Financing of the Agricultural Sector via Cooperatives in Turkey and in the World

Seyit HAYRAN[1]* Burak ÖZTORNACI[1]
[1]Çukurova Üniversity Faculty of Agriculture, Department of Agricultural Economics, Turkey
*Corresponding author: hayran86@hotmail.com

Abstract
Agricultural enterprises which intend to continue their activities within the framework of economic principles need regular financing like other enterprises. Agriculture's own structure shows itself in financing need, particular importance is given to agricultural sector's financing. Many establishments like banks, the state, agricultural insurance organizations, factoring companies, cooperatives work in the agricultural sector's financing. Cooperatives of these establishments are seen as the third sector in economic system and they are getting important. This report is about how the agriculture sector is financed by states via cooperatives in Turkey and in the world. Unlike the samples in the world, that there is not any cooperative bank which finances the agriculture is seen as the most important deficiency. And the agriculture and the other sectors are expected to provide an effective financing with a cooperative bank to be founded.
Keywords: Agriculture, finance, cooperative.

Introduction
Agricultural products which increased in 20 century and a high level of industrialization has caused to be attracted attention about financing. Financing of agriculture which is the most important step of capital accumulation is one of the most interesting topics in this process.

Like all enterprises, the main aim of agricultural enterprises is to maintain activities in the framework of economic principles. An agricultural enterprise needs financing at each stage like production, marketing and even after marketing. Financing of agriculture supplies a number of distinctive features like other sectors. These features are based on the people who finance activities, use operation and credit (Bülbül 2006, Kazancı 2010, Yılmaz 2008).

Agricultural production structure –based features: Agricultural activities need a long production process. Although expenses (Planting, fertilizing, watering, hoeing, harvesting, harvesting, marketing etc.) in agriculture are more than once in different terms, generally income is obtained once during production. Agricultural enterprises may have cash crunch during production. The maturity of agricultural credits should be arranged more elaborate than the credits of other sectors. Generally in agricultural sector, credit interest rates are kept within a certain limit by law. And also because agricultural sector depends on natural conditions more than others, natural, social and political risks to be felt more in agriculture ect. many features of the structure of agriculture requires that financing of agriculture should be studied quite sensitively.

Small and disorganized enterprises-based features: Generally agricultural enterprises are small and disorganized in Turkey and these causes not to supply their financing needs appropriately. Providing credits to most of small enterprises is a risky factor for financial institutions and so the number of transactions increases and profit decreases. In the future financing of the agricultural sector will have important impression and be good.

Personal characteristics of credit users- based features: In Turkey farmers have low level of education so they have low level of information about financing. Between financial institutions and farmers there is a misunderstanding of reciprocal rights and obligations clearly and this causes that farmers avoid using credits. Besides farmers can collateral only their land and the house they live and if they cannot pay credit, they have some trouble in their social life.

Generally agricultural sector is financed by government, private and public banks, leasing companies, factoring companies, agricultural insurance, futures markets and cooperatives. In this

report‘s subject is that agricultural sector is financed by cooperatives in Turkey and some chosen countries.

Agriculture Is Financed By Cooperatives: Turkey Applications

Cooperative which is defined as “Organized Cooperation” is often in production (agriculture), marketing, purchasing, housing, services areas. In International Cooperative Union (ICA)’ definition, cooperative is defined clearly as a “operating”. Agricultural cooperatives are self-governing organizations which are created by producer and controlled democratically to provide common needs and desires which cannot be supplied by producers, themselves, in appropriate circumstances (Mülayim 2006).

In these cooperatives, Turkey Agricultural Credit Cooperatives (TKK: TACC) service to find financial sources in shareholder’s suitable proportions. TKK was established according to the Agricultural Credit Cooperatives Associations Law of the dated 1972 and of numbered 1581 and. The aims of TKK are to supply sources and credits, to reduce interest rate, to make recommendations on credit, to use the borrowed credits in production and to increase agricultural production. TKK has 16 regions, 1 Central Union, 1690 units of cooperative and more than 1.5 million shareholders (www.tarimkredi.org.tr, Tanrıvermiş and Bayaner 2006).

The financial resources of TKK are equity and external resources. These resources are shares of cooperative shareholders, domestic resources and reserve capital coming from reserve funds and undistributed earnings, accumulation of cooperative and interest earnings (Cooperatives have farmers use the sources which they use from T.R Ziraat Bank by adding margin to resource cost) and depts which TKK supplies from other resources to give credits. Resources used from T.R. Ziraat Bank are allotted as placement. Every credits which are taken from bank by cooperatives, are used in the form of current account within placement Money which is taken from shareholders , is invested in cooperative account in bank, if placement is suitable for lending money, it reuses but if it is not, new placement is demanded (Taşkıran 2011, Tanrıvermiş and Bayaner 2006).

Credits given to shareholders by TKK divided two groups. These are short-term business credits (general purpose, seed, fertilizers, pesticides animal husbandry) and medium-term investment and credits for equipment (tools and machinery, livestock and other equipment credits). Generally TKK’s shareholders benefit business credits. While business credits are opened with a 1-year maturity, it is up to 3 years in investment credits. In equipment credits, 1/10 of this credit is taken from farmers for capital share. And agricultural inputs and raw materials are sold to shareholders by TKK. .TKK’s operating activities are expanded with law of numbered 5330 and of date 06.04.2005. Goods and commodities sales activities made to shareholders by TKK are excluded from taxes with the same law (www.tarimkredi.org.tr, Tanrıvermiş and Bayaner 2006).

Except TKK, there are some cooperatives like agricultural sales cooperatives which provide credits to the agricultural sector, Tea Growers Production Cooperatives. While TKK generally finance in cash to the agricultural sector, other cooperatives finance in kind. For example Tariş S. S. Fig Sales Cooperatives Union provides inputs about production to shareholders and it researches in the areas of production, plant health, productivity, quality and evaluation with AR-GE center coordination and they offer information resources to their producers (www.tarisincir.com, Tanrıvermiş and Bayaner 2006).

Agriculture Is Financed By Cooperatives: Applications From Some Chosen Countries

Turkish Republic of Northern Cyprus: Sources of cooperatives which work for financing of the agricultural sector in the TRNC consist of equity and external resources. While equity resources of capital are taken from shareholders and this capital composes deposit which is in the Cooperative Central Bank and interest which is obtained from this deposit, external resources composes credits which is taken from Cooperative Central Bank to supply the short and long-term needs of shareholders. Cooperative Central Bank both provides income to be financed agriculture for other cooperatives and contributes to agricultural financing with the credit policy which is also applied by itself and by other means (Şafaklı 2003). As well as it is a

cooperative, Cooperative Central Bank which is deposit banking was established with the participation of all cooperatives which are in the country and operate. Cooperative Central Bank provide credits whose maturity is a year and which are TL, to other cooperatives or farmers who applied individually to supply for their every input needs and Cooperative Central Bank gives credits whose maturity is up to three years and which are TL and foreign currency, to supply of equipment like tractors, harvesters, etc. and agricultural project credits whose maturity is up to five years and it gives flexible payment plans in the payment of credits by taking into account the structure of agricultural production (www.koopbank.com).

Cooperative Central Bank supplies sources for other cooperatives by giving higher interest than deposit which belongs to other individuals and also applies lower interest rate to credits which cooperatives use from itself. In this way, Bank contributes to financing of the agricultural sector and to the development of the cooperative movement in the TRNC.

Federal Republic of Germany: Germany has one of the most developed systems about financing of agricultural sector in the world. There are three different financing structures in the system of Germany. **(1) Local Banks- Raiffeisen Banken:** In the country there are more than 2000 active cooperatives. These banks are connected with legal personality of cooperative; they provide not only financial services but also services concerning agricultural activities like fuel, fertilizer, seed, harvest, storage, marketing and recycling. **(2) Deutsche-Zentrale Genossenschaftbank:** This bank operates as center of the top organizations of Volksbanken and Raiffeisenbanken which are in the southern of the country. It is the biggest economic organization with 5300 cooperatives and 17 million shareholders. It aims to reduce costs by creating synergies between parent organizations cooperatives which offer services like compliance policy, international relations, legal and tax consulting, human resources and inspection. **(3) WGZ Bank** is the central organization of Volksbanken and Raiffeisenbanken which are in the northern of the country. It is expected that in the different region these two top organizations will unite in the near future (Kandemir 2010).

Sources of credits which will be opened to agricultural enterprises by cooperatives are savings of unlimited liability members. To direct people's savings to cooperatives necessary atmosphere of trust is maintained with manufacturer's representatives who are chosen among local union and other local administrators by bringing them to co-management. To provide the equivalence between the sources and uses and make easy to control, there are two top central banks (DZ Bank and WGZ Bank) which take the task of clearing center and gather all system. Raiffeisen cooperatives are connected with 11 regional unions. Besides at the national level, there are German Raiffeisen Union, Federal Association of the German Volks and Raiffeisen Bank, small-scale industry of the Central Union and these are connected with German Cooperative and Raiffeisen Confederation. By establishing banks which accept deposit, cooperatives' opening branches, establishing commercial establishments, warehouses and factories are symbols of competition. In Raiffeisen cooperatives, the number of the shareholders is not more than 100 and their shareholders work on the basis of unlimited liability principle and the funds which they use are intended for long-term agricultural projects. They supply necessary technical and financial support to be successful of shareholders' activities by observing the projects where cooperatives use low-interest funds. The profits from these projects are transferred to reserves so their financial structure grows stronger (Kandemir 2010, Küçükkaplan 2003).

Japan: According to data in the end of 2008, Japan obtained 1.7% of 4.534 billion dollars of GSMH from agriculture. The share of total employment in agriculture is around 4%. In spite of this, agricultural lobby is quite effective and this efficiency is to ensure the protection by the state of agricultural markets. Besides agricultural production costs and product prices in the country are much higher than world market (Çakıroğlu 2008).

Norinchukin Bank is a Japan agricultural financing and cooperatives bank and it is one of the biggest banks in the world. Agricultural credit in Japan consists of cooperative network and Norinchukin Bank is in the center of this network. Cooperative network has a three-layer

structure which consists of agricultural cooperatives, regional federations and national federations. In the minimal level, agricultural cooperatives divided into two groups: General and specific. General cooperatives service like sales and supply, solidarity insurance, guidance except collecting deposits and lending credits. Federations at regional level include Central Union of Agricultural Cooperatives, Agricultural Cooperative Economic Federation, Solidarity Insurance Federation of Agricultural Cooperatives, Agricultural Credit Cooperatives and federations in other specific areas of Agricultural Cooperatives. Each of them is connected with central organization and continues to operate. Financial institutions that are associated with agricultural cooperative develop some project like attaining a stronger financial structure by combining of cooperatives and integrating regional federation to national federation to strengthen the management base (Kandemir 2001, Yılmaz 2008).

Conclusion

Cooperatives which are third sectors besides private and public sectors in economic system and whose importance is growing are seen to be one of the most effective organ to benefit in financing of agricultural sector because of peculiar structure of agriculture. Cooperatives in the financing of agricultural sector in the world (TRNC, German, Japan) are located effectively through a cooperative bank. In Turkey, cooperatives which provide credits to their shareholders provide these credits from their own resources or banks like Ziraat Bank. Because of this, it is important that a cooperative should be established to be useful for cooperatives which will take a task of financing of agricultural sector and also are located in other sectors.

A Cooperative Bank which will be established should cover all sectors. And so operating costs can be withdrew to the possible lowest level. Besides, the difference of credit needs (maturity, amount etc.) of sectors and A Cooperative Bank which cover all sectors like this would have deposits and credits in its portfolio belonging to different sectors and reduce the risk by diversification.

If cooperative shareholders and cooperatives made banking transactions with cooperative bank which will be established, the bank's financial structure would enrich. In addition by adhering to the principle of cooperative, banks should distribute risturn to cooperative shareholders and cooperatives holding their deposits.

References

Bülbül, M. 2006. Tarımsal İşletmelerin Finansmanı, Ankara Üniversitesi Basımevi, Ankara. s.52 – 59.

Çakıroğlu, D. 2008. Japonya Ülke Raporu, Başbakanlık Dış Ticaret Müsteşarlığı İhracatı Geliştirme Etüt Merkezi. Ankara

Kandemir, F. 2010. Dünya ve Türkiye'de tarımın finansmanı, T.C. Ziraat Bankasının Türkiye tarımının finansmanındaki rolü. Kocaeli Üniversitesi Sosyal Bilimler Enstitüsü Yüksek Lisans Tezi (Basılmamış), Kocaeli. s. 39 – 42, s. 48 - 50.

Kazancı, M. 2010. Tarımsal Işletmelerin Finansmanı ve Türkiye Örneği. Kadir Has Üniversitesi Sosyal Bilimler Enstitüsü Yüksek Lisans Tezi (Basılmamış). İstanbul. s. 71- 80.

Küçükkaplan, İ. 2003. Kooperatif bankacılığı ve dünya genelindeki uygulamalar. Süleyman Demirel Üniversitesi İktisadi ve İdari Bilimler Dergisi, 8(3): 27 – 48.

KKTC Kooperatifler Merkez Bankası, 2012. Web Sitesi. www.koopbank.com. Erişim Tarihi: 19.03.2012.

Mülayim, Z. G. 2006. Kooperatifçilik. Yetkin Yayınları, Ankara. s. 64 – 70.

Şafaklı, O. 2003. Kooperatifçiliğin KKTC'deki Tarım Sektörü Finansmanındaki Rolü. Üçüncü Sektör Kooperatifçilik, 140(1): 5 – 18.

Tanrıvermiş, H. and Bayaner, A. 2006. Members' Perception and The Role of Agricultural Credit Cooperatives in Agricultural Finance In Turkey. MEDİT Medirranean Journal of Economics, Agriculture and Environment, 3(2006): 23 – 28.

Tarım Kredi Kooperatifleri Merkez Birliği, 2012. Web Sitesi. www.tarimkredi.org.tr. Access: 16.03.2012.

Tariş, 2012. Web Sitesi. www.tarisincir.com. Access:16.03.2012.

Taşkıran, R. 2011. Türkiye'de Tarımsal Kredi Politikaları ve Uygulamaları. Gazi Üniversitesi Eğitim Bilimleri Enstitüsü Yüksek Lisans Tezi (Basılmamış), Ankara. s. 42 – 48.

Yılmaz, M.K. 2008. Dünya'da Ve Türkiye'de Tarımsal Finansman: Türkiye Için Model Önerisi. Kadir Has Üniversitesi Sosyal Bilimler Enstitüsü Yüksek Lisans Tezi (Basılmamış). İstanbul. s. 14 – 21, s. 72