

World Food Day
16 October 2012



AGRICULTURAL COOPERATIVES: KEY TO FEEDING THE WORLD



What is a cooperative?

A cooperative is a special type of enterprise.
It is a social enterprise that balances two main goals:
1. satisfying its members' needs, and
2. pursuing profit and sustainability.



In other words, a cooperative is an association of women and men who come together to form a jointly owned, democratically controlled enterprise where generating a profit is only part of the story.

Cooperatives put people before profit.

They also help their members achieve their shared social, cultural and economic aspirations.
A cooperative is a social enterprise that promotes peace and democracy.



“Agricultural cooperatives: key to feeding the world” is the 2012 World Food Day theme, in recognition of the role cooperatives play in improving food security and contributing to the eradication of hunger.

Nearly one in seven people suffer from undernourishment, yet the world has the means to eliminate hunger and fuel sustainable development. There is broad agreement that smallholders will provide much of the extra food needed to feed more than nine billion people by 2050. One of the necessary steps to achieving food security is to support and invest in cooperatives, producer organizations and other rural institutions.

Numerous success stories around the world have shown that rural institutions like producer organizations and cooperatives contribute to food security by helping small farmers, fisher folk, livestock keepers, forest holders and other producers to access the information, tools and services they need. This allows them to increase food production, market their goods and create jobs, improving their own livelihoods and increasing food security in the world.

In 2007-2008, the price of maize soared by 74 percent, and rice prices climbed 166 percent. Many small producers were not in a position to respond by increasing their crop production, productivity and, ultimately, income. Why was that?

Most small producers in developing countries face numerous difficulties. They are often far removed from what happens on national and international markets. For them to benefit, higher food prices would need to be transmitted through the entire value chain all the way to the small producer.

Farmers also face difficulties accessing high-quality inputs. While the selling price for crops may be higher, farmers also have to factor in the variable cost of buying seeds and fertilizer before deciding to expand their production. Access to loans to buy these inputs can also be a problem.

Even when all these conditions are favourable, many small

producers face still other obstacles – such as lack of transport to bring their produce to local markets, or the absence of proper infrastructure in rural areas.

For all these reasons, higher prices on international markets did not translate into better income and well-being for small producers in developing countries.

There is good news, however.

Accumulated research and experience show that while small farmers acting alone did not benefit from higher food prices, those acting collectively in strong producer organizations and cooperatives were better able to take advantage of market opportunities and mitigate the negative effects of food and other crises.

This paper aims to increase understanding of the role and importance of agricultural cooperatives and producer organizations in achieving food security and reducing poverty. It recommends the promotion of these special enterprises as a way out of hunger and poverty. It emphasizes the need to empower and support the growth and sustainability of agricultural and food cooperatives. It also recommends that governments and policy makers put in place the right policies, transparent legislation, incentives and opportunities for dialogue, because all of these are necessary conditions for cooperatives and producer organizations to develop and grow.

A range of services

Strong cooperatives and other producer organizations are able to overcome difficulties such as those described above by offering their members a variety of services. These services range from access to natural resources, information, communication,

input and output markets, technologies and training. They also facilitate their participation in decision making-processes.

Through practices like group purchasing and marketing, farmers gain market power and get better prices on agricultural inputs and other necessities.

Some institutional arrangements, such as mediation committees, have improved smallholders' access to and management of natural resources by securing land rights. Other arrangements such as input shops (for collectively purchasing inputs) and warehouse receipt systems (for collective access to credit) have increased producers' access to markets and productive assets, while reducing high transaction costs.

Cooperatives and producer organizations are central in building small producers' skills, providing them with appropriate information and knowledge, helping them to innovate and adapt to changing markets. Some enable farmers to build their capacity to analyze their production systems, identify their problems, test possible solutions and eventually adopt the practices and technologies best suited to their farming systems.

Another powerful contribution of cooperatives and producer organizations is their ability to help small producers voice their concerns and interests – and ultimately increase their negotiating

power and influence policy-making processes. "Multi-stakeholder platforms" and consultative fora are examples of where small producers discuss the design and implementation of public policies.

The United Nations Committee on World Food Security is an important intergovernmental body for reviewing and following up on policies concerning world food security. It brings together different stakeholders including national governments, regional and international producer organizations and other key stakeholders, under the auspices of the UN Food and Agriculture Organization (FAO). A significant achievement of the Committee was the drafting and adoption of voluntary guidelines for land tenure and access to fisheries and forests, with producer organizations and cooperatives involved in the negotiations. The new voluntary guidelines will allow national governments to pass laws and set up policies on access and ownership rights for land, fisheries, and forest resources.

While benefiting from these services, small producers can secure their livelihoods and play a greater role in meeting the growing demand for food on local, national and international markets. Therefore, they contribute to poverty alleviation, food security, and the eradication of hunger.

Cooperatives in the economy

Cooperatives are present in all countries and all sectors, including agriculture, food, finance, health care, marketing, insurance and credit.

It is estimated that one billion individuals are members of cooperatives worldwide, generating more than 100 million jobs around the world. In agriculture, forestry, fishing and livestock, members participate in production, profit-sharing, cost-saving, risk-sharing and income-generating activities, that lead to better bargaining power for members as buyers and sellers in the market place.

The International Year of Cooperatives in 2012 celebrates the unique role that this "business model with a social conscience" plays in our modern world.

World Food Day 2012 shines a light on agricultural cooperatives in particular, and their contribution to poverty and hunger reduction. After all, of the estimated 925 million hungry people in the world today, 70 percent live in rural areas where agriculture is the economic mainstay.

Agricultural and food cooperatives are already a major tool against poverty and hunger, but they could do much more. It is time to strengthen these organizations and facilitate their expansion while creating a favourable business, legal, policy and social climate in which they can thrive.

Some definitions

Agricultural and food cooperatives can be registered cooperatives, or they may take other names and forms: producer organizations, self-help groups, unions and federations of producers, or Chambers of agriculture, to name a few.

For the purposes of this paper, we use the word cooperative to mean any member-owned enterprise run on democratic principles. In our three boxed examples of cooperatives – in Honduras, Thailand and Benin – you can read about the different focuses that producer organizations can have, and the battles they can win against poverty and hunger.



Natural resource management in Honduras

Lempira Sur in southwest Honduras used to be one of the poorest regions of the Central American country. Malnutrition was chronic and 80 percent of the population practised slash-and-burn agriculture that degraded the soil and left it open to erosion. An FAO project in the 1990s played a key role in promoting grassroots democracy, which turned whole communities into a sort of cooperative.

Community development councils, which like conventional co-ops were membership-based and democratic, were formed with emerging and energetic rural leaders. Eventually, councils across the region organized themselves into networks covering entire watersheds. A pressure group was created to lobby government to provide services. The most pressing problem was to find a substitute for slash-and-burn farming, which had resulted in a drastic drop in crop yields.

Prior to the project's start, some of the local farmers had experimented with planting trees to prevent run-off and improve soil fertility. The farmers and the project's young extension workers built on these initiatives, and introduced an agroforestry system based on interspersing three different levels of crops. Since then, the community has gone from strength to strength, producing crop surpluses and surviving floods and drought that previously would have devastated them. Nutrition has improved and incomes are up.



Success factors: forging alliances

Forging relationships with other economic actors is important – not only to access markets, but also to gain bargaining power and negotiate fairer commercial conditions. A group of producers may decide to look for allies with management or marketing experience. In the Thai example (See box Contract farming model a big winner in Thailand), Swift Co. Ltd. acts as the business partner, providing marketing, management and financial expertise

Contract farming a big winner in Thailand

Small farmers in Thailand used to have no direct access to markets and had to depend on middlemen. Individual farmers had trouble growing the quantity and assortment of vegetables that wholesalers preferred to purchase in one lot. Produce spoiled due to poor storage and transport.

In 1986, a company called Swift Co. Ltd. began contracting farmers' groups to grow predetermined types and quantities of fruit and vegetables. Swift set out to remove other middlemen by guaranteeing a fair fixed price to farmers for each type of produce, to be renegotiated annually. Collection stations were built in the middle of each growing area so that the needed variety of produce could be assembled every day. Weighing and grading are carried out transparently in the presence of the farmers. Refrigerated trucks reduce losses.

Groups are run on democratic principles: one member – one vote. Each group elects a management committee that serves for two years. Members participate in all discussions with Swift Co. Ltd., and can vote freely on all issues. Everyone contributes one percent of his or her income for group funding. Although groups can opt out after an initial three-year contract, no farmers' group ever has.

that smallholder farmers typically do not possess.

The search for partners can also be done between similar groups of producers, forming larger farmers' groups or federations and unions. In Ethiopia, coffee farmers joined the Oromia Coffee Farmers Cooperative Union, which has helped members achieve better quality production and operations through technical education and improved management. In the search for strength, individual cooperatives form unions and federations of cooperatives that supply services to members and lobby governments to make sure that policies reflect their views. Cooperatives need governments, and governments need cooperatives.

While government regulation is important, it is equally important that cooperatives have the autonomy to govern and manage themselves – by formulating their own by-laws, for example.

Strengthening capacities

Cooperative members can benefit from training and skills development, but not only in technical areas such as sustainable agriculture production techniques and technologies. Cooperative members and managers (women and men) also need to build their “soft” skills in areas like leadership and entrepreneurship, negotiation and self confidence, business development, policy development and advocacy.

The success of a cooperative depends in large part on the way it is governed and managed. Given the specific nature of these social enterprises, managers need specially adapted business training that takes into account the core values and principles particular to cooperatives. Universities and business schools can play a role in this regard. In Costa Rica, Cenecoop worked

with the Ministry of education to bring cooperative education into secondary schools through e-learning. In the United States, the Babson-Equal Exchange Curriculum on Cooperatives offers advanced education on the management and operation of cooperatives. The curriculum is free online for use by business schools worldwide.

A new social contract

In both developed and developing countries, there are examples of innovative producer organizations and cooperatives that have proven successful in helping small producers overcome different constraints. However, they too often remain limited in scale and scope. The main challenge is to build on these success stories, in order to achieve sustainable rural and agricultural development. For this, relevant stakeholders need to come together, with clear roles and responsibilities, to define the enabling environment where producer organizations can develop.

National governments, development agencies, non-governmental and inter-governmental organizations, and research and academic institutions all have a role to play in supporting the development of strong, efficient and equitable cooperatives and producer organizations.

Governments can provide favourable policies, transparent laws and regulations that are based on consultation with the producers. They can also provide the right business environment, and consultative fora. They can also support with the scaling up of successful and innovative cooperative models.

The donor community and NGOs can assist existing cooperatives, rather than create new organizations. Interestingly, experience has shown that it is better to support existing cooperatives than to create new organizations that may lack grassroots commitment. [See box Nomadic herders mobilize in Benin]

Research institutions can improve understanding of cooperatives and assess their impact – by systematically documenting their activity and successes, and by collecting and analyzing quantitative and qualitative data. The impact of cooperatives on employment generation, poverty alleviation and, ultimately, food security will be more clearly recognized as better-quality data becomes available.

Arguably the most important need is a favourable environment in which cooperatives can form, develop, thrive and compete with mainstream business enterprises.

The human spark

What is a cooperative? It starts when a group of people believe in themselves and get organized. From that spark a fire starts. We see from the examples in this paper that even poor communities can make progress when people band together. On World Food Day 2012, let us resolve to give cooperatives a helping hand, enabling them to overcome constraints and play their full role in the drive to end hunger and poverty. World Food Day and the International Year of Cooperatives are bringing new understanding and attention to cooperatives. Now let's not let the fire go out.

Nomadic herders mobilize in Benin

The nomads of West Africa move with their herds in search of pasture, a lifestyle that leaves them with poor education and insufficient access to markets, veterinary services and medicines. Until recently, they have had little influence on government policy.

In Benin things began to change in 1976 when herders stopped selling animals through traditional traders and formed self-managed livestock markets. Rather than shunning the traders, the groups kept them as a type of notary so that when cattle changed hands the transactions were indisputable. Sales increased and herders' incomes rose. Encouraged by this success, herders formed larger and larger networks. In 2001, all of Benin's traditional herding communities formed the proto-cooperative Borgou-Alibori Departmental Union of Professional Ruminant Herders' Organizations, or UDOPER. As groups tried to deliver better services to members, a French farmers' NGO arrived with technical and organizational assistance.

The impact has been impressive. The herders' union convinced the state to recognize its duty to protect livestock against major diseases. Cattle vaccination became mandatory and simultaneous: almost half a million animals were vaccinated in June 2007 alone. Pharmacies, nurseries and fodder banks have been set up. Between 2004 and 2007, union officials mediated amicable settlements in 53 conflicts, mainly over damage by animals to farmers' fields and thefts of livestock. Cooperation has clearly turned the herders of Benin into a force to be reckoned with.



Co-ops •in numbers

- Cooperatives across all sectors provide over 100 million jobs around the world, 20 percent more than multinational enterprises. These include co-op members, plus workers in businesses that provide goods and services to co-ops.
- An estimated 1 billion people worldwide are members of cooperatives.
- In 2008, the top 300 cooperatives were responsible for an aggregate turnover of US\$1.1 trillion. This is the size of the world's tenth largest economy, Canada, and nearly the size of the economy of Spain.
- In Kenya, cooperatives have the following market shares: 70 percent of coffee, 76 percent of dairy, 90 percent of pyrethrum and 95 percent of cotton.

- In the United States, dairy cooperatives control about 80 percent of dairy production, while in California most of the specialty crop producers are organized in cooperatives.
- In Colombia, the National Federation of Coffee Growers provides production and marketing services to 500 000 coffee growers. It contributes to the National Coffee Fund, which finances research and extension for coffee-growing communities.
- In 2005, the Indian Dairy Cooperatives, with 12.3 million members, accounted for 22 percent of the milk produced in India. Sixty percent of members are landless or have very small plots of land. Women make up 25 percent of the membership.
- In Brazil, cooperatives are responsible for 40 percent of the agricultural GDP and 6 percent of total agribusiness exports.
- In many countries, cooperatives are primarily agricultural. In Viet Nam, 44 percent of all active cooperatives work in the agriculture sector. In India, more than 50 percent of all cooperatives serve as primary agricultural credit societies or provide marketing, warehousing and other services to their producer members.
- In Kenya, 924 000 farmers earn income from membership in agricultural cooperatives, in Ethiopia about 900 000, and in Egypt about 4 million.





Photos: (inside spread, from left) ©FAO/Giuseppe Bizzarri, ©FAO/
Giuseppe Bizzarri, ©FAO/Desirey Minkoh, ©FAO/Giulio Napolitano;
(inside cover, from above): ©FAO/Giuseppe Bizzarri, ©FAO/Marco
Longari, ©FAO/Sean Gallagher, ©FAO/Sia Kambou.



Food and Agriculture Organization
of the United Nations (FAO)
Viale delle Terme di Caracalla
00153 Rome, Italy

