



**Global
Forum**
on Food Security
and Nutrition



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Enabling rural cooperatives and producer organizations to thrive as sustainable business enterprises

This brief is based on an online discussion held by FAO's **Global Forum on Food Security and Nutrition (FSN Forum)**. The views expressed and summarized are those of participants in the discussion and do not imply endorsement by the Food and Agriculture Organization of the United Nations.

The FSN Forum is a neutral and open online platform for sharing knowledge and discussing food security and nutrition issues, currently counting 4 000 members from more than 170 countries.

FAO's Agricultural Development Economics Division (ESA) facilitates the network.

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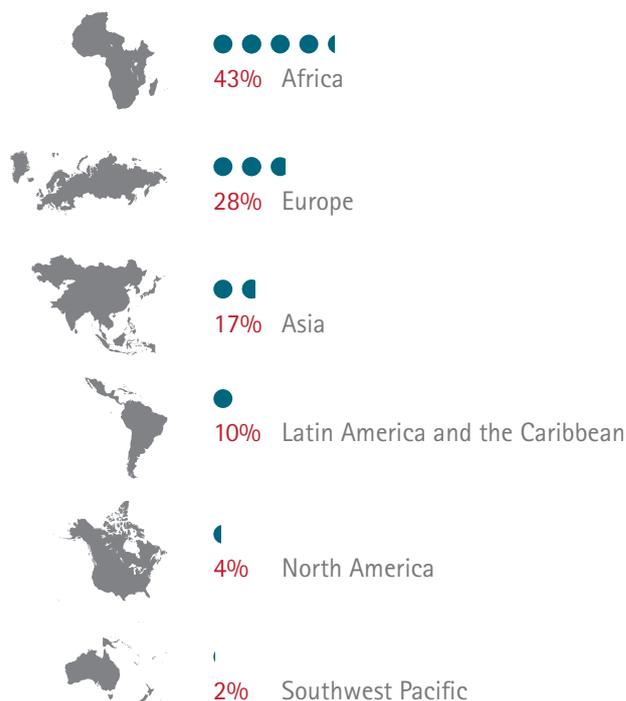
Scope of the online discussion

As part of FAO's initiatives for the International Year of Cooperatives (IYC), and in preparation for World Food Day 2012 on "Agricultural Cooperatives – Key to Feeding the World", the online discussion was launched to raise awareness and gather perspectives from stakeholders. The discussion was among a set of exchanges and information gathering activities to complement FAO's work and engagement on cooperatives during the IYC and beyond.

Two former FAO technical officers, John Rouse and Janos Juhasz, facilitated the conference, which was open from 12 July to 6 August 2012.

The discussion attracted the attention of non-governmental organizations (NGOs), financial institutions, development agencies, ministries, research and development groups, commercial companies and consultants familiar with cooperatives, resulting in more than 60 contributions.

Nearly half of the participants were based in Africa (43 percent), followed by Europe (28 percent), Asia (17 percent), Latin America and the Caribbean (6 percent), North America (4 percent) and the Southwest Pacific (2 percent).



Constraints faced by cooperatives

Based on their professional and country experiences, participants identified several constraints that limit cooperatives' development and their success as business enterprises:

- *Lack of support for building the human and technical capacity that members need.* Such support is especially important in the initial stages, as cooperatives are mostly made up of poor rural farmers with limited agricultural knowledge, financial resources and assets for use in agricultural production.
- *Overreliance on external support.* When cooperatives rely entirely on external support, they have few incentives for mobilizing their own internal capital and achieving financial sustainability.
- *Limited reach.* Cooperatives tend not to operate outside their own communities. This limits their human social and financial capital, and their possible linkages with buyers, input suppliers and other points along the value chain.
- *Illiteracy, geographic isolation, and lack of business skills* among cooperative members and managers are further major constraints to the development of cooperatives' self-reliance.

Building the enabling environment

Participants identified the elements of an enabling environment for cooperatives, which was defined as the ideal external conditions – business, legal, policy, etc. – that allow these member-based organizations to become more self-reliant and sustainable business enterprises. Elements internal to the cooperatives themselves were also put forward.

A common goal and direction

As cooperatives are essentially groups of people organizing themselves, it is important that the members of each cooperative share a common goal. Cultural, gender and sociologic aspects play important roles in facilitating (or hampering) dialogue between the people forming a cooperative and key individuals, such as community players, local and central government, the private sector and NGOs, to ensure that the cooperative moves efficiently towards clearly identified outcomes.

Recognition and access to services

To create the necessary environment for cooperatives to thrive, the government and players in the private sector need to recognize cooperatives as an important component of national industry and as central players in the country's development. Both the public and private sectors should contribute to ensuring that cooperatives have access to credit, markets, extension services and input, and that they can operate within a favourable legal framework.

Technical assistance

It is important for governments and donors to understand that the promotion of sustainable cooperative businesses is a long-term process that requires technical assistance over a longer period than the typical two- or three-year development project. There is also need for investments in strengthening the technical and organizational capacities of new cooperatives, to help them build the necessary skills for providing services to their members and becoming a fully active part of the agriculture infrastructure.

A favourable institutional environment

New laws and policies that give value to, and encourage the mobilization of, cooperative members' capital and savings are also needed.

Development of collective assets (savings)

Rural cooperative development projects must be as comprehensive as possible in tackling rural savings, business development, investments, capacity, and support to the self-sustainability of cooperatives, including through the development of a collective asset base and capacity for business analysis and risk taking.

Training and information

Farmers need access to technical, management and skill development training. Efforts in this area should involve donors, implementers and farmers in sharing information in local languages and in forms that are easily understood. Information about new legislation and incentives for businesses must reach all cooperative members, to ensure that they operate within the legal framework while taking maximum advantage of the existing business environment.

Use of information and communications technology (ICT)

Cooperatives can strengthen their economic robustness by using electronic databases that enable them to track and record their members' undertakings in terms of credit repayments and deliveries of agricultural products.

Integration in value chains

Greater integration in existing value chains for agricultural products can increase cooperatives' chances of success. Cooperatives should seek not only to increase production but also to improve markets, build relationships with buyers, and participate in certification schemes, good agricultural practices (GAP), product development, packaging and agroprocessing, emphasizing value addition.

Conclusions and recommendations

In conclusion, and to follow up on issues raised during the conference, the facilitators identified sets of recommendations addressed to governments and FAO.

Recommendations for member governments:

- Carry out more case studies on successful cooperatives.
- Tie financial and technical aid for cooperatives and rural producer organizations to their achievement of well-defined, measurable self-sufficiency indicators.
- Use ICT to help bridge communication gaps.

Proposals for FAO:

- Establish a technical unit on cooperative and producer organization development, and devote resources (capital and human) to becoming – once again – an authority on the development of agricultural/rural cooperatives.
- Adopt a down-to-earth approach that focuses on selecting and promoting tangible, efficient and sustainable business solutions for cooperatives and other rural self-help organizations, and provides appropriate training.
- Carry out a stocktaking exercise on what FAO had done in the past and on what it has to build on in terms of ideas, programmes, projects, guides, training materials, etc.
- Based on the stocktaking results, prepare a cooperative development programme/work plan/road map for at least the medium-term, to be discussed, revised and approved at an international workshop with the participation of all potential collaborating partners, counterparts, cooperative practitioners and experts.



For further information

Visit the discussion Web page at

www.fao.org/fsnforum/forum/discussions/rural-cooperatives

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