

# Practical examples of cooperation in Latvia

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Tartu

30.10.18



Euroopa Maaelu Arengu  
Põllumajandusfond:  
Euroopa investeeringud  
maapiirkondadesse

STARTING FROM 01.01.2019 NEW LAW OF  
COOPERATIVES IN LATVIA

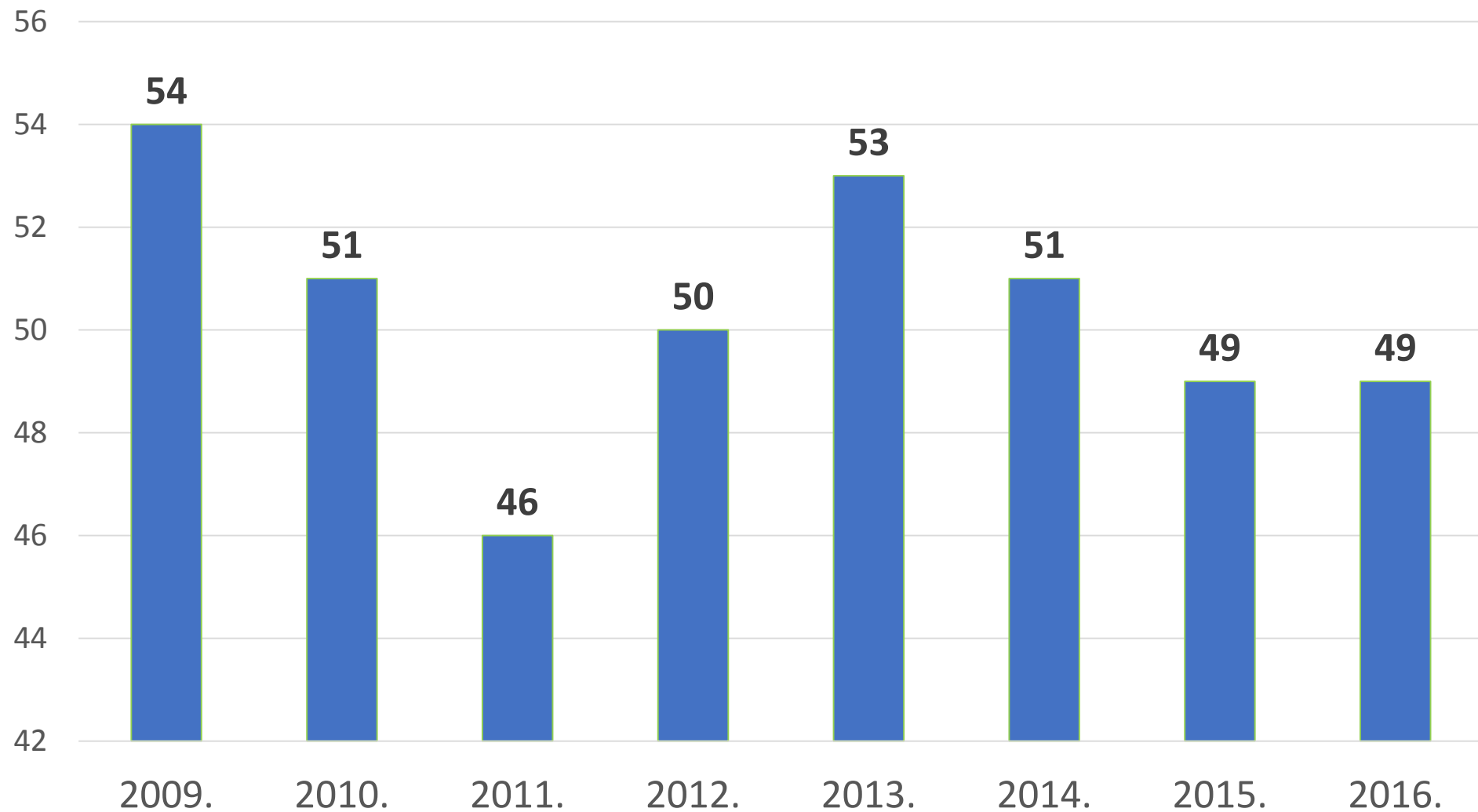
MUCH MORE LIBERAL

NO INCOME TAX EXEMPTION

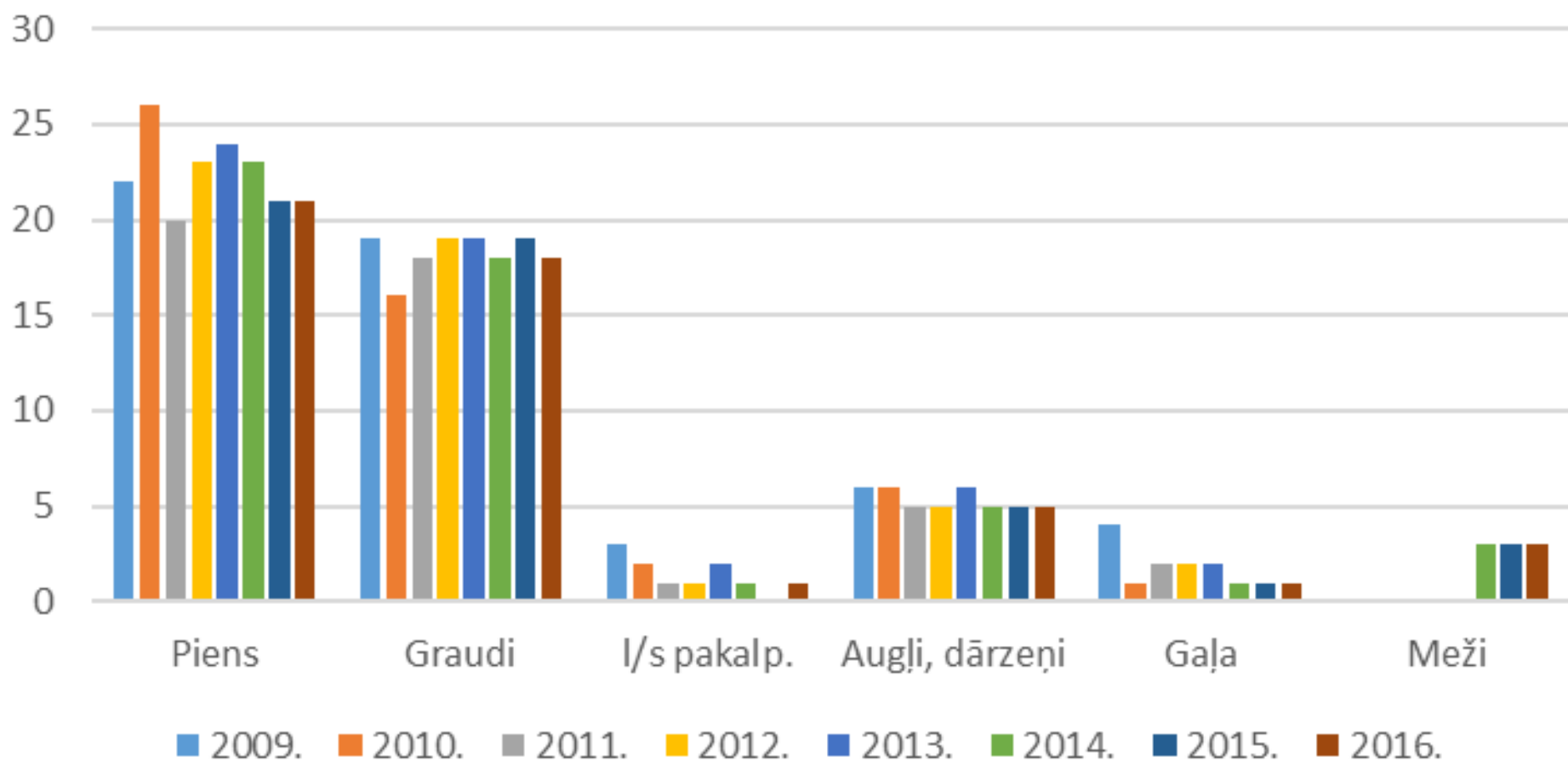
ALL AGRICULTURAL SERVICE COOPERATIVES  
HAVE TO PASS ANNUAL RECOGNITION

# Number of recognized cooperatives in Latvia

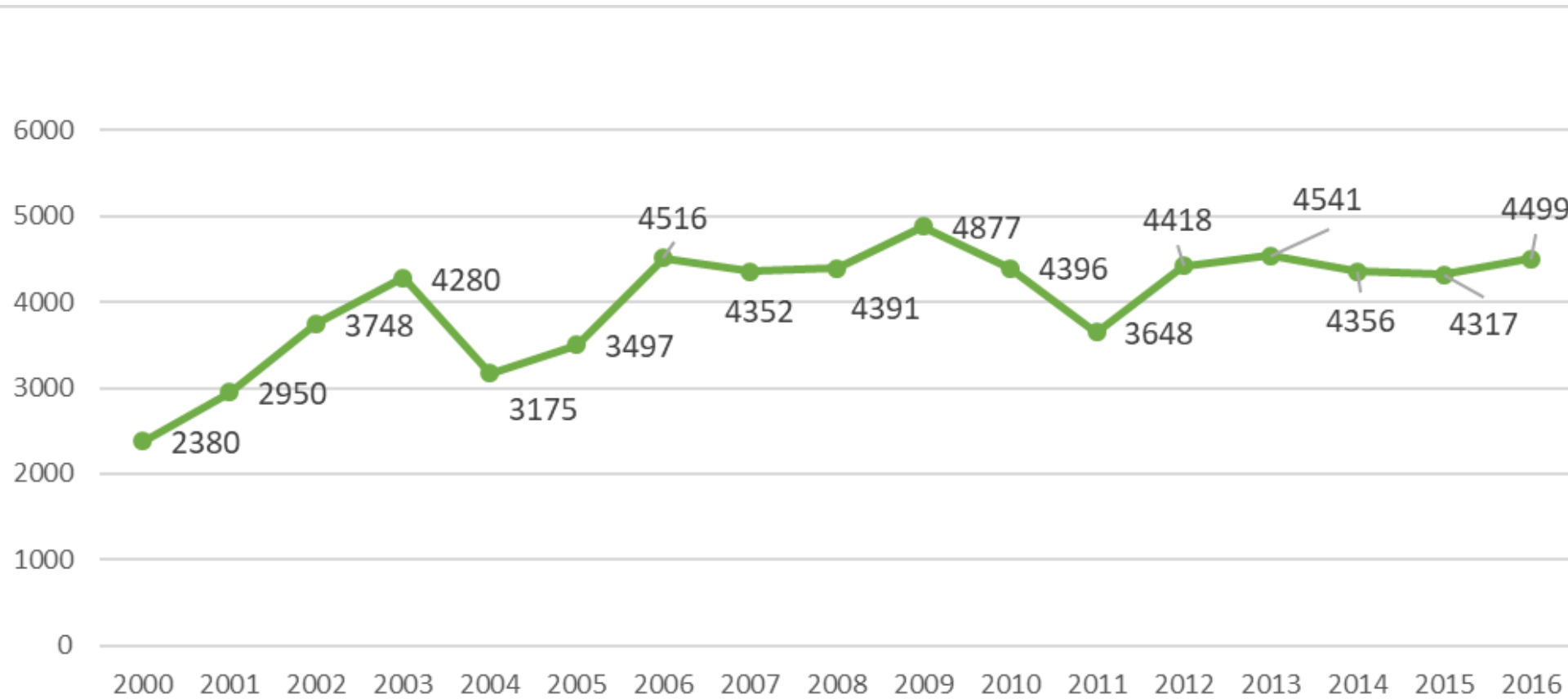
Atbilstīgu kooperatīvu skaits 2009. - 2016.



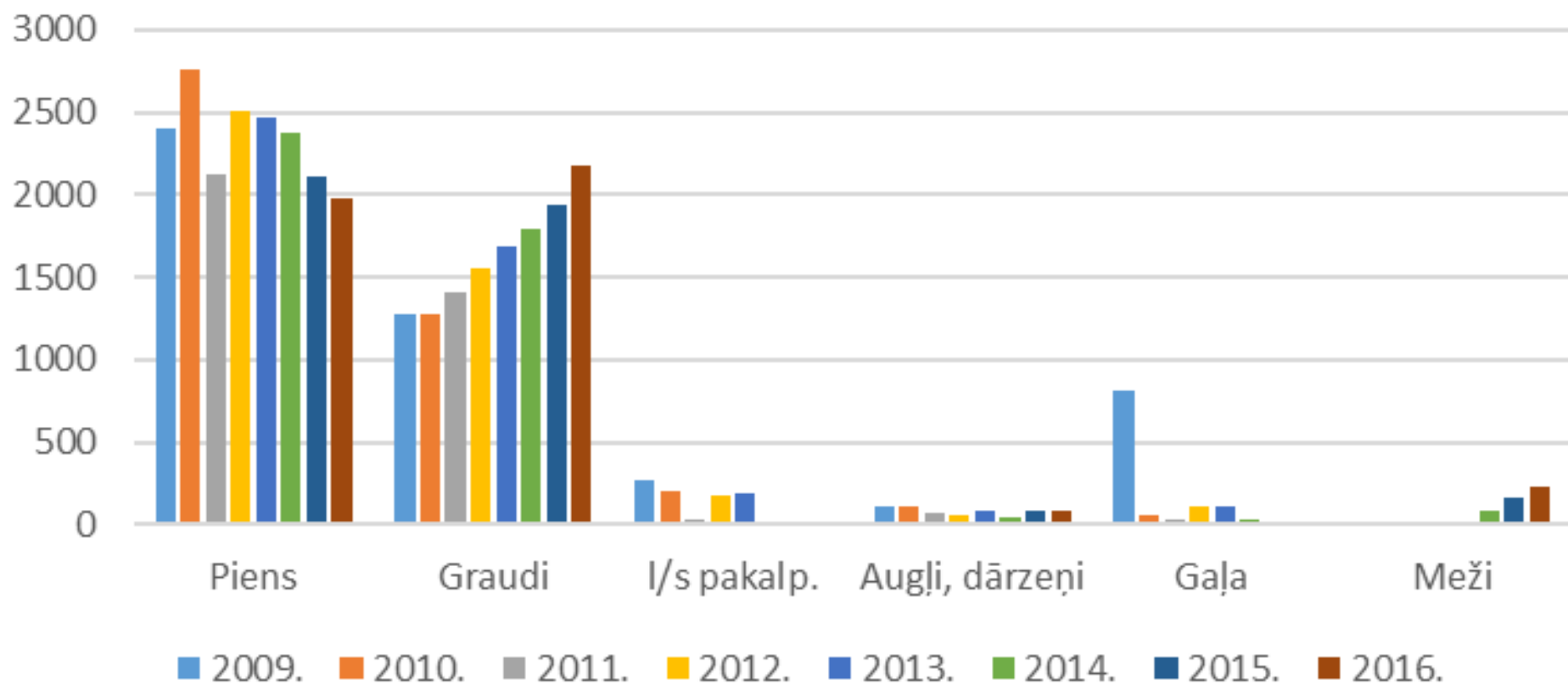
Number of recognized cooperatives 2009. - 2016.



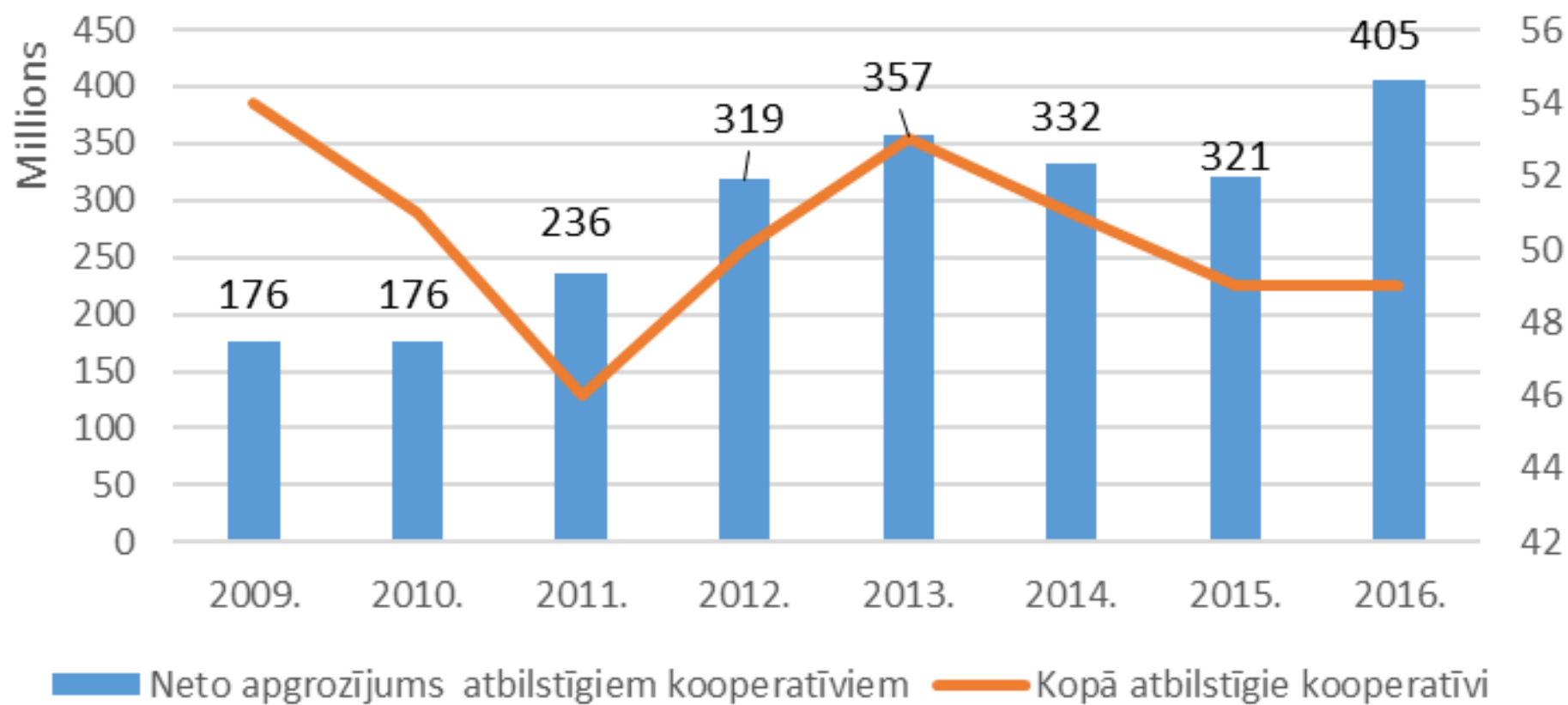
# Number of members in recognized cooperatives



## Number of members in recognized cooperatives 2009. - 2016.



## Cooperatives and their turnover, EUR 2009 - 2016

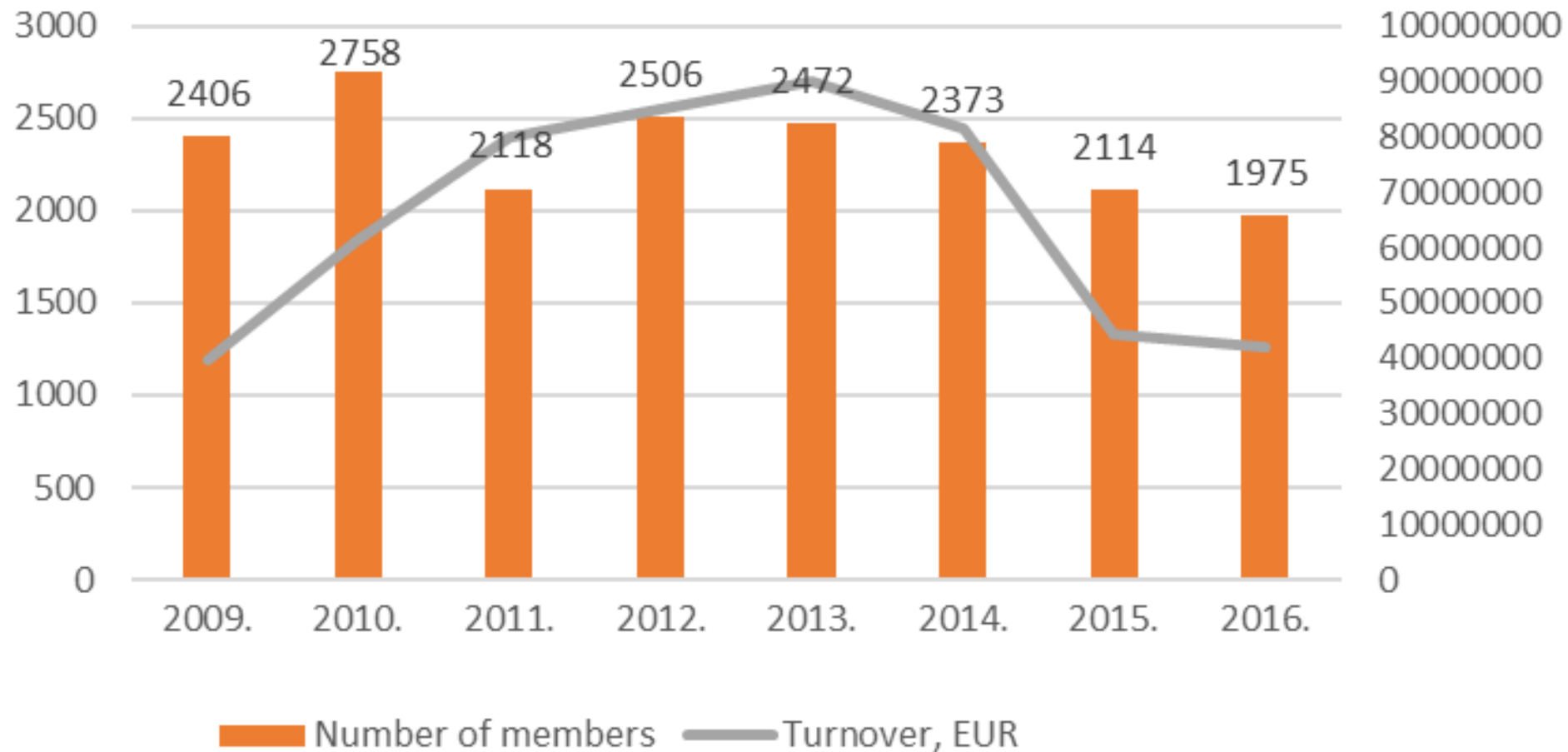




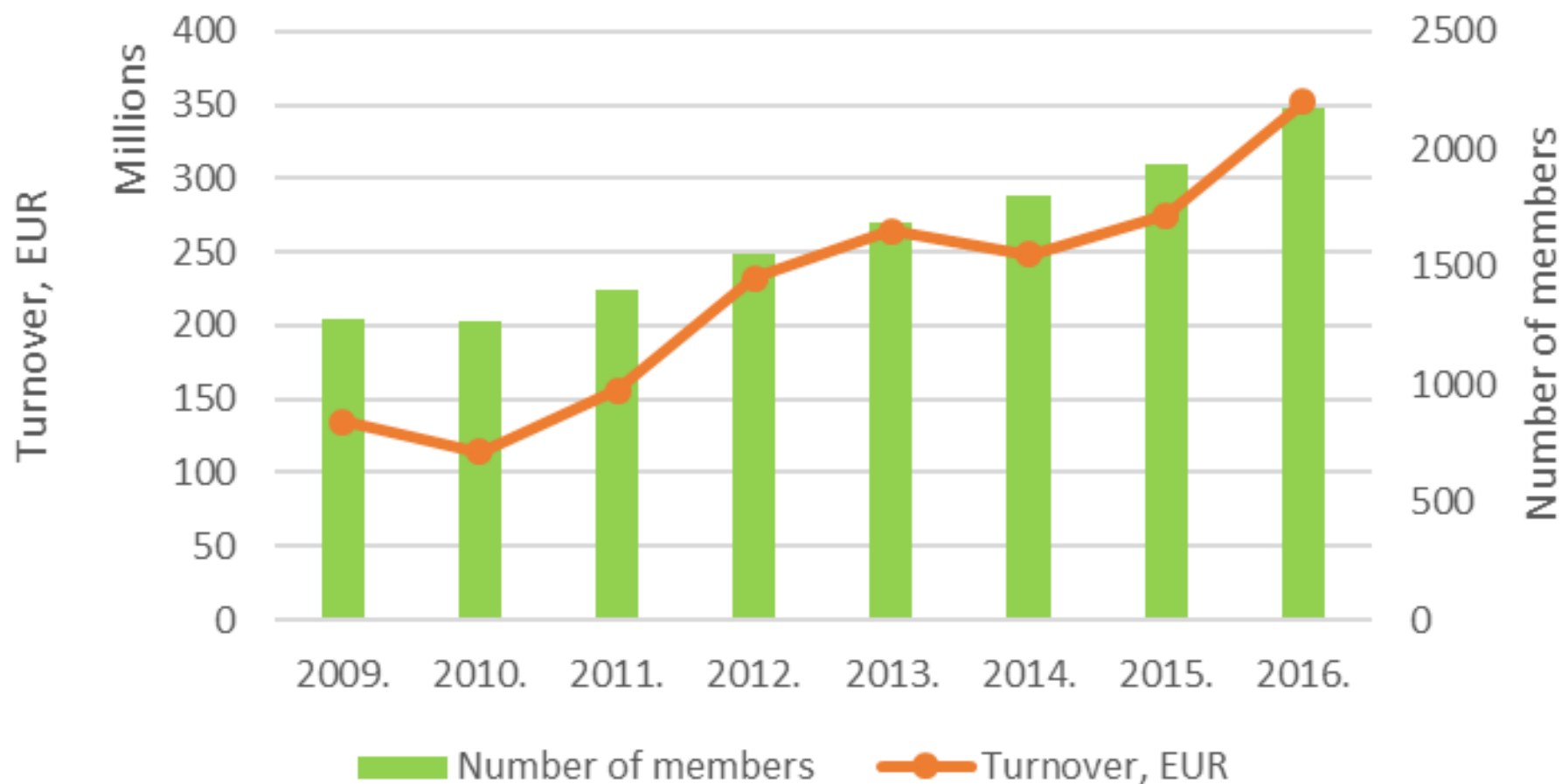
# Cooperatives and their turnover, EUR 2009 - 2016



# Dairy sector cooperatives 2009 - 2016



## Grain sector cooperatives 2009 - 2016



# COOPERATION

COOPERATIVE IS NOT A UNION OF CAPITAL  
BUT OF INDIVIDUALS, INTENDED TO IMPROVE  
THE CONDITIONS OF ITS MEMBERS THROUGH  
THEIR COLLABORATIONS.



# Eternal questions

WHY COOPERATIVE ?

WHAT FOR?

WHAT KIND OF  
COOPERATIVE ?

**WHY WE HAVE TO  
JOIN AND  
COLLABORATE**



**DOES COUNTRY NEED  
ARMED FORCES IN  
PEACEFULL TIMES**



**COMMERCIAL  
BUSINESS IS PRESENT  
JUST UNTILL IT HOPES  
TO EARN PROFIT**

IN AGRI BUSINESS -  
PROFIT ON  
FARMERS





**LATRAPS**

Cooperative Society of Agricultural  
Services

The image shows the exterior of a modern building with a grey facade and large glass windows. A prominent yellow 3D sign on the wall reads "LATRAPS". A semi-transparent white box is overlaid on the center of the image, containing text. The building has a white door with a small set of steps and a white handrail. A white car is visible through one of the large windows. The sky is overcast.

**LATRAPS**

PROUD TO BE  
100% LATVIAN FARMERS COMPANY

# VALUES

COOPERATIVE MEMBER

STABILITY

PROFESIONALISM

INTEGRITY

SUSTAINABILITY

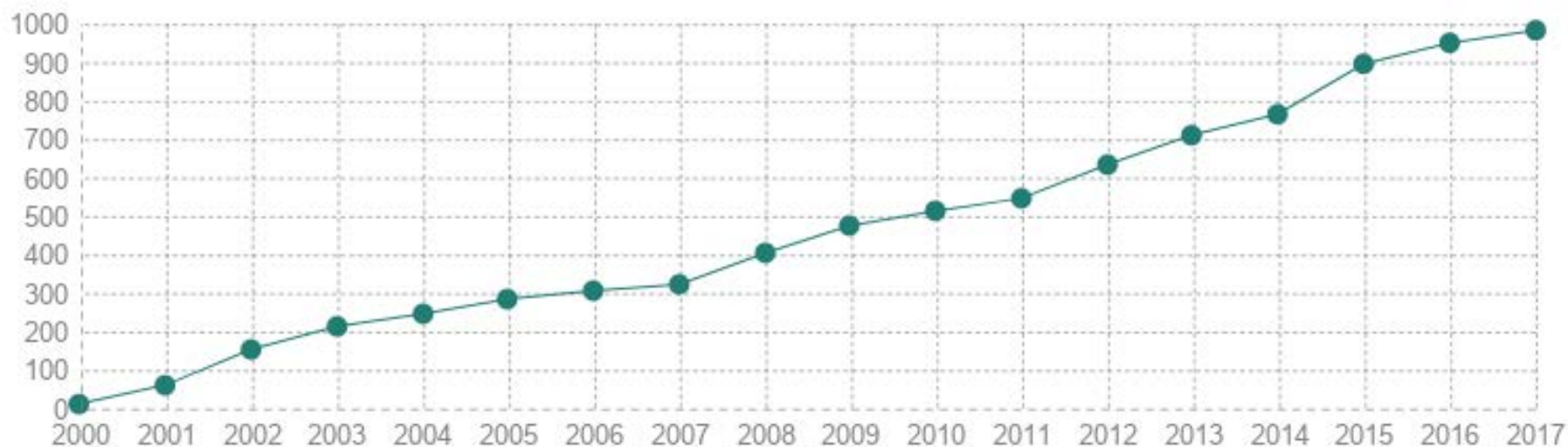


LATRAPS was established on April 26th, 2000 by 12 farms in Zemgale main cereal growing region of Latvia, to find a market for produced grain.

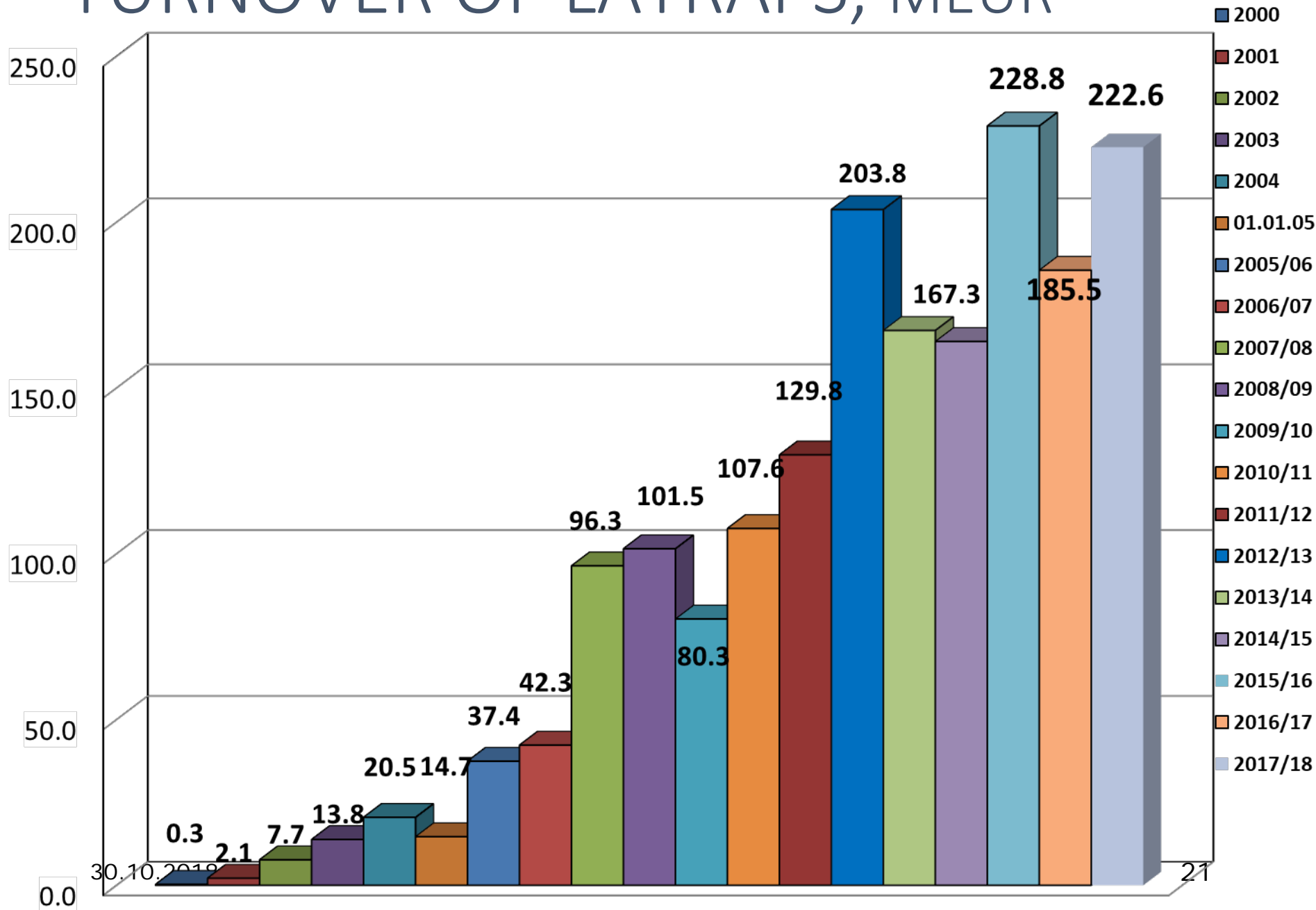


From cooperative of 12 members LATRAPS has grown and become the biggest Agricultural company in Baltics

■ GROWTH OF MEMBERS



# TURNOVER OF LATRAPs, MEUR



**220 M€\***  
TURNOVER

\* finanšu gadā, kas ilga no 2017. gada 1. jūlija līdz 2018. gada 30. jūnijam

# 18.

LARGEST ENTERPRISE IN  
LATVIA 

 "Largest enterprises in Latvia by  
turnover: TOP 500," db.lv 2017

# 2.

MOST VALUABLE  
ENTERPRISE IN BUSINESS  
AREA 

 "LURSOFT" data 17. 10. 2017

**HOW DID WE REACH  
IT?**



## STRATEGIC TARGET



INTEGRITY,  
TRUSTWORTHY AND  
PROFESSIONALITY OF  
MANAGEMENT TEAM

OWNERS TRUST TO  
EXECUTIVES

# The main targets of cooperation

- profitable marketing of members produced grains and rapeseed;
- to develop growing of a specific crop - rapeseed in Latvia (6000 ha rapeseed in Y2000, 130 000 ha in Y2013);
- development of crop postharvest handling facilities;
- collection and pre-processing of the crop all over the country;
- supply of necessary inputs, agronomical advice.



OPEN TO EVERY CEREAL  
FARMER TO JOIN



**LATRAPS**  
Kooperatīvā sabiedrība

ENTERANCE FEE 355 EUR

**no further  
membership fees**



MEMBERS COMPANY –  
MEMBERS/**CLIENTS**  
ARE  
**OWNERS** OF THE COMPANY



# PROFIT DISTRIBUTED TO MEMBERS

**proportionally to their  
turnover with  
cooperative**



# MEMBERS HAVE TO USE SERVICES OF COOP

**not determined  
amount of services to  
be used**



# LATRAPS UNITES FARMERS FROM ALL LATVIA **982 MEMBERS**



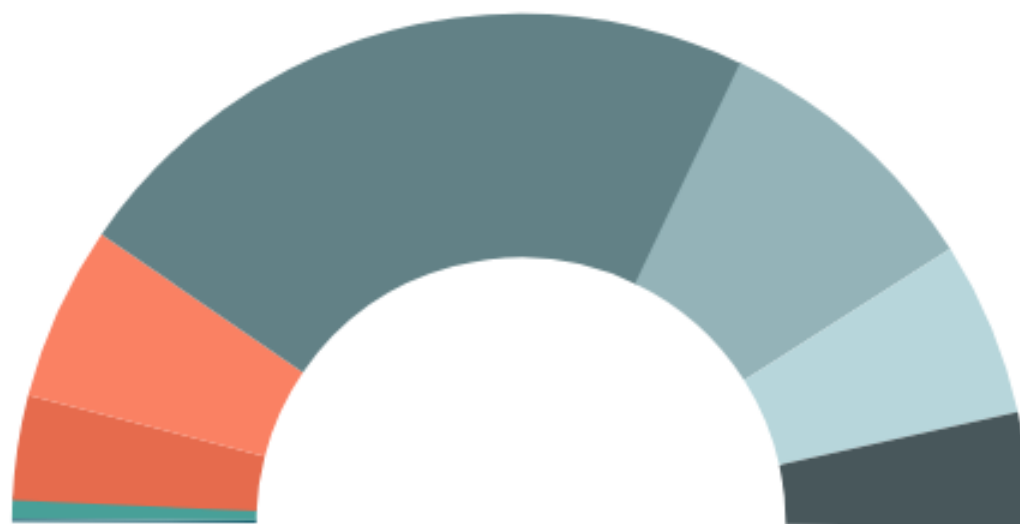
■ ZEMGALE (45.32%) ■ LATGALE (33.20%) ■ KURZEME (15.17%) ■ VIDZEME (6.31%)





# LATRAPS UNITES FARMS OF DIFFERENT SIZE

**from 10 to 6000 ha**



■ >5000 ha (0.10%) ■ 2000 - 5000 ha (1.22%) ■ 1000 - 2000 ha (6.52%) ■ 500 - 1000 ha (11.10%)  
■ 100 - 500 ha (45.21%) ■ 50 - 100 ha (17.72%) ■ 20 - 50 ha (11%) ■ < 20 ha (7.13%)

# AVERAGE SIZE OF THE FARM

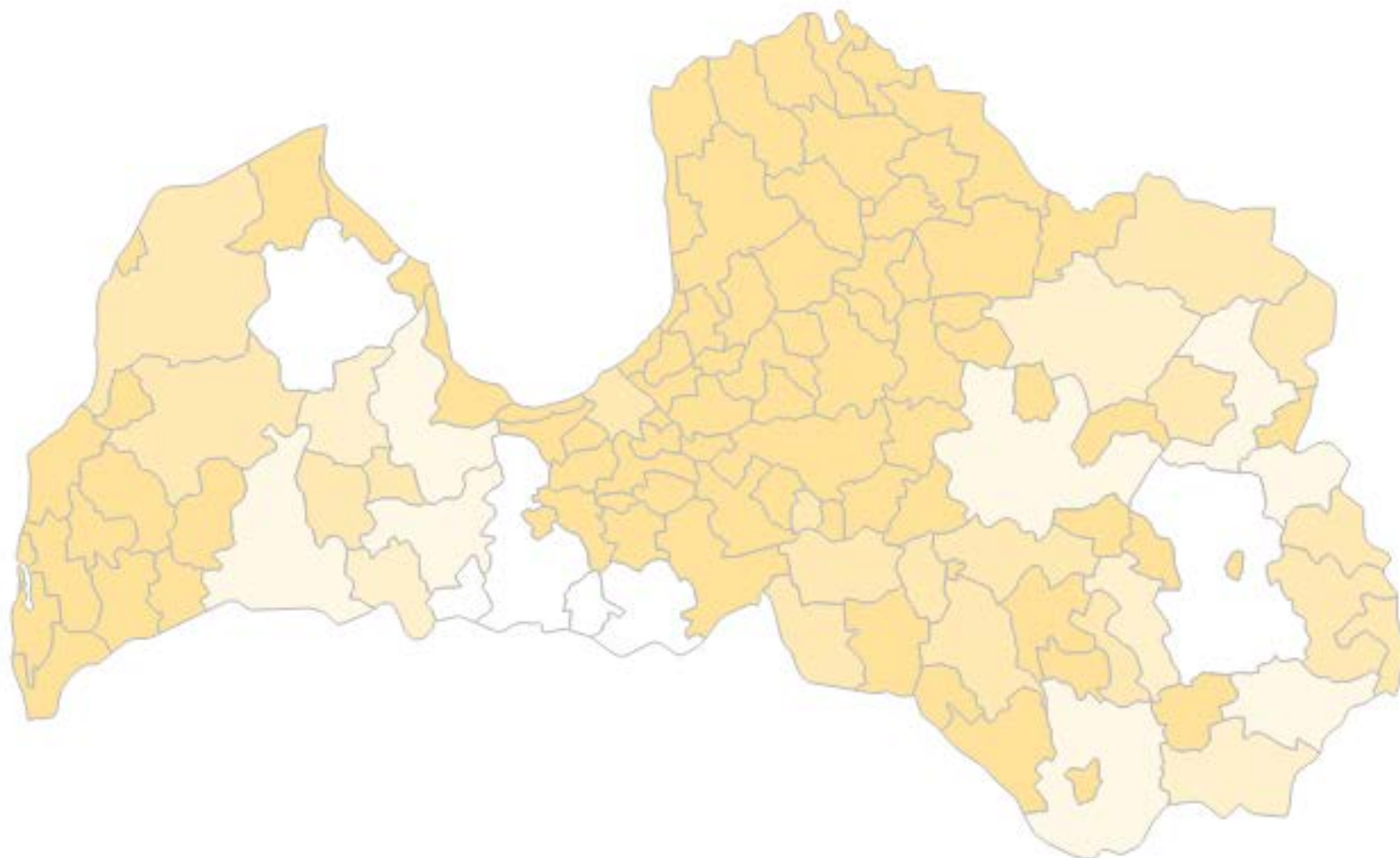
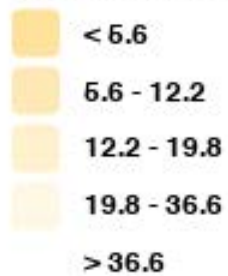
339 ha



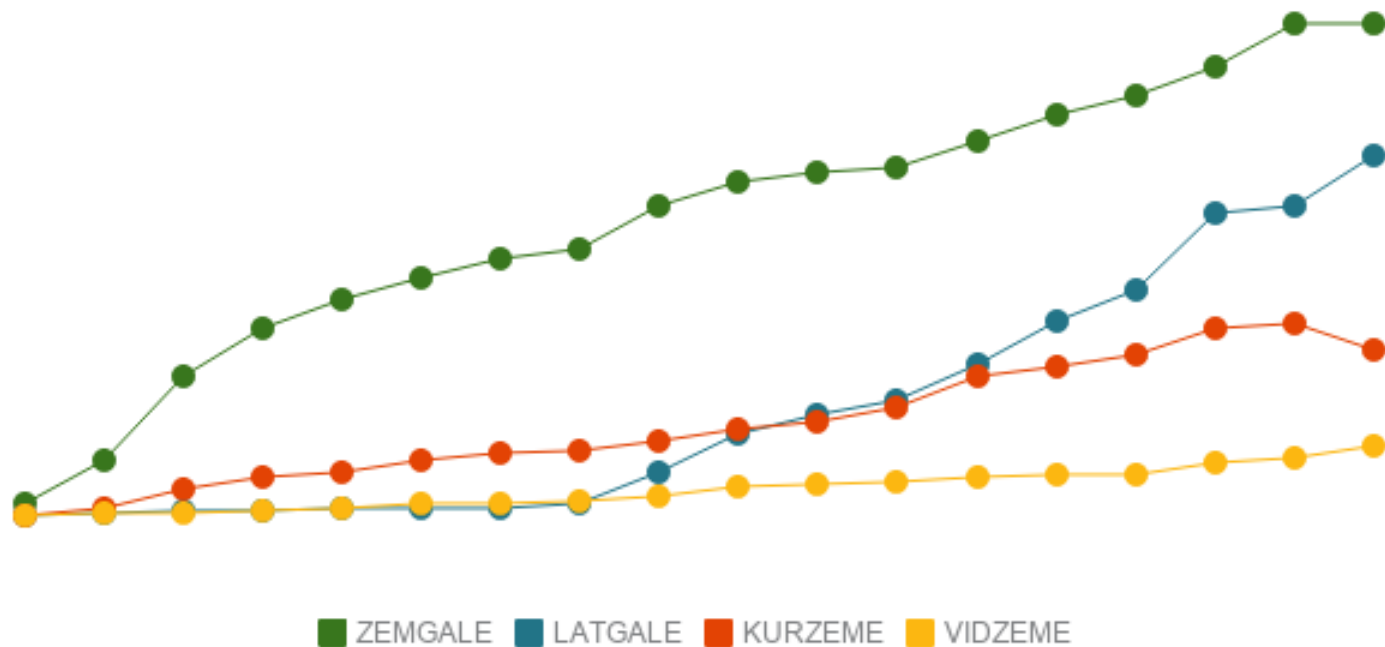
**LATRAPS**  
Kooperatīvā sabiedrība

# NUMBER OF MEMBERS BY REGIONS

## NUMBER OF MEMBE...



# NUMBER OF MEMBERS BY REGION



WHAT DOES  
***LATRAPS***  
DO?



SUPPLY MEMBERS WITH NECESSARY  
PRODUCTS AND INDEPENDENT ADVICES



# Agro department

- Purchase, distribution and sales of inputs – crop protection products, fertilizers, seed;
- direct partners to biggest global producers: BASF, BAYER, MONSANTO, YARA, URALCHEM, ACRON, Rapool, KWS, SW seed, PIONEER etc;
- Advisory, crop plans, educational seminars, field days;
- Crop insurance, representing Vereinigte Hagel.





# Crop insurance

**LATRAPS** - partner of  
**Vereinigte Hagel** for crop  
insurance in Latvia

**VEREINIGTE HAGEL –**  
farmers insurance for  
farmers



# Production department

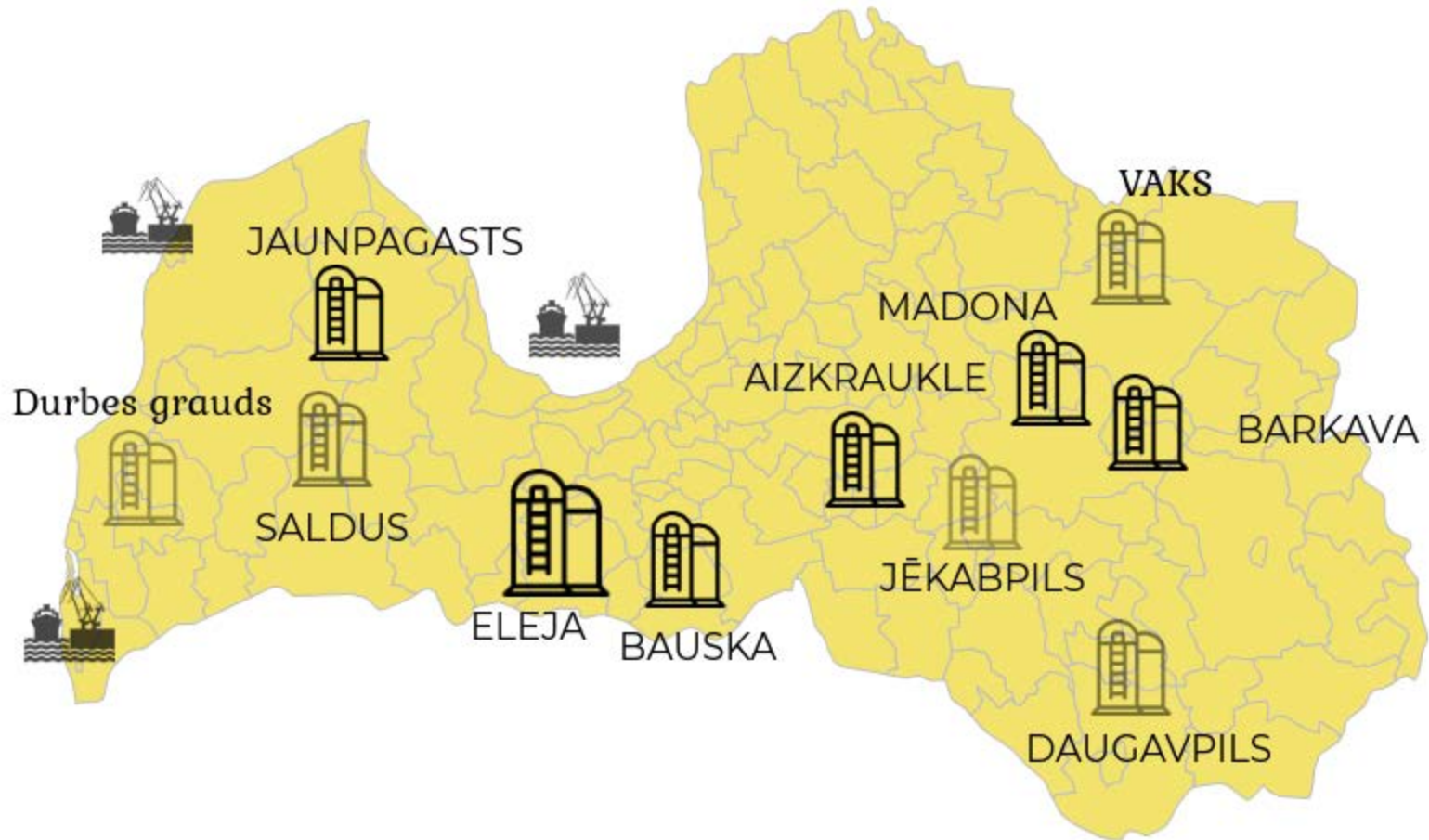
- Managing own grain handling sites;
- Oil crushing plant;
- Malt house;
- Farm fuel sales and distribution;
- Logistics of products



# GRAIN HANDLING SITES



# NEAR FUTURE



# Grain department

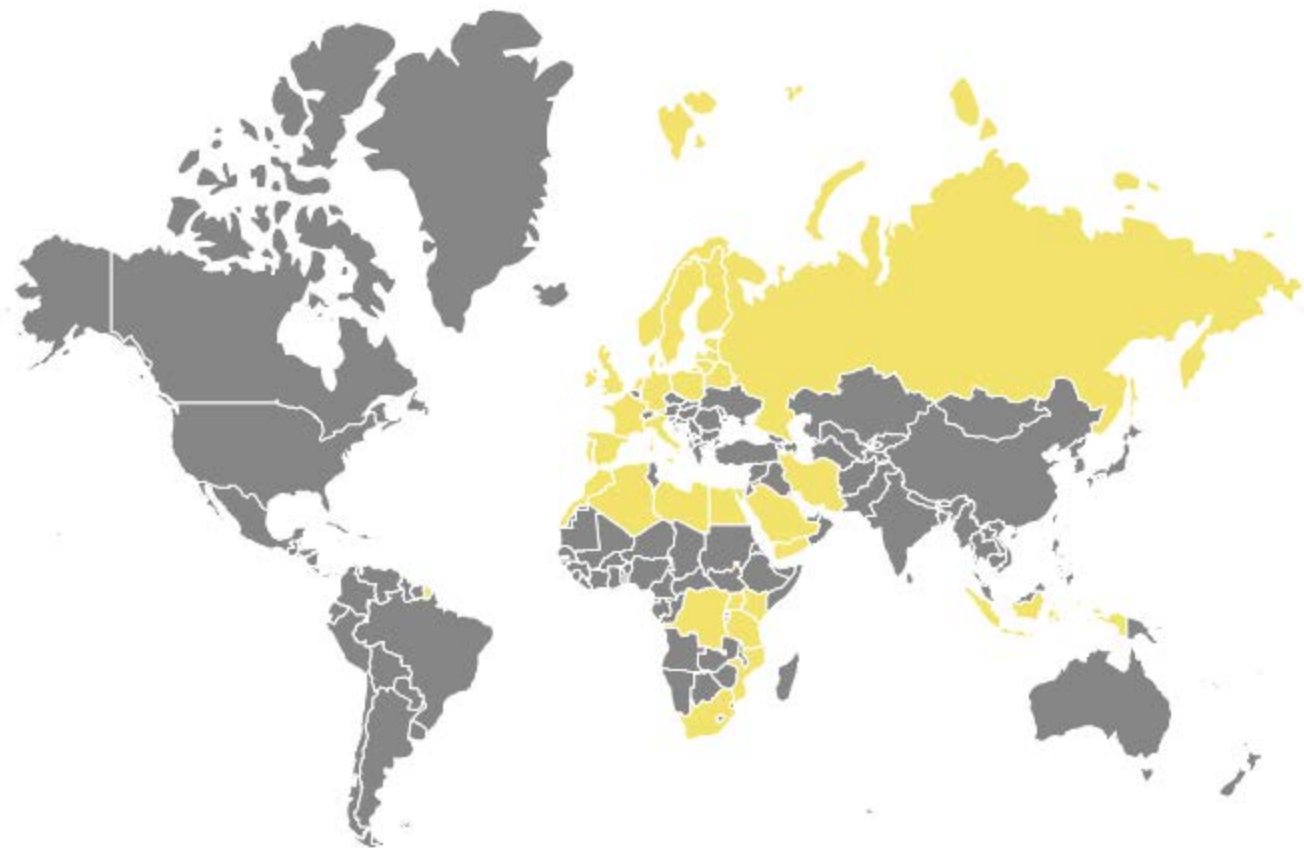
- Purchase of grains;
- Sales, logistics and export execution;
- Coordination of grain handling contractors;
- LATRAPs has 6 own and 34 contracted Grain handling facilities;
- 80% of collected crop – exported.



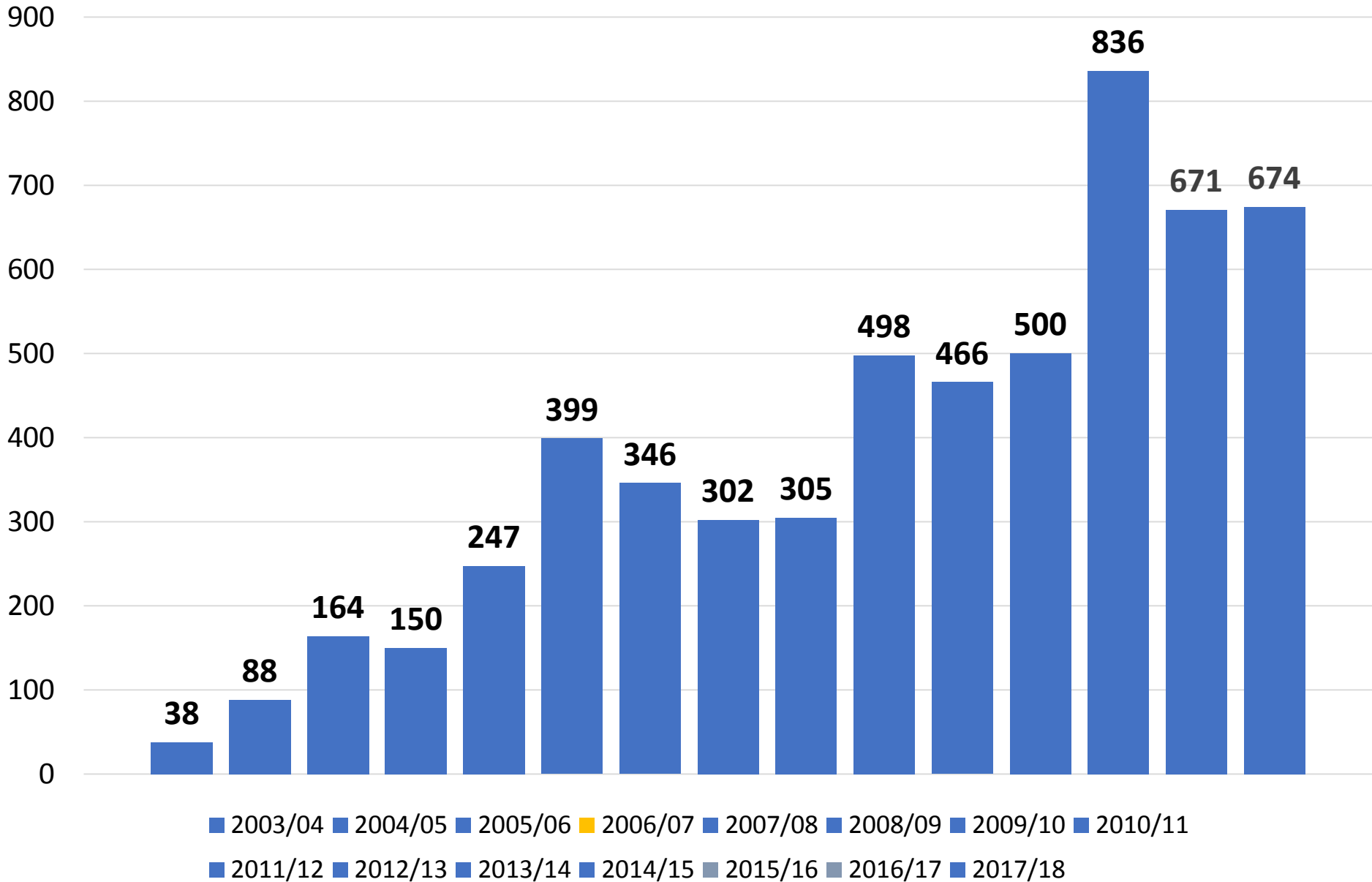
EXPORT



# LATRAPS EKSPORTS GRAIN TO MORE THAN 30 COUNTRIES



# Total crop purchase of LATRAPs, kt





# Machinery department

- Sales and service of agricultural machines



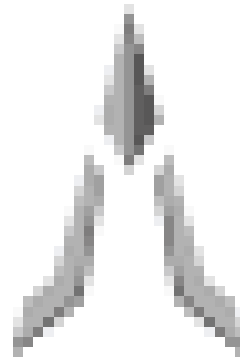
Today LATRAPPS is importer of:



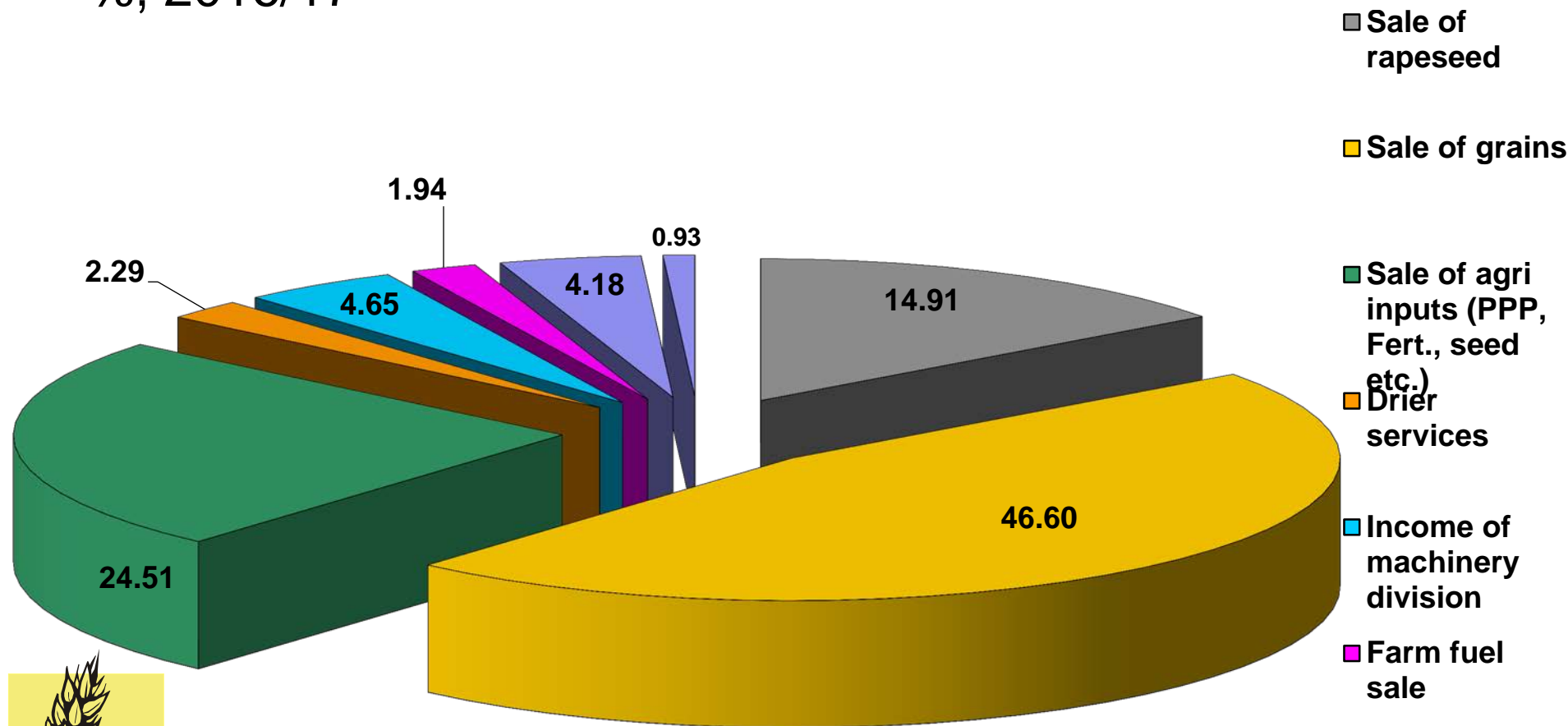
HAWE-WESTER  
GMBH & Co. KG  
MASCHINENBAU



Zum Turm 16 · 26892 Wipplingen  
Tel. 0 49 66 - 9 18 80 · Fax 12 11  
Email: mail@hawe-wester.de



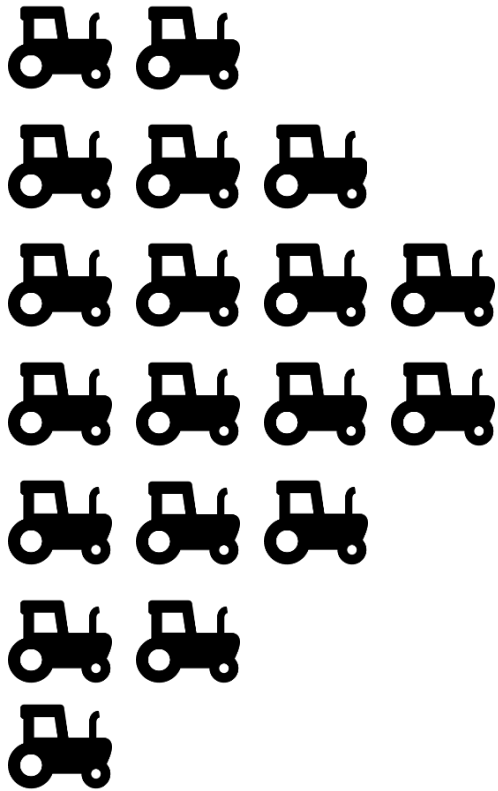
# TURNOVER according to the business, %, 2016/17



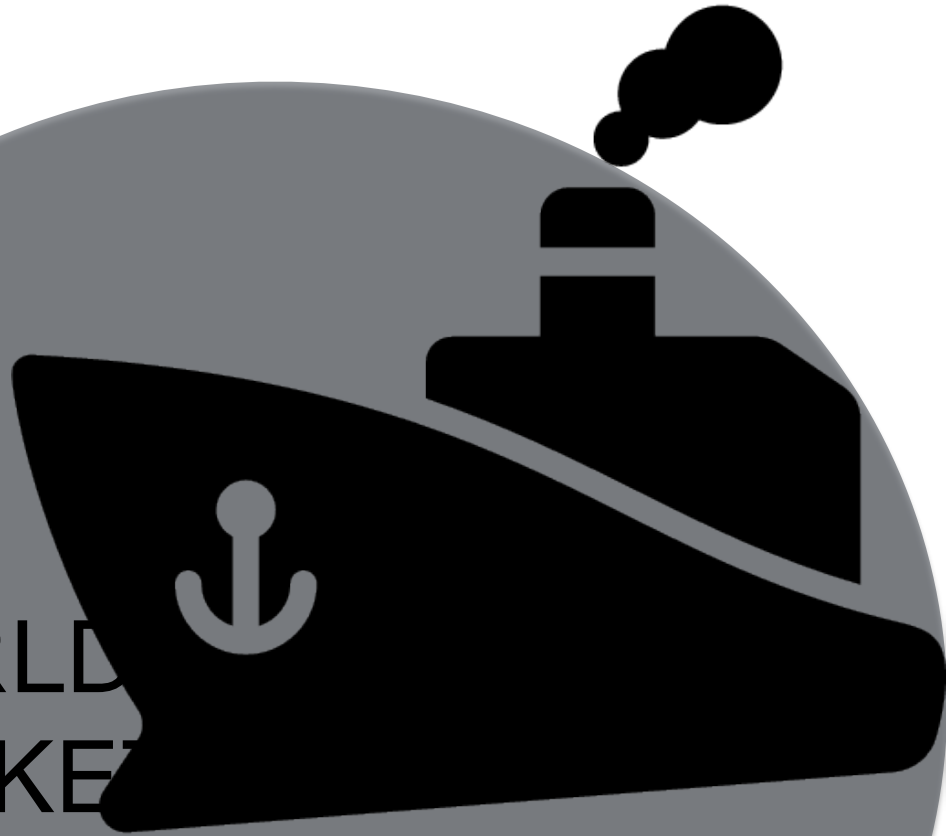
Cooperative is a «capitalism  
with a human face».

# Why do we have to cooperate?

- To solve structural problems of industry on our own;
- To sell farmers produce without middleman;
- Price risk management;
- To supply members with necessary products and independent advices;
- Bigger volumes, better prices/conditions;
- **sales and purchase strategies.**



WORLD  
MARKET



THESE BOYS/GIRLS NEED RELIABLE,  
PROFESSIONAL PARTNER!



...these as well!



etc.



# Main principles of cooperation

- Voluntariness;
- Democracy;
- Loyalty to an idea;
- Political neutrality;
- Principles of understanding of common benefit;
- Social responsibility;
- Member commitment;
- Delivery reliability;
- Competent management.

- Mutual trust;
- Make friendship with successful;
- Solidar attitude to common business;
- Jointly to common target!



Cooperative - reliable partner to  
members not just in sunny weather!



30/10/2018

Key issue of successful cooperative

- **Management of cooperative:**

- Reliability;
- Accountability,
- Trustworthy;
- Trust trust trust!

- 1. businessman – shark

vs

- 2. socialy minded collaborator

- Integrity, accountability and trust – basic elements of our business ethics
- On mutual **trust** based relationship between business partners. «Trust is a key prerequisite for prosperity» (Marc Rich, Glencore)

«Cooperative is not a union of capital but of individuals, intended to improve the conditions of its members through their collaborations».

# The main hurdles to cooperation?

- Individual ambitions over common interests, benefits;
- Shortterm benefits are more important as longterm targets;
- Poor understanding and internal complexes: division/conflict in large and small farmers;
- Exaggerated democracy and rights.

# Financing of cooperative

Greatest difficulties:

- Short term resources;
- Investments:
  - Ambitions;
  - Market research;
  - Members loyalty;
  - Short term resources.



# Quota system

- Investment instrument:
  - To build 25 000 t grain terminal – 2,5 MEUR investment;
  - = 100 EUR/t = 10 EUR/t X 10 years;
  - «X» farmer's crop is 1000 t pa;
  - He is buying 1000 quotas X 100 EUR with payment term 10 years (payment 10 000 EUR pa)

# LATRAPS QUOTA

- Quota does not give a property rights;
- Quota – delivery rights;
- Depreciation is not calculated in service price;
- Quota depreciation period – 25 years.

Cooperative is reliable partner to members not just in sunny weather!



30/10/2018

# Financing of members

- Financing of inputs;
- Machinery leasing, rent;
- Short term finances to farmers;
- Long term support.

# Mutual financing benefit

- LATRAPs pays interest for farmers cash balance in LATRAPs accounts:
  - LATRAPs – non bank assets;
  - Farmer – additional income.

Profit stays in family!

# Management and governance

**General Meeting**

**Supervisory Council**

7 members

**Executive board**

**GRAIN  
DEPARTMENT**

**AGRO  
DEPARTMENT**

**HR AND FINANCIAL  
DEPARTMENT**

**PRODUCTION  
DEPARTMENT**

**MACHINERY  
DIVISION**

THANKS FOR YOUR  
ATTENTION!



YOUR **LATRAPS**