Statistical Office – SURS

Grapes and wine production is one of the sectors where cooperatives are important, both as producer and processor. There are still cooperatives where not only the wine making is done in cooperative owned cellars, but many of them they also cultivate their own vineyards. This is true for all the biggest cooperatives also listed in this report. The cooperatives in wine sector are also one of the few, which are beside towards domestic market also export oriented. The total market share of the cooperatives represents 71%. One of the specificities of the operation of the winemaking cooperatives is, that they are paying the delivered grapes to the producers after the wine is already sold, what is considered as a higher degree of business risk dispersion between members and the cooperative itself.

The biggest concern and threat for the cooperatives in the sector in last years are the competition from other winemaking countries within the EU and in third countries, and the growing number of private independent wine produces, who are with their more flexible production regarding the changing consumers taste and behaviour, entering the domestic market. One of such example is the Cviček consortium, which is dominating in the production of the Cviček wine.

With the introduction of the market order for wine, Slovenian grapes producers got the opportunity to use the support for restructuring and for permanently wavering the grape production. For example in 2009, producers restructured 300 ha of vineyards and permanently waved 31 ha. Furthermore, green viticulture was for the first time introduced on 85 hectares. In the year 2009, Slovenian producers also continued to use the wine market support (support for wine storage and usage of concentrated must).

4.7 Dairy

Dairy production is together with beef production the most important production sector of the Slovenian agriculture. It contributes to between 14 and 16% of the total output of the Slovenian agricultural production. Since the mid-1990s, intensive processes of concentration and intensification can be observed. In the last years, the trend has slowed down but did not stop.

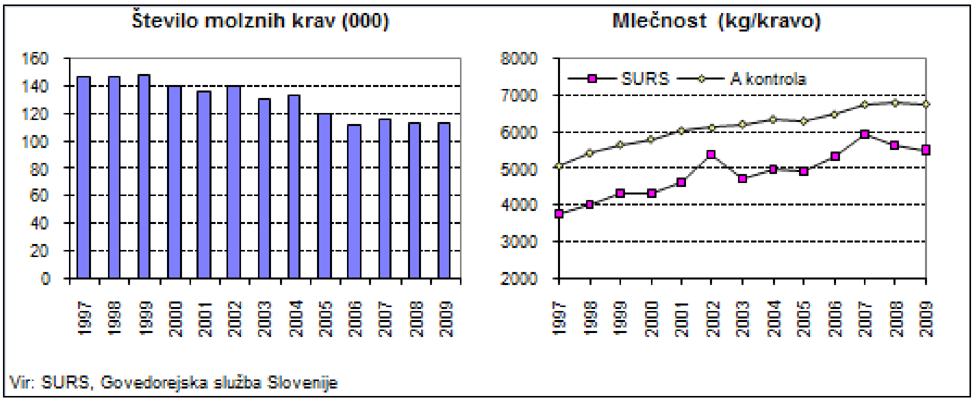


Figure 16. Number of dairy cows and average milk yield, kg/cow; 1997-2009. Note:Število molznih krav – No. of cows, Mlečnost – milkiness (kg/cow). Source: Slovenian Statistical Office - SURS

The milk production in Slovenia has always exceeded the domestic consumption. After entering the EU, some producers and cooperatives redirected their sale from domestic dairies directly to Italian ones. Such sales were quickly increasing since beginning of 2005 until mid-2007 when they stabilized. In 2009, the sale to foreign dairies amounted to 161,000 tons of raw milk, representing 31% of the total purchased milk.

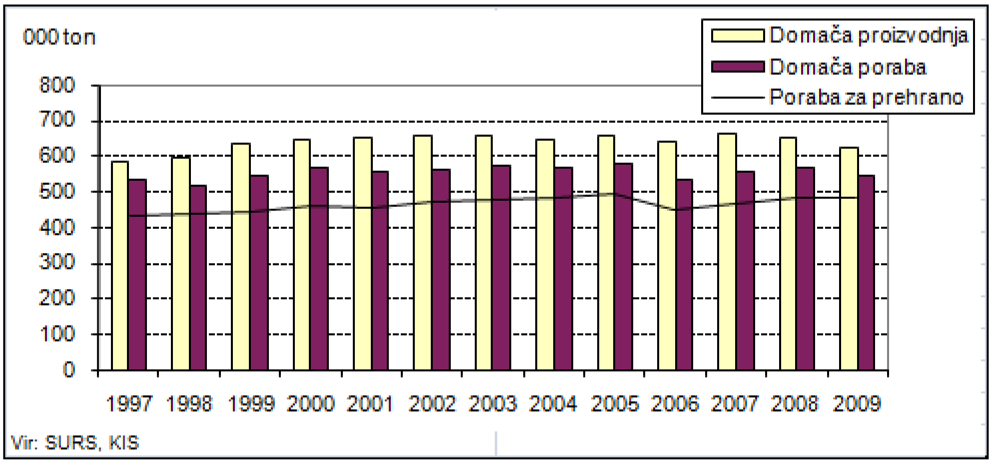


Figure 17. Milk production and consumption (raw milk equivalent); 1997-2009. Note: yellow – domestic production, violet – domestic consumption, line – consumption for alimentation. Source: Slovenian Statistical Office - SURS

In the dairy sector the cooperatives still have an important role in organizing the collection of the raw milk for the dairies, which are by the rule partly owned by the cooperatives. Namely the ownership is resulting from the Act on Cooperatives from 1992, which gave the cooperatives which transformed based on this Act from socialist type to classical type an ownership share in the existing food processing companies. So the market share of the cooperatives in the sector is still two thirds.

Regarding the milk price, Slovenia ranks in the mid third of the EU countries. Higher prices can be observed in the majority of the old member states, while they are lower in the new member states (with an exemption of Cyprus). At setting the milk price the role of the cooperatives in the contrast to the cereals sector is important, and as the owners of the dairies, they are able to influence the price level.

Direct payments are an important income source for the Slovenian dairy farmers. As production-coupled payments do not exist anymore since 2007, the dairy producers are getting the support for their milk production in the form of historical payments (80 % of the support for the quota at 31 March 2007) and the rest as part of the regional payment for fields and meadows. As in other branches of animal production, dairy farmers are entitled to recourse for health insurance for their animals. The support is around 30% of the average insurance premium.

With the EU accession, Slovenia also introduced the quota system for milk production. Until now the approved quotas have not yet been reached.

Recently, the number of dairy cows and milk production has decreased because of an extraordinary decline in purchase prices. In the year 2009, Slovenia introduced a special support for mitigating the worsening economic situation in the sector. This support was accessible for farms having at least three dairy cows and a certain minimum yearly milk delivery to the dairies. Additionally, at least one member of the farm had to have a pension's insurance as a farmer. In 2009, the support measure amounted to 42€/cow. However, no claims were made

4.8 Sheep meat

The sheep and goat breeding is in spite an intensive development in the last decade still representing less than 1 % of the total value of Slovenian agriculture. At the end of the year 2009 the total number of animals was 168,000. The majority of these animals (94%) are still slaughtered directly on the farms outside the slaughter houses.

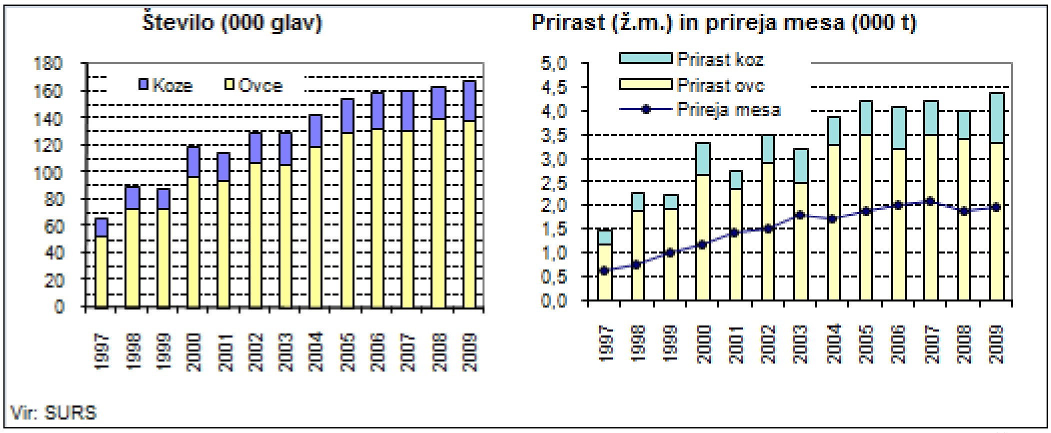


Figure 18. Number of animals and meat production (000 t), 1997-2009. Note: Število – No. (000 heads), Prirast.. – meat production, yellow –sheep, blue – goats. Source: Slovenian Statistical Office - SURS

Along with the increase of the domestic production there was also an increase in domestic consumption, being still very low in absolute terms (2,000 t). The export is also very low (about 70 t), what makes a self-sufficiency rate of about 97%.

The cooperatives and producer organisations for marketing are in sheep meat sector almost not present, and they don't represent any share. Most of the marketing is done directly on the farms.

In contrast to other agricultural commodities, the Slovenian sheep and goat meat market shows a very local character. The meat prices are lower for about 35% in comparison to other EU markets.

The producers of sheep and goats are entitled both to regional payment for fields and meadows and to production-coupled payments for sheep and goats. As in other branches of animal production, the breeders are entitled to recourse for health insurance for their animals. The support is around 30% of the average insurance premium.

4.9 Pig meat

The share of pig meat production in the total output of the Slovenian agricultural production is constantly decreasing and has amounted to 6.1% in year 2009. According to national statistics, in 2009, the pigs herd comprised 415,000 heads, in 2008 the herd totalled 432,000 heads.

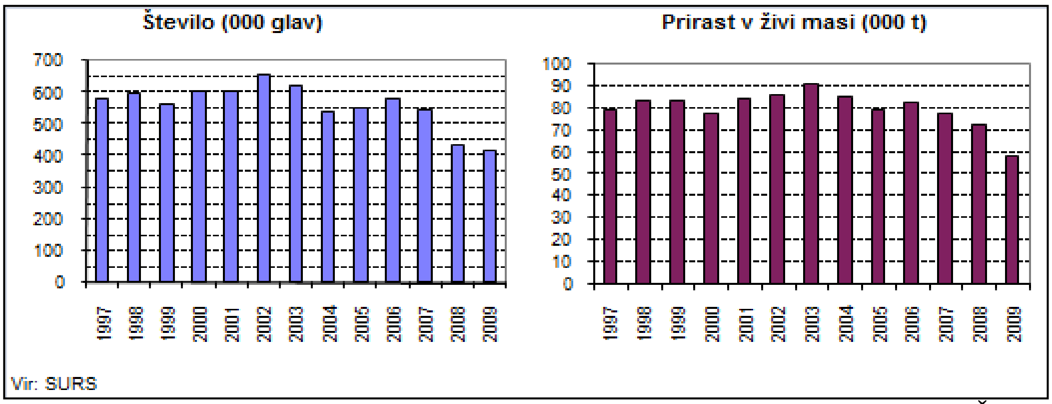


Figure 19. Number of pigs and pig production output, 1997-2009. Note: Število – No. (000 heads), Prirast.. – meat production. Source: Slovenian Statistical Office – SURS

Because of the quicker decrease in production than in the consumption, the level of self-sufficiency has fallen over the last years to merely 55%. The self-sufficiency level for the last decade still amount to between 70% and 87%.

In the pig meat sectors the cooperatives don't have a strong tradition, so their market share is only 25%. Traditionally the pig meat production in Slovenia was organized on big farms (previously state owned, now private companies), so the small scale farm production was either only for own consumption or part of these farms and organized by them. Due to such historical development even today the pig breeders are directly linked to processing industry and organized by them.

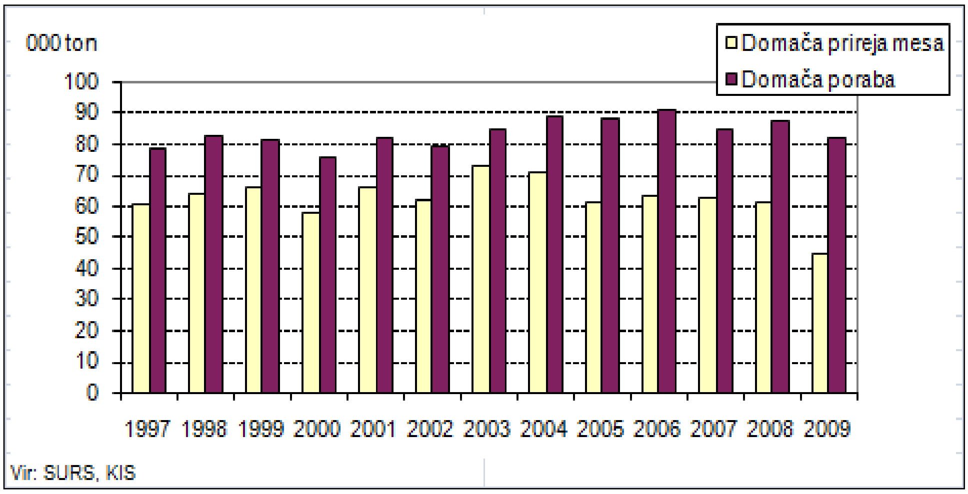


Figure 20.Domstic pork production (yellow) and consumption (violet), slaughterhouse weight equivalent 1997-2009. Source: Slovenian Statistical Office - SURS

The extent of the foreign trade with pigs has remained constant for last few years, amounting to 70,000 tons. However, the import increases while the export decreases. In the structure of the import, the share of the processed products increases quicker as the import of the raw meat. But the latter still represents 87% of the overall import of the sector. Regarding the export, the similar but opposite trend can be observed. While Slovenian exports are still predominantly made of processed meat, this kind of export is falling at the expenses of a higher export of live animals.

The price for pigs is under a strong influence by the European markets with the average price being lower than the EU average. It is the sixth lowest among all EU member states.

5 Overview of policy measures

5.1 Regulatory framework

The performance of cooperatives (including producer organisations) is influenced by the regulatory framework in a country. This framework is multi-level: EU regulations. national laws and –in some countries- even regional policies influence the way cooperatives can operate. In this chapter we look especially at the regulatory framework that influences the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

These competitive positions are influenced within the regulatory framework by much more than the law that establishes the rules for running a cooperative (business organisation law). Well known other examples include agricultural policy (e.g. the EU's common market organisation that deals with producer organisations in the fruit and vegetables sector), fiscal policies (at the level of the cooperative and the way returns on investments in cooperatives are taxed at farm level) and competition policies. There are different types of policy measures in the regulatory framework (McDonnell and Elmore (1987):

POLICY MEASURE TYPE	DEFINITION
Mandates	Rules governing the actions of individuals and agencies
Inducements	Transfer money to individuals in return for certain actions
Capacity Building	Spending of time and money for the purpose of investment in material, intellectual, or human resources (this includes research, speeches, extension, etc.)
System Changing	Transfer official authority (rather than money) among individuals and agencies in order to alter the system by which public goods and services are delivered

The objective of this project / report is to identify support measures that have proved to be useful to support farmers' cooperatives. In section 5.2 the relevant policy measures and their potential impact in Slovenia are identified. In section 5.3 a number of other legal issues are addressed.

5.2 Policy measures

The table below identifies the policy measures that influence the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

Table 12. Policy Measure Description

Policy Measure Name	Policy Measure Type	Regulatory Objective	Policy target	Expert comment on effects on development of the cooperative
Revision Act	2.1	1	3	With the change in the system of revisions of legal entities, the cooperative system has lost its own revision competencies for doing the revisions in cooperatives. This raises some concern that the cooperative management could due to lack of expert supervision by members, try to use the existing non-distributable equity that was formed before the enforcement of the Cooperatives Act in 1992 and can't be divided among the members upon the winding up of a cooperative.
Cooperative Act	1.1	1	1	Passing the Cooperative Act has enabled the transformation of the socialist type cooperatives to the classical cooperatives. It also acknowledged a contribution of the cooperatives in building the equity in Slovenian food processing industry and secures their share in the ownership structure. This measure had a positive effect on the development of the farmers run cooperatives in Slovenia. It also gave a possibility to cooperatives to influence the management of the food processing industry over the ownership shares. Unfortunately due to bad financial conditions of the cooperatives, these shares were over the years sold to other investors. Hence, the cooperatives lost the influence in the food processing sector.
Banking Act and Savings and credits services act	2.1	1	3	With this measure, the cooperatives lost their own Savings and credit services for the members as it was transferred to the commercial banks. With this measure the cooperative movement lost its financial function for the farmers.
Rural development programme 2004-2006	1.2	1	2	Within the investment support for farmers in the first rural development programme after entering the EU, the cooperatives were not eligible for investment support. At the same time they also had a restricted access to the structural funds aimed for companies, as they were considered as agricultural specific organisations.
National acts regulating the market order for certain agricultural products	1.2	1	2	In national acts governing the certain agricultural products market orders (i.e. Fruits and vegetables, wine, olives, hops) it was set that only those cooperatives which are specialized for specific group of products can become a producer organisation. This has resulted in an additional organisational structure which was in many cases only formed for the purposes of the CAP measures and is not active any more today.

5.3 Other legal issues

Business organisational law aspects

The cooperatives and POs are part of the regular business system where the cooperatives as a specific form of the legal entity are regulated by the separate Cooperative Act. In all other cases when POs are not organized as a cooperative, they are governed like any other IOF. Between 2004 and 2010, all this legislation has undergone some changes (The Companies Act was amended in 2006 and the Cooperatives Act was amended in 2007 and 2009). All these amendments were mainly made to make our national laws accordant with the EU directives (formation of transnational companies and European cooperative).

The cooperatives can only be formed by members who pay the membership share. For all other legal forms, there are no restrictions on who can establish it. For the cooperatives there is also a restriction on decision-making as only the members have the voting rights at the general assembly. The general rule by voting is one member one vote. but this could be changed by the cooperative's internal rules either based on amount of capital provided or volume of use of the cooperative.

In the governance structure, the general assembly is the most important governing body which makes all the strategic decisions and elects the president, appoints the management board and the supervisory committee. The predominant management system is a two-tire system with management board and supervisory committee. The one-tyre system is also possible.

For raising equity, cooperatives primarily use the obligatory and voluntary membership shares. An important equity source is also the equity formed during the socialist era of the cooperatives and shares in food processing industry which was transferred to reformed cooperatives by the Cooperate Act from 1992. This equity is called non-sharable cooperative property and it cannot be divided among cooperative members in the case of dissolution of a cooperative. The rising of equity with financial investors is also possible but is not practiced in agricultural cooperatives. The profits are in cooperatives with no financial investors distributed according to the volume of use of the cooperative. If there are also financial investors involved, participation on the profit is regulated by internal rules of the cooperative.

The exit from the cooperative is regulated in the way that exit of one or more members cannot threaten the existence of the whole cooperative. The regulations also diminish the interest for speculative membership. The main instrument is that the equity shares of the exiting member are paid out with timely delay and in multiple shares.

Tax law and competition aspects

The cooperative taxation is regulated by the Corporation Income Tax Law and this law does not foresee any specific exemptions (negative or positive) for cooperatives.

The cooperatives are not specifically regulated by the Competition Law. Due to their small market share that they are having individually, there was no case of proceeding of a cooperative in front of the national competition regulator.

6 Assessment of developments and role of policy measures

This chapter provides a concluding assessment on the developments of cooperatives in Slovenia. In chapter 2 the basic statistics on agriculture and farmers' cooperatives were provided. In chapter 3 data on individual cooperatives were reported, especially concerning their internal governance, their position in the food chain and the institutional environment in which they operate.

This led to some first impressions in section 3.5 on the performance of cooperatives in Slovenia in relation to their internal governance, institutional environment and position in the food chain.

In chapter 4 the data gathering and analysis was broadened by looking at the differences between the sectors and the influence of sectorial issues on the performance of the cooperatives. Chapter 5 looked into much more detail on the how the regulatory framework influences the competitive position of the cooperatives in the food chain and vis-à-vis the investor-owned firms.

This final chapter assesses the (performance) developments of cooperatives and how they can be explained in terms of the building blocks (institutional environment. position in the food chain including sector specifics, and internal governance). Section 6.1 focuses on the explanation of the performance of cooperatives in terms of their internal governance, their position in the food chain (including sector specificities) and the institutional environment (including the regulatory framework). In section 6.2 an assessment is given on which policy measures in Slovenia seem to benefit cooperatives and which ones have a constraining influence.

6.1 Explaining the performance of cooperatives

The cooperatives had and still continue to play an important role in Slovenian agriculture that is characterized by small private farms structure. The political transition in 1990s did significantly influence the development and performance of the cooperatives. The transformation from socialist type of cooperative back to the classical type brought some changes which influence the performance of the cooperatives. One of them was the transfer of the advisory service from the cooperatives to the Ministry of Agriculture, as a result of which the knowledge transfer was not any more bound to the needs and strategies of the cooperative.

The second change was the introduction of the members' share. The need to pay some monetary amount was for a lot of small farmers a reason for not joining the newly formed or transformed cooperatives. As a consequence of these changes and the bad image of the cooperative as a socialist institution, a significant decrease occurred in the membership in the early 1990s and, subsequently, a loss in market competitiveness in certain production sectors (fruit and vegetables. wine and pig meat). On the other hand, in the dairy and beef sectors where on-farm processing or retail marketing were not possible or could not assure the use or sale of all produced quantities, the cooperatives kept their role and position.

The internal governance as well was a reason for low appreciation of the cooperatives in the 1990s. When many socialist-type cooperatives were transformed according to the Cooperative Act, they became members' owned cooperatives. But as the majority of its equity capital originated from previous activities not connected to the services to/for farmers and because of non-existing managerial skills of the members, some managers tried to manipulate the members in a way that they run the cooperative on their own. In some cases this led to the bankruptcy where the members were called to cover the losses. All this produced a lot of negative publicity and affected the attitude towards the cooperatives. On the other hand, also the farmers very often did not accept the cooperative as their "company" and partner. Hence, when ever it was possible they were selling their products directly and not through the cooperative. They contacted the cooperative only in the cases when their individual marketing was not successful.

This caused a lot of problems to cooperatives, as they were not able to fulfil their contractual obligations and, consequently, they were loosing their market positions.

All these weaknesses put the cooperatives in a subordinate position towards the trade, which during this time intensively concentrated and was thus able to set the marketing conditions. This produced the feeling that cooperatives were ineffective.

6.2 Effects of policy measures on the competitive position of cooperatives

Looking at the policy measures we can see that even under preferential treatment by a separate legislation (Cooperative Act), they are not in any case favoured in comparison to other legal entity forms. There was evidence from the time just after accession that they were put in unequal position, because the policy makers did not agree if the support for cooperatives was part of the CAP or Structural policy and measures. Owing to that, they lost the possibility to use the available funds for a certain period. Another case was connected to the cooperative revision, which was introduced by the Cooperative Act but, in 2008, abolished again by the general Revision Act. This Act does not consider the cooperative specificities (i.e. non-dispensable equity capital).

Also when assessing the general political support for the cooperative idea and cooperatives, this form of cooperation for marketing the agricultural products has never been explicitly promoted and supported over the last two decades, with the exception of the past few years.

All this has undoubtedly effected the current position and performance of the Slovenian cooperatives, the position of which is much worse than one would expect considering the tradition and the farms size and the production structure.

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