Status-quo Analysis (WP3)
National status quo report – the Czech Republic (D3.2)

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Encouraging Collective Farmers Marketing Initiatives (COFAMI)

Background and objectives

Collective action by farmers has played an important role in the history of European agriculture and rural development. During the 20th century the joint actions of farmers in many EU countries gave rise to the foundation of agricultural marketing co-operatives, resulting in better market access, increased farm incomes and regional employment. More recently farmer collectives have made an important contribution to the spread of sustainable production methods.

Now European agriculture is facing a range of new challenges. Farmers have gradually lost control over supply chains, due to the growing power of retailers, and are also confronted with a general decline and reorientation of policy support. At the same time, there is a need to respond to changing consumer demands for food safety, quality and an attractive countryside. Again, collective action may help in finding appropriate answers for these new challenges.

Against this background the COFAMI project studies the potential role of collective farmers’ marketing initiatives (COFAMIs) in finding adequate responses to changing market and policy conditions. More specifically it aims to identify the social, economic, cultural and political factors that limit or enable the development of such initiatives. The project also seeks to identify viable strategies and support measures to enhance the performance of collective farmers’ marketing initiatives.

Steps in the research

- At the start of the research a conceptual framework for the study of COFAMIs will be developed. A review of relevant scientific literature and a ‘quick-scan’ of 8 previous EU research projects which included COFAMI cases will provide the basis for this.
- For each study country a status-quo analysis of collective marketing initiatives and relevant contextual factors will be made. This involves an overview of existing COFAMIs, their aims, organisational forms and strategies, relations with other supply chain partners, and relevant market and policy environments.
- A series of 18 in-depth case studies of different types of COFAMIs will be conducted. These will provide more detailed insights into the influence of different factors that limit and enable the development, performance and continuity of COFAMIs. The performance of initiatives in terms of social, economic and environmental impacts will also be assessed.
- In the synthesis the results of these different research activities will be integrated into general conclusions about the relative importance of various limiting and enabling factors for different types of COFAMIs. Support strategies for COFAMIs and measures to improve their performance and dissemination will also be formulated.

Project results and consultation

Participatory methods and stakeholder consultation will play a key role in all stages of the project, to ensure that research outcomes are grounded in field experiences and policy debates. A National Stakeholder Forum will be established in each participating country. In addition a European-level expert group of scientific and field experts will be formed to broaden geographical coverage beyond the 10 countries represented in the project.
The research will provide farmer groups, support organisations and government agencies with insights into different collective marketing strategies, their success and failure factors, and suggestions of measures that support COFAMIs. Additionally, the project will contribute to scientific and policy debates on the role of farmers’ initiatives and new supply chain arrangements in promoting sustainable rural development and the supply of safe and quality food.

All project results will be made available through the project website www.cofami.org

Project partners

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1 Introduction

Collective farmers’ marketing initiatives represent very interesting topic within the Czech context – from scientific and theoretic, as well as practical and political points of views. These two views are in mutual duality. This implies that the findings of the scientific and theoretic nature enrich the sphere of practice and politics, and vice versa.

Addressing collective farmers’ initiatives (COFAMIs) from the scientific-theoretic viewpoint enables to analyze different ways of farmers in which these atomised actors share their resources and conduct collective actions. The Czech farmers represent one of the most atomised sectors of Czech national economy – statistical data suggest that there are more than 30 thousand farms in Czechia which are, at least, in certain degree market oriented. In a case of COFAMI “the invisible hand of market” based on competitive actions of myriads of isolated, atomized actors (illustrating the *homo-economicus* model and prepositions comprised in the methodological individualism) can be confronted with the visible hand of associations and cooperation of actors that are interconnected through social ties and networks and who market together their commodities, products, services, or other outputs of their farming activities. This is the case which is rather based on the *homo-sociologicus* model and comprises the methodological collectivism.

The political-practical viewpoint enables to evaluate impacts of different policies on specific cases of the collective marketing initiatives, and at the same time to form recommendations for their future development based on the previous analysis and the actual results of COFAMI existence providing that analysed experience is desirable and in accordance within the frames of CAP goals.

With regards to historical development the Czech examples of COFAMIs represent an interesting laboratory. The Czech COFAMIs, similarly to majority of former communist countries, can be considered as a sort of natural experiment with initiatives of collective marketing. COFAMIs started as traditional collective farmers marketing initiatives of cooperative type (existing before the collectivization starting in 1948). But after 1948 these initiatives were evolved into total compulsory collective marketing guided, planned and managed by the state but in certain periods developing interesting features and a sort of “dissident’s initiatives” (existing 1948-1989). Finally, after 1989 the “communist collective marketing” was changed again towards newly emerging or re-emerging collective farmers marketing initiatives.

Historical development and state-of-the-art analyses give a chance to compare different types of COFAMIs in their historical development. The comparison will help to refine the ideas about factors, which enable or limit COFAMI.

2 General description of the importance of the collective farmers’ marketing in the country

2.1 Historical context in which collective farmers’ marketing has developed

Origins of collective farmers’ marketing initiatives in Czechia are related to the beginning and development of cooperative movement. In the time of its origin in about the 1870s (Hůlka 1931) the movement had been influenced by two theoretical and political approaches: economic liberalism and socialist movement. These two
approaches in their various combinations and changing dominance of one over another have been shaping the political milieu for COFAMIs in the past and even today. Therefore they can be used as a sort of theoretical background of this report. Collective actions of farmers concerning the common marketing are therefore framed by two dichotomist political-theoretical concepts. Firstly, we will have a look at them from historical point of view.

Economic liberalism in agriculture had firstly contributed to the situation it proclaimed, when farmers were released from subjugation (serfdom) in 1781 and corvée (in the year 1848). They could be fully engaged in developing their farmsteads. Peasant class started to grow and, for example, formed itself into a significant political player with certain power. It looked like economic liberalism contributed to the benefits and well-being of farmers. However, later on farmers experienced negative effects of economic liberalism too. It seemed that everyone’s benefit did not occur automatically, as the invisible-hand concept assumed. Consequences of free trade, when the import of products from countries with lower production costs (North American production above all) resulted in the decrease in local products prices followed by the indebtedness of farms, usury or speculations with land were some of the examples that documented the failures of the belief only in laissez-faire ideas. The first significant crisis affected modern agriculture in Bohemia and Moravia already in the 1870s (1873, the first but more moderate one occurred in 1813). The farmers started largely to critique the usury or the speculations with land. Since this time this criticism was always on the “farmers’ complains agenda” and escalated in the time of the Great Depression after the year 1929. The crises above all affected the small farms.

The socialist movement therefore comes as a specific response to the failures of economic liberalism. Considering Marxists roots of this movement, it recognized the causes of the failures in private property ownership. That is also why it pursued to modify and transform this institution into a collective ownership of production factors, eventually of consumer goods. It was the issue of ownership and problems resulting from economic liberalism that became the crucial points for forming the collective farmers’ approaches in the first half of the 20th century in former Czechoslovakia. Considering the historical experience, one can assume that the issue of ownership (such as inputs or outputs related to the farming) and economic policy (liberal, conservative or socialist policy) are the factors, which either limit or enable the collective farmers’ marketing initiatives.

While the advocates of the socialist movement considered the collective actions (especially in its cooperative form) as a mean of setting up socialist order (in the terms of easier transformation of individual farming into collective farming), followers of liberalism respecting inviolability of individual ownership considered the collective cooperative movement as an element supporting the order that is based on private ownership, because it allowed economic-weak individuals to exist on their own as independent private farmers. The ways in which one or another approach influenced the political discourse was also reflected in the types and forms of the COFAMI.

Until the end of the first half of the 20th century the cooperatives were seen in the former Czechoslovak political and expert discourse as a main form of the COFAMIs, as it is documented in the sociological monographic research in village of Sány (Galla 1937) located in central Czechia. These initiatives were from the liberal viewpoint seen as the association of people, who are not economically strong enough and hence they
pool their capital and labour in order to enhance their life standard mostly with respect to its economic aspects. These initiatives were described as self-help associations and interpreted as being of solidarity nature. Therefore they were intended for economically weaker individuals.

In the sociological analysis of cooperative movement in the Central-Bohemian area of central Czechia) village Sány (about 50 km east from Prague), Galla (1937) identified two types of the common cooperative initiatives: real (proper) and unreal (improper) ones. When a cooperative is formed as a community of consumers and small producers, whose goal is the social welfare than benefits for people originate from increased social standards of small owners in economic, hygienic and moral terms (in these thoughts about real/proper coops there is obvious relation to the ideas of B.V. Raiffeisen that had gave the origin to establishing cooperatives/charity-support associations or later Raiffeisen Cooperative; Raiffeisen idea was “to realize Christianity in economic life”). These real (proper) cooperative initiatives are of apolitical nature. It is because, as it is proved by the Gallla’s research (1937), they fight (pursue) for something (an enhancement of their members’ standards, which results in economic, social and civic development of a given village), and they do not fight against something (the system), or someone (other actors). The unreal (derived, imaginary, improper) cooperatives are, according to Galla, those, which are created by putting together socially strong actors. They include large producers, entrepreneurs, traders, marketers who realize the benefits of the cooperative organizations’ flexibility, which brings various advantages to their members (advantages of collective action). While in case of the so-called real (proper) collective initiatives of farmers (and rural inhabitants) non-economic aspects of their activity are obvious – non-economic factors are the most important for this type of COFAMIs origin (moral principles reflecting Max Weber’s notions of moral and Christian conditions of the origins of capitalism; these moral principles can be also seen as the response to negative effects of economic liberalism), in case of the unreal (improper) cooperatives we can mostly see the economic aspects as the main factors influencing of their activities and origin of COFAMIs of this type.

The intention of establishing COFAMIs in Czechoslovakia prior to World War II was therefore the protection of economically weak actors through cooperation and their associating into such entities, which made them to be equal partners in economic competition. The positive results of such collective actions and various benefits could not be overlooked by larger (and more powerful) economic actors. The farmers (especially the large ones) mostly began to form the coops in order to even strengthen their positions. While for the small farmers COFAMIs were they ways how to increase their quality of life (life standards) and were mostly geared by non-economic factors, for the large economic actors COFAMIs were the way how to strengthen their economic position and were therefore geared by economic factors. It means that historically the COFAMIs were concentrated around two points: improving economically-weak farmers’ positions and/or enhancing economically-strong actors in entire food-supply chain using the collective action.

The origin and the subsequent fast development of the farmers’ cooperatives as a main form of collective farmers’ actions is dated to the 1890s (they are set up within the frame of the Act No. 70/1873 Coll. about farmers cooperatives; the act was passed in the same as the when agrarian crisis affected the farmers). According to Hůlka (1931) and Galla (1937) rural inhabitants trustfully accepted this movement. The cooperative credit banks (farmers’ credit banks) were core of the farmers’ cooperative
organizations. These originally regional cooperatives soon experienced a need of a central organization (the “umbrella”). Such central (national) organisation helped to set up new cooperatives, keep book accounts, was involved in relations with central and regional administration. In 1921 there was founded the central organization of associations of farm cooperatives under the name Centrokooperativ – association of unities (unions) of economic cooperatives of the Czechoslovak Republic in Prague.

Centrokooperativ gathered all agrarian associations that included farmers’ cooperatives. It means different coops were united in various associations depending on the activities and orientation of the cooperatives. These associations were united under the umbrella of Centrokooperativ – comprising of 12 cooperative associations and 32 associated cooperative head-offices; majority of them were involved in farming and in rural areas (Boučková 2001). There was obviously an effort to coordinate the local/regional collective initiatives on national level. This national coordination contributed to better economic results. In the year 1929 there were 10,512 agricultural cooperatives within the entire number of 16,400 cooperatives that were active in Czechoslovakia. On the regional (district – there existed about 150 districts in Czechoslovakia at that time) level the single cooperative included farmers from 20-30 municipalities of the region (district). There were many types of cooperatives that were somehow related to the farmers’ marketing of products; therefore they were the precursors of today’s COFAMIs:

1) Credit Cooperatives (cooperative credit banks) – Kampeličky (similar to Raiffeisen banks)

2) Purchasing and Selling Cooperatives (marketing coops)
   a. Storing Cooperatives (warehouse coops) – collective purchase of inputs and collective marketing of farm products of plant origin (in particular grain, potatoes and seeds); in the year 1929 there were 326 and gathered 243 thousand farmers; they used to be a loss-making, but due to central organization situation improved.
   b. Cooperatives for Selling Live Stocks – they excluded middlemen and dealers and thus allowed better product prices and overall marketing conditions for farmers.

3) Processing Cooperatives (manufacturing coops) – processing agricultural commodities, value added to farming commodities; farmers gained profit that would otherwise gain private processor operating out of agriculture; cooperative members had also chance to use by-products of food manufacturing activities in their farms (for instance the remaining of sugar beet processing, etc), in this way they got quality feed; these coops offered the possibility to market in distant places, where single farmer would not be possible to offer his/her products); the most common types were:
   a. Milk processing cooperatives (selling fresh milk or processed cheese and butter)
   b. Vegetables processing cooperatives
   c. Distillery and starch processing cooperatives (both potatoes processing plants)
   d. Weaving cooperatives (sheep wool and tow)

4) Auxiliary Cooperatives – they were used to support farmers activities:
   a. Machinery Cooperatives (the purchase of farm machines and loaning to members for a fee)
b. Power-plants cooperatives (electricity production for a municipality and its economic activities)

5) Other cooperatives of self-help nature:
   a. water coops – arrangement of water conditions on land, adjustments of rivers, meliorations;
   b. grower/floricultural/ – cultivation of farm plants;
   c. “beautifying coops” – involved in making the communities nicer in their outlook.

After the Second World War the above mentioned diversified structure of COFAMIs has began to be significantly centralized. The whole process escalated after the year 1948. Act No. 69/1949 Coll. directly states that “in order to ensure more beneficial development of cooperatives in agriculture as a legacy of the past, on volunteer basis there will be founded United Agricultural Cooperatives, which are supposed to unite current variety of farm cooperatives and bring significant benefits to working farmers.”

The centralization undermined possibilities of cooperative farmers’ marketing initiatives, which were based on atomized and localized structure of agricultural production. This form of COFAMI was replaced by centralized and hence national marketing that is not concentrated in farmers-producers organizations, but in intermediary (middlemen) organizations (controlled by the state). The independent farmers’ initiatives were excluded.

Collectivization of agriculture in the 1950s meant the beginning of a sort of parallel existence of farm production and marketing of agricultural products. Particular elements of food-supply chains (production, marketing, processing etc.) became separated from each other and coordinated by the state (not by the farmers’ initiatives). The farm cooperatives that existed in that time were fully engaged in agricultural production (although in the 1970s and 1980 many of them started also with off-farm production and activities, which in 1989 represented even such businesses as assembling PC computers from Taiwanese spare parts and marketing them in Czechoslovakia). Cooperatives, which were farming almost 2/3 of land in the Czech Republic in 1989 (we do not address Slovakia now), contradicted common cooperatives’ structure in Western countries. Cooperative form of farm primary production which was so common in 1948-1989, is in fact unknown in the West (this excludes Israeli kibbutz). Processing and marketing cooperatives of farmers (i.e. the core of the COFAMI project) that dominate their sectors in most Western European countries were totally absent from Czech scene after the year 1948 (Stryjan 1993). While traditional COFAMIs were formed to enable farmers to remain in farming by helping them to cope with outside world (i.e. market), communists times’ farming cooperatives aspired to change the farmers into a “new working class”. This fact needs to be taken in consideration when thinking about the contemporary context of factors influencing COFAMIs – disinterest to be organized in collective now as the reaction to previous collectivisation.

From the point of view of agricultural cooperatives in former Czechoslovakia in 1948-1989 there were only (with a very few exceptions) production farming cooperatives of large scale type. It is because the coops existing prior to collectivisation (Galla’s real/proper/ and unreal/improper/ coops) as cooperatives of farmers located within the municipality area, had either to be transformed to United Agricultural Cooperatives (the only possibility to associate the farmers if not to be changed to state farms) or to cease their work. Other pre-collectivisation coops that overlapped more municipality areas (for
instance the storing /warehouse/ cooperatives comprised 20-30 municipalities) demised their activities through nationalization without any compensation of farmers who were associated in them (Helešič 2002). One of retail-store chains (mostly present in countryside) had a cooperative form (Jednota – Unity in English), but farmers did not have influence there. Most products of farms were sold using a network of a national company Agricultural Supply and Purchase. This fact proves that that marketing of agricultural products was mostly out of farmers’ influence and their initiatives were not welcomed. Everything was controlled by state.

By the 1980s there started to appear important attempts of farmers seeking their own ways of marketing. Although not without the state’s influence and control, but still – derived from the only one national food-supply chain controlled by the state in which farmers and processors operated separately (Hudečková, Lošťák 1997). Marketing and processing activities set up by farmers (operating in collective forms of farming), who focused on production of a certain kinds of food or products (for instance eggs) can illustrate creation of small local/regional food-supply chains that were not dominating on national level. Their benefits and importance were obvious from the viewpoint of a given locality: improved supply of certain goods in local retail shops, localized and personalized production with newly created jobs for local citizens. This innovatively developing structure formed the so-called “small islands of positive deviation” (the term was introduced by Slovak sociologists Martin Bútora), which represented certain decentralized spaces in centrally-controlled state and planned economy. The reason why the state enabled such local initiatives was its interest to improve situation in retail-stores (to bring more products on the shelves). However, paradoxically the state by these initiatives of local actors undermined principles of its own organization, because it was deteriorating centralism and strengthening localization. This contradiction was one of the paradoxes in period 1948-1989. The situation described provided farmers with a look on a possibility of their own marketing of products (although this was happening mostly without setting relations with other agricultural farms – i.e. collective action of farms, there appeared a certain element of initiative).

Together with the emergence of the specific local food-supply chains, in the 1980s we can also observe that large processing businesses have been strongly co-operating with large specialized farms creating so-called joint agricultural businesses. They were founded for the purpose of factory-like mass production of one type of agricultural product. The food-supply chain that was established in this way differed from the local food supply chain of agricultural processors described above, as well as from the existing food supply chain that was comprising farmers and processors as being coexisting in their separation. The distinguishing features of joint agricultural businesses were horizontal, conglomerate and partially also vertical integration with an influence of processors. This food-supply chain was, however, completely under the state’s control.

2.2 Present situation and trends: General configuration of collective farmers’ marketing

The transformation of the society after 1989 significantly changed farming in Czechia and products and commodities marketing. The role of the state was minimised. Neoliberal discourse, which started to dominate in economy and economics penetrated all areas of social life and replaced the ideas about the “third way” emerging after 1989 together with V. Havel’s idea of non-political policy.
The transformation of the Czech agriculture atomised the formerly concentrated agricultural production in an interesting way. **In 1989 there were 4,403 farms, while in 1995 their number was 89,489. However, about 2/3 of them farmed less than 3 ha of land** (or even did not farm at all and were only registered as farms). **In 2004 there are 32,231 market oriented farms in Czechia** (it is in fact 1/3 of the total number of farms listed in 1995; it means the development in farm structure was the greatest in 1990-1995 and since 1995 the structure has been stabilized). The situation which has dual structure (mostly family owned farms of natural persons and the large scale farms of the business and cooperative type of legal persons) in 2005 shows table 1.

**Table 1. The structure of the Czech farming in 2005**

<table>
<thead>
<tr>
<th>type of farm</th>
<th>No of farms</th>
<th>operated farm land in ha</th>
<th>%</th>
<th>average farm size</th>
</tr>
</thead>
<tbody>
<tr>
<td>legal persons (corporations) total</td>
<td>2,929</td>
<td>2,537,566</td>
<td>70.8</td>
<td>942.3 ha</td>
</tr>
<tr>
<td>out of it: cooperative farms</td>
<td>608</td>
<td>875,372</td>
<td>24.4</td>
<td>1,476.2 ha</td>
</tr>
<tr>
<td>out of it: business farms (LTD., shareholding type)</td>
<td>2,217</td>
<td>1,630,240</td>
<td>45.5</td>
<td>741.3 ha</td>
</tr>
<tr>
<td>natural persons total: owned by individual farmers</td>
<td>43,456</td>
<td>1,048,157</td>
<td>29.2</td>
<td>24.9 ha</td>
</tr>
<tr>
<td>out of it: farmers market oriented</td>
<td>29,318</td>
<td>945,373</td>
<td>26.4</td>
<td>32.7 ha</td>
</tr>
<tr>
<td>out of it: farmers with more 100-500 ha</td>
<td>1,756</td>
<td>350,776</td>
<td>33.5</td>
<td>199 ha</td>
</tr>
<tr>
<td>out of it: farmers with more than 500 ha</td>
<td>303</td>
<td>267,310</td>
<td>25.5</td>
<td>881 ha</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>46,385</strong></td>
<td><strong>3,585,723</strong></td>
<td><strong>100.0</strong></td>
<td><strong>80 ha</strong></td>
</tr>
<tr>
<td><strong>TOTAL market oriented farms</strong></td>
<td><strong>32,247</strong></td>
<td><strong>3,482,939</strong></td>
<td><strong>97.1</strong></td>
<td><strong>487 ha</strong></td>
</tr>
</tbody>
</table>

Source: Zpráva o stavu zemědělství české republiky za rok 2005 (Green report 2005)

Note: the farms which are not listed as market oriented are hobby farms or farms only providing the family of owners with food.

The share of population working in agriculture in total national employment decreased from 9.4% in 1989 to 4.6% in 1995 and to 3.5% in 2004. In 2005 the absolute number of people working in agriculture was 136,6 thousands (3.4%). Also the share of agriculture in GDP decreased (from 7.4% in 1989 to 3.1% in 1995, and to 2.6% in 2004 or 2.98% in 2005). **The first view would suggest that agriculture after 1989 is in the position of loser rather than winner in the transformation of the Czech society.**

Concerning COFAMIs immediately after 1989 (Lošťák 1994) many initiatives addressing countryside and agriculture emerged. However the faster they emerged, the faster they disappeared. Though the “social climate” in short time after 1989 was favourable for the origin of various locally grounded initiatives (including marketing ones), the overwhelming majority of them did not survive. **There were many reasons for their failure – above all lack of experience in various bottom-up initiatives, simple ideas about their work, distrust to them after failures and problems of some of them (they were not universal panacea), and the individualistic discourse in the society as the reaction of over-collectivised life in 1948-1989.**

The manifestation of strong individualistic tendencies often connected with misused principles of freedom, was a reaction towards the heritage of the collectivistic model of the society existing in 1948-1989. **Rural population and farmers usually were not interested in joining the collective actions in marketing.** Even those with any such interests often indicated in research they have no time to join with other. For instance emerging private farmers told us in the research Rural Employment and Rural Regeneration in Post-socialist Central Europe (the Czech lands, Hungary, Poland and Slovakia), headed by N. Swain (Centre for Central and Eastern European Studies, University of Liverpool European Union COST research program (contract number CIPA CT92-3022) they do not want to join to influence more efficiently the conditions on the market (incl. to market their products), thought they recognized the difficulties
they had in marketing alone (individually). They mostly considered this kind of collective action as something opposing (even threatening) their individual freedom they acquired after the demise of communism (they were glad they could start their private farming again which was for them the highest achievement). They did not want to share their time and capacities with others in the matters which were not so important for them in these times (re-establishing the farm was the first goal for them). Interesting fact is that this approach was found among some of farmers also during interviews with them in summer 2006. Three of 5 interviewed said: why to join with somebody else, it is difficult to concert common activities, I do not have time to check my colleagues and I am marketing alone for a long time. It is obvious the aftermath of former over-collectivized society blocked the development of collective farmers’ marketing initiatives immediately after 1989 although the situation for them was favourable. Therefore the path-dependency is an important factor for COFAMIs.

Nevertheless, as the majority framers felt to be more and more losers in the transition process, they started to join together. In the area of marketing the impetus was the dominance of retail shops on the market. The transnational retail chins entered the Czech market in 1998-1999 and according to survey in 2001, more than 50% of the Czech population did the main shopping in their supermarket/hypermarket shops (Makro Cash and Carry, Ahold, Schwarz, REWE, TESCO, Globus, group Tengelmann, Carrefour, Delvita etc.) Till 1998 the farmers and food-processors coexisted in relative peace. In case of higher prices due to increased prices of inputs, farmers negotiated with their processors higher purchase prices and processors then reflected this situation to selling prices in shops, because processors were trading and marketing to local retail-store chains. During the years 1998/1999 the situation changed. In that time it became more difficult for farmers to control over prices on final markets in retail shops. Food-processors began squeezing farmers’ prices (30% - 40% decline of selling prices of farmers). Those, who suffered the most from this situation, appeared to be farmers. The transnational retail shops started to dominate the marketing and they used their power. In research in 1999 (research Effective integration of the Czech agriculture into EU structures, funded by the Czech Ministry of Education) we found the example told by the manager of the large scale farm of shareholder type. His farm (he is a majority share owner) was asked to contribute CZK 400,000 (EUR 13,000) to the Kaufland retail shop (Group Schwarz – Germany). The sum of money was to be used to pay the attractions (singers, children amusements) when Kaufland opened its new hypermarket. The dairy to which the farm markets its milk was asked by Kaufland to pay the sum - mentioning that if they decide not to pay for that, Kaufland might buy milk products from another dairy. Dairy told the farm, if the farm was not paying this sum of money, dairy might find another farm to buy the milk from. The farm was the last in the chain and paid the amusements during the Kaufland’s shop opening to secure its market.

Many farmers slowly found out that when marketing on its own, the farms they manage and operate could have only a small share of their products placed in the processors. But the percentage grew after joining with the other farms and selling the commodities as the collective. Struggle for power (control over marketing) and the issue of power (control over marketing) was the key point that made farmers to joint. The increased share of commodities delivered by farmers implied greater competition among processors. They could not any more “transfer” losses of their business originating as the results of the dominant policy of retail shops to farmers, because the
farmers had become stronger after they joined together. If such bigger association of farmers would not market their commodities to processor any more, it would threaten the processor, because it may not had been able to substitute the eventual deficit. Furthermore, another competing processing company would welcome a strong supplier and large supply of agricultural commodities. Since the mid the 1990s the local (regional) marketing collective initiatives associate more and more farmers. The main reason and factor influencing significant origin of collective farmers’ action and forming marketing organisations (mostly but not only of cooperative type) has therefore been the enter of transnational retail-store chains that had been taking advantage of their mighty positions (their power). Farmers lost control over food supply chain and wanted to re-establish the control to improve their economic results.

What is also necessary to mention is the question of the coops existing prior to collectivisation. Relatively shortly after the year 1989 farmers found out that they could not restitute the original coops, which had been after the year 1948 either transformed into the so-called United Agricultural Cooperatives, or were (mostly) expropriated (nationalised) without any compensations. The Restitution Act did not count on with their restitution. The situation, when farmers were not allowed to restitute original coops they owned prior to 1948, was heavily criticised by them. We can only wonder how they would have acted in the beginning of 1990s, if they had been allowed to restitute them. Nonetheless, the impossibility of restitutions meant that establishing of marketing cooperatives and other collective marketing organisations had to start from a beginning similarly to the 1890s as a response to liberal policies and to market changes, which were influenced by the dominated power of transnational retail-store chains corporations.

2.3 Conclusions of the general importance of collective farmers’ marketing

The farmers unions are aware of the necessity of common marketing initiatives (based on the conclusion of their seminar, June 21, 2005). They know the competitive advantage of the Czech farms which is in their size (they are much larger than an average EU farm). But this advantage will, in their opinion, disappear, if they are not organised in the marketing coops. The reason is that without COFAMI (by farmers seen as various marketing organizations) there will still be many middlemen between farmers and food-processors. Atomised farm structure often results in non-coordinated decision makings. The help is seen in marketing coops. The COFAMIs (mostly in the form of marketing coops) are seen as a tool to make better the position of bargaining the price between atomised farmers and more powerful (as for capital and position on market) output sphere (market, processor, retailers). The reasons why farmers think about COFAMI are more of economic nature (Galla’s improper, unreal coops) are further more influenced by economic factors than by non-economic (Galla’s proper, real coops)

COFAMI is seen as a way how to help farmers (framed in the conflict between liberal economic ideology and ideas about cooperation and solidarity close to socialist ideology). The most important way of COFAMI is the cooperative type of marketing. Based on the history, we learnt, it seems these coops emerge as the first type of collective marketing initiatives. To understand the COFAMI, also historical development is necessary to consider. A sort of path-dependency in viewing COFAMIs by farmers is also evident (certain distrust of some of them to COFAMIs).
The development of COFAMI after 1989 was blocked through political decisions which disabled the farmers to restitute their collective marketing facilities they owned prior to collectivization. They had to re-establish them again and they started with the coops.

3 Characterization of the main forms of collective farmer’s marketing in the country

3.1 Different forms of collective farmer’s marketing that can be found in Czechia

1) COFAMI as marketing organisations when the group of farmers does not have direct ownership in food processing industry or retail food chains but the farmers have their own organisations in which they participate to sell their products and commodities. It is COFAMI similar to traditional cooperative type adjusted to contemporary situation – rather than marketing coops they are marketing organisations (not always they have the cooperative legal basis; they are marketing organisations associating different types of farms and even other businesses related to farming – family farms, coops involved in agricultural productions or joint stock farms, or even business companies or university farms). It is the most developed and widespread form of COFAMI. Their legal basis is legal person – corporation (mostly of cooperative type). This form of COFAMI exists in 2 types: regional (corporate legal basis – not always of cooperative /although coops are dominant majority/ type but also as joint stock companies) and national ones (cooperative legal basis). First COFAMIs of cooperative type after 1989 (odbytová družstva) originated in the second half of 1990s (the first were milk coops, latter meat, vegetable and fruits coops). They originated as coops and marketing corporate organisations of the farms when several farms in locality/region joined together: they established marketing coops and marketing organizations of the 1st type – regional marketing coops or marketing organisations. Now there are created marketing coops/organizations of the 2nd type (marketing coops/organizations of coops) – national ones (they are the umbrella coops over the regional/local coops of farmers). They are also of natural person basis (mostly of cooperative type). It is the most widespread type of COFAMI in Czechia. Therefore: regional coops/marketing organisations (they join farms) are already established and they work, and national coops/marketing organisations (they join regional marketing coops/organisations) are created and set up now.

Numbers of this type of COFAMIs: There are 5 farmers national cooperative marketing organization in Czechia (AGROODBYT /grain/, AGROKROCAN /poultry/, CENTROODBYT /meat/, Mlékárenské hospodářské družstvo JIH /milk/, MLECOOP (milk/). A specific case is CZ Fruit coop which works nationally but its members are not similar to regional coops of the first type. Newly established is national marketing organisation AGROINVEST (intention to market cereals for biodiesel). National coops form an umbrella over the regional coops which were founded earlier. In total there are (2006) more than 100 marketing coops/organisations operating in regions, which are directly linked with farms. The number of farms involved in this form of COFAMI is estimated about 2,000 total. In total this form of COFAMI makes turnover estimated about 0.8 up to 1 billion EUR (thousand million). In 2003 they were only 42 marketing coops/organisations and their
turnover in 2002 was 0.5 billion EUR. The number of farms involved in COFAMI in 2002/2003 is unknown.

Table 2. Situation 2005 (estimation) – COFAMI as marketing coops and marketing organisations in Czechia

<table>
<thead>
<tr>
<th>Commodity</th>
<th>No of coops/organisations</th>
<th>No of farms/businesses involved</th>
<th>Turnover (in bEUR)</th>
<th>Market share (NAME OF NATIONAL MARKETING COOP/ORGANIZATION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>milk and dairy</td>
<td>40</td>
<td>1250</td>
<td>0.4</td>
<td>50% (MLECOOP dominates: 27.7% /+3% abroad; JIH: 12.5%, remaining: 30 coop: 7%)</td>
</tr>
<tr>
<td>meat (pigmeat, beef)</td>
<td>43</td>
<td>300-400</td>
<td>0.3</td>
<td>36.9% (CENTRODBYTY dominates: beef: 11.6%, pigmeat: 25.3%); EKODRUŽSTVO SEVEROZÁPAD: organic beef: negligible market share</td>
</tr>
<tr>
<td>poultry (turkey)</td>
<td>1</td>
<td>25</td>
<td></td>
<td>30% (AGROKROCAN)</td>
</tr>
<tr>
<td>products from sheep and goats</td>
<td>1</td>
<td>27 + big number of small farmers</td>
<td></td>
<td>OVEKO A.S. (joint stock company – legal basis)</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>5</td>
<td></td>
<td></td>
<td>(AGROODBYT): share is with 10% of cereals share</td>
</tr>
<tr>
<td>Cereals</td>
<td>10</td>
<td>344 in 2002</td>
<td>0.02</td>
<td>10% (AGROODBYT)</td>
</tr>
<tr>
<td>fruits and vegetables</td>
<td>8</td>
<td>60</td>
<td>0.02</td>
<td>vegetable: 50%; fruits: 35% (ČZ FRUIT)</td>
</tr>
<tr>
<td>Potatoes</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eggs</td>
<td>2</td>
<td>19</td>
<td>0.06</td>
<td>80% (ČESKÁ VEJCE A.S. – joint stock legal basis and ZLATÁ VEJCE)</td>
</tr>
<tr>
<td>Hop</td>
<td>1</td>
<td></td>
<td>0.1</td>
<td>30%</td>
</tr>
<tr>
<td>fishes (carps)</td>
<td>1</td>
<td>3 (+2 fish farms are from Slovakia)</td>
<td>0.015</td>
<td>% not available, FISH MARKET A.S. (joint stock company) dominates</td>
</tr>
<tr>
<td>natural bee (apian) products</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>flowers and decorative woods/trees</td>
<td>1</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>111</td>
<td>More than 2140</td>
<td>about 0.8 bEUR</td>
<td></td>
</tr>
</tbody>
</table>

Source: Green report 2005, Czech background paper for EAFRD, internet search, own calculations (estimated) in yellow


This COFAMI buys commodities form members and sells them to food processors according to own decision-making to whom to sell. This COFAMI strengthens the positions of the farmers on market but do not guarantee the stability of sale for the farmers. They are not interested in the efficiency of the food-producer but only in price. The only result is the maximal negotiated price. If management of this COFAMI fails, it generates problems for its members. Commodities are not pooled in “central place” but they are directly supplied from farms to food processors. Payments go from food-processor to the accounts of these collective marketing organizations than to farmers. The marketing organisation pays farmers when collective marketing organization gets money from food-processors.

Managements of national marketing coops consist of delegated farmers from regions that are not paid for their work. Representatives national marketing coops bargain with Czech Ministry of Agriculture to promote and to implement COFAMIs suggestions on the national as well as EU level.
2) COFAMI of sort of an agency for farmers type – contacts with a commission agent (consignment contract). The farmers as principals set up the organization which works for them as the agent. The farmers are not both principals and agents. The agency they established operates for the benefit of farmers as their service but in the mode of independence (farmers are not its members as in previous type) – there are contracts between the group (association) of farmers and the agency involved in marketing or processing their products and commodities. Such agency represents the interests of the collective of farmers. A commission merchant (broker; commission agent) joints and associates the farmers to achieve the stronger influence on market. This agent (commission merchant) negotiates the conditions of marketing in behalf of its members (farmers) for agreed remuneration. The payments form the food processors are transferred directly to farmers accounts. Property of this agency is not big – only to provide the basis for the operation, creating the financial reserves and remuneration of the management. This form limits the apprehensions of the farmers from the losses when the marketing coop failure (bankruptcy).

The data about number of farms involved, turnover, market share and commodities are not available. In many aspects they can be considered also as marketing organisations described in previous section.

3) COFAMI as group of farmers (farms) owning some shares in food processing companies

a) farmers (farms) who are majority owners in processing companies (we know now only one such example). Farmers sell their products (mostly milk and meat) to the companies they own. Farmers set up a join-stock company and this company (where the farmers are the shareholders) buys processing firm. Farmers sell through this share-holder company their products (milk and meat) to the processors they control through shares they own. The only one known COFAMI of this type is MILKAGRO. It operates as Joint Stock Company where the shareholders are the farms (about 150). Basic capital of MILKAGRO is 350,000,000 CZK (12.5 mil EUR). MILKAGRO controls through shares (51%) the dairy OLMA (the second largest in Czechia turnover in 2004: 0.16 bEUR; 525 employees; processing 300 million liters of milk in a year; divisions also in Poland and Slovakia): http://www.olma.cz and slaughter house and meet processing company MARTINOV (www.martinov.cz) – second largest in Czechia with turnover in 2000: 0.053 bEUR (it is turnover before MILKAGRO owned 100% of MARTINOV). MILKAGRO is also the member of the national MLECOOP and also owns minority share in Mlékárna Kunín (dairy, turnover 0.07 BEUR in 2005) – 4% of owned shares. Turnover of MILKAGRO in 2003 was 0.05 bEUR.

b) farmers (farms) who are minority owners in processing companies. Here the farmers are co-owners but have minority share in the processing company to which they market their products (mostly milk). Data about turnover and number of participating farms are not known. We know only about 2 such examples (MILKAGRO in dairy Kunín is one of them). Their legal form is either Joint Stock Company or just association of farmers (not a coop). Anther larger example is MLÉKÁRENSKÉ SDRUŽENÍ SNĚŽNÉ (Dairy association in Snežné) – established 1992, owns 34% of dairy in Hlinsko (dairy with 0.09 BEUR turnover). Operates as interest grouping
Table 3. Situation 2005 (estimation) – COFAMI as a group of farms with shares in food processing industry

<table>
<thead>
<tr>
<th>Commodity</th>
<th>No of farms/businesses involved</th>
<th>Turnover</th>
<th>Shares in food processing company</th>
</tr>
</thead>
<tbody>
<tr>
<td>milk and dairy</td>
<td>3</td>
<td>0.06 bEUR</td>
<td>MILKAGRO 51% shares in Olma dairy and 4% in Kunín dairy, MLÉKÁRENSKÉ SDRUŽENÍ SNĚŽNÉ – minority share ownership in one dairy</td>
</tr>
<tr>
<td>meat (pigmeat, beef)</td>
<td>1</td>
<td>0.03-0.05 bEUR</td>
<td>MILKAGRO with 100% shares in Martinov slaughter house</td>
</tr>
</tbody>
</table>

Source: Green report 2005, Czech background paper for EAFRD, internet search, own calculations (estimated) in yellow


4) **COFAMI as a small informal or formalised groups of cooperating farmers (and sometime working together with non-farmers) involved in special agricultural production.** The association is of informal nature (not backed by legal system) but latter can develop into legal (formal) organisation. They are usually small farmers in the terms of the size of farm but can be large because of their production because their production is specialised. **Mostly wine making farmers are concerned.** The main idea is to support regional labeling and regional branding in marketing and to guarantee the highest quality of products. Because of their informal nature (they often start as informal groups), the total number of such initiatives is not known (estimation: about 20-30 such initiatives with about 150-300 winemaking farmers; other about four groups are the mix of regional farmers and non-farmers promoting regional labels and regional branding of their products). Data related to this form of COFAMI turnover do not exist. Some examples are:

- **BONUS EVENTUS** (association of wine making farmers): composed by 5 family wine making farmers with the goal to achieve as highest as possible wine quality. This should be achieved through mutual help and mutual control starting from planting wine grapes till bottling the wine. The best wines which are agreed by all 5 association members are marketed under one label Bonus Eventus ([www.bonuseventus.cz](http://www.bonuseventus.cz))

- **VÍNO Z VELKÝCH PAVLOVIC** (WINE FROM VELKÉ PAVLOVICE): associating wine-makers from the Moravian locality Velké Pavlovice. The association was founded in 2005 with regards to activities of similar groups and an assumption that this kind of collective initiative helps succeed on a market. The association has currently got 18 members and its overall production exceeds 330 thousand liters of wine ([www.vinozvelkychpavlovic.cz](http://www.vinozvelkychpavlovic.cz)).

- **CÍSAŘŮV VINOHRAD** (THE EMPEROR’S WINEYARD) was established in 2003 for the purpose of selling members’ produce under a common label and logo. The association has got 3 members. ([www.vinohrad.info](http://www.vinohrad.info))

- **TRADICE BÍLÝCH KARPAT** (TRADITION OF WHITE CARPATHIANS): NGOs of organic farmers and environmental organizations who promote the region though marketing regional products. In the case of farmers, they operate the apple cider processing plant to produce organic apple cider. The cider (and also other 11 selected regional products) are marketed under one regional label.
3.2 Individual characterization of each main form

A) COFAMI AS MARKETING COOP/ORGANISATION

Example: MLECOOP (marketed commodity – milk) – national marketing cooperative (est. 2001, consists of 12 regional marketing coops and other marketing organisations joining the farms /one of them is also MILKAGRO which is joint stock company and it is also the example of other form of COFAMI/). National MLECOOP involves about 1000 milk-producers (farms from Czechia), trades with about 30 dairies in Czechia and abroad (Germany). It markets about 800 million liters of milk in a year (it markets daily 2.8 million liters of milk; purchasing price per liter of milk in 2004: 8.10 CZK=0,26 EUR; net turnover of MLECOOP in about 300,000,000 EUR): www.mlecoop.cz

Example: CENTROODBYT (marketed commodity – meat: beef. pork) – national marketing coop (est. 2003; regional 9 marketing coops and other marketing organizations). National CENTROODBYT provides detailed information to its members about situation on the mat market in Czechia and abroad.; /MORAVIOMASO – 1st type of marketing coops – regional marketing cooperative; 4 members – large-scale farms/): 30% of the Czech beef market: www.centroodbyt.com,

Example of AGROODBYT CR (est. 2002) 5% of the grain market in Czechia: www.sweb.cz/AGROODBYTCR; newly established coop AGROINVEST (est.. 2005; production of biodiesel) wants to buy shares in SETUZA which is the company involved in biodiesel production

Example of Organic food coops: like coop EKODRUŽSTVO SEVEROZÁPAD marketing coop founded in February 2000 by 9 members of PRO-BIO organic farmers’ association, processors and marketers association; now 50 members (www.spojenefarmy.cz)

Table 4. Brief characterization of this form

<table>
<thead>
<tr>
<th>Organisational form of this initiative and its legal status</th>
<th>Farmers set up their marketing organisation in regions of typical cooperative or joint share company organisational structure. Regional coops are joining national marketing coops with cooperative organisational structure. Legal status: mostly coops, sometime joint stock companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main actors involved</td>
<td>Farmers (majority large-scale farms, market oriented); leaders of farmers’ organizations (farmers unions, agrarian chamber etc.)</td>
</tr>
<tr>
<td>Farmers-other partners relations (who steers this form of COFAMI)</td>
<td>Farmers are steering this form of COFAMI in order to achieve better position on the market. Some other farming related businesses (farming inputs) started to be involved as well. Buys commodities (in ideal form, not as such) form members and sell to food processors according to own decision making to whom to sell. Strengthens the positions of the farmers on market but does not guarantee the stability of sale for the farmers. They are not interested in the efficiency of the food-producer but only in price. The only result is the maximal negotiated price. If management fails, there are problems for its members. Payments go from food-processor to the accounts of this collective organizations and than to farmers – they pay farmers when collective marketing organization gets money from food-processors.</td>
</tr>
<tr>
<td>Main market sectors</td>
<td>See table 2 in previous section. In fact operate in all commodities</td>
</tr>
<tr>
<td>Scale</td>
<td>Originally regional coops/marketing organisations; now the strategy is to have national umbrella to coordinate the activities</td>
</tr>
<tr>
<td>Life cycle</td>
<td>Regional marketing organizations are more developed) started in the mid 1990s) than national ones (they are built up) after the year 2000</td>
</tr>
</tbody>
</table>
Milk marketing coop **MLECOOP (national coop)** is the most concentrated out of all national marketing coops. The other coops marketing other commodities than milk originated latter than milk coops. On the other hand, because the farms have diversified portfolio of production, also the farms which are the MLECOOP members can be and are the members of other national or regional coops/organisations marketing other commodities – grain, meat.

**MLECOOP as regional coop** was established in April 1994 (written in the official list of businesses in Czechia). In June 1995 this coop was registered as Východočeské mlékárenské družstvo (East Bohemian milk coop). Now it is **MLECOOP - východočeská divize – družstvo Hradec Králové** (MLECOOP – East Bohemian Division, cooperative Hradec Králové) – regional coop, member of national MLECOOP. As the regional coop (East Bohemia) it is a coop of about 180 farms producing milk and meat operating in the region of East Bohemia. This regional coop markets daily 330,000 liters of milk. They supply milk to 8 dairies in the Czech Republic (about 60% – 75% of milk they market they in Czechia) and to Müller Sachsen GmbH in Dresden (about 25% - 30% of milk they market). The coop turnover is about 1,5 billion CZK in a year (about 54 mil EUR). They also market abattoir cattle (total turnover in 2004: 100,000,000 CZK /3.3 mil EUR/; they marketed 23,428 items of pigs with an average price 32.65 CZK/kg /1.1 EUR/kg/, 1,357 items of sows with an average price 29.91 CZK/kg, 267 items of bulls with an average price 38.83 CZK/kg, 207 items of heifers with average price 31.44 CZK/kg, 838 items of caws with average price 24.76 CZK/kg). They also started to purchase as a coop the grain form farmers to sell the grain as a coop to the food processors and they market the imputes for the farmers (gas oil, chemicals, spraying preparation – in this business the coop turnover is about 500 million CZK /17 mil EUR/)

MLCOOP - východočeská divize – družstvo Hradec Králové as the regional coop is now also the member of national coop MLECOOP – odbytové družstvo (MLECOOP – marketing coop), but because of their orientation also to the meat marketing, the regional coop MLECOOP - východočeská divize – družstvo Hradec Králové is also a member of the national coop CENTROODBYT (meat) and AGROODBYT (grain).

Based on an interview with the chairman of this regional coop (and a vice-chairman of the national MLECOOP) the situation in marketing milk was good till about 1998 as for the market prices. The reason was the structure of market where the atomised farmers faced local dairies and local shop-chains. In such situation the bargaining power as for the price was not important. When farmers needed higher prices of milk because of the growth of the input prices, they asked dairies for higher price and dairies mostly agreed because they increased the price of milk the dairies marketed to the shops. During the years 1998/1999 the situation changed. In that time it became more difficult for farmers to control over prices on final markets. Food-processors began squeezing farmers’ prices (30% - 40% decline of selling prices of farmers). Those, who suffered most from this situation, appeared to be farmers. That is why it was necessary to change this situation. The idea behind setting up the marketing initiative in the form of coop was simple: when, for example, one dairy had 1000 suppliers of milk and in the whole country there were 100 of such dairies, these 100 dairies faced only 3 retail-store chains. This imbalance between atomised farmers, semi-atomised food-processors and almost monopolistic retail shops forced farmers to associate in regions to a sort of marketing unions (associations). For instance 100 milk producers agreed on selling through one
The reason why farmers joined together was to achieve higher share of marketed commodity in particular in dairy. When the farm marketed alone, it delivered to dairy, for example, only 1% of the dairy total processed milk. But it was so small proportion. The dairy was not interested in such farm (the dairy even did not speak to such a farm it was “an air for the dairy”). However, the association of farmers achieved higher proportion in the dairy milk processing capacities. Such circumstances created higher competition among the dairies because they lost their advantage of operating in the field of atomised farmers. That is why the farmers established local marketing organisation which they consider to be a good deal (they speak about their good quality). These associations of farmers hired managers who developed good contracts with the dairies and made the manipulation with the commodity easier. It mans they started to be a sort of broker organisations (overlapping with other COFAMI form).

The members of MLECOOP - východočeská divize – družstvo Hradec Králové the regional coops are both small scale farmers of family type and the large-scale farms of the corporate type – it means there are both natural person and legal persons (corporations) as for legal background of the farms. All these farms market their milk in ideal quantity into one legal entity – to the marketing cooperative the farms are the members of. In means the real milk goes directly from farm to dairy with which the marketing coop established the contract. The milk is not pooled in the “central cooperative vats” but is counted only ideally in the central cooperative accounts. On the other hand all financial operations go through the marketing coop from dairy to the farm (milk goes directly from farm to dairy mediated by marketing coop, money goes from dairy to marketing coop and than to farm).

These coops originated because of the needs of farmers in regions. They were established in the regions where the pressures of food-processors and retail shop chains were high and where skilled managers existed (role of territory as the factor of COFAMI). Originally the farms became MLECOOP - východočeská divize – družstvo Hradec Králové members because of they wanted. The farmers established the coop as “grass-root” initiative, because of the problems they faced in milk marketing due to the behaviour of transnational retail shop chains. In MLECOOP - východočeská divize – družstvo Hradec Králové every member has one vote regardless the amount of milk delivered by farm. However, the farms delivering to the coop higher amount of milk achieves better price from marketed milk. The goal of these coops is the profit of farms. The task, at least till the 2006, of these coops is not to depose (to create) the capital for the investments. But in 2006 regional MLECOOP - východočeská divize – družstvo Hradec Králové started to work in the field of investments (capacities to store the grain and processing companies – the one of the most developed projects was building so-called bio-distillery – to produce either from corn or wheat the spirit for mixing the diesel in the capacity of 200,000 tons of spirit in a year; the costs is about 800 mil CZK /under 3 mil EUR/). The coop also thinks to invest in buying (at least some shares) in the dairy (it is the way coping MILKAGRO – see point B in this chapter). The issue of the own coop funds is now important not only because of the possible investment but also because of the guarantees as for the market relations with the dairies. Because once in the past one dairy bankrupted and did not paid to the farmers the amount of money the dairy was in debt as for the farmers, the own capital of the coops was necessary and therefore the members agreed to collect some money in the coop in order all its members would get the money for their delivered
commodities once the dairy is not able to pay the amount of money agreed. That is why MLECOOP subtracts 2%-3% from the price of product the coop places into the dairies. The money is to be used to refund the farmers whose milk was not paid by dairies in problems or the coop should use the money in the investments (building new processing plants or buying the shares in daires). Although the coop subtracts these percentages, still the price of milk is about 3%-5% higher for the coop members than for those who are not members (and their price is not affected by any subtraction). If the money the coop subtracts remains in the coop (money is not used for the purposes) they transferred into the price of milk for farmers (they get extra price/premium – but not for quality). The funds are deposed in the regional coops.

After 2000 these regional coops started to join into national marketing organizations. The reason was to make the position of farmers on the market even better. The managements of the regional coops consist of 2-10 people. The marketing coops are a sort of the logistic company because the milk is delivered directly from the farmer to the dairy. The milk is not delivered into a sort of "common pool" where all farmers deliver and put together the milk. The national coop is still weak as for its management and the regional coops pay the national ones the fees.

Another example is the cooperative called AGROPORK. It was founded in April 15, 1989 by an initiative of 23 members of the Association of producers of pork, poultry and eggs with an aim to guarantee the export of pigs and in this way to stabilize the prices on the Czech market. In 1999 this coop was selected (due to the initiatives of this coop, Agrarian chamber, Union of agricultural coops and companies /union of large-scale farms of corporative type) as the background for setting up marketing organisation for pork and beef. In 2002 the coop AGROPORK indicated the contracts with its farmers-members for about 130 000 tons of pigs and about 12 000 tons of cattle. In 2004 the AGROPORK as the coop of the first type becomes the member of national marketing coop CENTROODBYT (established in 2003 by 6 regional coops of the first – regional type).

B) COFAMI AS A SORT OF AGENCY FOR FARMERS TYPE

Table 5. Brief characterization of this form (see also previous section /3.1/ about his form of COFAMI because they sometime coincide with marketing organisations)

<table>
<thead>
<tr>
<th>Organisational form of this initiative and its legal status</th>
<th>Farmers hire broker to prepare, implement and control marketing contracts for them. Legal status: brokers, middlemen hired by collectively organized farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main actors involved</td>
<td>Farmers (majority large-scale farms, market oriented), brokers (managers' experts with combination expertise in marketing, economics and law)</td>
</tr>
<tr>
<td>Farmers-other partners relations (who steers this form of COFAMI)</td>
<td>Farmers are steering this form of COFAMI but the implementation is done by brokers. The brokers are not COFAMI, they are rather the agency working for the farmers in order to achieve better position on the market. A commission merchant (broker) joints and associates the farmers to achieve the stronger influence on market. This agent (commission merchant) negotiates the conditions of marketing in behalf of the collective of farmers for agreed remuneration. The payments form the food processors are transferred directly to farmers accounts. This form limits the apprehensions of the farmers from the losses when the marketing coop failure (bankruptcy).</td>
</tr>
<tr>
<td>Main market sectors</td>
<td>Main commodities (cereals, meat, milk)</td>
</tr>
<tr>
<td>Scale</td>
<td>Regional due to their broker nature</td>
</tr>
</tbody>
</table>
**Life cycle**

In the phases of beginning (in the 2000s). Sometime it is different to distinguish this form from marketing organizations (therefore they also started earlier in the mid 1990s). Although sometime they start as created by the collective of farmers, latter they might separate from farmers and work in their own only as the agency for them regardless if the farmers act collectively – they work as bureaucratic organisation.

Example: originally (not now) it used to be Pro-bio company ([www.probio.cz](http://www.probio.cz)). It derived the name from the organic farmers, organic food processors and organic food marketers association PRO-BIO in Šupmerk (association of about 450 organic farmers, producers and marketers or even consumer organisation in Czechia – more than 50% of organic farms): [www.pro-bio.cz](http://www.pro-bio.cz). The idea was this company will market the organic food for its members (farmers) gathered in PRO-BIO organic farming union. Nowadays PRO-BIO is not a member of Pro-bio company because it did not want to monopolise Pro-bio company only for PRO-BIO association’s members and therefore withdrew from Pro-Bio company to open it also for other organic farmers. In Pro-bio company now works about 28 employees. It is Ltd. type company which purchases and processes organic products from the organic farmers and it is a sort of organic-food wholesale. One of the owners of this Ltd company Pro-bio (Martin Hutař) is also the member of the organic farmers association PRO-BIO. Because the total turnover on the Czech organic market is about 1 mill EUR, this company turnover will be much lower but the data are not available.

Some of the marketing organisations described in previous chapter (A/ COFAMI AS MARKETING ORGANISATIONS) have some features of agency FOR FARMERS, therefore also they can be somehow put under this form.

**C) COFAMI AS A GROUP OF FARMERS WITH SHARES IN FOOD PROCESSING COMPANY**

Table 6. Brief characterization of this form

<table>
<thead>
<tr>
<th>Organisational form of this initiative and its legal status</th>
<th>Farmers set up either joint stock company (they have shares in) or the form of farmers association (interest grouping as legal status) or joint stock company owned by farmers with an aim to achieve some degree of property control over the food industry. They can be also members of marketing organization described above in point A in this section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main actors involved</td>
<td>Farmers (majority large-scale farms, market oriented; especially top managers of large scale farms)</td>
</tr>
<tr>
<td>Farmers-other partners relations (who steers this form of COFAMI)</td>
<td>Farmers are steering this form of COFAMI to control food processors. This form of COFAMI decides, supplies its commodities and holds also the property responsibility. Their share is based on the profit, and price of marketed commodity is based in relation to the Czech average prices of commodities (the case of majority owners). Or (the case of minority owners) they have minority sharers, do not decide, but have influence on decision making, control doing business, liability through their minority ownership. Profit in the case of minority owners goes from the bargaining the price. Their prices are often higher than Czech average.</td>
</tr>
<tr>
<td>Main market sectors</td>
<td>See table 3 in previous section (milk, meat).</td>
</tr>
<tr>
<td>Scale</td>
<td>More or less regional (MILKAGRO – in Moravia) but have strong national impact due to food processing companies they own</td>
</tr>
<tr>
<td>Life cycle</td>
<td>They are relatively established (originated in the mid of 1990s)</td>
</tr>
</tbody>
</table>

**Example:** MILKAGRO is the share holder company. The owners of the shares are the farms (agricultural producers). In 2004 the shareholders were 150 natural (family farms) and legal (corporate farms) entities. The farms are involved in plant and animal production and therefore MILKAGRO owns 51% shares of OLMA dairy (second largest
in Czechia) and 100% of slaughter house MARTINOV. The shares of individual farms are not higher than 4% in maximum. MILKAGRO is involved in purchasing and marketing inputs for farming and also in purchasing and marketing the farmers’ commodities to the food-processors. It means in the sphere of inputs: purchasing and marketing of gasoline, motor oil and spare parts for the farming machinery, fertilizers, pesticides, seeds, feeding mixtures and components for feeding mixtures. In the sphere of outputs: purchasing milk, grain, oil grain and meant from farmers and their sale to the food-processors. MILKAGRO does not have its official www site and economic data are not publicly available but the estimation is already presented in section 3.1.a above). In 2002 or 2003 MILKAGRO top managers and its key players (and shareholders as well) were interrogated by police and accused in financial fraud consisting in some financial deals between MILAGRO and Olma. The accusation was not proved.

D) COFAMI AS A SMALL INFORMAL GROUPS OF COOPERATIONG FARMERS (SOMETIME OF FARMERS AND NON-FARMERS) INVOLVED IN SPECIAL AGRICULTURAL PRODUCTION (LATTER SOMETIME ACHIEVING FORMAL OUTLOOK)

Table 7. Brief characterization of this form

<table>
<thead>
<tr>
<th>Organisational form of this initiative and its legal status</th>
<th>Farmers because they know each other for a long time establish their associations. The associations do not have big number of members and they act together (they are not hierarchically organized). As individual private farmers (natural persons) they can legally form the association of individual farmers (sdružení). It is neither coop nor corporation but the association.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main actors involved</td>
<td>Wine-making farmers, sometime in collaboration with local community administration; organic farmers in the area of Bílé Karpaty together with environmentalists</td>
</tr>
<tr>
<td>Farmers-other partners relations (who steers this form of COFAMI)</td>
<td>Wine-production sector in the Czech Republic has been severely threatened by cheap wine import from the Souther Europe. Czech wine-makers, just like farmers in other wine-producing countries, have realized that in order to succeed on the common European market, they must distinguish their own products from other ones. This strategy is expressed in the cooperation and mutual support of associated members, which decide to produce wines of a peculiar quality under a common label. If also non-farmers participate, than they steer this COFAMI</td>
</tr>
<tr>
<td>Main market sectors</td>
<td>High quality wine (i.e. specific products), wine tourism (+ folk culture), organic apple cider</td>
</tr>
<tr>
<td>Scale</td>
<td>Local</td>
</tr>
<tr>
<td>Life cycle</td>
<td>There are relative few of them (started in late 1990s and beginning the 2000s)</td>
</tr>
</tbody>
</table>

The originally informal associations of wine growers and producers are a quite recent phenomenon in the Czech Republic and are of regional peculiarity (in wine areas). Only recently, there were founded a lot of small associations of wine growers and wine producers. The smallest groups start with 3 members, the biggest ones gather dozens of farmers. Those kinds of initiatives mostly name themselves as “associations of winers”, but some of them also refer to guilds (such as Cech vinařů Nový Šaldorf – in English The Wine Guild Nový Šaldorf).

The increase in numbers of those kinds of initiatives is related to changes of the wine-production sector in the Czech Republic, which has been severely threatened by cheap wine import from the Souther Europe (e.g. Italy, Spain). Czech wine-makers, just like farmers in other wine-producing countries, have realized that in order to succeed on the common European market, they must distinguish
their own products from other ones. In the need of the product differentiation, there have been usually emphasized local origins of wines. Associations of wine producers have therefore worked as a means of a distinguished regional specialization (Kraus 2006).

In general, the relation between a wine and a locality is often stressed by the association’s name – directly referring to a particular place (village or region). Some associations go even further and enter into cooperation with local municipalities. Those kinds of groups have been identified in the Czech Republic as well. One can for instance mention Sdružení vinařů Dobšice (named after village Dobšice) that actively cooperate with the municipality. The inspiration from the neighbouring Austria, where this model has been working for much longer time, is obvious.

Because of the fragmented and atomized nature of this form of Czech COFAMI, it is difficult to find any aggregate economic indicators for this form.

Example: BONUS EVENTUS. Established in Hrušky u Břeclavi and Nový Podvorov (South-East of the Czech Republic). These communities are located in 2 different wine areas. In is a group of 7 friends who operate 5 family wine making farms in the spring 2001. They are active in local community life (folk songs), they operate wine cellars for gusts (wine tourism). Before they established the group they know each other because of the common approach to wine-making and to the technology of wine production. Every member of the group own the wine production facilities, rooms, wine yards which a member farms on his own. What the group is doing together it is the wine presentation (like wine exhibition, promotions) and advertising.

The background of the work of the group is to achieve the highest quality of wine. Therefore only the highest qualities of wine, which are agreed by all group members, have the possibility to be introduced to the market under common label BONUS EVENTUS. The group succeeded to proof the quality of their wine in many prestigious fairs and exhibitions where the experts in wine quality participate. The group refers to BONUS EVENTUS as the god in ancient Rome – he was responsible for the good business and also protected harvest. The group wants the highest quality of wine (including ice wine and straw wine) as the way for the highest success in their business. The group combines wine business (incl. wine testing for the visitors and a sort of “wine-tourism”) with good quality wine and local culture (its preservations), as this culture is seen as inseparable part of wine making.

3.3 Conclusions on the identified different main forms

There are different forms of COFAMI in Czechia but sometime it is difficult to distinguish them one from another because one collective of farmers can act with the same commodity in various forms of COFAMI. The most developed, important and the most robust (in sense of their number, number of participating farmers, turnover and the market share) form of COFAMI are marketing organizations of cooperative type. They facilitate farmers marketing; they minimize farmer’s transaction costs in marketing and they increase farmers’ bargaining positions with food-processors. Generally they increase farmers economic power on the market (coincide with Galla’s unreal/improper/coops existing prior to World War II). The reason for their origin and development was the monopolist behaviour of transnational retail food chains entering the Czech market and demonstrating their economic power.
The second as for the importance is COFAMI of agency type, because many times even the marketing organisations operate as the broker. Although ideally they can be considered as other form of COFAMI, sometime it is difficult to distinguish them from the marketing organizations (it might be also the reason why the official discourse uses the term “marketing organisations). Generally speaking there is not any detailed information about this form of COFAMI.

The third form of COFAMI is collective of farmers owning or participating in ownership of food-processors. It seems to be very interesting strategy. The idea of farmers, ownership in food processors is to be probably developed in the future. Sometime they are not liked by the marketing organizations (there are disagreements between this form and the first form) because they, as the owners of the food processors have their own price policy which can have impact on total prices in the commodity in the country.

As for the legal status of the COFAMIs – there is a sort of chaos in Czechia: it is difficult to say who is the owner of what (for instance joint stock company is member of national marketing coop). It is also the reason why the data about their economic performance are difficult to obtain. The managers of COFAMIs refer to “market secret”.

The final type of COFAMI seems to be typical COFAMI – grass-root backgrounds. They are the collective of a few small farmers acting locally with an aim to market high quality products (wine especially). They are close to Galla’s rela (proper) coops because they idea is not only marketing its economic dimension) but the general welfare and vibrant communities. Therefore they sometime cooperate with local administrations and promote local/regional culture combined with wine tourism activities.

General thoughts about COFAMIs were expressed by M. Jirkovský (a chairman of Union of Entrepreneurs in Agriculture) during the seminar in June 21, 2005: “Farmers without collective marketing or food-processing participation will less and less participate in the division of value added from food production. After Czech membership in EU we face not only large and integrated retail chains and food producers but also old EU member states marketing organizations who will want to operate on our market and to sell their growing production into our detriment. If we are not organized in the same way as European farmers, the future development of our agriculture will be only in low prices of commodities and the position we occupy now will not be improved. Our competitive advantage resulting form the size of our farms will be continually minimized. Between us and the food-producers there will be many dealers and middlemen. The offer and marketing of the Czech agrarian products/commodities is because of large number of farms and many non-coordinated decisions insufficient as for the demands of the market. The help can be only through marketing coops (collective marketing). In the same way the food producers have to go. Also they should act together.

3.4 How important are the following broad forms of collective farmers’ marketing in the country? (numbers, estimated economic performance)

Here is a brief summary of the COFAMI in Czechia. Not always data are available. Therefore they are missing. All data are only the estimation based on authors’ own calculations and expertise in combinations with the expertise of their colleagues.
<table>
<thead>
<tr>
<th>Table 8. Importance of COFAMIs in Czechia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of initiatives</td>
</tr>
<tr>
<td>Traditional cooperatives</td>
</tr>
<tr>
<td>COFAMIs focusing on product quality differentiation</td>
</tr>
<tr>
<td>Territorially embedded COFAMIs</td>
</tr>
<tr>
<td>COFAMI with producer-consumer focus</td>
</tr>
<tr>
<td>Non-food products COFAMI</td>
</tr>
<tr>
<td>Services/public goods COFAMI</td>
</tr>
</tbody>
</table>

4 Contextual factors that affect the emergence and performance of COFAMIs

4.1 Description of different contextual factors

Socio-economic and political circumstances in the Czech Republic changed dramatically in 1948 and in 1989. The periods after these radical changes are typical rather by modest alternations and modifications. If looking at post 1989 development, the period 1990-1992 was characterised by extensive privatization. As a result of privatization process from the beginning of 1990s (involved so-called voucher privatization, direct privatization done through the bids and privatization organized by the state through competition of privatization projects) majority of SMEs (which includes also food-processing industry, state farms) were privatized (farming coops were transformed to coops of owners). However, the key industries and large companies (with more than thousands employees) were subsidized by the banks which where owned by the state (state had majority of shares in the banks at the beginning of 1990s). Ultra-liberal economic rhetoric resulted in the reality into so called bank socialism. The privatization was accompanied by liberalization of prices, balanced national budget and low unemployment rate (less than 4% till 1995).

Economic recession in 1997 influenced political situation and resulted in government crisis in 1997/1998. Consequently political scene, once dominated by the liberal-conservative political party (Civic Democratic Party) since 1992, changed in 1998 into left-wing oriented Social Democrats, who stayed in the office until June 2006. Social Democrats as a government party changed some principles of economic policy (such as the mentioned privatization with pursuing the privatization of banks, or set up supporting scheme to attract foreign-direct investments). The rhetoric of the government changed from neo-liberal laissez-faire and “fittest-the-strongest” slogans into more socialist discourse stressing solidarity, welfare and
cooperation. This period opened started to be more favourable milieu for COFAMIs

In the early 1990s politicians did not welcomed and were not prepared to reflect or to consider farmers associations (COFAMIs) to “intervene” into their decision-making. Farmers themselves avoided setting up collective initiatives (mostly do to dominating laissez-faire discourse and memories about overcollectivised society priory to 1989). Politics of laissez-faire did not include dialog between Czech farmers and government. This situation opened door to multinational companies who used their economic power, expertise, organization, and atomised structure of Czech farming and food processors (without dialogue with government) to dominate the food-supply chain.

Since the year 2000 economy has been accelerating, mainly due to incoming foreign investments and increasing private consumption. Domestic companies gradually began to invest relatively more into their development and into improving their competitive position on the market. The period after joining the EU (in May 2004) is characterized by even faster economic development, which is labeled by economists as prosperous one (GDP growth in 2005 was 6%).

4.1.1 Political and institutional factors

Since the mid of the 1990s the development of food retail chains was very fast and more dynamic compared to Czech food industry, where the property had not been consolidated yet, or compared to farming which was atomised in its structure. The state did not intervene into this development, because real prices of food were not increasing, rather decreasing. Nowadays, property consolidation is not expected and food industry will most probably remain to be fragmented. Key actors, however, make an effort for business consolidation, which includes collective product distribution via non-profit organisations focused on COFAMIs, and direct participation of farmers in food-processing industry is supposed.

The frames of agriculture and related industries are outlined in the “Conception of agrarian policy of Czech Republic after accession to EU (2004-2013). They were mostly state organizations (government, ministries) that participated on the preparation of documents, coordinating activities of other participating entities in food-supply chain and control their activities. Latter at the end of the 1990s the state organizations started to collaborate more with NGOs in their work to set up formal institutions, which also influence COFAMIs.

Generally, experts consulting state administration decisions, mainly ministries, contribute to preparation of legislative and strategic documents related to COFAMI.

Mainly members of Agricultural Committee in the Czech Parliament contributed to the legislative norms concerning agricultural production. More than 80% of Parliament Agricultural Committee members have direct contact to interest groups including COFAMI. These groups are regularly present at public committee meetings (mainly members of Agrarian Chamber, Agricultural Union of the Czech Republic, Association of Private /family/ Farmers, Czech-Moravian Union of Entrepreneurs in Agriculture and Trade Union of workers in Agriculture and Food). The direct communication of farmers with political and business representatives is evaluated as the most effective representation of COFAMI interests.
Ministry of Agriculture (MoA) mediates COFAMI interests on the EU level, delegates expert groups and even establishes special institutions to delegate tasks for them – for example: State Agricultural Intervention Fund based on Act. no. 256/2000 Coll. includes so-called commodity committee to make decision concerning state intervention into agricultural production; and marketing department of MoA provides promotions of Czech good quality food in supermarkets, organises festivals (Days of Milk etc.), lectures etc.

Concerning legislative process related to COFAMI, MoA works in co-operation with Ministry of Trade (e.g. monitoring of operation programme Industry and Business /under National Development Plan/, established National Advisory Board for Food Quality), Ministry of Environment, Ministry of Health and other representatives of state administration (e.g. State Food Inspection¹) and expert committees. Therefore as for government level, there exists now (due to political discourse) the collaboration of the administration bodies as for COFAMIs.

MoA has set up a special fund, based on the Act. No.252/1997 Coll. on agriculture and Amsterdam agreement (EU treaty) to implement state aid to entrepreneurs in agriculture. The main purpose is to support collateral, buying of land, investment into machinery and technical facilities and support of COFAMI (producers groups). Government expectation is to make further structural adjustments of agrarian sector in the way to combine intensive production (in the most fertile areas) with landscape protection in less productive areas. From the point of view of sustainability (see MULTAGRI project of EU) the Czech government emphasises economic and environmental pillars, less the social pillar (social demands are reduced only to social policy issues like employment). Omitting social pillar influences understanding of COFAMIs – they should improve economic performance (probably in relation to environmental issues).

The emerging COFAMIs are directly influenced by the government decree 655/2004 Coll.: Government decree (regulation) on setting up the conditions ensuring collective marketing of producer groups, ensuring collective marketing of selected commodities and framing them into the programme of establishing producer groups and about setting up the conditions for providing subsidies to support their activities. COFAMIs can be supported maximum for 5 years and not more than 5% value of their production. They can ask no more than 3 million Czech Crowns (about 100 thousands Euros). Condition is that 5 members have to be associated and COFAMI had to be established between May 2004 and October 2006. This decree is exploited by farmers in large scope now (and can account for the growth of marketing initiatives after 2004). In 2006 we found examples of farmers who withdrawal from large marketing organisations to set up their own small producer group supported by this decree to use the benefits of it. It also means MoA aims at supporting the institutional frameworks for COFAMI mostly in accordance with EU policy, although not always MoA and its bodies were so active and emphatic in this respect. For instance, although EU Council regulation 1268/1999 on SAPARD made possible to support setting up producers group, the Czech SAPARD Programme did

¹ State Food Inspection controls quality of foodstuffs including all inputs into food production, storage, transportation and foodstuffs distribution. In 2005 inspection focused on problems in supermarkets, where hygienic norms were violated (transnational retail chains sold many products far from expiration date – for instance, according to TV report, they used vinegar to wash meat, which was almost blue, to re-sell it again).
not include such measure despite the fact that also ex-ante Czech SAPARD programme appraisal called for introducing this measure.

Concerning European structural funds, support is not directly focus on COFAMI (except the support for activities of forestry owners), but MoA bargains with European Commission ad hoc (in case of crises etc.).

In the Czech Republic there were established several NGO’s in the 90s, unions, associations that are related to COFAMI:

(1) Food chamber (Potravinářská komora) based on Act no 110/1997 Coll. associates food processors; the chamber represents interests of entrepreneurs that process food commodities. Their interest is articulated towards state administration and EU institutions; chamber also provides consultations for state organizations, provides information about EU and offers help for food producers (concerning labeling foodstuffs, food safety, hygiene). Nowadays the chamber contributes to easier approach in preparing and implementing projects funded by EU (organizing workshops, participation on projects in the terms of expertise, monitoring of EU programmes as for the chances in projects).

(2) Union on protection of consumers (Sdružení pro ochranu spotřebitelů) monitors problems of consumers and provides for them mainly consulting, organizes campaigns to improve consumers awareness of their rights.

(3) Agrarian chamber (Agrární komora České republiky) supports entrepreneurial activities in agri-business, food industry, forestry, advocates and protects the interests of their members. Chamber associate 59 regional chambers (at LAU1/NUTS4/district level) and 13 regional members (at NUTS3 level) and 24 associated members. Main activities of Agrarian chamber are: consulting for agri-business, declaring attitudes of farmers towards official documents, education and extensions, cooperation with other chambers, relevant associations, and unions of entrepreneurs, coordinating the activities of chamber members. The agrarian chamber is divided into sections (agrarian chambers societies). Chamber articulates the ideas of COFAMIs from the point of view of market oriented farmers.

(4) Unions and associations of farmers and producers regardless to their legal status: Union of Czech and Moravian agro-entrepreneurs (Českomoravský svaz zemědělských podnikatelů); Agricultural Union of the Czech Republic (Zemědělský svaz ČR); Agrarian Union (Agrární unie ČR) and more than 20 specialized associations. They articulate the ideas of COFAMIs from the point of view of market oriented farmers.

(5) Association of Private Farming of the Czech Republic – voluntary corporate and professional organization of private (i.e. family, not corporate farms) farmers in the Czech Republic. All activities of the Association of Private Farming of the Czech Republic (APF CR) result from respecting the old peasant traditions and from the opinion that family farms represent the base of the modern European agriculture and of viable countryside. The main activity is to defend the economic, social and professional interests of the Czech private (family) farmers in the Czech Republic and abroad. APF CR realizes the programme called Czech Farm (Česká farma), which is based on establishing the network of supplier companies and their clients to reciprocal provision of services. Nowadays there are more than 100 firms included into network system.
The representatives of mentioned associations negotiate with MoA also as for the COFAMIs issues.

According to Act. no 513/1991 Coll. Civil Code, formal COFAMIs are defined as business companies and coops that buy commodities in order to sell them out later on.

National marketing cooperatives are the example of newly established associations of farmers into formal organisation to represent farmers on the national level and to bring their claims and comments to government (respectively Ministry of Agriculture) and reach better conditions for COFAMIs at local level.

In term of safety and quality of foodstuffs production, the Czech Republic harmonized its legal system with EU regulations for safety and quality of foodstuffs. The crucial acts were amendment (especially Act no. 110/1997 about foodstuffs and tobacco products and Act no. 146/2002 about State Agricultural and Food Inspection).

When speaking of the food quality controls, it is important to mention a distinct category of organic-food (Committee on organic farming founded on the basis of the Act No. 248/1995 Coll. certificated products of organic operators, products of processors of organic foodstuffs) or Czech tradition food2. The labeling of products can be consequence of COFAMIs and strengthen their position on the market and with respect to state administration.

One of the institutions that harness the development of the COFAMIs (especially national ones) and can me seen as their limiting factor is the Office for the Protection and the Competition on the Market (Anti-monopoly office). It sees national COFAMIs as the actors eroding the competitive milieu on the market. The milk coops and meat coops have been already investigated by this office in 2004/2005.

4.1.2 Economic and market factors

Emerging COFAMIs in the Czech Republic are embedded in specific market structure, which has been gradually forming since the early 1990s. As we have mentioned above (specifically in the overview presented in part 2.2), Czech farmers were not allowed to consolidate (restitute) producing and processing properties in the period of economic transformation – they could not restitute their pre collectivization cooperative food processing and marketing facilities. Structural changes of the production chain left them in unfavorable position towards their input suppliers and output customers, i.e. processing companies and markets. Their situation became even worse after the entry of many transnational corporations that used their market power in relations with their business partners, including – directly or indirectly – farmers.

2 In the Czech Republic there are mostly certificated wines (about 80 certifications for 4 companies exporting wine), certification of organic farming production (so called bio-food) and special invitational certifications (about 60 certifications). Minister of Agriculture has launched a new certification for high quality of Czech agricultural and food products in 2003 – Klasa. The „KLASA“ certification is national label of high quality Czech products with an aim to better orient the consumers and is used for identified typical Czech products. It is also the way how to promote Czech production. There are more that 300 labeled products produced almost by 70 companies. Some of them are of COFAMI origin (but a tiny majority)
Consolidation of farmers' marketing activities can therefore be seen as a response to unfavorable economic circumstances. One of the enabling factors for establishing COFAMIs was in particular growing disparity between producers' and processors' prices, and increasing costs of production inputs. The situation varies across particular fields of the Czech agrarian sector; however, it can be illustrated by experience of Czech pork-meat producers. Some declines of producers' prices were so high that production costs exceeded producers' prices. For instance, in the year 2004 the production costs of carcass pigs were about 33.83 CZK (1.12 EUR) per kilogram of live weight (according to survey of Research Institute of Agricultural Economics in Prague, calculated for average-efficiency animals gaining 668 g of daily weight), and the average selling price (price for what the farmers market their carcass pigs) was 32.36 CZK (1.08 EUR) per kilogram of live weight, whereas in the year 2003 the price was 30.47 CZK, and at the end of year 2002 the selling price did not even reach the level of 27 CZK per kilogram of live weight. It is important to note that this situation many times sparked quarrels between farmers and processing companies that were refusing to increase prices for farmers even in the times of the toughest crisis, such as the one in 2002. **Such situation made farmers incomes lower compared to other sectors of agri-food chain.**

Some of economic impacts and changes have their origins outside the Czech Republic. Therefore the factors influencing COFAMI are also international. Surplus of pork meat production in Europe, which decreased prices of this commodity, could not have been prevented by actions of Czech COFAMI's (such as the above-mentioned Agropork, who had been in that time accused of being too passive). Nonetheless, COFAMIs could have potentially reduced the negative impacts of those crises and potentially shared economic losses with processors and/or retailers. **The structure of food production chain did not allow this, which probably have undermined farmers' believes in the cooperative initiatives and worked as a limiting factor for their establishing.**

Another factor concerning establishing COFAMIs were **consolidation processes in input and output side of food production chain** within the Czech agrarian sector. Suppliers of key production factors, such as seed, agrochemicals, fertilizers, gradually developed oligopoly conditions on market. The position of many suppliers (and consequently their power) has been enhanced by the fact that they also operated as output processors. Large processing companies specialized on malt barley, sugar beet merged to be stronger on the market than others producers. Sometimes they offer the so-called "green credits" to farmers (which is a sort of food processors backward integration), which strengthen their relative position in the production chain.

The ultimate position in the production chain, however, keeps retail sector. The Czech Republic has experienced a precipitate development of super- and hypermarkets, whereas the extent of internationalization is one of the highest within the Europe. While in the year 1996 there were only 2 hypermarkets, at the end of year 2001 their number reached over one hundred. Majority of Czechs do currently shopping in the large-area retail stores (hyper and supermarkets). This development resulted in radical decrease in number of small retail stores. In the last ten years the number of small shops went down to one half, whereas the area of large-scale retailers increased 7 times. **Large Czech companies are in fact absent in retail shop market sector, which is dominated by large international companies. Their market power is being expressed in price and quality pressure of supplies (demanding lower quality with lower prices), as**
well as in over-due payments and partly illegal practices that, in general, increases costs for suppliers. This pressure is obviously transmitted in the production chain and inevitable inflicts agricultural producers, who have got the least market power within the current production chain. Cooperation and consolidation of the collective farmers’ marketing activities has been therefore supported by the above-mentioned structural changes of the Czech production chain that have made farmers take steps and defend their positions.

The need of cooperation of farmers under those circumstances has also been stressed by the Czech Agrarian Chamber. Yet, the activities and chances to succeed have been significantly shaped by the relevant legal framework (described in the section 4.1.1), which has only recently started supporting them. Czech legislation has only sparsely regulated the fast development of the international retailers and did not take specific measures that would help to improve relations between Czech farmers and their trading partners, who have gained a lot more power and started to dominate the production chain.

In comparison with the Western Europe the Czech Republic differs in the market structure of the producers itself. This structure, typical of high degree of concentration of farms (large-scale farms of corporate type are dominating), in general limit establishing the COFAMIs, because the large agricultural organizations are less inclined to cooperate with each other than small (family) farms.

Different degree of concentration on the market also changes relative scale of potentially emerging COFAMIs. Due to the higher concentration on the producers’ market in the Czech Republic, the size of one large-scale corporate farm of cooperative, Ltd. or joint stock type could become the same, as the size of marketing cooperative comprised of a dozen small farms. Common membership of actors of a very different size (which implies the market structure of agrarian producers in the Czech Republic) brings potential conflicts among members, and therefore, can be again identified as another limiting factor for establishing cooperative farmers’ marketing initiatives.

### 4.1.3 Technical and knowledge factors

The concentration within production chain (distribution from purchase to wholesale and retail) appears with development of strong companies that also compete with smaller shops. This is reason why many smaller companies associated into cooperative companies.

Their cooperation is focused on following main competitive factors: (1) Central invoicing (to be increased amount of selling products and consequently decreasing prices); (2) Collective distribution of goods (cooperation of one or more wholesale company); (3) Building their own retail network (to use central marketing, common price policy, harmonising of range of goods etc.).

#### 4.1.3.1 Agricultural technology and technologies

In the Czech Republic there are about 550 entrepreneurs dealing with production, export and selling of agricultural technology and investment into of agricultural technological equipment. Many international companies on the Czech market contributed in the 1990s to competitive environment although now the market with technology is divided among several main companies. In the year 1990 there was established Association of agricultural and forest technology, which includes about 120
companies. Main activities of the association are cooperation in research, development and selling of technical equipment for agricultural and forest. More than 270 millions CZK (about 10 mil EUR) were allocated in Operational programme for agriculture in National development Plan to support new technologies in farming. 186 projects have been implemented in technological equipment for agricultural and forestry since 2004 under this programme. However, they were not directly linked with COFAMI but rather with animal welfare etc.

Food Chamber has been initiated establishing of Czech Technological Platform to associates representatives of state administration, producers and processors. Platform was established in order to make easier cooperation of experts and important actors of food industry, and coordinate research and brings innovations into agricultural and food industry. This platform somehow supported COFAMIs (especially large marketing organisation). Development and using of new technologies is important factor for COFAMI in the future. After 2004 agro producers had renewed many technologies in accordance with EU norms. These EU required technologies are obtained by farmers individually, while technologies improving their position on market (but not required by EU) are obtained mostly by groups of farmers. It suggests the COFAMIs are related to technologies increasing the market efficiency. Especially smaller farmers jointed together (sometime just to buy and operate one technology) in order to make efficient use of the new technology. Therefore introducing new technology was good background (enabling factor) for farmers to start to cooperate. The problem is the cooperation was limited only to the use of this technology. We know example when group of local family farmers bought drying facility and cooperates in its use but they do not market together dried cereals or pumpkin seeds.

The production of GMO, which is based on new technologies, is permitted in the Czech Republic. In 2004 year 17 hybrids of maize were registered and Soya production for industrial purposes. Nevertheless, there are still problems of cooperation and cohabitation of different kind of producers who operate near each other (mainly farmers deals with GMO and farmers producing organic food).

Ministry of Agriculture plans to establish programmes to financially support projects, which would be aimed on investments into project with positive environmental impacts. The programme is oriented on application of the best available technologies in food processing (with respect to technologies used in EU)\(^3\), decreasing water pollution, decreasing production of wraps, modern technologies launching, using renewable resources etc. Because of the scope of the technologies, their efficient exploitation, the collective approach of farmers is assumed in their use.

Specific technology helping COFAMIs is ICT. Internet is enabling factor for COFAMIs. Those who are interesting in joining marketing organisations can get the information and apply via internet. The national marketing organizations provide its members the information about the situation on market via internet. There is emerged horizontal as well as vertical communication through internet. For horizontal communication is typical transmission of information among producers to inform usually each other about an offer of production and services. Vertical communication prompts

\(^3\) According law HACCP (Hazard Analysis Critical Control Points) system has to be compulsorily used in every food production from 1997.
support between producers and consumers. For example projects “Find your producers” or “Find your cow” give to consumers chance to identified concerning origin of products and its detail information about product and producer as well.

Launching of new technologies required coordination of many various actors from political, economical and education sectors. Development of COFAMIs could be accelerated by new technologies. New technologies are especially enabling factors for smaller farmers because to use the efficiently they have to joint together.

4.1.4 Social and cultural factors

The idea of collective initiatives is being undermined by historical experience of farmers with the former communist coops. Due to this, farmers have been more reluctant with setting up common organization on a cooperative basis. This issue was described in a more detailed way in the section 2.1.

The historical experience can be seen as a limiting factor for currently establishing COFAMIs. Apart from that Czech farmers lacked a notion of what the collective initiatives should look like and how it should work. This situation has been changing very slowly. However, some changes have appeared in the last few years as a result of many factors – mostly of the economic and political nature (described in the previous two sections). Therefore while social and cultural factors seem to be more limiting for COFAMIs, political and economic factors are more enabling them.

Many representatives of existing COFAMIs state that Czech farmers do often disbelief in the essence of collective marketing initiatives. This attitude is often amplified with farmers’ notions that they manage to sell their produce more successfully on their own. What is often seen as too binding is the basic rule that member farmers have necessarily market a given amount (if not all) of their production to the coop marketing organization. They feel to lose control over marketing their production. A sense of alienation is obvious. With regards to the above-mentioned attitudes of farmers, some of the COFAMIs could not operate properly, because farmers – despite their membership in a particular initiative – were willing to sell their produce on their own. Those activities significantly harmed the scope of COFAMI and made them work inefficiently.

Ambiguous position of COFAMIs in the Czech Republic is also enhanced by their inability to clearly define their purpose. It is obvious that this issue is partly linked with the institutional factors, but also includes social aspects, mainly with respect to interactions of COFAMIs representatives and individual farmers. There appeared five basic forms of COFAMIs, classified according to the extent of cooperation and also present trust in relations between the organization and farmers:

1) COFAMIs providing intermediation only – they pay to their members after receiving money from customers (COFAMI as agency theory), lowest trust among members is needed
2) COFAMIs owning processing facilities and supplying retailers (COFAMI as owning food producers).
3) COFAMIs involved in trading – buy from their members and sell to external customers, collective organization take over risk of over-due payments etc. (COFAMI as marketing organization),
4) COFAMIs involved in trading and forming reserves – exert the same activity as the number 2, whereas the reserves can be used to cover potential losses and safeguards payments to their members (COFAMI as marketing organisation),
5) COFAMIs of informal origin starting as grass-root initiative of locally embedded farmers who know each other (and are the friends) for a long time (COFAMI as small informal groups of farmers involved in specialized production), highest trust among members is needed and does exist.

Some of the Czech COFAMIs have been formed as intermediating organizations only and did not succeed. Those kinds of COFAMIs were not able to provide standard safeties and guarantees for farmers and on the other hand did not created frames in which the farmers would observe (obey) organizations’ rules. The unclear business goals of the COFAMIs and lack of trust worked as other limiting factors for establishing COFAMIs. From sociological point of view, the situation of ill-cooperation among farmers themselves, and in relations between farmers and collective organization refers to low amount of social capital on the collective level (as it was conceptualized by R. Putnam), while existing social capital was used for the private benefits of individuals (understanding of social capital by P. Bourdieu). This situation has been researched and intensively discussed the Czech Republic (e.g. Hudečková, Lošťák 2003, Lošťák 2005, Lošťák 2006). It was concluded that the social capital on the collective level had significantly deteriorated in the period before 1989, while social capitals resting with individual was used to improve individual status and the position on market. Lack of the social capital in Putnam’s sense (such as trust, norms) that enables people to act collectively is seen as a result of the previous regime. The inability of farmers to coordinate their marketing activities can be interpreted as a consequence of the low social capital on the collective level. This fact is also reflected in the farmers’ actions. They abused membership in collective organizations and did not constantly follow the rule of selling via the organizations only.

COFAMIs do not only improve farmers’ position on market, but also work as an element that increases and ensures product quality. This aspect of the COFAMIs’ work has been relatively neglected in the Czech context: at least in comparison in with the commonly-stated goal concerning position of farmers within the production chain.

Nevertheless, in case of the associations of wine growers and producers the aspect of quality is more important then the issue of business relations. Establishing this particular type of COFAMI in fact illustrates changes in consumption patterns of Czech society, which can be seen as one of the supporting factors for the common initiatives of farmers.

We have already stated that the basic purpose of the local associations of wine growers and producers was the product differentiation. This marketing strategy has gained its importance due to several factors. It was not only the higher competition on the market, but also changes in consumer pattern in comparison with the situation before the year 1989. In that time any market segmentation strategies among producers of wine (and also other commodities) did not exist. Although Czech and Moravian wines were still produced and available for customers, they were marketed as homogenous products, which lacked any distinguishing marks of quality or origin. This situation changed in 1990’s, when new wine classification, similar to the German and Austrian one was adopted. The associations of wine growers and producers have appeared just recently. As one can see this strategy accords with the European approach, which in terms of integration processes still supports regional peculiarities (moreover in broader sense – e.g. combined with local culture). With regards to COFAMI’s contextual factors, it is important to note that the establishing of associations is based on the fact that the consumers’ are able to appraise
specific local qualities of products and they demand local culture associated with these products.

On the other hand, there are not many other products that would have based its marketing on this aspect. In general, regional embeddedness of food production is in the Czech Republic (due to its small size and dense mutual relations between regions) fairly low. There are, however, many social and cultural aspects, which are related to food production and consumption and are embedded in a particular regional culture, but have not been used – except the examples of wine producers – by collective initiatives of farmers. **Therefore we do not see territorial aspects as important factors for existence of COFAMIs in the Czech Republic with the exception of wine.**

Consumption and consequently production of (specific) food is not in the Czech Republic so strongly related with cultural traditions that are differentiated in the particular regions, however some traditional foods are “renewed” (festivals, presentation for tourists etc.). There is still existing traditional Czech diet and regional variety of specific products, which are sold on the market. However, there are not evidences that production of local as well as national food products (including traditional symbols of Czech food such as beer or Becherovka liqueur) must be completely local. Usually recipe and process of production have to be maintaining, but consumers have no claims for origin of ingredients.

### 4.1.5 Geographical/location factors

Rural areas in the Czech Republic at NUTS 5 (LAU2) – community level cover, according to EU methodology, 75% of the Czech territory and are inhabited by 22.5% of the Czech population. At district level (NUTS 4/LAU1) in 2001 66.5% of Czech inhabitants lived in rural areas according to EU methodology (6% in predominantly rural districts 60.5 % in significantly rural districts). Predominantly rural districts covered 15.5% of Czech territory, significantly rural districts 75.4% of territory. Working population in rural areas (those who were economically active) was about 45% of total rural population. Rural communities are typical by lower proportion of population in the productive age (63.9%) compared to 65.3 % in Czechia). It means there is higher proportion of inhabitants in post-productive age. Significant differences are in the commutation to work. While from rural communities commuted 70.7%, from the communities with more than 2,000 inhabitants only 25.3% inhabitants commuted to work (Czech average is 36.7 %). **COFAMIs can be seen as the element helping to provide more jobs in rural communities instead of commutation to work.** In rural regions there are some negative demographic trends (decreasing birth rate, ageing of population and negative migration balance). The trend of migration from the rural areas to the cities is now modified by migration from urban agglomerations to suburban areas.

Rural areas in general face worse technical and civic infrastructure. The smaller number of population in the community (or the more peripheral areas), the less

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4 Public opinion surveys found that for the Czech people the traditions are generally important (for two third of respondents). Traditional food is prepared occasionally with regards to Christmas (96%), Easters (67%) and New Year (52%). However consumer’s behaviour is reoriented from too fatty traditional Czech diet. Nevertheless, as traditional food they still consider beef with dumplings and cabbage, sirloin of beef, pork schnitzel, sweet buns, potato cakes. **According findings traditional food is prepared rather in rural communities or towns with less than 5 thousands inhabitants, Sought Bohemia, in wide families.**
developed infrastructure. The more the areas are rural, the lower level of educational achievement is there. These issues might be limiting factors for COFAMIs.

Concerning collective actions of whose COFAMIs is a part, the research findings demonstrate (Majerová et al 2003) the differences among rural communities in the community life (number of rural associations in rural areas and the number of activities they organize varies), and in local patriotism (to be proud of rural areas – only 45% or rural respondent declared they are proud of their community). These attitudes might also influence C9FAMIs. The lowest level of such collective life and local patriotism was found in the rural area of South Sudeten (borders with Bavaria and Austria), while the highest is in the Czech (Moravian)-Slovak borders and in so-called inner periphery. It is the level of local patriotism and involvement of people in community issues which support COFAMIs at lest in the case of informal groupings of small wine producers who operate in the region bordering with Slovakia. Culture and territory coincide in factors liming or enabling COFAMIs.

As for the conflicts (Maříková in Majerová et al 2003) which might limit COFAMIs, the research found, the lowest level of conflict (and the highest potency to collaborate) exist in regions on Czech (Moravian)-Slovak border which is confirmed by their existing wine COFAMIs. The high level of conflicts was found in suburbanized areas. It means these areas, althg they have farming activities might not be good for COFAMIs origin (there are conflict between traditional dwellers and newcomers, between rich urban newcomers and poor traditional rural dwellers). The conflicts are present also in area of South Sudeten and North Sudeten (borders with Poland and Saxony in Germany). Rich and fertile rural agricultural areas indicate more conflicts among communities but they are less based on propriety of migration. It is more the competition between the rural communities and therefore also there there is the potency for C9FAMIs.

There are also several criteria to view at specific local production: (1) traditional food and production of foodstuffs related to the folk costumes (e.g. Moravian cakes especially for marriage), religious fests (specific Christmas, Eastern food etc.); (2) climate (Moravia is rich for production of fruit and grapes and traditions of wine production and slivovitz – traditional plum brandy); (3) historical (food is related to real historical fact or legend; for example so called “Štramberk ears” are cookies in ears shape as symbol of historical event – battle with Turkish army. (4) Specific places (for example spas, which are usually characterised by their own production of spa waffles, spa mineral water, liqueur etc.). However these issues are not captured by COFAMIs now. They rather focus on homogenous commodities. But Ministry of Agriculture expressed importance of quality and territoriality of food through special awards (labelling products as Czech traditional and best quality products – “Klasa”).

4.2. Reflection on the context factors

Analysis above suggests that various factors have various influences on COFAMIs in Czechia. In analysing the factors, there is obvious a path-dependency context.

Political factors in the beginning of the 1990s were not oriented towards COFAMIs. There were created no institutions supporting collective marketing. On the other hand, there was not any deliberate political strategy to limit COFAMIs. Simply speaking, laissez-faire discourse did not limit COFAMIs but also did not consciously intervene into setting up collective marketing organisations. The idea behind was, if the myriads of
farmers join together, they can, but it is their will and finally their collective marketing is the outcome of “invisible hand of market” which cannot by harnessed in any regulations favouring one actor over another. From the mid of the 1990s this policy was replaced by interventions into supporting COFAMIs. It was also the response to the pressures of the farmers’ interest groups who (using the references to EU CAP) found they should collaborate in the form of producers groups. The scene of farmers was, however, divided into those who were in favour of supporting COFAMIs (and the state began to create institutions supporting their origin) and those who think they can achieve their goals as free competing individuals in the laissez-faire model without any state intervention. Political factors have great influence over limiting and enabling factors of COFAMIs (depending on the policy aims and ideological background and the orientation of farmers) – these factors are both limiting and enabling in the Czech context.

Similarly ambiguous as for limiting and enabling factors are geographic factors. In some localities the composition of inhabitants works as limiting factor for COFAMI (more conflicts than collaboration resulting from the structure of population), in other areas the historical development and structure of population favours COFAMIs. The limiting factors are related to great migration, while the enabling factors are related to rather stable population in the regions. Such population maintains its cultural traditions reflected in food products.

Economic factors seem to be crucial enabling factors for COFAMIs. Farmers come to conclusion that in order to balance economic power of food processors and especially of transnational retail chains they need to joint together to be more powerful actors on the market. Their bargaining position with food industry increased and transaction cost were lowered. They could bargain relatively stable prices with reflection in their farm incomes. Economic factors are mostly enabling ones as for COFAMIs.

Economic factors are closely related to technological factors. Also they are enabling the origin of COFAMIs because the new technologies for their efficient use necessitate larger farms (they exist in the case of corporate farms) or they necessitate small farmers to collaborate in their exploitation to achieve full benefits of modern technologies. Internet seems to be very important medium for communication among collective marketing farmers and therefore in this way the access to internet is also one of crucial factors for COFAMIs. Social and cultural factors seem to be more limiting factors for COFAMIs. It is the lack of social capital on the community level (concept of social capital developed by R. Putnam) and broken cultural tradition of collective action in market driven society which erodes the possibilities of collective marketing. If social capital exists, it is used by individuals to achieve their own goals. The trust for the collective action is not adequate, shared norms are violated. The memories about malfeasance in the beginning of the 1990s (which was typical for the anomie of transition from communist system) still continue. It all limits the COFAMIs development.

5. Summary of the main points of the country report (and suggestion of research questions).
COFAMIs in Czechia are framed into the clash between 2 ideologies: individual laissez-faire approach and collective cooperative movements with roots in socialist movements. Their views on COFAMI differ. While laissez-faire sees COFAMI as grass-root initiative resulting from the competition of myriads of actors of homoœconomicus type, cooperative movement emphasises state interventions to promote COFAMIs through creation of the set of institutional measures. This clash is reflected in al political debates about COFAMIs. Because of its ideological roots, also any change of the government and related alternation in corresponding policies can change the approach to COFAMIs as for its limiting or enabling factors. **The interesting research question in this respect is how far are the limiting or enabling factors the product of human deliberate construction and state interventions (correspond with cooperative movement) or are they result of unintended actions of myriads of competing actors who are bounded by minimal regulations? Which approach to COFAMIs is more efficient – laissez faire or cooperative movement?**

In the historical development of the Czech COFAMIs and even in today’s analysis there are two reasons for setting up COFAMIs. Are COFAMIs contributing to broader quality of life of all people regardless they participate in COFAMIs (at least COFAMI contribute to rural development in general) or do they only contribute to economic development and benefits of its participants. The first reason of advocating COFAMIs is of broader nature and includes also such aspects as welfare, social issues, environment, and vibrant community life. COFAMI in this sense is supposed to contribute all elements human lives, not only economic ones. The other reason is of close economic nature – COFAMIs are supposed improve economic results of participating actors. Their participants do not think in the sense of welfare, community life but about their benefit (profit) which echoes the laissez-faire approach. **The research question is what type of COFAMIs should be a target for support in policy. Obviously the answer should be these contributing to general rural development, but the Czech analysis suggests the economic benefit and economic power of COFAMIs participants is more important for them than general welfare of communities they live in** (unless COFAMIs members’ “belief” is “invisible hand of market”). Theoretically this question echoes the dilemma of laissez-faire and cooperative movement and copies historical division of cooperatives on proper (real) ones and improper (unreal ones).

The most developed form of COFAMIs in Czechia are the marketing organisations. They mostly market homogenous commodities instead of specific high quality products. It is difficult to obtain concrete data about their performance. The data are not publicly available in concise and required form. **Moreover, their composition and work is influenced by (1) dual structure of the Czech farming (large corporation + large farms owned by individuals versus small family farms) and (2) ambiguous ownership structure of the marketing organisations (coops, joint stock companies or Ltd. Companies). The reason for their origin was economic (the start of multinational national food retail chains). This form of COFAMI continues traditional marketing coops (which the farmers were not allowed to restitute in the 1990s). Its origin was initiated by the owners of large farms in collaboration with the leaders of farmers’ interests groups. Although this form of COFAMI originated as reaction to the market factors, the research question is how far it is now developed through the subsidies provided in the frames of modified CAP (political factors). Is this form of COFAMI driven more by the needs to improve farmers position on market vis-à-vis food processors and retail chains or has
this form of COFAMI inherited a sort of rent-seeking behaviour for its members due to policy of subsidies which stimulates its development?

There is almost missing any detailed information about COFAMIs of agency theory type when groups of farmers hire broker to organise the marketing for them. It seems this form overlaps with marketing organisations.

More interesting is the COFAMI as group of farmers owning shares and even controlling important food processors. Although detailed information about this form of COFAMI is also missing, it might be interesting to investigate their relation to other forms of COFAMIs. Because they control food processors and some markets, they can also influence prices which can result in negative reactions of other COFAMIs because they erode their marketing strategies. The research question is: what are the relations between various forms of COFAMI – do they cooperate or are in the conflict (one form benefits in the detriment of others)? It also suggests the question what form of COFAMIs is more efficient in terms of economic efficiency, social and environmental benefits (what form is more sustainable) – collective of farmers owning the processing facilities or collective of farmer marketing into processing facilities they do not own.

The emerging COFAMIs in the form of informal groupings of farmers specialised in marketing high quality products (wine) seem to be more the COFAMI helping rural development. They do not focus only on economic profit but also on cultural issues (folk traditions). This form of COFAMI is influenced not only by economic factors but also by social, cultural and geographic factors. The research question (hypothesis) might be reworded: are the smaller COFAMIs driven by social, cultural and geographic factors while large-scale COFAMIs are driven mostly by economic factors? How important is the scale of COFAMI for their operation and factors their influence their operation?

The factors influencing COFAMI are sometime ambiguous (political and geographic factors some forms of COFAMI limit, while other enable), economic factors seem to be more enabling while social and cultural factors can be considered in more aspect as limiting factors. The research question (hypothesis) is to confirm or deny this fact. The question is why some factors enable and other limit COFAMIs.

6. References


Coops Union, seminar 21/07/2005


