

The Contribution of Agricultural Cooperatives on Poverty Reduction: A Case Study of Marvdasht, Iran**Fatemeh Allahdadi**

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Abstract: The major objective of this paper is to emphasize the roles of agricultural cooperatives on poverty reduction in Marvdasht, Iran. Agricultural cooperatives can be significant economic players that contribute to sustained economic growth. The cooperatives provide the opportunity for poor farmers to raise their incomes and they are democracies empowering rural people to own their own solutions. The findings of this study found that agricultural cooperatives activities are seasonal and limits to provide some goods and services for farmers. This study also indicates some of the barriers of agricultural cooperatives in rural area of Marvdasht, Iran.

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Introduction

A cooperative is a business that is owned and controlled by the people who use its services and whose benefits are shared by the users on the basis of use (USDA, 2002). It is a group of people who work together voluntarily to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise. Over 100 million jobs have been generated by cooperatives around the world. As agriculture remains the major source of income and employment in rural areas and the majority of cooperatives are found in the agricultural sector, cooperatives are significant in providing jobs to rural communities (ILO, 2007). An agricultural cooperative, known as a farmers' co-op, is a cooperative where farmers pool their resources in certain areas of activity (Wikipedia, 2011a). Agricultural cooperative is an association which individuals voluntarily organize to provide themselves and others with goods and services via democratic control and for mutually shared benefit (Birchall, 1997). Agricultural cooperatives have played an important role in rural communities, where they are an integral part of the social fabric. They encourage democratic decision making processes, leadership development and education (USDA, 2002). Cooperatives provide real economic benefits to farm families through increasing the stability of the farming sector, improving market access for their products and strengthening the farmers' position in the agri-food chain. Improving farmers' living conditions supports rural development and preserves the viability of rural communities. In Iran 28 million individuals in rural areas are members of or derive

benefits from agricultural cooperatives (ILO, 2007). Agricultural cooperatives are part of a dynamic environment. The nature of production agriculture changes daily. Many changes occur outside the cooperative system, which has little ability to directly influence them (USDA, 2002). Cooperatives too are often the only provider of services in rural communities given that traditional companies often find it too costly to invest in these areas or anticipate unacceptable levels of economic return (ILO, 2007). Agricultural cooperatives can play a key role in the development of rural areas in developing countries as well as in fighting poverty.

Agricultural cooperatives need to have membership and the potential to develop economically. This means that the farmer must be able to access sufficient land and affordable credit and develop knowledge and techniques. The farmer needs to access market information and networks. Subsistence farming does not normally provide scope for cooperative development and contributes little to poverty reduction. Differentiated strategies must be put in place to address the poverty of farmers. Rural poverty will not diminish dramatically as long as developing countries do not commit themselves to achieve better wealth distribution. In a couple of decades there will be far fewer people in the rural areas. However, the fight against poverty in the countryside will also very much depend on the macroeconomic development of the nations (Pinto, 2009). The major objectives of this paper are to:

- Emphasize the economic and non-economic roles of agricultural cooperatives on poverty reduction.

- Present and discuss the true contributions of agricultural cooperatives to the rural development
- Suggest policies and strategies for development of agricultural cooperatives in the region.

Literature review

Poverty being a rural phenomenon where the majority of the people live in most developing countries, the mechanisms to be used should target the recipients. One of these methods which are used widely today is to organize people in form of associations or cooperatives (Adebayo et al., 2010). Agricultural cooperatives can help farmers get a better deal at various stages of production and distribution. Through membership of a co-operative farmers are collectively able to negotiate better prices for inputs, transport and storage facilities. Cooperatives can also help them expand access to markets and capture more of the value chain, for example by getting involved in processing activities (DFID, 2010). Cooperatives are based on the values of self-help, self-responsibility, democracy, equality and solidarity. Cooperative members believe in honesty, openness, social responsibility and caring for others (TFC, 2006). The role and potential of cooperatives have recently started to come to the fore again in discussions about poverty reduction (Simmons & Birchall, 2008). It is evident that agricultural cooperatives have significantly contributed to the mobilization and distribution of financial capital by creating employment and income-generating opportunities (Wanyama, Develtere, & Pollet, 2008). An agricultural cooperative is considered as one of the important economical and social organizations in rural societies. It plays an important role in the agricultural development through providing the farmers with production inputs, such as fertilizers, seeds and chemical substances, etc. In addition, it holds guide symposiums for the farmers to acquire them with the necessary knowledge and skills about the agricultural new methods that aim at increasing the agricultural production and, therefore, promoting the rural society. Agricultural cooperatives also have a significant role of rural development and poverty reduction as well (Aref, 2011).

Over time agricultural cooperatives may create social capital among their members at a greater rate than among shareholders of investor-owned firms. Social capital can be developed by agricultural cooperatives and the amount of social capital within the organization theoretically will enhance economic efficiency and enhance long-term success (Fafchamps & Minten, 2002). Cooperatives tend to attract a greater proportion of unskilled workers and

managerial workers than business enterprise. In large part, this may be attributable to the notion among many cooperatives that, in order for a truly functioning democratic structure to operate, traditional, specialized management positions should be de-emphasized because they place non-managers at a disadvantage regarding the development of skills and access to information necessary for decision-making capabilities. Rather, cooperatives, by comparative standards, emphasize the development of decision-making capacity for all its members (Abrahamsen, 1976; Aref, 2011; Roy, 1964). The agricultural cooperative system is designed to be the network structure. Member farmers running their farms independently for their own benefits are banded together voluntarily as one entity, a cooperative for their mutual benefits, participating in cooperative business as customers and owners and acting collectively (Fafchamps & Minten, 2002). Cooperatives are user-driven businesses that have contributed greatly to the development of one of the world's most productive and scientific-based agricultural systems. They have played an important role in strengthening market access and competitive returns for independent farm operators during the 20th century (USDA, 2002). The contribution of agricultural cooperatives for poverty reduction can be summarizing as a below description:

- Contribute to sustained growth processes
- Create more equitable growth.
- Tackle rural poverty.
- Provide an opportunity for poor people.

However in many countries the agricultural cooperative faces major challenges: poor management, low levels of supervision and political interference. While agricultural cooperatives are often huge in terms of membership and loan portfolios they are subject to very limited prudential supervision. In some cases cooperatives have been used as short term political tools – governments have sought to close them without providing compensation for savings lost and then later governments seek to promote them for electoral expediency. Many agricultural cooperatives are emerging from Government control (DFID, 2010).

Birchall (2003) has also noted that agricultural cooperatives' record for reducing poverty in developing countries is less than stellar, not due to shortcomings in the cooperative model, but rather due to external and internal constraints. The barriers are multiple and multifaceted: lack of autonomy due to government interference, inadequate access to markets, men typically hold membership and decision-making positions though women did most of the farming, and mismanagement. As these

constraints are overcome and an environment for the growth of cooperatives is established, the viability of cooperatives is greatly increased (Adebayo et al., 2010).

Methods

Marvdasht is one of the northern cities and also counties of Fars province. The city is located 45 kilometers north of Shiraz and has an altitude of 1620 meters above the sea level. The county has an area of 3687 square kilometers. Marvdasht as a county is divided into four districts: Central, Kamfirouz, Doroudzan and Seydan. Marvdasht has a cold weather in the hilly areas and moderate climate in other regions (Wikipedia, 2011b). Agriculture is the major development sector in Marvdasht.

This study is based on quantitative method to investigate the contribution of agricultural cooperatives on poverty reduction and the barriers of agricultural cooperatives as well. Focus group discussion (FGD) was performed to collect data from the farmers in twelve villages in Marvdasht, Iran. Focus group was used for obtaining a better understanding of participants' attitudes (Aref, 2010). All respondents were male. They were chosen because of their engagement in agricultural activities. Eighty four people were participated in FGD. They ranged in age from 23-79 years.

Result and Discussion

According to the collected baseline data, there were overall 84 participants with an average of 59 years old. The questions were asked about to contribution of agricultural cooperative on poverty reduction. They believe that the role of agricultural cooperatives is seasonal and in fact, they do not have important role on poor farmers. The below description has been provided through FGD.

- Farmers' participation in agricultural cooperatives planning is not considered. Decisions making in agricultural cooperatives policy are mostly made by government. In fact the lack of really farmers' involvement in the decision-making and unable rural power that exist to create a decision making for development cooperatives for poverty reduction.
- Most participants in FDG groups mentioned to lack of resource in the villages as main obstacles to agricultural cooperatives for poverty reduction.
- Involving the government to provide funding for agricultural cooperatives.
- Poor management: The cooperatives managers are without adequate knowledge for the cooperatives.
- FGD respondents believed the lack of culture of collaboration among local people was behind the failure investment for poverty alleviation. The

individualism is the one feature of Iranian culture. Hence, in this situation the collaboration in cooperatives cannot be success.

- The cooperative members often have low levels of literacy and little knowledge of their rights and responsibilities. As a result many cooperatives suffer from poor management and business skills.
- The farmers through FGD though the role of agricultural cooperatives is to distribution of some goods for farmers. Hence, they weren't aware about role of cooperatives. It also can have an effect on the apathy regards rural residents' participation in rural cooperatives.

Through the findings of this study these barriers were identified: Poor management, lack of resources, lack of autonomy due to government interference, inadequate access to markets, lack of collaboration culture, lack of cooperatives leaders' knowledge, dependently of cooperatives to government, were an important element contributing to limited agricultural cooperatives for poverty alleviation. As have been mentioned by Jamieson and Nadkarn (2009), the agricultural cooperatives has some barriers related to poverty reduction in Asian countries. Hence this argument has been confirmed by this study. According to the findings, the level of contribution of agricultural cooperatives in poverty reduction in Marvdasht, Iran is not acceptable. In considering the application of agricultural cooperatives in poverty reduction, the role of the rural leaders deserves consideration. Important role of leaders with respect to the cooperatives would include facilitating; encourage participants, encouraging learning, and developing local skills in rural areas (Aref,2011).

Conclusion

Agricultural cooperatives can be significant economic players that contribute to rural economic growth. Cooperatives provide the opportunity for poor farmers to raise their incomes. The purpose of this article has been to demonstrate the contribution of agricultural cooperatives on poverty reduction in Marvdasht, Iran. Overall the findings indicated that poor management, lack of capacity, lack of awareness, lack of autonomy due to government interference, inadequate access to markets as main barriers of agricultural cooperatives related poverty reduction. Findings indicated the importance of farmers' participation in agricultural cooperatives to achieve the development goals. Hence, to avoid breakdowns, farmers' participation needs to be constantly encouraged. Therefore, various methods such as cooperative education could be applied to foster farmers' participation.

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