



## Usefulness and possibilities of using the "co-operative identity" concept in economic analysis of co-operatives

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### **ABSTRACT**

*In order to derive the substance of co-operation from an economic aspect, it is necessary to propose a kind of interdisciplinary research and to emphasise the importance of the intersections of, as a starting point, the social sciences. It would be useful to extend research activities, including comprehensive theoretical overview, on the subject. Generally speaking, it is important and would be useful to carry out research on the co-operative identity according to each country and different branches and sectors of the economy in order to see the substance of co-operation from an economic aspect. In our future research process the "concept of the co-operative identity" could serve as a general theoretical background for the economic evaluation of co-operation. The elements of the "co-operative identity" are: the definition, the aims (purposes) and functions (roles) of the co-operative(s), as well as the co-operative principles, which are also main parts of the identity. In order to find the economic substance the aims (purposes) need to be distinguished from the functions (roles) of co-operatives. It is also worthwhile to analyse the connections between elements of the "co-operative identity" and also their relations to the "mental" and the "real" environment. The Dutch agricultural co-operation is a good example to show a sound and flexible identity.*

(Keywords: co-operative theory, economics of co-operation, co-operative identity, co-operative principles, agriculture, the Netherlands )

### **ÖSSZEFOGLALÁS**

#### **A „szövetkezeti identitás” koncepció hasznossága és lehetőségei a szövetkezetek közgazdasági szempontú elemzésében**

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*A szövetkezés lényegének gazdasági elemzéséhez szükséges legalább a társadalomtudományok együttműködése. Elengedhetetlenül fontos, a teljes elméleti áttekintést is megvalósító, interdiszciplináris kutatás hangsúlyozása, a fenti cél elérése érdekében. Hasznos és fontos lehet az a kutatás, amely az ún. „szövetkezeti identitás” elemzését végzi a különböző országok és szektorok szerint. A jövőben a tanulmányban elemzett „szövetkezeti identitás” koncepció lehet elméleti vezérfonal a szövetkezés gazdasági lényegének feltárásához. A koncepció főbb elemei: a szövetkezet definíciója, céljai és funkciói, valamint az ún. szövetkezeti alapelvek. Fontos az egyes identitások*

*rugalmasságának elemzéséhez a célok és a funkciók megkülönböztetése. Szintén tanulságos a szövetkezeti identitás egyes elemeinek egymáshoz, illetve a „mentális” és „valós” környezetükhöz való kapcsolatának elemzése. A tanulmányban vázlatosan elemzett holland eset jó példa az erős és rugalmas szövetkezeti identításra.*

## INTRODUCTION

Generally speaking, it is important and would be useful to carry out *research on the co-operative identity according to each country and different branches and sectors* of the economy in order to see the substance of co-operation from an economic aspect. In our future research process the "concept of the co-operative identity" (defined in the next point) could serve as a general *theoretical background* for the economic evaluation of co-operation.

The idea of examining co-operative aims, principles and the needs of the co-operatives according to each sector in agriculture originally came to the author from Adrie Zwanenberg (Department of Management Studies, Wageningen Agricultural University [WAU], the Netherlands). This aspect is in contrast with the opinion according to which it is possible to find a general set of co-operative principles. This was a starting-point for the author to try to develop a "new co-operative identity concept" for economic analysis and to propose further research on the topic. The following *means and "sources"* were essential to achieve the above aim:

- *literature* on co-operatives and co-operation, agricultural marketing and agribusiness are mainly available in the library of NCR (National Cooperative Council for Agriculture and Horticulture, [Nationale Coöperatieve Raad voor land- en tuinbouw], the Hague), WAU Leeuwenborch and Rabobank Utrecht in the Netherlands, and in the library of the (former) Co-operative Research Institute, Budapest, Hungary,
- *discussions*, questions and problems on co-operative theory and practice with experts from NCR and WAU,
- *study trips and meetings* with people working in the field.

## THE "CO-OPERATIVE IDENTITY" CONCEPT

### Elements of the "co-operative identity"

We will use as a basis and starting-point for the present and further research and analysis the term "*co-operative identity*", which is a significant one regarding the explanation of the substance of co-operation. It is necessary to define the *main elements of the "co-operative identity"* because in the future (agricultural) co-operation in different countries is to be examined. The elements of the "co-operative identity" are: the *definition*, the *aims (purposes)* and *functions (roles)* of the co-operative(s), and also the *co-operative principles*, which are also main parts of the identity.

This concept at first sight seems to be very similar to the *new International Co-operative Alliance (ICA) Statement on Co-operative Identity (ICA, 1995)*, which "...includes a definition of co-operatives, a listing of the movement's key values, and a revised set of principles intended to guide co-operative organizations at the beginning of the twenty-first century" (MacPherson, 1994).

However, there are some very *important differences* between the two concepts. *Firstly*, on the one hand, it is necessary to underline the *sociological and ideological*

*aspect* in the latter (ICA) case. The whole set of values and principles and even the terms used (value, movement, guide) to describe the identity represent a kind of ideological atmosphere around the ICA co-operative concept underlining the social characteristics and importance of the co-operatives.

On the other hand, the first concept contains *additional elements* of the co-operative identity (besides definition and principles): *purposes (aim) and functions (roles)*. These elements are *more relevant to the explanation of the economic substance* of co-operation, and changes in practical (e.g. agricultural) economic life with respect to co-operatives can be discussed using these terms.

*Secondly*, in order to define the economic substance *the aims (purposes)* must be distinguished from the *functions (roles)* of co-operatives. In the case of a sound co-operative identity, the *initial main "co-operative" aims* (taking into account the country, branch and sector in which they are operating) *are not changing, while the functions are altering over time* in accordance with the new developments co-operatives are facing, in order to fulfil the basic task.

Since in the case of the ICA statement only very general aims are to be found (including in the definition) and there is nothing about the functions which are subject to change over time, we have to conclude that *from an economic aspect the ICA concept is not a sufficient basis* to enable the substance of co-operation to be grasped.

### **The "co-operative" by definition**

There can be found in the theory and legislation concerning co-operatives hundreds of definitions which vary, sometimes fundamentally. The authors and "fathers" of those definitions sometimes consider their "child" as a short summary of the co-operative identity. In fact, they are *not sufficient means to find the substance of co-operation*, particularly not from an economic aspect. However, it is necessary to define what is meant by the term "co-operative".

The *basic American co-operative concept* reflects three basic criteria: "A cooperative is a user-owned and user-controlled business that distributes benefits on the basis of use" (Barton, 1989a). The American definition can also provide the main points of the Dutch approach.

### **Purposes (aims) and functions (roles) of the co-operative**

Generally speaking, the *real need for co-operative(s)* is a question of importance concerning the viability of the co-operatives in the long term. In order to act as *efficient means of the members* (in the market economy) the *real (mainly economic) incentives* are essential for establishing co-operatives at primary level and (in some cases) organizing them into centres through regional organizations. The Dutch and Danish systems of "practical" agricultural co-operation are very good examples to underline the outstanding real economic necessity for establishment of a viable and flexible co-operative system.

However, the actual situation and circumstances will determine (at least in a working market economy) which kind of *main aims* will arise from the economic conditions. Basically two main groups can be distinguished:

- *economic* and
- *social* aims.

In the literature and in practice other basic aims can in places be found such as political, religious, and cultural ones, but these are not particularly relevant with respect to this issue. In general, to grasp the co-operative identity from an economic aspect under

market economy circumstances, the first two groups of aims are starting-points of crucial importance.

As we have stated above, it is really necessary to *differentiate between the basic aims (purposes) and functions (roles)* of the co-operatives in order to be able to explain the (economic) success and flexibility of a certain kind of co-operation. The Dutch example (Szabó, 1995b,1996) is a very good instance to describe the importance of this distinction.

Before dealing with the last, but very important, element of the co-operative identity, consideration should be given to the fact that *three main relations* exist between the member and co-operative (*van Dijk*, 1994,1995a, interviews and personal communications):

- the *product*,
- the *capital* and
- the *democratic managing-control line*.

The so-called 'economic' principles of co-operatives and the Proportionality-type principles are naturally based on the 3 main connections (lines) because they were formulated in coherence with the elements of the co-operative business activity with the members.

### **The co-operative principles**

#### *Distinction between principle, practice and policy*

It is basically necessary to *distinguish the principles from the policies and practices* of co-operatives. According to *Barton* (1989b) the following terms can be used:

"A principle is a governing law of conduct, a general or fundamental truth, a comprehensive or fundamental law."

"A policy is a wise or expedient rule of conduct or management. It is not a universal, unchanging truth but a highly recommended course of action, given the situation."

"A practice is a usual method, customary habit, action, or convention; a frequent or usual action. Substantial flexibility exists ... respecting the cooperative definition, principles and policies."

In his paper, *Barton* gives a wider explanation of the terms outlined above, but these shorter definitions are appropriate for our purpose.

#### *The co-operative principles as a basis for evaluation*

Although the co-operative identity has involved some other aspects beside the principles, for example the definition(s), aims, functions, etc. of the co-operative and co-operation, for most co-operators the so-called co-operative principles are the cornerstones of the evaluation of the validity of a co-operative.

Amongst other points, *Barton* also states in his (quoted) paper that the co-operative principles with the definition of a co-operative "...preserve the essential objectives and uniqueness of the cooperative form of business" (*Barton*, 1989b). From this observation it is clear that the co-operative principles are essential to grasp the co-operative identity.

#### *Current systems of co-operative principles*

According to *Barton* there are four distinctive classes of principles which more or less overlap with the ICA principles (see later) and also with each other. These main groups are *the Rochdale, the Traditional, the Proportional and the Contemporary class* of co-operative principles. However, our main aim is not to examine the whole scale of the

optional sets of co-operative principles; therefore, details of this four classes can be found in the book cited above (Barton, 1989b).

The elements of the *Proportionality class of principles* of co-operatives are in accordance with Barton (1989b):

- "- Voting is by members in proportion to patronage
- Equity is provided by patrons in proportion to patronage
- Net income is distributed to patrons as patronage refunds on a cost basis."

The *Contemporary set* is almost the same, but differs from the previous one in the fact that the proportionality basis is not stressed in the first and is absent from the second point.

The *performance or proportionality concept* means, according to Diepenbeek (1989), that "...in the distribution of cost and proceeds of the cooperative amongst the members... an economic key is used, namely a distribution according to the economic principle of proportionality - at which the social key of personal need or social claims in redistribution of income is rejected". The proportionality concept (Barton, 1989b) can be considered a suitable starting-point for the analysis of - for instance the Dutch - co-operative identity (van Diepenbeek, 1989, ter Woorst, 19??, van Dijk, 1994, 1995b, Szabó, 1995a) and the developments currently in progress in European "practical" agricultural co-operation.

#### *ICA principles (1966-1995)*

From our (economic) aspect it is necessary to *concentrate on the four main principles* which were published by the ICA (International Co-operative Alliance) in 1966 in Vienna and considered the *basis of co-operative business activity*:

- *Open membership* (free entry and leaving).
- *Democratic control* (1 member - 1 vote).
- *Limited (if any) interest* on investments (capital).
- *Distribution of surpluses on the basis* (usually in proportion) *of the members' turnover* with the co-operative.

This list includes two other principles, but these are not directly relevant to the business of the co-operative:

- Compulsory provision for education of the members and the general public.
- Co-operation among co-operatives at local, national and international level.

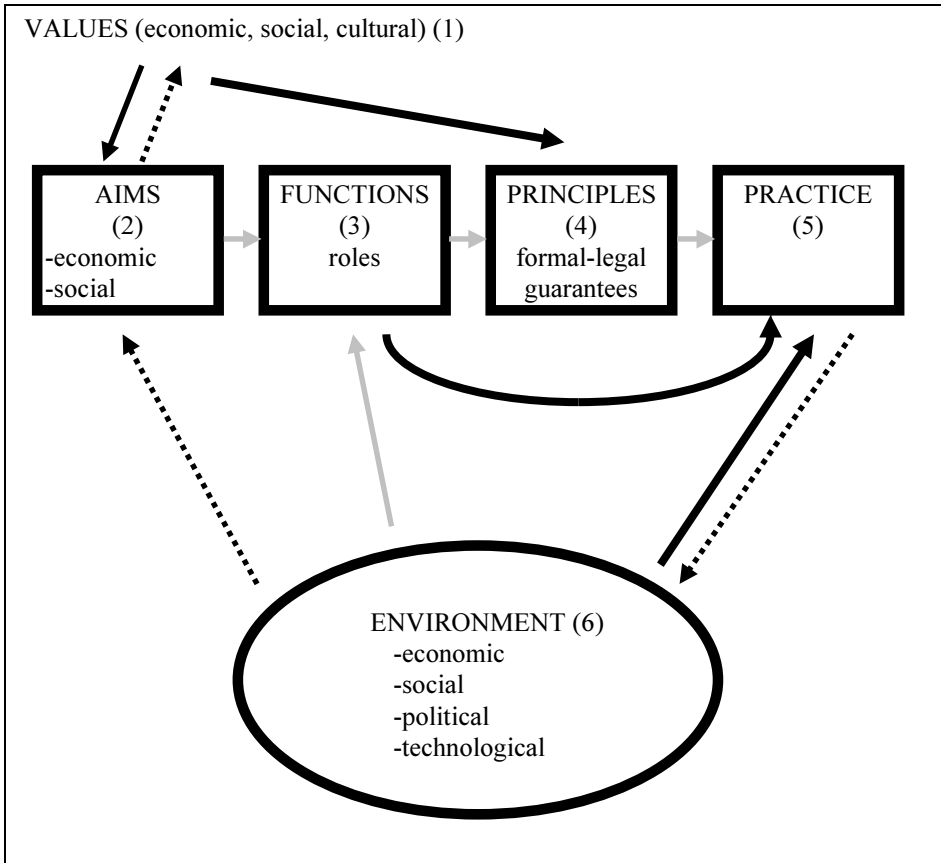
Reflecting the recent changes in economic and social life all over the world, the ICA has established a working group to review the current basic values and principles of co-operation. A statement was made on the final list of the new principles - which can prove that a co-operative is genuine (valid) - in September 1995. However, until the new statement comes into force in practice, we have to consider as a basis for our comparison the above main "business" principles, which have been more or less accepted and implemented in most countries.

### **RELATIONS OF ELEMENTS OF THE "CO-OPERATIVE IDENTITY"**

After analyzing the concept and the elements of the "co-operative identity" let us examine how these are *connected in real life*. It is also necessary to underline the main dangers awaiting co-operatives without a strong and clear identity. The *main connections* between the elements of the "co-operative identity" and also *their relations to the "mental" and the "real" environment* can be seen in *Figure 1*.

Figure 1

## Elements of the "co-operative identity" and their relations



1. ábra: A "szövetkezeti identitás" elemeinek beágyazottsága

ÉRTÉKEK (gazdasági, társadalmi, kulturális) (1), CÉLOK (gazdasági, társadalmi) (2), FUNKCIÓK (szerepek) (3), ALAPELVEK (formai-jogi garanciák) (4), GYAKORLAT (5), KÖRNYEZET (gazdasági, társadalmi, politikai, technológiai) (6)

Naturally, in every society there is a quite *broad system of "mental" VALUES*, which is *the basis for every social action* in the society, including economic activity. These types of values can be divided into a number of classes. The three most important ones, i.e. *the economic, the social and the cultural group* of values can be seen in *Figure 1*. These are cornerstones of a consistent system of social thinking, which is indispensable to the accomplishment of activities such as economic activity. The thin black arrow in the upper part of *Figure 1* represents the influence of the values on the basic AIMS of co-operatives. Naturally, these depend on the importance of each value in a society. If there is a consistent system of values, it is easier to set for the co-operatives basic aims, which

can be valid for a very long time. The Dutch and Danish systems of “practical” agricultural co-operation are good examples to stress this aspect.

*Cataclysm*, such as a change from one political-economic system to another, can change the spiritual basis for co-operation. To give an example the transformation process taking place in eastern and central Europe at present can be cited. Naturally, if a “co-operative identity” strong enough, the kinds of aims set by the co-operatives can exert an influence on the (economic, social, cultural, etc.) values, but most often this is quite a weak effect (see broken black arrow in *Figure 1*). Therefore it can simply be stated that co-operatives, similarly to any other organization in economic or social life, are encased in the invisible spiritual environment of the system of social thinking and ethics of a society. Moreover, the widely observed new trends of globalization and internationalization which are emerging all over the world, particularly in Europe, broaden this spiritual environment.

Consequently, the aims of co-operation in a country or society usually depend on a broad-based system of values. There are many types of aims (purposes) which can be set by co-operators all around the world. The two most important types of basic aims, the economic and the social ones, are shown in the first square in the upper right part of *Figure 1*, which is the starting point of our actual examination process. As stated above, co-operators in every society can define other aims, such as cultural or religious ones, but the basic purpose of the co-operative activity should be the economic one; otherwise co-operatives cannot survive without the aim of the state or the government. If a co-operative has a sound economic and financial basis, it can set other aims, as can be observed in quite a number of countries. However, to be able to remain independent from the state and any other political or economic organization, it is essential to organize economic activity in an efficient way. This is particularly true in the case of co-operatives with only economic aims.

Members or potential members can define the FUNCTIONS (roles) of the co-operative in order to be able to fulfil the main aims (see the grey arrow in *Figure 1*). Since research is to be carried out to examine the usefulness of the “co-operative identity” concept for an economic analysis, the case is being dealt with on a deeper level when co-operatives have only economic aim or aims. In the next section, as an example for the use of the “co-operative identity” concept, an examination process is to be performed to reveal how much the Dutch agricultural co-operative identity is sound and flexible in facing challenges.

In a market economy running in a normal manner, the economic purpose can remain the same, even in a changing business and social life. Naturally, the functions can alter according to changes in the economic, social, political and technological ENVIRONMENT. One can follow this way of influence of the environment on the (altering) functions of co-operatives in *Figure 1* (see the grey arrow).

According to the functions within a consistent “co-operative identity” CO-OPERATIVE PRINCIPLES can be formulated as formal-legal guarantees. A grey arrow shows the connections in a normal situation between functions and the co-operative principles.

The “PRACTICE square” can be found at the end of the examination process, as shown in *Figure 1*. According to the types of the principle(s), co-operatives shape their own and different business in practice. The term “practice” denotes daily operations which are indispensable to the accomplishment of co-operative activity, above all taking economic activity as a basis. It is necessary to underline the fact that, in a strong system of co-

operation, with a flexible and clear "co-operative identity", the "practice square" is the final "module" in the process of formulating co-operative activity. The normal way of shaping co-operative business can be followed via the four grey arrows in Figure 1.

However, emphasis should be laid on the point that *effects exerted on co-operative activity by the environment are questions of importance*. The quite weak connection between the elements of the environment and the co-operative aims is shown in Figure 1 (see the broken black arrow). Naturally, fundamental changes in the economic, social, political or technological circumstances can exert an influence on the basic purposes of co-operatives, but the main line is how the different elements of the *environment can influence co-operative activity through the environment- functions connection* (see the grey arrow between them).

It is also true that the day-to-day practice of co-operatives has an effect on some elements of the environment, particularly if co-operatives can build up a so-termed *countervailing power* (Galbraith, 1963, NCR, 1993). However, connections of this type are relatively weak (see the broken black arrow), with the exception of some examples existing in a few "co-operative countries". A common feature of co-operatives with an exceptionally strong and clear "co-operative identity" is the ability to restructure themselves in the adaptation process in response to new circumstances.

Lastly, but by no means least importantly, it is necessary to *outline some dangers with respect to co-operatives with no sound identity*. There are three main lines of potential dangers, as shown in Figure 1 by black thick arrows. When the *values*, listed above, *by-pass the normal way of formulating co-operative activity* (as can be seen in Figure 1 along the grey arrows), then there exist the danger that *co-operative principles are being set without an examination of why they are indispensable guarantees*. This type of misunderstanding can also be observed in the new ICA "Statement on the Co-operative Identity" (ICA 1995). Neglect of economic analysis raises a question: whether it is worth formulating rules (principles) hanging in the air. Naturally, it is quite simple to establish a set of *consistent principles based directly on some social, political, cultural values or ethics*. But it is *not at all certain* that co-operatives following these kinds of principles will be viable ones and *can survive in the rapidly changing environment*. So it is probably better to follow the "grey line" (see the grey arrows from the "aims square" to the "practice square" in Figure 1) on the path of formulating co-operative activity, as can be observed in the case of the Dutch system of agricultural co-operation.

Another dangerous by-pass occurs when the "principles module" is absent from the above "grey line" and *functions shape directly the day-to-day practice of co-operatives*. In this case there *exist no formal-legal guarantee* according to which it is clear whether an organization is co-operative or not. Therefore, the *co-operative principle or principles are indispensable to the proving of the genuine co-operative substance*. But it must be taken into consideration that *co-operative principles can alter according to each country, sectors, branches, etc.*. Therefore every kind of co-operation forms its own set of principles. One possibility is to accept and use the co-operative principles stated by the International Co-operative Alliance, after setting an aim or aims and a function or functions. It is also possible that one kind of co-operation *can actually use only one principle*, as the Dutch agricultural co-operatives do. But these types of formal-legal guarantees are *essential to the distinguishing the Investment Oriented Firms (IOF) from the "co-operative type of business"*.

Finally, it is necessary to analyze the third danger awaiting co-operatives in the rapidly changing world (see the thick black arrow from the environment to the "practice



square” in *Figure 1*). So, there is a situation when there is nothing to do with “co-operative identity” concept at all. *When elements of the environment, single or together, govern and conduct the every-day practice of co-operatives*, there is no meaning if an organization bears the name co-operative. This is because, when by-passing the normal route (see the grey arrows from the “aims square” to the “practice square” in *Figure 1*), it is *absolutely impossible to develop and save a sound co-operative identity*. As the environment is changing day by day, ”practice” will actually respond without measuring changes which have been made with respect to the co-operative aims and functions. Principles will not serve as guarantees or will be totally absent. These types of action are very dangerous for any type of organization, but are ultimately fatal for co-operatives. The three main dangers outlined above can be seen in *Figure 1*, indicated by thick black arrows. It would be very interesting to analyze how these theoretical findings are valid in the case of the Hungarian system of co-operation, but at the moment it is difficult to see clearly the situation in Hungary with respect to this issue, which will therefore be the task of a future study. Let us briefly turn to the Dutch example to use our “co-operative identity” concept for an economic analysis.

### REVOLUTION IN EVOLUTION - THE DUTCH CO-OPERATIVE IDENTITY IN ACTION

As the Dutch ”co-operative identity” in the agricultural sector is to be investigated, it is obvious that the so-termed *Dutch definition* should be used. This refers to an agricultural or horticultural co-operative as:

"An economic organisation in which farmers or market gardeners collaborate permanently and put together parts of their economic activity (in general the market function), at joint risk and on joint account, in order to make the economic activity concerned as profitable as possible, while maintaining the self-supporting nature of the other functions of the agricultural enterprise" (NCR, 1993).

As can be seen from the Dutch definition, in the Netherlands (as in the USA) the co-operative is considered a "pure" economic association, *only one of the potential organizational forms of business activity*, without any social aim. In the Dutch case a co-operative is considered mainly a marketing tool of the farmer-members. The main purpose, arising from the real economic need, in the Dutch case since the establishment of the first co-operatives is a purely *economic goal: to increase the income of the members*. In this sense, it is very important to take into consideration (particularly in the case of marketing co-ops) two purposes of importance (*van Dijk, 1994, 1995a*, interviews and personal communications):

- *the continuity of the market position of farmers and*
- *the return on the capital invested by the farmer-members*
  - *in the farms, and also*
  - *in the co-operative firm.*

It is necessary to emphasize that there is *no direct social or public purpose aim*. Naturally there are some lateral effects, and the increasing income of the farmers is good for their social position, but the social and the public purpose tasks are basically business of the state (social network). Concerning questions outside of the activity which is, strictly speaking, of a business nature, farmers are organized by farmers' unions. To increase the income of their members is *basically different from the basic purpose of the*

so-termed *agricultural production co-operatives* (to offer working places and/or fulfil direct social aims).

The basic aim of the agricultural and horticultural co-operatives in the Netherlands must be accomplished *by the extension of the economic activity* of the individual farmers (Ihrig, 1937). *The expected continuity of the co-operative business* connected to the members' activity is also one of the main incentives to establish and belong to a co-operative (Zwanenberg, 1995, interview).

As a common feature it can be found that *in the past price leadership* was the term which could be used to characterize briefly *the function of the co-operative or co-operatives*. *On the macro level* these have been acting as a "countervailing power" and *on the micro level* they have offered an *optimum price* (for e.g. milk) for all products of the members.

The basic principle, in the case of the Dutch marketing co-operatives, is that *the product is central*; that is, the "*principle of principles*" (van Dijk, 1994, 1995a, interviews and personal communications).

As a basic point, it is essential to consider that in fact in the practical Dutch system of agricultural co-operation there is *only one principle* in the pursuit of the "co-operative" aim: *the proportionality principle* (van Diepenbeek, 1989, ter Woorst, 19??, van Dijk, 1994, 1995a, interviews and personal communications). According to this, the most important point is that the *surpluses of the co-operative are distributed between them in proportion to the turnover* (transactions) of the co-operatives. The members have to make *contributions (investments)* and they receive *voting rights*, naturally with certain limits, in proportion to their business with the co-operative.

As stated earlier, in order to examine the response of the co-operatives to the challenges they face consideration should be given to *the economic (market), social and political environment in which they operate*. *Fundamental changes in the economic and market environment related to agribusiness* are the following:

- saturated market for agricultural products in the EU,
- new directions in the CAP,
- changes in the WTO (GATT) regulations,
- health- and environment-sensitive tendencies in consumer behaviour,
- the recent developments in eastern and central Europe,
- the increasing power of the retail networks and multinational firms in Europe.

Surrounded by these new circumstances (van Dijk and Mackel, 1994), the co-operatives have to develop *new marketing strategies*. To implement *new marketing strategies* co-ops have to *collect more risk bearing capital*. To achieve this and also to *maintain the basic co-operative character* it is necessary to make some internal and external *organizational changes*.

Such types of developments will, naturally, have *effects on the co-operative identity*. The main aim of the co-operatives is the same: to increase the income of the members. But *this increase can in the future be divided into two parts*. The first part is connected with the *product* delivered by the member (e.g. milk price), while the second part relates to the *capital* provided for the co-operative. So, the *importance of the capital line* (compared to the product line) *is increasing*, in order to be able to obtain the necessary additional resources (van Dijk, 1994, 1995a, interviews and personal communications).

The *main aim* (to increase the income of the members) and *the principle of principles* (the product is central) *are still valid*, but there is a *fundamental change in the basic function*. In the sense of recent developments, instead of price leadership a kind of

*market leadership* is the main role to be performed. Co-operatives in the period of the newest generation, in order to come closer to the consumer and to translate consumer demand, do and will *act as market institutions*. At the same time they will stimulate *competition on the basis of quality*, to be able to fulfil their basic aim (van Dijk, 1994, 1995a, interviews and personal communications).

What are the *consequences for the co-operative principle, or principles?* Nowadays, the proportionality principle seems not to be true in every sense, particularly in the case of the dairy co-operatives (van Dijk et al., 1993, Poppe, 1993). However, the proportionality principle is the main feature of most Dutch agricultural co-operatives, this being attested to by their stature.

*To examine the ICA principles in Dutch practice* is very interesting: most of the ICA principles are not relevant to their structure and business activity; generally speaking these are subordinated under the endeavour for efficiency. For example, *open membership* is not valid in most co-operatives because of the efficiency criteria. In the case of the marketing co-operatives, in general, open membership is not a widely applied principle, particularly in the dairy co-ops (Lunshof, 1992, 1994, interviews and personal communications).

Also, the *1 member - 1 vote* principle is not valid, the voting right is more in proportion to turnover, with limitations, naturally, according to the democratic character of the co-operative. So-called democratic control, organized at present by special market-product combination, is one of the responses to the new challenges faced (van Dijk, 1994, 1995a, interviews and personal communications).

The *principle of limited (if any) interest* is to change in the sense of the huge need for additional investments. In the past there was no dividend on the investments in the co-operative, just a modest interest on it. Now, this situation will probably change, and it is likely that some dividend on investments made in the co-operative will be distributed.

It is necessary to underline the *flexibility of the Dutch system of agricultural co-operation* to the new circumstances. As outlined earlier, *the principle of principles* (the product is central) *and the main aim* (to increase the members' income) *are still valid*. However, *changes in function* in order to come closer to the consumer mean that *the importance of the main lines* between the members and the co-operative *is changing*. Therefore, to keep their co-operative character in the future, it is likely that Dutch co-operatives will be subject to change in their organizational structure (van Dijk, et al., 1993, Poppe, 1993).

### **POSSIBILITIES CONCERNING FURTHER RESEARCH (RATHER THAN CONCLUSIONS)**

*Co-operative theories alone* (which have been used until now) *are not sufficient means to define the substance of co-operation from an economic aspect*. Therefore, it is necessary to propose a kind of *interdisciplinary research* and emphasize the importance of the intersections of, as the first step, the social sciences, using the results and contributions of the various fields of economics, law, marketing, management sciences, and also some elements of philosophy, psychology, sociology, etc.. This would be based on a positive (economic-analytical) concept while maintaining the scientific approach. It would differ from the normative concept, since it *would preserve its scientific character and neutral fashion* without normative judgements or actual use for political purposes and/or social changes. In accordance with the ideas outlined in this paper it would be

useful to *extend research activities* (including comprehensive theoretical overview) *on the substance of co-operation and "co-operative identity"*. In the sense of the considerations propounded above this paper can be regarded as a *preliminary study for further research*.

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