

## Agricultural Production Cooperatives in Iran: Challenges and Opportunities

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**Abstract:** Agricultural production cooperatives are certainly a major contributor to agricultural development in many countries. But, there are a number of barriers to effectively using agricultural production cooperatives as a tool for agricultural development in Iran. The results obtained from qualitative research, indicated that there are some barriers at the national, local and organizational levels towards agricultural production cooperatives. Dependency of cooperatives to government and lack of cultural capacity for group collaboration, lack of resources, lack of cooperatives leaders' knowledge, were an important element contributing to limited production cooperatives in agricultural development and rural development as well. The findings of this study can assist agricultural developers in the implementation of educational strategies towards develop the production cooperatives in rural areas of Iran. This paper also will serve as a catalyst for further thought and discussion on how agricultural production cooperatives can enhance income and quality of life for their members.

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### 1. Introduction

Iran has a long history of rural solidarity and self-help efforts. However, formal cooperatives with the emphasis on the provision of agricultural services for their member were introduced to Iran only about 1940. The agricultural production cooperatives are considered to be the most important organizations that pay attention and try to support the rural development in general and the agricultural development in particular, through the activities and services offered for farmer welfare. It is generally believed that successfully managed agricultural cooperatives have a great potential in agricultural development in particular and rural development in general. The most important agriculture cooperatives types in Iran are agricultural production cooperatives (Zarafshani et al., 2010).

The International Cooperative Alliance (ICA) 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"(ICA, 1995). In developed countries agricultural production cooperatives have significantly contributed to the mobilization and distribution of financial capital; created employment; constituted a forum for education and training; social welfare, and poverty alleviation and other socio-economic problems (Tanzanian Federation of Cooperatives, 2006). In Iran, although, there are many cooperatives in rural area, but, it is alleged that cooperative does not play a significant role in rural

development (Aref, 2011). Hence, this study attempts to shows the challenges and potential of agricultural production cooperatives in Iran. The role of cooperatives as a critical dimension of market structure in agriculture must periodically be assessed to determine the future viability of the cooperative form of business (Dunn et al., 2002).

### 3. Methods

This study was performed as a qualitative research. It is also called as a library research since it is not held in a field but the researchers used books, articles, and other writing to support the analysis. A Qualitative research is a natural research which produces descriptive data in both oral and written forms from people, behavior, or another data that can be observed by the researcher. Qualitative research is defined as research that derives data from observation, interviews or verbal interactions (I. Holloway & Wheeler, 2002). In this case we have used a number of articles and official websites of the various Iran known organizations. For existing analyses, we also looked at the research literature on rural and agricultural cooperatives in Iran. All data were studied and analyzed by comprehend reading and deep understanding based on the related and appropriate approach. Then, as the result of analysis, the data were interpreted through description based on the challenges and opportunities of agricultural production cooperatives.

## 2. The potential of agricultural production cooperatives

Agricultural cooperatives are part of a dynamic environment (Dung, 2010). Cooperatives have also played an important role in rural communities, where they are an integral part of the social fabric (Dunn et al., 2002). Cooperatives have played an important role in the development of agriculture in industrialized countries as suppliers of farming requisites, marketers of agricultural commodities, and providing services such as grain storage and transport. It appears that many of these agricultural cooperatives are adapting their operations to the rapidly changing economic environment characterized by technological change, industrialization of agriculture and growing individualism. Theoretical considerations and empirical evidence suggest that individual farms are more productive and more efficient than agricultural production cooperatives (Ortmann & King, 2007).

Agricultural production cooperatives create the ability for the supply of required agricultural inputs so that production of commodities is done timely to enhance productivity. They also provide an assured market for commodities produced by isolated small farmers in the rural areas. With collective action, agricultural co-operatives can capture the benefits of value added, because of bulking and take advantages of introducing grades and standards allowing agro processing value addition for the members. In addition, agricultural cooperatives are responsible for stimulating poor farmers to make entry into markets, enhancing demand for standards and grades for perishable (Ortman & King, 2006).

The rural cooperatives in Iran in the recent years have diversified themselves into various areas of socio-economic activities. For certain activities, the success of which is based on the ability of the grassroots institutions to tackle them with their participatory and people-based approach, the cooperatives are considered to have an advantage over other organizations. In Iran the cooperatives are considered most effective organizations in rural agriculture. Similarly, because of their vast network and reach, the rural cooperatives are considered best promoters for rural development in Iran (Aref & Sarjit, 2009). Agricultural production cooperatives in rural areas create employment opportunities in three different ways.

First, they offer direct wage employment to rural people who work in primary and secondary cooperatives.

Secondly, cooperatives offer self-employment to members, whose participation in the economic

activities that they make possible substantially guarantees a decent income.

Thirdly, cooperatives also indirectly employ through the spillover effects of their activities on non-members whose income-generating activities are only viable through the transactions they have with, as well as opportunities created by, cooperative ventures (Wanyama, Develtere, & Pollet, 2008).

Agricultural production cooperatives have been cited as a goal for rural development processes (Aref & Sarjit, 2009). In developing countries attempts to organize farmers into cooperatives have often failed, although cooperatives have the potential to supply farm inputs and market farm products that are both important for agricultural development (Hoyt 1989; Ortmann & King, 2007). Birchall (2003; 2004) developed six arguments for the potential of the agricultural production cooperatives

- 1) Agricultural production cooperatives values and principles provide built-in advantages for rural development
- 2) The history of cooperatives in developed countries shows great achievements in poverty alleviation.
- 3) Even though there have been failures in cooperatives in developing countries these do not indicate weaknesses in the co-operative model.
- 4) The essential nature of cooperative form of organization is now much clearer.
- 5) The participatory development and cooperative development share the same underlying principles.
- 6) The UN's Millennium Development Goals and the poverty alleviation strategy of the World Bank need cooperative development if they are to succeed (Simmons & Birchall, 2008).

The existence of cooperatives also has had an impact in the generality of rural development defined in terms of availability and access to amenities that improve the basic conditions of life for the rural people. These include employment creation, rural markets development, enhancement of rural incomes and the improvement of access to social services. Farmers producing crops and marketed by cooperatives are gainfully employed because they can account for their labor input by the revenue they earn during the marketing seasons. Agricultural cooperatives are critical to the general rural development because they provide employment of accountants, bookkeepers, managers, as part of direct employment. Agricultural co-operatives, maintain higher levels of income, making small farmers able to construct decent houses, send their children to school and provide health insurance to sustain n rural livelihoods (Chambo, 2009).

### 3. The challenges of Agricultural production cooperatives

In spite of the potential of agricultural production cooperatives, the cooperatives have some barriers. These barriers include:

- 1) Lack of organizational capacity of agricultural production cooperatives to respond to the opportunities provided by rural residents.
- 2) Within the developing countries there is very little recognition of the potential of rural and agricultural cooperatives by aid agencies.
- 3) Lack essential agricultural market knowledge to allow communities to develop agricultural cooperatives (Jamieson & Nadkarni, 2009).

The major barriers of agricultural production cooperatives in Iran, as in most other developing countries, that agricultural production cooperatives are social organizations, e.g. with a rural development agenda, with emphasis on non-revenue generating activities and giving priority to poorer members. However, cooperatives can only be successful and sustainable if they generate revenues and give equal treatment to all members.

Agricultural production cooperatives have been the most popular traditional mode of cooperative development that has linked developing countries with the rest of the world, through export commodity trading. While such issues militate against successful performance of agricultural cooperatives, the documented potential role for such organizational frameworks should theoretically be highlighted (Farshid Aref, 2011). Such potential, include overcoming barriers to assets, information services and markets agricultural commodities through co-operatives (Holloway et al., 1999). The management and handling of such organizationally complex issues, calls for an organization such an agricultural cooperative, to stand on behalf of small farmers and transact out the business in a cost effective manner (Prakash, 2002)..

Some of the problems faced by agricultural production cooperatives in Iran which have been common among the majority of the cooperatives are, poor management, lack of collaboration culture, lack of cooperatives leaders' knowledge, dependently of cooperatives to government, lack of capital resources, inadequate training, extension and education programs, lack of communication and participation among members, feudalistic characteristics of society, unclear and inadequate government policies on the development of agricultural cooperatives, high fragmentation of land holdings, and weak linkages among the activities of the cooperatives e.g., production, credit, marketing etc. To overcome such problems, some of the measures taken by the

governments and movements have been: re-assessment and improvement of farm policies, human resource development through formal and informal training of members, development of commercial partnership and joint ventures with private enterprises, development of marketing and agro-processing, implementation of self-reliance projects, diversification of agricultural products including the development of export-oriented crops through contract farming, promotion of universal membership, and strengthening of legal framework of cooperatives (Prakash, 2002).

### 5. Conclusion

The purpose of this article has been to demonstrate the challenges and potential of agricultural production cooperatives in Iran. Agricultural production cooperatives provide all types of economic and social services to their members. They demand effective, enlightened and skilled leaders. They need initiatives and services to sustain the interests of their members through the provision of education, training, guidance, extension and farm inputs, farm credit and marketing opportunities. They have to be run on democratic lines. They operate within the framework of national guidelines, but at the same time fulfill the demands of domestic and international markets (Prakash, 2002). Overall the findings indicated government policy, lack of organizational capacity, lack of resources, lack of collaboration culture, lack of cooperatives leaders' knowledge, and lack of management were an important element contributing to limited rural cooperatives rural development.

According to the findings, the contribution of agricultural production cooperatives in Iran at the agricultural development in particular and rural development in general is weak. In considering the application of agricultural production cooperatives in development processes, the role of the rural leaders deserves consideration. Important role of leaders with respect to rural cooperatives would include facilitating; encourage participants, encouraging learning, and developing local skills in rural areas. Agricultural production cooperatives, to be effective and acceptable in rural areas, must take the members' views and their felt-needs into consideration. The findings of this study can be useful for academics, researchers, rural developers and all stakeholders involved in designing, assessing or promoting agricultural production cooperatives projects which are in any way associated with general rural development goals.

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