

Chapter 4 Small Farmers' Economic Organizations: Producers associations and agricultural development in Peru

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CHAPTER 4

SMALL FARMERS' ECONOMIC ORGANIZATIONS PRODUCERS ASSOCIATIONS AND AGRICULTURAL DEVELOPMENT IN PERU¹

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Introduction

The structural adjustment and liberalization policies implemented in developing countries in the last decade were not accompanied by a dynamic and competitive agricultural sector. The competitiveness of the small-scale agriculture in this context of openness and liberalization, where the state has a very small role in the direct provision of services in the sector, depends partially on the effectiveness of new forms of economic organizations of the small farmers. In order to achieve a successful articulation within the market economy, small farmers have created new forms of economic organizations as well as redefined old ones. But we do not know exactly under which conditions these collective actions are more successful among small farmers, and the characteristics of the provision of services of their economic organizations are not well known either. At this meso-economic level, the institutional viability of the small-scale commercial agriculture is determined. That is why it is important to identify the net benefits of the small farmers' economic organizations (SFEOs).

The main objective of this study is to identify which factors increase (or decrease) the competitiveness of small farmers in the Peruvian Agriculture. Besides assessing the type of products and services provided by the SFEOs, we will also analyze aspects related with leadership, rules for the distribution of benefits, rules of internal functioning of the organizations, among others.

The document is divided in four sections. The first one presents the origin and evolution of SFEOs as well as an inventory of these organizations at the national level, where we can see the diversity of SFEOs. Upon the base of this inventory we made the selections of the two case studies analyzed in this study. The second section is a detailed description of the two SFEOs chosen (in Chanchamayo in the Central High Jungle and Camana in the Southern Coast), from their origin and evolution, their rules and regulations, and effects of the organizations upon their members. In this third section is delineated a comparative analysis of the results of

¹ This is an edited and shorter version of a report prepared by the authors in 1999 for the International Network on Research Methodologies on Production Systems (RIMISP). The Peruvian case study was one of three carried on in Latin America; Chile and Nicaragua were the other two countries.

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the two case studies allowing us to derive some conclusions and recommendations presented in the last section of the paper.

We would not be able to do the fieldwork without the collaboration of the two selected organizations. They provided us with basic data on their origin, evolution and rules of functioning, as well as helped us facilitating the collection of household information of members and non-members at the field. After the field work and a preliminary analysis of the information, a workshop in Lima was held with delegates of key SFEOs and agrarian researchers, where the results of the study were presented and discussed as well as complementary information was gathered about the decision making process of the organizations.

I. The small farmers' economic organizations in Peru

I.1 Formation process of organizations and present situation

During recent decades the Peruvian rural sector has experienced two major changes, which we can define as the *period of redistribution* and the *period of individualism*⁴. Between the 1950s and 1980s a great struggle to redistribute Peruvian land took place, in which justice and solidarity came to dominate. Excluded as a social group, Peruvian peasants wanted to recover the land and gain social and political rights previously denied to them, in a collective manner. Organizations and their rural proposals took these values and made redistributive practices central to their actions and struggle.

During this period the state was characterized by interventionism and redistribution. In some cases this interventionism took the form of left-wing populism; in others, it was more conservative; but in all cases, the action of the state was a determining factor in rural questions, and rural organizations were designed precisely to interact with the state. In some cases and for some organizations, this interaction was more of a confrontation with the aim of guiding state intervention in one direction or another. In other cases, the relationship was one of collaboration in order to facilitate or reinforce the actions of the state in a given sense.

We can say, then, that in this period rural organization was conceived principally for its relationship with the state, which largely explains the nature of its relations with its roots (representative and dialogue), the characteristics of its leaders (negotiators and/or lovers of confrontation), the characteristics of its demands (vindicating certain actions of the public sector), and its departmental and national structure (mirroring the structure of the state).

When the land had been recovered and social and political rights won, the context of a market economy favored an individualistic attitude in the rural sector, individual effort was valued, and opportunities for individuals sought before collective or group rights.

⁴ This distinction is used in the report Inventario de grupos organizados del campo que realizan actividades económico-productivas (inventory report of organized groups involved in productive activities). UNI, SOS-FAIM, 1997. See also the work of Carlos Monge (1989), Julio Alfaro (1994) and Jose Heredia (1998) who analyzed changes in rural organizations.

In this new context, many of the organizations created in the previous period lost their reason for existing. Without a state as a interlocutor, both their structures, their leaders and their proposals seemed irrelevant to small farmers who faced new local relationships involving cooperation and/or conflict with private economic and social agents. At the same time, as with its social and basin management programs, the state not only maintained but considerably increased its levels of intervention, thereby retaining its influence on the organization processes arising out of these new circumstances.⁵ Although these programs are encouraging, because of their working method (*demand-driven*), the formation of local nuclei or mini-organizations charged with managing the projects generates a "parallelism" with respect to existing organizations given that local work is frequently ignored and while new groups are organized to include a number of local participants and sectors which, instead of strengthening, may weaken and reduce the importance of the peasants own organizations.

In summary, as revealed by the UNI/SOS-FAIM report (1997), "as far as organization was concerned, national organizations intended to dialogue with interventionist governments gave way to local organizations designed to dialogue with private economic agents and to manage services for their members' production."⁶

One observation that is important for our work is that in Peru 35% of all producers possessing 43.1% of agricultural land are affiliated to one or more of the organizations in the country.

Table 1. Association level by farm size

Type of organization	Total	Size of farms (Ha.)			
		Less than 3.0	From 3.0 to 9.9	From 10.0 to 49.9	50.0 and above
Producers Committee	10.1	6	12.6	19	20.5
Farmers' Association	5.2	4	5.6	8.1	10.3
Users' Committee	39.3	43.4	40.8	22.3	12.9
National Agrarian Organization	0.2	0.2	0.3	0.2	0.4
Dairy Cattle Fund (FONGAL)	0.7	0.4	0.8	1.3	2.1
Other	53.5	52.5	52.1	59.8	61.7
Unspecified	0.9	0.8	0.8	1.1	1.7

Source: III National Agricultural & livestock Census, INEI, 1994.

Note: One producer may be affiliated to two or more organizations. The number of producers and farm area do not have to add up to 100%.

⁵ "Executive cores" of FONCODES and PRONAMACHCS "Natural Resources Management Committees" are illustrative cases of this process.

⁶ In this summary we were unable to review the recent work by Jose Ignacio Poras Martinez (FAO consultant) "Reformas Estructurales, Institucionalidad y Dilemas en la Acción Colectiva del Empresariado Agrícola en América Latina. Un estudio comparado del caso peruano y boliviano" (Structural Reforms, Institutionalality and Dilemmas in the Collective Action of Agribusiness in Latin America. A Comparative Study of the Peruvian and Bolivian case).

These organizations in the agricultural and livestock sector constitute an important channel for the solution of technical, economic and social problems afflicting the industry. Participation by producers in these organizations varies widely. The majority does so through irrigation district users' committee (39.3%), which is followed in importance by members of producers' committees for different products (10.1%). Farmers' associations in different valleys or areas are also important (5.2%).⁷

Although affiliation to a users' committee falls as farm size increases, from 43.3% of smallholders to 12.9% of large producers, affiliation to producers' committees and farmers associations increases with farm size.

1.2 Inventory of peasant economic organization

The database of organizations that we have used in this work was elaborated from a larger sample compiled by the Universidad Nacional de Ingeniería (National Engineering University) financed by SOS FAIM of Belgium in mid 1997⁸. By consulting people and institutions working with rural organizations throughout the country, as well as local authorities, the regional agricultural bureaus and the agricultural information office of the Ministry of Agriculture, we were able to identify 199 organizations that stand out in each department for their dynamism, successful strategies for confronting the market, solid organization and useful services provided to their members.

Table 2. Type of organization and Existence Period

	Number of organizations in the sample		Average years of existence of the organization
Committee	20	27%	5
Association	28	38%	10
Cooperative	6	8%	23
Organization of cooperatives	4	5%	20
Private company	7	9%	4
SAIS	1	1%	-
Others	8	11%	4
Total	74	100%	9

Source: Revised database of SOS FAIM. Elaborated by the authors

⁷ The high number of associations in the category "other" seems to be related to the number of communal companies, cooperatives and the rural communities themselves.

⁸ Inventario de grupos organizados del campo que realizan actividades económico-productivas (Inventory of organized rural groups engaged in economic-productive activities). UNI, SOS-FAIM, 1997. This is the only previous work done in Peru that identifies rural economic organizations. The CENAGRO 1994 only identified the fact of membership and the type of association, but did not specifically name them. We are grateful to SOS-FAIM for giving us access to their original database.

For this study, a new selection criterion based on the average number of hectares farmed by the members and the organizations' sources of finance, produced a sample of 74 cases (43% in coast, 48% in highland, and 8% in jungle), not including organizations receiving sizeable aid from the state or some NGO and groups of producers holding more than 50 hectares.

An estimate of members' landholdings indicates that each organization's members manage an average of 8 hectares, classifying them as small farmers.

The organizations that have been in existence the longest are the cooperatives and their collective organizations, which date from the 1970s when the government encouraged their creation; the associations, committees and small companies are more recent. Most of the cooperatives are located on the jungle perimeter and are involved in the sale of products typical of this region, such as coffee, cocoa and fruit.

This time difference gives us a double view of the organizations currently existing. On the one hand that, although created in a different environment as regards their relationship with the state, the organizations have adjusted to the changes in the economic model and the new rules applied in the agricultural sector. On the other hand, new organizations that agree with the purpose of the old agrarian reform, consolidation of the process of dividing up the cooperatives and the application of policies of liberalization in agriculture have been created

Most of the organizations chosen carry out a number of activities at the same time, particularly production, sales and technical aid (see table 3).

Table 3. Activities and starting date

	Number of organizations involved in the activity		Average starting date of the activity
Production	40	54%	1986
Marketing	26	35%	1987
Legal advice	3	4%	1988
Tax advice	6	8%	1990
Technical assistance	25	34%	1991
Credit	8	11%	1989
Others	4	5%	1995

Source: Revised database of SOS FAIM. Elaborated by the authors

Although the production and sales activities of these organizations founded on average in the mid 1980s, others such as technical and tax advice, in which more than 40% are engaged, appeared after 1990. We should point out that these new activities coincided with a withdrawal of the state from research and technical assistance for farmers, together with the abolition of subsidies, price controls and efforts to formalize rural activities.

A glance at the budget structure of these organizations, according to sources of finance during 1995 and 1996, shows us that the majority is based on contributions

by their members in the form of dues or shares (59%) and income deriving from the sale of products or services (56%) (Table 4).

Table 4. Percentage breakdown of organization budgets

	% Organizations	% Average financing
Donations or state financing	7%	8%
Donations or NGO financing	8%	8%
Member contributions	59%	26%
Own revenue	56%	27%
Bank financing	18%	12%
Others	15%	19%

Source: Revised database of SOS FAIM. Elaborated by the authors

These two items explain, on average, more than 50% of the total value of the financing obtained by the organizations covered, which gives us a good indicator of their performance and sustainability. It is important to emphasize that most have more than one source of financing, banks, NGOs and the state having an important presence. With the disappearance of the Agrarian Bank and the expansion of the government's policy of granting land titles, commercial banks have become an alternative for these organizations, principally those who have land and machinery that can be used as guarantee.

The average number of members varies widely depending on the type of organization. As one might expect, the cooperatives and producers' committees have the most members. The average for the associations in the sample is 645 per organization, and they contract an average of 17 paid workers (see Table 5).⁹ The average annual income earned through the organization per member is also much larger in the cooperatives.

Table 5. Number of members, paid workers and income per member

	Average Number of Members	Average number of workers	Average annual income / member*
Committee	1,344	5	294
Association	279	15	2,650
Cooperative	135	89	40,251
Organization of cooperatives	2,177	48	1,788
Private company	59	7	4,681
Others	41	3	1,909
Total	645	17	1,676

This chart includes only 47 observations due to a lack of information in some cases

⁹ There are some inaccuracies in the database concerning the number of paid workers, which in some cases exceeds the number of members. Nevertheless this may be due to the cooperatives that are also engaged in direct production.

* In Nuevos Soles, the local currency. The average exchange rate for 1999 was 3.39 Nuevos Soles per US Dollar

Source: Revised data base of SOS FAIM. Elaborated by the authors

1.3 Selection of case studies

We used a series of criteria for choosing the two case studies. Firstly, the case studies should represent cases where an association of small farmers has adapted rapidly and efficiently to macroeconomic and political changes; secondly, the case studies should be linked to crops that are important either for export or the internal market; finally, in selecting the case studies we wanted to cover more than one geographical region. The final choices of the two case studies were La Florida Coffee Cooperative in the central jungle and the Villa Hermosa Yellow Onion Producers' Association on the southern coast. The selection was heavily influenced by the importance of coffee, Peru's main agricultural export, and yellow onion, a non-traditional export crop that have grown increasingly on the coast.

1.3.1 Province of Chanchamayo

The province of Chanchamayo, in the department of Junin in the central jungle, has a total of 14,781 farms covering a total of 112,000 hectares, out of which 65% is cultivable area. According to the last agriculture and livestock census in 1994, 80% of these farms have less than 10 hectares and cover 53% of the total cultivable land in the zone. The cities of San Ramon and La Merced are the main urban centers of the province and are less than 7 hours from Lima, which facilitates trade by local economic agents.

The climate conditions of the zone, suitable for tropical crops, make Chanchamayo one of the principal producers of coffee in the country, a crop that is grown on more than 36,000 hectares representing 51% of the total cultivated land in the province. Another group of products grown in these conditions is fruit. Oranges, bananas, avocado, pineapple and tangelo together account for more than 32% of cultivated land.

Of all farmers, only 9% claim to belong to any organization, of which half are smallholders with less than 10 hectares. The organizations representing the largest number of producers are the committees and associations, accounting for 53% of farmers who are members of organizations.

Since the middle of the 19th Century, Chanchamayo has seen an expansion of the farm economy, associated with sugar, cocoa and coffee plantations. Since the middle of the 20th Century Chanchamayo, together with nearly all the valleys on the Peruvian jungle perimeter, has adopted the cooperative model for the sales of coffee for export, enabling it to maintain an agrarian structure characterized by small and medium sized properties.

1.3.2 Province of Camana

Located in the department of Arequipa, Camana is known for its rice production, which accounts for 82% of cultivated land, thank you for abundant water supplied by the Camana River in the Colca basin. According to the latest agricultural & livestock

census in 1994, remaining production is highly diversified between beans, yellow maize and certain root vegetables.

The total cultivable area of the zone is 7,891 hectares and smallholdings (of less than 5 hectares) make up 84% of farms, but account for 53% of cultivable land. The remaining 47% of the land belongs to around 500 farms with than 5 hectares, which account 16% of farmers in the area.

In contrast to Chanchamayo, where only a small percentage of producers belong to some form of organization, in this province around 88% are members of an association, most of them smallholders (80%). The organization to which almost all producers (96%) belong, is the Water Users' Committee, followed by Production Committees which also have a large membership (68%). The interest in participating in the management of water is explained by the large quantity required for growing rice, which, as we have seen, covers a large area of the province.

II. Description of two Small Farmers' Economic Organizations

II.1 La Florida Coffee Cooperative (CAC La Florida)

II.1.1 History and Organization of the CAC

The coffee cooperatives in Peru's jungle perimeter are the oldest organizations of small producers in the country. Although it is true that many coffee cooperatives disappeared as a result of bad financial management during the 1980s, the few that survived the oscillations in the world coffee market are now Peru's most successful farmers' organizations.

These organizations were able not only to adjust to new marked demands and the withdrawal of the interventionist state, but also to construct a better institutional framework, as shown, for example, by the organizations of cooperatives and the National Coffee Board, which provide better interaction with the international market.

The CAC La Florida was started in 1966 and at its largest, before the political violence of the 1980s, had 1,400 active members producing coffee and other products typical of the high jungle (citrus fruits, banana, pineapple, cassava and other fruits). At that time the CAC La Florida exported more than 20,000 quintals of coffee and owned businesses such as a sawmill and a series of post harvest services for coffee producers. When the period of political violence ended, at the end of the 1980s and beginning of the 1990s, the CAC La Florida started a process of recovery and reconstruction and now has around 700 active members and exports more than 12,000 quintals of coffee to different markets in Europe and the United States.

The internal organization of the CAC La Florida is based on the traditional cooperative format, where a general assembly of members is the ruling body, under which come the administration and supervisory boards. The general management plays an important role in linking the governing entities of the cooperative with technical departments (sales, credit, agricultural & livestock and family welfare). The operation of these departments, with a total of more than 80 people working in the

cooperative, depends on the contributions of the members, which are made on delivery of the coffee for selection and sale (3 kilograms per quintal are charged). In recent years international technical cooperation has been crucial to capitalize certain production units, particularly through working capital loans (as loans for sales purposes are already available in the region).

In the case of CAC La Florida, the role of general manager is very important given the personal and professional quality of the person occupying the post at the moment. This creates a dilemma in relation to the factors upon which the consolidation of the SFEOs depends as it is the quantity and quality of the human resources and in particular human resources in the sales and general management of the organization.

II.1.2 Effects of the organization on its members

The sample chosen in Chanchamayo consists of 29 households, 20 of which belong to the organization being studied. The average size of farm is 15.6 hectares, of which only 38% are cultivated, this being a typical proportion in tropical forests. The total surface area covered by the sample in question is 452.4 hectares.

Table 6. Average size of farms (hectares)

MEMBERS			NON-MEMBERS			TOTAL		
Number	Total area	Cult. area	Number	Total area	Cult. area	Number	Total area	Cult. Area
20	17.9	7.4	9	10.3	2.4	29	15.6	5.9
Ratio cult./total		0.41			0.23			0.38

Source: Household survey. Elaborated by the authors

Table 6 shows that members have larger farms and a larger area under cultivation. Also, the ratio between cultivated area and total area is larger among members than among non-members, which indicates that cooperative members farm more intensively.

Table 7. Distribution of area by crop

TOTAL AREA PER CROP							
FALLOW	COFFEE	PASTURE	FRUIT	ORG. COFFEE	VARIOUS	OTHERS	TOTAL HA.
31.7%	32.8%	14%	8.6%	6.3%	3.7%	2.9%	452.4

Source: Household survey. Elaborated by the authors

A large part of the land is fallow or pasture (Table 7); only one farmer in the sample possesses improved pasture. Nevertheless, within the cultivated area, coffee is clearly the principal product of the zone (62.1%), followed by the fruit (14.7%) and other crops basically for self-consumption, including cassava and maize (8.8%). Organic coffee is grown exclusively by members of the cooperative and has formed an increasing percentage of recent crops.

With regard to the families interviewed, we would point out that the average family in the sample consists of 5 to 6 people and the average level of education is 6.5 years of schooling. This low level is mainly explained by the poor education received by the heads of households and their spouses.

In order to have an idea of the direct impact of the organization on its members, we will first analyze differences in production and income obtained by coffee growers. Then we will analyze the variables that may explain the differences between members of the CAC La Florida and non-members.

Table 8. Gross and net income per hectare (US\$ 1999)

MEMBERS		NON-MEMBERS		TOTAL	
Number	Gross income	Number	Gross income	Number	Gross income
20	1,013	7	516	27	884
MEMBERS		NON-MEMBERS		TOTAL	
Number	Net income	Number	Net income	Number	Net income
20	493	7	102	27	391

Source: Household survey. Elaborated by the authors

The differences found indicate a clear benefit for the members of the cooperative, who obtain net incomes from coffee production almost five times that of non-members. This difference can be explained principally by two factors: the price obtained from sales to the cooperative and the productivity per hectare of the members.

Table 9. Average price per kilogram (US\$ 1999)

	Number of Producers	Price per kg
MEMBER	22	1.33
COFFEE	18	1.27
ORGANIC COFFEE	4	1.48
NON-MEMBER	7	1.24
TOTAL	29	1.3

Source: Household survey. Elaborated by the authors

Table 9 indicates a significant difference between the price paid by the cooperative and that paid by the various traders in the Chanchamayo valley. The introduction of "organic coffee" provided an extra benefit for members, who receive a price 16% higher than that received by non-members of the cooperative.

Table 10. Average production per hectare (quintals)

	Number of producers	Production per hectare
MEMBER	22	12.2
NON-MEMBER	7	6.9
TOTAL	29	10.9

Source: Household survey. Elaborated by the authors

A result even more relevant in explaining the difference in incomes from coffee production is the productivity per hectare (Table 10), where members obtain approximately double the production of non-members. This higher productivity may be related to the services provided by the cooperative, such as loans and technical aid. As far as loans are concerned, we observed that 85% of members had access to credit and 88% of these obtain it from the cooperative, whilst non-member producers simply had no access to sources of finance.

Table 11. Technical assistance

MEMBERS			NON-MEMBERS		
Number	Cooperative	Others	Not received	Number	Not received
20	13	2	5	9	9
	65%	10%	25%		100%

Source: Household survey. Elaborated by the authors

Equally, a high percentage of members had technical assistance available for production. This service is provided mainly by the programs of the cooperative, whilst non-members did not have the benefit of this service.

As far as the total agricultural production of the interviewees was concerned, we again observe that the gross sales of their production and margins (gross sales – production cost) are greater for members of the cooperative. Although the services by this organization are concentrated on the production of coffee, some, such as access to credit and technical assistance, may also generate an impact on the management of the members' other products. Some new services of the cooperative include training programs for new crops, such as vegetables, which help members not to buy these products.

In an open question to the interviewees, we asked them what were the principal benefits of being a member of the cooperative. The results are shown in Table 12. Access to credit is seen as the principal benefit of membership of the cooperative by the majority, followed by the possibility of using part of the cooperative's premises to dry the coffee and greater facilities for proposing and carrying out infrastructure and development projects, either with the state or other public institutions.

Although only 20% explicitly mentioned better prices as an important benefit of membership, certain other replies, such as the elimination of middlemen from the sales process, the possibility of exporting and the price regulating effect are closely related to this general benefit, for which reason the percentage could increase by some 40%. As far as the price regulating effect was concerned, the interviewees said that since the creation of the cooperative and its higher payments for coffee, the rest of the middlemen and buyers in the area had been forced to increase their prices in order not to lose their clients.

Table 12. Perception of benefits by the members

BENEFITS OF COOPERATIVE MEMBERSHIP		
Credit	13	65%
Use of drying areas	5	25%
Facilitates projects	4	20%
Better price	4	20%
Technical assistance	2	10%
Avoids intermediaries (theft)	2	10%
Insurance against risks	2	10%
Provides supplies	1	5%
Regulating effect on prices	1	5%
Social standing	1	5%
Increase in production	1	5%
Provides lodgings at head office	1	5%
Anticipates sales receipts	1	5%
Enables exports	1	5%
Incorporation of new varieties	1	5%

Note: This question was put to the 20 members and each one mentioned an average of 2 benefits, which is why the percentages add up to more than 100%.

Source: Household survey. Elaborated by the authors

Finally, technological innovation on the interviewees' farms in the last five years indicate greater incentives to change among the members than the non-members. The principal innovations carried out among the members concern the introduction of new types of crop or the cultivation of fruits, which were new to the area (55%)¹⁰ and changes in the variety of existing crops (30%). Innovations of this type are more frequent among non-members, but are carried out by a smaller percentage of farmers.

II.2 Agricultores de Camana S.A. (AGRICAM)

II.2.1 History and organization of the company

In the mid 1990s, USAID-Peru introduced a program for promoting non-traditional agricultural exports with small farmers in coordination with the Association of Exporters (ADEX-MSP project). Some were traditional products such as asparagus, tomato, mango and grapes, and others were new ones such as sweet yellow onion and paprika. In most cases the idea was to take advantages of "windows" in the North American market, that is, a period in which local supply of some fruits and vegetables is low and the prices reach their peak in the year.

The case of sweet yellow onion is one of the most complex ones because of a strange combination of high yield and high quality. But problems selling the product in the United States meant that many farmers ended up losing capital and, in most

¹⁰ Because the question was multiple-choice, the percentages add up to more than 100%.

cases, gave up the crop after 2 or 3 harvests. The ADEX-MSP project stopped working with sweet yellow onion due to a series of problems with farmers on the central coast of Peru (in Casma and Nepeña).

At the end of 1995 and after advice from agronomists from Lima, positive results and expectations generated by the product window, sweet yellow onion was sown in certain southern valleys (Majes, Moquegua, Camana). Thus was created the Villa Hermosa Farmers' Association whose only crop was sweet yellow onion cultivated in short season between April and September, after the rice harvest. Instead of sowing potatoes, beans or red onions, the 13 farmers of the association decided to experiment with the "window" in North American market. This decision was taken after having spent money on soil analysis and technical feasibility. What could not be clearly determined was the final market for the product.

After the Association's first very successful year in terms of production in 1996 (55 containers of 20 tons from only 20 hectares planted) and whilst payment was awaited from North American broker Kinston, the Association obtained a loan from the Peru-Canada Counterpart Fund (PCCF). The fund practically transformed the Association into a private company, and AGRICAM S.A. was created at the beginning of 1997. That year was a very bad for the company, not only because of the impact of climate change (El Niño 1997-98) which destroyed the entire crop (0 quintals sold into the North American market), but because Kinston did not pay the balance of 50% pending from the sales of the 1996 crop. In spite of all this, AGRICAM continued with its sweet onion export project and in 1998 harvested in 25 hectares, but the total production was only 7 containers (the result of the sequels to the El Niño phenomenon). Once again the broker (Delmonte) charged high margin for marketing in North America. The results were again negative.

Despite these negative experiences, sweet yellow onion is seen as a high productivity crop with high quality levels and excellent rates of profitability if it is efficiently placed in the North American market. Thus it is estimated that more than 20 hectares were planted by members of AGRICAM in the 1999 season and conversations have started with a new broker with whom one container was successfully placed in 1998.

II.2.2 Effects of the organization on its members

The sample used in the case of Camana consists of 13 families, 7 of which belong to the organization in question (AGRICAM), 4 belong to the Association of Onion Exporters (APROCEX) in the Majes valley (2 hours by car from Camana) while 2 families in the Camana valley do not belong to any association. Average farm size is 14.2 hectares and an average of 24.8 hectares can be cultivated a year because of good soil quality and successful water management that allow two or in some cases three crops annually.¹¹ The total surface area covered by the sample is 184.6 hectares.

TABLE 13. Average size of farms (hectares)

¹¹ The non-member sample should be treated with care as one of the interviewed is a large producer in the Camana zone who farms 72 hectares and this may distort the group averages.

FARM SIZE								
MEMBERS			NON-MEMBERS			TOTAL		
Number	Total area	Cult. area	Number	Total area	Cult. area	Number	Total area	Cult. Area
11	9.13	14.9	2	42	79	13	14.2	24.8
Ratio cult./total		1.63			1.88			1.75
AGRICAM			APROCEX			NON-MEMBERS		
Number	Total area	Cult. area	Number	Total area	Cult. area	Number	Total area	Cult. Area
7	10.5	19.3	4	6.8	7.4	2	42	79
Ratio cult./total		1.84			1.09			1.88

Source: Household survey. Elaborated by the authors

In the Camana valley the "main season" begins approximately in September when the principal product, rice, is planted. It may be accompanied by a number of hectares of potato or maize, those are harvested in March or April. The "secondary season" is between these months (May - August) and the products traditionally planted are red onion or beans. The producers of sweet yellow onion have introduced the crop in this season and, according to our samples it is planted on around 15% of the total surface area.

Table 14. Surface area distribution by crop (% of the total area in hectares)

TOTAL AREA PER CROP								
RICE	RED ONION	BEANS	YELLOW ONION	POTATO	MAIZE	ALFALFA	OTHERS	TOTAL HA.
41.5%	16.8%	16.5%	14.5%	3.0%	2.5%	2.0%	3.0%	322.4

Source: Household survey. Elaborated by the authors

With regard to the families interviewed, we would point out that the average family in the sample consists of 4 to 5 people and the average level of education is 10.5 years of schooling.

Seeking to find the direct impact of the organization on its members, we first analyzed differences in income obtained by producers of sweet yellow onion.

We have decided to show the farmers broken down by each organization in the sample in order to compare the results of both associations. The gross income obtained from the sale of sweet yellow onion indicates firstly a higher value for members than for non-members, due mainly to the income obtained by APROCEX. The difference between gross incomes of these associations is due both to the average production per hectare (16 MT/Ha. for AGRICAM versus 49 MT/Ha. for APROCEX), and to the sales price of the product. This price depends on the destination of the product. It may be sold to Colombian traders in the zone or exported through different brokers to the United States. The APROCEX producers said that they had sold part of their production to each one of these agents, whilst members of AGRICAM sold mainly to North American brokers.

Table 15. Revenue by Hectare of Yellow Onion (US\$ 1999)

GROSS INCOME YELL. ON./HA.					
MEMBERS		NON-MEMBERS		TOTAL	
Number	Gross income	Number	Gross income	Number	Gross income
11	9,151	2	2,392	13	8,111
AGRICAM		APROCEX		NON-MEMBERS	
Number	Gross income	Number	Gross income	Number	Gross income
7	3,265	4	19,451	2	2,392
NET INCOME YELL. ON./HA.					
MEMBERS		NON-MEMBERS		TOTAL	
Number	Net income	Number	Net income	Number	Net income
11	3,588	2	159	13	3,057
AGRICAM		APROCEX		NON-MEMBERS	
Number	Net income	Number	Net income	Number	Net income
7	-2,149	4	13,628	2	159

Source: Household survey. Elaborated by the authors

The data on net income per hectare reveals the fundamental problem of AGRICAM. Lack of good management in this organization has caused a number of problems in selling the product, charging excessively, which in the end produced negative results.

As far as the perception of benefits to members is concerned, producers were asked what benefits they hoped to obtain from the association. The principal expectation concerned the possibility of exporting and access to credit (referring to the Peru-Canada Counterpart Fund joint loan), in the case of APROCEX, its members emphasized higher profitability which would be achieved with consolidation of the association. As in Chanchamayo, the possibility of strengthening negotiation capacity and relationships with the government were also stressed.

III. Comparative analysis of the case studies

The comparative analysis of the two case studies produced four important lessons for understanding the conditions under which the SFEOs can successfully facilitate insertion of small-scale agriculture into the market economy (or, in contrast, instruments that only retard the process of disintegration of this sector of rural society).

i) Price regulating effect

In order to sell its products abroad successfully, the small farmers' association must become an instrument for regulating the market price of the product (or products); this is clearly seen in the case of the coffee produced by CAC La Florida in Chanchamayo, where the various private coffee buyers could not offer prices much less than those offered by the cooperative. This effect has not yet been seen in the case of AGRICAM because of the size of the market and the lack of experience with

the destination market (vegetables in the United States). An empirical verification of this hypothesis requires weekly (or monthly) prices paid by the CAC La Florida and other buyers.

ii) Management bottlenecks

One of the main differences between CAC La Florida and AGRICAM is the presence (absence) of a general manager who is not one of the members. The business logic of an SFEO must be accompanied by a clear separation between producers and specialists in commercial management. The problems of AGRICAM are explained to a large extent by this serious omission, whilst the sustainability of CAC La Florida is based, among other things, on the fact of having identified the central role of business management. The lesson goes beyond the presence of a specialist. It points to the sustained presence of a team of people whose function is unrelated to the process of production, rather it is to negotiate and supervise contractual relations in the sales process and the management of technical ability and the provision of materials to the members.

A major challenge in this respect is the technical profile of the human resources; can they come from outside the social and economic world of the SFEOs or must they be locals specializing in administration and management? The case of CAC La Florida is one where the manager is the son of one of the founding members of the cooperative, which explain in part the huge effort put into making the association a success; something similar is happening in Camana where the son of a member is completing his studies in business management in Lima, and will take on the administration of AGRICAM at the end of this year.

iii) Access to information and the role of external agents (intermediaries)

Closely linked to the role played by the management ability of the SFEOs is the subject of access to information. Price movements, changes in public policy, mechanisms for gaining access to financing, opportunities with other crops, are all cases where information does not flow efficiently to the producers. How to ensure that this information reaches the producers? The role of local management ability is complemented by the role of external agents and intermediaries among the SFEOs, the state and the market. NGOs and international aid agencies have an important role to play here. The case of the "fraud" suffered by the onion producers in Camana by North American brokers would have been less likely if the association had been accompanied by another agent better informed about the North American market. Not only prices and markets, but also possible judicial penalties may be negotiated after the transactions.

iv) Access to working capital

One of the major questions in these case studies is whether the SFEOs are organizations that can sustain themselves and develop with increasing autonomy from the state and international aid, or whether they are condemned to disappear with the slightest reduction in public and international effort. After the crisis caused by political violence in the central jungle, CAC La Florida started its recovery with a high level of aid from Switzerland and Belgium. However, at present it is self-

sustaining. AGRICAM on the other hand was created and grew using the working capital of its members, but very quickly made use of international aid in the form of a loan that has yet to be paid off.

IV. Conclusions and recommendations

- Dynamism and competitiveness among small farmers is not always the result of policies of openness and liberalization of rural markets. The role played by associations of small farmers is to facilitate successful interaction with the market, creating a businesslike logic among producers.
- In the Peruvian case there was no large-scale creation of new SFEOs or transformation of the old forms of organization. Public policies that could have encouraged this process came up against other policies (especially parallelism) that slowed down (rather than encouraging) the growth of these new forms of economic organization.
- The case studies submitted here reveal some important lessons on the conditions that enable the SFEOs to insert small farmers in a market economy. The regulating effect on the purchase prices of the products is one of the characteristics that have enabled some of Peru's more traditional SFEOs such as the coffee cooperatives to consolidate.
- Access to information and the quantity and quality of human resources are the other two variables that condition the success of the SFEOs in Peru. The distinction between a producer's viewpoints and that of a manager is an organizational asset that few SFEOs have achieved in recent years.
- One of the major questions in these case studies is whether the SFEOs are organizations that can sustain themselves and develop with increasing autonomy from the state and international aid, or whether they are condemned to disappear with the slightest reduction in public and international effort. At present the coffee cooperative is self-sustaining. AGRICAM on the other hand was created and grew using the working capital of its members, but very quickly made use of international aid in the form of a loan that has yet to be paid off.

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