

GOVERNMENT OF THE REPUBLIC OF LITHUANIA

RESOLUTION No. 394

**ON APPROVAL OF THE PROGRAMME FOR THE DEVELOPMENT OF
AGRICULTURAL CO-OPERATIVE SOCIETIES**

12 April 1999
Vilnius

The Government of the Republic of Lithuania has resolved:

1. To approve the programme for the development of agricultural co-operative societies (attached thereto).
2. To instruct the Ministry of Agriculture to undertake in conjunction with the Chamber of Agriculture of the Republic of Lithuania the implementation of the programme for the development of agricultural co-operative societies.

This programme shall be financed from the assets of the Rural Development Fund, allocations to the Chamber of Agriculture of the Republic of Lithuania and other sources.

3. To authorise the Ministry of Agriculture to utilise during the period 1999-2000 up to LTL10.6 million (of which LTL7.4 million in 1999) from the Rural Support Fund for the implementation of the programme for the development of agricultural co-operative societies.

Prime Minister

Gediminas Vagnorius

Minister of Agriculture

Edvardas Makelis

**Approved by Government of
the Republic Resolution No 394
of 12 April 1999**

**PROGRAMME FOR THE DEVELOPMENT OF AGRICULTURAL CO-
OPERATIVE SOCIETIES**

I. GENERAL PROVISIONS

1. This programme shall be governed by the Law on Co-operative Societies (Co-operatives), the Law on the State Regulation of Economic relations in Agriculture, the programme of activities of the Government of the Republic of Lithuania for the period 1997–2000, and the programme for the development of agriculture. This programme shall lay down strategic measures to be undertaken by the Government of the Republic of Lithuania and its institutions for the development of co-operatives in agriculture, due regard being taken of the changes in agricultural sector, existing infrastructure and situation in the downstream industry.
2. This programme shall be intended for a medium term of two years and shall be implemented, building on the experience of foreign states and according to the programme of activities of the Government of Lithuania, which aims inter alia at supporting the establishment of trade and services providing co-operatives and their unions, the setting up of co-operative societies for primary processing of agricultural products and studies on the development, problems and prospects of agricultural entities, agricultural infrastructure, downstream industry and co-operative movement.

II. CO-OPERATIVE SYSTEM IN AGRICULTURE AND FOOD SECTOR. MAIN PROBLEMS AND THEIR RESOLUTION

3. The process of establishment of co-operative societies is rather slow due to the lack of initiative on behalf of farmers and other agricultural producers. The majority of existing co-operative societies consist of only 3-5 members.
4. Although the articles of co-operative societies provide for different kinds of activity, co-operatives are basically engaged only in a few of them. The majority of co-operatives are operating in the upstream sector as the Government of France supported their establishment.
5. Co-operatives are established by enthusiasts of co-operative movement in the areas, which offer the most favourable conditions and in most cases at the level of neighbourhoods or regions.
6. There is a lack of co-ordination of co-operative activities. Co-operative societies operate on individual basis, which results in an unsystematic and accidental manner of their activity.
7. It is difficult for the majority of co-operatives to get established on the market.
8. There is a lack of clear principles of the formation of their organisational structure, methodological advice and funds required for their establishment.
9. There is a lack of co-operation between administration and members of co-operative societies.

10. Problems of co-operative movement

- 10.1. Although there exists the willingness to set up co-operatives, a number of possibilities to create through a co-operative system a more friendly attitude of agricultural infrastructure and downstream industry to agricultural entities have not been fully exhausted. The slow pace of the process of establishment of co-operatives is determined by unfavourable legal environment and market barriers.
- 10.2. Farmers and other agricultural entities fail in their effort to establish co-operatives since the funds collected from subscriptions and equity capital are not sufficient for accumulating the resources necessary to carry out economic and commercial activities. In this respect, support is required.
- 10.3. There is a lack of unity among the participants of co-operative system – small and medium scale producers of agricultural and food products. The interests of the former suffer in most cases when they have to compete with production enterprises having large equity capital and to resist the impact of such capital concentration.
- 10.4. The existing co-operatives, in particular those with underdeveloped activity, do not have the necessary financial resources for hiring skilled managers and experts.
- 10.5. Co-operatives or co-operative movement are not adequately represented in the public institutions of the Republic of Lithuania and their relations with other economic and commercial structures have not been defined.

11. Measures necessary to solve the existing problems

- 11.1. To encourage the setting up of co-operatives of all types by delegating this function first and foremost to the farmers' self-management bodies and their local representatives. Neighbourhoods and municipal authorities could considerably facilitate the process.
- 11.2. To encourage the establishment of regional unions or associations of activity-specific co-operatives, such as upstream, trade, crediting, etc., in the counties and the setting at the national level the unions of sectoral co-operatives developing economic and commercial activity.
- 11.3. To increase financial support to promising co-operative societies (co-operatives) and their unions or associations.
- 11.4. To increase the state support to the establishment of agricultural co-operatives and co-operatives engaged in different crafts, in particular to those which could more easily enter the market and which operate in less-favoured regions (hill areas, forest areas, at lakes, rivers, etc.).
- 11.5. To organise and finance short-term training courses for managers, experts and members of co-operative societies (co-operatives) and their territorial and sectoral unions and associations, farmers, the officials of public authorities of the counties and districts, local authorities and co-operative bodies.
- 11.6. To support the existing and new institutional structures, which are responsible for the monitoring of activities of all regional and sectoral co-operative unions or associations active in Lithuania and which are engaged in the formation of co-operative policy.

II. GOALS AND TASKS OF THE PROGRAMME

12. The prime goal of the programme is to create a more favourable infrastructure for farmers and other agricultural entities, who by the end of the year 2000 will establish, develop and modernise 45 co-operative societies (co-operatives), and their unions or associations acting at a local, regional or national level. To improve their material basis and to adjust the interests of farmers and food processors with the help of development of co-operative system.

13. Other goals of the programme

13.1. By the end of 1999 to formulate the concept of financial, organisational and institutional and technical support to the development of co-operative system in agriculture.

13.2. By the year 2000 to conduct on yearly basis research, organise training and provide consulting services on the issues of co-operation and to improve the procedure for utilization of financial resources allocated to the development of co-operative system in agriculture, taking into consideration the changes in the agricultural infrastructure, downstream industry and co-operative system.

13.3. To provide financial support to co-operative societies (co-operatives) in the form of soft loans granted for accumulating the working capital, to allocate resources for partial compensation of investments (up to 25 per cent of a new investment project) and the interest on loans and to issue guarantees for loans.

14. Tasks of the programme

14.1. To support institutional structures which directly assist agricultural co-operative societies (co-operatives) and their unions or associations in solving the problems relating to their establishment, start and organisation of economic activity. To allocate for the said purposes the grant of LTL280 thousand for the period 1999-2000, of which LTL160 thousand in 1999.

14.2. To finance the existing and new training programmes and advisory services relating to co-operation and to cover the costs of auditing and consulting services. To allocate for the said purposes LTL335 thousand for the period of 1999-2000, of which LTL175 thousand in 1999.

14.3. To finance research and allocate for this purpose LTL285 thousand for the next two years, of which LTL95 thousand in 1999.

14.4. To allocate LTL7.8 million to the Chamber of Agriculture of the Republic of Lithuania (of which LTL6.07 million in 1999) for subsidising agricultural co-operative societies (co-operatives): soft loans for investments and accumulation of the working capital and partial compensation (up to 50 per cent of the interest on loans taken for accumulating the working capital; to allocate resources for partial compensation of investments (up to 25 per cent of a new investment project).

14.5. To issue guarantees for loans taken by co-operative societies (Agricultural Loan Guarantee Fund).

14.6. To promote manufacturing of new products by co-operative societies (co-operatives) and to allocate resources for partial compensation of investments into new technologies and the interest on loans taken for the mentioned purpose. To allocate for the said purposes LTL2 million, of which LTL1 million in 1999.

III. EFFECTIVENESS OF THE PROGRAMME IMPLEMENTATION

15. Expected structural results of the programme implementation

15.1. By the end of the year 2000 to establish or modernise no less than 45 co-operative societies (co-operatives) operating effectively at a local, regional or national level.

15.2. The first unions or associations of agricultural co-operative societies (co-operatives, the Lithuanian Association of Farmers Supporting Co-operative Movement and the Agricultural Co-operation Agency will start their activity.

15.3. Farmers and other agricultural entities will be more actively involved in the activities of co-operative societies (co-operatives). By the end of the year 2000 the number farmers and other agricultural entities who are members of co-operative societies (co-operatives) will amount to 20 000.

16. Expected economic results of the programme implementation

16.1. A larger number of farmers and other producers of agricultural products (20 thousand members of co-operative societies (co-operatives)) will receive support from the Rural Support Fund. Investments will be directed not only to individual persons, but also to co-operative structures established by them. A relatively smaller amount of resources will be required for the support to agriculture

16.2. Investment and operating costs of the farmers and other agricultural entities who are members of co-operative societies (co-operatives) will decrease by 10 per cent due to increased productivity and more rational use of agricultural machinery and production facilities; competitiveness of agricultural products will increase.

16.3. More favourable conditions will be established for crediting, processing and trade in agricultural products. The income of farmers and other agricultural entities will increase since the services of mediators in processing, trade and services sectors will be no longer be required.

17. Expected social and psychological results of the programme implementation

17.1 Incomes of farmer and other rural dwellers and their families who will join co-operative societies (co-operatives) will increase by 20 per cent.

17.2. The programme will help to improve the image of co-operative system and will promote greater solidarity of farmers and rural communities.

V. IMPLEMENTATION OF THE PROGRAMME

18. The Ministry of Agriculture shall be responsible for co-ordinating the implementation of the programme. The Chamber of Agriculture of the Republic of Lithuania and scientific and educational institutions shall be responsible for its practical implementation.

19. Implementing measures of the programme are presented below.

ANNEX

Sub-programme	Measure	Responsible institution	Term of implementation	Financing		
				Required resources, LTL, thous.		Resources
				Total 1999-2000	of which in 1999	
1. Promotion of institutional development of agricultural co-operative system	Support to institutional structures	Chamber of Agriculture of the Republic of Lithuania (Chamber of Agriculture)	1999-2000	200	80	State budget of the Republic of Lithuania (Rural Support Fund)
				80	80	Allocations to the Chamber of Agriculture and other resources
2. Training and consulting on the issues of co-operative system	Financing of training courses and consulting services, covering the costs of auditing and consulting services	Ministry of Agriculture	1999-2000	315	155	State budget of the Republic of Lithuania (Rural Support Fund)
		Chamber of Agriculture	1999-2000	20	20	Allocations to the Chamber of Agriculture and other resources
3. Research	Funding of research	Ministry of Agriculture	1999-2000	285	95	State budget of the Republic of Lithuania (Rural Support Fund)
4. Promotion of activity of agricultural co-	Allocation of resources for crediting of	Chamber of Agriculture	1999-2000	7800	6070	State budget of the Republic of

operative societies (co-operatives)	agricultural co-operative societies (co-operatives), granting loans for the working capital and investments, and for partial compensation (up to 50 per cent) of the interest on loans taken for accumulation of working capital and for partial compensation (up to 25 per cent) of investments of a new investment project;					Lithuania (Rural Support Fund)
	issuing of guarantees for loans taken by co-operative societies (co-operatives)	Agricultural Loan Guarantee Fund, Chamber of Agriculture	1999-2000			Agricultural Loan Guarantee Fund
	Promotion of production of new products, allocation of resources for partial compensation of investments into new technologies and the interest on loans taken for the said purpose	Chamber of Agriculture	1999-2000	2000	1000	State budget of the Republic of Lithuania (Rural Support Fund)
Total				10700	7500	State budget of the Republic of Lithuania (Rural Support Fund),

						allocations to the Chamber of Agriculture and other resources
of which				10600	7400	State budget of the Republic of Lithuania (Rural Support Fund)