Co-operative Banks and Agricultural Co-operatives: Building Innovative and Sustainable Communities

Cynthia Giagnocavo and Luis Fernández-Revuelta Pérez

This case study and resulting observations about the role of credit and agricultural co-operatives in providing the institutional framework for building sustainable economic and social communities is based on a province in the south-east corner of Spain. In a relatively short period of time, the people of the province of Almería went from suffering dire poverty to creating a thriving, increasing environmentally responsible and yet internationally competitive economy. The sustainability of such economic prosperity and the construction of co-operative businesses and institutions both during and after a brutal and inefficient dictatorship is notable. The co-operative bank was a proactive force in developing economic activity and technological innovation, founding and organising co-operative institutions and networks, filling a civil society vacuum and playing a cohesive function in the construction of a community from which a stable democratic economy could be built. Both credit and agricultural co-operatives were also instrumental in the transition from basic subsistence agriculture to a sophisticated agricultural sector, where benefits are equitably shared. While at first the agricultural activity was unsustainable, the co-operative institutions transformed their peculiar intensive farming systems into resource efficient and increasing biologically controlled enterprises. We set our discussion against the backdrop of 'industrial districts' or 'clusters', given their historical theoretical association with co-operative banks and local development and in light of the fact that Almería is a rare example of an agricultural industrial district. In our case study, traditional shortcomings identified in industrial districts have been overcome by the various development and growth strategies of the local co-operative bank. The characterisation of 'territory' is reconsidered both in the context of constructed communities and with respect to the need to reconcile the financial necessities of such community and the growth strategies of the co-operative bank.

Introduction

The province of Almería is an example of an agricultural 'industrial district' or cluster for successful sustainable, agricultural development due to the expansion of intensive agriculture. While not providing a particularly bucolic landscape, the intensive greenhouse system produces a great deal of food with little land and limited resources. Almería is the top fruit and vegetable-growing province in Spain, representing over 50% of the national total (Galdeano Gomez et al, 2011) and the largest co-operative vegetable growing area in Europe. It is also home to the largest credit co-operative in Spain, Cajamar[1], which is the fifteenth largest bank in the country. Coexphal, the association of producer organisations, which represents over 70% of the growers and almost 100% of agricultural co-operatives, is instrumental in the organisation of the co-operative sector.

The sector provides direct employment to more than 40,000 workers annually. In 2010, agricultural production increased to 2.5 million tons with a turnover of 1.8 billion Euros. Over half the produce is exported, resulting in trade surpluses. All of this is produced in an area of 26,200 hectares. More than 250 complementary or auxiliary businesses, both co-operative and investor owned have been created with a turnover of more than 1,000 million Euros (Aznar Sánchez, 2010). In spite of such subsector dimensions, the

Journal of Co-operative Studies, 45:1, Summer 2012: 15-31 ISSN 0961 5784

average landholding is 1.5 hectares, most held by small scale or family farmers (13,500 in number) who are members of agricultural co-operatives. Of particular importance is the equitable distribution of wealth generated in the region (Downward and Taylor, 2007).

What is unusual about the Almería model is its growth into a specialised agricultural based sector (ie a primary sector), which is heavily invested in technological advances all the while maintaining its “atomised” small growers and its co-operative business form. Much of the sector’s research and development, which is crucial for such specialisation, is based on sustainable technologies and practices financed by co-operative sources. For example, it is Europe’s leader in ‘biological’, as opposed to chemical, crop control. The patents related to the Almería cluster account for 31% of all Andalusian agrarian industry patents (Fundación Tecnova, 2009). There is also evidence that the reflection of the sun off the greenhouses has contributed to combating climate change (Campra et al, 2008).

With respect to financing the cluster, the Almería agricultural and credit co-operatives are intricately intertwined. This in and of itself is not particularly unique, as many agricultural co-operatives areas have a close relationship with a local credit co-operative. However, the growth strategies of the local co-operative bank have resulted in it having a wide national presence, outgrowing its local geographical scope in order to feed the capital needs not only of its agricultural co-operatives but also of the growing auxiliary businesses. The co-operatives are interlinked with many SMEs and larger companies as well, resulting in diversity of business forms, but with the co-operative sector as the main economic and social driver.

The development of Almería occurred in a relatively short period of time (spanning both a dictatorship and the transition into democracy) in an area known for its abject poverty and barren land. In terms of GDP per capita in 1955, it ranked last (less than 50% of the Spanish average) in an already poor Spain suffering from the autarky imposed by Franco. Between 1994 and 2005 Almería’s growth in GDP nearly quadrupled relative to the regional and national averages. Today it is ranked among the top third of Spanish provinces in GDP per capita thanks in large part to agricultural co-operative development and the Almería model has been ‘exported’ to various countries, serving as an example of cluster support for a successful sustainable, non-industrial development model. The agricultural co-operative sector is currently the only sector in the region which is generating employment.

This development cannot be understood without investigating the active involvement of the farmers’ co-operative movement and the innovative practices of the co-operative bank and its proactive involvement in the local economy. The success of co-operative finance is often attributed to factors such as trust, information and transaction costs efficiencies — ie that monitoring is easier, knowledge being more implicit or community/trust-based and thus, that the risk of ‘incompleteness’ of both information and contract is reduced (Dei Ottati, 1994; and Padoa-Schioppa, 1996). This, however, is only one part of the analysis in exploring the role of co-operative finance in local development and community building, particularly in situations where sustainable innovation is crucial. In this paper we demonstrate how the local co-operative bank’s role in local development went far beyond the relationship-based supply of credit. The co-operative bank was a constant source of and impetus for sustainable innovation, both social and technical, as well as the force behind the construction of a social and economic community. This community was not an already pre-existing group, defined by territory and cultural ties based on proximity, but grew up as a result of the co-operative bank's role, an observation which has important implications when considering the role that finance can play in social cohesion and social change. In contrast to a ‘control’ or 'information' based model, in light of our case study observations, we propose a more profound and proactive institutional role for co-operative banks.

The Role of Co-operative Banks in Local Economic Development

The economy of Almería is included in the numerous examples of 'industrial districts', albeit an agricultural one (Ferraro-García and Aznar-Sánchez, 2008). Within such districts the 'territorially embedded' co-operative bank plays an important role and the little attention that has been paid to the function of local finance has often been concentrated on industrial districts (Goglio, 2009). The term 'industrial district' was outlined by Becattini (1990: 38) as a:

> social-territorial entity … characterised by the active presence of both a community of people and a population of firms in one naturally and historically bounded area.

A broader concept is often used under the generic definition of 'clusters' (Porter, 1998) which are “agnostic as to territorial scale” and may be present in any setting where one can find:

> geographically proximate groups of interconnected companies and associated institutions in a particular field, linked by commonalities and complementaries (Whitford and Potter, 2007: 4).[2]

While this case study is not limited to the context of industrial districts, it is useful to take note of this form of development for the possibilities of a production model where SMEs embedded in local territories can compete in global markets (Piore and Sabel, 1984; Becattini, 1979; Becattini, 1987). Industrial districts:

> when they are successful, are creative, display originality, are often able to discover new markets, continuously introduce incremental innovations, some of which may prove important, and enhance social mobility and worker participation (Brusco,1992: 196).

This view of clusters/industrial districts or embedded local development ties into other characterisations, such as the co-operative movement or other 'collective entrepreneurship' initiatives of which the industrial district and co-operative are only a few amongst many forms.[3]

In the Italian literature on industrial districts, co-operative credit banks are seen as ‘intermediate institutions’ providing cheaper access to credit, thus lowering default rates, through the close ties that the banks have with the local community (Brusco and Righi, 1989; Ferri, 1997; Padoa-Schioppa, 1996). While we do not dispute the local co-operative bank’s role in this respect, we would argue that a more important and creative role may be played by co-operative credit in the development of local economies.

This amplified role for co-operative banks is important, particularly in light of the suggestion of the 'decline' of industrial district success. We show that not only did co-operative credit contribute to the developmental success of the area through both traditional and innovative methods, but that it was part of the solution when problems began to emerge, such problems arguably having their origins in classic industrial district characteristics. Bellandi and Caloffi, succinctly characterise such problems as:

> the structural deficits of an economy heavily dependent on small firms and a sectoral specialisation weighted towards relatively mature products that are particularly exposed to low-wage competition (2006: 466).[4]

Brusco (1992: 196) points out that industrial districts are:

> slow to adopt new technologies, lack expertise in financial management, have little knowledge required for basic research, and are unable to produce epoch-making innovation.

Local banks as found in industrial districts are seen to be undermined by consolidation in the financial system, afflicted by weak organisation and difficulties in competing with rivals (Ferri, 1997; Padoa-Schioppa, 1996).

In our case study we illustrate that these traditional failings were avoided in large part due to the strategic and active participation of the local co-operative bank, thus avoiding the tendency of mature industries (which intensive agricultural later became) to maintain the status quo rather than "retooling to capture emergent opportunities elsewhere" (Whitford and Potter, 2007: 6). Because the finance entity assumed the role of developing, encouraging and incorporating innovation, and because it had a direct interest in both the short term success of any particular member and the long term success of the whole sector, it was not content with maintaining a rentier status. The growth strategy of the co-operative bank beyond its original territory of Almería, though perhaps controversial for those who advocate 'local' banks based on strictly circumscribed territory, was crucial in avoiding the decline of the largely co-operative economic community.

In addition, if we accept that the success or resilience of industrial districts was very much due to being both embedded in a local area and at the same time a participant in international (later global) marketplaces, with their networks of knowledge (Brusco, 1994), then we can see the role of co-operative credit in participating in both. Furthermore:

> the need to continuously adjust and recombine the production process [… so that …] the relevant productive players jointly [were] embedded in a localised "network within networks" (Dicken and Malmberg, 2001)

was a task largely assumed by the co-operative bank, from its initial push for co-operative commercialisation channels to setting up of experimental farms and a research institute.

It should be noted that in our case study the co-operative bank was neither the first nor only source of finance operating in the province. However, it was the financial entity most closely associated with the local economy, and the most successful. Nor was it the only institution which took on the role of 'developing' the area at this time. The Franco regime implemented various unsustainable 'development' projects which focused only on available technology, not taking into account other financial, technical and social innovation that was necessary to develop the area in a meaningful way. Stories abound of the ineptitude and bumbling behaviour of the Franco Regime policies and actions, which often damaged rather than benefited the area (Provençal and Molina, 1987; Provençal and Molina, 1990: 43). Central to our analysis is the assertion that the co-operative bank filled a civil society vacuum and acted as the impetus for community building and social cohesion, thus contributing to its success. It is noteworthy that in our case, the Almería agricultural sector was never the recipient of large subsidies or state aid, neither in relation to the rest of Andalucía or Spain, nor the European Union.[5]

The Economic Landscape in Spain

While the Franco years may be known as an era of harsh political repression,[6] what is less well documented is the economic 'terror' or suffering caused by failed policies which resulted in mass starvation and dire poverty. In the post-war years 1939 to 1945, 200,000 Spaniards died of starvation. From 1935 to 1945 real incomes had dropped by 66 per cent (Cazorla Sánchez, 2010: 12). In 1950 Spanish disposable income was 40 per cent lower than Italy, which had yet to experience its own 'economic miracle'. Economic reforms in 1952 and the $487.8 million of US economic assistance (conditional on permitting the siting of a US military base) did little to ease the economic disaster (Cazorla Sánchez, 2010: 12). Within this already desperately poor country, the province of Almería was the poorest, with a level of income 50% lower than the national average (Sánchez Picón, 2005: 76). The province of Almeria, in the south-eastern corner of Andalucía, was a rural, formerly republican stronghold, isolated in terms of infrastructure and abandoned by even its own residents.[7]

After twenty years of economic failure, Franco finally relented and allowed Opus Dei technocrats (against the protests of the Fascist party Falange) to implement the 1959 Stabilisation Plan which essentially meant opening up the market to capitalist practices but leaving the dictatorship untouched (Cazorla Sánchez, 2010: 12). Spain's economy as a whole began to improve for several reasons: the country had reduced its economic isolation, foreign investment began to flow in and 2.6 million Spaniards also emigrated to work in other European countries, sending their money back home and injecting much needed capital into a still weak economy. In addition, 6 million people relocated within Spain, leaving the rural areas sparsely populated (Cazorla Sánchez, 2010: 12-13).

During this period of relative economic improvement, however, income disparity increased: in 1974, the year before Franco's death, half of the population received 20% of disposable national income while the other half enjoyed 80%. Within the latter group, 10% took 40% of such income (Cazorla Sánchez, 2010: 14). Geographically, the benefits of economic and social development were also unevenly distributed and at the end of the line were the rural areas of Andalucía (which includes Almería), Extremadura and La Mancha where "abject poverty and illiteracy were rampant and social services scarce" (Cazorla Sánchez, 2010: 14). In contrast, the industrial areas of the Basque region, along with Catalonia and Asturias, ranked first among the wealthier regions.

As Spain's economy grew and became more industrialised and urbanised, Franco's brutal policies played an important role, especially in terms of ensuring that affordable labour was abundant. As Cazorla Sánchez observed (2010: 15):

> Francoism created an affordable, disciplined workforce which was achieved by the killing of union leaders, by the destruction of genuine, representative organisations and by instilling fear and pessimism in the general population. The combination of these factors made possible the optimum exploitation of employees by both the state and capital interests. The state guaranteed employers a 'business friendly' environment with a docile and cheap workforce.

In 1965, public expenditure was 15% of GDP (the OECD average was 31%). In 1970 it was barely 20.1% of GDP, compared with France - 51%, Italy - 43.3%, UK - 53.2% and Germany - 36.8% (Carreras and Tafunell, 2005: 877).

This state of affairs, both with regard to the absence of labour leaders and desperate but docile workers and the lack of public expenditure and investment, are important in understanding the influential role that the co-operative bank would later play in building community and 'civil society' and filling the institutional vacuum that was the result of the years of the dictatorship and its economic and social policies.

Mapping the Co-evolution of the Co-operative Bank and the Co-operative Sector

Almería has experienced a huge transformation in the last 40 to 50 years. Between 1970 and 2000, the rate of population increase of the province was 90% more than that of Spain as a whole, 84% more in production and 130% greater in employment than the rest of the country. During this period it also saw an increase of 20% in its GDP. While it was not the only province to develop economically, it was unique in that it grew both in terms of population and in wealth (Molina Herrera, 2005: 15). Presently, 20% of such production and employment is in the agricultural sector (in contrast to 2% in the EU-15 and less than 5% in Spain as a whole). A majority of the agricultural sector is comprised of co-operatives, family farms and SMEs. In this section we describe the history of the co-operative bank, the agricultural co-operative agricultural and the changing role of finance against this backdrop: 1960 to 1975; Post Franco 1975 to 1990; Maturity 1990 to 2000; and Current.[8]

1960 to 1975

Geographically isolated, with arid land, lack of infrastructure and a high percentage of its population having emigrated due to lack of opportunities, the province of Almería in the 1960s was not the best candidate for agricultural development. In the 1940s a large expanse of land within the province of Almería had already been declared a 'zone of national interest' in order to exploit the water reserves beneath the arid land and increase agricultural production. A government programme was implemented to provide wells and pumps thus supplying a few hundred hectares with water by virtue of small gasoline pumps, scarce electricity precluding much more (Sánchez Picón, 2005: 82). However, in 1956 crops were planted with abysmal results (Cazorla Sánchez, 1999: 229) as the subterranean waters were quite saline and not particularly suited for cultivation.

In 1961 the government introduced an electrification plan, allowing more efficient water pumps, and thus a model of development based on exploiting subterranean waters (a limited resource) was put into operation. More importantly, such agricultural activity served as a lure for people from other areas (such as the mountains or the interior), many of whom had no other opportunities. Pursuant to the "Colonisation Programme" (the Regime's odd term for agrarian reform), the barren land which was considered otherwise useless was offered for sale for this type of cultivation. Presented with the choice of emigrating to distant locations (as many had done before who had had no choice) or moving a shorter distance and with the possibility of starting a farm and owning a small parcel of land (maximum 3.5 hectares), families chose to stay. To finance their purchases they either had to sell off their land in the interior (if they had any) or rely on the savings of family (if there were any).[9]

Poor farmers who had come from the interior part of the province and resettled in Almería introduced a 'technological innovation' which consisted of putting down a layer of fertiliser and covering this with a layer of sand, in order to keep the roots of plants moist and to filter the salty water. Coming from the mountain regions and inland they had been accustomed to grape production using trellises, so in keeping with this technique, they built structures with wooden posts and galvanised wire and covered them with cane to reduce the vicious effects of the strong winds which sweep over the region. With the arrival of plastic sheeting, a clear plastic roof was put overhead. These structures served as the first rudimentary greenhouses. Perhaps seemingly insignificant to the outsider, this basic structure revolutionised the economy of the area.

Without irrigation and because of the need to fund rudimentary greenhouse technology, it was impossible to support a family on such small pieces of land. The Colonisation Programme was not intended to improve the lives of such farmers, but rather to exploit existing resources (cheap labour and underground water), fully expecting that they would be part-time farmers for themselves and cheap labour for others.

With increased production underway by use of irrigation and basic greenhouses, families needed to sell their produce, but the farmers faced significant difficulties in this regard, since the supply chain was controlled by large, sometimes foreign multinational companies. This barrier was significant and difficult to overcome without independent financing and organisational strength (things which the co-operative bank would later organise and finance). Local firms applied to be officially allowed to export but were denied by the Regime's administration. Commercialisation was thus controlled by larger regime-friendly companies who would buy Almerían products and re-export them under false labels (Cazorla Sánchez, 1999: 232).

Eventually, on the initiative of entrepreneurial middlemen, various auction houses did begin to operate and some even implemented a type of 'financing' in that they would cover the costs of seeds and supplies up front and subtract this from revenues after the harvest. However, the lack of transparency in prices and price fixing between large auction houses left the farmers in dire circumstances many lost their land to the auction houses. Auction houses would then resell or rent the land to young farmers with an exclusive contract to sell their goods, allowing the auction house to fill up their warehouses with produce and combat the efforts of farmer co-operatives (Cazorla Sánchez, 1999: 234) A co-operative auction house (founded in the 1940s) did exist, but it lacked sufficient capital until funded by the co-operative bank.

Economists describing this period offer the following observations about Almería: that in general, financing needs were low and there was very little linkage between financial and agricultural sectors. Production depended on natural factors (availability of some water, cheap land and a sunny climate), abundance of cheap labour, and low capital requirements given the basic level of technology and the absence of a marketing structure. The agricultural activity is described as being squarely within the primary sector and value added was based on sheer labour effort. What little financial intermediation existed was noted to be largely through the auction house (eg Molina Herrera, 2005; Cortés García, 2003/2004).

What this analysis does not tell us is that farmers had a critical need for micro-financing that was not being met. Those who had no capital needed a way to turn the only thing they did have, labour, into capital. They also needed capital and an organisation to create a system of commercialisation which did not exploit them. While technology was basic, it was still significantly more expensive than non-irrigated farming. Without access to capital for these poor farmers living on otherwise worthless land, further development would have been difficult if not impossible. At best, they would have been able to farm part-time in addition to working as cheap wage labour for the local urban class.

The development model as set up by the Regime was unsustainable, relying on the over-exploitive use of water, under-investment in further technology, infrastructure and commercial avenues and no investment in the people actually working the land. Farmers endured atrocious living conditions, without proper housing or sanitation. Children had to work alongside parents, often missing school entirely (Cazorla Sánchez, 2010: 107). It is likely that they would have remained peasants until the last drops of fresh water had been squeezed out of the aquifers.

It was against this backdrop that the co-operative bank changed the economic and social landscape.[10] In 1963 "Caja Rural Provincial de Almeria" activities commenced on the initiative of a few local people influenced by Acción Católica[11] seeking a development model that lay between the Fascist Falange party and the outlawed Communist party. They began to visit farmers in small scattered towns and villages, informing them of the possibility of setting up agricultural co-operatives. It became apparent that financing was not available. Other sources of finance in the province would only lend to businesses and land owners who could provide security or guarantees. Even if the farmers did have land, such land was often not worth enough to secure the loan.

Breaking the rules of traditional finance, unsecured loans were given, based solely on the promise of labour. As a result, the co-operative bank assumed a different position than that of a traditional provider of credit or capital: it had a far higher stake in making sure that whatever activity the farmers engaged in was worth financing. This simple, though paradigm-changing, observation has informed the strategy of the co-operative bank since that time.

As the co-operative bank was not officially set up to perform financial transactions, the founders withdrew the funds every morning, circulating amongst the farmers to do their banking.[12] At the close of business they would deposit the money in a conventional bank. In the meantime, a network of customers was created. This continued until the Caja was officially constituted in 1966. The first formal official loan by the Caja on its own account was made in 1967. In 1970, it proceeded to rapidly open 'branches' (modest buildings amongst the greenhouses) in all of the small towns and villages of the province and in 1972, it opened its own office in Almería city. When it gained official status, it could only give credit or make loans to agricultural co-operatives. To this end, it followed a strategy of creating co-operatives in many small towns and villages, dedicating resources and people to the task. Deposits from the interior towns were used to finance the emerging needs of the 'new' irrigated farming on the coast. There was a double objective: to find new clients and to create an agricultural co-operative network throughout the province.

In the space of 12 to 13 years, the co-operative bank helped to develop an agricultural co-operative movement and established innovations in both information and agricultural technologies. Its actual 'financial' activity was quite straightforward — simple credits and loans in keeping with traditional banking. Its growth was extraordinarily rapid. In 1970 agricultural loans equaled 200 million pesetas. Three years later this amount was 1,268 million pesetas. (In contrast, the well established savings bank of Almería had a volume of only 862 million pesetas in agricultural loans.) By 1975, the Caja's deposits had reached 2,490 million.

While these results are impressive under any circumstances, what is curious is how such a co-operative movement and co-operative credit bank managed to achieve this during a dictatorship where capital and social structures were tightly controlled by the Regime and where there had not been a pre-existing cohesive community embedded in a particular territory. It operated ‘under the radar’ and when the Regime noticed, it was already well entrenched as an institution in the province. Given the absence of union leaders and political organisers, coupled with a distrust of institutions and authority, the co-operative bank served as the impetus for farmers to organise. Even though these ‘co-operatives’ were still co-operatives under a dictatorship, the fact that they were small enterprises with the support of independent financing was the start of a new paradigm in the region. It may be that for many of these people, the co-operative bank was the first institution to earn their trust outside of the family.

Post Franco 1975-1990

In 1975 Franco died and Spain began the transition to democracy. One could be tempted to think that with the end of the dictatorship the economy and society would immediately improve. While there was a clear improvement in terms of political freedoms, the economic path upwards proved more complicated. Unemployment was high, the investment culture was weak, Spain was isolated and there was a muddled vision of the way forward with the loss of the paternalistic state and little sense of external international competitiveness. This is to say nothing of the paralysing effect of the fear of further violence and instability should the delicate process of transition fail.

The developing agricultural model began to show signs of stress, particularly in the most concentrated areas. Prices rose, overexploitation of underground water was threatening exhaustion and the saline content was increasing due to the intrusion of seawater. Mineralisation of the soil increased, pesticides began to accumulate, the rate of infestation by pests and diseases increased, soil erosion became a problem as did waste disposal. Production began to decrease and energy prices started to rise (Cazorla Sánchez, 1999: 264). Supply grew faster than demand as other areas of Spain also increased production. Countries which had a favoured status within the then European Common Market and countries which had agreements which gave them preference were serious competitors. This weakening position increased the market power of large agri-food companies (Cazorla Sánchez, 1999: 264-5). The challenges for the co-operative farmers in this stage of development included not only the adjustments to be made in the transition to a market economy and to a democracy, but also the need for innovation, on a social, economic and strategic level. The co-operative bank was a partner, perhaps the instigator, for the farmers in this process.

A key strategic decision was taken in 1975/6: three experimental farms were initiated and fully financed by the credit co-operative with the goal of increasing the technical level of the agricultural co-operatives by testing, developing and sharing results. Experimental and crop risk (and thus, financial risk) was transferred from the farmer to the credit co-operative. Sustainable technologies were an important area of research and such knowledge was widely disseminated amongst the co-operatives.

The viability of new technologies was tested by a service financed by the co-operative bank (beginning in 1975/6) in order to provide information on establishing the adequate finance mechanisms that needed to be put in place for each new technology (Galdeano Gomez, 1994: 278). While certain technologies were indeed innovative, whether they were or would be profitable was an entirely different matter. The role of finance at this stage in both production and marketing had a dynamic character, providing for the incorporation of new technology and above all the incorporation of market information in the production process. Primary agriculture gave way to intensive agriculture by the use of such factors closely connected to consumer markets. The main technological projects undertaken by the experimental farms not only significantly increased production but also allowed produce to enter the market two months earlier, something that was key when faced with competition from other countries. The assumption of research expense and experimental risk by the co-operative bank not only spared farmers such uncertainties but also created a sense of community through a shared knowledge base.

The co-operative movement contributed to changing the mentality of the farmers in that they were now participants in the commercialisation process, with a deeper understanding of the workings of the market and consumer demand. The Almería co-operatives are associations of producer farmers who bring their products to their co-operatives to be marketed and later share benefits amongst themselves. One of the main benefits of this type of co-operative, in addition to economic gains, is the ability to participate in the decision making process, each member being treated equally. The tools of pressure that they could now begin to influence as both producer-exporters at the level of the Administration (which was dominated by the interests of other productive regions of the country) became stronger as the sector grew and they found themselves with a political voice and power not experienced before.

Maturity (1990-2000)

Not only was this a period of important economic growth, an important cultural shift occurred with the disappearing a peasant agricultural identity replaced by an agro-industrial model. Entry into the European Union, coupled with the impending globalisation after the Marrakech Agreement of 1995 (replacing GATT and liberalising world trade) brought new challenges to the sector. Such conditions required larger infusions of capital than had previously been the case, both to meet increased demand and to enable the farmers and co-operatives to compete internationally.

These challenges were met in several ways: an expansion strategy was pursued by Cajamar in a neighbouring province prompted by the failure of that province’s credit co-operative. Investment in research and technology increased, such technological advances moving at an even more rapid speed. Many of the technologies focused on sustainability or technological advances. Environmental solutions were sought for waste collection and recycling. The function of the co-operative bank in calculating the economic implications of the adoption of such technologies was significant contribution.

During this period there was a widespread incorporation of production technology, business management applied to farms, and the conversion of the ‘peasant’ into an ‘agricultural entrepreneur’. The co-operative bank contributed to the creation of new lines of business in the co-operatives, supporting business associations related to agriculture not only financially but also utilising its network of institutional contacts for the development of their projects. Services and infrastructure reached a standard similar to those of Spain's industrial districts. Support for other institutional entities was also part of the strategy: the university, associations of exporters, the chamber of commerce, etc. The infrastructure for direct commercialisation was also put in place. An institute of social and economic studies in Almería was created in 1998 as an attempt to achieve a more profound understanding of both the local and international sector from an economic and social point of view. Notably, contrary to other industrial district experiences, the role of the co-operative bank did not decrease when firm size (in this case sector size) grew and reputation became more established. Its proactive role continued as the productive sector began to develop and mature.

By virtue of being a co-operative member, farmers had access to a sophisticated and wide array of business, human resource, research, financial, communications and technological resources that would have been impossible on a small farmer scale. This creation of a knowledge community not only afforded a more level playing field for both small and large enterprises and encouraged newcomers to start up a business, it also created efficiencies of scale (that are usually considered in terms of concentration of capital, but not in concentration of human or social capital).

Current (2000 onwards)

Since 2000, the development and maturity of the agricultural support and services industry can be seen to have given rise to sectoral diversification and the creation of a local production system. In the future, following the financial crisis and the implosion of the construction sector, it is expected that there will be a new focus on the Spanish agri-food sector. In addition, the sector is likely to have to deal with ever-increasing opening up of markets and competition from countries where labour is cheaper such as Morocco. It is important to note that this competition is not predominantly with Moroccan farmers, businesses or capital, but competition with European and multi-national agricultural firms, at times using EU funds, that have set up operations in Morocco, and in other parts of Africa, to take advantage of cheaper production costs. Neither fair labour nor environmental standards, much less the equality benefits of a co-operative business model, are a priority for such competition.

Current areas of emphasis are related to food safety, meeting consumer demand (in general, value added), ecological production, technical R&D, energy production (from agricultural waste) and renewable energy. Greenhouse design is a central area of investigation, such design directly affecting production, pest levels and natural resource use. For example, modern greenhouses (self-heating in the case of Almería) can capture condensation and channel it to plant roots, utilise fabrics which repel insects detrimental to product, create an environment in which beneficial insects can control pests and incorporate ventilation systems that avoid plant sicknesses. Above all, there is a recognised need to strengthen strategic expertise and a growing concern with distribution and logistics.

The response of the co-operative bank, working together with other co-operative institutions, has been to invest more in research and education and to diversify its areas of activity, without abandoning the agricultural sector. Sophisticated research into projects such as the cultivation of microalgae, biological pesticides, and participation in genome research projects have all taken place. Supporting and encouraging integration and concentration of supply is also an important challenge that the co-operative bank has taken responsibility for, allowing co-operatives to compete with larger shareholder owned agro food firms.

Growth and Expansion Strategy

The comprehensive growth strategy is of key importance to the chronological story set out above, since the growth of the credit co-operative and the agricultural co-operatives went hand in hand. In 1989 a strategy to expand beyond the province was taken by the co-operative bank. To access more sophisticated services and financial products, the rural credit co-operatives in Spain decided to work together as an association (1989/90), however as Cajamar grew, conflict arose between it and the association, a key issue being the prohibition on entering the territory of other rural credit co-operatives.

The success of intensive agriculture in the 1990s created the necessity to look for other markets, as the gap between deposits and the demand for credit to finance an ever more sophisticated and growing sector required moving into other territories. Growth was rapid through mergers and synergies and complementary territories were sought out. However, its merger in 2007 with a rural co-operative bank in a distant province broke the tendency, as it was situated in a very distinct territory with an economy unlike that of Almería or of the Mediterranean coast: its population was older, less risk adverse and with a higher level of savings and thus with different financial requirements. This strategic merger provided an injection of much needed capital to feed the expanding agricultural sector of Almería.

The subsequent growth phase in which it now finds itself is a result of government policy, ie the System of Institutional Protection ('SIP') which provides for the grouping of small credit co-operatives, unifying their balance sheets and their systems of risk management. Such arrangement is made for an initial period of 10 years after which, one assumes, it would be difficult to unwind. Cajamar decided to lead its own SIP, converting into a Co-operative Group.

In light of the above, the strategic mergers of the co-operative bank imply a different notion of the role of a credit co-operative in local development. If we restrict the notion of 'local' to a necessary link between a given community and territory, such expansion 'breaks' such bonds. However, if we view the activity of financing as being capable of creating communities and being an impetus for sustainable innovation and indeed, survival, the emphasis on such territorial restriction is reduced. In order to support the co-operative community with which it had 'grown up' expansion was a necessity. From a strategic point of view, Cajamar has avoided a common pitfall of territorial and sector concentration, which renders local finance vulnerable to volatility (see above, Bellandi and Caloffi, 2006; Ferri, 1997; and Padoa-Schioppa, 1996).

Whether the politically mandated mergers and growth (as opposed to strategic mergers and growth initiated by the co-operative sector) are in keeping with co-operative principles or constitute a threat to sustainable co-operative finance and the corresponding co-operative community is a key question raised by the research we have undertaken.

Conclusion

Through our detailed case study we have described the evolution of the role and activities of a co-operative bank in the development of its community, moving from a primary agricultural system to a sophisticated, environmentally aware, local production system. As a pro-active agent of technological, economic and social innovation, this co-operative bank has also fulfilled a central institutional role in the contribution to a civil society in a population left vulnerable by an economically and politically repressive regime. It has done so by carrying out the following strategies:

- Committing itself financially and socially to a vulnerable community such that initially the only ‘security’ it had was to make sure that the activity of its members was worthwhile funding, thus implicating itself in a profound way in the economic and social activities of the community.

- Encouraging the establishment of a co-operative economic ‘fabric’ through the set up of co-operatives and the coordination of family/SME based enterprise.

- Building on but going far beyond relationship-based finance through pro-active production and dissemination of technical, economic and social knowledge and playing an active role in the incorporation of these.

- Shifting and transforming individual economic risk (including technological and experimental risk) to community risk, thus involving not only the co-operative bank, but also the community in shared success.

- Recognising the transformation from ‘peasant’ to ‘agricultural entrepreneur’ and providing management and financial training as well as support to other institutional players.

- Assuming the role of intermediation in the area of international and political changes and EU policy for community members.

- Pursuing organic growth strategies in order to sustain innovation and sector growth amongst its members and as well, to diversify its activities beyond local specialisation (both sector and territorial) thus protecting against undue potentially volatile concentration.

- Pursuing strategic growth strategies in response to government imposed integration in order to maintain its strength both inside and outside its original territory.

In observing the above strategies, we note that many of the shortcomings of the industrial districts cited here (Brusco, 1992; Whitford and Potter, 2007; Ferri, 1997; Padoa-Schioppa, 1996; Bellandi and Caloffi, 2006) have been addressed and overcome in large part due to the proactive role of co-operative finance. In addition, we have shown how a co-operative bank, in collaboration with a co-operative movement, has been able to co-construct an economically stable community through sustainable innovation. Co-operative entities functioned to harness, guide and leverage the strengths and capacity of the local Almería economy in its interaction with other environments, whether in the form of markets or political institutions.

The co-operative bank began during a dictatorship, a regime notorious for inept economic policies and cruel political repression with a consequent deterioration in social and economic institutions. Almería was a wasteland: a large proportion of the population had emigrated, there was little sense of civic or cultural community, and a profound distrust of basic institutions such as the state and the Church (which was aligned with the Regime). The family (particularly amongst the lower classes) was the only trustworthy unit, in spite of being stretched to the limit at times, with members forced to emigrate to the North of Spain, Europe, the Americas, and elsewhere. The co-operative bank acted as the catalyst in the rebuilding of the province's institutional structures, in addition to its civil society role, the encouragement of entrepreneurship, creating and sustaining social and co-operative networks, addressing emerging external challenges, introducing technology, knowledge production and information dissemination and localised learning were all contributions of the co-operative bank.

Conceiving of the co-operative bank as more than just a local source of capital avoids several problems inherent in both territorial and the information economics approaches arguments, referred to above (eg Dei Ottati, 1994; and Padoa-Schioppa, 1996 or as well, present in the work of Williamson, 1985 or Stiglitz, 2002). If the limited control-based territorial model is adopted, premised as it is on information economics and transaction costs efficiencies based on proximity, any advantages that co-operative banks may be seen to have disappear as soon as the co-operative bank experiences significant growth or goes beyond its territory (even though growth may actually be key to capturing more funds to finance the original territory's financing needs). A non-territorial approach to growth strategies, while firmly based in co-operative values and the rationale of sustainable community needs, is an alternative to the idea that co-operative banks operate within a defined geographically region with a static notion of what constitutes 'community'.

By approaching the role of the co-operative bank as a co-generator of development and as an important contributor to civil society and the creation of community in the development of Almería, leads us to re-examine our notion of 'territory' and 'local development'. For example, if we look at how 'territories' or 'communities' may be constructed, in the case of 'ethical banks' we can see that they rely on a community that shares values but not necessarily physical proximity. Perhaps we can redefine the societal role of finance using 'active' co-operative banks as an example. Their unique, inherent characteristics allow them to fulfill certain social/developmental goals, where the 'territory' is one of community (which they help to construct) of values rather than one necessarily based on a pre-existing relationship with a geographic area. Indeed, given the migration patterns of those involved in Almeria's development, the sense of 'community' is something that arguably had to be created. First there was vast emigration out of the territory, followed by immigration of farmers who were re-located from other areas (see Aznar Sánchez, 2005 for migratory patterns of Almería). The sense of community perhaps was more about economic activity, at least at the beginning, than it was about any particular 'embeddedness' in the pre-existing social fabric. Hence, co-operative finance a played role in defining/building community, and not the other way around. From a theoretical perspective, is it necessary to rethink our circumscribed notions of territory and community?

The Authors

Cynthia Giagnocavo is a Research Fellow at the University of Almería, Spain in the Department of Management and Business Administration. Her research is focused on agricultural and credit co-operatives and social economy entities. Luis Fernández-Revuelta Pérez is a professor of management and accounting at the University of Almería.

References

Aznar Sánchez, J A (2005) “Dinamicidad demográfica, estructura de la población y movimientos migratorios” in *La economía de la provincia de Almería*, Caja Rural Intermediterránea (eds). Instituto de Estudios de Cajamar, Almería pp123-150.

Aznar Sánchez, J A (2010) “El Cluster Agroindustrial de la Horticulura Intensiva de Almería: Surgimiento, Dinámica Y Perspectivas” in *Cuadernos de Estudios Agroalimentarios* v2 2011, Fundación Cajamar, Almería.

Becattini, G and Dei Ottati, G (2006) “The Performance of Italian Industrial Districts and Large Enterprise Areas in the 1990s.” *European Planning Studies*, 14 (8) 1139-1162.

Becattini, G (1990) “The Marshallian Industrial District as a Socio-Economic Notion” in Pyke, F, Becattini, G and Sengenberger, W (eds) *Industrial Districts and Inter-firm Co-operation in Italy*, Geneva, International Institute for Labour Studies, pp37-51.

Becattini, G (1979) “Dal ‘settore’ industrial al ‘distretto’ industrial:alcune considerazione sull ‘unitá de indagine dell’economiea industrial.” *Rivista di Economia e Politica Industriale*, 5 (1) 7-21.

Becattini, G (1987) *Mercato e Forze Locale: Il Distretto Industriale.* Bologna: Il Mulino.

Bellandi, M and Caloffi, A (2006) “Distretti Industriali Italiani e Internazionalizzazione fra gli anni novanta e la prima metà del nuovo decenio” in *L’italia nell’ economia internazionale: rapporto ICE 2005-2006*, Rome, Istituto nazionale per il commercio estero, pp466-482.

Brusco, S (1994) “Sistemi Globali e Sistemi Locali.” *Economia e Politica Industriale*, 84, 63-76.

Brusco, S (1992) “Small firms and the provision of real services.” in Pyke, F and Sengenberger, W (eds) *Industrial Districts and Local Economic Regeneration*, Geneva, International Institute for Labor Studies, pp177-96.

Brusco, S and Righi, E (1989) “Industrial Policy and Social Consensus: The Case of Modena (Italy).” *Economy and Society*, 18, pp405-424.

Burress, M J and Cook, M (2009) “A Primer on Collective Entrepreneurship: A Preliminary Taxonomy.” *University of Missouri Department of Agricultural Economics Working Paper 2009-04*, Columbia, Missouri.

Campra, P, García, M, Cantón y Palacios-Orueta, A (2008) “Surface temperature cooling trends and negative radiative forcing due to land use change toward greenhouse farming in southeastern Spain.” *Journal of Geophysical Research Atmospheres*, 113.

Carreras, A and Tafunell, X (coord) (2005) *Estadísticas históricas de España: siglos XIX y XX.* Fundación BBVA, Bilbao.

Cazorla Sánchez, A (1999) *Desarrollo sin Reformistas: dictadura y campesinado en el nacimiento de una nueva sociedad en Almería, 1939-1975.* Instituto de Estudios Almerienses, Almería.

Cazorla Sánchez, A (2010) *Fear and Progress: ordinary lives in Franco’s Spain, 1939-1975.* Wiley-Blackwell, Chichester, West Sussex, UK.

Cortés García, P (2003/2004) “El Papel de las Entidades de Crédito en el Desarrollo Económico Almeriense.” *Revista De Humanidades y Ciencias Sociales del IEA*, 19, pp59-94.

Dei Ottati, G (1994) “Trust, interlinking transaction and credit in the industrial district.” *Cambridge Journal of Economics*, 18, 529-546.

Dicken, P and Malmberg, A (2001) “Firms in Territories: A Relational Perspective.” *Economic Geography,* 77, 345–363.

Downward, S R and Taylor, R (2007) “An assessment of Spain’s Programa AGUA and its implications for sustainable water management in the province of Almería, southeast Spain.” in *Journal of Environmental Management,* 82, 277-289.

Ferraro García, J and Aznar Sánchez, J A (2008) “El Distrito Agroindustrial de Almería: Un caso atípico” pp353-382 in Soler i Marco, V (coord) *Los Distritos Industriales, Mediterraneo Economico*, Cajamar Caja Rural, Almeria.

Ferri, G (1997) ‘”Introduzione” in Cesarini, F, Ferri, G and Giardino, M (eds) *Credito e Sviluppo: Banche Locali Co-operative e Imprese Minori*, Bologna, Il Mulino, 17-55.

Fundación Tecnova (2009) “Tecnómetro. Observatorio económica y de innovación de la industria auxiliar de la agricultura”, *Almeria, Fundación Tecnova.*

Galdeano Gómez, E (1994) “Caja Rural de Almería: Evolución, Análisis comparado dentro del sector Andaluz y Política de Futuro.” *Boletín del Instituto de Estudios Almerienses*. Ciencias, ISSN 1133-1488, Nº 13, 1994/1995, 277-300.
Galdeano Gómez, E, Aznar Sánchez, J A and Pérez Mesa, J C (2011) “The Complexity of Theories on Rural Development in Europe: An Analysis of the Paradigmatic Case of Almería (South-east Spain)”. *Sociologia Ruralis*, Vol 51, nº 1, 54-78.
Goglio, S (2009) “Local Credit and Territorial Development: General Aspects and the Italian Experience.” in *Recovery and Development in the European Periphery (1945-1960)*, ed A Bonoldi and A Leonardi, Bologna, Berlino: Il Mulino, Duncker & Humblot, pp241-280.
Institute of Studies (Instituto Cajamar) (1994) *El Modelo Económico de Almería Basado en la Agricultura Intensiva, Monogram-Caja Rural Intermediterránea.* Cajamar, Almería.
Martin, R and Sunley, P (2003) “Deconstructing Clusters: Chaotic Concept or Policy Panacea?” *Journal of Economic Geography*, 3(1) 5-35.
Molina Herrera, J (2005) “Claves para la interpretatción económica de la provincia de Almería” in *La Economía de la Provincia de Almería*, Caja Rural Intermediterránea (eds), Instituto de Estudios de Cajamar, Almería, pp13-41.
Padoa-Schioppa, T (1996) “Il credito cooperativo in Italia: realtá e problemi.” *Cooperazione di Credito,* 152(3) 223–53.
Piore, M and Sabel, C (1984) *The Second Industrial Divide: Possibilities for Prosperity.* New York, NY, Basic Books.
Porter, M E (1998) “Clusters and the New Economics of Competition.” *Harvard Business Review*, 76 (6) 77-90.
Provençal, D and Molina, P (1987) *Campo de Nijar: cortijeros y areneros*. Almería, IEA.
Provençal, D and Molina, P (1990) “Producción y reproducción en Andalucía Oriental.” *Gaceta Antropológia*, 7, 40-55.
Rinaldi, A (2005) “The Emilian Model Revisited: Twenty Years After.” *Business History*, 47, 244-266.
Sanchéz Picon, A (2005) “De frontera a milagro. La conformación histórica de la economía almeriense” in *La Economía de la Provincia de Almerìa,* Molina-Herrara, J (coord) 2005, Caja Rural Intermediterránea, Instituto de Estudios de Cajamar, Almería.
Stiglitz, J E (2002) “Information and the Change in the Paradigm in Economics.” *American Economic Review*, 92 (3) 460-501.
Titos Martínez, M (2005) “El sector financiero en Almería” in La Economía de la Provincia de Almería”, Molina-Herrera, J (coord) (2005), *Caja Rural Intermediterránea,* Instituto de Estudios de Cajamar, Almería.
Whitford, J and Potter, C (2007) “Regional economies, open networks and the spatial fragmentation of production.” *Socio-Economic Review*, 5 (3) 497-526.
Williamson, O E (1985) *The Economic Institutions of Capitalism. Firms, Markets, Relational Contracting.* New York, Free Press.
Zeitlin, J (2007) “Industrial Districts and Regional Clusters” in Jones, G and Zeitlin, J (eds) *The Oxford Handbook of Business History*, Oxford, Oxford University Press, 219-243.

Notes

1. Cajamar, formerly Caja Rural de Almería, officially founded in 1966, its activities commenced in 1963.
2. While the latter cluster definition draws the criticism that it has stretched the concept to any scale and reduced it to a “world-wide fad, a sort of academic and policy fashion item” (Martin and Sunley, 2003: 6), the insistence on a more orthodox Marshallian industrial district, although offering “theoretical coherence and heuristic value” (Zeitlin, 2007: 4) is somewhat limited by its insistence on being deeply rooted in the particular experience of relatively culturally cohesive regions (as in Italy) (Whitford and Potter, 2007: 5).
3. See Burress and Cook (2009) for a useful and comprehensive overview of “collective entrepreneurship”.

4. Although as Whitford and Potter note, notwithstanding a study by the Bank of Italy pointing to some difficulties, (eg Prato), “the overall economic performance of provinces dominated by industrial districts was superior to that of the rest of the country, whether measured in terms of employment growth, productivity growth or share of national exports”. (See also Rinaldi, 2005; Becattini and Dei Ottati, 2006).
5. As a percentage of agricultural subsidies over agricultural income, for 2005: Almería’s ratio was 1.4% as compared to 16.2 % for Andalucía 18.2% for Spain as a whole and 17.1% across the EU (Eurostat and Consejería de Agricultura de la Junta de Andalucía).
6. 50,000 people were executed for political reasons in Spain after the civil war ended in 1939.
7. 350,000 people migrated from Almeria between 1900 and 1981, a figure which represented 95% of its population in 1900 (Aznar Sánchez, 2005).
8. These approximate time periods have been used by various economists writing on Almería (eg Institute of Studies, 1994) to describe agricultural tendencies although they make no reference to Franco, the dictatorship, its policies or the effects of such policies. In order to map the relationship with the co-operative bank, we have used the same time periods.
9. Not everyone was eligible, even if they did possess the resources. A selection process declaring the prospective purchaser ‘fit to work’ was required, a process which was used for unofficial political screening. Anyone condemned for previous political activity or who was considered subversive was excluded. ‘The ideal new farmers were deemed to be apolitical and supportive of the regime’ (Cazorla Sánchez, 2010: 107).
10. It is useful to give a bit of background on co-operative bank legislation under the Regime. In 1942 through its Law of Co-operatives, the Regime recognised the importance of having ‘a’ co-operative movement which was structured to be consistent with the Regime, which should not be confused with recognising the importance of ‘the’ co-operative movement. The co-operative movement under Franco hoped to structure society so that both labour and management held their proper ‘place’ in society — co-operatives were to serve as a method to control and contain labour, giving them limited elements of choice, eg voting within the co-operative. This eventually lead to the creation in 1957 of a National Caja Rural (rural co-operative credit bank) which took under its wing the already existing co-operative rural banks operating in Spain. 1962 saw a new law for the regulation of the finance sector in general in Spain and in 1964 the National Caja Rural was reorganised and strengthened and put under the supervision of the Minister of Finance. Important benefits were available to those credit co-operatives that fulfilled certain requirements (5 years of operation, prohibition on being a second level co-operative and maintenance of assets superior to 100 million pesetas). This created a big impetus for rural cajas as they had thus the opportunity to access official agricultural credits and to restructure with a more solid base (Titos Martínez, 2005).
11. It should not be assumed though that this was a ‘white’ or religious co-operative movement, as it was decidedly not.
12. Personal communication, D Juan del Águila, one of the founders of Cajamar.