

Description of the social enterprise – information sheet

Mugiverde Sociedad Cooperativa Andaluza



A. Identification data	
1. Name of the enterprise	Mugiverde Sociedad Cooperativa Andaluza
2. Location/Address of the enterprise	C/Pérgola 51, 04700, El Ejido, Almería
3. Website of the enterprise	www.murgiverde.com
4. Legal organisational form	Sociedad Cooperativa Andaluza (SCA) of second tier/level or “federated”.
B. Good practice of the social enterprise	
Aspects that recommend the social enterprise as a good practice in the particular sector.	<ul style="list-style-type: none"> • A successful model of external growth Murgiverde is a second tier cooperative that has developed a model of growth based on mergers and integration of other existing and established fruit and vegetable cooperatives and SATs. This strategy has worked well because the members of the integrated cooperatives have seen each other as collaborators instead of competitors and have created synergies which have allowed them to be more competitive. • Pioneer in its area of concentration of the fruit and vegetable supply of Andalusia (the region) It was the first project launched in the region of Andalusia to concentrate the fruit and vegetable cooperatives. The goal was to move the sector from a fragmented supply to a stronger unified supply to sell their products with better conditions. This action broadened both the number of products in their portfolio and also the number of months on the calendar when product was available, increasing the capacity to reach clients (economies of scope), increasing size and volume (economies of scale). They became more competitive in both the national and international markets and were able to obtain better selling prices and reduce costs. As a result, the members have benefitted greatly on price and benefits. • Good policy on costs Reduction of unnecessary costs to provide higher returns to farmers and the company in general and strategic management of resources to allow: specialization, economies of scale, economies of scope, shortening of the supply chain, etc. • Innovation, quality practices and sustainable production Strong commitment to innovation and I+D+i in order to improve the overall quality of the company (product, services, processes and technology) and reduce the overall impact of their activities on the natural environment. Intensive agriculture in the area had resulted in environmental issues and the cooperative was proactive in addressing methods to decrease negative impacts. Quality product is seen as a method of market differentiation and the use of recognized certification has been important for the cooperative. In addition, a focus on the final consumer, rather than just on production of more kilos, has resulted in the development of more prepared and ready to eat products, with higher added value.

C. Context:	
1. Year of Founding	2005
2. Context of start-up – problem that the enterprise was set up to solve, economic social rationale	<p>Murgiverde SCA is the result of the merger between two medium size, established fruit and vegetable cooperatives from Almeria (Agromurgi and Ejidoverde) in 2005. This merger arose from the need to reduce the atomization (fragmentation) of the supply to gain size and increase their supply market power. In the last decades the agricultural sector has become dominated by a small number of multi-national clients and distributors, particularly in fresh produce, which is often highly perishable. However, the supply in Almeria was formed by small cooperatives and companies. Given this landscape and the resulting decrease in prices caused by the price pressures from the distributors who had a much greater bargaining power and who could effectively set the prices, both companies/cooperatives and the public administrations in Almeria and the Andalusian region started to promote the reduction of the number of sellers to be more competitive against distributors and clients.</p> <p>In 2009, two other important fruit and vegetable cooperative members from the area joined Murgiverde: Campovícar SCA and Geosur SCA. These new members contributed to its strategy of gaining size and scope, offering a broader and richer products portfolio and better conditions for its members (growers) and Murgiverde ended up being one of the largest cooperatives in the area.</p> <p>Although the merger and integration process has been successful for the cooperative, they were not free of difficulties, especially from the administrative point of view in the first years such processes took place. In addition, governance and sharing power was an issue in the initial merger in 2005, with the result that it took 3 years to consolidate the board and the management. Subsequent integration processes have been easier due to the decision to work out all possible disagreements and administrative, human resource, logistics, etc. issues before the integration was made formal.</p> <p>As well, the whole of human resources had to be reorganized, as there was overlap. This process is often easier in shareholder owned company, where people can be dismissed. In cooperatives though, relationships make the processes of staff reduction difficult to carry out. Some older farmers as well did not fit into the new model, and about 3% of the total membership decided to retire early.</p> <p>Despite difficulties, this method was a way to achieve rapid growth and impact, as opposed to slowly building up individual members.</p>
3. What are the Main Activities of the entity?	Production, processing and wholesale trade of fruit and vegetables. Specifically they sell peppers, zucchini, cucumbers, eggplants, tomatoes, watermelons and melons (1,400 hectares).
4. Who are the Main stakeholders (i.e. members, clients, producers, etc.)?	Members, collaborators, clients, employees, suppliers, distributors, public administrations and the society (community)

5. Geographic coverage with respect to: i) to production of services and/or goods and ii) market/consumers or beneficiaries, clients, etc.	i) The headquarters of Murgiverde are located in El Ejido (Almeria), but the cooperative has other facilities along the province (Almerimar, Adra, Vícar, Roquetas de Mar, La Mojonera, Balerma, Nijar and la Cañada) and in the province of Granada (Carchuna and Lanjarón). ii) The cooperative sells its product in the national and international market. Thanks to its incorporation to the consortium Consorfrut SL, Murgiverde exports its products to 80 countries from 5 continents: European Union (e.g., Germany, France, UK, The Netherlands), EEUU, Canada, Brazil and Arab Emirates. Exports represent the 90% of the turnover (99 M€ in 2012).
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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.?	Murgiverde SCA is a cooperative of second degree which means that its members are other cooperatives. In the merger of 2005, Agromurgi and Ejidoverde were dissolved (they lost their legal status) to form a new cooperative Murgiverde SCA. However, in 2009 Campovícar and Georsur were integrated conserving their legal status. All their assets were transferred to Murgiverde and the two cooperatives obtained an equivalent number of shares.
2. If membership, is membership open or closed? Is exclusivity required?	Open to those who meet technical/food safety, etc. requirements. Yes.
3. Is a capital contribution required? If so, how much? Is equity capital unallocated or individualised?	Yes. Unallocated social capital contribution required. Amount not available.
4. Describe in a few words the voting distribution (e.g. one member-one vote; proportional to equity contribution; proportional to use, etc.).	Voting in proportion to use up to a cap.
5. Describe in a few words the main benefits for members or owners.	Better prices and more control/participation in their business.
6. Indicate any main changes in ownership over the lifetime of the entity.	Member growth has been achieved through various mergers and intergration, but no main change of ownership.

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).	<p>The governance structure of Murgiverde consists of a Board of Directors, under which there is an elected President (a member) and a General Manager (who is a hired professional). The General Assembly has oversight over the Board. There is a Commercial Director who has various marketing/sales people, 4 Warehouse Directors, 2 Directors of Quality and then a Field Director who has approx. 16 to 20 field technicians to advice farmers and supervise the production on the farms of the cooperative members.</p> <ul style="list-style-type: none"> - General assembly: It is formed by the cooperative members and the collaborative members and is responsible for decision-making. - Executive committee: It is the governing, management and representative body of the cooperative. Action requires agreement of all its members. It consists of the president of the executive committee, the vice-president, five directors (consejeros delegados) and five administrators. - General Director: is a hired professional whose function is to oversee the administration and to guide the company to achieve the goals established. - Auditor: this person checks annual accounts <p>Governance principles:</p> <ul style="list-style-type: none"> - Free memberships and free withdrawal principle: membership is open to all growers that meet the minimum requirements of food security and quality and who can make a capital contribution of 1,000 euros. - Autonomy and independence principle: the cooperative is managed by its members. Decision-making seeks to improve the profitability and economic wealth of the members (growers) - Transparency principle: members are informed about all the activities done by the cooperative. - Democracy principle: the structure and management are democratic. All the members have the same rights. Grower members participate actively in decision-making. Their vote is weighted by the quantity of product provided to the cooperative in the last five years.
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?	No
5. What is the gender composition of the board?	Predominantly male (tbc).

<p>6. Describe management and board salary/ compensation policies and how they are decided/determined?</p>	<p>The democracy principle implies board salary and compensation policies are decided democratically. Grower members participate actively in decision-making. Their vote is weighted by the quantity of product provided to the cooperative in the last five years.</p>
<p>F. Profit/ benefits/ surplus distribution policies</p>	
<p>1. Describe briefly the distribution policies and procedures for profits / benefits / surplus 2. Are members/owners liable for losses of entity? Describe how liability is shared.</p>	<p>1. Once the obligatory funds* and taxes are paid, the cooperative then is in the position to distribute the benefits in accordance with the bylaws and according to the agreement of the General Assembly every year. The benefits are distributed i) to members in function of the cooperative activity carried out by each member, ii) to the voluntary reserve fund or iii) to increase the obligatory funds. *The contribution to the obligatory reserve fund is 20% of the benefits from cooperative business and 50% from business with third parties. Also a 5% contribution must be made on the benefits of the cooperative business to the “social fund” which is the Cooperative Education and Promotion Fund. 2. Members are liable for the losses in the amount of the capital contributions.</p>
<p>G. Strategy: highlight approaches adopted to address the identified challenges</p>	
<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>	<ul style="list-style-type: none"> • External growth strategy and concentration of the offer Murgiverde has followed a successful model of external growth based on mergers and intergration of other fruit and vegetable cooperatives. Such growth external strategy has allowed the company gaining size and production capacity (economies of scale), scope (economies of scope) and market power to sell their products in international markets with better conditions. Passing from a fragmented supply to a concentrated offer has enables the cooperatives that are members of Murgiverde to be more competitive in global markets. • Differentiation strategy based on quality <u>Products quality</u> Murgiverde has achieved success in international markets thanks to a differentiation strategy based on the quality of its products (healthy, environmental respectful and natural flavors products). Its products have well-reputed certifications (BRC, EUREP GAP, IFS, Nature Choice) In addition, the company has developed a high-end line of fruit and vegetable products (added value products) <u>Service quality</u> The cooperative aggregation has also improved the quality of the service. Murgiverde is able to offer a wider range of products to clients during more months of the year. The cooperative has been able to offer most of their products the whole year (January - December) based on a better planning and coordination of

the production of the farms. This means to customers are served without time interruptions. In addition, the cooperative enjoys a great deal of flexibility to adapt to the demand of their international clients (For example, packaging type can be chosen by its clients)

Process quality

The cooperative is continuously investing in improving the quality of its processes: coordination between the planning and the production, improvement of operations and production processes, modern management tools, computerized tracking of fruits and vegetables, etc. All its processes are certified by the ISO 91001 and the company has a well-implemented traceability system, which has boosted exports.

- Diversification strategy

Integration of fruit and vegetable cooperatives with a supplementary product offer and production times. The diversification strategy is more based on broadening the range of products they can offer in international markets than seeking to reduce risks. The idea was to have a sufficiently wide range of products to supply supermarket chains.

- Specialization strategy

Warehouse specialization. Each warehouse is dedicated to a product category. Thereby, product entry and manipulation/packaging are more dynamic, which enables more direct strategies of distribution and sale.

- Internationalization strategy

Most of the production of Murgiverde is sold in international markets (90%). The cooperative has carried out an internationalization strategy that continuously seeks to improve channels, services and internationalization processes. For example, to reach Eastern European countries the companies has created its own centers of distribution.

2. Describe briefly the relation between the business strategy and the social mission of the enterprise.

The social mission of the cooperative is to provide the underlying farmer members (who are members of the cooperatives that are members of Murgiverde) with a dignified source of income, so that they can maintain their family farms. Merger and intergration processes allowed it to gain size and scope and to make the supply of Almeria more competitive in the international markets. A larger size allowed more investment in I+D+i and infrastructure.

In addition, understanding that the environmental conditions of the land is directly related to the sustainability of the economic and social sustainability of the area, has prompted Murgiverde to dedicate resources to environmental improvements in farming and business practices. Quality and environmental conservation are key elements of the business strategy in order to promote a sustainable growth and development of the area. Protecting the natural environment is essential for the quality of their products as well, since certification is necessary to export and obtain higher prices.

In the most important products such as eggplant, pepper and zucchini, integrated pest management (IPM-- using predator insects, rather than pesticides) has been implemented in 100% of production, with very high levels (80%) of IPM in other products. Water and fertilizer use has been strictly controlled, with the highest sensor technologies implemented to avoid overuse.

In addition, the cooperative seeks to create social wealth by developing several programs for improving social inclusion of vulnerable groups. Murgiverde participated in a project of Euroempleo which studied various EU countries on social inclusion in the workplace and helped to implement a Guide of Good Practices for the sector.

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| <p>3. Please describe briefly the strategic partners or alliances that the enterprise has.</p> | <ul style="list-style-type: none"> - Strategic I+D+I alliances of Murgiverde with other companies of the sector and universities and research centers to improve production processes (hydroponic system, integrated pest control, etc.) and the quality of the products (e.g., alliance with Wise Irrisystem, Koppert, Syngenta, Tencova, Experimental Station of Cajamar, etc.). - Member of Consortfruit SL. It is an export consortium founded in 2000 that consists in the association of fruit and vegetable companies (mainly from Spain) to export their products in international markets (especially to Eastern European Countries that are not part of the EU). This consortium helps to export because it implies a broader products portfolio and better service to supply customers. - Creation of Alcoex Mediterraneo SL in collaboration with other companies in the sector to develop a high-end prepared and ready to eat line made of local fruits and vegetables (juices, sauces, etc.). - Distribution collaborations with national and international supermarket chains and companies of the Horeca sector (hotel, restaurant and catering companies) to reduce supply chain and distribution costs—i.e. Short Supply Chain - Member of different sector associations (ACAL, APROA, COEXPHAL and FAECA) to promote projects that improve the fruit and vegetable sector in Almeria. - Murgiverde shares an experimental farm with UNICA group (another cooperative of second degree) where they perform crop trials. |
| <p>4. Please describe briefly the methods and practices of communication/relationships with Stakeholders (members, community, donors, NGOs, etc.),</p> | <p>Members</p> <ul style="list-style-type: none"> - The members participate actively in decision-making. They vote and can raise proposals. In addition, the cooperative keeps them continuously informed. They have information through internet/websites/applications on prices and cooperative business. - There is a direct channel of communication (extranet) between the cooperative and the members - Technical training and service to the growers. The cooperative provides individual advice and organize workshops and conferences with the latest advances on the sector and technologies. |

- The growers sell all their production through the cooperative.

Employees

- Intranet: Internal communication system
- There is an independent committee that employees can use to expose their needs and concerns to the cooperative.
- Continuous training.

Clients and society

- The cooperative uses social networks and a blog to inform clients and society about its activities and about trending topics in the sector.
- Participation in trade fairs, conferences and similar events that allow presenting their products and obtaining feedback from potential clients.

Public authorities

- Public authorities have provided the cooperative with diverse subsidies and help to promote the concentration of the supply

5. Innovation and key performance factors

Innovation activities, both organisational and technical, are at the heart of Murgiverde. In fact, the cooperative resulted from an innovative project of boosting the unification of the supply of the fruits and vegetable sector of Almería. It was the first project of its kind launched in the region of Andalusia.

The cooperative is focused on improve all its operations and production processes through innovation. Murgiverde is continously improving its production system through the use of new production techniques and innovative machinery, which has led them to improve the quality of its processes and products, as well as, producing more sustainably.

Examples of innovations and tecnologies used are:

- Development of biological control systems (IPM, etc.) and the production of its own insects/predators
- Effective treaceability system
- Business model based on concentration of the offer
- Extend the supply calendar breaking with the usual seasonal characterists of fruits and vegetables

6. Human resources - personnel

- No. of employees
- No. of volunteers
- No. of members

- 2,500 employees (more than 1,500 in warehouses)
- No volunteers
- Members (underlying farmers):

2010	2015
400	800

- 6.1. For Work Integration social enterprise - vulnerable employees if the case (i.e.), work integration plan/programmed used and management structure
- Murgiverde has participated in several programs that pursue the work integration programs for vulnerable employees:
- Remus program promoted by Murgiverde and the City Hall of El Ejido with the aim of promoting the incorporation of women in situation of severe vulnerability to the labor market.
 - Participation in the program of work integration for people with disabilities developed by Coexphal and other non-profits organizations.

H. Outcomes: results achieved and lessons learned

- 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

Production

2010	2014
140,000 t	150,000 t

Turnover/sales

2008	2010	2012	2014
75 M€	113 M€	120 M€	125M€

- I. Describe in a few words the broader social / environmental impact in your community – spill-over effects, in the last 3-5 years.**

Social mission

The cooperative emerged with an intrinsic social mission: unifying the supply of local growers in order to make them more competitive in markets and to have a higher market power to optimize the sale conditions of the growers. In order to carry this out, an environmentally sustainable approach to business must be followed.

In addition, Murgiverde participates in different CSR programs and initiatives. Coexphal: a social campaign targeted to schools and organized by APROA (organization of fruits and vegetables growers in Andalusia) to foster healthier habits such as a healthier eating and sport. Some of the activities consist of organizing workshop at schools to promote the consumption of fruits and vegetables and delivery of fruits. They also participate in the program to send product to food banks across Spain and organized by APROA.

Natural environment commitment

Murgiverde promotes a sustainable agriculture and is committed to the preservation of the natural resources of the area. Since its foundation, the cooperative has performed research in order to develop cultivation techniques that allow applying a natural pest control (biological control-IPM). All its production of pepper, eggplant and cucumber are entirely obtained through a model of IPM. With the purpose of guaranteeing the supply of natural insect enemies, Murgiverde has long-term contracts with

relevant companies such as KOPPERT, SYNNGENTA, Certis, BIOBEST. In addition, the cooperative has an insectary where it produces its own predators. Finally, Murgiverde has an environmental management system.

The environmental commitment of the cooperative also includes recycling activities. For example, it recycles the dead plants and plastics of the greenhouses and collaborates with Sigfido, a company that picks up pesticide packaging to treat them correctly.

J. Discussion Points: questions readers may want to consider and to discuss about it

1. What is the relationship between social, environmental and economic sustainability?

2. Can sustainability be a competitive advantage?

3. Is growth necessary? If so, what type of growth is best for your area? What problems would you anticipate in growth processes?

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LINKS

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