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J. Bijman, R. Muradian and J. Schuurman (eds.)

Co-operatives, Economic Democratization and Rural Development

Edward Elgar Pub. Ltd., Cheltenham, UK, 2016

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Hardback Price: £85.00 Online: £76.50

This book comprises twelve chapters, including one introductory and one concluding chapter, written by the three editors. In the other chapters various authors write about agricultural co-operatives and, especially, producer organisations in rural districts of developing and transition countries. The papers are written mainly by economists, though the approach is sometimes fairly eclectic. The authors seem to have produced their papers independently of each other.

The about 300 pages present producer organisation in both East Africa and West Africa but also the Indian Subcontinent and China. The chapters thus cover a large geographical span but also a wide range of approaches, such as descriptive cases in some regions, empirical studies, and theoretical analyses. Most of the chapters include discussions about the impact that producer organisations have on the members' and the communities' economic and social development, for example their role for alleviating poverty. Several chapters treat the issue of open or closed memberships, that is, inclusion or exclusion of members. To the extent that the producer organisations are commercially oriented it may be that only the most efficient farmers are welcome, which affects the organisations' contribution to the communities.

Already on the first few lines the editors write about their difficulties of finding appropriate concepts. Should the book title contain the term "co-operative" or should it be "producer organisation"? When reading the book, the reader understands this worry. The editors chose the well-established "co-operative" but "producer organisation" would actually better reflect the contents of the book. "Producer organisations" cover a wide spectre of organisations, and the book presents a large variety of farmers' collective action endeavours.

Through this book the reader gets a quick overview of recent research concerning how farmers in poor countries are trying to jointly solve current economic and social problems. This book is a pioneering and important book for those who are interested in the potential role of farmer organisations for the rural development in the third world.

The concepts of "producer organisations" and "agricultural co-operatives" are evidently related but not identical. "Co-operatives" have been analysed theoretically about one hundred years, though in the early years the focus was on the traditional form, characterized by collective ownership, representative member control and all the other well-known co-operative attributes. However, increasing competition has during the last few decades forced many agricultural co-operatives to adopt other attributes such as non-member ownership, closed memberships, and

internal governance structures with less membership involvement. Thereby these co-operatives do no longer adhere to the generally accepted definition of “co-operatives”. Still they are often alluded to as “co-operatives” though “producer organisations” would perhaps better characterise the hybrid organisations that are superseding the traditional co-operatives in today’s agriculture.

If “co-operatives” thus has got a broader meaning in the industrialized countries, there may be reasons to accept the concept of “co-operatives” also for the variety of organisational forms of producer organisations in developing and transition countries. According to the presentations in this book, these organisations have often national governments, NGOs (Non-Governmental Organisations) and other non-farmers involved in the ownership and the governance, and thus may be characterised as hybrid organisations rather than co-operatives. The national governments and the NGOs may be valuable as lubricants in the start-up phase of the producer organisations, but once non-members have got power it is often difficult to exclude them, and their objectives may be at odds with those of the farmers.

According to this book there are, however, trends in new directions. While co-operatives in the developing countries used to be focused on supplying the farmers with inputs and credits, today they are to an increasing degree trying to develop marketing channels for farmers’ agricultural products. They are becoming more oriented towards member businesses. Instead of providing public goods for the larger society they are more and more producing club good for the members. This raises the issue of equality as the less efficient farmers and regions may not participate in the collective action projects.

The hybrid structures among co-operatives in the industrialized countries and the hybrids in the developing and transition countries are, however, different. In the former case scientists have developed classification schemes for the innovative co-operative structures. Agency theory and property rights theory are core elements in these classifications. These schemes contain variables such as decision rights and income rights or residual rights. On the basis of incomplete contract theory researchers have coined various classes of internal governance structures for co-operatives.

These classifications do not necessarily fit the hybrid co-operatives in the third world. The book editors present alternative categories of producer organisations. One distinction is between formal and informal organisations, where the latter ones are traditional village patterns. This gives reason for the guess that formal producer organisations, like the ones presented in this book, presuppose that the country has passed the first few steps of economic development.

In the introductory chapter the editors also distinguish between producer organisations that are oriented towards the political leadership (as pressure groups) and those which are market oriented. The latter ones are solving market failures, either for the membership only or for the community, and either on farm input and credit markets or on markets for agricultural products.

Just as the agricultural co-operatives in the industrialized world may operate on varying scales, the contributions to this book report about local, regional and national producer organisations in the developing countries. The higher up in this organisational hierarchy, the more likely it is that the organisations devote their resources mainly for political lobbying and less for solving market failures for the common members.

These characteristics indicate that the industrial organisation frameworks that are most often used for analysing co-operatives in the industrialized countries may at least to some degree be applicable also for producer organisations in developing countries. A core condition is, however, that the country has an effective judicial system. Otherwise it is difficult to apply property rights theory, agency theory or transaction cost theory. For example, producer organisations cannot be expected to function well in a country with a corrupt political leadership. Likewise, it is not evident that the institutional theoretical behavioural assumption of “self-interest seeking with guile” applies in the cultures within the rural districts in developing countries.

It remains to be seen whether also the evolving generation of producer organisations in the developing countries may be subject to more stringent analysis with the help of industrial organisation theories. This book may pave the way for further theoretical analyses of non-traditional agricultural co-operatives or producer organisations.

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