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

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Introduction

This paper has been prepared for the meeting of the 50th Session of the Commission for Social Development (Feb 1-10, 2021 at UNHQ in New York). This case study and resulting observations about the role of cooperatives in reducing poverty and contributing to civil society is based on a province in the south-east corner of Spain.

In a relatively short period of time, the people of this province went from suffering abject poverty to having a thriving, internationally focused economy. What is important to note, from a development point of view, is the sustainability of such economic prosperity and the construction of cooperative entities and civil society institutions both during and after a brutal and inefficient dictatorship. The cooperative model itself was crucial in such economic and social development, above all in the construction of a cohesive community from which a stable democratic economy could be built. Cooperatives were also instrumental in the transition from basic peasant subsistence agriculture to a sophisticated and international agricultural sector, where benefits are equitably shared.

Description of Almería’s Cooperative Cluster

The province of Almería is an example of an agricultural “industrial district” or cluster for successful sustainable, agricultural development due to the expansion of intensive agriculture. Almería is the top fruit and vegetable-growing province in Spain, representing over 50% of the national total (Galdeano-Gomez, et al 2011) and the largest cooperative vegetable growing area in Europe. As a percentage of total value added in 2008, agriculture represented 10.7% in contrast to 2.8% for Spain and 1.8% for Europe (Eurostat, 2010).

The sector provides direct employment to more than 40,000 workers annually. In 2010, agricultural production increased to 2.5 million tons with a turnover of 1.8 billion Euros. Over half the produce is exported, resulting in trade surpluses. All of this is produced in an area of 26,200 hectares. More than 250 complementary or auxiliary businesses, both cooperative and investor owned have been created with a turnover of more than 1,000 million Euros. Equally important is the equitable distribution of wealth generated in the region. In spite of such subsector dimensions, the average landholding is 1.5 hectares, most held by small scale or family farmers (13,500 in number) who are members of agricultural co-operatives.

It is also home to the largest credit cooperative in Spain, Cajamar, which is the 15th largest bank in the country. Coexphal, the association of producer organisations, which represents over 70% of the growers and almost 100% of agricultural cooperatives, is instrumental in the commercialization and marketing of product and the organization of the cooperative sector.

What is unusual about the Almería model is its growth into a specialized agricultural based sector (i.e. a primary sector), which is heavily invested in technological advances all the while maintaining

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its “atomized” small growers and its cooperative business form. Much of the sector’s research and development, which is crucial for such specialization, is based on sustainable technologies and practices financed by cooperative sources. For example, it is Europe’s leader in “biological”, as opposed to chemical, crop control.

In observing the cluster we can see that the cooperative sector also has important institutional relationships with regional governments, the university and other research centers which have resulted in important innovations. For example, the patents related to the Almería cluster account for 31% of all Andalucían agrarian industry patents (Fundacion Tecnova, 2009).

With respect to financing the cluster, the Almería agricultural and credit cooperatives are intricately intertwined. This in and of itself is not particularly unique, as many agricultural cooperatives areas have a close relationship with a local credit cooperative. However, the growth strategies of the local cooperative bank have resulted in it having a wide national presence, outgrowing its local geographical scope in order to feed the capital needs not only of its agricultural cooperatives but also of the growing auxiliary businesses. The cooperatives are interlinked with many SMEs and larger companies as well, resulting in diversity of business forms, but with the cooperative sector as the main economic and social driver.

Regarding commercialization, the association of producer organizations, Coexphal was created in 1977 in order to directly market products. Until such time, product from Almería was purchased by other areas in Spain, for example companies in Valencia and Murcia would buy Almería product and then market it as their own. Almería farmers were unable to obtain fair prices for their product and little market power until Coexphal gave them a unified presence.

The development of Almería occurred in a relatively short period of time (spanning both a dictatorship and the transition into democracy) in an area which was more or less a “blank slate”. In the 1950s and 1960s Almeria was known for its abject poverty and barren land. In terms of GDP per capita in 1955, it ranked last (less than 50% of the Spanish average) in an already poor Spain suffering from the autarky imposed by Franco. Between 1994 and 2005 Almería’s growth in GDP nearly quadrupled relative to the regional and national averages. Today it is ranked among the top third of Spanish provinces in GDP per capita thanks in large part to agricultural development. The agricultural cooperative sector is currently the only sector in the region which is generating employment and, given the cooperative structure of the agricultural sector, the economic benefits of such development are widely distributed.

Context and history

Although our case study begins in the early 1960s it is worth noting the social and economic situation in Spain and in Almería immediately prior to such time was appalling for a huge portion of its citizens. In the post civil war years 1939 to 1945, 200,000 Spaniards died of starvation (in contrast to the 50,000 that died from political oppression) and from 1935 to 1945 real incomes had dropped by 66 percent. In 1950 Spanish disposable income was 40 percent lower than Italy. Economic reforms in 1952 did little to address the economic disaster. Within this already poor Spain, the province of Almería was last, with a level of income 50% lower than the national average (Sánchez-Picón, 2005, p. 76). The Province of Almería, was isolated in terms of infrastructure and abandoned by its emigrating population, rendering it an economic, social and cultural “wasteland”.

The 1959 Stabilization Plan, which essentially opened up the market to capitalistic practices but left the dictatorship untouched eased up its economic isolation and foreign investment began to flow in.

However, despite relative overall economic improvement, income disparity increased and in 1974, the year before Franco’s death, half of the population received 20 percent of disposable national income...
while the other half enjoyed 80%. Geographically, the benefits of economic and social development were also unevenly distributed, with the rural areas of the south, including Andalucía, being worst off.

As Spain’s economy grew and became more industrialized and urban, “Francoism created an affordable, disciplined workforce which was achieved by the killing of union leaders, by the destruction of genuine, representative organizations and by instilling fear and pessimism in the general population…The state guaranteed employers a “business friendly” environment with a docile and cheap workforce” (Cazorla-Sánchez 2010, p.15). In 1965, public expenditure was 15% of GDP (OECD average was 31%). In 1970 it was barely 20% of GDP, compared with France 51%, Italy 43%, UK 53% and Germany-37% (Carreras and Tafunell, 2005, p.877).

This state of affairs—that is, the absence of labour leaders and representative institutions, desperate but docile workers and the lack of public expenditure and investment are important in understanding the influential role that cooperatives would play in Almería.

Almería’s “true” cooperative movement (as opposed to cooperatives set up and controlled by the Regime) was organized “under the radar” by a group of lawyers and business people with a social commitment, seeking an alternative to both Fascism and communism.

**Life cycle of the Cooperatives**

The cooperative agricultural sector activity of Almería had been divided by local economists into four stages: 1960-1975, representing initial activity; 1975-1990, illustrating the rapid growth period; 1990-2000, wherein the sector matured; and 1990—onwards, wherein the processes of globalization have presented a constant barrage of challenges (Molina-Herrera, 2005). The stages are briefly outlined in order to demonstrate the transformation of the cooperatives (and their members and communities) from “peasant” farmers and organizations to complex businesses, their activities and roles changing over time. A central theme which runs through the description of the various phases is the pro-active role of cooperatives in meeting the challenges and the capacity of cooperatives to afford flexibility and a rapid response to outside political, economic and social factors.

**1960-1975**

Some 30,000 hectares in the province of Almería, declared as a zone of “national interest” due to underground water, was outfitted with wells and basic pumps by the government in an attempt to increase agricultural production. Newly settled farmers confronted the dry and barren soil, saline water and vicious winds with a “technological innovation” which consisted of putting down a layer of fertilizer, then covering this with by a layer of sand, in order to keep the roots moist and filter the salt. With the arrival of plastic, a clear plastic sheet was put overhead, held up by wooden posts salvaged from a bygone table grape industry. These structures served as the first rudimentary greenhouses. As uneventful as it may seem now, this simple “innovation” radically transformed the region.

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2 It should be acknowledged that a "top down" cooperative model from 1910 to 1920 with ties to the Catholic Church did not did not function. These attempts were in relation to the table grape business. During the second Republic there was an attempt to resuscitate the traditions but this was swiftly cut off. State sponsored “cooperatives” operated during the Franco years, but functioned more as workplace associations, their purpose being to monitor and control. In 1942 through its Law of Cooperatives, the Regime recognized the importance of having “a” cooperative movement which was structured to be consistent with the Regime.

In 1961 the government introduced an electrification plan, allowing more efficient water pumps, and thus a model of unsustainable development based on using subterranean waters was put into motion. Families, if of the right political “stripe”, were allowed to buy up to 3.5 hectares of land. Without irrigation and at least rudimentary greenhouse technology, it would have been difficult to support a family on such small pieces of land. The development plan was not intended to improve the lives of the farmers, but rather to exploit existing resources (cheap labour and underground water), fully expecting that new settlers would be part-time farmers for themselves and cheap labour for others.

With increased production underway by use of irrigation and basic greenhouses, it was obvious that families needed to sell their production. However, there were few organized marketing efforts and farmers would attempt to sell their goods, often completely unaware of what others were selling for. Local Almería firms were denied permits to market their products by the government and commercialisation was thus controlled by larger companies from other parts of Spain (all having a better relation with the Regime), who would buy Almería product and re-export it under false labels. What little financial intermediation existed was largely through private auction houses.

In 1963 “Caja Rural Provincial de Almeria” (the cooperative bank, now Cajamar) commenced activities on the initiative of a few local people and was the impetus for farmers to organize. As mentioned above, there was a civil society vacuum: union leaders and political organizers were prohibited and a there was a deep distrust of institutions and authority. Even though “cooperatives” were still cooperatives under a dictatorship, the fact that they were small enterprises with the support of independent financing was the start of a new paradigm in the region. Such organization originally occurred “under the radar” of the Regime.

Spain began the transition to democracy in 1975 upon the death of Franco.

1975-1990

One could be tempted to think that the economy and society would immediately improve with the arrival of democracy. While there was a clear improvement in terms of political freedoms, economic development proved more complicated. Unemployment was high, there was little culture of investing, Spain was isolated and there was a muddled vision of the way forward with the loss of the paternalistic state and little sense of external international competitiveness. Not to mention fear of further violence and instability should the delicate process of transition fail.

The growing agricultural model began to show signs of stress as land prices soared and overexploitation of underground water led to the intrusion of seawater. Mineralization of the soil increased, pesticides started to accumulate, erosion was a problem as was waste disposal. Production started to decrease and energy prices started to rise. Supply overtook demand as other areas of Spain also had increased production. Countries which had a favored status within the European Common Market and countries which had agreements which gave them preference (Holland, Morocco, Israel) were serious competitors. In turn this weakening position gave more market power to large agro-food companies.

The challenges for the cooperative farmers in this stage of development not only were the adjustments to be made in the transition to a market economy and to a democracy, but there was also a need for innovation, on a social, economic and strategic level. The cooperatives were a partner, perhaps the instigator, for the farmers in such process.

\[4\] Not everyone was eligible, even if they did possess the resources. A selection process declaring the prospective purchaser “fit to work” was required, such selection process serving as a political screening. Anyone condemned of previous political activity or who were considered subversives were excluded. “The ideal new farmers were deemed to be apolitical and supportive of the regime.” (Cazorla-Sánchez, 2010, p.107)
In 1975/76 three experimental farms were initiated and fully financed by the cooperative bank with the goal of increasing the technical level of the agricultural cooperatives by testing, developing and sharing results with the agricultural cooperatives. Its purpose was to transfer in part, experimental and crop risk (and thus, financial risk) from the farmer to the credit cooperative. In the same year a technical agricultural service, fully financed by the cooperative, was created, where the viability of new technologies was tested in order to provide information on establishing the adequate finance mechanisms that needed to be put in place for each new technology (basically, a system of risk assessment). While certain technologies were innovative, whether they were or would be profitable was a different matter.

With the foundations of both finance and technological investigation put in place by the cooperative sector, the process of growth began in the new agricultural sector (“new” meaning for the most part drip irrigated greenhouses). There was a considerable substitution of labour for capital in the form of technology, the structuring of marketing systems, and the opening of new markets, particularly that of the European Union. With all of this came the need for increased financing and increased coordination.

The role of cooperatives in this stage in both production and marketing had a dynamic character, providing for the incorporation of new technology and above all the incorporation of market information in the production process (dates, varieties, ripeness, etc.). In addition, because social funds and benefits were poured back into research and investigation, the cooperatives were in the position to interpret how much funding was necessary for any particular activity.

Primary agriculture gave way to intensive agriculture by the use of such factors closely connected to consumer markets. Innovations not only significantly increased production but also allowed Almería’s product to enter the market two months earlier, something that was key when faced with competition from other countries. The assumption of research expense and experimental risk by cooperative entities, not only spared farmers such uncertainties, but it also created a sense of community through a shared knowledge base. In addition, the research dealt with the pressing environmental issues that were necessary from a sustainability point of view, but something that the family farmers would not have been able to undertake, financially or technically.

The cooperative movement also contributed to changing the mentality of the farmers in that they were now participants in the commercialization process, with a deeper understanding of workings of the market and consumer demand. The tools of pressure that they could now use to begin to influence as both producer-exporters on the level of the Administration (which was dominated by other producer areas of Spain) became stronger as the sector grew and they found themselves with a political voice and power not experienced before.

1990-2000

Entrance into the European Union, coupled with the impending globalization after the Marrakech Agreement of 1995 (replacing GATT and liberalizing world trade) brought again new challenges to the Almería agricultural sector. Such conditions required larger infusions of capital than had ever been the case to meet increased demand and to enable the farmers to compete internationally.

The cooperative bank met these challenges in several ways: it pursued an expansion strategy in a neighbouring province with an intensive agricultural sector, prompted by the failure of such province’s credit cooperative. It also continued to invest in research and technology.

During this period there was a widespread incorporation of production technology, business management applied to farms, and the conversion of the “peasant” into an “agricultural entrepreneur”. The cooperative sector provided management training courses for the agricultural cooperative boards,
technical sessions for field technicians, specialist agricultural courses and assistance with grant applications. Information technology was also introduced into the cooperative sector through the introduction of an email system for all clients and an online banking system (both in 1996-7). The association of producer organisations created information systems to communicate with cooperative member farms, allowing for immediate dissemination and implementation of crucial information and practices.

An important function of the cooperative bank and the producer organisation was to calculate the economic implications of the adoption of such technologies, a task which would have been beyond the family farm’s capabilities, other than through trial and error. The assumption of experimental risk and information and organizational tasks by the cooperative sector became an even greater contribution.

Cooperative institutions contributed to the creation of new lines of businesses in the cooperatives, supporting business associations related to agriculture not only financially but also utilizing its network of institutional contacts for the development of their projects. Services and infrastructure become similar to that of industrial districts. The infrastructure for cooperative direct commercialization was put in place.

**2000 onwards**

Since 2000, the development and maturity of the agricultural support and services industry can be seen to have given rise to sectoral diversification and the creation of a Local Production System or “cluster”. Figure 1 sets out the entities involved in the agricultural cooperative cluster of Almeria including auxiliary businesses of various legal forms and research centers.

*Figure 1. The agro-industrial system of Almeria* (Source: Ferraro and Aznar, 2008)
Agricultural production has increased, optimizing costs and the implementation of quality control systems have taken on a more significant protagonism. As well there is a consolidation in the commercialization phase, particularly in exports, as evidence in Figure 2.

**Figure 2 Exports of Almeria Cooperative Fruits and Vegetables (tons) (source Coexphal)**

![Graph showing exports of Almeria Cooperative Fruits and Vegetables](image)

Of note is the fact that the role of cooperatives did not decrease when the sector grew and reputation became more established. The cooperative business form’s proactive role continued as the productive sector began to develop and mature. In Figure 3 we can see the rise of cooperatives in commercialization of market share.

**Figure 3 Percentage of Almeria production commercialized by type of company (source Coexphal)**

![Bar chart showing percentage of Almeria production commercialized by type of company](image)
Going forward, following the financial crisis and the implosion of the construction sector, it is expected that there will be a new focus on agro-food business. In addition, most likely Almería will have to deal with ever increasing opening of markets and competition from countries where labour is cheaper and regulations more lax, particularly concerning health and safety and food security. Diversification into alternative energy activities or related businesses is also common in larger cooperatives.

It is important to note that this competition is not predominantly with such other countries’ farmers, businesses or capital, but competition with other large agricultural shareholder owned businesses, at times funded by European funds, that have set up operations in these countries to take advantage of cheaper production costs. Neither fair labour nor environmental standards, much less the equality benefits of a cooperative business model, are a priority for such competition.

Important issues concern the constant downward pressure on pricing and the sheer weight and market power of the supermarkets. Cooperative oriented professionalization and a renovation of cooperative organizations and representative entities is needed, including but not limited to giving real power to inter-professional organizations.

**Cooperative Business Model Advantage**

*Added Value*

The cooperatives of Almería have been fundamental in the development of the region, as pointed out in the various development stages above, and there is a strong case to be made that without the cooperative form, such development would never have been sustainable nor competitive. As the sector has evolved the focus has moved beyond the national sphere and the services that are offered to members such that they can increase production, export and compete in European and international markets has been crucial.

Support has been also given by cooperatives to aid producers in going beyond exportation of traditional production and products of the 4th and 5th range as well as ecological product, which are in high demand outside of Spain.

*Strategic partnerships*

In order to carry out their activities the cooperatives require support from other types of businesses, directly and indirectly related to the subsector, as shown in Figure 1 above. Centers of investigation include the University of Almería, both from a scientific and business administration point of view. The University of Almería is part of a European Center of Excellence for agricultural research. As well, IFAPA (Agricultural and Fisheries Research/Instituto de Investigación y Formación Agraria y Pesquera) and the experimental farms of the cooperative bank Cajamar “Las Palmerillas” are important partners in research.

In order to address safety, Fruit Audit, an independent company assures quality and controls fraud. Other entities which are dedicated to the development of the agricultural cooperatives of Almería are: Coexphal (local association of producer organisations); Hortyfruta (provincial inter-professional entity); FAECA (Andalucían federation) and FEPEX (national federation for fruit and vegetable exporters). These institutions are crucial in maintaining dialogue with the public administration, allowing governments to have a clearer idea of the needs of cooperative members and as well affording a powerful voice to individual cooperative members. Retailers as well figure into the list of actors.

*Organization and Human Resources*

In order to support the cooperatives of Almería, the association of producer organizations, Coexphal, has an active human resources department which provides advice and services to their members,
including the service of contracting workers in the country of origin to avoid exploitation of immigrants. As well there is assistance with subsidies; risk prevention; production techniques and control of plagues; quality control, laboratory analysis and investigation, administration, training, marketing and foreign promotion, research and statistics, communication, insurance and travel. Larger cooperatives may have their own administrative, commercialisation, marketing, technology, warehousing, training, quality and HR departments.

The fact that smaller cooperatives have access to the same expertise and sophisticated services through the association allows flexibility, autonomy and equality in the business sector. It also encourages “new cooperative players” to enter the market.

Member advantages
The Almería cooperatives are associations of farmers who bring their products to their cooperatives to be marketed and later share benefits amongst themselves. One of the main benefits of this type of cooperative, in addition to economic gains, is the ability to participate in the decision making process, each member being treated equally.

By virtue of being a cooperative member, farmers have access to a sophisticated and wide array of business, human resource, research, financial, communications and technological resources that would be impossible on a small farmer scale. The cooperative entities function to harness, guide and leverage the strengths and capacity of the local Almería economy in its interaction with other environments, whether in the form of markets or political institutions.

Cooperative Strategy and Impact Analysis

This case study illustrates the evolution of the role and activities of cooperative entities in the development of a community, moving from a primary agricultural system to a local production system. As a pro-active agent of technological, economic and social innovation, cooperatives fulfilled a central institutional role in the contribution to a civil society in a population left vulnerable not only by an economically and politically repressive regime but also as a result of harsh climatic and geographically conditions.

Cooperatives have done so by carrying out the following strategies:

- committing themselves financially and socially to a vulnerable community such that initially the only “security” they had was to make sure that the activity of their members was worthwhile funding and supporting, thus implicating themselves in a profound way in the economic and social activities of the community;

- encouraging the establishment of a cooperative economic “fabric” through the set up of various types of cooperatives and the coordination of family/SME based enterprise;

- building on but going far beyond relationship-based finance and cooperative member relationships through pro-active production and dissemination of organizational, technical, economic and social knowledge and playing an active role in the incorporation of the same;

- shifting and transforming individual economic risk (including technological and experimental risk) to community risk, thus involving not only the cooperatives, but the community in shared success;

- 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 policy for community members; and

-pursuing organic growth strategies in order to sustain innovation and sector growth amongst their members and as well, diversifying activities beyond local specialization (both sector and territorial) thus protecting against undue potentially volatile concentration and pursuing strategic growth strategies in response to the challenges of globalization.

It should also be noted that before the 1960s there was no significant pre-existing co-operative culture or significant commercial agricultural activity in the coastal area Almería. 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.

As well, 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 agro-food sector as being a viable model. (Galdeano-Gómez, et al, 2011)

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.

The agricultural co-operative sector in Almería has received very few subsidies: As a percentage of agricultural subsidies over agricultural income, for 2005: Almería 1.4% as compared to Andalucía, 16.2%; Spain, 18.2%; and the EU 17.1%. Under such conditions, its cooperative model may be viewed and evaluated based strictly on business efficiencies and its suitability as a business form.

In spite of its success, the Almería model is not without its problems. It is currently at a crossroads with the sector experiencing a crisis of prices and lack of market power against the main distributors. Readjustments are needed for a renewed reordering, recommitment and reconsolidation of the cooperative model. It is precisely in such renewed commitment that the solution to many of the threats facing the sector may be found. The Almería cooperative model is well suited to deal with both local and global demands.

In terms of development policy, Almeria 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.
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