



UNIVERSIDAD DE ALMERÍA



Cooperative Clusters and Rural Development: Almería Agricultural Cluster

Dr. Cynthia Giagnocavo

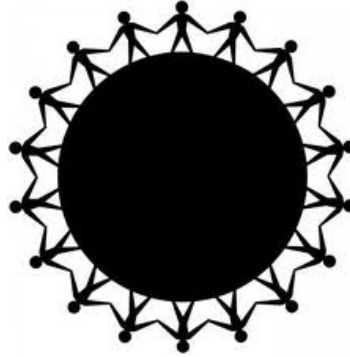
Department of Economics and Business Sciences

University of Almería, Spain

“FOSTERING SUCCESSFUL RURAL DEVELOPMENT THROUGH ASSOCIATIVE STRUCTURES”

19 March 2014 Stara Zagora, Bulgaria

General Theme



The role of cooperatives in
building sustainable
economies

**Cooperative as a viable,
“modern” business model**

Focus of Cooperatives



- ▶ **NOT** top-down “tools of development” model nor “charitable or philanthropic giving”
- ▶ *Understanding the needs of people or communities* ➡ *assessment of the cooperative role in setting up strategies that assist in creating entrepreneurial opportunities*

Almería Case Study

- ▶ **agricultural community** located in a **historically impoverished**, and now thriving, area of southern Spain
- ▶ cooperation established and interaction between the **farmers**, **local agricultural cooperatives**, **businesses**, **institutions** and the **cooperative bank** – “**Cluster**”
- ▶ combined role in **supporting innovation** in the process of development.

Almería, South-East Spain



FRUIT AND VEGETABLE SECTOR OF ALMERÍA



**Almost 2 billion
Euro agricultural
turnover (2013)**

13.500 farmers

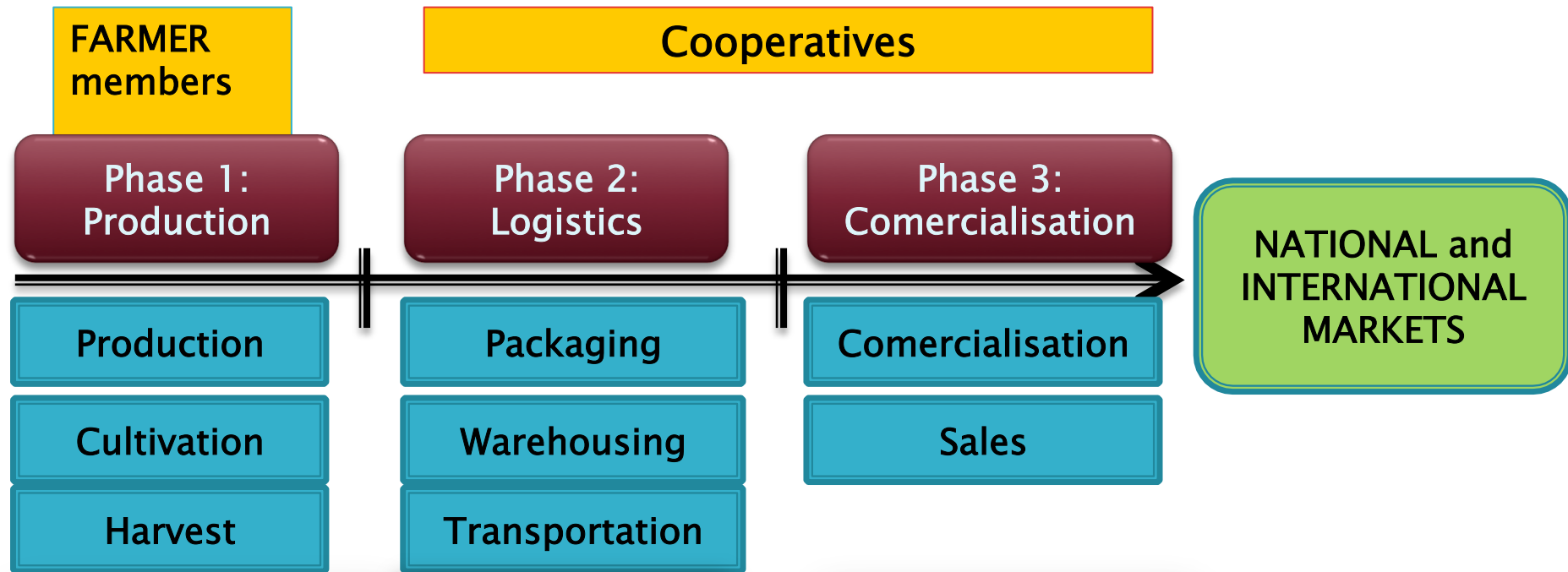
40.000 workers

70 cooperatives

**Over 200
auxilliary
businesses**

Cooperative Model and Function

- Carry out diverse functions, depending on which commercial activity is being carried out



....Let us go back to
the 1960s....

Natural Landscape of Almeria



Natural Landscapes of Almeria



The Land



Living Conditions



Initial Agricultural “Technology”



Almeria from Above



Greenhouses



















In General, Potential Cluster Problems

- ▶ **Structural deficits** –heavily dependent on small firms-- particularly exposed to price competition
- ▶ **Slow to adopt new technologies**, lack of expertise in financial management and knowledge for basic research, unable to produce innovation
- ▶ **Lack of trust and common interests**
- ▶ **Agricultural** particularly vulnerable
- ▶ **Cooperatives**, if properly utilised can remedy this

Proactive Change Role

- ▶ **Traditional failings avoided** in Almeria's "agricultural cluster" due to strategic and active participation of local cooperatives
- ▶ **Avoided** tendency to maintain **status quo**
- ▶ Contributed to "**retooling**", continuous readjustment
- ▶ Embedded in **local** area, participant in **international** marketplace



Civil Society Role

- ▶ Filled civil society vacuum



- ▶  Not politically affiliated

- ▶ Sector received few state subsidies



- ▶ Encouraged collective entrepreneurship



Entrepreneurial Role



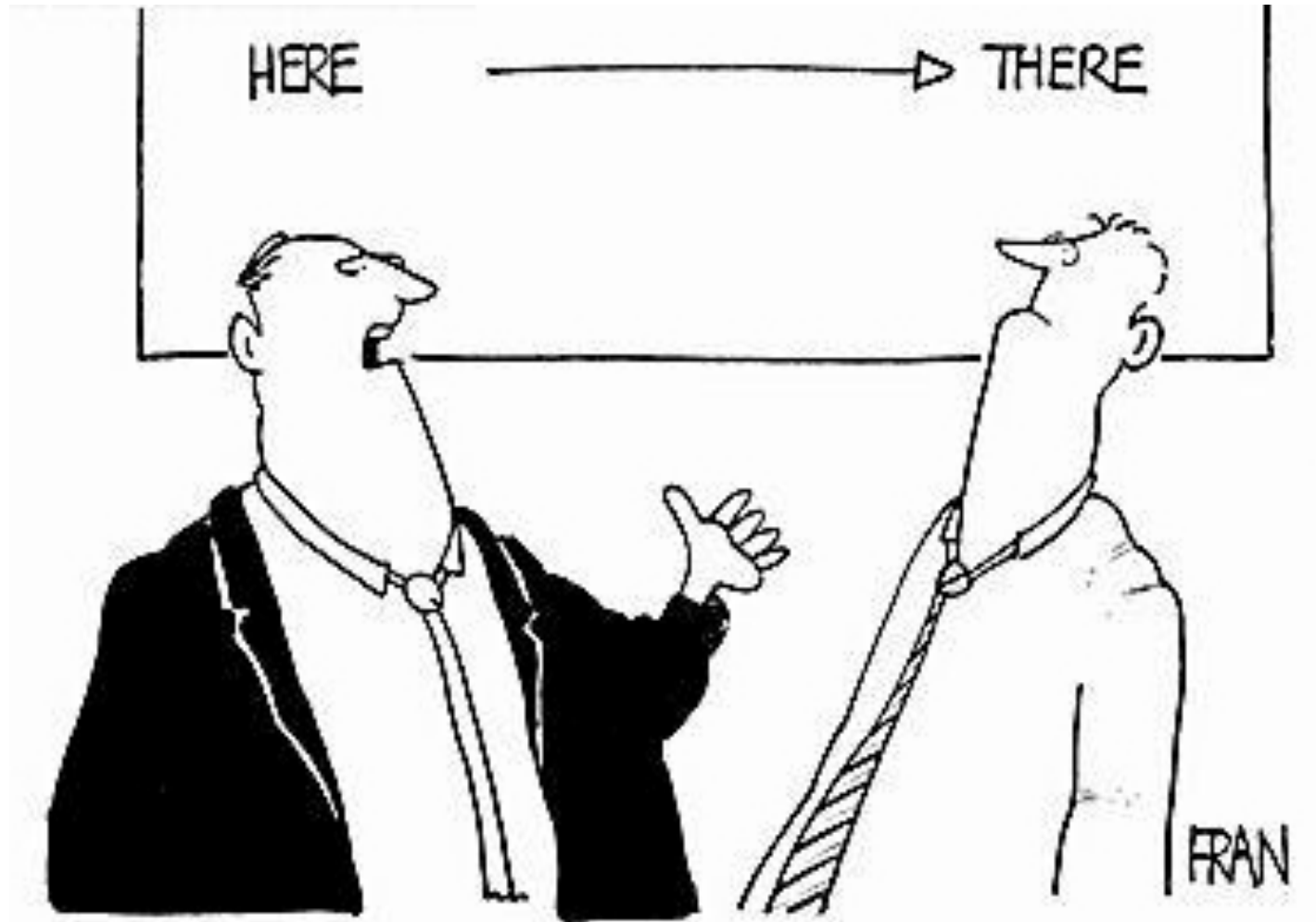
- ▶ **Potential** role in the **incorporation of new technologies**, creation of **new products and markets**, management training and creating **innovative, knowledge/technologically** based societies.
- ▶ **Collective risk management**

Then and Now

- ▶ transformation of area of **abject poverty** into a largely cooperative agricultural cluster
- ▶ produces and **exports innovative agricultural knowledge and technology.**

▶HOW did this
happen?....

Theoretical Bases

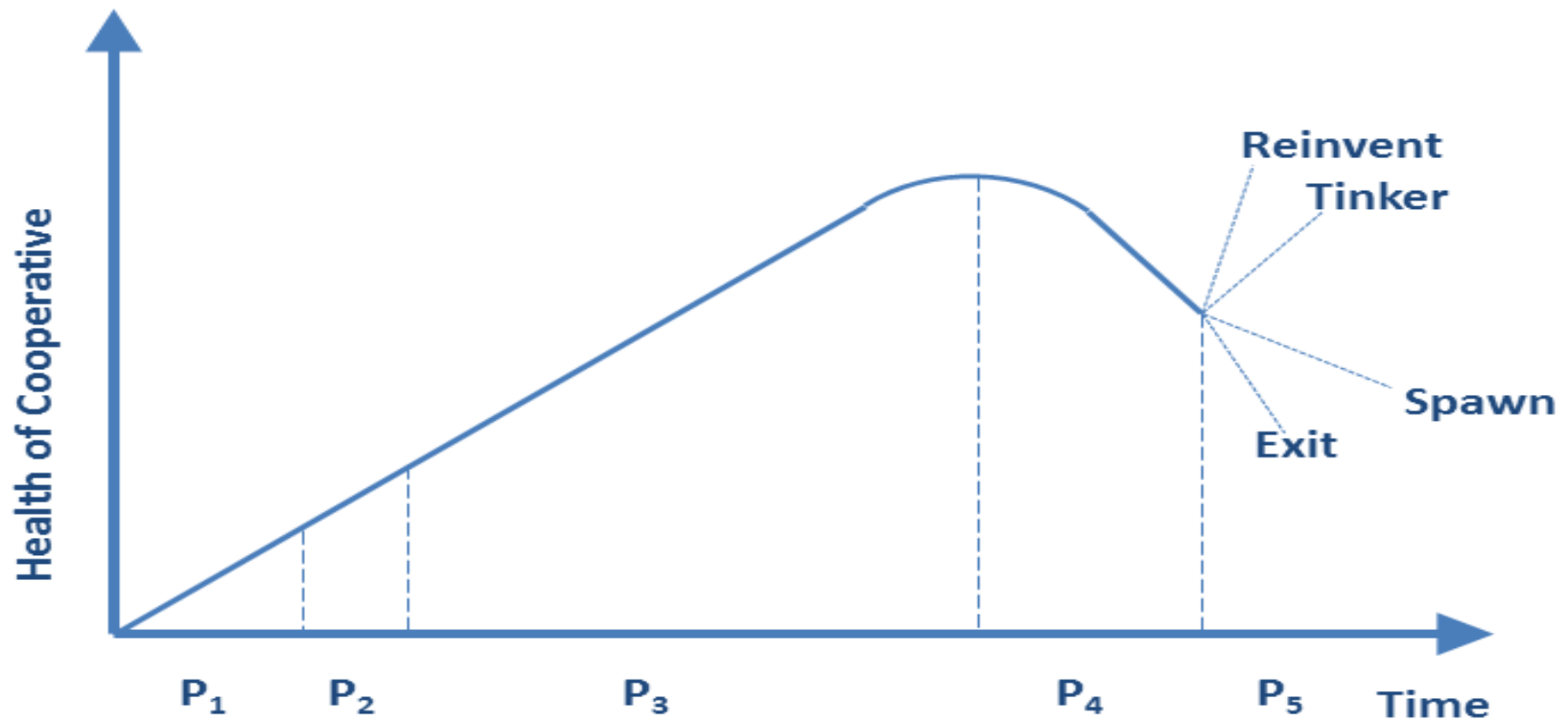


"It's a simple model... but it works for me..."

Pre-existing environment and stages of agricultural development

- ▶ **(Pre-existing conditions)**
- ▶ **Initial stage 1960–1975**
- ▶ **Takeoff 1975–1990**
- ▶ **Maturity 1990–2000 agro-industrial**
- ▶ **Expansion 2000 forward**

Regenerative Model (1) (Cook and Burrell)



Phase 1 = Economic Justification

Phase 2 = Organizational Design

Phase 3 = Growth–Glory–Heterogeneity

Phase 4 = Recognition and Introspection

Phase 5 = Choice

Pre-existing social economic environment

- ▶ Dictatorship, autarky
- ▶ Extreme poverty,
- ▶ Massive emigration
- ▶ Little infrastructure: almost no water (natural resources), electricity, transportation, fuel
- ▶ 1959 markets opened, dictatorship left untouched
- ▶ Income disparity
- ▶ Vacuum of leaders, distrust of institutions

No Lack of Credit



- ▶ Savings Banks (Caja de Ahorro– Church related)
- ▶ Private Banks 
- ▶  Foreign Capital
- ▶ Banks from Basque Country 

...But non for farmers without capital...



No lack of “Development” Policy

- ▶ Franco´s agricultural reform:
- ▶ Sell barren land to peasants (who later invent primitive greenhouses*)
- ▶ Exploit water and natural resources
- ▶ But no investment in society, agricultural advances or other activity
- ▶ Drilling for water



Arrival of Water



Initial stage 1960–1975

- ▶ Young lawyer visits small towns explaining cooperative business model–peasants need cash
- ▶ Need method to turn labour into capital
- ▶ Coop “bank” gives unsecured loans–Now has an interest in making sure activities are successful and worth financing.
- ▶ Realises farmers need commercialisation structure of their own–attempts to organise coops
- ▶ Without investment and investigation, farmers can only be part-time and need to work for others (didn't occur to state that farmers could survive on small amount of land!).

Investment in Innovation

- ▶ Cooperative bank set up in the middle of greenhouses—rapidly expands tiny offices amongst fields
- ▶ can monitor activities, both financial and agricultural
- ▶ Disseminates know-how, knowledge, social “glue”
- ▶ Decision to set up experimental farms to shift risk to coop bank
- ▶ “Grew under the radar”—in 1963 legislation allows rural coop banks to lend to agricultural activities (not take deposits yet)

First Coop bank office



Take-off 1975–1990

- ▶ Franco dies–transition to democracy
- ▶ High unemployment
- ▶ No culture of entrepreneurship, no experience with open markets and competition
- ▶ Environmental degradation (salt water, pesticides, etc.)
- ▶ Fear and instability



Cooperative Response to Takeoff

- ▶ **Experimental farms**—water and irrigation, production, soil, greenhouse structure (no universities, research centres at that time)
- ▶ **Technical Ag Service**—cost/benefit analysis on introduction of new technologies
- ▶ **European policies** (no political or economic representation)
- ▶ **Strengthening other cooperative institutions**—marketing coops and agricultural supplies
- ▶ 1977—Association of Coop Producers—COEXPHAL
- ▶ Tracking **market and economic information**

Emergence of entities which represented sector

- ▶ COEXPHAL (1977)–Association of F&V Producer Organisations and Exporters of Almería



- ▶ FEPEX (1987) – Spanish--representation on national level, defending interests to Institutions, administrations, international organisations



- ▶ FAECA– Federation of Andalusian agricultural cooperatives (Not later until 1995)



Result of Cooperative Response

- ▶  Shared knowledge base

- ▶  Changing mentality of peasant into farmer–
understanding of markets and consumer
demand

- ▶ Political voice due to sector size–could
influence policy



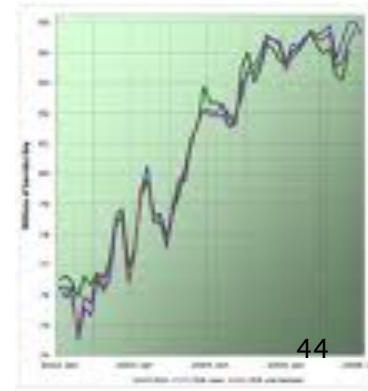
- ▶ Institutions working for benefit of
community–unheard of



Maturity 1990–2000



- ▶ Cultural shift—from agriculture to agro-industrial model: agricultural entrepreneur
- ▶ Entrance in EU 1986—impending globalisation 1995—liberalised world trade
- ▶ More competition—requirement for increased production, capital expenditure



Cooperative Response to Maturity

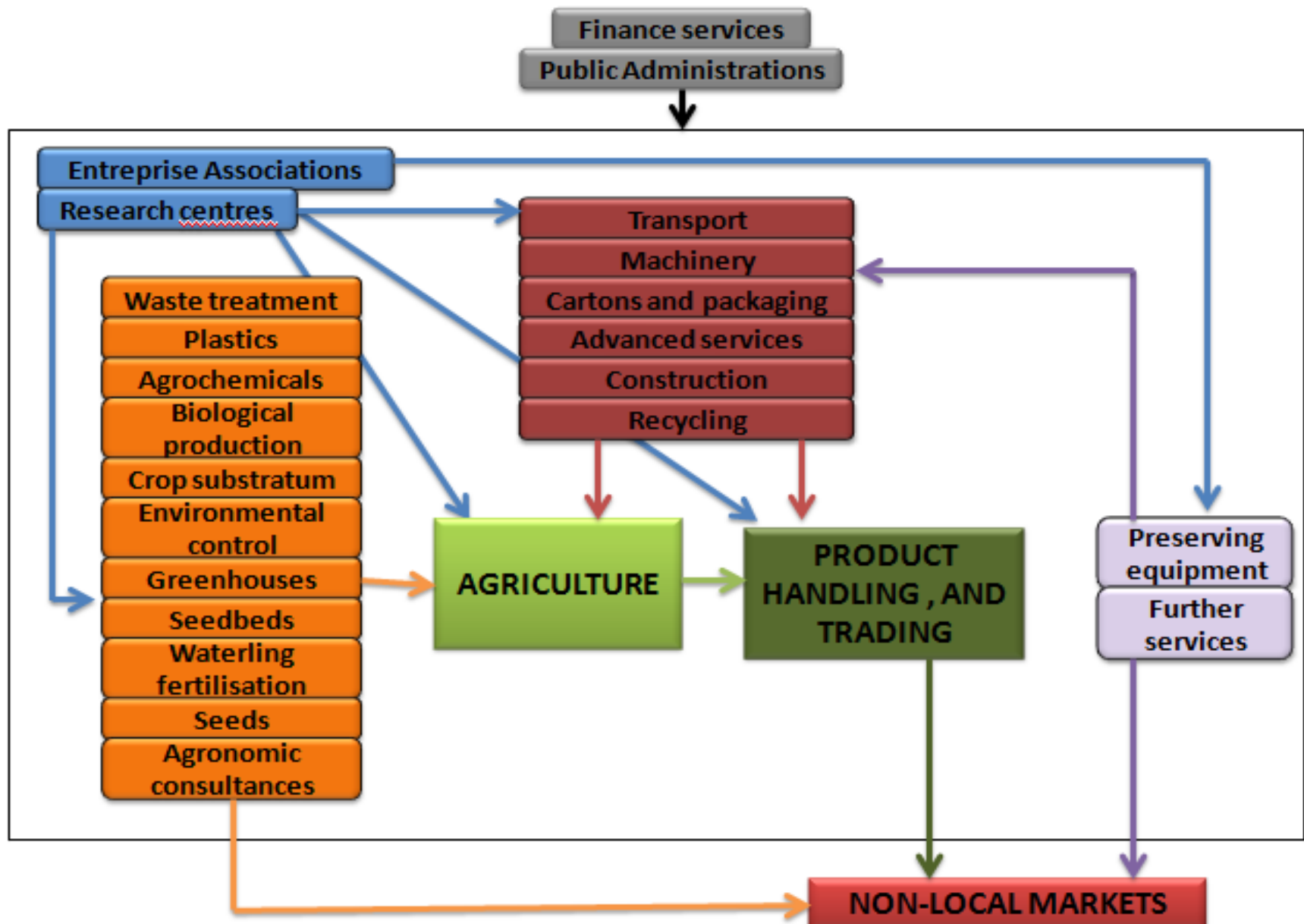
- ▶ **Focus on technology financed by cooperatives**
- ▶ Calculation of **economic implications** of **adopting technologies** (avoid family trial and error)
- ▶ Shift agricultural product **from commodity to added value**/client focused—more links in supply chain
- ▶ **Technical field assistance**
- ▶ **Management training for coop boards**
- ▶ set up of international trade shows
- ▶ **Collaboration with University of Almería**



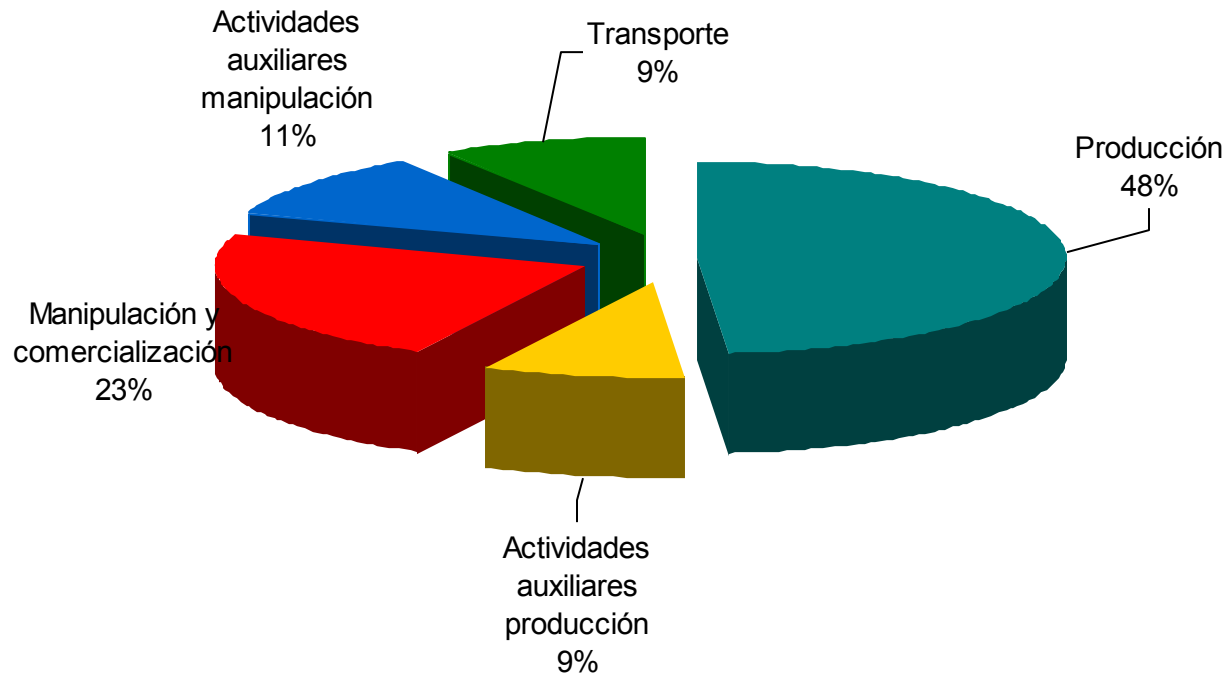




Expansion-2001forward



Cooperatives: added value in handling, commercialisation and other related activities



Two Parallel Agricultural Models



PRIVATE AUCTION

Distant Relationship with Farmers

Product is property of farmer until sale

Price of product is obtained by auction

Product is destined for national market (80%)

COOPERATIVES

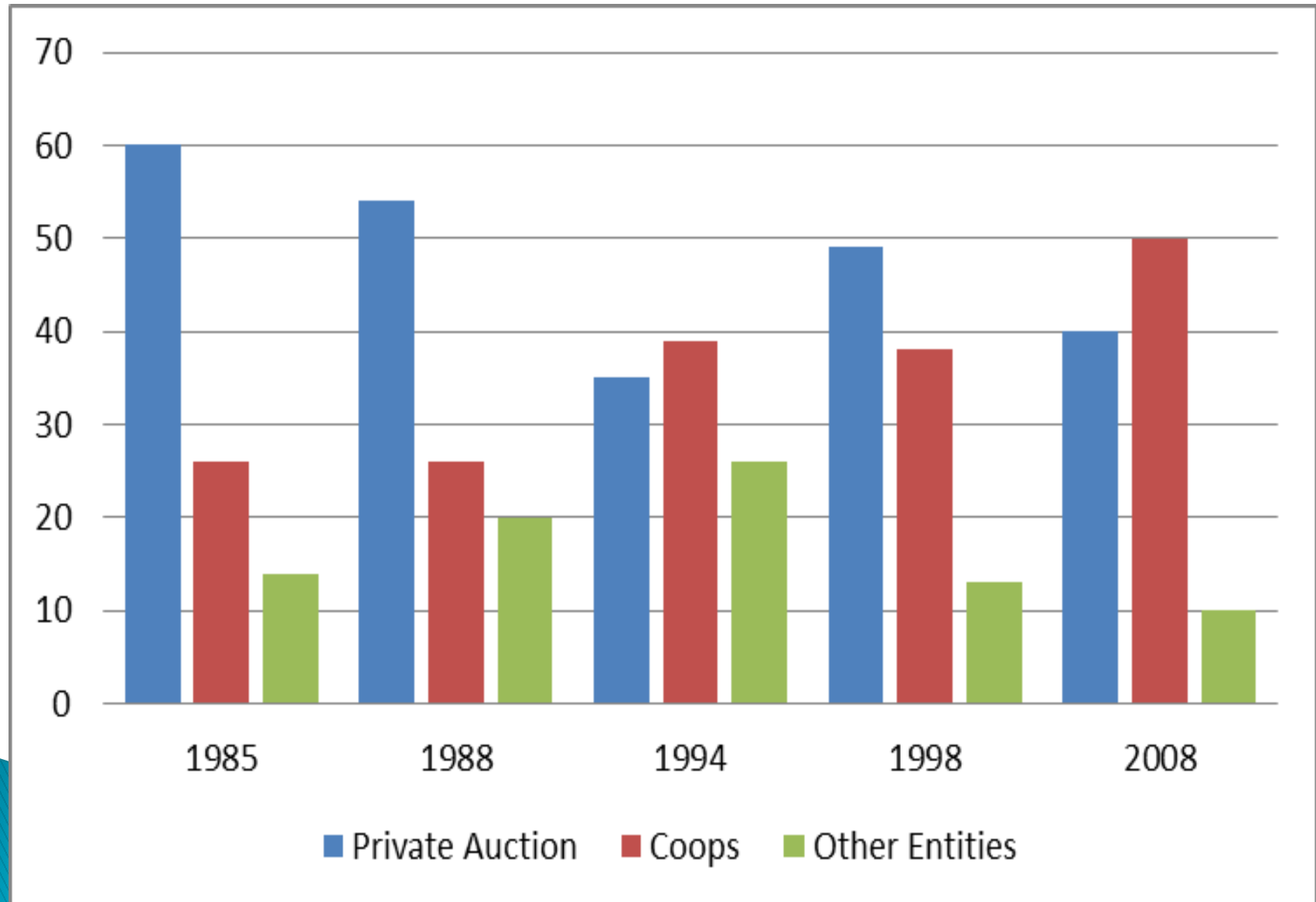
Union of Farmers (Business people)

Product is marketed together—sharing of benefits

Act as intermediaries in sale of product

Majority of Product is Exported (70%)

Percentage of Almería production commercialized by type of company (source Coexphal)



Observations about Cooperative Model

- ▶ The community was **not an already pre-existing group** defined by territory and cultural ties based on proximity. The model is in **sharp contrast** to the territorial and culturally based cooperative model.
- ▶ The success of such model illustrates that the **cooperative business model is a current, viable form** in which to encourage sustainable economic development and that it is **not an outdated business form tied to a specific historical or cultural tradition**.

Cooperative Community Built from Ground Up

- ▶ Unlike other areas of Spain and Europe, there has been a **notable lack of regional policy concerning economic development**—a **gap** which was **filled by cooperative institutions**, including credit and commercialization co-operatives
- ▶ There is a significant **“cooperative fabric”** which was built from the ground up in the space of **a decade or two** and continues to survive.

Agriculture as Viable Model

- ▶ In contrast to many initiatives related to rural development, which **tend to diminish the role of agriculture** and focus instead on rural “multi-functionalism” or diversity of activities, the Almería model provides evidence of a **specialized cooperative agri-food sector as being a viable model**
- ▶ The Cooperative model also **co-exists in a complementary manner with investor owned firms**, thus creating **synergistic “networks”**. The cooperative sector was responsible for the growth of an important auxiliary sector.

Cooperatives as a type of Development Policy

- ▶ The role of cooperatives is to **harness, guide and leverage** the strengths and capacity of local economies in its **interaction with other environments**, whether in the form of **markets or political institutions**. This is an important point when considering the formation of social capital and networks.



Growing Energy



THANK YOU

Dr. Cynthia Giagnocavo

Faculty of Economics and Business Sciences,
University of Almería

La Cañada de San Urbano s/n, 04120 Almería

cgiagnocavo@ual.es

The research has received funding from the People Programme (Marie Curie Actions) of the European Union's Seventh Framework Programme FP7/2007–2013/ under REA Grant Agreement No. 611490 (PIAPP-GA-2013-611490)



UNIVERSIDAD DE ALMERÍA