Cooperatives: Characteristics, activities, status, challenges

SUMMARY

Cooperatives are autonomous associations of people aspiring to achieve their objectives through a jointly owned and democratically controlled enterprise. International organisations, such as the United Nations and the European Union (EU), value the role cooperatives play for society, the economy and (international) development.

There are 3 million cooperatives worldwide; together, they provide employment for 280 million people, equating to 10% of the world’s employed population. The 300 largest cooperatives and mutuals in the world had a total turnover of US$2.018 trillion in 2016. In the EU there are some 131 000 cooperatives, with more than 4.3 million employees and an annual turnover of €992 billion.

While cooperatives have grown in importance for the (social) economy over the past four decades, they face both long-standing and new challenges, resulting from globalisation or the presence of myriad national laws, but also from organisational and governance issues. Cooperatives have become more product-based and less region-based (in terms of member representation). In addition, cross-border-oriented cooperatives and producer organisations often experience legal uncertainty because of the absence or inconsistent application of international legislation.

Policy- and law-makers are currently discussing a number of initiatives aimed at creating a level playing field for cooperatives, both in the EU and globally, that would allow them to compete with investor-oriented firms without giving up their social and cultural orientation. An enabling European legal framework could provide transversal recognition of the cooperative business model across the different sectors of the economy. While small and emerging cooperatives need more targeted funding, and assistance with capacity-building and organisational aspects, larger cooperatives require more EU and national-level support in order to achieve their aims in terms of professionalisation.
Introduction

Cooperatives are a multi-faceted phenomenon. The International Cooperative Alliance (ICA) defines them as follows: 'A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise'.

Over the past four decades, the importance of cooperatives for the economy has grown. According to popular social (capital) and economic theories, the added value of cooperatives is manifold: they realise economies of scale, create markets and give access to (long-distance) markets, manage risks (e.g. for farmers via pooling), increase market efficiency (e.g. through competition with traders with a high mark-up), reduce transaction costs (e.g. by standardising contracts and organising quality controls) and promote innovation (e.g. in niche products). In addition, a large market share for regional cooperatives can decrease price volatility (in the agricultural sector, with regard to dairy products in particular). In comparison with profit-maximising investor-owned firms, cooperatives are considered better at: coping with economic crises; driving economic development in low- to middle-income countries; reinvesting surpluses; promoting local communities and social inclusion; and ensuring their members’ (democratic) participation.

As a token of the international community's appreciation for the contribution cooperatives make to society and the economy, the UN declared 2012 the International Year of Cooperatives.

However, cooperatives face some challenges in their interaction with law-makers in the EU and abroad. Recent EU initiatives, such as those focused on the collaborative economy or on unfair trading practices (UTPs) in the food-supply chain, have triggered a public debate about cooperatives, in which they themselves also take part.

Characteristics and identity

According to the Commission, cooperatives have several defining characteristics: 1) they are open and voluntary associations; 2) they have a democratic structure, with each member having one vote; and 3) they have an equitable and fair distribution of economic results based on the volume of operations made through them. In this regard, cooperatives are enterprises that serve the needs of their members, who, in turn, contribute to the cooperatives’ capital.

The Commission's characteristics are based mainly on the 1995 International Cooperative Alliance’s revised mission statement on cooperative identity. The mission statement contains the definition of a cooperative, the values that cooperatives should espouse, and the seven principles that they should abide by, namely: (1) voluntary and open membership; (2) democratic member control; (3) economic participation of members; (4) autonomy and independence; (5) education, training and information; (6) cooperation among cooperatives; and (7) concern for community. Although these principles are not binding, some experts insist that they have a legal nature, as they were adopted by the International Labour Organization (ILO) in its Recommendation 193/2002. According to those experts, the ILO recommendation should be considered a source of public international law.

Regarding the ICA principles, there is a diverging perception and implementation record. Some countries refer explicitly to the ICA norms in their national laws (e.g. Spanish Cooperative Act 27/1999, Portuguese Cooperative Code 51/1996 or Romanian Cooperative Act 1/2005), others do not mention them (e.g. Luxembourg).

On the other hand, some experts argue that many ICA norms are too vague, one such example being the membership issue. According to the ICA principles, a cooperative has the purpose of engaging in transactions with its members, but it does not set itself the aim of providing a return on the capital provided by members, as is the case, for instance, in investor-owned firms. While the capital-based remuneration of members is limited, the surpluses are distributed to members, often in proportion to transactions with the cooperative.
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Most EU Member States' national laws on cooperatives – such as the Bulgarian, Cypriot, Danish, Maltese and Norwegian law – have no provisions regarding investor-members (such members do not use the services of the cooperative and their voting rights are limited), which might be interpreted as a denial of their admissibility. Other Member States, e.g. Austria or Germany, allow cooperative statutes to provide for the admissibility of investor-members. In yet other Member States, such as Finland, the definition of cooperative included in the cooperative laws not only refers to the relationship between cooperatives and their members but also permits the carrying out of activities with non-members, should the cooperative statutes so provide. This model was also adopted for the SCE Regulation (see 'Legal status at national and EU level' below).

Economic activities

According to a 2018 report on Exploring the Cooperative Economy, produced by the ICA and the European Research Institute on Cooperative and Social Enterprises (EURICSE), cooperatives play an important role in the global economy. For the purposes of the report, economic and social data were collected from 2,575 cooperative enterprises and mutual organisations around the world. As regards the financial aspects, the report established that in the reference year 2016, the 300 largest cooperatives and mutuals had a total turnover of US$2018 trillion (compared to US$2164 trillion in 2015). According to the report, there are 3 million cooperatives worldwide, which together provide jobs for some 280 million persons, or 10% of the world's employed population.

The economic activities of cooperatives are diverse. In 2016, for instance, 33% of all cooperatives (participating in the survey) operated in the agriculture and food industry; 19% dealt with banking and financial services; 16% were in other services (e.g. business services, transport, communications); 7% were in industry and utilities; 6% were insurance cooperatives and mutuals; and 4% operated in the health, education and social care sectors. Some 50% of the 2,575 cooperatives surveyed come under the European Commission's definition of small and medium-sized enterprises (SMEs) in terms of their yearly turnover (up to €50 million).

In 2016, the world's five largest cooperatives (in terms of turnover) came from Europe and Japan: Groupe Crédit Agricole (France, banking and financial services), with a turnover of US$90.16 billion; Groupe BPCE (France, banking and financial services), with US$67.78 billion; BVR (Germany, banking and financial services) with US$55.36 billion; Zenkyoren (Japan, insurance), with US$54.62 billion; and REWE Group (Germany, wholesale and retail trade) with US$54.57 billion.

Taking a closer look at Europe and the EU, we could say that cooperative enterprises make a huge contribution to the European social economy. According to the 2016 report entitled The power of cooperation (with 2015 as its reference year), published by Cooperatives Europe, the ICA's regional office, there were some 176,500 cooperative enterprises in Europe as a whole, with more than 4.7 million employees; of these, 131,000 cooperatives with more than 4.3 million employees were located in the EU Member States. The total turnover of European cooperatives was €1,004 trillion; more than €992 billion of this amount was generated in the EU Member States. In Europe as a whole, more than 141 million – 17% of the continent's population – were members of a cooperative (in the EU: more than 127 million). Between 2009 and 2015, the number of cooperative enterprises in Europe increased by 12%, and of members by 14%.

A comparison by sector, number of employees and turnover reveals interesting facts. For instance, the retail sector, with less than 1% of enterprises, accounts for a turnover of almost 30%, whereas the industry and services sector, with most employees and enterprises, accounts for less than 10% of the total turnover of cooperatives – probably, because it numbers more SMEs (see Figure 1).
A comparison of countries shows that, in 2015, Italy (39 600), Turkey (33 857), France (22 517) and Spain (20 050) had the largest numbers of cooperatives in Europe.

France (26 106 829), Germany (22 200 000), the Netherlands (16 912 900), the United Kingdom (14 919 093) and Italy (12 620 000) had the largest numbers of members of cooperatives in Europe.

France (1 217 466), Italy (1 150 200), Germany (860 000), Poland (300 000) and Spain (290 221) had the highest numbers of cooperative employees in Europe.

Cooperatives in France (€307 billion), Germany (€195 billion), Italy (€150 billion) and the Netherlands (€81 billion) had the highest annual turnover in Europe.

According to Commission research, cooperatives hold substantial market shares in several industries:

- agriculture – 83% in the Netherlands, 79% in Finland, 55% in Italy and 50% in France;
- forestry – 60% in Sweden and 31% in Finland;
- banking – 50% in France, 37% in Cyprus, 35% in Finland, 31% in Austria and 21% in Germany;
- retail – 36% in Finland and 20% in Sweden;
- pharmaceuticals and health care – 21% in Spain and 18% in Belgium.

Since agriculture is an important sector for cooperatives, it deserves a closer look. Cooperatives have a strong market presence in the European food supply chain. According to a 2014 report entitled Development of Agricultural Cooperatives in the EU and published by COGECA (General Confederation of Agricultural Cooperatives in the European Union), in 2013 the total turnover of all agricultural cooperatives added up to €347 billion. In the same year, there were roughly 22 000 cooperatives with some 6.2 million members. The 100 largest agricultural cooperatives demonstrated a significant growth trend: from 2011 to 2013, total turnover had grown by 18%.
Legal status at national and EU level

While national laws on cooperatives provide for a wide range of potential activities that cooperatives can engage in, they also place limitations on them. These depend on the relationship between the different types of cooperatives (producers’, consumers'/users', workers', or multi-stakeholders') and their members; on the type of business (banking, agriculture, retail, housing, etc.) or its specific targets (e.g. health issues); on the characteristics of the membership (e.g. primary or secondary cooperative) and on the size of the cooperative.10

Most countries have specific rules applicable to cooperatives, whereas the legislation on cooperatives (and their business and social activities) derives mainly from national civil law, namely the respective sections of commercial law (see Annex). In Japan, for instance, banking cooperatives are strong performers in the financial sector. In Switzerland, cooperatives are focused mainly on pursuing economic interests. Norway’s different understanding of cooperatives is reflected in the fact that they are expressly excluded from financial activities such as banking or stock exchange operations.11

Within the EU, there is a huge variety of national laws on cooperatives, which correspond to at least six formally different models of legislation:12

- no cooperative law (e.g. Ireland);
- cooperative regulation in a formally independent act (e.g. Austria, Germany);
- cooperative regulation in the commercial code (e.g. Czech Republic, Slovakia);
- cooperative regulation in the company law (e.g. Luxembourg) or in the companies code (e.g. Belgium);
- cooperative regulation in the civil code (e.g. Italy, the Netherlands);
- cooperative regulation in the code of cooperatives (e.g. Portugal).

A few countries, such as Japan, even have separate cooperative laws for each sector. The United States, on the other hand, do not have a specific federal law on the establishment of cooperatives, but federal law does apply to cooperatives’ tax exemptions. With each of the 50 states having its own statutes on cooperatives, these add up to approximately 85 in total.13

In many countries, cooperatives can have a legal status either as a cooperative society with limited or unlimited liability, as an economic interest grouping or as a joint-stock company.

There are also diverging national requirements regarding members and capital stock. A minimum number of members is not always required by law. Some countries have no mandatory provisions in this regard (e.g. Bulgaria, Denmark, Luxembourg), while others require the presence of at least three members (e.g. Germany, Sweden, USA), and yet others require even more. For instance, Poland requires 10 natural persons or three legal entities to set up and run an agricultural cooperative, while Japan requires a minimum of 15 members.14

Most countries have no mandatory provision regarding the minimum capital stock for setting up a cooperative. Whenever the statutes require a certain amount of capital stock, it is often less than €1 000. In certain countries, however, the minimum capital stock requirement is much higher. In Malta, for instance, it amounts to €100 000 for producer organisations in the agricultural sector.

Cooperatives in the EU Member States and the European Economic Area (EEA) are subject to the provisions of the SCE Regulation, namely Council Regulation (EC) 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society. The SCE is a legal form of business organisation that does not replace national cooperative laws, nor is its application required when conducting (or reorganising) a business on a Community-wide scale. The SCE can be considered the 29th cooperative legal model in the EU. Its main objective is to improve the legal environment for cross-border cooperative operations. The SCE set a legal precedent at EU level and has become an important reference point for cooperatives engaged in cross-border activities.
Governance aspects

In many countries, such as Bulgaria, Luxembourg, Hungary and the United Kingdom, national legislation does not set rules for the organisational structure of cooperatives. These aspects are often linked to market requirements. In general, there is either a one-tier or a two-tier-system. The one-tier-system is used by many smaller or traditional cooperatives, where elected members assume executive roles in everyday management, and the decision-making is less complicated.

More professionalised and larger cooperatives with a higher level of capital intensity, however, apply the two-tier system by making use of an elected management board with a president and a director. The two-tier system is the most widespread organisational structure for larger cooperatives worldwide, and it is used in about 80% of the EU's Member States (see Annex).

In general, cooperatives have two decision-making bodies (provided for by law or by their statutes) that deal with governance issues: the general assembly and the board of directors. In many cases, an additional board of supervisors or auditors is envisaged for control purposes. In some countries, such as Finland, a business inspector is appointed if the cooperative does not employ an independent auditor. In certain other countries, such as Germany, an advisory board is not required if the cooperative has no more than 20 members. Different requirements also exist with regard to the general assembly: in Switzerland, for instance, cooperatives with at least 300 members elect delegates to represent them.15

Most cooperatives apply the 'one member, one vote' principle in order to maintain equality among members and respect for democratic governance rules – both being key elements of a cooperative's identity. However, certain countries, such as Sweden, Germany, Finland and, to some extent, Norway, provide for proportional representation. In other countries, such as the United States, patronage-based voting applies. In a patronage-weighted voting system, voting power is based on the proportion of business done with the cooperative.16

Nevertheless, the concrete implementation of the 'one member, one vote' norm diverges from country to country.17 In the Bulgarian and Cypriot cooperative laws, for instance, the 'one member, one vote’ principle is a mandatory rule, and no exceptions are allowed. Some countries, such as Belgium and the Netherlands, do not set limits on cooperative statutes in their cooperative laws, thereby allowing a certain degree of derogation. Other countries, such as Finland, France, Italy, Norway, Greece, Spain and Germany, permit derogations based on different criteria, such as the nature of the cooperative (e.g. housing cooperatives), the membership/ownership aspect (e.g. cooperatives among entrepreneurs), or the voting criteria (e.g. proportional vote model).

Challenges faced by cooperatives

Cooperatives are facing challenges, in particular from globalisation, market pressure and non-binding international rules. International rules are becoming more relevant, but the legal dimension of cooperatives has yet to be sufficiently explored from a comparative perspective.18

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European Cooperative Society (SCE)

A European Cooperative Society (in Latin societas cooperativa Europaea) can be created, a) from scratch by five or more natural persons, by two or more legal entities, or by a combination of five or more natural persons and legal entities; b) by a merger of two or more existing cooperatives; or c) by the conversion of an existing cooperative that has, for at least two years, been established or been a subsidiary in another EU country. The minimum capital requirement is €30 000. An SCE can have a limited proportion of 'investor members'. An SCE must be registered in the EU country where it has its head office. Voting in an SCE is generally conducted in accordance with the cooperative principle of 'one member, one vote'. However, weighted voting may be allowed in certain circumstances to reflect the amount of business done with the SCE. An SCE must call a general meeting at least once a year. Decisions are taken by simple majority of members present or represented; changes to the internal statutes require a two-thirds majority. However, the SCE model has not been as successful as expected, given that at present, only two dozen cooperatives have SCE status.

Source: EUR-Lex, summaries of EU legislation
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The organisational form of cooperatives is changing in the direction of increasingly hybrid structures. In order to be more competitive and international, many cooperatives are introducing managerial entrepreneurship. In addition, they are becoming more product-based and less region-based (which has an impact on member representation). They are also tending to change their ownership structures in order to attract more equity capital. In the agricultural sector, for instance, federated cooperatives are tending to disappear or to become farmer-owned as opposed to user-owned.

Cooperatives and producer organisations often experience legal uncertainty in the context of competition law and rulings. Some countries, such as the United States, have more exemptions for cooperatives in competition law (in order to rebalance market power), than others.

Diverging national legislation complicates matters. Therefore an additional challenge is the absence of a European legal framework enabling the transversal recognition of the cooperative business model across the different sectors of the economy.

While many policy- and lawmakers in the EU (and abroad) praise the role of the social economy (for instance in catalysing social cohesion), it has not yet secured recognition for its important share in the economy. National and EU policies on entrepreneurship, for instance, often do not take into account the specifics of the cooperative business model (e.g. in terms of financing or education).

At global level, cooperatives are recognised as important players in international development cooperation. The EU, for instance, appreciates their role in strengthening the local private sector and contributing to the United Nations sustainable development goals (see below). However, there is no explicit recognition for cooperatives in the EU's External Investment Plan.

Commission and Parliament stance on cooperatives

On its website, the Commission points to its 2004 communication on the promotion of cooperative societies in Europe as the reference document on the subject. The communication focuses on three main issues that need to be addressed: (1) promoting the greater use of cooperatives across Europe by improving the visibility, characteristics and public understanding of the sector; (2) further improving cooperative legislation in Europe; and (3) maintaining and improving cooperatives’ place in the economy and society, and their contribution to community objectives.

The website also presents the Working Group on Cooperatives, which was established in 2013. The working group aims to assess the specific needs of cooperative enterprises with regard to a wide variety of issues, such as the appropriate EU regulatory framework, the identification of barriers at national level and the internationalisation of cooperatives.

In March 2016, the Commission signed a partnership agreement with the ICA for the 2016 to 2020 period. This agreement refers, inter alia, to the activities of the Cooperatives Europe Development Platform (CEDP). It recognises cooperatives as relevant development actors and sets itself the goal of further strengthening the cooperative movement worldwide. The EU's New European Consensus on Development also emphasises the relevance of cooperatives for international development, poverty eradication and food security.

In November 2016, the Commission published a communication on Europe’s next leaders: the start-up and scale-up initiative. In line with the stance adopted in this document, the Commission started implementing various projects aimed at boosting the social economy, where cooperatives are key players, in order to stimulate growth. In this context, in September 2018, Elżbieta Bieńkowska, Commissioner for the internal market, industry, entrepreneurship and SMEs, stated: 'We focus on the following areas: access to funding, access to markets, improving framework conditions, fostering social innovation, technologies and new business models and working on the international dimension'. In 2018, the Commission implemented a pilot project aimed at reducing youth unemployment by promoting cooperatives in secondary schools and universities as a way to start a business.
In July 2018, the Commission adopted the EU multiannual indicative programme for the ‘Civil society organisations and local authorities’ thematic programme for the 2018 to 2020 period. The document recognises cooperatives as relevant players in civil society, capable of implementing EU development projects in partner countries.

The European Parliament has also participated in initiatives focusing on cooperatives. For instance, in 2012, the International Year of Cooperatives, Parliament representatives took part in a high-level conference alongside representatives of the Commission. The conference focused in part on actions to ensure wider recognition and integration of the cooperative business model.

Since 2012, Parliament has also adopted several resolutions on the social economy, in which it emphasises the importance of cooperatives and mutual societies. These include:

- European Parliament resolution of 13 March 2012 on the Statute for a European Cooperative Society with regard to the involvement of employees, 2011/2116(INI);
- European Parliament resolution of 2 July 2013 on the contribution of cooperatives to overcoming the crisis, 2012/2321(INI); and

Furthermore, in May 2017 the Parliament adopted its report on a European agenda for the collaborative economy (2017/2003(INI); rapporteur: Nicola Danti, Italy, S&D), in which it highlighted, among other things, the relevance of cooperatives for the collaborative economy. In November 2017, the Parliament hosted a conference on the collaborative economy with the participation of a number of cooperatives as well as rapporteur Nicola Danti. At the event, several MEPs confirmed their interest in strengthening the cooperative-based collaborative economy in order to bridge the gap between social and economic innovation more effectively.

In July 2018, the Parliament adopted an own-initiative resolution on a Statute for social and solidarity-based enterprises (rapporteur: Jiří Maštálka, Czech Republic, GUE/NGL). On the one hand, the resolution stresses that the cooperative sector has proved particularly resilient to the economic and financial crisis, also pointing out that the sector holds potential for social and technological innovation, inclusive job creation, and strengthened social, economic and regional cohesion. On the other hand, the resolution criticises the diversity in the sector, reflected in the fact that most Member States have different rules regarding the organisational and legal form of social and solidarity-based enterprises. According to the resolution, ‘this diversity and the innovative character of certain of these legal forms indicate that it will be difficult to find consensus in Europe as to whether it is convenient or necessary at the present moment to set up at EU level a specific legal form of social enterprise’.

Another EU initiative with an effect on cooperatives was the adoption in 2018 of the directive on unfair trading practices (UTPs) in the food supply chain, which seeks to improve the role of farmers in the wider food supply chain, by banning some of the most common UTPs. In a similar vein, in December 2018 the Parliament and the Council reached a political agreement (rapporteur: Paolo De Castro, Italy, S&D) on a proposal laying out a new set of rules aimed at ensuring the protection of EU farmers and a large majority of EU agri-food companies against UTPs.

Outlook

Cooperatives and mutual societies are important players in the social economy and in (international) development. On several occasions, the EU has underlined their increasing importance for sustainable development, local communities, and social inclusion.

Cooperatives seek wider recognition and better integration of their business model. However, uncertainty remains, created by the impact of globalisation, diverging national competition laws and the unpredictable future of binding international rules. While many EU laws seem to be poorly adapted to the specific needs of cooperatives and to favour capital-based enterprises, the
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collaborative economy would benefit from an enabling European legal framework targeted at preserving and stimulating the emergence of innovative cooperative models. In doing so, the social economy would be better recognised as a key segment of the economy.

Cooperatives would benefit from the promotion of better targeted funding and from an entrepreneurship policy that takes into account the diversity of business models. Here again, an appropriate regulatory framework would help to ensure a level playing field. Creating a level playing field would put cooperatives in a better position to compete with investor-oriented firms without giving up their social and cultural orientation. Furthermore, small and emerging cooperatives expect more targeted help for capacity-building and organisational assistance, whereas larger cooperatives could use more EU- and national-level support for their professionalisation aims. In this context, the SCE statute needs to be made more effective and applicable. Some experts, for instance, criticise cross border issues and the minimum capital requirement of €30 000 for SCEs (which seems to be an obstacle) as well as the complex bureaucratic procedures to be followed and the numerous references to national law.

Finally, Parliament has asked the Commission to submit a legislative proposal on the creation of a standardised European social economy label to help to strengthen the solidarity-based economy further. Transversal recognition of the cooperative business model across all EU policies, in particular in entrepreneurship and youth, as well as a better translation of legal principles into international or European law (whilst acknowledging the multiplicity of the cooperative business model and the specific national contexts) might also be useful.

MAIN REFERENCES AND FURTHER READING

COGECA, Development of Agricultural Cooperatives in the EU 2014, 5 February 2015, Brussels.
EURICSE (European Research Institute on Cooperative and Social Enterprises) et al., Study on the implementation of the Regulation 1435/2003 on the Statute for European Cooperative Society (SCE), 5 October 2010.
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ICA (International Cooperative Alliance) and EURICSE, World Cooperative Monitor, Exploring the Cooperative Economy, Report, 2018.
Mazzarol T. et al., A conceptual framework for research into co-operative enterprise, Centre for Entrepreneurial Management and Innovation (CEMI), Discussion Paper 1102.
ENDNOTES

1. The European Commission's definition of cooperatives is quite similar.

2. For a theoretical overview, see also T. Mazzarol et al., *A conceptual framework for research into co-operative enterprise*, Centre for Entrepreneurial Management and Innovation (CEMI), Discussion Paper 1102.

3. In a mutual, generally speaking, members do not contribute to the capital of the company through direct investment, as in a cooperative, but derive their participation rights and profits through the customer relationship.


5. Ibid., p. 6.

6. This is an estimation since the figures of the World Cooperative Monitor *Exploring the Cooperative Economy* are depicted in US$.


8. However, the figures of the European Commission diverge significantly from the Cooperatives Europe report. According to the Commission's website on cooperatives, there are 250 000 cooperatives in the EU, owned by 163 million people and employing 5.4 million people.


11. See articles by T. Fjortoft and O. Gjems-Onstad (Norway); D. Jakob et al. (Switzerland); and A. Kurimoto (Japan), listed under 'Main references'.


18. The ICA-EU partnership aims in part to tackle the shortcomings in comparative legal research.


20. An own-initiative legislative report is an official request by the European Parliament to the Commission to put forward a legislative proposal. It is based on the Treaty of Functioning of the European Union and requires a special majority (Rule 46 of the Parliament’s Rules of Procedure).

21. The agreement will apply to anyone involved in the food supply chain with a turnover of €350 million, with differentiated levels of protection provided below that threshold. The new rules cover retailers, food processing entities (e.g. manufacturers of prepared food products), wholesalers, cooperatives, producers’ organisations and single producers engaging in UTPs. The UTPs to be banned include: late payments for perishable food products; last-minute order cancellations; unilateral or retroactive changes to contracts; forcing the supplier to pay for wasted products; and refusing written contracts. The Parliament is due to vote on these rules during its plenary session in March 2019.

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### ANNEX: Legal framework, formal requirements and structure of cooperatives in the EU-28, Japan, Norway, Switzerland and the US

<table>
<thead>
<tr>
<th>Country</th>
<th>Legal basis</th>
<th>Membership and capital requirements</th>
<th>Governance principle</th>
<th>Organisational form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Commercial Code; Law on Cooperatives; Cooperative Auditing Law</td>
<td>Minimum number of members: 3 (for cooperatives with limited or unlimited liability); no minimum number for economic interest groupings. Minimum capital: None, but €18,850 for cooperatives with limited liability</td>
<td>One member, one vote (in general)</td>
<td>Two-tier system</td>
</tr>
<tr>
<td>Belgium</td>
<td>Economic interest grouping (law of 17 July 1989); Cooperative Society with Limited Liability Law of 20 July 1991; Cooperative Society with Unlimited Liability Law of 7 May 1999</td>
<td>Minimum number of members: 5 (physical or legal persons)</td>
<td>One member, one vote, but associations may allow for multiple votes</td>
<td>The cooperative company is managed by one or more representatives. The rules concerning public limited companies (société anonyme - SA) apply if the articles of</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>National Cooperative Law</td>
<td>No mandatory provisions</td>
<td>One member, one vote</td>
<td>Two-tier system with assembly, supervisory board, manager</td>
</tr>
<tr>
<td>Croatia</td>
<td>Cooperatives Act (Official Gazette Nos 34/11, 125/13, 76/14)</td>
<td>Minimum number of members: 7. Minimum capital: 1 000 kunas</td>
<td>One member, one vote</td>
<td>General assembly and elected executive board</td>
</tr>
<tr>
<td>Cyprus</td>
<td>Cooperative Societies Law (1985-2003)</td>
<td>No mandatory provisions</td>
<td>One member, one vote</td>
<td>Two-tier system</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Law 90/2012 on Commercial Companies and Cooperatives (Business Corporations Act)</td>
<td>Minimum number of members: 3. No other mandatory provisions</td>
<td>One member, one vote</td>
<td>Two-tier system</td>
</tr>
<tr>
<td>Denmark</td>
<td>None</td>
<td>None</td>
<td>One member, one vote</td>
<td>One- or two-tier system (often with business inspector)</td>
</tr>
<tr>
<td>Estonia</td>
<td>Commercial Associations Act (2002)</td>
<td>Minimum number of members: 5. Minimum capital: €2,556</td>
<td>One member, one vote</td>
<td>Most common: elected management board with president and director</td>
</tr>
<tr>
<td>Finland</td>
<td>Cooperatives Act 1488/2001 (1 January 2014)</td>
<td>Minimum number of members: 1. No minimum capital required</td>
<td>One member, one vote or proportional representation</td>
<td>Board of directors is the main decision-making body</td>
</tr>
<tr>
<td>France</td>
<td>Law on the Status of Cooperatives (10 September 1947). Specific laws for all the cooperative sectors: agriculture, artisan, banking, consumer, retail, housing, maritime, worker and transport</td>
<td>Agriculture cooperatives: sui generis statute. Limited liability company: minimum number of members is 2, maximum 100. There is no minimum capital except for artisan, maritime and transport cooperatives. Joint-stock company: the minimum number of members is 7. The minimum capital is half of the joint stock company's capital. Simplified joint-stock company: the minimum number of members is 2</td>
<td>One member, one vote</td>
<td>Most common: elected management board with president and director</td>
</tr>
<tr>
<td>Germany</td>
<td>Cooperative Law (1889, updated in 2006)</td>
<td>Minimum number of members: 3. No other provisions</td>
<td>One member, one vote or proportional representation</td>
<td>Board and supervisory board</td>
</tr>
<tr>
<td>Greece</td>
<td>Law 1667 (1986) on Civil Cooperatives; Law 2810 (2000) and Law 4015 (2011) on Agricultural Cooperatives; Law 4019 (2011) on Social Cooperatives</td>
<td>The minimum number of members is 10 in agricultural cooperatives, 15 in civil cooperatives, 100 in civil consumer cooperatives, 5 or 6 in social cooperatives. No minimum capital requirement</td>
<td>One member, one vote</td>
<td>Three mandatory bodies are required: general assembly, board of directors and supervisory board</td>
</tr>
<tr>
<td>Hungary</td>
<td>Civil Code, Law X/2006 on Cooperatives (November 2011), Law CXLI on the Agricultural Cooperative Business Shares (2000)</td>
<td>None</td>
<td>None</td>
<td>No express provisions required by law</td>
</tr>
<tr>
<td>Ireland</td>
<td>Industrial and Provident Societies Act, which applies mainly to cooperative societies</td>
<td>Minimum number of members: 8. One ordinary, one euro share</td>
<td>No express provisions required by law</td>
<td>No express provisions required by law</td>
</tr>
<tr>
<td>Italy</td>
<td>Italian Civil Code</td>
<td>Minimum number of members: 9. Three members (natural persons) can fund a cooperative. No other mandatory provisions</td>
<td>One member, one vote</td>
<td>Three different systems (traditional, one-tier or two-tier system)</td>
</tr>
<tr>
<td>Latvia</td>
<td>Cooperative Societies Law</td>
<td>Minimum capital: €2,845. No other mandatory provisions</td>
<td>One member, one vote</td>
<td>Respecting provisions of Cooperative Societies Law</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Law on Cooperative Companies; Law on Credit Unions</td>
<td>Minimum number of members: 5</td>
<td>One member, one vote</td>
<td>Meeting of members, board, head of administration</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Law on Commercial Companies (1915)</td>
<td>Minimum number of members: 5 (physical or legal persons)</td>
<td>One member, one vote</td>
<td>The cooperative company is managed by one or more representatives. The rules concerning public limited companies (société anonyme - SA) apply if the articles of</td>
</tr>
<tr>
<td>Country</td>
<td>Statute/Act/Code</td>
<td>Minimum number of members</td>
<td>Minimum capital</td>
<td>Membership votes</td>
</tr>
<tr>
<td>------------------</td>
<td>------------------------------------------------------</td>
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<td>------------------</td>
</tr>
<tr>
<td>Malta</td>
<td>Cooperative Societies Act XXX of 2001</td>
<td>5</td>
<td>€100 000</td>
<td>None</td>
</tr>
<tr>
<td>Germany (The)</td>
<td>National Cooperative Law (refers also to associations)</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Poland</td>
<td>The Cooperative Law (Act of 16 September 1982); Act of 14 December 1995 on Cooperative Banks; Act of 7 December 2000 on the Functioning of Cooperatives</td>
<td>10, or 3 legal entities</td>
<td>Minimum of €114</td>
<td>Minimum number</td>
</tr>
<tr>
<td>Portugal</td>
<td>Cooperative Code (Law No 119/2015)</td>
<td>3</td>
<td>€1 500</td>
<td>None</td>
</tr>
<tr>
<td>Romania</td>
<td>Law No 1/2005 on Cooperatives Applicable to Industry &amp; Services Cooperatives and to Consumer &amp; Retail Cooperatives; Law No 356/2004 on Agricultural Cooperatives; series of specific regulations for credit cooperatives, also valid for other credit institutions</td>
<td>5</td>
<td>€2 275</td>
<td>One member, one vote</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Co-operatives Law (Official Journal, No 97/2009)</td>
<td>3</td>
<td>None</td>
<td>One member, one vote</td>
</tr>
<tr>
<td>Spain</td>
<td>Law 27/1999 on Cooperatives</td>
<td>3 (first-degree coops) or 2 (second-degree coops)</td>
<td>No minimum capital required</td>
<td>One member, one vote</td>
</tr>
<tr>
<td>Sweden</td>
<td>Swedish Cooperative Law; Cooperative society legal form</td>
<td>3</td>
<td>€1 SEK</td>
<td>One member, one vote</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>The Cooperative and Community Benefit Societies Act 2014</td>
<td>No mandatory provisions</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Japan</td>
<td>Agricultural Cooperative Law No 132 of 19 November 1947, Consumer Cooperative Law No 200 of 30 July 1948, Law on Cooperative Banking No 183 of 1 June 1949</td>
<td>15 (for agricultural coops)</td>
<td>Minimum capital required (except for coops in the banking and insurance sectors)</td>
<td>One member, one vote</td>
</tr>
<tr>
<td>Norway</td>
<td>Cooperative Societies Act (29 June 2007, No 81)</td>
<td>2</td>
<td>None</td>
<td>One member, one vote, but also additional votes possible</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Swiss Code of Obligations</td>
<td>7</td>
<td>Minimum capital</td>
<td>One member, one vote</td>
</tr>
<tr>
<td>United States</td>
<td>No federal law (except for tax exemption); the states have about 85 statues for cooperatives</td>
<td>Variable (e.g. 3-12 minimum members, depending on state and sector, a coop may be formed with or without capital stock)</td>
<td>Minimum capital</td>
<td>One member, one vote or patronage-based voting</td>
</tr>
</tbody>
</table>