

**AGRICULTURAL COOPERATIVES IN SPAIN, BETWEEN FAILURE AND SUCCESS?
(1890-2001)**

Cándido Román-Cervantes[∞]

DT-AEHE N°1509
www.aehe.net



asociación española de historia económica

Julio 2015

COOPERATIVAS AGRÍCOLAS EN ESPAÑA, ¿ENTRE EL FRACASO Y EL ÉXITO? 1890-2001

Cándido Román-Cervantes*

DT-1509, July 2015

JEL: N5, N4, Q1I

ABSTRACT

The aim of this paper is to show an overview of the Spanish agricultural cooperatives. It responds to the reasons why the agricultural associations were not consolidated enough in the early stages of development, and especially what contributed to their weakness. State action, determined for over half a century the rules of corporate governance. This was a heavy burden for its modernization and adaptation to the rules of international markets. Spanish historiography seems to be in agreement with the three cycles. The appearance of the first associative experiences during the last third of the nineteenth and early twentieth centuries marks the first phase of the process. Although they were influenced by the strained political environment, being considered as a sort of radical labor niche, they proliferated strongly in the Mediterranean and North regions where small and middle-sized farms were relatively important. This led to the consolidation of cooperatives and in some ways, to the transformation of the agricultural sector. The second phase started after the Civil War. Cooperatives entered a period of decline and inactivity in spite of government support through tax reductions and other actions aimed at monitoring the agricultural cooperatives. Finally, it was during the last third of the twentieth century until now, that the cooperative model became rather more active in the modernization of agriculture with cooperatives. As well as that, the globalization of enterprises was also accomplished. For that, there started a tendency of mergers towards second tier cooperatives that were larger and had an international dimension.

Keywords: agricultural cooperatives, regulation, modernization, evolution.

RESUMEN

El objetivo de este trabajo es mostrar una visión a largo plazo de las cooperativas agrarias españolas. Se trata de explicar por qué éstas asociaciones agrícolas no estuvieron lo suficientemente consolidadas en las primeras etapas de su desarrollo, y que fue lo que contribuyó a su debilidad. La acción del Estado, determinó durante más de medio siglo las reglas del gobierno corporativo, convirtiéndose en una pesada carga para su modernización y adecuación a las reglas de los mercados internacionales. La historiografía española parece estar de acuerdo con los tres ciclos. La aparición de las primeras experiencias asociativas durante el último tercio del siglo XIX y XX que marca la primera fase del proceso. A pesar de que estuvieron influidas por un ambiente político hostil, proliferaron con fuerza en las regiones del Mediterráneo y del Norte, donde las pequeñas y medianas explotaciones agrícolas eran relativamente importantes. La segunda fase comenzó después de la Guerra Civil, en donde las cooperativas entraron en un período de decadencia e inactividad a pesar del apoyo del gobierno a través de reducciones de impuestos. Por último, fue durante el último tercio del siglo XX y hasta la actualidad, donde las cooperativas agrarias se comenzaron a modernizar iniciando un proceso de integración e internacionalización.

Palabras clave: Cooperativas agrícolas, regulación, modernización, evolución.

* University of La Laguna, Spain. Correo electrónico de contacto: croman@ull.edu.es

AGRICULTURAL COOPERATIVES IN SPAIN, BETWEEN FAILURE AND SUCCESS? (1890-2001).

Introduction

The title of this paper includes at the same time a question and a doubt. It is a question because is not totally clear that Spanish agricultural cooperatives evolved to failure from the earlier experiences of the beginning of the twentieth century. Besides, most colleagues who have written about this topic are setting several approaches that show a variety of situations. They are focusing their research both in cases of regional and local scope carrying out interesting studies which I will go to explain more carefully further on. This state of affairs, instead of creating contradictions in the proposals of scholars theoretical discussion, show fortress and solidity of agricultural cooperative studies in Spain. But also there is a doubt, taking into account the advantages of the long term outlook, it has been over 100 years from the establishment of the first agricultural cooperative in 1890 and we cannot assert that the agriculture associative movement didn't run well. This point will be one of the main topics that this contribution will try to prove.

The current Spanish bibliography who analyses on agriculture cooperatives from a historical point of view is plentiful. The last one *XIV Conference of Agricultural History Spanish Society* celebrated on November 2013 has shown that studies focusing on agriculture cooperatives have excellent health. Nevertheless, the bibliographical production is unbalanced, while most of the works focus on the period 1890-1936, there are just a few that are concerned to analyze the situation of agricultural cooperatives beyond the dictatorship of General Franco¹. It seems as if for some historians to lean their effort to study agricultural cooperatives during second half of the twentieth century, would not be worth. It appears this period is still too recent and maybe therefore does not arouse enough interest and researching it could provide more questions than answers. Nevertheless, as far as time goes, there are more scholars who have an interest to study agricultural associations during the second half of the twentieth century.

It is a fact accepted by all experts that the development of the cooperative movement in Europe was the result of the reaction of farmers to the falling agricultural prices by incorporating to the circuits of the international markets of products from the new countries, United States, Argentina, Canada, Brazil and Australia². European agricultural cooperatives had an unequal evolution as regards their economic and social impact in geographical areas of Europe. In a very general perception, it can be remarked that during the last quarter of the 19th century the German model of cooperative credit organization³ was applied in Western and Northern Europe based on mutual responsibility of their members while partnership attended to minimize the costs of production and financing. In the societies of North Europe the cooperative institutions succeeded in many cases to manage the rural production (like the Danish dairy cooperatives) and to import technical innovation. According with Van Zanden⁴, the co-operative movement grew strongly from the beginning of the twentieth century in the Netherlands, Germany, Switzerland, the Scandinavian countries, and also in some

nations of Eastern Europe, it had less relevance in Ireland, the UK, Ireland, France, Italy, Spain, Portugal and Greece⁵.

In Spain, a set of variables negatively affects the consolidation of cooperatives throughout the period covered by this article, and has placed a heavy burden for the conversion of cooperatives in self-financed companies with highly dynamic and above all able to compete in local, national and international markets. I am referring basically omnipresence of government action, the lack of financial education among partners, insufficient funding from the credit institutions and deficits in managing the business and persistence of members with lower earning capacity. The Spanish agricultural cooperatives were especially affected by the endemic problem of a lack of capital⁶. If these could be the weaknesses of the Spanish agricultural cooperatives, we also find the strengths that have encouraged, even though with uneven geographical distribution, the creation of cooperatives throughout the country. Cooperatives were not alone in the markets for agricultural products and livestock, had to compete through prices on one side with the productions of the great owners who flooded the local and regional markets and also with foreign imports.

This article has three parts; the first part will analyze the evolution of cooperatives during the first third of the twentieth century. It 's mentioned the bibliography aimed to the relative failure of the Spanish agricultural cooperatives, if it is compared to other European experiences. The second part covers the period of the dictatorship of Franco. If something characterizes the cooperative movement in these years, it is government intervention. This presentation will be especially stifling in the agricultural sector, forced to produce food for a country that was going through severe food shortages. The monitoring of agricultural production destined for human consumption became a priority in the framework of the government's economic policy. The third and final part of the work begins with the arrival of democracy and Spain joined the European Economic Community. The inefficiencies of the agrarian policy of the dictatorship period left deep traces in agricultural organizations being the most disadvantaged cooperatives. Its transformation into more efficient firms and with a higher technological level was a slow process, but became the main challenge to achieving.

Shaky beginning

The collaboration between farmers in the use of community property and equitable distribution of natural resources is not new. The shared communal rights as rivers, pastures, forests, and meadows where cattle could make use of the stubble after harvest, provided the possibility to use the farming community to incorporate additional income. Despite the liberal confiscation of lands and commons themselves driven Pascual Madoz (1855), the collective use continued to be a widespread practice in Spain. According to F. Beltran⁷, this was precisely the persistence of this mode of operation, which may explain the unequal regional development of the agricultural cooperative movement in the early twentieth century. The main hypothesis is that the existence of social networks and therefore social capital applied to the management of collective resources were a key element to understanding the phenomenon of cooperative flowering. However, more recent work such as J. Serrano⁸, using a micro approach question the fact that social capital is an explanatory variable for the creation of cooperatives. According to this reasoning, the existence of communal rights was no

guarantee of a higher propensity to cooperate, because in rural societies collaboration was a rule that was part of the tradition.

Another argument, but this time referring to credit unions, A. Martínez-Soto, S. Martínez-Rodríguez and I. Mendez shows that the unequal expansion of regional, rural credit cooperatives is linked with the level of education and training of memberships. The proposal to include the indicator of human capital as a variable to measure the degree of association, points out interesting facts that further enrich the Spanish historiography. According to their opinion, *"We find a negative and robust correlation between the male illiteracy rate and cooperatives' presence and credit activity in a province. This suggests that formal education increases men's propensity to become members of a cooperative"*⁹.

When the early legislative steps were taken to order the Spanish agricultural associative system, already existed collaborative experiences in those regions, as in the case of Valencia and Murcia¹⁰, which had a long tradition of sharing the waters of rivers for irrigation. Although there were some active cooperatives in the late nineteenth century to the promulgation of the Agrarian Syndicate Act of 1906, this did not create a true bloom in the creation of cooperatives. The Act includes significant fiscal which promote the associationism. This made smallholder farmers understand that the best way to reduce production costs was cultivated in common the most demanded agricultural products, eliminating middlemen in the commercialization, especially using the economies of scale that allowed the purchase of agricultural inputs (chemical fertilizers, pesticides). Thus, the creation of cooperatives was the best choice by the small and medium landowners to position it in local markets and satisfy a demand of food goods from the cities, where in a few years was intensifying urbanization process by the first migration from the countryside to the city. Farmers, acting individually and with their meager productions could never be competitive by reducing the cost of production or marketing.

It is difficult to know how many agricultural cooperatives were in operation during the early years of the twentieth century. The statistics available for this period are not precise series. Mistakes were made by not purging the entities ceased that activity and also for the interest of the Church to maintain a rising number of cooperative giving the feeling of growth, not stagnation. The *Confederación Nacional Católica Agraria* concentrated almost 90%¹¹ of active cooperatives in the twenties of the twentieth century. In the words of J. Carmona and J. Simpson, *".. The Church, like most institutions, was faster by adding new members to their cooperatives and eliminating lists that had ceased to exist"*¹². Thus, the available data, even though officially recognized, must be considered with caution.

According to data from the table 1, the number of agricultural associations increased to 1933. The agrarian syndicates are considered by their organizational structure as true cooperatives, as very active both in regard to the cultivation of the wine, as agricultural production in general. It is here where the most concentrated growing to 73.21% in 1926. From that date until 1933, a fall of 1,555 agrarian syndicates occurs. Actually is not clear that this decline occurred by a decrease in the activity of cooperatives, or because the statistics are updated by the Ministry of Agriculture. Based on these data, we can say without fear of contradiction that the associative environment in Spanish agriculture during the first third of the twentieth century was genuine exuberance.

It is remarkable the presence of other institutions such as Rural Credit, some of them were born as sections of the Agricultural Syndicates in order to provide low-interest loans for the purchase of seeds or machinery. The model followed by the Spanish Rural Credit was similar to developments in France, although also influenced by solidarity cooperatives of Raiffeisen and Wollemborg. In Italy, it was the same purpose the *Cerutti*, the *Luzzatti* and *Guerici*. In Portugal, the *Celleiros* and *Misericordias* focused on personal loans. In any case, the expansion of formal agricultural credit was the response of farmers to the needs of monetary liquidity accentuated by the fall in prices of agricultural products in the late nineteenth century.

Table 1

Agrarian associations in Spain, 1910-26

	1910 (A)	1916	1919	1926	1933 (B)	A/B %*
Agrarian syndicates	1,559	1,754	3,471	5,821	4,266	63,4
Rural Credit	384	496	514	501	646	40,5
Farmers' communities	85	100	124	133	132	64,3
Agrarian chambers	100	101	126	128	125	20,0
Agrarian associations	--	605	857	1,009	1,254	51,7
Agrarian federations	--	24	54	86	128	81,2

Sources: 1910-26, S. Garrido, "Why Did Most Cooperatives Fail? Spanish Agricultural Cooperation in the Early Twentieth Century", *Rural History*, 18:2, (2007), p. 185; 1933, A. Martínez-Soto, S. Martínez-Rodríguez and I. Mendez, Spain's development of rural credit cooperatives from 1900 to 1936: the role of financial resources and formal education", *European Review of Economic History*, 16, (2012), p. 3.

- * Figures prepared by the author.

The same procedure employed Farmers' Communities (*Hermandades de Labradores*) and Agrarian Chambers (*Cámaras Agrícolas*). These last, according to J. Planas¹³ were born as semi-official institutions under the legislation of 1890 and responded to lobbyists of landowners. Finally, it is also notable to mention that Agrarian Federations (*Federaciones Agrarias*) minded second tier cooperatives, which were representing most cooperatives. With the exception of agrarian syndicates other institutions grew during the first third of the twentieth century¹⁴. Especially Agrarian Federations, grew 81.2%, Farmers' Communities 64.3 %, Agrarian Associations, 51.7% and finally the Rural Credit, 40.5%.

Nevertheless, notwithstanding this data, there are several articles which have hypothesized in their titles the relative failure of agricultural cooperatives, but without minimizing the importance of the agricultural associations in Spain during the first third of the twentieth century. It was the first time in recent history that farmers were associated following criteria of economic rationality in cooperatives. Indeed, the objectives of agricultural associations is not only to increase rates of final production of farms by reducing the cost of inputs, but also to change the possible distribution channels. The final target was to avoid the intervention of intermediaries and gougers, truly responsible for the increase of final consumer price and somehow of poverty of farm workers.

Under the supervision of authoritarian government

The European bibliography devoted to studying the years of dictatorships during the central decades of the twentieth century, is very scarce¹⁵. In some national cases, cooperatives were supported via a State's institutional framework as long as in other cases, they were centrally conceived as a means of economic modernization. It is to be discussed if in the South of Europe State's intervention functioned as a limitation to managerial and financial innovation introduced by the cooperative organization. During the 1930s, cooperative organization of agricultural economy, and peasant society, acquired a further conceptual dimension as the Great Depression influenced negatively the European rural sector. In some States protectionist economic policy was followed by authoritarian approaches that marked the social life of citizens. It is necessary to know from the comparative perspective regarding the Mediterranean dictatorships of the period, focusing on the economic role of the "New State". This would focus on the agricultural sector, as the feeder of the Nation. This new perception of agriculture led to the expansion of organizational forms in rural areas, i.e. at an expected reinforcement of the cooperative movement.

The Franco Cooperative Act 1942 repealed the September Act 1931. From this moment there began a new stage of the Spanish cooperative characterized by political control, limiting the participatory dimension that is essential in these businesses. The Act configured a cooperative model corseted in state superstructure, the *Obra Sindical de Cooperación* with a very ambiguous business configuration. For instance, it did not consider the commercial dimension and the pursuit of profit cooperatives. To determine the real scope of the limitations imposed by the rule to cooperatives, it is necessary collate the founding statutes and financial statements¹⁶. In this regard, Article 13 of Regulation 1943 obliged that at least 25% of the profits should be used to fund social projects and saving. Furthermore, in Article 1, the Law stresses the lack of profit of cooperatives, to point out that members had to make contributions in variable capital in order to achieve common goals of social and economic order. Proof of this was the mandatory contributions that the partners had to do and could never recover. The Act has a repressive hue as evidenced in articles 32 to 34 committed to sanctions. These affected both managers and the memberships, ranging between 5,000 and 50,000 pts. Taking into account the high amount of paralysis in the context of where the country's economy was at that particular time. The Article 10 is dedicated to the control of shareholders that represent the policy guideline of the new regime, "*The cooperative members are automatically framed in the respective local unions or hermandades*"¹⁷.

The figures in table 2 analyze the evolution of cooperative societies sign up by production activity from different perspectives. Table 2 displays the absolute data in five-year averages for the entire series¹⁸. The tendency for agriculture to fall and that of consumption to increase industrial output are observed. These variations in sectors like agriculture, consumer, services, industry, fishing, rural banks, credit and housing reflect the linkage of these social enterprises to changes in the productive sectors, and above all, reflects the size of them. In this sense, a drop occurs in the number of agricultural cooperatives while at the same time that the Spanish economy become industrialized. So, the agricultural cooperatives accounted for 66.6% of all cooperatives registered for the five years from 1942 to 1946. Throughout the series, such a participation drops significantly to 8.1% for the period 1997-2001. But it was in the period 1957-1976,

when the most significant changes occurred. Agricultural cooperatives fluctuated from 35.1% in the period 1957-1961 to 15.1% in 1972-1976 to be the tipping point where the years 1967-1971 were overtaken first by industrial and housing cooperatives with 22.4% and 45.6% respectively. These are the years where the model of production structure towards modernization takes place.

Table 2

Evolution of Spanish cooperatives for economic activity. Annual register (average of five years, from 1942 to 2001).

Quinquennial	Agriculture	Consumer	Industry	Fishing	Rural Credit	Credit	Housing	Services
1942-46	4,906	1,205	424	134	384	61	245	---
1947-51	1,288	257	377	91	624	160	91	---
1952-56	567	164	257	16	213	113	216	---
1957-61	840	224	396	23	430	91	387	---
1962-66	1,395	379	1,185	99	630	288	1,394	---
1967-71	874	300	1,039	118	66	120	2,110	---
1972-76	548	502	1,090	24	6	21	1,416	---
1977-81	794	447	4,594	16	4	9	1,254	---
1982-86	835	262	7,823	---	---	3	1,336	440
1987-91	1,343	106	6,214	---	---	---	1,293	325
1992-96	1,203	144	10,827	---	---	---	1,870	308
1997-01	909	70	8,626	---	---	---	1,276	238
Total	15,502	4,060	41,871	521	2,357	866	9,306	1,311

Sources: 1942-1982: *Anuarios Estadísticos*, I.N.E, Ministry of Economy and Finance;

1983-2002: *Boletines de Estadísticas Laborales*, Ministry of Employment and Social Security.

Between 1947 and 1976, according to the Spanish statistics, a total of 5,296 new farming cooperatives were registered at the Ministry for Agriculture. A clear tendency for growth until 1976 is indicative of the considerable weight of the agrarian sector in the Spanish economy¹⁹. A decline from then onwards coincides with the crisis of the agricultural model based on traditional farming methods. The average number of memberships per cooperative grew from 81 in 1947 to 350 in 1967, with the inherent consequences of the economic activity. Above all, for the most common types of cooperatives in the agrarian sector. The increase in the number of co-operatives from the 1950's onwards is a direct consequence of the important transformations implemented in Spanish agriculture. Mechanization, the introduction of new seeds, the improvements in the cultivation and in the irrigation system had an impact on the increase of cultivated areas, productivity and returns. In the words of C. Barciela²⁰, the 1950s were the golden age of Spanish agriculture, favored by the abundance of cheap labor, an increase in the supplies of the means of production and the facilities in the acquisition of inputs from abroad due to the opening of the foreign markets.

Demonstrative of the strong growth of credit cooperativism is the following figures for the *Cajas Rurales* (credit unions) in 1906: 42 cooperatives; in 1926: 501 and in 1973: 1,146. Once the Civil War ended, in 1939, the publication of the *Ley de Desbloqueo* affected all the financial assets of credit institutions, including the deposits and the balances of the current accounts. It was a law for the “defeated”, a law introduced in order to enable the *Nuevo Estado* to control and reduce the availability of credit at the expense of the deposits and contracts of the banking institutions that were in the

Republican zone. Some small agricultural credit cooperatives were hugely affected, since the law contemplated the freezing of active accounts by the Bank of Spain. According to the data from the Spanish, *Instituto Nacional de Estadística*, in 1944, there were 299 rural banks and credit cooperatives in operation in Spain. Six years later a probably more exhaustive recount registers 1,181 entities, which corresponds to a growth of 74.6%, a growth tendency that continued throughout the fifties. Nonetheless, it was in the sixties that the boom of the rural banks took place, with a total of 2,282 cooperatives. Thus, the expansion took place from 1962 onwards and the credit cooperatives were then fully recognized as financial entities, according to the *Ley de Bases de Ordenación del Crédito y de la Banca* (fundamental law for the regulation of credit and banking).

One of the biggest problems in the modernization of Spanish agriculture was the poor promotion of cooperatives and the delays in the provision of a favorable institutional framework to boost rural credit and dissemination of new agricultural technologies. Unlike other European countries where since the beginning of the century the State had strengthened institutions for the promotion of commercial agriculture and technical change, the Spanish government did not do that until the 1960s. The ACSs (Agrarian Colonisation Syndicate) were one of the institutions in which Franco's politics were most effective. In the context of the international conflict (of scarcity of elementary inputs for agrarian production), the productive paralysis and, above all, the severe situation of food scarcity generated policies²¹ geared to rural development and, inevitably, led to an emphasis of cooperation between farmers, which encouraged acts of mutual support²².

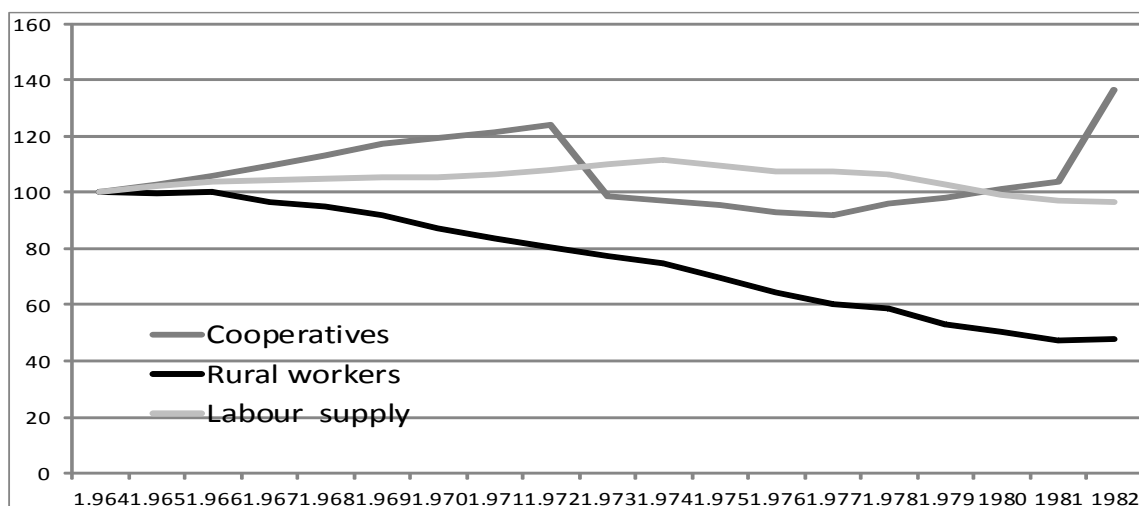
The Local Interest Colonisation Act stipulated that the assistance of the State to these entities was established to fulfil agricultural ends. The purpose of the law was to promote mutual help between farmers, for example the supply of laboring hours in exchange for the loan of a ploughing machine. The aim was to share scarce resources, for example the common use of a tractor or mechanical harvester for the gathering of the harvests of several farms. The Agrarian Colonisation Societies (ACSs) undertook specific functions which affected groups of farmers and covered the whole set of task involved in farming and livestock rearing. The aim was to create entities that, besides minimizing problems associated with production and distribution, characteristic of this period of economic autarchy, would also add another dimension, more solidarity, more commitment, from a social point of view, to a profoundly individualistic rural setting.

The Graph 1 illustrates the relationship between the rate of creation of agricultural cooperatives, the evolution of the agricultural labor market and the performance of the labor supply. The strong growth of agricultural cooperatives is observed during the period 1964-1974, a sharp decline from then is when the first spikes associated price inflation occurred even above the labor supply and the oil crisis. The rate of creation of cooperatives would not recover until the mid-80s coinciding with the end of the international crisis. The decline in the number of rural workers is a result of the loss of influence of the agricultural sector and the tertiary sector of the Spanish economy. One fact is significant, although the volume of rural workers throughout the series descends despite the growth of the labor force, agricultural cooperatives grow. This indicates that the strength or weakness of cooperative enterprises is unrelated to the number of workers, nor with the general behavior of the population. In fact, it was the economic cycles and their effect on the growth of the economy that could affect more the creation or disappearance of agricultural cooperatives.

Indeed, the figures from Graph 2 shows a drop in the number of cooperatives and memberships throughout the time series. Sharp declines in both indicators until the early fifties, a period when the country began its industrial expansion. From then on, with the exception of 1965, there were a growing number of registered cooperatives that continued to decline. In any case this variation does not indicate that the Spanish cooperative model was modernized through the reduction in the number of companies with respect to stakeholders, or the start of a process of concentration, but rather the opposite. The increased number of cooperatives involves polarization, fragmentation and weakness of the Spanish cooperative system. However, as regards the estimated number of farmer members, it must be mentioned that not all members are farm owners (although the majority are) and not all farm-owning members are members of only one cooperative. The decrease in the number of members is due, among other reasons, to the increasing professionalization of the cooperative membership.

Graph 1

Evolution of the agricultural cooperatives register (units) rural workers (thousands) and labor supply (thousands), in percentages (base year: 100, 1964) 1964-1982.



Sources: Cooperatives, 1964-1982: *Anuarios Estadísticos*, I.N.E, Ministry of Economy and Finance; Rural workers and Labor supply: 1964-1982: A. Carreras and X. Tafunell (Coords) *Estadísticas Históricas de España, siglos XIX y XX*, BBVA, (2005), pp. 148-151.

Graph 2

Evolution of agricultural cooperatives and memberships, 1942-1981, in percentages.



Sources: *Anuarios Estadísticos*, I.N.E, Ministry of Economy and Finance.

The main theoretical approach of this paper is about the degree of success or failure of the Spanish agricultural cooperatives in the modernization of agriculture. It is time to give a brief comment on the final balance of the years of the dictatorship of General Franco. If we refer to the number of entities and shareholders, the Spanish agricultural cooperatives followed the trend of other productive sectors. Namely, a change in economic structures of the country. In this sense, agricultural cooperatives were not anticyclic, they disappeared to the extent that the industrial and services sectors were leading the growth. Can we consider this drop failure? Perhaps not, as the result was less cooperative, but probably larger.

Towards democratic flexibility

The political changes beginning 1976 had a significant impact on the Spanish cooperative movement. As seen previously, the cooperative model emerged from the Cooperatives Act 1942 which showed a clear dependence of cooperatives in relation to official unionism vertical type. This dependence, though softened by the Cooperatives Act 1974, continued. The transition to a democratic structure required the dismantling of organizations related to the cooperative model of the previous regime, and in this regard a number of provisions published throughout the seventies were progressively eliminated the rigidities of the above rules. The new rule allows greater flexibility in the concept of cooperative. However, they are considered at the same level as the companies whose objective is to maximize profit among its members. It removes one of the concepts that blocked the activity of cooperatives and was referring to the term "*non profit*". With the Cooperatives Act 1999, cooperatives are consolidated as profitable institutions, the attributes of its entrepreneurial character. Legal innovations occurred to give these organizations a stronger link to market. Issues such as the streamlining of procedures for its establishment, the decrease in the minimum number of members,

varying percentages surpluses, as the possibility of sharing the excess return and extra-cooperative benefits. That is, an environment was created to enable the expansion of cooperatives at national level and with an international context.

The incorporation of Spain into the EEC had a diverse sectoral impact. But agricultural cooperatives were more oriented to export that enabled them to adapt to European standards. Spanish agriculture was even before the entry into the European club a clear European community orientation. The horticultural sector, for example, and especially the citrus fruit sector exported over 70% of national annual output. Over 80% was directed to the countries of the Common Market. The EEC 1035/72 regulation, establishing the role of organizations of agricultural producers and agricultural market regulators activity, these organizations being formed mainly by cooperatives. In this sense, joining the EEC only made increasing demands of rapid adaptation to the production and trade structures, undertaking a similar way to that in most European agricultural cooperatives began much earlier, which basically consisted of the concentration and integration of cooperatives in larger units in order to increase the volume of production, facilitated cooperative relationships, create new services and joint investments.

The next table shows a snapshot of the production structure of our agricultural cooperatives by Autonomous Communities in 1986 precisely in the year in which it was producing the country's entry into the EEC. The data from the *Directorios Provinciales de Entidades Asociativas Agrarias* relates to a period in which the responsibilities of the social economy companies were not yet transferred. A quick glance indicates that Andalusia has the highest percentages of production in regard to olive oil, 79.9%, and 55.9% canned vegetables, with particular regard for fruit, vegetables and inputs. Catalonia is the next in percentage share as it contains, unlike the Andalusía, a greater presence of cooperatives. This would be especially in the production of feed for raising cattle, 36.1% and dairy products with 34.5%. Then, follows the Valencian Community, with 36.4% in fruits and vegetables. The Castilla-Leon cooperatives stand out in the production of dairy products and inputs 17.8% and 15.3%. Galicia in the production of fodder and dairy. Murcia and Navarre with very similar data, standing out the figures for Murcia canned vegetables, 22.6%. Finally, the Canary Islands cooperatives classification with 16.9% in fruits and vegetables and Extremadura with a more diversified production inputs, fruits, oils and fodder.

The changes experienced by the Spanish cooperative model had in the nineties of the previous century, the greatest intensity. They came transformations caused by new Acts the Autonomous Communities were implemented in their respective territories and affecting the set of agrarian societies. Most of them enacted specific legislation to promote and organize the cooperative structure: Madrid, Basque Country, Navarra, Catalonia, Extremadura, Aragón, Andalusia, Galicia and the Valencia Community. Besides, in this period, it is produced in a sustained correction of one of the largest deficits of the Spanish agricultural cooperatives and even today it is correct: its small dimension. So, in this period there was a substantial increase in the second tier cooperatives, bringing together an increasing number of entities into the primary tier. In opinion of J. Juliá y J. Server (2003), in 2002 about 70% of primary tier cooperatives was associated in 175 second tier cooperatives, selling more than 30% of production by these entities²³.

Table 3

Distribution of agricultural production cooperatives, 1986**(Percentages)**

Autonomous Communities	Supplies	Fruits and Vegetables	Canned Vegetables	Oils	Fodders	Dairy products
Andalusia	10,5	11,7	55,9	79,9	9,0	1,2
Aragón	9,4	2,8	0,5	1,3	9,3	0,9
Asturias	3,3	---	---	---	2,3	---
Balearics Islands	2,2	2,9	0,1	---	---	7,1
Canary Islands	1,0	16,9	---	---	0,1	0,6
Cantabria	1,0	---	---	---	0,6	---
Castilla-La Mancha	5,0	2,6	---	6,8	7,2	20,1
Castilla y León	15,3	1,0	---	0,2	11,4	17,8
Catalonia	10,1	14,4	7,7	4,7	36,1	34,5
Extremadura	6,2	5,2	---	3,4	3	---
Galicia	9,9	0,1	---	---	13,2	7,8
Madrid	---	0,8	---	0,3	---	3,5
Murcia	0,8	1,6	22,6	---	0,1	---
Navarra	5,5	1,8	9,9	0,4	3,6	4,0
La Rioja	1,8	1,0	2,5	0,1	0,3	---
Valencia Community	17,0	36,4	0,3	2,4	3,0	1,8
Total	100,0	100,0	100,0	100,0	100,0	100,0

Notes: 1-. The production is computed in tonnes; 2 - Supplies: Considered procurement of seeds, fertilizers, pesticides and animal feed; 3 - Fruits and Vegetables, are referring to trading volume. Potatoes are included; 4- In the dried corn fodders are including industrially.

Source: *Directorios Provinciales de Entidades Asociativas Agrarias*. Ministerio de Agricultura, Pesca y Alimentación (1986): “La agricultura, la pesca y la alimentación españolas”, <http://www.mapa.es/ministerio/pags/biblioteca/>.

Table 4

Evolution of agricultural cooperatives (1986-2000). Memberships (thousand), sales (million Euros)

	1986	1988	1989	1993	1995	1996	1997	1998	1999	2000
Cooperatives	4,323	4,423	4,438	4,836	4,350	3,940	4,283	3,930	3,915	3,902
Memberships	1,155	1,536	1,542	1,550	950	1,313	1,093	1,120	1,098	983
Sales	---	3,125	---	---	---	6,169	7,840	8,985	10,219	10,851

Source: J. Juliá and J. Server, (2003), p. 471.

The figures in Table 4 show again rigidities in the Spanish agricultural cooperative system, giving the same ambivalent result. Throughout the time series, in regard to a number of companies, although there is a decrease, their number is very high in relation to the fall in the number of stakeholders of 15% since 1986. That is, the number of cooperatives remained too high with respect to the number of memberships. This situation resulted in greater fragmentation of the sector. However, with 9% less in cooperatives, the sales rose by more than 247% indicating an improvement in the degree of competitiveness of the Spanish cooperatives.

Finally, it is necessary to mention that other agricultural associatives that are established today have played an important role in the Spanish agricultural sector. I am referring to the Agricultural Transformation Societies²⁴. The origins of the Agricultural Transformation Societies or ATS (*Sociedades Agrarias de Transformación, SATs*) can be found in the Agrarian Colonization Societies ACSs (*Grupos Sindicales de Colonización,*) of the 1940s and, consequently, correspond to the principles of the agrarian policy of the Post-War Franco period. The success of the ACSs was noticed at the national level from 1963 onwards, until the rhythm of their creation was of 165 p.a., reaching the number of 3,645. However, from that year onwards they were greatly increased as demonstrated by the fact that by 1970 their number reached 14,438, that is, an average of 1,200 groups per year²⁵. The reasons for such expansion had much to do with the publication of the Act of the Ministry for Agriculture of 25th June 1963. This norm specified the range of State subventions, favoring growth. Furthermore, the ACSs had an advantage that granted them an advantageous position in relation to the cooperatives. For instance, they did not need a minimum of fifteen members in order to be legally constituted, three sufficed. Furthermore, in case of dissolution of the reserve funds, community works and net account balances could be divided between the partners. Other rules applied, depending on the number of associates and the available capital²⁶.

Such conditions and their possible effects were provided in both the strictly agricultural setting and in the national political arena, thus legislative modifications were produced to adapt group agriculture to the changes brought about by the new situation. In this sense the *Real Decreto-Ley* 31/1977, dated 2 June, which eliminated required syndication, dealt with procedures, adaptations and fiscal systematization of the ACSs. Henceforth they were known as *Sociedades Agrarias de Transformación* (ATSs), with full jurisdictional powers. However, it was the *Real Decreto* 1,776/1981, dated 3rd August, which approved the ATSs statutes, paying particular attention to the proceedings and the deadlines for the ACSs to adapt their regulations to the contents of this Decree, otherwise leading to their legal dissolution.

When the Statutes of the ATSs were defined they could count on the antecedents found in the ACSs, but with greater flexibility in their structure. These antecedents would partially serve as a design for the responsible members of the Department of Agriculture of an organization without sacrificing a societal and mutual component. The ATSs would respond with greater flexibility to the goals of a much more competitive agricultural setting. In time the ATSs would come to take their rightful place within the social economy, which in turn, occurred due to comparison, firstly with the entities that represented the essence of solidarity, joint participation and mutualism: the farming Cooperatives; and, secondly, with the representative of private business such as in the limited liability companies.

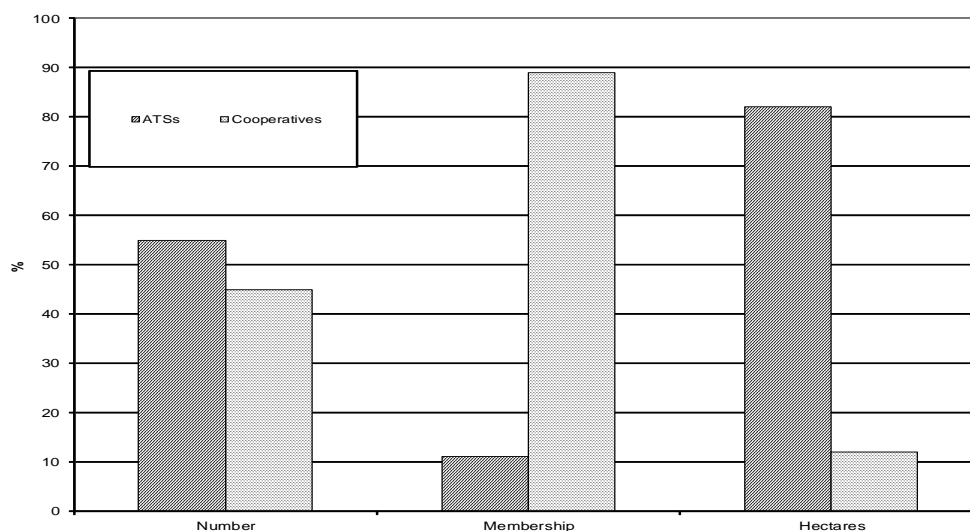
We are interested in the ATS position regarding agricultural cooperatives. The data informs, see Graph 3, substantial differences as regards the composition of both agricultural entities. Basically, in this regard, the number of entities were very similar, 5,064 cooperatives and 4,189 ATS, however, it is in the number of members and the cultivated agricultural area where there are large differences. The 90% of farmers, 1,451,191 people in 1986 were linked to several agricultural cooperatives in its most diverse activities, compared to only 10%, 182,478 farmers who were linked to ATS. However, if we refer to the degree of productivity, ATS achieved the greatest successes in production by having more than 80% of the cultivated, compared to a meager 10%

cultivated area cooperatives. From the social point of view cooperatives are more successful, from the standpoint of business success ATS are consolidated in the first position.

Nowadays, with regards to Cooperatives, they were different concerning registration, responsibility, and consulting. While Cooperatives belong to the Department of Labor and Social Security, the ATSs report to the Department of Agriculture and Fisheries. Differences are also observed in the minimum number of partners required in order to form the organization. An ATS could legally function with as few as three members, while cooperatives had to meet a minimum of seven²⁷. Principles such as “free adhesion” and voluntary termination of partners” or “open doors” does not affect the ATSs, while they are inseparable from the requirements for the creation of a Cooperative. The principle of “one man, one vote” did not affect the ATSs in the economic agreements which the partners were obliged to. The principle of exclusivity did not apply, that is, there was no limit regarding how many transactions could be carried out by individuals with third parties. This thereby allowed for the buying and selling of their products freely. The ATSs were also exempt from maintaining obligatory Education and Community Works Reserve Funds, although they could choose to have them. Another difference could be seen in its legal constitution. A public deed was indispensable in the creation of a Cooperative, while it was only required for the ATSs if real estate was offered as capital. Finally, no listing in the business registry office was needed.

Graph 3

Comparison between Cooperatives and ATSs, 1986



Source: Ministry of Agriculture, Fishier and Feeding, 1986.

Final remarks

Associationism has been the natural response of farmers to the rapid changes in the economy and society. This enabled farmers to retain control of the production processes. It has also provided the capacity to control the political and economic power of its members. The present article has drawn up a summary of the evolution of agricultural cooperatives from the beginning twentieth century, trying to answer the effectiveness of these institutions and the changes in agriculture and the determinant of government regulation.

From a distance it offers an analysis of more than a century, it can answer the question that gave title to the article. It can be concluded that the model of Spanish agricultural cooperatives has been protagonist and simultaneously a victim of dependency and government control of the nation. And it was precisely in periods where state action was weaker, first and last third of the twentieth century, when the dynamism of cooperatives increased, despite the relative financial dependence on them. A non-interventionist administration, which is limited to establishing the regulatory framework is a priori guarantee greater autonomy and independence of cooperatives and their members

Agricultural cooperatives grew strongly during the first third of the twentieth century, during a period where the response was associated with smallholder farmers against the immobility of the large property. The strong urban demand for agricultural products caused agriculture to become profitable. This required investment as water abstraction, introduction of new crops, an increase in the use of chemical fertilizers, etc., it was only possible through a farmers association. In this context, the cooperatives served their purpose. Proof of their expansion was the proliferation of Agricultural Unions and high number at the end of the Civil War, just as agriculture was controlled directly by the government of General Franco. In this phase, cooperatives lost their capacity to act becoming key instruments of political action in the agricultural sector. The State encouraged, protected, financed and provided the tax reduction and other advantages. Despite of this support, cooperatives began to lose weight on a process that coincides with the change in the productive structure of the country through the tertiarisation of the economy. In this regard, agricultural cooperatives participated in the process of production modernization of the country, as evidenced by the significant reduction in the number of memberships and companies. Finally, from the last third of the twentieth century to the present, there has begun a process of concentration toward the second tier cooperatives in response to the challenges of a more open and competitive economy.

¹ J. Gómez Herráez, “Las cooperativas en el marco de las hermandades sindicales (Albacete, 1939-1959)”, *Historia Agraria*, 30, (2003), pp. 151-182; C. Román-Cervantes, “Las sociedades agrarias de transformación en España: un análisis histórico”, *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, 63, (2008a), pp. 65-88; C. Román-Cervantes, *Between solidarity and profit: the Agricultural Transformation Societies in Spain, 1940-2000*; (Saskatoon: Centre for the Study of Co-operatives, University of Saskatchewan, 2008b); C. Román-Cervantes, “Group and control: Spanish agricultural co-operatives movement during the Franco Regimen”, H. Gardikas and C. Bregianni, *Agricultural Co-operatives in South and Central Europe 19th-20th Century* (Athens: Academic of Athens, 2013), pp. 115-139; C. Román-Cervantes, “Las cooperativas españolas y los ciclos económicos”, *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, (2014), 80, pp.77-109; C. Román-Cervantes, “Spanish Co-operatives and Economic Cycles, a retrospective Analysis, 1942-2002”, *Professionals Center for Business Research*, 2, March, (2015), 03, pp. 1-9; E. Moyano, *Corporativismo y agricultura: Asociaciones profesionales y articulación de intereses en la agricultura española*, (Madrid: Ministerio de Agricultura, Pesca y Alimentación, 1984); E. Majuelo, “El cooperativismo católico agrario durante el franquismo. El caso navarro (1939-1975), A. López and M. Ortiz (Coords.) *Entre surcos y arados. El asociacionismo agrario en la España del siglo XX*, (Albacete: Universidad Castilla La Mancha, 2001), pp: 137-170; F. Medina-Albadalejo, *Cooperativismo y sector vitivinícola en España en la segunda mitad del siglo XX*, unpublished PhD thesis (Barcelona: Universitat Autònoma de Barcelona, 2011). F. Medina-Albadalejo, “Co-operative wineries: Temporal solution or efficient firms? The Spanish case during late Francoism, 1970-1981”, *Business History*, (2015), DOI: [10.1080/00076791.2014.982105](https://doi.org/10.1080/00076791.2014.982105)

² G. Federico, *Feeding the World: An Economic History of Agriculture, 1800-2000*, (Princeton: Princeton University Press).

³ See M. Prinz, “German Rural Cooperatives, Friedrich-Wilhelm Raiffeisen and the Organization of Trust, 1850-1914”, *XIII IEHA Congress Buenos Aires*, (2002); T. Guinnane, “Delegated monitors, large and small: Germany’s banking system, 1800-1914”, *Journal of Economic Literature*, 40, (2002), pp. 73-124; R. Spickermann, “Contradictions of National-Building: Raiffeisen Cooperatives and the Royal Settlement Commission in the German East, 1885-1914”, in T. Lorenz (ed.), *Cooperatives in ethnic conflicts: Eastern Europe in the 19th and early 20th century*, (Berlin: Berliner Wissenschafts-Verlag, 2006), p. 204.

⁴ J.L Van Zanden, “The first green revolution: the growth of production and productivity in European agriculture, 1870-1914”, *Economic History Review*, 44, (1991), pp.215-39

⁵ For Ireland, C. O’Grada, “The beginning of the Irish creamery system, 1880-1819”, *Economic History Review*, 30, (1977), pp. 284-305; K. O’Rourke, “Culture, conflict and cooperation: Irish dairyng before the Great War”, *The Economic Journal*, 117, (2007), pp. 1357-1379; for Portugal C. Fonseca, “L’outillage et l’encadrement technico-scientifique dans l’agriculture portugaise”, *Les Campagnes portugaises de 1870 a 1930*, (Paris, 1985); for the southern of Italy, F. L. Galassi and J.S. Cohen, “The Economics of Tenancy in Early Twentieth-Century Southern Italy”, *Economic History Review*, 3, (1994), pp. 585-600; for Greece, C. Bregianni, “Banking system and agricultural co-operatives in Greece (1914-1936): institutional renovation or economic decline?” H. Gardikas-Katsiadakis and C. Bregianni, *Agricultural Co-operatives in South and Central Europe 19th-20th Century. A comparative approach*, (Athens: Academic of Athens, 2013), pp. 49-74; for Spain, S. Garrido, “Why did most cooperatives fail? Spanish agricultural cooperation in the early twentieth century”, *Rural History*, 18, (2007), pp.183-200; for Denmark, I. Heriksen; M. Hviid and P. Sharp, “Law and peace. Contracts and the success of the Danish dairy cooperatives”, *Journal of Economic History*, 72:1, (2012), pp.197-224; fo Belgium, P. Van der Hallen, “The transaction cost approach and the performance of the Belgian dairy co-operatives before 1940”, *Working Paper Social and Cooperatives Entrepreneurship SCE -09.02*; for France, A.R. Baker, *Fraternity among the French Peasantry: Sociability and voluntary associations in the Loire Valley, 1815-1914*, (Cambridge: Cambridge University Press, 1999); N. Vivier, “Agriculture and economic development in France, 1870-1939”, P. Lains and V. Pinilla (eds.), *Agriculture and economic development in Europe since 1870*, (London: Routledge, 2009), pp. 210-233.

⁶ See, F.J. Medina-Albadalejo, “Co-operatives wineries: Temporal solution or efficient firms? The Spanish case during late Francoism, 1970-1981”, *Business History*, (2015). In opinion of the author, the Spanish wine cooperatives were not efficient from a financial perspective.

⁷ See, F. Beltrán Tapia, “Commons, social capital, and the emergence of agricultural cooperatives in early twentieth century Spain”, *European review of Economic History*, 16, (2012), pp. 511-528.

⁸ J. Serrano Alvarez, “Comunales, cambio técnico y mercado: las cooperativas mantequeras en la montaña leonesa (1857-1936)”, *XIV Conference of Agricultural History*, Badajoz, 2013.

⁹ See, A. Martínez-Soto, S. Martínez-Rodríguez and I. Mendez, Spain’s development of rural credit cooperatives from 1900 to 1936: the role of financial resources and formal education”, *European Review of Economic History*, 16, (2012), p. 17.

¹⁰ For instance, in 1892 was active a cooperative of citrus exports in Alzira. See, V. Abad García, *Historia de la naranja (1781-1939)* (Valencia: Comité de la Gestión de la Exportación de Frutos Cítricos, 1984), p. 25.

¹¹ The presence of agricultural Catholicism was weaker in the regions of the Mediterranean. See, C: Román-Cervantes, *Uso y explotación de la tierra en la comarca del Campo de Cartagena, (siglos XIX y XX)*, (Madrid: Ministerio de Agricultura, Pesca y Alimentación), p. 429.

¹² J. Carmona and J. Simpson, *El laberinto de la agricultura española*, (Zaragoza: Prensas Universitarias de Zaragoza, 2003), p. 236.

¹³ See, J. Planas, “Cooperativismo y difusión del cambio técnico en la agricultura. La contribución de las cámaras agrícolas (Cataluña, 1890-1930)”, *Historia Agraria*, 30 (2003), pp. 87-117.

¹⁴ S. Garrido, “Why Did Most Cooperatives Fail? Spanish Agricultural Cooperation in the Early Twentieth Century”, *Rural History*, 18, 2, (2007), pp. 183-200; J. Planas and F. Valls-Junyent, “¿Porque fracasaban las cooperatiavs agrícolas?. Una respuesta a partir del analisis de un núcleo de la Cataluña rabassaire”, *Investigaciones en Historia Económica*, 7 (2011), pp. 310-321; J. Carmona and J. James, *El laberinto de la agricultura española. Instituciones, contratos y organización entre 1850 y 1936*, chapter 8, “Porque las cooperativas agrarias fracasaron antes de la Guerra Civil?”, (Zaragoza: Prensas Universitarias, 2003), p. 233.

¹⁵ See, H. Gardikas-Katsiadakis and C. Bregianni, *Agricultural Co-operatives in South and Central Europe 19th-20th Century. A comparatives approach*, (Athens: Academic of Athens, 2013).

¹⁶ See, C. Román-Cervantes and N. Bruno, N (1999).

¹⁷ Boletín Oficial de Estado, número 12, Ley de Enero de 1942, de cooperación, p.221.

¹⁸ For example from 1978 cooperatives second tier are included in the respective activities.

¹⁹ J.F. Juliá and B. Segura, “El cooperativismo agrario en España y la integración en las Comunidades Europeas”, *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, 2 (1987), p. 63.

²⁰ C. Barciela, “Crecimiento y cambio en la agricultura española desde la Guerra Civil”, J. Nadal, A. Carreras, C. Sudriá (eds.), *La economía española en el siglo XX*, Barcelona, (1987), p. 269.

²¹ The autarchic model aimed at self-sufficiency of the country through import substitution by domestic production thus achieving a favorable balance of payments, with these funds and with the direct promotion of the economy by the state, the ultimate goal was not only independence economic, but the industrialization of the nation. However, the autarchy policy was a complete failure, causing extreme poverty and malnutrition situations food. See, M.A del Blanco, “Morir de hambre. Autarquía, escasez y enfermedad en la España del primer franquismo”, *Revista de Historia Contemporánea*, 5, (2006), p. 241-258 and I. Cura and R. Huertas, *Alimentación y enfermedad en tiempos de hambre, España, 1937-1947*, CSIC, (2007), Madrid.

²² There is a significant amount of literature concerning ACSs, especially in the 1960s, a critical period for traditional agriculture. At this time several studies began to approach the viability of the ACSs as associations of farmers and their capacity to respond to the increased competition in farming. See M. Garro Quiroga, *Los grupos sindicales de colonización como instrumento de colonización agraria*, (1968), ; J.J Álvarez-Sala Moris, *Nuevas formas de empresa agrícola: grupos sindicales de colonización*, (1964),

Madrid; M. García Brera, *Los grupos sindicales de colonización: una fórmula española de agricultura en cooperación*, (1971), Madrid; J. Paniagua Gil and R. Carbonell de Masy, “Grupos Sindicales de Colonización”, *REVESCO, Estudios Cooperativos*, 32, (1974), p. 56.

²³ J. Julia and J. Server, “Social economy companies in the Spanish agricultural sector: delimitation and situation in the context of the European Union”, *Annals of Public and Cooperative Economic*, 74:3, (2003), p. 471.

²⁴ See, C. Román-Cervantes, *Between solidarity and profit: the Agricultural Transformation Societies in Spain, 1940-2000*, (Saskatoon: Centre for the Study of Co-operatives, University of Saskatchewan, 2008) and “Las sociedades agrarias de transformación en España: un análisis histórico”, *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, 63, (2008), pp. 65-88.

²⁵ J. Paniagua Gil and R. Carbonell de Masy, “Grupos Sindicales de Colonización”, *REVESCO, Estudios Cooperativos*, 32, 1974, p.24.

²⁶ “The decisions will be taken by the majority, having each partner the right to one vote, whichever is the capital represented by him; in case of tie, the vote of the president is decisive. However, if the General Assembly so considers, it may establish, when approving the Internal Regime Rules, that, in order to adopt decisions on certain matters, which the Rules themselves contemplate, is indispensable the double majority, o persons and capitals”, Circular nº 77, Obra Sindical de Colonización.

²⁷ According to the Agricultural Cooperative Act, 16 July 1999.