



## **Rebuilding and Failing Collectivity: Specific Challenges for Collective Farmers Marketing Initiatives in Post-Socialist Countries**

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**Abstract.** This article addresses the re-birth of co-operative and other mutual initiatives in Central and East Europe after the collapse of socialism and its centralized attempts to impose forms of co-operation on the countryside. The central theoretical question is: how is collectivity rebuilt and why does this process face great difficulties in post-communist conditions? The article refers to the social capital framework and explores specificities of rebuilding collective farmers marketing initiatives in post-socialist countries by applying five explanatory factors: the historical context of system transformation and path dependency of farmers' cooperation; the role of social capital and trust; political support frameworks; learning, knowledge processes and the role of advice (extension); and the impact of trade liberalization and globalization. Using case-studies from the Czech Republic, Hungary and Latvia, the article shows how different historical and cultural contexts have played a role in different trajectories of collective farmers marketing initiatives in these countries and how stocks of social capital have been used differently in building farmers initiatives according to specific contexts. The article demonstrates that the success or failure of initiatives is determined by the workings of social capital in interaction with other important dimensions – organizational structures, institutional arrangements, governance of markets, local culture and traditions, access to political power, and farmers' knowledge.

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### **Introduction: Social Capital Framework in the Analysis of Collective Farmers Marketing Initiatives (COFAMIs)**

The social capital framework (Granovetter, 1985; Bourdieu, 1986; Coleman, 1998) differentiates between two main forms of social capital: bonding social capital or reciprocity within a group (Putnam, 2000; Woolcock, 2001) and bridging social capital or solidarity in wider society (Evans, 1996). Some authors (Bourdieu, 1986; Burt, 2000; Lin, 2001) differentiate also between individual and collective social capital based on the main agency. Social capital contains of a great variety of elements: networks, actors, institutions, values, norms, practices of engagement, trust and others. In brief, it can be defined as the ability of actors to get things done collectively (Tisenkopfs et al., 2008). Social capital, particularly its bonding and bridging dimensions and its individual and collective manifestations, appears as central element of COFAMIs in Central and East Europe (CEE).<sup>1</sup>

Social capital is at the base of co-operation. The norms constituting social capital are related to honesty, the keeping of commitments, reliable performance of duties, reciprocity, etc. Furthermore, social capital enhances trust between individuals, groups and institutions that, in turn, enables collective action and the achievement of common goals. Social capital is widely used as one of the basic explanatory factors for economic success. Fidrmuc and Gërxani (2005) summarize that a high stock of social capital increases individuals' ability and willingness to co-operate, improves enforcement of contracts, reduces information asymmetry, lowers transaction costs, fosters innovation and thus leads to better economic outcomes.

Various authors (Paldam and Svendsen, 2000; Fidrmuc and Gërxani, 2005; Murray, 2008) identify the specific context of post-socialist countries as requiring a more nuanced approach when applying the social capital approach and analysing social realities. This derives from the specific transformations and regime shifts that changed the social organization of these societies. The socialist period interrupted collective dynamics based on liberal values and mutuality and narrowed the public sphere for functioning of social capital. The norms constituting social capital, reciprocity, trust between individuals, groups and institutions were blocked through socialist centralization and state control. In socialist times, social capital existed but it existed in family circles, informal support networks (Alapuro and Lonkila, 2000), in blat networks for informal exchange of deficit goods (Ledeneva, 2009), in cultural associations and groups that were made largely as advocates of the official ideology or belonged to counter-culture (Risch, 2005). The socialist system devaluated social capital and created its adverse, corrupted forms. Institutional change during transition even further aggravated the stock of social capital and increased its negative aspects (in the form of underground activities, corruption or organized crime), (Fidrmuc and Gërxani, 2005). In the former communist world, Marxism–Leninism deliberately targeted and sought to undermine civil society and to atomize individuals; hence, it is not surprising that the vacuum of a collapsed state (i.e. the Soviet Union) has been filled with distrust and cynicism (Fukuyama, 2002). This legacy had a long-standing aftermath effect on farmers' current attitudes and their ability to co-operate.

Recent developments in co-operation in CEE countries have borne testimony to the restitution of 'positive social capital', as termed by Sotiropoulos (2005). The increasing accumulation of positive co-operation experience helps to break the path dependency of distrust. Social capital appears as the central element for COFAMIs as it serves also for the mobilization of other resources – economic, political and

knowledge – necessary for successful COFAMI performance. Due to the historical legacy, the level of social capital in CEE countries is quite low and collective farmers marketing initiatives are limited. On the other hand, the rebuilding of trustful links and increased stocks of social capital help to break the path dependency and generate collective economic action, as shown by the cases analysed in this article. Its main hypothesis is that in the CEE context social capital works as the central factor (initiator, driving force and cement) for mobilizing collective marketing, establishing the internal organization of COFAMIs and build external market, knowledge and political networks for successful operation of COFAMIs. As this social capital is originating in deeply embedded cultural traditions that can be shaped only with great difficulty (Fukuyama, 2002), the increase and rebuilding of co-operative behaviour in CEE countries is a long-term process that might both succeed and fail.

### **Historical Context and Path Dependency of Collective Farmers Marketing Initiatives in CEE**

The traditional forms of collective farmers marketing initiatives in countries addressed in this article were formed in about the second half of the nineteenth century. In Hungary, the first collective marketing initiatives were established in the 1850–1860s and in Czechia and Latvia in the 1870s. There were three theoretical and political perspectives influencing the origin of co-operation in CEE: economic liberalism, Christian conservatism, and the socialist movement. While the socialist movement considered COFAMIs as a means of transformation of individual farming into collective farming, economic liberalism considered COFAMIs as an element to help economically weak actors to exist as independent farmers. Finally, Christian conservatism understood COFAMIs in moral terms as a way to facilitate social conditions of rural life. Agricultural societies and organized groups of farms served as centres of early modernization and innovation in agriculture and operated as collective providers of supplies. The major forms of farmers' co-operation in this period were collective financial and collective marketing organizations.<sup>2</sup>

During the first half of the twentieth century, all analysed countries saw a proliferation of COFAMIs.<sup>3</sup> In the meantime, an amalgamation and concentration of co-operatives started. In the 1930s, this process was stimulated by the state, which saw centralized co-operatives as institutions to promote national agriculture (especially in Latvia and Czechoslovakia) and to legitimize authoritarian regimes (the case of Latvia). Two of the most common types of farmers' marketing co-operatives were co-operatives of consumers and small farmers, and co-operatives created by socially and economically strong actors (large land owners and producers, traders), which were strongly supported by the state (Galla, 1937).

Together with the establishment of socialist regimes after World War II, the diversified structure of COFAMIs (e.g. marketing, processing, supplying and financing co-operatives) became significantly centralized (Meurs, 1999). The process escalated with collectivization of agriculture, which took different expressions in CEE countries (Swain, 1998). While Latvian collectivization had a strong Stalinist outlook (violence eliminating any initiative of farmers), Hungarian collectivization was a blend of state centralization and private local initiatives (Harcsa et al., 1998; Kovách, 1999). Czech collectivization according to Swain (1998) had a neo-Stalinist character; it was similar to the Latvian case, but with higher level of freedom for farmers under state control.

In Czech collectivization, which started in the late 1940s, the original co-operatives were either transformed into United Agricultural Co-operatives (UAC) or ceased their work. The farmers were forced to join either UACs (in the late 1980s these operated two thirds of land) or state farms (one third of land). The marketing co-operatives that overlapped several municipalities demised activities through nationalization (Helešic, 2002). Collectivization of agriculture in the 1950s resulted in the separate existence of farm production and agricultural marketing both under the supervision of the state. The farm co-operatives that existed at that time were fully engaged in agricultural production. Farmers' processing and marketing co-operatives were totally absent from the Czech scene after 1948 (Stryjan, 1993).

In Hungary, in the post-war land reform the land was confiscated but almost immediately two thirds was reallocated to individual peasants in 1945. The first period of collectivization began in the late 1940s with 20% of agricultural land incorporated in co-operatives. The poor performance and collapse of the majority of producer co-operatives led to a reconsideration of collectivization policy in the mid-1950s. The second wave of collectivization (1959–1963) resulted in the inclusion of 93% of peasants in the co-operatives (Harcza et al., 1998). In the 1960s and 1970s, agricultural co-operatives succeeded in integrating extended small-scale family farming and created commercial and industrial subsidiaries. Purchasing and consuming co-operatives became part of the new system. However, production remained the prevailing form, and diversification of activities of collective farms<sup>4</sup> did not result in processing and marketing co-operatives.

In Latvia, the co-operative movement was interrupted by the enforcement of Soviet rule and violent collectivization at the end of the 1940s. Land-ownership rights were abolished and 200 000 individual farmers were forced to join kolkhozes (collective farms) and sovkhoses (state farms) where they became wage workers. In the meantime, rural households could retain small land plots for family needs.<sup>5</sup> The Soviet-type of agricultural modernization in the 1970s led to the amalgamation of collective farms and their incorporation into so called agro-industrial complexes governed according to the rules of planned economy. Although marketing and processing were beyond the mainstream tasks of collective farms, some kolkhozes managed to diversify production, develop sideline branches, processing and sales.

Nowadays, 20 years after the collapse of socialist regimes, Central and Eastern Europe forms a specific social, economic and political environment shaped by a socialist heritage still imprinted in social and market structures and by the rapid changes related to the establishment of liberal market economy, democratization and the rebirth of civil society. During the socialist period, state managed collectivism had been the major organizational form of economic and social life in these countries, although it often found formal and centrally governed expressions only. After soviet collectivism collapsed, de-collectivization was followed by atomization and individualization. Collective action as the free choice of individuals is now being gradually rebuilt.

### **Forms and Diversities of COFAMIs in Post-socialist Countries**

The current forms and diversities of COFAMIs in CEE countries are affected by the post-socialist transition in agriculture and rural areas, primarily the privatization of agriculture, market liberalization and accession to the European Union (EU) (Mau-rel, 1998; Halamska, 2008). In all three countries a dual structure of farming was

formed consisting of new family farms and former collective farms transformed into co-operatives or privatized large-scale farms (Hudečková and Lošťák, 1992; Kovách, 1994; Latvian State Institute of Agrarian Economics, 2005). The interface between private farming and the liberal market system determined the post-socialist segmentation of farm structures and led to the development of a minority of technologically up-to-date business farms and a majority of small-scale producers and often subsistence farms (Alanen, 1995; Deiviss et al., 1997; Kovách and Megyesi, 2006; Svatoš, 2008). In Latvia, political change after 1989 was marked by radical liberalism (Nissinen, 1999), which was somewhat different from that in the Czech Republic and Hungary where a mix of 'shock therapy' rhetoric was blended with gradual transformation policies prolonging state paternalism in the 1990s (Mlčoch, 1997). In all three countries farm modernization and the up-scaling of production was adopted as the main strategy for agricultural survival in increasingly competitive economic environments. A lot of private and public investment was channelled into the technological modernization of farms, improving production standards, and enforcing EU sanitary regulations.

A process of concentration has taken place in the whole agricultural production system. It became sectorally divided and vertically integrated into internationalised agri-food chains with limited possibilities for primary producers to generate value added and influence decision-making (Čechura and Šobrová, 2008). Even for countries that are not global agri-food players, such as Latvia, Czechia or Hungary, 'national' food-supply chains are being by-passed by the cross-border sourcing of retail chains and national farmers and food manufacturers can be completely marginalized (Kirwan et al., 2004). For small farmers it became increasingly difficult to retain autonomy and survive in an open market dominated by global food empires (Van der Ploeg, 2008). Even the equipped and professionalized farmers following the modernization path lost room for manoeuvre. In this context, COFAMIs started to develop as farmers' bottom-up initiatives and collective ways to generate resistance, avoid domination of big processors and retailers and to collectively produce viable economic strategies. Recently collective farmers' initiatives also have been stimulated by political support, growing consumers' concerns and the rebirth of food traditions and regional identities.

The research conducted in Latvia, Hungary, and Czechia<sup>6</sup> for the COFAMI project identified both country-specific as well as common forms of collective farmers marketing initiatives: informal grass-roots co-operation at the local level; agricultural service co-operatives; share-holder companies, the 'residues' of previous collective farms; sectoral producers' associations; co-operatives involved in generic production; COFAMIs of smaller groups of farmers and non-farmers involved in specialized, non-generic production; 'broker' co-operatives for product marketing; big integrator organizations and the farms in their networks;<sup>7</sup> newly established co-operatives encouraged and supported by the state and the EU;<sup>8</sup> co-operatives specializing in quality products, rural services and public goods provide by agriculture, and others. This diversity of COFAMIs in CEE countries can be synthesized into three common types in terms of strategic orientation in relation to post-socialist conditions.

1. 'Traditional' COFAMIs oriented towards integrating into global, conventional agri-food chains, aimed at up-scaling of production in mainstream sectors, following the modernization trajectory in agriculture. These COFAMIs often rep-

resent the segment of big, entrepreneurial farms and are similar to traditional co-operatives in Western countries.

2. 'Multifunctional' COFAMIs oriented towards multifunctional agriculture (Van Huylenbroeck and Durand, 2003) and alternative food networks. These COFAMIs try to build new food chains and marketing channels in organic production, environment-friendly farming, and special quality / non-generic products. Usually such COFAMIs are characterized by their multi-actor composition, small scale, scoping of activities and pluriactive orientation (linking production and marketing with rural tourism, health farming, etc.).
3. 'Territorial' COFAMIs oriented towards a 're-localization' of food production (Morgan et al., 2006), trying to rebuild linkages between producers and consumers based on trust and local identity. This kind of COFAMI refers to territorial embeddedness (Hinrichs, 2000; Winter, 2003). In Hungary and Czechia, where geographical origin based food traditions are more recognized than in Latvia, small COFAMIs try to develop markets for local products with a distinctive origin, associated with values of locality and pre-industrial production practices (Fonte, 2008). The growing consumer demand for regional specialty products favours these COFAMIs (Kelemen and Megyesi, 2007). They might be associated with regional branding, community supported agriculture and other territorially grounded activities and are usually small-scale. On the other hand, the short-chain food market is still rather weak in the countries covered by this paper.

These types of COFAMI represent rather dynamic options and potential strategies for farmers' groups to locate themselves in complex agri-food systems.

### **The Main Types and Trajectories of COFAMIs in Central and Eastern Europe**

In the following sections, we examine particular cases of COFAMIs from Czechia, Hungary and Latvia that correspond with the typology above. The chosen concrete cases are not pure ideal types but mixtures of these types. In each of the four cases, there are aspects of other ideal types too. Table 1 represents the main characteristics of each case and its theoretical implications. In the analysis of cases we apply five explanatory factors: the historical context and dynamics of COFAMIs; the role of social capital; economic and market conditions; the policy framework; and the role of learning.

#### *Scaling-up in Conventional Chains: LATRAPs – a Traditional Agricultural Marketing Co-operative*

The LATRAPs co-operative represents a COFAMI attempting to by-pass national processors and create direct links to export markets, as well as to diversify agricultural production into energy crops. LATRAPs was established in 2000 as a national farmers' co-operative marketing rapeseed and crops and is considered to be the first 'Western type' agricultural co-operative in Latvia. The co-operative was initiated by 12 big farmers (cultivating 300–800 ha) in the Zemgale region, which is the agriculturally most developed region in the country. Farmers considered co-operation as a solution to the constrained situation in national agricultural markets, which at that time experienced over-production of crops and prices dictated by the largest

**Table 1.** Typology and characteristics of COFAMI cases in Czechia, Hungary and Latvia.

Case	Main characteristics	Theoretical implications
LATRAPS – a traditional agricultural marketing co-operative	<ul style="list-style-type: none"> <li>• Scaling-up and vertical integration in global conventional chains</li> <li>• Professional management</li> <li>• Energy production as new function of agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• Balance between bonding and bridging social capital</li> <li>• COFAMI connecting local and global capitals</li> <li>• Creation of new market with effective conversion of social and economic capital</li> <li>• Defining common rules, codes of practice, rights and responsibilities to govern heterogeneity in organisation</li> </ul>
Arany Sárféher Grape and Wine Producers' Co-operative	<ul style="list-style-type: none"> <li>• Multifunctionality: economic, social, cultural and identity function</li> <li>• Economic and social cohesion</li> <li>• Networking capital, trust and economic success</li> <li>• Heritage and competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Modernity and traditionalism</li> <li>• Trust as social capital</li> <li>• Role of leading local persons</li> <li>• Pluriactivity and market orientation</li> </ul>
Tradice Bílých Karpat – a territorial COFAMI	<ul style="list-style-type: none"> <li>• Network of farmers and non-farmers (environmentalists)</li> <li>• Supporting the region through co-operation of various actors</li> <li>• International recognition</li> </ul>	<ul style="list-style-type: none"> <li>• Cohesion and conflicts among various actors</li> <li>• Achieving the credibility and recognition of the initiative</li> </ul>
Preilji: a failing COFAMI	<ul style="list-style-type: none"> <li>• Building a new organic regional food chain</li> <li>• Weakness of organization</li> <li>• Cease of operation</li> <li>• Single leader</li> </ul>	<ul style="list-style-type: none"> <li>• Prevalence of individualistic strategies over collective ones</li> <li>• Deficiency of social, economic and human capital hampers COFAMI</li> <li>• Trap of policy support</li> </ul>

processing companies. The farmers' intention was to increase their market power by complementing their traditional cereal production with growing rapeseed and penetrating international markets.

Despite the fact that the initiative was considered to be audacious in professional and political milieus (the quality of Latvian grain was considered to be too low to be competitive on international markets), the co-operative turned out to be profitable in its first year of operation. Its success attracted other farmers, and during the next year the membership grew to 80. Since then, the co-operative has experienced continuous growth and up-scaling in many respects: the membership has increased; the farmers' economic situation has improved; the co-operative has developed an efficient collection system; investments have been made in equipping technologicaly up-to-date grain collection points, drying facilities and storing warehouses; new market channels have been created and the co-operative has completed preliminary works to open its own biofuel plant. In 2009, LATRAPS was the biggest agricultural co-operative in Latvia with around 500 members from all over the country and a turnover of 96.4 million Euros.

LATRAPS is quite a rare example of successful farmers' co-operatives in Latvia, demonstrating that farmers can achieve better prices, increase their income and improve their economic situation through the co-ordination of production and co-operation in marketing. It can be considered a great achievement in the Latvian context, where people retain prejudices against economic co-operation because of the negative experience of forced co-operation excluding individual initiative in previous times. The deployment of bonding social capital was a precondition of the initiative.

The co-operative was established by farmers in neighbourhoods who knew each other and there was mutual trust to engage in a common project, thereby overcoming the general mistrust in co-operatives. The common problem of farmers' weak position on national agricultural markets welded them together. The farmers had the shared goal of improving their market position and a vision of how to reach it, e.g. through collective market action in the international market. As the initiators were economically strong farmers, they possessed also the financial resources necessary to invest in the start-up of the co-operative.

The future manager of the co-operative (at that time, an employee of a multinational corporation manufacturing chemicals) was known in the agricultural community as a proponent of co-operation with ideas to produce rapeseed in Latvia and was invited to join the initiators' group. He took up the role of network expander, idea promoter and bridge-builder between the initial group and other social actors, including farmers, knowledge institutes and policy-makers (i.e. deployment of bridging social capital). In the beginning, a lot of effort was spent on establishing a well functioning organization. Both local and foreign expertise were taken into account to build the organizational structure and commercial strategy. In consultation with foreign co-operatives, and on the basis of detailed studies of experiences of existing marketing co-operatives, LATRAPs constructed its own commercial and organizational strategy. This reduced the possibility of internal conflicts and market failures.

During the following years, together with the expansion of the co-operative and loosening links between its members, the need for organizational consolidation came to the fore. The loyalty of new co-operative members was ensured by transparent governance and various benefits: collective organization of input supplies, organized marketing, reduction of transaction costs, higher prices for crops, guaranteed access to the market through the co-operative, time-saving for member farmers, etc. Altogether, LATRAPs provides its members with a quite secure and profitable market position. Besides economic benefits, the co-operative also secures access to information and knowledge. Loyalty towards the co-operative is manifested through the frequent reference by farmers to LATRAPs as 'our enterprise'. There are extremely few cases of free-riders and practically all produce is marketed through the co-operative.

The co-operative fits well into the current Latvian rural policy framework, which involves three main directions: the modernization of agricultural production and processing, diversification of the rural economy, and the development of new forms of social organization. This has been promoted also by the co-operative's active engagement in policy lobbying. Correspondence to policy goals has also ensured broader social legitimation and access to public funding.

#### *A Multifunctional COFAMI: Arany Sárfehér Grape and Wine Producers' Co-operative*

The case of the Arany Sárfehér Grape and Wine Producers' Co-operative (ASF), established in 2003 in the traditional viticultural region of Izsák in Hungary, presents the role of social capital in enabling economically and financially weak farmers to develop a fruitful strategy of co-operation (Csurgó et al., 2008). The multifunctionality in the case of ASF means that the COFAMI has not only economic, but also strong cultural, social and identity functions. The name Arany Sárfehér (literally meaning 'gold mud-white') originates from the grape variety that is produced solely in this

micro-region thanks to specific climatic conditions. The area of vineyards and small-scale vine production expanded after specialists vinified the Arany Sárfehér grape in the early twentieth century. In the socialist era, the coexistence of family farms with large-scale collective farms provided technological support and wholesale marketing ensured relative freedom for farmers in making decisions about production and marketing. A champagne factory processed the regional wine and produced 14–15 million bottles per year; it was privatized in the 1990s. In that new market situation, local managers, whose prestige originated from their co-operation with family farmers in the past, initiated the establishment of ASF. ASF is the main member of the local association that bought up the champagne factory from the multinational owner. Since its foundation in 2003, the membership of the co-operative has grown to 546 members. Together they produce 5,600 tons of grapes on 1,250 hectares, of which the co-operative processes 2,000 tons. The co-operative sells wine, champagne and soft drinks both on the national and international markets.

ASF, building on local traditions of viticulture, manages the collective marketing, supports farmers in purchasing input materials and provides professional consulting and administrative assistance. The farmers' economic strategies have been based on multi-sectoral pluriactivity, reflecting the absence of necessary alternative income sources which stimulated households to mainly cultivate small-scale, part-time plots. The co-operative aims to achieve higher prices and thereby reinforce the role of viticulture in maintaining local employment and household incomes. Farming in the Izsák region represents not the main, but an additional source of income for rural households, which derives from the dominance of small farms (on average around one hectare) and contributes to the high density of COFAMI membership. Co-operation is a necessity that mirrors the result of post-socialist land-use management and the need for a common supply of machinery and collective marketing. Their cultural and social heritage permits the wine growers to join the COFAMI as viticulture constitutes a local heritage and a part of their local identity. Grape and wine production gives prestige to COFAMI members and this evidently strengthens social cohesion. Activities of the COFAMI, such as the application for a protected designation of origin status of the Arany Sárfehér grape and wine-tasting and tourism, further contribute to the emergence of a local cultural economy.

Bonding social capital among wine-makers has historical roots; it is the basis of the mutual trust that helped to establish the collective organization, in which trust was also transferred between the members and the leaders of co-operative. The chairperson's individual bonding social capital was significant in the founding of the producers' group and the management of the co-operative's operation. Individual social capital originated from the chairman's personal capacities to take initiative and leadership, however, it converged with collective bonding and bridging social capital. The state and the bank required an increase in the number of co-operative members and co-operation with farmers' associations as preconditions for a loan and a guarantee. The chairman, managers and the mayor of the municipality had the capacity to use bridging social capital and build the necessary linkages that enabled the purchase of the local champagne factory from its foreign multinational owner in 2006. When the multinational company, controlling 90% of the Hungarian champagne market, wanted to withdraw from the market and abandon grape processing, the COFAMI leaders realized that the factory with its tools, machines and storing capacity might provide the basis to secure the livelihoods of local grape and wine producers in the long term and an opportunity for growth.

The ASF is well networked, at local as well as at regional and national levels. ASF managers established the collective enterprise with producers' groups from two neighbouring villages and, after a year of negotiations with the Ministry and the banks, obtained the factory. In fact, the COFAMI itself is a network organization related to many economic and policy institutions as well as individual and civic partners. The network-based COFAMI determines how farmers' collectivity is constructed, how power relations are managed and how relations with external partners are built. The leader of the co-operative and the mayor employed their personal political networks, which were used as linking social capital in the successful lobbying for a protected designation of origin status – granted in 2006. For example, the mayor personally convinced the minister of agriculture about the importance of protected origin certification at a dinner following a local conference. The co-operative's chairman is a leading member of various professional associations and interest groups and his bridging social capital links ASF to wider networks. Capacity building by means of collective action thereby had much more a social than an economical character. The multi-lateral access to various forms of social capital, as well as human capital (knowledge, skills) and cultural capital (traditions), allowed ASF to build a successful co-operative strategy on which financial capital and common profit are able to grow.

*A Territorial COFAMI: Building Regionally Based Collective Marketing Initiatives of Farmers and Non-Farmers*

Tradice Bílých Karpat (literally meaning 'Tradition of the White Carpathians', from now onwards TBK) is an example of a territorial COFAMI, trying to revive traditional products through the re-localization of production and the building of new trust-based relations between producers and consumers via the preservation of regional identity. TBK is an NGO operating in the Bílé Karpaty (White Carpathians) region of Czechia since the early 1990s when local environmental activists started to co-operate with local fruit growers. In the mid-1990s, some fruit growers converted their farms to organic production. The informal co-operation of environmentalists and organic farmers was formalized by the establishment of TBK in 1998. At that time, a financial grant was provided by a foundation from Luxembourg in order to reconstruct an old barn into an apple cider processing plant, and obtaining the grant required a formalised organizational status of the beneficiary.

The establishment of the processing facility was driven by the idea of producing local products under a local label in order to support the operation of small-scale fruit-tree growers, other farmers and local craftsmen. In 2003, TBK established and incorporated a business firm (TBK Ltd), which is fully owned by TBK. TBK Ltd markets regional food and non-food products and operates the facility producing (mostly) organic apple cider. The profit generated by the processing plant feeds back into TBK, and used to give out small grants to finance other projects in the locality in line with its goals. Through the collective marketing of regional organic apples (even from cross-border Slovakia), the farmers obtained the possibility to own an apple-cider processing plant and create a market for their local products.

TBK currently includes 10 members (three individual member farmers and seven collective members), operating in different domains such as organic farming, fruit farming, nature protection and environmental issues, information services and ex-

tension. These members are the bridges to other actors (e.g. other organic farmers, craftsmen) in the region.

Internal ties within TBK are based on informal relations and commonly shared views about nature. Many internal operations are non-formalized and arranged without written rules and contracts, since the organic farmers consider it (rewording Bourdieu) as 'habitus' – reflecting the social field in which they operate and which differentiates them from other actors. On the other hand, marketing (external ties) is carried out in a formalized way using the established business firm TBK Ltd. While marketing TBK products does not echo social capital, bridging social capital is important in other aspects related to the 'external world'. These include, for example, the social networks of an environmental NGO that is member of TBK, which played a key role in accessing grants for the apple processing plant that farmers otherwise would never have known about. The new and joint network of farmers and environmentalists was constructed to achieve common goals and to foster regional development.

Although TBK in many respects is successful, it also faces a kind of 'erosion' due to the heterogeneity of its actors. Farmers with a more materialist and practical approach, on the one hand, and environmentalists with an idealist vision of living in harmony with nature, on the other, may have different views on specific problems and possible solutions. Their cultural capital is evolving by differentiating the social fields in which they operate. Also farmers themselves at times disagree concerning the amount and type of agricultural products to be marketed, for example some farmers do not want to market the meat they produce jointly but do not mind marketing apples jointly. Potential disagreements among members are mitigated by trust developed through the experience of co-operation and the internal organization of TBK.

It was the establishment of the COFAMI that opened up for farmers the possibility to build an apple-cider processing plant, an option which for farmers individually would not have been possible due to its high costs. The experience of TBK as a bottom-up and grass-roots originated initiative underlines the important role that informal relations, NGOs and civic society in general can play in enabling collective marketing initiatives. This is even more the case, since formalized government structures at regional level do not provide sufficient support to such small-scale initiatives. Although there was a measure in Czech rural development policies to support collective marketing, this has been (as is the case for Latvia) more favourable to larger producers and traditional types of agricultural marketing co-operatives. Moreover, for this measure the collectively traded value had to exceed 3 million Czech Crowns (ca. 100,000 Euro) or the group had to include at least 5 members – conditions that were interpreted in such a way that not both were required at the same time. In 2007, there were therefore 183 'one-member' groups under this measure (out of 330 registered) and, after public criticism, the Ministry of Agriculture had to come up with a different legal interpretation. This experience underlines the need for more appropriate support to small-scale organic and quality food COFAMIs, especially if they are not like TBK backed up by civil society.

#### *Preiļi: the Condensed Anatomy of a Failing COFAMI*

Much can be learnt from failing experiences of COFAMIs about the malfunctioning of social capital in the CEE context. We take the Preiļi organic marketing co-opera-

tive from Latvia as an example. The Preiļi organic farmers' network was formed in the mid-1990s as a small-scale farmers' initiative to build a new, organic, regional food supply chain. The network functioned as the driver of organic production and disseminator of knowledge. More than 400 farmers joined the network; however, the establishment of a collective marketing organization was more difficult. In 2004, two organic co-operatives Produkts Veselībai and Latgales Ekoprodukts were created, with only 10 and 15 members. Despite certain economic gains (reduced transportation costs, improved logistics, broadened marketing channels, recognition of the distinctive quality of the organic products), it soon appeared that co-operative members preferred to sustain their individual marketing strategies, which they considered more reliable and easier to manage. The COFAMI was perceived only as a safety net to sell surplus, not as their main marketing strategy. Management problems added to the poor economic performance of the co-operatives and ultimately led to their actual suspension.

The story illuminates specific difficulties for COFAMI development in CEE, such as the lack of commitment to collective action, insufficient leadership and management skills, and the economic difficulties to establish new/alternative food chains. In the early years of Preiļi, the bonding social capital of the COFAMI was decisive for setting up farmers' informal networking and mutual learning. Bridging social capital helped to extend the network and access external knowledge sources and institutional partners (advisory services, other agricultural organizations, the Ministry of Agriculture). However, social capital functioned more saliently in its individual than collective manifestations and the co-operatives were never able to convert different potentialities included in social capital into an efficient marketing strategy and internal organization. Collective marketing requires professional management, contractual relationships, division of roles and responsibilities, and commitment to written and unwritten rules. In the Preiļi case no such common rules were adopted and farmers retreated to individual positions. This suggests that social capital skills (the ability to co-operate, negotiate, self-organize, manage conflicts, etc.) might be often lacking in post-socialist contexts.

The other specific issue for CEE countries is the underdevelopment of the organic food market, which put additional economic constraints on the COFAMIs (lacking processing facilities, low consumer demand, reluctance of retailers, etc.). The Preiļi case demonstrates also the ambivalence of political support for COFAMIs in the new EU member states. Grant schemes for co-operatives have been introduced, albeit aimed mainly at growth of production and targeted at mainstream conventional sectors. Public support has been often inappropriate for small COFAMIs operating in non-intensive sectors, organic production, and territorial and multifunctional initiatives. As the Preiļi co-operatives could not reach the minimum growth rate set in the regulations, they were excluded from receiving further subsidies. This suggests that public support for COFAMIs in the CEE context has to be balanced and oriented not only towards production, but also address marketing, managerial and organisational skills.

### **Discussion and Conclusion: Rebuilding Collective Marketing through the Integration of Capitals**

The market, policy and social contextual factors for COFAMIs in CEE countries differ from those in 'old' EU member states, resulting in specific opportunities and barriers

for different types of (traditional, multifunctional, territorial) COFAMIs. For example, concentration on retail and export markets was less developed in CEE countries for some time, resulting in specific opportunities for certain types of traditional COFAMIs. LATRAPs is an example of this, by successfully articulating networks on export markets. On the other hand, poor sustainability concerns in the agricultural community and low food awareness among consumers have been a disadvantage for the development of 'alternative' COFAMIs, while the reinvention of food traditions and regional identities that persisted 'underground' in the socialist era could offer again specific opportunities for 'multifunctional' (ASF) and 'territorial' COFAMIs (TBK). However, the valorization of these opportunities requires skilful social organization and working of social capital on a territorial basis – the recreation of farmers' collectivities, improved skills of collaboration, partnership building with knowledge providers and market-chain partners, as well as new marketing skills.

The specific historical context and path dependency of CEE produces specific workings of social capital and challenges for learning, policy networks and support. There are different strategies for COFAMIs to respond to new market and social opportunities in CEE. The four cases documented here demonstrate different uses of social capital in combination with other capitals and resources to build farmers' collectivity and develop common marketing. LATRAPs seems to be a good example of a recreated traditional co-operative establishing itself on export markets. It demonstrates the creation of totally new market and knowledge networks with the efficient conversion of social (bonding and bridging) and economic capital. The ASF co-operative follows the line of multifunctional COFAMIs aiming at differentiated food quality, and seems to be successful by creating 'hybrid' networks between old political structures (networks based on personal relations) and new market contexts. The case illuminates the driving role of the chairperson's individual bonding and bridging social capital: his contacts with the mayor and the contacts of both with banks, as well as local and national state representatives. TBK is an example of territorial initiatives developing upon a network of heterogeneous actors and echoing civic society principles. Preiļi is a failing case due to the multiple deficiency of social, economic and human capital, illustrating specific bottlenecks faced by COFAMIs in the CEE context.

Bonding social capital (Putnam, 2000; Woolcock, 2001) in terms of networking, solidarity, and trust plays a crucial role at the start up of the initiatives. As COFAMIs grow, bridging or linking social capital (Evans, 1996; Woolcock, 2001) in terms of building links with external partners is brought to the forefront. For the durability of COFAMIs, it has been important also to strengthen their internal organization by defining common rules, codes of practice, rights and responsibilities, as is demonstrated by the ASF and LATRAPs initiatives. If this is done well, problems emerging from the heterogeneity of actors might also be solved, as the TBK case suggests.

Success and failure of collective farmers marketing is strongly related to the way in which stocks of social capital are enriched and put in interaction with other forms of capital – economic, human, cultural, symbolic, territorial (Marsden, 2009). In the CEE context, one of the major problems is the connection between individual and collective social capital based on the main agency. Weak COFAMIs (e.g. Preiļi) fail to integrate individual and collective networks, whereas successful initiatives manage to co-ordinate the diversity of actors: large-scale farmers, small producers, traders, advisors (in the case of LATRAPs case); or farmers, environmentalists, consultants (TBK). In the case of TBK, the social capital of heterogeneous actors was bound to-

gether with cultural capital (values of the locality, tradition). This helped to access economic capital (loans, investment) and consolidated production by means of symbolic capital (the TBK regional label and trademark). Without intangible (invisible) forms of capital, economic capital would not have achieved its most efficient use. In the LATRAPs case, the use of individual and organizational networks allowed the streaming of effective market, organizational and lobbying strategies. The co-operative made use of the situation on the agricultural market, where demand for energy crops had been increasing, as well as the availability of EU and national policy support. By contrast, in the Preiži case the weak mobilization of social capital led to a gradual decline of collective marketing.

#### *From Social Capital to Governance of Markets*

As has been shown by the case-studies, as well as by other research (Kanemasu et al., 2008), social capital works both as the 'trigger' for and 'cement' of economic activity. It helps to create new market niches and supply chains by converting social networks into economic ties. The LATRAPs and ASF initiatives were successful in developing co-operation along the whole food supply chain – including suppliers, wholesalers, retailers, knowledge institutions, banks – as well as policy institutions and national and international partners. In the Preiži case, where bonding and bridging social capital were not fully mobilized due to farmers' conflicting interests, economic constraints (small-scale farming), the absence of co-operation skills, and the rupture between individual and collective social capital resulted in co-operatives with poor economic performance. That, in turn, was reflected in the erosion of bonding social capital within the co-operatives (loosening of the organization, decrease in membership). On the other hand, some sort of individual social capital (in Bourdieu's understanding) is needed in marketing with the aim to reconvert 'wealth in contacts' into economic benefits for the farmers. The relation between collective and individual social capital is a sensitive issue in the daily operation of COFAMIs; it requires a careful balancing of individual and collective interests, the fulfilment of obligations and a professional management.

#### *Overcoming Distrust and Path Dependency of Farmers' Disorganization*

Kabele (2005) outlines the rebuilding of collectivity in countries with an interrupted tradition of co-operation. Also the COFAMI study shows that a socialist legacy of co-operation 'enacted' in a top-down manner still reproduces negative attitudes towards co-operation. As there is still knowledge about pre-collectivization, a historical context of this kind 'locks' farmers into two social constructions of collectivity that are narrated and explained differently: from neglecting and criticizing any form of COFAMI (radical liberal rhetoric) to hagiographic attitudes (extreme communist sentiments). A number of studies conducted in Eastern European countries (Chloupková and Bjørnskov, 2000; Galbreath and Rose, 2008) have dealt with the situation of social capital in post-socialism, drawing conclusions about low levels of trust and the prevalence of individualistic strategies and difficulties in establishing norms of co-operation at the micro level.

At the same time, there is a widespread system of mutual help and informal co-operation inherited from the times of deficit economy. The historical path depend-

ency of COFAMIs is influenced both by the socialist trauma of enforced collectivisation and the post-socialist trauma of privatization, which has been perceived by many farmers as the immoral appropriation of the means of production or 'honest robbery' (Nikula, 2000). After 1989, a manifestation of strong individualistic tendencies in political and economic discourse was obvious in all countries of the former Communist block and farmers were not interested in joining collective marketing. Especially private farmers (Hudečková and Lošťák, 1997) considered this kind of collective action as something opposing their individual freedom. From the new millennium onwards, farmers have begun to consider COFAMIs in more positive ways, referring to the history of pre-collectivization and contemporary Western experiences of COFAMIs. The dynamics of COFAMIs is influenced also by other civil society movements, such as environmental NGOs, as is demonstrated by TBK case.

### *The Role of Learning*

In CEE countries there is possibly a stronger need than elsewhere to rebuild learning and policy networks, which have disappeared or are not suited for the development of new marketing approaches. For example, the lack of sufficiently strong local and regional government structures inhibits the development of territorial approaches and an over-estimation of the productivist role of agriculture inhibits the development of multifunctional COFAMIs. Social capital therefore serves also to mobilize the knowledge necessary for the operation of COFAMIs. This concerns both technical and 'soft' knowledge. Often co-operation implies new experiences for farmers and they have to acquire co-operation skills and principles.

As the cases show, social capital as trustful relations between farmers and other agents provide a good basis for this. Social capital facilitates also the accumulation and transfer of technical knowledge. In the ASF case, the inherited knowledge of grape cultivation and the work ethic transmitted over centuries were significant pre-conditions for its success. In a situation where there is insufficient internal knowledge, social capital as bridging bonds has provided access to external knowledge. LATRAPs and TBK have used the knowledge and experience of similar foreign initiatives. Access to external knowledge sources might be crucial as COFAMIs often operate in innovative fields and existing technical support can be inappropriate.

Advisory services often cannot provide adequate support for innovative, alternative initiatives. For example, in the LATRAPs case there was no remarkable support available from the advisory service. In order to fill the knowledge gap, the co-operative created its own knowledge network consisting of some local, but mainly foreign scientific institutions, which, according to the co-operative, could provide more up-to-date knowledge. Gradually the co-operative itself accumulated a considerable knowledge stock by carrying out field experiments and engaging competent experts. Dissemination of knowledge and popularizing rape production within the farming community is incorporated a part of the co-operative's up-scaling strategy. This shows the reciprocal effect of knowledge processes on social capital building.

### *Building Policy Networks*

The role of bridging and linking social capital has been visible as means of developing the policy networks of COFAMIs – those 'bridges' to institutional and policy

partners that are necessary to mobilize support. The studied successful COFAMIs (ASF and LATRAPs) are rich in such networks. The members and leaders have used both their personal and the co-operatives' organizational contacts to promote the interests of the COFAMI in policy institutions, to gain access to state subsidies, obtain guarantees for bank loans, lobbying decisions regarding distribution of subsidies, etc. Small COFAMIs such as Preilji and TBK have been weaker in transforming their social networks into policy networks – probably with the exception of local level – yet were able to attract scarce financing for developing facilities for collective marketing.

EU and national policies give incentives and support to farmers' collective actions, but it is mainly large-scale farms that are able to establish successful initiatives in order to compete with multinational enterprises. The national policy and legal framework of CEE countries before EU entry was only formally supportive for COFAMIs, and financial support for producers' co-operatives was only introduced after EU accession. On the other hand, the establishment of food hygiene standards and other regulations (by the EU, the national state or by retailers) pose greater difficulties for smaller initiatives to fulfil their requirements.

In order to influence unfavourable policy frameworks, COFAMI's representatives are actively involved in policy and professional networks to lobby for their interests. Correspondence to policy objectives has permitted some COFAMIs to attract certain financial support from national and EU funds, as well as to gain broader social legitimization. COFAMIs in CEE countries have prepared several policy proposals and collaborated with professional organizations to strengthen their negotiating position with policy-makers. Social capital in terms of getting successful political actions and lobbying done needs continuous attention and care from co-operative members in order to consolidate collective economic activity and social cohesion.

The main lesson that can be learnt from COFAMIs in the specific context of CEE countries concerns the relevance of social capital. Bonding and bridging, as well as individual and collective, social capital play a key role in rebuilding farmers' collectivity and in combination with other forms of (economic, human, cultural) capital help farmers to convert social organization into common economic activity. By building new collective organizations farmers can develop new supply chains and marketing channels, adjust to economic difficulties (market squeeze), and overcome the cultural constraints (distrust in co-operation) characteristic of post-socialist countries. The synergy between social capital and collective marketing in successful COFAMIs – such as ASF, LATRAPs and TBK – depends on the continuous self-organization and management of co-operatives regardless of their (traditional, multifunctional or territorial) type. To use the potential of COFAMIs for sustainable agriculture and rural development favourable policies at the EU and national levels are needed. There is a need for institutional willingness to create 'protected spaces' for small, innovative COFAMIs that enter unconventional segments of the agri-food economy, like organic production, agri-tourism, quality products, and locality-based services.

## Notes

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- ences and policies related to collective farmers marketing initiatives in 10 countries (Austria, Czech Republic, Denmark, France, Germany, Hungary, Italy, Netherlands, Latvia and Switzerland) in order to obtain an overview of the development and dynamics of such initiatives across Europe.
2. In Hungary, these were the Credit Union and Consuming and Marketing Co-operative, both working till 1945 under the aegis of the landed aristocracy-led movement, the Hungarian Farmers' Association. In Latvia, the first prototypes of co-operatives were set up by the German nobility (the biggest land owners) and the Latvian farmers in the form of agricultural societies and savings-and-loan societies.
  3. For instance, in 1929 there were 10512 farmers' co-operatives in Czechoslovakia (Boučková, 2001). In Latvia by this year, 592 credit unions and 455 dairy co-operatives were established (Kučinskis 2004). In Hungary by the year 1940, there were 2,000 credit unions with more than 300000 members; 700000 farmers were united in the 'Ant' Consuming and Marketing Co-operative, which operated 30 canneries, 20 industrial factories and 400 shops all over the country (Gunst, 1998).
  4. By the early 1980s, half of Hungarian agricultural co-operatives' income originated from non-agricultural activities (Harcza et al., 1998).
  5. Agricultural production was double-sided with an important segment of individual production on household plots. For instance, household production in the dairy sector in Latvia reached 25%, 15% in the meat sector, and up to 40% of total production in vegetables.
  6. For part of the Czech research, the grant 'Resource Economics of Czech Agriculture and their Efficient Use in the Frame of Multifunctional Agri-food Systems' (No. 6046070906) was received from the Czech Ministry of Education, Youth and Sports.
  7. In 2002, 35% of total Hungarian food and vegetable production was taking place in such integrated co-operatives (Tátrai, 2003).
  8. There were 93 producer marketing organisations and 252 producer groups in Hungary in 2005 and 662 supplying and marketing co-operatives in 2006 (Dorgai et al., 2006).

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