

Description of the social enterprise – information sheet

Acorex S.C.L. (Limited Cooperative Society)



| A. Identification data | |
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| 1. Name of the enterprise | Acorex S.C.L. (Limited Cooperative Society) |
| 2. Location/Address of the enterprise | C/ Logroño s/n - Pol. El Prado - Apto. correos 19 - 06800 Mérida, (Region of Extremadura) Spain |
| 3. Website of the enterprise | www.acorex.es |
| 4. Legal organisational form | Cooperative group-second level/tier |
| B. Good practice of the social enterprise | |
| Aspects that recommend the social enterprise as a good practice in the particular sector. | <p><u>-This study is of both good practices and bad practices, in order to highlight issues for discussion—what makes for a “good” practice and a “bad” practice—is it context specific? How do cooperatives respond to crisis? Is the response different than investor-owned companies? What happens to cooperatives when there is a crisis? What happens when cooperative decisions are not market based, but subject to government policy? etc..</u></p> <p><u>In “Good Times” (until 2012) Acorex was used to show:</u></p> <ul style="list-style-type: none"> -example of very wide diversification strategy -successful generation of rural employment -maintenance of agricultural and livestock activity in a disadvantaged area -example of vertical integration in a very diverse range of activities -organisational structure and strategy based on territory and creation of network of cooperatives and related investor owned companies which in essence built a strong economy (42 coop members and 94 related coops/companies). Coupled with its integration strategy, this is an example of a “net chain” (mix of networks with integrated supply chains). -example of proactive cooperative policy success -example of sophisticated R+D activities carried out by cooperative group to add value at the farm level. <p><u>In “Bad Times”</u></p> <ul style="list-style-type: none"> -Political Interference--an example of allowing too much government intervention in pushing growth and then not enough when the cooperative fell into crisis. -was the portfolio too diversified and too unfocused? -Poor Governance. Was there sufficient oversight? -was the local economy too dependent on Acorex? -were unprofitable activities allowed to go on too long to keep certain members happy at the expense of others? -demonstration of the power of members to control their own cooperative/good governance structures, |

when in early 2015 they rejected attempts to force a merger with DCoop, a large Spanish cooperative, and forced the resignation of the board and the management team? OR was it the demonstration of the power of the 5 major cooperatives who represented 70% of the votes, to impose their view on the other 37 members? What can we learn from a governance point of view? What does this say about the efforts to consolidate cooperatives when some are in trouble and others are not?
 -demonstration of too much government influence, where first the government pushed for growth and gave subsidies freely to fund such growth, and then later when the board asked for government intervention, the regional governments decided to not get involved. What does this say about cooperative reliance on government subsidies and collaboration?

C. Context:

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| 1. Year of Founding | 1985 |
| 2. Context of start-up – problem that the enterprise was set up to solve, economic social rationale | In 1985, five cooperatives founded ACOREX in a very disadvantaged region of Spain, Extremadura, with the support of the the now extinct government sponsored agricultural extension services. The 5 cooperatives found themselves in economically difficult circumstances and could not continue to exist alone. 25 years later, it was a social and agro-industrial cooperative group, composed of 42 cooperatives, 8,000 farmers and 1,000 workers. It was the leading Agro-industrial company from Extremadura, the 5th largest agricultural cooperative and the 13th largest social enterprise in Spain. After 2012, it entered into a severe crisis and has been in the middle of restructuring and renewing its business. Several main cooperatives left the group and the volume of business declined greatly. In the spring/summer of 2015 it was in such a delicate situation that it had to enter into agreements, approved by the General Assembly, to reduce employees by 85 employees and on June 6, 2015, it entered into formal administration/restrucutring since it was practically involent. Agreements were made with other cooperatives to provide services and markets for the products of cooperative members. On the 18th of June, 2015, AN, a large cooperative from the north of Spain (the region of Navarra) has agreed to market and guarantee sales and access to production needs and an integration of AN and Acorex is being considered to avoid bankruptcy.[This „best/bad practice” will be updated for the project/course]. |
| 3. What are the Main Activities of the entity? | The main activities were very diverse and included: -Supplies/Inputs (seeds, fertilizer, plastics, fuel, lubricants, etc.) -Fertilizer production -Grains and Oils -Irrigation installation and projects -Primary materials for animal feed |

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| | <ul style="list-style-type: none"> -Animal Feed Production -Livestock production and breeding -Rice -Tomato (processing) -F&V (fresh) -Olives -Engineering, information systems and consulting services -Energy (co-generation) -R+D Agro food technology -Stores (with the products of the cooperative) and Marketing Company (CEPA) |
| 4. Who are the Main stakeholders (i.e. members, clients, producers, etc.)? | Members and their farmer members, employees, unions, clients, creditors, population of Extramadura, regional and national governments |
| 5. Geographic coverage with respect to: i) to production of services and/or goods and ii) market/consumers or beneficiaries, clients, etc. | i) The region of Extramadura ii) Predominantly national and European |
| D. Ownership Structure | |
| 1. What is the ownership structure of the entity: i.e., does the entity have shareholders, owners/members, donors, trustees, investors, etc.? | Acorex was a second level cooperative, with 42 cooperative and SAT members. SAT membership limited to a total of 25%. |
| 2. If membership, is membership open or closed? Is exclusivity required? | Members apply to the Board of Directors must meet a variety of conditions and agree to stay a member for at least 5 years. |
| 3. Is a capital contribution required? If so, how much? Is equity capital unallocated or individualised? | Yes, as set out by the bylaws. |
| 4. Describe in a few words the voting distribution (e.g. one member-one vote; proportional to equity contribution; proportional to use, etc.). | Members' (who are cooperatives and SATs) voting rights are proportional to activity with 1 vote for every 600,100 Euros. |

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| 5. Describe in a few words the main benefits for members or owners. | -participation in a large agro-alimentary group, with access to a wide range of services, inputs, marketing channels, I+D+i, etc. -small to medium cooperatives have access to all the benefits of a large enterprise, whilst maintaining their own identity. [Disadvantages: lack of control over cooperative group finances and destiny when results are poor and crisis occurs. Organisational complexity complicated recovery efforts.] |
| 6. Indicate any <u>main changes</u> in ownership over the lifetime of the entity. | Internal and External growth, founding of cooperative group, investment in a broad range of companies, including cooperatives, SATs and investor owned firms. Crisis led to certain members retiring. Reorganisation. Pending integration with another cooperative group in another region. |
| E. Governance | |
| 1. Describe the governance structure of the entity (board, management, committees, etc.), number of members and method of selection (appointed or elected and by whom). | The board is made up of a president, vice president, secretary and treasurer, all chosen by the General Assembly in a secret vote. As in all cooperatives, the General Assembly is the main body, which votes on the Board of Directors. The governance structure of Acorex has had to adapt to the growing and diverse structure of the enterprise. The Board is supported by an Executive Commission and also an Economic Advisory Board. The management is centralised, in spite of the wide range of business sections. The President is elected and the General Manager is a hired professional. The General Manager is supported by a Management Secretary, a Legal Advisor, a Commercial Advisory Board and a Permanent Advisory Board. There is also a Board of the various General Managers of all the business divisions. The following sections are included in the Permanent Advisory Board: Financial division, Institutional Relations, Cooperative Management, Human Resources and legal. |
| 2. Is there an entity or process for oversight of the board? | The General Assembly. |
| 3. Are there external independent board members? | No. |
| 4. Are there term limits for board members? | A term is 4 years, but members can be re-elected. |
| 5. What is the gender composition of the board? | N/A |
| 6. Describe management and board salary/ compensation policies and how they are decided/determined? | N/A |

F. Profit/ benefits/ surplus distribution policies

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| <p>1. Describe briefly the distribution policies and procedures for profits / benefits / surplus</p> | <p>1. Mandatory contributions to the Obligatory Reserve Fund (10 to 20%) and then contribution to the social and education and promotional fund (5%). After that the General Assembly votes on distribution of benefits.</p> |
| <p>2. Are members/owners liable for losses of entity? Describe how liability is shared.</p> | <p>2. The reserve fund may be used to cover losses, but must be reconstituted at subsequent year end. Members are liable up to the amount of their contribution.</p> |

G. Strategy: highlight approaches adopted to address the identified challenges

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| <p>1. Describe briefly the business strategy looking at aspects like: main products/services, market niche, market share, quality and pricing/costs and <u>main changes</u> occurred in time.</p> | <p>In 1985 Acorex began with 5 cooperatives and by 1988 21 cooperatives had already joined, with a base of 4,000 members and a turnover of 22 million Euros. Between 1988 and 1991 it became a cooperative group to further concentrate supply and demand. This expansion was supported by cooperative finance from the region (which credit cooperative is now part of Cajamar). First it grouped together F&V, grains and cattle, followed by seeds, rice and oils, and in 1993 it added tobacco and iberic pork. In order to increase the income of farmers in difficult crop markets (rice, cereals and livestock) it worked with the Ministry of Agriculture to obtain important aid for such sectors. In 2000 it bought an old Nestlé R+D center, which then carried out all the research work for the group. From 2003 to 2008 large investments were made which led to more employment and sustainable development. Growth of further member cooperatives had been steady over the years until it has reached 42 cooperatives.</p> <p>During the 1990s there was a main strategic push, including:</p> <ul style="list-style-type: none"> - <i>Concentration of offer and demand/forming of EU regulated entities.</i> Acorex created a F&V Producer Organisation (regulated under EU policy) which gave them access to operating funds for investment. They also constituted an agricultural producer group for olive and olive oil. - <i>Portfolio Diversification, R+D+i, and capture of added value.</i> In 1994 a new genetics limited company was established and which was a pioneer in guaranteeing pure breeds, as well as seeds selection. This step was an important one in the vertical integration of all the activities: selection for production, production, processing, marketing and sales. The R+D lab purchase from Nestlé also resulted in strong growth in value added products. In 2008 it obtained certification for its R+D+i systems and develops projects in collaboration with the Agro alimentary Technology Centre of Extramadura. - <i>Cooperation with other cooperatives.</i> Collaborations, setting up joint companies and creating synergies with other strong established cooperatives allowed rapid but sustainable growth and new opportunities, without diluting the cooperative mission of serving their members and creating wealth and benefits for |
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| | <p>their territory.</p> <ul style="list-style-type: none"> - <i>Promotion of creation of other cooperatives.</i> Acorex promoted the creation of 17 cooperatives in a wide range of activities. - <i>Umbrella Quality Strategy.</i> Acorex aims to brand the very diverse range of activities and products with a common quality brand (Acorex), as well as distinct brands (deSierra and Guadiala) that are specific to products such as Iberic pork products. It also has obtained a wide range of globally recognised certifications for its systems, environmental management and products, as well as traceability. - <i>Innovative Financing.</i> In 2014 its members approved a financing plan by which the cooperative could issue loan participations. <p>During the time of crises from 2012 to present, the cooperative group' members have responded in various ways, seeking refinancing, reorganisation operations, changing board and management teams, etc. Certain cooperatives left the group. Currently it is pending integration into another cooperative group.</p> |
| <p>2. Describe briefly the relation between the business strategy and the social mission of the enterprise.</p> | <p>Until 2012, strategies have been seen to have:</p> <ul style="list-style-type: none"> - created highly qualified employment opportunities in addition to traditional farming employment and thus avoided the loss of employment that often follows adoption of technology in agriculture. - the creation of a diverse range of business activities, both cooperative and investor owned, has created a sustainable agro alimentary industry on a large scale, but where benefits largely revert back to the farmer members, as well as workers. - the reduction or risk. The diversification of product ranges reduces the risk, as it is not dependent on any one sector or line of products and the volatility of prices in any one area. <p>After 2012, strategies have been seen to have put in risk the local and regional economies of Extramadura and the small towns in which the member cooperatives carried out business.</p> |
| <p>3. Please describe briefly the strategic partners or alliances that the enterprise has.</p> | <p>Acorex has partnered with other cooperatives such as Anecoop to market their F&V products. Anecoop was the Spanish leader in marketing of fresh product and this partnering allowed immediate access to channels and expertise. They also partnered with other cooperatives to form an entity to defend the interests of agriculture and livestock activities at the EU level, as well as the setting up of a cooperative for the industrialisation and marketing of main ingredients used in agricultural pest control products.</p> <p>Acorex also signed an agreement with Banco Santander to ensure access to financing for its cooperatives.</p> |

| 4. Please describe briefly the methods and practices of communication/relationships with Stakeholders (members, community, donors, NGOs, etc.), | <ul style="list-style-type: none"> - Obligatory monthly (minimum) meetings with the Board and all the general managers, who then communicate with members - Institutional relations section ensures contact with community and local and regional government and stakeholders - Member magazine - Website | | | | | | | | | | | | |
|--|--|------|------|------|------|------|------|--------------------|-----|-----|-----|-----|-----|
| 5. Innovation and key performance factors | Performance factors used in the past relied on traditional financial indicators, but also a wide range of social and economic indicators, as well as internal governance indicators such as management systems certification, equality, inter-cooperation, etc. Innovation indicators were largely based on scientific or technical innovations which were translated to product quality. | | | | | | | | | | | | |
| 6. Human resources - personnel <ul style="list-style-type: none"> - No. of employees - No. of volunteers - No. of members | 2012 employees—287 (most recent number) 2012 members (cooperatives) 42 No volunteers | | | | | | | | | | | | |
| 6.1. For Work Integration social enterprise - vulnerable employees if the case (i.e.), work integration plan/programmed used and management structure | N/A | | | | | | | | | | | | |
| H. Outcomes: results achieved and lessons learned | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> - Yearly social and economic results – every 5 years since start-up, and/or the last 3 years - Assets (raw numbers) - Capital (raw numbers) - Production - Turnover /sales - Profit/loss - Social benefits - describe the benefit to members (membership), indicators used to evaluate the enterprise. | <table border="1" data-bbox="815 922 1778 1034"> <thead> <tr> <th>Year</th> <th>2000</th> <th>2005</th> <th>2010</th> <th>2011</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Turnover (M Euros)</td> <td>126</td> <td>173</td> <td>220</td> <td>243</td> <td>245</td> </tr> </tbody> </table> <p data-bbox="815 1040 1608 1072">[Pending further financial information, which has been requested]</p> | Year | 2000 | 2005 | 2010 | 2011 | 2012 | Turnover (M Euros) | 126 | 173 | 220 | 243 | 245 |
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| Turnover (M Euros) | 126 | 173 | 220 | 243 | 245 | | | | | | | | |

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| I. Describe <u>in a few words</u> the broader social / environmental impact in your community – spill-over effects, in the last 3-5 years. | The impact of the cooperative in the years before 2012 had revitalised and created a cooperative agricultural economy. Since 2012 the difficulties of the cooperative have created instability and decreased employment. |
| J. Discussion Points: questions readers may want to consider and to discuss about it | |
| 1. What is the role of government in supporting cooperatives? Is there a difference between support and interference? Is cooperative indendence important? | |
| 2. Can cooperatives become “too big”. To diversified? In contrast to other best practice cases, what differences may be seen in strategy? | |
| 3. What bad practices may be evident from this case, and thus, what best practices may be inferred? | |
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