

Towards Modern Agricultural Cooperatives

Prof. Jos Bijman

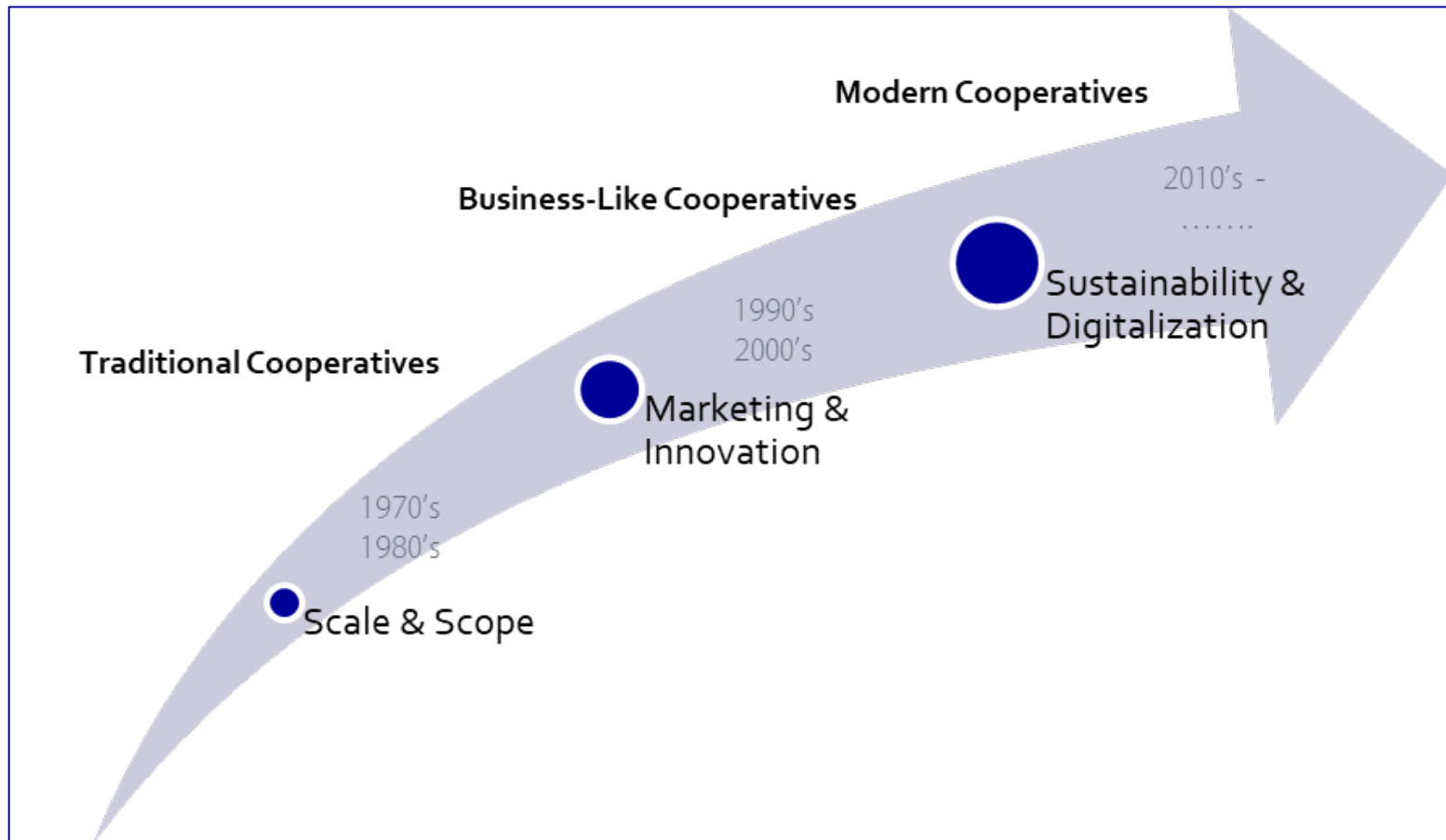
Business Management & Organisation Group

Wageningen University and Research

12 November 2020



Strategic shift among cooperatives



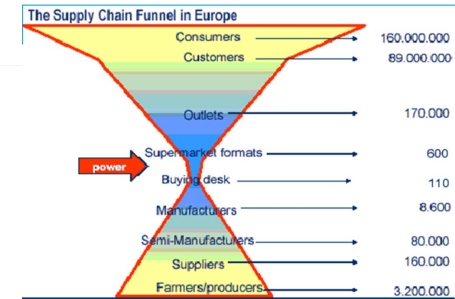
Evolution of Cooperatives in Emerging Economies

	FOCUS		
	<i>Rural Development</i>	<i>Rural Development and Market</i>	<i>Market</i>
Main Values	Solidarity	Solidarity + Efficiency	Efficiency
Strategic Orientation	Community	Community + Customers	Customers
Membership	Open	Semi-closed	Closed
Inclusiveness	High	Middle	Low

Key environmental issues

Theme	Objectives
Biodiversity Pesticides	Maintain species
	Reduce adverse environmental effects
Energy	Availability
	Reduce fossil energy sources
	Produce and use renewable energy
Nitrogen	Reduce deposition
	Reduce emission of NH ₄
	Reduce emission of nitrogenoxides
	Reduce
waste	Reduce emission of greenhouse gasses
Climate	Prudent use / availability
Water	Reduce loss of water quality
	Improve animal welfare
Animal	Reduce use of antibiotics

External challenges for agrifood cooperatives



- Concentrated retail sector
 - Need to strengthen bargaining power
- Food safety and quality
 - Need for more monitoring and control
 - Need to enhance supply chain coordination
- Sustainability
 - Need to support members in sustainable production

Internal challenges for agrifood cooperatives



- Keeping members committed
 - Intensifying member dialogue
- Attracting good managers
 - Change internal governance?
- Finding additional equity capital
 - Change ownership structure?

ICA Cooperative Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation among Cooperatives
7. Concern for Community

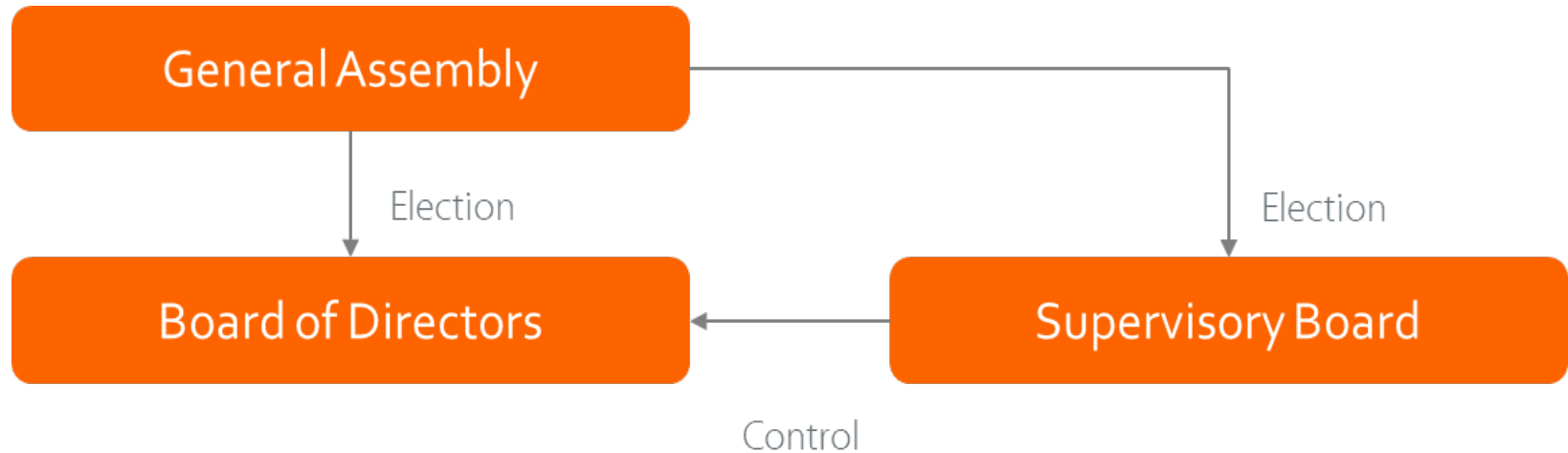
Economic perspective on member-cooperative relationship

- Transaction: member are users of the cooperative
- Ownership: members are financing the cooperative
- Control: members are the decision-makers of the cooperative

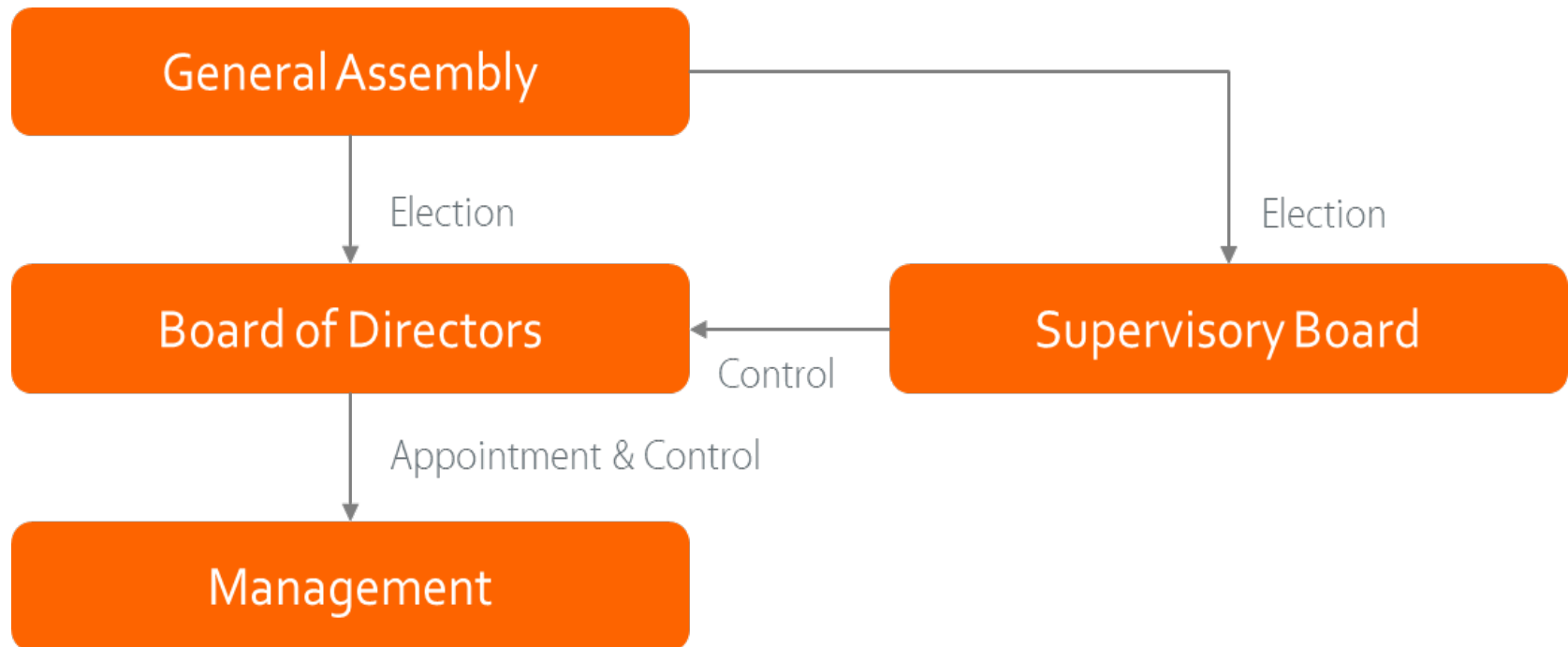
Modern Cooperative Business Principles

- Service at Cost
 - No or limited profit on member services
 - In case of profits, they are distributed according to transaction volume
- Proportionality
 - Equity contribution in proportion to transactions volume
 - Proportionality in voting rights?
- Self-financing
 - Initial member investments
 - Retained earnings

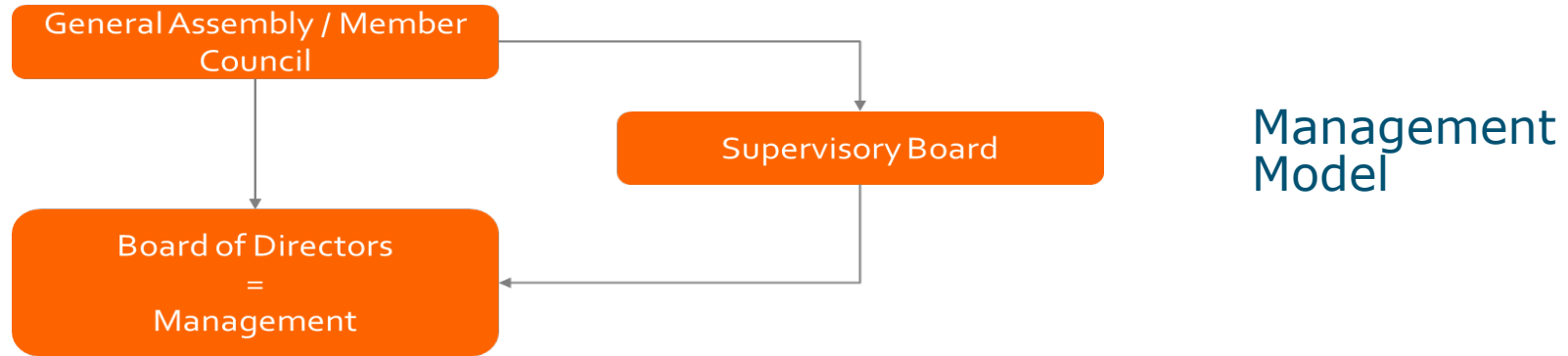
Basic Governance Structure



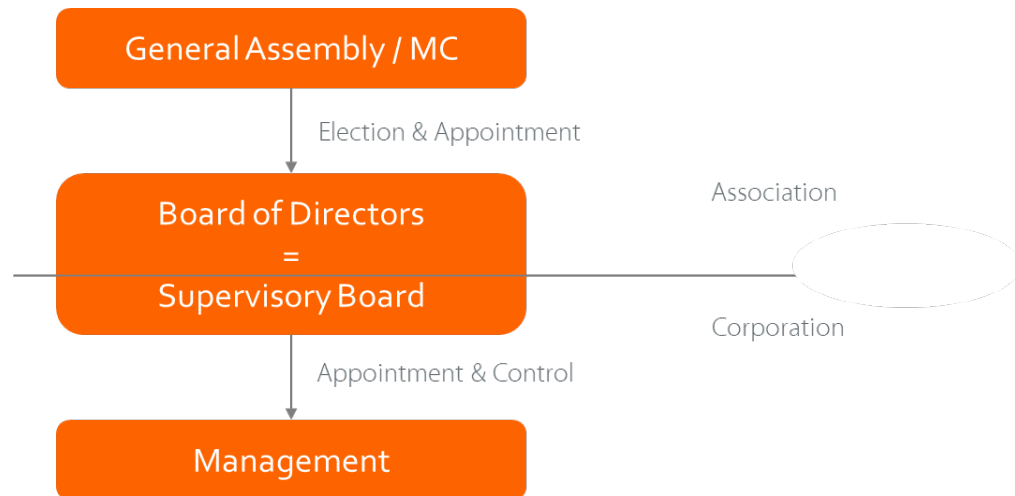
Extended Basic Governance Structure



Two modern governance models



Corporation Model



Governance Structure Choices

Corporate Governance Elements	Choice
Legal Structure	One legal organization or two legal organizations (separation between association and firm)
Composition of the Board of Directors	Only members or also outside experts
Composition of the Board of Directors	Professional managers included or not
Function of the Board of Directors	Leading or supervising the cooperative firm
Composition of the Supervisory Board	Only members or also outside experts
Member Council	Yes or No

Member commitment remains important

- Cooperatives can influence member-cooperative relationship, by:
 1. Price incentives
 2. Regulations
 3. Community
 4. Participation

The future of agrifood cooperatives

To help producers to sustainably and efficiently meet consumer demand for healthy food

Thank you

jos.bijman@wur.nl

