Agricultural cooperatives: Finding strength in numbers

Smallholder farmers grow a major share of the food consumed around the world and preserve rich, biodiverse landscapes. But despite their fundamental importance, many small farmers lead lives of deepening vulnerability – caught between subsistence strategies threatened by ecological degradation and commercial food systems that devalue them as cheap labour. Alternative agricultural models are urgently needed. One long-running movement still shows major untapped potential: that of agricultural cooperatives. These can enable smaller food producers to band together and access markets without losing control of their land, livelihoods, or food sovereignty. Cooperatives have been expanded in various developing countries where smallholders face diverse pressures, including from international markets. Today, about a billion people are involved in cooperatives – many of them successful agricultural businesses combining values and principles of fairness and ecological sustainability. But more must be done.

Commodity market roller-coaster

Despite trends towards large-scale industrial agriculture, smallholding farmers still produce a major share of the food consumed globally (on less than 30% of all agricultural land). According to recent estimates, farms smaller than five hectares produce at least half the world’s food. And in sub-Saharan Africa and Asia, for example, farms smaller than two hectares provide over 70% of people’s food calories.

Globalized agricultural export markets are often portrayed as a major development opportunity for smallholders, their families, and communities. However, these evolving “commodity”
export markets bear significant risks, owing especially to speculation-enhanced rollercoaster price dynamics and arguably unfair distribution of risks and profits. The examples of quinoa, a recently popularized “superfood”, and coffee, a still-growing global mainstay, are illustrative of key issues.

In the case of coffee, smallholders constitute over 80% of growers in developing countries, but they are largely left out of the wider value chains (e.g. processing or retail) and resulting profits. The situation has worsened significantly in recent years: coffee prices have fallen by two-thirds, and coffee farmers’ earnings have halved in real terms since the 1980s, despite ongoing retail market growth. Overall, the capture of global agricultural value chains by big multinational firms – including hedge funds, commodity traders, large-scale food processing firms and retailers, and related conglomerates – has financialized our food systems and relegated smallholders to the role of cheap producers of raw goods. These smallholders’ socio-economic vulnerability further increases if they abandon traditional practices of subsistence and crop diversity, which enable them to feed themselves and maintain livelihoods when markets fail.

The dependence of smallholder farmers on volatile global crop prices can also have serious ecological consequences on the ground – even, or especially, during market “booms”. Worldwide price spikes can cause uncontrolled expansion of agricultural frontiers, deforestation, and soil degradation as local smallholder farmers scramble to compete and grab tiny crumbs of the global profit pie.

Prices for quinoa, grown mainly in Peru and Bolivia, began soaring about a decade ago in response to heightened global demand – especially from Europe and North America. In Bolivia, the so-called quinoa boom spurred a massive increase in production and farmers involved. Between 2004 and 2013, Bolivia’s land area under quinoa cultivation nearly quadrupled, from 38,000 to 147,000 hectares. Smallholders were responsible for much of the increase.

In 2014, however, quinoa prices began falling about as fast as they had risen. No longer able to break even, much less make a profit, many small producers were forced to quit their farms and take up other jobs – sometimes in neighbouring countries.

Coffee-farming families worldwide currently find themselves in a similar situation, with slumping prices – on average earning them less than a cent for every cup sold – that often fail to cover even the costs of production. These “commodity” price crises recur time and again. They can push smallholders into persistent poverty, debt, and worse – suicides among smallholder farmers are a tragically common occurrence in both the global South and North.

Reducing such vulnerabilities among smallholders while feeding growing populations requires more than technological solutions emphasizing productivity gains. It also demands social and economic solidarity-focused approaches that strengthen small farmers by bringing them together.

Agricultural cooperatives – building power, sharing gains

Agricultural cooperatives are one such approach. Their aim is to build worker power collectively, pool resources, and better distribute benefits, in line with the broader cooperative movement. Their emphasis on worker ownership of businesses distinguishes them from unions. Founded in 1895, the International Cooperative Alliance (ICA) defines cooperatives as people-centred enterprises jointly owned and democratically controlled by and for their members to realize their common socio-economic needs and aspirations. Different types exist. Some focus on obtaining supplies or credit, others on production of goods, marketing and sales, or various combinations.

In today’s globalized economy, cooperatives offer smallholders a way of banding together and accessing volatile, competitive regional and/or global value chains without losing all their power and autonomy. By enabling smaller – often family-owned – farm units to survive and operate in concert, agricultural cooperatives can realize the benefits of both small-scale cultivation (e.g. maintaining biodiversity) and economies of scale (e.g. reduced costs). This offers farmers a vital alternative to “surrendering” and becoming wage labourers on large-scale commercial monocultures or abandoning farming altogether.

Benefits of cooperatives in developing countries

Pool of resources. Cooperatives can increase their members’ power in specific food sectors by leveraging their combined resources, including land, machinery, goods produced, savings, and more. In Laos, the coffee sector is split between small private growers, large companies, and a handful of new cooperatives. Most small growers must sell their coffee crops to middlemen as relatively cheap red cherries or dried beans. But new cooperative members in Laos successfully expanded their role in the value chain with collective investments: they established their own wet-processing facilities that enable them to sell their combined output to external buyers as higher-quality, higher-priced green coffee. In Bolivia, some of the first cooperatives were founded in the 1970s to enable small farmers to purchase and share expensive assets like tractors. Two Bolivian quinoa cooperatives (CECAOT and ANAPQUI) with such origins were able to survive the recent quinoa price collapse. Today, they remain among the largest Bolivian exporters of the crop.
Stabilizing farmers’ incomes and distributing profits fairly. Overall, operating strategically as a group strengthens cooperative members’ economic resilience. Equitable sharing of farm equipment and marketing infrastructure lowers members’ upfront and ongoing business costs. And putting everyone’s crop yields together in one large pot enhances members’ bargaining power vis-à-vis buyers or processing companies. In Bolivia’s post-boom period, when global quinoa prices were fluctuating wildly, cooperatives managed to secure consistently higher prices for their members – up to twice as much as market prices offered by local retailers, in some cases. In Laos, cooperatives guarantee a minimum price for the coffee at the beginning of the year – no such guarantee is offered by conventional big buyers.

Linking producers to certified markets. Key to cooperatives’ success in obtaining better prices has been their strategy of producing goods for certified specialty markets, such as organic or fair trade. Farm goods marketed under internationally recognized certification labels – such as Max Havelaar or Bird Friendly – enjoy increasing popularity. Growing numbers of “conscious consumers”, especially in the global North, appear willing to pay more for labelled goods that fulfil clear, trust-worthily standards of sustainable production. In Bolivia, between 2013 and 2019, market prices for certified organic quinoa compared to conventional quinoa were 17%–46% higher.

Ecological and social synergies. As these certification examples suggest, cooperatives readily lend themselves to more ecological and socially acceptable modes of food production. In Laos, much of the coffee produced by cooperatives comes from biodiversity systems, in which coffee is cultivated beneath (e.g. fruit) trees and sometimes alongside vegetables. In Bolivia, unique synergies between quinoa cooperatives and traditional community authorities – based on overlapping or complementary social rules and norms – were found to produce more sustainable governance of natural resources for both domestic and cooperative rules on plot sizes reinforced each other to prevent uncontrolled growth of cultivation areas. Notably, women workers also tend to fare better in cooperatives than in comparable private enterprises, receiving more training and chances for advancement.

Keys to ‘sustainable’ cooperatives

Nevertheless, current cooperative models have yet to reach their full potential for farmers. Several areas merit attention:

Improving affordability and local anchoring of certification. Notwithstanding their benefits, dominant certification schemes (e.g. organic) can and should be improved. For one, the higher crop prices they offer farmer cooperatives do not always translate into higher net revenues for producers. The process of obtaining and maintaining labels from external certifiers – who are typically for-profit enterprises – can be long, administratively demanding, and ultimately expensive. This, and the enhanced (e.g. labour) costs of sustainable production itself, can eat away at cooperatives’ shared bottom line – and even prevent especially vulnerable farmers from joining such movements at all. Multipli-cation of sometimes redundant external labels is another problem. In the future, local identity labels with transparent self-defined sustainability criteria and mutual low-cost certification may be a better option for agricultural cooperatives. Steps in this direction have been made with new peer-managed Participatory Guarantee Systems (https://bit.ly/2Rel5bx).

Adding value at home and linking directly to stable consumer bases. Despite gains in different areas, too many agricultural cooperatives remain stuck in lower value-added stages of production (e.g. crop growing). They could strengthen their economic sustainability by deliberately capturing more of the value chain and networking with one another. This means significantly branching out and diversifying their activities to take over stages like processing (e.g. drying or roasting), packaging, delivering, and even retail of finished goods – anything that brings them closer to end consumers, also locally. The Bolivian cooperative El Ceibo, for example, currently only exports 30% of its cocoa beans (formerly 100%) because the majority is now sold domestically as finished chocolate. Notably, cooperatives should also actively seek, in advance, to identify and cultivate stable consumer bases for their value-added products – whether roasted coffee, pasta, chocolate, flour, dried fruit, or washed and delivered fresh fruits and vegetables. Public procurement programmes and new regional/domestic markets appear to bear vital potential for cooperatives in the global South, if properly nurtured and linked.

Strengthening egalitarian functioning and governance. Finally, though pledged to democratic principles and worker empowerment, farmer cooperatives can still reproduce social inequalities (e.g. patriarchy, ethnic discrimination) in local settings – just like any other human system or small community – if not embedded in more broadly ambitious rights-based frameworks or shared visions. Further, problems of corruption and competences can also arise. Cooperatives can struggle to find skilled, stable leadership. To address these issues, it is crucial that governments support high-quality education, ongoing rights-based sensitization, and legal/administrative training in rural areas.
Policy implications on the sustainability agenda

Put cooperatives on the sustainability agenda

Cooperatives call attention to an underappreciated sustainability challenge: the precarious status of workers in our economies. Agricultural systems – even “organic” ones – that leave those who feed us struggling to make ends meet cannot be considered meaningfully sustainable. Cooperatives offer a much-needed way for smallholder farmers and other labourers to build collective power, stabilize their economic position within volatile commodity markets, and invest in themselves and their communities. Cooperatives can contribute to sustainable development goals 2, on “zero hunger”, and 12, on “responsible consumption and production”.

Create an enabling environment for cooperatives in producer countries

Countries in the global South like Bolivia, Laos, and others that greatly depend on agriculture, should use their policy space to ease creation, maintenance, and strengthening of cooperatives. Governments should treat cooperatives favourably in legal and tax matters, recognizing their democratizing social mission and stabilizing distributional (ownership/risk/benefit) function in society. States can also support them with minimum farm gate prices5 as well as grants or low-/no-interest credit lines for start-up or to bridge financial gaps between harvest and sale. Further, public purchasing programmes, such as for school meals, can be used to ensure stable consumer bases for cooperatives. Finally, states should offer cooperatives high-quality extension services – oriented on pesticide-free production, for example – as well as targeted staff training in management and administration.

Promote awareness and purchase of cooperative products among consumers

State actors should also raise awareness and stimulate consumer demand and appreciation for goods produced by cooperatives (e.g. via subsidized advertising) – especially, but not only, in global North countries with relatively high purchasing power. European countries and others that rely on foreign goods for much of their food should implement preferential terms for imports produced by cooperatives and similar solidarity-economy institutions, together with more well-known sustainability criteria like certified organic. This could be done within existing and future trade agreements (e.g. EU-Mercosur), for example by preferentially reducing tariffs on sustainably produced goods. Crucially, this should include processed goods (e.g. chocolate), too, not just raw materials (e.g. cacao). Potential also lies in new digital means of directly linking cooperative producers and consumers.

Suggested further reading


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References and notes


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