

# Evaluation of the Problems of Milk Collecting Agricultural Cooperatives in the West Mediterranean Region of Turkey

Asaf OZALP<sup>1</sup> and Ibrahim YILMAZ<sup>1</sup>

<sup>1</sup>Akdeniz Üniversitesi Ziraat Fakültesi Tarım Ekonomisi Bölümü, Kampüs, 0759, Antalya

## Abstract

Agriculture has a different status on economies of many countries, thus it is necessary for ensuring the country's continuous economic growth and development. One of the most important factors for achieving economic sustainability and social and technical success of the agricultural sector is the gathering of producers under cooperatives. Agricultural cooperatives have their historical roots in Turkey. It is difficult to say that cooperatives are active at the desired level even if the number of cooperatives and member seems high. This is related with problems faced by cooperatives. The aim of this study is to reveal the problems faced by cooperatives engaged in milk collection activities in the Western Mediterranean Region of Turkey. 100 cooperatives that are active in the region were examined in this study. 100 questionnaires were conducted with the cooperative managers and 212 questionnaires were conducted with the members and a total of 312 survey results were obtained. The problems of the cooperatives examined in the study were grouped under three main headings as milk collection and sales, feed purchases and sales and problems related to the operation of cooperatives.

**Key Words:** Western Mediterranean Region, agricultural cooperatives, dairy cooperatives, cooperative problems

## Introduction

Cooperatives aim to solve the economic and social problems that individuals cannot solve alone. Main roles of agricultural cooperatives involve contributing to the provision of cheap inputs to members, marketing of products, and realization of local and regional development (Cıkmın and Yercan, 1995).

Cooperatives are initiatives play an important role in today's market economy. They are established and managed by members, are not dependent on the state, and cannot be ignored with their autonomous, productive and competitive structures. Contribution of cooperatives to the economy as enterprises can be considered as the formation of prices, development of markets, product differentiation and economies of scale.

Agricultural cooperatives are seen as the solution of many problems in agriculture and recommended in Turkey. Although it is considered that there are some few successful

cooperatives, cooperatives and producer organizations are generally considered as unsuccessful (Yılmaz and Aydoğmuş, 2007; Yılmaz at all 2009). Accordingly, failure of organization and cooperatives has been considered as one of the main problems concerning the farmer's welfare. The benefits of the agricultural cooperation were included in almost every solution proposal and farmers were provided with incentives for organization. However, despite existence of sufficient number of farmer cooperatives and cooperative members in Turkey, cooperatives are unable to reach a satisfactory activity level. The success of agricultural cooperatives is one of the most important factors to accelerate agricultural development in Turkey. Analyzing the problems faced by cooperatives will be an important indicator in increasing the performance of cooperatives across the country in achieving the success of agricultural cooperatives.

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\*Corresponding author e-mail: [iyilmaz@akdeniz.edu.tr](mailto:iyilmaz@akdeniz.edu.tr)

Although cooperatives are non-profit organizations, they need to gain return for providing benefits to the members, sustainability and meeting the costs of the cooperatives in the face of changing market conditions and increasing competition. In order to achieve this goal, it is important to examine the problems faced by the cooperatives and to find solutions for them.

The purpose of this study is to evaluate the problems faced by the cooperatives engaged in milk collection in the Western Mediterranean Region of Turkey and to produce proposals to solve them. Various studies have been carried out on cooperative problems in Turkey (Mulayim, 1990; Anonymous1997; Tasan 2003; Mulayim 2013; Rehber, 2011; Yilmaz et al., 2008a; Yilmaz et al., 2008b; Anonymous, 2012; Ozalp and Yilmaz, 2014, Güresci 2017; Güresci and Gonc 2017). The difference of this study from similar studies is that the problems faced by the cooperatives during the activity were revealed directly by both the cooperative managers and the cooperative members.

## Materials and Methods

The population of the study constitutes of the cooperatives engaged in milk collection activities in the TR61 West Mediterranean region (Antalya, Burdur, Isparta) of Turkey and the producers that are members of these cooperatives. The primary data used in the study obtained via face-to-face survey with the cooperative managers and members. The cooperatives examined were chosen randomly.

According to the data obtained from the provincial directorates of agriculture, the number of cooperatives engaged in milk collection in the region was determined as 45 in Antalya, 200 in Burdur and 70 in Isparta. Within the scope of the study, a total of 100 cooperatives (31.7%) were selected randomly, 18 from Antalya province (40%), 49 from Burdur (25.5%), and 33 from Isparta (47.1%) (Table 1). Among the cooperatives examined within the scope of the study, 70 are agricultural development cooperatives and 30 are irrigation cooperatives. Collecting and marketing the milk produced by the members is carried out in all cooperatives.

**Table 1.** Distribution of cooperatives examined by provinces and districts

Provinces	Districts	Agricultural development cooperatives	Agricultural Irrigation Cooperatives	Total
Antalya	Döşeme altı	4	1	5
	Korkuteli	7	3	10
	Elmalı	2	1	3
	Total	13	5	18
Burdur	Yeşilova	4	2	6
	Tefenni	3	2	5
	Burdur merkez	7	3	11
	Bucak	10	6	16
	Çeltikçi	4	1	5
	Ağlasun	3	3	6
	Total	31	17	49
Isparta	Şarkikaraağaç	14	3	17
	Keçiborlu	2	2	4
	Yalvaç	9	3	12
	Total	25	8	33
Total		70	30	100

Within the scope of the study, 100 cooperatives were examined, and the results of the study were obtained by conducting 100 surveys with the cooperative managers and 212 members. Questions on the problems were asked in an open-ended manner and the results of the study were obtained by compiling the answers.

## Results and Discussion

The problems of the cooperatives examined within the scope of the research were separated and detailed as problems related to milk collection and sales, feed purchase and sales and functioning of the cooperatives.

### Problems Related to Milk Collection and Sales

The main activity and revenue source of the observed cooperatives is collection and marketing of the members' milk. Cooperatives face various problems in collection of milk from members and sales of the milk collected. Cooperatives make agreements with private companies to market the collected milk and sign contracts against agreement. The contracts involve issues such as milk quality, fat content, hygienic quality, milk purchasing price, timely collection of milk, and

regular and timely payments. Cooperatives must comply with the contracts on issues as milk quality, fat content, hygienic standards. Some companies do not comply with the contracts. These companies buy the milk collected by the cooperatives at lower prices by applying various penal procedures and deductions instead of the price valid in the contract. In addition, these companies make lately payments than the contracted time. This situation reduces the profit of the cooperatives from selling milk and causes delayed payment to the members.

Various private buyers also collect milk along with cooperatives in some villages and some members sell milk to these buyers instead of cooperatives. This situation leads to unfair competition on behalf of the cooperatives and reduces the competitiveness of the cooperatives. In addition, these buyers complain about the cooperatives in order to get more milk from the members and they try to impose criminal actions against cooperatives. This situation affects the ability of cooperatives to pay milk fee to the members and directs some of the members to sell the milk to private companies. Some private buyers collect milk under poor hygienic conditions and do not get the milk recorded. Cooperatives state that they are

seriously inspected by the Provincial Directorate of Agriculture and Forestry for hygiene. However, according to the cooperatives, private buyers who collect milk in the village cannot be controlled in this way. Cooperatives demand sole authorization of cooperatives on milk collection within the village boundaries in order not to affect the competitiveness. Another important problem encountered in collecting milk is that the cooperatives, which deliver milk directly to the receiving company, receive transportation premium per liter of milk in the past years. This situation changed in favor of the companies and the companies stopped giving transportation premium thereafter. Cooperatives have had to accept this situation due to the lack of competitiveness and market difficulties. In addition, companies that buy milk directly from the cooperative milk collection center also charge transportation fees to the cooperative generally. While the cooperatives received a cooling premium per liter of milk they cooled in the previous years, this situation disappeared with opposition of the companies. Therefore the cooling premiums, which used to be a serious income source for the cooperatives, have disappeared. While some cooperatives use their own milk collection tanks, some use the milk collection tanks provided by the companies. The cleaning, maintenance and repair costs of these tanks were undertaken by the companies in the past. But this situation has changed against the cooperatives in the last few years and these costs are now taken by the cooperatives.

Another problem faced by the cooperatives is the milk support provided by the state authorities. The milk supports have not been paid through the cooperative for the last few years, and directed to the member's account. Prior to this situation, the cooperatives had to pay the support to the partners members after deducting their receivables from the members. However the cooperatives have been experiencing troubles in collecting their receivables from the members after this challenge.

Power cuts and related costs constitute another problem for cooperatives, which used to pay their electricity bills every few months in the past. As cooperatives cannot get their milk receivables from the companies regularly, they have difficulty in paying these bills on time. In addition, power cuts cause milk to spoil, and cooperatives are unable to sell the spoiled milk and destroy it. This situation causes income losses for cooperatives.

#### **Problems with Purchases and Sales of Animal Feed**

The searched cooperatives subject to provide animal feed to their members in order to meet their feed needs. Cooperatives also face various problems in the purchase and marketing of feed. The main problem that cooperatives face in this regards is that the contracted companies are subject to various obligations regarding feed purchases. The companies that buy the milk, force the cooperatives to buy feed either directly from themselves or from the feed companies they have contracted with. This situation enforces cooperatives to buy feed more expensive than the market. In addition, buying feed more expensive than the market creates an additional cost burden on the members. This high animal feed cost leads some members to buy feed from private companies instead of cooperatives. This situation leads income loss of the cooperatives again. Another important issue stated by the cooperatives on animal feed is the reduction in the value added tax applied by the state on feed in order to support animal husbandry. But this

reduction is not reflected in feed prices. Although the reduction in value added tax seems to be a good practice for producers, the reduced feed prices exceeded the pre-implementation prices in just 3 months. This problem has also reflected in milk production costs. Cooperatives demand follow up of implementation process of these and similar policies implemented by the state and application of necessary sanctions if necessary.

#### **Problems Related to the Operation of Cooperatives**

Cooperatives face with various problems arising from the management and the membership status in long term sustainability of their structures. The problems encountered in the studied cooperatives are similar to the problems faced by all cooperatives in Turkey. The decisions approved in the general assemblies of the cooperatives are hardly reached. Managers complain about lack of interest of the members in general assembly meetings. The members both sign the official book and leave the general assembly, or the cooperative managers try to reach the approval number by circulating the book in the village and collect signatures. In addition, the gradual decline of the village population due to the aging of the farmers and abandonment of to live in the village pose serious problems for the cooperatives. The elderly population living in the villages gradually quits agricultural activities. This situation causes a declination in the number of cooperative members. For this reason, cooperatives are getting smaller every year. It is estimated that this situation will cause the cooperatives in some villages to close down in the long run. Unification of cooperatives or cooperation between cooperatives is recommended as a precaution. However, cooperation between concerned cooperatives is almost non-existent. Although the cooperatives are willing to deal with this issue, they cannot realize the cooperation sufficiently in practice.

Another important problem of cooperatives is managerial weakness. Cooperative managers especially cannot manage cooperatives financially successful. This situation leads indebtedness of the cooperatives. Most of the cooperatives cannot pay these debts and the debt burden of the cooperatives increases every year. New managers of cooperatives are faced with a heavy debt burden from previous administrations. Most of the new managers have taken over the cooperatives with high debts and these managers predict that these debts cannot be paid in the long term. In addition, unnecessary and managerial investments of cooperatives increase the debt burden. The inability of the administrations to make the right investment decisions causes financial losses in the cooperatives in the long run. Another problem of cooperatives is that they cannot produce necessary and sufficient projects in order to benefit from state supports and that the projects produced cannot pass the necessary approvals. Cooperatives demand that the cooperatives be given priority, especially in the livestock projects to be implemented in the villages, and they also expect support from universities for project preparation and application. Cooperatives say that a cooperative bank is needed to finance these practices.

Another major problem is the lack of knowledge of the members on cooperatives and agricultural production. The training of the members in production is based entirely on the training provided by the companies. Therefore, companies highlight their own products in these trainings, and this

situation causes farmers misinformation. In some cooperatives, compulsory trainings were given by the provincial and district directorates of Agriculture and Forestry. It was determined that none of the cooperatives examined were given any training at the request of the cooperative managers and members. This situation especially prevents the development of cooperative awareness.

Other problems faced by the cooperatives are;

- The large number of Cooperative Supreme Unions: This situation causes both polarization and segregation of the cooperatives, and also brings a financial burden to the cooperatives due to the application of service cuts from the cooperatives. As a solution to this situation, it is required to gather the unions under a single union and to define the authorities more clearly.
- Work security fees that create an additional cost
- Inadequacy of state supports: Technology, tool and equipment supports are the most important support expected by cooperatives.

### Conclusions

Cooperatives are the basic organisations that increase the competitiveness of producers in the agricultural economy. In today's conditions, where competition is increasing day by day, the agricultural sector is in a continuous development and change as in every sector. In this process of change, it is imperative that cooperatives should operate efficiently to assure continuity. The success of cooperative enterprises depends on their ability to solve the problems they face. Cooperatives are expected to significant contribute to solution of agricultural problems in Turkey. In order for the cooperatives to be successful, it is important to reveal the problems faced by in relevant activity fields and to find solutions in these fields. In terms of solving the problems, it is necessary to support the cooperatives with agricultural policies, to make the necessary legal regulations and to be regularly and continuously audited by the state authorities. Cooperative problems are generally gathered under several main headings and evaluated. However, instead of treating the problems of cooperatives as common problems, it would be more appropriate to evaluate them separately according to the fields of activity of the cooperatives. In addition, it is important to act together with the cooperative representatives in the solution process as the cooperative managers and members know the problems better and face these problems one by one.

### Conflict of Interest

The authors declare that there is no conflict of interest.

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