



## The role of the social and organisational capital in agricultural co-operatives' development Practical lessons from the CUMA movement<sup>☆</sup>



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### ABSTRACT

Fragmentation, small size and market imperfection affect family farming's (FF) performance. Family farmers cannot seize economic opportunities, or influence policies that affect them. The experience of the French Farm Machinery Co-operative movement (CUMA) illustrates well how a movement of small farmers organised in co-operatives can contribute to the removal of the major barriers to the economic and social development of family farmers. Nevertheless co-operative performance is affected by pervasive incentive problems. CUMA history suggests how social capital is a critical resource in overcoming some incentive problems. The CUMAs succeeded in creating effective co-operatives through the development of a dense fabric of relations: (i) among the family farmers' members within their local co-operatives; (ii) between the local co-operatives; and (iii) through their network with a multiplicity of actors. Some lessons from this cooperative experience can be broadly useful to governments and development practitioners to help unlock the family farming potential in developing countries.

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"The relatively easy part of capacity-building is providing the human capacity, the education, the skills and the knowledge required for development. The hard part of capacity-building is the development of the organizational and social capital" (Stiglitz, 1998, p. 22).

Family farming represents the dominant form of agriculture in most countries. Estimates suggest that there are at least 500 million farms in the world relying primarily on family labour. They occupy around 70–80% of farm land (FAO, 2014, 2014a). Family farmers are dispersed in small productive units each of which producing small volumes of products. Thus, family farmers do not have the possibility to realise economies of scale and to develop a market power comparable to their trading partners. Furthermore, family farmers face numerous barriers that constrain their access to the resources needed to improve productivity and to market their outputs (Herbel, Crowley, Ourabah, & Lee, 2012). Family

farmers operate well below their potential, suffering from low productivity and high cost transactions.

The role of agricultural co-operatives is instrumental in promoting the conditions which help family farms to overcome such limitations and thus become competitive in comparison with capital-intensive farming. The French CUMA movement (Farm Machinery Co-operatives) experience constitutes a precious lesson for governments and development practitioners, especially in the context of participatory approaches to development. Clearly, the geographical, historical and socio-economic context of the CUMA movement is very specific to French agriculture; however, there are some commonalities in the challenges faced by French farmers in the CUMAs, and those that family farmers are confronted with in developing countries, such as the economic and social risk of costly investments, access to knowledge and information, and the need to increase their negotiating power in the market and in the policy dialogue where family farmers must be represented.

The paper briefly presents in its first section the experience of the French CUMA movement and its benefits for family farming. It illustrates how collective action through co-operatives can remove the major barriers to the development of family farming. The second section suggests how social capital can be a critical resource for efficient collective action through co-operatives. Finally, it concludes with lessons for government and development practitioners.

<sup>☆</sup> CUMA – Coopérative d'Utilisation de Matériel Agricole – loosely translated as "farm machinery co-operative" from the French.

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## 1. The development of the CUMA movement and its benefits

### 1.1. The development of the CUMA movement

France saw radical changes in the immediate post-war period. Major investments took place to rebuild the national economy damaged by war. The period which lasted until the 1970s witnessed rapid economic growth in the agricultural sector. From 1950 till 1980, agricultural productivity increased at 6.8% annually. This rapid expansion was seven times as fast as during the century which preceded 1950. Since then agricultural productivity has continued to grow steadily at a slower pace. This impressive economic achievement was reached thanks to the modernisation of French agriculture mainly through its mechanisation and with a very critical contribution from the CUMA movement.

CUMAs are farm machinery service co-operatives. Their objective is collective investment and joint use of machinery, buildings, infrastructure and workers, for all phases of tasks directly linked to agricultural production cycles. Grouped into small autonomous groups (around 20 farmers per group, on average), their overall aim is to ease or improve conditions of production and to increase farm productivity. CUMA co-operatives share the following characteristics: they are deeply rooted in their territory (a limited territory is defined in the statute of each CUMA); as a rule, due to their small scale and the purpose of a CUMA, farmers are in charge of the management of the co-operative, employees are very rarely managers. CUMAs play an important role in the French agricultural development – 40% of farmers in France are CUMA members.

During the period of accelerated change, the CUMA movement arose from the family farmers' will "to resist and to fight in order not to disappear" (Lefèvre, 1996). It is a farmers' innovative movement that aims at promoting technical, social and economic change through the full inclusion of family farmers in a modern rural economy. The movement is composed of many local co-operatives (the CUMAs), district and regional unions and a national federation that share the movement's goal.

### 1.2. The benefits of the CUMA movement for family farms

The CUMA movement has allowed family farmers to participate actively in the tremendous technical, economic and social transformation of French agriculture in the last half of the 20th century. The simple fact of joining and being regularly involved in a local mechanization sharing co-operative has a very significant impact on family farmers in terms of their capacity to access affordable mechanization with reduced risk and economies of scale, technological innovation, competency and information and knowledge.

The high cost of farm machinery makes it difficult for family farmers to invest in machinery and equipment, and to access new farming technologies that require large investments. The smallest farmers do not have the acreage to justify the cost of a full line of modern farm equipment. The combination of the large investment to acquire machinery (capital and interest), its operating costs (fuel, insurance, maintenance and repair costs) and the need to renew the equipment for continued technological innovation exclude many family farmers from modernisation. By pooling equipment, machinery co-operatives offer an innovative arrangement to share equipment, reduce machinery costs and make limited capital available for other uses.

Moreover, CUMAs help accessing highly specialised and seasonal equipment, such as in the case of silage, fodder, potatoes and grapes harvesters, which remain unused for most of the year. For this type of equipment, often one local co-operative alone could never mobilise the capital and amortise the cost of such

expensive machines. To address this issue CUMAs developed a very specific type of relations by forming "inter-CUMAs".<sup>1</sup> Through an inter-CUMA, several local co-operatives pool together equipment which they could not acquire alone.

Normally, loans are fundamental in order to access investment for equipment. By pooling the equipment investment in a co-operative, the financial involvement of the members becomes more affordable for small-scale family farms. Besides, in CUMAs family farmers have a larger investment capacity than individuals, and are considered as trusted partners by the banking sector. The collective decision-making in the CUMAs reinforces the strategy of investment, based on co-operatives statutes and internal rules settled by the group reinforce the guarantee of stability and of collective responsibility.

Furthermore, farmers not only have access to equipment, they also minimise their exposure to investment risk by shifting it among all the co-operative's members. Beyond reducing the investment risk, CUMAs also mitigate innovation risks. "The new techniques frighten many farmers. Going it alone, farmers would risk technical failure and also social failure" (Lefèvre, 1996, p. 86). During the past century in the west of France, new agricultural techniques such as silage, precision sowing and spraying, spread among medium and small family farms thanks particularly to CUMAs. More recently, CUMAs have promoted the framework for the development of conservation agriculture<sup>2</sup> to address the challenge of sustainable development. Being a CUMA member reduces the risk and uncertainty for innovation, and helps farmers construct their economic and social success.

The use of equipment in common can enable farmers to work with more efficient tools than those used in an isolated farm. By increasing the width of tools, the co-operative decreases the number of round trips in the fields and therefore the working time necessary and the consumption of fuel. Using common equipment owned by a co-operative decreases significantly the cost of mechanisation on farms. By building arrangements between local CUMAs farmers can make major investments in highly specific assets, in order to achieve even more gains from scale economies.

In order to permanently improve farmers' efficiency, CUMAs promote dissemination of knowledge by creating a place for farmers' exchange, by co-operative exchanges and by organising training. This is important for farmers. Farmers debate together in their CUMA the causes of common issues and the way forward. Farmers identify problems, discover solutions, and discuss their results. Talking about one's work, prospects, and also local life is certainly an intriguing and motivating matter for the group's members. During CUMA meetings (Lefèvre, 1996), systematic questions arise: "How did you do this?" or "How did you achieve that?". These practical exchanges are essential to the internal life of the group in the construction of positive relations. Through this sharing process, CUMAs contribute to the construction of a culture of learning-by-doing. In the process, farmers gain knowledge, develop their self-confidence, and enhance their problem-solving abilities. The whole process of knowledge exchange and learning by doing is crucial to develop the farmers' interpersonal affiliation and their sense of ownership around common practices and issues. In the long run, the most important factor for the success and sustainability of CUMAs will be the members' motivation and capability to thrive on this learning mode, cyclically identifying problems and weaknesses, experimenting, evaluating and modifying.

<sup>1</sup> Local CUMAs have formed 938 inter-CUMAs.

<sup>2</sup> Conservation agriculture refers to "a resource-saving agricultural crop production that strives to achieve acceptable profits together with high and sustained production levels while concurrently conserving the environment", as defined by FAO (2007).

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