

Agricultural Cooperatives for Agricultural Development in Iran

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Abstract: Agricultural cooperatives are a significant form of business enterprise. The role of agricultural cooperatives as a critical dimension of market structure in agriculture must periodically be assessed to determine the future viability of the cooperative form of business. This paper aims to study the opportunities, challenges of agricultural cooperatives for agricultural development in Iran. The implication of this study arises from the fact that there has been little research carried out on the agricultural cooperatives. The findings of this study enrich the knowledge concerning agricultural development through rural cooperatives in third world countries; especially in Iran. Life

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Introduction

Development is one of the main goals that all communities try to achieve in order to improve the living standards for individuals in those communities. (Mohamed, 2004). Agricultural cooperatives have played an important role in rural development through development of agriculture. The agricultural cooperatives are considered to be the most important organizations that pay attention and try to support the rural development in general and the agricultural development in special through the activities and services achieved for the sake of farmers (Mohamed, 2004).

The International Cooperative Alliance (ICA, 2010) defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”(ICA, 2010). Agricultural cooperatives have also taken steps to implement new strategies to enter the 21st century (Prakash, 2000). Cooperatives are user-driven businesses that have contributed greatly to the development of one of the world’s most productive and scientific-based agricultural systems. Cooperatives as distinct forms of business rely upon members to work together towards collective goals (Lasley et al., 1997). They have played an important role in strengthening market access and competitive returns for independent farm operators during the 20th century. They adapted their operations to agricultural technological innovations, such as the use of fertilizers, plant and livestock breeding, agricultural mechanization, electricity and other new sources of energy, and to new information systems.

Agricultural cooperatives in Iran

The term “cooperative” first was coined in the early 19th century and has evolved as an economic and organizational form since then. Some of the most noted scholars studying cooperatives include great economists John Stuart Mill, Leon Walras, Alfred Marshall and Charles Gidei. Additionally, like the position of cooperatives in capitalist societies, “the study of cooperatives in modern economics has been relatively marginal but persistent, with occasional upsurges of interest”(Kalmi, 2003; Noruzi & Westover, 2010). In developing countries attempts to organize farmers into cooperatives have often failed, although cooperatives have the potential to supply farm inputs and market farm products that are both important for agricultural development (Hoyt, 1989; Ortmann & King, 2007). Agricultural cooperatives in Iran have a forty year history. Like many other rural communities all over the world, Iranian farmers helped one another and participated in group activities including cultivation, weeding, irrigation and harvest. Such cooperation was a collective cultivation while preserving rights of ownership and individual profit from agricultural land. Villagers still practice this type of cooperation that seems to be more natural than working in the form of agricultural cooperatives. These traditional cooperatives are considered a high-profile partnership in human community as well as in Iranian society, though it is called differently among different cultures. Some old-fashioned cooperatives were named *Boneh* or *Haraseh*, *Wareh* and so on. Within the past couple of years, social and economic developments in the fabric of rural community,

particularly by introducing agricultural machineries, extension of deep and semi-deep water wells, and using engine pump has diminished traditional group work or changed its framework, which resulted in creation of new form of cooperation and partnership in purchase, maintenance and sharing agricultural machineries (Ministry of Cooperatives, 2010). The launch of formal rural cooperatives in Iran dates back to inclusion of some articles in the Trade Law of 1924. In 1935, cooperatives initiated their formal activity in terms of corporation and registration and a rural cooperative society was established in Garmsar. Since birth of the first cooperatives in Iran up to 1941, three rural cooperatives with a membership of 1050 farmers came into existence. Based on reference studies on cooperatives of this period, those who had visited western countries for acquiring knowledge and technology, had first been introduced to economic and social organizations. By 1941, Reza Khan Pahlavi, the then Iranian monarch, assigned his Minister of the Interior to chair a delegation and visit near and far cities and villages. The mission was to develop cooperatives through raising people's awareness about cooperative rules and concepts and to conduct related trainings to civilian staffs. Also, they wished to stimulate the spirit of collective responsibility among all nationals, particularly the producing classes of society. The government took some measures including distribution of state-run factories' products to consumer cooperatives. However, the outbreak of the Second World War overshadowed all national and private plans. But promotion of cooperatives with the same mentioned particulars continued in two angles during post-war era.

In 1962, by virtue of Note 2, Article 165 of the Act on Land Reforms, the farmers who received agricultural land had to already register as a member of rural cooperative society. As a result, more than eight thousand rural cooperatives were established within a short period of time, which later merged together and formed about three thousand cooperatives. Since 1967 that was announce as the year of cooperation, consumer, distribution and... cooperatives recorded a significant development quantity-wise. Thereafter, Central Organization for Rural Cooperatives of Iran (CORC), National Central Cooperative Organization, Ministry of Cooperatives & Land Reforms were established. In 1971, Cooperative Societies Act was approved, parts of which are still binding as the basis of cooperative operation (Ministry of Cooperatives, 2010).

Cooperatives for Agricultural development

Cooperatives have played an important role in the development of agriculture in industrialized

countries. Cooperatives have also played an important role in rural communities, where they are an integral part of the social fabric. They encourage democratic decision making processes, leadership development and education (Prakash, 2000). Agricultural cooperatives have played an important role in the Asian rural landscape for decades, and have become an integral part of its social structure. Cooperatives have contributed greatly to the development of modern national and systematized agricultural production-base, helped enhance self-sufficiency of major staple foods, and strengthened farmers' household economy by facilitating market access and competitiveness, adapting their operations to agricultural technological innovations and encouraging democratic decision-making processes, leadership development and education (Hermida, 2008). An agricultural cooperative is considered as one of the important economical and social organizations in rural societies. It plays an important role in the agricultural development through providing the farmers with production inputs, such as fertilizers, seeds and chemical substances, etc. In addition, it holds guide symposiums for the farmers to acquire them with the necessary knowledge and skills about the agricultural new methods that aim at increasing the agricultural production and, therefore, promoting the rural society. Agricultural cooperatives also have a significant role of rural development and poverty reduction as well. All over the world, cooperatives play a major role in the agricultural and food industries in individual nation-states. For example, in the Netherlands, in 2001, cooperatives processed 84% of all milk and 63% of all sugar beets, supplied 54% of all compound feed, provided 87% of all credit to farmers, and sold 95% of all flowers and potted plants (NCR, 2002). Additionally, about 60% of all fruits and vegetables produced in the Netherlands were sold through co-operative auctions or marketing cooperatives (Bijman & Veerman, 2000; Noruzi & Westover, 2010). The role of agricultural cooperatives in agriculture must periodically be assessed to determine the future viability of the cooperative form of business. Nasr (1995) conducted a study about the role of the agricultural cooperatives in new lands. His study has adopted the concept of agricultural cooperatives effectiveness as a multi-dimensional concept, which includes four dimensions, which are goal attainment, organizational productivity, economic efficiency, and organizational adaptation. The Branch of Agricultural and Irrigation in the National Council for Production and Economical Affairs (1998) also conducted a study that dealt with the importance and functions of the cooperatives in the agricultural development. The study stressed that the agricultural cooperation is an

economic and social system that aims at raising the agriculture workers living standard and improving the levels of their production and performing important social roles. The study resulted in some recommendations for promoting and developing the agricultural cooperative structure. The most important ones are:

1. The cooperative structure independence from the government and the role played by the administrative body is only confined to supervising and directing without intervening in the activity or administration of the cooperatives.

2. The agricultural cooperatives play an effective role in the field of providing the productive inputs and the requirements of the agricultural production for peasants at suitable prices and time.

3. Allowing the cooperatives to import the agricultural production from abroad.

4. Allowing the cooperatives to contract and buy directly the requirements of production from factories or traders.

5. Providing financing necessary for the agricultural cooperatives,

6. Paying attention for holding the general assembly's on time as it is determined by law,

7. Distributing the rest of surplus to the cooperative members as a return for them according to their dealing with the cooperative.

8. Training leaders, board members, employees and managers of the cooperatives (Mohamed, 2004).

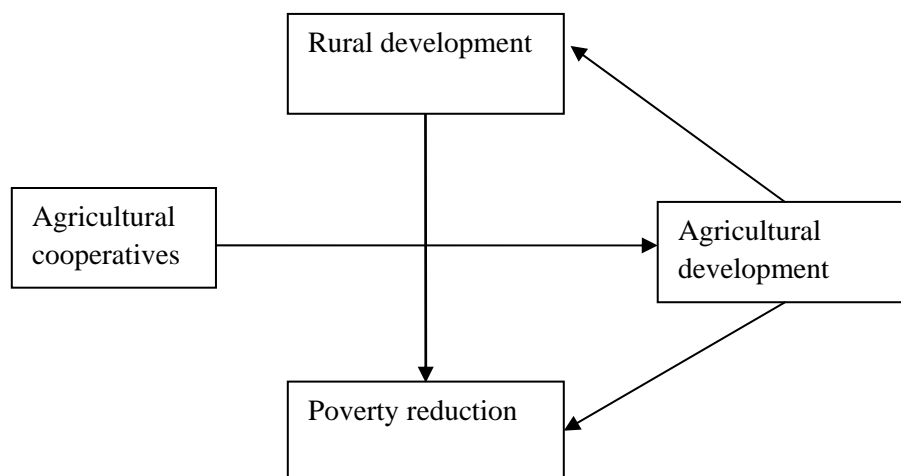


Figure 1: Contribution of cooperatives in agricultural development

Challenges for Agricultural cooperatives

In the past, agricultural cooperatives could play a substantial role in collecting and selling its members' production through a simple valorization on protected markets. But, the changed environment with new economic, social and political rules urges them to develop strategies similar to those of the private sector facing open markets. The great challenges of today and tomorrow are those of the internationalization of markets, of innovation, of environmental conservation and of food security. In the context of trade liberalization and globalization, the cooperative approach is regarded as one of the best instrument of self-protection for small farmers mainly due to its self-help concept and member's participation. Mohammad (2004) also stated some importance barriers of agricultural cooperative for agricultural development Lack of budget, Lack of agricultural production requirements (seeds –

pesticides – fertilizers) on time , quantity and prices suitable for farmers, Disallowing cooperatives to contract directly to buy the requirements of production from agricultural companies and factories, Lack of farmers trust in the agricultural cooperatives as a result of the low quality of services provided in addition to increasing the prices of the agricultural production requirements in the agricultural cooperatives. Hamad (1994) also classified problems and obstacles into the following:

Problems related to financing

-The shortage in the agricultural cooperatives capital,
-High rate of interest on loans that the cooperatives get from banks.

Problems related to the cooperative marketing of agricultural products

-The lack of necessary financing for marketing the agricultural crops.

-The agricultural cooperatives role is only confined to collect crops from farmers and selling them again for commission.

-The lack of marketing information either on the local or international market

-The lack of stations for sorting the agricultural products, packing, drying and preserving

-The lack of the suitable warehouses for storing the agricultural crops.

Legislative and legal obstacles

-Disallowing the agricultural cooperatives from establishing great agricultural productive projects but after getting the approval of the authority Ministry of Agriculture supervises.

-Low rate of interests to dealings expected to be distributed.

-Enforcing peasants to join the agricultural cooperatives as members.

-The multiplicity of the administrative authorities that supervise the agricultural cooperatives (Mohamed, 2004).

Conclusion

Cooperatives have played an important role in the development of agriculture in industrialized countries. It appears that many of these agricultural cooperatives are adapting their operations to the rapidly changing economic environment characterized by technological change, industrialization of agriculture and growing individualism. In Iran, the success of agricultural cooperatives in the past was promoted because they served as agents of agricultural marketing boards and the Land Bank, which provided subsidized loans to commercial farmers. Small-scale farmers in the former (less-developed) homelands did not have access to these cooperatives and their services for political reasons (Ortmann & King, 2007). Although cooperatives were established in the former homelands, many did not survive due mainly to poor management, lack of training, conflict among members and lack of funds. It is essential for agricultural cooperatives to remember that they should be attentive in inspiring, motivating and supporting its members as well in ensuring the sustainability of the production of their members.

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