

Co-operating to beat the recession

Several hundred new Greek co-operatives have sprung up in recent years, partly in response to the crisis, but the existing legal framework needs to be improved

Greece's social economy includes about 2,500 enterprises, mostly agricultural co-operatives that survived the movement's collapse and scores of housing co-operatives. Others unite groups of electricians, plumbers, pharmacists and women selling traditional products in rural areas. A number of regional co-operative banks are weathering the crisis, even though they are no longer able to provide significant amounts of funding to their members.

Several hundred new Greek co-operatives have sprung up, partly in response to the crisis and partly as a result of a 2011 law aimed at encouraging social enterprises. Non-profit consumer co-operatives aiming at reducing prices for food and household goods have led the way, while other new groups focus on recycling and renewable energy production.

One new co-operative in Thessaloniki has a political aim. The Citizens' Union for Water co-operative was set up to bid for a 51 per cent stake in the city water company and sewerage company EYATH, which was offered for sale under Greece's privatisation programme. As a citizens' initiative that grew out of local opposition to privatising a profitable utility, the co-operative proposes an alternative model of social management under its ownership. The purchase would be financed by socially responsible investors and individuals borrowing from micro-finance institutions. The Union made an expression of interest along-

To sum up

In times of economic hardship, co-operatives tend to play a bigger role as cash-strapped consumers and producers cast around for ways of surviving a recession. Greece is no exception, yet the co-operative movement has made only limited progress during the country's six-year recession. One reason is that the legal framework for co-operatives urgently needs updating. Another is a backlash from the collapse of the state-funded Greek co-operative movement, seen as deeply politicised and corrupt. Yet against the odds, Thesgala, a successful milk producer based in Thessaly that is changing the structure of the country's dairy industry, has become a showcase for the benefits of co-operatives. *Kerin Hope reports.*



Korres Natural Products formed a joint venture with the struggling Saffron Co-operative of Kozani, which produces a unique high-quality saffron but lacked capacity to brand and distribute its output. The company supports more than 1,500 families growing crocus flowers in 20 villages around Kozani

side three international bidders but the privatisation process has since been halted, partly because of opposition by Thessaloniki residents.

Yet despite the newfound interest in co-operatives, Greece still lacks a unified national co-operative movement that could drive development of the social economy.

Improved legislation to bring Greek co-operatives in line with western European counterparts is critical to putting the movement on a sound basis and accelerating its growth, according to Lucas Bechmas, head of KAPA, a Greek research network on co-operatives with links to the International Co-operative Alliance which represents the movement worldwide.

"Co-operatives are businesses and they need a clear, stable and up-to-date legal and regulatory framework. That doesn't currently exist in Greece," Mr Bechmas said.

The existing legislation consists of a "dysfunctional general co-operative law, an agri-



Co-operative showcase: The showcase of Greece's co-operative movement is Thesgala, an innovative milk producer based in Larissa whose founder, Athanasios Vakalis (inset), calls it "a child of the crisis". Around 100 farmers operating 55 separate units are members of Thesgala, which produces 120 tons of high-quality fresh milk a day – equal to 10 per cent of total Greek output. The milk is sold directly to Greek dairy companies, but also through Thesgala's innovative network of automatic vending machines in Larissa and Thessaloniki

cultural co-operative law in dire need of an overhaul and the new social co-operatives law which has many shortcomings," he added. "What Greece needs is a new general law on co-operatives based on a 21st century European model."

To ensure that Greece's new co-operatives are not solely reliant on members' contributions but can also access funding for capital investments, the new law should be coupled with a specific auditing requirement, which is missing from the current legislation.

A failure of governance, including the absence of mandatory audits, is the main reason for the collapse of thousands of agricultural co-operatives across Greece during the crisis. Only 1,200 out of 6,000 agricultural co-operatives are still operating, of which 700 are seen as viable. An investigation by the agriculture ministry in 2013 put the co-operatives' cumulative debt at 3 billion euros, mostly owed to the state-controlled Agricultural Bank.

Poor management of expansion programmes based on large inflows of crop subsidies under the EU's common agricultural policy is blamed for the collapse. Co-operatives set up processing and marketing subsidiaries, while some diversified into tourism. The co-operatives became vehicles for exercising political influence, leading to widespread corruption. Following an investigation by the European Commission, Greece was ordered to repay 850 million euros in misspent subsidies. To many Greeks co-operatives are synonymous with bad business practices.

Yet some have been successfully restructured. Korres Natural Products, a private Greek manufacturer of natural-based health-care and beauty products, works with half-a-dozen co-operatives around Greece to produce high-quality aromatic herbs and essential oils used in its products.

Korres formed a joint venture with the struggling Saffron Co-operative of Kozani, which produces a unique high-quality saffron but lacked capacity to brand and distribute its output. Krokus Kozanis Products makes or-

'What Greece needs is a new general law on co-operatives based on a 21st century European model'

ganic teas with saffron, as well as saffron powder and saffron threads for cooking. The company supports more than 1,500 families growing crocus flowers in 20 villages around Kozani.

Korres also co-operates with the Chios Mastic Growers' Association which handles branding and sales of mastic, an aromatic resin produced by more than 4,000 families on the island. Another co-operative in Agrinio, set up by former tobacco farmers, cultivates aromatic plants used in making Korres products.

Yet the showcase of Greece's co-operative movement is Thesgala, an innovative milk

producer based in Larissa, which its founder calls "a child of the crisis".

Around 100 farmers operating 55 separate units are members of Thesgala, which produces 120 tons of high-quality fresh milk a day – equal to 10 per cent of total Greek output. The milk is sold directly to Greek dairy companies but also through Thesgala's innovative network of automatic vending machines in Larissa and Thessaloniki.

Thesgala claims to be the only dairy operator in Europe that sells fresh milk to consumers from automatic vending machines in an urban environment. In both Larissa and Thessaloniki many consumers bring their own re-usable containers.

Founded in 2011 by Athanasios Vakalis, a Greek medical doctor who returned after completing studies in London to run his family's farm, Thesgala is one of the few Greek co-operatives that operates successfully as a business.

Farmers who are members of Thesgala benefit from higher milk prices and cheaper inputs since the co-operative can cut out intermediaries to deal directly with buyers and suppliers. Thesgala's milk commands a price premium from dairy companies because of its quality, but sells at prices that are competitive with supermarkets from its vending machines.

Thesgala is building its own pasteurisation plant which is due to start operating later this year. Its vending network is expanding rapidly in Thessaloniki and there are plans to expand to Athens. **bf**