



FIPA IFAP

**Federation  
of Agricultural  
Producers**

## What are the ADVANTAGES of COOPERATIVES?

The invitation is to disseminate cooperativism as a model of sustainable development, which is not only within its definition, but also possesses useful tools for its application.

Although cooperativism is a sustainable business model that is both socially and economically viable, it is necessary to create awareness of its promotion among the different governments, by means of the existence of a suitable regulatory framework to organise it and to prepare it to compete with the other business models.

Cooperatives are significant economic and social actors; around the world, millions of people have chosen the cooperative model for their enterprises, which has allowed them to achieve their personal and community development objectives. More than 800 million people belong to cooperatives, and cooperatives provide 100 million jobs throughout the world, which is 20% more than the multinationals.

The growth of **planetary globalisation significantly strengthened cooperative organisation**, which increasingly make a reality of the perspective of social justice and solidarity.

In this respect, **globalisation** is not an obstacle for agricultural cooperativism, but **an opportunity** for exclusion, poverty, and matters such as business, finance, and the management of water and the environment to find a legitimate solution through the cooperative institution.

## What is a cooperative?

*“A cooperative is an autonomous association of people who have voluntarily joined together to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”.*

**Values:** the cooperative's activity is controlled and characterized by some values that Declaration of cooperative Identity of ACI<sup>1</sup> declares as follows:

*« Cooperatives 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. ».*

**Cooperative organisation possesses a set of values that have been universally tested** in the heat of experience, such as: mutual support, responsibility, democracy, equality, fairness and solidarity; **and the principles** from which its values are derived, such as open and voluntary adhesion, democratic control, the economic participation of its members; autonomy and independence, education, cooperation among cooperatives and commitment to the community, there is no doubt that here it **expresses one of its principal comparative advantages** as a model for the economic and social organisation of men and women of the land, interested in consolidating their position as producers of goods and services within the agricultural sector.

**Principles:** These are the guidelines by which cooperatives put their values into practice. The Declaration of Identity agreed in Manchester defines seven fundamental cooperative principles:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Cooperation among cooperatives
7. Concern for community



## Why Choose the Cooperative Model?

**In the rural environment, cooperative organisation revitalises consciousness and the exercising of civic responsibility and local democracy.**

This has repercussions on both national and international levels. An informed rural community, open to discussing local problems is a community potentially equipped to strengthen its sense of its political civic responsibility and the efficient organisation of its productive business. Here, as Schumpeter said, "Small is beautiful".

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- The cooperative model possesses a set of shared values that are projected through seven principles of operation.
- Solidarity and tolerance are encouraged.
- They are flexible enterprises in terms of size and member mobility.
- Represent collective actors in the sense that their members have common interests.
- There exists the certainty that collectively, objectives can be achieved that could not be done so individually, and this requires joint effort and the solidarity of all.
- Decisions and responsibilities are shared.
- The cooperative contributes to the forming of a commercial spirit, which at the same time increases motivation: it is an enterprise with economic objectives, and as such, wherever possible, obtains results through commercial efficiency.
- It is an organisational form, capable of offering members the possibility of betterment, not only economically, but socially, professionally, culturally and at the community level.
- The personalised nature of cooperatives can represent a serious competitive advantage: in order for cooperatives to exercise democracy and participate in decision making, it is fundamental to ensure the education, training and information of members, elected representatives, managers and employees, of all subjects considered necessary for them to be able to contribute in an efficient manner.
- The coinciding interests between capital and work provide the cooperative with a comparative advantage with respect to maintain employment, generating income for the people.
- Satisfying the needs of their members and the common good, their objectives and interests cannot be in contradiction with those of the society in general, into which they are inserted. Cooperatives in the majority of countries are significant actors within the economic and social spheres of their national economies, which concretises personal development and also contribute to the welfare of the entire population on a national level.

In cooperative organisation **it is the people that are important**, not capital, **although money will always be necessary**. However, with respect to developing countries, the profile of the cooperative member is marked by a lack of capital with which to carry out the production activity, which is why, the accumulation and efficiency of the same are adequate when more and more people join the organisational effort. Experience demonstrates that it is the fortitude and quality of associates that guarantee, in the agricultural sector, that the cooperative as such is both viable and sustainable.

Current globalisation, before minimising, has maximised the positive external effects that cooperative organisation contributes to the societies in which they operate with no objection, especially in the agriculture context of developing countries. It's an inclusive institution for vulnerable sectors that on account of political, economic, social, or cultural factors are excluded due to a lack of access to ownership of the elements of production.

This reality explains the behaviour of some governments that claim that it is necessary to grant incentives to the cooperative enterprise for the benefits contributed to society. These are expressed in the adoption of tax exemptions in fiscal policy. The cooperative movement should never renounce to obtain these exemptions because it allows having a fair competition between the private enterprise and the cooperative.

## Advantages for Agricultural Cooperatives

- Allows to obtain better prices for the purchase of agricultural consumables, by making use of the economy of scale; additionally, better market prices can be obtained in the placing and sale of agricultural products (increases competitiveness and results in higher incomes for farmers).
- Produce and provide safe and quality food to its members.
- Collaborate in the generation of added value along the chain: starting new activities increases the productivity of member producers, providing added value to their products.

### Bibliographic resources:

- International Cooperative Alliance: [www.ica.org](http://www.ica.org)
- Committee for the Promotion and Advancement of Cooperatives: [www.copacgva.org](http://www.copacgva.org)
- The United Nations: [www.un.org](http://www.un.org)
- Food and Agriculture Organisation of the United Nations: [www.fao.org](http://www.fao.org)
- International Labour Organisation: [www.ilo.org](http://www.ilo.org)