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Do agricultural cooperatives enhance rural transformation?

GHISLAIN B. D. AIHOUNTON¹, WADOUDOU MAKPENON², EKUNDAYO GLORIA CHRISTELLE
GBENOU³

¹*University of Parakou, Lab. of Analysis and Research on the Economics and Social Dynamics, Benin*

²*African School of Economics, Benin*

³*University of Abomey-Calavi, Lab. of Biomathematics and Forest Estimates (LABEF), Benin*

Abstract

It is largely argued that rural institutions have the potential to improve farm performance and contribute to poverty alleviation in developing countries. Farmer cooperatives, standing as one of these institutions, have received increasing attention as a potential vehicle to enhance agricultural intensification and farm performance for smallholder farmers. Numerous previous studies have shown that farmer cooperatives generally increase agricultural productivity and profitability. However, other aspects of welfare such as food security, and market orientation are not yet understood. Moreover, although in most rural household settings, farmers usually receive agricultural extension through their active participation in cooperatives, there is still a scarcity of knowledge on the extent to which belonging to farm cooperatives, could enhance farmer’s technical know-how as important pathways to transforming food systems in developing countries. Using data from rice-growing households in Côte d’Ivoire, we investigate the effects of belonging to an agricultural cooperative on farm performance, specialisation, and food security. We also explore the effects of farmer cooperatives on access to extension services and farmer technical skills. Employing instrumental variable techniques, we show that farm cooperatives improve important aspects of household welfare. Specifically, agricultural cooperatives improve agricultural productivity, and profitability and translate into high commercialisation potential for rural households. Using the FAO household food insecurity experience scale and the household dietary diversity score, we also show that belonging to an agricultural cooperative improves household food and nutrition security. The key mechanisms include access to extension services, the adoption of modern technologies, the acquisition of knowledge on improved agronomic practices, and access to markets. Hence, farmer’s cooperatives can be considered as vectors of welfare and thus an essential pathway to enhance rural transformation in developing countries.

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