

Understanding agricultural cooperatives

A start up guide



UNDERSTANDING AGRICULTURAL COOPERATIVES

A START UP GUIDE

Contents

LEARNING OBJECTIVES	5
1. What is a cooperative?.....	6
1.1 Cooperative's definition, values and principles.....	6
1.2 Defining features of cooperative businesses.....	9
1.3 Why create agricultural cooperatives?.....	11
1.4 When to create agricultural cooperatives? - conditions needed.....	13
2. How to start a farmer cooperative - basic steps	14
Overview of Agricultural Cooperatives.....	14
Step 1. Meeting with interested producers	15
Step 2. Create a Survey Committee.....	17
Step 3. Create an Organization Committee	20
Step 4. Formation meeting.....	23
Step 5. Registration process.....	24
3. Cooperative Management: Overall Planning, Controlling, Organising, Communicating and Decision-Making.....	26
4. Learning from successful agricultural cooperatives in Spain, Italy, Romania.....	28
4.1 Spain: Vicasol, Coop Agricola San Isidro Casi, AgroIris	28
4.2 Italy: Agraria Riva del Garda, Mezzacorona	34
4.3 Romania: Lunca Someșului Coop, Vidra Coop.....	37
5. Learning from successful regions in developing agricultural cooperatives in Spain and Italy	41
5.1 Spain - The Almería Agricultural Cooperative Cluster	41
5.2 Italy - Trentino region - champion of cooperation	45
References	48

This guide was developed in the framework of Erasmus+ project *New Crops*, implemented during September 2014 - August 2017 by the Civil Society Development Foundation (Romania) in partnership with Federazione Trentina Della Cooperazione (Italy), University of Almería (Spain), COEXPHAL Association of F&V Producer Organisations of Almería (Spain) and Coompanion Kooperativ Utveckling Skaraborg (Sweden).

Authors:

Cristina Barna, Cynthia Giagnocavo, Elena Badeanschi

The examples of successful agricultural cooperatives from Chapter 4 represent extracts from the Case Studies and Best Practices elaborated by **University of Almería** (Spain), **COEXPHAL Association of F&V Producer Organisations of Almería** (**Asociacion De Organizaciones De Productores De Frutas Y Hortalizas De Almeria**) (Spain), **Federazione Trentina Della Cooperazione** (Italy) and **Civil Society Development Foundation** (Romania).

Special thanks to all the colleagues in New Crops project who provided valuable information and support or peer-reviewing in the process of elaboration of this training material: Ștefania Andersen, Irina Opincaru (Civil Society Development Foundation), Raquel Antolín and Juan Carlos Pérez Mesa (UAL), Francisco Rubio and José Lopez (COEXPHAL), Elena Badeanschi (FTC).

More information on the project *New Crops – Social entrepreneurship to create new opportunities for socially excluded in rural areas* can be found at www.ies.org.ro/erasmus.

LEARNING OBJECTIVES

This Guide aims to introduce the readers in the world of cooperatives, in particularly - in the field of agricultural cooperatives. It is addressed to participants at specific social economy and cooperative trainings, students, and especially to farmers who potentially want to create an agricultural cooperative. The readers will learn what a cooperative is, what are the cooperatives' values and principles internationally agreed, and will understand the cooperative business model.

They will acquire knowledge about how to start successfully a farmer cooperative, by:

- Understanding the definition of the cooperative, the values and principles of the cooperatives as internationally agreed by ICA;
- Generally understanding the features of the cooperative business, and its differences from for-profit companies;
- Understanding the rationale of creating a farmer cooperative, conditions needed when creating such a cooperative, what are the advantages of the farmers when decide to create / enter in a cooperative;
- Proposing and clearly explaining 5 basic steps for the creation of a cooperative, and many useful guidelines and tips;
- Acquiring the basic knowledge necessary for an entrepreneurial attitude and business planning in farmers' cooperatives;
- Analysing real case studies of successful farmers' cooperatives from Spain, Italy and Romania;
- Providing information about two successful regions (Almeria - Spain and from Trentino - Italy) where agricultural cooperative movement is very strong and succeeded to create local sustainable socio-economic development.

1. What is a cooperative?

1.1 Cooperative's definition, values and principles

According to International Co-operative Alliance¹, *a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.*

Cooperatives are businesses owned and run by and for their members. Whether the members are the customers, employees or residents they have an equal say in what the business does and a share in the profits.

As businesses driven by values not just profit, co-operatives share internationally agreed principles and act together to build a better world through co-operation.

In 1995, The International Co-operative Alliance adopted the revised *Statement on the Co-operative Identity* which contains the definition of a co-operative, the values of co-operatives, and the seven co-operative principles as described below²:

Co-operative Values

Co-operatives are based on the values of *self-help, self-responsibility, democracy, equality, equity and solidarity*. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

¹ International Co-operative Alliance, definition available online at: <http://ica.coop/en/what-co-operative>, retrieved in June 2017

² International Co-operative Alliance, idem

Co-operative Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Do you know?

Co-operatives contribute to sustainable economic growth and stable, quality employment, employing 250 million (indirect and induced employment not included). Within the G20 countries, co-operative employment makes up almost 12 % of the total employed population. There are over 2.6 million co-operatives in the world with about 1 billion members.

Source: International Co-operative Alliance, Facts and Figures, data retrieved in June 2017 from <http://ica.coop/en/facts-and-figures>

1.2 Defining features of cooperative businesses

Cooperatives exist to provide benefits in the form of goods and services to their members. This differs from the primary purpose of other types of business organizations which typically exist to generate profits for the owners of the business. Other significant differences between cooperatives and other types of businesses are related to ***ownership, control, and the way the benefits from operating the business are distributed***³:

1. Ownership

Cooperatives are financed by the people who use the services provided by the business. Investing risk capital in a cooperative business is a basic member responsibility and a function of owning the cooperative.

2. Control

Cooperative control is expressed through the principle of “*one member, one vote*”—each member has only one vote regardless of the amount of capital that member has invested in the business. Members’ control over a co-operative is normally exercised through the election of a board of directors from the membership. The board represents the membership in providing direction to the business by establishing the overall goals and policies of the coop. In a cooperative, the central issue of control typically focuses on determining the types of services provided by the business.

3. Distribution of benefits

In cooperatives, benefits are distributed to the members in proportion to their use of the goods and services provided by the business. Any surplus (gross income less expenses) generated through a coop’s business operations are either reinvested in the business to improve the services provided or they are redistributed to the members in the form of patronage refunds. Patronage refunds are calculated in proportion to a member’s use of the services provided by the cooperative.

³ Harris A., Joynt H., *Agricultural Co-operatives. A Start-up Guide*, funded by: Agriculture and Agri-Food Canada, Canada - British Columbia - Farm Management Program, British Columbia Ministry of Agriculture and Food, p.1 -2

Let's compare and understand!

Main differences	Cooperatives	For-profit companies
Purpose	Benefits for the members	Profit for shareholders in base of their investment
Ownership	By members	By shareholders
Control	One member, one vote	Based on the number of voting shares held per shareholder
Distribution of surplus	To members in proportion <i>to the use</i> of cooperative's services	To shareholders paid in proportion to their investment

In a cooperative, *the user is the focal point*, with the direct status of user, owner, and control vested in the same individual. From the cooperatives' user focus and the relationship between user, ownership and control interests, *three basic cooperative's principles* can be defined, and out of them a simple definition of a cooperative business organization⁴:

- 1. The User-Owner Principle:** Those who own and finance the cooperative are those who use the cooperative.
- 2. The User-Control Principle:** Those who control the cooperative are those who use the cooperative.
- 3. The User-Benefits Principle:** The cooperative's sole purpose is to provide and distribute benefits to its users on the basis of their use.

Therefore:

A cooperative is a user - owned and controlled business from which benefits are derived and distributed on the basis on use. (Dunn, 1988)

⁴ Dunn J. R (1988)., *Basic cooperatives principles and their relationship to selected practices*, Journal of Agricultural Cooperation, 1988, Volume 3, p.85, available online at: <http://ageconsearch.umn.edu/record/46212>

1.3 Why create agricultural cooperatives?

Agricultural co-operatives enable producers to realize economic benefits which they could not otherwise achieve alone.

Cooperatives appeared in difficult economic and social contexts of the 19th century. Farmers were gradually discovering that through joining forces, they could improve their access to markets and jointly finance vital complementary activities, namely: procurement, research, processing, marketing, distribution and promotion⁵.

Some of the **reasons why producers form cooperatives** include⁶:

1. To improve bargaining power

Cooperatives are the extension of the main farming activity, as they enable farmers to increase their bargaining power, which is essential to reduce cost when supplying inputs. Cooperatives can provide groups of farmers with marketing power more comparable to that held by processors and other market players. Cooperatives do this by gathering market information and sharing that information with their members or by acting as a bargaining agent on farmers' behalf.

2. To reduce costs

Pooling capital and resources through cooperative enterprises can enable producers to access services, such as marketing expertise, that they could otherwise not afford alone.

3. To achieve economies of scale

By handling large volumes of product, cooperatives can reduce the per-unit cost of marketing and processing for producers. Similarly, the cost of inputs and services can also frequently be lowered if larger volumes are

⁵ COGECA European agri-cooperatives (2015), Development of agricultural cooperatives in the EU 2014, p. 15

⁶ adapted after Harris A., Joynt H., *Agricultural Co-operatives. A Start-up Guide*, funded by: Agriculture and Agri-Food Canada, Canada - British Columbia - Farm Management Program, British Columbia Ministry of Agriculture and Food, p.3

ordered through a central agency. Cooperatives allow producers to focus on producing goods, rather than on finding buyers and suppliers.

4. To increase returns

Because the surpluses generated by co-operative businesses are returned to producers on the basis of patronage, cooperatives allow producers to capture additional profits beyond the farm gate.

5. To improve product and service quality

Cooperatives play a vital role in the adjustment of the production of their members to the requirements of the consumers. Cooperatives can allow producers to coordinate the timing of the delivery of commodities to markets. Cooperatives can also enable producers to implement grading systems and standards. These activities can improve the services provided to retail and wholesale outlets and the quality of product available to consumers.

6. To reduce risk

Agricultural commodity prices often fluctuate considerably throughout the year. Cooperatives allow farmers to pool their production with that of their farmers to minimize price and market risk.

7. To obtain needed products or services

Often producers require certain services or products which privately owned companies are reluctant to provide due to the small potential sales volume or uncertain profits. Such producers may join together to form a cooperative to assure the availability of vital products and services. Agricultural cooperatives can allow farmers to address common problems, develop new market opportunities or expand existing markets. A cooperative can give producers access to a larger share of the earnings generated from business activities and can also keep these earnings circulating in the local economy.

1.4 When to create agricultural cooperatives? - conditions needed

FAO (1998) identified **5 fundamental conditions on which cooperative organization are based on**⁷:

1. Existing problems and constraints cannot be solved individually. A **group** of motivated persons who **share common problems** is needed.
2. There is **no alternative** to cooperative self-help - e.g. help cannot easily be provided from family, a social institution, or the state.
3. The **advantages** of membership (access to goods, inputs, loans, services, markets, etc.) **outweigh the duties** of membership (e.g. contribution of resources such as money, time, land, equipment etc.).
4. At **least one person** amongst the group has leadership ability and **takes the initiative** to represent the group. It is essential for successful work that s/he be reliable and has charisma.
5. There are **no legal or political restrictions** on groups being able to elect their own leaders; market their own goods; earn profits and to make their own decisions about distributing surplus, etc.

The context of the local community where it is intended to create an agricultural cooperative must meet the above conditions in order to be a successful initiative.

⁷ Food and Agriculture Organization of the United Nations (1998), *Agricultural cooperatives development. A manual for trainers*, p. 6

2. How to start a farmer cooperative - basic steps

Overview of Agricultural Cooperatives

The cooperative agriculture and food sector includes cooperatives that operate along the entire agricultural value chain, starting from the cultivation of agricultural products and livestock farming to the industrial processing of agricultural products and animals (Coop, 2015).

One of the great challenges facing the agricultural sector across Europe is to increase the number and variety of viable and sustainable economic agricultural enterprises. In this sense, agricultural cooperatives may be considered ideal institutions to maintain or promote agricultural production, to create employment (AFFSA, 2016), to protect the natural environment and to contribute to rural development.

While cooperatives are without a doubt businesses, the main objective for people to set up or join a cooperative is to improve their economic and social conditions through joint action for the good of all members rather than through individual concerns only (FAO, 1998). Cooperatives are based on values of self-help, self-responsibility, democracy, equality, equity and solidarity.

The following guidelines in 5 steps are meant to help in the process of bringing a cooperative into reality. A cooperative's basic features and benefits are also discussed so that can better understand what a cooperative is.

In general there are several steps that can be changed depending on the circumstances (Williamson & Stegelin, 2016). Some of the ideas and proposals are of particular use for smaller cooperative organizations or organizations in the process of being formed. Others will be more relevant to larger organizations with wide experience in business transactions that are in the process of being transformed into genuine cooperatives. However, many of the steps proposed below are of relevance regardless of the size and origin of the cooperative. All cooperatives need to deal with

organizational planning, business strategy and governance aspects from the very outset.

In general, the start up of a cooperative is a complex process that is both social and economic. Many people need to agree to implement a joint project. For example, in the case study of Cajamar (see also section 4.1), which concerns horticultural cooperatives created in southeastern Spain, the original function was to combine the production of several farmers to fill trucks bound for Madrid, Barcelona and Bilbao (northern Spain) in search of markets. The common goal was to improve the partner's production prices, selling directly without using intermediaries. It shows that the "common seed" can be simple, but it grows over the years.

Step 1. Meeting with interested producers

Have a meeting of all producers who might be interested in a cooperative. During this meeting, discuss the following topics.

What are cooperatives?

- A Cooperative enterprise is one who belongs to the people who use its services; the control rests with all the members and the gains are distributed to the members in proportion to the use they make of its services.
- An Agricultural Cooperative is a business consisting of three or more producers voluntarily owned and controlled by its member-patrons and operated for them on a nonprofit or cost basis.
- There is a democratic member control (one man – one vote).
- Limited returns on member investment.

Why are cooperative enterprises useful? Cooperatives aid in developing stronger rural communities for several reasons:

- They are composed of rural people who are the agribusiness and farm leaders in the vicinity.
- The cooperative is a local tax payer and supports community service projects.
- It helps develop stronger business and civic-minded leaders.

- These businesses increase community employment and generate revenue, as do the cooperatives.
- Cooperatives also try to establish business honesty and truthful advertising, to maintain high quality and product standards and to initiate change to new products.
- Because of their main interest in individual farmers, they also are a restraint on monopolistic practices.

What types of cooperatives are there? The most important agricultural cooperatives are (OMAFRA, 2008):

- **Producer Co-operatives:**
 - Some co-operatives process and/or market, their members' products and services directly.
 - Others may also sell the input necessary to their members' economic activities (such as agricultural supply co-operatives).
 - Owned by members who either purchase their inputs or supply the products and services they market.
 - **Examples:** Agricultural processing and marketing, farm supply, crafts, livestock and crops, seed cleaning, pooling of equipment.
- **Consumer Co-operatives:**
 - They provide their members with goods for their personal use.
 - They are owned by the consumers of the goods sold by the co-operative.
 - **Examples:** Food, natural food, school supplies (stationery, school supplies, computers and software), hardware, clothing, etc.
- **Worker Co-operatives:**
 - The purpose of these cooperatives is to provide their members with work by operating an enterprise. They may be found in all economic sectors.
 - These cooperatives are owned by their employee members. They are mainly part of the small or medium sized enterprise sector.
 - **Examples:** Agri-food, natural food, manufacture and sale of clothing, communications and marketing, industrial production and manufacturing, home nursing services

What are some benefits of doing business through cooperatives?

- Lets you be part of a group.
- Gives you more market power.
- Lets you reduce costs.
- Gives you more money (better price).
- Gives you more confidence in the future.
- Eases getting of business financing.

Other questions you have to answer:

- What are the producers' problems and needs?
- How would a cooperative help solve these problems and needs?
- Is there sufficient interest among those producers present to continue with the organizing of a marketing cooperative? If so, appoint a Survey Committee.

Step 2. Create a Survey Committee

The Survey Committee evaluates the following considerations or factors:

- Is there a need for the cooperative?
- Potential membership and volume of business.
- Management skills needed.
- Facilities needed.
- Operating costs (projected).
- Estimated capital needs and how to finance it
- Other considerations: scope of business needed; membership; location; representation on the Board of Directors; method of pricing supplies and services produced by members; business with non-members, etc.

As in any other company all these points should be reflected in a business plan (see following table). A business plan is a document providing a complete description of the cooperative enterprise you wish to form. It describes in detail the products or services that will be produced or sold, the organization of work and the management approach, the results of the market study and the marketing plan, the human resource plan, equipment

and material needed, financing requirements and the financing plan. The business plan is a work tool. It serves two purposes:

- To facilitate the acquisition of external capital, credit union/bank loans or grants. It must explain to investors why they should invest in the enterprise, and your team's ability to launch and develop it successfully.
- To facilitate control of the process of launching and developing the new co-operative.

It will be a blueprint for launching and monitoring the co-operative's activities and results. It must be written in clear and straightforward language.

Framework of developing a Business Plan

Business description: <ul style="list-style-type: none"> - Name of the business - Number of members - Number of committee members (board) - Names of executive members - Postal address - Contact person - Telephone numbers 	Marketing plan: <ul style="list-style-type: none"> - Market overview and size - Market segment - Growth potential - Customer profile - Competition - Market share - Geographic market factors - Barriers to market entry - Market channels
Nature of a business: <ul style="list-style-type: none"> - Type of business - Enabling legislation - Economic sector or industry - Unfulfilled need 	Production plan: <ul style="list-style-type: none"> - Estimated production - Kinds of production - Machines to be used
Our vision: <ul style="list-style-type: none"> - How we see the future in our sector 	Organizing plan: <ul style="list-style-type: none"> - Management profile - Personnel profile - Organizational structure

Our mission: <ul style="list-style-type: none"> - Our main business in this sector 	Financial plan: <ul style="list-style-type: none"> - Audited financial statements (3 years) - Cash flow productions (5 years) - Proforma income statement (5 years) - Proforma balance sheets (5 years)
Our objectives: <ul style="list-style-type: none"> - Our specific projects 	Funding sources: <ul style="list-style-type: none"> - Membership contributions - Loans - Security for loans - Grants
External environment situation: <ul style="list-style-type: none"> - Land ownership - Government regulations - Suppliers' terms - Financial providers - Nature of the competition 	Risk analysis: <ul style="list-style-type: none"> - Financial risk - Price risk - Production/output risk - Interest rate risk
Internal environment situation: <ul style="list-style-type: none"> - Leadership - Personnel - Organization - Technology - Policy 	

Source: AFFSA (2016)

With respect to **financing**, cooperatives can raise capital through equity contributions or debt financing. Subject to cooperative legislation, cooperatives can choose to establish themselves either "*with share capital*" or "*without share capital*". Establishing "*with share capital*" allows a co-operative to raise capital by selling shares as well as using debt instruments such as debentures. A cooperative that incorporates

"without share capital" can only raise capital through debt financing and may not issue shares. A cooperative must decide how they will file before the incorporation process begins.

The business plan for the cooperative states how much capital the cooperative will require and for what purpose. Additional capital may be raised through preferred share offerings, member loans and other securities, subject to the jurisdiction's cooperative law. If the coop is not successful this investment may be lost.

If a cooperative will require a large amount of capital, for equipment, supplies, facilities, etc., it would likely benefit from share capital incorporation. When incorporating with share capital, patrons must buy membership (common) shares in the cooperative as a requirement of membership. This is an investment in the cooperative. If the cooperative is not successful, the investment may be lost. Share capital incorporation allows greater financing flexibility because a share capital cooperative can use debt financing as well as equity financing. Non-share capital cooperatives however must incorporate without share capital.

Incorporating without share capital means that instead of buying shares in the cooperative, members are required to lend the cooperative a minimum amount of money on which interest is paid. Loans are usually long-term to give the coop stability. Bank financing may also be used.

Example: In most of the cases analyzed in this project for Andalusian cooperatives (Vicasol or Filabres, see also section 4.1) there was a mixed funding. The partners contribute with equity capital and the rest was obtained by bank financing.

Step 3. Create an Organization Committee

An Organization Committee is elected if the producers decide to go ahead with the cooperative. The Organization Committee's responsibilities include:

- Signing up members.
- Obtaining capital.

- Drafting legal organization papers (i.e. bylaws).

Then Charter Members meet to vote on the adopting of bylaws and to elect a board of directors of the cooperative, if the bylaws are adopted.

Standard content of bylaws for an agricultural cooperative

- | | |
|--|--|
| <ul style="list-style-type: none"> - Membership and divisions of membership - Requirements for membership and rights and responsibilities of members - Requirements for supply agreements - Member loans or share capital; share or loan certificates - Meetings of members - Board of directors and officers — number, duties, terms of office and compensation | <ul style="list-style-type: none"> - Majorities needed to reach agreements on General Assembly - Election of delegates - Use and distribution of surplus funds - Borrowing powers; cheques, drafts and notes - Bonding of employees and officers - Custody of securities - Execution of documents - Fiscal year, notices, amendments |
|--|--|

Source: MAA (2016)

One issue that should be clear to the partners is the **Profit-Sharing System**. Surplus is what is left of earnings after paying operating expenses. How a cooperative uses its surplus can directly affect the financing requirements. The cooperative will likely need to keep part of its surplus in the form of **retained earnings** or **reserves**. Retained earnings are used to finance expansion in operations or to replace worn-out assets. Determine the operating requirements of the cooperative before distributing any earnings to members and shareholders. Cooperative laws often set out requirements with various types of reserve funds.

Cooperatives have traditionally distributed most of their surplus to members as **patronage returns**. If your cooperative plans to attract large amounts of equity by convincing investors it intends to pay dividends on

its shares, it will have to balance this commitment with members' desire for patronage returns.

Example: for southeast of Spain (Andalusia) cooperatives, once the obligatory funds and taxes are paid according to the Andalusian cooperative law, 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. Profit sharing (not fixed by law) must be described in the bylaws. Members are liable for the losses in the amount of the capital contributions.

Other times, the General Assembly can decide use part of benefits to fund certain strategic actions. For example, in the CASI Cooperative (Almeria, Spain), in recent years, part of the profits has been used for development of several expansion projects: structural improvements in facilities, create new departments (e.g. marketing).

Another aspect that should be clear in the cooperative by laws is **Marketing Agreements**. Cooperatives that market their member's goods will enter into marketing contracts or agreements with their members. This agreement outlines in writing the rights and duties of the member to market their products through the coop. It also outlines the terms and conditions under which the products will be marketed and accounted for. The contract is used to assure the coop of a continuous supply from its members and can contain means of obtaining compensation for damages from the non-cooperating members. It is a contract of either purchase-and-sale or agency and is a vital document for most agri-food co-ops.

For **example** in the Vicasol cooperative case study in this project, farmers are obliged to sell 100% of its production through the cooperative.

Step 4. Formation meeting

The Board of Directors conducts the first meeting and does the following:

- Elects the first officers of the association: President, Vice President, Secretary and Treasurer.
- Adopts a form of membership application or stock subscription.
- Adopts the form of marketing agreement if one is to be used.
- Selects a bank to do business with.
- Designates officers or employees to be authorized to handle funds and issue checks.
- Hires a manager if it is necessary
- Arranges for all members to receive copies of the Articles of Incorporation and the Bylaws.
- Arranges for securing a location and facilities for doing business.

We should remember that **a co-operative has 3 key groups of people: members, the board of directors and management**. In the table below it is explained their functions.

Cooperative key groups
COOPERATIVES MEMBERS (GENERAL ASSEMBLY)
Members, as owner-users, are the reason the coop is organized. They justify its continued existence through their patronage, capital investment, and participation in decision making. The members are represented in the coop by the Board of Directors. They can express their opinion and vote in periodical meetings (General Assembly).
BOARD OF DIRECTORS
The Board of Directors is a policy-making body elected by the members, who represent the members by overseeing the co-op’s business affairs. Usually 7–9 members (minimum 3) are elected to provide leadership. Directors, as trustees, establish policy, report to members and give direction to the co-op’s

hired management, generally without getting involved with the day-to-day operations.

Members of the board are held accountable for their actions by provincial and federal laws applying to businesses and by the by-laws of their co-op. For larger coops the board of directors also retains an independent auditor to evaluate the coop's financial condition. They may also appoint committees for such continuing concerns as property, finance or member relations, education or appoint ad hoc committees for fund raising or special projects. The board is directly responsible for hiring the manager but delegates the responsibility for choosing co-op staff to the management.

MANAGER

Management supervises and co-ordinates the day-to-day operations of the co-op and are supervised by the board of directors.

Example: In the CASI cooperative, analyzed in this project, the Board of Directors is elected from among the members by a simple majority in the General Assembly. The main governing body, as in any cooperative, is the General Assembly. The Board of Directors is composed of a President, a Vice President, a Secretary and other members of the board (12 members). Usually in Almeria (Spain), the president's role is unpaid. The board members don't receive a salary, except for expenses incurred in work performance. However, every cooperative region has its own customs and in other areas, sometimes presidents do receive remuneration.

Step 5. Registration process

The registration process of an agricultural co-operative should be done in the competent institution. It depends on the country where it is located⁸. If

⁸ In **SPAIN** cooperatives have their own registry, depending where they are domiciled and depending on whether they chose to be governed by regional or national cooperative legislation. The initial cost is the contribution of social capital, normally in an amount not less than 3,000 Euros. Usually co-operatives would use a professional company advisor for its constitution. The official Registry of co-operatives reviews the statutes without charge (confirming that they are in accordance with the law).

the Registrar is satisfied that the application meets all of these conditions, then the Registrar will give the cooperative a registration certificate with a registration number. Once a cooperative is registered, it becomes a legal person. This means that it has legal powers similar to those of companies and related groups.

Summary of the process for cooperative creating



Meeting with producers interested

- Explain what a cooperative is, and the benefits of creating one



Create a survey committee

- Business plan



Create an organization committee

- Bylaws



Formation meeting

- Elects President, Vice President, Secretary, Treasurer



Registration process

In **ROMANIA** the cooperatives are registered at Trade Registry, together with companies, following the same procedure. The share capital of the cooperative is variable and cannot be less than 500 RON. The minimum number of cooperative members of a cooperative is established by statute but not less than 5. Registration costs are 400 RON for the Trade Register, and notary fees for each member are 50 RON.

In **ITALY** there are provincial and regional registers. For agricultural cooperatives minimum: 3 members are required and minimum capital is 50 Euros.

3. Cooperative Management: Overall Planning, Controlling, Organising, Communicating and Decision-Making

Cooperative managers differ from managers in other sectors, whether for profit or not for profit foundations or NGOs. The cooperative sector manager has to play two principal roles: managing activities in relation to members of the cooperative; and in managing and supervising staff.

The cooperative manager acts as a link between the cooperative members and member board and the cooperative organizations' management team. As well, cooperative managers are the link between the cooperative and the market. This means the role encompasses both economic and non-economic decision-making.

A cooperative manager must be able to understand the 'cooperative advantage' of members' engagement and activity and be able to transmit this understanding to the membership.

Some of the most important functions of a manager are:

1. Understanding the policies and direction of the cooperative, and the wishes of the members and then establishing strategies and initiatives so that these policies and wishes can be carried out.
2. Ensuring continued growth and survival of the cooperative enterprise including anticipating competition;
3. Establishing processes to generate business and surplus;
4. Introducing innovations through work efficiency, value-addition, ICT, and improved business processes;
5. Supporting cooperative human resources by providing opportunities for professional development and capacity building and creating better work environments;
6. Establishing effective communication channels between herself/himself and the management
7. Establishing communication between the cooperative and its members, and amongst other managers and employees of the cooperative;
8. Establishing feedback and evaluation practices.

Managers are professionals within the cooperative management system and their role is the day to day development of a cooperative institution. Managers must act in alignment with the elected board, which sets out the policy direction and bylaws and which also regulates the performance of management in light of its achievement of cooperative objectives at the control stage.

Managers help build the cooperative organization. In the case of agricultural cooperatives, they should have a thorough understanding of the work of the farmers and their concerns. They must also be ready to deal with conflict and different interest groups within the cooperative. Good managers also have the ability to learn from the specific history of the cooperative.

4. Learning from successful agricultural cooperatives in Spain, Italy, Romania

4.1 Spain: *Vicasol, Coop Agrícola San Isidro Casi, AgroIris*

Vicasol SCA: *Internal growth based on quality of service*⁹

The cooperative was founded in 1979 by growers that aimed to join forces to sell their crops outside the local market. But they also decided to come together in order to gain the size and volume to have more capacity to provide services to their members. In its origins Vicasol was founded as a Sociedad Agraria de Transformación (SAT) - a hybrid version of a shareholder owned company and a cooperative, but some years later, it changed its legal form to become a cooperative (Sociedad Cooperativa Andaluza). The main objective was to improve members' conditions. In 2003, the cooperative merged with Almerisol SCA in order to gain size (economies of scale) and extend its product portfolio (economies of scope). The cooperative does not have investors. The growth of the entity is based on the integration of new members (growers) to increase the number of production hectares, and then, the production capacity.

The business model of Vicasol is based on exports of product to the European Union Markets. Its exported product profile is 50% tomato. The three products of tomato, pepper and cucumber make up 85% of its sales. The principal buyers outside of Spain are Germany (20%) and France (12%). Within the national sector, Vicasol is one of the few cooperatives which are exporting to the very demanding US market. Only 20% of sales are destined within Spain. Final clients are for the most part the large distribution chains of Europe (e.g., Rewe, Edeka or Lidl in Germany; or Carrefour, Leclerc, Auchan or Casino in France). These companies usually work with centralized purchasing and also act as logistics operators with the objective of joining orders. The cooperative Vicasol is

⁹ Detailed case study is available online at: http://www.ies.org.ro/library/files/new_crops_es_case_study_2_vicasol_en.pdf

one of the largest fruit and vegetable marketing companies in Spain, with a turnover of almost 165 million Euros, with annual sales of 194.000 tons of product (mostly tomato, pepper and cucumber) provided by 650 growers with a total of 1,500 ha.

With respect to product innovation, a new tendency has been a focus on organic product to meet the demands of consumers. The manager of the cooperative, José Manuel Fernández, comments: "we have a large presence in European supermarkets that have organics lines of products, so we have to be there, also producing organic". As well, they also have a process for the production of Gazpacho and Salmorejo (cold drink made out of finely blended fresh vegetables) which is becoming more and more popular on the national market. As well, the cooperative has an own certified lab that certifies its product which reduces time and costs. In addition, the cooperative has added valued to its products thanks to a vertical integration consisting in integrating production, processing and commercialization of its products.

The cooperative has contributed to turn agriculture into a very important economic activity in the area. A progressive growth has allowed the creation of many jobs every year improving the job opportunities of the inhabitants of the area and offering an alternative to leave the area in search of job. Most of the manipulation/packaging jobs are taken by women with the aim of favoring the incorporation of this collective to the agricultural workforce. In addition, the growth and increased supply power gained allow optimizing the conditions and benefits of the agricultural members of the cooperative.

Coop Agrícola San Isidro CASI: historical transformation into a predominantly single product focused cooperative, with a mixed system of marketing/sales (both in origin and destination)¹⁰

CASI can be considered to be the largest specialist enterprises in tomatoes in the world. From its birth, its principle objective has been to concentrate the production/offer of its farmer members, focusing on high quality product and the sustainability of the surrounding area. The Cooperativa Agraria y Ganadera San Isidro (CASI) was founded in 1944 by a group of farmers who united to market their products, principally potatoes and vegetables at that time, in the daily auction market stalls. In the 1960s this market stall had become too little so they began to look for a larger place in which they could store larger volumes and to carry out auctions, which had become the method of selling. It was also at the end of 1960s that vegetable production began to become more significant in the province of Almería. The tomato took over the potato as the most marketed product in CASI. In the 1980s CASI had strong internal growth and its membership continued to increase, necessitating the development of new and better services for the members, particularly the creation of a technical services department to help the farmer produce tomatoes of higher quality. Once again CASI outgrew their installations and they amplified progressively during the 1990s. In this period volume increased dramatically and they went from producing 40,000 tons to 140,000 tons in 2000. Currently they sell 210 million tons of products to 1,500 clients throughout Europe, with 4 work centers.

The tomato is their main product for marketing, comprising 95% of their portfolio, although they also market watermelon, melon, zucchini and cucumber. CASI represents 30% of the total tomato sales in Almería. All other activities are focused on client service: the sale of inputs, technical services, business advice, etc. The philosophy and business strategy of the cooperative can be summed up in the words of the president: “We should

¹⁰ Detailed information on CASI model is available online at: http://www.ies.org.ro/library/files/5_spain_casi_dis.pdf

feel proud to belong to CASI, to have the largest concentration of product in origin, the tomato with the most taste, the best prices on the market and a consolidated brand worldwide. The cooperative will be what the members say it will be. While I am president I will fight to improve the quality of life of the farmer and their families”.

CASI is predominantly a single product cooperative, carving out a specialist niche in tomatoes. It has a growing market share, with a focus on high quality, unique products (denomination of origin) and a mixed system of producer organization and auction to obtain the best price for its members. As a cooperative, CASI depends on the Food & Vegetables distribution sector as a whole. In general various circumstances can influence CASI: 1) the loss of profitability of the farmer as a consequence of rising costs or the reduction of income; 2) the substitution of products from Almería by non-EU products. In this last instance, Morocco is the country which most affects Almería in the short and medium term as their exports to Europe continue to grow. The calendar of production is equal and yet their costs (including packaging and transport) are 25% less than Almería. In light of this the principle strategy of CASI is to increase its export activity. For example, recently it has established agreements with Dutch marketing companies to share installations in the Netherlands.

CASI attempts to improve its commercial activity with the objective of increasing revenues for the farmer. As an organization completely committed to and integrated into its territory, CASI forms part of the specific denomination of protected geographical indication “Tomato of La Cañada Níjar”, recognized as such since 2007. It is a tomato with specific characteristics, difficult to reproduce in other areas, as the unique territory influences the quality of the product. The constant reality of the difficulties of agricultural cooperatives in Andalucía and their common problems (e.g. loss of negotiating power against the large distributors) has led to several attempts to create one large Andalusian enterprise. In 2006 it maintained contacts with other large Spanish cooperatives such as Covap, Hojiblanca (DCoop) and Agrosevilla. The intention was to put together the various sectors of milk, olive oil, table olives and tomato.

However, what might have been a good strategy has proven difficult to put into practice given the difficulties in joining functional characteristics of the cooperatives involved. However, CASI is a member of the organization of producer organizations, which advocates for common positions for the sector.

CASI participates in diverse public-private businesses whose principal function is the collection, treatment and re-utilization of agricultural residues. Its support for Integrated Pest Management (predator bugs and other non-pesticide methods) and technical support for farmers regarding resource use and sustainability has had a very positive impact on the environment. It is a cooperative very active in relation to the community in which it is located. This can be seen for its financial support for various projects such as:

- Research and organization of events (conferences, workshops) in the University of Almería.
- Promotion of healthy diets and the consumption of vegetable in schools.
- Funding the promotion of tourism in the area, as well as cultural activities within the province of Almería.

AgroIris SAT: Incorporation of added value and the marketing of new products as key to competitiveness¹¹

AgroIris is a company that markets the products of its farmer-members and also clients. The principle mission is to increase the value of the fruits and vegetables marketed for their members and also to raise the incomes in the zone in which the farmers are located. In keeping with the objectives of its legal form, Sociedad Agraria de Transformación (SAT), which is considered to be part of the social economy in Spain, these are civil companies with a social-economic aim in relation to production, processing and marketing of agricultural products, livestock and forestry.

¹¹ Detailed information on CASI model is available online at: http://www.ies.org.ro/library/files/10_spain_agroiris.pdf

They also have as their aim the improvement of the environment and rural areas, agricultural development and the provision of services related to these areas.

AgroIris was founded 1 July 1994 to concentrate the efforts of many small farmers and to help them find better prices and other markets. Its growth since such time has been constant. The management of the company has tried to achieve an ordered growth according to the needs of its members. They have pushed hard to concentrate the offer of their products so that they can meet the demands of the clients, who are constantly larger and with higher demands for volume (for example, Aldi, Tesco, Carrefour, Lidl). The main activities are the marketing of several products: the pepper is its most produced product (over 45 million kilos per year); in the second place, there are 3 products that are fundamental to the company: cucumber, watermelon and melon; after this is aubergine and zucchini and finally, there is a series of products of less volume, being cherry tomato, beans, grapes, and Chinese cabbage.

The main stakeholders are the 450 members, who cultivate 750 ha and give employment to 1,500 workers. Medium and long term actions are focused on consolidations of the group in light of recent mergers and those which are anticipated in the future. They also have diverse strategies for product innovation and new markets. The group was reorganized in order to cut costs and maximize efficiencies. The group's investment strategy is directed towards the modernization of the most obsolete installations and also to realize those changes necessary to allow for economies of scale by absorbing other entities such as Campoalmería, Mayba and Ejidoluz. The incorporation of added value and the marketing of new products is key to competitiveness.

AgroIris complies with a wide range of quality standards demanded by their European clients (Global Gap, IFS, and BRC). The incorporation of added value and the marketing of new products is an objective to increase competitiveness. An example of this, are exclusive products, one of which greatly influenced the European market: a pepper called "Sweet" which is

extremely popular for its high organoleptic qualities. Another project is processed vegetables, especially prepared and ready to eat products. However, fresh produce is still the most important and most profitable. In light of this, AgroIris focuses on fulfilling the requirements and meeting the needs of the consumer markets in relation to innovative products.

4.2 Italy: Agraria Riva del Garda, Mezzacorona

Agraria Riva Del Garda: model of an integrated economic sector for territorial development¹²

The Agraria of Riva del Garda was founded in 1926 through the love of local farmers for their territory. The cooperative has grown through the years guided by the insight and passion of its members, a shining example of modern cooperative entrepreneurship typical of Trentino, strictly bound and rooted to the territory. The cooperative gathers around 300 grape producing members and 1200 olive growers, 80 of whom supply their products to the Riva Agraria. The Agraria can be considered an integrated economic system for territorial development, as it provides support for its members with both on-site field consultation and agricultural products in addition to the collection and processing of olives and grapes, marketing, direct sales and promotion of the final products of wine and olive oil.

In 1926 Agraria Riva Del Garda was originally established as an agricultural association that became a cooperative in 2000. The very first Association was founded to promote and boost the local agricultural production. In order to better support the specific production of the Garda lake area, in 1957 a wine cooperative and cellar were founded and in 1965 an oil-mill has been implanted. All the production comes from the ‘Alto Garda’ territory (upper Lake Garda area), the most southern part of the Trentino-Alto Adige region, and includes the northern shores of Lake Garda and the fertile lands surrounding the towns of Riva del Garda, Nago-Torbole, Tenno, Arco and Dro, in addition to a small hilly area in

¹² Detailed case study is available online at: http://www.ies.org.ro/library/files/new_crops_it_case_study_1_agririva_en.pdf

Val di Ledro. This area is collectively known as “Lower Sarca Valley”. Clients and consumers are both from Italy and from abroad.

Promotion of the local territory and its agricultural products come first and foremost at the Agraria Riva Del Garda. For these reasons, it proudly promotes the concept of “zero km products” – local products available directly from the producer to the consumer, with direct traceability for both quality and agricultural sustainability. In recent times, Agraria has opened a food court (Corte del Tipico) where consumers can both taste and purchase DOP Garda Trentino Extra Virgin Olive Oils and Agraria selected wines (their typical production), in addition to high quality selected typical Trentino specialties (more than 50 products labeled and guaranteed by the main Agraria brand and mostly produced by local cooperative and producers like cheese, cold cuts, meat, grappa, honey, jams, pickles, preserves etc.).

Mezzacorona SCA (Italy): *farmers’ entire production goes to the cooperative, ensuring commercialization under a renowned brand*¹³

Mezzacorona is one of the oldest cooperative wine cellars in Italy. It was founded over 100 years ago, in 1904, by 20 pioneer wine farmers and, since then, it kept on growing, moving forward both innovating and accomplishing important projects, always following the common thread of the cooperative culture and values, safeguarding members’ earnings, deeply rooted in the local community and territory. The first group of wine farmers decided to join together in order to pool their resources, thus saving on equipment and gaining a better leverage on the market for selling their production.

Production is spread over 2,600 hectares of vineyards in the whole Trentino-Alto Adige region, plus in two wineries in Sicily (621 hectares near Ragusa). Some hectares are reserved also for its fruit production. Mezzacorona wines are sold all over the national territory and abroad.

¹³ Detailed information on Mezzacorona model is available online at: http://www.ies.org.ro/library/files/8_italy_mezzacorona_dis.pdf

There are two companies that manage exports for foreign markets: Prestige Wine Imports Corp., trading with North America, and Bavaria Wein Import for Germany, Austria and Switzerland. Mezzacorona wines are also exported in Scandinavia, UK, Western Europe and Japan.

Mezzacorona's production consists of red, white and sparkling wines, 14 different vine varieties, both local and international, like Pinot Grigio, Chardonnay, Teroldego, Muller Thurgau, Marzemino, Merlot, etc. Its market niche has grown exponentially in the past years, making Mezzacorona one of Italy's most famous wine brands, as the first Italian producer of Pinot Grigio and Chardonnay. Mezzacorona also produces Rotari Trentodoc sparkling wine, one of the most famous brands worldwide. Mezzacorona has a mutualistic purpose and aims to benefit the members by valorizing, sustaining and increasing production of grapes and wine, and their commercialization under the same brand. This function is very important for the survival of agriculture in the mountain areas where the land of each farmer-member doesn't exceed 1 ha and consequently has a limited production and marketing capacity.

Mezzacorona has a wide network of partnerships with the most important wine promoters, its products being displayed at international events like Vinitaly in Verona and Expo 2015 in Milan. They have a close relationship with the main national agricultural institute for education, vocational training and research recognized at international level and based in San Michele all'Adige. Moreover, the group is particularly keen in developing links with hotels, restaurants and other tourist facilities, in Italy and abroad, as they create a great channel of promotion for its products. Guided tours of the cellars and the vineyards are organized, both for tourists and for experts. Mezzacorona is a member of the Federazione Trentina della Cooperazione and, at national level, of the Italian Association of Food&Beverage Management.

4.3 Romania: Lunca Someșului Mic Coop, Vidra Coop

Lunca Someșului Mic Coop: a model reflecting how benefits brought to members can boost their confidence in the cooperative form¹⁴

This case illustrates the start-up of a small vegetable marketing cooperative in March 2013, by the farmers in a village in the center of Romania. The start-up was facilitated by a team of out-side facilitators/consultants paid by the Civitas Foundation, which assisted the group formation, consensus and leadership building and with business strategy development. Also the consultants provided the small financial support necessary to pay a sales manager for the first year of the cooperative operation. The cooperative is an intermediary between the farmers and some hypermarket chains. The group specializes in cabbage, and to some extent, potatoes. In their 3 years of activity the turnover of the cooperative doubled and the production increased by 30%.

The cooperative buys the products (vegetables) from the members, and then further sells them with a slightly higher price to the different supermarkets. The process functions in this manner: the cooperative sells members' products to supermarkets with a price, from which it deducts the operating expenses (5% for full members or 8% for the affiliated members) and then distributes the remaining between the members, according to the amount delivered. The farmers are paid by the cooperative at the end of each month (on the 25th for the preceding month), and the supermarkets pay the cooperative at 15 or 25 days after delivery.

The business model of the cooperative focuses on the development of the individual members. Thus, the annual contribution of the members (1500 RON, approx. 350 Euro) and the 5% (or 8% for the affiliated members) percentage from sales are enough for the running expenses of the

¹⁴ Detailed case study is available online at: http://www.ies.org.ro/library/files/new_crops_ro_case_study_1_lunca_somesului_mic_coop.pdf

cooperative. The Sales Manager receives a commission of 1.5% of the sales to the old clients (the ones that were already contracted when he was hired), but can go up to 2% for the new clients he contracts.

The added value is firstly the members' economical advantage, because they collect a higher price for each product, compared to the one they would collect from wholesale deposits. Secondly, the members save the time used for typical selling (in an open market, or by wholesale) and can use this time for better care of their farm. Thirdly, a great added value comes from their access to information and collaboration, which enables the development of the cooperative (by access to funding) and their own farm (by access to discount rates on inputs, and the possibility to pay for these after the harvest).

The cooperative doesn't actually use specific social indicators or instruments to measure its impact among members or in the community. The highly used indicators are the economic ones. The members are expanding their farms, which denote their involvement, dedication and desire to keep working and developing the cooperative. Also, the members have a higher gain by selling their products through the cooperative, a fact that boosts the members' confidence in the organization. In regard to the social cohesion and local economic impact, many of the members that now sell their products through the cooperative used to sell those in wholesale markets, and now their place in wholesale markets is taken by smaller producers. Basically, the cooperative members made a step forward in their distribution channels, and gave others the opportunity to advance as well, from selling in the market to selling to wholesale. The cooperative also plays quite an important role in encouraging beneficial changes in society's mind-set, by changing the view about how a business can be organized and the openness towards accessing funds and starting projects in collaboration. The cooperative succeeds to engage other actors in the community by some of its initiatives, like the participation in several projects on agricultural topics or individual projects of the members.

Vegetables of Vidra Coop: start-up model benefitting of external capacity building support, including financing to pave their way onto efficient distribution of members' products¹⁵

The “Vegetables of Vidra” Agricultural Cooperative is located in Vidra commune, Ilfov County, very close to Romania’s capital city, Bucharest and was established in January 2013, benefitting from the support of two Foundations in Romania: the Romanian American Foundation - that offered funding - and the Civil Society Development Foundation - that offered consultancy and operational support. In the 3 years of existence, the cooperative experienced constant growth, both in regard to the number of members registered (from 11 to 21 members) and the sales and incomes obtained (100% raise, from 2014 to 2015). This case study serves as a good example of a start-up supported with external funding and know-how. From convincing the farmers about the benefits of association, to developing a self-sustainable cooperative on a growing performance path, the “Vegetables of Vidra” Agricultural Cooperative’s story can be seen as one full of lessons to be learned and good practices to be adopted.

The core business model of Vidra cooperative is the intermediation of sales from its members to the Mega Image SRL supermarkets chain in Bucharest. For this service, the cooperative gains 6% of the total sales. The relation between the cooperative and the supermarket is managed by an Executive Director, paid at a fixed rate. The percentage from sales together with the annual contribution of the members (200 RON, approx. 50 Euro) and the registration fee of the new members (1000 RON, approx. 250 Euro) cover the day to day operating expenses of the cooperative, including the Director’s salary and the monthly reimbursement of the debt made with buying a car. Mega Image SRL is currently the only customer of the cooperative, after a previous online sales system was dropped. As mentioned before, the collaboration started in 2014 and has gone smoothly ever since. The core principles of the contract are to provide free inputs

¹⁵ Detailed case study is available online at: http://www.ies.org.ro/library/files/newcrops_ro_case_study_5_vidra_cooperative.pdf

and consultancy to a core group of farmers, in order for them to deliver for a specific period of time fresh vegetables at a fixed price stipulated in the contract.

Being a newly established cooperative, and in a national environment not fully aware of the characteristics of such an organization, Vidra Cooperative managed to raise its awareness both in and outside the community. Thus, there is a growth in request for membership from local producers in Vidra that observed the advantages of being part of an associative structure. Step by step, the existence of this cooperative will encourage other farmers or producers to come together, either by joining this cooperative or by establishing other associative structures, contributing to the social cohesion at the local level.

This increase in interest from the local community had as starting point on the one side the contract with Mega Image SRL - which made the cooperative members to be seen as good producers and on the other the cooperative's position as a recognized agricultural advisor for the farmers that needed the grower's certificate – which has a contribution in strengthening the social capital that is accumulated at the local level. Furthermore, various stakeholders such as individual potential buyers, public fairs organizers, EU project promoters, other associative structures or simply Facebook visitors contact CSDF or directly the cooperative to launch invitations or just to express their interest in the organization's activity.

5. Learning from successful regions in developing agricultural cooperatives in Spain and Italy

5.1 Spain - The Almería Agricultural Cooperative Cluster¹⁶

Almeria is an agricultural community located in a historically impoverished, and now thriving, area of southern Spain. This region illustrates cooperation established and interaction between the farmers, local agricultural cooperatives and institutions and the cooperative bank, cooperative role in generating innovation in the process of development. It is an example of agricultural “industrial district” or cluster which has survived and of the importance of the relationship with other business forms and institutions, the cooperatives being a prime mover amongst a diversity of business models.

The fruit and vegetable sector of Almería generates approximately 2,000 million Euros in agricultural turnover (2014), with 15,500 farmers, 13,000 marketing jobs, 48,000 farm jobs, 70 cooperatives, and over 250 auxiliary businesses (1,700 million Euro). After facing poverty and social upheaval post war, in the 1955, provincial GDP per capita was last in an already relatively poor Spain (approx 40% lower than Italy). Today, Almeria is in top third of Spain’s provinces with an equitable wealth creation.

The peculiarities of Almeria agricultural cooperation are:

- *Average land holding of agricultural enterprise is a mere 2.0 hectares (approx. 5 acres), most owned by families or SMEs who join agricultural marketing cooperatives.*
- *Almeria is an example of cluster support for a successful, sustainable, non-industrial development model, which cannot be explained or understood without investigating the active implication of the local cooperatives and their institutions, including credit.*

¹⁶ Giagnocavo C., (2015), *The Almería Agricultural Cooperative Cluster: building sustainable agricultural cooperative communities*, Presentation for NEW CROPS-ERASMUS +, Study Visit, Almería, SPAIN, November 20, 2015

Almeria region faced 4 stages of cooperative development:

1. Initial stage - 1960-1975
2. Take-off - 1975-1990
3. Maturity - 1990-2000 agro-industrial
4. Cluster - 2000 forward

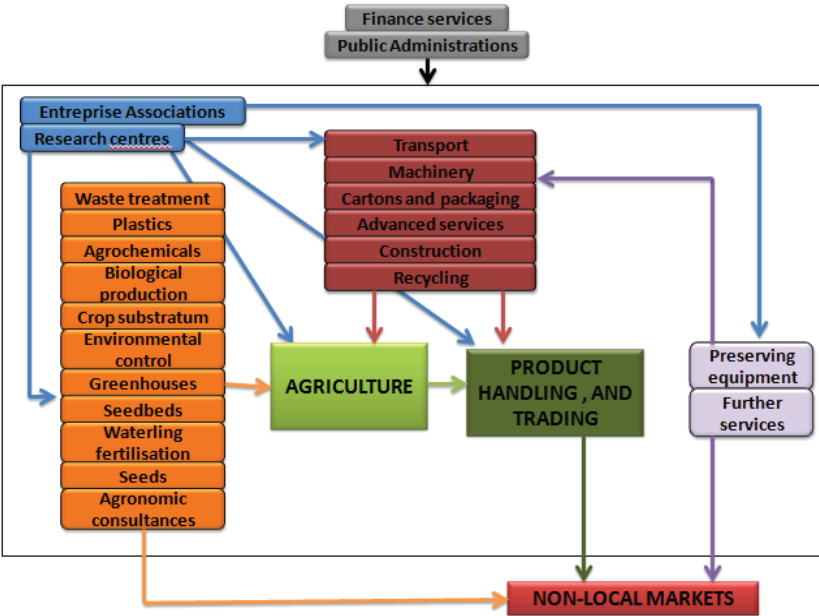
In the initial stage, young lawyers visit small towns explaining the cooperative business model. They realized farmers need a commercialization structure of their own and sought to organize cooperatives. There was a need for a method/financing to turn labor into capital. The cooperative “bank” initially gave unsecured loans. However, without investment and improvement, farmers could only be part-time on such small amount of land and still needed to work for others. The cooperatives responded with investment / innovation to the initial stage. Cooperative banking activities were set up in the middle of greenhouses and rapidly expanded. In this way the cooperative bank could monitor activities, both financial and agricultural, disseminating know-how, knowledge, and acting as a social “glue”. The decision to set up an experimental farm (Las Palmerillas) was very important to shift experimental risk to cooperative banks’ experimental farm. When the experiments proved successful, the farmers then adopted the innovations.

The second stage (Take off 1975-1990) – was a period characterized by the transition to democracy, high unemployment, no culture of entrepreneurship, no experience with open markets and competition, environmental degradation, and fear and instability. The cooperatives’ response was creating a shared knowledge base, changing the mentality of peasant into farmer -aiding in the understanding of markets and consumer demand, giving a political voice to the sector, influencing policy, and providing institutions that worked for the benefit of community.

The maturity stage (1990 - 2000) – was a period characterized by a cultural shift from and agriculture to agro-industrial model, due to the entrance in the EU in 1986, and subsequent competition. The cooperatives’ response was focus on technology financed by cooperatives: biological control, greenhouse technology, ecological fertilizers, precise

water use, recyclable long use plastic, soil substitutes, waste collection, etc. It was also marked by the growth of credit cooperative beyond its local territorial borders. Overall, there was a need to shift agricultural product from a commodity strategy to an added value/client focused strategy, participating more in supply chain. Technical field and business assistance, specialist agricultural courses and management training, assistance with grant applications and EU and government requirements, was also provided. A very important contribution of the cooperative banks was the calculation of economic implications of adopting technologies (avoiding family trial and error). The creation in 1998 of Cajamar Institute for Social and Economic Studies formalised Cajamar's commitment to socio-economic studies. Confederations/federations and other cooperative representative entities were formed to fight for political presence and lobby pressure.

In the fourth stage - Cluster 2000 forward cooperatives added value in handling, commercialisation and other related activities.



The cooperatives' response to this stage was to counteract “atomization”, with cooperative institutions encouraging integration, consolidation/growth to gain market power and better prices for product. In addition, there was investment in agricultural and complementary sustainable technologies, and new directions/products such as clean energy; exports and development of new markets/products, as well as more political representation (inter-professional, federation, confederation, etc.), professionalization (management).

Agricultural cooperation in Spain¹⁷

In Spain, agricultural cooperatives represented in 2012 60% of the value of the final Spanish agricultural production and 30% of the value of gross production in Spanish food industry (although cooperatives represent 13% of the companies).

Complete figures for Agri-cooperatives in Spain	2012
Number of cooperatives	3,844
Number of members	1,179,323
Turnover (millions=M€)	25,696
Total employment (direct)	98,999
Sales per employee (€)	259,555

¹⁷ Giagnocavo C. (2015), *Overview of EU and Spanish Agricultural Cooperatives*, presentation for New Crops Erasmus +, 20 November 2015

Main cooperative sectors in 2012 (in order of turnover)

	Sectors	% turnover 2012/ total agri-food cooperatives
1	F & V	24.1%
2	Olive Oil	12.9%
3	Supply	12.8%
4	Feed	10.3%
5	Arable crops	8.5%
6	Wine:	7.2%
7	Dairy	5.3%
8	Pig	3.5%
9	Poultry	3.2%
10	Services	2.0%
11	Table olives	1.9%
12	Sheep and goat	1.7%
13	Beef	1.4%
14	Rice	1.2%
15	Shops	0.9%
16	Nuts and dried fruit	0.8%
		97.6%

5.2 Italy - Trentino region - champion of cooperation¹⁸

From a population of half a million, about 170,000 of them are cooperative members. In two families out of three there is at least one member. There are about five hundred cooperatives on a territory of two hundred municipalities. The cooperative companies of Trentino ensure a stable place to more than 20 thousand workers. Co-operation holds Trento's relevant market shares: over 90% in agriculture, 60% in rural credit, 40% in food supply with Cooperative Families. The annual production value of the Trentino cooperatives is € 2 billion and € 600 million.

¹⁸ Cooperazione Trentina (2015), Federazione Trentina della Cooperazione, *Fare una cooperativa. Istruzioni per l'uso*, p.6 - 7.

Trentino model

The Trentino cooperative system has three peculiarities:

1. Except for a few exceptions, *cooperative enterprises have a medium to small size*, due to the morphological conformation typical of the mountain environment, consisting of many valleys with three-quarters of the surface over a thousand meters. From this limitation they have been able to benefit by creating a close link with the communities of belonging and guaranteeing the members an active participation.
2. Another specificity is given by the multi-tiered structure constituted by a *network of basic cooperatives* that are organized in homogeneous sectors in *second degree consortia* with the aim of coordinating business and improving the reference markets In Italy and abroad.
3. All first degree cooperatives and consortia find a synthesis in the representation, protection and strategic coordination of the *Federazione Trentina della Cooperazione (FTC)*. FTC is *the only subject who represents the entire local cooperative movement*.

Agricultural cooperation in Trentino¹⁹

Trentino agricultural cooperation represents almost all agricultural production in the wine, fruit and vegetable sector of the territory. With about 23,000 members, who provide their product for processing and selling, nearly a hundred first-degree cooperatives, articulated consortium structures with about 1,500 fixed employees and more than 2,000 seasonal workers, agricultural co-operation is leading the processing and marketing of the agricultural products in the province of Trento.

The strength of this sector is also linked to supremacy of the agricultural cooperation of Trentino: *in full respect of the principle of "mutuality" every partner is obliged to give the cooperative the whole production*. This choice is a peculiar and distinctive feature of the Trentino cooperation.

¹⁹ Dorigatti M., *Il movimento cooperative trentino oggi*, Capitolo 4 in Guida alla cooperazione trentina, p. 100 - 101

Agricultural cooperatives, such as Cooperative Families and Rural Houses (Cassa Rurale), came to the end of the nineteenth century to emancipate themselves from poverty and exploitation, and to allow peasants, small landowners to achieve those benefits in terms of economic results and quality of the products that only a cooperative enterprise was - and is still - able to assure.

Thanks to the cooperative form and to the culture of self-management, the co-operative partners have been able to build the organizational forms suitable for meeting the epochal changes in the agri-food industry and to ensure a dignified income for the members.

Taking care of quality, of the preservation of the environment in terms of tourism and quality of life, of employment growth and of the creation of strong trademarks known throughout the world, have enabled the Trentino agriculture to have an impact on competition on all world markets and to secure the necessary remuneration for producer members.

References

1. AFFSA (2016): “*Guidelines for establishing agricultural co-operatives*”, Agriculture, Forestry and Fisheries Department of Republic of South Africa. In red: <http://www.daff.gov.za/> [Retrieved: 13th april 2016]
2. COGECA European agri-cooperatives (2015), *Development of agricultural cooperatives in the EU 2014*
3. COOP (2015): “*Word Cooperative Monitor 2015*” International cooperative Alliance. In red: <http://monitor.coop/> [Retrieved: 17th april 2016]
4. Cooperazione Trentina (2015), Federazione Trentina della Cooperazione, *Fare una cooperativa. Istruzioni per l'uso*
5. Dorigatti M., *Il movimento cooperative trentino oggi*, Capitolo 4 in Guida alla cooperazione trentina
6. Dunn J. R (1988), *Basic cooperatives principles and their relationship to selected practices*, Journal of Agricultural Cooperation, 1988, Volume 3, available online at: <http://ageconsearch.umn.edu/record/46212>
7. Food and Agriculture Organization of the United Nations (1998), *Agricultural cooperatives development. A manual for trainers*
8. Giagnocavo C., (2015), *The Almería Agricultural Cooperative Cluster: building sustainable agricultural cooperative communities*, Presentation for NEW CROPS-ERASMUS +, Study Visit, Almería, SPAIN, November 20, 2015
9. Giagnocavo C. (2015), *Overview of EU and Spanish Agricultural Cooperatives*, presentation for New Crops Erasmus +, 20 November 2015
10. Harris A., Joynt H., *Agricultural Co-operatives. A Start-up Guide*, funded by: Agriculture and Agri-Food Canada, Canada - British Columbia - Farm Management Program, British Columbia Ministry of Agriculture and Food
11. International Co-operative Alliance, definition available online at: <http://ica.coop/en/what-co-operative>, retrieved in June 2017

12. MAA (2016): “*Elaboración de los estatutos sociales por los que se va a regir la cooperativa*” Ministry of Agriculture of Andalusia. In red: <http://www.juntadeandalucia.es/> [Retrieved: 16th april 2016]
13. OMAFRA (2008): “*How To Form a Co-Operative*”, Ontario Ministry of Agricultural, Food and Rural Affairs. In red: <http://www.omafra.gov.on.ca/english/busdev/facts/02-019.htm>
14. Williamson, L. & Stegelin, F. (2016): “*The Farmer’s Cooperative Yardstick: How to Start a Cooperative*”, Work document AEC-43, University of Kentucky. In red: <http://www.uky.edu>. [Retrieved: 11th april 2016]
15. New Crops project documents (2017): Case studies, Best Practices, Policy Reports, available online at: www.ies.org.ro/erasmus

