Chapter 16

Social Capital as a Factor of Success in Mexican Cooperatives: Case – Cooperativa “Las Chiquihuitecas” Producer of Grana Cochinilla

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ABSTRACT

The main objective of this chapter is to reflect the importance of social capital in the establishment and growth of cooperatives in Mexico, specifically the cooperative “Las Chiquihuitecas,” producer of cochineal insect (Dactylopius coccus Costa). The research method used was totally qualitative applying the documentary analysis and the interview in depth as an instrument for the collection of the information. As a result, it was obtained that social capital has been the key element in the formation and development of the cooperative.

INTRODUCTION

In many rural areas of developing countries, a large proportion of the population lives below poverty levels. The improvement of their income and welfare levels depends to a great extent on the possibilities of generating productive self-employment and value-added opportunities for agricultural production (Ruben and Heras, 2012; Anriques, 2007).

Cooperatives established in developing countries frequently face problems, since many of them are based on political criteria by external actors as part of public investment strategies or rural development programs launched by international agencies and by the farmers themselves (Ruben and Heras, 2012).

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Bernard, Gabre-Madhin and Taffese (2007) argue that because of these government policies most cooperatives have a high level of distrust among members, in addition to the important constraints they face in order to be more effective in improving their production, marketing and therefore the welfare of the partners.

Recent studies on the role of cooperatives in improving farmers’ well-being have, however, conflicting results. Johnson and Berdegué (2007) conclude that many cooperative organizations are not well integrated in global markets and only a small part of them are able to achieve their objectives. Bijman (2007) and Valentino (2003) refer both to external factors (i.e. poor adaptation to market demands) and internal factors that affect cooperative economic organization and its social cohesion. Bhuyan (2007) rightly states that these factors are not isolated but interdependent, implying that cooperatives must carefully balance member interests and business requirements.

Another study, such as that of Francesconi (2008), pointed out that Ethiopian cooperatives have been created in response to government plans and are only intended to attract public subsidies rather than being competitive in the market. Such top-down cooperation is likely to induce limited real solidarity among members and tends to diminish their interest in substantive efforts to improve production and yields.

This article presents the analysis of a cooperative producing cochineal grain, focusing attention on the theme of social capital, the social norms that govern it, trust, reciprocity and the internal and external networks that it has. The central objective of this work is to identify the development of social capital is a cooperative and the importance of it in the growth and survival of the association.

BACKGROUND

In 1820 cooperativism was born in England as an economic system, when workers sought to overcome their social conditions. The Cooperative of Rochdale is mentioned by several authors as the first exercise of cooperatives in the world, formed by 28 workers in 1944. The weavers faced miserable working conditions and low wages, and could not afford the high prices of food and household items. They decided that joining their scarce resources and working together could access basic goods at a lower price.

Initially, there were only four items for sale: Flour, oatmeal, sugar and butter. Each client became a member and grew (International Co-operative Alliance ICA, 2017a). Subsequently, in 1985, the International Co-operative Alliance (ICA) was founded, establishing the principles and values on which the functioning and development of cooperatives would be based (Center for Social Studies and Of Public Opinion CESOP, 2016). The ICA is an independent non-governmental organization that is established to “unite, represent and serve cooperatives around the world”; serving as a voice and global forum for knowledge, experience and coordinated action for and about cooperatives (International Co-operative Alliance ICA, 2017b).

The ICA defines cooperative as “an autonomous association of persons voluntarily united to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.” The values it defined as the basis of any cooperative are: self-help, self-responsibility, democracy, equality, equity, solidarity, honesty, openness, social responsibility and caring for others. And the principles are voluntary and open membership, democratic control of members, economic participation of members, education, training and information; Cooperation among cooperatives and concern for the community (ICA, 2017b).