CURRENT FACTS ON BRAZILIAN COOPERATIVE SOCIETIES

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Abstract
Brazilian cooperatives branch structure suffered a major change in 2019. The former thirteen activity branches gave birth to seven ones, implying in new balance of representativeness. The first Brazilian cooperative was founded in 1902, at the municipality of Nova Petrópolis, Rio Grande do Sul state, southern Brazil, Armstad Savings and Loans Bank (to date Sicredi Pioneira), by the Swiss priest Theodor Armstad. Cooperatives abide by Federal Law no 5,764/71. Key findings point out currently 6,887 cooperatives registered in Brazil, involving 14.2 million associates, and generating 398,000 jobs. Worldwide, cooperatives involve 1.2 billion people, generating 250 million jobs. If the 300 major cooperatives activities were condensed, the result would represent the ninth world economy, approximately USD 2.5 trillion, in 2019. Cooperatives are also present in 105 countries. Analysis of current scenario, discussion, and recommendations for future research complete the present study.

Keywords: cooperative, co-operatives, co-op, coop, OCB, Brazil

1. Introduction

This study investigated current Brazilian cooperative societies, in comparison to international ones, aiming at the discussion of the increasing participation in the Brazilian economy. Brazilian cooperatives are, therefore, the unit of analysis of this case (Yin, 1988).

Cooperatives have been attracting recently much scholar attention (Dias, 2019, Dias and Albergarias, 2019; Dias, M. & Teles, 2019; 2019b; Dalacosta, Dias, M., Meirelles, 2019; Dias, M., 2018; Dias, M. & Craveiro, 2019; Dias, M., Krein, Streh, Vilhena, 2018; Dias, M. & Ramos, 2018; Dias, M. & Teles, 2018).

Cooperatives are also termed co-operative, co-op, or coop. Cooperatives are hereafter defined as "autonomous association of persons united voluntarily to meet their common economic, social,
and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (International Co-operative Alliance, 2018a, p.1).

Cooperatives also share values of “self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of cooperative founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.” (International Co-operative Alliance, 2018a, p.1).

Maximum cooperative values are (i) concern for community; (ii) democratic member control; (iii) autonomy; (iv) member economic participation, and independence; (v) cooperation among cooperatives; (vi) education, training, and information, and (vii) voluntary and open membership. Cooperatives play a significant role in the Brazilian economy. Out of the 5,560 Brazilian municipalities, in 652, there is only one financial institution available, a credit cooperative (Dias, 2019c, Dias & Ramos, 2018).

In Canada, for instance, almost 32 percent of the entire population is somehow associated with a cooperative. In 2019, cooperatives supplied electricity to 42 million inhabitants in the United States. In France, 60 percent of bank activity is related to credit cooperatives (OCB, 2019).

The International Labor Organization (ILO) also acknowledged cooperatives worldwide, through Recommendation 193 (ILO, 2002, 2018).

Brazilian Constitution 1988 defined the scope for the activity: “cooperatives, are independent of authorization, and state interference in their operation is prohibited.” (Brasil, 1988, Art. 5, paragraph XVIII).

Cooperatives are non-profit organizations, as illustrated in the following Figure 1, as follows:

<table>
<thead>
<tr>
<th>Differentiation parameters</th>
<th>Cooperatives</th>
<th>Associations</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic purpose</td>
<td>For economic purposes, but not for profit</td>
<td>Non-profit, with impossibility to perform a commercial function</td>
<td>For-profit</td>
</tr>
<tr>
<td>Minimum quantity of members for Objective</td>
<td>20</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Vote</td>
<td>To provide service to the cooperative</td>
<td>To represent the interest of the</td>
<td>profit</td>
</tr>
<tr>
<td>Incorporation of the share capital</td>
<td>1 member = 1 vote</td>
<td>the more capital, the greater the voting</td>
<td></td>
</tr>
<tr>
<td>Transferability of quotes</td>
<td>Quotes</td>
<td>NA</td>
<td>Shares</td>
</tr>
<tr>
<td></td>
<td>Can not be transferred to third parties</td>
<td>NA</td>
<td>Can be transferred to third parties</td>
</tr>
</tbody>
</table>

Figure 1: Differences between cooperatives, associations, and companies in Brazil.
2. Methods and Limitations

This research is a single, descriptive case study, with inductive approach, interpretive reasoning. (Yin, 1988). Results were achieved due to extensive archival research. Brazilian cooperatives are the unit of analysis. This article is limited to the Brazilian cooperatives. Other countries should be investigated in separate. Figure 2 depicts the Brazilian legislation on cooperatives in force, in turn limiting the present study.

<table>
<thead>
<tr>
<th>Normative Publication</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law nº 4,594 Dec 31, 1964</td>
<td>Creates Monetary, Banking and Credit Policy and Institutions, creates the National Monetary Council</td>
</tr>
<tr>
<td>Law nº 4,829 Nov 05, 1965</td>
<td>Institutionalizes rural credit</td>
</tr>
<tr>
<td>Law nº 5,764 Dec 16, 1971</td>
<td>National Cooperative Policy and establishes the legal regime of cooperative societies in Brazil</td>
</tr>
<tr>
<td>Brazilian Federal Constitution Oct 05, 1988</td>
<td>Article 5, which recognizes the activity, (c) Article 146, which establishes the co-operatives taxation, (d) Article 174, issuing the co-operatives regulation and normalization, and (e) Article 192, which regulates the national financial system</td>
</tr>
<tr>
<td>Law no 8,394 Nov 18, 1994</td>
<td>ProvidePublic Register of Mercantile Companies and Related Activities and provides other measures (including cooperatives registering)</td>
</tr>
<tr>
<td>Decree 3,017 Apr 06, 1999</td>
<td>Approves the Regulation of the National Service of Learning of Cooperativism - SESCOOP</td>
</tr>
<tr>
<td>Provisional Measure MP 2,168-40 Aug 24, 2001</td>
<td>Provides for the Program of Revitalization of Cooperatives of Agricultural Production - RECOOP, authorizes the creation of the National Service of Learning Cooperativism - SESCOOP,</td>
</tr>
<tr>
<td>Law no 10,406 Brazilian Civil Code Jan 10, 2002</td>
<td>Chapter VII, articles 1093, 1094, 1095, and 1096 establishes the Cooperative Societies, its limits and scope</td>
</tr>
<tr>
<td>Law nº 12,690 Jul 19, 2012</td>
<td>Provides for the organization and operation of Labor Cooperatives; establishes the National Program for the Promotion of Labor Cooperatives - PRONACOOP; and repeals the sole paragraph of art. 442 of the Consolidation of Labor Laws - CLT, approved by Decree-Law No. 5,452, dated May 1, 1943</td>
</tr>
<tr>
<td>Decree 8,163 Dec 20, 2013</td>
<td>Establishes the National Program of Support to Associativism and Social Cooperativism - Pronacoop Social.</td>
</tr>
</tbody>
</table>

Figure 2 Brazilian Laws on credit cooperatives. Source: Dias & Teles, 2019. Reprinted under permission
3. Current Facts on Brazilian Cooperatives

Credit cooperatives in Brazil have more than 5,800 service stations. In 10 percent of the overall municipalities, there is only a credit cooperative operating (OCB, 2019). Agricultural cooperatives carry Thirty-five percent of the Brazilian dairy production. Health cooperatives cover 85 percent of the Brazilian territory in 2019. Exchange missions reached five countries in two continents in 2019. Transport cooperatives gathered own a fleet of near 42,000 trucks, transporting goods all over the country (OCB, 2019).

In 2019, OCB has rearranged the cooperative branches, from thirteen to seven (see Dias, 2019), depicted in the following Figure 3:

<table>
<thead>
<tr>
<th>Current branches</th>
<th>Co-operatives</th>
<th>Associates</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural</td>
<td>1.618</td>
<td>1,017,481</td>
<td>198,654</td>
</tr>
<tr>
<td>Production of Goods and Services</td>
<td>367</td>
<td>30,373</td>
<td>3,161</td>
</tr>
<tr>
<td>Consumption</td>
<td>1,392</td>
<td>2,773,617</td>
<td>13,572</td>
</tr>
<tr>
<td>Credit</td>
<td>929</td>
<td>8,995,370</td>
<td>63,604</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>419</td>
<td>1,113,109</td>
<td>6,269</td>
</tr>
<tr>
<td>Health</td>
<td>805</td>
<td>238,820</td>
<td>103,015</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,357</td>
<td>98,713</td>
<td>9,835</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,887</td>
<td>14,267,483</td>
<td>398,110</td>
</tr>
</tbody>
</table>

Figure 3: New Cooperatives distribution in Brazil. Source: OCB, 2019, Dias, 2019. Reprinted under permission.

Note in Figure 3 that the Agricultural branch, after the reorganization, continues holding the most significant number of cooperatives and employees, while credit cooperatives have the most significant number of associates. Six fewer representative branches were agglutinated and redistributed among the seven new branches. Figure 4 illustrates the new distribution of cooperative branches:

Figure 4: Brazilian Cooperative branches, 2019. Source: OCB, 2018, 2019, Dias, 2019. Reprinted under permission.
Organização das Cooperativas no Brasil (OCB), is the sector representative in Brazil since 1969 and is organized in three major divisions: (i) SESCOOP, (ii) CNCOOP, and (iii) OCB. (i) SESCOOP mission is “to promote culture, cooperative and the improvement from management to Development of cooperatives Brazilian cooperatives.” (OCB, 2019); (ii) CNCOOP mission is “to defend the cooperativism and the interests of economic category of the Brazilian cooperatives.” (OCB, 2019); (iii) OCB mission is to “promote a favorable environment for the development of cooperatives Brazilian companies through political and institutional representation.” (OCB, 2019). In 2019, Brazilian cooperatives exported products or services to five different countries on two continents, as illustrated in the following Figure 5, as follows:

![Figure 5: Brazilian cooperatives foreign activities. Source: OCB, 2019.](image)

Observe in Figure 5 that China, the largest Brazilian commercial partner received cooperatives attention in 2018, as well as countries in Africa, such as South Africa, Botswana, and Namibia, basically due to agricultural issues (OCB, 2019).

4. Discussion

Brazilian cooperatives continue expanding their activities throughout the 27 Brazilian states. According to Dias, 2019, “the new cooperatives branch structure has shifted the former balance from labor, transportation, credit, agriculture, and health (the strongest former branches), into a new balance.” (Dias, M.O. 2019, p.209)

Cooperatives also interact with other businesses, from which insightful Brazilian business cases have been widely studied recently, such as cooperative societies (Dias, M.O., Ribeiro and Albergarias, 2019; Dias, M.O. 2019h Dias, M.O. & Teles, 2019; 2019b; Dalacosta, Dias, M.O, Meirelles, 2019; Dias, M.O., 2018; Dias, M.O & Craveiro, 2019; Dias, M.O, Krein, Streh, Vilhena, 2018; Dias, M.O. & Ramos, 2018; Dias, M.O & Teles, 2018); agricultural debt collection negotiations (Dias, M.O. 2019, 2019a; Dias, M.O. and Albergarias, 2019, 2019b; Dias, M. O. & Teles, 2018); retail business (Dias, M. O., et al., 2015; Dias, M. O. et al., 2015, 2014); mining industry (Dias, M. O., & Davila, 2018); e-business negotiation (Dias & Duzert, 2017); carmaker industry (Dias, M. O., Navarro and Valle, 2013, Dias, M. O., et al., 2014; Dias, M. O., et al., 2013); aircraft manufacturer industry (Dias, M., Teles, and Duzert, 2018; Dias, M.O. and Duzert, 2018); copier manufacturer industry (Dias, M.O., 2012); business civil construction (Dias, M.O., 2016); streaming video industry (Dias, M. O., & Navarro, 2018), business negotiation
generational interactions (Aylmer & Dias, M. O., 2018); (d); (e) non-market forces (Dias & Navarro, 2018); craft beer industry (Dias, M.O. & Falconi, 2018; Dias, M. O., 2018); and debt collection negotiations (Dias, M.O., 2019, 2019b; Dias, M.O. & Albergarias, 2019), public administration (Dias, M. O., 2018); Non-governmental organizations (Paradela, Dias, M. O.; Assis; Oliveira, J.; Fonseca, R. (2019); governmental business negotiation relations (Dias, M. O. & Navarro, 2017).

This research, in comparison to others, has the advantage of compiling previous research into one, single, up-to-date, comprehensive and current study, encompassing the new cooperative structures in Brazil, also investigating the dynamics of this particular market that has increased its relevance in the Brazilian economic scenario.

5. Future Research
The impact of the new Brazilian cooperatives structure should be investigated in future research. Each branch should be investigated in separate, to assess the economic contribution for each sector to the results of the overall cooperative in 2020. Further studies are recommended to broaden the discussion on the cooperative societies in Brazil, their relevance and contribution to the Brazilian economic and social growth in the years to come.

References


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