



UNIVERSIDAD DE ALMERÍA



# The Almería Agricultural Cooperative Model: creating successful economic and social communities

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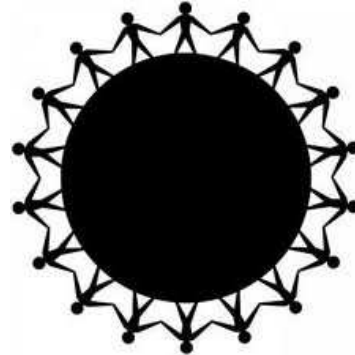
Presentation for the UN International Year of Cooperatives,

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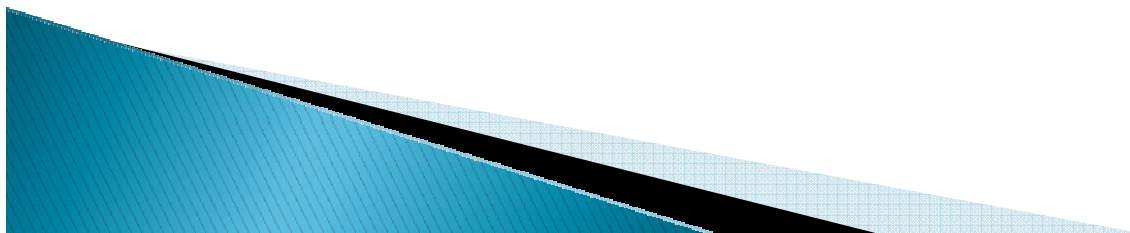
February 1, 2012

**Side-Event with the Commission for Social Development**

# General Theme



the role of cooperatives in  
reducing poverty and  
contributing to civil  
society



# Importance of the role of cooperatives

- ▶ As “*catalysts for economic and social cohesion*”, noted in a *2007 EACB study*\* (a general survey); and *ILO Sustainable Enterprise Programme*\*\*

\*European Association of Co-operative Banks (2007) “Cooperative banks: Catalysts for economic and social cohesion in Europe”

\*\*International Labour Organization, (2009) “Resilience of the Cooperative Business Model in Times of Crisis”, Sustainable Enterprise Programme.

# Growth of Cooperatives



*While the origins of cooperative were based on local initiatives, current cooperative strategies for solving contemporary social/economic problems need to include an international or global perspective.*

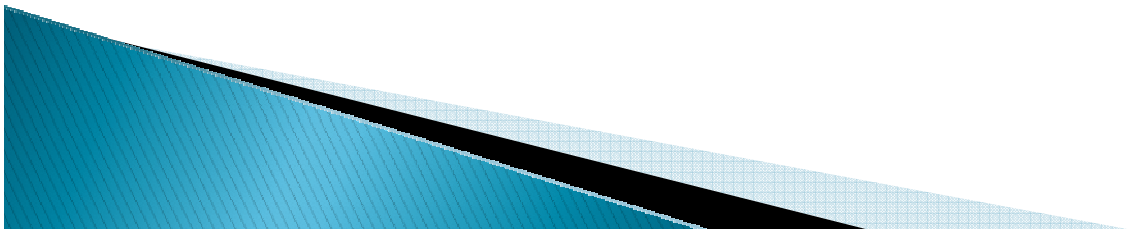


## Focus of Cooperatives

- ▶ **NOT** top-down “tools of development” model nor “charitable or philanthropic giving”
- ▶ *Understanding the financial needs of people or communities* → *assessment of the coop role in setting up strategies* that assist in creating **sustainable, equitable economies that eradicate poverty**

# Case Study

- ▶ agricultural community located in a historically impoverished, and now thriving, area of southern Spain
- ▶ cooperation established and interaction between the farmers, local agricultural cooperatives and the coop bank and their role in supporting innovation in the process of development.

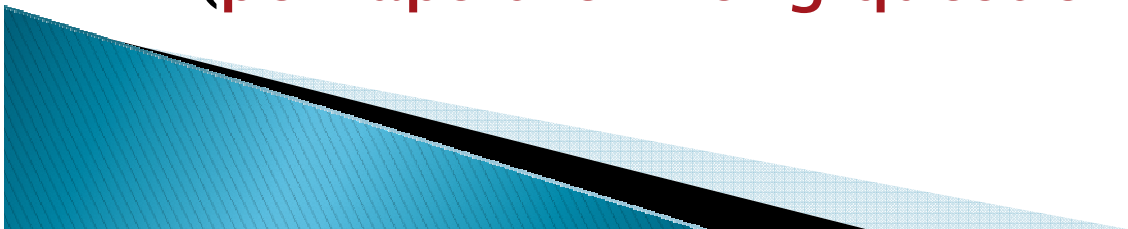


# Almería–South East Spain




# Purpose of Case Study

- ▶ **Beyond** “relationship based” supply of “credit”
- ▶ Cooperatives as source and impetus for **sustainable innovation** and development–“**co-creator**”
- ▶ Consider “**territorially embedded**” notion of local cooperatives in “global” or at least “international” economy
- ▶ “To grow or not to grow ?” that is the question–(**perhaps the wrong question**).



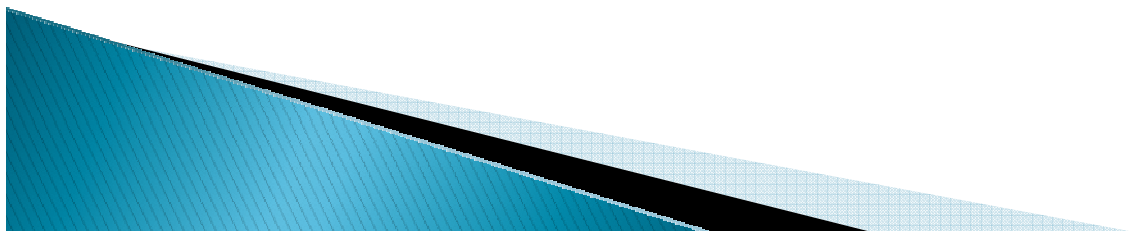
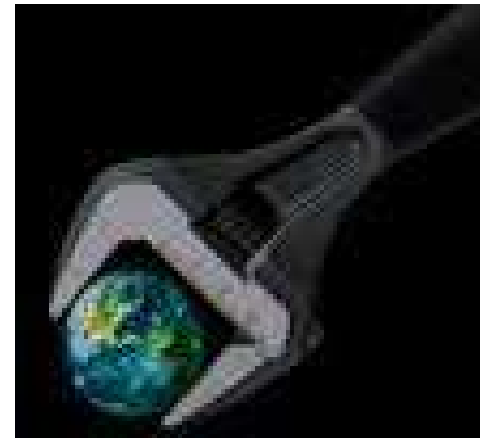


# Industrial Districts (Clusters) and Cooperatives

- ▶ **Structural deficits** of economy heavily dependent on small firms--sectoral specialisation weighted towards relatively mature products-- particularly exposed to low-wage competition
  - ▶ **Slow to adopt new technologies**, lack expertise in financial management, lack knowledge for basic research, unable to produce innovation
  - ▶ **Cooperatives, if properly utilised can remedy this**
- 

# Proactive Role of Cooperatives

- ▶ **Traditional failings avoided** in Almeria´s “agricultural district” due to strategic and active participation of local cooperatives
- ▶ **Avoided** tendency of mature industry to maintain **status quo**
- ▶ Contributed to “**retooling**”, continuous readjustment
- ▶ Embedded in **local** area, participant in **international** marketplace



# Civil Society Role

- ▶ Filled civil society vacuum

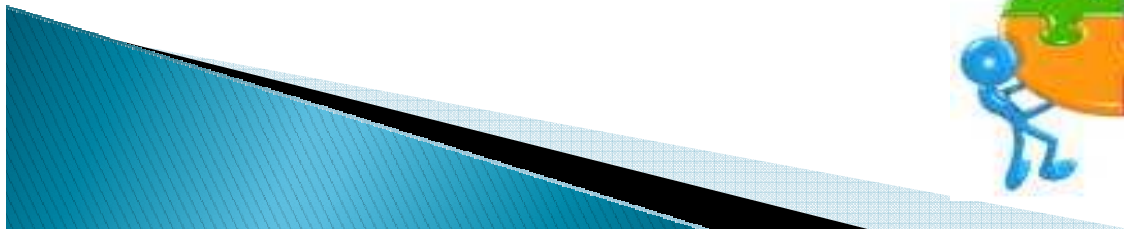


- ▶  Not politically affiliated

- ▶ Sector received few state subsidies



- ▶ Encouraged collective entrepreneurship



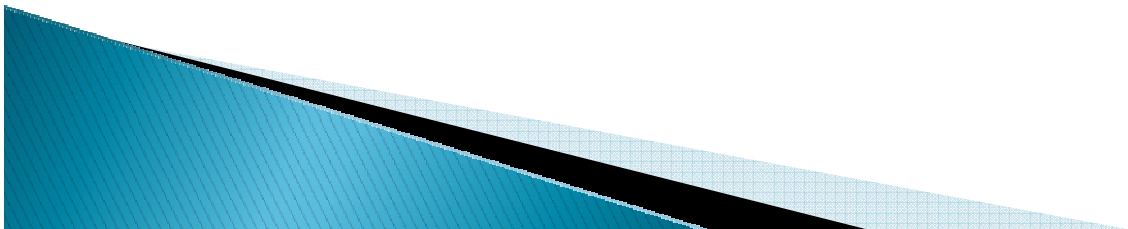
# Entrepreneurial Role




- ▶ **Potential** role of cooperative in the incorporation of new technologies, management training and creating innovative, knowledge/technologically based societies.
- ▶ Collective risk management--Self help

# Then and Now

- ▶ transformation of area of **abject poverty** into a largely cooperative agricultural sector (expanded into a Local Production System)
- ▶ produces and **exports innovative agricultural knowledge and technology.**



# Smallholding Agriculture

- ▶ **smallholding** rapid development due to the expansion, and innovation – intensive agriculture (mainly greenhouses).
  - ▶ **integrated approach to agriculture** which includes wise use of resources, bio-control instead of pesticides, increased production/m<sup>2</sup> based on innovative technology and a growing focus on ecological product.
  - ▶ innovations are largely due to **direct investment and R&D+i of local cooperative institutions**.
  - ▶ It is also a model for its development of a cooperative based **local production system**, “spin off” businesses
  - ▶ “industrial district” although agricultural
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# Natural Landscape of Almeria



# Natural Landscapes of Almeria





# Living Conditions

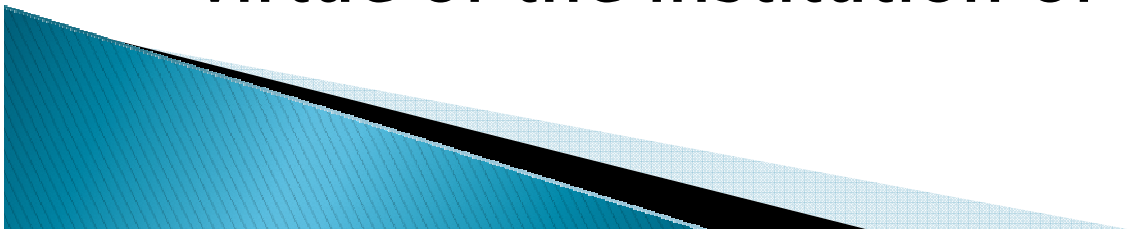


# The Land



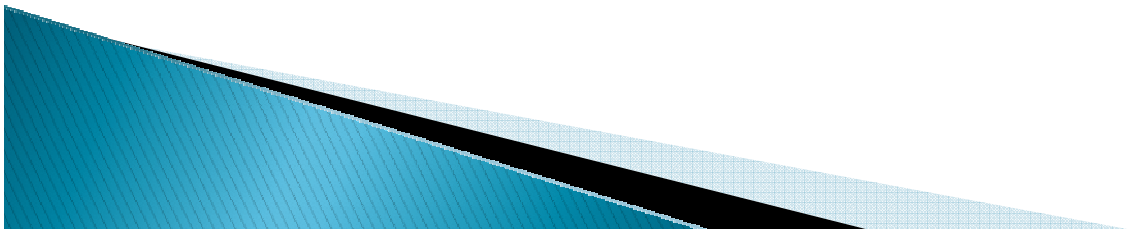
# Poverty and Social Upheaval

- ▶ 1955 provincial **GDP per capita–last** in an already relatively poor Spain (approx 40% lower than Italy).
- ▶ Drought–ridden, devoid of infrastructure, undernourished and undereducated population, **dictatorship wedded to autarky**
- ▶ **200,000 starved postwar in addition to 50,000 killed for political purposes**
- ▶ emigrated to find work elsewhere, leaving in tatters what little social cohesion existed by virtue of the institution of family.



# Evenly Distributed Wealth

- ▶ **Today**, top third of Spain's **provinces—evenly distributed wealth**.
- ▶ **Average land holding of agricultural enterprise** is a mere 1.5 hectares (approx. 3.75 acres), most owned by **families or SMEs who join agricultural cooperatives**.
- ▶ example of **cluster support for a successful sustainable, non-industrial development model**,
- ▶ cannot be explained or understood without investigating the **active implication of the local cooperatives**.



# NASA and Almeria



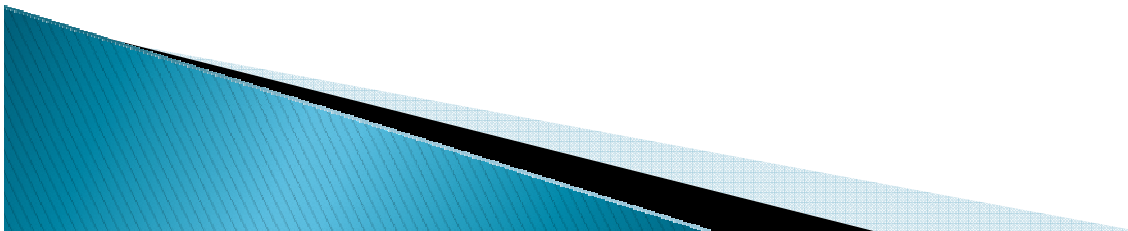
# Greenhouses





# Pre-existing environment and Four stages of agricultural development

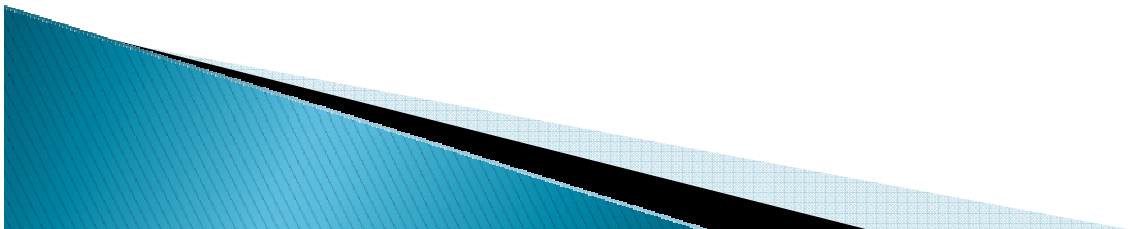
- ▶ **Initial stage 1960–1975**
- ▶ **Takeoff 1975–1990**
- ▶ **Maturity 1990–2000 agro-industrial**
- ▶ **Spillover 2000 forward**





# Pre-existing social economic environment

- ▶ Dictatorship, autarky
- ▶ Extreme poverty,
- ▶ Massive emigration
- ▶ Little infrastructure—water (natural resources), electricity, transportation, fuel
- ▶ 1959 markets opened, dictatorship left untouched
- ▶ Income disparity
- ▶ Vacuum of leaders, distrust of institutions



# No Lack of Credit



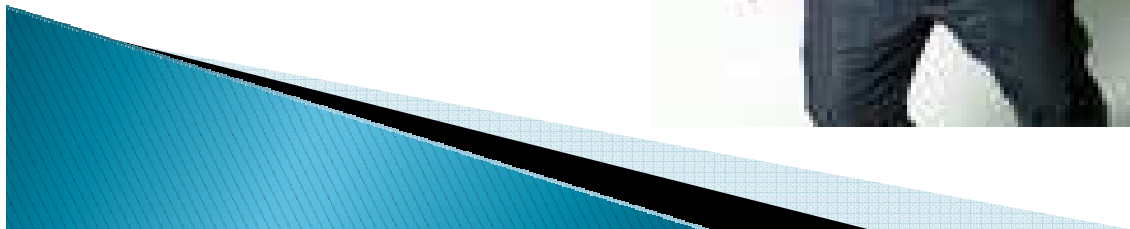
- ▶ Savings Banks (Caja de Ahorros– Church related)

- ▶ Private Banks 

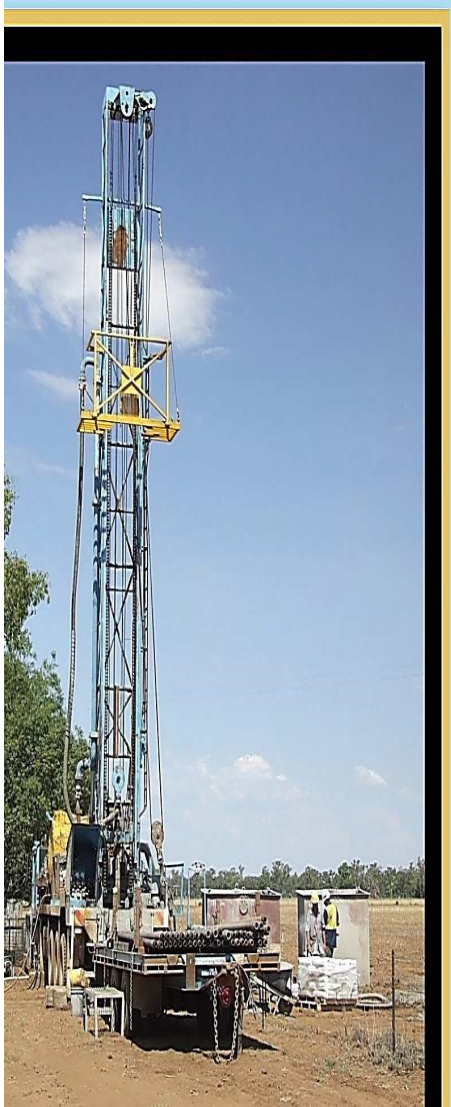
- ▶  Foreign Capital

- ▶ Banks from Basque Country 

...But non for farmers without capital...

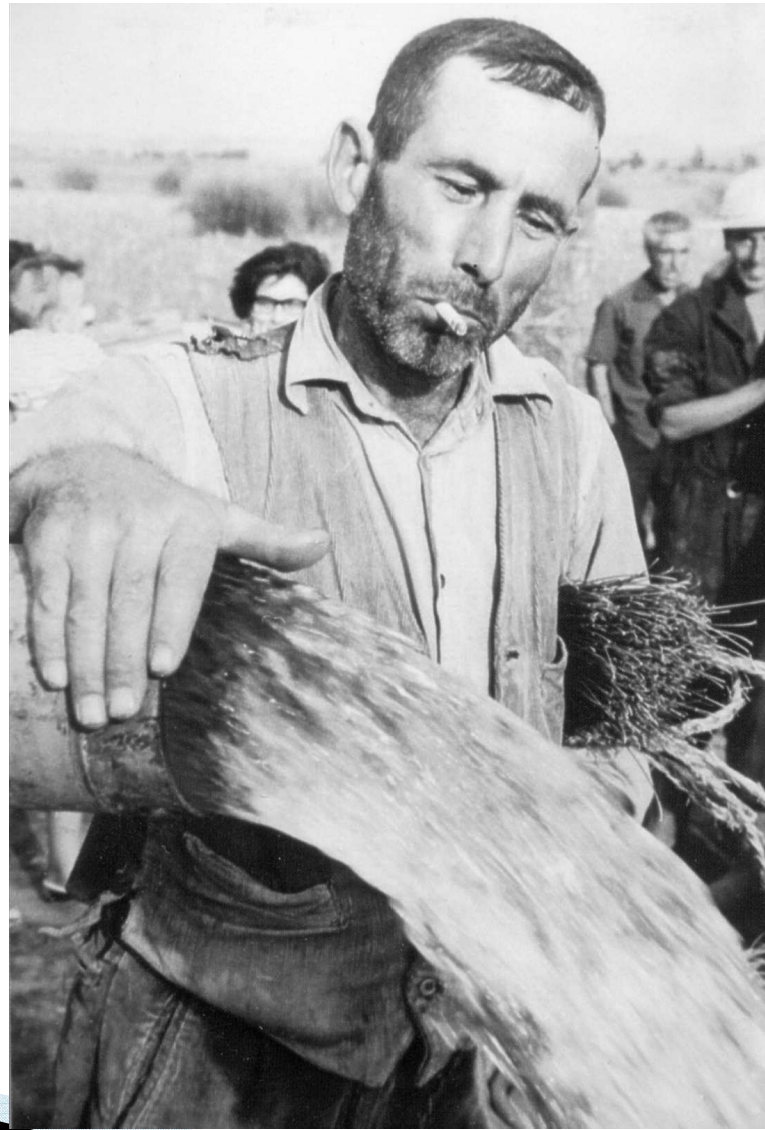


# No lack of “Development” Policy



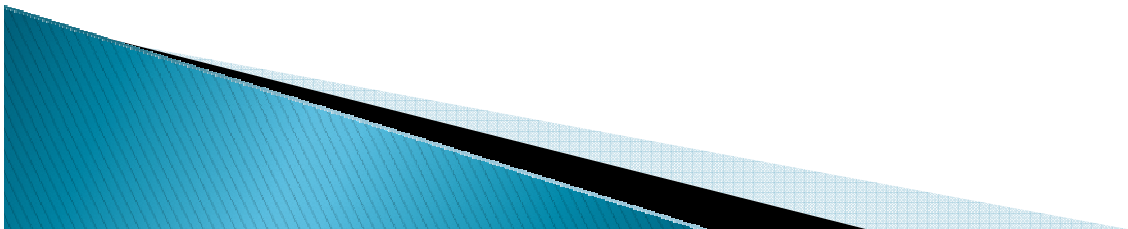
- ▶ Franco´s “Colonization Plan” (agricultural reform)
- ▶ Sell barren land to peasants (who then invent primitive greenhouses\*)
- ▶ Exploit water and natural resources
- ▶ But no investment in agricultural or other activity
- ▶ Drill, baby, Drill (for water)

# Arrival of Water



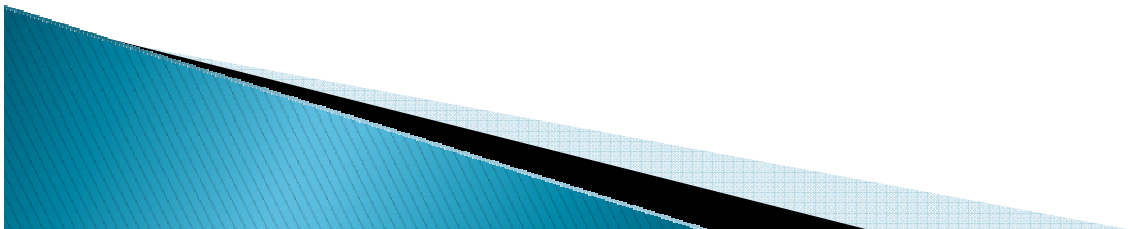
# Initial stage 1960–1975

- ▶ Concerned young lawyer visits small towns explaining cooperative business model–peasants need cash
- ▶ Need method to turn labour into capital
- ▶ Coop bank gives unsecured loans–**Now has an interest in making sure activities are successful and worth financing.**
- ▶ Realises farmers need commercialisation structure of their own–attempts or organise coops
- ▶ Without investment and investigation, farmers can only be part-time and need to work for others (**didn't occur to state that farmers could survive on small amount of land!**).



# Investment in Innovation

- ▶ Sets up cooperative bank in the middle of greenhouses—rapidly expands tiny offices amongst fields
- ▶ can **monitor** activities, both financial and agricultural
- ▶ Disseminates know-how, knowledge, **social “glue”**
- ▶ Decision to set up experimental farms to **shift risk to coop bank**
- ▶ Purchase of electronic computer
- ▶ “Grew under the radar”

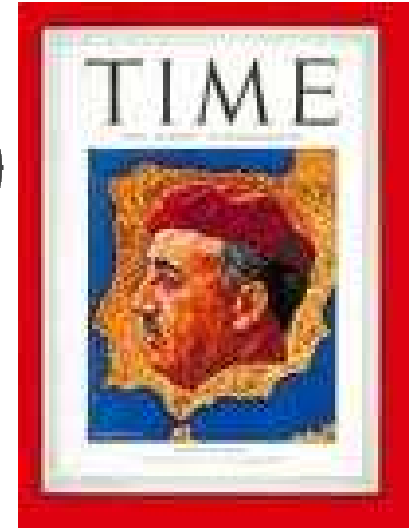


# First Coop bank office



# Take-off 1975-1990

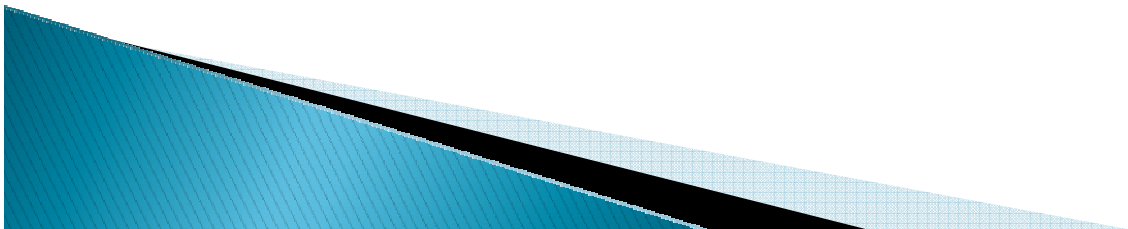
- ▶ Franco dies-transition to democracy
- ▶ High unemployment
- ▶ No culture of entrepreneurship, no experience with open markets and competition
- ▶ Environmental degradation (salt water, pesticides, etc.)
- ▶ Fear and instability





# Cooperative Response

- ▶ **Experimental farms**—water and irrigation, production, soil, greenhouse structure (no universities, research centres)
- ▶ **Technical Ag Service**—cost/benefit analysis on introduction of new technologies
- ▶ **European policies** (no political or economic representation)
- ▶ **Strengthening other cooperative institutions**—marketing coops and agricultural supplies
- ▶ 1977—Association of Coop Producers—COEXPHAL
- ▶ Tracking **market and economic information**



# Result of Cooperative Response

- ▶  Shared knowledge base

- ▶  Changing mentality of peasant into farmer—  
understanding of markets and consumer  
demand

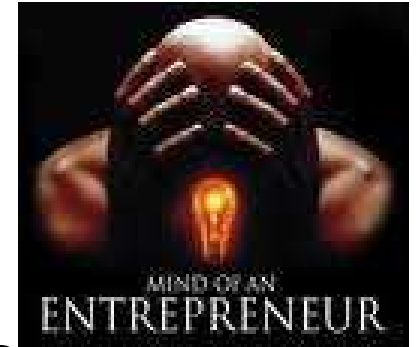
- ▶ Political voice due to sector size—could  
influence policy



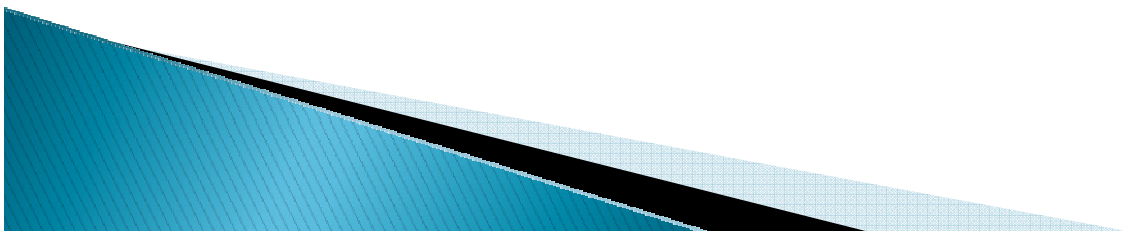
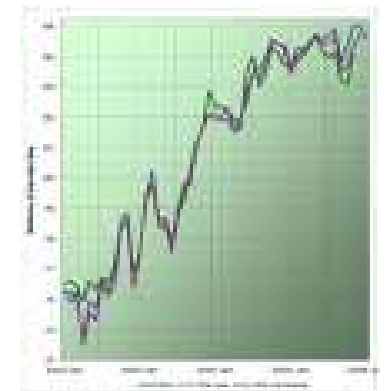
- ▶ Institutions working for benefit of  
community—unheard of



# Maturity 1990–2000

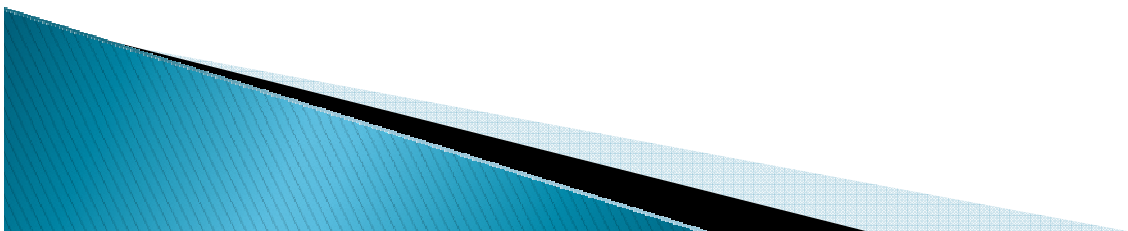


- ▶ Cultural shift—from agriculture to agro-industrial model: agricultural entrepreneur
- ▶ Entrance in EU 1986—impending globalisation 1995—liberalised world trade
- ▶ More competition—requirement for increased production, capital expenditure



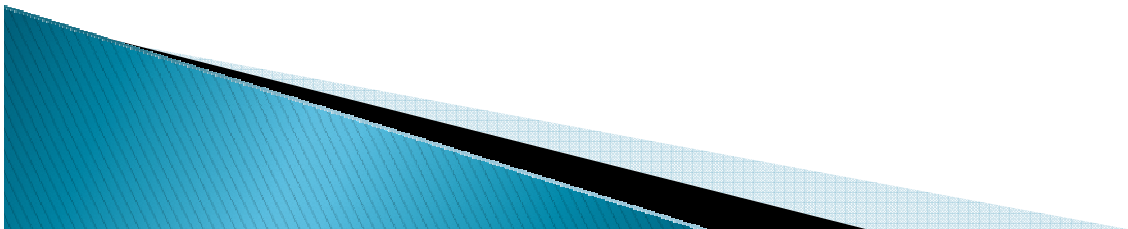
# Cooperative Response to Maturity

- ▶ **Focus on technology financed by cooperatives:** biological control, greenhouse technology ecological fertilizers, precise water use, recyclable long use plastic, soil substitutes, waste collection, etc.
- ▶ **Technical field assistance,** specialist agricultural courses
- ▶ **Management training for coop boards**
- ▶ set up of international trade shows

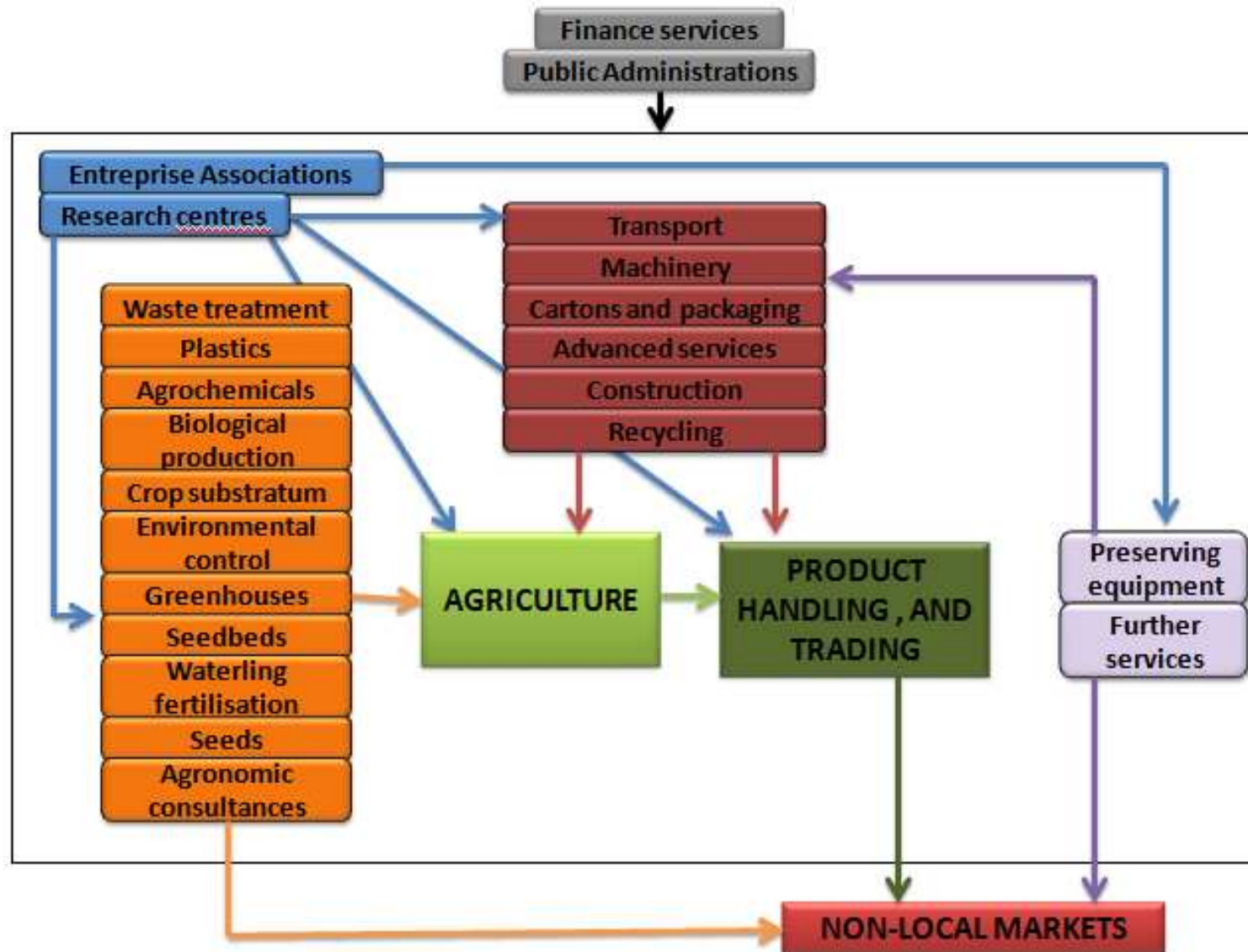


# Cooperative Response to Maturity cont.

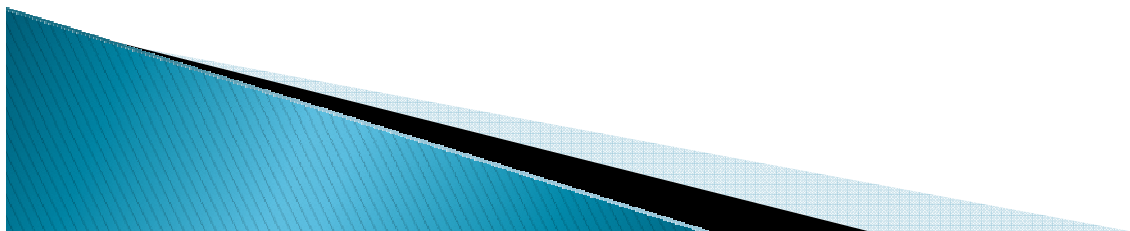
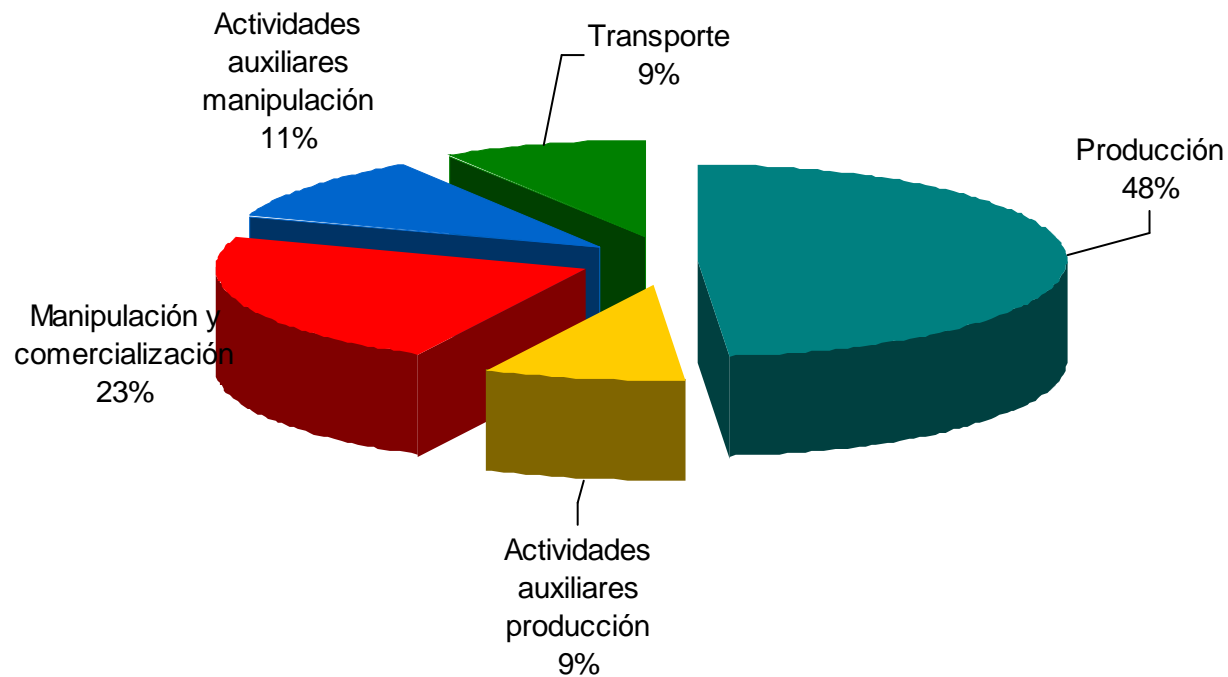
- ▶ **Assistance with grant applications** and EU and government requirements
- ▶ **Free Email** system for all clients and **Online banking** (1996–97)
- ▶ Calculation of **economic implications of adopting technologies** (avoid family trial and error)
- ▶ 1998 Institute for Social and Economic Studies
- ▶ Association provides wide range of business services, thus **allowing both small and large businesses to thrive**



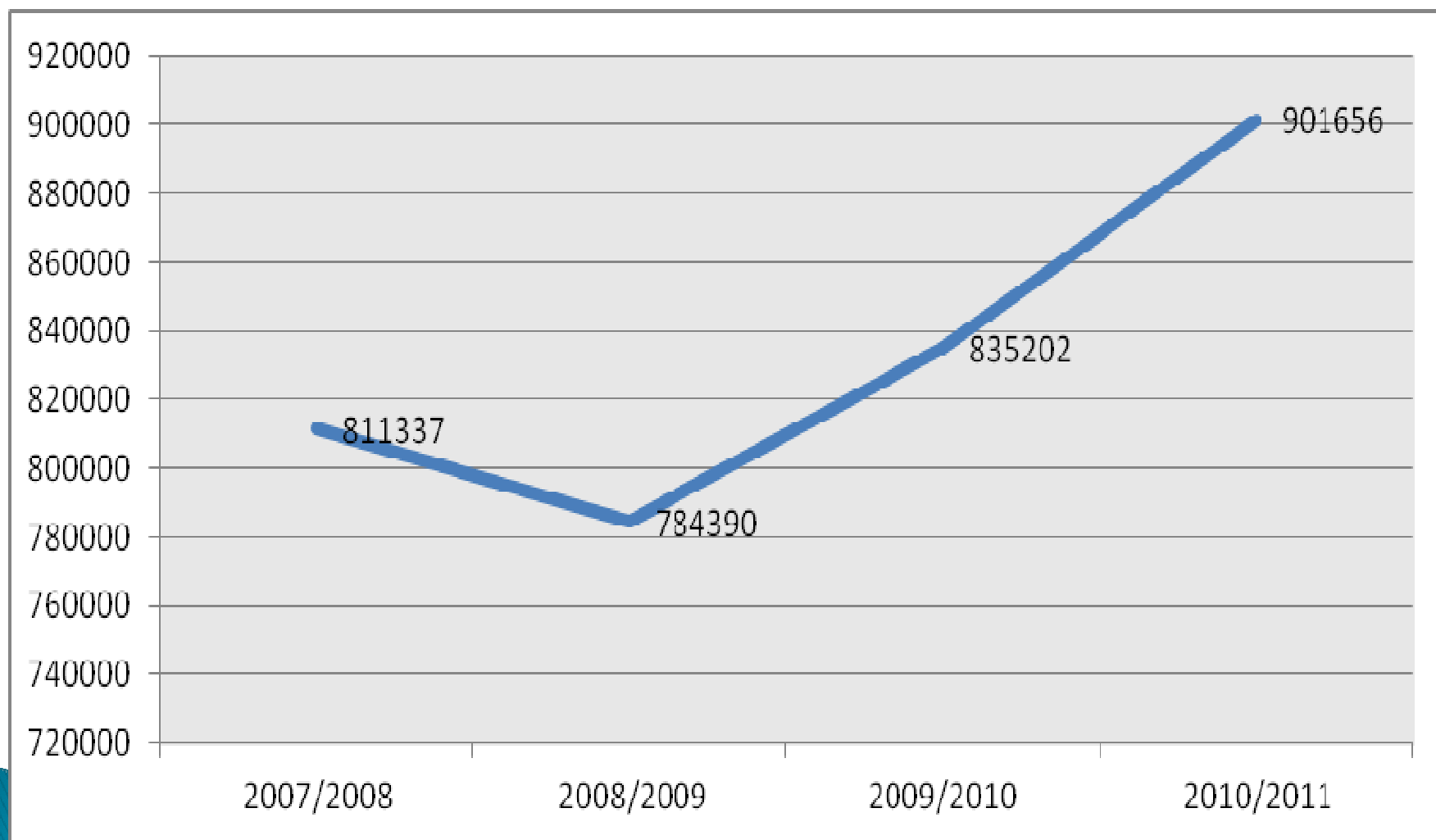
# Spillover-2001 forward (LPS)



# Cooperatives: added value in handling, commercialisation and other related activities

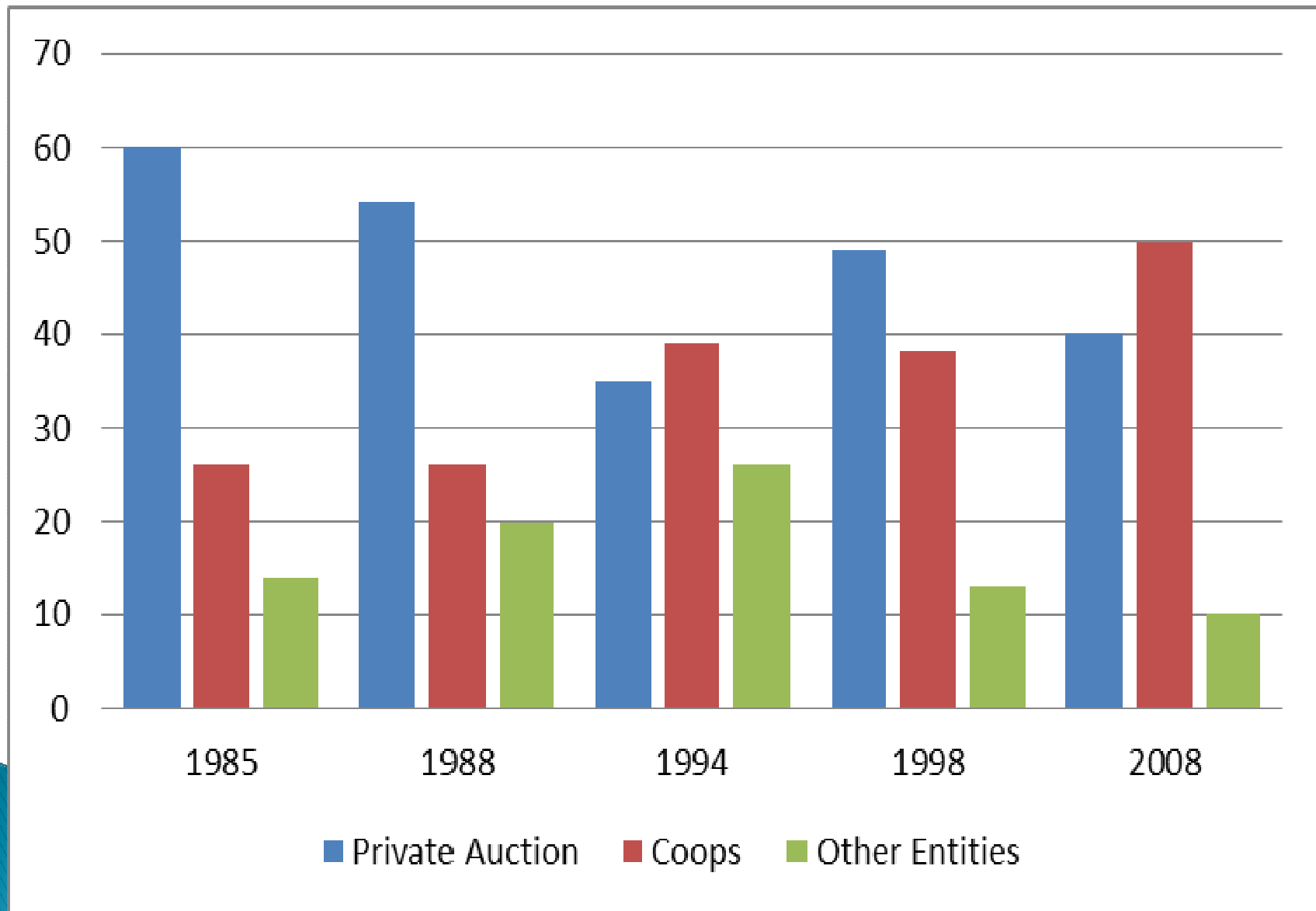


# Exports of Almeria Cooperative Fruits and Vegetables (tons) (source Coexpfal)

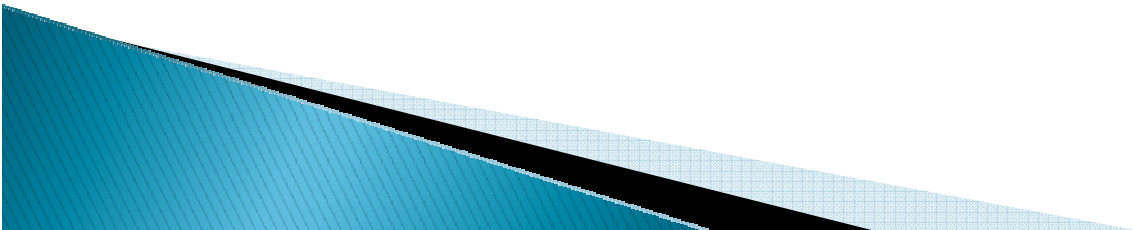
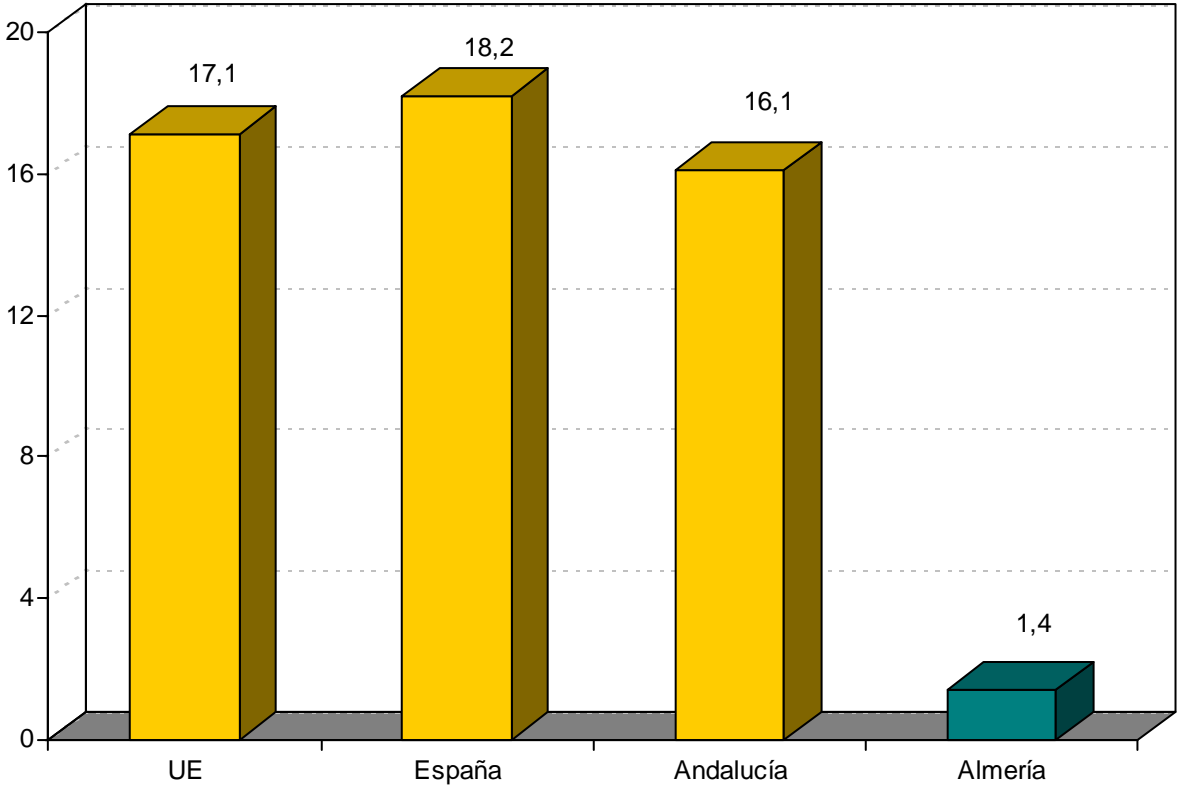




## Percentage of Almería production commercialized by type of company (source Coexphal)

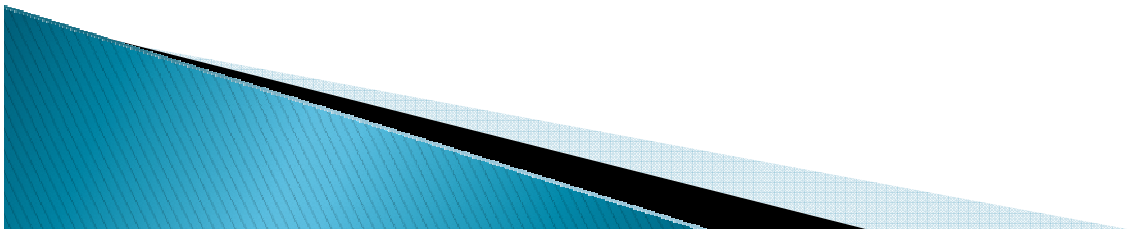


# Percentage of agricultural subsidies / agricultural proceeds

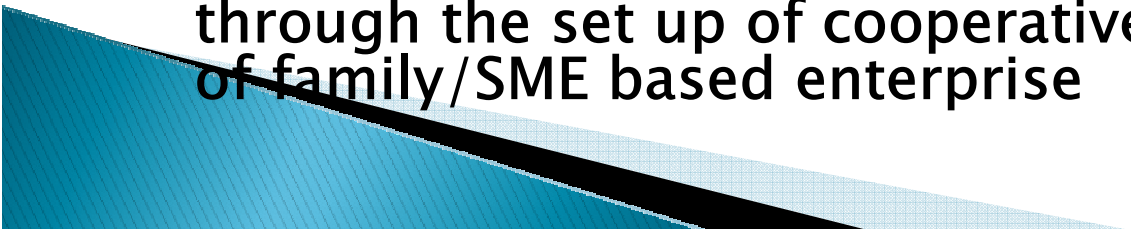


# Review of Cooperative role (1)

- ▶ **pro-active agent** of technological, economic and social innovation
- ▶ fulfilled a **central institutional role** in the contribution to a civil society in a population left vulnerable by an economically and politically repressive regime.
- ▶ It did so by carrying out the **following strategies:**

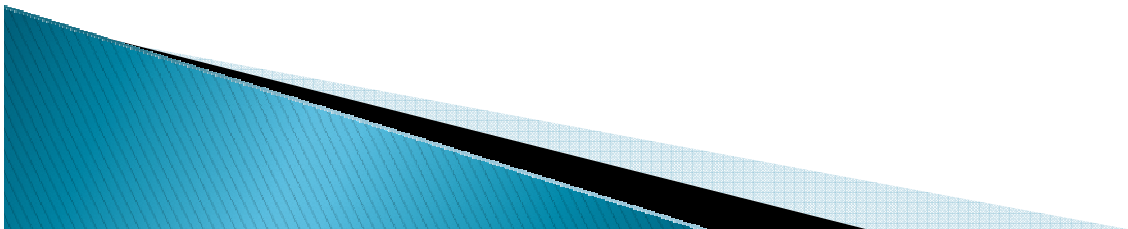


## Review of cooperative 's role (2)

- ▶ committing themselves financially and socially to a vulnerable community such that initially the **only “security” it had was to make sure that the activity of members was worthwhile funding;**
  - ▶ **shifting and transforming individual economic risk** (including technological and experimental risk) **to community risk;**
  - ▶ building on but **going far beyond relationship-based finance** and **formal membership** through pro-active production and dissemination of technical, economic and social knowledge and playing an active role in the **incorporation** of the same;
  - ▶ **establishment of a cooperative economic “fabric”** through the set up of cooperatives and the coordination of family/SME based enterprise
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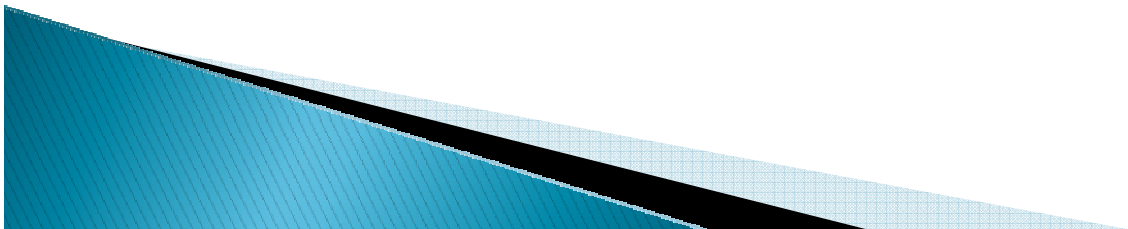
## Review of cooperative 's role (3)

- ▶ recognizing the **transformation from “peasant” to “agricultural entrepreneur”** and providing management and financial training as well as support to other institutional players;
- ▶ assuming the **role of intermediating international and political changes** and EU policy for community members.



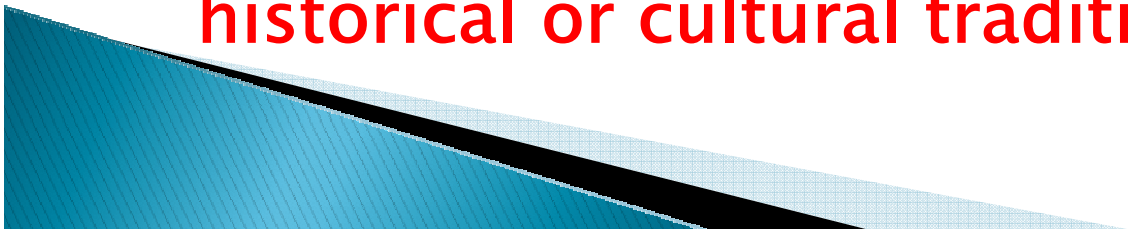
# Growth Strategies

- ▶ pursuing **organic growth strategies** in order to **sustain innovation** and sector growth amongst its members and as well, to **diversify its activities** beyond local specialization (both sector and territorial) thus protecting against undue potentially volatile concentration; and
- ▶ pursuing **strategic growth strategies** in response to globalisation in order to maintain its strength both inside and outside its original territory.



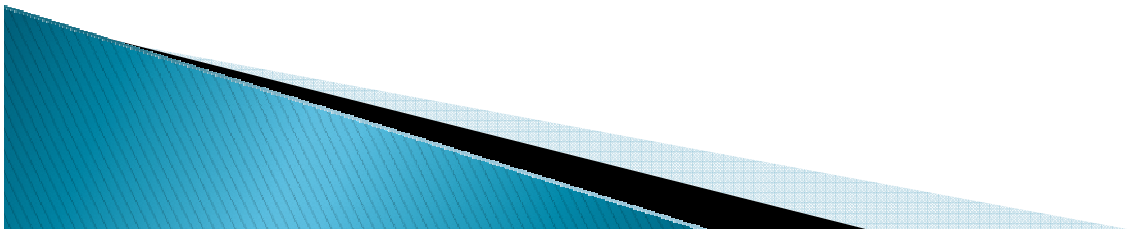
# Observations about Cooperative Model

- ▶ The community was **not an already pre-existing group** defined by territory and cultural ties based on proximity. The model is in **sharp contrast** to the territorial and culturally based co-operative model.
- ▶ The success of such model illustrates that the **cooperative business model is a current, viable form** in which to encourage sustainable economic development and that it is **not an outdated business form tied to a specific historical or cultural tradition.**



# Cooperative Community Built from Ground Up

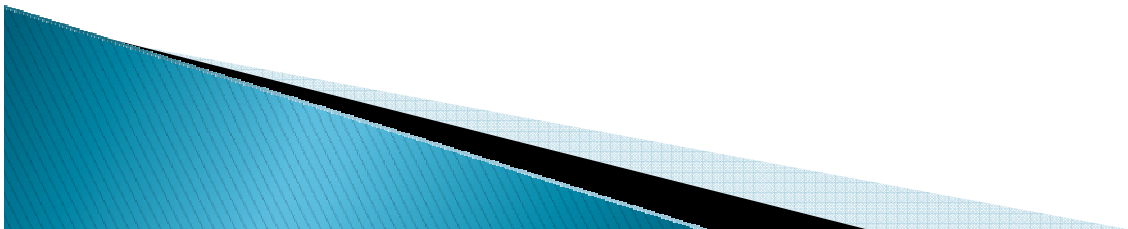
- ▶ Unlike other areas of Spain and Europe, there has been a **notable lack of regional policy concerning economic development**—a gap which was **filled by co-operative institutions**, including credit and commercialization co-operatives.
- ▶ There is a significant **“co-operative fabric”** which was built from the ground up in the space of **a decade or two** and continues to survive.





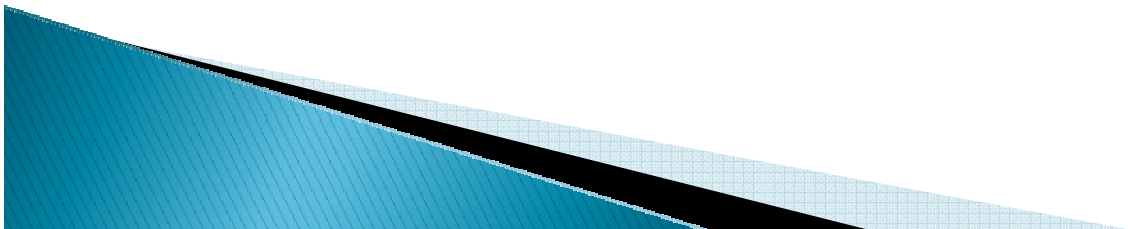
# Agriculture as Viable Model

- ▶ In contrast to many initiatives related to rural development, which **tend to diminish the role of agriculture** and focus instead on rural “multi-functionalism” or diversity of activities, the Almería model provides evidence of a **specialized cooperative agri-food sector as being a viable model**
- ▶ The Cooperative model also **co-exists in a complementary manner with investor owned firms**, thus creating **synergistic “networks”**. The cooperative sector was responsible for the growth of an important auxiliary sector.



# Cooperatives as a type of Development Policy

- ▶ In terms of development policy, Almería illustrates a “**neo–endogenous**” approach, (a mix of exogenous and endogenous factors wherein local level characteristics and actors must interact with external or global forces).
- ▶ The role of cooperatives is to **harness, guide and leverage** the strengths and capacity of local economies in its **interaction with other environments**, whether in the form of **markets or political institutions**. This is an important point when considering the formation of social capital and networks.



# THANK YOU

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