



**Message of the Food and Agriculture Organization (FAO) of the United Nations
On the 19th UN International Day of Co-operatives
6th July 2013**

"Co-operative enterprise remains strong in time of crisis"

Cooperatives are crucial to empowering rural producers including small-holder farmers . During the food crisis of 2007-2008, strong agricultural cooperatives have demonstrated their resilience to crises and shocks, thanks to their combined economic and social dimensions.

Cooperatives focus on serving members and communities. They help build a *"solidarity economy"* that emphasizes mutual self-help, inclusion, participation and concern for community, thereby reflecting the priority placed on goals beyond the profit motive. They help ensure decent, regular incomes to their members and enable local access to safe, affordable and nutritious food. For instance, by creating opportunities for employment and investment for rural populations, agricultural cooperatives contribute to stabilizing communities and preventing social conflict. Cooperatives are also known to be effective agents for empowering rural women and youth, providing skills and experience that boost their economic independence and social standing.

Evidence shows that those countries with strong cooperatives and producer organizations were able to overcome constraints and mitigate the negative effects of food and other crises. Strong producer organizations have helped to fill a void. In recent years, a broad variety of organizational arrangements have emerged, in response to small scale producers' constraints to better respond to crisis situations. These organizations have been able to overcome market and policy constraints by providing members with access to a range of assets and services. For instance, they can reduce costs to farmers by allowing them to purchase in groups and benefit from better retail prices of agricultural inputs. Their service provision ranges from enhancing access to and management of natural resources, accessing information, technologies to facilitating participation in policy making. At a broader level, cooperatives can also be key drivers of local development, as they strive not only to improve livelihoods and incomes, but also to strengthen the capacities of members, particularly through investments in technical expertise, business know-how and organizational development.

Cooperatives help their members to manage risks related to their agricultural activities. For example, the well-known "warehouse receipt system," developed in many African countries offers a successful model that provides stable business opportunities for farmers while also allowing producer organizations to be responsive when at-risk or in the midst of crisis. Basically, the system allows small-scale producers to clean, dry and store surplus produce in a secured storage facility owned by the farmers' cooperative, a process that contributes to better quality and reduces post-harvest losses. The stocks, much like a savings account, are then used by producers as a collateral guarantee for credit obtained from a financial institution. The system is a good model for risk management especially in countries where access to credit is difficult. It is the combination of stable agribusiness opportunities, strong and responsive farmer organizations and lenders familiar with agricultural markets that make warehouse receipt finance work in a country.

Similarly, in some developed countries, such as Japan and Korea, national cooperative agricultural insurance systems receives government support to insure the majority of crops, livestock and forest products. Coverage can include accidental death (including non-epidemic diseases), emergency

slaughter and natural catastrophes. Indeed, such incentive schemes can allow small holder producers to be resilient in times of crisis.

Key to contributing to eliminate hunger and malnutrition, what is needed is the establishment of an enabling environment that allows small producers to take full advantage of available opportunities and help them overcome their constraints and risk aversion. As such, FAO supports its member governments and partners in establishing an enabling environment so that agricultural cooperatives and producer organizations can form and thrive. FAO facilitates policy dialogues between member governments and producer and agricultural cooperatives, as well as other stakeholders, in developing clear and appropriate legal, regulatory and policy consultation frameworks, as well as economic incentives. FAO generates evidence, knowledge and good practice that supports the emergence of more self reliant, inclusive, gender- equitable, and viable business model producer organizations and agricultural cooperatives.

Strong cooperatives and producer organizations are viable business models that are worth investing in. They can play a key role in strengthening the capacities of the smallholder farmers who are the largest investors in agricultural activities. According to the FAO State of Food and Agriculture (2012), the majority of private domestic investors are farmers and they are by far the largest source of investment in agriculture in low- and middle-income countries. The total accumulated investment by farmers worldwide, as measured by the value of agricultural capital stock, has increased by about 20 percent since 1975 and now exceeds US\$5 trillion. This has important implications for policy: while public investment remains essential, the focus of investment policy has to shift to facilitating more and better private investment that aims to strengthen the largest investors in agricultural activities: the farmers and their organizations including cooperatives.