

Agricultural cooperatives and their importance in improving food security

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Cooperatives worldwide

1 000,000,000,000 US\$ turnover of 300 largest
000,000,000 members
00,000,000 jobs

- account for 3-10% of national GDP
- market up to 50% of global agricultural output
- 30% of the 300 largest are in the food and
- agriculture sector

Agricultural cooperatives

- **In Europe:** have an aggregate market share of 60% in processing and marketing of agricultural commodities and 50% in the supply of inputs
- **In Brazil:** count nearly one million members, earned \$3.6 billion in exports in 2009 and were responsible for 37.2% of agricultural GDP (5.4% of overall GDP)
- **Diary in India:** collect 16.5 million litres of milk from 12 million farmer members every day

Agricultural cooperatives and producer organizations

- **facilitate small producers' access to:**
 - **Natural resources such as land and water,
(participatory forest and water management)**
 - **Information, knowledge and extension services,
(the Farmer Field School approach)**
 - **Markets, food, and productive assets such as
seeds and tools,**
 - **Policy and decision making.**

Agri-Cooperatives: “Silent actors in assuring food security”

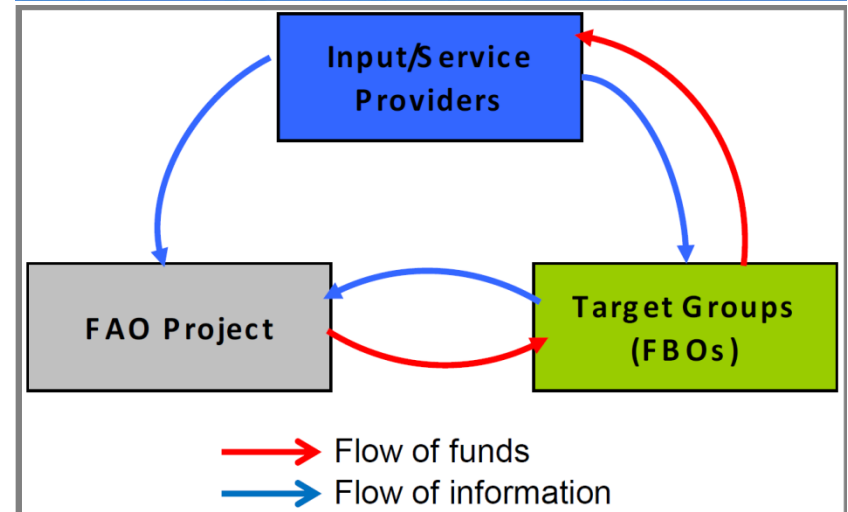
Over the past years international development organizations and governments have shown a renewed interest in cooperatives:

1. Cooperatives, producer groups and other forms of collective action have proven to be effective model in overcoming acute as well as chronic food insecurity in developing countries.
2. Agricultural cooperatives can be instrumental in addressing some of the challenges facing smallholder producers – such as galvanizing collective action to benefit from economies of scale and efficiency gains along the value chains.

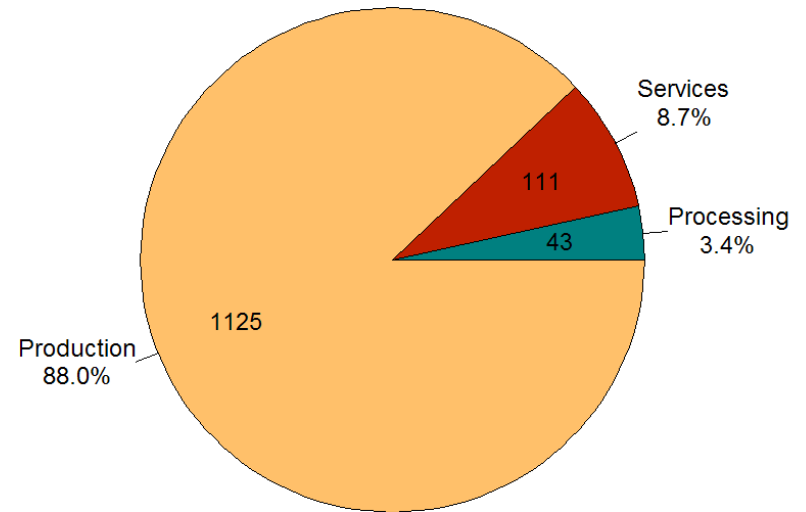
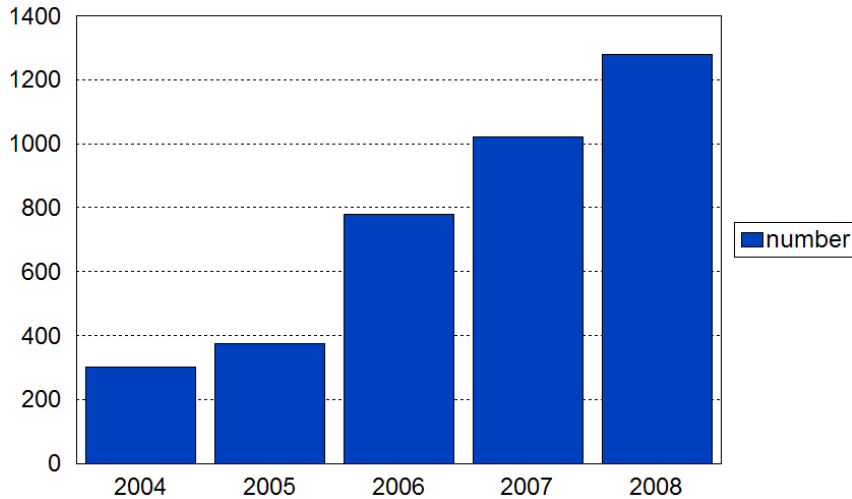
Azerbaijan: Reestablishing the livelihoods of vulnerable groups

Entry points:

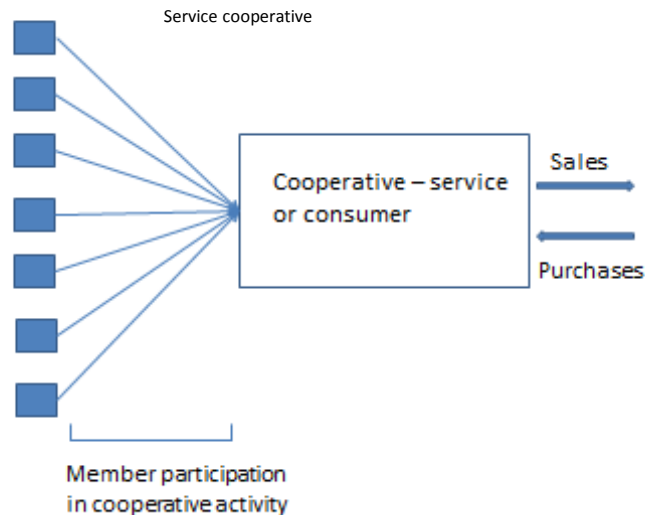
- Farmer field schools and farmer business schools
- Support and incentives for group formation and access to markets and services



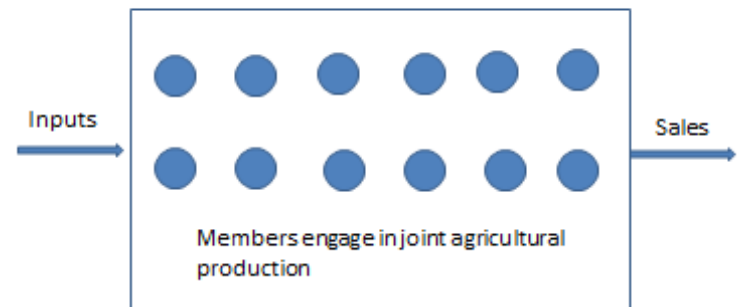
Kyrgyzstan: impressive growth, but not service cooperatives



Members – independent producers



Production cooperative



Drivers of cooperative development

- West European cooperatives are adjusting internal governance to the increasing size by externalizing operations into limited liability companies to enter international business.
- In the NMS cooperatives are coping with fundamental collective action problems (building trust among members, commitment and loyalty, professional management).
- Important element for successful operation of cooperatives is the existence of market demand (often monopsonistic) and the way the cooperatives are integrated in the food chain.

Sustainability of cooperatives

- Unfortunately, the track record of cooperative development has often been disappointing. Reasons include “nationalization”, use for political causes, inadequate management skills, tendency to expand activities beyond the capacity of the management to manage; elite capture.
- Often set up with donor assistance on the usually false premise that “excessive” margins within marketing channels provide the scope for farmer members to capture some of that value.

Agricultural cooperatives as inclusive business organizations



Enabling environment for cooperative development

- Promotion and development of sustainable cooperative businesses is a long-term process requiring assistance and support over a longer period.
- Dual nature of cooperatives (association and business) requires coordination between social and economic processes.
- Viable business and integration with existing agricultural product value chains essential for cooperatives to succeed.

Thank you!