

## REPORT ON SUSTAINABILITY IN AGRI-FOOD VALUE CHAINS.

### CASE STUDIES FROM THE MEDITERRANEAN REGIONS & THE MIDDLE EAST.

#### CASE STUDY: PRODUCER ORGANISATION

**Mirela:** Hello Izabela! In this recording we will focus on producer organisation. Our case study presents examples of agricultural cooperatives in Spain, Greece and Palestine. We decided to dedicate a case study to producers because they are key actors in the value chain. However, in many countries agricultural producers have little power. Today we are presenting successful examples of farmer organisations which suggest that cooperatives and, more generally, associations, represent an important driver of empowerment. First of all, please tell us what are the most common forms of producer organisation.

**Izabela:** *Sure, so there are different forms of producer organisation. Producer groups and associations consist of individual producers or individual producers and organisations, and jointly adapt the production and output of producer groups to market requirements. Producer associations consist of recognised producer groups and pursue the objectives of those groups on a larger scale. Producer groups may be defined as spontaneous collective actions of producers seeking to work with existing cooperatives, or to provide a joint solution to a problem experienced by producers in a particular area.*

*A cooperative is a voluntary group of individuals who derive mutual benefit from the coordination of production decisions, shared access to inputs, including seed, enhanced market power and more effective lobbying capacity. Their principles include democratic decision-making, equality and solidarity, differentiating them from different types of enterprise. Cooperatives are different from other economic organisations, as members have more access to capital, and collective rights are seen as prevailing over individual rights. First-degree cooperatives trade farm input supplies for their members, and second degree cooperatives engage in the processing and standardisation of agricultural products, as well as in their trade and marketing, and may handle subsidies such as those in the EU, subsidies and trade*

*farm input supplies and machinery. How cooperatives' profits are spent is democratically decided by their members, or distributed to their members.*

**Mirela:** Why are cooperatives so widespread in agriculture? What are their strengths and limitations? Could you provide some examples?

**Izabela:** *Producer cooperatives and organisations can play an important role in local economic development and social cohesion through their benefits to farmers, especially where no other economic organisations exist. Cooperatives must be well-positioned to meet the requirements of international competition. And we can see that cooperatives have played a role in searching for technical solutions to lowering costs and boosting harvests, and have supported the incorporation of qualification and diversification processes. Cooperatives are important to support farmer resilience, as individual farmers may not be able to build the value of their products or protect their products from large-scale distribution networks, and may not be able to stay up to speed with the technological change taking place in the whole food chain.*

*In our case study, we looked at olive oil cooperatives in Andalucía, Spain, which showed interesting innovative activities being undertaken to support the survival of traditional practices in the region. In the context of falling average profit margins for small- and medium-sized farms in recent years, cooperatives have been seeking to improve efficiency in the management of agricultural work, in order to reduce costs. Innovations include incorporating new technologies, leading to higher quality products and improved value chain management efficiency. The success of these goals depends on training, particularly for the youngest farmers who migrate to urban areas due to perceptions of limited opportunities in rural areas – and this can pose an important challenge for agricultural communities. Cooperatives create resilience in times of uncertainty and shocks, allowing small-scale producers to be better protected. In these ways, Andalusian olive oil cooperatives can contribute to making collective organisation competitive in an open market economy within global value chains.*

*In a study of cooperatives for mastiha, wine, olive oil and cheese in the Aegean region in Greece, studies have found that first-degree cooperatives, which trade farm input supplies for their members, also provide other services such as handling paperwork relating to EU subsidies. Second degree cooperatives are engaged in the processing*

*and standardisation of agricultural products, as well as in their trade and marketing. They also handle EU subsidies, and trade farm input supplies and machinery.*

*However, the overall debt of Greek cooperatives has reportedly reached €840,000,000, due to the fact that in Greece, cooperatives are formed from above (by the Greek State), rather than bottom up, which would constitute an organised agricultural movement. So it is important to consider the governance of cooperatives, to support long term sustainability and benefits to members. Some cooperatives have been characterised by inflexibilities, non-specialist employees, the inability to make quick decisions and respond to a changing market, inability to produce manufactured products and to effectively market and differentiate manufactured products and achieve good prices.*

*We were also interested in how cooperatives work in specific kinds of political context, so looked at Oxfam's promotion of olive farmer cooperatives in West Bank, Palestine. Cooperatives are promoted by agencies and charities as an important pathway or condition for economic development, offering advantages for olive smallholders such as collective action and the aggregation of resources, including joint storage, olive pressing and marketing. Oxfam's program "From Grove To Market: Supporting olive farmers in the West Bank" explicitly emphasised the need to strengthen and expand producer groups, and support for individual cooperatives to join together to create regional federations, thus supporting access to productive assets, product certification and markets otherwise closed to individual farmers. The programme aims to enhance the capacities of cooperatives and federations through coaching and organisational development support and by strengthening their capacity to manage various environmental, market, production and business risks.*

**Mirela:** Finally, my last couple of questions. Do agricultural cooperatives provide any advantages in achieving sustainability? Do they face any specific challenges?

**Izabela:** *In terms of economic sustainability, many empirical studies have looked at the impact of farmers' cooperative membership on the productivity of farms, or on the incomes of farmers. Some studies show that the relative impact of cooperative membership on farm income is larger for small-scale farms, by increasing bargaining power. Large-scale farms can derive benefits from cooperative membership due to economies of scale in processing and marketing activities.*

*Several studies examine the role of cooperative membership in technology adoption and in the adoption of more environmentally friendly practices. Cooperative membership has been found to increase the probability of investing in organic amendment, and the adoption of green-control techniques including ecological regulation, significant biological and physical control and the scientific use of chemical pesticides.*

*Research suggests that being a member of a cooperative has a positive social impact, as 'non-price' factors provide greater incentives to stay in a cooperative than simply prices. Such factors include securing market access, providing information about the cooperative management and supporting farmers to meet market requirements.*

*Cooperative membership has been found to support on-farm employment. The resilience of cooperatives and their positive contribution to employment in times of crisis is well established. Studies have found that cooperative membership allows female smallholders to improve their economic outcomes, develop skills and access decision-making. Cooperatives can also contribute to public infrastructure and provide services to communities. Furthermore, cooperatives can help to create an institutional environment for sustainability certification such as Fair Trade.*

*Despite these benefits, cooperatives have been criticised due to their poor economic performance. As agricultural cooperatives have limited powers to restrict quantities supplied by farmers, who tend to oversupply because they do not bear the full marginal profit loss, which is shared at the level of the cooperative. Adverse environmental impacts have also been reported as a result of the intensification of agriculture through increased use of chemical fertilisers and pesticides.*

**Mirela:** Thank you Izabela for introducing us to the case study on producer organisation.

**Izabela:** Thank you Mirela!

**Mirela:** More information and sources can be found in the "Report on Sustainability in Agri-food Value Chains. Case Studies from the Mediterranean Regions and the Middle East". This report is available on our project website <https://agricultural-voices.sussex.ac.uk/>.