

ACDI/VOCA's Roots

Cooperative and Association Development

UN Proclaims Year of the Cooperative

The UN Secretary-General recently submitted a report highlighting the socio-economic benefits of cooperatives and articulated the ways in which they provide long-term solutions for food security and a more inclusive financial system. To underscore the importance of cooperatives, the UN has declared 2012 the International Year of the Cooperative.

Cooperatives

In the United States and throughout the developed world, cooperatives have been and continue to be, instrumental in driving economic growth and development in addition to engendering social advancement. In many countries cooperatives are major players in agricultural marketing, savings and credit, rural electricity, insurance, information and communications technologies and housing. In the U.S., cooperatives have played a key role in all the areas mentioned above. For instance, there are an estimated 43,000 cooperatives with over 140 million members, including 90 million members of credit unions. In rural areas, coops provide electrification to 35 million consumers and cover nearly 80 percent of the U.S. land mass. Dairy coops in the U.S. control approximately 80 percent of dairy production. Well known cooperatives in the U.S. include household names like Welch's, Land O' Lakes, Sunkist, Blue Diamond and Ocean Spray.

Why Cooperatives?

The International Cooperative Alliance defines a cooperative as: "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly

owned and democratically controlled enterprise."

The following are three key principles of cooperatives:

- » User-owned – members finance the cooperative
- » User-controlled – an elected Board of Directors serves as the link between the membership and the manager
- » User-benefitted – members profit when patronage refunds are returned to members based on the amount of business conducted with the cooperative.

ACDI/VOCA's roots are firmly embedded in the international cooperative movement. Cooperatives have consistently demonstrated that their work can and does directly contribute to greater food security and a stronger foundation for economic growth, benefiting rural households. ACDI/VOCA was founded on the commitment to help rural households and has worked tirelessly for the past 47 years to expand this approach, directly supporting hundreds of thousands of farmers, small businesses and their associated cooperatives.

For resource-deprived smallholder farmers in developing countries, the



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lack of access to markets, finance, information, and technologies hinders their ability to link into market growth opportunities and limits their ability to increase their income and improve their families' livelihoods. Farmer cooperatives represent millions of farmers across the developing world and provide solutions to these challenges. Evidence demonstrates their impact in linking smallholder farmers to markets through the aggregation of their product; facilitating the adoption of new technologies and inputs; encouraging greater productivity and crop diversification; and articulating the voice of smallholder producers in policy making. Cooperatives and associations are organizations that ACDI/VOCA uses to provide managerial and technical training to large numbers of largely rural-based individuals. The enhanced institutional capacity of these organizations provides the foundation for sustainable food systems.

ACDI/VOCA's Approach

ACDI/VOCA promotes many types of organizations as appropriate, including informal self-help groups, associations, legally registered cooperatives, community-based enterprises, and private limited companies. In some countries, the word "cooperative" is perceived as implying state-imposed and controlled enterprises. Legal definitions and the ease of registering the various type of organization may dictate which is preferred.

ACDI/VOCA does not develop standardized cooperatives or associations for ease of program management, or to provide a "one-size-fits-all" solution among smallholder farmers and entrepreneurs. ACDI/VOCA's approach is to build on existing structures, and to promote diversity and choice to empower farmers. For some business owners, the overriding constraint is

the need for technical assistance, and they are willing to work with neighboring businesses in order to access this assistance. For some, organizing to purchase inputs in bulk is the primary concern. Other individuals or groups may desire the range of production, processing, financing and marketing services that can come with the legal registration of a cooperative or private company. ACDI/VOCA tailors its approach to cooperative and association development according to the needs of group members and to the social and developmental context of the beneficiaries. The programs that ACDI/VOCA champions are designed to stimulate, and not replace or deter, the expanding private sector in developing countries. The goal is a more vibrant, competitive and diverse market environment.

» For more information, please visit www.acdivoca.org

Profile: ACDI/VOCA and IFFCO

One of the most important projects in ACDI/VOCA's history is the founding of the Indian Farmers Fertilizer Cooperative (IFFCO). In India, in the 1960s, food needs quickly outpaced supply, and with the potential of widespread famine looming, new varieties of wheat and rice were being introduced, but they needed chemical fertilizer to reach their production capabilities and be self-sufficient in food production. Due to the lack of production facilities, and to increase supply, a new entity would be created as a cooperative that would work within the existing network to safeguard Indian farmers' interests, while meeting the critical need for increased inputs.

Today IFFCO is one of the largest fertilizer producers in the world, and the largest in Asia. Its profits have been consistent, earning around \$3 billion a year in turnover. Its five Indian plants produce about 7 million metric tons, serving 600,000 villages and many millions of customers. It has diversified into



financial services and power generation, and has facilities in Oman, Senegal and Jordan. IFFCO also regularly conducts agricultural extension activities and distributes inputs at 158 service centers. It also provides free insurance to farmers with fertilizer purchases and promotes e-culture in rural India

through a program known as ICT Initiatives for Farmers and Cooperatives. The importance of this project has not diminished, and remains particularly relevant as many nations around the world are looking to enhance the food security of their nations in a sustainable way.