Build a strong agribusiness institution through collective action

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Abstract. Agribusiness developments are facing challenges in managing limited natural resources. This requires coordination, synchronization, and cooperation through partnerships or collective action. There have been many partnership efforts in a few agribusiness sectors, however, there is no sign of sustainable partnership. Partnerships often fail due to internal factors from both of the partners. On the other hand, there is also a successful partnership, which is called a cooperative. In several countries, cooperatives have been implemented with great success, which also has contributed to a high Gross National Product value for the country. In Indonesia, the success of cooperatives in the agricultural sector was demonstrated by the success of cooperatives in bringing Indonesia to achieve self-sufficiency in rice in 1984. The relationship between farmers and cooperatives at that time was very strong, but the results of previous research indicated that changes in regulations after the reform period weakened the role of cooperatives in maintaining food stability. The question is “what causes it?” This study tries to conduct a literature review of cooperatives that have succeeded and developed well by using the Systematic Literature Review [SLR] methods. The results show that since the first movement in Indonesia cooperatives is always under government intervention. The lesson to be learned from the success of several countries in building cooperatives is the importance of movements that come from below with collective individuals awareness. Therefore, to build a strong agribusiness institution, it is necessary to re-develop the cooperative management into an integrated agribusiness cooperative based on collective action.

Keywords: agribusiness, cooperatives, collective action

1. Introduction
Integrated agribusiness development aims to be able to manage limited agricultural resources optimally, create productive jobs, reduce disparities between villages and cities, and also have an impact on the growth of an independent and sustainable rural economy [1][2]. In order not to be left behind in free competition, agribusiness development is carried out by optimizing superior the production of commodities through an inseparable agribusiness unit, to create added value and improve farmers’ welfare [4]. To achieve its goals, agribusiness development requires coordination, synchronization, and cooperation through partnerships and collective action. Partnerships can be done in collaboration between public institutions and individuals or organizations that are integrated in an integrated manner [5]. Collective action can take the form of cooperative organizations or non-organizational actions in the form of interactions between farmers and collectors [1].

There have been many partnership efforts in agribusiness that have been carried out, one successful partnership is called cooperatives [6]. Cooperatives are the most suitable legal entities for rural communities who generally operate in the agricultural sector [7]. In Indonesia, cooperatives are not a
new economic organization. Bung Hatta, the proclaimer of Indonesia, even made the cooperative as Indonesian economy pillars [8]. Cooperatives’ success in the agricultural sector was demonstrated by the success of the Indonesian cooperatives in bringing Indonesia to achieve self-sufficiency in rice in 1984 [8][9]. The cooperative role for 30 years has been in providing production facilities to marketing. At that time the farmers were very strongly tied to the cooperatives, but changes in regulations after the reform period weakened cooperatives’ role in maintaining food stability [7]. This raises the question, what causes the cooperatives in Indonesia to be unsustainable? This study tried to conduct a literature review of cooperatives that have succeeded and developed well and compare it with the development of Indonesian cooperatives.

2. Material and Methods

This study uses the Systematic Literature Review [SLR] method [11] on articles of previous research results. Articles are obtained through the search engine, with keywords are cooperative, collective action, cooperative development, history of the cooperative movement, farmers cooperation, and agricultural cooperative, and relevant theories from the author's books. With these keywords, there were as many as 150 articles that were relevant to this paper, and then we studied further by identifying, selecting, assessing, summarizing the findings of previous research that were similar to the research topic to be carried out. Then the results are synthesized and the facts that will be presented qualitatively become more comprehensive and balanced. This article consists of Agribusiness institutions, cooperative, and collective action in cooperatives.

3. Result And Discussion

3.1. Agribusiness Institution

In some countries, agricultural development is continuously being carried out until it can produce more with the use of production factors and more modern technology through decades of investment. Agriculture is carried out on less land with limited resources and at a low cost to create greater prosperity [12]. For example, Bangladesh cannot sustain its long-term economic progress without having a strong agricultural sector accompanied by a dynamic agribusiness sub-sector [4]. Agribusiness is proven to have a positive impact on farmers’ incomes, increased commercialization, and economic development in Bangladesh [13].

Building a competitive agribusiness is an agribusiness capable of responding to market dynamics effectively and efficiently. Effective in terms of place, time, and quantity. Efficient is meant to get production inputs at low prices but of the same quality. For this reason, it is necessary to develop the role of groups with an interest in controlling the supply of the agribusiness system [14]. Meanwhile, the reduced value of subsidies provided by the government makes it difficult for farmers to achieve production efficiency. Then the competition becomes even more difficult [5], [15]. Therefore, it is necessary to build strong institutions, which are built based on initiatives that arise from collective agreements. Because basically, every individual can join an institution/organization on their initiative to be able to meet their needs. Thus, each individual will be directly involved in the process of implementation and supervision [16].

3.2. Collective Action In Cooperatives

Collective action is an action taken together to achieve common goals [16]. Everyone is rational, and always considers the costs and benefits that may arise from each action they will take [17]. Because rational actors will not engage in collective action if they can get the benefit without participating [16]. Collective action in the agricultural sector is carried out to obtain: efficiency, market guarantees, reduce transaction costs, obtain credit, and facilitate access to production factors. Collective action in building partnerships in agriculture can be carried out in the form of cooperative organizations or non-organizational actions in the form of interactions between farmers and collecting traders [1]. Cooperatives are the most suitable legal entities for rural
communities who generally operate in the agricultural sector [7]. To describe the meaning of cooperatives by the experts can be seen in the table below.

| No | Experts Name/Year | Cooperatives Definition |
|----|-------------------|-------------------------|
| 1  | Ketilson/2014[18] | Institutions that are described as democratic mechanisms for wealth creation. |
| 2  | Gupta/2014 [19]   | A non-profit company that has not only economic goals. |
| 3  | Gordon Nembhard/2014 [20] | Business entities are owned by people who use their services. Cooperative members form companies for specific purposes: 1. to meet economic or social needs, 2. to provide quality goods or services - which are not adequately provided by the market - at affordable prices, or 3. to create an economic structure that is can facilitate more equitable production and distribution to overcome market failures. |
| 4  | Altman/2015 [21]  | Democratic institutions that are regulated by law and must be translated into the economic realm. |
| 5  | International Labour Organization/2015 [22] | Autonomous associations of people who come together voluntarily to fulfill common economic, social, and cultural needs and aspirations through companies that are jointly owned and democratically controlled. |
| 6  | Altman/2016 [23]  | A voluntary network of individuals who own or control a business that distributes benefits based on use or ownership where ownership is largely weighted evenly among individual members. |
| 7  | Wilson,/2017 [24] | Social enterprise-based solutions to important social issues, such as income inequality. |
| 8  | International Cooperative Alliance/2017 [24] | A member-owned business and a business that serves members. |

Based on the experts’ statement above, thus cooperatives are social institutions/companies that are established voluntarily by individuals who are legally regulated with social and economic objectives to protect their members from monopolistic commercial companies so that each member can receive benefits/wealth is spread evenly according to the amount of ownership of each individual.

### 3.2.1 Lesson Learn From Indonesian Cooperatives

In Indonesia, cooperatives are expected to advance people's handicrafts and industries, people's carpentry techniques, fisheries, and animal husbandry by conducting cooperative training activities following Article 33 of the Constitution that the economy is regulated as a joint venture based on the principle of kinship, thus the government at that time argued that cooperatives are the only company building that is suitable for our people. Building a cooperative is not only about the ability to handle bookkeeping and cooperative administration, but more importantly, to educate the spirit of love for the community based on joint efforts [7][26]. The success of cooperatives in the agricultural sector was demonstrated by Indonesia's success in achieving rice self-sufficiency in 1984 [8][9].

To see how the development of the cooperatives movement in Indonesia can be seen in attachment 1. It can be seen that since [1896] the beginning of the cooperative movement in Indonesia, it cannot be separated from government intervention. The self-help development of KUD only started in 1984, and cooperative development was included in Indonesia's 5-year development planning. The role of the Village Unit Cooperative [KUD] for 30 years has been in providing production facilities to marketing. Farmers' ties to the cooperative at that time were very strong, but changes in regulations after the reform period weakened the role of the KUD in
maintaining food stability [7]. In fact, the KUD is still an institution formed by the government, not an institution originating from the farming community itself. Thus the management of the KUD that occurred in the past, there is a difference between the implementation of the KUD formation and the definition of a cooperative. Where it is in accordance with the definition that the process of establishing a cooperative should come from voluntary initiatives of individuals or collective action, but KUD is formed not on the initiative that comes from farmers.

3.2.2 Lesson Learn From Succeed Cooperatives in the World
Making cooperatives as part of the country's economy is not only done by Indonesia, several countries such as United Kingdom, Denmark, Germany, and Sweden, have recorded their success in building cooperatives as people's economies [26]–[32]. From several cases, it can be seen that the cooperative movement is driven by income inequality, market failure, the need for access and land ownership, a sense of humanity, and the need for relationships. In the example above, it is also conveyed by each author that the cooperative formed is at the initiative of individuals who want to be separated from the economic problems they face [24], [26], [33]–[36]. Cooperatives established on the initiative of their members have proven to be more able to withstand the five cycles of cooperative development than cooperatives formed on external initiatives [33]. The five cycles of cooperative development according to Michael L Cook [37] can be seen in the Figure below.

![Figure 1. A Cooperative Life Cycle Framework](image)

In some cases, the failure of the cooperative is often caused by the failure to deal with the free-rider problem who is in the third stage of the cooperative life cycle. For a strong agribusiness institution is necessary to build a better cooperative in the future, to redevelop the cooperative management into an integrated agribusiness cooperative who organized based on individual initiative through collective action.

4. Conclusions
The results show that since the first movement in Indonesia the formation of cooperatives is always under government intervention not coming from the community movement. The lesson to be learned from the success of several countries in building cooperatives is the importance of movements that come from below with the awareness of individuals. Therefore it is necessary to redevelop the cooperative management into an integrated agribusiness cooperative based on collective action to build strong agribusiness institutions.
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Attachment 1. The development of cooperatives in Indonesia [9]