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An overview of cooperatives in Turkey

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This paper was prepared within the “*Cooperatives and their alternatives*” component of the *Agrarian Structures Initiative (ASI)* which a regional program of FAO in Europe and Central Asia. The aim of this project is to identify the advantages, disadvantages of integrating small farms into markets through farmer cooperative groups and direct contracting in the region. Studies are prepared in different countries of the region to understand the enabling environment for these institutional innovations, and to propose policy changes in order to develop inclusive and fair value chains.

More information on the Agrarian Structures Initiative and its projects is available here:
<http://www.fao.org/europe/agrarian-structures-initiative/en/>

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ABBREVIATIONS and ACRONYMS

ACCs	Agricultural Credit Cooperatives
ACUs	Agricultural Credit Unions
ADCs	Agricultural Development Cooperatives
ASC	Agricultural Sales Cooperative
ASCUs	Agricultural Sales Cooperative Unions
CIBA	International Confederation of Beet Growers
COGECA	General Confederation for Agricultural Cooperation in EU
FCs	Fisheries Cooperatives
ICA	International Cooperative Alliance
ICC	International Chamber of Commerce
ICs	Irrigation Cooperatives
IRU	International Raiffeisen Union
MFAL	Ministry of Food Agriculture and Livestock
MoCT	Ministry of Customs and Trade
MoEU	Ministry of Environment and Urbanization
NCU	National Cooperatives Union
O&M	Operations and Maintenance
PANKOBIRLIK	Union of Sugar Beet Growers' Cooperatives
SBGCs	Sugar Beet Growers' Cooperatives
TIKA	Turkish International Cooperation and Development Agency

A. HISTORY OF COOPERATIVE MOVEMENT IN TURKEY

1. The literature pertaining to cooperatives and other forms of farmers' organizations claim the following movements and/or events as having paved the way to their development in Turkey: the *Ahi* movement (12th Century; ii) Country Chests (19th Century), and iii) Fig Producers Movement (19th Century).

Ahi Movement in pre-Ottoman Era

2. Some scholars consider an *Ahi* Organization as the first representative of the cooperatives movement in pre-Turkish Republic in Anatolia. Ahi Evran, a master leather craftsman, Turkish scholar, economist and a revered religious figure lived in Central Anatolia during 1172-1261. He was the patron of a tanner's guild and founder of the *Ahi* (meaning "brotherhood") organization based on a set of moral, economic, social and political values (Figure 1). "Peaceful relations between the rich and the poor, the producer and consumer, the labor and capital, the nation and the state" were the basic aspects of the *Ahi* social system. Members were completely opposed to any oppression of the weak/poor by the powerful as well as against unjust and illegal gains from economic activities. The organization had well established principles for membership, protecting the consumers' and producers' rights, trade (raw material provision and sale), pricing, marketing, production planning in terms of quality and quantity, educating youth in professional skills and trade ethics. "Fairness" also appeared to be one of the guiding principle.



Figure 1. The Master Ahi Evran and an accession ceremony for the organization

3. Common characteristics of the *Ahi* organization and today's cooperatives include: i) adopting a "service-oriented" approach rather than a "money-driven" (profit-oriented) one, ii) freewill to join the organization and resign, iii) democratic management (management based on equal and legal rights for members through democratically elected committees); iv) allocating resources for theoretical and on-the job training; v) input purchases in bulk and distribution to the members; vi) dividend payments to the members; vi) vertical organization from grass root to regional and national levels, and vi) granting an agreed portion of the individual profit into a common coffer to be used for the joint liabilities of the organization such as taxes, social security, operation and maintenance cost for organizational properties/facilities, salaries of employees, meeting costs, etc.

4. Within time, investors with large capital begun to enter the raw material trade sector thus undermining the established capital-labor coherence and shook the foundation of the *Ahi* organization/system. Meanwhile, soldiers were also given the right to enter the commercial arena and conduct trade. Furthermore, despite government imposing fines on those who were migrating into urban areas, a large number of such migrants accepted the fining and took the risk and started businesses in the cities, perhaps as the precursor for private sector development. These groups became dominant in the profitable areas and violated all the rules and principles of the *Ahi* with such developments eventually leading to the disintegration and demise of the system. Today, the principles are maintained by relatively smaller groups scattered around the country and several dedicated associations are still trying to reanimate the spirit (1, 4, 22).

Country Chests during Ottoman Era

5. In 1863, the Governor of Ottoman Empire of Southeastern Serbia (Figure 2) initiated a fund called “Country Chest“ in the town of Pirot (Nish) for the farmers who were suffering from lack of rural finance as well as the burdens of heavy debts to wealthy individuals.



Figure 2. Mithat Paşa, the Governor of Nish (Balkans) and the founder of the Country Chests of the Ottoman Empire

6. The working capital of the Country Chest created mainly with the contribution of the farmers was under the protection of the Empire and used to provide credits to the needy, not unlike today’s “credit cooperative” model. It was an interesting coincidence that one year later, Friedrich Wilhelm Raiffeisen established the first savings and credit cooperative in Germany, serving as a credit or banking institution based on the idea that self-help. Raiffeisen is generally given credit for developing the rules that govern present-day credit unions (Ingalsbe & Groves, 1989).

7. In the Ottoman Empire, the Country Chests followed a similar route, and as their extension and expansion, the Agricultural Bank (“Ziraat Bankası”) was established in Istanbul in 1888 to meet the increasing demands for finance for the agricultural sector (4, 14, 20, 22, 29).

Movement by Fig Producers

8. Another effort, early in the 20th century, revolved around fig producers in the Aegean Region who organized a conference in 1912 (Figure 3) and encouraged peers to come together to break the monopoly in fig marketing. In 1914, a bank was established to meet the credit demands of the fig producers. One year later, the producers established the “Aydin Fig Producers Company” to organize the producers under a roof along with the basic principles of the today’s cooperatives. Some regard this as the real start of the cooperative movement in Turkey (4, 20, 25).



Figure 3. Three fig producers who initiated the process for the establishment of TARIŞ Union of Fig Producers in 1912

B. HISTORY OF STATE SUPPORT TO COOPERATIVES

Early Years of Republic

9. The first concerted cooperative development effort came in 1923 with the establishment of the Turkish Republic under Ataturk (Founder of the Republic) who considered cooperatives as one of the ways of modernizing Turkish society so as to broadly distribute the economic benefits and encourage democratic participation. At that time the country was mostly rural.

10. In order to promote the cooperative thrust and assist in their establishment, a detailed regulation comprising 97 statutes was passed in Parliament (Figure 4), even before the Republic was announced, for the “Production, Procurement, Buying and Selling Partnership Cooperatives”. Based on this, about 40 cooperatives, mostly operating in agricultural sector, were established in the western part of the country.



Figure 4. Ataturk (on the stand) and the first Parliament, 1923

11. The legal and social environment suitable for cooperative development was prepared in the formative years of the Republic, between 1926 and 1935, when the Trade Law and other laws concerning agriculture co-operatives were enacted embodying the above ideas. Cooperative unions based on agricultural commodities and/or regions proliferated, reflecting the proliferation of cooperatives.

12. The “Agricultural Credit Cooperatives Law; No. 1470” was passed in 1929. Settlements (villages, towns) having not less than 100 households and a population of at least 500 were allowed to establish cooperatives. In those covering one or more villages, the members had unlimited liability and in those in towns and cities, liability up to five times their registered shares. Within a year, 191 cooperatives with a total membership of 29,170 covering 550 villages were established.

13. Two additional Laws that became effective in 1935, those regarding agricultural sales and credit cooperatives (Laws No. 2834 and 2836) that set the stage for the economic union of producers. By the time of Ataturk’s death in 1938, the movement had been well established.

14. In 1944, the first National Cooperative Congress was held, providing the movement with the opportunity to more independently articulate and plan for the sector's continued development. At that time, Turkey had the following cooperative profile: 605 for agricultural credit and marketing; 65 for consumer; 125 for handicraft; 46 for housing and 2 for others.

15. World War II and the post-war period saw Turkey orienting itself more toward Europe. One of the results of this has been a mutual sharing of Western Europe's cooperative experience with that of the indigenous Turkish movement as it grew and elaborated its activities (4, 9, 20, 22).

Planned Period of National Development (1962 - today)

16. Starting in 1962, the multi-sector national development policies of Turkey began to be guided through government-driven 5-year development plans. The first 5-Year Development Plan (1962-67) was committed to encourage and support cooperatives particularly those established by small- and medium-scale producers and manufacturers, usually in the areas of marketing and credit provision. The Plan also spelled out the priority that would be given to housing cooperatives. These were all reflected in government programs during that period. The state has been developing various projects and models to promote rural cooperatives ever since. The first of its kind was the “village development cooperatives” that was initiated in 1964 (4).

17. The Law on Cooperatives (No. 1163) that became effective in 1969 accelerated the establishment of cooperatives (Table 1). While there were only 670 cooperatives in the period 1941-1968, the number reached to 7 080 during 1969-1979. The main reason behind this jump was the establishment of cooperatives for the rather unique purpose of sending labor to Europe. Later, as the result of the Laws on Mass Housing (1981 and 1984) that enabled the cooperatives to receive credit from the Mass Housing Fund, the number of cooperatives again increased significantly and reaching 5 591 in 1987. However, following the problems concerning the Mass Housing Fund, the total number of cooperatives started to decrease and reduced down to 2 371 in 1990.

Table 1. Development in the cooperative sectors by years

Period/year	Total
1941-1968	670
1969-1979	7 080
1980	793
1990	2 371
1996	50 150
2011	84 232

18. The Second 5-year Development Plan (1968-72) put special emphasis on cooperatives. Previously, the topic that was addressed under various headings e.g. “villages and related problems”, “agricultural credits” or “manufacturing sector”, worked through in a dedicated section called “cooperative sector” and the 1970 Implementation Plan (of the Development Plan) included several measures to develop the cooperatives by: i) ensuring coordination

among the relevant government agencies that share the responsibility for cooperatives; ii) conducting training programs for rural communities to promote the concept of self-help; iii) encouraging Agricultural Credit Cooperatives to provide modern agricultural inputs to their members; iv) providing technical assistance and credit for the cooperatives that developed projects for production increase; v) encouraging communities in forest villages to come together under the roof of cooperatives to improve their livelihood ; vi) supporting fisheries cooperatives for investments in storage and marketing and professional equipment, and, vii) encouraging small-scale industry to operate under cooperatives.

19. In the succeeding development plans, the common motto became “*strong, effective and democratic cooperatives based on voluntary initiatives would be supported*”. Some plans focused on credit provision, others emphasized importance of apex organizations and their relationships with the primary cooperatives. In fact, the state was put in a responsible position for cooperatives by 1960 Civil Code that set forth where *the state takes necessary measures to develop the cooperatives*. This marked the beginning of state interventions in the system.

20. Some important stepping stones towards changes in the coop system can be observed in the Sixth, Seventh and Eight Development Plans (4, 22) where:

- a. In the Sixth (1990-94) activities to become more autonomous and self-sufficient were foreseen and cooperatives were authorized to monitor the utilization of more “modern input use, processing and marketing” of products of small and medium size enterprises;
- b. In the Seventh (1996-2000), the thrust turned to the establishment and development of apex organizations in the form of cooperative unions, to provide guidance in production planning and expand the range of services that provided to the farmers. The agricultural sales cooperatives unions were also given the task of developing Regional Producer Wholesale Markets (*halles*) specifically serving the fresh fruit and vegetable producers in order to separate the farmer support function from that of marketing of members’ products. Provisions were also made to provide consultancy and guidance to the cooperatives to improve market integration and assist entrepreneurship;
- c. In the Eight (2001 – 05), the envisaged support remained broad and non-committal. A restructuring and enhancing autonomy of the Agricultural Sales Cooperatives was foreseen.

21. In Turkey, the state adopted a paternalistic role for cooperatives for almost a century. This tradition delayed their development to become mature entities responsible for their operations, failures and successes. Those that lived or preferred to exist under the wings of the state created significant financial burden on the state budget, strained the judicial system and kindled social problems within time. Those that relieved themselves of such coddling were able to develop into autonomous and democratic organizations that have economically empowered members by raising incomes and creating employment, met their social and cultural needs and given them the faith in the future. This topic is elaborated under Section L.

C. TYPES OF COOPERATIVES IN TURKEY

22. According to 2011 data, there are 84 232 cooperatives comprising 26 different types. These are under the mandate of 3 ministries: i) Ministry of Customs and Trade (MoCT); ii) Ministry of Food Agriculture and Livestock (MFAL), iii) Ministry of Environment and Urban Planning (MoEUP) (9).

Number of members

23. As of 2012, the total number of cooperative members is 8 109 225 that makes 11% of the population of Turkey (9). About 90% of these cooperative members are organized under 8 types of cooperatives (Table 2, authors' calculation).

Table 2. The top eight cooperatives that shelter 91% of the total no. of members (2011)

Type of primary cooperative	No of members	% of total (in terms of no. of members)	Responsible Ministry
Housing	1 985 076	25	MoEU
Sugar Beet Producers	1 638 981	20	MFAL
Agricultural Credit (ACCs)	1 082 978	13	MFAL
Agricultural Development (ADCs)	842 563	10	MFAL
Credit Cooperatives of Tradesmen and Craftsmen	685 105	8	MoCT
Agricultural Sales (ASCs)	602 248	7	MCT
Irrigation	295 984	4	MFAL
Consumers'	288 063	4	MoCT
TOTAL	7 324 234	91	

Primary cooperatives by type

24. The total number of primary cooperatives that make up the top 92% is 84 232 (9). They are grouped under six clusters. (Table 3, authors' calculation).

Table 3. The types of primary cooperatives with the highest number of members (2011)

Type of primary cooperatives	No of member coops	% of total (in terms of no. of cooperatives)	Responsible Ministry
Housing	54 996	65	MoEU
Agricultural Development	8 173	10	MFAL
Motor Carrier	6 734	8	MoCT
Consumers'	2 970	4	MoCT
Irrigation	2 497	3	MFAL
Agricultural Credit	1 767	2	MFAL
TOTAL	84 232	92	

D. AGRICULTURAL COOPERATIVES

25. In terms of the **total number of members**, agricultural cooperatives comprise **54%** of the top 8 cooperative types (Table 2) while they constitute **15% of the total number of cooperatives** among the top 6 types (Table 3). Data indicate that the number of members per cooperative is the highest in agricultural sector (9, 17).

26. In a country that has been a primarily agrarian for many years, social and economic circumstances created the medium for the agricultural cooperatives to emerge and proliferate. 2011 statistics indicate that a total of 13 415 cooperatives operate in Turkish agricultural sector. This figure was updated as 13 935 for 2012 by MFAL.

27. There are about 3.9 million farm holdings in Turkey. The majority are small holders who are unable to take advantage of economies of scale and often lack the financial resources such as credits and interest-free loans to make their small holdings profitable. Furthermore, they are more vulnerable to unfavorable weather conditions (also to climate change) due to weaknesses in their production practices. Some cooperatives have been established voluntarily by the small farmers primarily to overcome the difficulties faced due to the limited land and resources including finance, in order to have more bargaining power and better access to markets and cost efficient input supply through cooperatives. On the other hand, there are an abundance of cases in recent years where MFAL has imposed an obligation to the farming community to establish a cooperative as a condition of benefitting from the government incentives and subsidies, resulting in periodic inflations in the number of cooperatives. However, within time, some managed to survive while many others collapsed and pulled out of the system while continuing to exist only on paper. The data given in paragraph 25 above regarding the total number of cooperatives refers to those that are registered and does not reflect activeness.

Classification of Agricultural Cooperatives

28. Although the Western cooperative paradigm distinguishes between: i) production cooperatives; ii) service cooperatives, and iii) consumer cooperatives, this blueprint is not fully applicable to Turkey. The system in place regarding classification, legal framework and responsibilities of the state is complex and fragmented.

29. The complexity with agricultural cooperatives starts with the classification. The Cooperative Law No. 1163 that was issued in 1969 (8) and considered as the overarching legislation distinguishes 4 types of agricultural cooperatives under the jurisdiction of MFAL:

- i. Agricultural Development
- ii. Irrigation
- iii. Fisheries
- iv. Sugar Beet Growers

30. The basis for the above classification is vague and ambiguous. Effectively, these are all *service* cooperatives purchasing inputs and equipment (e.g. seed, seedling, milking machines, etc.); providing specialized services (e.g. veterinary services, cold storage facility

for fisheries, farmer training and extension) and as well as processing (e.g. rice cleaning and grading, olive processing).

31. The category named “Agricultural Development Cooperatives (ADC)” includes various village cooperatives specialized in specific areas with a rather clearly defined focus, at least at the time of their establishment e.g. forestry, olive production, seedling production, dairy, fruit production, depending on their site-specific, regional socio-economic and agro-ecological characteristics. Within time, changing socio-economic circumstances in the country compelled these single purpose cooperatives to diversify. It is not rare to find a cooperative established in the past only for the sole purpose of development in the forest villages but has shifted to providing services to its members for rice production (9, 12).

32. Irrigation, fisheries and sugar beet cooperatives could have been easily included under this category since they also provide a range of services with the ultimate goal of improving the socio-economic status of their members, much like the agricultural development cooperatives. Under the Law No. 1163, these cooperatives are established around a single commodity/theme while agricultural development cooperatives are organized among the people engaged in general agricultural endeavors with varying kinds and levels of need, thus functioning as multi-purpose cooperatives.

33. The current legal framework brings an additional level of complexity, thus fragmentation, to the system: in addition to the Law No. 1163, there are two more laws (see Legal Underpinnings) that govern two other type of cooperatives that are also operating in the agricultural sector and also as service cooperatives. These are: i) agricultural credit cooperatives (as per Law No. 1581), and ii) agricultural sales cooperatives (as per Law No. 4572) (9). Adding further complication, the state’s responsibilities for these cooperatives are also fragmented and these categories of cooperatives under two separate ministries, MFAL and MoCT. It should be noted that these Ministries are compelled to give priority to formalities regarding setting up cooperatives and/or to deal with daily complaints rather than developing policies or long-term strategies.

Sub- categories of service cooperatives

34. there are no clean distinctions among the sub-categories of the agricultural cooperatives (6, 18) that are mainly service cooperatives in Turkey:

- Marketing cooperatives buy members’ produce, prepare them for sale, and arrange for actual sale. Example: ASCs that have marketing as a core business, also operate as processing and supply cooperatives.
- Processing cooperatives buy the members’ produce for processing often vertically integrated as the last link in marketing cooperatives. Example: TARİŞ zeytin, ASCs that buy and process olives to olive oil and table olives and market them.
- Supply cooperatives: exploit the benefits of scale to purchase inputs (fertilizers, chemicals, fuel, seeds, animal feed, etc.) or specialized services (veterinary medicine,

artificial insemination) at prices and terms and conditions that would benefit members-producers. Although there is no cooperative category involved solely in supplying goods and services, ACCs are the closest to this type. At least in the beginning, their core business was to provide all types of inputs. However, in recent years they started to make investment also for processing. Another example is the agricultural development cooperatives operating in various sub-sectors.

- Machinery cooperatives (or machinery pools): are fleets of farm machinery jointly owned by member groups in situations when it is too expensive or too inefficient for each farmer to purchase machinery independently. Do not exist in Turkey
- Extension and management information cooperatives: services to upgrade the human capital of cooperative membership through training, education, knowledge exchange, and management information technologies provided by hired experts. Such do not exist in Turkey.

E. MINISTRIES AND THEIR MANDATES FOR AGRICULTURAL COOPERATIVES

1. Ministry of Food, Agriculture and Livestock (MFAL)

35. The Department of Farmers' Organizations of the General Directorate of Agrarian Reform of MFAL is responsible for the cooperatives established and governed by the Law No. 1163 as well as Law No. 1581 (9, 19).

36. The duties of the Department are as follows:

- to carry out, or have others carry out studies and research regarding the development and organization of cooperatives, stipulate the formation and operational principles of unions and councils related to agriculture,
- to review the establishment applications of agricultural cooperatives, their apex institutions, agricultural credit cooperatives and their apex unions that are covered by Law No. 1163 (primary law for cooperatives),
- to process the establishment applications submitted by the agricultural cooperatives and their apex institutions, to examine the requests by farmers' organizations regarding amendments in their charters and accept those found appropriate, to provide representatives at the regular and extraordinary general assemblies, to examine the documentation of the general assemblies, to effect disbanding and agglomeration requests,
- to develop standard samples of articles of association, charters, statutes, and follow up implementation of such,
- as necessary, to call general assembly meetings of the cooperatives and their apex organizations and the unions of cooperatives and make amendments to their Charters,
- to assist in the establishment of farmers' organizations, professional chambers, foundations and similar service providers of national and international stature,
- to ensure that the financial topics related to the training activities and awarding of cooperatives and unions are carried out according to legislation,
- to collaborate with international farmers organizations and ensure coordination,
- to carry out activities in line with the EU acquis
- to collect and evaluate information on cooperatives MFAL.

37. The cooperatives under MFAL are given in Table 4. There are about 13 thousand primary cooperatives having approximately 4 million members. These cooperatives organized under 125 regional unions and 8 central apex organizations.

Table 4. Types of agricultural cooperatives under MFAL, 2011 (9, 17)

Resp. Ministry	Type	No. of primary cooperatives	No. of members	Apex organization
MFAL	Agricultural Development Cooperatives (ADCs) <ul style="list-style-type: none"> • Village Development Coops • Coops for Development of Forest Villages • Livestock Provision and Marketing Cooperatives • Tea Growers' Production and Sales Cooperatives 	8 173	842 563	82 regional unions for 4 939 primary coops and 4 central unions
	Irrigation Cooperatives	2 497	295 984	13 regional unions under a central union
	Fisheries Cooperatives	522	29 972	14 regional unions for 202 primary coops, and a central union
	Sugar Beet Growers' Cooperatives	31	1 638 981	One apex organization
	Agricultural Credit Cooperatives (ACCs)	1 767	1 082 978	16 regional unions and a central union

38. The purposes of the 5 types of cooperatives under the responsibility of MFAL are elaborated in below paragraphs.

Agricultural Development Cooperatives (ADCs)

39. ADCs may be established in villages, rural municipalities and district centers by minimum 7 farmers to:

- Improve the agricultural production;
- Carry out activities for input provision, operations, marketing and processing;
- Assist the member's socio-economic development and reduce economic vulnerability
- Take necessary measures to provide the development of agricultural processing, handicrafts and domestic crafts

40. Early Years 1960-88: ADCs were initially established in 1964 under the name of “Village Development Cooperatives” based on the guiding principles of original cooperative movement. In order to encourage project development by cooperatives and create necessary resources, the government developed a special “project” (as a targeted effort) called “Granting Priority to Villagers Who Set up Cooperatives for the Purpose of Sending Labor to Europe”

(Figure 5). In order to benefit from this opportunity, it was compulsory for cooperatives to implement projects (4, 20).



Figure 5. First workers (60's) in Europe sent by the through the Project: Granting Priority to Villagers Who Set up Cooperatives for the Purpose of Sending Labor to Europe.

41. However, the tool (sending labor) became an objective within time, and the objective of “project” development and implementation was either not achieved or not at the expected level. On the other hand, once the international demand for labor faded, the motive behind their existence hence reason to survive ended and many either became defunct or inactive due to lack of resources.

42. Those cooperatives that managed to survive and the newly established ones continued to operate until 1988 in 9 different areas: i) village development; ii) forest village development; iii) livestock supply and marketing; iv) fisheries production and marketing; v) irrigation, soil conservation and land reclamation; vi) sugar beet growers’ production and sales; vii) tea growers’ production and sales; viii) agrarian reform (for land grants to the landless), and ix) electricity production. Until 1988, there was the chaos of the multiplicity of founding charter variations that covered most of the 11.000 cooperatives focused on the above 9 areas. This was an issue for MFAL and also for those who intended to establish a new cooperative.

43. Period after 1988: The Law No. 3476 of 1988 (9, 8, 20) filled some gaps of the Law No. 1163 by addressing some issues that needs to be rectified by taking into consideration the changing socio-economic circumstances. Under this new Law, MFAL was able to reduce the multiplicity of the Founding Charters and consolidated ADCs (Figures 6-18) that have similar properties and mandates, and operating in similar areas. The current standard charter of an ADC includes 18 items. A cooperative, based on its needs and resources selects one or more of the areas given in Box 1 (17). The charters are valid for 49 years and can be extended based decisions of the General Assembly.



Figure 6. The mobile milk quality laboratory of Burdur KÖY-KOOP



Figure 7. Milk quality laboratory in Burdur KÖY-KOOP facilities



Figure 8. Members of Kastamonu Forestry Cooperative on the job, Western Black Sea



Figure 9. Modern greenhouses of Vakıflı Village Agricultural Development Cooperative; Hatay in Mediterranean Region

BOX 1. ACTIVITES LISTED IN THE STANDARD CHARTER OF ADCs

- Take all kinds of measures to improve the agricultural productivity,
- Carry out technical activities for profitable production of crop, livestock, forest products, honey, fruits, vineyards, ornamental plants
- Take measures to improve the quality of produce and products, undertake or have others undertake plant protection measures,
- Provide inputs, machinery and equipment as needed by the members,
- Undertake or have others carry out value adding, processing, storing, marketing, for crop and livestock products,
- Provide support to members in production, transportation, storage and stacking of all kinds of forestry products or undertake these, make use of primary and secondary forestry products or by products, provide employment within the framework of Forestry Law and related legal arrangements, provide credits, carry out or have others carry out private forestation,
- Collaborate with relevant agencies to improve productivity in tea production,
- Work on handicrafts developed based on local natural resources and seek opportunities to market them,
- Assist members in financing, provide advance payments proportional to the financial standing of the cooperative and also to the produce/product members deliver to the cooperative,
- Devolve the technical and financial assistance by MFAL, other ministries, agencies and banks to the members,
- Ensure that the credits, grants and loans are used as anticipated and on the terms agreed,
- Pledge the movable or immovable assets of the corporate body of the cooperative as security for the loans received from banks, institutions and agencies
- Acquire or sell property (movable and immovable), take over enterprises, take decisions on investments,
- Conduct or have others conduct imports/exports transactions
- Lend all machinery and equipment and materials that are under the ownership of the cooperative to the members and undertake their operation and maintenance
- Undertake buy and sell vehicles, living and non-living immovable's and food stuff, household goods, fuel and gas on behalf of members and take up franchises
- Act as an intermediate agent in providing insurance to members
- Undertake renting/leasing regarding activities of the cooperative

44. Most ADCs rely on government credits within the framework of the Regulation No. 24474 issued in 2001. The guidelines for the credits to be extended to the Agricultural Cooperatives was issued in 2011. Such credits are provided from several agencies including ZB, Agricultural Credit Cooperatives, and the states various Regional Development Agencies.

Irrigation Cooperatives (ICs)

45. The purpose of these cooperatives is to service agricultural water to farmers and make investments for related infrastructure including land leveling, on-farm irrigation and drainage systems or operate and maintain existing systems or keep them operational and maintained (Figures 10 and 11). 2008 statistics indicate that in about 13% of the irrigation schemes, the O&M responsibility was transferred to the irrigation cooperatives where as this transfer of O&M ratio was 43% for Water Users' Associations (WUAs). In terms of the area of irrigation schemes transferred, the ratio was 5% for the cooperatives while 90% for the WUAs.

46. The groundwater-based irrigation comprises 20% of the total irrigated area in Turkey and 81% of this is the command area of the irrigation cooperatives. This means that the majority of the irrigated area by ground water is managed by cooperatives. However, the situation is different for the areas irrigated with surface water. The majority is under the management of WUAs.

47. In recent years, the main priority of the members of the irrigation cooperatives is to increase their capital: i) to make new investments including more efficient irrigation systems (drip and sprinkler) and ii) to be able to rehabilitate old schemes, iii) improve O&M capacity to improve water collection rates. The members are also interested in land consolidation.



Figure 10. Recent investment made for pressurized system Eminler Irrigation Cooperative; Karaman, C. Anatolia



Figure 11. Çoğuplu Village Irrigation Cooperative in Uşak, Aegean Region

Fisheries Cooperatives (FCs)

48. These are also service cooperatives (9, 16, 19). Their main objectives are: i) to include production of variety of fishery products (including fish farming), fishing, marketing and storage, ii) regulate and manage the hunting activities of the members (Figure 12 and 13). The priorities and expectation of the members are:

- Sea related cooperatives: i) simplification of the current legislation; ii) reducing the number of actors in decision making, inspection/control and iii) better collaboration with MOFAL; iv) to be able issue professional fishermen licenses directly as opposed to through MOFAL as current practice. Their expectation is to increase their capital to invest for fleet improvement and cold storage.
- Inland related cooperatives: i) to be a strong pressure group to stop pollution in the lakes; ii) to have shared responsibility/authority in decision making for fishing seasons and stocks, and iii) to issue professional fisherman license, as above.



Figure 12. Fishing vessels of Giresun Fisheries Cooperative, Black Sea Region



Figure 13. Members of Kızıksa Fisheries Cooperative, Lake Manyas, Marmara Region

Sugar Beet Growers' Cooperatives (SBGCs)

49. These were established in 1951 to provide agricultural inputs (seed, fertilizer, machinery and equipment, pesticides) and information to sugar beet growers to increase productivity (9, 16, 23). In doing these, the cooperatives coordinate and collaborate with the sugar factories, closely (Figure 14). There are 299 shops owned by 31 primary cooperatives scattered in the country (Figures 15 and 16).



Figure 14. Sugar beet growers of Kulu ready to deliver their produce to Konya Sugar Factory (owned by the union)

50. The whole sugar business system set a good example for Turkey starting from early 30s for contracted farming, farmers' training and promoting new agricultural techniques and technologies as well as how to function as successful cooperatives. However, later the system lost its efficiency mainly due to political interferences, resultant overstaffing, unsustainable support purchases with prices above world averages thus creating financial burden on government budget and undesirably high stocks. The industry could not deplete the stocks through exports but since the prices were not competitive in the international markets. Furthermore, several factories were opened in ecologically unsuitable areas based on political priorities. Sugar industry has been in the privatization agenda since 2000. As of 2013, TURK ŞEKER, the state owned company has 25 factories, where as the Union of SBGCs, PANKOBİRLİK bought 7 privatized factories (23).

51. These cooperatives appear to be the best functioning cooperatives since they were established and have been operating based on the guiding principles of cooperative movement, i.e. all is for the common good of the members and do not depend on government financial support. They have 299 chain stores scattered in the country for input and agricultural machinery and equipment (Figures 15-17)



Figure 15. Stores of SBGCs in Adapazari, and Karacabey, Bursa Marmara Region.

52. The primary cooperatives established their apex organization (PANKOBIRLIK) in 1972. PANKOBIRLIK performs the provision, distribution, audit and coordination of all inputs required by its 31 beet cooperatives providing services to 1.6 million producers.



Figure 16. Type of inputs and agricultural machinery and equipment available in the SBGC stores.



Figure 17. Gas station owned by SBGCs and equipment available in the stores

Agricultural Credit Cooperatives (ACCs)

53. An ACC is a large multi-purpose integrated service organization. Its market consists of credit, inputs, consumables, insurance services, marketing services, production (via newly legislated Producers' Association status accorded to the ACCs), and miscellaneous farm services. ACCs function in both the production, processing and selling end of the goods and services (9, 12, 16, 28).

54. First credit cooperative was established in 1935 as an independent entity based on Law no. 2836. It has since evolved into a multipurpose credit and general agricultural services agent. Until 1972 ACCs formally remained a government-sponsored entity operating under the general auspices and funding provisions of the Agriculture Bank of Turkey. The ACCs used to act as financial intermediaries for the state Agricultural Bank (ZB) and extended

credits to the farmers. In 1972, due to the scope of existing legislation becoming insufficient, the need for a new and more comprehensive law became apparent. Therefore, Law No.1581 that emulated the German Raiffeisen Cooperatives enacted and replaced Law No. 2836. The Turkish Agricultural Credit Cooperatives (ACC) came under the overall responsibility of the Ministry of Agriculture and Rural Affairs in line the law number 3223 in 1985. As the size, scope and needs of the ACC continued to grow, there was a proliferation of new laws, including Law No. 1581 enacted in 1972 which was further amended by Law No. 533 in 1995.

55. Based on a Government Decree issued in 2000, the ZB began to scrutinize the financial standing of the ACCs carefully before extending any credit. Many of those found financially weak were not supported. Within time, the financial relationship between these two agencies weakened and gradually faded out. The Law No. 5330 on Agricultural Credit Cooperatives and Unions was amended in 2005 in a way to allow them to meet their financial needs from sources other than ZB such as various national and international credit sources (banks, finance and credit agencies). The significance of this Law lies in: i) its emphasis on solidarity among cooperatives within Turkey; ii) paving the way for granting agricultural credit for the members and iii) giving the right to cooperatives to exercise fully authorized agency rights in insurance transactions for the members. Today, it is the second largest credit agency for agricultural cooperatives after ZB (24).

56. The overall objective of the ACC system as defined in the related law is to protect the economic interest and satisfy the financial and professional requirements of its farmer members. The ACC network operates through a three-tier structure consisting of the Central Union (CU), 16 Regional Unions and primary ACCs. Currently, the top two tiers of the ACC system operate as a nationwide NGO, while the cooperatives function as cooperative service entities in the traditional sense. As of the 2012, the ACC system have 1 767 primary cooperatives with 1 082 978 registered members and 13 corporations for which the organization is one of the partners or holds the majority of the shares. Some of it subsidiaries and companies are given in Box 2 and Figures 18-23 (28). In recent years, the Union of ACCs achieved numerous investments using matching grants programs of MFAL including grain silos, cold storage, seed cleaning and preparation units, milk collection centers and, fruit grading and packaging plants (28).

57. ACCs are in contact with international cooperative organizations for developing cooperation opportunities and transfer of information regarding the subjects such as the democratic and autonomous organizational structures of cooperatives, providing financial sources, cooperative banking and creating the infrastructure for carrying out inspection and consultancy services; thus, it has become a member of: i) International Raiffeisen Union (IRU), ii) International Cooperative Alliance (ICA), iii) General Confederation for Agricultural Cooperation in the EU (COGECA) and iv) International Chamber of Commerce (ICC) (28).

BOX 2. SOME SUBSIDIARIES AND COMPANIES ASSOCIATED with ACCs

TARKPLAST: Produces drip irrigation systems and components and contributes to the efficient use of water resources,

TARNET Co. Ltd: Provided a computer network for the singular cooperatives and provides services in data processing,

GÜBRETAŞ Co. Ltd.: Owns a fertilizer factory in Turkey and has further increased its production capacity by purchasing the Razi Petrochemical fertilizer factory of Iran. The company supplies 25% of the domestic fertilizer and has become a global player in this sector.

TAREKS Co. Ltd.: Has the critical role of supplying certified seeds to farmers and owns a pulse processing plant under the roof of the ACCs. It plays an important role in the development of animal husbandry through the distribution of pregnant heifers and provides artificial insemination services. Farmers also benefit from its mobile veterinary hospitals.

FEED S.A.: Has 6% share in national feed marketing with its 9 factories that employ 400 people. Its annual production is about 500.000 of mixed feed. It also provides training for the livestock owners.

TRAKYA Foreign Trade Co. Ltd.: Located in Bulgaria, procures raw materials for other subsidiary companies of the Agricultural Credit Cooperatives.

TARKIM: As a primary importer of technical materials and producer of a wide variety of agrochemical formulations. Its factory has a closed area of 20.000m². It has a 20% share in the domestic pesticide market.



Figure 18. Gübretaş Yarımca fertilizer factory,
İzmit, Marmara Region



Figure 19. Gübretaş Razi fertilizer factory in Iran



Figure 20. TAREKS mobile artificial insemination
(a.i.) service for cattle



Figure 21. TARKPLAST drip irrigation pipe factory in Aksaray, Central Anatolia Region



Figure 22. Hi-tech seed cleaning facility of Konya Regional Union in Karaman, Central Anatolia Region



Figure 24. Grain silo of Regional ACC Union in Konya, Central Anatolia

58. In 2011, ACCU prepared ‘2011-2023 Strategy and Action Plan’ through a relatively long planning and preparation phase and with the contribution of numerous national and international experts (28). In order to maximize its efficiency while providing the best quality services for its members, following actions are identified:

- to implement an organizational structure which enables ACCs to meet the primary needs of the members in a dynamic and democratic manner,
- to ensure a sustainable, multi-purpose and strong cooperative which the members can call “their own”,
- to ease the access of members to credit sources and set up a Cooperative Banking System that will strengthen the financial structure of cooperatives,
- to become the leading organization in the agricultural input sector and promote the cooperative enterprise model in a sustainable manner so that it is of benefit to the agricultural sector,
- to develop an effective marketing network and an e-commerce model in order to ensure that our members’ agricultural products are competitive within domestic and foreign markets,
- to establish a cooperative mentality based on guidance and rewards for the members while maintaining a strong internal auditing and risk management system.

59. It should be noted that there are still too many cooperatives operating in the rural areas. The Provincial Directorates of MFAL (PDFAL) are mandated to deal with these in their areas: i) reviewing applications for establishment of cooperatives and if appropriate, issue permissions, monitor and audit them within the authorization devolved by the Ministry, ii) conduct studies and prepare projects to create awareness and encourage the formation of new cooperatives, and iii) support the establishment of cooperatives and make financial contributions within the limits of the PDFALs’ authority (17).

2. Ministry of Customs and Trade (MoCT)

60. At the MoCT, the General Directorate of Cooperatives (GDC) is responsible for the cooperatives in various sectors. In the agricultural sector, the GDC deals with the Agricultural Sales Cooperatives established and governed by the Law No. 4527 & (4, 9, 16, 25).

61. The duties of the General Directorate of Cooperatives of MoCT are to:

- establish policies, principles and objectives related to cooperatives, to develop, implement, monitor and evaluate strategies, with other agencies,
- conduct R&D related to cooperatives and take necessary measures, and ensure implementation of such, carry out activities to establish and operate information and monitoring systems,
- in order to support the development of cooperatives, undertake and ensure implementation of necessary measures, carry out activities including publications, and information dissemination and training ,
- with the exception of agricultural cooperatives and their unions, and housing cooperatives and their unions, support the establishment, make arrangements for implementation and provide assistance in the operations and auditing, to audit or to have audited agricultural sales cooperatives and unions,
- develop articles of association or assist in the updating of the articles of association of cooperatives,
- provide guidance and assist in the operations of cooperatives as well as carry out studies and provide incentives and support toward the endeavors of cooperatives in entering new fields of activity, assist in the utilization of individual savings in their integration into the economy by developing appropriate models,
- provide subsidies for interest rates charged to cooperatives and their apex unions and ensure whether the credits are appropriately used for their intended purpose,
- carry out other similar duties as may be assigned by the Minister.

Agricultural Sales Cooperatives (ASCs)

62. Their origin dates back to 1914 when the fig producers came together and established the “Aydin Fig Producers Company” to break the monopoly in fig marketing. In 1935, the Law No. 2834 came into effect that set up the foundation for today’s ASCs (6). As of 2011, there are 322 primary cooperatives having 602.248 members operates under the Union of Agricultural Sales Cooperatives (ASCUs). They are active in 23 sub-sectors including grapes,

olive and olive oil, cotton, peanut, fig, citrus, rose, apricot, oil seeds and silk cocoon. Four ASCUs are among the 500 largest businesses in Turkey (9, 11, 12, 16, 20, 28).

63. Among the objectives of ASCUs are to ensure that the producer members receive the maximum share of the sale price of commodities sold by the retailers, and regulate the commodity markets and reduce risks of price instability for producers and consumers. Among their objectives is also the provision of extension to members on technical topics. In the past, the ASCUs have operated as semi-state organizations, and despite being formed by cooperatives that were established by the farmers, their management was largely guided by incumbent governments. The ASCUs controlled the primary societies (ASCs) that operated as de facto branches of the union rather than independent cooperatives responsible for their own finances, management and operations. For the agricultural sales cooperative sector, the main issue was the role of government in cooperative management and development, especially its involvement in the financing and in the business operations of the cooperatives. Until the enactment of the new Agricultural Sales Cooperative and Agricultural Sales Cooperative Union (ASC/ASCU) Law No. 4572 in 2000, cooperatives were mainly channels for implementation of government programs rather than member-owned cooperatives.

64. Starting in 2000, during their 8-year restructuring period, several operational reforms were made including improvements in the purchase and sale prices of commodities, savings in overhead and operational cost as result of reductions in inflated the labor force, separation of the accounts of the ASCU from that of their members, divestiture of valuable but dormant assets, and closure of many loss-making ASCUs.

65. There are 16 Union (BİRLİK) of ASCs in seven geographic areas agglomerated around core crops. (Table 5). Four of these are listed among the largest 500 businesses in Turkey over the last 5 years are the following: Trakyabirlik, Marmarabirlik, Tariş Üzüm Birliği and Tariş Pamuk Birliği (not in the order of ranking).

Table 5. Union of Agricultural Sales Cooperatives and their core businesses

Region	Union	Size	Core crop for processing
Aegean	TARIŞ Pamuk	44 coops and 43.000 members	Cotton and oil seeds
	TARIŞ Üzüm	14 coops and 19.000 members	Grapes (dried)
	TARIŞ Zeytinyağı	33 cooperatives	Olive and olive oil
Mediterranean	ÇUKOBİRLİK	34 coops	Oil seeds
	ANTBİRLİK	6 coops and 28.111 members	Cotton, olive, citrus, fresh fruits and vegetables
Black Sea	FİSKOBİRLİK	140.000	Hazelnut
	KARADENİZ BİRLİK	21 coops and 35.00 members	Sunflower, soybean
Marmara	Kozabirlik	5 coops	Fresh cocoon, silkworm egg,
	MarmaraBirlik	8 coops and 30.000 members	Olive and olive oil
	Trakyabirlik	48 coops and 59.000 members	Olive and sunflower
Central Anatolia	Taskobirlik		Grapes (wine and beverage)

	Gülbirlik	6 cooperatives and 8.000 members	Rose oil and other extracts
	Tiftik	21 coops and 19.765 members	Angora goat
Southeastern Anatolia	Güneydoğu Birlik	9 coops and 15.000 members	Grape (dried), pistachio, pulses, chili peppers
	GAP Birlik		Cotton, grapes,pistachio, chili



Angora goats

66. The ASCUs play an important role in agro-industry and commodity trade. As of 2010, their domestic market share and respective commodities are: 100% for silkworm cocoon, 97% for angora wool, 30% sunflower and 21% for rose petal. The remaining ones ranges between 0.4-10.5%. It is obvious that more efforts are needed to increase market share of their cooperatives and members. In the last decade, some ASCUs achieved significant leaps in terms of technologies used, quality of human resources, enhancing their relations with other countries, adding new companies to their portfolio, expanding their product range and upgrading packaging, financing R&D and commitment to corporate social responsibility (Box 3 and Figure 24-29).

Box 3. TARİŞ LEAPS FOR OLIVE OIL PROCESSING (25)

The Union of Olive and Olive Oil has the Europe's most modern processing facility in İzmir providing services to 27.000 members through 33 cooperatives operating in Aegean Region. The organization closely monitors the members' production practices and post-harvest handling and provides advisory services to ensure the best possible quality that would come to the processing facility. The storage capacity of TARİŞ was increased from 500 tons of 1945 to 40.000 in 2012. It has the largest olive oil storage capacity in Turkey. The processing plant was relocated in 2003 and started to operate with the most modern technology in an area of 26.000 m². The Union adapted its operations to the rapidly changing economic environment and converted its entity to a company in 2008 using the highest technology. The plant has the latest quality and food safety certificates. Depending on the agro-ecological areas of the Aegean, it obtained 2 geographical marketing for its product.



Figure 24. 2010 international design award winning olive oil bottle of TARİŞ



Figure 25. Two geographic segmentation labels for Tariş Olive Oils (south and north Aegean)



Figure 26. Olive processing plant of TARİŞ



Figure 27. Olive producers brought their first seasonal product to TARİŞ



Figure 28. Market chain: TARİŞ's boutique for olive and olive oil



Figure 29. R&D and laboratory staff for soil fertility, plant and water analysis laboratory

F. APEX ORGANIZATIONS

67. Law No. 1163 allows a “three-tier system” for vertical organization of cooperatives: i) primary cooperatives; ii) unions (usually area- or region-based). and iii) central unions. The objectives of the unions and central unions and the Turkish National Cooperatives Union according to the law are to: i) protect the joint benefits of the cooperatives; ii) the undertake economic activities to achieve the purposes of the cooperatives; iii) coordinate and audit the activities of the cooperatives; iv) organize foreign relations; v) promote cooperatives and provide recommendations on cooperatives to others. The Law does put additional obligations on shareholders (member cooperatives) other than those imposed by the Law and those included in the respective Charters of the cooperatives (9).

68. Unions can be established by seven or more cooperatives operating in the same or related areas of business. This can be specified in their Charter. In case the related Ministry that has jurisdiction over the organization specifies the regions, more than one cooperative union operating in the same area of business cannot be established in these regions.

Unions (Area or Region-based)

69. The current status of unions established is given in Table 6. The data indicates that the primary cooperatives of SBGCs, ACCs and ASCs have all successfully organized under unions. They actualized their assumed ability to pool staff and other assets to provide the required services and programs to the member cooperatives on a collaborative basis at lower cost and subsequently earned the trust of the farmers. However, for other agricultural cooperatives this is not the case and those opting to join an apex at the next level are only about 40%.

Table 6. Unions established by primary cooperatives (9)

Cooperative	Union and/or Regional Union	
	No	% of total number of primary cooperatives
MFAL		
Agricultural Development	82	60
Irrigation	13	29
Fisheries	14	39
Sugar Beet Growers	1	100
Agricultural Credit	16	100
Total	126	
MoCT		
Agricultural Sales	322	100
Total	322	-
Grand TOTAL	448	-

70. Both SBGCs and ASCs are not interested in building the system further, at least for the time being. Therefore, SBGCs have a two-tier system: primary cooperatives and PANKOBIRLIK that operates as a “simple” union at only one level and is very successful

(Box 4, Figures 30-33). Likewise, the Agricultural Sales Cooperative Unions (ASCUUs) did not see a need to organize themselves under a central union.

Box 4. Pankobirlik: Pushing the Best-practice Envelope (23)

Pankobirlik is Turkey's largest civil society organization in the agricultural sector. Its name is derived from "pancar" for sugar beet, "kooperatif", and "birlik" for union, i.e. the "union sugar beet cooperatives". As of 2012, Pankobirlik had 1.6 million members, organized under 32 cooperatives. Their individual members constitute 40% of the total number of farmers in Turkey. It has a working capital of about 650 million USD and with about 1.7 million members, it directly and indirectly provides jobs for over 450,000 households in the sugar beet production, sugar milling and ancillary sectors. Sugar mills owned by Pankobirlik produce 40% of the sugar in Turkey. The member cooperatives of Pankobirlik are unique in that while they serve a very large portion of the agricultural community, unlike the generic agricultural sales and agricultural credit cooperatives, they *do not* benefit from the Government's resource transfer schemes.

The formation of the cooperatives by the sugar beet producers coincides with the government's decision in 1951 to expand the sugar production sector. It was found more effective for the producer farmers to become shareholders in the sugar factory as a group as opposed to individuals in order to have better bargaining power and ensure sales of their production. Having found the opportunity to form groups comprising 270-300 farmers, they formed the "Kocaeli Sugar Beet Growers Cooperative" that subsequently changed its name to the "Adapazarı Sugar Beet Growers Production Cooperative" and became a partner in the Adapazarı Sugar Mill by contributing 3 million TL of the mill's 10 million TL capital. It subsequently increased its share by also buying 1.5 million TL worth of shares of the Turkish Agricultural Bank, also a shareholder of the Adapazarı mill. This beginning was eventually turned into a "movement" with the establishment of more cooperatives that eventually formed PANKOBIRLIK as the apex organization in 1972 in line with the Cooperatives Law No. 1163.

Its member cooperatives, as partners, are spread across 64 of the 81 provinces of Turkey. In order to best serve its network of cooperatives Pankobirlik operates 290 outlets (stores) nationwide and provides comprehensive services to its members where it sells agricultural machinery and equipment including tires, fertilizers & pesticides, seeds all at highly competitive prices with timely delivery thus also acting as a market price reference for other actors in the market. Underlying principles of such service provision include ensuring close contact with partners (members), customer satisfaction and after-sales service, ensure sustainability of best practice in village-level extension while providing access at competitive prices for all inputs to its members. Its production relationship with the members is based on contracted farming where Pankobirlik also plays key roles in the determination of sugar beet sales price and regional quotas, timing and amounts of payments for soil preparation, seeding, plant protection and harvesting to the beet producers. The Union put special emphasis on research and development activities and allocate significant amounts of funds for this purpose.

The Pankobirlik portfolio comprises over 50 companies. It owns seven sugar mills including the largest in the country, Konya Şeker, that ranks 52nd among the top 500 industrial businesses in Turkey where many of its activities are carried out under the "Konya Şeker" corporate brand. Aside from the sugar mills, among Pankobirlik's diversified assets are: i) a food alcohol enterprise that uses sugar beet pulp, ii) a bank -Şekerbank - that provides USD183 credits in cash and kind to members, iii) an all-risk coverage insurance company, iv) a drip irrigation systems manufacturing company, v) a milk processing company, vi) branded chocolate and confectionary production, and vii) 13 livestock feed plants.

Recent initiatives include a joint venture with BMA Nederland for an ultra-modern potato processing facility. A bioethanol factory with a capacity of 84 million liters uses sugar beet as raw material. A stated target by the current chairman is ensuring adequate addressing of environmental concerns where an afforestation program, in line with the Clinton Global Initiative, has been started using recycled discharge (drainage) water for irrigation. It is on target to establish an integrated meat enterprise in Konya that will be the World's largest facility in a single block of land.

The organization has been successful largely because of its powerful organizational and management structure, and also the sugar beet has been important and in many cases pioneering industrial plant. The production of sugar beet creates much needed jobs and value added in regions of Turkey that would otherwise have limited agro-industrial potential.

PANKOBIRLIK has a full membership in CIBA International Confederation of Beet Growers that has 16 EU and 2 non-EU countries. It has received numerous national and international awards, the most recent being as the 26th International Europe Award for Quality in 2011.



Figure 30. Çumra Sugar Factory of PANKOBİRLİK in Konya, Central Anatolia Region.



Figure 31. Potato processing (frozen finger potato) production enterprise, Seydişehir, Konya



Figure 32. Experimental dwarf banana production under greenhouse conditions, Çumra, Konya



Figure 33. PANAGRO: The World's largest integrated meat & milk enterprise, Kaşınhanı, Konya

Central Unions

71. The cooperative unions establish central associations among themselves in the form of where Law No. 1163 states that these unions and associations are also, effectively, cooperatives. The General Assembly of the member cooperative unions elects representatives for the General Assembly of the Central Union (9).

72. The Central Unions have the audit and training responsibilities for the regional unions and cooperatives. If there is no central union, these responsibilities are delegated to the regional unions. The apex organizations notify the respective Ministries about the results of auditing.

73. The current status of formation of central unions are given in Tables 7 and 8.

Table 7. Central Unions established by regional unions (9)

Cooperative	Central Union	
	No	% of total number of unions
MFAL		
Agricultural Development	4	94
Irrigation	1	77
Fisheries	1	86
Sugar Beet Growers	-	-
Agricultural Credit	1	100
Total	7	
MoCT		
Agricultural Sales	-	-
Total	-	-
Grand TOTAL	7	

74. As of 2012, the regional unions are organized under 8 different central Unions (Table 11). While the SBGCs with 1.6 million members have only one apex organization (PANKOBIRLIK), the ADCs, with a total of half of this membership, have 5 central unions. The distribution of the primary cooperatives under these central unions reveals the fragmentation: 36% under KÖY-KOOP, 32% HAY-KOOP, 18% OR-KOOP, 13% TARIM-KOOP and about 1% under ÇAY-KOOP. This prevents all of them from providing a strong and cohesive voice in dealing with government agencies, service providers, banks and buyers (9).

75. It is common for the members in a cooperative to not be aware of the intended role and responsibilities of apex organizations. In many cases forming an apex organization stems from the concerns regarding corporate tax payments. In order to be exempt, members favor the idea of forming the unions without knowing what else to expect from them.

Table 8. Fragmentation under central unions (9)

Central Union	No. of Unions (area or region based)	No. of primary cooperatives	Types of primary cooperatives
KÖY-KOOP	1	1.955	Agricultural Development
TARIM-KOOP (agriculture)	1	726	"
HAY-KOOP (livestock)	1	1.762	"
OR-KOOP(forestry)	1	972	"
ÇAY KOOP (tea)	1	49	"
SULAMA KOOP (irrigation)	1	449	Irrigation
SU ÜRÜNLERİ (fisheries)	1	179	Fisheries
Agricultural Credit	1	1679	Agricultural Credit

76. Many unions are neither effective nor efficient in providing training, education and advisory services to the primary (member) cooperatives nor in formulating policies and devising strategies for the development and promotion of cooperative activities, as would be expected of them. Communication, both vertical and horizontal is generally weak that negatively affects the functioning of the whole cooperative system. In a democratic system, communication channels are expected to be open to allow two-way flow. However, it is usually observed that this apex system tends to be perceived as a hierarchy that puts a degree of power distance between village, regional and national level organizations and hinders participation. They tend to see peers as competitors, instead of cooperating and collaborating with each other to organize their potential commercial clout against large firms that have much greater "real" business experience and financial means. Lack of networking among primary cooperatives and unions at the area/regional level surfaces as a waste of precious potential that can provide benefits for all involved.

77. It is not rare that the heads of unions go into politics or after a while openly express intent to do so. Therefore, members stigmatize the managers of apex organizations as "political ladder climbers" or "ego builders". This is usually combined with "What do they do for us? Nothing, so why should I pay for them?" and inevitably results in lack of support to the unions. Even if some apex bodies are competent and committed, this negative bias prevents them from mobilizing adequate resources to achieve their ordained tasks including advocacy.

National Cooperatives Union (NCU)

78. Law 1163 stipulates that the associations or the central associations of cooperatives can establish a Turkish National Cooperatives Union again in the form of a cooperative (8, 9). The conditions of participation are specified in the Rules of the Turkish National Cooperatives Association. The representatives that are elected by the General Assemblies of the central associations of cooperatives establish the General Assembly of the Turkish National Cooperatives Association. The fact that this board is constituted from the Board of Directors of the cooperatives, associations and central associations of cooperatives can be taken under provision with the Charter.

79. This NCU foreseen by the Law No. 1163 was established 22 years after the effectiveness of the Law and could become operational only in 1991. Today, the Union is financially weak due to limited and irregular contributions (fees etc.) provided by the member cooperatives. A serious shortcoming and handicap is that not all ASCs and ACCs are the members of the NCU.

G. WOMEN's COOPERATIVES

80. Regarding cooperative membership, Turkish laws are gender neutral. Although there is no supportive data, it is known that in agricultural cooperatives, the ratio of women in total membership is very low. In recent years, the government took a series of measures to promote cooperatives among women and have launched some programs. Within this framework, MFAL encouraged and assisted rural women to establish 29 agricultural cooperatives in 2011 (17). As the first step, the Ministry conducted a training program for women farmers that included cooperative concept and procedures for establishment and also a wide range of agricultural topics to help them to make educated decision about cooperative formation. Then, those who were willing to come together were supported with grants of about USD8mil.



81. In January 2013, the government (Ministry of Customs and Trade, (7) announced that those cooperatives that are formed only by women members would benefit from positive discrimination including exemption from corporate tax and duties, membership fee and notary fees. State would support these cooperatives through affordable credits.

82. Cooperatives that have women in their focus both as majority members and along fields of activity that cater to women are also being duly addressed also by MoCT. It envisages specific support for those activities that target their socio-economic and cultural needs. It covers the provision, support and enhancement of economic activities in the production and marketing of goods and services in a well-developed and healthy environment.

83. Currently there are 91 women's cooperatives registered in the system with a total approximately 20.000 members (Table 9 and Figures 34-37). It is estimated that about 75% of these are active. Their objective is to: i) improve the handicrafts skills of members by providing training, ii) facilitate in the supply of inputs and equipment for the production of the goods and services by the members, and iii) fulfilling the members' social and cultural needs in an atmosphere conducive to development.

Table 9. Women's cooperatives in Turkey (7)

Type of Cooperative	No. cooperatives	No. of Province (out of 81)
Small business management	80	30
Small handicrafts	4	4
Production and marketing	2	2
Consumer	4	4
Publishing	1	1
TOTAL	91	



Figure 34. 4th meeting of 45 women's cooperatives



Figure 35. Kisecik Women's cooperative, Karaman in Central Anatolia Region



Figure 36. Members of Mihalgazi Women's Cooperative working in their greenhouse, Eskisehir



Figure 37. Tekirdağ ACCs training program for its women members (soil fertility and fertilizer application)

84. The existing cooperatives operate in the following areas: providing training for handicrafts; production and marketing of traditional food stuff, restaurant management; care of disabled and elderly, pre-school education, marketing of touristic souvenirs.

85. The Cooperatives Department of MoCT (7) emphasizes that policies be developed to promote cooperative movement among women. In this context, state support in the following areas are envisaged: i) special tax exemptions or reductions, ii) preferential low interest long term credit, iii) financial and human resources for capacity building; iv) multi-faceted support programs covering help lines and desks; v) modification of regulations and programs to ease women's dealing public agencies (positive discrimination); vi) applying positive discrimination may be applied to those cooperatives that have poverty alleviation as an objective including developing specific regulations, simplifying their establishment procedures; vii) providing financial support for formation of apex organizations; viii) amending the Municipalities Law for provision of financial support to women's cooperatives, and ix) enhance inclusion of rural women in support programs that are provided for rural development cooperatives.

H. LEGISLATIVE FRAMEWORK

86. The Constitution of 1982 under current implementation has adopted a most positive approach toward the development of cooperatives. Clause 171 specifies that the state is responsible to develop the cooperative movement in order to ensure the protection of the consumers and to increase productivity.

87. In the agricultural sector, the following laws govern the cooperative sector (8, 9, 20, 25, 28):

- **Primary Law for cooperatives (Law No. 1163):** It came into force on 24.4.1969 governs the whole cooperatives sector and set the rules for establishment and development. The law defines the cooperatives as “organizations of varying partners and varying capital that are established by individuals or public institutions and special administrations, municipalities, villages, communities and associations with the aim of protecting certain economic interests and particularly professional and income needs of partners and providing income through mutual aid, solidarity and authorization”.
- In accordance with Article 98 of the Cooperatives Law, in cases where there are no explanations on the contrary, the provisions concerning Joint Stock Companies in the Turkish Trade Law are applied.
- According to the Law the assets of a cooperative are registered in the name of the cooperative and all members are jointly and severally responsible.
- In about 40 years, the law was amended seven times (1971, 1981, 1987, 1988, 1997, 2001 and 2004). It is generally accepted that the Law reflects the internationally accepted (Western) cooperative concept and principles but still needs new amendment based on the changing circumstances and the lessons learned.
- **Law No. 1581** on Agricultural Credit Cooperatives and Unions (ACCs and ACUs): It has been effective since 18.4.1972 and includes specific provisions on the establishment and functions of agricultural credit cooperatives, this Law came into force on. In cases where there are no explanations, the provisions of the Cooperatives Law No. 1163 are applied.
- Since 1935, the legal framework for ACCs and ACUs was amended five times during a period of 70 years (1972, 1984, 1985, 1988, 1995 and 2005).
- **Law No. 4572** on Agricultural Sales Cooperatives and Unions (ASCs and ASCUs): The law came into force on 1.6.2000 and sets the rules for agricultural sales cooperatives and unions. In cases where there are no explanations, the provisions of the Cooperatives Law No. 1163 are applied.
- Since 1935, the legal framework for ASCs and ASCUs was amended five times during a period of 70 years (1985, 2000, 2003, 2004, 2005).

88. It is obvious that the cooperatives operate in a complex legal environment. For years, stakeholders articulate the serious need for consolidation under an umbrella law that will regulate the whole cooperative system. Until 2013, the preference of the state has been to amend the existing laws and regulations iteratively as explained above. However, based on the National Cooperative Strategy and Action Plan-2012-2016 (NCSAP), the preparations for a new law has been started by the Government. This is expected to end the issues stemming from overlapping authorities of government agencies.

89. Later, the second paragraph of Supplementary Article 1 of the Law No. 1163 was replaced by Article 4 of the mentioned Law as follows: The term ‘Related Ministry’ should be understood as the Ministry of Agriculture and Rural Affairs (today’s Ministry of Food, Agriculture and Livestock) for those cooperatives and their superior institutions with agrarian fields of activity, the Ministry of Public Works and Settlement (today’s Ministry of Environment and Urbanization) for the housing cooperatives and their superior institutions and the Ministry of Industry and Trade (today’s Ministry of Customs and Trade) for the other cooperatives and their superior institutions”. Within this framework, the support provided to the agricultural cooperatives in Turkey are carried out in accordance with the regulations of the above laws and the services regarding the establishment, operation, audit and training of cooperatives are governed by MFAL and MoCT (9).

90. A recent study carried out by MoCT revealed that the average annual number of cases conveyed to the High Court of Appeal is about 3000. Of these, about 60% are about the conflicts between the members and the cooperative managements stemming partly from the current complex legislation.

I. TAXATION

91. The Article 73 of the 1982 Civil Code states “everyone based on his/her financial ability is obligated to pay taxes to be used for public services”. In this context, a cooperative as a legal entity is also obliged to pay taxes in certain amount and ratio stated in the relevant laws. However, there are also exemptions and exceptions that affect the financial status of the cooperatives (15).

92. The major taxes relevant for the cooperatives are: i) corporate tax; ii) income tax; iii) value added tax; iv) real estate tax; v) vehicle purchase tax; vi) duties and stamp taxes.

93. **Corporate Tax:** The Law No. 5520 dated 2006 considers cooperatives as party liable to pay corporate tax. However, Article 4 gives exemption to cooperatives- other than consumer and transportation cooperatives- provided they fulfill certain conditions concerning their Charters.

94. Cooperatives other than consumers’ and transportation cooperatives are to include provisions stipulating the following conditions in their Charter in order to benefit from corporate tax exemption:

- profit will not be distributed over the capital,
- shares should not be granted to the head and members of the board of directors,
- reserve funds should not be distributed to the shareholders and
- business should be made with only shareholders

95. Exemptions cover also the following earnings: i) dividends calculated for shareholders; ii) returned (unused) amounts that are paid by the shareholders for management expenditures and iii) earnings as a result of business made only with shareholders. Earning as a result of business made with shareholders outside the scope of shareholder status is not subject to exemption.

96. On the other hand, the Cooperative Law No. 1163 has an article (No. 93) regarding the Corporate Tax. Within this framework, primary cooperatives that are not organized under an apex organization (Regional or Central Union) are not eligible for corporate tax exemption.

97. **Income Tax:** The Income Tax Law No. 193 dated 1960 states” the income tax is levied on the income of individuals (real person). Income is the gross profit/earnings of an individual (real person) within a calendar year”. This automatically excludes the cooperative that is not a real person but a legal entity. The Law grants exemption for patronage dividends.

98. However, those earnings derived from business with cooperatives (e.g. business profits, rental income, payments received as a result of product sales to the cooperatives, salaries or wages earned by providing services to the cooperatives) are taxable incomes and the real persons are liable. Otherwise, the tax is collected from the cooperative.

99. **Value Added Tax (VAT):** According to the Law No. 3065 dated 1985, all goods and services that are supplied/rendered in Turkey within the scope of commercial, industrial, agricultural, and professional activities are subject to VAT including those undertaken by the agricultural cooperatives. Although liability for the tax falls on the person who supplies or imports the goods or services, the real burden of VAT is borne by the final consumer. This means that for the goods and services procured, the cooperatives pay the VAT. However, cooperatives benefits from partial exemptions granted by the law for the following three areas:

- rehabilitation and promotion of agriculture
- delivery and services that are made as a legal obligation and free of charge
- water delivery of agricultural purposes, land reclamation services and delivery of drinking water to villages

J. AUDITING

100. The underlying principles under audits is the need to continuously and effectively monitoring of the activities of cooperatives broad range of activities from procurement to marketing to prevent commercial crime and improprieties. In this respect, administrative, financial and legal aspects of the cooperatives' operations are audited, including for infractions by management, activities outside of their mandates and relevant legislation, appropriateness of the bookkeeping.

101. The audits at agricultural cooperatives are conducted under two circumstances: routine and notification-based. Routine audits involve the examination of all cooperative records of all activities and assets by inspectors or comptrollers. Infractions found that are not considered illegal and modes of resolution are recorded and duly informed to the responsible. The audit report is subsequently sent to the related Ministry. Notification based audits are those carried out upon complaints or notifications from various sources (directly from the complainant, informants' statements, General Secretariat of the Office of the President, the Prime Ministry, Ministries, Provincial Directorates). If the comptroller or inspector assigned to the task determines any legal improprieties, an "Inspection Report" is prepared in line with the regulations that pertain to the location and sent to the relevant District Attorney.

102. Agricultural cooperatives are subject to two types of audit: internal and external (Source: MFAL). **Internal audits** are carried out at cooperatives and their apex organizations by their internal auditors. External audits are carried out by four different types of institutions depending on their relationship with the cooperative:

- a. Audit by the Notary Publics: These covers audits with respect to general law and the Law on Notaries.
- b. Audit by the Registrars: Covers audits related to trade registration and accreditation
- c. Audit by Financial Institutions: Every institution that is a financier of a cooperative has the authority to audit in order to ascertain proper usage of funding provided.
- d. Audit by the related Ministries

103. The Ministry audits are carried out in line with the below:

- audits related to the determination of the appropriateness of the charters at the foundation stage ;
- obligatory annual audits conducted regarding adherence to regulations before and after the general assembly by the attendant Ministerial representatives,
- The auditing and consequent reporting of the results to relevant authorities of audits at cooperatives' and their apex organizations' related to their operations,

accounts and assets carried out by Inspectors and Comptrollers in accordance with relevant legislation and regulations,

- audits performed upon cooperatives and their apex organizations and affiliates by independent auditors appointed by the Ministry

104. The topics related to the auditing of cooperatives that have affiliations as legal entities involving financial topics especially in cases where they use credit or receive support from the state for projects are covers by various legislation. The authority for auditing of those cooperatives that have been classified as agricultural (ACC, ADC, Irrigation, Fisheries, Sugar Beet Growers) has been given to the MFAL.

105. The objectives of the audits performed by MFAL for those cooperatives under its responsibility are: i) to ensure that they show required effectiveness in the national economy; ii) to complete their planned investments and iii) to ensure that the benefits and services expected by the shareholders are provided.

106. In line with these objectives the following are carried out: I) determine whether or not the financial supports received from the budgets and other funds are used for the intended purposes; ii) control whether or not the activities are in accordance with the legislation and statutes as they apply to the cooperative; iii) undertake measures to compensate for objectionable situations in a timely manner, and iv) take legal action for those cooperative management that act contrary to the above.

107. The law indicates that the audits may be performed by the Ministries' own auditors or by transferring duty to independent auditor committees. The Cabinet Decree related to the Organization and Duties of MFAL were restructured in 2011. As such, the responsibility for audit of the agricultural cooperatives has been given to the Comptrollers Department of the General Directorate of Agrarian Reform.

K. NATIONAL COOPERATIVE STRATEGY AND ACTION PLAN, 2012-2016

108. In the International Year of Cooperatives (2012), a National Cooperative Strategy and Action Plan-2012-2016 (NCSAP) that was prepared under the leadership of MoCT was unveiled (9). Its purpose was to “redefine” the roles of the public and private sector and present a sustainable policy for cooperatives. The Strategy was prepared in a participatory manner where MFAL, MoCT, the Union of National Turkish Cooperatives (TMKB), Turkish Cooperatives Association (TKK) and Turkish Agency of German Cooperatives Confederation (DGRV) were defined as the partner organizations. During the preparation that took about 3 years, numerous meetings were attended by 104 representatives from 47 different agencies. The NCSAP was announced by the Prime Minister to the public through a widely attended large meeting (Figure 38).

109. The NCSAP was published in the Official Gazette No. 28444 dated October 2010 and approved by the High Planning Council for budgetary support. It is also shared with the public through MoCT’s web site. The English version may be accessed from the following UN link: <http://social.un.org/coopsyear/iyc-closing.html>.

110. It is expected that When 36 actions envisaged in the Strategy Document have been activated, there will be an increase in the welfare and production levels of large segments of the society, particularly consumers, disadvantaged groups, agricultural manufacturers, tradesmen and craftsmen, small and medium enterprises.



Figure 38. Announcement of Turkey Cooperative Strategy and Action Plan by the Prime Minister, Mr. R. Erdoğan, October 2012

111. The NCSAP defines seven strategic targets and 36 actions that are foreseen to be completed by 2016 (9). The strategic targets are:

- restructuring of cooperative-related public agencies and improving their modes of service delivery to the cooperatives,
- improving training, consultancy, information and research activities,
- enhancing the organizational capacity and possibility of cooperation between cooperatives,

- strengthening the capital structure and access to finance and credit,
- overhauling the internal and external auditing systems,
- enhancing the capacity of corporate and professional management of the cooperatives, and,
- upgrading the legislative underpinnings in accordance with the needs and in line with international standards.

L. OVERVIEW OF PERFORMANCE OF AGRICULTURAL COOPERATIVES

1. FAILURES OR WEAKNESSES OF COOPERATIVES

112. Despite very successful cooperatives in the sector, there many that has survived only on paper. This is particularly common for the agricultural development cooperatives. In this section the reasons for weaknesses or failures are analyzed.

113. The monitoring by the state has been poor and no ground truthing is available for those that are not formally liquidated but business- and activity-wise dormant or dead. In other words, there is no structured study – not even basic monitoring - that screens those on record based on a set of criteria to identify the good performers (providing intended services to their members). However, the main reasons for poor or non-performance at all are: i) poor management/governance; ii) lack of training and awareness; iii) weak financial status and meager financial management capacity, iv) poor, if not total lack of, cooperation among cooperatives, and iv) conflicts among members (9, 11, 20, 24) . Official data presented in the NCSAP indicates that during the period of 2006-2010, 25% of the cooperatives (across all sectors) went out of business. This is based on available data regarding those cooperatives that were officially liquidated. It is also stated that there is a huge backlog of cooperatives earmarked for liquidation (9).

114. **Poor management/governance:** The quality of leadership is a serious constraint in a significant number of cooperatives. The level of education and any proven background or previous training are not among the eligibility criteria for becoming a chairman nor a member of the Boards of Directors. Members are prone to elect (Figure 39) those that are politically influential with the expectation that they can effectively handle business and credit matters purely with their connections. It is generally the case that their enthusiasm to promote the cooperatives' core functions is quite limited while instead they pursue their own political interests.



Figure 39. Cooperative members are voting in the regular meetings of the General Assembly

115. There are also cases where although the motivation and the willingness is there but due to lack of training or relevant backgrounds, they provide neither leadership in planning,

organizing and motivating nor the power to influence members' views and visions and manage the conflicts among members. Cooperatives are as much as social entities as they are economic enterprises. This presents a challenge for the management that ends up allocating most of their time to resolve conflicts and seek consensus, often in pursuit of personal gains and /or stay in office. However, they are not equipped with skills and knowledge on human resources management. Within time, this becomes very costly for the cooperative.

116. Many small cooperatives have no formal or informal business plans. Poor managerial capacity immediately becomes a handicap for any plan where the management would have needed training and guidance on how to implement plans and work towards their strategic objectives. It is not rare that where the chairmen's and Board of Directors' knowledge about accounting and financial matters is extremely limited and given the importance of financial control, the senior accountants tend to usurp some of the chairmen's power.

117. Having a professional management is not required by the Law. The decision is left to the cooperatives' members' decisions taken at the general assemblies. Often the board, and the members, cannot appreciate the benefits of having such. The underlying reasons are: i) the lack of awareness about the role of management in the success and failure of any cooperative, ii) the poor finances particularly that of small and rural cooperatives. Even if the willingness is there, lack of money prevents attracting quality managers and/or professionals, except perhaps accountants.

118. Sometimes the management is overly sensitive to member reactions thus preventing them from making the required decisions necessary for the longer term benefit of the cooperative. For example in dairy cooperatives, some farmers produce milk with high bacteria counts or antibiotics and put pressure on the cooperative to accept to buy the poor quality product. Often, in order to shy from conflict, management will buy all members' milk to assure that all are treated equally. This results in financial losses for the cooperative, and the members, because the tainted milk is subsequently sold at a lower price.

119. **Lack of training and awareness:** The activities regarding creating local public awareness about the utility of cooperatives have been limited and ineffective. Those interested in cooperatives or have intentions to form one have had to overcome conceptual bias and an image where the word "cooperative" implied a specific political attitude and recalled stories of fraud and corruption, particularly when associated with housing cooperatives. Therefore, in the last couple of decades promotion efforts focused more on alternative farmer organizations e.g. producers' associations, farmers' unions or any formation that did not begin with "co-". The Year of Cooperatives (2012) was the opportunity of decades when the concept was again underlined and promoted by the government (particularly the Prime Minister) and the political parties. The NCSAP identified lack of established cooperative culture and not being able to comprehend the benefits of economic cooperation among the outstanding weaknesses of the sector in Turkey.

120. The majority of the cooperatives, with the exception of PANKOBIRLIK, ACCs and to a certain extent ASCs, do not benefit from systematic and structured training and learning programs (including management systems, accounting, recording, monitoring, membership

rights and obligations, technical matters, human resource development). Those delivered by various agencies (mostly government financed) are not always tailored to the needs of the participants and/or their intellectual level and age because none are developed based on any real training needs assessment (Figures 40-41). In fact, this is one of the expected duties of the apex organizations. Since many cooperatives have failed to develop their apex organizations, the members are deprived of such in-house services.



Figure 40. Chairmen of forestry cooperatives in a training session in Bolu province organized by the Union and the MFAL provincial directorate



Figure 41. Forestry cooperative receiving on-the-job training about standardization in timber production delivered by General Directorate of Forestry Köyceğiz, Muğla

121. On the initiative of Turkish Government (the work initiated during the implementation of the World Bank's Agricultural Reform Implementation Program) the DGRV has been working with cooperatives (in 5 pilot areas) and other organizations as well as with various government institutions responsible for cooperatives since 2004.

122. On the other hand, there is no permanent functional system in place that provides information on operational aspects such as legal issues, formation, closure, taxation, financing, etc. Many cooperatives suffer particularly from lack of legal consultancy services specialized in cooperative legislation. Those that have cases in the court have to endure long adjudication periods for the misconduct or misdemeanors that sometimes occur purely due to ignorance of the laws.

123. **Weak financial status and meager financial management capacity:** According to Law No. 1163, it is required to collect payment for at least one membership share from each member joining a cooperative. The Charter may permit the collection of more than one share from a member within a maximum limit to be there-in specified. Frequently, the cooperatives perform poorly due to insufficient capital since the membership fees are too low to even cover basic operational expenses. This is an issue particularly acute for cooperatives that have lost members due to rural-out migration.

124. The cooperatives used to operate under closed, protected markets for about 60 years. However, once the structural adjustment and stabilization program was embarked upon in early 2000 such protection was removed. As a result, competition between the cooperatives and the private sector increased. To build a financial base that allows any functionality, they

must juggle two apparently conflicting strategies: increase membership fee and/or reduce overhead costs, both difficult to pursue under the prevailing circumstances (9, 11, 12)

125. **Weak cooperation among cooperatives, if not lacking:** Cooperatives can benefit from cross-fertilization. They can learn from each other' mistakes and achievements. However, even two primary cooperatives organized under different unions or in different categories, even they are in close proximity they do not visit each other and miss the opportunity to solve an issue through consultation. This is why to find a failed cooperative operating in the same area with a successful one.

126. **Weaknesses on members' side:** In a cooperative, members ideally exert their democratic rights by: i) articulating their opinions; ii) voting; and iii) seceding from the cooperative. Members must be kept well informed about the cooperatives' activities and performance to best perform their democratic responsibilities and make individual decisions. Many cooperatives provide little information on their activities, particularly regarding financial matters. On the other hand, members neglect to attend meetings and read the material distributed to them as should be expected to fulfill the obligation of being kept informed about their cooperatives. It is common that the minimum quorum required for General Assembly Meetings cannot be obtained in the first round. Consequently, the second meetings are held with a much smaller number of members, usually close to current management where decisions become easier to take; members then complain that such meetings do not address their concerns and real interests therefore, they treat them only as a part of the routine formalities that a cooperative is obliged to complete, a vicious and doomed cycle. Thus, if any corruption surfaces, such members are surprised.

127. The example about dairy cooperatives given above (para 118) also reflects misconduct on the members' side in fact opportunistic behavior. Poor quality milk producers cause inequitable treatment of the fellow members. This is also the indication of immature membership notions that do not allow the objective and needs of the cooperative extend beyond individuals' purposes and needs. It is particularly an issue in the traditional primary cooperative model where member commitment is a necessary ingredient in success.

128. Small communities such as villages, have their distinct culture. It is common to have groups disagreeing over values and over resources (a common conflict in Turkish villages is about rangelands or water). When these groups come together in a cooperative "us" and "them" begin to surface (Figure 42). This limits the interaction needed to take decisions and requisite social cohesion in the cooperative. If the management is not capable of resolving, the cooperative gradually disintegrates.



Figure 42. Cases taken to courts by chairman and members of cooperatives for confiscation of cooperative assets and fraud (from local newspapers)

2. WEAKNESSES OF NATIONAL COOPERATIVE SYSTEM

129. The system suffers from the following defects that are interlinked and pervasive: i) too many small cooperatives; ii) fragmentation at the apex level; iii) complex legal framework; iv) paternalistic role of state; v) lack of training at all levels; vi) lack of functional review; vii) lack of dedicated consultancy services.

130. **Too many small cooperatives:** It is obvious that these small rural cooperatives lack economies of scale and are weak in bargaining power, if not totally ineffective. Membership fees are low and cannot even cover basic operational overheads. While social cohesion appears relatively stronger in such small groups, it is not singularly effective enough to keep the cooperative economically viable. The continuing rural out migration aggravates the problem by: i) shrinking the size further; ii) limiting working capital; and iii) decreasing the economically active labor force. The cooperative cannot make use of opportunities such as projects, matching grants and available credits due to lack of critical mass.

131. **Fragmentation at the apex level:** Apex organizations, given that they are part of the same domain, also carry defects quite parallel to the primary cooperatives. In cases where fragmentation is due to political reasons, amalgamation would be difficult.

132. **Complex legal framework:** The legal framework is difficult to negotiate through and complex. Those small cooperatives particularly suffer because the in-house capacity to deal with such a complex system is not available, getting legal consultancy services is prohibitively expensive, and once the cases go to court these suffer more due to inability to get appropriate legal advice. This results in long delays paralyzing the cooperative.

133. **Paternalistic role of the state:** State continues to play its paternalistic role given to it in the early years of Republic (almost 90 years ago). In recent years, this role is explicitly being pursued in an almost perverse manner in the livestock sub-sector. The prerequisite for benefiting from state livestock credits/subsidies has been to apply MFAL as a cooperative. Therefore, consenting individuals come together and form a cooperative, apply to the Ministry and receive live animals with improved genetics on credit (Figure 42).



Figure 43. High quality cattle are delivered to the newly established cooperatives by MFAL

134. Effectively, the underlying approach adopted by the Ministry is to promote cooperatives as economic and social organization that could help to enhance the development of particularly the small farmers while also supporting the modern livestock production, as a tool for poverty alleviation. However, whenever the state *imposes* upon farmers to establish a cooperative in order to benefit from state subsidies, the principles of “voluntary participation of members” and “autonomy and independence” are seriously impaired. The approach prevents individuals from taking voluntary – free - decision about establishing or joining a cooperative. Their main motive becomes short-term benefits, e.g. buying good cattle at favorable terms. In fact, they do not identify and weigh the risks, assess their resources (land, money, labor, knowledge), and set a target. In other words, they do not make any educated decisions.

135. Moreover, in order to fulfill the state-imposed requirement, they are forced to initiate a cooperative with those with whom they may not come together otherwise. This means that the so-called cooperative starts with social cohesion that is already highly questionable as it was not formed with the voluntary motivation of “mutual benefit”. The group that comes together is expected to develop a sense of participation (collective thinking and acting) and democracy that are quite time consuming under normal circumstances. Given that the objective is to buy and provide livestock, the group and the state, respectively, have no such patience nor intention and the participation aspect gradually and totally disappears. Within a relatively short period of time, the still vague principles behind becoming cooperative are no longer voices and bureaucratic logic settles in the decision making process and authority flow. Also reflecting the prevailing attitude, a survey of coops in 2008 indicated that 34% of respondents preferred agricultural coops to be “a government institution”.

136. A recent Study commissioned by MFAL indicated that only about one third of the livestock cooperatives established to receive cattle along the above lines have survived –for the time being.

137. **Lack of training at all levels:** The Bank-supported Agricultural Reform Implementation Program (ARIP; 2001-08) provided training support to farmer organizations in 21 provinces that included basic financial management, commercial practice skills, and organizational management etc. However, no through impact assessment to measure the

effectiveness of the program and sustainability of the change on the ground has been conducted by any of the stakeholders. It is obvious that a well-designed training and learning programs based on professionally conducted training needs assessments (TNAs) are needed at all levels. Most training programs undertaken neglect the social cohesion function of the cooperatives and focus solely on the economic and “business” aspects. In designing training programs, human resource development does not appear as a necessary part of the curricula.

138. **Lack of functional review:** For years concerns were voiced by stakeholders about the policy and legal framework (See 4 above) and their relation to the delivery of basic and essential services that either impedes or is prevented by, ineffective and inefficient institutional structures and staff capacities in related Ministries, apex organizations and primary cooperatives. No functional review has been conducted to date nor such a need articulated. Even the National Strategy and Action Plan for 2012-2016 that claims to support strategic reform plan, improve service delivery and reshape the cooperative system do not envisage such a review as a feedback and feed forward tool.

139. **Lack of specialized consultancy services:** Many poor performers particularly small cooperatives need consultancy services to compensate for their weak in-house capacity. Dealing with legal issues is in itself a significant topic. On the other hand, the staff in the Ministries dealing with the cooperatives are compelled to use the majority of their time and energy to respond to the daily queries and the challenges of the complex and often conflicting bureaucracy. Despite every rural and urban household having access to the cell phone, a free hotline (help line) that provide services to the cooperatives and ease the burden off the public servants is not available

3. STRENGTHS AND SUCCESSES

140. Despite the abundance failing cooperatives and apex organizations, the Turkish cooperative sector also harbors remarkably successful ones. These good performers have also been operating in the same complex legal environment, juggling with the frequently changing domestic policies and global economic predicaments and dealing with the highly bureaucratic system for years together with the failed or failing and liquidating ones. They also confronted the identical conceptual biases and scared image of cooperatives (particularly housing cooperatives that went bankrupt and/or were unable deliver houses in 30 years). However they not only survived but developed into strong and robust entities as cooperatives.

141. Success in the cooperatives was often dependent on their ability to attract top quality managers who have entrepreneurial flair. They gave the members a vision, strengthen their “sense of belonging to a group sharing the same vision” and removed the obstacles one step at a time to become the “new generation” of cooperative. Such managers understand and appreciate the value of social capital and social cohesion and give priority to meet the members’ combined cultural, social and economic needs. They always maintain vertical and horizontal communication channels open and transparent. Within time, providing a service to satisfy members’ demands for quality and affordable goods and services have become more

important than simple profit for these cooperatives. This is reflected in their sustainability and continuing growth while also, and despite of, competing in the same arena with the pure profit-driven private sector

142. The successful cooperatives have been those that could respond to changing needs and circumstances, making institutional changes to align as necessary. Over the last 25-30 years, increased globalization and agricultural industrialization have compelled agricultural cooperatives to design new strategies, make structural changes and graduate from state interventions to adapt to the new situation. PANKOBİRLİK, ACCs/ACCU, ASCs/ASCUs, KÖYKOOP (e.g. Burdur and Kastamonu Unions), and some of their primary cooperatives and numerous agricultural development cooperatives (Tire Dairy, Foça Yoghurt, Bademli Arboriculture, Musallı Wine, Kaban Tea, have achieved this (Box 6) (2, 3, 26). They formed joint ventures with various companies particularly with those supplying agricultural inputs to reduce costs to their members and solve capital issue. These cooperatives adopted “value chain approach” where they analyzed the factors influencing the viability and sustainability of their businesses throughout a commodity supply chain and made investments accordingly.

143. One of their common strategy is to put emphasis on R&D, as well as education and training of managers and members. They seek and finance innovative projects/investments that would bring new horizons to their members. One of these is the DANABANK (literally it means calf Bank, it is a calf nursery) of PANKOBİRLİK that is being implemented in Konya (Box 5 and Figures 43 and 44) (23).

BOX 5. PANKOBİRLİK'S INNOVATIVE SERVICE FOR THE MEMBERS: DANABANK

PANKOBİRLİK established a shelter facility (DANABANK; “calf bank”) in Konya where sugar beet farmers consign their calves to its care. Before entering DANABANK, veterinarians check the animals’ health status and before registering them in the insurance system. Then, during their stay, all nursing services including feeding, vaccination, a.i and calving are undertaken by specialists. There is a common automatic milking facility. There are CCTV cameras in the facility to enable the farmers to monitor their animals through their own computer. Milk produced in the facility directly goes to PANKOBİRLİK’s milk processing enterprise in Konya. The fee per animal is kept at affordable levels: as of 2012 it was about USD35. When the animals start to produce milk, the nursing fee is subtracted from the milk sales. Milk yields are much above country average (around 3kg/cow/day), it is 38kg/cow/day. There is a high demand for this service by the farmers.



Figure 44. Calf nursery (DANABANK)



Figure 45. Farmer visiting his cattle



Figure 46. The champion of 2012 in DANABANK with a daily milk yield of 63 kg

144. There are a number of successful ADCs operating in different sectors. Bademli ADC is one them (Box 6 and Figures 47-49) (2, 21).



Figure 47. Seedling production of Bademli ADC



Figure 48: Members of Bademli ADC
on tissue culture



Figure 49: Olive oil production of
Bademli ADC

BOX 6. A SUCCESSFUL AGRICULTURAL DEVELOPMENT COOPERATIVE: BADEMLİ ARBORICULTURE COOPERATIVE, İZMİR

The Bademli Agricultural Development Cooperative was established in 1968 in line with Law No. 1163 with a group of villagers who were in plant nursery business that has been a traditional income generating activity for the area since 1940. Today it is a successful cooperative with its 300 members and 97 employees (3 consultants). It meets 65% of Turkey's seedling demand.

Its well-documented and respected success derives from an experienced management structure that has worked closely with its members since inception. One of its driving motivations has been adapting to market forces and guiding its members' production to keep pace with such demand. A key aspect of its strategy has been controlled, intelligent growth. It was given high acclaim as one of the "best practice" example at the 2102 International Cooperatives Year gathering in Turkey.

What started as a grassroots cooperative where members produced seedlings of fruit and ornamental plants, it has grown to almost corporate proportions. Within time, the cooperative adapted its operations to rapidly changing economic environment in Turkey and diversified its activities that range from its origins of producing seedlings and saplings to olives and olive oil production then to milk production and milk processing lately. Providing services and materials to the public and private urban landscaping sector is a major strength. It is also active in providing technical assistance for climate change to both members and the broader national and international markets.

Their gross revenue, or net income from sales, in 2011 was about USD 8million. A historical fact is that while the number of seedlings produced by the members individually prior to the establishment of the coop was around 100-150 thousand, currently they are producing around 8 million and selling both nationally as well as internationally (for the time being to Uzbekistan and Azerbaijan). The seedlings are bare rooted or poly-tubed to allow year-round sales and use. The olive oil venture began with dry pressing in 1975 and has expanded to a 60ton/day modular-system continuous pressing line that also produces organic olive oil as boutique production. They also export olive oil to Russia. Milk produced by the members is handled in a 35 ton/day fully integrated cold chain at the end of which lie high quality various cheese, butter, yogurt that are very much in demand. All foodstuffs have the requisite ISO 9001 and 22000 certification. Good Agricultural Practices (EU-GAP) is well adopted and the cooperative provide training on the topic together with organic agriculture. A rare asset of the cooperative is a tissue culture laboratory that is used for cloning of new varieties of fruit and ornamental trees under the supervision and with the support of Aegean University Horticulture Department. The plant material produces is certified by MFAL.

PROSPECTS FOR INTERNATIONAL COLLABORATION

145. Effectively Turkey has 10% of all cooperatives in the World, hence the domain of good and bad, successful and failed, small and large cooperatives is substantial. Study tours and exchange visits to successful examples of Turkish cooperatives (e.g. Bademli Coop, FOÇA Coop, KÖYKOOP Kastamonu) and apex organizations (e.g. PANKOBİRLİK, ACCU and 4 TARIŞ ACCUs) would be useful. Proximity to FSU and particularly to central Asian countries where similarities of culture abound and ease of access with excellent transport could be the stepping-stones for future twinning arrangements.

146. Turkey is a major exporter of goods and services worldwide and a wide range of cooperatives both with respect to size as well as product mix are among the major exporters. Given the premise that cooperatives' sustainability requires both production and marketing skills, successful business models may be exchanged through formal training programs.

147. TIKA, the Turkish International Development and Coordination Agency, is active in bilateral and multilateral initiatives to provide technical assistance, and investment projects, to countries in the region. In 2011, it had provided goods and services valued at about USD1.3 billion in grants particularly to countries that have cultural and linguistic links to Turkey, i.e. primarily Central Asia. It has over 30 offices in the region. Through FAO or the government representatives of potential recipients of such aid, many useful links may be established.

148. Nascent cooperatives in countries targeted by FAO may be assisted to also establish commercial links with successful Turkish ones where they may act as in-country agents or representatives. For example, the Bademli cooperative export certified fruit tree and ornamental plant seedlings to numerous countries in the region. Interested cooperatives may obtain detailed information on opportunities to collaborate both through the Commercial and Agricultural Attaches of the local Turkish embassies as well as for TIKA offices, as noted above.

149. In order to share government-level experiences, bilateral and regional/multilateral discussions and workshops would be useful in experience sharing and deducing lessons learned. Turkey has experienced a rather long period of an almost-closed economy, with many apparently common problems that have been resolved.

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