

United Nations Conference on Trade and Development

International Workshop on

Fostering the Integration of Agricultural Value Chains of Commodity-Dependent Landlocked Developing Countries into Regional and Global Value Chains

24-25 November 2021, Palais des Nations, Geneva, and online

Integrating farmers into export-oriented value chains, some comments on the role of cooperative pricing

By

Prof. Dr. Markus Hanisch (Director)
Centre for Rural Development – SLE and Berlin Institute for Co-operative Studies -BICS

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



United Nations Conference on Trade and Development



Workshop on Trading Food for Sustainable Development 24/25.11. 2021, Geneva

Integrating farmers into export-oriented value chains, some
comments on the role of co-operative pricing

Prof. Dr. Markus Hanisch (Director)

Centre for Rural Development – SLE and Berlin Institute for Co-operative Studies -BICS



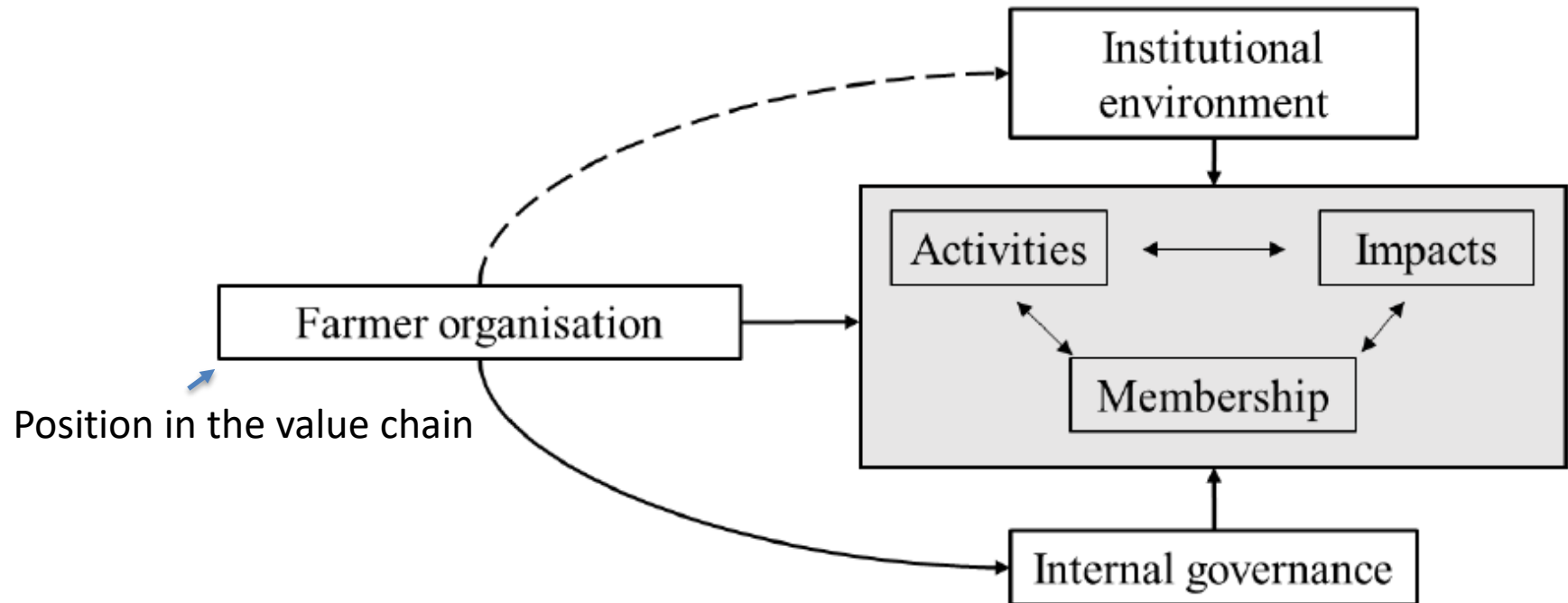
Assignment



- Provide complementing comments on the basis of my past and current work on this topic
- Discuss presented paper, questions for discussion

Analyzing co-operative Impact: Minah (2021)

Figure 1-1: Framework for analysing FOs and their outcomes



Source: Author

Membership effects of co-operatives ?

Bizkova et.al: Nature-Food (2020)



- Income, Quality, Yields dominant in the key peer-reviewed studies
- Majority of relevant studies (58%) reported positive effects of membership
- However, no or even negative effects are also found in the top literature on coop effects

Many sources of co-operative impact: Minah (2021)



Table 1-1: Overview of services found in farmer organisations

Type of service	Example
Output marketing	Transporting, storing, processing, selling farm produce, market information
Input marketing	Producing, supplying, distributing, channelling production inputs
Financial services	Credit, loan, insurance
Education	Extension, training
Policy advocacy	Represent members' interests vis a vis external stakeholders
Linking service	Link farmers to external programs
Welfare service	Social safety net, community development
Production services	Collective production activities
Resource management	Manage common property resources

Source: Author, based on Shiferaw et al. (2011) and Ortman and King (2007)

Why would coops price differently? (Fulton&Hanisch)



- The yardstick literature claims that coops **would** offer service at cost ($F/(N+1)$), thus charge ($N+1$) members only the service set-up cost (F) when paying for produce.
- Investor o Firms without competitors **would** charge away producer benefit (B) and as much as possible from producer and redirect B to investors.
- Probably **a bit simple**; Sexton (2012)

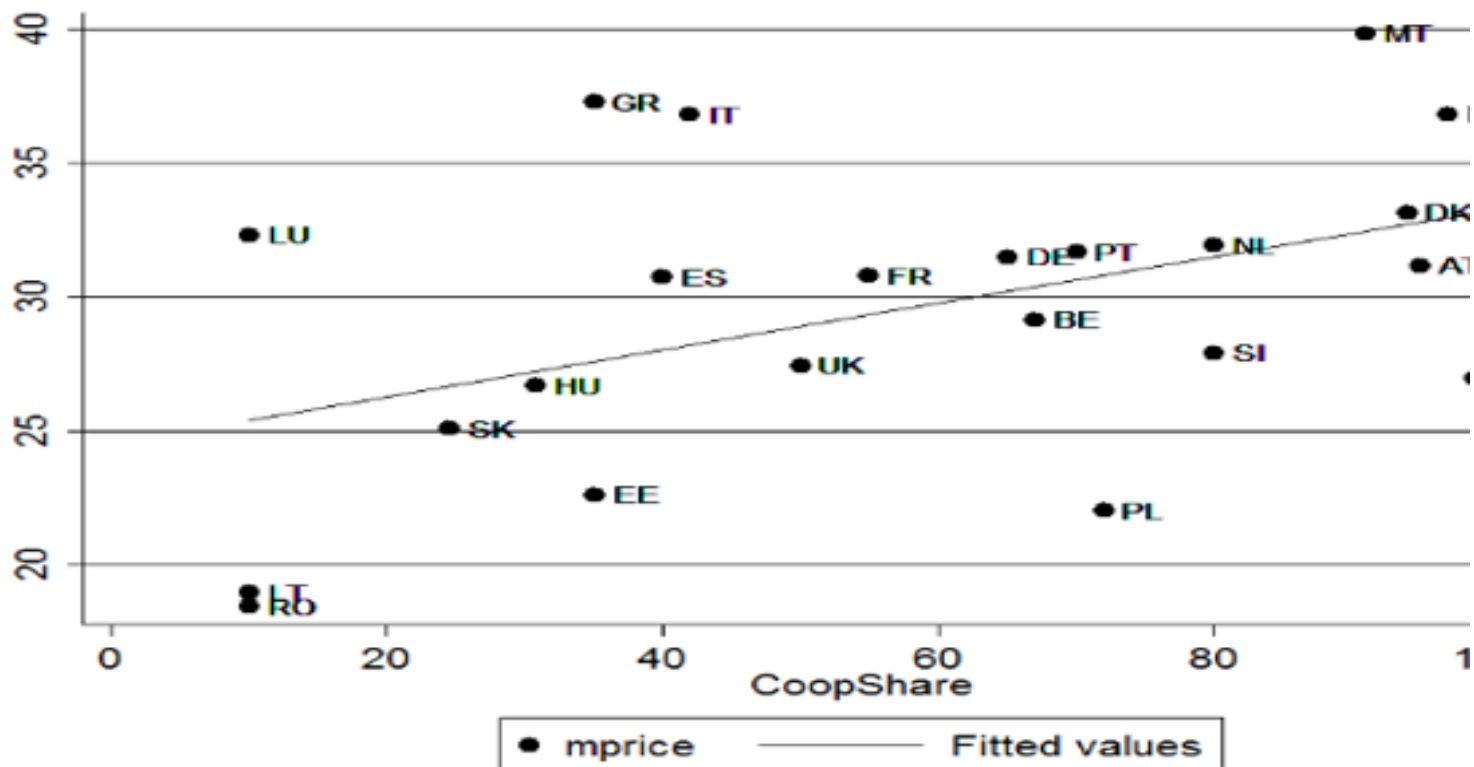
	IOF	Co-op
Access price p	B	$F/(N+1)$
Net Benefit to An Individual	0	$B - F/(N+1)$
Net Benefits to All Individuals	0	$(N+1) B - F$
Profits	$(N+1) B - F$	0

and yes, there are patterns on price and price risk... **SLE**



Eurostat Yearly Panel Data, complemented with data collected in the EU SFC Project

time-invariant Dummy Variables, Milk Price in Euro/100 kg (Eurostat 2000–2010), Log Maize Price Euro/100 k
 Log Per Capita GDP (Eurostat 2000–2010), Relative Trade Balance – (Imports – Exports) / Total Production (E
 Member State (joined 2005 or later), South Bulgaria, Greece, Italy, Malta, Portugal, Romania, Spain, Cyprus),
 Dairy Cooperatives in % (SFC Country Reports)



It depends..., market shares matter

- **Well thought through paper!**
- Shows a typical situation of markets with considerable transaction cost for buyers and farmers
- Two avenues: Either organized or sizeable farmers realize better prices (optimal producers).
- **Q: Cost and technology for logistics may explain what happened in Mongolia?**

- Given the many services coops provide its plausible to assume that farmers share multiple motivations
- Prices may only explain part of the membership decision

Q: How comparable are the in reality?

- Coop farmers are smaller, own less vehicles, are less able to add value prior to selling, depend more on inputs to be paid back, sell at 50% discount at farm gate, hold less storage, **are poorer?** How?
- Do farming systems differ?

Q: Do traded volumes between cooperators and non members differ systematically? Model?

How to foster cooperatives that succeed in increasing farmers prices?



- **Quality of members!** Coops can only be as good as their member farmers, policies may start as well with capacity building here!
- **Quality of internal governance:** Leaders, loyalty and voice matter. **Collective action may cost the farmer just as much as monopsonistic pricing**
- **Complementary:** Credit and extension as a policy
- **Position in value chain:** Yardsticking needs both, a **private competitor** and a **minimum coop market share? What don't we know, Level playing fields!**

Last but not least we also frequently found



Coops may at times not be important or professional enough to compete with private companies

But they may serve in regions where private companies refuse to act as buyers

..and maintain a price and access to market of **last resort** for poor farmers

...easy to make things better from the bottom



United Nations Conference on Trade and Development



Workshop on Trading Food for Sustainable Development 24/25.11. 2021, Geneva

Integrating farmers into export-oriented value chains, some
comments on the role of co-operative pricing

Prof. Dr. Markus Hanisch (Director)

Centre for Rural Development – SLE and Berlin Institute for Co-operative Studies -BICS

