

The German Cooperatives in Europe



DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. (German Cooperative and Raiffeisen Confederation)

- **BVR – Bundesverband der Volksbanken und Raiffeisenbanken e.V. (National Association of German Cooperative Banks)**



- **DRV – Deutscher Raiffeisenverband e.V. (German Raiffeisen Federation)**



- **ZGV – Zentralverband Gewerblicher Verbundgruppen e.V. (German Federation of Buying and Marketing Groups)**



- **ZdK – Zentralverband deutscher Konsumgenossenschaften e.V. (Central Federation of Consumer Cooperatives)**



GdW – Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V. (National Association of German Housing and Real Estate Enterprises)

A. Introduction

As in most of the European countries, cooperatives play a significant role in Germany too. They are important actors in the market economy. In Germany, every fourth citizen is member of a cooperative.

According to the definition of the United Nations / ILO, “a co-operative 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.”¹

In the current economic crisis, cooperatives prove to be a stabilising factor. Due to the task of member promotion (Förderauftrag) (member value) and the sustainable corporate model which is not oriented to a short-term profitability (shareholder value), they are less vulnerable.

B. Historical Background of Cooperatives in Germany

Our understanding of cooperatives is determined by the ideas of Friedrich Wilhelm Raiffeisen who founded in the second half of the 19th century the first rural savings and credit cooperatives and agricultural cooperatives, and Hermann Schulze-Delitzsch who established the first urban cooperatives (e.g. a shoemaker’s cooperative but also savings and credit cooperatives). Viktor Aimé Huber was the founder of housing cooperatives in the mid-19th century whereas Eduard Pfeiffer exerted a dominating influence on the development of consumer cooperatives.

In the decades that followed, the cooperative idea spread throughout Germany, Europe and worldwide. Numerous households, farmers, retailers and craftsmen joined their forces according to the principles of Raiffeisen and Schulze-Delitzsch. Amongst others, the middle and East European countries took the German cooperative law as a model, originally designed by Schulze-Delitzsch in the 19th century. The German cooperative law dates back to 1889.

However, there is no uniform cooperative development in Europe. The cooperative philosophy has arisen from the respective history of each country, taking on national characteristics. Whereas countries like Germany, Austria define themselves by their legally

¹ The shared cooperative values and principles are: Voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperating among cooperatives; concern for the community.

formulated predominant economic member promotion (Förderauftrag), countries in Romanic and South European areas today consider cooperatives as part of the “économie sociale”.

C. Our Concept of Cooperatives

Cooperatives are voluntary cooperations of members into a joint enterprise (joint business operations) with the legally defined goal of promoting the economic, cultural or social activity of its members.

In Germany different types of cooperatives exist: cooperative banks, cooperatives related with the agricultural sector, small-scale industry commodity, buying and marketing groups of small and medium sized enterprises (SME), consumer cooperatives and housing cooperatives.

Core aim of a cooperative is to provide a better access to the market and affordable services for their members. The joint business operations are based on the principles of self-help, self-administration and self-responsibility and on the values of democracy, equity and solidarity.

The cooperative members have a double function. The member of a cooperative is both, capital owner and customer, consumer or producer of the goods and services provided by the cooperative. This “Identity Principle” (identity between member and customer respectively employee) is the main criteria to differentiate a cooperative from other types of enterprises.

Cooperatives are subject to the same regulations as other enterprises and therefore compete with them and also among each other. They have to assert themselves on the market with this specific corporate philosophy.

D. The Cooperatives in EU Law

The EU regulation on the Statute for a European Cooperative of 2003 point out that cooperatives are primarily groups of persons or legal entities with particular operating principles that are different from those of other economic agents. Democratic structures, control and fair distribution of the profits for the financial year belong to the principles of the cooperatives.

Article 48 (2) of the EC Treaty mentions the cooperatives and explicitly includes them into the category of “companies or firms constituted under civil and commercial law”. Cooperatives are therefore regarded as enterprises, which are performing services for remuneration and finance themselves through these remunerations.

The EU Legislation demonstrates herewith that cooperatives are enterprises which are active on the market and have to prove viable and competitive.

E. Economic and Social Objectives, Common Public Interest, but within the scope of Private Initiative

Even if economic objectives constitute the supporting mission (Förderauftrag) of the largest part of the German cooperatives, a cooperative can also pursue social or cultural objectives; provided these are decided by the members. There is an important number of cooperatives in Germany pursuing these social and cultural objectives (e.g. hospitals, senior citizen homes, theatres or schools). The direct promotion of social objectives is based on a voluntary basis and on the private initiative of the members and not on a legal obligation.

These differences have to be accepted and also taken into consideration in the European documents and decisions on the promotion of cooperatives.

It is therefore obvious that cooperatives due to the principle of open membership cooperatives also provide access to infrastructure in many areas for the general public. Nevertheless, cooperatives do not belong to the public sector. Since the beginning, the German cooperatives and their structures are independent from state intervention as any other enterprise.

F. Cooperatives in Germany Today

Cooperatives in Germany are part of the small and medium-sized enterprises and a vitalising factor for the market in many lines of business. The absolute number of cooperatives has declined in the last years due to mergers resulting from the transformation and evolution of the economic structures; the market share has however clearly increased.

The cooperative network is - with over 20 million members in more than 7.000 cooperatives one of the largest economic organisations in Germany. Almost all German farmers, gardeners and winegrowers are members of a cooperative. Approximately 60% of all craftsmen, 75% of all retail traders, 90% of all bakers and butchers and over 65% of all self-

employed tax advisors are members of a cooperative. The cooperative organisation employs around 830.000 people throughout Germany and provides extensive training programmes for approximately 35.000 people every year. The schedule below shows the current situation (31/12/2008) of the cooperative sector in Germany (incl. national centres and specialised institutions).

		number	members in m	total assets in bn €
DGRV	Cooperative banks ¹⁾²⁾	1,207	16.2	1,224
		number	members in m	turnover in bn €
	Rural cooperatives ¹⁾²⁾	2,994	1.9	45.4
	Buying and marketing cooperatives and other service cooperatives ¹⁾	1,092	0.2	101.6
	Consumer cooperatives	166	0.5	2.0
GdW	Housing cooperatives ³⁾	1,950	2.8	9.5
	Total	7,231	20.4	

Source: DGRV – Facts and Figures 2009

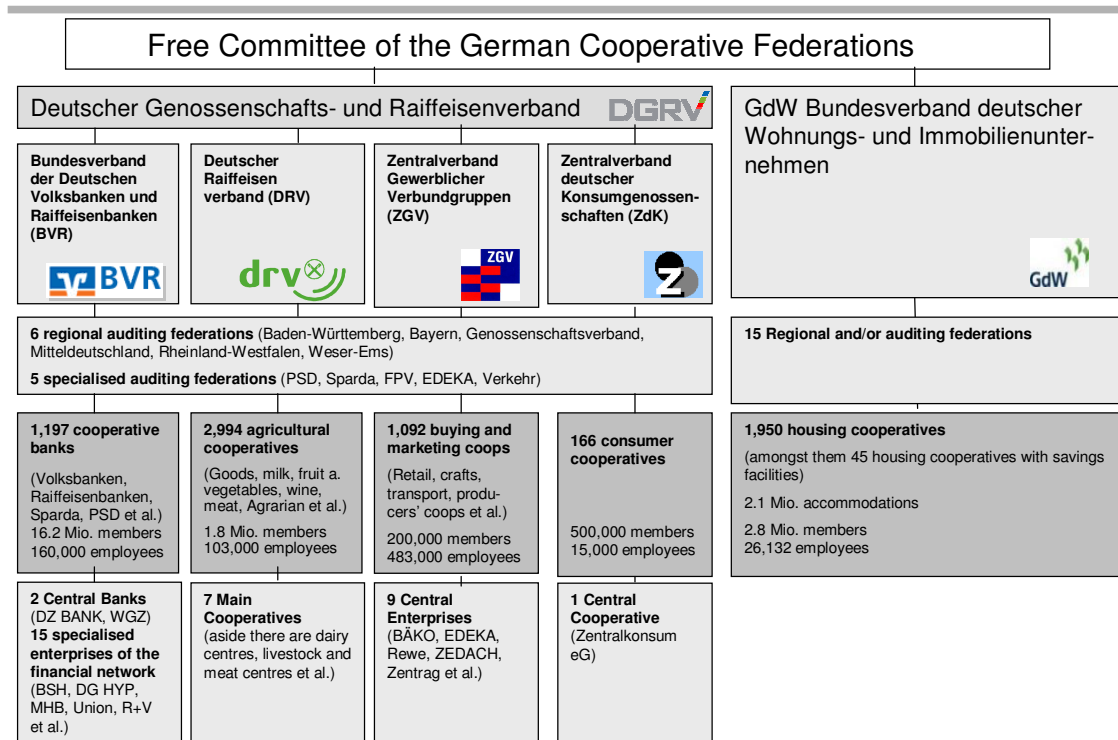
¹⁾ incl. central cooperatives

²⁾ of which 178 are cooperative banks with commodity business (1.2 m members)

³⁾ Source: GdW Statistiken 2008

The cooperative sector in Germany can be subdivided into five pillars: the cooperative banks, the rural cooperatives, the buying and marketing cooperatives and other service cooperatives, the consumer cooperatives and the housing cooperatives with their corresponding federations, central cooperatives and specialised institutes.

The Cooperative Sector in Germany per 31.12.2008



Cooperative banks

The local people's banks and Raiffeisen banks (Volksbanken and Raiffeisenbanken) are the basis of the cooperative financial network (Finanzverbund) and are supported by two central banks, by different enterprises of the cooperative financial network, the so-called "Verbundunternehmen" as well as by regional federations. The national federation is the BVR. At present, 1,197 independent Volksbanken and Raiffeisenbanken are acting on local level. These credit cooperatives are present with more than 13,500 branch offices throughout Germany and employ 160,750 staff. The banks are organised locally, rooted in their region and consider themselves as partner of SME. The members' relation in a cooperative bank is also today strongly developed. Thus, the credit cooperatives have more than 30 million customers, thereof approx. 16 million are also members.

Rural cooperatives

In Germany, there are approx. 3000 enterprises running on cooperative basis in the field of agriculture and food industry – from local to international operating cooperatives. As important partners of agriculture, these enterprises are providing the farmers with production equipment and are buying their agricultural products, which will be then processed according to the demand and commercialised. For example, 70% of the milk produced by farmers will

be collected by cooperatives and 2/3 processed to milk products by cooperative creameries. In Eastern Germany, the agricultural cooperatives run as multi families' enterprises play an important role in the cultivation of land and in the animal husbandry.

Buying and marketing cooperatives and other service cooperatives

The more than 1,000 very differently oriented small-scale industry commodity, buying and marketing as well as service cooperatives are (besides production cooperatives led by the employees, schools, energy cooperatives and further specialised ones) essentially about cooperations of retailers, craftsmen and freelancers. These buying and marketing cooperatives serve the affiliated enterprises, generally the small and medium-sized enterprises, by offering services which can only be provided in an efficient way by means of a cooperation, generally in the field of common purchase and marketing activities whereas these groups are more and more acting with common brands in order to be able to compete with big enterprises.

Consumer cooperatives

Consumer cooperatives play a limited role in Germany. They have largely been squeezed out of the market through an extremely concentrated retail trade. Nevertheless, more and more consumer cooperatives are newly founded, especially in villages and districts which seem unattractive to the retail chains and where initiatives are growing in order to guarantee the supply. More than half of the consumer cooperatives have been founded in the last five years. Thereby, the cooperative sector is extending to untypical fields like schools, institutions for handicapped persons, cultural centres, edition of newspapers, sale of ecological products and fair trade shops.

Housing cooperatives

The housing cooperatives (representing 2.2 millions of flats - approx. 10% of the housing stock) within the GdW are providing affordable and secure housing to more than 5 million people; they are developing cities and districts. The concept of cooperative housing is based on joint ownership, which is administrated on the principles of sustainability and cross-generational. Thereby, the cooperatives are proposing numerous services connected with real estate issues – assisted housing for elder and handicapped occupants, neighbourhood meetings, shopping assistance, member festivities, special housing offers for young members and families, etc. The investment volume amounts to 3.4 billion euro per year.

G. The “European Cooperative SCE” and the Revision of the German Cooperative Law

Since the adoption of the “Statute for a European Cooperative Society (SCE)” in 2003, cooperatives in Europe are subject to national and European regulations. The cooperative statute regulates the transnational activities of cooperatives. The European Cooperative has to be registered in the member state in which the central administration takes place. The registered office can be transferred in another member country without the need for closing or new registering again.

In spite of the small number of “European Cooperatives”, the justification of the new legal form has a sustainable impact on the national regulations. This applies for example for the amended German cooperative law of 18th August 2006 in regard to the extension of the supporting purpose (Förderzweck) to cultural and social activities, the reinforcement of statute autonomy, the admission of “investing” members as well as the minimum capital requirements, the simplification of the formal accounting and the facilitation of the cooperative foundation.

A review of the Statute by the European Commission is currently pending.

H. New Cooperatives in Germany

In 2008 about 180 new cooperatives have been founded in Germany. New cooperatives are arising in very different sectors. At the moment, a revival of the cooperative idea can be observed in many economic sectors.

In the sector of health care, medics and health networks organised themselves as cooperatives. They are buying and marketing jointly within the cooperatives to achieve advantages or to work together with further suppliers to create new health care units. Cooperatives are also emerging in the fields of power generation and energy supply. In this special case, citizens joined forces to purchase electricity together or run solar energy plants jointly. Similar developments can be noticed in grocery retail units. The number of grocers is declining in rural areas and inhabitants respond to this trend by setting up cooperative stores to assure the supply with grocery in the concerned regions. Regarding new foundations of housing cooperatives, there are for example projects of common housing in new built or modernised houses designed for elder people.

I. Conclusion

It is to again to underline that cooperatives have demonstrated their stabilising role in view of the current financial and economic crisis. Self help, self administration, member solidarity as well as a business policy oriented to sustainable objectives in the interest of the cooperative members constitute a coherent answer to a growing globalisation and to the profit expectations of a financial and economic system based on short-term shareholder value interests. National policies as well as the European policy and legislation are well advised to maintain, promote and further develop this supporting pillar of a functioning sustainable economic and social order.

Also in the scope of solidarity and self administration, the accompanying and consulting function of the cooperative federations and special institutes proves especially efficient and significantly contributed to a stable development of the cooperatives. With their know-how and expertise, they support and ensure the cooperative development on a private economic basis. The work of the cooperative federations and the gathered know-how constitute a valuable offer for the policy and law makers in the scope of a solid policy advice.

Cooperatives, mostly small and medium and therefore adaptive enterprises are affected by numerous EU policies. It is essential, that their needs are kept in view at inter-departmental level regarding every change of the European framework and that they are weighted appropriately regarding every impact assessment. This applies for both regarding newly accentuated accounting regulations, new deposit and credit provisions and regarding tightened rules of anti-discrimination etc. Cooperatives are member based enterprise units. They are however by law open for everybody who wants to become member in this member community. Interferences in this substantial characteristic of cooperatives erode the cooperative idea and put the functioning of this sector as a part of our economic and social order at risk.

The cooperatives and their federations explicitly offer their cooperation and support to policy and law makers. The communication from the European Commission on the promotion of cooperative societies in Europe of 2004 is a good basis for a joint advancement of cooperative systems in the European Union.