

Cooperatives

A study visit to Trento
Through the Prometheus program
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Quiz

- .Cooperatives are an almost non-existent economic form with rare exceptions that PROUTists must introduce to the world
- .Cooperatives have a 200 year history and are already present in all countries of the world
- .Cooperatives have shown particular resilience during the economic crisis and market failures, showing sustained growth

Euricse = European Research Institute on Cooperatives and Social Enterprise

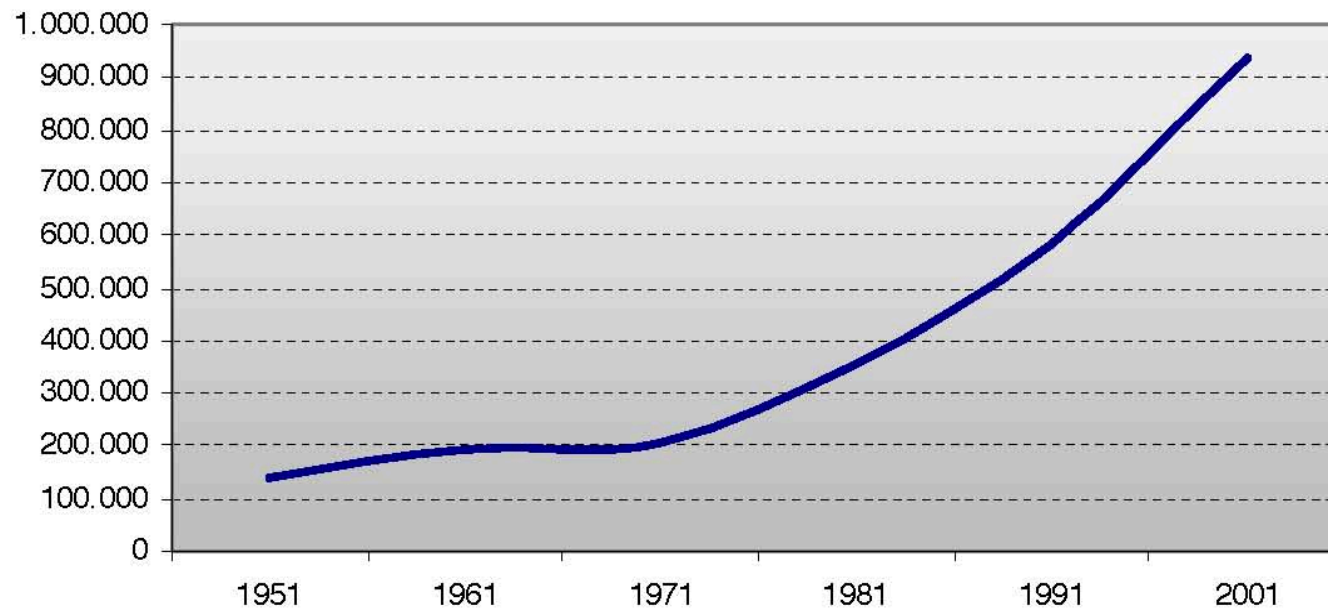


Why a Centre for Cooperative and Social Enterprises?

- A Dedicated Centre for the Study of Cooperatives and Social Enterprises Can :
 - ✓ Develop new research, both theoretical and empirical, addressing the specificities and roles of non profit enterprises
 - ✓ Overcome fragmentation across countries and sectors
 - ✓ **Apply new knowledge to build capacity (training, strategic planning) and inform policy**

Cooperatives and SEs Are Growing...

Employment in Cooperatives (Italy, 1951-2001)



- Increasing inability of State and Market alone to respond to growing and diversified needs of society
- Bottom-up mobilization of citizens and progressive recognition of different forms of enterprise (including social enterprise) in various countries

Social enterprise development patterns

Institutionalization				Italy, UK	Italy, UK, Spain
Gradual consolidation			Italy	Sweden	Sweden, Greece, Hungary
Progressive emergence		Italy	Sweden, Spain	Germany, Spain, Hungary, Greece	Germany, Romania, Bulgaria
Embryonic social enterprise initiatives	Italy	Sweden, Spain	UK, Romania, Bulgaria, Hungary, Germany, Greece	Romania, Bulgaria	
	1970s	1980s	1990s	2000s	2010s



Out of Sight, Out of Mind...

European Commission's EUROSTAT
"Key Figures on European Businesses"

- **152** Pages, **63** Graphs, **29** Tables
- Mentions of Cooperatives: 1

...Out of Opportunities

The Cost of Being Ignored

- Lack of Adequate Research and Knowledge Building Results in:
 - ✓ Low visibility of cooperative and social enterprises and their potential (at all levels: public opinion, business world, policy makers)
 - ✓ Lack of information for business and strategic planning
 - ✓ Difficulty in proposing new policies and defending existing ones

Weakness of for-profits and public agencies in providing social services

- .For profits – quality tends to be low
- .Public agencies – supply services that will attract votes
- .Cooperatives: bottom up provision of services – self-help groups

Cooperative's success:

- .They are not motivated to maximize the rate of profit for investors, but rather to address needs of communities
- .Satisfied needs otherwise unmet:
 - .Consumer coops: Minimize intermediary costs + prices
 - .Agricultural coops: increase weak market power
 - .Worker coops: opportunity to self-manage
 - .Social coops: services for marginalized, ignored groups
- .Stability: conventional firms adjust employment levels, worker coops adjust pay
- .Compensates for globalization – rooted in community cannot be relocated
- .Builds “social capital”: connected to territory by civic, ethical commitment solidarity, trust, networks, collaboration

Some countries and sectors with extraordinary growth

- .Germany: credit cooperatives
- .UK+Sweden: housing cooperatives
- .France and Italy: worker cooperatives
- .USA: electricity, utilities

Economic impact

- .Reduce market failures
- .Stabilize economy esp. in sectors with volatile prices (finance, agriculture)
- .Coops keep production of goods and services close to needs of people they serve (vs profit maximization)
 - - .even if unprofitable – coops attract voluntary work and donations
- .Long term perspective – embeddedness
 - .Many allocate a portion of surplus to collective indivisible reserve fund to be utilized for the benefit of all and future generations
- .Fairer distribution of income – either increasing wages or to consumers by decreasing prices

Social value

- .Effective tools for developing civic attitudes
(strengthens trust, embedded in community)
- .Share a common goal, incentives to keep promises
- .Protect incomes and employment – solve problems
otherwise left to welfare

Specific advantages

- .Stronger reliance on motivations other than self-interest gives competitive advantages
- .Less free-riding behavior
- .Intrinsic motivations
- .More resilient in crisis than investor owned enterprises
 - .Inability of for-profits to ensure well being if not generating profit
 - .Public authorities also unable to overcome market failures

Worldwide

- .3 times as many member owners of coops as there are individual shareholders in an investor-owned enterprise
- .800 million – 1 billion = combined membership
- .Cooperative banks – average market share of 20%

ICA 1995 Statement of Cooperative Identity

- .Voluntary and open membership
- .Democratic member control
- .Member economic participation
- .Autonomy and independence
- .Education, training, information
- .Cooperation among cooperatives
- .Concern for community

Trentino: one of European regions with highest density of coops

- .270,000- more than half of 500,000 residents are co-op members
- .2/3 of financial and agriculture industries
- .Selling 1/3 of groceries
- .Only grocery store in more than 200 villages
- .Employing 6000 people in worker and service coops
- .14% of Province's GDP and 15% of all employment
- .90% of agricultural market share
- .Region with greatest variety of cooperatives – not just a single sector

Trentino – geographic context

- .Mountainous – valleys with difficult accessibility
- .Higher altitudes – milk
- .Vineyards – on terraced slopes
- .Apples orchards – valley floor



Cooperation in Trentino: the history of a community



1870 -1890

24,000 people emigrated to America



120 years

Of history
Of entrepreneurship
Of values
Of members



Friedrich Wilhelm Raiffeisen

“The poor
should be
3-4, not 5-6”
self-help
self-governance
self-responsibility
1846 starvation winter: “Bread and
grain Society”
Christianity of action



History

- .Epidemic wave – economic crisis – emigration wave
- .Trento - now GDP 30% higher than Euro average
- .Role of priests: Don Lorenzo Guetti:
 - .1890 founded “Familia Cooperativa”
 - .Church provided institutional support – training priests to organize and lead the coop movement

1890 - 1892

First consumer cooperative and cooperative bank

1893

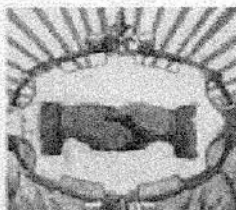
First wine cooperative

1890 - 1895

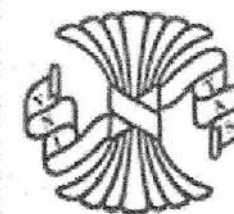
50 cooperatives: 28 consumer coops- 13 *Casse Rurali* banks – 6 agricultural coops – 3 wine coops



1895



Federazione
Trentina della Cooperazione



1898

Cassa Centrale, 2nd level consortium created for the cooperative banks

1899

SAIT (consortium for consumer cooperatives)

History of resilience

- .1910: over 7,400 cooperatives
- .After WWI annexing Italy interrupted access to Austro-Hungarian markets -1st renaissance
- .Fascist regime interrupted the rapid development of the cooperative movement (couldn't accept autonomy of coops)
- .1920: more than 15,000 cooperatives –played key role in reconstruction after WWII – 2nd renaissance

Lessons from Trentino's history

- .Cooperative experience as a reaction to difficult social and economic context, risk of underdevelopment which market-based and public intervention can not deal with alone
- .Response to crisis and fragility – mobilizes energies and resources that otherwise get wasted or fragmented
- .Systemic approach vs sectorial phenomenon

“Through the cooperative system human society will progress with accelerating speed, ushering in a new revolution in science. No part of the universe will be left unutilized – every nook and corner will be properly used.”

P.R. Sarkar

Federation of Cooperation

- .Need to manage the growth of the cooperative movement without having to rely only on the political role of a public body.
- .Objective: to pursue the social and economic development of marginal areas, compensating for the distance of large markets.
- .Method: unite forces and drastically improve the quality of production and marketing.
- .Specific strategy : to compensate for local weaknesses by creating a structured movement capable of unitary representation.



Cooperazione Trentina

FEDERAZIONE TRENTINA DELLA COOPERAZIONE

255,000 members

536 cooperatives

19,000 suppliers

21 consortia & other co.

5,100 board directors

16,000 employees

€2.6 billion
net assets

Only one Federation

Cooperation in Trentino today

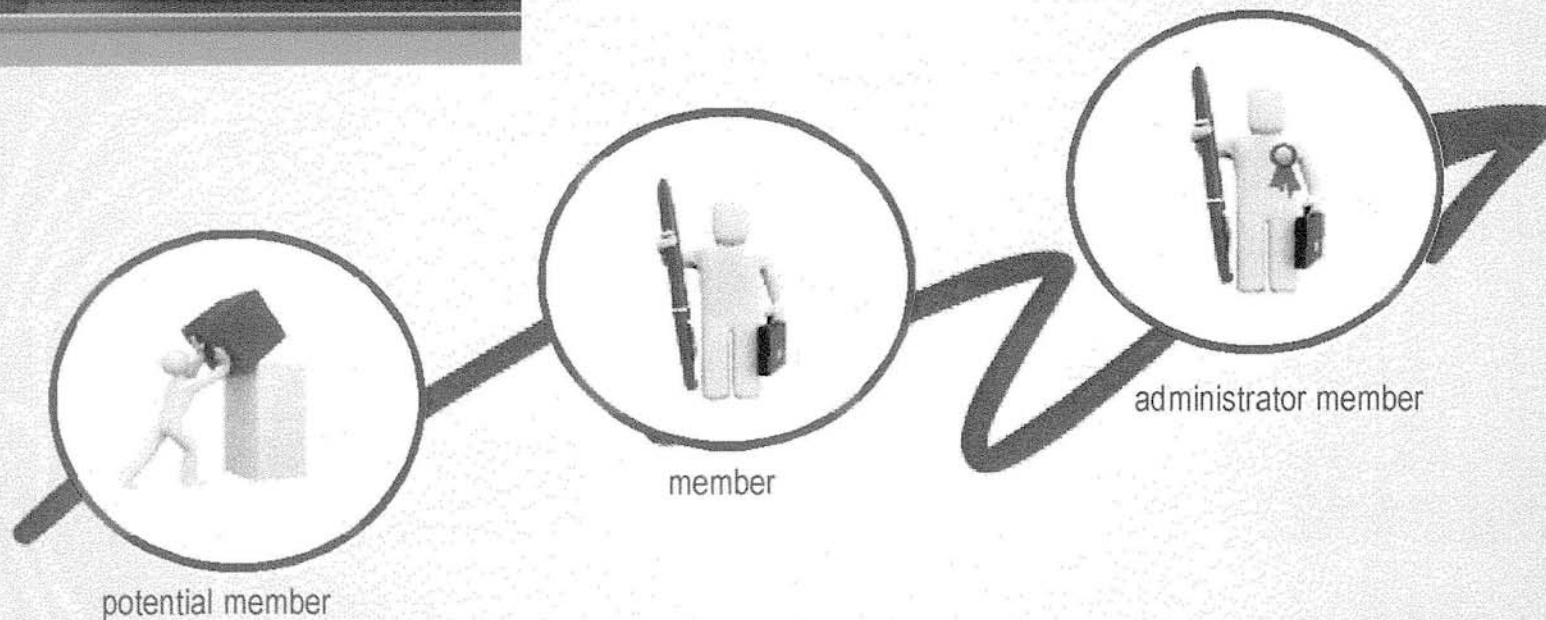


Cooperazione Trentina

COCADE

Co-operative Curriculum for Adult Education in Europe

Co-operative Curriculum for Adult Education in Europe



METHODOLOGY :
active learning
cooperative approach

MODULES:

- Cooperative identity
- Active membership
- Cooperative enterprise - Contributing to sustainable development
- Cooperative system in Europe

Promotion of cooperative culture - Training



Cooperazione Trentina

Cooperative landscape in Trento

- .Small cooperatives
 - .Agricultural, production, construction, etc
 - .Social Type A (providing services)
 - .Social Type B (job insertion)
- .Large consortiums – on sectorial level
 - .Overcome limitations of small dimensions
 - .United front on the market - Increase group competitiveness
- .Federation – for all coops – training, education, auditing, legal advocacy

Prometeus – exchange of best practices



Famiglia Cooperativa: network of consumer cooperatives



Established in 1892 to provide quality goods and services at the lowest cost for members.

Farmers could buy on credit until they sold their crops

Solidarity with poorer members

Credit Cooperative: Cassa Rurale Mezzolombardo

- .Community oriented vs profit oriented
- .1864 members
- .Territorial limits - locally embedded strong relationships among members – trust + reciprocity
- .Investing /sponsoring local community – schools, sports teams etc
- .Resolve economic problems in face of market failures – develop in contexts not attractive to large financial institutions



Cooperative banks in Trento

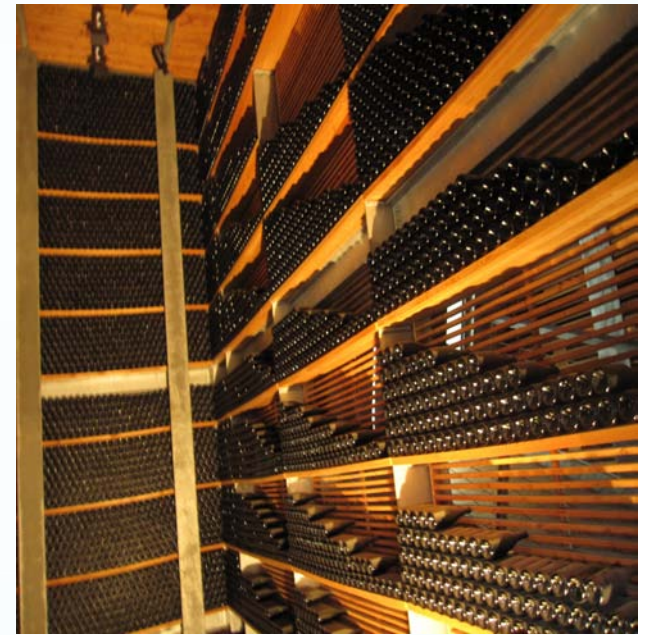
- .45 cooperative banks manage 65% of savings of the province, 45% of deposits, 54% of loans
- .92% of all banking institutions (share same brand)
- .Savings remain invested in local region (97% returns)
- .2010 study shows cooperative banks more profitable, better portfolio growth during crisis
 - .Continue giving loans
 - .Large banks sustain only “healthy firms” coop banks loan indifferent of economic status (strategy of relationship lending)
- .Highly capitalized (60%)

Cantina of Isera – Winery



- Since 1907
- 200 members
- Organic wines, speciality wines
- Purchases even the bad grapes of its members

Rotari Winery



Trentigrana Consortium: 1993



- .18 dairy cooperatives
- .800 families
- .Average 50-60 cows
- .Targeted higher price, higher quality
- .For some members, in winter the cost of transport would be more than the value of the milk – no profit for private
- .Preserves local traditions, tourism value

Melinda: 2nd tier consortium of 5200 apple growers



18 cooperatives with 5,200 members
More than 50% of members own less than 1 hectare
Turnover 252 million euros

- .Need to compete
- .Centralized quality control, marketing, logistics
- .Keeps up with innovation without losing connection to local communities



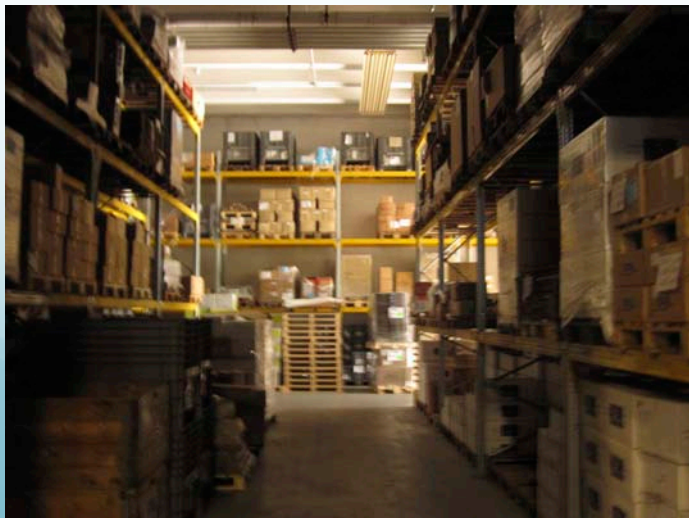
CLA: Consortium of Work and Environment

- .30 years ago – factories closed down – many close to pension age left without work
- .Special local government project for increasing employment by maximising the potential for tourism
- .Provides re-employment opportunities for men 50+ and women 45+ excluded from the normal work cycle, in order to allow them to obtain the right to a retirement pension.

La Rete: type A social cooperative

- .services in support of disabled people and their families
- .multi-stakeholder: social workers, community volunteers, parents of people with disabilities, users
- .Self-help groups – families feel isolation need normalizing relationships
- .257 volunteers – disabilities like a “tonetta”
- .80% of La Rete's funds come from the local authority
 - some services free, some with a fee
- .Green Power – gives part of contracts secured by the Rete to the coop

Alpi: social service type B cooperative



.Integration in labor market of mentally disabled
.Private firms contract out semi-finished assembly, packaging
.Down's syndrome, cognitive disorders, schizophrenia, depression, also drug addicts, judicial problems



“The sweetest unifying factors are love and sympathy for humanity. The wonts of the human heart are joy, pleasure and beatitude.

In the physical realm the best expression of this human sweetness is the cooperative system.

The cooperative system is the best representation of the sweet nectar of humanity.”
- P.R. Sarkar



ASAT Social Gardens

ASAT (*Association for the support of small agricultural producers*) is the name of the first Romanian CSA network. The first ASAT partnership was formed in 2008 in western Romania, and now there are ASAT partnerships in 7 cities (Timișoara, Arad, Odorheiu Secuiesc, Oradea, Cluj-Napoca, Târgu Mureș and București).

Starting in 2013, ASAT Social Gardens offer a healthy food purchasing alternative for ethical consumers.



AMURTEL Poieni Farm, Buzau county



AMURTEL is the first NGO to become an ASAT Social Garden after one year of experience in delivering vegetables to Bucharest consumers.



An ASAT Social Garden respects the following conditions:

- **economic activity (agricultural production) is performed by an NGO or a company whose single shareholder is an NGO;**
- **at least 25% of those involved in the economic activity are people in need, either the direct beneficiaries of the organization or disadvantaged people from the local community, this is a legal activity intended to ensure a decent income;**
- **the income derived from the business (products and money) will be used for investments and to support the social mission of the NGO.**



AMURTEL ASAT Social Garden works towards 3 main goals:



- Offer high quality organic vegetables to consumers that respect traditional agricultural methods
- Provide food and income for AMURTEL's social programs
- Create professional insertion job opportunities for youth from AMURTEL's Vistara integration program

- .Employee-owned firm – focused, tightly knit ownership group with strong stake in performance
- .Security and stability influence decision making
- .Bottom up supply of community services through self help

Limitation of existing assumptions

- .“efficiency = specialization”
 - .Disregards efficiency from cooperation (vs competition) between actors in same activity
- .“competitive markets and contracts= most efficient institutions for coordinating independent, specialized rational agents”
 - .Market is not fully competitive
- .Economic agents are fully rational and self-interested
 - .Real people are not only motivated by money
 - .Pro-social motivation = reciprocity, moral commitments, intrinsic motivations