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

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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**


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.
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 Almería’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/m² 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
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
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
Cooperatives: added value in handling, commercialisation and other related activities
Exports of Almeria Cooperative Fruits and Vegetables (tons) (source Coexphal)
Percentage of Almería production commercialized by type of company (source Coexphal)
Percentage of agricultural subsidies / agricultural proceeds

- UE: 17.1%
- España: 18.2%
- Andalucía: 16.1%
- Almería: 1.4%
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
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.
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.
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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