Cooperative companies in Italy

Gianluca Verasani
C.E.O.





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The Constitution of the Italian Republic Art. 45 *Year 1948*

The Republic recognises the social function of cooperative companies as per their mutualistic and non-speculative aim. The law promotes and supports their increase through the most suitable means and ensures, through supervision, their nature and objectives.



The current situation in Italy…



Rome, January 27, 2011 – **Birth of the Alliance of the Italian Cooperatives, stable coordination of Agci, Confcooperative and Legacoop**

The size of cooperation in Italy

- 13% bank counters;
- 30% consumption and distribution;
- **50% agri-food “made in Italy”;**
- 90% (not public) social commitment.



The size of cooperation in Italy

- Over 1,1 million workers
- 127 billion Euros turnover
- 43.000 cooperative companies
- 7,5% domestic GDP (it was 2,5% in the late 90s)

- average number of workers in a cooperative: 20,7
- average number of workers in a private company: 7,7






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The size of cooperation in Italy

- Total number of agricultural cooperatives:

  n. 5.100;
- Total turnover of agricultural cooperatives:

  € 34,3 Billion € (24% of total turnover of italian agri-food);
- 720.000 shareholders;
- 94.000 workers;
- 86% product from shareholders.

The objectives of agricultural cooperatives

- The agricultural world is always characterized by figures of brokers who are between the producer and the processing company or the market;
- Cooperative structures fall in the category “support cooperative” wich use in their activity processes inputs or goods and services by shareholders;

The objectives of agricultural cooperatives

- Agricultural cooperatives have a dual purpose:
  - Shorten the supply chain of the product;
  - Move the added value in the supply chain to the producer;



Service support cooperatives

- Service support cooperatives develop bulk activities and add value to shareholders's product through treatments;



The objectives of agricultural cooperatives

- Those factors lead the producers to:
  - Maintain efficient production facilities through the reinvestment of the profits;
  - Ensure the quality of products and therefore the protection of the methods and the zones of origin;
  - Finally, ensure a higher profit than the prices of the products offered to the market

- The latter element acts as a market regulator, as it generates similar behaviors in private structures, in order to mantain competitiveness.

The distribution of balance sheet profits

- Cooperatives are different from private companies not only for their democratic and mutual aim, but also for the different civil and fiscal rules. They aim to promote the company's capitalization and to remunerate the work of their shareholders, the same as the capital they invested;
- Trading profits earned by the cooperative must be allocated following a precise order established by the Civil Code:
  - a share of 30% must be allocated to the legal reserve fund
  - a share of 3% must be allocated to the mutual funds for the promotion and development of cooperation
  - the remaining part of the earnings can be allocated, by shareholders' resolution, to remunerate the share capital (dividends), to reassess the value of the stocks/shares, as dividends for the shareholders, to buy stocks/shares of capital, to other statutory reserves within the limits established by the law.



giveback

Producer shareholder

Other Producer

Support cooperative

market

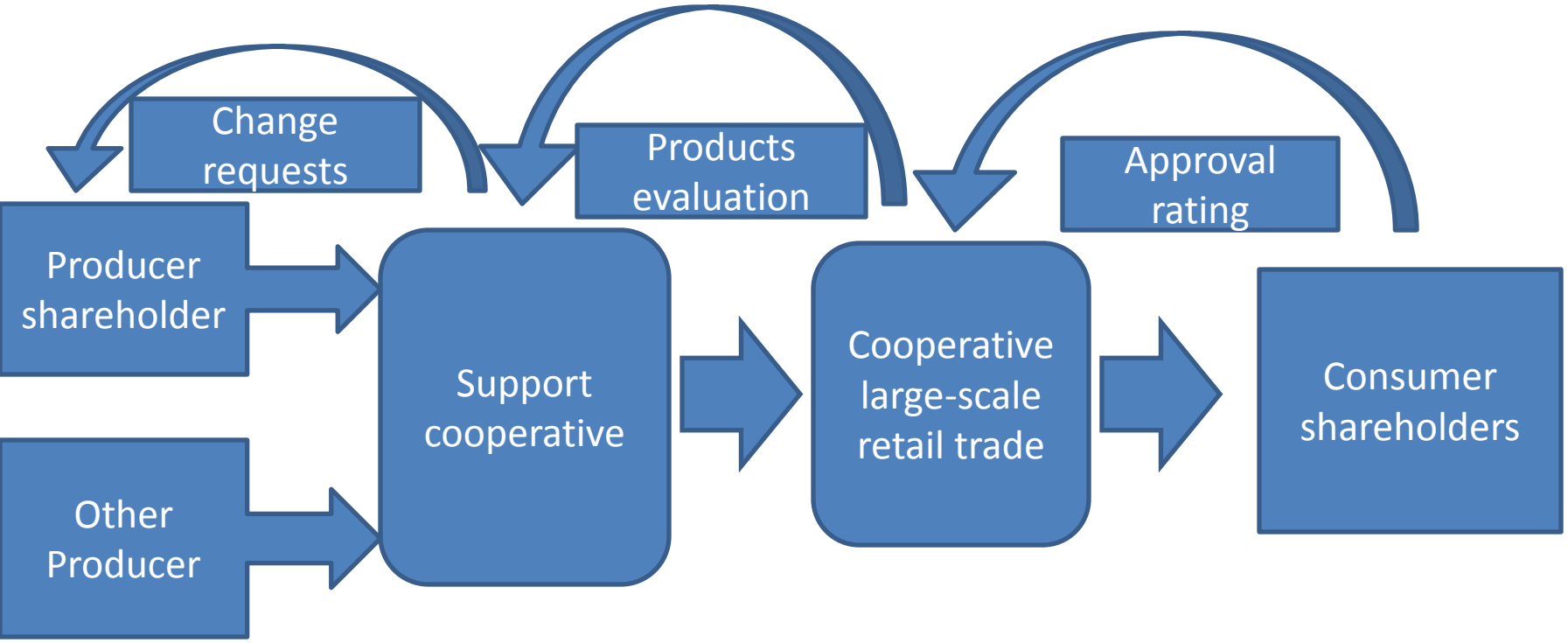











Change requests
Products evaluation
Approval rating
Producer shareholder
Other Producer
Support cooperative
Cooperative large-scale retail trade
Consumer shareholders

The new role of large-scale retail trade

- Since 2014 all companies shall adopt agricultural techniques of integrated pest management and record on the register of processing operations, all treatments carried out in the field for the defense of agricultural products;

- It is the **Directive 2009/128/EC** (framework for Community action to achieve the sustainable use of pesticides) that is going to change significantly the balance between agricultural producers and the rest of the industry (in particular the large-scale retail trade).

The new role of large-scale retail trade

- To date controls on farms affected only 5% of the producers and occurred on paper, even several months after the transfer of the product.

  Since 2014 the same supermarket chains shall take this prerequisite and farmers are going to be forced to meet them even before delivering the goods.
  After all if there is the 5% chance of being audited one can assume the risk of paying a fine (from 500 to 1.500 €) but if you have a 100% chance of not being able to market the product, the motivation to comply with the law will be much stronger!
- In Emilia Romagna this method works since 1998!



Thanks, Merci

g.verasani@modena.legacoop.it