NEW STRUCTURE ON COOPERATIVE SOCIETIES IN BRAZIL

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Abstract
On April 2019, Brazilian Cooperatives Organization (OCB), reorganized the overall cooperatives in Brazil into a new branches division, here investigated. The first Brazilian cooperative was founded on December 28th, 1902, at Nova Petrópolis, Rio Grande do Sul state, southern Brazil: Caixa de Economias e Empréstimos Armstad (Armstad Savings and Loans Bank), by the Swiss priest Theodor Armstad, based on Raiffensen's revolutionary ideas on cooperatives. Brazilian Cooperatives abide by Federal Law no 5,764/71. Although the Law mentioned above does not issue cooperatives branch division, OCB joined International Cooperatives Association in 1988, adopting ICA's cooperatives division into thirteen different types of cooperatives, from agricultural to infrastructure, among others. Key findings pointed seven new branches on Brazilian cooperatives, following OCB's Ordinary General Meeting on March 27, 2019. Analysis of current legislation on the subject under investigation, discussion, and future research complete the present work.

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

1. INTRODUCTION
The present work investigated the Brazilian cooperatives structure, reorganized by the Brazilian Cooperatives Organization (OCB), on March 27, 2019, and the consequences of the new organization, as the unit of analysis of this descriptive single case study (Yin, 1988). In this study, the term cooperative was adopted, instead of co-op, co-operatives, or coop, which are currently standard designations for cooperatives. are also used. Cooperatives are defined as "an autonomous association of persons united voluntarily to meet their conventional economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (International Co-operative Alliance, 2018).

In Brazil, Cooperatives are foreseen in Federal Constitution: “cooperatives, are independent of authorization, and state interference in their operation is prohibited.” (Brasil, 1988, Art. 5, paragraph XVIII).

The International Labor Organization (ILO) acknowledges the activities of the cooperative through Recommendation 193 (ILO, 2002, 2018. Dias & Ramos (2018) stated that cooperatives "share a sense of cooperation and co-participation in the whole stages of the cooperatives' decision-making process" (p. 598).

Cooperatives are responsible for approximately 250 million jobs worldwide, present in near 100 countries. Almost 2.6 million cooperatives registered in 2018 according to the International Cooperatives Association (ICA, 2018), and 6,889 cooperatives registered in Brazil, according to OCB report, on December 31, 2018 (OCB, 2019). ICA acknowledges thirteen types of
Cooperatives, as follows: (a) special; (b) agriculture, banking and financial; (d) agriculture; (e) housing; (f) labor; (h) tourism; (i) production; (j) education; (k) infrastructure; (l) mineral; (m) transportation (ICA, 2018).

Cooperatives have been attracting recently much scholar attention (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). Despite this interest, this is the first academic study addressing the reorganization of cooperatives in Brazil in seven branches instead of the original thirteen ones.

Cooperatives are quite distinct from other types of associations, as illustrated in 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 profit</td>
<td></td>
</tr>
<tr>
<td>Incorporation of the share capital</td>
<td>1 member = 1 vote</td>
<td>1 member = 1 vote</td>
<td>the more capital, the greater the voting</td>
</tr>
<tr>
<td>Transferability of quotes</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. Sources: SESCOOP, 2017, Dias & Ramos, 2018.

Brazilian OCB was founded in 1969 to represent the entire cooperatives sector. In 1971, OCBs efforts were crucial to the implementation of Law 5,764, from December 6, 1971 (Brasil, 1971), which regulates the activities of the cooperative in Brazil. Figure 2 illustrates the Brazilian legislation on
<table>
<thead>
<tr>
<th>Normative</th>
<th>Publication</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law nº 4.594</td>
<td>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</td>
<td>Nov 05, 1965</td>
<td>Institutionalizes rural credit</td>
</tr>
<tr>
<td>Law nº 5.764</td>
<td>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</td>
<td>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</td>
<td>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</td>
<td>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</td>
<td>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</td>
<td>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>Brazilian Civil Code</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complementary Law nº 130</td>
<td>Apr 17, 2009</td>
<td>Law of Credit Cooperatives Complementary Law - National Cooperative Credit System and repeals provisions of Laws 4,595, December 31, 1964 and 5,764, December 16, 1971 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>Law nº 12.690</td>
<td>Jul 19, 2012</td>
<td></td>
</tr>
<tr>
<td>Decree 8.163</td>
<td>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

Following ICA standards, there are registered thirteen types of cooperatives: (a) consumption, (b) credit, (c) farming, (d) special (social), (e) housing, (f) infrastructure, (g) mineral, (h) production, (i) health, (j) labor, (k) transportation, (l) educational, and (m) tourism & leisure (OCB, 2018).
Figure 3 shows the current cooperatives registered at OCB, divided into thirteen original branches (OCB, 2018).

<table>
<thead>
<tr>
<th>Activity</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>Consumption</td>
<td>179</td>
<td>2,585,182</td>
<td>12,629</td>
</tr>
<tr>
<td>Credit</td>
<td>929</td>
<td>8,941,967</td>
<td>60,237</td>
</tr>
<tr>
<td>Educational</td>
<td>270</td>
<td>53,403</td>
<td>3,367</td>
</tr>
<tr>
<td>Special</td>
<td>8</td>
<td>321</td>
<td>8</td>
</tr>
<tr>
<td>Housing</td>
<td>284</td>
<td>106,659</td>
<td>577</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>135</td>
<td>1,006,450</td>
<td>5,692</td>
</tr>
<tr>
<td>Mineral</td>
<td>97</td>
<td>23,515</td>
<td>182</td>
</tr>
<tr>
<td>Production</td>
<td>239</td>
<td>5,777</td>
<td>2,960</td>
</tr>
<tr>
<td>Health</td>
<td>805</td>
<td>238,820</td>
<td>103,015</td>
</tr>
<tr>
<td>Labor</td>
<td>943</td>
<td>188,435</td>
<td>943</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,357</td>
<td>98,713</td>
<td>9,835</td>
</tr>
<tr>
<td>Tourism and Leisure</td>
<td>23</td>
<td>760</td>
<td>11</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,887</strong></td>
<td><strong>14,267,483</strong></td>
<td><strong>398,110</strong></td>
</tr>
</tbody>
</table>

This article investigated the new cooperatives organization, which impacts only will be available from 2020 on, since the changes in the Brazilian cooperatives’ structure occurred late April 2019, and effects are unknown until this article is written.

2. METHODS AND LIMITATIONS

The present research is a qualitative research, interpretive, single case study descriptive (Yin, 1988). Results were achieved due to extensive archival research. The unit of analysis is the OCB’s seven branches on Brazilian cooperatives. This work is limited to the current Brazilian legislation on cooperatives (i) Brazilian Federal Constitution, (ii) Federal, (iii) State Laws, (iv) Provisional Measures, (v) Civil Code, (vi) Decrees, and (vii), as depicted in Figure 2. Also (viii) ICA’s standards, and finally (ix) ILO’s Recommendation 193.

This study also abides by Law no. 5,764, from December 16, 1971 (Brasil, 1971), in turn, reinstated by Complementary Law 130/2009 (Brasil, 2009).

3. BRAZILIAN COOPERATIVES’ FORMER STRUCTURE

Brazilian cooperatives were first organized in 1988 by the Brazilian Cooperatives Organization in thirteen different branches of cooperatives, following ICA’s standards. Cooperatives were distributed across the following branches, according to Figure 4, as follows:
Until March 26, 2019, there were 6,887 cooperatives in Brazil, distributed across thirteen branches: (i) agriculture; (ii) mineral; (iii) production; (iv) special; (v) educational; (vi) credit; (vii) health; (viii) housing; (ix) tourism and leisure; (x) transportation; (xi) labor; (xii) consumption and, (xiii) infrastructure.

Observe in Figures 3 and 4 that branches like tourism and leisure, mineral and special, for instance, N=128 cooperatives in total, represent only 1.85 percent of the total cooperatives in Brazil. In sum, some branches may lack representativeness per sector. Therefore, OCB decided, on General Assembly occurred on March 27, 2019, to change the status and structure of cooperative branches in Brazil. According to the Brazilian OCB president, Marcio Freitas, “change is needed to promote empowerment and give greater representation to some segments of cooperatives” (OCB, 2019, p.1).

The purpose of the reorganization was to empower weak branches, according to OCB president: “What we want is to talk better with our base, discussing their needs with them, grouping them according to their affinities and, finally, building an increasingly solid environment for them to develop sustainably” (OCB, 2019, p.1).

OCB organized a working group made up of representatives from all regions, pointed by OCB board of directors, which has investigated in turn best criteria eligible for agglutination, such as its legislation, a specific regulation and tax impacts. The outcomes of such study were then presented to both the Board of Directors and the extraordinary general meeting, providing the opportunity for suggestions, which would be further evaluated by the working group. Finally, on March 27, the new structure was implemented.

The original thirteen types of cooperatives were agglutinated into seven branches, as follows: (i) Production of Goods and Services; (ii) Infrastructure Branch; (iii) Consumption; (iv) Transport Branch; (v) Health Branch; (vi) Agricultural Branch, and finally (vii) Credit Branch. Figure 5 depicts the new cooperatives structure, as follows:
(i) **Production of Goods and Services Branch**: This is the new name of the old branch. From now on, this new branch includes cooperatives that provide specialized services to third parties or produce goods such as processing recyclable material and handicrafts, for example. It brings together all the cooperatives of teachers and the old branches: production, mineral, part of tourism and leisure and, finally, special.

(ii) **Infrastructure Branch**: composed of cooperatives that provide infrastructure-related services to their members. For example: generation and sharing of electricity, and now, with the incorporation of the Housing Branch, will also have cooperatives to build housing for housing.

(iii) **Consumption Branch**: made up of cooperatives that jointly purchase both products and services for their members (supermarkets, pharmacies). It also includes the cooperatives formed by parents to hire educational services (education branch), and also those that consume tourism services (formerly classified within the Tourism and Leisure Branch).

(iv) **Transport Branch**: This branch preserves its nomenclature, but its concept has been changed. “The definition of the branch now expressly brings the condition of the cooperative owner or owner of the vehicle” (OCB, 2019, p.1). Accordingly, “cooperatives formed by drivers of cargo or passenger vehicles, which do not own or own their ownership, should be classified under the Goods and Services Production Branch” (OCB, 2019, p.1); Moreover, cooperatives dedicated to tourism transportation, transfers, buggies, whose members are the owners or owners of the vehicles and that eventually fall under the Tourism and Leisure Branch must be reclassified to the Transportation Branch.

(v) **Health Branch**: “cooperatives formed by doctors, dentists or professionals related to the human health area, framed in CNAE 865” (OCB, 2019, p.1). The new Health Branch also includes user cooperatives that come together to constitute a health plan, as they are considered operators.

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1 CNAE stands for National Classification of Economic Activities. It aims to categorize companies, public institutions, non-profit organizations and even self-employed professionals in identification codes. CNAE 865 means professionals from health and social services area.
(vi) **Agricultural Branch**: composed of cooperatives related to agriculture, extraction, agro-industrial, aquaculture, or fishing activities. No alteration.

(vii) **Credit Branch**: composed of cooperatives that provide financial services to credit cooperatives, ensuring their access to financial market instruments. Not changed. Figure 6 illustrates the new cooperative branch structure agglutinations:

![Cooperative Branch Structure Diagram](image)

**Figure 6**: Old versus New Brazilian cooperatives branch organization. Source: OCB, 2019.

Figures 7 depicts the new facts and figures on Brazilian cooperatives:

<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>
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<td><strong>6.887</strong></td>
<td><strong>14.267.483</strong></td>
<td><strong>398.110</strong></td>
</tr>
</tbody>
</table>

**Figure 7**: New Cooperatives distribution in Brazil. Source: OCB, 2018.
Observe in Figure 7 that the Agricultural branch still is the most significant branch of cooperatives with 1,618 cooperatives registered in December 2018 (OCB, 2018). In Figure 8, observe the new balance within the Brazilian cooperative branches:

![Figure 8: Brazilian Cooperative branches after March 2019. Source: OCB, 2018, 2019.](image)

### 4. DISCUSSION

The new cooperatives branch structure has shifted the former balance from labor, transportation, credit, agriculture, and health (the most substantial former branches), into a new balance, noted in Figure 8, into transportation, agricultural, credit and health, the most significant cooperative branches in the new design (OCB, 2019).

Conversely of scarce studies on the new OCB cooperatives structure organization, insightful Brazilian business cases have been widely studied to date, such as Dudalina case (Dias et al., 2015, 2014); Fiat Chrysler in Brazil (Dias M., et al., 2014, 2013); BMW in Brazil (Dias M., Navarro and Valle, 2013); Netflix in Brazil (Dias, M. & Navarro, 2018); Boeing x Embraer (Dias, M., Teles, and Duzert, 2018; Dias, M. Duzert, 2018). Craft beer industry in Brazil (Dias, M. and Falconi, 2018); Heineken in Brazil (Dias, M, 2018), and Pirecal (Dias, M. & Davila, 2018).

Finally, this study presents advantages in comparison to past research because it compiled different sources of cooperative studies into a single, condensed, comprehensive, and current study.

Moreover, the main implication of the current research refers to past studies: since all Brazilian cooperative structure has been changed, all previous studies regarding cooperative societies in Brazil should be reviewed.

The new (and, therefore, current) organization may shift the current balance of power amongst cooperative sectors. While some of the cooperative branches were kept intact, such as Agricultural, Health, Credit, and Transportation branches (see Fig. 7), other branches may have gained more representativeness due to the new branch configuration.
Furthermore, the impact on the cooperatives societies system ran by OCB will be fully appreciated only in 2020, partially, due to the late implementation, on April 2019, which means that Brazilian Cooperative report 2019 will show, in turn, two structures: the former and the new one, co-existing. Report 2020 will encompass the new seven-branch cooperative structure only.

Therefore, analysis suggest the impact on representativeness, as well as the main objectives aforementioned by the OCB President, will be only entirely visible (and fully available to research), in the Brazilian Cooperatives report 2020.

5. FUTURE RESEARCH
For further research, it is encouraged to revisit the OCB Cooperative Reports both in 2019 and 2020 to assess the impacts on the current cooperative branch structure. It is advisable to study the impact of the new seven-branch structure on the former thirteen-branch structure to deepen the discussion on the validity of such measure, taken by OCB on the General Assembly, last March 27, 2019.

REFERENCES


