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## Economic Cooperative Models: Agricultural Cooperatives in Greece and the Need to Modernize their Operation for the Sustainable Development of Local Societies

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### Abstract

Cooperation and in addition the creation of cooperatives and cooperative companies in the agricultural sector influence the effort of small farmers to survive in conditions of increased competition. Farmers are in many cases considered "small" entrepreneurs compared to their counterparts in other sectors of the economy. Therefore, the need for survival leads most of the farmers to unite in order to gain bargaining power. Agricultural cooperatives were and remain the only mechanism for gaining bargaining power of small and weak producers, which is the main reason for creating cooperatives. Due to their historical process, we can understand their role in the development of the Greek economy. Finally, the study of their problems in last year's presents the need for the planning of a modernized cooperative model, based on the most important principles of social economy.

**Keywords:** Agricultural Cooperatives, Cooperative Spirit, Social Economy, Cooperative Model

### Introduction

The relationship between farmers, society, and the natural world is changing in the modern era as a result of declining resources, growing populations, and in addition based on pressure exercised in the environment, changing expectations of society, new technologies and also on the growing impact of climate change. The future of agriculture and the organization of the food chain from producer to consumer is expected essentially to change drastically. In addition, non-food agricultural issues acquire growing importance. That's why farmers and foresters need modernized knowledge skills and innovative ideas so that they can develop and manage smarter and more sustainable production systems (Merret & Walzer, 2004).

Approaches to knowledge sharing, learning, and innovation in the sector of agriculture are evolving rapidly. Inevitably, all participants in the sectors of education, training, research, consulting, and agriculture face certain challenges, so that they can adapt to this changing framework. In the past, the development of solutions by researchers and then the transmission to the farmer seemed

possibly satisfactory (Nasioulas, 2012). In our era, new and better practices of exchanging knowledge and experience in order to maintain the competitiveness of agriculture and food production and the vitality of rural areas during the 21st century. Due to the interactive innovation model of the European Partnership Innovation for Agricultural Productivity and Sustainability (EIP-AGRI), knowledge is in our era co-created by companies, consultants, scientists and farmers (Michie, 2011).

In this way the main interest is given on the operation of agricultural cooperatives, which are considered the basis of agricultural economy. It can be mentioned that in recent decades, the Greek agricultural cooperatives are operated in a hostile external institutional, social and financial environment (Papageorgiou, 2010). Although there have been presented many difficulties agricultural cooperatives have managed essentially to achieve significant results. However, this environment had a significant effect on the internal structure of agricultural cooperatives, resulting in our era in a large part of the cooperatives to stumble, being unprepared to respond to the emerging economic conditions. That's why it is very important to study the role of the agricultural cooperatives and the management modes of agriculture firms in Greece, by giving emphasis on the new partnership models, which can lead to the sustainable development of local societies (Sergaki & Semos, 2006).

### **Objectives**

- Proper understanding of the background of the agricultural cooperatives
- The difference between the private companies and the cooperatives
- What are the purposes of production enterprises in the agricultural sector
- Condition of the Agricultural cooperatives that exist in the United States from the period of 1913-2016
- Study of the Agricultural Cooperatives in Greece
- Problems in the operation of the agricultural cooperatives
- Management of the agricultural Cooperatives
- Connecting the Relationship between the Agricultural cooperatives and the social economy
- Importance of a modernized Cooperative model

### **The Agricultural Cooperatives**

#### **The Background of the Agricultural Cooperatives**

The development of societies, all over the world, has led to the development of cooperation between its Members. This happened because collective action was the main factor for the growth of their position, their bargaining power, contributing drastically to the more efficient distribution of goods among people. In this context, we can mention that collaborations were developed from the earlier years that took various forms such as informal mutual assistance and cooperation under certain rules, aiming at specific needs (Kamenidis, 2001). In this direction, forms of cooperation were developed, which spread to all the countries of the world, through the appropriate legal framework, having many forms and the ability to pursue in this way various goals. That's why collaborations were developed that pursue economic purposes through the utilization of factors of production and mainly of capital (Sergaki & Semos, 2006). The second group includes collaborations that produce economic and other benefits to cooperatives and mutual insurance companies. In addition, in the third group is included a wider range of partnerships involving associations of persons and institutions pursuing mainly social purposes (Kamenidis, 2005).

According to the International Cooperative Alliance (ICA), a Cooperative can be considered essentially an autonomous association of persons formed voluntarily to address their common economic, social, and cultural needs and aspirations through a co-owned and democratically run company. It can also be mentioned that the important element that this definition highlights is the element of autonomy (Szabo, 2006). The widest spread of cooperatives and grouping in them more than 800 million members worldwide were accompanied in some countries by external interventions, with which the cooperatives sought to become dependent bodies for the promotion of other people's aspirations and goals. However, cooperatives without the possibility of autonomous decision making and action based on the choices of the members that make them up, of course in compliance with the laws, are not meant (Kamenidis, 2005). Very important is also the wording of Law 2810/2000 for the Agricultural Cooperative Organizations". Based on article 1 is presented that the "Agricultural Cooperative Organization is an autonomous association of persons, which is formed voluntarily and seeks, with the mutual assistance of its members, their economic, social, cultural development and promotion, through a co-owned and democratically run enterprise" (Sergaki & Semos, 2006).

**Figure 1 – The difference between private companies and cooperatives**

MARKET PRIVATE COMPANIES		MARKET COOPERATIVES	
INVESTORS	USERS - RAW MATERIALS SUPPLIERS	MEMBERS SUPPLIERS OF RAW MATERIALS	MEMBERS OWNERS -

Source : Kontogeorgos & Sergaki, 2015

It can also be mentioned that there are below three key differences that distinguish a cooperative from other types of business (Nilsson 1998):

- i. ownership
- ii. the control of the cooperative,
- iii. the distribution of cooperative surpluses

Based on their ownership status, cooperatives should address the following issues (Cobia & Brewer, 1989):

- i. who are the owners of the cooperative shares
- ii. how the cooperative shares are distributed
- iii. how the cooperatives trade the shares and
- iv. how their profits are distributed.

Traditionally, it can be understood that the shares of the cooperative are the exclusive property of its members and in this way, they are associated with membership and are not tradable. Membership is the only form of direct investment in the cooperative. Only in recent years have cooperatives tried to find funding from non-members (Van Dijk et al., 1997).

On the theme of the control of the cooperative, the below issues are very important (Ginder & Deiter, 1989) :

- i. who has the right to vote
- ii. on the basis of which criteria this right is established

Members retain democratic control of their cooperative by voting. Cooperatives allow their members to vote on the most important issues, very often on the basis of the principle "one member, one

vote", although in recent years several cooperatives have granted voting rights to non-members, as well as starting to convert the principle "one member, one vote", based on member transactions with the cooperative (Barton, 1989).

It can be understood that, unlike private companies, the distribution of surpluses by cooperatives is done after setting prices for both products traded and supplies sold, based essentially on maximizing members' benefits. The ideal parameter for cooperatives can be considered the offer of the highest prices for the raw materials traded and charge the lowest prices for the supplies they offer. Based on this feature of their commercial policy, cooperatives differ in the pricing of the raw material they manage per unit. It should be also noted that the members of a cooperative often prefer a limited initial investment in a cooperative and a quick amortization of their investment in order to benefit as much as possible from the cooperative (Kontogeorgos & Sergaki, 2015).

**Figure 2 - Ownership status and purposes of productive enterprises in the agricultural sector**

COMPANIES	OWNERS	AIMS
Cooperatives of Producers	Producers - Suppliers	Max. Price
Worker's Companies	Human Resource	Max. Wage
Investor Companies	Capital	Max. Profit
Consumer Cooperatives	Consumers	Min. Price

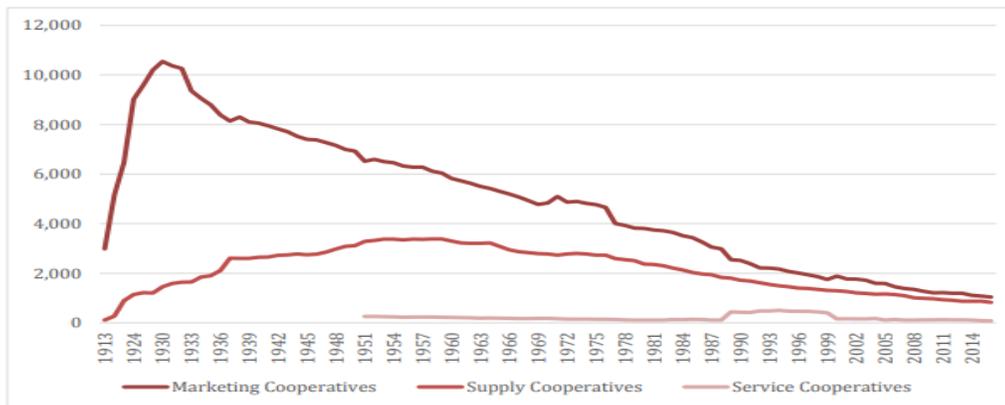
**Source: Hansmann, (1996)**

The members of the cooperative, then, are the owners and users of their business and with these qualities should ensure good governance and management control systems of cooperatives. We can also mention that the ownership status of a company is what defines the objectives of its operation, which in fact may be incompatible with each other (Hagen, 2012).

A common goal of cooperatives and also private companies is to maximize the long-term well-being of members or shareholders respectively. After all, based on the neoclassical approach, we can mention that competition between them is possible. Other research, however, based on game theory argue that the traditional values of cooperatives undermine the policy of optimal allocation and investment of funds, as well as the stability of alliances of different groups within a cooperative (Hansmann, 1996). It can also be presented that, in order to be ensured cooperation, it must be developed for the benefit of all members to cooperate. No group members should be able to benefit after their departure from the cooperative. In addition, very important is the fact that its administration should promote the interests of all members rather than its own (Hagen, 2012)

Other aspects of the cooperative philosophy that will create problems in their operation are the inability of traditional self-financing to meet growing needs for investments as well as the local orientation due to the main goal to serve in this way the needs of the members. Also, traditional cooperative values often create problems in the adjustment process in the new market data. Such decisions concern the sale of units-shares or increase of share capital in the stock market, acquisition of private companies, etc. The crucial decisions concerning the further development of the cooperative movement will adapt quickly to the changing and modern environment (Daskalou, 1992).

**Figure 3 - Agricultural Cooperatives in the United States, 1913-2016**



**Source: Kontogeorgos & Sergaki, 2015**

A cooperative is an autonomous association of persons formed in this way voluntarily to address common economic, social, and cultural needs and pursuits, through a co-owner and democratically run company. Very important can be considered essentially the help offered by each individual to the cooperative to carry out the task assigned to it but at the same time and the cooperation and mutual assistance that exists between individuals for the realization of their goals (Kamenidis, 2005). At the financial level, cooperatives help small businesses which would probably have disappeared due to the powers of the great companies. In addition, through cooperatives, can be succeeded the employment and payroll of their member's (Daskalou, 1992). At the social level, the role of cooperatives is equally important. The financial life of a cooperative institution can be implemented with democratic procedures and this is evidenced by the fact that its development is implemented, taking into account the protection of the environment. In this way the diversity of the institution and the objectives which it seeks to achieve concern the improvement of the economic and social status but always with respect to the needs of its members and maintain in this way a sensitive attitude towards the ecological problems and the natural environment (Daskalou, 1992).

It is considered that the concept of collaboration signifies the direct or indirect collaboration of many individuals, with a common goal, through in this way the use of common structures. Every man as a member of a group with common characteristics has long realized that it is more powerful than a single unit. The idea and value of partnering have their roots in the ancient principle of the growth of validity in a union. It is essentially presented as a financial organization with legal coverage that tries to meet the goals of its members and in addition the statutory provisions and the specific rules (Mulgan, 2010). It differs in many cases from one for-profit company, because the cooperative is obliged to provide service's for the benefit of its members. According to the International Cooperative Union, the cooperative principle concerns an autonomous association of persons, which is formed voluntarily and seeks their cultural, social and financial development and promotion (Pestoff, 1998).

The National Cooperative Business Association – NCBA of the USA states that the cooperative can be operated as a company, which is privately owned and democratically controlled by its members. Some of the most important goals of cooperatives is to reduce production costs but also the cost of transactions as well as the better flow of information about it, by promoting and marketing in this way their product's (Szabo, 2006).

Farmers are in many cases presented as "small" entrepreneurs compared to their colleagues of the commercial sector. That's why they need for survival leads most of the farmers to unite in order to gain bargaining power, which is the main aim for creating cooperatives. Essentially, cooperation determines the degree of utilization of economies of scale and the degree of recognition and utilization of complementarity relationships Agricultural cooperatives manage to (Nasioulas, 2012):

- provide raw materials at lower prices
- to provide the necessary services at a low cost
- to have a favorable effect on producers' selling prices of their products
- to make special offers, discounts, surplus returns, etc.

In many cases, cooperatives also undertake the processing and marketing of a significant percentage of production, thus helping to stimulate competition for the benefit of producers of primary products (Nilsson, 1998).

The main goal of agricultural cooperatives is considered the promotion of the interests of their members, giving emphasis on the below parameters (Szabo, 2006):

- the increase in members' income
- the possibility of reducing production costs
- the reduction of costs related to transaction costs
- a better flow of information on issues of marketing of their products

Many researchers believe that the existence of agricultural cooperatives is based on the structural characteristics of agricultural production and life in the countryside. The creation and the operation of agricultural cooperatives, both supply and commercial, was imposed in order to achieve verticalization and to prevent the leakage of profits to intermediaries and third parties. In addition, agricultural cooperatives ensure the presence in the market of small economic units, which they would have inactivated by the competitive power of large capital-intensive enterprises (Michie, 2011).

That's why agricultural cooperatives largely ensure the employment and income of their members and contribute to the effective functioning of competition in the market, to their advantage. society as a whole and the economy, especially in rural areas. However, it should be noted that issues such as global trade liberalization and centralization in some sectors of the industry are changing market data and the need to transform cooperatives in order to take advantage of new opportunities for verticalization and development (Nasioulas, 2012)

**Figure 4 : Benefits from the effective organization and management of agricultural cooperatives**



Based on the above definition of the cooperative, we can mention that the core of the cooperative idea is supported by its values which constitute what guidelines by which the cooperative implements its principles (Kamenidis, 2005). Some of these values can be considered self-responsibility, social responsibility, transparency, honesty, solidarity, equality, and caring for every other person. The significant difference that the cooperative has from the rest of the financial organizations is that it is neither a pure economic unit nor a pure one social organization. It is a mixed socio-economic institution that seeks at the same time the improvement of the economic, social, and cultural position of its members (Kamenidis, 2001).

### **Agricultural Cooperatives in Greece**

The National Cooperative Business Association - NCBA) of the USA states that the cooperative is a company "privately owned and democratically controlled by its members ". Some of the main goals of cooperatives are to promote the interests of their members, reduce production costs and transaction costs, and better flow of information about the promotion and marketing of their products (Szabo, 2006). Based on the above definitions of the cooperative, we can mention that the core of the cooperative idea is supported by its values which are the guidelines with which the cooperative sets implement its principles. These values are self-help, self-responsibility, democracy, equality, equality, solidarity, honesty, transparency, social responsibility and caring for others. The important difference that the cooperative has from the other economic units is that it does not it is neither a purely economic unit nor a purely social organization. This is a mixed economic and social institution that seeks to improve the economic, social and also cultural position of its members (Kamenidis, 2001).

Their main principles are below :

- democratic control of their members
- financial participation of members
- education, training, and information
- voluntary and free participation
- interest in society
- autonomy and independence
- cooperation between cooperatives

In addition, the development of the cooperative movement in Greece has been delayed due to the Ottoman yoke. The most characteristic precursors, informal forms of cooperative for the Greek area were essentially the "tseligata", which concern the herdsmen associations and "patries", which cannot be considered just as a precursor form of the current cooperative, but they are even ahead of the others current forms of cooperative verticalization of production (Avdelidis, 1980)

It is believed that probably are preceded the twelve cooperatives of the region Mantemochoria in Halkidiki, which undertook the exploitation of mines at the beginning of the 18th century (Avdelidis, 1986). In this way has been created the "Greek Mountain Village ", which evolved into a system of democratically self-governing communities, called "Eleftherochoria" or "Kleftochoria" and were based in this way on a form of cooperative financial activity, to be evolved over the Ottoman period in large productive cooperatives for agricultural, industrial, commercial and naval activations. The modern form of the cooperative movement of Greece is considered that began in 1900, with the establishment of the agricultural cooperative of Almyros, which was called "Shareholder Agricultural Association of Almyros" (Avdelidis, 1987)

In addition, the Common Fellowship and Brotherhood of Ambelakia were capital of organization and labor, and also the members of the co-operation were the producers mainly of cotton. The cooperative aimed essentially to financially support its members and also to cultivate them spiritually. The cooperative has been operated through a period of prosperity and economic growth, which reached in 1811, whenever it has been destroyed. Its goods were distributed throughout the European area with Vienna to be considered its main center (Kamenidis, 2001). There were agencies everywhere and they distributed red yarns throughout Europe. During the period of prosperity in Ambelakia, they have founded schools, experimental physics laboratory, libraries and also have been provided specialized guidance to the poor and in addition, there was also a doctor in every village, who cared for the health of the inhabitants of Ambelakia (Papageorgiou, 2015)

The implementation of the Industrial Revolution in Great Britain, with the mass production of low-cost goods, created serious problems in the product in the region of Ambelakia (Daskalou, 1992). It can be mentioned that the collapse of the cooperative in Ambelakia was accelerated by many other events, such as internal disputes of members, the bankruptcy of the Bank of Vienna, the intrigues of foreigners, and also the conditions of insecurity (Daskalou, 1992).

However, many people also are benefited from the experience of Ambelakia and this fact confirms the tripling of the population to 4,000 at the end of the 18th century. In this way, the initiative of Ambelakia is a phenomenon of mass cooperation based on the equality of members and the principles of social justice with elements of economic and social exaltation of all its employees in the joint venture (Benos et al, 2015).

Such goals are also set by modern cooperatives and because of this similarity, Ambelakia should be considered the cradle of modern collaboration (Papageorgiou, 2015). We can also mention the problem of discontinuity created by the cessation of activities and the loss of almost all the evidence-based objectives of the way management. However, due to the moral radiance of achievements can be ensured to the Common Fellowships and Brotherhood of Ambelakia under successive organizational schemes of the period 1780-1812 the title of the forerunner of the idea of modern cooperation (Daskalou, 1992)

Cooperatives have historically been the main factor of the sector of social economy in Greece. They operate mainly as operations. With the meaning that they promote in market products or services. Some of them are operated just as suppliers. Agricultural cooperatives represent a tool of

intervention in the rural area, creating horizontal connections between the market's mechanisms and the rural population. The cooperatives function as social and economic networks, as a means of disseminating technological and economic innovation, but also as channels of exercise of social control of the rural population (Papageorgiou, 2015),.

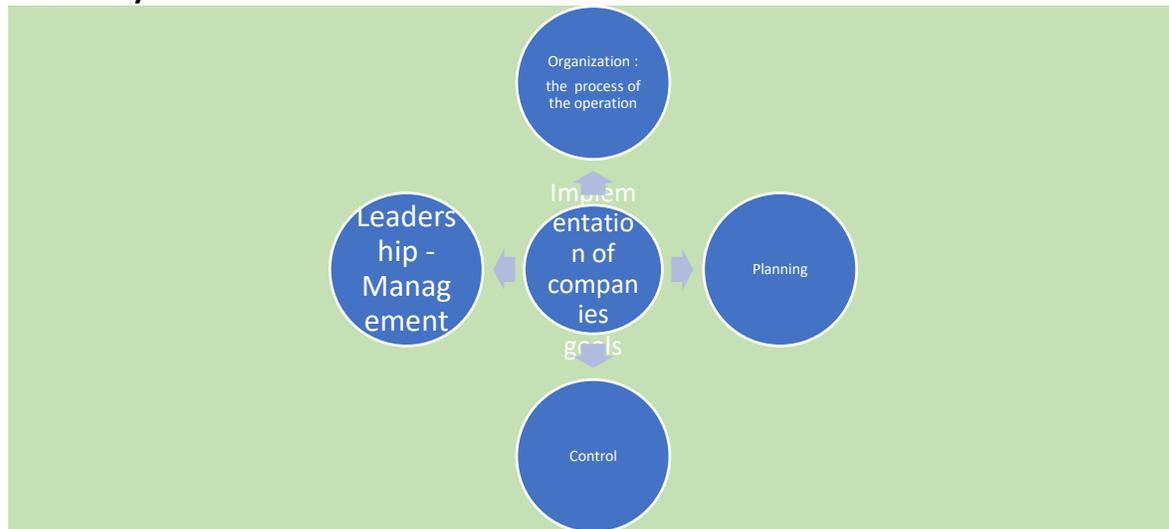
The emergence of cooperatives is identified as a means of responding to the presented problems in the production process, a consequence of the capitalist mode of action, which sets in testing the survival of the economically weak members of society and the spirit of their equal cooperation, with the personal participation of all and also with the growth of mutual assistance. Cooperative theory considered the solution to the problem of financial weakness in cooperative organization and the power created through cooperation in cooperative under the joint and several liabilities of its members (Kamenidis, 2005).

The most important supplies of cooperation are the biological power of human beings, the voluntary partnership, faith, and determination for success and solidarity, followed in many cases by the limited material means of supporting the joint initiative. The purpose of cooperatives is to ensure living conditions in the Member States with the needed dignity, as well as providing the characteristics of creativity and usefulness in day-to-day occupations. In this way, they contribute in completing and elevating the role of the weakest, mainly from an economic point of view of members of society, with direct and varied beneficial effects on the whole operation of their society (Kamenidis, 2001).

As it is believed, cooperatives are based first of all on certain values, which are considered exclusive features of the cooperative economic organization, such as self-help and mutual aid, and in some general values, transferred to the cooperative institution with specific content, for the addressing the causes that have led to the creation of this agricultural institution (Avdelidis, 1980). The basic cooperative principles are included freedom as free cooperation, equality, and democracy in the sense of equal position and also of equal rights and obligations of members (Daskalou, 1992).

Very important can also be considered the principle of limitation of the power of the capital which has led to the connection between voting rights and their distribution profit criteria that are not related to the criterion of participation in the capital. In addition, the basic principle governing the cooperative is justice, in the sense of fairness revenue distribution, and fair burden-sharing. In this context, the emphasis is given in many cases on the operation of cooperatives as forms of development of collective activity and entrepreneurship models, as well as the problems and prospects that have the cooperatives (Papageorgiou, 2015).

**Figure 5 - The process of achieving the activities of agricultural cooperatives efficiently and effectively**



**Source: Kontogeorgos & Sergaki, 2015**

In our era there are presented many problems in the operation of agricultural cooperatives, giving emphasis on the below (Kamenidis, 2001):

- the creation of incentives for members with the aim of invest significant amounts in the operation of these cooperatives
- lack of substantial research in the critical and more substantial administrative, financial and organizational problems of agricultural cooperatives.
- lack of cooperative education at all levels, having the ability to integrate global developments into practice and theory
- lack of state policy for the unhindered development of healthy and well – operated cooperative business initiatives that respond in European and global financial conditions
- lack of cooperative culture in the context of the market economy
- partisanship and involvement of the state in internal affairs of cooperatives.

### **The Management of Agricultural Cooperatives**

Managing a cooperative is considered demanding and also a difficult process. This fact doesn't concern only management sources and business activities, as in other companies, but also the process of dealing with the problems arising from the distinctive features of the cooperative. Because its members are both founders and customers, special relationships and problems may arise regarding board members and the role and responsibilities of their directors (Papageorgiou, 2015). We can also mention that the decision-making techniques are the same, but the goals of the cooperative are different and that's why the conclusions are also different. The content of the cooperative management organization differs significantly from the content of the administrative organization of capital companies. The most important difference between the cooperative and the capitalist administrative organization is based on the intended result (Kontogeorgos & Sergaki, 2015).

In Investors, Owned Firms (IOF) capital is considered as the supreme value and administration aim to serve it. The main aim of the administration is to bring in the maximum possible profit by

making the least possible sacrifice to this end. All powers and all rights are exercised essentially by capital operators to their advantage. In fact, they are very often practiced by very small groups, whose members own the majority of the share capital. That's why in this case capital ranks higher than every person (Borzaga & Santuari, 2000).

In contrast, to the operation of a cooperative, the administrative organization doesn't attach any value to the number or the monetary consideration of the cooperative shares held by each member. All powers and all management rights derive from the individual's capacity as a member of the cooperative and not from the amount of his participation in the cooperative capital (Cook et al, 2003). That's why it is believed that the management of cooperatives aims to meet the financial needs and social aspirations of all members. Due to this fact, the administration can be considered democratic and also proportionate to the methods it uses for the implementation of the administrative organization (Barton, 1989). However, a successful cooperative is considered to be one that is financially and business viable and maintains or improves its cooperative character and its characteristics. A cooperative can succeed as a business, but gradually lose its cooperative character on controlling members, serving the needs of members, as well as distributing or sharing net margins. A similar level it may operate successfully for a while as a cooperative, but it may fail as a healthy business. Cooperative principles and objectives clearly present a different management approach from those involved in running a cooperative. Therefore, a good manager of a cooperative should evaluate the below principles (Kamenidis, 2005):

- decision-making framework in a business where customers are also owners
- orientation of the cooperative in the provision of services
- equal treatment of owners - customers.
- business management and control practices

Emphasis is given on the organizational characteristics of the agricultural cooperatives that are responsible for their success. The most important of them are these (Benos et al, 2005):

- The existence of vertical, integrated structures that provide support to primary cooperatives, so that the latter can provide effective support to their physical members
- The management of cooperatives by experienced, trained and professionally qualified staff under the supervision and control of democratically elected councils
- Cooperatives must become self-sufficient, accumulating capital and growing and other income resources, to remain free from external directions and also controls
- The cooperatives are needed to organize productive structures, in order to give added value in products they produce and use advanced technology to their advantage
- The undertaking by the cooperatives of the process of training of their members, in order for the members, through the training that they will receive, to integrate more smoothly and more constructively in the structures of the cooperative.

Essentially, in cooperatives is necessary an organizational culture that directs its activities to the market.

**Figure 6 - Market orientation requires the corresponding organizational culture of focus on the Market**



**Source : Kontogeorgos & Sergaki, 2015**

Cooperatives exist and operate in many sectors of the economy, demonstrating an important one diversity. This fact creates the need to distinguish the different types of cooperatives that have been developed. Despite the great diversity, cooperatives can be classified into the following categories, using the following criteria (Cook et al, 2003):

- Property structure. Different ownership models can be distinguished based on who can participate in the capital of the cooperative
- Market in which they operate. Cooperatives can be classified based on the size of the market in which they operate e.g. at the international, national, regional, and local level
- Basic business activity. Cooperatives are often categorized as consumers, procurement, commercial, productive, and also providers of service. In each of these large groups also are included subcategories to be belonged to all the activities undertaken by the cooperatives.

Based on the productive activity, the agricultural cooperatives can be characterized as (Papageorgiou, 2015):

- Supply cooperatives
- Commercial cooperatives
- Manufacturing cooperatives
- Credit unions
- Productive cooperatives
- Multipurpose cooperatives

### **Agricultural Cooperatives and Social Economy**

Between the public and private sectors of the economy very important social economy actors have been developed, since they under certain conditions have the ability to provide answers and solutions to needs that the public or private sector is unable or unwilling to intervene (Dimara & Skuras, 2003). Especially in periods of the economic crisis the actors of the social economy presented resilience, resisted social exclusion alleviating social and geographical inequalities (Beverland, 2007). It is believed that perhaps cooperatives, foundations, associations, and mutual insurance companies

in Greece with the perennial function and action had formed a strong tradition, but they delayed legally be institutionalized as actors in the social economy (Cook et al, 2003).

The social economy and its institutions were institutionalized in Greece in the first years of the economic and monetary crisis of 2008 when the consequences of the crisis were enormous (Michie, 2011). Agricultural cooperatives have always been the backbone of the social economy in Greece. However, they also operate mainly as financial companies, as they produce and promote to market products and services. Together with the private companies, which are their main competitors, are considered the cornerstones of business activity in the system free competitive economy. Very important can be considered the role of Social Cooperative Companies, as these companies give priority to serving the needs of their members as well as the wider community, and not to the profit. They have an autonomous administration and in this way they decide autonomously on how they operate (Birchall & Simmons, 2009).

### **The Need for a Modernized Cooperative Model**

The social economy in Greece, in addition to the fact that it was late to be institutionalized, in philosophy is closer to the social economy of Mediterranean countries while deviating from particular features of the social economy of the countries of Central and Northern Europe. It is very important and it has been proved that the social economy and actors can be better integrated into the local economy with environmental, financial, and social characteristics social-economic-environmental characteristics, and in addition they can assist in sustainable development, to support vulnerable social groups and create new jobs (Cook et al, 2003)

Agricultural collective organizations have the potential to be a reliable rural business model, with the basic premise of getting rid of the burdens of the past and growing them on a sound basis. In recent studies are presented the main causes of the failure" of cooperatives, as below (Dalamitra & Mavridis, 2014) :

- lack of control mechanisms
- insufficient education and training
- lack of cooperative consciousness
- partisanship
- state intervention and supervision

The result of the collapse of the Cooperatives was the very large disconnection of our agricultural production from the international market. This is because this collapse has weakened the concentration of product supply in large trade cooperatives (Kontogeorgos & Sergaki, 2015). That's why many suggest the reorganization of agricultural collective organizations. In this way, based on the need for the development of the social economy, emphasis must be given to the promotion of an agricultural model that can work and perform positively in the areas of Greece that face particular challenges, such as many of the rural areas of the Greek Region (Kontogeorgos & Sergaki, 2015). With the planning of the reconstruction will be promoted a turning to competitive collective actions and new cooperative schemes, to a new model for cooperation. A new model that should focus on the cooperative as an operational need and as a tool to meet the challenges of primary production and finally of the social economy.

## Conclusions

This article is presented the main characteristics and also the history of agriculture cooperatives at the global and national level. Their role is very important at the historical level for the Greek economy and that's why the emphasis is given on the study and the evaluation of their operation and of their problems, which are presented in the sector of agriculture. Based on the modernized need of the social economy, finally is needed the planning of a modernized cooperative model in the sector of agriculture, leading in this way to the sustainable development of local societies.

Based on the agricultural cooperatives in the United States of the year 1913-2016, we can see from the graph that the marketing cooperatives was on the rise in the year 1930 and then it started declining till the period of 2014. Compared to this, the supply cooperatives has not increased that much and it was on the rise in the year of 1960 and then again started falling till the period of 2014. While the service cooperatives remained at a very low level throughout. The agricultural cooperative scenario in Greece has also been well depicted in the whole scenario and this is quite important as cooperatives do help in enabling the farmers for owning and controlling on a democratic basis. They also try to procure some of their services and supplies and the agricultural market has also been brought into focus well. In this research various methods are discovered to accelerate modernization in the ways of agriculture production and increase in the income of the farmers as the members in these societies are small commercial farmers and there is a need of their development which results in increase in the income of farmers and ultimately to the overall increase in the national income. Lambert said that a cooperative society is a democratic organization which is intended to not only serve the needs of its members but also serve the needs of the community .For effective modernisation ,cooperative society should not discriminate to any member on the basis of beliefs, faiths and convictions and build a strong mechanism of coordination with other members and maintaining the availability of raw materials to the farmers regularly on credit terms .Also there is a need to develop a specialized department in the government sector to manage the loans taken by small commercial farmers to achieve this there is a need of sophisticated loan officers who can guide the farmers to earn maximum profits and helping the farmers in technical assistance (Mellor, 2017) . Modernization approach targets to providing education to the members, financial support, good governance to listen to the needs to the members, encouraging voluntary membership, maintenance of democracy, understanding Strengths and weaknesses of the management of the organization etc. (Maghimbi, 2010).

## Objectives

- Proper understanding of the background of the agricultural cooperatives
- The difference between the private companies and the cooperatives
- What are the purposes of production enterprises in the agricultural sector
- Condition of the Agricultural cooperatives that exist in the United States from the period of 1913-2016
- Study of the Agricultural Cooperatives in Greece
- Problems in the operation of the agricultural cooperatives
- Management of the agricultural Cooperatives
- Connecting the Relationship between the Agricultural cooperatives and the social economy
- Importance of a modernized Cooperative model

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