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THE G.A.E.C.

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(1) Introduction

Since 1950 French farmers have been concerned about the failure of their system of operation to adapt to the increasing mechanization of farming.

For such farmers there must be a middle road between agricultural development according to the socialist scheme of things and agricultural development according to the capitalist scheme of things.

This middle road is what is commonly called "group farming", one of the most developed forms of which is the G.A.E.C.

The G.A.E.C. is a type of "société civile" (non-trading company) peculiar to farming, conceived by farmers and created for them.

Since the goals sought are:

- to achieve a scale related to technical possibilities and economic constraints;
- to avoid within this company any hierachization or subordination of one partner to another so that each retains the same freedom of initiative and responsibility as on an individual farm.

In such a company:

- there is no director; all the partners have equal power; decisions are made unanimously or by the majority;
- although capital is not neglected, labour has pride of place.

(2) Constitution

The success of such a company depends on the amount of preparation for its formation since people cannot form a partnership without knowing one another and without having common goals.

Often the farmers who form a G.A.E.C. have already come to know one another through other forms of mutual aid (C.U.M.A., labour bank, etc.)

Although this may seem self-evident, the definition of objectives is of paramount importance for this definition will always influence the decisions of the G.A.E.C.

What are the goals of such a company?

- Development to the full of the business; the income will then be ploughed back in to the greatest extent possible. The volume of work demanded of the partners will always grow. Farm workers will be hired. As soon as land comes on the market, it will be bought.

With such a policy the farmer may hope after some years to be the head of a fine, large business that will bring in a large income.

However, the living and working conditions of the partners will not have improved and may even have deteriorated.

- Better living and working conditions and thus a good balance between investments and disposable income.

Better working conditions than those of the individual farmer.

Shared risks borne by several partners, less soul-destroying work.

The partners' knowledge of one another and the definition of objectives require a great deal of thought, but this thought will not be without purpose and will in particular lead to the drawing up of bylaws that will make concrete provision for all aspects of the company's operations:

- organization of labour;
- distribution of returns;
- decision-making;
- insurance (health, accident, life, etc.);
- vacations;
- vocational training and responsibilities.

Once the most important work has been done, it is time to study the legal aspect.

For this there are standard articles of association that can easily be drawn up from the notes made for the bylaws.

In this kind of company, as in all others, everyone must make a contribution:

- in kind: land, equipment, stock. Usually land is not brought into the company but is simply leased to it;
- in cash;
- in activity.

Therefore, a very detailed inventory must be made of what each partner owns and what each brings in.

The articles must also make provision for the departure of a partner, dissolution of the partnership, liquidation, etc.

All this may seem complicated, but you must realize that the more precise the provisions, the less the likelihood of having recourse to them, for the risk of misunderstanding will be much less.

We should point out one legal innovation, namely, that although the company has a legal personality, the partners are considered to be individual farmers in all legislation, whether economic, fiscal or social. Thus, a partner in a G.A.E.C. loses none of the benefits of being classed as a farmer (e.g., tax legislation). This is called "transparency."

And finally we shall deal with a tool essential to the smooth running of the company-bookkeeping. Each G.A.E.C. must do double-entry bookkeeping so that each partner is completely aware of his position with regard to the business and other partners.

(3) Distribution of duties and responsibilities

For attainment of the objectives of no hierarchy and no subordination, it is essential that responsibilities be divided. The purpose of such a division is to make each partner responsible for one activity and sole arbiter in a particular area.

Depending on the type of production, each partner can be responsible for one production unit - one partner looks after daily production, a second after grains, a third after hogs - or else each partner could take on a function within the business - production, marketing or coordination.

This distribution is very important, for it makes each partner aware of his place in the business, it allows him to become familiar with his responsibilities and it tells him who is to do what; it also makes it possible for the business to expand as an individual farm is only rarely able to. Since each partner has his own clearly defined areas of responsibility, he can devote himself exclusively to his area, gain the necessary competence and take training courses whereas the individual farmer must know everything, do everything at once and keep an eye on everything. However, we must not forget that although each partner has one or more clearly defined areas of responsibility, they must all have an overview of the business so as to be able to make decisions

concerning the business as a whole and also so as to be able to replace an absent or ill colleague, etc. This is where information plays a role among the partners.

(4) Information

Information must play a large role. The partners can keep one another informed through:

- frequent and regular meetings, where each partner outlines what he has done, what he still has to do, his problems, etc;
- written report on each meeting with specific mention of decisions reached;
- bookkeeping - the operating account, cash flow and forecasts are very good sources of information;
- finally, distribution of mail and telephoned information must be very fast. For this it is advisable to have a well-equipped office separate from the residence of one of the partners.

The account books, production plans and tables of work completed or to be done must always be available for consultation by any of the partners.

(5) Decisions

This is where collective management becomes a reality for often all the partners are managers.

Decisions are made on two levels:

- decisions concerning the direction of the company, which commit the business for several years (elimination of one production unit, expansion of another, taking out of a large loan, etc.) This type of decision does not have to be made in 48 hours; it can be made collectively, often unanimously, or by the majority called for in the articles. When made by all, such decisions will be carefully considered and exhaustively discussed and argued. This can only be of benefit to the business.
- decisions concerning implementation. Once the direction of the business has been decided on, each partner puts it into effect in his area and makes decisions that implement the plan decided on collectively. Thus, if the group decides to double the size of the dairy herd, it is up to the person in charge of this area to settle the purchase of stock, the casting of a given animal, etc.

(6) Distribution of Returns

In the G.A.E.C. labour ranks above capital when it comes to distribution of returns. Whatever the size of the returns the partners are paid for their labour first. Then capital is rewarded at a normal rate. After that, if there is still anything left, it is often divided equally between labour and capital.

The partners receive a monthly remuneration that is regarded as an advance on the returns of the business. This can be done since all the partners are required to work and are also required to be only farmers. Without this provision the G.A.E.C. cannot be recognized.

The G.A.E.C. has many other special characteristics. However, what I have tried to explain to you here is in particular the collective nature of the management of such a business, which may range from shared management by a father and his son (with equal decision-making powers, and this is important for anyone who is familiar with the mentality of French farmers) to the association of several neighbours.

Today there are over 3,000 such businesses in France.

- The average G.A.E.C. has three partners and farms 250 to 300 acres without hired help.
- 40% are constituted by a father and son.
- In 30% the partners are not related in any way.
- 10% have five or more partners.

Since this is a recent formula (less than 10 years old), we are as yet unable to say whether these businesses are more successful than individual businesses. We can only state that they are able to compete and that they make the farmer's life more pleasant by allowing him to take on professional responsibilities, to take time off for training and also to take vacations; you see before you the living proof of this last.

Many French agricultural leaders are members of G.A.E.C. In addition this type of business provides a driving force for the entire rural environment.

Of course, since the G.A.E.C. is the most developed form of group farming in France, I shall not end without first mentioning the other forms, namely:

- labour banks in which farmers simply help one another (manpower and equipment);
- C.U.M.A.s in which equipment is pooled (tractors, combines, silo fillers, etc);

- what are called "cooperatives of ideas", G.V.A.'s and C.E.T.A.'s where farmers discuss and try to solve common problems.

All these formulas are often the prelude to formation of a G.A.E.C.