



New forms of collective action by small scale growers¹

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Rural Producer Organizations (RPO) and collective action for market access is a recurring theme in rural development. The importance of collective action in meeting market demands for product volume, quality requirements, access to production and post-harvest technologies with reduced transaction costs is widely acknowledged and included in most if not all rural development projects with a market focus. The traditional vehicle to facilitate collective action for markets has been the cooperative or similar organizational models which seek to increase the negotiating capacity and income of smallholders in relation to other market actors. There is a strong link between models for collective action in the developing world and positive experiences with cooperatives in the north. Despite the level of success that the cooperative model has achieved in the north, results in the south have been mixed at best.

While cooperatives can and do thrive in parts of the developing world, their track record as sustainable, independent enterprises is limited. The reasons behind this are many, however, some critical issues relating to markets and cooperatives in the south include a tendency towards expensive and extensive administrative structures suited to handle donor demands but not market needs, slow decision-making processes and a focus on processes of vertical integration sustained by development projects and programs. This model as applied in practice is increasingly out of step with the needs of other market actors but, nonetheless, continues to dominate rural enterprise development projects. Development actors often recognize the limits of cooperatives but few other models exist for RPO that are well aligned with collective action, concurrent with legal norms and well documented.

In the agricultural sector, multiple organizational innovations exist to link farmers to markets. These innovations seek, through diverse mechanisms, to achieve the benefits of collective action but in more efficient and effective ways than the traditional cooperative model. While local contexts and details vary, several general principals can be identified in these organizational innovations. These include: (a) a strong focus on actor specialization and networks of specialized actors; (b) low-cost organizational structures built on existing actors; (c) the incorporation of service provision between linked actors focused on meeting specific market needs; and, (d) organic, demand-driven expansion models.

The case of the specialized wholesaler Hortifruti in Central America is a case in point. Hortifruti works with a variety of suppliers for vegetables in Honduras and Nicaragua and often purchases product from existing farmer cooperatives. However they have experienced significant difficulties with these RPOs in terms of lengthy decision-making processes. As a result, Hortifruti Honduras has developed and promoted a 'lead farmer' model of organization through which they identify and build the capacity of farmers who can meet their quality needs in a consistent fashion. After demonstrating such capacity, lead farmers receive larger and larger orders for product or new products and are invited to work with neighboring farmers to meet this demand. The lead farmer provides access to technology, technical assistance and market access as embedded services. The cost of these services is then recouped via the sales margin. The expansion of this model is

organic and depends on the identification of new lead farmers. It is low-cost, easily scalable and sustainable.

Another case is that of the Cooperative Cuatro Pinos in Guatemala. Cuatro Pinos is a successful Cooperative with nearly 30 years of experience in the vegetable export business. Recently the Cooperative has succeeded in opening large markets for several products in the US through an alliance with a specialized wholesaler. Existing demand significantly outstrips the capacity of cooperative members and new producers and areas are needed. To achieve this, Cuatro Pinos identifies existing farmer groups including associations, cooperatives and lead farmer networks among others in favorable environmental niches, works with them to test production schemes and then contracts those that show an ability to meet quantity and quality targets. The cooperative signs a legally binding contract with the producer group that specifies quantity, quality and a production schedule as well as providing a fixed price for the product. In addition, credit in the form of inputs and technical assistance is provided. This is later discounted from the first few product deliveries. Through this model Cuatro Pinos has achieved an annual growth rate of 50% in vegetable exports over the past three years.

The aforementioned organizational innovations have been around for several years or even decades. Despite this, several important questions about their efficacy in fulfilling the poverty reduction promise market linkages remain unanswered. First, how do the costs and benefits of these models compare to traditional cooperative structures as well as to existing private trader networks. If we seek to promote sustained links between farmers and market actors that generate sustained income gains and contribute to poverty reduction, which model is most appropriate under what conditions? This issue is especially important in the context of market failures and information and power asymmetries. A second question relates to the equity outcomes of diverse RPO structures. What are the relative benefits of these organizational innovations in terms of efficiency gains and how are these shared among different supply chain actors. Finally, how do these organizational innovations fare in terms of smallholder empowerment and capacity? Do these innovative RPO structures facilitate processes of transparent negotiation or do they simply reinforce existing power and knowledge imbalances?

The current state of knowledge of RPO has parallels to the situation of micro finance in the early 1980s. Micro finance practitioners had learned that efforts to promote wide-scale access to financial services through banks did not work well and set about learning from existing informal service providers. Based on observation and innovation, the seeds of the micro finance revolution were planted. The issue of RPO is a similar fork in the road. We understand that traditional models of collective market action imported from the north have significant limitations, innovative organizational models exist but significant gaps in our knowledge about what works well where and why remain. A greater understanding of the key elements of effective RPO and their equity and efficiency outcomes are needed as are more nuanced approaches and models that support sustained market access for rural communities.