
Support for Farmers' Cooperatives

Country Report Spain

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Preface and acknowledgements

In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, “Support for Farmers’ Cooperatives (SFC)”, that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC project this country report on the evolution of agricultural cooperatives in Spain has been written. Data collection for this report has been done in the summer of 2011.

In addition to this report, the project has delivered 26 other country reports, 8 sector reports, 33 case studies, 6 EU synthesis reports, a report on cluster analysis, a study on the development of agricultural cooperatives in other OECD countries, and a final report.

The authors would like to acknowledge the assistance from the various federations, cooperatives and cooperatives associations, inter-professional groups, farmers, cooperative employees and managers, university professors and researchers, government representatives, all too numerous to name, without whom this report would not have been possible. In particular we would like to thank the many cooperatives who took time to answer the lengthy study questionnaire and to give us their viewpoints. We also would like to give thanks to Cooperativas Agroalimentarias who assisted with the selection of cooperatives under study and also for comments on competition law. We are also grateful to Coexphal (association of producer organisations) for their insights and assistance regarding several areas of this study (although the opinions expressed herein, unless otherwise stated, are those of the authors).

The Country Report Spain is one of the country reports that have been coordinated by Costas Iliopoulos, AGEPRI. The following figure shows the five regional coordinators of the “Support for Farmers’ Cooperatives” project.

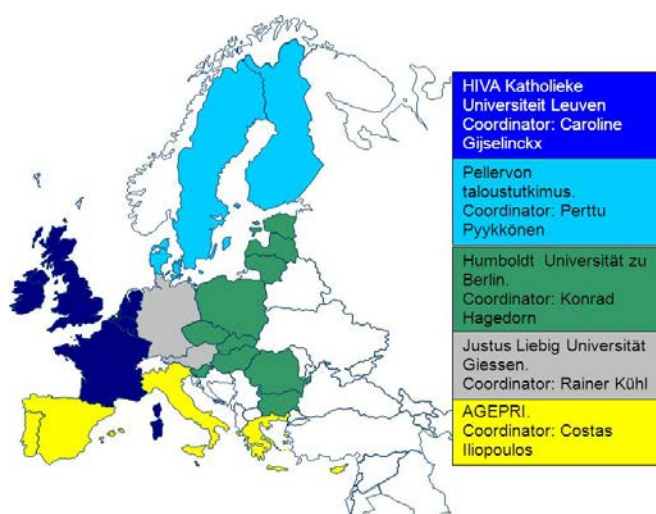


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1. Introduction

1.1 Objective of the study

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, including from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, “Support for Farmers’ Cooperatives”, that will provide the background knowledge that will help farmers organise themselves in cooperatives as a tool to consolidate their market orientation and so generate a solid market income. In the framework of this study, this report provides the relevant knowledge from Spain. In this context, the specific objectives of the project, and this country report, are the following:

The first goal is to provide a comprehensive description of the current level of development of cooperatives and other forms of producer organisations in Spain. The description presented in this report will pay special attention to the following drivers and constraints for the development of cooperatives:

- Economic and fiscal incentives or disincentives and other public support measures at regional and national;
- Legal aspects, including those related to competition law and tax law;
- Historical, cultural and sociologically relevant aspects;
- The relationship between cooperatives/POs and the actors of the food chain;
- Internal governance of the cooperatives/POs.

Second, identify laws and regulations that enable or constrain cooperative development and third, to identify specific support measures and initiatives which have proved to be effective and efficient for promoting cooperatives and other forms of producer organisations in the agricultural sector in Spain.

1.2 Analytical framework

There are at least three main factors that determine the success of cooperatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the cooperative in the food supply chain refers to the competitiveness of the cooperative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that goes with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the cooperative is operating, and which may have a supporting or constraining effect on the performance of the cooperative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

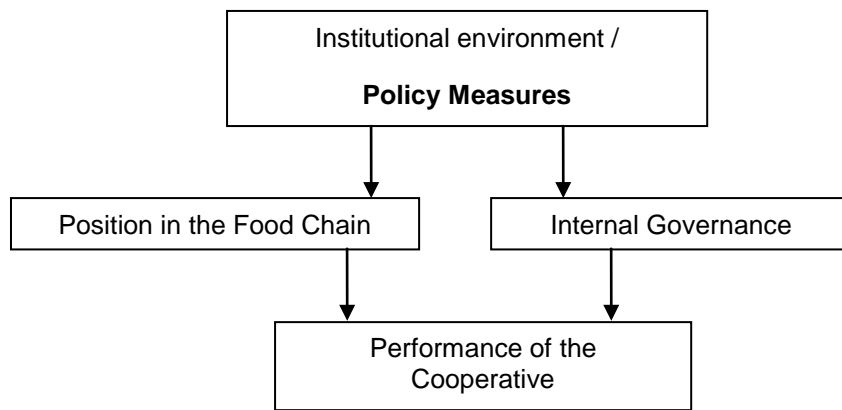


Figure 1. The core concepts of the study and their interrelatedness

1.3 Definition of the cooperative

In this study on cooperatives and policy measures we have used the following definition of cooperatives and Producer Organisations (POs). A cooperative/PO is an enterprise characterized by user-ownership, user-control and user-benefit:

- It is user-owned because the users of the services of the cooperative/PO also own the cooperative organisation; ownership means that the users are the main providers of the equity capital in the organisation;
- It is user-controlled because the users of the services of the cooperative/PO are also the ones that decide on the strategies and policies of the organisation;
- It is for user-benefit, because all the benefits of the cooperative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

This definition of cooperatives and POs (hereafter shortened in the text as cooperatives) includes cooperatives of cooperatives and associations of producer organisations (often called federated, secondary or second tier cooperatives).

There are diverse types of producer organisations and cooperatives in Spain, the most common being first and second tier cooperatives, the majority of which are set up under regional but not national legislation. As a result of different autonomous community legislative frameworks, they have significant differences, with distinct social, political, and legislative histories and characteristics.

As well there exist community exploitation of common lands cooperatives - "CEC"- where land is held in common and there are rules governing the ceding of the land to the entity. Cooperatives with common use of machinery - "CUMA"- exist in the Basque Country, Navarra and Galicia. SATs ("sociedades agrarias de transformación") are perhaps the most popular form of collective entrepreneurship in agriculture after cooperatives. SATs are somewhat like general partnerships and capitalistic companies at the same time. Their membership is limited to farmers, farm workers or those with farm related purposes, but their statutes and bylaws allow voting in proportion to share capital when decisions that need to be taken are financial in nature. The characteristics of SATs, as well as the most relevant differences between autonomous community legislation, are explained in more detail in the Legal Questionnaire performed as part of this report.

1.4 Method of data collection

Multiple sources of information have been used, such as databases, interviews, corporate documents and academic and trade journal articles. The databases used are Amadeus, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. Also data provided by Copa-Cogeca has been used. In addition, information on individual cooperatives has been collected by studying annual reports, other corporate publications and websites as well as SABI (sistema de análisis de balances ibérico). Interviews have been conducted with representatives of national associations of cooperatives, managers and board members of individual cooperatives, and academic or professional experts on cooperatives.

1.5 Period under study

This report covers the period from 2000 to 2010 and presents the most up-to-date information. This refers to both the factual data that has been collected and the literature that has been reviewed. In certain cases, where indicated, more recent data has been included from 2011.

2 Facts and figures on agriculture

2.1 Share of agriculture in the economy (not limited to cooperatives)

A study of farmers' cooperatives can best start at the farmers' side, in agriculture. In 2010 agriculture was 2.45% of GDP (Figure 2). This is based on Eurostat data from 2011.

Spain has followed in the last 20 years the same tendencies as European agriculture, with agriculture becoming less important in terms of the overall economy. However, these changes have not affected equally all regions, resulting in regional and functional specializations. This has allowed the sector to become more competitive, notwithstanding its reduced size. In addition, 2010 has been a difficult year for the Spanish economy in general with lower prices affecting farmers. However, many farmers have focused on exports, reaching a record of 22,029 million Euros representing 8.12% more than 2009 (Cooperativas Agroalimentarias, 2011).

As well, in spite of its reduction and the overall loss of employment derived there from (though in 2010, employment in agriculture started to recover), agriculture continues to be a key element of rural development and of many regional economies (Molinero, 2006; Ministry of Agriculture and Fishing, 2011).

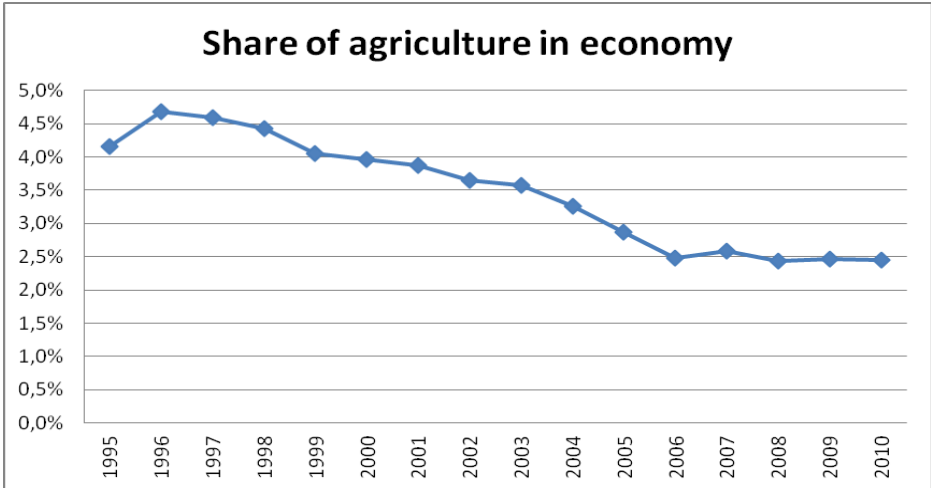


Figure 2 Share of agriculture in GDP. Source: Eurostat Nat. Accounts and INE (2008-2010)

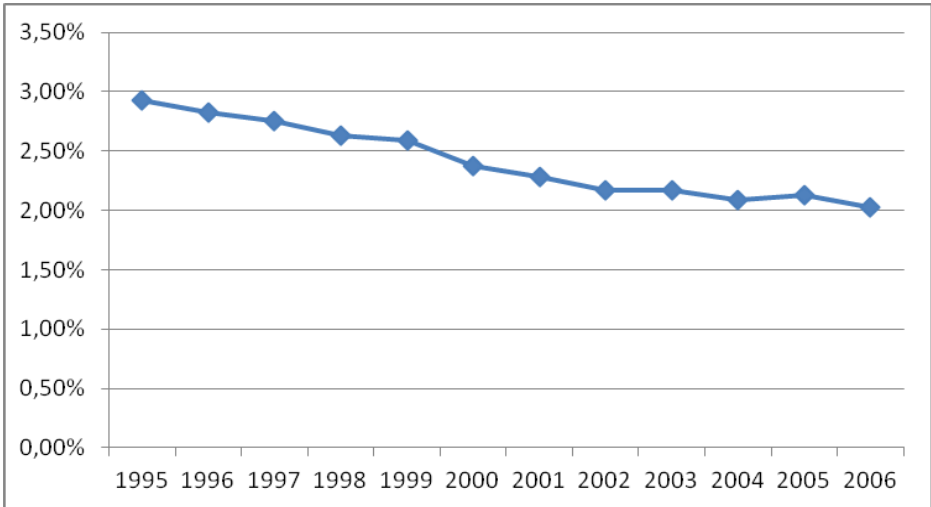


Figure 3 Share of manufacture of food products and beverages. Source: Eurostat Nat. Accounts

2.2 Agricultural output per sector

Within agriculture, several sectors exist and in reference to this study of 8 sectors, Spain is present in all. The most important is the fruit and vegetable sector, followed by pig meat. Olive oil and table olives have experienced an important increase, as has wine. Dairy remains constant and the cereals sector remains important although fluctuating. Sheep meat has experienced a decline. Sugar outputs are relatively minimal (but have been included due to the presence of a large sugar cooperative). In Chapter 5 each of these sectors is dealt with in greater detail, both from a general perspective and from the cooperative perspective. Figure 4 provides information on the main sectors in Spain.

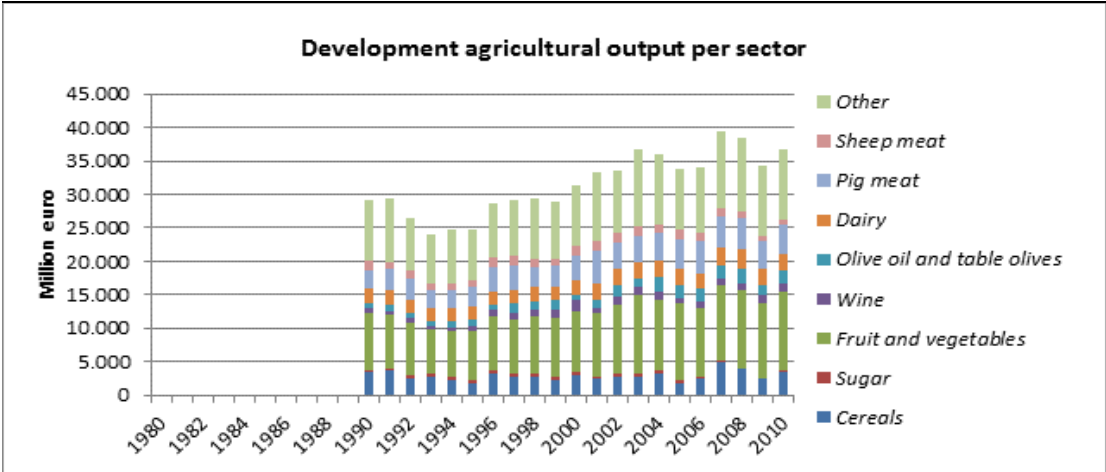


Figure 4 Development of the different sectors in agriculture, value of production at producer prices, in millions of Euro. Source: Agriculture Economic Accounts, Eurostat

Figure 5 shows the development in output for the period 2001 -2009, calculated on a 3-year average around 2001 and around 2009 (thus, 2008, 2009, 2010). Fruits and vegetables exhibit the highest growth at over 2% followed by dairy. Sugar beet is clearly in decline as is the sheep and goat sectors. (See individual sectors in Chapter 5 for a more detailed description of the characteristics and trends in each sector.) Overall growth in outputs, although positive, is approximately 3%.

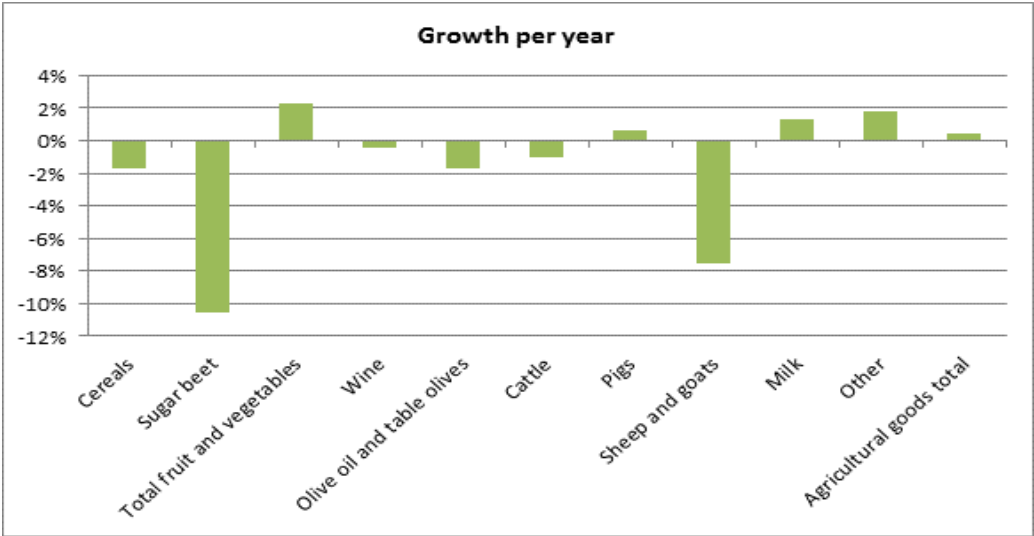


Figure 5 Trends in Output per Sector, 2001-2009. Source: Economic Accounts of Agriculture, Eurostat.

2.3 Development in the number of farms

The number of farms in Spain is given in Table 1 and Figure 6. Sugar and dairy show the highest decline in number of farms, with cereals, pig meat and fruits and vegetables decreasing as well. Wine and olives hover at a decrease of about 1%. Although there is evidence of some consolidation and/or abandonment of activity the decrease in the number of farms is well below that of the figure for the EU (8.3% from 2003 to 2008- Alimarket, 2009) and is evidence of the “atomization” of farms in Spain. The high number of farms attests to the endurance of the “Mediterranean” model of agriculture and is seen as a persistent “problem” for those who argue for an increase in size as a method to gain competitiveness. Cooperatives in Spain traditionally have tended to opt for growth through the creation of second level cooperatives. Below in section 3.2 there is further discussion of consolidation and mergers in the agricultural cooperative sector.

Table 1 shows both the number of farms in total and in relation to which main types for 2000 and 2007, as well as the development.

Table 1 Number of farms

	2000	2007	% change per year
Cereals	143,540	114,290	-3.20
Sugar	55,480	38,150	-5.21
Pig meat	25,480	21,700	-2.27
Sheep meat	80,540	81,540	0.18
Total fruits and vegetables horticulture	272,980	225,080	-2.72
fruit and citrus fruit	55,980	42,080	
fruit and citrus fruit	217,000	183,000	
Olive oil and table olives	231,650	214,800	-1.07
Wine	86,460	80,630	-0.99
Dairy	46,910	26,640	-7.77
Beef	54,270	42,510	-3.43

Source: Eurostat, Farm Structure Survey.

Figure 6 below, provides the data in graphical format.

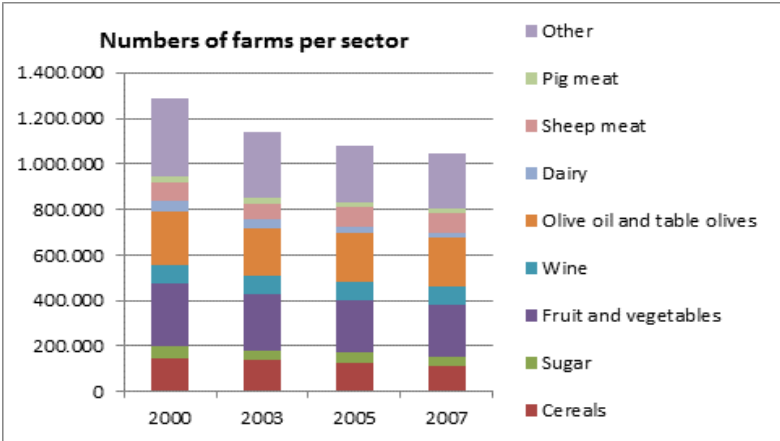


Figure 6 Number of farms 2000 - 2007 with data per specialist type of farming. Source: Eurostat, Farm Structure Survey.

2.4 Size of farms

Farms come in different sizes from small part-time farms to large exploitations. Figure 7 shows the distribution of farms per size class, measured in European Size Units (ESU). Along with the sheer number of farms, the small to medium size of farms in Spain is also indicative of the “atomization” of the whole of the agricultural sector. Dairy and pig meat farms are the exception for Spain, demonstrating farms of larger size but are still of relatively small size compared to the European standard (COGECA). The sugar sector has larger farms as well, but as the sugar market is small and decreasing this fact is less significant. The average total farm size for Spain according to the 2009 Spanish Office for National Statistics, Agricultural Census was 30.9 ha (“usable land”, 24 ha).

Sheep farming is predictably notable for its large number of tiny traditional operations. Fruits and vegetables display little deviation from the small to medium size. The size of Spanish farms is in line with the small size of businesses in the Spanish agri-food industry. Out of 31,824 such companies, only 3.44% have more than 50 workers and 96.54% are small to medium enterprises. Consequently there is a substantial disparity between the size of producers and clients, which translates into a clear advantage for the large supermarkets such as Carrefour or Mercadona which are five to six times larger than the very largest agro alimentary company in Spain (Baamonde, 2009).

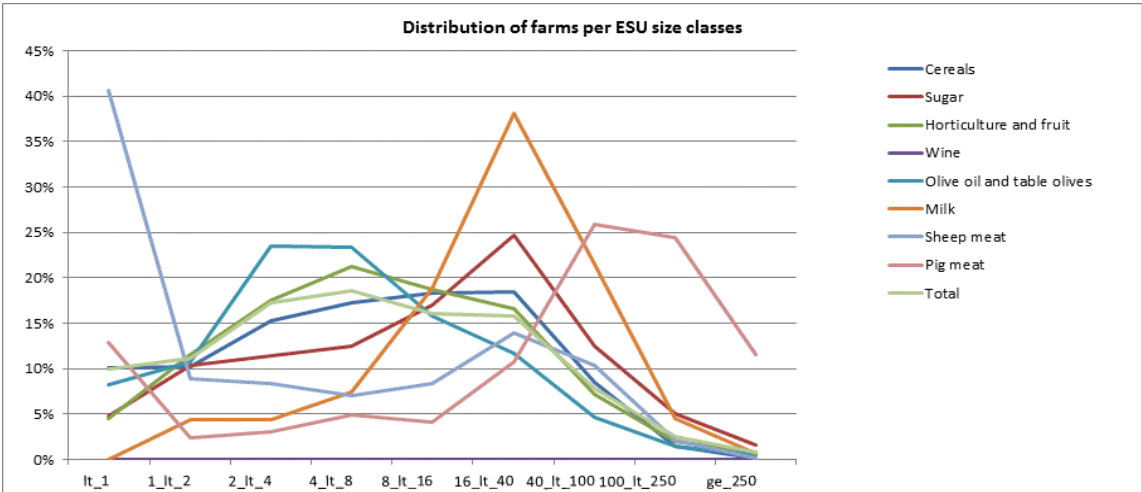


Figure 7 Number of farms per size class, measured in ESU, per specialist type of farming. Source: Eurostat, Farm Structure Survey.

2.5 Age of farmers: distribution of farms to age classes

The age of farmers differs. In Spain, with about a third of the farmers over 65, there is a great difficulty in attracting younger farmers. This is caused by several factors: parents encouraging their children to enter other professions and not continue with the family farm, as farming is seen as a difficult and not very profitable occupation; young people viewing farming as an unstable and insecure future as well as not having a socially valuable reputation and young women in particular having few role models and/or little encouragement to enter farming. As well, young immigrants who, until the recent crisis, made up an important labour group on farms, find themselves with little access to capital to take up farming, even if there is an interest and technical experience.

This state of affairs may have an effect on decision making, as older farmers have a shorter term view on the necessity for investment, growth, upgrades, cooperative organisational change, mergers and “upheaval” in general. Farms are at times viewed by older farmers as potential land

investments (pre-housing bust, where agricultural lands were re-zoned for urbanisation) which would provide an inheritance for a younger generation. Infrastructure funds were used, at times, on supplies and to cover farm costs rather than invest in necessary technology, farm structure upgrades and cooperative organisational change and investment. As an example, in some areas of southern Spain approximately 30% of greenhouses have obsolete designs, as older farmers were reluctant to invest in upgrades thinking that the land would be used more lucratively for construction. This assumption proved to be false when the housing bubble burst and currently there is a significant level of low producing greenhouses. The average older age of farmers has had an effect on the vision for the cooperatives in general, whether through resistance to mergers, investment in cooperative infrastructure or to less local and more national/international focus. Older farmers in Spain also by definition signify a lesser degree of professionalization and management/business expertise, particularly in areas beyond production.

However, this said, it has also been suggested in interviews for this study (although as of yet without empirical studies) that women cooperative members (even older ones) are more willing to invest in strategic cooperative activities if sufficiently justified, than men, who prefer to spend money elsewhere. In Spain traditionally the male is the member of the cooperative, even though the woman is an equal worker/owner in the farm. When initiatives are voted on by the membership, the lack of voting representation by women may affect decision-making. Gender studies/member decision making and cooperative investment is included in Chapter 7 as future research.

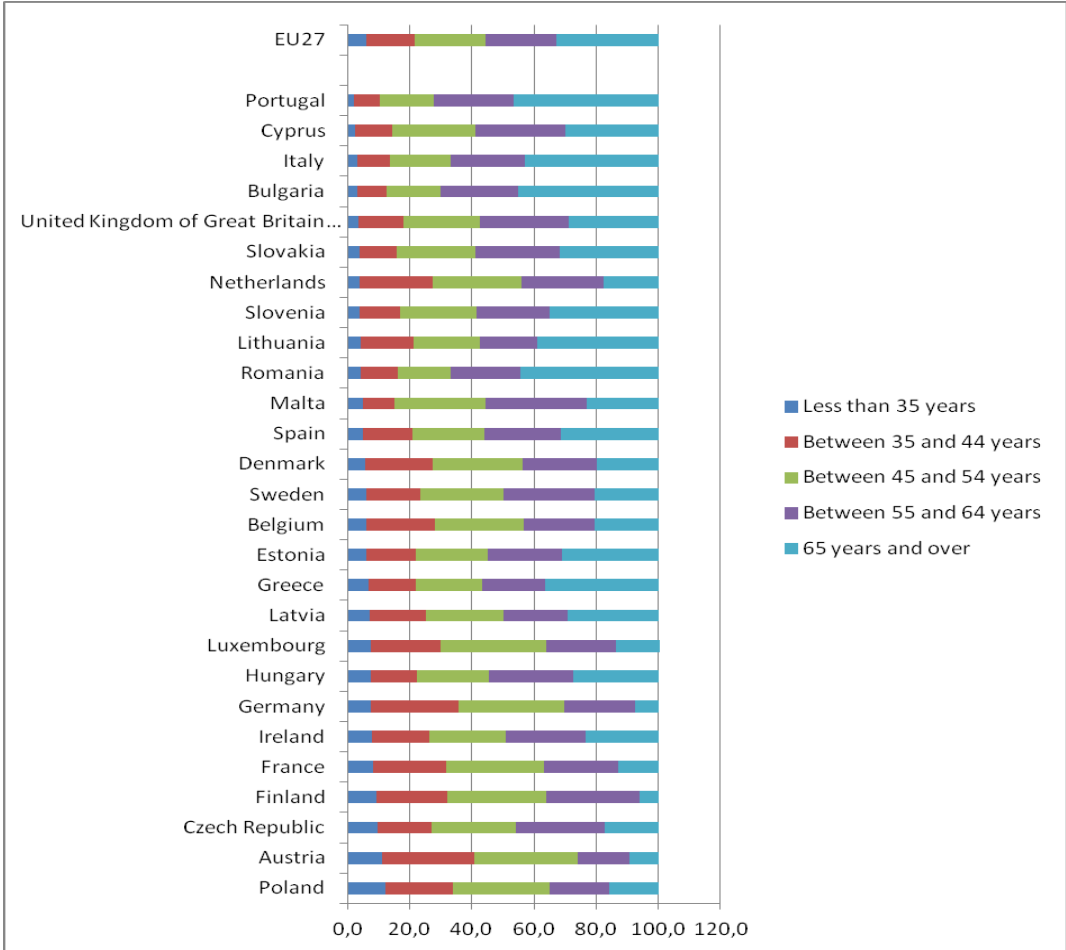


Figure 8 Percentage of farmers per age class, per Member State and EU27, 2007 (ranked with countries with the lowest percentage of young farmers on top). Source: Eurostat, Farm Structure Survey.

2.6 Specialisation of farm production

Cooperatives might not only have member-farmers with different farm sizes or different age. Farms also have a different composition of their production portfolios and therefore their input. This is even true for specialist farms, where, for example, some so called specialist dairy farmers also have beef or sheep or sell hay. In addition, a lot of mixed (non-specialized) farms exist. The heterogeneity of farming in terms of specialisation can be estimated by calculating the share that specialized farms have in the total production. This is shown in Figure 9 (split into 9A for plant production and 9B for animal production).

There has been a gradual slight trend in specialisation in most sectors, the highest being in the sheep, cow and wine sector and of a slight de-specialisation with respect to cereals and sugar. With respect to fruits and vegetables, the heterogeneity is quite regionally varied, as in the south farmers using intensive production techniques are very specialised while in the north and centre of Spain cooperatives are more highly diversified in product.

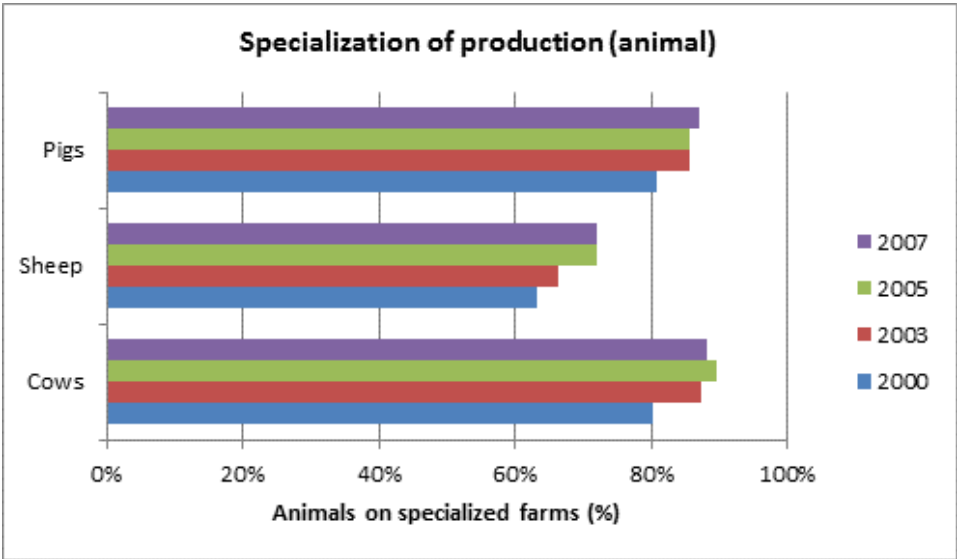
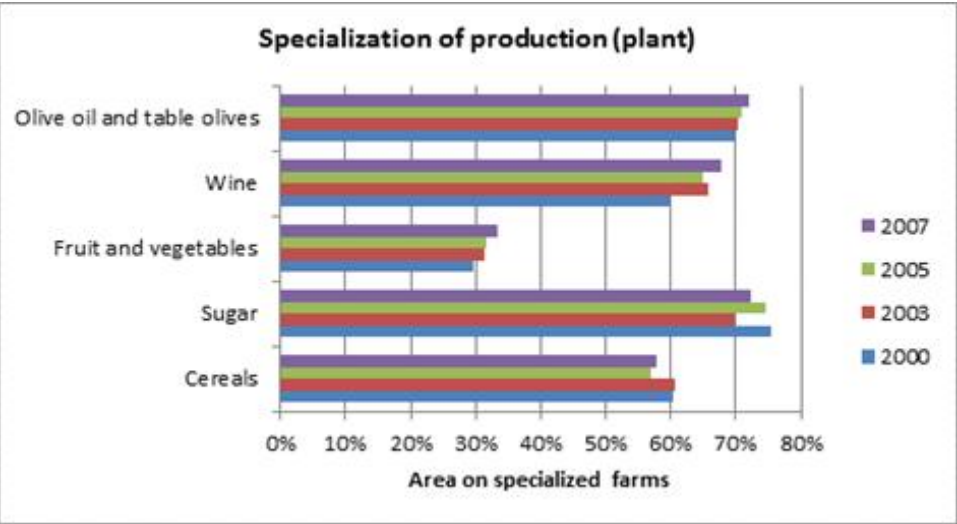


Figure 9 A & B Heterogeneity in farm production: the share of specialist farm types in total production.. Source: Economic Accounts of Agriculture, Eurostat.

2.7 Economic indicators of farms

The description of agriculture concludes with some economic indicators (Table 2). These indicators focus on the net value added and income from farming for farmers, as well as the level of their investment. While some of this investment is in the equity of the cooperatives, by far the most is in farm assets. Net value added is lowest in the wine and olive oil sectors and highest in dairy, pork and to a lesser extent sheep meat, with fruit and vegetable, cereals and sugar occupying a middle position, the income and investment in relation to each sector, reflecting such range as well.

Of particular note is the low utilised agricultural area for fruits and vegetables due to intensive agriculture whilst pig meat is notable for the economic size of its farms.

Table 2 Economic indicators for farms

Economic indicators average per farm (2006-2008)

	Fruit and Olive oil and							
	Cereals	Sugar	vegetables	table olives	Dairy	Wine	Pig meat	Sheep meat
Economic size - ESU	22.50	40.43	26.45	21.07	39.67	22.00	179.90	34.30
Total labour input - AWU	0.97	1.29	1.53	1.36	1.63	1.33	1.73	1.38
Total Utilised Agricultural Area (ha)	75.0	45.6	8.3	13.3	22.1	19.6	22.0	61.7
Total output €	39,589	54,917	40,145	20,911	112,636	28,755	201,430	66,282
Farm Net Value Added €	30,729	37,235	26,595	17,177	56,950	19,783	67,414	40,571
Farm Net Income €	26,098	29,953	19,872	12,640	53,982	15,353	56,129	35,655
Total assets €	331,782	377,304	262,008	247,420	502,906	194,205	482,766	343,178
Net worth €	325,718	370,193	254,955	245,888	487,705	189,716	445,917	330,234
Gross Investment €	1,300	-1,277	1,428	506	5,157	1,926	9,334	3,093
Net Investment €	-1,659	-4,699	-875	-1,055	-212	-963	-734	-619
Total subsidies - excl. on investm. €	14,065	14,609	1,437	3,832	10,720	1,347	4,938	13,608
Farms represented	83,183	25,890	144,397	149,587	23,773	53,783	15,867	33,717

note: less than 3 years available

Source: DG Agri, FADN.

3 Evolution, position and performance of cooperatives

3.1 Types of cooperatives-Cooperatives in General

Institutional background to cooperatives in Spain

In Spain cooperatives are seen, at least theoretically, to be firmly within the notion of the “social economy” as are the entities described above in section 2.3. Whether this categorization is accepted on a cultural level varies according to region. The recent Spanish Social Economy Law places them within a framework which does not privilege the economic over the social but rather envisions them as tied together. This in some ways is a slight reorientation from the direction that cooperative law and policy has taken which has emphasized the economic (see below on historical evolution of cooperative laws).

Figure 10 below shows the evolution of the number of cooperatives and employees whilst Figure 11 demonstrates the workers per cooperative sector. The decline in the number of cooperatives, whilst the number of members remains relatively stable is noteworthy. A common theme in the discussion of Spanish cooperatives is their size and whether or not mergers are the way forward. Recently Spanish cooperatives have experienced such concentration, as discussed below.

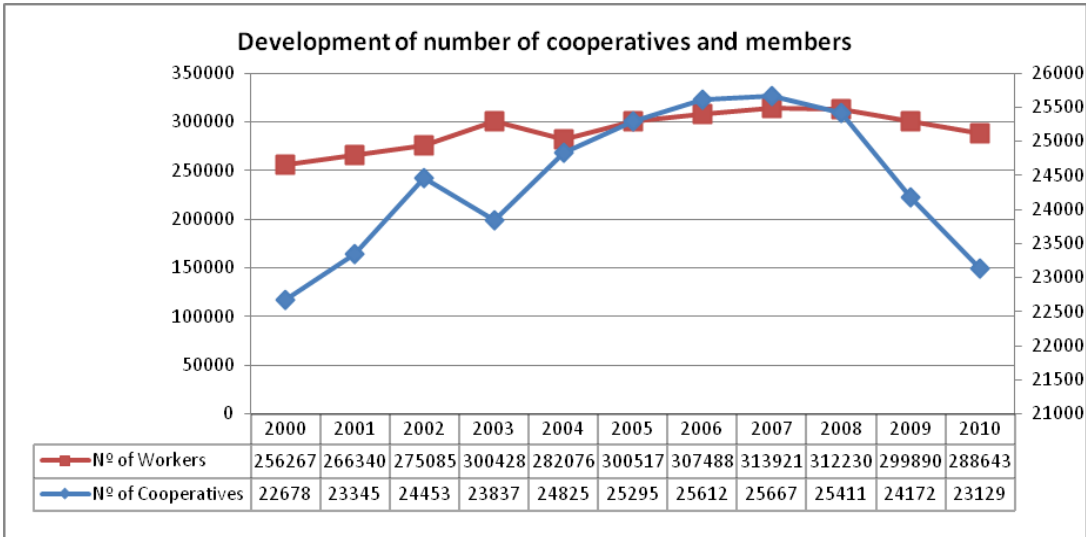


Figure 10 Development of number of cooperatives and workers. Source: Ministry of Employment and Immigration (2011)

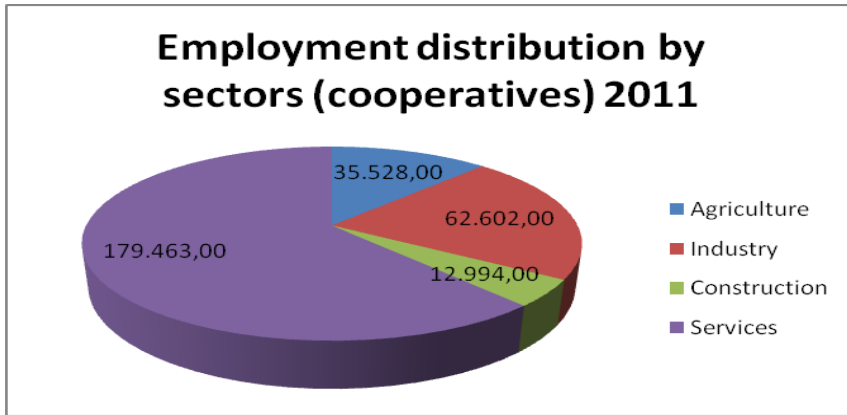


Figure 11 Distribution of employment by cooperative sector. Source: Ministry of Employment and Immigration (2011)

The two regions with the most cooperatives are Catalonia and Andalusia, with 5,003 and 4,764 respectively. This is followed by Valencia (2,818) and Murcia (1,522) and trailed by the Basque Country (1,478) and Castilla La Mancha (1,445). In terms of employees however, Andalusia leads with 63,037 cooperative workers followed by the Basque Country with 55,019 workers.

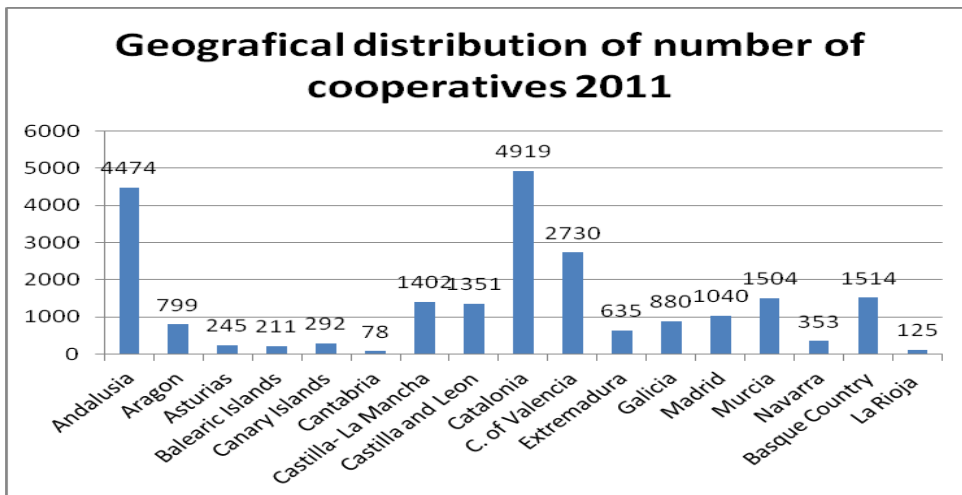


Figure 12 Geographical distribution of number of cooperatives 2011. Source: Ministry of Employment and Immigration (2011)

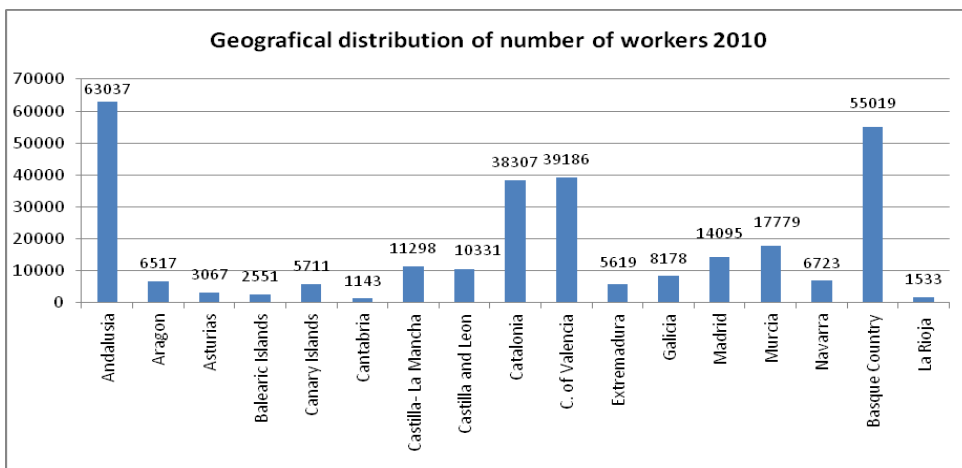


Figure 13 Geographical distribution of number of workers 2010. Source: Ministry of Employment and Immigration (2011)

Origins of the Cooperative Movement and Cooperative Laws

The origins of cooperatives in Spain can be located in the late 1800s and early 1900s where cooperation was initially encouraged by the Catholic union movement in its effort to counterbalance the socialist worker movements. At such time the social wing of the Catholic Church set out to protect the rights of small farm owners, lest they be “swept away” by socialism in response to the high debt levels and ruin that was facing farmers due to unscrupulous lenders. In 1902 the first credit cooperatives were created (Gómez López, 2008/2009).

The Associations Act was brought into force in 1887 followed by the Farm Unions Act in 1906, providing a consolidation of the movement and also a framework in which farm “unions” or cooperatives could begin formal development. This was evidenced by the fact that the number of such farm unions rose from six in 1906 to 1,772 a mere six years later in 1912 (Juliá y Segura, 1987). It should be noted that these cooperatives were fundamentally of an economic ordering nature, (such as in-house credit sections, services and commercialisation), rather than of a blatantly political nature. For example, the cooperative laws did nothing to merge the interests of farm workers and farm owners (Gómez López, 2008/2009).

Parallel to this development was that of the more politically motivated cooperatives and unions that were formed to collectively farm land held in common. During the second Republic these cooperatives found more support and there were some incidences of expropriation and collectivisation of farmlands. Some cooperatives of this form still exist today and although in small numbers their numbers have curiously increased recently (OSCAE, 2010).

A Cooperative Law was brought into force in 1931 and lasted throughout the Second Republic until 1939. In 1942 a Cooperatives Act was enacted in order to fulfil the purposes of Franco’s regime to monitor and control cooperatives, giving the supervisory body the right to veto members’ elected management. However, many cooperatives (as so defined under the laws of that time) were set up during the dictatorship and in 1969 7,500 cooperatives were recorded. With the 1974 Act a business approach was introduced and after Franco’s death the 1978 Regulations solidified such an approach, encouraging second tier cooperatives to form (Juliá and Vidal, 2002). During the 1980s most autonomous communities passed their own acts and in 1987 the Cooperatives General Act was passed. The resulting regulatory framework consisted of a “weak” national law, which provided a basic regulatory scheme applicable to those cooperatives which chose not to set up under autonomous community laws, and many substantively different autonomous community laws. Autonomous communities have jurisdiction over cooperative legislation, although not over commercial legislation, and they have assumed an important role in the promotion of cooperatives. It should be noted that the great majority of Spanish agricultural cooperatives are governed by autonomous community laws, for which the provisions of the particular autonomous community laws are especially relevant. This multitude of cooperative laws is found nowhere else in the rest of Europe.

The 1987 law brought about a significant change which was the recognition of cooperatives as a business and not as a not-for-profit, that is, that surpluses could be distributed on the basis of member activity but not in proportion to capital invested. References to mutualism were left out (Juliá, 1994).

The following national law, the Cooperatives Law of 1999, which is still in force, defines its purpose as “a society constituted by persons who associate, in a regime of free adhesion and voluntarily, in order to pursue business activities.” Agricultural cooperatives, as a generalisation, are comprised of small and medium farmer-members who are grouped around economic projects which are not particularly guided by traditional cooperative principles of solidarity (Moyano Estrada, 1997 and Gómez López, 2009).

However, in actual fact, cooperatives in Spain have played a very important role in the development of rural economies. In most cases agricultural, credit and other cooperatives are located in areas where, at least originally, no investor owned firm would have chosen to operate (Julia and Marí, 2002). Spanish research has focused on the link between cooperatives and rural economic development (Giagnocavo, et. al. 2010) suggesting that the “social” component and value of cooperatives, although not necessarily established by legislative fiat, has persisted and flourished due to the cooperative form put into practice.

The recently passed Spanish Social Economy Law includes cooperatives as one of the important forms within the social economy in Spain. While cooperatives continue to be subject to the statutes under which they are created, the new law attempts to give them a more pronounced social profile. Whether this will result in achieving more in relation to the development of cooperatives than the privileged position given to cooperatives under the Spanish Constitution remains to be seen. In 1978, article 129.2 of the Constitution provided that public powers must support the creation of cooperatives through adequate legislation.

Worker cooperatives (education and social services) increased during the 1980s and are an important cooperative sector in Spain. During the opening up of European Community markets, agricultural cooperatives went through significant changes. Credit cooperatives (which incidentally have their own cooperative credit sector law), most notably the rural cooperative banks, were crucial in the development of agricultural cooperatives (Giagnocavo, et al, 2010). Their role went far beyond the traditional provision of credit—they invested in new technologies, created advisory and risk management services and transformed individual farmer risk into shared cooperative risk, thus fuelling innovation and advances in infrastructure, in research and development and also community building in rural areas that had been left socially shattered and institutionally barren by the long dictatorship. Farmers had been unaccustomed to free markets and international trade, had little political experience and undeveloped entrepreneurial orientation. The Cajamar Group, based in Almería in the autonomous community of Andalusia in southern Spain, is the largest cooperative bank in Spain and is intertwined with the fruit and vegetable cooperatives of the province of Almería, which represent one of the most important agricultural cooperative sectors in Spain. Mondragon, in the north of Spain, created in 1956, is an important national and worldwide reference for its industrial production and retail which is also tied to its financial cooperative sector.

National and regional associations

The Spanish Confederation for Social Economy enterprises (CEPES) plays a key role in advocating for cooperatives in general. Cooperatives participate in the social dialogue between trade unions and employers’ organisations through the CEPES therefore CEPES is able to promote and communicate the interests of Spanish cooperatives. It also has one representative at the European Economic and Social Council (EESC). CEPES has a broad range of members throughout Spain including Mondragon, Confederation of cooperatives in Catalonia, Euskadi and Valencia, Confederations of social economy enterprises, workers cooperatives, housing cooperatives, associations for the blind, etc.¹

Cooperative organisations active in sectors such as consumer goods supply, agriculture and transport express the interests of their members through sectoral forums or councils, as privileged actors; these cooperative organisations communicate cooperatives’ expectations on significant issues through the regular sectoral bodies which defend the interests of the sector and not specifically those of cooperatives within such sector. In Andalusia, CEPES Andalusia has signed an agreement with public authorities and trade unions on the Andalusian Pact for social economy which allows participation of cooperatives in consultations.

¹ See the CEPES’ website at www.cepes.es.

The Spanish Confederation of workers' cooperatives (COCECTA) participates actively in the consultation process by interacting with the Ministry of Labour, political parties and parliamentary representatives (CEPES, 2009).

The national confederation "Cooperativas Agro-alimentarias"² represents and defends the economic and social interests of the agricultural cooperative movement, with approximately 70% of the total sector of agricultural cooperatives being its members.

Cooperativas Agro-alimentarias is made up of 16 Federations, Territorial Unions of Agricultural Cooperatives (FUTs) y Sergacan, a second tier cooperative in Cantabria. The services offered by the Federations of cooperatives are usually advisory in nature in areas such as economics, accounting, agriculture, labour, tax, legal and commercial. They also inform the cooperative members of new developments in their sectors. Further, they interact with official bodies for the management of aid and subsidies (Montegut et al, 2007). They also have a Spanish Cooperative Social-Economic Observatory (OSCAE).

Table 3 Agricultural federations of cooperatives.

Agricultural federations	Community
<i>Asociación Gallega de cooperativas agrarias (AGACA)</i>	<i>Galicia</i>
<i>Cooperativas Agro-alimentarias Castilla-La Mancha</i>	<i>Castilla-La Mancha</i>
<i>Cooperativas Agro-alimentarias de Aragón</i>	<i>Aragon</i>
<i>Cooperativas Agro-alimentarias de Navarra</i>	<i>Navarra</i>
<i>Cooperativas Agro-alimentarias del Principado de Asturias</i>	<i>Asturias</i>
<i>Cooperativas Agro-alimentarias Extremadura</i>	<i>Extremadura</i>
<i>Cooperatives Agro-alimentaries Comunitat Valenciana</i>	<i>C. of Valencia</i>
<i>Cooperatives Agro-alimentaries Illes Balears</i>	<i>Balearic Islands</i>
<i>Federación Andaluza de Empresas Cooperativas Agrarias (FAECA)</i>	<i>Andalusia</i>
<i>Federación de Cooperativas Agrarias de Cataluña (FCAC)</i>	<i>Catalonia</i>
<i>Federación de Cooperativas Agrarias de Euskadi (FCAE)</i>	<i>Basque Country</i>
<i>Federación de Cooperativas Agrarias de la Rioja (FECOAR)</i>	<i>Rioja</i>
<i>Federación de Cooperativas Agrarias de Murcia (FECOAM)</i>	<i>R. of Murcia</i>
<i>Unión de Cooperativas Agrarias de Madrid (UCAM)</i>	<i>Madrid</i>
<i>Unión Regional de Cooperativas Agrarias de Castilla y León (URCACYL)</i>	<i>Castilla and Leon</i>

Three horizontal professional organisations represent producers at the national level: the Union for Small Farmers and Livestock keepers (La Unión de Pequeños Agricultores y Ganaderos-UPA), the Agricultural Association for Young Farmers (Asociación Agraria Jovenes Agricultores-ASAJA) and the Coordinator for Organisations of Farmers and Livestock Keepers (Coordinadora de Organizaciones de Agricultores y Ganaderos-COAG).

There are various interprofessional organisations as well as the General Council of Agro-alimentary Interprofessional Organisations in relation to fruits and vegetables, eggs, bread, milk and dairy products, lemon and grapefruit, table olives, grape juices, oranges and small citrus, sheep and goat, pear and apple, dried figs, fodder, olive oil, etc.

² Previously named, Confederation of Agricultural Cooperatives of Spain (Confederación de Cooperativas Agrarias de España-CCAЕ).

3.2 Agricultural Cooperatives in Spain

In the following section we use the classifications defined by the project to describe agricultural cooperatives in Spain: sector, main functions, diversity of functions and products, position and function in the food chain, type of members, geographical scope, financial/ownership structure and legal form. In addition, we give a general overview and also discuss recent trends in mergers.

General overview

In 2010 there were 3,487 agricultural cooperatives, which employed 67,013 workers. In the last few years there has been a decline in the number of cooperatives, which was 3,659 in 2005 and 4,118 in 2000. In contrast, the number of employees has grown from 48,437 in 2000³. 425 Cooperatives of community exploitation of land (as defined in section 1.3) also exist (OSCAE, 2010).⁴

Turnover in 2010 rose to 18,322 million Euros, with 1,160,337 members and 99,079 employees. This demonstrates a 12.25% increase from 2005, in which year turnover was 16,323 million Euros. Membership in 2005 was 1,160,337 and 107,377 employees in 2005 (OSCAE 2005)⁵.

Table 4 Number of Spanish farmers, cooperatives, cooperative employees and turnover.

Year	2000	2003	2008
Numbers of farmers	1,157,100	1,058,100	1,160,300
Numbers of cooperatives	3,902	4,175	3,989
Numbers of employees	48,440	78,440	94,156
Turnover (million €)	10,820	14,190	18,889

Source: Cogeca (2010)

Table 5. Number of agricultural cooperatives by region (2010)

Region	Cooperatives	%
Andalusia	737	21.14%
Aragon	209	5.99%
Asturias	26	0.75%
Balearic Islands	37	1.06%
Canary Islands	80	2.29%
Cantabria	8	0,23%
Castilla - La Mancha	432	12.39%
Castilla and Leon	384	11.01%
Catalonia	330	9.46%
C. of Valencia	390	11.18%
Extremadura	290	8.32%
Galicia	201	5.76%
Madrid	22	0.63%
R. of Murcia	136	3.90%
Navarra	96	2.75%
Basque Country	64	1.84%

³ Ministry of Employment and Immigration (2011)

⁴ Ministry figures vary slightly, as set out in Table 4.

⁵ Certain differences exist between the statistics supplied by Cooperativas Agro-Alimentarias to the COGECA report and those statistics provided by the Ministry of Labour and Immigration, given that the first figure is an estimation and the latter is the number of companies officially registered.

Rioja	44	1.26%
Ceuta and Melilla	1	0.03%
Spain	3,487	100.00%

Source: Ministry of Employment and Immigration (2011).

Table 6 Number of agricultural cooperatives by number of employees (selected years)

Number of workers	2010		2005		2000	
0 – 5	1,977	56.70%	2,113	57.75%	2,442	59.30%
6 – 10	610	17.49%	621	16.97%	979	23.77%
11 -25	524	15.03%	509	13.91%	415	10.08%
26 – 50	171	4.90%	190	5.19%	130	3.16%
51 – 100	75	2.15%	94	2.57%	76	1.85%
101 – 250	77	2.21%	76	2.08%	60	1.46%
> 250	53	1.52%	56	1.53%	16	0.39%
Total	3,487	100.00%	3,659	100.00%	4,118	100.00%

Source: Ministry of Employment and Immigration, (2011)

Tables 7 Number of agricultural cooperatives by year of foundation (2010)

Year of foundation	Cooperatives
Before1960	212
1960-1969	231
1970-1979	207
1980-1989	953
1990-1999	951
2000-2009	861
2010and after	72
Total	3,487

Source:Ministry of Employment and Immigration (2011)

There is a great diversity of models and size: from local cooperatives which focus on supplying services to their members to others whose major goal is to channel supply for commercialisation to industry or intermediates, to very large cooperatives that process the products of their members and market them directly to retail distributors. Sixteen percent of Spanish cooperatives represent 75% of total turnover by cooperatives. The top-10 first tier cooperatives have a total turnover of 1,381 million Euros and employ 1,379 people and the top-10 second tier cooperatives have a turnover of 2,427 million Euros and have 4,378 permanent workers. (Baamonde, 2010; OSCAE, 2009)

In any case, Spanish agricultural cooperatives are small in size compared with European standards (COGECA, 2005) in spite of the fact that the average turnover went from 2.7 million Euros in 2000 to 4.4 million Euros in 2007. Only 39% have more than 1,000 members and only 1.7% of these cooperatives have a turnover above 30 million Euros, 77% have less than 5 million Euros and 39% less than a million⁶. In contrast, the European average turnover is above 10 million (Cooperativas Agro-alimentarias 2010; COGECA, 2005; OSCAE 2007; 2009).

⁶ See Table 9.

Table 8 Percentage distribution of agricultural cooperatives according to number of members (2009)

Number of members	% Cooperatives
< 100	3.7
100 to 199	7.7
200 to 299	8.8
300 to 399	7.5
400 to 599	14
600 to 1,000	19.3
> 1,000	39

Source: OSCAE, (2009).

Table 9 Percentage distribution of number of agricultural cooperatives according to turnover (2009)

Turnover	% Cooperatives
< 1 M Euro	39
1 - 2 M Euro	17
2 - 5 M Euro	21
5 - 10 M Euro	13
10 - 30 M Euro	8
30 - 60 M Euro	1
> 60 M Euro	1

Source: OSCAE (2009)

It is argued that this situation creates difficulties for Spanish agricultural cooperatives in relation to the concentration of offer, investment needs for new projects, achieving economies of scale and wielding market power. Many studies have pointed to excessive “atomization” of cooperatives (Caballer, 1995; Campos i Climent, 2011; Juliá and Server, 1999; Juliá and Meliá, 2003; Meliá, 2004; Montero and Montero, 2005; Vargas, 2007). Cooperatives Agroalimentarias (the national confederation) in their strategic plan for Spanish agricultural cooperatives called for addressing this issue in order to achieve a competitive dimension (OSCAE, 2007). As a general rule in all sectors of the Spanish market there has been pressure to consolidate and agricultural cooperatives have experienced the same pressures, with the resulting mergers and acquisitions, group formation, integration of cooperatives into second tier cooperatives, etc. (Meliá and Martínez, 2011).

During the period 1995-2005 a total of 147 mergers have taken place in which 374 cooperatives have participated. Sixty six percent of such processes have occurred in the autonomous communities of Valencia, Andalusia, Catalonia and Castilla La Mancha (in descending order.) It should be noted that empirical evidence as to whether these mergers have actually achieved their objectives (i.e. improvement of economic-financial situation, reduction of costs, increase in cooperative and member profits, etc.) is scarce in Spain. As a result, currently it is difficult to empirically back up the assumptions that mergers will be the “cure” for the problems of Spanish agricultural cooperatives (Meliá and Martínez, 2011).

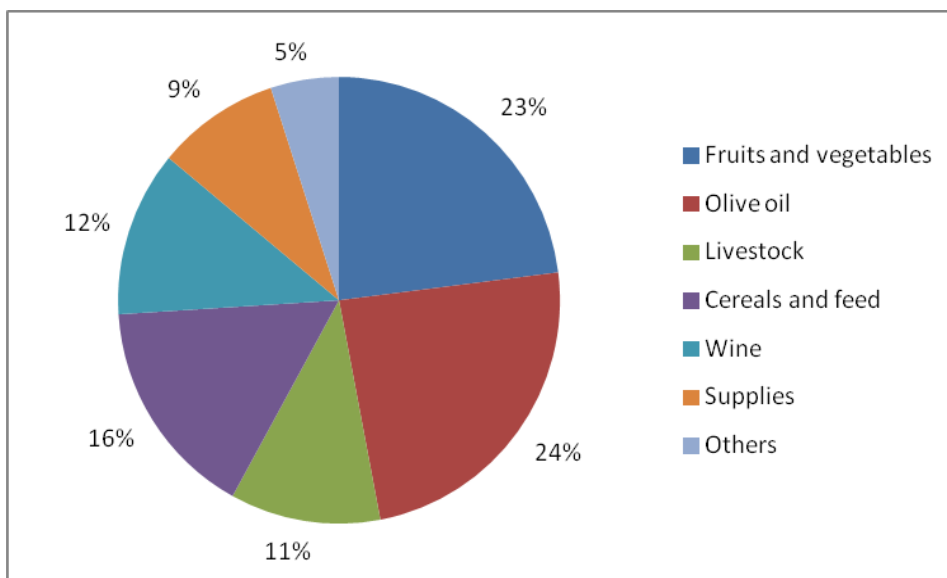


Figure 14 Distribution of mergers according to agricultural cooperative sector (1995-2005)
Source: Meliá and Martínez, (2011)

In terms of percentage, there are several autonomous communities which are notable: Andalusia (30.2%); Catalonia (10.4%); Castilla and Leon (9.5%); Valencia (9.6%), Extremadura (6.8%) and Galicia (6.7%). In terms of employment Andalusia represents 31.2% and the community of Valencia 26.6% (OSCAE, 2010).

Sector

The volume of business has been significantly different in the various sub sectors. Fruits and vegetables, which represent about 20% of total turnover for Spanish cooperatives, have experienced an impressive growth going from 2,400 million Euros to 3,300 million, representing an annual growth of about 9% during the four-year period of 2004 to 2009. The olive oil sector as well has increased its volume of turnover, due to a strategy of focusing on value added products such as bottled extra virgin oils of higher quality. Other sectors have maintained modest growth (see individual sector analysis in Chapter 4 for a more in-depth description).

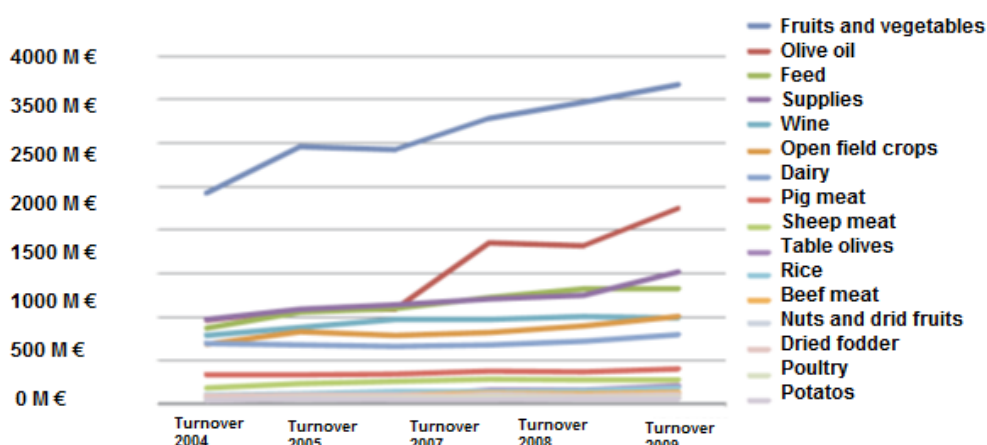


Figure 15 Evolution of turnover of main agricultural sectors. Source: OSCAE 2009

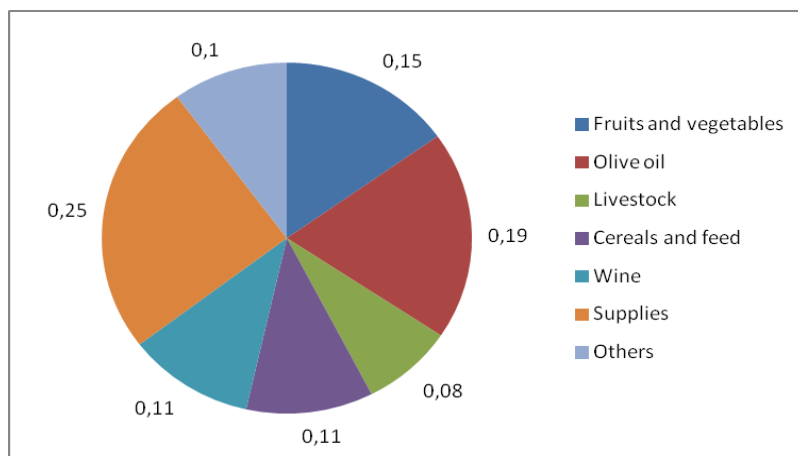


Figure 16 Sectoral Distribution of Cooperatives. Source: Meliá et al. 2011

Main functions

The Common Market Organisation (CMO) for fruit and vegetables sets out the key function of the POs. According to Article 3 of the Commission Regulation (EC) No. 1182/2007, POs must have one of the following objectives: (i) ensuring that production is planned and adjusted to demand, particularly in terms of quality and quantity; (ii) concentration of supply and the marketing of members' products; (iii) optimizing production costs and stabilising producer prices.

With respect to their main function, most Spanish cooperative POs fall within (ii) above. The stabilisation of producer prices is also an objective, as is the optimisation of production costs. Coordination of production, so that it adjusts to demand in terms of quality and quantity, varies across sectors. In sectors with highly perishable farm products which cannot be stored, planning production is more difficult.

Processing of products is important for certain cooperatives as is procurement of supplies. There is some ancillary activity in nursery, farm machinery, credit, insurance and animal breeding. Cooperative in-house credit services (referred to as "credit sections") continue to be popular in some autonomous communities, although this function in many areas has been taken over by cooperative credit entities, most notably in Andalusia. Credit sections arose out of the absorption of rural banks by local agricultural cooperatives or on the initiative of the cooperative which decided to internalise their financial activity.

The strong decline in financial activity within cooperatives is due to the great pressure put on these entities by public authorities. They are being substituted for rural banks that have better operating capacity, more favourable credit terms and conditions, and offer more services to members. However, the loss of in-house credit sections could result in agricultural cooperatives having a more difficult time in accessing credit during a lending crisis.

Diversity of function and products

In 2009, 61% of first tier agricultural cooperatives offered supplies to their members, 46% distributed fuel, and 57% owned retail stores. By engaging in such activities, first tier cooperatives have been able to diversify their business to complement the income of their members and also have stimulated the local economy. As well they offer specialty services such as technical assistance, specialized machinery services, treatment with fertilizers and pest control, replanting, harvesting, etc. Social services to the members have also been provided, a key feature in attracting the next generation. Lobbying is done on the level of interprofessional groups (e.g., Hortyfruta is a large interprofessional group for the fruit and vegetable sector in Andalusia).

Position and function in the food chain

The food supply chain in Spain is equally divided between traditional and modern marketing systems. For example, with respect to vegetables, traditional retail (i.e., SME and/or family owned businesses located near residential areas) accounts for 42% of the sales of vegetables, followed by large distribution chains (40%). A similar pattern is observed in the fresh fruit sector, in which small retailers market 45% of the total product value, and large distribution chains 42%. Besides farmers and retailers, the sector includes a very wide range of economic agents (about 10,000) who perform various operations along the supply chain, related to product sorting, conditioning, processing, transport, etc (Camanzi, et al., 2009).

Sectors vary as set out in Chapter 5 herein, but Spanish fruit and vegetable POs are highly specialized in tomatoes (both primary and processed product and providing 96% of total value of marketed product), onions, shallots, garlic, leeks (two main products account for 87% of total value of marketed product), nuts (85%), cucumbers (76%), apples and pears (70%). Seventy-three percent of products from POs is marketed as fresh product; wholesale represents 35%, and supermarkets another 23%. In terms of processing, they sell 16% of products to the processing industry and self process 11% (Camanzi, et al, 2009). See descriptions of various sectors in Chapter 5. See also Section 4.2 in Chapter4.

Negotiating Power

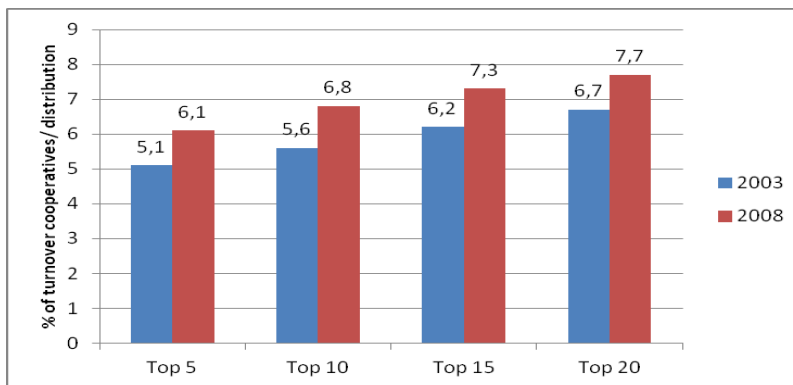


Figure 17 Negotiation power of agricultural cooperatives compared to distribution (2008). Source: Arcas-Lario, et al, (2011)

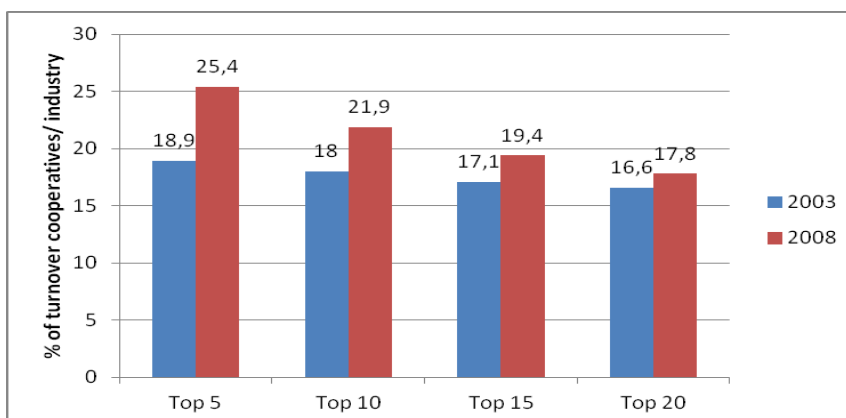


Figure 18 Negotiating power of agricultural cooperatives compared to industry (2008). Arcas Lario, et al (2011)

Type of members

In 2005, 64.7% of first tier cooperatives were members of a second tier cooperative, in contrast to 61% in 2009. In 2005, 22.4% of second tier cooperatives were also members of another second tier cooperative, as opposed to 13.33% in 2009 (OSCAE, 2010). Figure 19 below shows the levels of membership in Spanish first and second tier agricultural cooperatives.

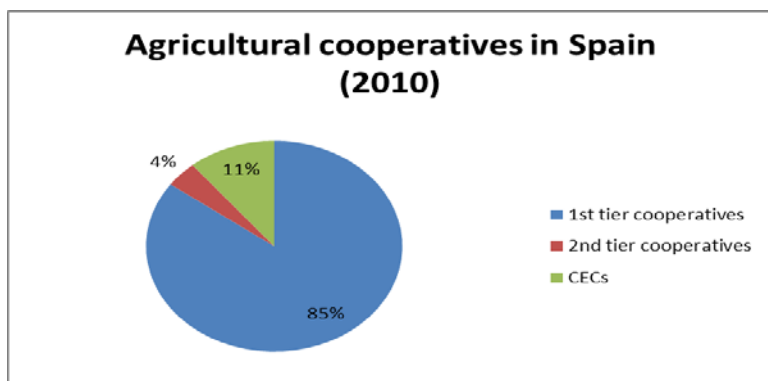


Figure 19 Membership in first and second tier cooperatives. Source: OSCAE (2010)

Geographical scope

Given the cooperative legislative regime in Spain, where cooperative laws are on an autonomous community basis coupled by a weak national law, membership tends to be local (provincial or autonomous) and supra-regional cooperatives are rare. Below is an indication of the commercial activity of cooperatives, on a provincial, regional, national, and international basis.

Table 10 Scope of commercialisation in Spanish cooperatives

Scope of commercialization	2005	2009
Local	34.2	39
Provincial	48.8	43
Regional	59	47
National	66.8	61
EU	36.3	35
Outside EU	7.4	15

Source: OSCAE, (2009)

Table 11 Principle indicators of the level of internationalization of Spanish cooperatives

	2005		2009	
	1st grade	2nd grade	1st grade	2nd grade
Average exportation of cooperative exporters	6.06	13.3	4.73	12.47
Theoretical global export tendency (%) (exportation/turnover)	23	25.1	16.67	15.81
Percentage of exterior presence	6	10.34	3.67	7.41

Source: OSCAE (2009)

Financial/ownership structure and Legal Form

Cooperatives in Spain are mainly traditional cooperatives, with some being SATs, CECs and CUMAs as described in section 2.3 which describes the different type of cooperatives and POs and their legal form.

3.3 Market share of farmers' cooperatives in the food chain

Cooperatives play an important role in the food chain in Spain and represent a significant market share in many sectors. The term “market share” refers to the percentage of total turnover related to such companies in such sector. Using information from Cooperativas Agroalimentaria, the national confederation, we set out below the market share relating to the 8 sectors under study. These figures are best estimates, with 2008 being the most recent year available. In the case of wine and olive oil, the market share is 70% and 75% respectively. In the most important agricultural sector in Spain, fruits and vegetables, the market share reaches almost 50% (as the scope of fruits and vegetables is so wide and varies within the sector, the value given by Cooperativas Agroalimentarias was 25-45% percent, although vegetables would be closer to 50%). The lowest figure is 25% in the pork sector. According to the statistics given, there has been little change in market share in the period between 2000 and 2008.

For a more in-depth discussion of the various sectors, see Chapter 5.

Table 12 Market share of cooperatives in selected sectors

Sector	Agricultural cooperatives (number)		Market share (%)		Farmer members ('000)		Turnover (billion €)		
	2003	2008	2003	2008	2003	2008	2003	2008	Var %
	Cereals	520	484	35	35	67.2	58.6	0.588	0.975
Sugar	1	1	28	28	n/a	n/a	n/a	0.134	n/a
Pig meat	101	n/a	25	25	25.25	25	0.674	0.756	12%
Sheep meat	n/a	n/a	n/a	25	n/a	n/a	n/a	n/a	n/a
Fruit and vegetables	945	945	15-45	15-45	153	160.5	2.066	3.7	79%
Olive oil and table olives	915	772	75	70	274.5	276.5	1.208	1.42	18%
Dairy	242	396	40	40	43.5	27.8	0.713	0.88	23%
Wine	715	625	70	70	167	172	0.653	1.4	114%

Sources: Cooperativas Agroalimentarias (2010), Cogeca (2010)

3.4 List of top 50 largest farmers' cooperatives

Table 13 The 50 largest farmers' cooperatives in the food chain of Spain and Turnover (millions of Euros).

	Name of the Cooperative	Sector(s) involved in:	Turnover (1)	Turnover (2)
1	Coren, S.C.G.	Livestock	966.00	942.00
2	An, S.Coop	Fruit and vegetables, feed, livestock	420.40	554.00
3	Anecoop S.Coop.	Fruit and vegetables	439.21	467.00
4	Hojiblanca S.C.A	Olive oil	276.00	340.00
5	S.C.A Ganadera del Valle de los Pedroches COVAP	Livestock, dairy	266.95	272.28
6	Acorex, S.C.L	Fruit and vegetables, livestock, cereals	245.68	212.00

7	Del Camp d'Ivars d'Urgell i Secció de Crèdit; SCCL	Feed	188.95	188.95
8	Casi, S.C.A	Fruits and vegetables	175.49	169.17
9	Cobadu, S.Coop.	Livestock, feed	123.26	167.35
10	Copaga, SCCL	Livestock	130.58	130.59
11	Arento, S. Coop	Cereals, feed, supplies	144.89	121.70
12	Agropal S. Coop	Livestock, cereals, feed, supplies	139.63	120.00
13	Copiso Soria S.Coop	Livestock, feed	78.86	119.26
14	Alimer, S.Coop	Livestock, Fruits and vegetables	113.98	118.67
15	Actel, SCCL	Fruits and vegetables, supplies	119.64	118.67
16	SAT Arco Iris	Livestock	120.00	111.89
17	Feiraco, S.C.G.	Dairy	73.22	108.62
18	SAT Central lechera Asturiana	Dairy	125.37	108.04
19	Unica Group, S.C.A.	Vegetables	101.22	101.22
20	Acor, S. Coop	Sugar	140.00	99.38
21	Avigase, S. Coop	Livestock	86,18	90.23
22	Agropecuaria d'artesa de Segre, SCCL	Livestock, feed, wine, cereals, supplies, other services, gasoil, retail	88.51	88.52
23	S.C.A. Santa María de la Rábida	Fruits and vegetables	77.65	86.89
24	Vicasol, S.C.A.	Fruits and vegetables	92.38	81.22
25	Coarval Coop.V.	Supplies	93.15	80.22
26	Suca, S.C.A.	Supplies	78.13	79.69
27	Carchuna La Palma, S.C.A.	Fruits and vegetables	79.92	78.42
28	Acopaex S. Coop	Fruits and vegetables, flowers, oil, cereals, supplies, services, gasoil	72.58	72.58
29	Murgiverde, S.C.A.	Fruits and vegetables	108.01	70.20
30	S.C.A. Cuna de Platero	Fruits and vegetables	55.07	67.65
31	S. Coop. Avícola y ganadera de Burgos	Pig meat, dairy, feed	62.56	67.55
32	Cotecnica, SCCL	Livestock, feed	59.21	65.68
33	Jaencoop, S.C.A.	Olive oil	66.14	61.20
34	Camp y secció de Crèdit Sant Isidre de Ballcaire d'Urgell, SCCL	Livestock/credit	65.74	60.90
35	Agrària Plana de Vic i secció de Crèdit, SCCL	Livestock	59.84	59.85
36	Kaiku, S. Coop	Dairy	-	58.95
37	Oleoestepa S.C.A.	Olive oil	54.74	53.80
38	Agrosevilla Aceitunas S.C.A.	Table olives	52.55	52.64
39	Icos, S.C.G.	Dairy	46.61	50.27
40	Casat	Fruits and vegetables, cereals	49.78	49.79
41	Uteco, S. Coop	Supplies, gasoil	66.33	49.19
42	El Grupo, S.C.A	Fruits and vegetables	47.45	48.41
43	Agro-Olivera San Cosme y San Damián, S.C.A.	Olive oil	33.84	46.66
44	Agrupación Coop. Valle del Jerte	Fruits	45.42	44.50
45	Agropecuaria Catalana, SCCL	Livestock, feed, cereals, other services	44.23	44.23

46	Copal S.C.J	Poultry	39.53	43.50
47	S.C.A Oleicola el Tejar N.S. Araceli	Olive oil	-	43.27
48	Garlan S. Coop.	Cereals/supplies, fruits and vegetables	48.00	42.75
49	Gregal S.Coop.	Fruits and vegetables	52.34	41.94
50	Olivar de Segura, S.C.A.	Olive oil	47.47	41.45

Top 50 chosen on information provided by Cooperativas Agroalimentarias in 2011 taking into account the estimation of the actual subsector activity (as opposed to other activity) of the cooperative.

Turnover (1): Source CEPES 2010

Turnover (2): Source Cooperativas Agroalimentarias 2009

3.5 List of top 5 largest farmers' cooperatives per sector

Table 14 The most important cooperatives in the sectors studied in this project (millions of Euros)

Sector	Name of Cooperative	Turnover (1)	Turnover (2)
Cereals	An, S.Coop	420.40	554.00
	Acorex, S.C.L.	245.68	212.00
	Arento S. Coop	144.89	121.70
	Agropal S. Coop	139.89	120.00
	Actel	119.64	118.67
Sugar	Acor S. Coop	140.00	99.38
Fruit and vegetables	Anecoop S. Coop	439.21	467.00
	CASI, S.C.A	175.49	169.17
	Unica Group S.C.A	101.22	101.22
	Acorex, S.C.L.	245.68	212.00
	Murgiverde, S.C.A.	108.01	70.20
Olive oil and table olives	Hojiblanca, S.C.A.	276.00	340.00
	Agrosevilla Aceitunas, S.C.A.	52.55	52.64
	Jaencoop S.C.A.	66.14	61.20
	Oleoestepa, S.C.A.	54.79	53.80
	Olivar del Segrua, S.C.A	47.15	41.45
Wine	Baco Bodegas Asociadas Cooperativas, S.C.L.	*29.80	-
	Coop Virgen de las Viñas	44.00	26.35
	Viñedos de Aldeanueva, S. Coop	*21.56	-
	Bodegas San Valero	*18.31	-
	S.C. Cristo de la Vega	30.08	-
Dairy	Covap, S.C.A	266.95	272.28
	SAT Central Lechera Asturiana	125.37	108.04
	Feiraco, S.C.G.	73.22	108.62
	Kaiku, S. Coop	-	58.95
	Cadi SCCL	47.28	-
Sheep meat	Carnes Oviaragón S.C.L	-	26.74
	Oviso, S.Coop	38.01	38.01
	Dehesas Cordobesas, S:C.A	-	-
Pig meat	Coren, S.C.G.	966.00	942.00
	S.A.T. Fribin	-	198.00
	S.A.T. Grupo Arco Iris	120.00	115.00
	Grupo Avigase	86.18	79.00
	Covap, S.C.A	266.95	272.28

Top 5 of each sector selected on information provided by Cooperativas Agroalimentarias taking into account the estimation of the actual subsector activity (as opposed to other activity) of the cooperative

*Turnover data from SABI, last available year

Turnover (1): Source CEPES 2010

Turnover (2): Source Cooperativas Agroalimentarias 2009

3.6 Transnational cooperatives

Many cooperatives are active internationally. In most cases the foreign activities of cooperatives are limited to marketing, trade and sales. Usually they do not buy agricultural products from farmers outside Spain, or supply inputs to them. However, there is a growing group of cooperatives that do business with farmers in other EU Member States. These cooperatives are called international cooperatives. They can be marketing cooperatives that buy from farmers in different countries, or they could be supply cooperatives that sell inputs to farmers in different countries. One particular group of international cooperatives is the so-called transnational cooperatives. These cooperatives do not just contract with farmers to buy their products or to sell them inputs; they actually have a membership relationship with those supplying or purchasing farmers. In sum, a transnational cooperative has members in more than one country.

There are no transnational cooperatives in Spain (according to Cooperativas Agroalimentarias, the Confederation which keeps national cooperative data).

According to available general data (see “Geographical Scope” above) internationalisation of Spanish cooperatives is scarce: only 7.41% of second tier cooperatives are established outside of Spain and barely half of the first tier ones have any exposure at all. Such lack of interest for internationalisation may be due to the risks and difficulties involved and the involvement needed in terms of management resources (Boccherini, 2010). Spanish cooperatives use foreign intermediaries (57%) or Spanish companies (between 45 and 49%). Twenty-six percent sell directly to foreign distribution chains and only 3.5% distribute through their own agents or companies in the exterior (Fuentes, Sánchez and Santos, 2011)

With respect to international cooperatives active in Spain, we do not have access to this kind of data.

The international cooperatives from Spain that are trading with farmers in other countries that we have ascertained from our Questionnaires (Chapter 4) are the following:

Table 15 International cooperatives from Spain that are trading with farmers in other countries

Name of the Cooperative	Host countries	Sector(s) involved in:
Anecoop	Not specified	Multi product (FV, Citrics, etc.)
Unica Group	Holland	Fruits and vegetables
Fribin	EU (not specified)	Pig meat/beef

4 Description of the evolution and position of individual cooperatives

4.1 Data gathering per cooperative

The data gathered for the Chapter 4 Questionnaire was mainly based on the answers given by cooperatives. Very few cooperatives have such relevant information available on websites or through other publications, so such information had to be solicited directly.

Where necessary, SABI (the system for Iberic accounts-Sistema de análisis de balances ibérico) was also used for the accounting part of the survey, the year founded, location, whether it was a holding company, whether a cooperative or SAT (legal form) and the structure of the group.

We also interviewed people at the cooperatives by telephone, following up repeatedly during the course of two months by telephone and email correspondence. We talked to federations, associations, farmers, etc. in order to extract as much information as possible. We also used numerous publications and news items, internet sites, trade magazines, power point and other presentations by associations, confederations, particular cooperatives, etc. Particularly useful were those materials that contained points of view on strategy or interviews with the various heads of organisations or associations related to sectors.

Certain cooperatives stated from the start that they would not be giving information. The Confederation (Cooperativas Agroalimentarias), which is the only national cooperative data collection entity, was reluctant to provide information, due to concerns about the privacy of their members (their members represent about 70% of the cooperative sector). Federations also expressed this concern, but were helpful with certain questions to the best of their knowledge

4.2 Position in the food chain

See Chapter 3 for a more detailed analysis of Spanish agricultural cooperatives and their position in the food chain (marketing, first and second processing, wholesale and retail) and related data, charts and figures, including internationalisation, negotiating power, etc. See also Chapter 5 for such an analysis in relation to each of the 8 sectors studied herein.

With respect to the cooperatives which were the subject of this study, most are second tier cooperatives. However, most of the wine and dairy cooperatives are first tier cooperatives.

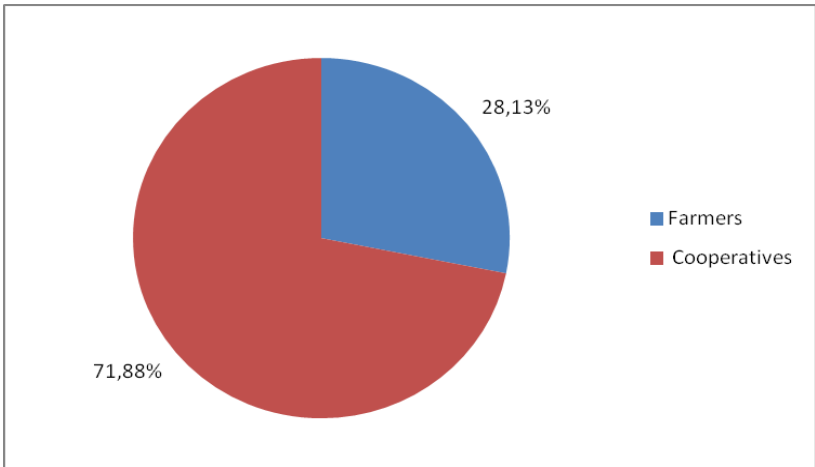


Figure 20 Members of Cooperatives (Results of Questionnaire)

The cooperatives focused upon in this study are mainly devoted to the functions of collecting and forwarding member products to the next vertical stage of the food supply chain, marketing, and procurement of supplies, in keeping with what we have observed in Chapter 3. However, as can be expected amongst the largest cooperatives there is more emphasis on processing and marketing branded products than amongst smaller cooperatives. Although cooperatives considered such functions and activities to be relevant in the Questionnaire, there is a significant gap between theory and practice; in general, high product specialisation is observed.

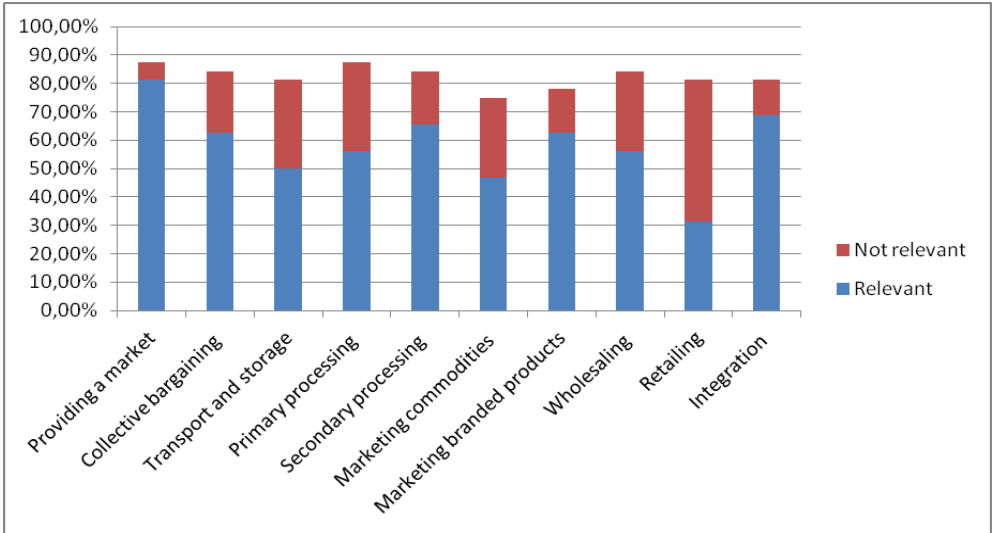


Figure 21 Position in the Food Chain-Functions

With respect to marketing strategies, it is notable that 62.5% of cooperatives consider differentiation to be a key marketing strategy for success as opposed to 34.38% who highlighted cost leadership. Focus on a niche market was least popular at 18.75%.

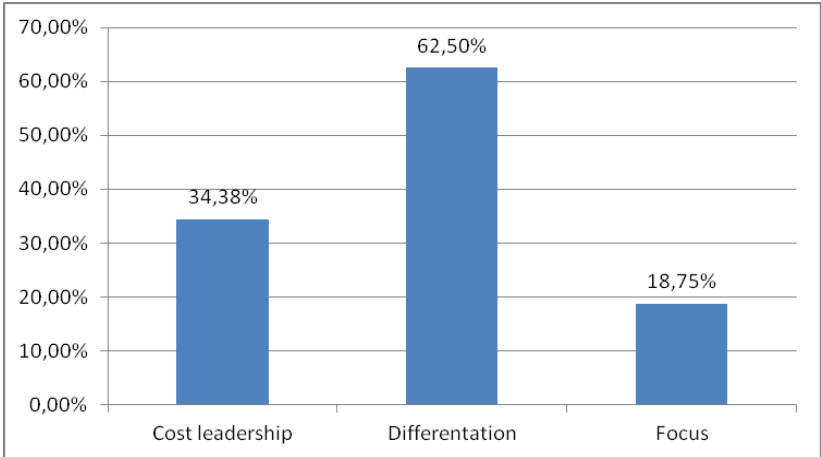


Figure 22 Marketing strategies

Growth strategies rely to a high degree (46.88%) on “organic” or autonomous growth (selling more, obtaining more members and thus more activity). Horizontal mergers and acquisitions account for 40.63% and vertical mergers and acquisitions account for 25%. Not surprisingly, international mergers and acquisitions comprise only 18.75% of such growth strategies, although given the historically low rates of internationalisation, even this is somewhat encouraging for the Spanish market in general.

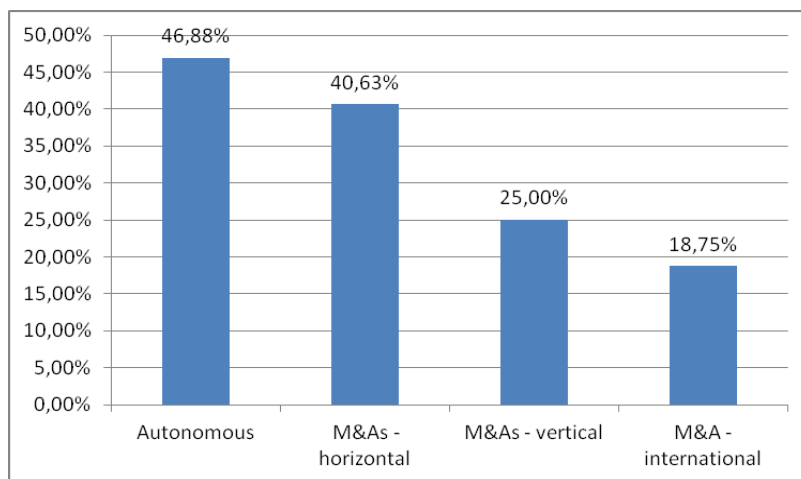


Figure 23 Growth strategies

4.3 Institutional environment

Chapter 3 herein, sets out the institutional environment of cooperatives, making reference to the history of cooperatives, both agricultural and otherwise, political, sociological and institutional support and their importance in the Spanish economy in general (see section 3.1 in particular). Chapter 6 sets out in detail relevant laws and policies and comments on their effectiveness, particularly in light of legal barriers, tax and competition issues. In sum, although cooperatives benefit to a certain degree from a “privileged” tax treatment, the restrictions on their activities, not to mention financial constraints, arguably outweigh any such privilege. As part of this study, a Legal Questionnaire was completed which details such restrictions and financial constraints in detail. In section 6.3 herein we provide a summary of these restrictions described in the Legal Questionnaire.

In general, we can observe that within Spain there is a reasonably high institutional support for cooperatives, at least formally. Provisions related to cooperatives are included in the Spanish constitution and more recently in the new Social Economy Law. The problem, as set out in other chapters referred to above, is that the actual legal and cooperative organisational structures limit the effectiveness of such support. As well, by virtue of the sheer volume of cooperative laws and policies at the autonomous community level, there is no united policy orchestration which would be ideal in confronting an increasingly competitive and globalised marketplace. Most cooperatives are incorporated at the autonomous community regional level to take advantage of regional policies. Resulting inconsistencies between regions complicates inter-regional cooperation, thus ultimately inhibiting growth strategies and at time internationalisation. Financial constraints are common in cooperatives, and even more so when such cooperatives are “confined” within regions. Policy direction is incoherent and contradictory. More and more emphasis is put on encouraging cooperatives to increase size in order to gain market power, concentrate offer, etc. However, once they reach a “large” size and outgrow their small-to-medium enterprise status they lose the chance to benefit from a multitude of subsidies and funds that are available to SMEs. While this may be an important issue for European cooperatives in general, in the case of Spain it is even more so, given the smaller cooperative size and the imperative task of gaining size and market weight. A restrictive interpretation which does not recognise the specificity of cooperatives is counterproductive.

On the national scale, there seems to be some “disconnect” between the importance of agricultural cooperatives and the political acknowledgement of such agricultural cooperatives concerns. Whether this is a rural/urban issue or simply a predisposition for investor-owned firms as a default is difficult to judge. A telling example was that in a national government “crisis” round table of 30 business leaders in Spain, only one cooperative was invited

(Mondragon) and no agricultural representatives (or credit cooperatives) even though agricultural cooperatives are currently generating employment and credit cooperatives are among the few financial institutions that haven't abruptly stopped lending to small and medium businesses.

4.4 Internal Governance

In Spanish cooperatives the three obligatory corporate bodies are: The General Assembly, the Management Board and the "Intervenors". The General Assembly is the body composed of all the members of the cooperative and the Management Board is the administrative body.

The Intervenors (also known as "Intervention" or "Account Intervenors") is a social body that has a long tradition in Spanish cooperativism and is obligatory in the national cooperative legislation and the majority of the autonomous laws. However, its utility is limited, above all in small cooperatives, and it cannot be considered to perform a true supervisory function. The powers vested in such a body to control and supervise the cooperative are limited to access to cooperative documentation and the review of annual accounts. This said, the cooperative statutes may, in theory, grant greater powers to this body. In some autonomous laws the Intervenors body is not obligatory (Valencia) and in others only when the cooperative has more than a stated number of members (Basque Country and Catalonia).

With respect to the SAT, the obligatory bodies are: the General Assembly and the Management Board (art. 10.1, Royal Decree re: SAT).

The Spanish legal framework is quite inflexible as it allows little margin to freely modify or amend company statutes. For example, the administrative body is always the Management Board ("Consejo Rector"), which has a very predetermined composition and only allows as an alternative the existence of a sole administrator in cooperatives with few members. With respect to SATs that have less than ten members the General Assembly can assume the functions which pertain to the Management Board, both constituted in a single body. With respect to such body, it is worth noting that instead of providing for the possibility of a sole administrator, as occurs in the national cooperative legislation, it dispenses with the Management Board, leaving the General Assembly to function as the sole body. This resulting odd situation raises the possibility of legal and administrative/operational uncertainties. If for any reason, the General Assembly is unable to reach decisions or to resolve a dispute or cooperative problem, a decision making void results.

The national legislation establishes the possibility that the cooperative statutes allow for the naming Management Board members that are not members of the cooperative. The number of non-member managers cannot be more than one third of the total members of the Management Board and must be people that are qualified and experts in their fields. In addition, such non-members are prohibited from serving as Chairperson or Vice-Chairperson. All of the cooperatives in this study had boards ("consejo rector") composed of cooperative members, and such members were often professionals in charge of the operational management of the cooperative. On this point, there are differences between the various Spanish cooperative laws. The majority, like the national law, fixes the percentage of the non-member managers to one third. In turn, SATs, establish that all members of the management board be members of the SAT and chosen by the General Assembly (art. 10.4 RDSAT).

With respect to the departure from the principle of "one person, one vote" and the possibility of a "plural" or "multiple votes" in the General Assembly, there are notable differences in the contents of the distinct autonomous community cooperative laws. However, in all cases the additional votes must be assigned in proportion to member patronage. Also, there is a limit to

such votes, depending on the particular law (See Question 3.1 of the Legal Questionnaire for a complete description).

The national law allows regional statutes to choose whether multiple member votes are permitted or not. The term “members” refers to members that are cooperatives, entities controlled by cooperatives, or public entities, and includes as well members who are physical persons in certain types of first tier cooperatives. In relation to agricultural cooperatives the national law provides that multiple votes cannot exceed five votes and that a member cannot hold more than one third of the total votes of the cooperative.

However, all cooperative laws in Spain permit proportional voting at the second tier cooperative level if permitted by a cooperative’s bylaws. Additional votes must be proportional to the level of a member’s (cooperatives or SATs) patronage and/or the number of its active members. Limits are usually established so that a member cannot have the majority of the votes.

The majority of cooperatives in this study do not have non-active members and if they do, their power is minimal. In some cases, such members are waiting to leave the cooperative. The only cases in which non-active members were represented were found in two SATs, Central Lechera Austuriana and Fribin, which function in compliance with the SAT legislation.

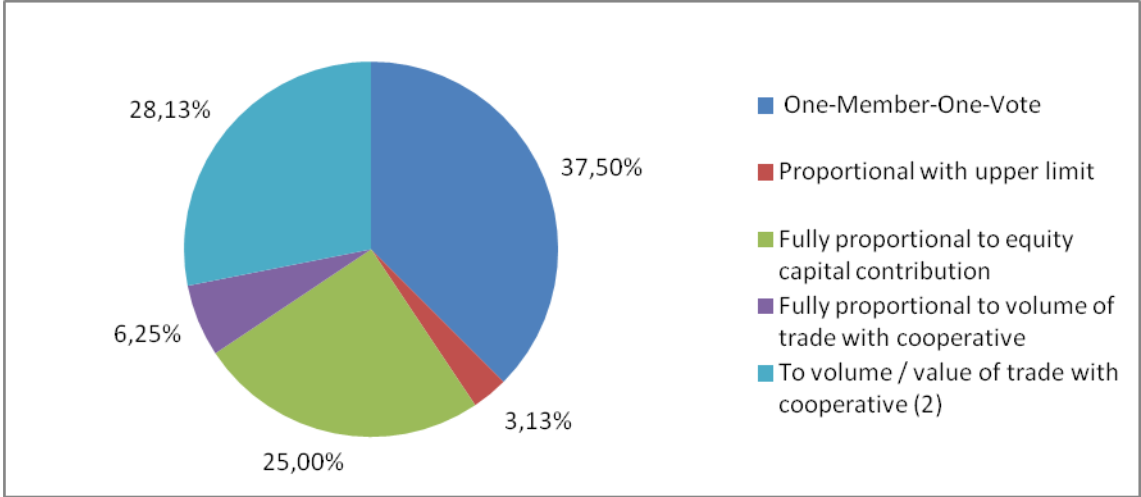


Figure 24 Percentage of cooperatives that permit one vote or proportional voting

With respect to SATs, the relevant regulation makes reference to the possibility of a vote per person or votes in proportion to capital contribution. In the latter case, additional voting rights can only be exercised if the decision under discussion would carry economic obligations. In this way, a plural vote is allowed in relation to economic matters. However, this differs from the manner in which agricultural cooperatives allow for multiple votes in proportion to patronage and with a limit of votes per member. In the case of SATs such plural votes are a function of the equity capital that each member has put up and are without limit.

4.5 Performance of the cooperatives

The market shares of cooperatives in the eight sectors studied are discussed in Chapter 3, Section 2.2.2. Further, performance of cooperatives is analyzed in Chapter 5, with reference to the evolution of the sector, prices, production, exports, relative performance with IOFs and challenges for the future, as well as policy concerns.

As a sketch of the performance of the cooperatives’ under study, turnover of each cooperative from 2000 (where available) and 2010 is compared in Figure 26 below. Data is incomplete as

there are several cooperatives which do not have figures for 2000, having merged the activities of several entities since such time. SABI does not contain 2005 figures for many of the cooperatives and thus a mid-decade comparison is not included. Most impressive is Coren’s performance, and as such it is a suggestion for further study in Chapter 8. Central Lechera Asturiana, a SAT, is also proposed as an interesting case study for the opposite reason, i.e., it is experiencing difficulties in spite of its more “flexible” SAT structure.

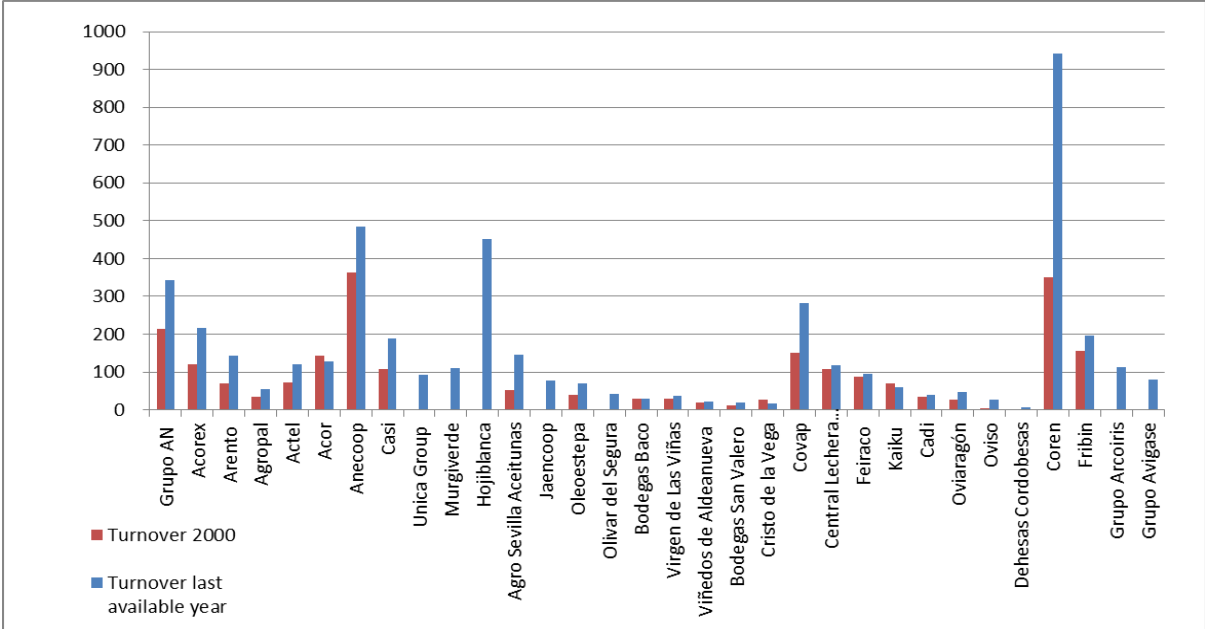


Figure 25 Turnover of the “Top 57” Cooperatives (million €)

With respect to sectors, the growth in the fruits and vegetables and pig meat sectors is noticeable, with cereals experiencing growth as well.

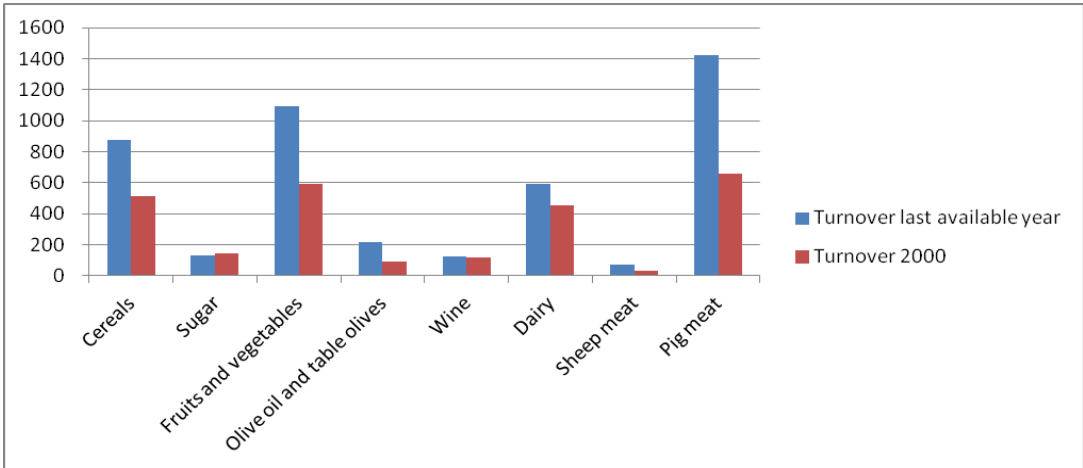


Figure 26 Turn-over of Top 58 in Each Sector

7 In some cases, there are less than 5 cooperatives per sector represented: the sugar sector has one cooperative and sheep meat, three.

8 In some cases, there are less than 5 cooperatives per sector: the sugar sector has one cooperative and sheep meat, three.

5 Sector analysis

5.1 Introduction

In this chapter we discuss developments in the eight sectors that are central in this study. We report on trends in the markets, important changes in (agricultural) policy and we try to link this to the strategies and performance of the investor-owned firms and cooperatives in the sector. The period of observation is 2000 – 2010, although certain information was not available for all years in the aforementioned period. We identify challenges of and issues related to each sector, and link these to the overriding concerns of agricultural cooperatives in Spain; that is, the small size and “atomization”, decreasing and volatile prices, over-emphasis on production related activities (i.e. at the “bottom” of the food supply chain), lack of commercialisation, weak bargaining power vis-à-vis the other actors in the food supply chain, regionalism and lack of internationalisation, ageing farmers, etc. We also link the challenges and crucial issues facing each sector to the key themes of this study.

5.2 Cereals

Cereals are an important sector in Spanish agriculture both as a primary input to the processed foods industry as well as animal food. Given the interrelationship between this sector and the rest of the agri-food system, changes in the cereals sector, whether in terms of price, supply, etc., have an impact on other sectors (Cooperativas Agroalimentarias, 2004). The use of cereals in the production of bio-fuel has risen from 1.9 million tons in 2007 to 7.7 million tons in 2009 (Centenario Group, May 19, 2010).

Production. In 2009 the cultivated area of cereals in Spain was 6,126,669 hectares, reaching a production of 24,275,000 tons. Although surface area under cultivation has decreased, production continues to rise. Yields have increased with improved production methods. Cooperatives have 35 % of the market share. The principle cereals cultivated in Spain are wheat, barley, oats and corn.

Table 17. Production, value and area of cereals, 2000-2009

Year	Production (th tons)	Value (th €)	Area (th ha)
2000	24,567	3,184,137	6,807
2001	18,055	2,575,447	6,428
2002	21,683	2,894,872	6,729
2003	21,170	2,924,833	6,627
2004	24,849	3,412,054	6,603
2005	14,241	2,359,344	6,596
2006	19,091.8	2,629,835	6,305
2007	24,0543.7	4,777,990	6,244
2008	24,179.8	4,625,040	6,740
2009	24,274.8	3,491,240.2	6,076

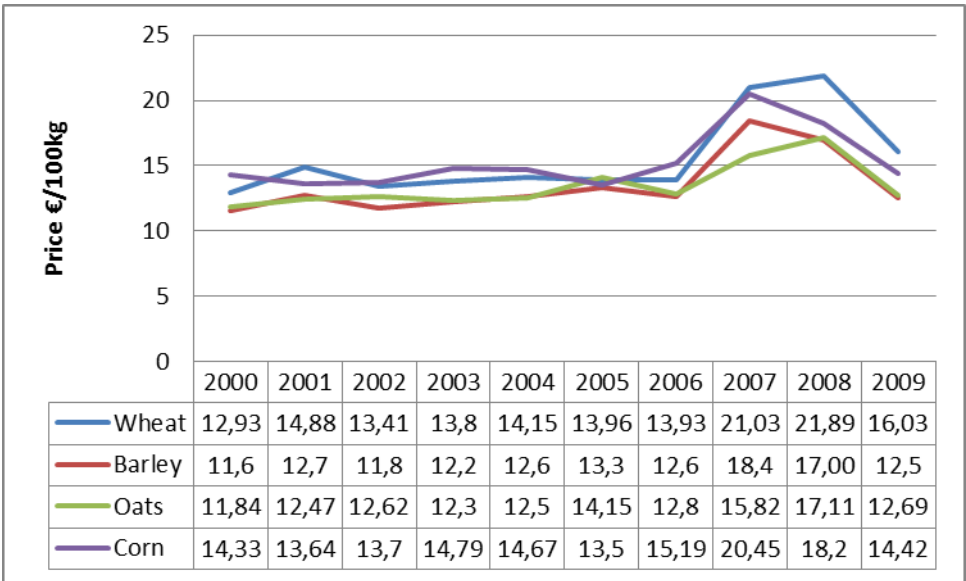
Source: MARM (2010c)

Distribution by region. The cereals sector is principally in Castilla and Leon (32.98%), Castilla - La Mancha (21.41%), Aragon (13.96%) and Andalusia (13.13%). The fact that processing companies are usually not close to production (e.g. in Catalonia, Valencia, Andalusia, Murcia, and Galicia) results in high transportation/commercialisation costs (Cooperativas Agroalimentarias, 2004).

External trade. Spain has a deficit in the production of cereals to meet consumption and is a net importer. From 2000 onwards imports have risen and exports decreased. Exports mainly are destined for EU countries such as Portugal, France, Italy and the UK.

Prices. The cereals mentioned above have followed approximately the same price trend. Between 2000 and 2006 prices remained relatively stable, rising significantly in 2007 to 2009. In 2009 the prices dropped to 2006 levels. The disappearance of price protection and the globalization of markets have resulted in high price volatility and the use of cereals as a speculative commodity. Lack of price stability is a key characteristic of the sector which affects the income of the farmer and the sale price. As well it makes the establishment of long term contracts between producers and the processing industry difficult due to the complexity of estimating future prices.

Figure 27 Average prices of main cereals (€/100kg).



Source: MARM (2010c)

Cooperatives in the Cereals Sector and Necessary Action. The cereal supply to the processing industry is in the hands of three types of entities: cooperatives, wholesalers and large multinational companies with capacity for warehousing (Caton-Vázquez, 2004). The dispersed offer of cereals in Spain represents an obstacle in dealing with the highly concentrated agro-food industries. In general, it is made up of small and medium enterprises with the consequent high structural costs (Cooperativas Agroalimentarias, 2004).

The majority of cooperative cereal production is commercialized through second tier cooperatives, although there are some first tier cooperatives with a significant commercial capacity. Many of the first tier cooperatives that are not members of a second tier cooperative are basically local storehouses of various products and supplies; generally they do not engage in direct sales and they often work through wholesalers of a certain size. A weakness of the sector is its lack of adequate commercialisation strategy to adapt to demand and also to allow supply to the market throughout the whole of the year. Commercial cooperatives, with the appropriate infrastructure for storage, can plan price strategies and have the capacity to provide a steady and homogeneous supply throughout the year. Where cooperatives do not have such capacity they are forced to sell to third parties at less than optimal prices (Centenario Grupo AN, 2010).

Another weakness is the lack of stability and trust in the contractual relationships between cooperatives and the processing industry due to a mutual lack of confidence and above all, speculation brought about by price volatility. In certain cases, agreements have been entered into between the principle cereal cooperatives and the processing industry with certain clients in order to ensure supply independently of volatile market conditions.

In addition to attempts to deal with volatility and inadequate commercialisation measures, potential strategies may be the differentiation of product through quality measures and classification of product for final use (eg. specific flours).

5.3 Sugar

Production. In 2009, 49,700 hectares were dedicated to the production of sugar beet resulting in 4,225,433 tons of sugar beet. The cultivation of sugar cane in Spain has practically disappeared, decreasing to a mere three hectares and 11 tons in 2009 from 1,068 hectares and 106,000 tons in 2000 (MARM 2010, ACOR, 2010).

Sugar production has decreased by half over the decade, going from 1,260,000 tons in 2000 to 636,000 tons in 2010. The Spanish sugar sector has been reduced to only 2 producer companies: Azucarera Ebro, an investor owned firm with 72% of the market and ACOR, a cooperative, which commands 28% of the market.

Territorial Production. Sugar production is very concentrated, mainly in Castilla and Leon (68.78% of area and 73.31% of production), followed by Andalusia (24.04% area and 9.09% production). ACOR (the cooperative) is situated exclusively in Castilla and Leon, while Azucarera Ebro is more dispersed throughout Spain.

External Trade. In keeping with the reduction in production, imports of sugar have increased in a significant manner while exports, mainly to France and Portugal, have suffered strong fluctuations, with a general negative tendency.

Prices. Prices have fallen, as a consequence of the lowering of minimum prices.

Table 18. Average sugar beet price received by farmer €/100kg (not including subsidy).

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Price (€/100kg)	5.05	5.12	5.15	5.88	6.08	5.5	4.37	3.51	3.71	3.71

Source: MARM (2010c)

Policies. The Common Market Organisation resulted in the loss of sugar production, not only in Spain, but also in the entire EU. Under such regulation the sugar production quota was reduced and the minimum prices for sugar decreased. The companies received restructuring funds in exchange for reducing production. Community and state aid exists for producers in this sector.

The impact for Spain has been very significant, with the closure of a number of factories under the restructuring plan. As a response to the restructuring, ACOR (the cooperative) substantially reduced its production and closed one of its installations. In 2009 it established an alliance with a French cooperative group, TEREOS for the production and commercialisation of sugar in Spain, through the acquisition of 40% of its social capital. As a result since 2010, the TEREOS group carries out the commercialisation of the production of both of the Spanish companies.

As well, ACOR has diversified its activity into renewable energy through the construction of a biodiesel plant, a photovoltaic solar park and an agreement with the Cooperative Group Arento

for the manufacture of flour, diversifying its production which had been limited to sugar (Alimarket, 2011).

Necessary Action. The current CMO and the scenario after 2014 when a new market situation will leave sugar even more unprotected are pressing issues. If the situation does not improve, the costs of production and the decrease of prices will make the disappearance of the cultivation of sugar beet inevitable. Diversification as outlined above in relation to ACOR is a survival option.

5.4 Fruits and vegetables

The Spanish fruit and vegetable sector (production, transformation and commercialization) is the second largest in Europe behind that of Italy and the first in worldwide exports. In 2010 it represented 38.23% of final agricultural production and more than 60% of final vegetable production (CEA Resultados Nacionales, 1999-2010). The role of cooperatives is extremely important, representing approximately 50% of the market share.⁹ It is also one of the sectors that is notable for the creation of employment, particularly in rural zones, whether directly in agricultural activity or in complementary activities (Fundación Cajamar, 2002; Cooperativas Agroalimentarias, 2011).

Production¹⁰. The surface area dedicated to fruits and vegetables has experienced a slight decline in recent years while the area dedicated to citrus has increased in the last decade. Within the fruit sector, dried fruits and nuts represent the largest area, in excess of 60% of the total. The production of vegetables has been increasing progressively until 2005, after which it declined, picking up again in 2009. Production levels of fruits of all kinds continue to increase. These increases are due to the increased importance of intensive agriculture and clear orientation to exportation, with ever improving technical sophistication in the farms and higher crop yields.

Table 19 Area (ha) and production (tons) of vegetables, citrus and fruits

Year	Vegetables		Citrus		Fruits	
	Production	Area	Production	Area	Production	Area
2000	12,802,044	408,848	5,382,511	294,629	4,005,979	982,894
2001	12,885,810	400,109	5,738,660	303,826	4,073,381	968,010
2002	13,206,141	402,861	6,096,715	305,496	4,082,042	957,831
2003	13,194,103	396,866	6,295,890	306,676	4,343,111	958,370
2004	13,751,458	404,787	6,097,991	305,407	3,490,730	928,734
2005	13,896,107	406,688	5,342,452	311,004	4,073,673	925,306
2006	13,511,668	394,718	6,862,635	311,627	3,969,740	873,225
2007	13,500,620	379,564	5,303,490	315,580	3,783,100	854,407
2008	13,006,461	360,539	6,383,882	318,385	3,774,545	845,822
2009	13,925,553	379,497	5,291,819	316,623	4,049,928	865,298

Source: MARM (2010c)

External trade. A substantial part of Spain's fruit and vegetable production is destined for export. The principle exports are to the EU due to the close proximity, the perishable character

⁹ Cooperativas Agroalimentarias, as a source for the market share.

¹⁰ Note that in Spain there are no fruit and vegetable sector specific statistics—official statistics are by product (e.g. tomato, cucumber, oranges, etc.) We have consolidated the data into Vegetables, Citrus and Fruits and as well have chosen some of the most important products as indicative of trends.

of the product and the high acquisition power of its consumers. Exports have increased in the last 10 years with growth opportunities in Eastern Europe.

Distribution of farms in national territory. The fruit and vegetable area is very centralized in the Mediterranean zone as well as in autonomous communities such as Extremadura and Castilla-La Mancha. Specifically, the areas dedicated to vegetables are concentrated in Andalusia, Murcia and Castilla-La Mancha, while citrus are concentrated in Murcia, Valencia and Andalusia.

Consumption. The consumption of fruits and vegetables in 2010 reached 11,009 million Euros, the per capita consumption evolving positively in the period from 2000 to present, with an average growth of 1% (Fundación Cajamar, 2010). New social trends give more importance to the processing of the product, making it necessary for producers to offer more products in the 4th or 5th range.

Prices¹¹. Prices of fruit and vegetable products are determined by the conditions of offer. Given that production is not very flexible and the product is perishable as well, prices are adjusted to ensure the sale of the product. The resulting lack of stability in pricing is further acerbated by market characteristics where distribution channels exert great pressure on prices and there is huge difference between prices paid to the farmer and that paid by the consumer (Galdeano and Jaen, 2003).

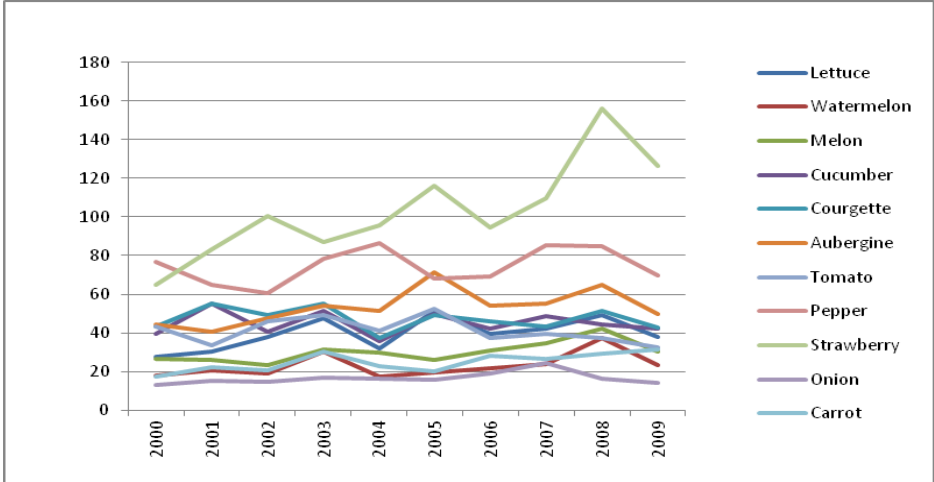
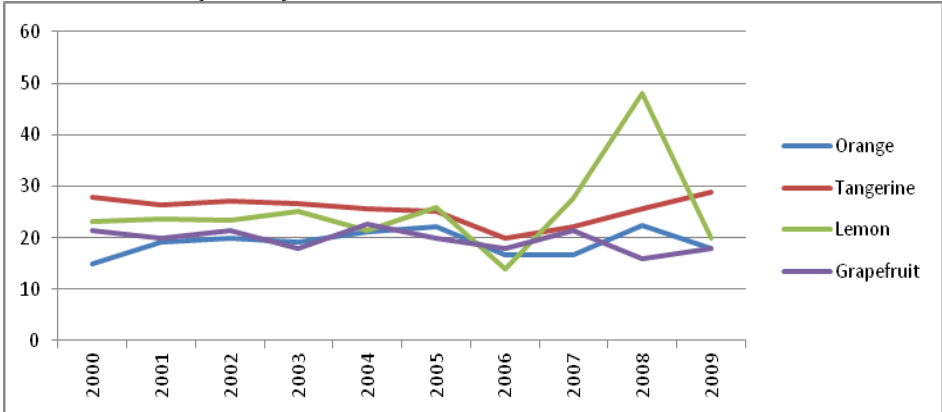
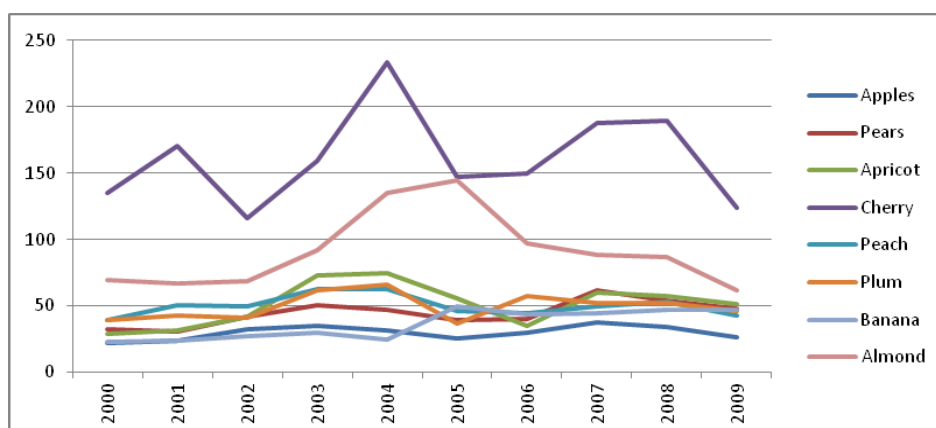


Figure 28 A, B & C Average prices (Euros/100 k) received by farmers in vegetables and fruits. Source: MARM (2010c)



Source: MARM (2010c)

¹¹ It should be noted that there are no national statistics on the fruit and vegetable sector prices. Prices are difficult to track as national statistics are only kept in relation to particular fruits and vegetables. In figures 28 A, B and C we set out some of the most relevant statistics.



Source: MARM (2010c)

Policies. The production of fruits and vegetables is strongly regulated in terms of marketing or quality standards, as a consequence of the CAP. The sector has undergone a high degree of market liberalisation and there are limited means to correct prices. The sector depends very little on subsidies and EU community aid represents a reduced part of the product value. This situation is in contrast to other agricultural sectors in which the profitability of the farmers is dependent on the amount of aid received (Fundación Cajamar, 2002).

With respect to POs, two laws are particularly relevant, the first being Royal Decree 1972/2008 28 of November, which recognizes POs of fruits and vegetable and establishes the basic norms of their organisations and associations. The second law is the Royal Decree 1302/2009 regarding funds and operating programs of fruit and vegetable POs, which established the basic norms in relation to the agricultural common market organisation (CMO) Council Regulation (EC) n. 1234/2007. This was further developed by Royal Decree 1337/2011, which was passed October 3, 2011, regulating funds and operating programs for fruit and vegetable producers.

For the purposes of this Report, DG Agriculture made available confidential information on Spanish producer organisations. Below we summarise some of their findings regarding Producer Organizations (PO), Association of Producer Organizations (APO), Operating Programs (OP) and Producer Association (PA) (*Note that such findings have not been verified by other sources and may contain errors*):

Table 20 Number of PO, AOP Y PA in Spain

All PO	613¹²
PO which belong to APO	79
PO with OP	483
PO with OP and who belong to APO	74
All APO	5
AOP with OP	0 ¹³
All PA	12

¹² Cooperativas Agroalimentarias indicate that there are, citing 2011 data, 697 OPs, of which 307 are Cooperatives.

¹³ Cooperativas Agroalimentarias indicate, citing 2011 data, that there are 2 AOPs with operating programs, AN Group and Anecoop, both cooperatives.

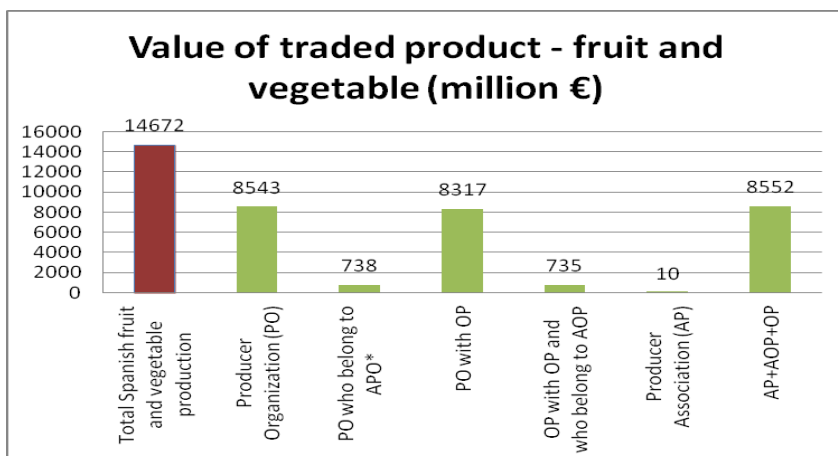


Figure 29 Value of products sold by each entity type. *APO: Association of producer organizations

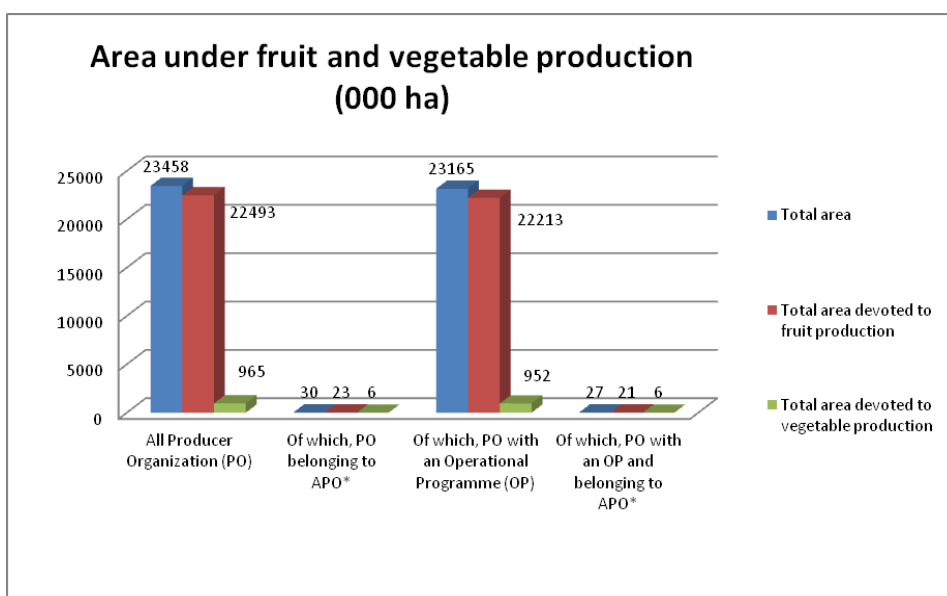


Figure 30 Area used for vegetable and fruit production (th ha). *APO: Association of producer organizations

The renewal of the agricultural protocol between Morocco and the EU, brought into force March 1, 2000, is a point of contention for many Spanish producers. FAECA (the federation in Andalucía) has acknowledged that although the renewal may be positive overall for the EU as a whole, in their opinion it is and will be very prejudicial for the Spanish fruit and vegetable cooperative sector. They claim that producers of cucumber, tomatoes, zucchini, strawberries and citrics will be disadvantaged and call for preference to be given to EU producers, arguing that it is not fair that the conditions of production in Morocco would not be permitted in Europe. As of the writing of this report the issue is yet to be resolved.

With respect to other policy issues, general observations and selected insights from the perspective of those managing associations of producer organizations have been elicited, structured around the 3 pillars of investigation mentioned in the description of the project (institutional environment, position in food chain and internal governance):

i) Institutional Environment

Funding structure: A concern from association managers' point of view is the perceived inefficiency in the administering of operating funds meant to encourage and support OPFVs and APOs and to facilitate concentration and beneficial activities in the

cooperative sector. For example, whilst the APO manages expenses and investments, the funds in question are first given to the cooperatives, which then must in turn give such funds to APO. This results in a lack of efficiency and agility when considering useful actions that the APO could take on behalf of the cooperatives. *The concentration of offer must be viewed not only as a commercial concentration, but also a concentration from an organizational point of view.*

Incompatibility between Structural Funds and Operating Funds: While this is a well known issue, and one that perhaps doesn't need more elaboration here, it is useful to point out that it has real detrimental effects. For example, meaningful research and development activities (which have economic and environmental implications, such as wise use of natural resources and energy and reduction of pesticide and contamination, etc.) require significant funds, yet FEADER funds are not available if one has used operating program funds. Those that are within an OPFV are in a worse position than those that are not in relation to such structural funds.

Perceived Rigidity in OCM for FV: While it is acknowledged that the OCM for fruit and vegetables sector is perhaps the most superior, there is still some frustration with how such funds can be used to support actions to be taken for the benefit of the cooperatives. While co-financing is a good control method in that it weeds out less than effective activities, the restrictions presented by an enumerated list of permissible actions limits effective decision making on the part of the Associations of POs.

A recent example is offered: Spain in general has an atomized agricultural cooperative sector and one of the main challenges is overcoming the resistance to change and localism (e.g. the cooperative presidents are content to be big fishes in little ponds) which mergers, fusions and concentration of offer entail. As well, there is a lack of knowledge of applicable models and best practices. In response to the current crisis, the FV sector needs more than ever, to forge a strategic, concerted plan. The two largest examples of concentration in the FV sector in Andalucía were a direct result of the exposure to a successful cooperative in Italy. Key people from those cooperatives were exposed to the Italian model and this in turn convinced them that they could apply such process adapted to Spain. However, in a more recent action (study course) arranged by the APO (a visit by 15 presidents and board members of various cooperatives to the highly successful cooperatives of Italy for sector/administration and academic meetings on crisis management strategies) there has been reticence to consider such action eligible for EU funding due to the more practical approach to cooperative training—less formal class time and more time with actual high level cooperative business people/administrations/federations and research centers, exchanging ideas –“action research and learning” to use another phrase.

The general opinion seems to be that associations are in the best position to determine the needs of their cooperatives and should be given more freedom to use funds accordingly. In sum, simplification, more flexibility and more confidence in the OPFV and APOs to do what is best for their members.

ii) Position in Food Chain

From the perspective of important producer associations there is no longer any negotiation with, but rather an imposition from, the supermarket chains. Competition between chains does not result in sufficient prices for the farmers. Fruit and vegetables represent a small part of the supermarket sales, but they are products which need to be bought often and thus bring people into the stores on a regular basis (who then go on to buy other products). Fruit and vegetables are the “bait” so to speak and thus the battle for low prices in fruit and vegetables is fierce.

This weakness in bargaining position needs to be taken into account as a starting point and look for ways to go beyond product as a simple commodity. Strategic alliances are

one option (e.g. with seed companies for exclusive use during a determined period of time, etc.). Niche and prepared products are also important.

While it is an accepted truth that atomization of Spanish cooperatives must be addressed in order to gain more market power, the development of processes of concentration of cooperatives (whether by merger, 2nd level, etc.) and OPFVs need more attention. *The concentration of capital is easier than the concentration of people and thus cooperative concentration processes need to take into account the cooperative business form, culture and environment.* (This is a suggested area of study).

Another key area is looking at abuses in distribution practices. In terms of policy it is useful to study whether certain subsidies or policies favor or disfavor certain actors. Several examples come to mind: the subsidies of plastic cases and related systems (as opposed to bio-degradable carton) and adoption of certain private quality norms, in some cases carried out by specific laboratories, for example. In addition, there is a disparity of required quality norms: certain supermarkets ask for different, less demanding norms, for discount stores. This put cooperatives in a difficult position when demanding quality standards from their members.

Two themes which could be included in the debate to improve the position in the food chain:

-Reinforce dialogue with the distributors, requiring retail chains to sit down with Interprofessional Organisations to discuss market conditions/affairs. Currently Interprofessional Organisations do not have real negotiator/representative presence (with a few exceptions) as commercial representatives. The true negotiation should be with those who really decide the conditions and this is not the commercial wholesaler, nor the importers, nor the industry: the “deciders” are the large retail distributors.

-Reinforce the obligation of traceability extending it until the final consumer. Currently the regulations are demanding with the producer and the buyers/traders of first instance, but the obligations become more diluted as it reaches the retailer. There are very severe examples in E.Coli matters, that in addition to permitting fraud in the final destination as to the origin of the product, as well leaves those involved in the primary links of the chain vulnerable as to their liability/responsibility.

iii) Internal Governance

Professionalisation of fruit and vegetable cooperative management in cooperative business practices and models is a key task, otherwise cooperatives will not be competitive. The internal workings of the cooperative business form needs to be understood and leveraged to take advantage of its inherent strengths. Management models based on capitalistic training is inadequate to understand the dynamics involved in the much needed organizational modernization of the agricultural cooperative sector. Internally, democratic decision making needs to be balanced with efficiency and agility.

Networking amongst European cooperative management on issues such as best practices, change management, concentration processes, etc. is important in bringing about change in Spanish agricultural cooperatives. The agricultural cooperative movement needs its own equivalent to the “Harvard case study” methodology and case study data base and field experiences.

As a final comment, policies related to Crisis Prevention and Management need to be reformed, including new available actions. In order to prevent crisis one must: know/understand; be informed; communicate; and educate. To manage crisis there is a lack of protocols with precisely these factors.

Structure of the Sector. The sector is made up of predominantly small farms, although in the last few years there has been a decrease in the number of farms and an increase in farm size,

principally due to mergers and concentration. Such mergers are both an attempt to gain market power and to join forces and share risk in the face of the necessity to make major investments in technology. The “atomization” of the sector contrasts with the growing power of distribution entities which exert constant pressure on obtaining normalized production in terms of quality, ripeness and precision in the supply.

Another characteristic of the sector is that traditionally such products have not been marketed under a producer brand, but instead have been considered homogeneous goods without the possibility of differentiation. This has led to a large part of production being sold under the brand of the distributor. At the moment there is an attempt on the part of the producers to differentiate themselves, creating different brands targeted to various destinations or to niche markets.

Supply Chain and Cooperatives. Traditionally the fruit and vegetable sector supply chain had been based on wholesalers and in the sale of product through an exchange (a centre in which the farmer sells their product by an auction system). Such exchanges also offer services including the integration of logistic activities and commercialization. However, market conditions have pushed for a more modern model based on associations of producers, distribution entities and logistics operators, in which the cooperative plays a key role, resulting in horizontal and vertical integration which permits farmers to concentrate their product and control directly sale of such product.

Cooperatives and SATs principally market the products of the members, whether in their natural state or after being processed (Fundación Cajamar, 2010). Increasingly cooperatives are carrying out warehousing, transformation and marketing tasks as well as selling product (UPA, 2004). Cooperatives in this sector have been the principal instrument of adding value to the farmer’s product in commercialization channels (Montegut and Cristóbal, 2005). Advisory, consulting and crop planning services are offered to farmers so that all products comply with client demands in terms of quality, quantity, characteristics and delivery times.

Principal weaknesses in this sector are related to the high atomization of production and the existence of obsolete infrastructures¹⁴ However, there has been an increase of concentrations in this sector (e.g. Unica, Murgiverde, Vicasol, Anecoop, Alimer, etc.) and major investments have been made in new technologies, practices and processes to increase production. As well, advances in laboratory testing, certification systems, health and safety issues, integrated agricultural practices, bio-control instead of pesticides, traceability, etc. have increased production and added product value.

Since 2005/2006 the province of Almería in southern Spain, which is the most important producer of vegetables, has gone through a “green” revolution based on biological control systems. The products to which biological control is applied vary: In 2010/2011, 90% of the farming area dedicated to peppers was controlled biologically, while 26% of the area of tomatoes was so controlled. Research in bio control is ongoing as it is a method of adding value and also protecting the environment at the same time. Associations of cooperatives were instrumental in rolling out the adoption of bio-control and integrated practices.

Necessary Action. In general, the fruit and vegetable sector considers that concentration of offer and improving the supply chain position, market power and thus some control over prices as crucial.¹⁵ There has been some issues which have made the effective operation of, and integration into, POs difficult and this needs to be addressed in the future. A focus on quality

¹⁴ Instead of investing in upgrading structures, some farmers had hopes of selling land at high prices for construction purposes and did not make the necessary investments in new technologies and new greenhouse structures, the latter being the most important determining factor in production levels. In some areas almost 30% of the sector is composed of obsolete greenhouses.

¹⁵ (As this report goes to press, a new law project report, at a national level, on encouraging cooperative integration has been released on October 16, 2012 ("Informe sobre el Anteproyecto de Ley de Fomento de Integración Cooperativa"). See Chapter 6 and Chapter 7 for further detail.

product, food safety and security and traceability as well as the development of added value products is also recommended. Improved logistics and infrastructure are also key to reaching other European and international markets. Efforts to give the Interprofessional groups more than just an observer/advisor status have been initiated, with the goal of obtaining a legal framework in which they can exercise more influence and enact certain measures. It should be noted that this position is not wholeheartedly supported by the confederation, Cooperativas Agroalimentarias, who are of the view that although interprofessional groups are important in terms of quality norms, promotion and marketing and R+D+i, their role does not serve to incentivise much needed concentration in the sector. The position of Cooperativas Agroalimentarias in relation to policy which concerns the imbalances in the supply chain, atomization of producers and their weak position as against distributors, is set out in more detail in the discussion of policies in Chapter 7. Plummeting prices continue to be a main concern and the sector is actively seeking, with limited success, to remedy the situation. See “Policies” above for other specific actions.

5.5 Olive oil and table olives

Spain is the largest producer and exporter of olive oil and table olives in the world (38.6 % of world total), with the largest area destined for olive cultivation. Olive oil and table olives are one of the principle sectors in the Spanish agro food system, not only in economic, but also in social terms. Cooperatives generate 70% of the Spanish production of olive oil. Approximately 360,000 farmers are growers and they bring their olives to 1,744 olive presses, of which 1000 are cooperatives. The size of such presses varies, although many are small or medium enterprises and the involvement of international capital is still small. The largest olive presses are responsible for the majority of total production. The number of packagers/bottlers has risen to 1,520 of which 90% are associated with olive presses (Mercasa, 2010).

The activities of the cooperatives in this sector differ depending on whether they are first or second tier: the first tier focus on pressing olives whilst the second tier cooperatives carry out packaging, commercialization, management of bulk oil and olives, extraction of non-edible oil and exportation; basic processing activities and commercialization (Montegunt, et. al, 2007).

This table shows the percentage of cooperatives per community in Spain both in terms of olive presses and production, in 2009/2010.

Table 21 Number of presses and olive oil production by region (2010)

	Number of Olive Presses			Production (tons)		
	Total	Cooperatives	%	Total	Cooperatives	%
Andalusia	820	428	52.20%	1,168,170.9	822,856.4	70.44%
Castilla-La Mancha	243	126	51.85%	85,455.5	52,662.9	61.63%
Extremadura	115	57	49.57%	59,831.3	33,728.5	56.37%
Catalonia	202	113	55.94%	32,716.1	22,437.6	68.58%
C. of Valencia	130	107	82.31%	18,296.6	15,168.5	82.90%
Aragon	101	52	51.49%	12,891.9	6,757.9	52.42%
Navarra	16	9	56.25%	3,941.7	2,322.2	58.91%
Madrid	19	12	63.16%	284.9	2,158.3	75.76%
R. of Murcia	38	9	23.68%	8,588.7	2,139.7	24.91%
Castilla and Leon	15	10	66.67%	1,711.1	1,017.3	59.45%
La Rioja	22	13	59.09%	1,317.6	718.3	54.52%
Balearic Islands	12	5	41.67%	370.3	222.4	60.06%
Basque Country	4	2	50.00%	114.5	44.6	38.95%
Galicia	1	0	0.00%	1.2	0	0.00%

Spain	1738	943	54.26%	1,396,256.4	962234,6	68.92%
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Source: Estimation of Harvest of Olive Oil in Spain-. Cooperativas Agroalimentarias 2010

Area and production. Spain has 2.58 million hectares of olive groves of which 72 % is not irrigated, hence “traditional” as opposed to “intensive”, “super-intensive” or in “bush/hedge” form. Since 2000 the area of olive groves has increased by 349,000 ha as set out in Figure 31. Traditional olive plantings took advantage of poor soils and/or inclined lands which were good for little else and the low need for water and the relative less work involved than other crops (except for the intensive harvest period in which temporary workers are often used) New techniques introduced in the 1990s helped to increase productivity (Lanzas Molina, et al. 2009). In the last 10 years Spanish producers of both table olives and olive oil have planted new intensive groves based on modern designs and structures and with sophisticated irrigation techniques meant to substantially increase production. Since 2009 the area under olive cultivation has increased as shown on Figure 31. New plantings have been encouraged by the global consumption of olives and as well aid programs by the EU. Many of the new plantings are of high density (superior to that of 1,500 trees) irrigated (thus not particularly sustainable in water-challenged southern Spain) and harvested mechanically.

Andalusia is the autonomous community with the largest area of olive groves representing 60% of the national total in 2010. Castilla-La Mancha with 15.8% and Extremadura with 10.3% are also important producers. In terms of production (2008/2009 harvest) Andalusia produced 81.5% of the Spanish total, followed by Castilla-La Mancha, 6.8% and Extremadura 4.2%. Although olive groves have spread to other zones in Spain including in the north (Galicia) the sector continues to be very concentrated geographically.

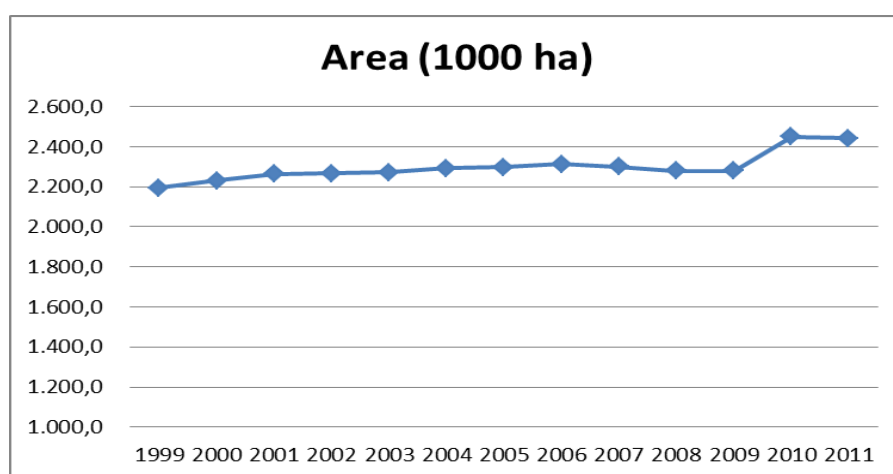


Figure 31 Area of Olive (for Oil) Groves in Spain. Source: MARM (2010c, 2010d, 2011c)

Table 22 Area of Olive(for Oil) Groves in Spain (1000 ha)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Area	2,195	2,232	2,266	2,266	2,271	2,293	2,298	2,314	2,299	2,281	2,280	2,450	2,443

Source: MARM (2010c,2011c)

Prices. The majority of farmers experience losses. Superior quality oils do not receive the price premium that would be expected. Further, variations in product availability result in price swings. In recent years producers and representative organisations argued that the price in origin has not reflected the offer and demand situation, and has pushed for methods to address low prices. The EU has recently allowed (in 2009 by Reg (EC) 542/2009) private systems of

storage to be put in place to address this problem, with the goal of allowing prices to recuperate and thus break such negative tendencies. This program commenced in July 2009 (Oleoestepa, 2010,) Recently in Alimarket (Jan.11, 2012), it was noted that private warehousing was proving to be insufficient and other corrective measures were necessary, although it has been argued that such measures came too late and only applied to virgin oils (Cooperativas Agroalimentarias, 2010a). It was also noted that low prices had not resulted in increased consumption, which has stabilised at approximately 332 Ml. (see below, discussion in “Policies”). Figure 32 shows the Spanish production, consumption, exports and the average price of olive oil.

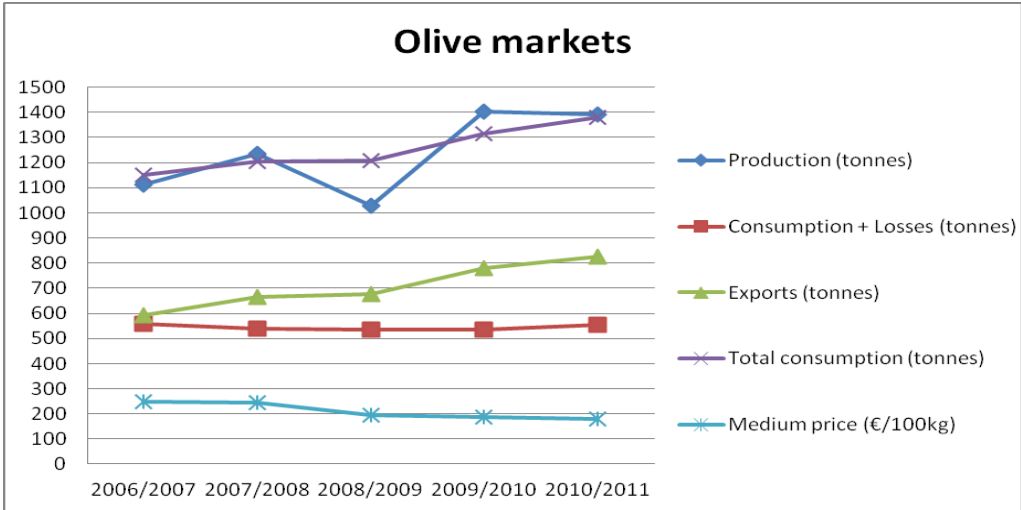


Figure 32 Spanish Production, Consumption, Exports and Prices of Olive Oil. Source: Cooperativas agroalimentarias 2011d

Table 23 Spanish Production, Consumption, Exports and Prices of Olive Oil

Year	2006/07	2007/08	2008/09	2009/10	2010/11
Production (tonnes)	1,111.4	1,236.1	1,030	1,041.5	1,390.5
Consumption + Losses (tonnes)	560	537.5	533.6	533.4	553.4
Exports (tonnes)	591.4	666.1	675.3	780.1	827.7
Total consumption (tonnes)	1,151.4	1,203.6	1,208.9	1,313.5	1,381.1
Medium price (€/100kg)	248.439	244.413	193.684	188.61	180.361

Source: Cooperativas agroalimentarias 2011d

Figure 33 sets out a longer view of the relationship between production and price¹⁶.

¹⁶ Data from 2003/04 to 2005/06 is sourced from Cooperativas Agroalimentarias (2010a) and data from 2006/07 to 2010/11 from Cooperativas Agroalimentarias (2011d).



Figure 33 Relation between Spanish Production and Prices of Olive Oil. Source: Cooperativas Agroalimentarias Cooperativas Agroalimentarias (2010a, 2011d)

External Markets. Although there has been an increase in Spanish olive oil production and Spanish domestic consumption is unlikely to increase significantly, world markets are capable of absorbing production. In Figure 34, the data according to Cooperativas Agroalimentarias supports this point. This “equilibrium” between production and global demand is noted by recent studies in the olive sector where global production has increased approximately 30% as has demand (Valasco Gámez, et al. 2011). Exports maintain a high level in spite of increased foreign competition (COAG, 2009). More than 70% of exports are destined for the EU, mainly to Italy (46%), Portugal (11%) and France (10.7%). Outside the EU, the US is an important market (7.4%). Exports of table olives are less important and 80% are destined to the EU (Portugal (35%), Italy (16%) y France (15%). Imports are even less significant, although it is worth noting that the majority is from Italy, which buys Spanish oil in bulk and then bottles it to be exported.

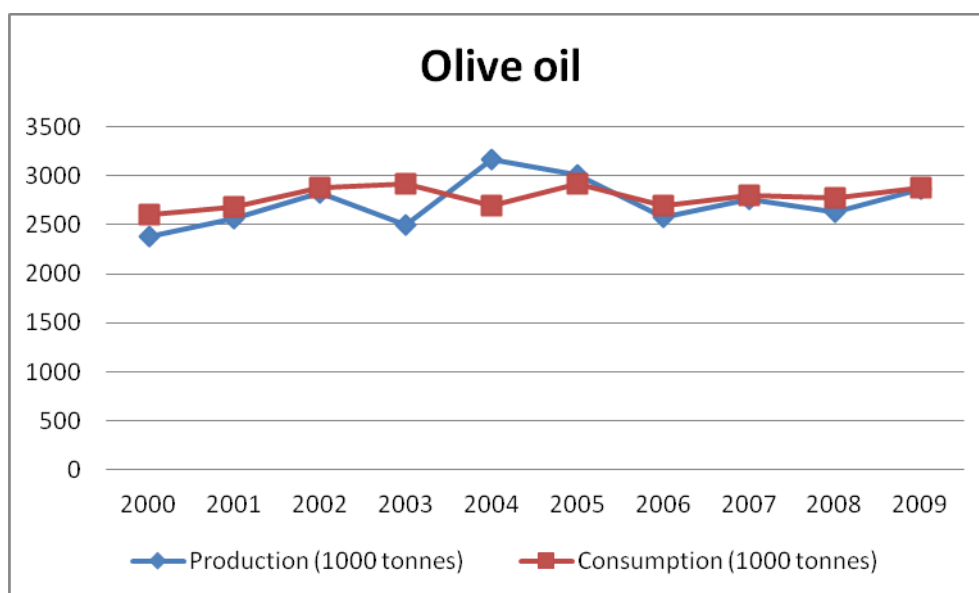


Figure 34 Global Production and Consumption of Olive Oil. Source: Cooperativas Agroalimentarias 2010a.

Exports are a key strategy to avoid the excess of production on the national markets and to counteract falling prices. This will require a more concerted effort on the part of olive oil cooperatives to obtain a bigger presence in international markets. Successful examples of this strategy may be found in Hojiblanca, Interóleo and Tierras Altas (all in Andalucía).

Exports already represent 60% of sales according to the Olive Agency (Agencia del Olivar-AAO) and Alimarket (2011a) and continue to rise. Spain is now ahead of Italy as the principal world exporter and it is increasingly consolidating its leading market position in many countries. According to Cooperativas Agroalimentarias (2010a) publicity campaigns by Interprofessional groups have helped the sector grow, in spite of the crises.

Policies. Given the high percentage of cooperatives in the olive oil and table olive sector, any olive sector policy has a huge impact for the cooperatives therein. The decoupling of subsidies from the olive groves (and instead forming part of the single payment) had a significant impact on small growers in traditional zones (with low yields due to sparse planting and no irrigation), not to mention the environment and the rural economy. Where policy favours high volume, highly mechanized and highly irrigated olive groves, olive cooperatives with a high percentage of non-irrigated traditional small holdings, are greatly affected. As well CAP has not prohibited the mixing of olive oil with other cheaper seed oils. According to the union COAG (2009) the elimination of an intervention price provokes low prices and thus results in the buy-out of producers at lower prices. As a result they argue that the income of the producers depends even more on the large buyers (COAG, 2009).

The activation of private warehousing measures is a key concern in relation to prices as mentioned above. There are varying opinions in the cooperative sector on the utility of private storage schemes. FAECA, (Andalusian Federation of Agricultural Cooperatives) which is an important voice in this debate given the importance of Andalusian production (60% of Spain, 30% of EU) is in favour of using such available measures as a method of stabilising prices. This is not to say that FAECA would suggest that it is, or should be, the only tool to do so. As well, Cooperativas Agro-alimentarias of Castilla La Mancha (another important autonomous community in terms of olive oil) also positively evaluates such measures, as did the National Confederation, Cooperativas Agro-alimentarias. Over 50,000 signatures were gathered on petition supporting the activation of private storage.

In Spain's appeal to the Commission to activate the storage mechanism such appeal was originally denied due to the fact that prices were still considered to be above the official minimum. Spain argued that in reality prices were lower than that reported and therefore below such minimum and in any event, such minimum amount had been set 12 years ago. However on September 29th the European Commission approved such activation proposal.

This incident aside, it may be useful to look a bit closer at the situation in Spain, and see where price problems arise. Spain produces high quality oil, and lots of it. Worldwide markets absorb production. As mentioned cooperatives produce 70% of the national total. There are a few very large cooperatives such as Hojiblanca but there are many, many small ones. (See Table 20 for figures).

We can observe in general:

-little presence in retail

- lack of unity amongst smaller coops, multiple brands thus weak brands, leading to virtually no brand recognition and subjection to supermarket brands

-high bulk sales but lack of adequate commercialization, repackaging by others

-inability to leverage quality and differentiate product.

-in reality there are only 5 major buyers, thus little market power for cooperatives in spite of 70% of production—producers are too atomized.

If we accept the above and as well that the way forward for Spain's olive oil sector is efficiency, commercialization, marketing, increased added value in packaging etc., brand recognition, internationalization, concentration of offer, etc. then one has to look at what storage has the possibility of achieving.

Critics of private storage schemes have pointed out that:

-storage systems still don't have the ability to counteract the fact that buyers have hugely disproportionate market power

-storage means that oils are devalued—lack of differentiation lowers quality and traceability of product is inhibited

-doesn't solve bulk issue (in fact it contributes to it)

-may allow some slight price control but doesn't address the fact that most farmers experience losses—short term answer for structural problem.

In conclusion, while private storage schemes have had some utility and may be seen as a tool, however blunt, in the short term, it is not the method to address price issues caused by structural sector problems. However, as a transitory tool the olive oil sector views it as necessary to at least alleviate brutal price plunges. While it may seem odd that cooperatives which represent 70% of the market sector still have a difficult time in imposing control on the market, it is important to remember the hugely disproportionate size of the buyers even as against a large cooperative such as Hojiblanca. Andalusia has very recently introduced a new Olive Farm law which attempts to balance the commercial needs of the industry and also sustainability issues. More time is needed to gauge whether such measures will be effective.

Olive Oil Cooperatives. The cooperative olive oil companies have little presence in retail establishments as the large agro food distribution companies control this market niche. Five buyers purchase over half the market. The small size of the sector (in relation to the size of the distribution companies) and the small and medium companies which make up the sector result in big disadvantages when competing and negotiating with large firms. The market share of distribution brands ("DB") averages 65% and in some categories reaches 83% (Cooperativas Agroalimentarias, 2010 "Estimation of harvest").

Cooperatives also suffer from localisation (all local villages have the “best oil”) and personality considerations (king of small cooperative vs. member of large cooperative) which inhibit effective alliances in the olive cooperative sector.

Two alternatives exist to commercialize the product for olive cooperatives: bulk or packages. To sell oil in one manner or another depends on the quantities obtained in each harvest. If there is an excess of production and a lack of adequate commercialization the cooperatives are obliged to sell in bulk. The price obtained by the farmers is low as the added value comes from the higher margins on packaged product (Montegunt et. al, 2007). In 2007 55% of exports were still bulk sales although in recent years the cooperative oil presses are increasing the sale of bottled oil.

While cooperatives have made great efforts to position their product on the market with their own brands in an attempt to compete with supermarket brands, two problems have arisen: The lack of unity amongst smaller cooperatives has resulted in the creation of multiple brands which have strong competition from the larger brands. In addition, there is a passive commercial behaviour which is not particularly market oriented. In addition to the challenges of the opening up of, and the competition within, markets, is the phenomena of new plantings of olive groves, not only in Spain, but in other countries where Spanish techniques are used. The majority of these new intensive or super-intensive olive groves are using new systems of production (using a system of “espaldera” and irrigation) to which many Spanish cooperative producers do not have access due to lack of capital investment, training, resources or simply the adequacy of the landscape. Although increased production per ha. is clearly a worthwhile commercial goal, it has put many traditional cooperative producers in a position where they cannot hope to compete on productivity. One can expect in the coming years that the olive oil production on a worldwide level will increase. The low profitability of traditional olive groves often associated with cooperatives is a challenge for future viability as their costs are often below market price. Amongst the several possible scenarios that one would suggest to address the crisis in olive oil price would be: increase price through promotion and increasing demand (exports); reduce costs using modern methods; or, reconvert groves to be intensive and mechanised. For those groves that are traditional it is not possible to change the system of cultivation nor increase mechanisation. The only “way out” is to differentiate due to quality/unique characteristics (including ecological) and increase value added (with the requisite adequate commercialisation) and leverage aid available due to its environmental, rural or landscape/tourism value.

Necessary actions according to the Cooperative Sector. In order to meet these challenges, the sector must focus on quality and develop Spanish producer brands, develop a packaging project and a promotion, marketing, export and market/consumer orientation. Increased exports are a necessity. The recommendations ten years ago (Moyano and Fidlalgo, 2001) calling for internationalisation, growth, mergers, acquisitions, alliances and associations as well as investments in R&D, and innovation as crucial strategies are echoed in the recent Cooperativas Agroalimentarias (2011) annual report. Agreements with distributors are also a constant theme. The sector advocates for the market intervention of inter-professional groups in crisis and the definition of a contractual and regulatory framework at the EU level to prohibit abusive practices.

5.6 Wine

Production. Spain is the first in the world in terms of area planted with vineyards with 1,045,620 hectares, representing 30% of EU vineyards (MARM, 2010a). It produces 5,535.33 tons of grapes, out of which 95.45% is destined for wine (the rest for juice and raisins) and 35.5 million hectolitres (09/10) of wine production places it third in the world after France and Italy. There are 580,000 vineyards (medium of 1.9 ha) with slightly more than 40% of the wine having a geographic indication. Cooperative market share is overall 70%. There are 700 cooperatives which represent 70% of the production without such geographic indication (in addition to some cooperative production with geographic indication). The area and production has declined since

2000, reducing in area by 12% in the last decade and production by 20%. The trend shows that production is increasingly geared towards wines with geographic denomination, as set out in Figure 35 “Wine Production”.

Table 24 Area of vineyards

Year	Area (th ha)
2000	1,194.59
2001	1,201.73
2002	1,185.84
2003	1,165.08
2004	1,166.65
2005	1,159.96
2006	1,134.61
2007	1,130.68
2008	1,108.25
2009	1,045.62
2010	1,037.35

Source: MARM 2010c

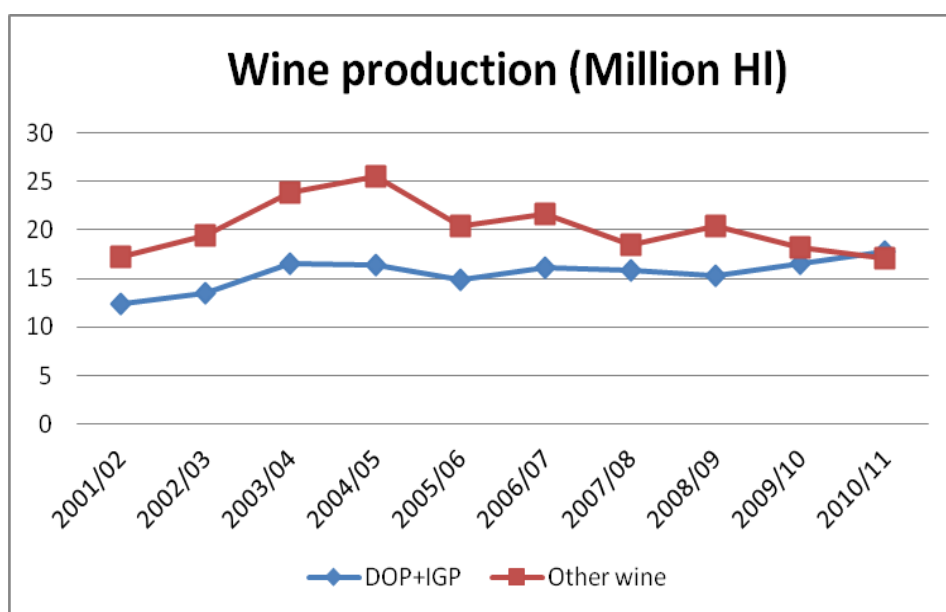


Figure 35 Wine Production. Source: Consejería de Agricultura Castilla – La Mancha 2011

Table 25 Wine Production with Denomination and IGP (indicación geográfica protegida)(Mhl)

Year	DOP+IGP	Other wine	Grape juice	Total
2001/02	12.34	17.23	2.98	32.55
2002/03	13.45	19.47	5.76	38.68
2003/04	16.52	23.83	6.29	46.64
2004/05	16.35	25.57	6.75	48.67
2005/06	14.86	20.38	4.3	39.54
2006/07	16.1	21.66	5.12	42.55
2007/08	15.78	18.54	5.49	39.81
2008/09	15.34	20.4	5.55	41.29
2009/10	16.52	18.24	3.57	38.33
2010/11	17.73	17.04	5.09	39.86

Source: Consejería de Agricultura Castilla – La Mancha

Table 26 sets out the turnover of cooperatives in each region, as well as the number of cooperatives and members. Rioja is the best known wine region of Spain with the highest turnover per cooperative whilst Castilla-La Mancha has the most cooperatives and members. See “Wine Cooperatives” below for further analysis on cooperatives.

Table 26 Wine Cooperatives in Spain

Autonomous Community	Wine coops	Members	Turnover €	Members/ Coop	Turnover €/ coop	2nd grade coops
Galicia	10	2,507	25,580,518	251	2,558,052	
Basque Country	7	544	11,836,346	78	1,690,907	
Navarra	29	4,697	44,549,798	162	1,536,200	2
Rioja	34	6,949	103,597,532	204	3,046,986	
Aragon	36	11,672	77,783,849	324	2,160,662	
Catalonia	75	21,502	97,940,298	287	1,305,871	2
Balear Islands	3	12	103,219	4	34,406	
C. of Valencia	69	32,124	77,952,238	466	1,129,743	3
Castilla and Leon	36	8,719	67,736,483	424	1,881,569	1
Castilla-La Mancha	254	92,554	574,753,738	364	2,262,810	8
Madrid	13	3,904	4,250,102	300	326,931	
Extremadura	23	9,675	48,317,234	421	2,100,749	1
R. of Murcia	3	2,328	98,64,721	776	3,288,240	
Andalusia	36	13,585	67,751,632	377	1,881,990	2
Canary Islands	-	-	-	-	-	-
Spain	628	210,772	1,212,017,708	4,256	25,205,116	19

Source: Cooperativas agroalimentarias 2011e

External Trade. Spain is a net exporter of wine with growing exports, although due to the crisis in the last few years there has been a decline. According to the Confederation (Cooperativas Agroalimentarias, 2011 p.38) at the end of 2010 there has been an increase in exports (+15.6% relative to 2009) due to a 5% downward price adjustment. As well, global volume decreased and new markets such as Russia and China are opening up. Since 2004/5 exports have exceeded internal consumption. The principle export destinations, in volume, are France, Germany, UK and Portugal in the EU and the US, Switzerland and China outside the EU (COAG, 2009).

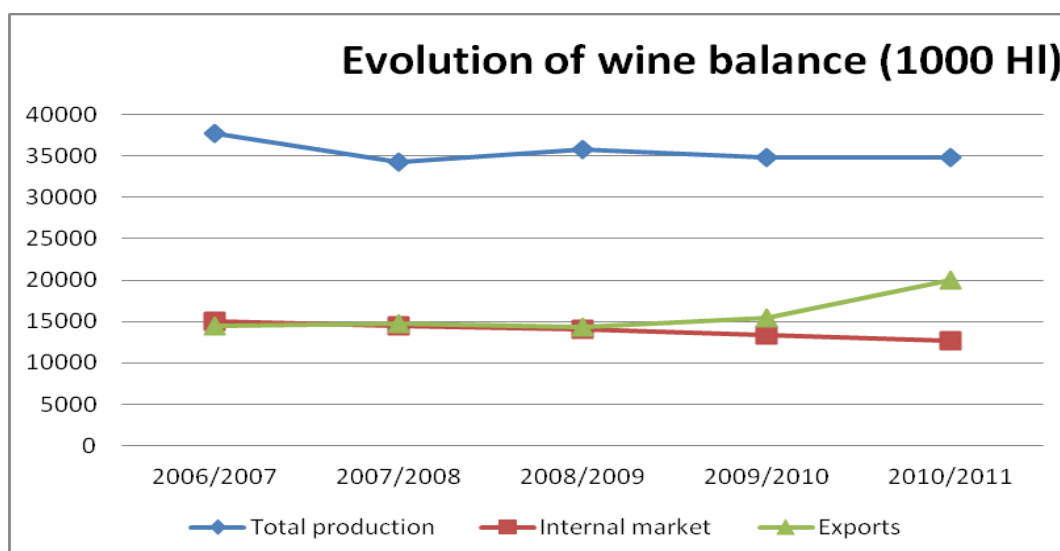


Figure 36 Evolution of wine production, markets and exports (1000 HI)

Source: Cooperativas Agroalimentarias 2011e

Table 27 Evolution of wine production, markets and exports (1000 HI)

Year	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Total production	37,757	34,314	35,736	34,766	34,846
Internal market	15,026	14,438	14,123	13,307	12,634
Exports	14,511	14,791	14,302	15,383	20,001

Source: Cooperativas agroalimentarias 2011e

Prices. Since 1999 the prices of bulk table wine has fallen more than 40% due to a general crisis in the sector. In 2009 the prices in origin were at the same level as 1989. In contrast, in the same period, the consumer price index has increased 80%. In many cases receipts are less than the cost of production for growers. COAG (2009) has noted that over the years a majority of growers have made big investment in the process of restructuring their vineyards and thus run high financial risks. Prices received by farmers for wine grapes are set out below:

Table 28 Average price received by farmers for wine grapes (2000-2009).

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Average Price (€/100kg)	43.71	45.47	43.31	42.84	41.41	50.49	50.32	54.84	53.84	56.74

Source: MARM (2010c)

Consumption. Consumption continues to decline due to changing consumer habits. The financial crisis has greatly affected consumption levels during 2009 both in restaurants and homes. Domestic consumption has fallen 41% between 2001 and 2010 according to the Panel of Alimentary Consumption (MARM). Given such decline in consumption and an increase in production, there is a disequilibrium in offer and demand which suggests a structural rather than just a temporal problem of circumstance.

Policies. The evolution of the EU wine industry during the last several years has been influenced by a combination of factors: the restructuring of vineyards, the reform of the specific Common Organisation of Markets for wine (Council Regulation EC No.479/2008 of 29 de April of 2008) and the wine crisis induced by the strong European and worldwide production. With an

emphasis on competitiveness, a Program of National Support was approved in October 2008 with financing for the period 2009-2013 resulting in Royal Decree 244/2009, of February 27.

While this is not specific to cooperatives, given the high level of market share that wine cooperatives have in Spain, coupled with the fact that traditionally cooperative wines tended to be in the bulk or lower range offerings, these changes have profoundly affected wine cooperatives. According to Cooperativas Agroalimentarias, while there have been problems with the application of Commission Regulation 555/2008 due to technical and legal issues, restructuring of the vineyards and promotion efforts have been welcomed by farmers (Cooperativas Agroalimentarias, 2011). However, given the loss of traditional instruments of control, particularly in alcohol sales, distillations, juice and export restitutions, prices have been affected as has all links of the production chain. Direct payments for wine grapes only partially compensate farmers who must lower their costs and adapt their vineyards to market demand in order to benefit from restructuring and reconversion.

The wineries (“bodegas”) have experienced a loss of revenues given lower prices and the lack of remuneration for some of their by-products. Cooperatives have been especially affected by the lack of demand for wine to use in the elaboration of drinkable alcohol due to the elimination of aid, as well as the disappearance of crisis distillation. These losses however are compensated by other types of aid to encourage promotion and investment.

In the last few years aid for improving the competitiveness of the sector and encouraging exportation to foreign markets has increased. Under the “Measures for Promotion to third countries”, 464 programs in more than 30 countries have been approved with an investment of 160 million Euros. According to OEMV in 2010-2011, 485 programs were carried out with a total investment of 60 million for Spain, which implied CMO aid of 30 million Euros. For 2011-2012, with an initial budget of 80 million euros, 932 programs were approved with a final investment of 106.7 million Euros (OEMV).

In 2010/2011:

-activities related to public relations and promotion represented 59% (35 million) of that invested.

-Activities related to congresses and expositions represented 15% (8.8 million)

-the cost of information about the European system of quality indicators was 13% (7.3 million) of the total

-investment in market information was limited to 7% of the total (4 million)

-investment in evaluation of measures reached 7% (4.2 million).¹⁷

One interesting point on the form in which Spain is applying its promotional methods is that the beneficiaries tend to be private or producer organisations and in countries like Italy and France public entities and inter-professional groups benefit more so from such funds. (OEMV)

Three main difficulties have been found in the implementation of CMO by the Spanish Ministry, the Autonomous Communities and FEAGA (the entity which makes payments) which limits the efficiency of the methods: 1) renunciation of solicited programs at the moment of adjudication, often because of problems obtaining guarantees; 2) lack of execution of a part of the presented program; and 3) Problems with justifying executed costs.

As well Cooperativas Agroalimentarias has pointed out issues in implementation:

- Limitations of the regulation in investment matters

¹⁷ <http://www.oemv.es/esp/la-medida-de-promoci%C3%B3n-en-pa%C3%ADses-terceros-de-la-ocm-alcanz%C3%B3-en-2010-2011-el-93-de-ejecuci%C3%B3n-sobre-el-presupuesto-previsto-429k.php>

- The necessity to establish restrictions to ensure the efficient use of funds within the appropriate time period
- The obligation to avoid overlapping with other aid that can have the same end
- The postponement of the application of measures to 2012

The subsidised pulling up of vines resulted in more than 85,000 ha in 3 years, representing 6.1% of the area planted at such time at the commencement of the CMO in August 2008. Castilla-La Mancha is the autonomous community in which the highest quantity of vines have been taken out.¹⁸

Wine Cooperatives. The business structure of the wine subsector in general is characterised by a high level of vertical integration. A dual structure coexists wherein a small group of large dynamic companies that have managed to deal with market changes is in contrast to many companies that have not yet adapted to new and competitive markets. These small companies are dedicated only to agriculture, leaving commercialisation tasks to other companies which control this process.

Within cooperatives a similar structure exists as in the rest of the wine sector; that is, a predominance of small and medium cooperatives and a few IOFs. The structure is very fragmented and in addition there are various levels of development. As a rule, small unprofessional cooperatives are dedicated to production and do not participate in later stages of production and supply chain. They have limited negotiating power. Another group of cooperatives commercialise bottled wine although their principle activity continues to be the sale of bulk wine. Finally there is a small group of cooperatives that commercialise the product of their member with a clear professional market approach.

In light of this, the commercialization of product from cooperative wineries continues to be quite insignificant compared to the industry in general and represents one of the main problems of cooperative wineries (Navarro and Millán, 2007). As well, commercialization through second tier cooperatives is also insignificant and they generally are active in the sale of bulk wine. The creation of commercial companies and the externalization of services are some of the alternatives being employed by the sector. The sector has recognized the need to group production to achieve competitiveness both in external and domestic markets through Organisations of Wine Producer Businesses to reorder the sector, reducing the number of businesses and increasing their size (Cooperativas Agroalimentarias, 2011). As a complement to this strategy is a push for higher quality wines produced by niche producers.

With respect to distribution, the methods most employed are the use of non exclusive distributors and the sale to large distributors, thus reducing direct sales made by the cooperative. Intermediary importers are used for external markets.

Necessary Action. The necessity to highlight cooperative brands that can be recognized by the consumer as well as the need to strengthen market knowledge and commercial strategies and improve distribution networks, which are poorly developed due to the prevalence of bulk sales, is clear. The cooperative sector advocates the increase of production and visibility in order to obtain negotiating power with the large distribution chains. In addition, more effort needs to be put towards promotion both domestically and internationally, investigating alternatives to distillation, ensuring quality and differentiation, and devising appropriate financing and insurance to allow export. Cooperative branding and strengthening market knowledge of “cooperative advantage” is also relevant.

The lack of communication between autonomous communities and the Administration is a real concern that has directly affected the efficacy of policy measures, such as not utilising available

¹⁸ <http://www.oemv.es/esp/informe-arranque-2010-300k.php>

budgeted aid and a lack of a coherent strategy across the various wine regions of Spain. Although this has been recognised by the sector, progress needs to be made.

As for appropriate strategies to follow for the future, both the Ministry of Agriculture and Cooperativas Agroalimentarias have been of the opinion that the future of the sector requires a reduction in the number of farms and an increase in size thus deducting that this will translate into competitiveness and more market opportunities. Cooperativas Agroalimentarias has also indicated their belief that aid to wine farmers and businesses should be conditioned on their grouping in order to “balance” the supply chain.¹⁹

If we look at bit more closely into the issues which atomisation in wine cooperatives raises in the sector we can see that:

-small wine cooperatives are not usually market oriented and their members and management may be more traditional.

-the small dimensions of cooperatives make it difficult to have adequate commercial networks, both in and out of Spain.

-In addition, taking on innovative projects may be difficult for small cooperatives.

-there are a great number of small wine bottlers that function during few days per year. This is inefficient given the large number of installations and the relatively small amount of wine that is bottled per annum.

While grouping together of cooperatives may alleviate these problems there is no reason that they will necessarily do so: 10 small cooperatives grouped together without vision, management skills or interest in customer focused products will only be 10 times as ineffective as 1 small ineffective cooperative. There are also ways in which “soft” co-operation and networks can serve to alleviate the above mentioned problems without mandating groupings. Commonly held bottling facilities, experimental farms financed by cooperative funds, cooperative management advisors (perhaps as part of a credit cooperative involvement), distribution and marketing coordination, etc. are also feasible.

As in other sectors such as fruits and vegetables, one of the largest hindrances in the cooperative wine sector is the lack of coordination further up the supply chain. Where cooperatives could be poised to take advantage of such vertical arrangements—indeed between the grower members and the cooperatives they have proven this ability—they have not yet taken advantage of it.

Given the huge range of wines and their markets, each cooperative must determine whether their future depends on groupings (which would be beneficial for those producing basic product) or whether there are some particular wine cooperatives, however small, that have the quality of grapes, the marketing savvy and a cooperative support network in terms of promotion, marketing, logistics and distribution to succeed.

Aside from the wine cooperatives listed in the “top 5” and as well the suggestion of Cellar Capçanes in interesting cooperative examples , the Cooperative Adega e Viñedos Paco & Lola have garnered a lot of press attention due to its successful marketing and internationalisation

¹⁹See http://www.agroalimentariasclm.coop/prensa/noticias_ver/Mjc2
<http://www.agroalimentariasclm.coop/ficheros/doc/revista-2011-06-28%2014:6:08-141308.pdf>
<http://www.agro-alimentarias.coop/ficheros/doc/03506.pdf>

strategies.²⁰ It produces the “albariños” (a much appreciated white wine, locally and internationally) “Paco & Lola” and “Rosalía de Castro”. In 2010 its turnover increased by 10%, reaching 3.8 million Euros. With 430 members, it is the cooperative most important in the Denomination of Origin Rías Baixas.

In the last few years it has consolidated its distribution at the national and international level, increasing its sales of its own labels by 50% and reducing bulk sales and bottling for third parties by 23% and 50% respectively. In 2010 the cooperative exported 70% of its production, reaching 20 countries. The cooperative also received various awards due to both product innovation and also product presentation.

5.7 Dairy

In 2010 the Dairy sector represented 18.94% of final livestock production and 10.46% of final agricultural production, the principal product being cow milk (MARM, 2010b). The cooperative market share is 40%.

Spain occupies the 7th place in terms of volume of milk production behind Germany, France, the U.K., Holland, Italy and Poland. The Spanish milk production represents 4.2% of the total volume of milk produced in the EU. The number of cows for milk production in 2010 was 23.6 million in the EU-27 and in Spain 828.000 (Eurostat).

Production. In 2009 86% of dairy production was cow milk, while sheep and goat milk each represented 7% for a total of 14%. Equal to the rest of the EU, cowherd suitable for milk production has decreased significantly in favour of those suitable for meat. Currently, 30% of herds older than 2 years are dedicated to milk production as opposed to 58% in 1990 (MARM, Annual Statistics, 2009). In contrast, sheep and goat milk has evolved positively in the last decade. The production of sheep milk by cooperatives has reached 24% of total production while the production of the principle goat cooperatives constitutes 15% (Cooperativas Agroalimentarias, 2010c).²¹

The principle autonomous communities which produce milk are Galicia (37.96%), Castilla and Leon (14.24%), Catalonia (9.49%), Asturias (8.94%) and Andalusia (7.4%). The production of sheep milk is focused in Castilla and Leon and Castilla-La Mancha, whilst goat milk is important in Andalusia (44.18%), the Canary Islands (19.42%) and Castilla-La Mancha (12.53%).

The sector is based principally on the elaboration of liquid milk (60%) while the rest is for milk products. This structure is very different than that of other large EU markets, which are based more on cheese, butter and powdered milk. The majority of packaged milk is sold to grand distributors and the distributors brand represents 52% of internal consumption (MARM, 2009).

²⁰ <http://www.alimarket.es/noticia/21256/Freixenet--primer--Vionta--fuera-de-Pazo-Baion>
<http://www.alimarket.es/noticia/m11117028/COOPERATIVA-AROUSANA-INICIA-ACTIVIDAD-COMERCIAL>
<http://www.alimarket.es/noticia/82265/Bodega-Paco-Lola-se-homologa-con-su-marca>
<http://www.alimarket.es/noticia/66779/-Paco---Lola--mantiene-el-ritmo>
<http://www.alimarket.es/noticia/41390/Paco-Lola--vinos-y-licores-con-diseno>
<http://www.alimarket.es/noticia/34513/Rosalia-de-Castro-crece-un-70--y-alcanza-las-500-000-botellas>

²¹ It should be noted that these figures refer to only those cooperatives which are members of the national confederation, Cooperativas Agroalimentaria. The actual percentage of cooperatives may be higher.

Table 29 Milk production (million litres).

Year	Cow milk	Sheep milk	Goat milk	Total
2000	6,107	392	439	6,937
2001	6,330	394	489	7,213
2002	6,418	406	513	7,337
2003	6,443	411	487	7,340
2004	6,384	410	479	7,274
2005	6,370	408	472	7,250
2006	6,192	424	492	7,108
2007	6,143	414	489	7,046
2008	6,157	427	491	7,075
2009	6,069	490	515	7,074

Source: MARM (2010c)

Prices. The medium price received by farmers in the sector has risen gradually until 2009. However, the price still remains below the cost of production. Lack of profitability and rising costs of production create a complex situation.

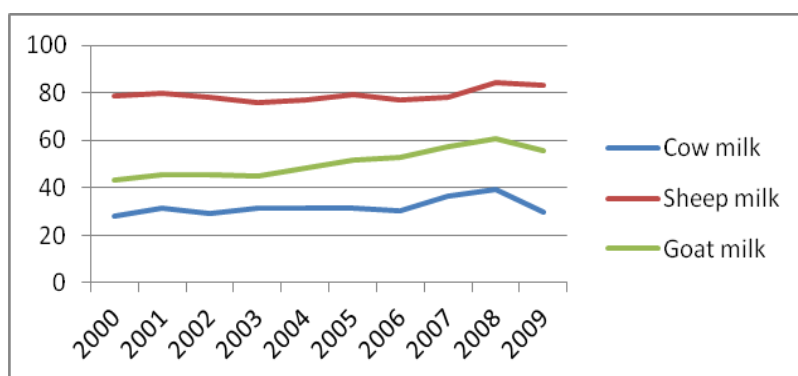


Figure 37 Average price received by farmers (€/100 kg). Source: MARM (2010c)

Exports and Imports. Spanish exports of milk and milk derivatives increased until 2005, at which point they began to decrease especially in 2008. The principle destinations for exports are France, Italy and Portugal. Imports have increased significantly, as can be seen in Figure 38 below, such imports corresponding to a fall in prices of milk as seen in Figure 37 above:

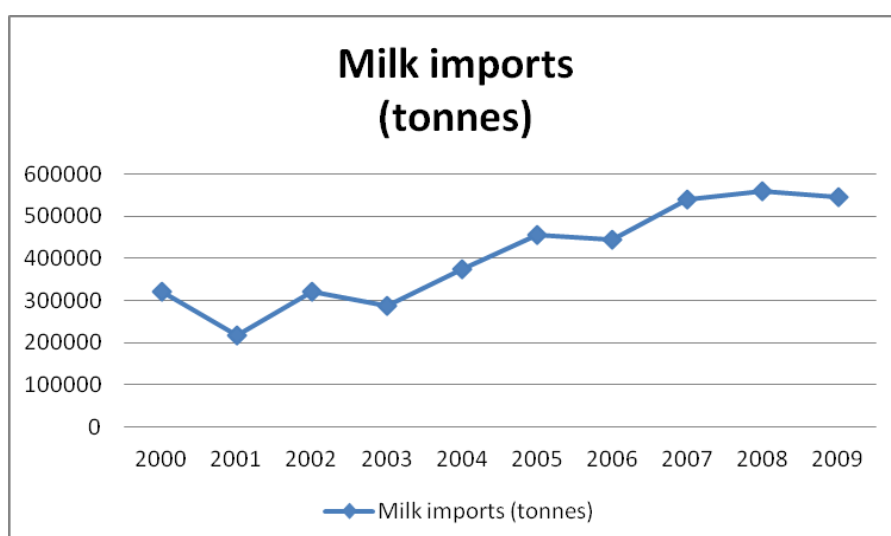


Figure 38 Milk Imports. Source: FAOSTAT

Distribution of Farms. The sector is characterized by significant atomization in contrast to the concentration of organized distribution. Such atomization is especially significant in production, given that 63.32% of farms hold 22% of the quota, while the remaining 78% of the quotas are in the hands of 32.83% of the farms. Since the 90s production has been abandoned by many farms, leading to an increase in their size. The objective of such increase in size had been to improve competitiveness in the sector, but it has ended up provoking a contrary effect, producing an important increase in costs (COAG, 2009). Costs have increased due to the fact that an increase in growth has been accompanied by a greater intensity of production, thus resulting in higher costs.

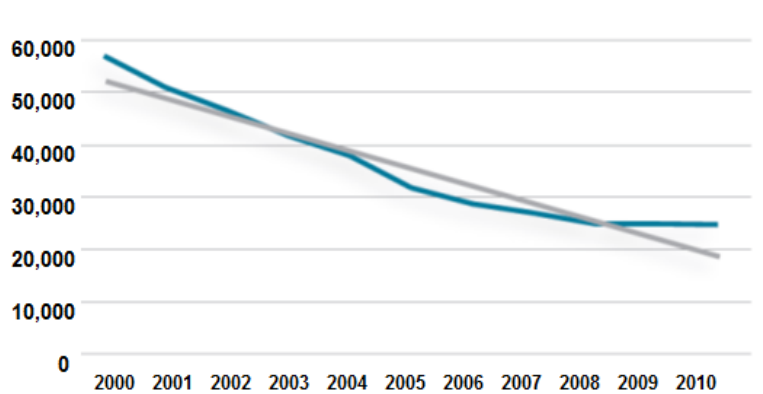


Figure 39 Number of farms (2000-2010). Source: Informe Coag 2009

Policies. Dairy, being a quota system has traditionally limited Spanish production. The plans to do away with the quota system in 2015 poses a series of uncertainties for the sector and probably represents the most important influential factor in the future configuration of milk prices in Spain. The quota system not only has repercussions for the level of production but also for costs and the margin for producers given that the quota affects the amortizations and investments in capital and personal, amongst other factors (MARM, 2009)

Another factor that has traditionally influenced the results of the sector has been the commercial relation between suppliers (individual producers and cooperatives) and processors that have existed under various contractual arrangements. Since 2008 standard contracts have been used, such that the contractual relations now exist within a given framework and with greater stability. (By Order ARM/2394/2008, 18 of July, the homologation of a dairy contract template being done through various ministry orders, ARM/2581/2009 and ARM/2834/2010.) Such contractual arrangements have been considered a success by the milk sector and the Confederation. Fixed contracts for 12 months are the most common. ²²

Dairy Cooperatives. During the last several years, cooperatives have concentrated and amplified the service offered to their member farmers. In doing so cooperatives have been able to assure the collection of milk, have offered more financial help to give liquidity, etc. As a strategy to ensure competitiveness of the dairy cooperatives, integration is seen within the sector as a method to improve the negotiation capacity with the rest of the food chain (UPA, 2008). As well, the production of sheep and goat milk is in the middle of an important change in terms production methods, such that *intensive production* is more and more common as compared to traditional methods. 24% of the total production of sheep milk is now through cooperatives, which is leading to ambitious processes of collaboration both in terms of processes and also in the concentration of offer.

²² See <http://www.agro-alimentarias.coop/ficheros/doc/03322.pdf> wherein the contracts have been described as a success.

Necessary Action. The sector has identified the following strategies: concentration of offer, transformation and adding value to products, commercialisation, control of production to manage offer and demand and aid for “doing” not “being”.

5.8 Sheep meat

The sheep and goat live stock sector has a great territorial importance, not only for its economic contribution but also from the point of view of social cohesion and the sustainable use of lands in which they operate, contributing to the maintenance of the environment and the continued human presence and economic viability in disfavoured rural zones (MARM, 2009). The importance of the sector within agriculture has decreased in the last decade. In 2000 it represented 13.71% of livestock production and 4.67% in final agricultural production. In 2010 sheep and goat meat made up 1.98% of final agricultural production and represented 6.1% of final animal stock production. The production of sheep meat in Spain represents 17.25% of the EU total and is superseded only by the U.K.: (36.19%) [Eurostat]. Cooperatives make up 25% of such sector (source-Cooperatives Agroalimentarias).

Production. From 1992 to 2000 the number of sheep in Spain was practically stable and thereafter has fallen considerable due in part to the CAP reforms which affected subsidies received by the sector. The new CAP approved in 2006 and completed in 2010 resulted as well in a decline, given the decoupling of production with sector aid, tied now to the historic rights in function of stock number held in 2008. As a result, many stock keepers have abandoned their herds or reduced their numbers (Alimarket, 20/10/2010). The price of feed has also affected production as well as the variability in the price of goat milk. However, at the moment these reductions are less than that those of other EU producers. Production fell 19.4% between 2007 and 2009.

Spanish sheep production is concentrated in 5 communities: Extremadura (19.80%), Castilla and Leon (19.71%), Castilla – La Mancha (16.65%), Andalusia (14.31%) and Aragon (10.61%). These 5 communities represent 81.08% of the total. The production of goat in Spain is concentrated in 4 communities: Andalusia (35.63%), Castilla – La Mancha (15.59%), Canary Islands (10.6%) and Extremadura (10%). These four communities represent 71.98% of the total. The 3 principle cooperatives in the sector are found in Aragon (Cooperative Oviaragon), Extremadura (Oviso) and Andalusia (Dehesas Cordobesas).

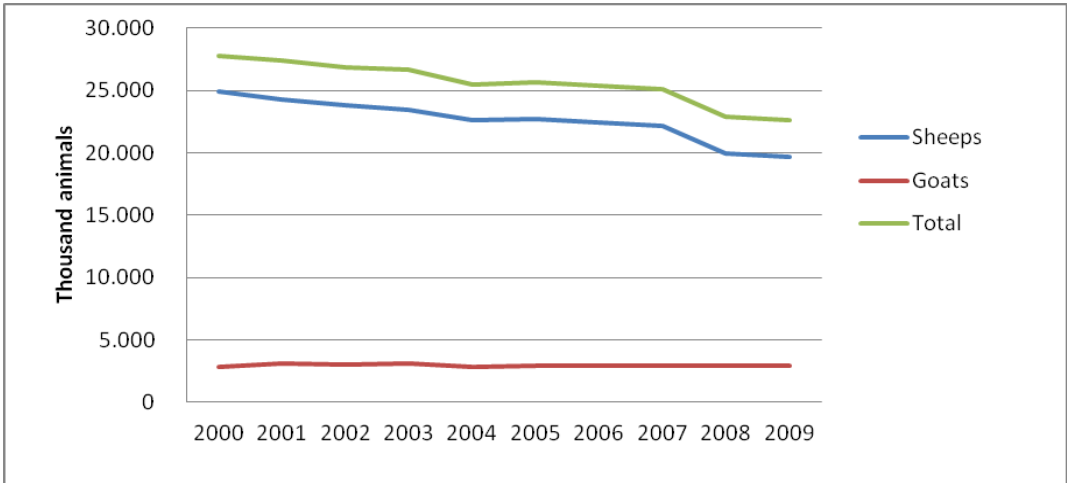


Figure 40 Number of sheep and goats (2000-2009)Source: MARM (2010c)

Prices. As seen below, prices have remained relatively stable, although there is a great fluctuation throughout the year. It should also be noted that the price of the skin, which varies greatly during the year as well as between different communities in Spain, has a notable impact on the final price of sheep product as does the price of wool to a lesser degree. Goat and sheep meat is also very seasonal (more popular during Christmas and Easter season) but as well, is seasonal in terms of breeding (more difficult to breed in spring). This results often in a situation where higher product price also signifies higher breeding costs. Strategy is dependent on which market is sought.

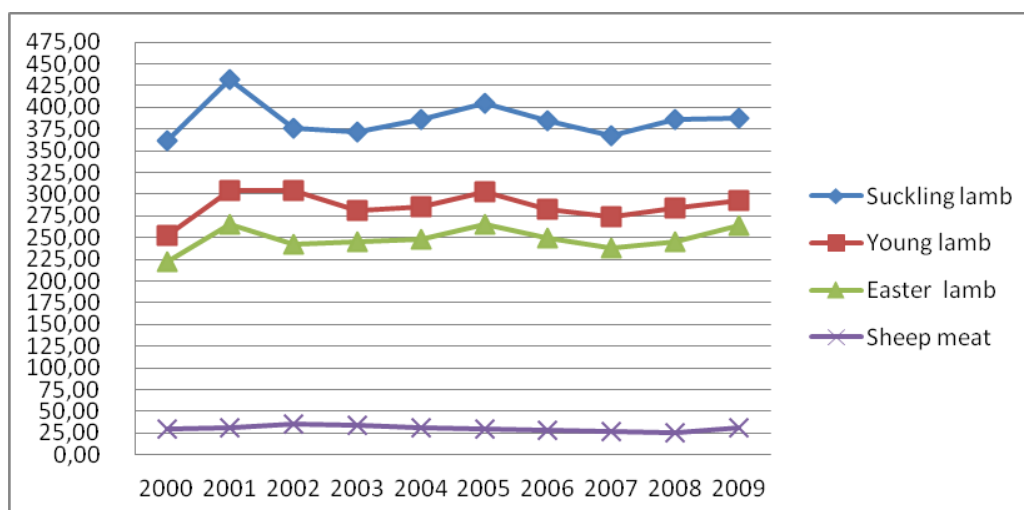


Figure 41 Average price received by farmers 2000-2009 (€/100 kg). Source: MARM (2010c)

External Trade. Spain is a net exporter of sheep and goat meat (although goat meat is quite insignificant) principally to EU member states with 97% of the total, concretely France (34.71%), Italy (19.60%), Portugal (13.22%) and the UK (17.50%). The Arab countries represent an important new strategic export market, although export to non-member countries presents difficulties.

Structure of the Sector. Production is very dispersed, from many small operations to cooperatives with thousands of heads of stock. The complexity and number of actors in the commercialisation in origin depends on the avenues of commercialization and whether the direct purchases are possible in the slaughterhouses. The wholesalers which carry out commercialisation in origin cover the management of the animal from the purchase from the farmer until its final transformation. The fundamental differences between the agents at the sales points lie in their size, volume and variety of product.

Aside from the basic value chain, there is a difference between the traditional and modern model: in the former the butcher buys from the slaughterhouse directly and is then responsible for breaking it down and preparing it. The modern model is characterized by the presence of large distributors at the sale point who require product which is more specialized and exacting in specifications (MARM, Observatory, 2009). In addition, the zones of consumption and production are mismatched; that is, there is important production but low consumption in the south and high consumption and low production in the north. This fact has an impact on the commercialisation and business strategy of the various cooperatives who produce goat and sheep meat, dependent on where they are situated.

Policies. See “Production” above for consequences of the CAP reform and also “Cooperatives” below for the reference to Royal Decree 104/2008 and grouping of producers. Royal Decree 1615/2007 of the 7 of December (BOE 20 Dec.) established the bases upon which to grant subsidies to encourage the production of quality agro food animal products and has resulted in

many cooperatives increasing the number of members due to the fact that the concentration of offer has resulted in more price stability and a stronger presence in the market. The restructuring of the sector has decreased the number of operations but increased the size of those that continue in production (Alimarket, June 2, 2011).

One concern pointed out by the Spanish Society for Sheep and Goat Production in relation to the new CAP draft (2014-2020) and its assessment of producers based on farm size, is that it does not take into account those farmers that rely on agricultural plant residues and common grazing areas where the farmer does not hold title. The productive use of plant residues and the control of excess vegetation in public areas can contribute to the public good and yet are detrimental to those farmers that rely on such practices, instead of being large land owners. As well, those operations which are not also dedicated to sheep or goat milk require less land and thus are more intensive. This distinction is not taken into account.

A policy that the Spanish Society for Sheep and Goat Production claims to be effective is that of the "Protected Geographical Indication" indicating a quality area. In sheep meat (lamb) there are 6 such PGI. Oviaragon is tied to the PGI of "Ternasco de Aragon" and the cooperative Oviso is closely related to "Cordero de Extramadura". The use of such indications is seen to be an important strategy to integrate further down the supply chain and as well this strategy has proven to be less expensive and time consuming than the establishment of trademarks of guarantee or collective trademarks, which must be registered under patent and trademark laws. As well this strategy serves to protect traditional breeds and production practices.

Sheep Cooperatives. The cooperatives in this sector are a key element in avoiding the disappearance of this type of livestock operations in many zones of Spain and compensate the loss of profitability of the farmers. However the many small operations are a problem for the adequate development in the sector. As a result the sector is going through a profound process of cooperative integration with the creation of second level cooperatives and other cases of cooperative mergers. This process was done under the impetus of Royal Decree 104/2008 that established aid for groupings of producers. As this report goes to press, the region of Castilla La Mancha has introduced a new law for the granting of subsidies to form producer groups in the sheep and goat sector. (Orden AYG/893/2012, 17 of October). This type of incentive already exists for areas such as Castilla Leon, as set out in Chapter 6.

The cooperatives which produce lamb have changed drastically their path and have improved production, consumer orientation and increased the processes of collaboration between cooperatives to access markets. In addition much R&D in adapting to consumer demands has been carried out.

Given that one of the principle problems of the sector is the decline in consumption, measures must be taken to increase demand. This could be achieved by extending both production and demand to cover more seasons so as to minimize profound price fluctuations.

The strengths of the sector lie in flexibility (animals can graze in many places) with a need for little infrastructure, the high quality of meat and the high number of autochthonous breeds (MARM, 2009).

Challenges for the cooperatives are the lack of structures and channels of commercialisation, decrease in demand, high prices of animal feed, aging farmers and difficulty in finding workers, competition with other EU member states with more sector subsidies and third countries with lower costs, lack of promotion of the sector (Union of AgCoop, Castilla-La Mancha, 2008).

Necessary Action According to the Sector. The sector proposed that operations must be larger and more specialized. More producer groups are needed that develop vertically and that increase efficiencies and there should be a favouring of long term agreements between distributors and producer cooperatives. The product should be identified with Spain, with a protected geographical indication, and with traditional foods. As well there should be the development of aid linked to agro-environmental issues and pastures and publicity to increase

consumption and exportation, and the reduction of seasonality. On the human resources side, there should be an emphasis on incorporating youth and also the proper training of qualified butchers and in the preparation of prepared product to meet consumer demand. Support for developing consumption in the restaurant and hotel sector is also important. New export markets should be developed.

5.9 Pig meat

The pork sector in Spain represents 35.2% of the total animal stock production (2010) and 11.4% of final agricultural production (MARM, 2011). Spain is the second country in the EU in number of pigs (Germany being the first) with 18.1% of the European stocks, and the fourth in the world in pork production. Cooperatives represent about 25% of market share (Cogeca, 2010). Of the cooperatives which form part of Cooperativas Agroalimentarias (national confederation) 51 cooperatives, 13 produce Iberic products.

Production. Stock numbers increased up to 2007, after which there has been a decline. Rising animal feed prices and falling prices due to the excess of production were responsible such that a market adjustment was necessary. This trend was similar to that experience in Europe although the growth phase in Spain was steeper (MARM, 2011).

Pork production is mainly in Catalonia (26.19%), Aragon (21.77%), Castilla and Leon (14.45%) and Andalusia (8.3%). As cooperatives are governed predominantly by community laws, the cooperative laws of such regions would be most relevant in this sector. The top 5 pork cooperatives in this study are located in Galicia, Andalusia, Aragon and Castilla and Leon.

Prices. In the pork sector, there is no direct aid nor the application of reference prices for the sector such that the market price is strictly that of supply and demand, depending on the level of production (Dir.Gen of MR, 2011). In the last several years, in spite of the fall in demand and the excess of offer, prices have still risen (last year available, 2009).

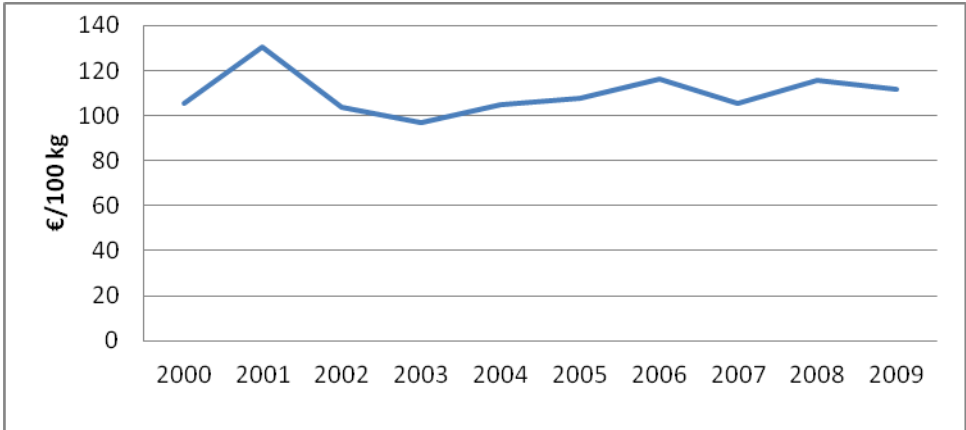


Figure 42 Pig meat average prices 2000-2009 (€/100 kg). Source: MARM (2010c)

External Trade. Exports have grown significantly in the last 10 years as the Spanish market cannot absorb all of its production (COAG, 2009). As a result, the sector depends on exportation to stabilize the sector and as well must adapt costs and prices to guarantee competitiveness on an international level (Pork Congress, 2006). The principle destination for Spanish pork exports are EU member states representing 85.6% of total exports, concretely France (28.44%), Portugal (14.29%), Italy (11.95%) and Germany (9.77%). 15% is destined for other countries outside the EU.

Structure of the Sector. Given the difficult market conditions, the pork sector has experienced a decrease in the number of farming operations and above all in “free” farms which were not included in the various vertically integrated businesses in the sector (COAG, AR, 2009).

In other cases, pork operations have opted for different modes of association. Recently the sector has begun to push for concentration to meet heightened market competition, reduced margins, distribution pressures and the high cost of animal feed (Alimarket, April 18, 2011).

In 2010, the number of pork farms was 94,252, of which 46% were of small or medium size. In 2007, the number of small and medium operations represented 60% of the total (MARM, 2011).

Traditionally, the pork operations have functioned through diverse forms:

- As a residual activity alongside other agricultural or stock animal activities.
- Via contracts with large companies through “integration”
- Association with cooperatives, where the farmer, maintaining independence could benefit from a series of services and representation, as well as the social benefits of the cooperative (Cooperativas Agroalimentarias, 2004).

Policies. Royal Decree 324/2000 of the 3 of March establishes regulations for pork production with the object of guiding and managing growth in the sector and also of providing the sector with a comprehensive and unified regulatory landscape. This legislation has been considered to be a key element in the success of the sector, notwithstanding increased costs and the modification of the productive map (Pork Congress, 2006).

Pig Meat Cooperatives. Cooperative pork production is made up of two types of cooperatives: the first are pork producer cooperatives, which as a service to the members provide food for the animals. The second are those marketing cooperatives that carry out the sale of the live animals and the products obtained after their sacrifice.

Analysing the marketing cooperatives one can observe that the majority are dedicated to selling live animals. Of those cooperatives that market products obtained after the sacrifice, the sale is done predominantly through channels. As there exist more restrictions and health and sanitary problems in relation to live animals than with meat and products derived from pork, for this reason, cooperatives should centre not only in the sale of animals but also in the production of transformed/processed/value added products. In addition, this would facilitate sales and exportation.

Some cooperatives of the first level have united, amongst pork producing cooperatives, and also with cooperatives that are not dedicated to the production of pork in second level cooperatives. Currently, 8 second level cooperatives are dedicated exclusively to the production of pork.

Pork cooperatives are developing projects concentrating the offer, with the object of accessing new markets both within and outside of the EU. In addition, pork cooperatives have seen that their members are suffering from the complex and costly processes of adapting to the new EU norm, which increases demands for hygiene, environmental conditions and animal welfare.

Amongst the proposed strategies to develop the cooperative pork sector are the following proposals:

-Differentiation, promoting the sale of cooperative product not as a low cost product but one which also has social value, environmentally friendly, with sound production practices and which promotes the rural economy.

-New markets which permit the marketing of member production-for this a certain distribution volume is necessary which can only be met by the grouping of cooperatives.

-Grouping in order to control costs that exporting would imply and to reach a competitive volume of product and optimize investments.

-Promotion of cooperative product with the creation of a unique cooperative label that permits the consumer to link the product with cooperative activity (Cooperativas Agroalimentarias, 2004).

6 Overview of policy measures

6.1 Regulatory framework

The performance of cooperatives, including producer organisations, is influenced by the regulatory framework in a country. This framework is multi-level: EU regulations, national laws and –in some countries, particularly Spain- even regional policies influence the way cooperatives can operate. In this chapter we look especially at the regulatory framework that influences the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector).

These competitive positions are influenced within the regulatory framework by much more than the law that establishes the rules for running a cooperative (business organisation law). Well known other examples include agricultural policy (e.g., the EU’s common market organisation that deals with producer organisations in the fruit and vegetables sector), fiscal policies (at the level of the cooperative and the way returns on investments in cooperatives are taxed at farm level) and competition policies. There are different types of policy measures in the regulatory framework (McDonnell and Elmore (1987):

POLICY MEASURE TYPE	DEFINITION
Mandates	Rules governing the actions of individuals and agencies
Inducements	Transfer money to individuals in return for certain actions
Capacity Building	Spending of time and money for the purpose of investment in material, intellectual, or human resources (this includes research, speeches, extension, etc.)
System Changing	Transfer official authority (rather than money) among individuals and agencies in order to alter the system by which public goods and services are delivered

The objective of this project / report is to identify support measures that have proved to be useful to support farmers’ cooperatives. In section 6.2 the relevant policy measures and their potential impact in Spain are identified. In section 6.3 a number of other legal issues are addressed.

6.2 Policy measures

The table below identifies the policy measures that influence the competitive position of the cooperative versus the investor-owned firm (IOF) or the competitive position of the cooperative versus other players in the food chain (e.g. the retail sector). (Please note that the CAP will be discussed in a general manner in Chapter 7 as it affects Spanish cooperatives, in addition to its having been referred to in Chapter 5 in relation to certain sectors.)

Below we have ordered the laws and policies in the following order: Spanish Constitution and Social Economy Law, that are the bases of cooperative in Spain; cooperative national and regional regulations (include norms regarding Cooperatives Societies Registries and the amendments to cooperative laws); tax laws (national, regional and “foral” or regional regulation), as well as accounting norms (national and regional too); regulation relating to Agrarian Societies of Transformation (SATs) –both national and regional; and legislation related to the rural environment and agricultural interprofessional organisations. This is followed by remaining diverse policies and norms (first national and then regional) that primarily provide

incentives to cooperatives, social economy enterprises, agriculture (or a particular sector) or business in general in relation to a wide range of activities.

Table 30 Policy Measure Description

Policy Measure Name	Policy Measure Type	Regulatory Objective	Policy target	Expert comment on effects on development of the cooperative
Spanish Constitution, 1978 (art. 129.2)	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	- National-mandate on public powers to provide adequate legislation for the creation and promotion of cooperative societies (Note: “cooperative societies” is used to refer to the cooperative business form, as opposed to “cooperative company” which may be a more literal translation, but one that may be confused with cooperatives with shareholder characteristics).
Social Economy Law 5/2011, 29 March	5. Other. Promoting social economy	2. Attainment of equity or social goals	1. Specific to cooperatives (and other social economy enterprises).	- National-provision of framework that recognises and gives better visibility of the social economy. - Recognition, as a general interest matter, of the promotion, stimulus and development of social economy entities and their representative organisations - Cooperative and SATs (sociedades agrarias de transformación) are mentioned as being social economy entities.
Cooperative Law 27/1999, 16 July	1. Mandate. Cooperative legislation	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	1. Specific to cooperatives	- National law applicable to cooperative societies that carry out their cooperative activities in various autonomous communities. - Not applicable where the cooperative carries out the majority of their activity in one autonomous community. (As a practical reality, most agricultural cooperatives are formed under the laws of an autonomous community.) -This 1999 law, in contrast to the 1989 law, made more flexible the economic and administrative regime of the cooperatives and included a series of changes in material regarding the financing of the cooperative. -Art. 93 is dedicated to agricultural cooperatives and arts.94 and 97 to cooperatives of common exploitation of farm lands . With respect to the former, it defines agricultural cooperatives and enumerated the permitted activities and provides for certain particular situation such as the establishment of a limit on transactions/dealings with third parties . With respect to the latter, the law provides a concept of such term and sets out who can be members, the ceasing of use and the enjoyment of benefits and its economic regime.
Royal Decree 136/2002, 1 February,- approval of Regulations of Cooperative	1. Mandate. Cooperative legislation	1. Correction of market or regulatory failures 2. Attainment of equity or	1. Specific to cooperatives	National- The regulation organises/systemizes registry material concerning cooperative societies regulated by Law 27/1999 (above) as a method of giving legal security and formality to such material , the effect of which is to guarantee the publication and the legality of

Society Registry.		social goals		founding of cooperative societies, and the rest of the principle refers to documents or legal actions during the life of the cooperative.
Andalusian Cooperative Societies Law 2/1999, 31 March	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to cooperative societies which carry out their principle cooperative activity in Andalusia . -Arts. 152 and 153 are dedicated to agricultural cooperatives and Arts. 154 and 157 to cooperatives for the common exploitation of farm lands , setting out the objective of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc. Notable in respect to agricultural cooperatives is the potential for inter-cooperative relations pursuant to very flexible provisions, which could be considered to be transactions/dealings with third parties. -At the moment of this writing, a new Andalusian Cooperative Societies Law 2011 is in the midst of being developed (“ Proyecto de Ley de Sociedades Cooperativas Andaluzas 2011 ”) which will reinforce competitive capacity and address the needs of this sector in such autonomous community.
Decree 267/2001, of 11 December, Regulation of the Development of the Law of Andalusian Cooperative Societies	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-This decree regulates the functioning of the Registry of Andalusian Cooperatives subject to the Andalusian Cooperatives Societies Law of 1999.
Aragon Cooperatives Law 9/1998, 22 December,	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Regulation and development of cooperative societies that carry out their principle activity in Aragon . -Art. 80 is dedicated to agricultural cooperatives and art. 81 to cooperatives of common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc.
Cooperative Law of the Principality of Asturias 4/2010 29 de June	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to cooperative societies which carry out their principle cooperative activity with their members in the principality of Asturias . -Art. 161 to 163 are dedicated to agricultural cooperatives and arts. 164 to 171 to cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc. - Notable in respect to agricultural cooperatives is the provision which allows cooperative statutes and bylaws to require a minimum or exclusive participation and a

				minimum term for cooperative members.
Cooperative Law of Castilla-La Mancha, 11/2010, 4 November.	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to cooperative societies which carry out their principal cooperative activity in the autonomous community of Castilla-La Mancha . -Art. 130 is dedicated to agricultural cooperatives and arts. 131 to 134 to cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc. - With respect to agricultural cooperatives, certain modifications have been introduced in contrast to the prior revoked law (more precision in definitions, minimum time requirement for members and required obligations, dealings with third parties, etc.) most notable the possibility to, in conjunction with the social object of such cooperatives, carry out other economic activities and services related to development, sustainability, promotion and transformation of the rural environment, rural tourism, environmental activities, cultural activities, new technologies, assistance services, consumer services, advising services and whatever other activity of like or similar nature.
Decree 178/2005, 25 de October, approving the Regulation of the Organising and Functioning of the Registry of Cooperatives of Castilla-la Mancha.	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Setting up of the Registry of Cooperatives of the Castilla-La Mancha.
Community of Castilla and Leon Cooperative Law 4/2002, 11 April	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to the cooperatives which carry out their principle cooperative activity in the autonomous community of Castilla and Leon . -Arts. 113 and 114 are dedicated to agricultural cooperatives and arts. 108 to 111 to cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc.
Decree 125/2004, 30 December, Regulation of the Registry of the Cooperatives of Castilla and Leon	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Setting up of the Registry of Cooperatives in the autonomous community of Castilla and Leon .

Cooperatives of Catalonia Law 18/2002, 5 July.	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to the cooperatives which carry out their principle activity in the autonomous community of Catalonia . -Arts. 93 to 95 are dedicated to agricultural cooperatives , providing for the object of these cooperatives and the content of statutes and bylaws and the succession rights and processes of members.
Decree 203/2003, 1 August, re: the structure and functioning of the General Registry of Cooperatives of Catalonia.	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Setting up of the Registry of Cooperatives of the autonomous community of Catalonia .
Cooperative Societies of Extremadura Law 2/1998, 26 March	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to cooperative societies with their place of business in the territory of the autonomous community of Extremadura , which carry out their principle cooperative activity in such territory. -Arts. 125 to 128 are dedicated to agricultural cooperatives and arts. 129 to 133 to cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc.
Special Cooperative Societies of Extremadura Law 8/2006, 23 December,	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to smaller cooperatives (from 2-20 members) that carry out their principle cooperative activity in the Community of Extremadura .
Cooperatives Law of Galicia 5/1998, 18 December	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to all cooperative societies doing business in the autonomous community of Galicia that carry out their principle cooperative activity in such territory. -Art. 111 is dedicated to agricultural cooperatives and arts. 112 and 113 to cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc. -Notable in such law, amongst other peculiarities, is the possibility to incorporate as a member Galician Family businesses, an institution under Galician civil law.
Cooperatives Law of the Balearic Islands 1/2003, 20 March	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to all cooperatives that carry out their principle cooperative activity in the autonomous community of the Balearic Islands . -Arts. 120 to 122 are dedicated to agricultural cooperatives and arts. 123 to 127 to cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting

				rights, member rights and obligations, etc. - The law regulates and provides for the particularities that characterize agricultural cooperatives and allows for the promotion and motivation of agricultural modernization with structures that incorporate new techniques of exploitation and commercialization, in such manner providing for the business/entrepreneurship nature of agricultural cooperatives.
Decree 65/2006, 14 July, approving the Regulation of the Organisation and Functioning of the Registry of Cooperatives of the Balearic Islands.	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Setting up of the Regulation of the Registry of Cooperatives of the autonomous community of the Balearic Islands .
Cooperatives of La Rioja Law 4/2001, 2 July	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to the cooperatives that carry out their principle cooperative activity in the autonomous community of La Rioja . -Art. 113 is dedicated to agricultural cooperatives and arts. 114 and 117 to the cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc.
Decree 18/2003, 7 May, Regulation of the Organisation and Functioning of the Registry of Cooperatives of La Rioja	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Setting up of the Registry of Cooperatives of the autonomous community of La Rioja
Cooperatives of the Community of Madrid Law 4/1999, 30 March	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to the cooperatives which carry out their principle cooperative activity in the Community of Madrid. -Art. 109 is dedicated to agricultural cooperatives and art- 110 to the cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc.
Decree 177/2003, 17 July, approving the Regulation of the Organisation	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Setting up of the Registry of the Cooperatives of the autonomous community of Madrid .

and Functioning of the Registry of Cooperatives of the Community of Madrid				
Cooperative Societies of the Region of Murcia Law 8/2006, 16 November	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Regulation and promotion of cooperative societies with their place of business in the autonomous community of the region of Murcia and that carry out their principal cooperative activity in such territory. -Art. 116 is dedicated to agricultural cooperatives and arts-117 to 120 to the cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, special content of their statutes, voting rights, member rights and obligations, etc. - The law regulates and provides for the particularities that characterise agricultural cooperatives, attempting to motivate modernisation as well as business/entrepreneurship in such entities.
Cooperatives of Navarra Law "Foral" 14/2006, 11 December	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to those cooperatives that carry out their principal activity in Navarra. - Art. 66 is dedicated to agricultural cooperatives, providing for the establishment of a system of rotating capital and as well contemplates the obligation to reflect in its accounting specified patrimonial funds.
Cooperatives of the Basque Country Law 4/1993, 24 June	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to cooperative societies with their place of business in the territory of the autonomous community of the Basque Country that carries out its principle cooperative activity in such territory. - Arts. 109 and 110 are dedicated to agricultural cooperatives and arts. 111 and 113 to the cooperatives for the common exploitation of farm lands , setting out the object of such cooperatives, their activity, transactions/dealings with third parties, voting rights, member rights and obligations, etc.
Small Cooperatives of the Basque Country Law 6/2008, 25 June	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	- This law arose out of the necessity to provide for the creation of a dynamic that favoured the entrepreneurship of small cooperatives in their capacity of agents that created employment, high quality employment and with the ability to distinguish themselves in their business environment, all under a scheme of self-management. In light of this, processes for their constitution and inscription were simplified, the number of necessary members reduced, etc.
Decree 58/2005, 29 March, Regulation of	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	- Regulation of the development of the Cooperative Law of the Basque Country, which amongst other aspects, provided for the legal statute of distinct classes of

the Cooperatives of the Basque Country				members, the development of an economic regime in matters of own funds and the clarification of applicability of certain legal concepts.
Decree 59/2005, 29 March, which approved the Regulation of the Organisation and Functioning of the Registry of Cooperatives of the Basque Country	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Regulation of the organisation and functioning of the Registry of Cooperatives in the Basque Country .
Community of Valencia Cooperatives Law 8/2003, 24 March	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives	-Applicable to cooperatives that carry out their principle cooperative activity in the Community of Valencia . -Art. 87 is dedicated to agricultural cooperatives and art. 88 to cooperatives for the exploitation of common lands , setting out the objective of such cooperatives, their activities, voting, related activities, special content of statutes and bylaws, etc.
European Cooperative Society domiciled in Spain Law 3/2011, 4 March	1. Mandate. Cooperative legislation and incorporation law	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	1. Specific to cooperatives	-Adaptation and transposition of Spanish law to Community Regulation 1.435/2003 which regulates the European Cooperative Society domiciled in Spain.
Cooperative Tax Law 20/1990, 19 December	2. Inducement. Financial incentives	2. Attainment of equity or social goals	1. Specific to cooperatives	National-Measure allows for the favourable tax treatment of cooperatives such that certain taxes do not apply such as for example, Tax on capital transfers and documented legal acts, Corporation Tax, etc. and to a greater degree of specialty protected cooperatives, in which agricultural cooperatives are included.
Royal Decree 1345/1992, 6 November, re: norms for the adaptation of the dispositions which regulation the taxation of the consolidated benefit of cooperative societies	1. Mandate. Cooperative legislation	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	1. Specific to cooperatives	-This normative disposition regulates the tax regime in relation to consolidated benefits of groups of cooperative societies, in which commenced the concept of a group of cooperative societies (art. 1.2) and implanted a system of consolidation suitable for the characteristics of such cooperatives (a system of consolidation of tax liabilities (cuotas tributarias) in place of a system of consolidation of taxable base (bases imponibles).
Cooperatives of Navarra Tax Law Foral 9/1994, 31 June	2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	1. Specific to cooperatives	-In order to receive the tax treatment provided for under this law, the cooperative must be established under the law of the community of Navarra . With respect to Corporate Tax law, such tax is applies to all such constituted and

				inscribed cooperatives. The tax rate shall be, in those protected cooperatives, 20% for the cooperative results and the general rate for extra-cooperative results , and with respect to the rest, the general rate of tax.
Cooperative Societies of Alava Tax Regime Norm "Foral" 16/1997, 9 June	2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	1. Specific to cooperatives	-Establishes the tax regime for Cooperative Societies of Alava (province of the Basque Country).
Cooperatives of Guipuzcoa Tax Regime Norm "Foral" 2/1997, 22 May	2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	1. Specific to cooperatives	-Establishes the tax regime for Cooperative Societies for Guipuzcoa (province of the Basque Country)
Cooperative Societies of Vizcaya Tax Regime Norm "Foral" 9/1997, 14 October	2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	1. Specific to cooperatives	-Establishes the tax regime of the Cooperative Societies of Vizcaya (province of the Basque Country)
Order ECO (Minister of Economy) 3614/2003, 16 December, approval of norms respecting the accounts of Cooperative Societies (in vigour until January 1, 2011)	1. Mandate. Cooperative legislation	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	1. Specific to cooperatives	-This order had as its objective the adaptation of the valuation norms and the elaboration of annual accounts to the peculiarities of cooperative societies , being of obligatory application, independent of where the principal activity was carried out and the autonomous norm to which such cooperative was subject.
Order EHA (Minister of Economy and Tax) /3360/2010, 21 December, approval of norms respecting the accounts of cooperative societies	1. Mandate. Cooperative legislation and incorporation law	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	1. Specific to cooperatives	-This Order was approved so that cooperative societies could have at their disposition accounting norms that allowed such cooperative to continue supplying financial information in the framework of the General Accounting Plan and the General Accounting Plan for Small and Medium Companies, in keeping as well with the International Accounting Standards for financial information adopted by the European Union but without abandoning an important part of the special regulation approved in 2003, in certain cases simply including mere formal revisions. -Some of such standards prevent a specific accounting treatment, as for example, in the cases in which a member acts as a supplier of goods, as is the case of agricultural and other cooperatives, that perform the role of commercialization of the members' products or the provision or supplier of services, as is the case of Worker Association cooperatives

				(Standards 8 and 9)
Royal Decree 1776/1981, 3 August, approval of the Statute that regulates the Agrarian Societies of Transformation (SATs)	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives (SAT, similar to cooperatives)	National -This regulation provides for the Statute of the Agrarian Societies of Transformation (SATs) , that is, it establishes, independently of other dispositions which may apply to such entities, provisions defining their character and their functioning, the regulation of the rights of members and the participation of the same in the agrarian common company. This norm sets out basic characteristics which must be fulfilled, the rules applicable to members, necessary documentation, organisational bodies, dissolution, liquidation and cancellation of the SAT.
Order of 14 September, 1982 which develops Royal Decree 1776/1981, of the 3 of August, approving the Statute which regulates the Agrarian Societies of Transformation (SATs)	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives (SAT, similar to cooperatives)	-Establishment of the requirements for the constitution and registry inscription of SATs
Decree 15/2011, 25 January of the Government of Aragon, approving the Regulation of the Agrarian Societies of Transformation (SATs)	1. Mandate. Cooperative legislation	2. Attainment of equity or social goals	1. Specific to cooperatives (SAT, similar to cooperatives)	-Regulation applicable to SATs that have their place of business in Aragon and that are inscribed in the SAT Registry of Aragon as a consequence of having been constituted and having carried out their activities in such autonomous community. -This Decree intends to correlate, to the extent possible, the figure of the SAT to the cooperative prototype, with the objective that the SATs will be, in the near future, an ideal tool for local development, an advanced alternative for family agriculture and a suitable instrument for the diversification of the agrarian economy with a collective and entrepreneurial vision. This is the first autonomous norm which regulates the legal regime of the SATs and it is being constitutionally challenges for lack of legislative jurisdiction/competence.
Sustainable Development of the Rural Environment Law 45/2007, 13 December	2. Inducements Economic incentives 3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-This law sets out actions to promote agriculture which is compatible with sustainable rural development, giving preferential treatment to agricultural professionals and priority to titleholders of farm lands. In addition, it promotes the adoption of measures by Public Administrations focused on economic diversification, support for the creation of businesses, self employment and cooperative employment. -Prioritises activities carried out by

				associative entities.
Law 38/1994, 30 December, regulating Agricultural Interprofessional Organisations	1. Mandate. Incorporation law	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-Applicable to the agricultural inter-professional organisations at the national level or a level superior to that of an autonomous community. The object of the law is to regulate the recognition of such entities and bestow a private legal identity and the powers that is inherent in such status, such as the agreements into which they enter.
Royal Decree 705/1997, 16 May, approving Regulation of Law 38/1994 of 30 December, regulating Agro Alimentary Interprofessional Organisations, as modified by Law 13/1996, 30 December, of tax, administrative and social order measures.	1. Mandate. Legislation	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-This Regulation advances significantly Law 28/1994 of 30 December, regulating Interprofessional Organisations.
Law 2/2000, de 7 January, regulating contract types of the agro alimentary products.	5. Other	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-Object is to regularize the homologation of agro alimentary contracts whose ambit of application extends beyond on autonomous community, such contract capable of being adapted if voluntarily agreed. Establishes the procedures for homologation, stating the necessity to verify that it meets the stated goals of the law and does not breach the objects provided for therein.
Royal Decree 42/1996, 19 January, which increased the unemployment protection for worker members in Worker Cooperatives in case of temporary work stoppages or temporary reduction in work hours	2. Inducement. Economic incentives	2. Attainment of equity or social goals	1. Specific to cooperatives	-This Decree attempts to amplify the unemployment protection for worker association cooperatives, considering that legal unemployment occurs when, for economic, technological or by acts of god or nature, (properly accredited) temporary work stoppages occur or the work day is decreased by at least a third.
Royal Decree 1278/2000, 30 June, which	2. Inducement. Economic	2. Attainment of equity or social goals	1. Specific to cooperatives	- This norm applies to all cooperative societies. The principal novelty of such regulation is the application of provisions of

adapts specified dispositions/provisions of Social Security for its application to Cooperative Societies	incentives 3. Capacity Building			Social Security providing for the inclusion of part time workers to the member workers of such worker associated cooperative societies in which their activity is carried out part time.
Order TAS (Minister of Employment and Social Affairs) /3501/2005, 7 November, to establish the regulatory bases for the concession of subsidies for the promotion of employment and the improvement of competitiveness in cooperatives and labour societies (in force until 20 February, 2011)	3. Capacity Building 2. Inducement . Financial incentives (subsidy).	2. Attainment of equity or social goals	1. Specific to cooperatives	-This norm establishes the regulatory bases for the concession of subsidies directed to promote the incorporation, on a permanent basis, of unemployed workers or temporary cooperative employees, as cooperative or worker cooperative members. Subsidies are also provided for investment which contributes to the creation, consolidation or improvement of competitiveness of cooperatives or worker societies, etc. However, the Order is not applicable to companies within the transport sector or to the development of activities related to the production, primary transformation or commercialization of the majority of products which are included in Annex I of the Treaty to Constitute the European Community (amongst others, meat, fish, milk and milk products, legumes, edible fruits, cereals, sugar beet, etc.) or exportation activities.
Royal Decree 890/2006, 21 July, which regulates the temporary regime for the restructuring of the sugar sector	1. Mandate. Incorporation law 2. Inducement. Financial incentives	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	2. Specific to an agricultural subsector	-Council Regulation (EC) no. 320/2006, which established a temporary regime for the restructuring of the sugar sector in the Community and modifies Regulation (EC) n. 1290/2005 re: the financing of the CAP, sets up the creation of the restructuring fund and the conditions which should be put in place to restructure such sector. This Royal Decree has as its object the implementation of a system of payments that companies having a sugar quota (and/or iso-glucose) must make. The temporary restructuring amount is paid on the commercialization of the harvest and the quota (in tons) assigned. As well, aid is established for restructuring when sugar production pursuant to the quota is abandoned.
Royal Decree 395/2007, 23 March, regulating subsystems for professional training for employment.	3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to business in general	-Objective is to regulate the distinct training initiatives that make up professional employment training, its system of operating and financing as well as organisational structure and participating institutions.
Royal Decree	2.	1. Correction	2. Specific to	-Establishment of the regulatory bases for the

<p>104/2008, 1 of February, which established the regulatory bases for the concession of subsidies to groupings of producers in the sheep and goat sector</p>	<p>Inducement. Financial incentives</p>	<p>of market or regulatory failures 2. Attainment of equity or social goals</p>	<p>an agricultural subsector</p>	<p>concession of subsidies, subject to a competition, to promote the reform and adaptation of the sheep and goat sector during the 2008-2012 period, through the grouping of producers. The adoption of such measures in this sector is advisable in order to avoid the decline in the farming activities. Groupings of livestock keepers are an ideal method of reform and adaptation as it is the most efficient form to organize the offer.</p>
<p>Royal Decree 1972/2008, 28 November, re: recognition of organisations of producers of fruits and vegetables</p>	<p>1. Mandate. Incorporation law</p>	<p>1. Correction of market or regulatory failures 2. Attainment of equity or social goals</p>	<p>2. Specific to an agricultural subsector</p>	<p>-Establishes the basic rules for the recognition of organisations of fruit and vegetable producers and associations of organisations of producers. -To guarantee the correct execution of the activities of such organisations in terms of duration and efficiency of concentration of offer, the decree establishes categories of products among which the organisations must choose in order to be recognized. It also regulates: assignment of votes, terms upon which its members, subsidiaries or external services can provide the necessary measures to carry out their functions, concretize the procedure and the conditions which are necessary for such recognitions, the activities which can be carried out by such associations, etc. -An organisation of producers must be, in any case, an associative entity constituted on the initiative of the producers.</p>
<p>Royal Decree 244/2009, 27 February, for the application of measures of the program of support for the Spanish viticulture sector</p>	<p>1. Mandate. Incorporation law, and market regulation and competition policies 2. Inducement. Financial and other incentives 3. Capacity Building</p>	<p>1. Correction of market or regulatory failures 2. Attainment of equity or social goals</p>	<p>2. Specific to an agricultural subsector</p>	<p>-Development of program of support for the Spanish viticulture sector for the application of the new normative framework with the object to contribute to competitiveness. The Royal Decree regulates aspects related to the promotion in third country markets, restructuring, reconversion of vineyards, distillation of sub-products, distillation for consumption and also for specified circumstances.</p>
<p>Resolution 27 March, 2009, of the General Directorate of Industry and Alimentary Markets, providing for the publication of the Agreement of the Council of</p>	<p>3. Capacity Building</p>	<p>1. Correction of market or regulatory failures 2. Attainment of equity or social goals</p>	<p>3. Applicable to business in general (specific to agricultural)</p>	<p>-The agreement establishes measures to promote innovation in agrarian and agro alimentary businesses through interest incentives of the credit lines of the National Institute of Official Credit known as "ICO" such as ICO-PYME 2009-for small and medium enterprises, ICO-Crecimiento Empresarial 2009-for business growth, ICO-Emprendedores 2009-for entrepreneurs and ICO-Internacionalización 2009 del Instituto de Crédito Oficial-for internationalization, ICO-Liquidez (Liquidity) 2011, and others.</p>

Ministers, establishing measures to promote innovation in agrarian and agro alimentary businesses.				
Royal Decree 1302/2009, 31 July, re: funds and operating programmes of fruit and vegetable producer organisations.	2. Inducement. Financial incentives	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	2. Specific to an agricultural subsector	-Establishes the basic norm in relation to the funds and operative programs in development of Council Regulation (EC) n. 1234/2007 –Agricultural Common Market Organisation (CMO) and it establishes specific dispositions for certain agricultural products (Single CMO Regulation) and the Regulation (EC) no. 1580/2007 of the Commission in which they establish the disposition of the application of Council Regulations (EC) n. 2200/1996, (EC) 2201/1996 and (CE) no. 1182/2007, in the sector of fruits and vegetables.
Royal Decree 1300/2009, 31 July, of urgent measures of employment for autonomous workers and cooperatives and labour societies (measures applicable until 31 December 2010)	3. Capacity Building 2. Inducement. Economic incentives	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	1. Specific to cooperatives (and others enterprises).	-Measure to encourage employment for autonomous workers, cooperatives and worker societies, improving certain conditions of access and payment of unemployment benefits with a single payment during the period in which the Royal Decree is in vigour. The 24 month time limit of the prior norm applicable to salaried workers was allowed to be exceeded so that such measure would foster employment.
Resolution of 27 January 2010, of the Secretary of State for Rural and Water Affairs, allowing for convocations in relation to subsidies for programs of information and promotion of agricultural products in third countries.	3. Capacity Building 2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-Object to hold convocations for subsidies for the carrying out of information and promotion programs for agricultural produces in third countries. - Professional and interprofessional organizations representing the agro alimentary sector in Spain are beneficiaries of such programs as they carry out such activities.
Royal Decree 457/2010, of 16 of April, regulating the concession of	2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	3. Applicable to business in general (specific to	-Objective to promote the renewal of a national industrial area of tractors and agricultural machines to improve work conditions, achieve better energy efficiency and have a lower environmental impact. Amongst other who can

subsidies for the renewal of the national industrial area of agricultural machinery.	3. Capacity Building		agricultural)	be beneficiaries: agricultural cooperatives, CUMAs, agricultural worker cooperatives and SATs
Royal Decree 460/2011, 1 April, regulating the recognition of milk producer organisations and of interprofessional organisations in the dairy sector and the explanation of the decisions of Spain regarding the arrangement in the dairy sector in relation to the European norm that modifies for the dairy sector Council Regulation (CE) no. 1234/2007	1. Mandate. Incorporation law, and market regulation and competition policies.	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	2. Specific to an agricultural subsector	-Establishes the basic norm applicable to a) the recognition of organisations of milk producers, b) the activities to be carried out by inter-professional organisations in the sector, c) the improvement of transparency in the milk sector , understood as the availability in real time of objective and accurate information and the same equality of conditions for both buyers and sellers of milk.
Resolution of 19 April, 2011, of the Secretary of State of Rural and Water Environments providing for the publication for 2011 the convocation of aid destined to promote the integration of cooperatives at the state level	2. Inducement. Economic incentives	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	1. Specific to cooperatives	-Establishes the convocation of competitions for subsidies for 2011 in relation to the promotion of cooperative integration at the state level , provided for in Order APA/180/2008. Amongst the evaluation criteria for awarding the subsidy: the fusion of two or more entities, having as a principle objective innovation in production processes, have as a principle objective innovation in commercialization processes, fostering the participation of women, being a cooperative society of worker association with agrarian activity, being a second level cooperative, etc.
Order ARM/1428/2011, 25 May, establishing the bases for and convocations for aid to livestock farm owners to	2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-Establishes the regulatory bases and the convocations for the concession of aid destined for bearing the cost of necessary guarantees for the obtaining of loans for owners of livestock farms to improve and modernise the production structures of agriculture businesses.

facilitate Access to financing. (Previous convocations were established by , Order ARM/572/2010 and Order APA/165/2008)				
Plan of Initiation for Foreign Marketing (PIPE)	2. Inducement . Financial and other incentives 3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to Business in general	-The Plan for the Initiation of Foreign Marketing (PIPE) is the first program on a national level aimed especially at Spanish SMEs that seek commercial development through exports.
Financing Program for Social Economy businesses (ENISA-National Innovation Company)	2. Inducement . Financial and other incentives	2. Attainment of equity or social goals	1. Specific to cooperatives (and other social economic enterprises)	-Beneficiaries of this financing can include cooperatives and labour societies which are SMEs according to EU definitions. The financing assumes a participative loan (period of amortizations of 9 years, interest rate in function of the results of the beneficiary with a minimum and maximum, without guarantees, etc.
ICEX-ICO Agreement-Financial Support for exporters through the (official state line of credit) ICO-LIQUIDEZ 2011	2. Inducement . Financial and other incentives 3. Capacity Building	1. Correction of market or regulatory failures. 2. Attainment of equity or social goals	3. Applicable to Business in general	-ICEX has entered into a collaboration agreement with ICO, the official state credit institute, creating a section of Financial Support for the Exporting sector through the line of credit "ICO-LIQUIDEZ 2011".
Payment Insurance in the framework of the Initiation Plan for Foreign Promotion (PIPE)(see above)	2. Inducement . Financial and other incentives	2. Attainment of equity or social goals	3. Applicable to Business in general	-Insurance policy for export credit designed especially for SMEs belonging to the PIPE club that are attempting to consolidate their activities in the exterior.
Order of 30 January 2008, regulating the measures of support for the realisation of preliminary studies for integration of and cooperation	3. Capacity Building 2. Inducement . Financial and other incentives	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-This program is available for the realisation of preliminary viability studies for the creation and development of commercial structures that integrate existing companies through mergers or cooperation in relation to investment projects for the modernisation, amplification, transfer, equipping and/or reforming of existing commercial establishment to accommodate the new commercial structure. -Micro-businesses and agro alimentary SMEs

between agro alimentary businesses with the goal of concentration of offer, within the framework of the Rural Development Plan of Andalusia 2007 to 2013, and the provision for convocations for the year 2008 (Andalusia)				of Andalusia which demonstrate their intention to constitute a commercial structure of cooperation or integration amongst themselves to achieve the same end may be eligible applicants under the program.
Order 9 December 2008, establishing the regulatory bases for a Program of Incentives for the Promotion of Innovation and Business Development in Andalusia and the holding of a convocation for the same for the years 2008-2013	3. Capacity Building 2. Inducement. Economic incentives	2. Attainment of equity or social goals	3. Applicable to business in general	-Promotion of innovation and business development, in particular in the creation of businesses and their modernisation, the competitiveness of cooperatives, research and development and business innovation.
Decree 335/2009, 22 September, regulating the Ordering of Professional Training for Employment in Andalusia.	3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to business in general	-Objective is the regulation of Professional Training for Employment in Andalusia and its functioning and financing.
Order of 9 June 2009, for the establishment of the regulatory bases for the concession of aid for the primary integration of agrarian associative	3. Capacity Building 2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	1. Specific to cooperatives	-This Order establishes the regulatory bases to concede aid for the primary integration of agricultural associative entities in already consolidated superior level Andalusian agricultural cooperative societies: Provided that commercialization of the products which are subject to such integration are amongst its activities. The legal forms of potential beneficiaries are: a) Andalusian agricultural cooperative society b) SATs with its legal place of businesses in Andalusia (which meet certain conditions).

entities into Andalusian agricultural cooperatives of a higher level, and the providing for related convocations for 2009 (Andalusia)				-The expenses of the agricultural associative entity for the participation in the social capital of the existing second or higher level cooperative may be subsidized. The maximum quantity of such aid is limited to 100,000 Euros per beneficiary entity.
Order 12 June, 2009, establishing the regulatory bases for the concession of aid for the fusion of agricultural cooperatives and the constitution of second level (or higher) agricultural cooperatives, and providing for related convocations for 2009 (Andalusia)	2. Inducement t. Financial and other incentives 3. Capacity Building	2. Attainment of equity or social goals	1. Specific to cooperatives	-This Order establishes the regulatory bases to concede aid in the creation of entities which are a result of merger projects of agrarian cooperatives and the constitution of second level or higher agrarian cooperatives . The legal form of the possible beneficiaries must be: a) Andalusian agrarian cooperative society, b) second level Andalusian agrarian cooperative society, c) SATs with its legal place of business in Andalusia (which meet certain conditions), d) cooperative societies and SATs with industrial establishments inscribed (registered) in Andalusia . -The following may be subsidized: pre-merger expenses assumed by the entities that merged; pre-constitution expenses of a second level cooperative assumed by the entities that participated in its constitution; etc. -The maximum quantity of such aid is 20,000 Euros divided between the number of businesses that participated in each merger process or constitution.
Order 29, June 2009, for the establishment of the regulatory bases for a program of support for innovation and the development of the social economy, and the provisions for related convocations for 2009 until 2013 (Andalusia)	3. Capacity Building 2. Inducement t. Financial and other incentives	2. Attainment of equity or social goals	1. Specific to cooperatives (and other social economic enterprises)	-Provision of measures directed at encouraging the development of an innovative, competitive, entrepreneurial social economy in the framework of the Andalusian productive social/cultural fabric and in its own economic and social principles and values . -The following entities which comply with the relevant conditions may be beneficiaries: Confederations of the Social Economy and Federation of the Social Economy, Foundations, Cooperative Societies and Worker Societies. The possible lines are: diffusion, promotion and innovation in the social economy, professional development and development of associationism.
Order 31 July 2009, establishing the regulatory basis for the concession of subsidies for	3. Capacity Building 2. Inducement t. Economic incentives	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-The object of this aid is to establish non-refundable incentives for the modernization of agricultural exploitations which are owned, amongst others, by cooperatives or by SATs .

<p>the modernization of agrarian exploitations in the framework of the Program for Rural Development of Andalusia 2007-2013.</p>				
<p>Order 20 April 2010, establishing the regulatory bases for the concession of aid to support the increase of size and dimension of agro industrial cooperatives, to promote business cooperation, integration, mergers and strategic alliances and fostering the constitution of second and higher level associative entities (Andalusia)</p>	<p>3. Capacity Building 2. Inducement. Economic incentives</p>	<p>2. Attainment of equity or social goals</p>	<p>1. Specific to cooperatives (and other social economic enterprises)</p>	<p>-The object of this aid is the promotion of integration activities of cooperatives of the agro industrial sector, especially directed at promoting concentration projects through the constitution and consolidation of second or higher level cooperatives.</p>
<p>Order 26 July 2010, establishing the regulatory bases for the concession of subsidies for the transformation and commercialization of agricultural products in the framework of the Program for Rural Development of Andalusia 2007-2012 and the convocation of the same for</p>	<p>3. Capacity Building 2. Inducement. Economic incentives</p>	<p>2. Attainment of equity or social goals</p>	<p>3. Applicable to business in general (specific to agricultural)</p>	<p>-Agricultural companies dedicated to the transformation and commercialisation of agricultural products for investments directed at increasing added value of products and acquiring innovative and environmentally friendly technologies.</p>

2010				
Program of the Andalusian Agency for Foreign Promotion (EXTENDA - Regional Government of Andalusia)	3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to business in general	-EXTENDA offers an wide range of programs and services with the objective of increasing the number of Andalusian companies in the process of internationalisation , improving the international position of Andalusian companies that are already active in such process and increasing the foreign Andalusian investment
Program of Support for Almeria Exporting Companies (Chamber of Commerce)	3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to business in general	-The objective of this program is the support for companies in their internationalisation processes , in which institution such as the Chamber of Commerce, puts at the disposition of the cooperative their infrastructure and knowledge through an advisory process.
Resolution of 28 April,2011, of the Institute for Economic Development of the Principe of Asturias, approving aid for the concession of subsidies within the program of Support for Small and Medium (InnoEmpresa) 2007-2013 in the area of the autonomous community of the Principe of Asturias for 2011	3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to Business in general	-Objective to concede subsidies through a competitive process to regional projects en the Principe of Asturias, within the program of support for innovation in small and medium businesses . The subsidies are for innovation and advanced management, technical innovation and quality and collaborative innovation . Cooperatives may be amongst the beneficiaries.
Resolution 9 August 2010, of the local Ministry of Rural Areas and Fishing, providing subsidies for the modernisation of agricultural farms and the first placement of Young farmers in the Principe of Asturias	3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-Convocation of subsidies for the modernisation of agricultural farms and the placement of young farmers .
Order	2.	2. Attainment	1. Specific to	-Regulation of subsidies destined for the

EMP/34/2008, of 13 March, convocation of 2008 for subsidies destined to promote the social economy in Cantabria	Inducement. Financial and other incentives 3. Capacity Building	of equity or social goals	cooperatives (and other social economic enterprises)	promotion of employment, improving competitiveness, consolidation of cooperatives and labour societies, promotion of training activities, promotion and diffusion of social economy and the support for internal organizational costs and functioning of associations of worker cooperatives, autonomous workers and other entities representative of the social economy in Cantabria.
Order of 21 December 2007, of the local Ministry of Agriculture, establishing regulatory basis for the concession of subsidies to promote the production and commercialisation of agro alimentary products of differentiated quality, and allowing for convocation for 2008 in Castilla La Mancha.	3. Capacity Building 2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-Concession of subsidies, pursuant to competitions, of subsidies for the promotion of production and commercialisation of agro alimentary products of differentiated quality. . -Beneficiaries can be owners of agricultural farms or the agro alimentary industry located in the territory of the autonomous community of Castilla La Mancha.
Order of 23/07/2009, of the local Ministry of Agriculture and Rural Development, which establishes the regulatory bases for the increase of added value of agricultural product and the promotion of agro alimentary quality (FOCAL) (Community of Castilla-La Mancha)	2. Inducement. Financial and other incentives 3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-Concession of aid to agro alimentary businesses that attempt to increase their added value through investments that are related to the transformation and/or commercialisation of specified products. -This aid is available to both physical and legal persons that transform and/or commercialise agricultural products in establishments within Castilla-La Mancha. The point system upon which aid is granted is an objective system according to a competitive process. However, within such 15 point system, 5 of such points are related to projects proposed by cooperatives or inter-cooperative agreements and one of the criteria of the point system is the prioritisation of the olive oil and wine sectors.
Decree 142/2009, 29	3. Capacity Building	2. Attainment of equity or	1. Specific to cooperatives	-Promotion of the generation and maintenance of employment, especially for

<p>September, regulating subsidies for the promotion of subsidies for the creation, development and competitiveness of social economy enterprises of Castilla-La Mancha and for the generation of employment (Autonomous Community of Castilla-La Mancha)</p>	<p>2. Inducement. Financial and other incentives</p>	<p>social goals</p>	<p>(and other social economic enterprises)</p>	<p>women, in cooperatives and worker societies, through the support of the development of projects for the creation and modernization of this type of social economy business, in order to increase the productivity of businesses of Castilla-La Mancha, with consequent economic and social benefits for the region. -the program of direct concessions, with different lines of economic aid, intends to create stable employment, implantation of new cooperative and worker businesses and the consolidation of competitiveness. <u>However</u>, cooperatives and labour societies in the following sectors are excluded: agriculture, livestock keeping, forestry, agro alimentary (elaboration, production, commercialisation) and activities that are complementary or connected to the same</p>
<p>Order of 30/12/2009, of the local Ministry of Agriculture and Rural Development, which modifies the Order of 11/12/2008 of the local Ministry of Agriculture and Rural Development, approving the regulatory bases of aid for the improvement of the associative agrarian structures in Castilla-La Mancha (FOCOOP)</p>	<p>2. Inducement. Financial and other incentives</p>	<p>2. Attainment of equity or social goals</p>	<p>1. Specific to cooperatives</p>	<p>-This Order is financed 100% by the local Ministry of Castilla la Mancha, without European or national financing, is for the promotion of cooperation. Beneficiaries are agrarian cooperatives and second level or higher level cooperatives integrated by agrarian cooperatives. The lines of aid, all especially to promote the concentration and integration of cooperatives, are the following: contracting of technical personnel; technical assistance in the improvement of commercialization; financial expenses derived from integration processes in second level cooperatives or en businesses participated in by cooperatives; investment destined to improve the provision of common services in primary production.</p>
<p>Resolution of 8 April 2011, of the General Management of Agricultural Productions, providing for convocations of subsidies for the groupings of producers in the sheep and</p>	<p>2. Inducement. Financial and other incentives</p>	<p>2. Attainment of equity or social goals</p>	<p>2. Specific to an agricultural subsector</p>	<p>-The object of this resolution is the carrying out of a convocation for 2011, in a competitive process, of subsidies for the promotion of the reform and integral suitability of the sheep and goat sectors through the grouping of producers, in the framework of the base regulations of these subsidies approved by Royal Decree 104/2008 of the 1 of February (which established the regulatory basis for the concession of subsidies for such action) and by the local Ministry of Agriculture for Castilla La Mancha by Order of 20/05/2008 for the such</p>

goat sector of Castilla-La Mancha in 2011				<p>activity.</p> <p>-The subsidised investments must follow one of the following priority objectives: the reduction of production costs, the improvement of the reorientation of production; the improvement of quality; the preservation and improvement of the natural environment; or the improvement of the conditions of animal health and well being.</p> <p>-Beneficiaries may be: groupings of producers in the sheep and goat sector located in the autonomous community of Castilla La Mancha, which meet the relevant requirements of the Resolution.</p>
Order AYG/691/2009 , of 24 of March, approving the regulatory bases for the subsidies for the transformation and commercialisation of agricultural, wild and alimentary products, in Castilla y Leon.	<p>3. Capacity Building</p> <p>2. Inducement. Financial and other incentives</p>	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	<p>-Subsidies for the promotion of productive investments and the improvement of competitiveness in the area of transformation and commercialization of agricultural, wild and alimentary products in Castilla and Leon.</p> <p>-Beneficiaries can be physical persons or legal persons, including SATs that are involved in processes of industrialisation and/or commercialisation of products obtained and/or made in the territory of Castilla and Leon.</p>
Order AYG/695/2011 , 6 of May, for the convocation of subsidies, co-financed by the European Agricultural and Rural Development Fund (FEADER), in the improvement of production structures and the modernisation of farms, in the application of Council Regulation (EC) 1698/2005 and subsidies financed by the autonomous community of,	<p>3. Capacity Building</p>	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	<p>-Subsidies included in this Order are:</p> <p>a) Modernisation of agricultural farms (investments in farms through plans for improvement and investments for the efficient use of irrigation water. b) Placement of young farmers.</p>

for the carrying out of other investment in agricultural farms in Castilla and Leon.				
Programme of commercial strategy with multilateral organisations- Foundation ADEuropa and Castilla and Leon.	3. Capacity Building 2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	3. Applicable to Business in general	-Program of Subsidies for the Support of Plans for Growth in the Exterior , offering support to businesses in the region of Castilla and Leon and their process of foreign establishment. - beneficiaries of this support can be those companies which have a more advanced level of internationalisation
Resolution EMO/1195/2011, 5 May, approving the convocation for 2011 for the concession of public subsidies for the financing of specific intersectoral training plans for the social economy, and sectoral training directed at occupied workers that promote the Consortium of Continuing Education in Catalonia.	2. Inducement. Financial and other incentives 3. Capacity Building	2. Attainment of equity or social goals	1. Specific to cooperatives (and other social economic enterprises)	-Objective is to open the concession of subsidies directed at the financing of training programs directed at employed workers promoted by the Consortium of Continuing Education and Training of Catalonia.
Order of 26 February, 2003, of the local ministry of Justice, Employment and Social Security (Basque Country) providing for the publication of the coming into force during the year 2003 of the subsidies contained in	3. Capacity Building	2. Attainment of equity or social goals	1. Specific to cooperatives	-This Order establishes the framework of aid which the Basque Government through the Department of Justice, Labour (now "Employment") and Social Security, have put in practice to subsidise the substitution of workers in cooperative societies by unemployed people , striving for a double objective: on one hand, guaranteeing an income equivalent to 90% of the retirement pension to which such retiring cooperative members would have had the right, upon reaching the regulatory retirement age and on the other, the intention to encourage labour insertion in specified unemployed collectives as a consequence of the vacancy caused by early retirement of such cooperative member according to the conditions of such Decree.

Decree 283/2000, 26 of December, which regulates support measures for employment in cooperative societies.				
Order of 3 of June of 2011, of the local Ministry of Employment and Social Affairs, establishing subsidies for training in Social Economy, Basque Country	3. Capacity Building	2. Attainment of equity or social goals	1. Specific to cooperatives (and other social economic enterprises)	-Regulation of subsidies for training activities, research and dissemination in relation to specific aspects of the Social Economy , that are carried out in the autonomous region of the Basque Country . -Cooperatives and labour societies and other public or private entities with their place of business in the autonomous community of the Basque Country.
Order 3 June 2011, of the Ministry of Employment and Social Affairs, regulating subsidies for the incorporation of members into social economy businesses. Basque Country	3. Capacity Building 2. Inducement. Financial and other incentives	2. Attainment of equity or social goals	1. Specific to cooperatives (and other social economic enterprises)	-Objective is to facilitate the collection of capital required when a person becomes a member worker in a social economy business . - Beneficiaries may be people who become worker members or fulltime worker and who belong to the following groups: unemployed, owners of a farm, livestock or forest areas that become cooperative members, and employees of a social economy company that converts into a worker member in such company.
Order 3 June, 2011, of the Ministry of Employment and Social Affairs, establishing subsidies for the consolidation of associative structures for social economy businesses and entities in the autonomous community of the Basque Country	2. Inducement. Financial and other incentives 3. Capacity Building	2. Attainment of equity or social goals	1. Specific to cooperatives (and other social economic enterprises)	-The Regulation of subsidies for the consolidation of associative structures for social economy entities in the autonomous community of the Basque Country . The subsidies are directed at the financing of costs related to the maintenance and consolidation of associative entities.

<p>Order 3 June 2011, of the local Ministry of Employment and Social Affairs, for the articulation of subsidies for entrepreneurship in the Social Economy in the Basque Country.</p>	<p>2. Inducement. Financial and other incentives 3. Capacity Building</p>	<p>2. Attainment of equity or social goals</p>	<p>1. Specific to cooperatives (and other social economic enterprises)</p>	<p>-Regulation of subsidies for: 1.- the promotion and constitution of social economy businesses and the diffusion of the entrepreneurship culture. 2.- The accompanying technical and economic-financial study necessary to develop inter-entrepreneurship projects. 3.- The carrying out of activities necessary for the planned territorial promotion of social economy businesses. Amongst possible beneficiaries are cooperative and labour societies.</p>
<p>Order 3 June 2011, of the local Ministry of Employment and Social Affairs, for the articulation of subsidies for the realisation of investments in Cooperative and Labour Societies of the autonomous community of the Basque Country.</p>	<p>2. Inducement. Financial and other incentives</p>	<p>2. Attainment of equity or social goals</p>	<p>1. Specific to cooperatives</p>	<p>-Regulation of subsidies for the financing of interest payment on loans made for the purpose of investing in the amplification or consolidation of cooperative or worker societies in the Basque Country. Cooperative and worker societies of a small size can access such financing, following the criteria established in the Order.</p>
<p>Resolution of the local Ministry of Tourism and Labour of the 12 May, 2011 approving the convocation to concede public aid to bring about investments which contribute to the creation, the consolidation, the improvement of competitiveness in cooperative and labour societies in the Balearic Islands.</p>	<p>2. Inducement. Financial and other incentives 3. Capacity Building</p>	<p>2. Attainment of equity or social goals</p>	<p>1. Specific to cooperatives</p>	<p>Regulation approving the convocation of aid to bring about investments which contribute to the creation, consolidation or improvement in competitiveness of cooperative or labour societies. Cooperative and worker societies with worker members may be beneficiaries. However, the aid is not available to those companies which belong to the transport sector or that carryout a) Activities related to the production, primary transformation or commercialisation of products listed in annex I to the Constitutive Treaty of the European Community, NOT including amongst others, meat, fish, milk and milk products, legumes, fruits, cereals, sugar, etc. b) Export Activities.</p>
<p>Order "Foral" 8E/2011,10 of</p>	<p>2. Inducement</p>	<p>2. Attainment of equity or</p>	<p>3. Applicable to business in</p>	<p>-Measure directed at the creation and development of agricultural micro-businesses</p>

<p>June of the local Ministry of Rural Development and Environment, for the establishment of subsidy rules and regulations for the creation of agro food micro-businesses, in the framework of the Program for Rural Development of the territory of Navarra 2007-2013, and the approval of the convocation for 2011- Autonomous Community of Navarra.</p>	<p>t. Financial and other incentives 3. Capacity Building</p>	<p>social goals</p>	<p>general (specific to agricultural)</p>	<p>through the subsidy of investments and/or expenses of setting up a new project that is based on the utilisation of primary agricultural materials and/or in the provision of agricultural services or which has as a final goal a product or service which supports agricultural or agro alimentary activity in general in the territory of Navarra.</p>
<p>Order 9/2011, 3 of March of the local Ministry of Industry, Commerce and Innovation, regulating subsidies in the areas of internationalisation and promotion in 2011, Community of Valencia.</p>	<p>3. Capacity Building 2. Inducement t. Financial and other incentives</p>	<p>2. Attainment of equity or social goals</p>	<p>3. Applicable to Business in general</p>	<p>-Objective of this Order is the establishment of system for the concession of subsidies with the purpose of supporting the internationalization of businesses and the promotion of products from the Community of Valencia. As well, it contributes to promotional activities that aid growth and the consolidation of presence in international markets. -Beneficiaries may be business associations, and Regulatory boards related to certification of origin, both related to the Community of Valencia and consortiums, promotion groups and SMEs with legal personality located in the Community of Valencia.</p>
<p>Order 14, April, 2009, of the Agricultural local ministry of Agriculture, Fishing and Alimentation, approving the Regulatory bases for aid for Valencia agricultural cooperatives</p>	<p>3. Capacity Building 2. Inducement t. Financial and other incentives</p>	<p>2. Attainment of equity or social goals</p>	<p>1. Specific to cooperatives</p>	<p>-The object of this Order is to approve the basis upon which the concession of aid to agrarian cooperation is regulated and the convocation for 2009 for the same. Beneficiaries may be: a) agrarian cooperatives and businesses of other types in which cooperatives have a majority interest, always subject to the condition that the activity maintained is in connected to rural development related to the agrarian and alimentary sector; b) the representative organisations of agrarian cooperation. In addition, the beneficiaries must have their business domicile in the autonomous community of Valencia.</p>

				- Auxiliary activities are those which fall within the following measures: a) modernisation of business management, b) constitution of new cooperatives and diversification of activities in existing cooperatives c) cooperative integration and d) business growth and capitalisation. (Through Resolution 27 December 2010, the local ministry of Agriculture, Fishing and Alimentation, held convocation for 2011).
In the list above, we have not enumerated all the norms concerning policies and incentives at the state level and above all, at the level of the autonomous communities, due to the sheer multitude of legislatives sources which are found in Spain. In light of this, we have chosen certain norms and Autonomous Communities as representative examples. Two very recent pieces of legislation have come in to force as set out below. Their impact is not yet known but they are perceived to be positive, particularly the Royal Decree. The new law in relation to olive farms has received mixed reviews as to the impact it will have.				
Royal Decree 1337/2011, of October 3 regulating funds and operating programs for OPFH	2. Inducement. Economic incentives	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	2. Specific to an agricultural subsector	Establishes the Spanish norm in relation to funds and operating programs for POs re: Commission (EC)Reg.1234/2007 of Oct.22 creating an OCM, and establishing provisions for specific agricultural products; and also executing Commission Regulation (EU) 543/2011 of June 7 establishing the application of Council Regulation (EC) 1234/2007 in the transformation of products in the fruit and vegetable sector.
Olive Farm Law - Andalucía 5/2011 approved 28,29 of September, 2011	1. Mandate. Legislation 3. Capacity Building	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	2. Specific to an agricultural subsector	Recent Andalusian law establishing framework to improve olive cultivation and to facilitate sustainable development as well as to improve quality and promotion of product.

*Note should also be taken of a current draft **Law on Measures to Improve the Functioning of the Alimentary Supply Chain** (“Proyecto de Ley de medidas para la mejora del funcionamiento de la cadena alimentaria”) presented on July 5, 2011 by the Ministry of Environment and Rural Development. Its objective is to improve the **balance of the food supply chain for the benefit of consumers and operators**. It is aimed towards strengthening the agro food producer sector through **interprofessional organisations and the use of contracts** to reinforce the agro food industry by improving its competitiveness, promoting its role in the supply chain and attempting to achieve a better equilibrium in commercial relations.

Table 31. Assessment of Policy Measure Influence

Policy measure	Assessment score
Spanish Constitution, 1978 (art. 129.2)	-4 -3 -2 -1 0 1 2 3 4
Social Economy Law 5/2011, 29 March	-4 -3 -2 -1 0 1 2 3 4
Cooperative Law 27/1999, 16 July	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 136/2002, 1 February,-approval of Regulations of Cooperative Society Registry.	-4 -3 -2 -1 0 1 2 3 4
Andalusian Cooperative Societies Law 2/1999, 31 March	-4 -3 -2 -1 0 1 2 3 4
Decree 267/2001, of 11 December, Regulation o f the Development of the Law of Andalusian Cooperative Societies	-4 -3 -2 -1 0 1 2 3 4
Aragon Cooperatives Law 9/1998, 22 December,	-4 -3 -2 -1 0 1 2 3 4
Cooperative Law of the Principality of Asturias 4/2010 29 de June	-4 -3 -2 -1 0 1 2 3 4
Cooperative Law of Castilla-La Mancha, 11/2010, 4 November.	-4 -3 -2 -1 0 1 2 3 4
Decree 178/2005, 25 de October, approving the Regulation of the Organising and Functioning of the Registry of Cooperatives of Castilla-la Mancha.	-4 -3 -2 -1 0 1 2 3 4
Community of Castilla and Leon Cooperative Law 4/2002, 11 April	-4 -3 -2 -1 0 1 2 3 4
Decree 125/2004, 30 December, Regulation of the Registry of the Cooperatives of Castilla and Leon	-4 -3 -2 -1 0 1 2 3 4
Cooperatives of Catalonia Law 18/2002, 5 July.	-4 -3 -2 -1 0 1 2 3 4
Decree 203/2003, 1 August, re: the structure and functioning of the General Registry of Cooperatives of Catalonia.	-4 -3 -2 -1 0 1 2 3 4
Cooperative Societies of Extremadura Law 2/1998, 26 March	-4 -3 -2 -1 0 1 2 3 4
Special Cooperative Societies of Extremadura Law 8/2006, 23 December,	-4 -3 -2 -1 0 1 2 3 4
Cooperatives Law of Galicia 5/1998, 18 December	-4 -3 -2 -1 0 1 2 3 4
Cooperatives Law of the Balearic Islands 1/2003, 20 March	-4 -3 -2 -1 0 1 2 3 4
Decree 65/2006, 14 July, approving the Regulation of the Organisation and Functioning of the Registry of Cooperatives of the Balearic Islands.	-4 -3 -2 -1 0 1 2 3 4
Cooperatives of La Rioja Law 4/2001, 2 July	-4 -3 -2 -1 0 1 2 3 4
Decree 18/2003, 7 May, Regulation of the Organisation and Functioning of the Registry of Cooperatives of La Rioja	-4 -3 -2 -1 0 1 2 3 4
Cooperatives of the Community of Madrid Law 4/1999, 30 March	-4 -3 -2 -1 0 1 2 3 4
Decree 177/2003, 17 of July, approving the Regulation of the Organisation and Functioning of the Registry of Cooperatives of the Community of Madrid	-4 -3 -2 -1 0 1 2 3 4
Cooperative Societies of the Region of Murcia Law 8/2006,16 November	-4 -3 -2 -1 0 1 2 3 4
Cooperatives of Navarra Law "Foral" 14/2006, 11 December	-4 -3 -2 -1 0 1 2 3 4
Cooperatives of the Basque Country Law 4/1993, 24 June	-4 -3 -2 -1 0 1 2 3 4
Small Cooperatives of the Basque Country Law 6/2008, 25 June	-4 -3 -2 -1 0 1 2 3 4
Decree 58/2005, 29 March, Regulation of the Cooperatives of the Basque Country	-4 -3 -2 -1 0 1 2 3 4

Decree 59/2005, 29 March, which approved the Regulation of the Organisation and Functioning of the Registry of Cooperatives of the Basque Country	-4 -3 -2 -1 0 1 2 3 4
Community of Valencia Cooperatives Law 8/2003, 24 March	-4 -3 -2 -1 0 1 2 3 4
European Cooperative Society domiciled in Spain Law 3/2011, 4 March	-4 -3 -2 -1 0 1 2 3 4
Cooperative Tax Law 20/1990, 19 December	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 1345/1992, 6 November, re: norms for the adaptation of the dispositions which regulation the taxation of the consolidated benefit of cooperative societies	-4 -3 -2 -1 0 1 2 3 4
Cooperatives of Navarra Tax Law Foral 9/1994, 31 June	-4 -3 -2 -1 0 1 2 3 4
Cooperative Societies of Alava Tax Regime Norm "Foral" 16/1997, 9 June	-4 -3 -2 -1 0 1 2 3 4
Cooperatives of Guipuzcoa Tax Regime Norm "Foral" 2/1997, 22 May	-4 -3 -2 -1 0 1 2 3 4
Cooperative Societies of Vizcaya Tax Regime Norm "Foral" 9/1997, 14 October	-4 -3 -2 -1 0 1 2 3 4
Order ECO (Minster of Economy) 3614/2003, 16 December, approval of norms respecting the accounts of Cooperative Societies (in vigour until January 1, 2011)	-4 -3 -2 -1 0 1 2 3 4
Order EHA (Minister of Economy and Tax) /3360/2010, 21 December, approval of norms respecting the accounts of cooperative societies	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 1776/1981, 3 August, approval of the Statute that regulates the Agrarian Societies of Transformation (SATs)	-4 -3 -2 -1 0 1 2 3 4
Order of 14 September, 1982 which develops Royal Decree 1776/1981, of the 3 of August, approving the Statute which regulates the Agrarian Societies of Transformation (SATs)	-4 -3 -2 -1 0 1 2 3 4
Decree 15/2011, 25 January of the Government of Aragon, approving the Regulation of the Agrarian Societies of Transformation (SATs)	-4 -3 -2 -1 0 1 2 3 4
Sustainable Development of the Rural Environment Law 45/2007, 13 December	-4 -3 -2 -1 0 1 2 3 4
Law 38/1994, 30 December, regulating the Agro Alimentary Interprofessional Organisations.	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 705/1997, 16 May, approving Regulation of Law 38/1994 of 30 December, regulating Agro Alimentary Interprofessional Organisations, as modified by Law 13/1996, 30 December, of tax, administrative and social order measures.	4 -3 -2 -1 0 1 2 3 4
Law 2/2000, 7 January, regulating the contract types of agro alimentary products.	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 42/1996, 19 January, which increased the unemployment protection for worker members in Worker Cooperatives in case of temporary work stoppages or temporary reduction in work hours	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 1278/2000, 30 June, which adapts specified dispositions/provisions of Social Security for its application to Cooperative Societies	-4 -3 -2 -1 0 1 2 3 4
Order TAS (Minister of Employment and Social Affairs) /3501/2005, 7 November, to establish the regulatory bases for the concession of subsidies for the promotion of employment and the improvement of competitiveness in cooperatives and labour societies (in force until 20 February, 2011)	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 890/2006, 21 July, which regulates the temporary regime for the restructuring of the sugar sector	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 395/2007, 23 March, regulating subsystems for professional training for employment.	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 104/2008, 1 of February, which established the regulatory bases for the concession of subsidies to groupings of producers in the sheep and goat sector	-4 -3 -2 -1 0 1 2 3 4

Royal Decree 1972/2008, 28 November, re: recognition of organisations of producers of fruits and vegetables	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 244/2009, 27 February, for the application of measures of the program of support for the Spanish viticulture sector	-4 -3 -2 -1 0 1 2 3 4
Resolution 27 March, 2009, of the General Directorate of Industry and Alimentary Markets, providing for the publication of the Agreement of the Council of Ministers, establishing measures to promote innovation in agrarian and agro alimentary businesses.	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 1302/2009, 31 July, re: funds and operating programmes of fruit and vegetable producer organisations.	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 1300/2009, 31 July, of urgent measures of employment for autonomous workers and cooperatives and labour societies (measures applicable until 31 December 2010)	-4 -3 -2 -1 0 1 2 3 4
Resolution of 27 January 2010, of the Secretary of State for Rural and Water Affairs, allowing for convocations in relation to subsidies for programs of information and promotion of agricultural products in third countries.	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 457/2010, of 16 of April, regulating the concession of subsidies for the renewal of the national industrial area of agricultural machinery.	-4 -3 -2 -1 0 1 2 3 4
Royal Decree 460/2011, 1 April, regulating the recognition of milk producer organisations and of interprofessional organisations in the dairy sector and the explanation of the decisions of Spain regarding the arrangement in the dairy sector in relation to the European norm that modifies for the dairy sector Council Regulation (CE) no. 1234/2007	-4 -3 -2 -1 0 1 2 3 4
Resolution of 19 April, 2011, of the Secretary of State of Rural and Water Environments providing for the publication for 2011 the convocation of aid destined to promote the integration of cooperatives at the state level	-4 -3 -2 -1 0 1 2 3 4
Order ARM/1428/2011, 25 May, establishing the bases for and convocations for aid to livestock farm owners to facilitate Access to financing. (Previous convocations were established by , Order ARM/572/2010 and Order APA/165/2008)	-4 -3 -2 -1 0 1 2 3 4
Plan of Initiation for Foreign Marketing (PIPE)	-4 -3 -2 -1 0 1 2 3 4
Financing Program for Social Economy businesses (ENISA-National Innovation Company)	-4 -3 -2 -1 0 1 2 3 4
ICEX-ICO Agreement-Financial Support for exporters through the (official state line of credit) ICO-LIQUIDEZ 2011	-4 -3 -2 -1 0 1 2 3 4
Payment Insurance in the framework of the Initiation Plan for Foreign Promotion (PIPE)(see above)	-4 -3 -2 -1 0 1 2 3 4
Order of 30 January 2008, regulating the measures of support for the realisation of preliminary studies for integration of and cooperation between agro alimentary businesses with the goal of concentration of offer, within the framework of the Rural Development Plan of Andalusia 2007 to 2013, and the provision for convocations for the year 2008 (Andalusia)	-4 -3 -2 -1 0 1 2 3 4
Order 9 December 2008, establishing the regulatory bases for a Program of Incentives for the Promotion of Innovation and Business Development in Andalusia and the holding of a convocation for the same for the years 2008-2013	-4 -3 -2 -1 0 1 2 3 4
Decree 335/2009, 22 September, regulating the Ordering of Professional Training for Employment in Andalusia.	-4 -3 -2 -1 0 1 2 3 4
Order of 9 June 2009, for the establishment of the regulatory bases for the concession of aid for the primary integration of agrarian associative entities into Andalusian agricultural cooperatives of a higher level, and the providing for related convocations for 2009 (Andalusia)	-4 -3 -2 -1 0 1 2 3 4
Order 12 June, 2009, establishing the regulatory bases for the concession of aid for the fusion of agricultural cooperatives and the constitution of second level (or higher) agricultural cooperatives, and providing for related convocations for 2009 (Andalusia)	-4 -3 -2 -1 0 1 2 3 4
Order 29, June 2009, for the establishment of the regulatory bases for a	-4 -3 -2 -1 0 1 2 3 4

program of support for innovation and the development of the social economy, and the provisions for related convocations for 2009 until 2013 (Andalusia)	
Order 31 July 2009, establishing the regulatory basis for the concession of subsidies for the modernization of agrarian exploitations in the framework of the Program for Rural Development of Andalusia 2007-2013.	-4 -3 -2 -1 0 1 2 3 4
Order 20 April 2010, establishing the regulatory bases for the concession of aid to support the increase of size and dimension of agro industrial cooperatives, to promote business cooperation, integration, mergers and strategic alliances and fostering the constitution of second and higher level associative entities (Andalusia)	-4 -3 -2 -1 0 1 2 3 4
Order 26 July 2010, establishing the regulatory bases for the concession of subsidies for the transformation and commercialization of agricultural products in the framework of the Program for Rural Development of Andalusia 2007-2012 and the convocation of the same for 2010	-4 -3 -2 -1 0 1 2 3 4
Program of the Andalusian Agency for Foreign Promotion (EXTENDA – Regional Government of Andalusia)	-4 -3 -2 -1 0 1 2 3 4
Program of Support for Almeria Exporting Companies (Chamber of Commerce)	-4 -3 -2 -1 0 1 2 3 4
Resolution of 28 April, 2011, of the Institute for Economic Development of the Principe of Asturias, approving aid for the concession of subsidies within the program of Support for Small and Medium (InnoEmpresa) 2007-2013 in the area of the autonomous community of the Principe of Asturias for 2011	-4 -3 -2 -1 0 1 2 3 4
Resolution 9 August 2010, of the local Ministry of Rural Areas and Fishing, providing subsidies for the modernisation of agricultural farms and the first placement of Young farmers in the Principe of Asturias	-4 -3 -2 -1 0 1 2 3 4
Order EMP/34/2008, of 13 March, convocation of 2008 for subsidies destined to promote the social economy in Cantabria	-4 -3 -2 -1 0 1 2 3 4
Order of 21 December 2007, of the local Ministry of Agriculture, establishing regulatory basis for the concession of subsidies to promote the production and commercialisation of agro alimentary products of differentiated quality, and allowing for convocation for 2008 in Castilla La Mancha.	-4 -3 -2 -1 0 1 2 3 4
Order of 23/07/2009, of the local Ministry of Agriculture and Rural Development, which establishes the regulatory bases for the increase of added value of agricultural product and the promotion of agro alimentary quality (FOCAL) (Community of Castilla-La Mancha)	-4 -3 -2 -1 0 1 2 3 4
Decree 142/2009, 29 September, regulating subsidies for the promotion of subsidies for the creation, development and competitiveness of social economy enterprises of Castilla-La Mancha and for the generation of employment (Autonomous Community of Castilla-La Mancha)	-4 -3 -2 -1 0 1 2 3 4
Order of 30/12/2009, of the local Ministry of Agriculture and Rural Development, which modifies the Order of 11/12/2008 of the local Ministry of Agriculture and Rural Development, approving the regulatory bases of aid for the improvement of the de associative agrarian structures en Castilla-La Mancha (FOCOOP)	-4 -3 -2 -1 0 1 2 3 4
Resolution of 8 April 2011, of the General Management of Agricultural Productions, providing for convocations of subsidies for the groupings of producers in the sheep and goat sector of Castilla-La Mancha in 2011	-4 -3 -2 -1 0 1 2 3 4
Order AYG/691/2009, of 24 of March, approving the regulatory bases for the subsidies for the transformation and commercialisation of agricultural, wild and alimentary products, in Castilla y Leon.	-4 -3 -2 -1 0 1 2 3 4
Order AYG/695/2011, 6 of May, for the convocation of subsidies, co-financed by the European Agricultural and Rural Development Fund (FEADER), in the improvement of production structures and the modernisation of farms, in the application of Council Regulation (EC) 1698/2005 and subsidies financed by the autonomous community of, for the carrying out of other investment in agricultural farms in Castilla and Leon.	-4 -3 -2 -1 0 1 2 3 4
Programme of commercial strategy with multilateral organisations-	-4 -3 -2 -1 0 1 2 3 4

Foundation ADEuropa and Castilla and Leon.	
Resolution EMO/1195/2011, 5 May, approving the convocation for 2011 for the concession of public subsidies for the financing of specific intersectoral training plans for the social economy, and sectoral training directed at occupied workers that promote the Consortium of Continuing Education in Catalonia.	-4 -3 -2 -1 0 1 2 3 4
Order of 26 February, 2003, of the local ministry of Justice, Employment and Social Security (Basque Country) providing for the publication of the coming into force during the year 2003 of the subsidies contained in Decree 283/2000, 26 of December, which regulates support measures for employment in cooperative societies.	-4 -3 -2 -1 0 1 2 3 4
Order of 3 of June of 2011, of the local Ministry of Employment and Social Affairs, establishing subsidies for training in Social Economy, Basque Country	-4 -3 -2 -1 0 1 2 3 4
Order 3 June 2011, of the Ministry of Employment and Social Affairs, regulating subsidies for the incorporation of members into social economy businesses. Basque Country	-4 -3 -2 -1 0 1 2 3 4
Order 3 June, 2011, of the Ministry of Employment and Social Affairs, establishing subsidies for the consolidation of associative structures for social economy businesses and entities in the autonomous community of the Basque Country	-4 -3 -2 -1 0 1 2 3 4
Order 3 June 2011, of the local Ministry of Employment and Social Affairs, for the articulation of subsidies for entrepreneurship in the Social Economy in the Basque Country.	-4 -3 -2 -1 0 1 2 3 4
Order 3 June 2011, of local the Ministry of Employment and Social Affairs, for the articulation of subsidies for the realisation of investments in Cooperative and Labour Societies of the autonomous community of the Basque Country.	-4 -3 -2 -1 0 1 2 3 4
Resolution of the local Ministry of Tourism and Labour of the 12 May, 2011 approving the convocation to concede public aid to bring about investments which contribute to the creation, the consolidation, the improvement of competitiveness in cooperative and labour societies in the Balearic Islands.	-4 -3 -2 -1 0 1 2 3 4
Order " Foral" 8E/2011,10 of June of the local Ministry of Rural Development and Environment, for the establishment of subsidy rules and regulations for the creation of agro food micro-businesses, in the framework of the Program for Rural Development of the territory of Navarra 2007-2013, and s, the approval of the convocation for 2011-Autonomous Community of Navarra.	-4 -3 -2 -1 0 1 2 3 4
Order 9/2011, 3 of March of the local Ministry of Industry, Commerce and Innovation, regulating subsidies in the areas of internationalisation and promotion in 2011, Community of Valencia.	-4 -3 -2 -1 0 1 2 3 4
Order 14, April, 2009, of the local ministry of Agriculture, Fishing and Alimentation, approving the Regulatory bases for aid for Valencia agricultural cooperatives	-4 -3 -2 -1 0 1 2 3 4
*Throughout this Report various European legislative initiatives are mentioned (in addition to their being mentioned above whereby the relevant Spanish legislation brings such measures into force). We have assessed some selected policy measures for convenience in this Table, below:	
Selected European Policy measures	Assessment score
Council Regulation (EC) no. 1234/2007 22 October 2007 creating OCM for agricultura	-4 -3 -2 -1 0 1 2 3 4
Regulation (EEC) no. 1360/78 ,19 June 1978, regarding producer groups and their associations.	-4 -3 -2 -1 0 1 2 3 4
Council Regulation (EC) no. 952/97, May 20 regarding producer groups and their unification,	-4 -3 -2 -1 0 1 2 3 4
Council Regulation (EC) no. 1257/99 May 17, 1999 re: local development - European Funds for Orientation and Agricultural Guarantees (Fondo Europeo	-4 -3 -2 -1 0 1 2 3 4

de Orientación y de Garantía Agrícola (FEOGA))	
Council Regulation (EC) no. 1698/2005 September 20 2005 regarding rural development through FEADER	-4 -3 -2 -1 0 1 2 3 4
Regulation (EC) no. 1974/2006, December 15, 2006 providing for the application of Regulation (EC) no. 1698/2005 regarding FEADER	-4 -3 -2 -1 0 1 2 3 4
Council Regulation (EEC) no. 355/77, February 15, 1977, regarding improving conditions for the transformation and commercialisation of agricultural products.	-4 -3 -2 -1 0 1 2 3 4
Council Regulation (EEC) no. 866/90 March 29,1990 regarding improving conditions for the transformation and commercialisation of agricultural products.	-4 -3 -2 -1 0 1 2 3 4
Council Regulation (EC) no. 951/97, May 20, 1997 regarding improving conditions for the transformation and commercialisation of agricultural products.	-4 -3 -2 -1 0 1 2 3 4
Council Regulation (EC) no. 1290/2005 June 21,2005, regarding financing of PAC	-4 -3 -2 -1 0 1 2 3 4
Council Regulation (EC) no. 1435/2003 July 22, 2003 regarding European Cooperative Society Statute.	-4 -3 -2 -1 0 1 2 3 4
Council Directive 2003/72/EC July 22 , 2003 regarding implication of workers in European Cooperative Societies.	-4 -3 -2 -1 0 1 2 3 4

6.3 Other legal issues

Highlights of Legal Questionnaire Analysis (found in Excel file "Legal")

The legal and economic regulation of cooperatives present a series of limitations with respect to other types of companies, such limitations stemming for the most part from cooperative principles and restrictive perceptions of the concept of cooperatives and co-operation. To make matters clear upfront, this is not to suggest that the cooperative form is thus a "flawed" type of company. In order to outline correctly the legal-financial situation of these entities and evaluate the necessary reform of their legal regulation and their own terms, existing limitations must be identified. Whether cooperatives are financially viable and represent a form of enterprise that is successful in the market is not primarily dependent on whether cooperatives receive more or less subsidies or pay more or less taxes. Rather, such success is also due to market confidence and the image of solvency and legitimacy that cooperatives generate in members and third parties.

First, there exist limitations derived from their legal-organisational structure:

A significant risk that cooperatives must face is that members leave the cooperative without having to justify a cause. The cooperative must then process the early liquidation of such member share. Added to this limitation are the restrictive cooperative legal provisions on the assignment or sale of such participations and the inexistence of a secondary market in which to trade them. This limits to a large degree the generational changeover of members and the entrance of third parties through the acquisition of the leaving members' contributions. In addition, cooperatives are usually prohibited from acquiring such contributions to their own equity capital. This restriction inhibits the buying-back and management of its own treasury as well as other instruments which would enable the cooperative to manage the correct exit and subscription of its members.

As well, the political discontent of the most economically active members is a significant issue in cases where there are differences between members in terms of level of participation in the cooperative activity and the ownership of equity capital.

Finally, the complication of having "capitalist" members is a notable difficulty. In order to keep control of the cooperative in hands of ordinary members, quantitative limits are established in

relation to the percentage of votes that special types of members may have in relation to the total votes, thus limiting their economic rights. One must add to this the limits on participation of certain legal persons (i.e. not physical persons but, for example, a company) as members of the cooperative which, if such participations are assigned or sold, provokes a loss of tax benefits.

Second, there are functional and operative limits:

One of the principal differences between cooperatives and other types of companies is that the economic activity is essentially carried out by its members (mutuality principle). The principle of mutuality has been traditionally interpreted in Spanish cooperative regulations as the necessity to limit operations with third parties. This position has little justification in Spanish cooperative law where financial results are accounted for in a separate manner, that is, separate accounts for activities which are “cooperative” and activities, which are “extra-cooperative”. Those revenues that are extra-cooperative are taxed at the general rate for company tax and destined to collective funds.

Cooperatives are also subject to limitations when they constitute subsidiary, affiliated, or associated companies or participate in commercial companies. The revenues generated by these investments will not directly revert back to the parent cooperative members but are destined to be allocated to the obligatory reserve fund. The participation of the cooperative in a quantity superior to 10% of the equity capital in non-cooperative entities is cause for the loss by the cooperative of the protected tax treatment (the percentage is increased to 40% when one is dealing with entities that carry out activities that are preparatory, complementary or subordinated to that of the cooperative).

Last but not least are financial limitations:

The economic-financial regulation of cooperatives is characterized by an excessive rigidity and by the existence of determined fiscal and “para-fiscal” burdens that do not compensate the theoretical “privileged” tax position that cooperatives enjoy. Cooperatives may pay less taxes but the level of surpluses is less as well. Within the financial limitations, the most important are those which derive from the variability of equity capital which is, without a doubt one of the characteristic features of the cooperative business form and is the technical-legal element used by the legislature to put into practice the principle of “open doors”. The possibility of the flux of members entering and leaving the cooperative is found in the original origins of the cooperative movement. Financially speaking, the open door policy translates into the reality that its equity capital is susceptible to increases due to the admission of new members and decline due to the return or refund of contributions due to the abandonment by members.

This variable nature of cooperative equity capital usually is perceived by economic actors as a sign of the financial weakness of cooperatives due to the possibility that the cooperative equity will be notably reduced by the exit of members. To avoid this, cooperative laws have at their disposal a series of measures that convert the equity capital into partially variable capital, that is, a part is always fixed. As well, it allows cooperatives, through their statutes and bylaws, to construct sufficient financial guarantees (put limits on variable capital). However, at times these legal measures are excessive in comparison to the requirements of investor owned companies which are not necessarily by virtue of their business or legal form more solvent.

In addition, such restrictive measures are often not practical or useful. The contributions to obligatory funds in order to guarantee the solvency of the cooperative depends on (i) where the cooperative carries out its principal activity, which determines the applicable cooperative law and in particular the regulation of allocation of funds and, (ii) the accounting and financial policy which is adopted by the cooperative. If, as a matter of course, there are no surpluses because the cooperative operates with the goal of zero profits, the legal imposition to allocate funds in a manner proportionately significant serves little purpose. Annex I to the Legal Questionnaire sets out the different autonomous community requirements for such contributions to the Obligatory Reserve Fund.

The very basic and sparse regulatory requirements of SATs, dating from 1981, result in few limitations and conflicts. It is evident that the economic actors which choose these entities to develop their business projects are comfortable with the regulatory rules. Above all, when such regulation is compared to that of agricultural cooperatives, the advantages are evident: there are none of the traditional legal limitations of cooperatives (difficulty to transfer the position of member, obligation to allocate funds to collective funds, limits on dealings with third parties, limitations to invest in commercial entities, limits in the distribution of surpluses, etc.) It is a useful exercise to ask what type of company laws should be formulated in order to seek the equilibrium between necessary legal security and the flexibility of business types. However, in the case of SATs, competitive advantage in the agricultural sector and elsewhere is being enjoyed due to the lack of adequate regulation of the various legal forms of social enterprises.

The linking of the social object of agrarian, livestock or forest activity, which constitutes the basic element of SATs, is not a unique feature which justifies the existence of this social form, with all the advantages it enjoys as compared to agricultural cooperatives. The same object can be carried out by agricultural cooperatives, civil societies or commercial capitalistic companies. If we compare the concept of SAT that we have given at the beginning of this study with the legal definition of agricultural cooperatives (art. 93 LCOOP) we can see that there are few differences. As a result, whether this company type should be maintained or whether its legal framework should be substantially reformed is an important issue for the Spanish agricultural cooperative sector.

7 Assessment of developments and role of policy measures

This chapter provides a concluding assessment on the developments of cooperatives in Spain. In chapter 3 the basic statistics on agriculture and farmers' cooperatives were provided. In chapter 4 data on individual cooperatives were reported, especially concerning their internal governance, their position in the food chain and the institutional environment in which they operate.

This leads to some first impressions in section 4.5 on the performance of cooperatives in Spain in relation to their internal governance, institutional environment and position in the food chain.

In chapter 5 the data gathering and analysis was broadened by looking at the differences between the sectors and the influence of sectoral issues on the performance of the cooperatives. Chapter 6 looked into more detail on how the regulatory framework influences the competitive position of the cooperatives in the food chain and vis-à-vis the investor-owned firms. This chapter assesses the (performance) developments of cooperatives and how they can be explained in terms of the building blocks (institutional environment, position in the food chain including sector specifics, and internal governance). Section 7.1 focuses on the explanation of the performance of cooperatives in terms of their internal governance, their position in the food chain (including sector specificities) and the institutional environment (including the regulatory framework). In section 7.2 an assessment is given on which policy measures in Spain seem to benefit cooperatives and which ones have a constraining influence.

7.1 Explaining the performance of cooperatives

In general, Spanish agri-food companies, including cooperatives, are quite competitive; Spain is one of the principle agricultural producers in Europe. The agri-food sector is one of the principle exporting sectors in Spain. Spain occupies the 5th position for food sales in the EU-27 (CIAA 2009) and is the third agricultural producer (Eurostat). However, as a whole there are some structural difficulties that must be addressed in order to remain competitive in the future. As has been noted repeatedly in this report, there are a large number of cooperatives in Spain, the size of which range from micro-cooperatives to large cooperatives like COREN or ANECOOP. Predominantly, Spanish cooperatives fall within the small to medium company size. Hence, the results of the survey of the "top 5" speak only of the characteristics of the largest type of cooperatives, which are not particularly representative of Spanish cooperatives. In Chapter 3 we have presented some of the data from the Cooperative Questionnaires on such top-5 cooperatives. Below we comment on the performance of Spanish agricultural cooperatives, taking into account not only the observations on the small group of cooperatives surveyed in Chapter 3, and the information gathered on agricultural cooperatives throughout the course of this study.

Internal Governance

Spanish agricultural cooperatives tend to be excessively "presidentialist", that is, the president wields disproportionate power. This tendency is fostered by national and regional cooperative laws. The same person is the president of the cooperative, a member of the Management Board and of the General Assembly. Such role carries important representative functions, with the risk of too much power ever-present. The President on many occasions turns into a de facto "sole representative" of the agricultural cooperative (Vargas-Vasserot, 2009; Canalejo, 2000).

Taking into account this observation and the fact that Spanish agricultural cooperatives are many and small in size, the conclusion that the scarcity of mergers and alliances and the propensity to shy away from competitive strategies or internationalisation have more to do with "human nature" (i.e. big fish in a small pond) than financial or economic reasoning is an understandable, if not necessarily "scientific", conclusion. As well, strategic decision-making, or

lack thereof, must also be considered against such background. In contrast these observations could be countered by the view that strong visionary leadership, closely connected to local communities, may also be the result of such governance structure, particularly in small cooperatives.

We have reviewed Internal Governance in Chapter 4 (section 4.4) and Chapter 6, particularly in the Legal Questionnaire on governance issues (Section 4-Internal Governance) and will not reproduce here such material again. Suffice to say that the legal structure and rules on the supervision by the Interveners of the Management Board (“Consejo Rector”) barely function as a supervisory system, due to the election of its members, composition (low professionalisation) and limited powers of control over the managers. Although at first glance it appears as if the Management Board, the General Assembly and the “Intervenors, described in detail in section 4.4,” mimic somewhat the dualistic model of German company law, the Spanish cooperative governance model continues to be “monistic”. The Interveners do not in reality serve as an effective control as their powers are basically limited to reviewing accounts.

Historically, cooperative governance has been strongly influenced by capitalistic models. However, since the last national cooperative law was brought into force in 1999, the law with respect to investor owned firms has been amended due to the influence of the corporate governance movement. These recent corporate governance amendments, particularly with respect to the incorporation of external and independent advisors, have not yet been adopted by cooperatives. To the extent that good internal governance is seen to legitimize a business entity, attract new members and foster loyalty and confidence, Spanish cooperatives are often lagging behind their investor owned firm counterparts. As an example, cooperative legislation has not advanced on the glaring issue of gender parity in cooperative management and boards.

An amendment to the national cooperative law which represents a significant improvement to prior legislation was the provision allowing the naming of professional non-cooperative member board members. This amendment has contributed to more professional cooperative management and strategy. Remuneration of board cooperative members is still a contentious issue as the post is often unpaid and thus inhibits a more serious, focused and professional approach on the part of the cooperative.

As mentioned in Chapter 4, board functions in the large cooperatives subject to this study were members who were often also professionals. Outside professional non-members can be appointed within appropriate limits (see Legal Questionnaire section 5.5). However, given the sheer number and size range of Spanish cooperatives and the differences in the legislation which governs them, this cannot necessarily be taken as a given or norm and used to explain success or failure. In medium sized cooperatives a general manager (“gerente”) is often hired as professional staff to provide support to a board composed of cooperative members.

Position in Food Chain (various sectors)

The food chain in Spain is equally divided between traditional and modern marketing systems, varying within sectors. In general POs are focused on production and marketing farmers’ products, although this varies somewhat across sectors. Cooperative market share is generally high, as set out in more detail in Table 11. Where there is less atomization there tends to be stronger presence at all levels in the food chain and the market share of the largest entities tends to increase over time. In Chapter 5, we comment on sector particularities (for a more detailed discussion see Chapter 5 for the relevant sector). See 4.2 for a discussion of the individual cooperatives under study. Through the process of mergers, promoted by the government through a system of incentives (see below in section 7.2) there is an attempt for producers to have more bargaining power vis-à-vis large distributors. Second tier cooperatives are the traditional method in which Spain has managed to concentrate production and supply. As set out in Chapter 4, Figure 24, organic growth is the preferred strategy of Spanish cooperatives

(subject to this study) followed by horizontal merger, then vertical merger and lastly by international mergers. Differentiation is considered to be the preferred market strategy by the “top 5” cooperatives in each sector. Although this study was limited to a relatively very small sample, these results may be seen as representative of most Spanish cooperatives.

With respect to vegetables, traditional retail accounts for 42% of the sales of vegetables, followed by large distribution chains (40%). A similar pattern is observed in the fresh fruit sector, in which small retailers market 45% of the total value of product, and modern distribution 42%. Besides farmers and retailers, the sector includes a very wide range of economic agents (about 10,000) who perform various operations along the supply chain, related to product sorting, conditioning, processing, transport, etc. (Camanzi, 2009). Large cooperatives have their own primary processing and packaging plants. Most products are sold through second tier cooperatives and there is little presence in the retail market. Significant mergers have taken place in this area in the last decade along with an emphasis on professionalisation and technological advancement, particularly in increasing production, advanced product analysis and safety, certification and integrated biological farming methods, all in an attempt to gain greater positional strength in the food supply chain.

The cereal supply to the processing industry is in the hands of three types of entities: cooperatives, wholesalers and large multinational companies with capacity for warehousing (Caton-Vázquez, 2004). The dispersed offer of cereals in Spain poses a problem in dealing with the highly concentrated agro-food industries. In general, it is made up of small and medium enterprises with the consequent high structural costs. (Cooperativas Agroalimentarias, 2004)

The majority of cooperative cereal production is commercialized through second tier cooperatives, although there are some first tier cooperatives with a significant commercial capacity. Many of the first tier cooperatives that are not members of a second tier cooperative are basically local storehouses of various products and supplies; generally they do not engage in direct sales and they often work through wholesalers of a certain size. A weakness of the sector is its lack of adequate commercialisation strategy to adapt to demand and also to allow supply to the market throughout the whole of the year. Commercial cooperatives, with the appropriate infrastructure for storage, can plan price strategies and have the capacity to provide a steady and homogeneous supply throughout the year. Where cooperatives do not have such capacity they are forced to sell to third parties at less than optimal prices (Group AN, 2010).

The cooperative olive oil companies have little presence in retail establishments as the large agro food distribution companies control this market niche. Five buyers purchase over half the market. The small size of the sector (in relation to the size of the distribution companies) and the small and medium companies which make up the sector result in big disadvantages when competing and negotiating with large firms. In 2007, 55% of exports were still bulk sales although in recent years the cooperative oil presses are increasing the sale of bottled oil. The market share of distribution brands (“DB”) averages 65% and in some categories reaches 83% (Cooperativas Agroalimentarias, 2010, “Estimation...”).

The wine sector in general is characterised by a high level of vertical integration. A dual structure coexists wherein a small group of large dynamic companies that have managed to deal with market changes are in contrast to many companies that have not yet adapted to new and competitive markets. These small companies are dedicated only to agriculture, leaving commercialisation tasks to other companies which control this process. With respect to wine cooperatives a similar structure exists as in the general wine sector, that is, a predominance of small and medium cooperatives and a reduced number of large companies

The structure is very fragmented and in addition there are various levels of development. Small unprofessional cooperatives are dedicated to production and do not participate in later stages of production and supply chain. They have limited negotiating power. Another group of

cooperatives commercialise bottled wine although their principle activity continues to be the sale of bulk wine. Finally there is a small group of cooperatives that commercialise the product of their member with a clear professional market approach.

In light of this, the commercialization of product from cooperative wineries continues to be quite insignificant compared to the industry in general and represents one of the main problems of cooperative wineries (Navarro and Millán, 2007). As well, commercialization through second tier cooperatives is also insignificant and they generally are active in the sale of bulk wine. The creation of commercial companies and the externalization of services are some of the alternatives being employed by the sector. Cellar Capçanes has been chosen as one of the cooperatives for future study in Chapter 2 as an example of a successful cooperative winery with an international reach.

With respect to dairy cooperatives distribution, the most common methods are the use of non exclusive distributors and the sale to large distributors, thus reducing direct sales made by the cooperative. Intermediary importers are used for external markets. The sector is based principally on the elaboration of liquid milk (60%) while the rest is for milk products. This structure is very different than that of other large EU markets, which are based more on cheese, butter and powdered milk. The majority of packaged milk is sold to grand distributors and the distributors' brand represents 52% of internal consumption (MARM, 2009b).

The sector is characterized by significant atomization in contrast to the concentration of organized distribution. Such atomization is especially significant in production, given that 63.32% of farms hold 22% of the quota, while the remaining 78% of the quotas are in the hands of 32.83% of the farms. Since the 90s, production has been abandoned by many farms, leading to an increase in their size. The objective of such increase in size had been to improve competitiveness in the sector, but it has ended up provoking a contrary effect, producing an important increase in costs (COAG, 2010). Costs have increased due to the fact that an increase in growth has been accompanied by a greater intensity of production, thus resulting in higher costs.

There is only one sugar cooperative, ACOR, in Spain and due to the restructuring of the sugar sector, sugar production is in decline. In 2009 it established an alliance with a French cooperative group, TEREOS for the production and commercialisation of sugar in Spain, through the acquisition of 40% of its social capital. As a result from 2010, the TEREOS group carries out the commercialization of the production of both Spanish companies (the other being an IOF).

Sheep meat production is very dispersed, from many small operations to cooperatives with thousands of heads of stock. The complexity and number of actors in the commercialization in origin depends on the avenues of commercialization and whether the direct purchases are possible in the slaughterhouses. The wholesalers which carry out commercialisation in origin cover the management of the animal from the purchase from the farmer until its final transformation. The fundamental differences between the agents at the sales points lie in their size, volume and variety of product. Aside from the basic value chain, there is a difference between the traditional and modern model: in the former the butcher buys from the slaughterhouse directly and is then responsible for breaking it down and preparing it. The modern model is characterized by the presence of large distributors at the sale point who require product which is more specialized and exacting in specifications (MARM, 2009c).

Cooperative pig production is made up of two types of cooperatives: the first are pork producer cooperatives which, as a service to the members, provide food for the animals. The second are marketing cooperatives that carry out the sale of the live animals and the products obtained after their sacrifice. The majority of marketing cooperatives are dedicated to selling live animals. Of those cooperatives that market products obtained after the sacrifice, the sale is done predominantly through channels. As there exist more restrictions and health and sanitary

problems in relation to live animals than with meat and products derived from pork, cooperatives focus not only in the sale of animals but also in the production of transformed/processed/value added products. In addition, this facilitates sales and exportation. Some first tier cooperatives have united with other pork producing cooperatives, and as well with second tier cooperatives that are not dedicated to the production of pork. Currently, eight second tier cooperatives are dedicated exclusively to the production of pork.

Institutional Environment (including Regulatory Framework)

As set out in Chapter 6, the legal and economic regulation of cooperatives present a series of limitations with respect to other types of companies, such limitations stemming for the most part, from cooperative principles and restrictive perceptions of the concept of cooperatives and co-operation. They include: (i) limitations derived from their legal-organisational structure; (ii) functional and operative limits; and (iii) financial limitations. See in particular Chapter 6, section 6.3 for a full explanation of these limitations, as well as the Legal Questionnaire and Chapter 4, section 4.3.

A central obstacle in Spain is the regulatory framework. As mentioned in section 4.3, cooperatives fall within the jurisdiction of the autonomous communities, each having their own cooperative legislation. A national law on cooperatives exists, as does a national tax law in relation to cooperatives²³. Policies that influence cooperatives are enacted by both national and autonomous community governments, with autonomous governments, in most cases, channelling the various funds to cooperative organisations. For example, a cooperative wine producer in the autonomous community of Catalonia is subject to different cooperative laws than one in Castilla La Mancha and has the benefit (or not) of policies enacted at its own autonomous community level. All of this results in a lack of coordination and coherent strategy when dealing with agricultural cooperatives, particularly in regard to European agricultural initiatives. Serious improvement is needed to ensure communication and coordination between various levels of government so that European Union funds are properly used to achieve maximum efficiency and do not remain underutilised. Given the various sources of legislation, it is also very difficult to track the reasons for success or failure of cooperatives based on subsector.

In Chapter 3 we make reference to the institutional background and support for cooperatives contained in the Spanish Constitution and “reactivated” in the recent Social Economy Law. We describe support for cooperatives in general and therefore we will not reproduce it here (see Chapter 3, sections 3.2 and 4).

Historically, Spanish cooperatives possessed various characteristics which were in many ways related to the socio-economic background of agriculture in Spain.

- Atomization, the majority of which are SMEs and small cooperatives.
- Lack of market orientation, still focusing on production paradigms and finding a place to sell crops rather than contemplating a customer to which to sell a unique quality product. Implicit in this is the development of commercialisation strategies, logistics, product development, etc.
- Lack of agricultural business education and training, particularly at the production level (although technical training is increasing). This is particularly relevant when contrasted with the level of education and training at the “higher end” of the food distribution chain. High level management training is particularly lacking. Human resources and entrepreneurial training must be taken more seriously in agricultural cooperatives. In other activities of equal economic weight, much more importance is given to these issues. While the transition from peasant to business farmer, even perhaps manager, has been achieved, there is still some way to go towards developing a culture of entrepreneurial innovators.

²³ However, Basque provinces have their own tax laws.

- Tied into the above point is the difficulty in attracting both new farmers and new agricultural management as the sector is not seen as an attractive option.
- Little interest in internationalization, in spite of its tradition of exportation. There is an excessive reliance on brokers and intermediaries and Spanish companies are reluctant to make the investment necessary to locate in another country, thus limiting the ability to consolidate an international presence and add value. The top 200 agro alimentary companies in Spain in 2006 were responsible for 53% of the industry turnover (Alimarket). The low incidence of internationalisation has much to do with these prior observations. (Boccherini 2010).
- Autonomous community competencies and regulation which has stunted inter-regional cooperation and has resulted in layers of administration and lack of policy coordination, affecting sectors which have activity in many sectors.
- Other social/cultural/historical characteristics are risk aversion, little investment in R&D and innovation, and lack of financial capitalization (Meliá y Martínez, 2011)

It is important to stress that the identification of these characteristics is not intended to negatively define agricultural cooperatives in Spain. The reality, as detailed in Chapter 5, is that many agricultural cooperative sectors have experienced impressive success, and various cooperatives and second tier cooperatives have been able to modernise and expand in a very short period of time. All of this has been achieved *in spite of* the many regulatory, political, geographic and institutional barriers.

What the list above is intended to demonstrate is the necessity for policies that help overcome these historical characteristics to the extent that they affect cooperative performance. In 7.2 below we touch on policy measures that have been able to address these shortcomings or on the contrary, to leverage these characteristics into a competitive advantage (e.g. localism also can contribute to a cooperative culture which is the bases for successful cooperative performance).

7.2 Effects of policy measures on the competitive position of cooperatives

Elsewhere in this report, particularly in Chapter 5 where we have dealt with individual sectors, we have touched on the effects of the EU's Common Agricultural Policy (CAP). In general such policy, which has favoured the economic liberalisation approach to agriculture, has not been positive for Spanish cooperatives in general (Baamonde, 2009). While farmers have been compensated for the decrease in market prices, cooperatives have not been compensated for the decrease in available production to be traded (sugar an exception). Lower member production implies a higher fixed cost for the cooperative.

Two pressing problems for agricultural cooperatives in Spain are volatility of prices and the lack of negotiating power. Farmers have a difficult time maintaining a sustainable level of income due to the lack of instruments to control markets and the severe imbalances in bargaining power in the supply chain. Recent reforms of the CAP have not effectively dealt with these issues. Instead, the effective dismantling of almost all methods to manage markets (e.g. interventions, private warehousing) has fanned price volatilities and resulted in lower incomes for farmers. While mechanisms may still exist, the safety net has been pitched much lower. Decoupled, direct payments are of little use because such payments are discounted immediately in the market; that is, they are factored into the price as a discount. (Baamonde, 2009)

In spite of a trend in integration and concentration agriculture in Spain continues to be "atomized". The sheer size and power of the few and large distributors, results in unequal bargaining strengths that are difficult to counterbalance. Prices are set by distributors and thus Spanish cooperative members, focused as they are on the production and commercialization of primary or secondary products receive low prices at the "bottom" of the chain. This in turn leads to the social-economic view that farming is "not worth it" and few younger people take up farming as a profession. Cooperative members are older and cooperative membership is

declining. Without strong cooperatives, rural areas suffer and their local development and economies are at risk.

It is clear that the CAP does have measures to deal with some of the latter issues and competitiveness in agriculture at the local level under its “second pillar” of Local Development. However, given the Spanish cooperative legislative/political structure, such measures are weakened. In practice the autonomous communities administer such programs and there is a lack of a unified national approach. As a result, projects and alliances which would entail more than one autonomous community and which are urgently necessary to “scale up “ and meet the demands of global competition are left without sufficient support measures.

As well, cooperatives which exceed size limits for small and medium enterprises (“SMEs”) lose 50% of financial support available under such measures. This position is illogical for agricultural cooperative POs, irrespective of the size of such cooperatives, given that their members are small business and family farmers (Baamonde, 2009; EURICSE, 2010). In addition, it is incoherent with policies that promote mergers and growth.

The EU, recognised the promotion of groups and associations through Regulations 1360/78; 746/93; 952/97. The support of producer groups was withdrawn through the Regulation 1257/99 and reintroduced through the Regulation 1698/2005 for the new Member States. With respect to the CMO the Spanish national cooperative confederation has underlined the fundamental role of POs in the concentration of offer, the improvement of producer participation in sharing in the added value along the food supply chain and in the adaptation of production to the market. As an example, the significant growth in the fruit and vegetable sector reflects the success of such policy.

However, there are many points of disagreement and in certain important sub sectors such as fruits and vegetables, there is much dissatisfaction. Whilst certain important points have been reflected in the conditions of the Operative Programs as to the eligibility of activities related to product transformation by cooperatives, calculations as to the value of commercialized product or the eligibility of investments in farms and installations of members and their cooperatives, other important weaknesses persist in relation to the Management and Prevention of Crisis and also the reform of System of Entry Prices. Cirilo Arnandis, president of the Fruit and Vegetable sector board of Cooperativas Agroalimentarias has noted the “lack of coherence between the political declarations of Community institutions, which are clearly favourable to the concentration of offer, downstream integration by producers, a more key role played by POs, and the provision of mechanisms to manage crisis versus the vacillation, incoherence if not intolerance, that is detected in the regulations passed by the Commission” (Agrocope, 2011). The evaluation of all EU measures in relation to agriculture is beyond the scope of this report. However, the comment of Arnandis is emblematic of the difficulty in reconciling policy theory and actual policies enacted in relation to a multitude of interests.

Turning our focus to laws and policies in Spain in the scope of this report we focus on evaluating the influence of policy measures listed in Table 30 on the competitive position of agricultural cooperatives. We have broken down such measures into various policy themes, as set out below. The list of policies and laws in Spain which could influence the competitive position of cooperatives in Spain is extremely long (and the list contained herein does not contain all such measures) and thus it is necessary to generalise. Table 25 sets out an evaluation of the main policies and laws which we have identified.

Overview of Spanish Cooperative Legislation. As is evident throughout this report and as detailed in Chapter 5, Spain does not suffer from a lack of cooperative laws, due to the “double layer” of national cooperative laws and policies and those of the autonomous communities. Several communities have another law specifically for small cooperatives. Laws vary on substantial issues and do not facilitate coordination between cooperatives. Some experts have argued for a national law on agricultural cooperatives (Juliá et al., 2010), a scenario which would be both legally and politically difficult as it would require negotiations with all autonomous

communities. There have been a range of suggestions from the fiscal perspective²⁴ and as well arguments for a more flexible approach to cooperative laws that maintain cooperative goals (Vargas-Vasserot and Aguilar, 2006). Overall, the autonomous community cooperative laws which are seen to be most effective and advanced are those of the Basque Country. However, as noted in Chapter 3, the Basque Country does not have a great amount of agricultural cooperative activity compared to other autonomous communities in Spain, such as Andalusia, Catalonia, Valencia, etc. Currently Andalusia is in the process of overhauling its own cooperative law. See Table 30 in Chapter 4 where notable/distinctive sections of the various cooperative laws are shown in bold lettering.

Given the “atomisation” of cooperative law in Spain, it follows that agricultural cooperatives themselves tend to organise around their governing regulation, thus resulting in a general cooperative atomisation. The introduction of the European Cooperative Society has had very little impact in Spain as of yet. This is not surprising in light of the fact that very few cooperatives are set up under the national cooperative legislation.

As mentioned in the Legal Questionnaire herein (Chapter 6), fiscal policy provides few substantive incentives to agricultural policies, such advantages often being outweighed by the lack of flexibility and the resulting difficulty in accessing finance. However, given that Cooperative Tax Law is a national law, there is the possibility that a careful reform of cooperative tax policy could contribute to the unification of cooperative laws in certain aspects.

SAT Legislation. In Chapter 6 we refer to SAT legislation, which is a national law, and compare such legislation with cooperative legislation (Chapter 1, section 1.3 defines SATs). Recently, however, SAT legislation has been brought into force in the autonomous community of Aragon. The law has been challenged on jurisdictional grounds but it sets a worrisome precedent for agricultural cooperatives. If this precedent is followed elsewhere, SATs could begin to invade at the autonomous community level and enjoy the same autonomous community benefits available to agricultural cooperatives while at the same time undermining cooperative principles.

Social Economy Initiatives including Promotion of Cooperatives and SMEs. There are quite a few initiatives directed at the promotion and formation of social enterprise entities, which include cooperatives. However, as these initiatives are new, it is not possible to judge their influence or effects on agricultural cooperatives. What is notable is that these initiatives are carried out at the autonomous community level. While this strategy may be positive for local development it may not contribute to a unified strategic approach for cooperative entities.

Such initiatives may foster a more profound cooperative culture as opposed to just a cooperative legal form, and thus may positively affect business efficiencies. Perhaps a focus on agricultural cooperatives as part of the social economy will encourage the participation of more women in cooperative businesses and help break down barriers which persist in cooperative culture.

Integration and Restructuring. In order to remedy the “ills” of atomisation, much discussion and policy work has been focused on the need for mergers, for larger size, for market concentration, etc. Indeed, a report was delivered before the Commission of Agriculture and Rural Development in the European Parliament (Report regarding Prices of Alimentary Prices, 24 February, 2009) emphasizing the role of cooperatives in the concentration of offer and the request for measures to facilitate the merger of POs in order to increase their size and thus market presence.

While it is not the intent to comment on other EU countries in this report, it is evident that other agricultural cooperatives in countries such as Denmark, Holland or Ireland have relied on creating large cooperatives to improve their capacity for negotiation, develop products and increase competitiveness (Meliá and Martinez, 2011).

²⁴ See Volume 69 of CIRIEC-España (2010); a special issue on cooperative legislation and tax issues.

As pointed out in Chapter 3, Table 7 “Percentage distribution of agricultural cooperatives according to number of members (2009)” and Table 8 “Percentage distribution of number of agricultural cooperatives according to turnover (2009)” Spain’s cooperatives continue to be mostly of reduced size thus affecting their ability to concentrate production, invest in new initiatives, create economies of scale and attain negotiating power in dealings with distributors.

As evident in Table 24 there have been various initiatives by national and autonomous community governments to provoke mergers, integration and concentration at various levels and in various sectors in Spain.

The push for integration and the creation of second tier cooperatives is to respond to global markets, with the idea that it allows better efficiencies, diversification of products, opening of new markets, concentration of demand factors, discovery of new industrial processes, improvement in accounting management and higher professionalisation (Montegut, Cristóbal and Marimom, 2007).

While studies of integration processes have been carried out²⁵ the empirical work on how mergers affect financial performance in agricultural cooperatives has been relatively scarce. It is worth noting that recent Spanish studies have found that mergers are not always particularly successful, although such strategy and results would have to be studied further on a sector by sector basis (Meliá, Juliá and Martínez, 2010; and Barrio and Parras, 2003). The most far reaching and recent Spanish work published (Meliá and Martínez, 2011) contributes with interesting insights as to whether such policy has been effective or not in the competitive position of agricultural cooperatives. It found that mergers on average did not lead to a statistical improvement in relation to the financial indicators studies. While it is too soon to come to any solid conclusions in this regard, it is interesting to note that governments are advocating mergers as the way forward, often based on the experiences of other countries. Which method of integration is the most adequate for Spain remains to be seen.

Efforts to promote second tier cooperatives have been a success across sector and region (Martin, 2006; Fernández, et. al, 2008). Recently the government of Andalusia has announced that it will severely cut back support to the olive oil sector in terms of upgrading and modernizing installations in favour of integration activities and the setting up of commercial platforms²⁶. The results of the Cooperative Questionnaire found that the favoured strategy by cooperatives was organic growth.

Interprofessional Associations. National and autonomous community measures that have supported Inter-professional entities are considered to have been a success and very relevant in organising sectors not only from a business perspective but also in terms of mounting an effective lobby. Given the atomisation of both regulatory measures and the sector itself, this alternative method of institution building is particularly important for Spain. However, more “teeth” needs to be given to these entities so that they have more impact and influence. This may include giving them a legal framework in which they may influence such power, a position supported by significant actors within the sector (See discussion under Fruits and Vegetables-Policies.)

With respect to both "Integration and Restructuring" and "Interprofessional Associations" above, it is worth noting the position of Cooperativas Agroalimentarias, which is the national confederation of agricultural cooperatives. Their position differs in some respects from other opinions expressed by other producers, associations and entities.

²⁵ Many of these studies were published in the period 1995-2002 and are too numerous to cite here. See Jimenez, et al. (2006) for an overview of such studies.

²⁶ Announcement of Clara Aguilera, Minister of Agriculture and Fishing of the Regional Government of Andalusia, on 28 April 2011.

We have mentioned in this report problems of supply chain imbalances, atomisation of producers and a weak bargaining position (and the issues of intermediaries, lack of transparency and speculation which accompany such ills). In the opinion of Cooperativas Agroalimentarias, there are two methods of addressing such problems. The first is to argue for a type of negotiation between the actors in the supply chain, where prices would be negotiated between producers and the large distributors. Producer representatives, such as the interprofessional associations, would act as interlocutors with the capacity to negotiate minimum prices in the name of the producers. For this to occur, exceptions to competition law would need to be ensured as well as the special status of these organisations and the obligation to enter into written contracts, amongst other measures. Such collective negotiation measures are not seen as a viable option by Cooperativas Agroalimentarias.

In support of this stance, they point to the fact that there are 697 OPs in the F&V alone, which represents only one third of the market. As an alternative, they advocate for policies which push such OPs to merge or commercially align themselves so that the number of operators is reduced considerably, eliminating along the way entities which do not add value and which serve to engage in speculation. A suggested measure is that of requiring stricter minimum requirements in terms of number of producers and production (seen to be currently very low and ineffective).

In supporting this second option, Cooperativas Agroalimentarias holds that interprofessional associations are not by nature commercial but rather representative entities. In addition to these practices creating an possible issue for competition authorities, such organisations are seen to lack business responsibility and control over the production about which they are negotiating, leading potentially to lack of efficiency and transparency.

In the event such negotiation arrangement would be permitted, Cooperativas Agroalimentarias observes that the representative entities lack enforcement measures to ensure that agreed terms are carried out and that they lack the capacity to exercise control over the producers (who must legally be party to the contracts).

In addition, they argue that as price negotiation is just one of many factors such as logistics, delivery conditions, quality, etc. and not the root cause of the weak bargaining position nor the commercial structure of the sector, the remedy should be seen to be through the long term, selected structural policies which incentivise the concentration of production and commercialisation.

This said, Cooperativas Agroalimentarias do see Interprofessional associations fulfilling an important role in prompting dialogue about regulations, quality, marketing, R+D+i and other issues which affect the sector.

Marketing, Promotion, Exportation, and Internationalisation. Programs to improve and support marketing, exportation and internationalization have also been very successful. Andalusia's EXTENDA in one such example. As federations have pointed out, a higher level of effectiveness characterises the use of subsidies and other financial incentives for which cooperatives have to compete. COVAP in Andalucía is a good example of cooperative internationalisation. Its products can be found in 23 different countries with a turnover of approximately 300 million Euros in 2009 (Fuentes García, et. al., 2011). The EU has given financial support for the improvement of the transformation and commercialization of agricultural products over a number of years (Rgts 355/77; 866/90; 951/97; 1257/99 and 1698/2005) and cooperatives have in some cases benefited from a priority treatment.

Financing and Encouraging Investment. Adequate financing, whether for large or small agricultural cooperatives is of crucial importance and measures that provide financing taking into account cooperative and agricultural needs are effective. ICO (National Credit Institute) financing under the various lines in Table 24 are also an important source of funds. However, some programs limit financing to SMEs which is counterproductive for POs. Some initiatives promote investment in social economy entities, specifically cooperatives. The role of cooperative credit banks have been crucial in the development of agricultural cooperatives in Spain and

support measures for cooperative credit, although not detailed in this report is also a fact has influenced the success of cooperative agricultural regions (Giagnocavo, et. al, 2010).

The recent adoption by the New Spanish Accounting Norms of the international accounting standards (IAS) is problematic for cooperatives as the social capital (equity) is not considered to meet the standards to be considered equity capital and thus is considered as debt.

Innovation and Modernisation. These types of policies are likely dependent on the sector and also on other complementary initiatives. In and of themselves, absent a coherent commercialisation or integration strategy they have not been particularly effective.

Education and Training. Quite a few policies are related to subsidising education and training directly or to the designation of resources to create programs and provide such training opportunities. The programs usually refer to increasing competitiveness as a goal. Often they are geared towards unemployed people, labour insertion or ordinary workers. Few are dedicated to higher level professional cooperative management training where arguably the need is the greatest. On-line training is one of the most popular methods of training in spite of doubtful results.

After speaking with human resources managers of various cooperatives and associations of producer organisations a general conclusion was expressed: cooperatives in general are not convinced of the utility of such programs, as they currently exist. They engage in education and training because of administrative obligations or because of quality programs which require such training for certification purposes. The cooperatives generally do not create the education and training programs and they try to adapt their needs to fit within the training themes designed by the administration. From the point of view of the cooperatives, the administration in general does not understand the cooperative labour situation and should count on sectors and cooperatives to help design programs. Cooperatives as well share part of the blame as they are reluctant to engage in continuing education and training.

Sustainable and Rural Development. Investment in quality and environmental initiatives has been shown to improve competitiveness in the fruit and vegetable sector (Galdeano, 2002), although “integrated” as opposed to “ecological” production has proven to be more successful for farmers. Ecological product is not highly valued in Spain’s domestic market and most of it is for export. However, Spain has the largest organic farming area in the EU 27 with 18.6 % of it area dedicated to organic farming. Programs for encouraging organic production are useful to help farms, many of which are cooperatives as well as initiatives to export and market their product. This type of farming activity is a key element in sustainable and rural development.

Evolution of the Organic Farming Area in Spain

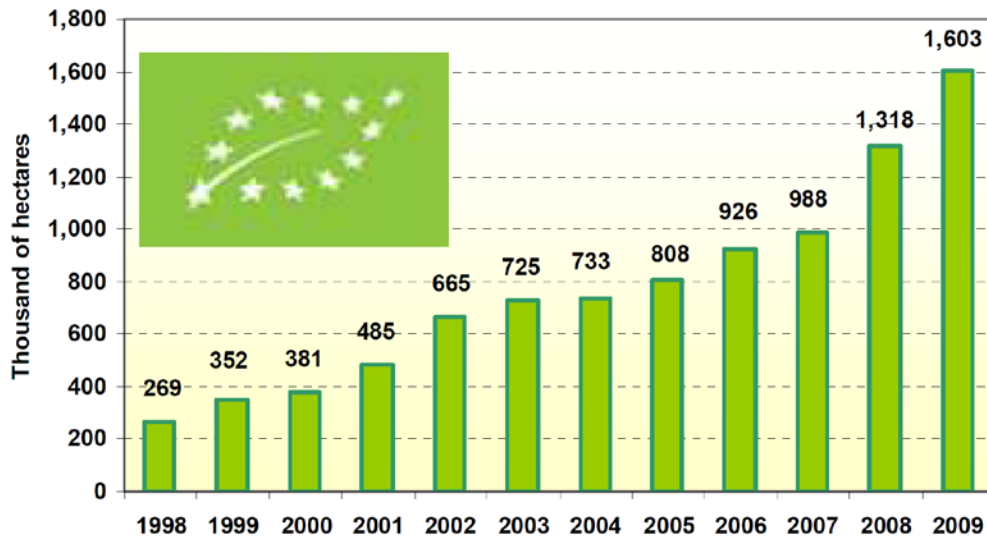


Figure 43 Evolution of the Organic Farming Area in Spain. Source: Ministry of Agriculture and Fishing, Secretary General of Rural Areas and Ecological Production, 2010

Cooperatives have also been shown to be the impetus for creation of employment in rural areas (Bel, Fernández and Miranda, 2005). Environmental issues related to agriculture and the sustainability of rural areas are intricately related to Spanish agricultural cooperatives, particularly to the vast majority of small and medium cooperatives. As part of a comprehensive strategy, these initiatives are important, although short term indicators of performance are difficult to measure. When rural environments are included as part of the “brand” of agricultural products, agricultural cooperatives have a particular interest in these initiatives.

Spain presented its National Strategic Plan, based on FEADER regulations on April 2, 2007 and decided to carry out a program based on the Autonomous Community jurisdictions. There are 17 regional programs, one for each Autonomous Community.

In addition, as contemplated by article 15.3 of the regulation, the prior Ministry of Agriculture, Fishing and Food, in collaboration with the Ministry of Environment consulted all such Autonomous Communities as well as economic and social entities and produced a National Framework for Rural Development 2007-2013. All regional programs contain such basic measures, but they may add supplementary or more restrictive conditions as they see fit. That is, one cannot count on uniformity in a sector. A cooperative olive oil producer in Andalusia is subject to not only different cooperative laws, but also to a different program of rural development than a cooperative olive oil producer in Catalunya.

In reference to 2010 the execution of FEADER has reached 24% of the total with more than 90 million Euros distributed amongst the autonomous communities. Protocols are to be put in place to attempt to remedy the lack of coordination between regions and the national government (Cooperativas Agroalimentarias, 2011).

According to Salazar Ordóñez (2011) the initial evaluations of FEADER by the agricultural sector in Spain has been positive in several aspects. The interest in social issues in rural territories has been one way of to legitimate rural activity that has lost relevance in past decades (Moyano, 2006). Gallardo (2005) maintains that FEADER funds have complemented the sectoral and territorial focus and have consolidated the LEADER approach, thus providing a more adequate response to the new social demands of rural areas.

However, the integration of the different aspects of FEADER with agrarian interests has not been particularly smooth. Moyano (2006) has maintained that farmers and their organisations view FEADER as a method of moving funds from the first to the second pillar, which negatively affects actions designed to improve and modernize farm operations. Important resources which should have been focused on agricultural activities have been used for certain environmental programs which in the opinion of farmers, should never have been included in such FEADER program. Consequently there is a real concern that there are not sufficient funds to carry out all of the objectives and that such diverse objectives themselves complicate strategic activities and a coherent plan.

González Regidor (2005) from a different perspective, expresses concern that local development has been so closely associated with agriculture, as until 2006 rural development measures were fundamentally about cohesion and after 2007 they are integrated into CAP.

On a positive note, Moyano (2006) and Salazar Ordóñez (2011) acknowledge the fact that much flexibility and decision making capacity has been left in the hands of the Member States, allowing them to reinforce rural policies connected to the EU.

Focusing more closely on agricultural cooperatives, such entities have been acknowledged as drivers of local development in Spain (Bel Durán, 2004; Juliá Igual, 2002, amongst others). The cooperative legislation of the various Autonomous Communities, as well as the Spanish National cooperative legislation, recognize in one form or another, the role of cooperatives in improving the rural environment.

Agricultural cooperatives are considered local development agents (and thus are given some priorities) and act as an intermediary with public administrations and as members of the “local action groups” set up by the various LEADER programs (Gallego Sevilla, 2007). Agricultural cooperatives receive funds from the various Spanish Autonomous Communities to carry out local development measures.

In the current National Strategic Plan cooperatives are considered as intermediaries in their capacity of economic and social agents implicated in rural development. The alimentation industry is considered a priority given its key function in adding value to agricultural products and also as a way to rejuvenate rural economies by increasing agricultural product value.

Olive and wine sectors have particularly benefited, depending on the particular Autonomous Community Plan, from aid meant to fund, amongst other things, increase in competitiveness, restructuring initiatives and the encouragement and financing of innovation (see sector analysis in Chapter 4). Funds aimed at improving environmental quality and diversification of economic activity have also been utilised by both sectors. The fact that much of these funds have been limited to SMEs is problematic.

In the discussion above, it should be kept in mind that the success of any particular policy is often dependent on complementary policies. There is no one “magic” policy. For this reason the co-ordination (including, but not necessarily, the homogenization) of laws and policy, although an extremely complex task, is one that is necessary, particularly in a county such as Spain. The role of POs, interprofessional groups and other entities capable of having a “larger picture” and of building networks and alliances beyond autonomous communities are crucial in such challenge given the lack of a uniform regulatory framework. As well, in addressing the success of policies in terms of competitiveness, the range of indicators that are available to do so are varied. This study has relied on traditional economic indicators (e.g. turnover), whereas cooperative performance is also intrinsically tied to the value that it creates within a larger environment, a “cooperative district” so to speak.

8 Future research

Below we set out some topics for future research related to the research goals of this study:

1. Strategies to Offset Spain's Complex and Atomised Cooperative Legislative Framework-Strengthening Alternative Institutions.

Spain's cooperative law framework is complex and hinders effective coordination, internationalisation and growth. However, a change in the division of powers is unlikely given that it would represent a Constitutional change and require the relinquishment of powers by the autonomous communities. Instead, perhaps a focus on regional coordination and the role that complementary cooperative laws and policies can play in the unification of goals and strategies would be fruitful. As well, national laws that affect all cooperatives may prove ground for reform, for example tax code reform. As well the further strengthening of cooperative interprofessional and inter-regional associations, institutions and entities is needed.

2. Spanish Strategies for Integration, Concentration and Coordination

While it is true that Spain has a large number of small and medium size cooperatives, integration strategies that have been successful in other countries cannot automatically be applied to Spain. The most appropriate methods must be researched so as to understand what functions in a complex legal, historical, social and cultural context.

3. Investigating the Weaknesses of Producer Organisations and Operating Programs and Strategies to Attract more farmer participation.

There has not been enough movement on producer organisations (Cooperativas Agroalimentarias, 2011 p. 18) and thus potential funds are not being utilised. While in other countries most farmers are integrated into POs in Spain there is still high percentages of farmers who are not integrated. The reasons for this should be determined and remedied.

4. Effective Cooperative Strategic Management, Human Resource Development and Agricultural Entrepreneurship Training. This issue is at the core of agricultural cooperatives in Spain. While in investor owned companies it would be highly unusual not to take advantage of highly trained and skilled individuals in management, in agricultural cooperatives there is still a reticence. This reluctance is in part based on "localism" and also may be due to the fact that most management and business programs are based on investor owned firm logic and theories. The cooperative sector must take it upon itself to offer serious and rigorous cooperative management training. This affects strategies for adding value through processing, commercialisation, the development of innovative products, moving up value chain, differentiation, internationalisation, and coordination between cooperatives in different regions. It also includes developing adequate management accounting and evaluation techniques unique to cooperatives.

5. Gender and Cooperative Decision Making.

In interviews during the course of this study we found that women cooperative members (even older ones) are more willing to invest in strategic cooperative activities if sufficiently justified, than men, who prefer to spend money elsewhere. In Spain, traditionally, the male is the member of the cooperative, even though the woman is an equal worker/owner in the farm. When initiatives are voted on by the membership, the lack of voting representation by women may affect decision-making. Gender studies/member decision making and cooperative investment is an important field to investigate alongside efforts to incorporate more women as members and as managers in cooperatives. This also ties into cooperative governance issues as IOF have actually advanced more on this issue than cooperatives.

6. Opening up the agricultural cooperative doors to full participation.

The lack of involvement and/or inclusion of broad segments of Spanish society within cooperatives is evident. Women and immigrants are currently crucial to the functioning and

performance of agricultural cooperatives in Spain and yet they are almost invisible in the agricultural cooperative institutions and higher levels of management. Young people, the future of agricultural cooperatives seem to be an afterthought while disadvantaged collectives are invisible. Research into how inclusion of diverse groups can benefit the performance of agricultural cooperatives is necessary. Similar research has been done in other non cooperative, cooperative and social enterprise sectors but is lacking in the agricultural sector.

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