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What to Think About Cooperatives:
A Guide From Bolivia

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in collaboration with
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Rosslyn, VA 22209

The Inter-American Foundation

September 1983

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Preface and acknowledgments

This is a comparative study, sponsored by the Inter-American Foundation, of four peasant cooperative associations in Bolivia. From this experience, I have drawn some conclusions about rural organizations, the contributions they can make to development, and how donors can choose and relate to these organizations. The study is part of a wider effort of the Foundation to evaluate its rural projects, and to improve the ways it makes decisions about them.

I carried out the fieldwork for this study in Bolivia during a three-week period in September and October of 1982. After completing a first draft of the paper, I spent a week with the Foundation in Washington, during which I was able to discuss the report with staff members, and to learn how their experience with similar organizations in other Latin American countries related to my findings in Bolivia. The issues raised in the report were also discussed by the staff at two long seminars that were extremely stimulating and had a strong impact on my thinking.

I was accompanied most of the time in Bolivia by either Eveyln Barrón, Kevin Healy, Carol Michaels O'Laughlin, or Marion Ritchey. I am profoundly grateful for their presence, which made my work very lively and productive, and for their constant questioning of my interpretations, which made me think harder about things than I otherwise would have. Kevin Healy made such excellent arrangements for me to get to various groups, and had such fine relations with them, that I was able to accomplish much more in three weeks than I had expected. Carol Michaels O'Laughlin's fascinating report of her impressions of COINCA and CCAM was very useful for checking my own facts and impressions, and for causing me to think twice about several things. Before visiting the Bolivian groups, I was fortunate to be able to read an excellent history of three of them, written by Kevin Healy and based on extensive work by him in the IAF project files. The paper, entitled "Campesino Cooperative Networking in Bolivia: Initiatives from Below," was prepared as part of the evaluation effort and was presented at the March 1982 meeting of the Latin American Studies Association, in Washington, D.C.

I am most grateful to Peter Hakim, Kevin Healy, Albert Hirschman, Sarah Hirschman, and Carol Michaels O'Laughlin for dedicating their scarce time to a detailed reading of the report and to giving me a page-by-page narrative of their reactions and disagreements. Sheldon Annis proved himself to be a fine and inventive editor, and helped me way beyond the call of duty. Finally, this whole effort would not have been possible without the unstinting support and challenging questioning of Marion Ritchey, Director of the Andean Region.

Unfortunately, I have not been able to convert Bolivian peso values into U.S. dollars because of the runaway inflation of 1982, the year of most of the peso values cited, and the difficulty of finding an exchange-rate series that would adequately reflect the value of peso amounts in dollars. During the first ten months of 1982, the value of the dollar increased ten times (from 20 pesos to 200), while domestic price inflation for commodities bought and sold by farmers seemed to have been about 400%. (In 1981, domestic price inflation was approximately 60%.) The peso was officially quoted at 20 to the dollar until February 1982, when it was devalued to 44. Subsequent to that, the black-market rate of exchange moved to a high of 270 to the dollar in September of 1982, and the official rate was changed from 44 to 200 in November. A tabular summary of these rates is:

<u>Date</u>	<u>Exchange rate</u>	
	<u>(Bolivian pesos to the U.S. dollar)</u>	
	<u>official</u>	<u>black market</u>
before 10/31/72	11.88	n.a.
10/72-2/82	20.00	n.a.
2/82-11/82	40.00	270.00 (high of 9/82)
11/82-	200.00	525.00 (4/83)

Luckily, I have had to use only four acronyms in this paper, so I can list them here:

- ACLO - Acción Cultural Loyola
- CCAM - Central de Cooperativas Agropecuarias Mineros, Ltda.
- COINCA - Cooperativa Integral Campesina
- IAF - The Inter-American Foundation

Overview

I visited four peasant cooperative associations in Bolivia and came away perplexed. On the one hand, the four groups--which are described below--were decidedly successful in certain ways. On the other hand, they lacked some of the basic qualities considered vital to this kind of success. In fact, they had various traits and problems that we usually associate with failure. My puzzlement over this strange combination of success and inadequacy, and my struggle to reconcile the two sides of the picture I saw, were the inspiration for most of what is written here.

A word, first, about the nature of the success I witnessed, before describing the seeming mismatch between success and inadequacy. The most obvious achievement of the Bolivian groups is that they still exist, almost ten years after their creation. Though they have not yet suffered the ending of outside donor funding, their survival and active life are something of a record, when compared to many other endeavors to organize rural cooperatives in Latin America. A second category of achievements of the Bolivian groups is the benefits they provided to peasant-farmer members and, in many cases,

nonmembers: (1) better prices, greater reliability, and honest weights resulting from cooperative purchasing and marketing of their crops, using coop-owned trucks; (2) better prices, honest measures and weights, and unadulterated products available at coop stores supplying consumer staples and agricultural inputs (the price differential tended to diminish after awhile, in marketing as well as retailing, either because coop prices drifted back toward prevailing prices or because private merchants adjusted their prices downwards to meet the coop competition); (3) savings in transport and other expenditures for farmers who previously had to travel some distance to buy consumer staples and inputs, and now could buy them nearby; (4) transport savings to producers resulting from the establishment of coop processing facilities (rice mills, cacao-processing plant) where before there were none; (5) availability of credit to those who previously had no access to banks; and (6) new opportunities for employment and apprenticeship in coop service operations, of which agroprocessing created the most jobs.

In addition to these benefits, two of the coop associations provided benefits to whole communities through community infrastructure projects undertaken in their early years--schools, potable water, irrigation, road grading. Another association initiated a campaign to combat cacao blight, which could have a significant impact on grower incomes. And the agricultural

equipment-rental service of one association allowed peasant farmers to make the move from shifting to stable agriculture, and from rice-growing to cane-growing, with corresponding increases in income. Many of the benefits named here were reaped by nonmembers as well as members.

These direct benefits of coop activity tended to diminish as the groups struggled with the problems of running a business. Perhaps more enduring than the direct benefits were some less tangible results. In each region, the coop association represented one of the few institutions voicing the economic interests of peasant farmers. As organized groups, with one or another successful business ventures to show for themselves, the associations were able to (1) make effective claims on public-sector goods and services available previously only to larger farmers (official lines of subsidized credit, agricultural research and extension services, favorable tariff treatment for imported equipment, etc.); (2) gain entry to private-sector industry associations (of rice-millers, rice cooperatives, grape growers, grape distilleries), from which the coop associations gained valuable information about prices and marketing, and in which they could wield some influence on the side of peasant interests; and (3) set an example of how banks and public-sector agencies could relate to peasant groups, creating some confidence in these powerful institutions about the possibility of working with such

groups and giving both sides experience with what such a relationship could be like. Again, these benefits were available to members and nonmembers alike.

Viewed against this picture of benefits, the inadequacies of the coop associations are striking. The most impressive inadequacy was in the area of management and administration. Prices charged for merchandise and services were sometimes too low to cover costs, credit collection was casual, inventory and sales records were often not kept, coop leaders were frequently the largest borrowers from coop credit funds, and acts of malfeasance were common.

The second surprising inadequacy of the coop associations had to do with membership growth. Membership seemed to stop growing at an early stage, even when the associations were expanding their services and income-earning activities. Each association had an average of 20 member coops with 17 members apiece, for a total of only 350 members. At most, coop membership reached only 25% of the families in a community, and a much smaller share of the population of the area served by the association of coops. Given that each association group had received roughly US\$350,000 from the Inter-American Foundation, the small size of membership could be taken to mean an average investment of US\$1,000 per member family--in addition to significant investment in the form of member and other donor contributions, and IAF staff expenditures. Measured against the low-cost model of

development assistance aspired to by the IAF, these costs would appear to be disappointingly high--an appearance that turns out to be modified significantly when we take nonmember benefits into account.

The final shortcoming of the four Bolivian groups had to do with leadership. Leadership and management positions usually rotated among the same few persons, who were from among the better-off members of the community. Though entrenched and better-off leaders are not necessarily incompatible with success, they are usually thought of as leading to trouble--misappropriation of coop goods and services, programs that benefit only a select few, and the corrupt behavior that flourishes in an environment where there are no "democratic" pressures to be accountable.

It is obvious why the first inadequacy I list, weak management, would be cause for surprise. We are used to seeing this problem singled out, after all, as the cause of coop failure. It is not so obvious why we are bothered when coops have small and declining memberships, little participation, and entrenched leaderships. What does this matter, if they succeed in generating some significant benefits? The problem, of course, lies partly in our vision of coops as participatory and democratic. If they turn out to do some good, it is hard for us to believe that they are low on participation. In reaction to this contradiction, we tend to see more participation and less control by entrenched leaders than actually exist or, more

skeptically, we suspect that significant benefits for the poor have really not been achieved. Also when we find that our favorite qualities are lacking in coops, we tend to prescribe or fund remedies for catching up--more training in cooperativism, more rotation of leadership, more drives to expand membership.

Coops with entrenched leaderships, small and declining memberships, and weak participation also cause us concern because of the faith that we, as donors, have placed in them. We see coop groups like the Bolivian ones as more desirable and genuine approaches to the alleviation of rural poverty than many programs of the public sector--particularly in countries with weak and hierarchical institutions serving the countryside, or with repressive regimes that are unsympathetic to a more proportional distribution of public-sector goods and services. If the membership of even the successful peasant federations is so paltry after so many years of our support, then how can we maintain our faith in these groups as a hopeful alternative to the deficient public sector?

Finally, we are uncomfortable about an entrenched and better-off leadership because we think it leads to an elite-biased distribution of coop benefits. This kind of distribution, after all, is what has disappointed us so many times about the programs of the public sector. If coops are to have an impact on the rural poor, in other words, we expect to see them larger and growing, more democratic

and participatory, and with a leadership that rotates more vigorously and reaches more broadly into the community.

My search for ways to see the inadequacies of the Bolivian groups as more in harmony with their achievements led to four kinds of explanations: (1) the inadequacies turned out to be not as problematic as they are usually thought to be--or, resolving the problems was not always a prerequisite for doing well; (2) some of the problems were the side effects of improvements in management; (3) some of the inadequacies were more troublesome when they occurred in combination with certain crops, social structures, and tasks; and (4) certain tasks were distinctly more vulnerable to management inadequacies than others. All this is not to say that the shortcomings of the Bolivian groups are not to be taken seriously. Rather, the causal link between problems and failure--and between "prerequisites" and success--turned out to be looser than we are used to thinking it to be.

The cast of characters

Of the four groups visited, El Ceibo and Bella Vista are located in the same region. The Alto Beni is a subtropical region where the government carried out large colonization projects in the 1950s and 1960s, after which the public sector virtually withdrew and vigorous spontaneous migration followed. Cacao, coffee, bananas, rice, and corn are the principal crops; cacao, introduced by the

colonization project, is the only export crop produced by any of the groups studied (coffee is marketed only domestically).

El Ceibo (Central Regional de Cooperativas "El Ceibo," Ltda.), a 350-member association of 18 coops located in the cacao-producing area of the Alto Beni, was founded in 1976 by four small village groups that banded together to market cacao. Ceibo now buys 60% of the cacao marketed in the Alto Beni and, with its own ten-ton truck, markets it in La Paz, an eight-hour truckride away. On the backhaul from La Paz, Ceibo brings consumer staples that it wholesales to the small consumer stores of its member coops. Ceibo also operates a cacao-processing plant (a second drying plant is about to be completed), where it ferments and dries about 40% of the cacao it buys (it purchases the rest home-dried); it has a small chocolate factory in La Paz, which absorbs less than 1% of the cacao marketed. Ceibo is now embarking upon an agricultural extension program to combat cacao blight, which has decimated much of the cacao plantings in the area.

Of the four groups, Ceibo has taken on the smallest number of activities, concentrating almost exclusively on cacao marketing. It is the only one of the groups without a credit program, and the only one without a retail consumer store operation; it is also the only one to have succeeded at a wholesale store operation. Partly because it attempted less, Ceibo seems to be the most successful of the groups--in terms of its finances and its impact on the region. IAF

support for Ceibo, starting in late 1980 and amounting to US\$200,000, was for (1) operating capital to purchase cacao, (2) construction of a second drying plant, (3) purchase of a second truck, (4) cooperative education, and (5) the salary of an administrator for the cacao-processing operation.

Bella Vista (Cooperativa de Ahorro y Crédito "Bella Vista," Ltda.), situated in the higher coffee-producing zone adjacent to El Ceibo, started in 1969 as a savings and loan cooperative that was closely guided by a Franciscan priest. Receiving outside funding in the late 1970s, Bella Vista expanded into the marketing of coffee and rice, acquired a small rice mill, opened a large consumer store, and continued its savings and loan operations. With about 200 members dispersed throughout the area, Bella Vista is the only one of the four groups that is a large single coop; the others are associations of small affiliated coops based in communities of less than one hundred families. Partly because of the geographic dispersion of Bella Vista's membership, it was the most precarious of the four groups; it also experienced a major loss of capital and in community confidence because of political repression resulting from its role in organizing a strike of the Alto Beni's farmers against increased trucking rates and other policies of the military government. IAF support for Bella Vista, starting in 1978, amounted to US\$185,000, and was used for (1) the purchase of a 14-ton truck, (2) operating capital for marketing,

(3) operating capital for a consumer store, (4) a fund to promote eradication of coffee rust (a plan that did not materialize), and (5) cooperative education.

CCAM (Central de Cooperativas Agropecuarias Mineros, Ltda.), an association of 12 member coops with a total of 309 members, is located in the eastern lowland region of Santa Cruz, a center of Bolivian agricultural growth during the last 20 years. Growth was stimulated by heavy government investments in colonization, transport and power infrastructure, agroprocessing, and credit and other subsidized inputs for commercial agriculture. CCAM's members produce mainly rice and corn, with a better-off minority growing sugar cane and occasionally vegetables. Founded in 1972 and assisted for many years by a Maryknoll priest, CCAM was the most highly capitalized of the groups, mainly as a result of various donations for equipment. The association started out with rice marketing, and then acquired (1) a large rice mill and, later, storage and drying equipment, (2) an agricultural-equipment rental service (including a bulldozer and motorgraders used for opening and maintaining access roads, as well as land clearing), (3) trucks for a transport service, (4) a wholesale and retail consumer goods operation, (5) an equipment-repair shop, and (6) a credit fund for production loans. Of these activities, the rice mill is the most profitable.

Recently, CCAM became the only one of the four groups to receive funding from a large donor (US\$500,000), the Inter-American Development Bank. CCAM was also the only group to secure short-term production credit from a local private bank for lending to its members, which it succeeded in repaying. (From the same bank it also obtained operating-capital credit for its rice mill.) IAF support to CCAM, starting in 1974 with US\$45,000, amounted to \$206,000, which was used for (1) operating capital for the consumer-store operation, (2) grain storage and drying facilities for the rice mill (still to be completed), (3) a revolving-credit fund for production loans to members, and (4) the replacement of pontoon bridges washed out by floods.

COINCA (Cooperativa Integral Campesina), a 400-member association comprised of 20 coops in the southernmost department of Bolivia (Tarija), was founded in 1975 by a Jesuit social action agency, Acción Cultural Loyola (ACLO)--the only one of the four groups to have been created by an intermediary or "facilitator" organization. Tarija is a highland valley area of much older settlement than the Alto Beni and Santa Cruz, and suffers acutely from the twin problems of minifundization and soil erosion. Tarija's peasants produce potatoes and corn; the better-off grow wine grapes, citrus, and vegetables--mostly on plots of no more than a few hectares, in comparison to the 12- and 25-hectare average plots in,

respectively, the Alto Beni and Santa Cruz. Tarija's peasant farmers are unique in their long use of chemical fertilizer (on their potato crop), which made it possible for fertilizer supply to be one of the mainstays of COINCA's activities.

COINCA operates a revolving loan fund for production credit to members (severely decapitalized through inflation, low interest rates and delinquency), an agricultural-input supply operation, and a small winery (its most profitable operation), along with a technical assistance and credit program for grape growers, who are a better-off 30% of members. COINCA succeeded in obtaining government credit and assistance for a poultry-raising project for member coops, the outcome of which is still in doubt, and is the only group to have sponsored some collective production projects, many of which have not done well. Partly because of the philosophy of its founder organization ACLO, COINCA tried to undertake more activities than any of the other groups, which perhaps contributed to its being less successful than El Ceibo and CCAM.

IAF support for COINCA, starting in 1976, has amounted to US\$415,000, and was used for (1) a credit fund for production loans, (2) operating capital for a consumer store operation, (3) construction of a headquarters and store building in the capital city of Tarija, (4) purchase of a vehicle, (5) administrative salaries (COINCA was the only group with a paid, outside professional manager, agronomist, and

accountant), and (6) an education program. (The winery operation was funded by a German volunteer agency.)

Spillover and arrested growth

After almost ten years of life and several years of IAF support, the Bolivian farmer associations were not only small, but they did not seem to display much impulse to grow. By 1982, moreover, all three of the associations had informally expressed a desire to stop growing at about 400 members. Why this arrest in membership growth, especially in the cases where coop income-earning activities were expanding at a steady pace?

People did not join the Bolivian coops, or ended up leaving them, for various reasons: (1) coop work obligations were burdensome, (2) hopes for patronage refunds were not fulfilled, (3) episodes of corrupt and incompetent leadership caused disillusionment, (4) it was not always in the interests of leaders and members for membership to grow, (5) the agricultural-production services provided by these associations were largely irrelevant to people with little land or none at all; (6) people did not have to join in order to reap some of the most important benefits of coop action--the so-called "free-rider problem," and (7) certain improvements in management caused membership to be less attractive, or actually led to the cutting off of membership growth. The last two reasons are the most important and the least obvious, so I give them special attention here.

All the Bolivian groups engaged in agroprocessing, marketing, and consumer stores. Each of these activities served nonmembers as well as members, meaning that benefits reached far beyond the 350 member families. It was not benevolence that caused the coops to allow their benefits to "spill over" to those who did not join--but, rather, the simple economics of their task: to achieve the volume of business required for the economic operation of a rice mill, a store, or a 14-ton truck, these small coops and their associations needed a larger number of buyers and sellers than the membership provided. Economies of scale, in other words, "forced" the groups to allow some of their benefits to be enjoyed by nonmembers.

In addition to economies of scale, three other "structural" traits of certain coop tasks caused them to spill benefits to nonmembers: (1) for activities that provided public goods (roads and road maintenance, potable water, schools), limitation of use to members or any other particular group in the community was not feasible or customary; (2) for some activities, members could not realize full benefits unless non-members participated too (control of contagious crop and livestock diseases); and (3) in some cases, innovations had a propensity to spread by themselves (agricultural practices that can be easily copied by observing neighbors, seeds and other inputs that are commonly traded among neighbors, and improved

pasture grasses and other plants that spread like weeds). In all these cases, small and nongrowing memberships would not necessarily be a cause for concern, since the activities engaged in assured the spillover of benefits.

The "spillover" activities of the coop associations contrasted sharply with other activities like credit to individuals, collective production projects, and paid jobs in coop enterprises. These goods and services were not ruled by economies of scale, were usually in scarce supply, and hence were available to members only. Though this exclusive access was good for attracting new members--since it handsomely rewarded those who joined--it did nothing to help spread benefits the way the spillover activities did.

The free riders. Spillover may be good for reaching large numbers, but it is bad for the growth of members and their capital contributions. People won't want to contribute to a coop, that is, if they can get the benefits without joining. Cooperativism, like labor unionism, is quite familiar with this "free-rider problem" and has laid down some basic rules for avoiding it. One such rule, a basic tenet of Rochdale cooperativism, is that purchasing and marketing operations should provide benefits to consumers only in the form of profit distributions or patronage refunds (which can be limited to members)--and not in the form of better prices (from which all buyers

will benefit, member and nonmember alike). In this way, the coop can take advantage of the nonmember's contribution to business volume and economies of scale, without having to provide him a reward through better prices.

Why wouldn't the Bolivian groups have tried to cut down on spillovers, and reduce their adverse impact on membership? First, the income-earning activities of these groups did not generate enough profits to distribute--a not unusual outcome; when profits did materialize, they were often commandeered to cover losses in other coop activities, or to capitalize expansions. Second, and also common, the Bolivian groups found it hard to charge prices that covered their costs if those prices were as high as prevailing prices--and even if they returned any profits to member-patrons at the end of the year. To adhere to prevailing prices, they felt, was to behave exactly like the "exploitative" middleman whom they were supposed to replace--and hence would stand them in bad stead with the community. In this sense, the Bolivian associations were behaving contrary to what one might expect of a small group with a better-off, entrenched leadership: they were setting prices with a social conscience. (Sometimes, unfortunately, these "socially conscious" prices did not cover costs.) Patronage refunds and prevailing prices, in sum, do not always represent realistic policy choices for rural groups like the Bolivian ones, even though they may be the best way to

attract members and keep away the free riders.¹

Success and dependence. Small membership is bad for coops because it translates into very little self-generated capital, which is supposed to form the basis of cooperative independence.² Like many coops assisted by outside donors, the Bolivian groups enjoyed the luxury of not being dependent on member capital for their growth. Good performance in their ventures earned them outside donations for projects far beyond what they could have raised through increased capital contributions from members. That the groups were financially dependent as a result was not really a concern for them, or for their coop promoters. Indeed, they saw their "dependence" on outside donations as allowing them to be independent of the public sector of their own countries.

In order to gain a different perspective on the financial dependence of the Bolivian groups, it is helpful to remember that the model of an independent agricultural coop, financed out of capital contributions from members, is more descriptive of North American historical experience than of current Latin American reality. In North America, rural coops were formed mainly by medium and large

¹Most coops tended to pay and charge prices that were closer to the prevailing ones as time went on--in order to meet their unexpectedly higher costs or because prevailing prices of private operators had come down in response to coop competition.

²In addition, the Bolivian coops were not too demanding of existing members to pay in their capital subscriptions and dues.

farmers with the capacity to make significant capital contributions, whereas in Bolivia and many other Latin American countries, farmers of these means often constitute only a better-off few. In Latin America, in other words, the financially independent coop may be an unrealizable goal--if we expect these organizations to draw their members from among the poor.

The acid test of the strength of donor-funded coops occurs, of course, when outside funding stops. None of the Bolivian groups had reached that point, even though some are almost ten years old. Critics of the groups argue that they would be "nothing" without their outside funds and patrons, while supporters argue that self-sustaining success requires many years of outside support. Though the Bolivian groups might indeed have collapsed or severely contracted if their outside funding had been withdrawn, it is impossible to know what strength and resources they would mobilize if this state of affairs were actually upon them. Until the acid test takes place, moreover, these "financially dependent" groups end up providing some important services to the peasant economy over a long period--as well as building skills among the peasantry and the strength to deal with a powerful, non-peasant world. The success of many such groups, finally, is often crowned with their "adoption" by the local public

sector--at least in terms of financial support--so the acid test never takes place. Some of the concern about financial dependence, therefore, may be pointless.

Good management versus growth. In addition to the spillover dynamic, there was another good thing about the arrest in growth of the Bolivian groups. Some of the loss of membership and discouragement of potential members was a result of certain attempts by the coop associations to improve management. CCAM and COINCA, for example, placed a moratorium on accepting new groups after the associations' third or fourth year of existence. They did this in trying to reduce the losses arising from delinquency in credit and store operations--two activities particularly vulnerable to management inadequacy, for reasons discussed later. The associations had themselves contributed to these problems by being casual about delinquency, accounting, and the charging of interest. But they now wanted to reform their ways, after witnessing the erosion of capital caused by their laxness.

Growing memberships made it difficult for the Bolivian groups to work on these problems.¹ Because each new coop usually wanted a store and access to credit, the only way for the associations to start

¹The management problems attendant upon membership growth were nowhere as great for activities like processing and marketing, as discussed below.

reducing their credit-caused problems was to refuse to accept new member groups or, at least, to not vigorously promote them. Also, some would-be members and even old members lost interest in membership upon learning that credit would no longer be so "easy." From the coop's point of view, of course, this loss represented a desirable process of self-selection, whereby would-be delinquent borrowers were discouraged from joining.

Given the credit problems of the Bolivian groups, characteristic of most coop credit and store operations, it is not surprising that El Ceibo was the only one of the four groups currently showing an interest in expanding its membership: it was the only group without a credit program, and the only one to operate its store system under a unique barter relationship, accepting cacao in exchange for merchandise. These differences meant that membership expansion was not as troublesome for El Ceibo as it was for the other groups.

CCAM and COINCA took a vigorous approach to the problem of store credit by "de-linking" store expansion from the creation of new coops. They centralized their store operations in one place under their direct control; and they severed the wholesale relationship with affiliated stores, or exercised greater control over the stores' prices, profit margins, and management practices. In that these latter improvements involved less "local control" of the affiliated store, they made the member coop look more like a buying and selling

outpost of the association--at least with respect to the store activity--than like an independent and democratic community body. The marketing operations of El Ceibo also resembled this more centralized, less "democratic" way--with member coops seeming more like "buying agents" for the association than genuinely participatory community bodies. Though the cooperative as buying agent may not jibe with our image of cooperativism, it may nevertheless be consistent with achieving a broader reach for otherwise limited coop benefits.

It is not new to say, as I have here, that the growth of high-spillover activities like marketing and stores can be choked off by the need to create a new cooperative every time the association wants to expand its service into a new community. In the late 19th and early 20th centuries, the coop movement in the United States experienced considerable controversy over the question of "federated" versus "centralized" coop associations. Proponents of the federated, "bottom-up" form saw it as the only way to achieve truly democratic organizations. Proponents of the centralized, more "top-down" associations pointed to the difficulties of creating numerous, capable local organizations and of thereby achieving the volume of business necessary to obtain significant bulk discounts. Many of the more centralized associations, like the Grange, commonly sold through field agents or local entities, and sometimes even private merchants. This was the only way to achieve scale economies, they felt, without having

their efforts unduly constrained by the slow process of creating myriad affiliated organizations from scratch.

The Bolivian associations might also be able to expand their services with greater facility, and benefit more people, if they resorted to this more "centralized" approach in some activities--training persons who reside in unserved communities, for example, as paid field agents for marketing. And the centralized coop association, though perhaps more "top-down" than the federated ideal, still represents a highly decentralized and local institution in comparison to the public sector and its "local" agencies. It is this comparison to the state, in turn, that is behind the argument of many coop supporters in favor of coops as a "better" approach to improving the conditions of peasant farmers.

Barter is another way to reduce the management problems of store operations, as illustrated by El Ceibo's combination of consumer merchandising with the purchasing of cacao. Barter, of course, is also the time-honored practice of many private merchants in rural areas, who sell consumer staples on credit and receive payment in harvested products. In the hands of private merchants, the barter relationship is considered by many to be exploitative of the peasant. A more drastic approach than barter to problems of store credit is to ban credit completely and sell only for cash--as dictated by the principles of Rochdale cooperativism. Though the Rochdale approach

makes excellent management sense, the barter model of El Ceibo and the "exploitative" rural middleman may be preferable on distributional grounds: rural stores are often the only places where the poorest community members ever get access to credit and, therefore, are their lifeline to consumer necessities during hard times. Here is another case, then, where the pursuit of good management and healthy cooperativism is at odds with social equity--and where donors, therefore, should pay special attention to finding ways to preserve the more equitable results.

To sum up, arrested growth of coop membership need not always be a cause for concern. It may sometimes be a welcome sign of improved management--as long as benefits spill beyond members and the growth of coop activities is not tightly linked to the formation of new coops. When growth is arrested by activities that are particularly vulnerable to management problems--namely, stores and credit funds--donors might consider shifting their funding to other activities that are less demanding of socially difficult behavior, more compelling of management skills, less vulnerable to management inadequacies, or less linked to membership growth. In the following section, I will discuss some of the activities that possess these qualities.

The structure of tasks, society, and the economy

Entrenched and better-off leaders, living off coop spoils, have been the bane of cooperative history--both North and Latin American. The principles of Rochdale cooperativism are designed to prevent this: coop officials must be elected by the membership, new elections must be held yearly, and elected officials cannot hold paid positions in the cooperative. The leaders of the Bolivian coops and their associations looked exactly like what these principles were meant to avoid: they were the better-off members of the community, the same few were re-elected year in and year out, and they or their relatives held the few paid positions in the organization. If other groups with leadership like this came to unfortunate ends, how were the Bolivian groups able to do better?

We have already identified two reasons why entrenched leaders are not necessarily a problem. First, if one views the member coop as a local buying and selling outpost for the coop association, then an entrenched person in charge is not necessarily so bad, and may even have some advantages. Second, some activities like marketing, processing, and stores force coops to spill their benefits widely. For these activities, therefore, the reach of a coop's benefits will be in some ways beyond the self-interested control of the entrenched leaders. But why would an entrenched leader choose the spillover

activities in the first place, if he and his cronies were only looking after their own interests? This is where a strong influence will be played by social, agronomic, and economic conditions--in conjunction with the nature of the coop's task.

Fragmentation and leadership. The role played by the social environment is the most obvious. Three of the four Bolivian groups were comprised of member coops based in small hamlets of 20 to 100 families. (The fourth, Bella Vista, was a large coop with no affiliates.) Each association was headed by leaders who had risen through these member coops and continued to live in their home communities; even those few leaders who were exceptions to this pattern maintained strong ties to their communities, continuing to cultivate and live there part time. Like the other members of their small communities, these leaders were farmers--not the merchants, traders, teachers, and shopowners who are often found at the head of coops in rural towns.

Though the leaders of the Bolivian groups were definitely from among the better-off members of their communities, they shared as farmers the same economic interests as their poorer farming neighbors--the desire for better crop prices, lower transport costs, access to production credit, and consumer staples and agricultural inputs at lower prices. This contrasts with the merchant and trader

leaders of coops with headquarters in larger rural towns. As businessmen, they would be not at all happy to see their coop charging lower prices than their own for consumer staples, or offering higher prices to growers, or introducing low-cost credit. The pursuit of self-interest by this latter kind of coop leadership has, in various instances, most certainly conflicted with the interests of farmer members.

That an entrenched and better-off leadership is less of a problem if it is based in small and dispersed communities, where mostly growers live, takes us back to the problem of membership growth: putting together and running an association of 350 members will be more difficult if 20 different coops in 20 different communities must first be created, than if everybody can be put together in one central town. Thus the success of the Bolivian associations at avoiding a non-farmer leadership was partly at the cost of a much more difficult organizational task.

Crops and their social character. The agricultural economy of each coop environment will contribute to determining whether leaders define their interests as consistent with those of the community. Of the four groups, El Ceibo seemed to exhibit the most socially concerned behavior and generated the greatest amount of spillover, even though its leadership was as entrenched as that of the other groups. At

CCAM, in contrast, one heard criticisms of "elite dominance" and "rich peasants looking only after themselves"; the leadership had motorbikes or pickup trucks, and second houses in the busy cantonal capital where association headquarters was located. Why El Ceibo did better than CCAM at being egalitarian is revealed by the strikingly different socio-economic structures of the two areas.

Unlike the Alto Beni, home of El Ceibo, CCAM's Santa Cruz exhibited a strong socio-economic differentiation on the basis of crop. In Santa Cruz, poor peasant farmers grew rice and were usually situated far from roads. The better-off farmers, in contrast, grew sugar cane and had good access to roads. Rice was grown under the shifting slash-and-burn system, requiring the eventual abandonment of one's land and the perpetual moves to new areas of virgin forest on the nearby frontier.¹ Sugar cane was competitive only when grown on land cleared of tree stumps, and with the use of mechanized land-clearing and land-preparation techniques. Cane also needed to be near good transport because of its perishability, once harvested, and

¹Under ideal conditions of population density, slash-and-burn systems are self-perpetuating and do not require abandonment, because of soil regeneration during long fallow periods. But population densities in Santa Cruz, as in other rapidly growing frontier areas, are beyond the "carrying capacities" of the land, causing fallow periods to be too short and leading to eventual deterioration of soil quality. In Santa Cruz, the problem is exacerbated by a second growth of weed-grass ("barbecho") that makes subsequent crop cultivation impossible under the slash-and-burn system.

were the highest in Santa Cruz); (3) transport on which one could be absolutely reliant (because of cane's perishability); and (4) access to a cane mill (cane growers could not sell cane without buying a quota from the mill). CCAM's activities were concentrated in precisely these four areas: it was the only one of the three groups that ran an agricultural equipment-rental service, obtained credit at a private local bank for lending to members, and had a fleet of its own trucks, which were used mainly for cane transport. (CCAM also used a large amount of donated capital to purchase a cane quota.) None of these activities had the forced spillover potential that processing, marketing, and stores do.

Because the agro-economic environment of the Alto Beni defined an "equalizing" crop and activity (cacao and its marketing) as the most urgent need of farmers, El Ceibo was automatically drawn to a high-spillover activity that brought benefits to better-off leaders, poorer members, and poorer nonmembers alike. In Santa Cruz, in contrast, CCAM was drawn to the low-spillover activities of credit, agricultural equipment services, and transport dedicated to a minority of peasant farmers--as dictated by the region's high labor costs, the possibility of improving peasant incomes by changing crops, and the need for mechanization to bring about and sustain that change. CCAM's entrenched and better-off leadership also contributed to make things work out this way, of course, but certainly not without the help of these structural conditions.

Remarkably, this same set of structural conditions worked in exactly the opposite direction in the case of CCAM's rice mill, despite the association's cane-grower leadership. While the difficulty of cane-milling excluded that activity as a way for the leadership to pursue its own interests, rice-milling presented itself as a much easier venture. Since the cane growers also grew rice, rice-milling was not an unlikely next step for them to take in the cooperative venture. Though the rice mill would also benefit the poorer rank-and-file and nonmembers--and hence might not have been as desirable to the cane-growing leadership as the more focused equipment-rental, transport, and credit services--the mill also turned out to yield more profit and fewer problems than these other services. To sum up, four "structural" factors in CCAM's environment combined to draw the association into successful rice-milling--a high-spillover, and "equalizing" activity: (1) the impracticality of going into cane-milling, (2) the widespread cultivation in Santa Cruz of a crop (rice) for which the processing task was particularly easy, (3) the centrality of this crop to poorer-farmer income, in addition to its being cultivated by the better-off cane-growers, and (4) the fact that agroprocessing was an easier task than the credit, transport, and equipment operations taken on by CCAM.

Another example of the interaction of the agricultural environment with social impacts comes from El Ceibo. In the Alto Beni, cacao disease became so serious in the late 1970s that it

reduced yields by more than half over a period of only four or five years. Eradication of cacao disease therefore came to be an urgent concern of Alto Beni farmers; knowledge of eradication techniques, and the ability to apply them, represented a conspicuous way to increase grower income. Campaigns against contagious crop diseases, of course, have high spillover effects because everyone has to participate in order for anyone to be protected. In addition, demonstrations of the new technique (mainly radical pruning) are like a public good--anyone can attend, or can copy from his neighbor. Like the Alto Beni's marketing problem, then, cacao disease was a great equalizer. It attacked large and small producers alike and required participation by small producers in order for the crops of better-off producers to be free of disease. And because a contagious crop disease was such a pressing problem in the Alto Beni, El Ceibo was drawn into an activity with inherently high spillover benefits.

Fertilizer supply is another example of how the agricultural economy of a region and the economics of a particular task combine to determine the benefit distribution of an association's activities. Of the four groups, COINCA was the most involved in agricultural input supply, particularly fertilizer. Fertilizer supply was the centerpiece of its early success; in the beginning, it had sold fertilizer at half the prevailing price and, even when that differential disappeared, it still marketed a product with the rare reputation of being unadulterated and honestly weighed.

When coops supply fertilizer, there is a good potential for spillover benefits because significant discounts can be obtained on large wholesale purchases. The coop, as in the case of COINCA, will want to sell to as large a number of users as possible. (Fertilizer supply is also an easier management task in comparison to the supply of consumer staples, as discussed later.) In addition, Tarija is one of the rare places in Bolivia where peasants have been using chemical fertilizer for quite some time on a traditional crop--potatoes. Fertilizer was not used at all in the Alto Beni or in Santa Cruz, even for the cane grown by upwardly mobile peasants. In these areas, there were almost no crops with a yield response as high as for potatoes; and the abundance of land, in contrast to Tarija, made it cheaper to exhaust land and move on to new land than to invest in returning nutrients to the soil. Even though fertilizer was used widely for potatoes in Tarija, moreover, it was not used in wine grapes, Tarija's "upwardly mobile" crop. Like rice in Santa Cruz, finally, Tarija's potatoes are grown as a cash crop by better-off as well as poorer peasants. This means that any improvement in the price, quality, and availability of fertilizer would be in the interest of the better-off coop leadership as well as the poorer farmers.

The socio-economic environment of Tarija dictated that COINCA go into fertilizer supply and that this activity could have a broad social impact. The CCAM case was different: the socio-economic

environment produced a leadership that was distinguished from the rest of the membership by the crop it produced, and by coop activities that tended to increase the distance between leaders and poorer farmers. Rice-milling was the significant exception. Structural conditions, finally, also led COINCA into making wine and providing credit and technical assistance to grape growers, much as such conditions led CCAM into rice-milling. As an activity, the task of wine-making had the same desirable traits as rice-milling--as explained later. But the distributional traits of wine-making were just the opposite of rice-milling: it kept benefits limited to a minority of better-off grape-growing members, rather than spilling benefits widely.

In Tarija, in sum, two "easy" tasks were undertaken--fertilizer supply and wine-making--as dictated by the agro-economic environment. One had highly desirable distributional qualities and the other, just the opposite. The same kind of leadership produced both activities.

Entrenched leaders and trouble. Though entrenched and better-off coop leaderships are often a cause for concern, they are nevertheless what one usually encounters in agricultural coops. That this kind of leadership occurs whether or not coops are successful or socially responsible suggests that we need to find other causes--as in the examples above--for the problems usually attributed to this

phenomenon. Though donors have little power to change the nature of coop leadership--and it may not be their place to try to do so--they can exercise some control over the more undesirable effects of entrenched leaderships. This can be done by choosing tasks to finance, and environments in which to finance them, that will bring out the similarity of interests between the better-off leadership and the rest, rather than their differences.

Because we associate trouble with entrenched or elite leaders, we have perhaps failed to notice a few distinctly positive aspects of such leadership. First, entrenched leaders can provide continuity to a coop as a service and income-earning enterprise--a continuity that is quite valuable, in light of what we have learned about the frequent disruption of public-sector programs caused by high turnover of their managers and staff. Second, better-off community leaders often have considerable entrepreneurial experience and drive, which can make the difference between success and failure of a coop business venture. In this sense, the coop "exploits" the skills and interests of its entrenched leaders. Third, in many Latin American communities, a community leader is expected to perform at least some socially responsible deeds. The coop provides an opportunity for the leader to meet these expectations, as a way of achieving and maintaining status in his community. By drawing on entrenched community leaders, then, the coop can be seen as hitching certain socially obligated persons to its cause.

Our thinking about the problems of entrenched leadership by a few better-off persons has been confused somewhat by our concern about "the bottom 40%." With some exceptions, the Bolivian groups provided few direct benefits to that group--the landless and near-landless poor. But this was less a result of the coops being run by a better-off and entrenched leadership than of their being organized around the supply of services to agricultural producers--and thus "irrelevant," as some of the Santa Cruz landless said, to their needs. Agricultural coops, in short, are not the best way to reach the landless, unless through the employment effects of increased farmer incomes--a "trickle-down" approach to poverty that most proponents of coops do not accept. If a criticism of coops is to be made, then, it is not that a better-off entrenched leadership ignored the poorest, but that donors chose to support an inappropriate instrument for reaching the poorest.

Success and inadequacy

How were the Bolivian coop associations able to grow and take on more activities while plagued by weakness in management? A clue can be found in the four tasks undertaken by all the groups--credit, consumer stores, marketing, and agroprocessing--and the fact that performance was consistently better (or worse) at certain of these tasks than at others. Agroprocessing ranked as the best-performed

task--followed, in descending order, by marketing (including trucking operations), stores, and credit. Management inadequacies, in other words, seemed to be partly related to the nature of the task. Problems were consistently more prevalent in some activities than in others, leading one to suspect that some tasks were easier than others, or less vulnerable to bad management, or more demanding of good management. That might be why success and inadequacy could coexist.

That agroprocessing would be the least vulnerable to the management problems of rural coops comes as a surprise. Processing and other forms of manufacturing have often been considered by coop advisers to be too difficult for struggling agricultural groups like the Bolivian ones--in terms of the technology of the task, the complexity of the market, and the large investment required for fixed capital. Credit programs and consumer purchasing operations, in contrast, require almost no such technological and market expertise, and little or no investment in fixed capital. But in terms of management, processing turns out to be remarkably "easier" than credit and stores. In some ways, moreover, it is more tolerant of lax management; and in other ways, it is more likely to induce good management. In order to explain why, I outline briefly the major problems of credit and stores.

Credit and stores. The most striking management problems of coop credit and store programs fall into three areas: (1) the setting of prices for merchandise and credit (interest rates), (2) credit-repayment policy (most stores sold on credit, at least to start out), and (3) accounting practices. Like many other coops, the Bolivian groups frequently charged prices for their services that were too low to cover costs. According to coop rhetoric, prevailing prices reflect the machinations of "exploitative" middlemen, who will be replaced by coops that charge lower and "just" prices. This rhetoric has invested coop prices with strong social symbolism, making it difficult to charge prices that cover costs.

Two instructive exceptions to the problem of inadequate pricing were the prices charged by CCAM for rental of its bulldozer, and by El Ceibo for transport of cacao. The only piece of agricultural equipment for which CCAM charged cost-covering rates was its bulldozer; unlike CCAM's other equipment, bulldozers were not available locally for rental from private suppliers. In setting its rental price, therefore, CCAM was not constrained by a prevailing bulldozer-rental price that it felt obligated to undercut, regardless of cost. El Ceibo, in turn, was able to "charge itself" a full cost-covering rate for truck transport when it bought the cacao and incurred the transport cost of marketing itself (an "internal cost").

This contrasted with the case where Ceibo transported cacao or other produce for producers, without buying the product. In this latter situation, the transport charge was quite direct and visible, paid by the farmer accompanying his produce. But when the transport cost was "internal," it was less visible to the farmer, since it was one of several components in the margin between Ceibo's buying and selling price for cacao. With the more visible "external" transport price, Ceibo felt obliged to charge an inadequate one-third less (and lower than prevailing prices) than it charged itself for the "internal price" of transport, as reflected in the marketing margin. Ceibo could get away with charging the higher price on internal transport, it explained, because nobody would know or complain. When the price charged was "hidden" along with other costs in the marketing margin--or when there was no prevailing price to undercut--it was easier for coops to use criteria of cost and financial viability in determining the prices they charged.

Casual repayment policy, as seen above, also contributed to the problems of credit and store operations. Coops find it very difficult to be tough about repayment because it means being hard on their own people--particularly their leaders, who are often the largest borrowers and who play an important role in making decisions about who gets credit. Rigorous repayment policy spoils the comfortable and rewarding aspect of credit and store programs--the act

of giving--because delinquent borrowers must be denied new credit and purchases. Together with the difficulty of charging adequate prices, these repayment problems caused the operating capital of coop credit and store operations to dwindle rapidly.¹

Whereas the difficulties of price-setting and credit policies were partly social and political, those of bookkeeping and accounting for store and credit programs were more a result of inadequate skills. A store manager had to keep track of many small transactions, with different units of measure and different prices; the same had to be done with inventory (it rarely was) and for sales on credit. A credit manager needed even more fluency with arithmetic in order to make the various interest calculations for each repayment installment. Though these accounting requirements do not seem overwhelming, they turned out to be so for groups with no experience at it and with little training in arithmetic. As a result, the accounting was often simply ignored; COINCA lent out credit from an IAF-financed rotating credit fund for three years without recording

¹Credit funds were afflicted more rapidly than store capital, since the discrepancy between coop and bank interest rates was greater than that between coop and private store prices. Also, it was hard for credit funds to keep up with inflation, unless principal and interest payments were indexed to inflation--another price policy that coops would have considered "evil." Stores, in contrast, could protect themselves better from inflation by "indexing" the prices of merchandise on the shelf, though there was some reluctance to do this on social grounds, as well as some ignorance in the more remote areas about current price increases.

any of the transactions, and Bella Vista's large consumer store could not take time out to record transactions or give receipts because there were always "too many customers waiting in line."

Agroprocessing and marketing. When viewed against these problems of credit and stores, agroprocessing begins to look less complex--but in an administrative, rather than a technical, sense. In contrast to stores, processing and marketing involve the simple aggregation of units of a homogeneous product--unmilled rice, cacao beans, wine grapes--with a standard measure and price. This contrasts with the consumer store's breaking down of things into small amounts, and its myriad measures and prices--a more complex process that presents greater opportunities for graft. Graft is also less likely with agroprocessing because the product belongs to the farmers, and they will be directly affected if they do not get their return.

Misappropriation of credit or store merchandise, in contrast, does not affect coop patrons directly--even though it is bad for the coop and, in the long run, for its patrons. There are strong social pressures against graft in agroprocessing and marketing, then, that are not present in store and credit operations.

Setting adequate prices is easier when coops are engaged in agroprocessing and marketing. All growers, of course, will want the

coop to sell their crop at the highest price possible. In marked contrast to credit and stores, the marketing coop can charge what the market will bear--since the buyer is an impersonal outsider, or even an adversary, for whom the coop has no particular concern. Similarly, there is little social constraint on the prices charged by the coop for the various components of its marketing or agroprocessing services--transport, labor, fuel, depreciation of equipment, overhead--because these prices are not directly in view; they are aggregated into a total that is reflected in the margin between the coop's buying and selling price, as seen in the above story of El Ceibo's "hidden" price for transporting cacao. Though the coop's marketing margin is clearly of concern to growers, and very much in view, the costing of each item in that margin is less so. Prices charged for credit and merchandise (and hauling and equipment rental), in contrast, are more visible and more subject to invidious comparison to prevailing prices.

Agroprocessing and marketing are in no way burdened with anything similar to the difficult social problem of being tough about credit repayment. Improvements in the management of agroprocessing and marketing usually are "technical" tasks--greater utilization of capacity, better scheduling of buying and selling operations, and arrangements for timely delivery of working capital. Though all of these problems can be major, they are not politically or socially difficult to handle.

One of the most remarkable differences between agroprocessing and credit or store operations is the effect of mismanagement on capital. If stores and credit operations cannot deal adequately with prices, repayment, and accounting, they will lose their operating capital and jeopardize the very existence of the operation--as happened with CCAM and COINCA. But if the management demands of a rice mill or a cacao-processing plant are not met, the coop will not lose its capital. It will simply earn less income, or none at all, while the plant stands idle or is poorly used. In this sense, agroprocessing is more tolerant of lax management than credit and stores, regardless of how easy or difficult it is.¹ Agroprocessing, and its embodiment in equipment and buildings, is endowed with a certain protective isolation from meddling. Decisions about plant operation are less interesting or less within the understanding of members than the topics of who gets credit, what kind of merchandise should be bought for the store, what rates should be charged for credit, and what prices should be charged for merchandise. The separate and "unknowable" nature of a production task also makes it easier for coops to justify handing over the

¹If the fixed investment in the plant is financed with bank credit, of course, the capital may indeed be lost if the loan cannot be repaid. This was not a concern for the Bolivian groups because, like most coops, their processing facilities were acquired with grants from donors, rather than with loans.

activity to an outside technician. The four processing operations of the Bolivian groups--two rice mills, a winery, and a cacao-processing plant--were run as separate businesses, which members could "join" without subscribing to other coop activities. The winery and the large rice mill (CCAM's) were run by paid outside professionals--an enologist and an experienced rice-mill operator--who kept an iron control over the books. Agroprocessing performed better, in sum, because the inaccessibility of the technology, together with the inconspicuous nature of the prices charged for the various components of the marketing margin, helped to keep meddling opinions and disruptive political pressures at bay. Agroprocessing was desirable, in other words, because it kept "participation" out.¹

Agroprocessing has another positive feature. Like any construction project, coop processing plants usually elicit large member contributions in labor and in materials such as sacks of concrete or loaned tools and equipment. (This is in contrast to the ongoing labor contributions required of members for collective plots and for storekeeping, which are often disliked by members and potential members.) New coop members are frequently allowed to pay their capital subscription in labor and materials--as occurred with

¹The "technological" insulation of agroprocessing versus credit and stores is not unique to this coop activity. In general, development projects and programs that are "technology-intensive" are often less vulnerable to political meddling--for the reasons noted above--than are those where a knowledge of technology is not required in order for someone to offer opinions and wield influence.

the construction of Bella Vista's rice mill. Credit and stores, as well as trucking and agricultural-equipment rental, offer no such opportunity for member contributions--except for cases where the coop constructs the store building rather than occupying an existing structure. The membership, therefore, does not feel the same pride of ownership for the credit fund and the store's inventory as it does for the processing plant. Processing installations, finally, enable coop associations to get credit at local private banks; both COINCA and CCAM obtained commercial credit--an unusual achievement for coops still dependent on donor financing--by pledging, respectively, their winery and their rice mill as guarantees.

Another way of expressing the above arguments is that agroprocessing does better than credit and store operations because it requires a project that finances capital, rather than operating costs. Donors have been criticized for indulging in just these kinds of projects and neglecting the less glamorous projects where operating costs are central and not overshadowed by capital costs. In various ways, however, the Bolivian agroprocessing plants were not the stereotypical capital project. The technologies were "appropriately" rustic, the construction techniques were labor-intensive, and operation of the plants generated the most employment of all coop activities. The plants also represented linkages forward from agricultural production, providing growers with the opportunity to

appropriate more of the value added to their crop. In addition, the profits of the processing operations were crucial to covering the losses in the areas of credit and stores, allowing the coops not to be completely undone by the costly learning process of these latter activities.

The processing plants, in sharp contrast to credit and stores, were more tolerant of lax management, because it would not necessarily lead to a loss of capital. At the same time, lax management would result in a failure to earn income from one's investment. In this sense, the processing task contributed to eliciting good performance: one could not utilize plant capacity fully and earn income from it without good management. When donor funds are provided for budget support and operating capital, in contrast, the recipient gets the income and a first round of benefits without having to first perform. All these qualities make the "capital-intensive" agroprocessing project look more appropriate than it would seem--at least in comparison to the less capital-intensive credit and store programs, or to general budget support. Given certain conditions, then, the donor weakness for capital-intensive projects may not be all that reprehensible.

Agroprocessing is not without its disadvantages. Along with marketing, the agroprocessor runs the risk of making one large mistake in judgment that can cause a tremendous loss. Bella Vista, for

example, withheld its rice from the market in the expectation of a large price increase, and ended up having to sell below the original post-harvest prices. Similar tales of woe are a common theme in the history of cooperatives, both successful and failed. With credit and stores, in contrast, loss of operating capital through poor management is gradual--perhaps one reason why it is tolerated for so long. The agroprocessing (and marketing) accomplishments of the four groups did not come easy, then, but these activities also did not suffer from the problems and sustained losses that credit and stores did.

Whether or not a coop should go into processing will be dependent on the crops its members produce, the nature of available technology, and the market. Rice milling, cacao drying, and wine-making were all accessible technologies, and their markets were not difficult to enter. (Cane-milling, in contrast, was not; though it would have been a "natural" step for CCAM's cane-grower leadership to undertake, it was more complex and capital-demanding, and the market was more formidable, than the rice-milling operation for which CCAM settled.) Another example of accessible processing activities comes from the history of U.S. agricultural coops in the late 19th and early 20th centuries, when coop processing was successful only in dairy products and fruit drying (raisins, figs, and nuts). As in the Bolivian case, rustic technologies were already available for such production, and processing was already being carried out by farmers at home.

In deciding whether to support coop proposals for processing operations--which sometimes seem frighteningly ambitious--donors can learn to distinguish between the easily-mastered technologies (and markets) and the more difficult ones. A cross-project look at what has worked can also provide some help--with the Bolivia projects suggesting grain milling and the initial stages of cacao (and coffee) processing--and the U.S. experience suggesting fruit drying and, based on the experience of many other countries as well, dairy products. Each case, however, has to be judged on its merits. Processing will not always be appropriate.

The problem of free capital. With our knowledge of the winning qualities of agroprocessing, we can now understand better the problems of credit and stores. Grant-funded credit operations do poorly, in part, because the coop association does not have to pay the money back. It is not forced, therefore, to take on the disagreeable task of being tough about borrowing requirements, repayment, and interest rates. Thus it was that CCAM started to get tough on borrowing qualifications and repayment, and to charge prevailing interest rates, only when its IAF-financed credit fund was so decapitalized that there was no other alternative but to seek a private bank loan for more capital. "Free" donor capital, then, seems to be a culprit in the credit problem. But the agroprocessing projects also received free

capital from donors, yet this did not create the same serious problems--except for some casualness, on occasion, about excess capacity. Indeed, free donor capital for agroprocessing seemed to facilitate rather than hinder improved management, by providing time for the coop to make mistakes and learn the business.

How could it be that free capital was a problem for credit but not for agroprocessing? The elements of an answer already have been indicated above: in order to carry out the proper decisions about price and collection policy, credit and store operations must behave in ways that are socially costly and unpleasant. Agroprocessing has no such problems. Either its cost components are hidden from view, or the socially popular sales price for the marketed product (i.e., the highest possible) also happens to be the right price in income-earning terms. Or, decisionmaking is of a technical nature with no direct impact on members and of little interest to them. Credit and purchasing operations, in contrast, need the help of outside pressures "beyond their control." The repayment discipline imposed by a bank loan, and the fear of losing assets or further bank credit if repayment is not made, can help coop managers to carry out unpopular and uncomfortable decisions.

Having to repay credit for loan funds and purchasing operations also helps coops to make better choices about which activities to take on. Coops tend to want credit, stores, processing

plants, and marketing operations all at once--because that's what coops are supposed to do. But credit, though it sounds very good, may actually not be as important for some groups as other services. CCAM in Santa Cruz, for example, was the only group among the four in Bolivia that actually went to the bank to obtain credit for lending to members--charging a market interest rate to members, pledging its assets, and repaying on time. This is a good test of how serious a constraint credit was in Santa Cruz, in comparison to the other regions, to the improving of farmer incomes. Compared to Tarija and the Alto Beni, that is, land in Santa Cruz was plentiful and labor was costly. This meant that credit was more crucial for increased agricultural production, because the credit-financed hiring of additional labor and renting of agricultural equipment were necessary in order to expand the area under cultivation. In the other areas, where land expansion was less feasible and labor was less costly, increased production would have to rely on improved inputs and cultivation practices. These "land-augmenting" techniques would not be as demanding of capital, particularly where labor was less costly.

When credit is not a prime constraint, coops may less willingly take the plunge into bank credit. Providing credit funds to coops as loans rather than grants, therefore, may constitute an excellent mechanism of self-selection: those groups that are still interested, even after knowing the conditions, may be more up to the

difficult task ahead. Given that credit operations require such strength of organizational character, it may be best to simply eliminate credit from support to the groups that do not need it as urgently as other services. It may appear cold-hearted, of course, to suggest that fledgling peasant coops be subjected to repayment discipline in order to help them make some choices. But it should be remembered that the complaint of most peasant farmers who want credit is that the bank will not lend to them, will not treat them well, will cause them many costly trips back and forth, and will not disburse the credit on time for clearing and planting. They are more concerned about gaining access to the bank, in other words, than about getting special consideration on repayment conditions and interest rates.

Loss, learning, and change. Requiring repayment is not the only way to provide coops with more outside support and guidance for the taking of difficult steps. Well-timed donor warnings about suspending disbursements on a grant--or refusals to consider grant amendments or additional grants--can have the same effect. Two marked improvements in the management of the studied groups occurred as a result of such feared deprivations. COINCA received a highly unfavorable audit report some years into the first IAF grant; the audit focused, not surprisingly, on problems in the area of credit and stores. (The winery received a clean bill of health.) Since COINCA believed that

the IAF would provide no further disbursements or grants until it made the audit-recommended improvements, the audit provoked a crisis that resulted in certain improvements in management.

In an analogous sequence of events, Bella Vista found that it could not complete its payments on an IAF-funded truck because of a tenfold increase in the price of the dollar (in which the truck payments were denominated) over an eight-month period. Previous to the crisis, Bella Vista had been rather lax about charging adequate trucking rates and using the truck to full capacity. With the suddenly increased repayment burden caused by the devaluation, Bella Vista decided in desperation to raise its hauling rates and embark upon a new program to market bananas, a major crop of the area. (Bananas are particularly appropriate for excess-capacity problems of trucks because they are marketed throughout the year; previously, Bella Vista had marketed only coffee and rice, both of which have only three-month harvest periods, which partly overlap.) Though the IAF did not actually suspend disbursement to Bella Vista--the value of its Bolivian-currency disbursement simply diminished drastically--the effect was the same: Bella Vista would not be able to keep the truck from being repossessed by the supplier unless it raised truck income enough to cover its installments.

These crisis-induced improvements in management had one feature in common: the coop associations knew exactly what to do to

make things better once the crisis was upon them. COINCA had to stop lending to borrowers who were delinquent on past loans, to keep better records of loans made and payments received, to charge interest and penalties on delinquent accounts, and to keep better records of store inventory. Bella Vista had to raise truck rates and fill up the excess capacity of the truck through more aggressive marketing operations. It was not increased learning that brought about these decisions, in other words, but markedly changed external conditions. Such "reactive" improvements in management are not unique to the Bolivian coop associations. The reactions are like the "satisficing" behavior of private firms, portrayed in the recent economics literature as being more realistic than the "maximizing" model in describing how firms behave. The satisficing firms, like the coop associations, do only what is necessary to get by. They will even show a "preference" for spending as opposed to profit-making--on labor costs, management perquisites, and other ways of improving the work environment--unless jolted to do better by sudden competition or other external events.

If certain management problems are the result of an undemanding environment rather than a lack of knowledge, then people do not necessarily have to be trained or convinced in order for things to improve. Instead, one may be able to reduce the problems by "changing" the environment--a power that donors often have, since they

are an important part of a coop's environment. The IAF sometimes ignores its power to change an environment for the good. It has a distaste for intervention and is more preoccupied with the vulnerability of coops to the uncontrollable parts of their environment--the sudden price changes, the shortfall in fertilizer supply, the failed harvest, the opposition of powerful intermediaries, political repression.

For donors to exercise their power wisely requires two kinds of knowledge. First, they need to know which kinds of project agreements are most conducive to good management and allow time for learning. When few strings are attached, for example, agroprocessing seems to do better than credit and stores. Second, they need to know at which moments in a coop's development, and for what kinds of activities and problems, will radical reductions in donor permissiveness lead to constructive results. The need to make these kinds of judgments suggests that donors devote more time to analyzing a project after it is underway than, as is usually the case, beforehand.

Easy successes. One final point about the ways that donors can constructively intervene and the best moments to do so. All of the studied groups produced impressive early successes. El Ceibo quickly captured 40% of the cacao market of an entire region, paid growers almost twice the price paid by the large middlemen, and still earned a

handsome profit. COINCA succeeded in obtaining such a large bulk discount on a fertilizer purchase that it could sell fertilizer to growers at half the prevailing prices. CCAM opened roads to distant communities with its bulldozer and motor graders, supplying them with their first consumer stores, trucking services, and reliable access to markets. These remarkable successes led to subsequent and more ambitious grants from a pleased IAF.

If the groups had done so well with so little to start, it seems reasonable to have assumed that they could have moved forward easily. Almost without exception, however, the later years turned out to be more difficult, with less impressive results, than the early ones. Prices charged or paid crept closer to prevailing prices; transport operations started to run losses as equipment got older and maintenance became more expensive; decentralized store operations shrank or closed up; credit funds decapitalized. Early coop success, then, did not necessarily augur a vigorous future. In fact, a coop that fails (especially one with years of free donor funding) may have lived several seemingly healthy years before its failure. This is strikingly illustrated by the data on U.S. coops that failed, which show a ripe average age, "at death," of ten years.

El Ceibo provides one of the most striking examples of the difficulty of holding onto a spectacular early success. As noted above, Ceibo made a handsome profit with its first foray into

large-scale marketing of cacao, but it had no experience managing so much money. A good part of the profits were therefore unwisely invested in urban real estate, another part was robbed (allegedly) from the manager as he traveled with it in cash from the Alto Beni to La Paz, and the rest was used to set up a small chocolate factory in the nation's capital that made little contribution to coop or grower income (though it had important symbolic value). Though the first success had generated enough capital to sustain itself, the inability to manage that capital resulted in two or three dark years for El Ceibo. Even when things improved again, with Ceibo controlling more than 60% of the cacao market in 1982, the association was still not able to come up with the finance for its dream project (US\$20,000)--a cocoa-butter plant in the producing region.

Though the reasons that coops have difficulty in maintaining their early successes may seem obvious, they bear stressing here because donors sometimes overreact to the first blush of success. First, the early years are more successful because it is easier to spend money than to earn a sustained return from it. Second, some time will usually pass before management inadequacies take their cumulative toll on the returns of a new organization. Third, uncontrollable events in agriculture and marketing will bring some bad years sooner or later, and those costs must be covered by returns from the early and subsequent good years.

If success is easier in the beginning, then donors should exercise some control over their enthusiasm at these first signs of success. They should not rush in with subsequent grants designed to build more elaborate organizational structures on top of that first experience. The subsequent grant might be better viewed as covering a "settling" period--rather than as a carrying of the torch forward to ever larger operations and new activities. Restraint does not necessarily mean doing nothing, but it does require using more discretion to decide which combinations of activities should be financed, and under what conditions. Instead of committing additional funds to replenish or expand a grant-funded credit operation, for example, one might try to place it on a repaying basis. Or, new grant funds could be used to improve coop access to local banks--e.g., by providing technical assistance, in the form of a local person or organization with good connections, in the preparation of project proposals for local bank funding. Or, instead of financing an expanded marketing project, the donor might decide that the coop was now capable of trying for its own bank credit and might want to instead finance another activity--like agricultural extension, or land titling--with high social and economic payoffs but lower probabilities of obtaining financing elsewhere. Early successes, in sum, should be looked upon as more fragile than they appear.

Conclusion

I have made various suggestions about how donors might improve the way they make decisions about coops and other projects that seek to improve the conditions of the rural poor. These suggestions, if followed, do not necessarily require a cooperative as their instrument. Sometimes, as we will see, the coops are a good form in which to undertake the pursuit of our goals, though the form will not always fit our image of what a good coop should be. Sometimes, moreover, we will want to conduct the pursuit of our goals through coops for a limited time only, after which the coop may tend to stagnate, decline or limit its benefits. At this point we may want to facilitate a transfer of the activity from the coop to the state (or to another entity), or at least support some interaction between the two. To do this would be to support a sequence of institutional development of which coops are an early stage. This means that our support of coops may not be worth its while unless the subsequent steps in the sequence also take place.

Finally, our experience with coops can teach us a great deal about decentralized community or regional initiatives. Sometimes, non-cooperative forms of these endeavors will be an even better approach to the task. Normally, we tend to ignore or reject these

other institutional forms because they do not have the "good" qualities we associate with coops--they may be controlled by elites, they may be weak on management, they may involve only a few people. But since our study has shown that coops themselves often have these same "failings"--even when they yield substantial benefits--then we need not be so restrictive in our search for alternatives. At the same time, we will have to pay careful attention to the structural factors that contribute to the good results, a central theme in this study.

Unfortunately, I have not come up with a better description, or term, for what "coops" actually are when they are doing the good things that the Bolivian groups were doing. Though this kind of naming would help us recognize the kinds of groups we want to support, it would also be inconsistent with the findings of my analysis. What determined the various accomplishments of the Bolivian groups, that is, was not only their organizational form. It was also a combination of structural factors--the sequence in which activities were undertaken, the social structure of the communities, the varying characteristics of the principal crops grown, and the traits of the various activities undertaken by the coops. Since these combinations are different for every group, the same organizational form can easily give rise to different results--some satisfying to us, and some not.

1 - Introduction

I wrote this study in the course of puzzling over some striking contradictions. On the one hand, the four Bolivian peasant groups I visited were decidedly successful in certain ways or for certain periods of time--in contrast to many other coop ventures.¹ The groups had become a presence in the region where they operated, providing peasant farmers with control over certain markets, and yielding them benefits. On the other hand, the four groups were deficient in the basic qualities considered vital to this kind of success. In fact, they had various traits and problems that we usually associate with failure.

The seeming mismatch between the coops' accomplishments and their qualities can be divided into three areas. First, their memberships were small, did not grow and, in some cases, had even declined. Second, leadership and management positions circulated among a few better-off members of the community. Third, coop administration was weak, or had been for a long time after the IAF-financed activities were started: accounting was poor, prices charged for merchandise and services were often too low to cover costs, credit collection was casual, inventory and sales records were often non-existent, coop leaders and managers were frequently the largest borrowers out of credit funds, and episodes of taking from the till were plentiful.

¹A description of each group can be found in the Summary and Conclusions.

It is obvious why the last category, weak management, would give us cause for surprise. Immediately previous to my study trip, for example, an AID-sponsored evaluation of coops in Bolivia found the groups to be largely unsuccessful, precisely because of the management weaknesses we cited above--as well as shortcomings in membership size and control by an entrenched and better-off leadership, our first and second categories above (Devres 1982). If these management inadequacies caused failure in the AID-financed program, then how do we explain the partial success of the IAF-funded groups, with their similar weaknesses?

It is not so obvious why we find it problematic that coops have small and declining memberships, little participation, and entrenched leaderships. What does this matter, after all, if they succeeded in generating some significant benefits? The problem, of course, lies partly in our vision of coops as participatory and democratic. If they turn out to do some good, it is hard for us to believe that they are low on these qualities. In reaction to this contradiction, we tend to see more participation and less control by entrenched leaders than actually exist or, more skeptically, we suspect that significant benefits for the poor have really not been achieved. When we find that our favorite qualities are lacking in the recipients of our funding, we tend to prescribe remedies for catching up--more training in cooperativism, more rotation of leadership, more drives to expand membership.

Coops with entrenched leaderships and small memberships are a problem for us also because of the faith that we, as donors, have placed in them. We see coop groups like the Bolivian ones as more desirable and genuine approaches to the alleviation of rural poverty than many programs of the public sector--particularly in countries with weak and hierarchical institutions serving the countryside, or with repressive regimes that are unsympathetic to calls for a fairer distribution of public-sector goods and services. If the membership of even the successful peasant federations is so paltry after so many years of our support, then how can we maintain our faith in these groups as a hopeful alternative to a deficient public sector? Finally, we are uncomfortable about an entrenched and better-off leadership because we think it leads to an elite-biased distribution of coop benefits--which is what disappointed us so about the programs of the public sector. If coops are to have an impact on the rural poor, in sum, then we expect to see them larger and growing, more democratic and participatory, and with a leadership that rotates more vigorously and reaches more broadly into the community.

The organization of this study reflects my attempt to put together these seemingly contradictory findings in a more harmonious way--though I stray from the contradiction problem throughout the

paper, covering various topics of little direct relation to it. First, I attempt to explain why membership was low and declining, whether this reflected a natural dynamic, and whether there might be a positive side to this phenomenon. Second, I search for an explanation for the successes of the studied groups at certain activities, and for the benefits they generated, despite their small memberships and their classic weaknesses in management. Third, I try to separate out the expansion of membership from the expansion of income-generating activities and services. This leads to a mapping of some of the paths to expansion, as well as the barriers along the way, as revealed in each coop's story. And fourth, I explore the relationship between control by the better-off and the distribution of benefits. The result of all these attempts is to come up with some suggestions for the IAF, based on the Bolivian experience, on how to make decisions about coops and any other projects that seek to improve the conditions of the rural poor.

My suggestions, if followed, do not necessarily require a cooperative as their instrument. Sometimes, as we will see, the coops are a good form in which to undertake the pursuit of our goals, though the form will not always fit our image of what a good coop should be. Sometimes, moreover, we will want to conduct the pursuit of our goals through coops for a limited time only, after which the coop tends to stagnate, decline or limit its benefits. At this point we may want to

facilitate a transfer of the activity from the coop to the state (or to another entity), or at least support some interaction between the two. To do this would be to support a sequence of institutional development of which coops are an early stage. This means that our support of coops may not be worth its while unless the subsequent steps in the sequence also take place.

Finally, we will find that our experience with coops has taught us a great deal about decentralized community or regional initiatives. Sometimes, non-cooperative forms of these endeavors will be an even better approach to our task. Normally, we tend to ignore or reject these other institutional forms because they do not have the "good" qualities we associate with coops--they may be controlled by elites, they may be weak on management, they may involve only a few people. But since our study has shown that coops themselves often have these same "failings"--even when they yield substantial benefits--then we need not be so restrictive in our search for alternatives. At the same time, we will have to pay careful attention to the structural factors that contribute to the good results, a central theme of this study.

Unfortunately, I have not come up with a better description, or term, for what "coops" actually are when they are doing the good things that the Bolivian groups were. Though this kind of naming would help us recognize the kinds of groups we want to support, it

would also be inconsistent with the findings of the analysis that follows. What determined the various accomplishments of the Bolivian groups, that is, was not only their organizational form, but a combination of structural factors--the sequence in which activities were undertaken, the social structure of the communities, the varying characteristics of the principal crops grown, and the traits of the various activities undertaken by the coops. Since these combinations are different for every group, the same organizational form can easily give rise to different results--some satisfying to us, and some not.

2 - What stops coops from growing?

After almost ten years of life, the Bolivian farmer associations seemed remarkably small, with a total membership of from 300 to 400. Each member group had 10 to 30 members, which represented about 15% to 25% of the families in the community. (Communities had from 50 to 100 families.) Since each association had only 12 to 20 member groups, the percentage of communities with coops was small. COINCA's 400 members, for example, represent only 2% of the total number of families in the area where it works.¹ El Ceibo's members represent 18% of the cacao growers in the Alto Beni region (350 out of 2,000) and only 8% of the region's families.²

Why is a 350-member group "too small"? In general, one would say that 350 beneficiaries is a disappointing final result after several years of IAF funding, at between US\$200,000 and US\$500,000 per group--not counting the cost of IAF staff input. (IAF administrative costs are estimated at 15% of the value of grant monies.) According to very rough calculations, an average US\$350,000 per group represents

¹Kraljevic (1978) calculates a total rural population of 106,000 in the COINCA area, and assumes a family size of five, to arrive at a number of individuals in COINCA families (numbering 511 at that time) of 2,557.

²The Alto Beni is said to have 3,000 families, and El Ceibo estimates the number of cacao producers at 2,000; the difference is made up by the landless and non-cacao producers who, growing only rice and corn, cannot afford the investment in a perennial crop like cacao.

an investment of about US\$1,000 per member, which would at least double to US\$2,000 if member contributions and other donor capital are included. A per-beneficiary investment of US\$2,000 comes close to that for large rural development projects.¹ IAF claims, however, that it works in the small and that its projects are more cost-effective than these larger projects--a claim that does not seem to be borne out by these per-member investment figures. If the membership were larger or growing--making for lower investment costs per beneficiary and a higher percentage of the population reached--then the claim would have more validity (as it would if non-member benefits were high, a point I return to later). In light of our interest in achieving as wide an impact as possible for the rural poor, then, the coop associations seemed small.

Not only were the associations small, after all those years of IAF support, but they did not seem to display much impulse to grow. El Ceibo reached its peak of 19

¹Per-beneficiary costs for the "very expensive" colonization projects carried out in the Alto Beni were US\$1,831 per family for an IDB project, and US\$2,500 for an AID-assisted project (Henkel, forthcoming:7). Another estimate for these projects is US\$6,221 for the first stage of the IDB's Alto Beni project; and US\$2,154 for the second stage (Nelson 1973:90). Cost figures are from the early 1970 period and uncorrected for dollar inflation.

affiliated groups in 1977, a number that did not grow thereafter.¹ CCAM reached its peak of 12 affiliated groups by 1976, after which it also stopped growing. COINCA actually experienced a decline in the number of groups from a high of 32 in 1980, after which five groups withdrew, to 20 at the present (seven more have either withdrawn or are in bad straits). Bella Vista, the single coop, had 300 members at its peak, and now has 30 who are active dues-payers.

By 1982, all three of the associations had informally expressed a desire to stop growing at about 400 members (Healy 1982:34). As early as 1977, CCAM was showing difficulties in growing; the IAF representative noted that whereas most project goals had been achieved or surpassed, the goal of incorporating three to five new coops per year had not (Oberg 1977:5). Though CCAM's patron priest had encouraged the admission of more outside coops, the assembly preferred to limit expansion to one--or, at most, two--per year. In 1981 and again in 1982, the association finally voted to cut off all new membership. These early peaks and stoppages of membership growth, by the way, occurred independently of growth in the income-earning

¹The 19 affiliated groups in 1977 were comprised of six groups with legal status, 13 without, and one pre-cooperative. In late 1982, El Ceibo had 18 affiliated groups. As pointed out to me by Marion Ritchey, El Ceibo is now planning to try to grow again, with an "educational" campaign aimed at bringing in new communities--as witnessed by Bella Vista's complaints of poaching on its territory (the area of influence of the two groups is overlapping).

activities of the associations, and did not in any way signal their slowdown--a point I return to later.

Along with the small and non-growing memberships, leadership and management positions in the coops and their associations tended to rotate among a few of the community leaders--often part of the same extended family--over long periods of time. Members, as well as past members and non-members, would speak disparagingly of the control of the coop by the "same old" few; IAF field representatives, in some cases, recognized the same faces in leadership positions as they had seen from the beginning, many years ago. This phenomenon of a small entrenched leadership did not seem to vary among the three highly different regions in which the studied organizations operated, nor did it vary with the different nature of their activities. In one extreme case--the community of San Antonio in El Ceibo's area--the cooperative could not even accommodate the existing community leaders, let alone the broader community. Thus the community spawned three coops with an average membership of 15 per coop--each with its consumer store and its cacao-buying operation--all in the service of a community of 153 families. (There were two private stores as well.) The leadership of each group represented a different extended family, and also corresponded to different communities of origin of these settler families. Even with its three coops, San Antonio still had a coop membership covering only 30% of the community's families.

The circulation of coop leadership and management positions among a few members of the community did not seem to be disrupted by crises of mismanagement and embezzling. Continuity of leadership through bad times and good, of course, does not necessarily imply that leadership is continuously poor--as we will discuss in a later section. But it certainly is a sign of the entrenchment of a few people in positions of coop leadership, and the absence of vigorous community monitoring of that leadership. Though this is contrary to our idea of how a successful coop operates, it does conform to the histories of the studied groups, both the well-managed and the poorly-managed ones. I bring up the entrenched leadership of the studied groups at this point not to say that it has caused their small size--there are ample other reasons, as the rest of this chapter will show--but as a necessary background to the discussion of size that follows, as well as to my interpretation throughout of these groups' accomplishments.

There are three reasons why the coops and their associations stopped growing at an early age: (1) growth was not always in the interests of the membership, as discussed in the following section; (2) incentives to join were low because some important coop benefits were available to members and non-members alike, while benefits for members only were less than hoped for--as discussed in subsequent sections; and (3) weak administrative and management abilities made

it very difficult to grow, as discussed in a later chapter. Before exploring these reasons for the "premature" peaking of coop growth, I would like to discuss why an organization with "only" 350 members--with associated groups of "only" 10 to 20 members--is considered a problem.

The folly of expansion

Some of the literature on successful coop ventures has pointed to low and declining memberships as a sign of strength, not weakness--the result of a winnowing process whereby the group reaches a more manageable size and a greater degree of social and economic homogeneity (Eckstein & Carroll 1976:249). The winnowing, according to this interpretation, will often depend on the coop's ability to free itself of different or dissenting groups. This view of small and declining membership is consistent with a more general literature on the nature of collective action, which suggests that truly participatory groups cannot really function at a membership size larger than ten to twelve. Evaluators of Latin American coops, moreover, often point to smallness as an explanation for success. When comparing CCAM to a less successful coop association in Bolivia with much larger member groups (100 to 300), the IAF representative pointed to the small scale of the CCAM groups as being more "socially efficient"--in terms of cohesiveness and exclusion of the non-farming elites found in rural towns (Healy 1978:17). A study of successful credit coops in Venezuela pointed to the importance of their small

size (ten or less) in bringing about "congeniality...and effective face-to-face sanctions" (Erasmus 1968:69). What I have described as a problem, in sum, has been characterized by these observers as a strength. Where does the truth lie?

Coop membership is low and declining, one could say in extending the above observations, partly because this is in the interests of the members who stick it out. A striking example of the self-interest in not expanding can be found in the story of COINCA and its collective poultry projects. Some members of one associated coop (and some potential new members) wanted to participate in the coop's new collective poultry project but not in the existing collective production plot. Had such partial participation been allowed, the "poultry members" would have contributed 15,000 \$b. apiece in capital to the poultry venture, along with work days for the care of the chicks; they would have participated in the profits of the poultry project, in turn, though not in those of the collective plot.

The proposal, one would think, would have appealed to the coop leadership, since it would have increased member capital contributions for the poultry project, and lightened the work load of each member. But the leadership rejected the proposal on the grounds that members were not allowed to participate in one coop project without participating in the other. This reason was not particularly logical, since coop associations commonly allowed members to contribute to one coop

activity--and share in that single activity's profits--without contributing to the other.¹

A more logical reason for the COINCA coops to reject those who wanted to join only the poultry project would be that the additional capital contributions were not necessary to get the project going. Project installations were well-funded with AID-funded bank loans authorized by the public-sector agency CODETAR, and operating-capital loans (later) from COINCA; and work demands were not that heavy, since they did not compete in time with peak demands for agricultural labor. Thus the additional capital and work contributions of "partial" members might not compensate for the additional number of members among which profits would have to be divided; the "total" members did not want the "partial" members, in other words, because that would leave less profits for each person. Why wouldn't this logic always prevail? Why wouldn't it be against member interests to accept willing new members and their capital in any coop business venture?

The experience with collective production in Latin America suggests that the logic does prevail. As the collective production

¹El Ceibo separates out its cacao-processing plant from other activities in terms of capital contributions and profit distributions. Bella Vista separates out its rice mill in the same way, allowing members to "belong" only to the rice mill if they wish. Bella Vista and COINCA have separate savings-and-loan operations to which one can contribute and belong without having to contribute to the rest.

effort becomes successful and starts to expand, members prefer to meet the additional labor demands by hiring outside seasonal laborers and not by recruiting new members. In fact, they vigorously discourage membership applications from the seasonal labor they hire, and resist attempts by these rejected laborers to organize unions--one of the most frequently cited examples of the "exclusivist" or "exploitative" behavior of successful coops. It would seem perfectly logical, then, that coops would be uninterested in new membership and unconcerned about withdrawals of old members, when profits were in the offing and member capital contributions sufficient.

The disinterest of coops and federations in expanding their memberships beyond a certain point can be seen in the visions of federation leaders as they themselves report them. All three associations have set their outer growth limit at 400 members (Healy 1982:34), a level that they have been at or near for some time. Why are only 400 members fitting for an El Ceibo that has captured 60% of the cacao market in the Alto Beni, representing 1,500 producers? Or for a COINCA that plans to provide a market for all peasant wine-grape production in the Tarija Valley? Or for a CCAM that is running a profitable rice mill and gaining more control over the market for peasant rice in Santa Cruz?

The most obvious reason for the self-imposed ceiling on membership growth, as discussed later, is the organizational and

managerial strain of working with more and more member groups. CCAM cut off admission of new member groups in 1981 because they felt that they had overextended themselves, and could not handle the servicing of the new groups; many members had been delinquent in paying for credit, tractor and truck services, and consumer store purchases. In 1982, the assembly decided again to accept no new members until all these outstanding debts were paid off. The COINCA general assembly expressed similar concerns in 1978; some feared that the group's small capital base would not support rapid membership growth, and therefore proposed to limit the number of member communities (Kraljevic 1978:18). Though the suggestion was turned down at that time--on the grounds that the exclusion of new groups would constitute a violation of "cooperative principles"--the discussion shows that the administrative constraints to growth were already being felt at that time.¹

¹In a study of ACLO's work in two other departments of southern Bolivia (and of the work of another facilitator group, DESEC), Orlove (1982:23) points out another important constraint on the growth of community groups that are members of a coop association. Middle-level staff of the facilitator organizations, he says, tend to avoid the "costs" of beginning work in new communities; once a community has a coop and a project, moreover, this "attracts" other projects and donor funds. This results in a concentration of efforts in a few communities, which leaves many peasants "entirely outside the framework of IAF projects (and, quite likely, of other development agencies as well, since these latter agencies also tend to allocate the bulk of their resources to a relatively small number of areas popular to the development community...)"

Actually, COINCA's early membership growth had been so successful that, by 1978, it had incorporated new coops at a rate of five a year, more than doubling its goal of two new groups per year. Ironically, COINCA's outside advisers considered this success to be its "biggest problem"; administrative and technical abilities were felt to be inadequate to accommodate the rapidly growing membership and their demands for credit, consumer stores, and production projects (Kraljevic 1978:1). By 1982, COINCA (as well as El Ceibo and CCAM) felt that they could grow no further in membership if they were to maintain "efficiency, popular participation and social equity in service delivery" (Healy 1982:37). Though a constantly growing membership was desirable with respect to project impact, in sum, it might have been an unrealistic goal with respect to organizational viability.

Even if membership growth was difficult, why wouldn't the coop leaders have at least dreamed of an "unrealistically" expansive growth for their groups--along with all the other unrealistic dreams about expansion of which they talked? If the practical difficulties of expansion were indeed the reason for such modest dreams about membership, then the practical difficulties of realizing some of the other dreams would have wiped them out of existence too: one would not hear El Ceibo talk of its dream of a large chocolate factory in La Paz, nor COINCA of its hope for a tomato-processing plant in Tarija,

nor Bella Vista of its hope for a second cacao-fermenting plant in the Alto Beni, nor CCAM of a tractor in every member coop. I suggest that federations show no hope for an expanding membership--or for one that stabilizes at a much higher level than is now considered desirable--because they do not perceive an increased number of members as particularly useful. Even if coops have high hopes for their enterprises, in sum, this does not require that they have the same hopes for their membership.

According to the literature cited at the beginning of this section, small excluding groups with elitist tendencies are the mark of success in coop history. They get portrayed as a problem, however, partly because we are used to thinking about these groups in a different way--that is, as community-minded groups with an all-embracing membership, or the potential for it. The picture of a close-knit discriminating group described at the beginning of this chapter, in contrast, is akin to the "capitalist" stereotype from which coops say they are so different. Elitist and non-growing coops are a problem, then, partly because we wanted them to be something else. We wanted them to be different from the other development projects whose failings, we felt, was the kind of exclusivism that leads to unequal distributions of benefits and control by a selected few.

Fortunately for our concerns, the exclusivity of small memberships does not always spell doom for our distributional hopes.

The interests of the small coop group will coincide, at times, with those of the larger community and even its poorer and non-member population. This will depend on the social structure of the community out of which the coop is formed, and the nature of the activity that it undertakes--as we will see later.

The free riders

Community members gave various explanations for the limited appeal of the coops, or their loss of membership. Many spoke of the "bad taste" left by episodes of dishonesty and mismanagement in the past. Some were bitter about these episodes and pessimistic about the coop's ability to behave any differently; they had suffered losses as a result of putting their faith in the coop--they sold their crop to the coop and did not get paid (or had to wait a long time), they lost their capital contribution due to mismanagement, promises made when they joined were not fulfilled (the most common unmet promise was that of distributing profits to members at the end of the year). Since all coops seemed to go through at least one bad period, and since the leadership from the bad period usually continued into the good, people felt that was ample evidence to assume that coops were something to be stayed away from, at least in terms of one's own time and money.¹

¹These kinds of feelings are not unique to the Bolivian scene. A 1926 attitude survey of Minnesota farmers found that 18% would not join a coop because they thought the management might be "untrustworthy" (Miller & Jansen 1957:454).

Just as important a reason for the low and non-growing memberships of the coop associations was that non-members could partake of many of the benefits of coop activities equally with members. Benefits that were limited to members were valued less, or did not materialize as promised, or compromised the financial health of the coop--as explained later. Because community members could enjoy some important coop benefits without joining, they therefore had little incentive to become members--what economists call "the free rider problem." In what follows, I refer to the benefits available to non-members and members alike as "external" or "spillover" benefits; those available only to members are called "internal."

The three most important "external" benefits provided by coops were (1) marketing services, whereby coops bought from the farmer in communities where no buyers, or only a few buyers with oligopsonistic power, had previously operated; (2) the provision of agro-processing facilities in places where before there had been none; and (3) the making available of basic consumer necessities and/or agricultural inputs in coop stores located in communities where none had previously existed. Benefits to members and non-members through the provision of these private-sector-like services, in sum, were greater where there were no (or only a few) private suppliers than where private firms were already present.

In marketing, El Ceibo was buying cacao from everyone in its member communities, and planned to start buying bananas as well; Bella Vista was buying coffee and rice from members and non-members alike, and planned to diversify into bananas. In processing, El Ceibo was fermenting and drying cacao of both members and non-members; similarly, Bella Vista and CCAM were milling rice, and COINCA was pressing grapes into wine.¹ All four groups had consumer stores in places where there were none--at least at one point in their history. The most important benefit of these coop activities was the increased incomes to farmers resulting from reduced transport costs and the related expenses of taking one's product to, or purchasing one's goods at, a more distant place.

Where private buyers or suppliers did exist, other spillover benefits of coop activities were (1) the paying of higher prices to the farmer for his crops, and (2) the charging of lower prices to the consumer. Though coops and their advocates tend to give prime emphasis to these price benefits, I found that they were not as significant or as long-lasting as the savings in transport and related

¹COINCA's winery was too small to buy more than the production of members. But it plans to expand the winery, and is also acting as intermediary for the purchase by a large winery of a much larger quantity of grapes than COINCA itself uses. Though COINCA's winemaking activity does not therefore have spillover benefits at this point, the expanded winery most certainly will, since it will need a larger grape supply than member production in order to use its capacity fully.

expenditures. The coops usually could not maintain the price differentials between themselves and private operators and still remain solvent, as discussed later, so that even though price differentials may have been marked at the beginning, they gradually diminished through time. Coops usually argue that the increasing similarity of their current prices to those of private traders represents the end of a process by which the private trader was forced to reduce his price (or raise it, in the case of buying farm crops) to meet the coop competition. Without empirical analysis, of course, just as strong a case can be made for the opposite argument-- i.e., that the current similarity of coop prices with private-trader prices represents the end of an upward adjustment of coop prices to previously existing private levels. Clearly, the explanation will vary from one case to the other--depending on the coop's share of the market, the way it sets prices, its costs, and the "political" sensitivity of any particular price.

More significant than the price benefits of coop services were quality benefits in the form of honest weights, honest classification of purchased production (the moisture content of rice, the sugar content of wine grapes) and the lack of adulteration of inputs sold (unadulterated fertilizer and pesticide). Such quality benefits,

of course, can be expressed in terms of real price differentials.¹ These and other spillover benefits--and the activities that generated them--are discussed at length in the following chapter. I briefly introduce them here to show that one of the weaknesses of the Bolivian coop experience--the free-rider problem and its contribution to low membership--was also its strength. The spillovers increased the impact of the coop beyond its immediate beneficiaries, while at the same time taking their toll on membership. Indeed, given the organizational difficulty of membership growth, the spillovers--with their reduction of the incentive to join coops--may represent a blessing in disguise.

In the following sections, we will see that the benefits available to coop members only were nowhere as great as the spillover benefits. This was reflected in the way members responded to questions

¹Consumer behavior did not seem to support the claim by the coops that there was a 10%-20% difference between the "dishonest" weights of private sellers and the "honest" ones of the coop. With this kind of differential, one would expect all consumers to take their business to the coop store, even if its prices were no lower. But this did not seem to occur. Despite the fact that nominal prices at the coop stores were usually about the same as, or slightly below, those of the private stores, consumers showed indifference between the coop store and private stores. It may be that some private traders were able to compensate for their "dishonest" weights by selling on credit (when coop stores did not), or by being open longer and more convenient hours. Or, perhaps the private traders had been forced by the coop store's competition into charging less, by using more honest weights. Only a more careful historical study of the consumer stores and their competition could clarify these questions.

about why they belonged to the coop. Almost routinely, they first talked about the external benefits--the new availability nearby of consumer necessities or agricultural inputs, the honest weights, the nearby processing plant, the new marketing possibilities. Only when one pointed out that these advantages were enjoyed by non-members as well, did they think to mention some of the internal benefits--the hope of patronage refunds, the chance to take out a loan or buy on credit, the small price discount for member buyers. If the advantages of coop membership were indeed not significant, and if costs of membership and work obligations were not insignificant, then why did those who joined the coops and stayed with them do so? Perhaps we should not be asking why coop membership was low and declining, in other words, but why it was not even lower, or declining at an even greater rate. The answer to this question will become clearer in the following sections.

One final word before proceeding. My impression of high spillover benefits together with low internal benefits--and their role in keeping membership small--is quite different from the picture of coops painted by those who criticize them on distributional grounds. The latter critics argue that coops do not become community-wide organizations because they are run by the elites and for the elites. Coop services are either monopolized by the elites, according to this critique, or are irrelevant to the needs of non-elites; landless

peasants, for example, can make no use of agricultural credit. Though the services of the studied groups were indeed of little help to the landless, this was not the case for the free riders, who could benefit from the coop but did not have to join in order to do so. When spillover benefits are important, in other words, the presumed close correlation between elite control and an elite-skewed distribution of benefits does not hold.

Working for the coop

Coop work obligations were significant in causing many members to withdraw and non-members not to join. When the Bella Vista coop called on its members (450 at the time) to work on the construction of a building for the coop, 200 withdrew! More problematic than these once-for-all work obligations were the obligations to do ongoing work. Most of the four coop groups had consumer stores, at least in one period of their history. Members were assigned one-to-three month work rotations as storekeepers; they were paid nothing, or a small amount.¹ In order to not make unrealistic work demands on these farmer-storekeepers, many stores opened only in the early morning and the late afternoon--allowing the storekeeper to spend an almost

¹In a few cases where the storekeeper-member worked full time, he was paid a monthly wage roughly equivalent to the official minimum wage.

full day in his field.¹ Though the store hours were complementary with fieldwork hours, however, they still extended the farmer-storekeeper's work day, and could require a considerable amount of time spent walking from the field to the store and back.²

Collective plots were more important than stores in causing disaffection of members.³ In contrast to the work obligations of the store, the collective plot competed directly with the work demands of the farmer's individual plot--a common problem with this kind of collective production project. Peak labor needs for planting and harvesting were the same for both the individual and the collective plot, except for the rare case where climatic and agro-economic conditions allow different crops with different cycles to be cultivated on the respective plots. The collective projects in

¹Though more compatible with the working hours of farmers in the fields, these hours also made it difficult for the stores to compete with private stores. The latter are usually attached to their owners' houses, and are open from early morning until late in the evening; even after closing, the resident-owner can usually be roused for urgent purchases.

²Most farmers lived on their plots, so that the early morning and late afternoon store hours meant two round trips a day from the field to the store. Since the poorer farmers of the community tended to have the most distant plots, the storekeeper obligation would be harder on them--or would exclude the possibility of their joining the coop.

³Collective plots were promoted only by COINCA in Tarija and, to a lesser extent, CCAM in Santa Cruz.

Bolivia were not capitalized, moreover, so as to pay their members a wage out of operating capital; thus members had to wait until harvest season--or years, in the case of tree crops--before receiving any return for their labor. The poorer the farmer, the more compelling was his need to work elsewhere than on the collective plot during peak times--either because he was short of cash and had to work for money, or because he could not afford to hire workers for his own plot so as to free up his own labor for the collective one. Thus it was that many of the first to leave the COINCA collective production efforts were the poorest (Michaels 1982a:6).

In many cases, coop members ultimately received no return at all for their work on the collective plot--because of weather failures, plant disease or pests, or marketing problems. The Eighth-of-August coop, a member of the CCAM group in Santa Cruz, tells a tragic story of just such problems. In the early days of the coop, members worked very hard to establish a collective rice and corn plot, then rigorously weeded and fumigated it until the plot promised to yield an abundant harvest. When it came time to reap the harvest, the members were so short of cash that they had to work harvesting other people's crops in order to earn cash. The collective plot remained unharvested.

Not all collective production projects were as onerous as the collective plots. Collective poultry projects in Tarija, though

just starting, were less incompatible with the working needs of farmers. The cycle of work demands was steady throughout the 60-day period between receipt of the chicks and their sale as broilers, and unrelated to the crop season. (During peak agricultural periods, one could presumably arrange not to receive chicks.) Work was not as physically demanding as work in the fields, and was not sex-typed; it could be carried out by men, women or children (in the San Isidro member coop of COINCA, the paid job of caring for the poultry was given to two of the grown daughters of a coop leader). Because the work demands of the collective poultry projects were less demanding than those of collective plots, some members of La Compañia (another member coop of COINCA) wanted to participate in the collective poultry project but not in the collective plot. Since the coop would not allow this, as discussed above, they withdrew. Though their greater enthusiasm for the poultry project may have had to do with their more optimistic expectations about its profitability, the work demands of the poultry operations also created less of a problem for them.

Coop work obligations, as seen above, were particularly hard on the poorer farmers--i.e., those having to supplement their farm income with wages, or those without land at all. The poorer farmers had plots located the furthest from coop headquarters, they were least able to hire labor to take their place in the fields, and they

could least dispense with working for a salary during many days. In this sense, the work obligations represented a regressive form of member contribution, causing the poorer members to be the first to withdraw, or to be discouraged from joining in the first place. Seen in this light, the collective plot is perhaps more a luxury than, as was envisioned by ACLO for COINCA, a way out for those with little land.¹

Collective work traditions. In the highland communities of Bolivia, there are longstanding traditions of collective labor for projects like road maintenance, school construction, church building, irrigation repair. These traditions often carry into the lowland communities settled by Andean migrants; many feeder roads in the Alto Beni, for example, have been constructed and maintained by the settlers (Kitt 1977:37). Contrary to what is often assumed, these traditions did not transfer to the coop projects--partly because the coop projects were unlike the community projects in an important way. Whereas the community projects were such that everyone had to contribute and everyone would benefit, only some would have to contribute to the coop

¹Orlove (1982 and personal conversation) reports more favorable impressions of collective coop plots in the Cochabamba Valley. Those plots had not yet produced a harvest when he saw them, however, and were much smaller than those of the groups I studied--half a hectare vs. several hectares--and thus would have been much less demanding of participants' time.

projects (the members) while a larger group would benefit--like a coop store, which makes goods available to all community members, or a new rice mill, which represents a less distant place for everyone to sell his rice. Even if only those who worked would benefit, as in the collective plots, it was not clear when and if the benefits would materialize--given that production was often lost or might take years to realize. Or, in the case of patronage refunds, benefits would not necessarily be in proportion to one's work: the coop storekeeper would get a share of store profits, but in proportion to his purchases and not his work. This would reward the better-off storekeepers, whose purchases would be greater, as opposed to the poorer storekeepers, whose purchases would be smaller but who would have to work the same amount of time. Whether coop operations would even have profits to distribute, finally, was also an uncertainty, given problems of the market and mismanagement.

The strong Bolivian traditions of the collective use of pasture, fishing grounds, and scrub land for firewood collection (Orlove 1982:28) contrast sharply with the absence of collective use of land for agricultural production (Ibid., and Hess 1980:13). Though COINCA's founding organization (ACLO) blames this disinterest in collective agriculture on the Bolivian agrarian reform, and its emphasis on individual property rights (ACLO 1980:219), it is clear that the collective use of pasture, fishing grounds, and scrub land

involves much less sacrifice, uncertainty, and need for organization than does collective farming of the land. This may explain why one of the CCAM member coops, Nuevo Mundo, was unsuccessful at collectively farming its 35 hectares of communal lands--"some people didn't even bother to show up for planting the rice"--but did much better when they turned that venture into a communal pasture with ten cows owned collectively (which now have seven calves).¹

For most community projects around which collective labor traditions have evolved, there is much more certainty than for coop projects about the results of collective work; and there is less systematic disproportion in the allocation of benefits. The school or the church will definitely be in place when the work is over, the road will be there to use (though it may wash out in the next rainy season and have to be repaired again), the water channel will yield water. In contrast to coop work obligations, these traditional community work endeavors result in "public goods"--i.e., goods that are available to all, no matter who gets there first, or no matter how much is "consumed" by a few better-off community members. Benefits, of course, may be

¹Bennett (1968:283-284) made a similar distinction between collective livestock and collective agricultural production in his study of rural cooperatives in North America. Grazing coops were the only exception to the general observation that farmers were "refractory" when it came to participation in agricultural production coops.

proportionally greater for the rich than for the poor in these public-goods projects--a large farmer will probably reap higher income gains from the opening of a road than a small farmer with less produce to market. But this disproportionality is not so conspicuous or predictable as in the case of the distribution of store profits according to purchases, or marketing profits according to crop sales. Even when coop projects partake of the quality of public goods--as in the case of a coop store in a community where there was none--coop work responsibilities will fall only on some of the beneficiaries of this public good (the coop members) and not on the others (the rest of the community).

Contrary to what is often assumed, in sum, coops cannot really take advantage of the collective work traditions of the community--at least for certain kinds of work--because the nature of the traditional community-wide tasks, and their expected benefit distributions, are so different from those undertaken by the coop.¹ This helps explain why membership growth is short-lived--even when a coop is successful--and why coops do not appeal to the poorer members of a community.

¹Healy (1978:21-22) points to another reason why the traditions of reciprocity among Andean peasants cannot be applied to cooperatives. The reciprocity, he says, is "embedded in social relations of generosity and an atmosphere of conviviality"--while cooperativism finds no such cultural and historical foundation. Nash & Hopkins also comment on how traditional community customs are not conducive to the organization of labor for collective production, contrary to what was initially thought. In Latin America, they say, coops never emerged spontaneously as a reflection of pre-existing social patterns, but were always borrowed (if not imposed) from without (1976:14).

Working on construction. The work obligations complained about most by coop members were those involving the stores and the collective plots. They grumbled much less about the work required for coop construction projects--a rice mill, a cacao-processing plant, a store, a marketing shed, an irrigation channel, a potable water project. The construction projects are once-for-all obligations that terminate when the project is completed, in contrast to the ongoing nature of the work obligations discussed above. The latter work is not only ongoing but, in the case of the plots, the work time required is unknown because of unanticipated problems like plant disease, pests, and flooding.

The work demands of the once-for-all construction projects are usually less conflicting with the farmer's individual work than those of the ongoing projects. Work parties are organized on Sundays, or the work is of a nature such that one can "drop by" when one has free time--in contrast to the ongoing work obligations, which are less accommodating. Those who want to join a coop and cannot afford the capital contribution can often make that contribution in the form of work on a coop construction project--as occurred with the construction of the Bella Vista rice mill, for which new members could make their capital contribution of 1,000 \$b. in work on the construction, as well as cash (60 persons capitalized the mill through a combination of cash and work contributions). The construction

project, then, represents an opportunity to attract new members, whereas the ongoing work obligations turn people away. Coop construction projects, moreover, possess a symbolism around which people can be mobilized because work on them leads to a visible product in a short period of time. With the ongoing work obligations, the product is either not visible (in the case of the storekeeper's work), or it is not clear what the product will be and when it will materialize, as in the case of the collective plot.

Elusive profits

There were four ways in which the coop associations could offer powerful benefits to members only--a share of the profits in the form of patronage refunds, access to credit, rental of coop-owned agricultural equipment (only in the case of CCAM), and employment in coop enterprises. The nature of the activities associated with these four "internal" benefits made it easy to limit them to members--in contrast to the activities with a propensity to spill their benefits beyond members. Coops do not distribute profits to non-members (though there was an interesting exception in one of the spillover cases described in the next chapter); credit is never in large enough supply to provide to non-members (to require membership for borrowing is also a way of charging a higher real interest rate, such as the savings deposits required by credit unions); agricultural equipment

is subject to high peak demands that cause it to be extremely scarce at these times, making limitation to members likely (again, with an interesting exception told below); and jobs created by coops are few and coveted, and easily limited to members. In each of these four areas, non-member participation was in no way necessary or desirable--in sharp contrast to the spillover case--to make the activity work well.

Though quite attractive in principle, the internal benefits turned out to be rather paltry in comparison to the spillover benefits available to non-members too--for reasons explained in this and the following three sections. The hoped-for profits either did not materialize or were not distributed. The coops could not run income-earning activities as profitably as everyone first thought, the preference for selling at low prices (discussed later) made it difficult to generate profits, income was often embezzled, and profits were often reinvested in the coop or used to cover losses in other activities.¹ Bella Vista has never distributed profits; though the consumer store has always generated some profit (130,000 \$b. in 1981), it has been used to cover losses in transport and, in some years, coffee marketing. CCAM's General Assembly has always voted

¹ Among the El Ceibo member coops, many of the coop stores did not give patronage refunds because they had not kept records of member purchases.

to retain profits, which were used to cover losses in the transport section, replace two old trucks and, mainly, to re-capitalize the IAF-funded rotating credit fund, which had dwindled markedly because of delinquency and inflation. COINCA has had only small profits and has never distributed them, in accordance with the policy of the manager and the teachings of COINCA's founding organization, ACLO. The manager feels that profits should be reinvested in the business (they have been used to pay administrative costs) and ACLO, a Catholic social-action agency, feels that getting people to join a coop with the promise of a share in the profits is to appeal to their "base" motives for individual monetary gain.

In the few cases where profits have been distributed to patrons, the amount received by each individual was low. In 1981, for example, El Ceibo distributed 145,500 \$b. in profits to the 650 growers from whom cacao was purchased.¹ This amounts to an average return of only 224 \$b. (about one day's agricultural wage) per person. According to the Rochdale principles of cooperativism, moreover, profits are distributed in accordance with a member's patronage of

¹500 of the growers were members who delivered their cacao home-processed, plus 150, of whom only 30% were members, who delivered cacao wet. For reasons explained in the following chapter, El Ceibo distributed profits to non-member growers who delivered wet cacao in order to encourage the supply of the raw material to their processing plant, which was operating with high excess capacity.

coop services, so that a large share of the profits may go to a few better-off members. In one of the most successful El Ceibo coops, El Litoral, profits from cacao marketing and the consumer store have always been at least 25,000 \$b. In 1981, when profits were 54,000 \$b., the share of the coop's president was 28% (15,000 \$b.)--in accordance with his share of cacao sales to the coop and purchases at the coop store. Assuming (unrealistically) that profits were equally divided among the rest, this left 2,500 \$b. apiece for each of the remaining 15 members--not a small amount, of course, at about 12 times the daily agricultural wage.

Most coop members did not receive significant benefits in the form of profits, in sum, because the amounts available for profit distribution were not that great, and because of the disproportions of a profit distribution that was based on member patronage of coop services. If membership were to grow, moreover, each individual's share of the profit distribution might fall even lower. Even if the coop were successful at activities providing external benefits, like marketing and processing, profits and profit distributions could still be low. Thus the external benefits of coop activities could not be "internalized" through profit distributions so as to provide an incentive to join the coop. The failure of members to receive profits from their coop, in turn, led to disappointment and disaffection.

Credit: a vanishing act

In three of the four groups studied, members had access to individual loans through coop credit funds--all financed at least in part by IAF grants. (The exception was El Ceibo.) Since these credits were not available to non-members, and since peasant farmers had almost no access to institutional credit in the three areas visited, the credit funds constituted a significant attraction of coop membership--a rare internal benefit. But the difficulty of being rigorous about credit collection in a community of peers, as discussed later, caused coops to be casual about collection. Together with negative real interest rates,¹ this led to a rapid decapitalization of the credit funds, which was well under way when the coops tried to start making credit decisions more rigorously. Some coop stores sold on credit to members, another significant advantage to member-patrons--especially the poorer ones--as opposed to non-member patrons. But most stores came to feel that selling on credit and the resulting problems of delinquency were too burdensome, and tried to cut back.²

¹Interest rates charged by the coop funds were usually about half commercial-bank lending rates, and usually less than rates charged on subsidized government credits for agriculture. During most of the period, interest rates on all coop credit were negative in real terms; in the case of short-term credit (up to 90 days) to members for consumer goods and inputs, coops charged no interest at all.

²COINCA is an exception; though it has also cut back on credit, it still offers sales on credit for 50% of the value of fertilizer bought by members at its input stores.

Credit may have been a significant attraction to new members in the beginning, then, but its dwindling availability made it less and less so. Indeed, when some of the groups started to become rigorous about collection (COINCA and CCAM), this gave one more reason for some members to withdraw, and for others to not join--for they had thought that their coop was going to be "understanding" about credit.¹ As some COINCA members recollected nostalgically, one of the most desirable features of COINCA was that it used to "allow people to make tardy payments without penalty" (Michaels 1982a). Like the patronage refunds, then, credit raised expectations that could not be fulfilled, thus contributing to declining membership.

Though CCAM also experienced the dwindling of its credit funds through delinquency and negative real interest rates, it was unique in its fierce attempts to keep the supply of credit flowing. As described in a later chapter, CCAM was the only group to obtain bank loans for onlending to individual members--above and beyond its IAF grant monies for a credit fund--and the only group to abjure profit distribution in favor of using those monies to replenish a credit fund. Though these moves were made while delinquency was

¹Cooperatives organized by the U.S. Grange in the last half of the 19th century lost members for the same reason. When the Grange coop stores sold on credit, they sustained bad losses; when they insisted on selling only for cash, members withdrew (Cerny 1963:204).

still high (shortfalls on the repayment of bank loans were made up out of rice-mill profits), they illustrate how attractive the access to credit can be for potential members.¹ This was particularly true for the Santa Cruz area, where labor costs are relatively high, which makes it difficult for farmers to expand their cultivation beyond the two or three hectares that can be worked with only family labor. Despite the attractions of credit, the delinquency problem and the slow process of resolving it kept credit from exercising its strong lure to potential members. As a result of the delinquency problem, CCAM itself cut off further increases in membership, as noted above.

An interesting aspect of the dashed expectations about credit and patronage refunds is that they were caused, in part, by improvements in the management skills of the coops--more serious credit collection procedures, and decisions to reinvest profits in a growing business rather than to distribute them. As the coop became stronger, in other words, certain "false" attractions to join were lost.²

¹Most members could not receive credit directly from the bank because they did not have land title.

²The hope for an "understanding" credit policy, of course, was less legitimate than that for patronage refunds. Thus the loss of the delinquent or would-be delinquent credit-seekers was, in a sense, "good riddance" for the coop--a wholesome natural selection process, like the winnowing process mentioned in a previous section. But the false expectations about credit and patronage refunds can both be seen as a result of faulty cooperative promotion--which dwelled too much on the prospect for patronage refunds and abundant credit and too little on the responsibility of repaying credit.

All this means that credit (and stores selling on credit) is a particularly difficult first task for a coop because the better one becomes at management, the less generously one is able to treat one's members. And by the time the coop gets good at credit management, it has irretrievably lost a good deal of its operating capital.

Another internal benefit of coop membership was access to credit and assistance for collective projects--collective production plots in the case of COINCA and CCAM, and collective poultry projects in the case of COINCA.¹ Most of these collective production projects were going poorly--with a few exceptions--as has often been the case in Latin America. Even if the projects ultimately turn out well and provide profits to members, a number of years will have been required to realize these profits--during a time when members will have had to

¹The poultry projects were almost an "accident," caused by the failure of a poultry-promotion project administered by a state agency (CODETAR) with AID-funded investment loans, and involving some COINCA coops. COINCA had guaranteed ten-year investment loans made to the coops by the state agency through private banks, since the member coops did not have independent legal status. When the project started to fail, the state agency pulled out and COINCA moved in to try to make it work--taking over the supply of poultry feed to its coops as well as marketing of the broilers, in order to prevent the banks from foreclosing on its assets, which it had pledged as a guarantee for the member-coop loans that it had co-signed.

make substantial contributions in unremunerated labor.¹ At best, then, the rewards to be gained from participating in collective plots would be available only to those who were able to wait for some years, while working many days for free. Thus credits for the collective plots also lost the allure they may have held in the beginning, and people withdrew from their coops because they suspected that the collective plot would never pay off.

Agricultural equipment and accidental spillover

With its grants from donors, CCAM purchased a fleet of agricultural equipment--a bulldozer, graders, threshers, tractors, trailers, and implements.² The equipment functions during only six months of the year at most, because of the long rainy season and the scarcity of all-weather roads in the region. For farmers who are dependent on renting agricultural equipment to prepare their land, the seasonal peaks in demand create problems of scarcity and unreliability at peak times. For the coop, the peaks in demand

¹One member coop of COINCA, La Compañia in Tarija, reported that each member had to work 20 days a year on the collective plot. All had individual plots as well. Though this number of days spread over a year does not seem particularly burdensome, work demands in agriculture tend to be bunched, and occur at the same time as those for the individual plots.

²Since all such equipment is imported into Bolivia, some of it was acquired directly from manufacturers or distributors as a donation, through the efforts of CCAM's patron priest.

create the problem of supplying enough equipment to meet peak demand while, at the same time, finding a way to amortize the equipment over the long periods during which it is not used. Though this problem is no different than for any other industry operating under conditions of seasonal peaks in demand (like electricity supply), it has special implications for coops. Because CCAM's agricultural equipment could hardly meet the needs of members during peak times, its use could be limited to members without resulting in excess capacity. As will be seen in a moment, however, this limitation would create other problems in the financial management of the equipment.

The availability of agricultural equipment for rental represented a major internal benefit to CCAM members. Though private equipment-rental suppliers existed in parts of CCAM's area, they preferred working for larger landowners because less time was lost moving the equipment from one person's property to another; even when the private operators agreed to provide service to the smaller farmers, they would still give preference to their larger clients, making it risky for small farmers to engage in mechanized agriculture at all. Knowing that CCAM's agricultural equipment would be available for rent at crucial times allowed CCAM members to clear and plant at the optimal time and thus increase their incomes. Causing even more of an impact, this certainty had made it possible for some members to shift from extensive slash-and-burn agriculture to a

stable and more intensive cropping system. Many of the recently "mechanized" CCAM farmers felt that this shift--and the reliable equipment services that facilitated it--had enabled them to finally stay in place, instead of having to continually move their homes to the edge of the frontier in search of virgin forest. The ability to stay in one place, these farmers reported, represented a major improvement in their lives.¹

If CCAM's agricultural equipment did indeed provide important exclusive benefits to members, then its membership record should have been better than that of the other groups with their more meager internal benefits. But CCAM showed the same low and non-growing memberships as the others, partly because many members were not well enough off to make the jump from shifting to stable agriculture; 70% still did not work de-stumped lands, and many lived in areas of such difficult access that mechanization did not pay off (five of the 12 coops were on the far side of a large river without access to a permanent bridge). CCAM's agricultural equipment, then, could only be used by the better off and, given its scarcity during peak times, was predictably allocated in a way that gave priority to the more powerful members. At the same time, the equipment represented a distinct opportunity for peasants wanting to make the shift to mechanized

¹See Appendix A.

agriculture. Since many of CCAM's currently mechanized farmers had been landless peons or swidden farmers when the coop was founded, the equipment opportunity was clearly taken advantage of by those who had once been among the poorest.

CCAM members reported that the federation's agricultural equipment was becoming less and less adequate to meet needs, and that some of the base coops therefore wanted their own tractors. They could not rely on CCAM, they said, because it did not have enough equipment to meet their demand. Two coops actually acquired their own tractors--one with a donation from Bread for the World, and the other with a bank loan; the latter group bought a tractor on credit but was forced by crop failure to give it back. Given the scarcity of the equipment during peak periods, it was not surprising to hear accusations from members that equipment was sent first to the better-off members and leadership.¹

Another factor contributing to the reduced availability of CCAM agricultural equipment was, ironically, a wise move toward

¹The problem of equipment allocation during periods of peak demand, and the accusations that priority is given to the elites, caused a crisis in CCAM in 1978, a year in which the sugar-cane harvest was unusually large. The federation's tractor and trailers, used to haul sugar cane, were not sufficient to attend to all members within the brief period in which the cane must be milled after cutting; in lieu of rigorous criteria for allocating these services in times of excess demand, the better-off members ended up obtaining priority (Hale 1978:16-17).

better management of the service. CCAM found that its equipment was losing considerable time moving from one member community to another; the dispersion of the communities and their difficult access meant that the equipment would spend much time getting to and back from a community, only to work on a few hectares on each of a handful of plots. Since CCAM did not charge for time spent traveling to the community, it could not recoup this lost travel time. The federation decided to service small non-member farmers for a slightly higher rate, therefore, in the communities where it had members. Though this increased the revenues of the service per community worked, it also "spilled" benefits to non-members--sometimes even to the detriment of the members. Some of the better-off cane-growers, that is, complained that they got poor service on their more distant plots, where they grew rice (Michaels 1982b:8).

The spatial character of an agricultural equipment service, in sum, caused the internal benefits to become externalized--if, that is, one were interested in improving management. Improving management in this way, in turn, reduced the incentive to join the coop. We have noted a similar phenomenon in the area of credit, where improved collection procedures also reduced the attractions of membership. In the next chapter, we will discuss other cases like this, where the structure of the activity was such that improved management led to increased spillover benefits. Again, these results may have been

bad for the coop in terms of membership, but they were good for the spread of benefits beyond the coop membership.

Jobs for members

One of the most significant internal benefits for some coop members was access to paid employment in the coop, or the opportunity for free training in apprenticeship positions or coop courses. With the exception of some truck drivers and other skilled jobs, the associations and their member coops fiercely restricted paid employment to members. When COINCA members discovered that their winery had hired some non-member workers, for example, the General Assembly voted (in February 1982) that the non-member workers be let go and that members be hired in their places.

CCAM was the largest employer. In addition to 12 permanent member-employees (manager, treasurer, transport manager, agricultural-equipment manager, four drivers, two rice-mill workers, and three mechanic-shop workers), CCAM employed 30 persons in the rice mill during the four-month harvest season, 15 for four more months, and 12 extra truck drivers during the rice and cane harvests. (There were also four non-member employees with skills that members did not have: the rice-mill manager, the master lathe-maker, the welder, and the mechanic.) In addition, three sons of members were serving as apprentices without salary in the mechanic shop.

El Ceibo was the next largest employer of members, with four workers at its small chocolate factory in La Paz (on one-year shifts), and 17 workers in the Alto Beni--including the two managers of the cacao-processing plants, the president-manager, the treasurer, two agricultural extensionists, three drivers, and other ancillary workers. COINCA, with its urban location and its creation by an urban facilitator organization, had mostly non-member and urban employees: the agronomist-manager, the accountant and assistant accountant, the storekeeper, the enologist. Members filled the jobs in the winery--two permanently, and 40 at harvest time. Bella Vista paid salaries to at least six member-workers--the treasurer, the promotor, the rice-mill administrator, the full-time shopkeeper, the truck driver's helper (the truck driver was not a member). Most of these jobs paid between 3,500 \$b. per month (for the truck driver's helper) to 10,000 \$b. (for truck drivers); rice-mill workers at CCAM earned 8,000 \$b. These salaries were somewhat below or above the minimum wage of 6,000 \$b. a month (the minimum wage was raised to 8,500 \$b. in November 1982); they were roughly equal to or above the prevailing daily wage for agricultural labor in the regions where the coops were located.

It is no wonder that the jobs in the coop were highly sought after by members, and that members did not want to open access to outsiders. On a full-time annual basis, the minimum wage can amount

to a high income relative to the annual income of an agricultural laborer and others who work at the minimum wage--because the latter workers usually are not able to find work the year around. Even the part-time seasonal jobs in CCAM's rice mill, for example, were so sought after by members that they had to be assigned by lottery--an unusual demonstration of fairness in job allocation.

In general, permanent jobs at the coop seemed to be occupied by the leadership or their families. At CCAM, the better-off cane-growers occupied almost all the paid administrative positions, and even two of the truck-driver positions (Demegret 1978:36). One of the El Ceibo truck drivers was the treasurer of his member coop (his literate wife was better at numbers than he so she kept the coop books while he was away working). Two women members paid to take care of a poultry operation at one of COINCA's member coops were daughters of the coop president; they were paid 5,000 \$b. a month, compared to a prevailing agricultural wage of 3,500 \$b.

Coop agro-processing operations created the most jobs--in the rice mills, the cacao-processing plant, the winery, the chocolate factory. Though the permanent and administrative positions seemed to be occupied by the better-off members and their families, these seasonal jobs were unskilled and seemed more accessible to the poorer members. Workers at CCAM's rice mill, it was said, typically were members who had had a bad rice crop with little to harvest, or who

had already harvested. The excess demand for these mill jobs is impressive--given that they were offered at the peak of harvest season, when labor supply is scarce, and in one of the highest agricultural-wage regions of Bolivia (the daily agricultural wage in Santa Cruz was 250 \$b. a day in October 1982 compared to 130 \$b. a day in Tarija). The high wage paid at CCAM's mill (8,000 \$b. a month or 300 \$b. a day) must clearly have contributed to the strong supply of member labor. In addition to paid jobs, coop apprenticeship and training programs provided rare opportunities for young coop members or the children of members to learn skills (accounting, mechanics) and gain experience that would increase their employability.¹

Though coop jobs represented a significant benefit to coop members, people talked less of these benefits than of the others like credit, patronage refunds, and equipment services. Since the jobs were so few in relationship to membership, it may not have been prudent to talk them up. Leaders may have wanted to preserve their power to give the jobs to whom they chose, and jobholder-members would not have wanted to arouse the interest or envy of members without jobs.

¹From a social point of view, of course, even those coop jobs available to poorer members were still not accessible to the stratum of the labor force where unemployment is highest--the landless, who were not coop members and who accounted for between 15% and 40% of the inhabitants of the communities where coops operated. In the few cases where the coops did hire non-members, moreover, they were for skilled positions paying higher salaries than those paid to member-employees--an agronomist-manager, an enologist, an accountant, skilled mechanics and truckdrivers.

Leaders and jobholders, in short, would feel more comfortable if members did not expect to have equal access to coop jobs. Coop promoters familiar with the principles of cooperativism would also have not wanted to play up the job opportunities because these principles forbid the employment of coop members and their relatives in paid positions--let alone the paying of a salary, as some of the groups did, to an elected leader of the coop.

Though the jobs provided by coops to their members were handsome perquisites and a breach of cooperative principles, they also represented a very low-cost way of providing a rural service. The minimum-wage levels of the coop jobs were much lower than would be the wage costs of a private or public agency providing a similar service. And the coop workers required less costly logistic support, not only because of their location in the countryside but because of their tastes. Farmer-extensionists were more willing and able than urban-based extensionists to walk or hitch rides to member communities and farmer plots, as did El Ceibo's two agricultural promoters. (Unfortunately, at least for my argument, an outside donor agency will now provide them with motorbikes.)

Jobs, then, could be an important reward to coop members, and must have been significant in contributing to the loyalty of some members. Since the jobs were much fewer than the total number of members--and since the rules of access to the jobs were not clear

(except for the lottery at the CCAM rice mill)--the job opportunities probably did not constitute a clear-cut incentive for potential members to join, or for non-job-holding members to stay.

The donors squeeze out the members

I have suggested that the benefits offered by coops to those who joined were not as great as the spillovers available to those who did not join. Why weren't the coop associations more concerned about this, and why weren't they trying to figure out ways of strengthening the internal benefits or reducing the spillovers to the free riders? Though all the groups had vivid dreams about expanding their economic activities, they had no such dreams of expanding membership, as a way of financing these projects.

Capital supplied by outside donors to all four groups, from early in their growth, provides one explanation of why the groups had grander visions of expansion of their activities than of their memberships. The outside capital dwarfed the internally-generated capital, and must have made capital-raising efforts among members seem highly inefficient in comparison to returns on the effort to obtain an outside grant. After almost ten years of existence, for example, the capital contributions of CCAM members represented only 2% of its

assets in 1982;¹ the share of outside donations in total assets was 53% in 1977, 78% in 1978, and 65% in 1979--five years after the association's founding. In addition, many coop members paid in only a part of their pledged capital, and the coops were lax about collecting the rest--except during campaigns to raise capital for certain construction projects. Of El Ceibo's 18 member coops, only eight have paid in the entire capital subscription of 100,000 \$b; the rest are paying sporadically in increments of 60-80 \$b., while high inflation erodes the value of the amount owed. Bella Vista says it has 140 active members, but accounting records show that only 30 have paid in their capital subscription and are paying dues.

Low internal capitalization is not unique to the studied groups. An evaluation of other coops in Bolivia, which received much heavier doses of outside capital and technical assistance (though AID funds) than these groups, found the same "lack of progress toward self-sufficiency," resulting in part from "very low levels of member-share capital investment relative to external capital borrowing" (Hatch 1982:39). These low levels of internal capitalization make

¹Medina (1982:E.1.01). A rule of thumb for U.S. rural coops is that 50% of assets should be raised from the membership "in order to avoid a heavy debt structure and give members a stake in the enterprise" (Marshall & Godwin 1971:93).

the Bolivian (and other Latin American) coops quite different from the North American model after which they have been fashioned. Outside sources of financing were not available to many of the successful North American coops, that is, until they had gained a certain strength of their own. Parts of the North American experience itself, in fact, are closer to the Bolivian experience than the North American model. Inadequate membership capital and over-expansion were one of the principal causes of coop failure in the United States in the late 19th and early 20th centuries (Knapp 1969:67). And various innovations in capitalizing these cooperatives--like the limited liability bond and the retention of a percentage of coop profits for a rotating capitalization fund--were devised precisely because of the difficulty of raising capital and reserves from members who were "already hard pressed for personal funds" (Miller & Jansen 1957:457, Knapp 1973:158-159).

The more that coops think they can obtain outside capital, the less incentive they have to recruit new members, let alone to require old ones to pay up--especially in light of the management problems brought on by an expanded membership. Outside capital can also cause coops to be less concerned about their investments--since the money is not their own. An evaluation of the CCAM consumer store--and its poor management and lax credit policies--pointed to the fact that members were not more demanding of store management

because the capital being lost was from the IAF and therefore not their own (Medina 1982:3.09). Though coop promoters and evaluators often bemoan coop leaders for their "passivity" and "ignorance" about management, the absence of a financial stake in the activity may be a better explanation of what is causing things to go wrong. Finally, the possibility of donor financing encourages coops to think big and indivisible. When large amounts of outside funding are available, they do not see possibilities for dividing up their visions for the future into small sequential pieces, each of which might be financed by member contributions, or by the profits of the preceding phase.

El Litoral, the successful member coop of the El Ceibo group, is a good illustration of some of the influences we have been describing. Long before the presence of the IAF in the Alto Beni, Litoral was formed for the purpose of buying a small motor and building a canoe, so as to break the monopoly of an outside boatman on the obligatory river crossing for all producers of cacao and bananas. The motor was acquired with the pooled contributions of the 20 founder members, representing about a third of the community that would benefit from this lower-priced transport. Soon after the success with its first motor and boat, Litoral was able to buy another motor and build another boat. Ten years after the coop's first motor purchase, it was still thriving, having expanded into cacao-marketing

and consumer sales through the opportunities provided by affiliation with El Ceibo.

Litoral currently plans to take on banana marketing--the obvious "next step" after river transport--and has appealed to the IAF, now a conspicuous donor in the region, for a large grant to cover operating capital and the cost of marketing installations. Despite the success and the bold dreams, however, Litoral has not expanded its membership at all, which has actually declined slightly to 16 active members in a community of 56 families. Though the capital required for the marketing project desired by Litoral was obviously larger than the contributions that an expanded membership might make, it is still significant that the desire to undertake the project did not elicit any concern by the coop about expanding its membership and increasing its internal capital.

El Ceibo provides an example of donor financing for marketing that enabled the federation to break a capital constraint that perhaps could not have been broken with expanded member contributions. The four founder coops of El Ceibo started by marketing cacao directly in La Paz, which required almost no capital because they paid participating producers only after they received payment from buyers. (The two founder coops of CCAM started the same way, marketing rice and paying producers afterward.) It was difficult for El Ceibo to expand beyond this first and limited success because it could not get

more producers to participate unless it paid them in cash at the moment of purchase, as private traders did. Getting out of this dilemma, which has faced all marketing coops at one time in their history, would have required operating capital beyond Ceibo's means. It was not until the IAF supplied the operating capital that the marketing operation was successful in terms of volume, and in stimulating the formation and affiliation of member coops. (Whether this success can be sustained without IAF funds is not yet clear.) Ceibo's wholesale sales operation for agricultural inputs and consumer goods also did not function well until it obtained IAF working capital in 1981, which allowed it to provide the merchandise to the member stores on credit. If the IAF grants for operating capital allow Ceibo to achieve self-sufficiency in marketing and merchandising, this will have occurred independently of its rate of expansion of member capitalization.

Donors may find, in sum, that the more support they provide to coops, the less their membership grows.¹ Correspondingly, the

¹ Even when donors condition their grants to coops on increased internal capital contributions, members may still find it more desirable to tax themselves a higher amount rather than bring in new members, so as not to have to dilute the "sure" profits to be gained on this large new undertaking. The decision to bear a heavier burden would be easier to take, of course, the better-off the coop members are. This helps explain why the COINCA coop was able to reject offers from potential members to join the collective poultry project.

closer these groups come to realizing good profits, the more unenthusiastic or restrictive they may become about encouraging new members, or discouraging old ones from resigning. This dynamic may help to explain why the studied groups reached their maximum membership quite early in their history--and why their internal capital, in relation to the level of their operation, got smaller as they grew, rather than larger. Although the low internal capitalization of the studied groups is just cause for concern, finally, it may not necessarily prevent these groups from becoming effective at providing certain services. This brings us to the next section.

Surrogate for a growing membership

Coop promoters tend to chastise their flock when membership starts to level off very early, if not to decline. The promoters prescribe strong doses of organizing activity and courses in cooperativism, and communities get scolded for not being loyal to the coop. As the coop becomes more successful, and hence more exclusivist, the chastisement increases--along with the courses in cooperativism, and the funds for them. Increased membership, however, may not necessarily be the appropriate remedy--if the economic activities are spilling their benefits properly. In judging organizations like the studied groups, therefore, we must be careful to separate out what is happening in their membership growth (or lack thereof) from what is happening to their income-earning activities and the benefits generated

by them. If we are to become less concerned about membership growth, in turn, we must think a little differently about coops than we are used to, a point I take up again later.

As outside supporters of coops, our task is to select coops not necessarily for their qualities of membership, but for the activities with the distributional characteristics we value. As suggested later, for example, we may want to stay away from collective production plots and poultry projects because the spillover benefits are meager--a surprising suggestion, perhaps, because many coop promoters look at collective production as the quintessential community-minded project. (A more practical reason to stay away from the collective agricultural production projects is that they rarely work!) For the same distributional reasons, donors may also want to stay away from coop funds for relending to members, since only the members get the benefits. (Again, we have even better and more practical reasons than this to stay away from credit, as discussed later.) We can be more sympathetic, in contrast, to projects involving marketing, processing, transport and, in some cases, stores--because of their community-wide benefits, even when run by a small group.¹

¹In another study, I have applied the same kind of analysis of spillover and other distributional traits of various activities to public-sector projects, and also suggested how these traits change as between urban and rural project settings (Tendler 1982b).

A note of caution should be introduced here about the spillover potential of certain activities--or lack thereof. Good or bad distributional characteristics do not inhere in an activity regardless of when it is undertaken. Certain activities will show healthy spillover benefits at one stage of their history and not at another, and the better-off will succeed in appropriating more benefits at one point in a coop's growth than at another. A marketing coop, for example, may initially offer a better price to producers in order to get business away from the competition, as well as to fulfill its image as being different from the "exploitative" middleman. In this case, producers will benefit not only because of the coop's higher price, but because of the middleman's likely response in the form of an increased price. El Ceibo is a case in point. In the beginning, it succeeded in outbidding the few large cacao buyers in the region by paying producers almost double the price for their cacao. Five years later, however, Ceibo is now being slightly outbid by the same competition against which it had originally won its stunning victory--even though domestic cacao prices are doing much better at keeping up with inflation than other agricultural prices.¹ The spillover potential

¹Whereas there was a fourfold increase in cacao prices in the first nine months of 1982, many other agricultural prices increased by less. World cacao prices have actually been falling in the last year, but a tenfold increase over the last year in the price of the dollar in relation to the Bolivian peso (a 90% devaluation of the peso) caused the domestic price of cacao to increase more than the international price decreased.

of Ceibo's marketing, in sum, was stronger in its early years than in the latter ones--an evolution that is common in coop marketing.¹

We have seen, in conclusion, that coop membership was small and not growing partly because the coops were unable to cut out the "free ride"--and also had little interest in doing so. Ironically, this lack of ability to internalize benefits, or make membership more attractive, also contributed toward an important donor goal--that of reaching the greatest number of beneficiaries possible.

¹El Ceibo would disagree, saying that without its presence in the market, prices offered by middlemen for cacao would fall drastically--in which case the spillover benefits of its marketing activity are still strong.

3 - Forced spillover and coop performance

The previous chapter started as a search for the origins of low membership in the studied groups and, presumably therefore, low impact. We discovered, among other things, the "free-rider problem": one did not have to join the coop in order to reap its most important benefits. Because donors are interested in achieving the broadest possible impact with their funding, this discovery not only explains the problem of low membership but it also reduces the seriousness of the problem for us. If coops are low on membership but much higher on benefits, in other words, donor objectives may still be achieved.

The spillover benefits identified above were characteristic of certain types of coop activities that required that non-members be served in order to attain a high enough volume to cover costs or make a profit. Agroprocessing, marketing (including trucking), and stores possessed this trait, while credit operations with individual members and collective production efforts--the other major activities undertaken by the studied groups--did not. In addition, agroprocessing and marketing (but not stores) exhibited strong natural tendencies to expand, as will be seen in this chapter, and hence to provide a stream of benefits that was growing. The opposite was true of stores and credit, for reasons discussed in this and the following chapters.

Why did coops and federations allow the fruits of their efforts to spill over to the rest of the community? Why didn't they deny access to non-members in their stores, their marketing and trucking services, and their agroprocessing operations--or charge non-members more? Why didn't they concentrate on activities in which the member's contribution could be more closely tied to a palpable return--like credit, equipment services, collective plots and poultry projects? These questions are the subject of this chapter. Though we start the chapter with questions about why coops let benefits spill over, the answers lead us into another area: how the characteristics of various coop tasks affect their performance, and the implications of this for how donors make decisions about projects and monitor them. In this and the succeeding chapters, therefore, we present a comparative discussion of the four activities most common to coops: agroprocessing, marketing (including trucking), coop stores, and credit.

Coops are forced to allow benefits to spill over to non-members because it is good business. Marketing, processing, and stores require volume in order to pay off because there are scale economies in all these activities--at least along the lower end of the scale where coops would operate if they restricted their services to members. It is not worth keeping a store open and paying a storekeeper to supply only 20 families; at this level of operation, stores cannot obtain bulk discounts on the purchase of merchandise,

and have to buy wholesale at near-retail prices. It does not make sense to buy a truck for marketing if it is half-loaded with the produce of only members; in this case, restricting services to members burdens one with high fixed costs, and deprives one of the opportunity to gain some control over sales price by becoming a large supplier. Non-member participation in some activities is essential for coops, in sum, if they are to achieve what they have set out to do for members: lower the prices at which they buy merchandise and raise the prices at which they sell crops. The story of the El Ceibo federation and its cacao-processing plant illustrates these points.

El Ceibo and the cacao-processing plant

For years, the dream of El Ceibo's founders had been to establish the first cacao-processing plant in the region (CCCAB 1976).¹ The closest facility was in the city of La Paz--an eight-hour truckride away in the dry season, too far and uncertain to allow the buying of wet cacao, which must be processed soon after it is picked. The new plant, then, was to free the Alto Beni's producers from the necessity of selling their home-dried cacao to intermediaries, who paid "exploitatively" low prices and who could not buy the unprocessed

¹An earlier, state-sponsored effort to operate a cacao-processing plant in the region had failed.

product. The new plant would also allow El Ceibo to obtain a price premium for its clients, since central processing would produce a better-quality dry cacao.¹ Finally, the plant would free producers from the "laborious" task of drying their own cacao. El Ceibo's dream started to come true in 1978, when Catholic Relief Services provided a grant for the association to build its own plant. Ever since the plant was completed, however, only half of its capacity, on the average, was utilized. If the cacao-processing plant had been so ardently desired by El Ceibo's grower-founders, why could it not be fully utilized?

The low capacity utilization of the El Ceibo plant has three explanations: (1) in the beginning, El Ceibo did not have the operating capital to buy cacao for the plant, a problem that was resolved a year later with a grant from the IAF; (2) El Ceibo did not have sufficient transport capacity to pick up the unprocessed (wet) cacao at the various coop collection points; and (3) growers, surprisingly, preferred to sell their cacao home-processed (dry) rather than wet. The last problem is the most interesting one, since the El Ceibo plant was meant to free producers from the onerous task of home processing and,

¹In 1977 and 1978, the home-processed beans bought by El Ceibo were rejected by buyers in La Paz because of their "poor quality," causing substantial losses to the association. The new plant, still to be inaugurated, was meant to rectify this problem because of the better quality to result from centralized fermenting and drying.

with central processing, produce a better product that would fetch a higher price. In the solutions to the latter problem, moreover, can be seen the impulses toward spillover benefits emanating from this particular agroprocessing activity.

In 1981 and 1982, only 30% of the cacao sold by growers to El Ceibo was wet; if the remaining 70% had been sold wet rather than dry, this would have provided more than enough raw material to keep the plant working at full capacity. The grower's continued preference for processing his own cacao after the initiation of the El Ceibo plant, the only one in the region, was a surprise: home processing requires additional work, for which there is no price compensation,¹ and one runs the risk of sunless days, which reduce the quality of the dried bean. Cacao disease, however, introduces another variable into the grower's decision about processing. Blackpod disease has now afflicted all of the Alto Beni's cacao plantings,²

¹Though prices paid for dried cacao are nominally almost three times higher than for wet cacao, they are the same in equivalent terms because wet cacao is converted to dry cacao at a ratio of 2.86 to 1--that is, 2.86 kilograms of wet cacao gives one kilogram of dry cacao (or one kg. of wet cacao gives 0.35 kg. of dry).

²The cacao plantations of the Alto Beni have been increasingly afflicted with disease since the mid-1970s, and yields have fallen drastically since that time--from about 25 quintales per hectare in the mid-1970s to 5-10 quintales presently. The problem is a result of two fungal diseases--witches' broom (marasmius perniciosus) and blackpod (phytophthora palmivora); the latter produces the inferior beans, whereas witches' broom lowers the number of pods produced per tree. Until recently, almost no research or extension resources had been applied to this problem in Bolivia.

and beans from diseased pods can be more easily discerned by a buyer before the beans are fermented and dried. Like any other buyers of wet cacao, El Ceibo imposes a price penalty on the grower according to the diseased-bean content of the wet cacao. When cacao is dried, it is difficult to discern the diseased beans, so that the buyer cannot so easily impose a price penalty. The average grower can therefore escape the price penalty for diseased beans if he sells his beans home-dried. And hence his preference to do so despite the availability of centralized processing.

There must have been some price differential between wet and dry cacao great enough to induce growers to sell their cacao wet, rather than process it themselves. Part of the problem, in other words, was that El Ceibo was not offering a price premium for wet cacao that would compensate for the price penalties applied to the diseased beans. In addition, the cost to producers of home processing may not have been as high as was assumed, given that the home-processing task is carried out by women and children, who have almost no employment opportunities elsewhere. That the opportunity cost to the household of processing cacao is near zero may also contribute, therefore, to the fact that producers are still selling their cacao dry, even though they can get the same price (equivalent) by selling it wet.

The cost saving to producers of not having to do their own processing, in sum, was not great enough to compensate for the price penalty of selling unprocessed cacao with its conspicuous diseased beans. Since El Ceibo was not willing or able to pay a price for wet cacao that would compensate for that penalty, the new plant was shunned by the producers rather than welcomed. For the Ceibo plant to have fulfilled the dream of its founders, the price paid for wet cacao would have had to be higher, disease would have had to be less important than it was, or the real costs of home-processing higher than assumed.

El Ceibo also could not buy enough wet cacao to keep its processing plant fully occupied because one needs to have highly versatile and reliable transport capacity in order to get producers to abstain from processing their own cacao. Even if producers want to sell their cacao wet, that is, they cannot do so unless they can be absolutely sure that transport to the processing plant will be available within hours after the beans are harvested. For this reason, those who sell their cacao wet tend to be found in areas of easy access to motorized transport. El Ceibo has only one pickup truck, which is inadequate for collecting the amount of wet cacao that would be necessary to fully utilize the processing plant; the truck also does not have four-wheel drive, which limits its effectiveness on the difficult roads between the processing plant and the collection

points. In order to utilize the processing plant, then, El Ceibo would have had to make a complementary investment in transport vehicles--for which it had requested financing from the IAF--as well as to pay a higher price for wet cacao. Even with more vehicles, of course, El Ceibo would not be able to overcome the unreliable quality of much of the road infrastructure, and the required river crossings in the Alto Beni. The processing plant, then, faced some obstacles to the utilization of its capacity that were partly beyond El Ceibo's ability to surmount.

The virtues of excess capacity

El Ceibo's underestimation of the problem of running a successful processing plant is a common failing. Indeed, even before the unexpectedly low supply of wet cacao became a problem, the plant lay idle right after its inauguration because of a lack of working capital to buy cacao. No one had included plants for working capital in the plant-construction project, funded by Catholic Relief Services, due to an "oversight of project design" (IAF files).

Coop founders and funders are often dazzled by the large margins they think they see between buying and selling prices, and feel that those margins given them the slack necessary to live with or overcome the kinds of problems discussed above. Though this kind of "unseeing" planning always comes in for criticism, it is often the only way to start a project, and can sometimes have some unexpected

positive results. The unexpected emergence of excess capacity, for example, has been behind many of the innovations in the history of manufacturing, when the excess capacity resulted from a newly discovered lack of complementarity between different machines in an industrial process, or between the machines and the materials worked on by them (Rosenberg 1969). These mismatches were often caused by previous inventions, which increased the capacity of one part of the productive process, or changed its characteristics, leaving the rest of the process or the materials deficient in comparison.

In a way that was analogous to these historical processes of innovation, the excess capacity in El Ceibo's plant clearly defined the precise steps that were needed for its resolution--an increase in the price paid for wet cacao, a more flexible and reliable transport capacity, and a program to eradicate cacao disease which, if successful, would increase the grower's incentive to sell his cacao wet. Before starting in the business of processing and marketing cacao, El Ceibo's founders might not have had such precise information about what to do. Since there were no processing plants in the area, no one would have known, perhaps, that producers would prefer to sell their cacao dry even when faced with the seemingly more desirable option of selling it wet. Or, even if El Ceibo had been more knowledgeable, the capital necessary to make the complementary investment in transport would probably not have been available, or outside donors might have

felt that there was little evidence that it was necessary. The cacao plant by itself, then, may have been the only possible first step, and was of course a very dramatic one.

How did El Ceibo respond to these precisely defined problems and suggested next steps? Unfortunately for my interpretation, Ceibo was not responding as vigorously to the excess-capacity problem as it might have--for reasons having to do with the structure of the market for cacao and the nature of the financing for the plant.¹ The latter reason is particularly relevant to the role that IAF can play in helping these constructive sequences to take place, so I discuss it first.

El Ceibo's cacao plant was made possible by a grant from Catholic Relief Services, with no repayment or interest obligations. On the one hand, the freedom from concern about amortization gave Ceibo the chance to start slowly and learn by making mistakes, not having to worry about meeting amortization payments. On the other hand, this freedom mean that the 50% excess capacity of the processing plant--reported first in mid-1980 and continuing down to the present--

¹El Ceibo's worries, moreover, were absorbed by another problem--an increasingly aggressive price competition by a few large buyers of cacao in the area, who were threatening to severely undercut El Ceibo's 60% share of the Alto Beni's marketed cacao--and hence its operating revenues.

did not provoke a crisis.¹ This contrasts with the extreme crisis provoked in the neighboring Bella Vista group, when it suddenly could no longer meet the payments due on its truck. As discussed in a subsequent chapter, these and similar crises can force organizations to make constructive responses to their excess capacity, and hence to turn those problems into a source of organizational growth rather than failure.

One "obvious" solution to El Ceibo's excess-capacity problem would have been to increase prices or other coop benefits to non-members, as well as members, in order to encourage them to sell their cacao wet. A price premium for wet cacao would have been a significant incentive to deliver cacao wet, and would have given all sellers of cacao an increased income, given that 70% of the growers from whom Ceibo bought wet cacao in 1982 were not members. And a more comprehensive and flexible transport service would have allowed those who wanted to sell their cacao wet to do so, instead of having to dry and transport it themselves because of the lack of reliable

¹Though income from the plant was enough to cover depreciation costs at an annual rate of 20% (as well as operating costs), the depreciation was calculated at historic costs--a common practice among all the studied coops. Given annual inflation rates of over 20% since 1978, these amounts did not reflect current costs. In late 1982, coop management was thinking about using replacement cost for depreciation, instead of historic costs, because of the 400% inflation in domestic prices since the beginning of the year, and the 1,000% inflation in import prices. (Almost all equipment in Bolivia is imported.)

transport. Both these solutions would be determined by the necessity of the processing plant to return an income and by its excess capacity--and not by any particular desire to benefit the population at large.

El Ceibo, as noted above, did not see the excess capacity of its cacao plant as a crisis and was not planning to pay higher prices for wet cacao, though it was looking forward to augmenting its transport facilities somewhat.¹ Not only was it unalarmed about the excess capacity, but it was finishing construction of a second processing plant in the member community of San Antonio across the Alto Beni River, with funding from the IAF, based on a projection of buying 75% of its cacao wet (11,400 qq. wet and 3,800 dry)--in contrast to the 30% it is not now able to exceed at the first plant. (Though the second plant would not resolve the problem of the producer's preference for selling his cacao dry, it nevertheless opened up a buying market for wet cacao where there was none; San Antonio was at the edge of an area responsible for 40% of the region's cacao production, which required a broad river crossing by canoe to gain access to road transport. The river crossing made the transport of wet cacao--with

¹El Ceibo was scheduled to receive a second pickup truck through a grant from the Swiss development agency, COTESU, but the first truck is sufficiently old that the second may simply have to replace the first. Because of the poor quality of access roads, Ceibo cannot use its large trucks for picking up cacao at community collection points.

its greater bulk and perishability--unfeasible, a problem that would be resolved by processing the cacao in the producing area.)

El Ceibo did have its own less urgent approach to the excess-capacity problem, which turned out to be a vivid example of the pressures that are inherent in certain tasks to provide spillover benefits. In face of its need to buy more wet cacao, Ceibo had taken an action that was contrary to cooperative principles and was equivalent to increasing the price paid to non-members for wet cacao. It decided to distribute the annual profits of the processing plant--which were calculated separately from those of the cacao-buying and other operations--to non-members as well as members, with the express purpose of encouraging non-member sellers of wet cacao to sell to Ceibo. Redistributed profits for sales of wet cacao were set equal to those for dry cacao--20 \$b. per qq. vs. 60 \$b. (2.86 qq. of wet gives 1 qq. of dry; the price ratio is 3:1 instead of 2.86:1 because of an implicit charge for processing). Since Ceibo membership represented only 25% of the cacao growers of the area, one would expect that the benefits of the profits from cacao processing would not only spill over to the non-members but, as the plant increased its capacity utilization, would be reaped more and more by them. Even by 1982, non-members accounted for 71% of the wet cacao bought by Ceibo

(1,516 qq. out of 2,123 qq.) and, hence, the same share of the processing plant's profits.¹

El Ceibo's need to encourage farmers to sell their cacao wet, rather than dry it themselves, had the potential for creating an even more important externality for the farmers of the Alto Beni. To provide a price premium for wet beans in the form of a share of El Ceibo's profits was to reward the producer who was successful at combating blackpod disease. Those with less disease, that is, had less to lose (in the form of price penalties) by selling their beans wet and could therefore reap the full value of a price premium for wet cacao. As noted above, many producers preferred to sell their cacao dry in order not to suffer a price penalty for the diseased beans.

Effective methods of combating cacao disease have become available only recently, and El Ceibo is working in conjunction with the local experiment station on a small program to demonstrate these new methods. (The program, and the significance of Ceibo's participation in it, are described later.) Until recently, the Alto Beni's cacao producers have been sluggish about adopting the new package of disease-combating techniques. Various factors contribute to their

¹Non-members accounted for 47% of Ceibo's dry cacao purchases, which were much greater (2,000 qq. out of 4,232), and on which the non-members did not earn profits. Hence members still dominated the profits distributed on Ceibo's sales of centrally-processed and home-processed cacao.

lassitude: a heavily promoted previous campaign of the Ministry of Agriculture, based on the intense application of fungicides, which turned out to be ineffective; the cost of fungicides; and the necessity of vigorous and frequent pruning. The pruning not only increases the management and labor costs of cacao cultivation, but the first pruning requires a year or two of waiting before the tree is producing normally again. Cacao farmers in the Alto Beni, moreover, look at cacao as desirable because of its "easiness." Like many tree crops, cacao "gives little work" in comparison to annual crops, they say, once you are past the clearing and planting and the first few years, when the trees start to give enough shade to prevent weed growth. But vigorous and frequent pruning, along with frequent application of fungicides, makes cacao much more demanding than it "should" be, they say, so why bother?

That the adopter of the disease-combating techniques has a place to sell his wet cacao will surely constitute a significant incentive toward adoption in the region. Given that El Ceibo is the only buyer of wet cacao in the area (since it has the only processing plant), and given the premium it pays to non-member sellers of wet cacao in the form of patronage refunds, it has the power to offer a strong inducement toward increasing the low productivity of the region's most profitable cash crop and only export crop. Consistent with this view is the fact that the Alto Beni's largest cacao producer

(four hectares in cacao)--who uses the latest disease-combating techniques and has the highest productivity in the area (10 qq. dry per hectare)--is the largest seller of wet cacao to Ceibo (130 qq. wet and 13 qq. dry in 1982).

By buying wet cacao and paying a premium for it to members and non-members alike, in sum, El Ceibo was not only contributing to increased incomes to all its sellers, but it was also inadvertently providing an incentive for the adoption of major productivity-increasing measures in the cultivation of cacao. Though Ceibo was generally concerned about the problem of cacao disease, and interested in the wellbeing of all cacao producers of the region, it was clear that the most powerful stimulus behind its decision to pay a premium to non-members, in the form of patronage refunds, was the problem of excess capacity in the processing plant. The stimulus must have been a powerful one, because the distribution of profits to non-members undercut one of the few claims El Ceibo (or any cooperative) could make as to why one should join--i.e., the promise of patronage refunds.

Before moving on to some other examples of excess capacity and spillover benefits, I want to note that the El Ceibo story is one of a series of cases in which the studied groups behaved contrary to the principles of cooperativism--in this case, providing patronage refunds to non-members. In most of these instances, the behavior

not only weakened the appeal of belonging to the coop, but it also caused the coop to spread benefits more widely than it might otherwise have done.

The rice mills of Bella Vista and CCAM

The story of the excess capacity of El Ceibo's cacao plant is one of many examples of how coops will generate spillover benefits when they try to make their agroprocessing and marketing activities do better. The story of the excess capacity of Bella Vista's truck, told later, is another example; the low utilization of truck capacity was perceived as a problem only when the truck's revenues could not cover its amortization payments. To raise the necessary income to cover the payments, the coop decided not only to raise its hauling rates but also to start marketing bananas, thereby providing price benefits to banana growers, as well as utilizing the off-season excess capacity of the truck. Yet another example of "forced" spillover benefits can be found in the seasonal excess capacity of rice mills in countries without irrigated rice, like Bolivia, where there is only one harvest a year. Two of the four studied groups had rice mills--Bella Vista in the Alto Beni and CCAM in Santa Cruz. Since rice is harvested over a three-month period, the mill is completely occupied only for that time, during which Bella Vista and CCAM ran at least two shifts a day. For the rest of the year, the mill operates

less than half time, or shuts down completely; during the off season the Bella Vista mill operates only on weekends.¹

Mill capacity at Bella Vista and CCAM was greater than member production, thus causing the benefits of the mills to be reaped by non-members as well as members. Though both mills were buying rice at prices roughly equivalent to those paid by private millers, substantial benefits to members and non-members took other forms. The location of the Bella Vista rice mill saved small producers a long trip to the mills that previously had been closest--in Caranavi, three hours by truck in the dry season and more than a day on foot. In many instances, growers would have to spend a week in Caranavi waiting for their rice to be milled. The elimination of the time and costs of such a trip was equivalent to a substantial income increase for the rice producers. The CCAM mill was closer to private-mills--there were three other CCAM-sized mills in the region, in addition to various small ones--and therefore did not generate any transport-cost savings for farmer-sellers. But its sheer existence was still of significance to small producers because they were less welcome at the private mills, which preferred to buy in larger lots. CCAM also provided important benefits to small producers in the form of honest weights

¹Bella Vista operates two shifts for three months, CCAM for four to five months. (CCAM has more storage capacity than Bella Vista, and the effects of bad weather on transport cause deliveries to be strung out over a longer period.)

and measures of moisture and quality; it allowed producers to witness the measuring of moisture and quality, and explained to them how it was done, thereby providing them with greater marketing skills.¹

That the Bella Vista and CCAM mills would have excess seasonal capacity was not perceived as a problem or even a challenge when the projects were being planned--just as the difficulty of obtaining wet cacao was not thought about when El Ceibo's first and second processing plants were being planned, and just as the seasonal excess capacity of the Bella Vista truck was not an issue, even though the coffee harvest lasts only three months. After the two rice mills were in place, moreover, their excess seasonal capacity was still not seen as a problem, partly because the equipment was donated and hence it was not necessary for the mill to earn income to cover operating costs and pay off a loan²--and partly because shortages of working capital precluded the use of excess capacity. In 1982, for example, CCAM milled 20% less rice than in 1981, because a working-

¹The private mills would often require that peasant producers wait outside while they weighed the rice and determined its quality in a small booth. Excess humidity could be easily falsified by using a damp hand to make the measure. The benefits of the coop mill, of course, would accrue only to those who could sell their rice directly to the mill--i.e., those who did not have to sell at the farmgate.

²As in the case of El Ceibo's plant, an adequate depreciation allowance was taken (20% or 25%),² but at historic rather than current costs; depreciation funds were used for operating capital in the mill and other operations of the coop.

capital loan from a private bank was not disbursed on time. (Also, the harvest was smaller.) After a while, the coop did start to see the excess mill capacity as an opportunity to earn more income because of the obvious sequence of additional steps and investments revealed by it. Acting upon any of these opportunities, as the coops were thinking of doing, would lead to increased benefits to non-members as well as members--in addition to placing the coop operation on a sounder financial footing.

For the two rice mills, seasonal excess capacity could be reduced in three ways, all of which were interrelated. First, the drying facilities of a rice mill can sometimes be used for other crops that require drying and are harvested at different times of the year. CCAM uses its rice drying facilities to dry corn, another basic crop of small farmers in the region. Bella Vista wants to use its rice mill for drying the coffee it now buys and markets, unprocessed, in La Paz. This would allow it to hold the coffee for longer periods before marketing, giving it greater bargaining power in the market and greater flexibility in the scheduling of its trucking operation. (Undried coffee must be sold within days of harvesting.) Using the rice mill to dry coffee, however, would not provide too much use for off-season excess capacity because the Alto Beni coffee harvest is only three months long and overlaps with the rice harvest for one or two months.

The expansion of rice-drying and storage facilities is a second way to approach the seasonal excess-capacity problem. When unmilled rice is dried, it can be stored for several months and milled throughout the year, as capacity becomes available. Neither Bella Vista nor CCAM had the capacity to dry and store enough unmilled rice to spread their harvest load throughout the year. Nevertheless, CCAM still had the capacity to dry and store more than it was currently doing, because the ability to store is dependent upon another resource that the coops did not have--large amounts of working capital to buy the rice crop. This brings us to the third way of coping with seasonal excess capacity.

Storing the rice crop, and thereby spreading the use of the mill equipment throughout the year, is desirable not only for the greater use of capacity that it enables, but because the seasonal price fluctuations in rice are usually quite high. Millers with the drying and storage capacity, and the capital to hold their rice for some months before getting a return, can mill larger quantities of rice in any particular harvest year and sell it at higher prices than those without this capacity. Marketing coops without access to IAF-type funding usually cope with the shortage of working capital by paying their members fully only after they sell the rice (or other produce) that they buy. This is not a feasible arrangement, however, when the production of one's membership is not sufficient to fully

occupy mill capacity--as in the case of CCAM and Bella Vista. It is also not feasible when there are private millers in the area who customarily pay in cash--and advance cash to growers for their pre-harvest needs. Thus when coop mills have to compete with private millers, as in the case of CCAM and Bella Vista,¹ they have to pay in cash and cannot settle later. Having to pay in cash and having little working capital, these coop mills find it impossible to hold unmilled rice in storage until mill capacity is freed up and prices are better.

Because the CCAM mill had more drying and storage capacity than it was using, the manager acutely felt the shortage of operating capital; his hands tied, he helplessly stood by watching the large profits made by private mills that bought early in the harvest and sold late. (IAF had provided some working capital to buy rice, but it was not sufficient.) As a result of seeing these profits just out of reach, CCAM tried hard to obtain operating-capital credit from the private bank where it deposited its funds, and succeeded. Though this credit was half of what CCAM had asked for, and was disbursed too late in the harvest season to enable the federation to

¹Private rice mills already existed in the areas of both the CCAM and Bella Vista mills, though the latter's competition was at a greater distance--three hours by truck, in Caranavi, where there are seven mills. In CCAM's area, there are three other private mills of the same size, and various smaller mills.

buy when prices were low, it was still a significant first achievement. After repaying the credit, CCAM was now established as a bank client, which might not have happened if the IAF monies had been sufficient. The excess seasonal capacity of the CCAM rice mill, then, had pointed it in the direction of intensifying its efforts to obtain operating capital from the banks.¹ The aggressive actions of its nearby private competitors, moreover, served as a demanding model to judge itself by, and as a justification for pursuing profits more vigorously.

Whether CCAM and Bella Vista will want to or be able to reduce the excess capacity of their rice mills, the solutions pointed to by this excess capacity all involve increased benefits to members and non-members alike--in addition to increased income for the coop. If Bella Vista were able to dry coffee with its rice-drying equipment, for example, it would be able to make a better return on the coffee it sold, and hence pay a higher price to the producer for his wet coffee. If CCAM and Bella Vista obtained the drying and storage capacity necessary to buy more rice and hold it longer--along with the operating capital--the resulting increased profits could lead to increased prices paid to producers, perhaps even preventing harvest-season prices from dropping as sharply.

¹CCAM has recently negotiated US\$500,000 of funding from the Inter-American Development Bank's Small Projects Fund; part of that capital will be used for operating capital for the rice mill.

As in the cases of the truck and the cacao plant, there was a strictly economic motivation for the rice mills to expand or diversify their activities, which meant that the objectives of firm efficiency and social impact were in harmony. This was a happy coincidence, for the two criteria often conflict--as they did in the case of the retrenchment of the coop store systems, discussed later. Though there was harmony between firm efficiency and social impact, finally, there was definitely disharmony between the latter and coop membership. The spread of benefits beyond the membership reduced the attraction of joining the coop and hence the ability of the coop to internalize the raising of funds to finance these services. The availability of outside donor financing, in turn, kept the coops from experiencing the low membership, and their low capital contributions, as problems.

COINCA and the winery

The desire of coops to expand marketing and processing activities is not always stimulated by excess capacity or other conspicuous incompatibilities between the factors of production. COINCA opened a small winery, with an annual production of 10,000 liters in 1981, supplied by grapes purchased from member producers. Though the winery was not envisioned in the original IAF grant proposal, it became a possibility in 1977 through an offer of

grant funds from a German volunteer organization, including three years of full-time technical assistance from a German volunteer enologist.

In contrast to El Ceibo's cacao plant, COINCA's winery would be able to handle only a small proportion of the Tarija Valley's peasant grape production, and could not even accommodate more than 40% of the production of its 130 grape-producing members. COINCA's volunteer enologist had wanted to produce a quality wine, which differentiated the COINCA product markedly from other Bolivian wines of lower quality. COINCA therefore found a special market for its wine, succeeded in obtaining exclusive contracts at high-class hotels in La Paz, and was also able to charge more for its wine than the other Bolivian wineries. (Some of the large distilleries in Tarija actually produce a grape-based whiskey rather than wine.)

Because of its activity in the winery business, COINCA was able to benefit a larger number of member-growers than those from whom it actually bought grapes, by serving as the payment intermediary for one of the five largest distillery-buyers of grapes in the Tarija Valley, the SILS distillery. (SILS buys about 22,000 qq. of grapes per year, out of a total grape production in the department of Tarija of 120,000 qq.) In 1978, COINCA and SILS worked out an arrangement whereby the member grape producer sold his grapes directly to SILS, and took the receipt to COINCA for repayment. Previously, SILS had been paying the growers only about 20% of the total price for their

grapes in cash, paying the rest in installments through the several succeeding months. With COINCA as the payor, SILS would free itself from having to make successive payments to many small growers, as well as from the protestations and anger of the many growers who were being paid with great delay.¹

By taking over SILS's payments to COINCA growers, COINCA benefited because it could deduct from the payments it passed on to member-growers the loan repayments owed by these growers to COINCA for production credit. Since the recovery of credit had been problematic for COINCA, as for many other cooperatives, this automatic loan-collection mechanism was very useful, reducing delinquency and the costs of collection. COINCA also benefited from the arrangement with SILS because of the 40% of the total grapes delivered that it kept for its own wine production, it selected the highest quality grapes and turned the rest over to SILS. Thus it did not have to pay a premium for the higher quality grapes. (Though this represented a cost saving to COINCA, it also meant that member-growers producing a high-quality grape were not being compensated for that quality-- a distinct disincentive to quality production. Member-growers, COINCA says, voted for this arrangement themselves.)

¹This problem was particularly acute in 1982, because of the severe conditions of the Bolivian economy and a previous overextension of the wineries in credit-financed expansions. In October 1982, COINCA growers had still not been paid for production delivered to SILS in January.

What were the benefits to the peasant growers of all these arrangements, if any? First, the COINCA-SILS arrangement stipulated a fixed price for growers (1,450 \$b. per qq.), at a level that was higher than SILS had originally intended to pay, and also made a commitment to pay growers in monthly installments of 20%--a distinct improvement over the previous uncertain prices and payment periods. In 1982, in fact, growers selling to SILS through COINCA had been paid off months earlier than those selling directly to SILS. Second, as in most marketing transactions where small growers sell to large buyers, the SILS brewery had tended to cheat growers on weights and, particularly, on the determination of the sugar content of the grapes. As part of the arrangement with SILS, COINCA and its enologist insisted that they be able to monitor the determination of the sugar content at the SILS receiving station--a short distance from the COINCA winery. Members were strongly encouraged to let COINCA know when they arrived at SILS, so that the COINCA enologist could proceed there immediately. This assistance contributed to an increased return to the smaller producer, and taught him how to defend himself better in the future. By forcing SILS to reward producers more accurately and consistently for appropriate sugar content, moreover, COINCA's monitoring led to a premium for high-quality grapes (if only in terms of sugar content). The latter achievement has significant productivity implications, since the absence of grading systems

for agricultural produce often acts as a disincentive to growers to improve the quality of their product. The COINCA-SILS arrangement, then, benefited the grape producer, COINCA itself, and even the "evil" intermediary!

So far, the COINCA winery and grape-buying arrangement seem to represent a case of exclusive benefits to members--and to only a better-off subset of them.¹ Unlike El Ceibo's cacao-processing plant and the Bella Vista and CCAM rice mills, that is, the COINCA winery does not seem to display any inherent dynamic toward spillover benefits. But COINCA's almost instant success at winemaking and marketing also gave it a strong taste for expansion: it expanded production from 200 liters in 1978 to 10,000 liters in 1981. Though this level of annual production would still not exhaust the grape production of members, COINCA was vigorously looking for US\$30,000 of financing to expand its winery to a capacity of 30,000 liters annually; it had hired a Bolivian enologist out of its own funds, as it proudly tells, to be trained by and replace the volunteer enologist, whose period of service was to end by the beginning of 1983.

¹Only five of COINCA's 28 member coops produce grapes, these producers accounting for only 20% of total membership (130 out of 540 total). (Membership has currently dropped to 400 and 20 coops.) The small share of grape growers in the total reflects not only the greater capital required for grape-growing, but also the fact that most of the coops without grape-producing members are in areas not suited to grape production.

The capacity of COINCA's projected new plant would exceed member production capacity, thus requiring that COINCA extend its purchasing significantly beyond members, along with the benefits this will bring to small producers: honest weights and sugar-content determination, more rapid payment, better prices and, in general, better and more respectful treatment from a buying operation that is run by an organization of peasants like the growers themselves. If successful, in sum, agroprocessing can provide spillover benefits to non-members through expansion--even if it starts small and has no excess capacity.

Agroprocessing: the foot in the door

Under certain conditions, agroprocessing generates external benefits for peasant farmers whether the operation expands or not. One of the greatest obstacles to the advancement of peasant producers and their organizations is their difficulty in gaining access to the state and private institutions that hold power over them--through control over prices, taxes, imports or exports, or through provision of crucial production inputs like credit, fertilizer, seeds, technical assistance. Any event or sequence of growth that increases the power of peasants to gain access to these institutions is therefore worthy of attention.

COINCA is a good example of the access to power that coops can provide. As a winery, COINCA joined the association of distilleries

in Tarija; and as a cooperative with grape growers, COINCA joined the grape-growers' association.¹ In both cases, it was the only entity in these associations that spoke for peasant interests.² Both associations were comprised of growers and processors who were larger and more powerful than COINCA and its growers. In that five large distilleries dominated grape purchases in Tarija Valley, moreover, their interests (the distilleries) were the opposite of COINCA's (as grape growers) with respect to matters of price, honest weights and quality measures, and import policy. (Tarija is on the Argentine border, across from which cheap grape concentrate can be imported if domestic grape prices are felt to be too high.)

In defending peasant producers' interests in the grape growers' association, COINCA was defending a much broader group than its membership, since only a fraction of the peasant producers in the Tarija Valley were COINCA members. COINCA's participation in these associations also gave its members new and privileged access to marketing information. A good example of these opportunities involves the case of grower concern over importation by the large Tarija distilleries of cheap

¹In the Alto Beni, Bella Vista joined the regional association of rice millers and, in Santa Cruz, CCAM joined the national federation of rice cooperatives.

²Some member-growers of COINCA already belonged to the growers' association as individuals, prior to COINCA's entry.

grape concentrate from Argentina in 1981--when frosts caused a short-fall in the harvest. The majority of the members of the grape-growers' association were independent producers (i.e., without their own distilleries or wineries) and, along with COINCA, felt that the importation of the Argentine concentrate was depressing the market for fresh wine grapes in Tarija--a deliberate tactic of the distilleries, it was felt, to bring the Tarija growers into line.

The independent growers in the association wanted to petition the government to stand behind and enforce the existing protective legislation against importation of the Argentine product. The powerful minority of large distillery-growers in the association, of course, was in favor of continuing the importation. COINCA sided with the independent producers and worked hard in the petitioning process; it was even present at a meeting with the President of Bolivia, who met with the growers' association over this controversial issue on a trip to Tarija and, with much fanfare, signed a document reinforcing the government's commitment to the protective legislation. Unfortunately, the new agreement was not enforced, partly because of the failing presence of the state during the last months of the military government in 1982. But as the new civilian government was about to take over in October of 1982, the growers' association and COINCA were hopeful about getting their signed agreement enforced.

COINCA's stance in the growers' association on the question of the Argentine concentrate grew out of its desire to protect the grape market for its producers and, less obviously, to protect the price of wine by making it more difficult for its competitors to produce cheap wine.¹ In taking the same side as the independent growers, COINCA was joining in a battle of the elites vs. the elites--growers vs. processors--strengthening the side of the independent growers and, at the same time, partaking of the strength of a group with which it might never have been brought together in common cause. As a member of the distillers' association, in turn, COINCA felt it obtained invaluable information about market conditions and purchasing strategies of grape buyers--a very important gain, since marketing coops often flounder because of unfamiliarity with the marketing world.² Even though the COINCA winery was small, then, it still served to classify COINCA as a processor, and hence to gain access for it to privileged marketing information and contacts in the world of processors.

¹COINCA's quality wine, of course, does not compete directly with lower-quality wines. But the maximum price COINCA can charge is probably a function of a fixed differential between its wine and the more abundant low-quality wines. As a winemaker, then, COINCA's interests would also be aligned with those of the independent growers--i.e., it would be against any actions that would lower the cost, and therefore the price, of cheap wine.

²The lack of "market intelligence" was one of the major causes of problems and failures among low-income marketing coops in the U.S. South (Marshall & Godwin 1971:90).

COINCA's membership in an industry association put it together with those whom it normally saw as adversaries, in a way that could lead to positive outcomes. It created a forum for the introduction of peasant voices in a world where they otherwise would have no influence. COINCA says, for example, that SILS (the major grape purchaser and distiller in Tarija) was at first quite distrustful of COINCA's presence in the distillers' and growers' association; with time, however, the large company became more and more accepting of COINCA as a force to be contended with. SILS even says that it now has considerable respect for COINCA and, because of the latter's influence, is treating its peasant sellers better, and being less "sloppy" with them about determining sugar content--a change that is confirmed by COINCA. SILS reports, moreover, that COINCA's member-growers are much less timid now about determining the conditions under which they sell their grapes.

Membership in private-sector processor associations not only allows coops like COINCA to gain more familiarity with the market in which their producers sell, but it also provides a vehicle for them to become known and respected in the business community. In the private- and public-sector world of Tarija, for example, everybody knew COINCA for its winery, and much less for its other activities. Indeed, one bank that thought COINCA had a "bad reputation"--because of mismanagement in its non-winery activities, as discussed later--

changed its mind and decided that COINCA was strong, after seeing the results of the winery operation. This kind of repute in the business community can reduce a coop's difficulties in gaining access to credit and other development goods--as seemed to have been the case with COINCA--as in getting their share of favorable government treatment on regulatory and tax issues. Ironically, of course, some of the private-sector representatives in the agroprocessing associations may be the very large firms or "exploiters" from whose control peasant producers were trying to escape by forming the coop in the first place. As members of the agroprocessing associations, however, the peasants move into a position to "exploit" the exploiters, for their information and contacts.

The opportunity that agroprocessing provides to coops to enter the business world, gain some acceptance, and partake of its power and information seems unique to agroprocessing. Other activities engaged in by coops--marketing, consumer stores, credit, collective production--do not have their corresponding industry associations. There are, of course, national associations for coops or credit unions. Bella Vista was founded as a savings-and-loan cooperative; that section of the coop is now independent, and affiliated with the national federation of savings-and-loan coops. As a coop with a larger number of rice-growing members, CCAM belongs to the national federation of rice coops, which has been considered ineffective. These latter

associations do not have the same policial power or strong regional expression that the private-sector associations do; or the links between the national-level associations and the member coops are tenuous; or the organizations are not as influential as private business associations; or their powers are not that relevant to the problems affecting growers.

Patrons vs. processor associations

Among the studied groups, there was only one other path--outside the processor associations--to the business and government world. That was provided by the outside "patrons" of coops--facilitator organizations like ACL0, and volunteers like the German accountant at El Ceibo, the German enologist at COINCA, and the priest at CCAM. The access provided by these latter agents carried with it a paternalism and dependency that could be quite self-sustaining. Almost ten years after CCAM's founding, for example, its patron ex-priest continued to write the proposals for funding, and to obtain valuable exemptions from the almost 100% tariff charges on agricultural and transport equipment and spare parts, as well as donations of these items from U.S. firms. CCAM was unable, and had never tried, to obtain the tariff exemptions on its own--let alone the donations.¹ There seemed

¹The dependency of CCAM on its patron's access was also evident in its explanation for why the bank credit for the rice mill was disbursed too late, resulting in serious losses to the mill because it could not start buying early enough in the harvest season. Its patron, CCAM explained, was "out of the country," so there was nobody to help get the money out of the bank.

to be little transfer to CCAM of the patron's power of access.

Many coops supporters would not feel comfortable with my portrayal of the opportunity that agroprocessing provides to peasant coops to join industry associations. They look at these peasant-industry relations as consorting with the enemy, as a "selling out" of the interests of the peasant class, as a first step toward losing class identification. ACL0, for example, points to COINCA's membership in the distillers' association as one more example of the "betrayal" by COINCA of the community-minded goals of peasant union on which it was founded--and of its "excessive" interest in doing business, as opposed to organizing communities. El Ceibo, similarly, looks down its nose at the Bella Vista leadership for having joined the rice-millers' association--thereby "selling themselves out" to the very intermediary whose power their rice mill was supposed to break. (Similarly, El Ceibo points out the conflict of interest involved in Bella Vista's having joined the truckers' syndicate in order to carry non-member cargo and passengers.)¹

¹El Ceibo's disdain for Bella Vista on these two counts reflects less a purer class consciousness than it does a longstanding rivalry between Bella Vista and El Ceibo over political hegemony in the Alto Beni region. With respect to Bella Vista and the millers' association, El Ceibo was never faced with the same kind of choice because its cacao-processing plant is the only one in the region. With respect to the truck, El Ceibo succeeded in getting permission to carry non-member passengers and produce without joining the truckers' syndicate, because it had a friend at the Ministry of Commerce; thus it did not need the membership in the syndicate the way Bella Vista did.

Bella Vista, finally, has quite vigorously defended peasant class interests, and at great political cost, [continues on next page]

There is a danger, of course, that agroprocessor coops will sometimes identify with agroprocessor interests in cases where these conflict with grower interests. When Bella Vista sits down with the seven other millers in the region, what prevents it from agreeing to pay an artificially low price for rice, or from charging a higher price for milling?¹ Would COINCA have so adamantly objected to the importation of cheap Argentine concentrate if it had been producing a cheap wine like the others? Though the agroprocessor coops are certainly in a position to take actions not in the best interests of their member-farmers, there is some protection against this when the coop leadership is made up of growers and not processors. This was the case in all the groups studied, where there seemed to be no evidence of such a conflict of interest emerging--in contrast to the obvious benefits accruing to coop membership and other peasant producers as a result of coop participation in the industry associations.

[continued from previous page] by organizing the farmer strike in the Alto Beni against the truckers and the military government. El Ceibo, in contrast, abstained from official participation on the grounds that politics and business should not be mixed. For this reason, Bella Vista is just as contemptuous of El Ceibo's "lack of class consciousness" as El Ceibo is of Bella Vista's.

¹Part of the answer is that price-fixing collusion among a number of producers as large and dispersed as this one rarely succeeds; Bella Vista says it sometimes charges less for milling than the agreed-upon price, without the Caranavi millers even hearing about it.

4 - Selling to the farmer vs. buying his crop

Once my attention was caught by the spillover qualities of agroprocessing, marketing and stores--and the inherent "expansionist" tendencies of the first two--then other differences between those activities and credit started to become obvious. In certain ways, credit was not only low on spillover but also seemed a more difficult task. Collective production activities shared these problematic qualities with credit. In switching my focus from the spillover qualities to the difficulty of the task, I saw that coop stores shared more in common with credit, and were more difficult, than with processing and marketing--partly because stores often sell on credit. Though stores had the potential for spillover, then, it seemed to be realized only for a short period of time, at best, after which it declined.

When coops get started, stores are one of the standard items they desire. Without knowing much about stores, I have always assumed that they were easier tasks for a fledgling coop than processing, trucking and marketing. For many years, after all, the conventional wisdom among North American cooperativists was that processing and other manufacturing ventures should be stayed away from by agricultural coops (Knapp 1973:218). Competition was too keen, the technology was too complex, capital requirements were too high, and specialized experience and personnel were required. "Ill-advised" attempts by

coops to enter processing have been cited as contributing to the failures of many agricultural coops in the United States (Miller & Jansen 1957:458). It should come as a surprise, then, that processing would turn out to be "easier" than stores. Finally, it is important to know why the spillover potential of stores is difficult to realize, because donors may be in a position to encourage or facilitate the realization of that potential.

The North American case gives us a clue as to why processing seemed easy in the Bolivian case. There were two marked exceptions to the generally gloomy history of processing ventures among North American rural coops: one was dairy processing (milk, butter and cheese) and the other was the drying of fruits (grapes, plums, figs, nuts).¹ Coop ventures in these two areas were not only successful, but they are the most outstanding cases of sustained coop success in U.S. history--as represented today by the powerful cooperative dairy manufacturers of Wisconsin and the fruit-drying associations of California. For both activities, home-processing was already being carried out by individual growers, and a familiar and rustic technology was available. In Bolivia, simple technologies were also available for at least two of the three processing tasks undertaken by the coops--rice milling and cacao-drying; and both were home-processed by growers. El Ceibo, Bella Vista and CCAM could therefore install

¹Knapp (1969:215-217); Taylor (1953:472).

and operate their cacao plant and rice mills without specialist assistance. Though CCAM's mill now has a paid manager, with previous experience managing a large private mill, the CCAM mill was built and operated for two years without this specialized help.

COINCA's winery, set up and run for two years by a trained enologist, would seem to be a more complex task than the rice mills and cacao plant. Even in this case, however, one technician was sufficient to get the project going, to train a Bolivian replacement, and to leave after two years. This may seem like an extended and heavy dose of outside technical support, but it looks minimal and swift when compared to the length and breadth of outside assistance in most coop histories, including the studied ones.¹

Stores and credit vs. agroprocessing and marketing

Rice milling, cacao processing, and wine-making may be technically easy, but that is not what really distinguishes these tasks from coop store operations or credit programs. Agroprocessing turns out to be easier than these latter operations because of the relative ease of the

¹Five years after the founding of El Ceibo, its administration was still highly dependent on the presence of a German volunteer specialized in accounting. Six years after CCAM's founding, it was highly dependent for its equipment and spare parts supply, as well as access to credit, on the intermediation of its patron priest. Neither of these outsider-technicians, by the way, were specialized in agroprocessing technology, nor was it their purpose--in contrast to COINCA's enologist--to concentrate on the processing activity.

administrative task, not the technical one. In order to sell their merchandise, for example, coop stores often have to finance the consumer by allowing him to buy on credit--even though this is against the basic rules of Rochdale cooperativism. In processing (or marketing), in contrast, the coop has no such problem and can sell to the outside buyer for cash. Even if one must accept delayed payment from the buyers of one's produce--as the El Ceibo base coops had to do in the beginning, when they sold to one of two large processors in La Paz--there are usually only one or a few large buyers to collect from, making collection much less of a task. (One also runs the risk, of course, of suffering a delay on one large payment owing.)

With marketing and agroprocessing, the coop sells one's product to an outsider who is often viewed as an adversary. This contrasts sharply to the coop store or credit operation, where collection efforts not only involve many buyers rather than a few, but where one must collect from among one's own. It will be much easier (and enjoyable) to be tough about collecting from the merchant-outsider than about collecting from one's own membership. The greatest debtors in coop store and credit operations, moreover, are often the coop leaders themselves--because they have the power to give themselves credit and because, as the better-off producers, they buy larger amounts of inputs and consumer goods than the rest. The collectors,

then, will often be the same persons as those to be collected from--something that will never happen with a coop's sales of agricultural produce. Given that delinquent accounts have been a major problem in the administration of coop store and credit operations, this difference between stores and processing-marketing is a significant one. Unfortunately, the problems of coop stores cannot always be resolved by selling only for cash--as discussed in the chapter on stores.

Agroprocessing and marketing require the buying of many small lots of a homogeneous product, which are then put together for sale in one or a few large lots. Stores, in contrast, require the buying of a variety of different products, which are broken down for re-sale into many small units, with different weights, sizes and prices. The disaggregation process is usually two-staged--from the federation to the coop store, and from the store to the final consumer. The process of disaggregation of heterogeneous products makes record-keeping more complicated than for agroprocessing and marketing--where there is only one product, one size, and one price¹--and introduces myriad opportunities for loss, pilferage and false reporting. With marketing and agroprocessing, in contrast, the process

¹There is usually some price differentiation, of course, according to quality: the rice mill will have two or three price categories of quality and moisture content, the winery of sugar content, and the cacao plant of bean quality. The total number of categories, however, is still low compared to store merchandise.

of aggregating units of a homogeneous product is less demanding of management and accounting skills, and less tempting to the dishonest. It is not just that coop stores are fertile grounds for misappropriation. They also represent a new activity around which leaders will be expected to engage in traditional acts of largess, and to exercise their responsibility to support certain community needs. Visiting dignitaries and accompanying community members, for example, will have to be served soft drinks and beer for free from the coop larder. The produce acquired by coops for their processing and marketing operations is less suited to these acts of magnanimity.

Social pressures against mismanaging the agricultural produce purchased by coops are greater than the pressures against helping oneself to the wares of the coop store. This is particularly true when coops cannot pay the producer until they actually market and receive payment for his produce--so that his livelihood is, for awhile, in coop hands. Though most coop marketing operations cannot compete with private traders unless they pay cash to the farmer, they usually start without the operating capital to do so and must get

the farmer to sell to them on faith.¹ They can compete the farmer away from the private trader only with the promise of a higher price to be paid at an indefinite future date, and with the commitment to deal honestly. Many coops without the benefit of IAF funds for operating capital are never able to move to the stage where they can pay completely in cash--as the IAF coops do. Before El Ceibo had operating capital from the IAF to pay cash for its cacao, for example, it paid either nothing or only partially in cash and the rest later, which caused many members to prefer selling to middlemen. In this situation, the ability of a coop to get farmers to sell to it is dependent on the faith it can inspire in its honesty, as well as its marketing talents.

Many marketing coops have been undone by their inability to pay the member-producer in cash, to meet the price offered by the middleman, or to advance credit before harvest. Much coop rhetoric regarding member "loyalty" is directed to this problem: coops exhort members to sacrifice the middleman's immediate cash payment for their crops, or his credit advances, or higher prices, out of loyalty to the coop. Strong appeals of this nature are now being made by El

¹All the studied groups started out buying from growers "on credit"--i.e., without paying until they marketed the purchased goods. Only with IAF funds for operating capital were they able to pay in cash, and expand their purchasing significantly. The only exception was COINCA, which pays only 20% down for its purchases of wine grapes, but COINCA is also the only group to operate in a market where the private trader also does not pay in cash. In contrast to El Ceibo, Bella Vista, and CCAM, then, COINCA would not lose sellers to the competition by not paying in cash.

Ceibo; though it can pay in cash, thanks to IAF operating capital, it is having difficulty meeting the middleman's price. In the late 19th and early 20th centuries, U.S. marketing coops also struggled with the problem of "disloyal" member sales to non-coop buyers--unsuccessfully, however, until they hit upon the idea of "the maintenance clause." According to this clause, members had to pay a fixed charge to the coop, proportional to the grain they marketed, whether they sold to the coop or not (Knapp 1969:76, 94). (This would not be too helpful to the Bolivian groups, of course, since a large share of the farmers from whom they buy are not members. Thus the Bolivian groups must meet a tougher market [as opposed to membership] test, since they have no hold over non-member patronage if they cannot offer a good price and good service. If they pass the test, they do not have to worry about a maintenance-clause arrangement, since they can finance the operation out of the margin between buying and selling--to which non-members as well as members "contribute.")

When coops cannot pay completely in cash, the farmer-seller has to sell to them on faith. Having to inspire this kind of faith is a hard taskmaster for the development of management skills--at least with respect to controls and pressures against graft. With the coop store, there is no analogue to this internal control. If merchandise gets pilfered, or is sold at a loss, no particular member or group of members will suffer.

Prices, healthy businesses, and social goals

Coop stores like to charge "low prices," at least when they first open. This also puts stores at a disadvantage in comparison to agroprocessing and marketing. Prices that are lower than the private merchant's are taken to be a symbol of socially responsible behavior¹--even if the price difference is insignificant, as was often the case in the stores I visited. The care taken by coops not to behave like the "evil" middleman places a significant constraint on their attempts to cover their costs--let alone on their interest in doing so. When buying for the store instead of selling, of course, the coop has no such conflict between its business objectives and its social concerns; both will dictate that it buy store merchandise at the lowest prices possible.

Agroprocessing and marketing are different from stores in that the social and business aims are highly compatible in both buying and selling. As in buying for stores, the selling of agricultural produce involves a transaction with an outsider--who is seen as better-off, exploitative or just simply impersonal. There are no holds barred against going for the highest price, since higher sales

¹Despite this belief, as noted elsewhere, greater benefits accrue to consumers (1) in the form of honest weights and unadulterated products, and (2) from the opening of stores in places where there are none, even if full prevailing prices are charged, because of the larger transport savings to the consumer.

prices can translate into higher purchase prices for growers and at the same time increase the returns to the coop business.¹ All this is in direct contrast to the coop stores, where higher selling prices can also increase the returns of the business but at the cost of store patrons and the coop's image as a benevolent force in the community.

With respect to selling prices, then, marketers and agro-processors do not suffer the same conflict between business and social goals that stores do. This same conflict, however, would seem to exist at the buying end of coop agroprocessing, as distinct from selling. It will be in the coop agroprocessor's business interests, that is, to pay the least it can to the grower, in order to cover its costs better or increase its margins. Indeed, many of those who criticize coops for being dominated by elites point to just this kind of conflict of interest, arguing that an elite coop leadership will opt in favor of the coop's business interests in this kind of situation, instead of the good of the grower. Two aspects of the structure of the marketing task can prevent this

¹Even if the price paid by the coop to the grower is not higher than the middleman's, the grower is still better off for the existence of the coop-agroprocessor in the region--because of its honest weights and quality measures, and because of the savings to the producer in transport costs if the coop agroprocessor is the only one around--as in the case of El Ceibo's cacao plant and Bella Vista's rice mill.

conflict from taking the shape suggested by the critics. One is that coop members, as growers, will complain vigorously if buying prices start to fall. As long as the coop leaders are growers and not traders--as was the case in all the groups studied--then the leadership, whether elitist or not, will have a strong self interest in not pushing buying prices down. This in itself is an important reason for the IAF to choose its marketing coops carefully, as it did in the Bolivia case, avoiding groups with strong merchant representation in the leadership.¹

The price floor set by private traders, ironically, is also important in preventing marketing coops from paying prices that are too low to growers. If the coop wanted to increase profits or reduce losses by setting its prices lower than private traders, it would immediately lose its market to these other buyers. This rock-bottom middleman's price would not seem to represent a significant constraint to coop price-setting--since coops usually characterize private-trader prices as exploitatively low. But all the studied groups turned out to be paying prices for grower produce that were as "low" as those of the private traders, at least some time after their

¹In organizing the COINCA base coops, ACLO deliberately chose small villages rather than the larger rural towns as the focus for coop organization--even though this meant a much more dispersed organizing effort--because the towns were the base of merchant elites who had tended to dominate coops organized there in the past.

startup years. This was true of the price paid for rice by Bella Vista and CCAM, for cacao by El Ceibo, and for grapes by COINCA.

Although the prices paid to the farmer by private traders are sometimes no less than coop prices, this may reflect the end of a process of upward adjustment by the traders, in response to the competition of the coop--as the coops themselves often argue. In three of the four cases studied, however, the structure of the market suggests that this was not the case, because the coops had the capacity to buy only a small share of the market, and therefore represented little competitive threat to existing traders. Only in the case of El Ceibo might the argument be valid: though private buyers now pay at least what El Ceibo pays for dry cacao, El Ceibo buys 60% of the cacao marketed by producers in the region. (Another 30% is bought by two or three large buyers, and the remaining amount by various small buyers.) Yet the large buyers are now trying to outbid El Ceibo, always keeping a little ahead of its price increases.¹ El Ceibo, in turn, lives in constant dread of defecting seller-growers,

¹As a result of extreme devaluation of the Bolivian peso in 1982, cacao prices were on the increase throughout the year, having quadrupled in the first ten months of 1982. (All of El Ceibo's cacao is exported.)

even among coop members,¹ feeling that it cannot afford to constantly outbid the price offered by the large private buyers. Without further empirical evidence, then, it is just as plausible to assume that the private traders are forcing El Ceibo to keep its prices up, as to assume the contrary.

CCAM in Santa Cruz also showed signs of running to keep up with the competition in the price it was paying for rice. During the recent rice harvest, CCAM reported, private mills had been paying kickbacks to independent truckowners to bring the rice to their mill rather than to any other's. (The kickbacks represented a response to an unusual scarcity of rice in that particular harvest season, causing mills to compete in this form for their raw material.) CCAM, which does not have sufficient transport to haul all the rice it mills, found that independent truckdrivers who had received such kickbacks were refusing to carry rice to the CCAM mill, even when a member-grower asked that it be sold there. Against its wishes, CCAM finally decided it would have to pay kickbacks to truckers itself, a practice

¹The wives of some coop members had argued with their husbands over this issue. The wives favored selling the family's cacao for the best price, and some even secretly sold to private buyers behind their husbands' backs. Because of this problem, El Ceibo suddenly became aware of the fact that it had not paid any attention to women in its programs of cooperativism, in which coop membership belongs to the husband and coop courses involve only men. As a result, El Ceibo decided, it had not "adequately educated" the women about the benefits to be gained from being loyal to El Ceibo rather than the middleman.

it held in contempt, in order to assure an adequate supply for its mill. Under these conditions, it would seem that part of the kickback would have been translated into higher prices to producers.¹ Indirectly, then, CCAM was forced by private traders to pay more for its rice than it normally would have.

Even though a coop may decide against grower interests to pay a lower price in order to earn a better income, in sum, it may be prevented from doing so by the aggressive price behavior of private traders—as in the examples of CCAM and El Ceibo cited above. The "evil" middleman, in other words, may play a surprisingly constructive role in keeping coop marketers from sacrificing grower interests to pure business goals. Though I portray the private trader's upward price pressure on marketing coops as a healthy discipline, finally, this is exactly opposite to the picture painted by the proponents of coop marketing: coops will compete middlemen into paying better prices, they say, or force them entirely out of the business. A more accurate picture, then, is one of the private trader and the coop both being subject to the discipline of competition—which has been

¹The price of rice was indeed high in 1982, due in part to a small harvest. As a result, rice became more profitable to plant than sugar cane for the first time in Santa Cruz. Some producers even switched from cane to rice, an unusual event in a region where cane and rice have characterized the distinction between commercial and subsistence farmers for years.

increased by the coop's arrival on the scene--and passing the benefits of that competition onto the grower.

From the stories told above, it would seem that coop processing and marketing operations are able to pay higher prices to producers only for a brief time--until costs catch up with them and middlemen retaliate. The coop traders may therefore do better at providing benefits to producers through mechanisms other than price--nearby locations, honest measures, advice on how to sell to private buyers, and respectful treatment. This means that paying a high price to producers represents less a sustained benefit of coop marketing activity than it does a way to get a coop started. The high price, though perhaps not sustainable, makes for a dramatic beginning--attracting people's attention, getting them accustomed to selling to the coop, and making them aware of other coop services and benefits. The only danger of this sequence, of course, is that producers will not get "hooked" enough by the other benefits or services during those early high-price years to maintain their allegiance to the new coop buyer, once the prices tend back toward middleman levels. In a later chapter, we will have more to say about certain steps that might be taken after the decline of price benefits.

Agroprocessing and marketing, to bring our discussion back to its origin, are in some ways more felicitous activities for coops than stores. When the marketing coop sets the price to be paid to the

grower, the structure of the market limits the potential for incompatibility between the coop's social and business goals. When the price is set at which the product will be sold, there is complete compatibility between the coop's social and business goals. When stores have power over buying prices, of course, business and social goals are also compatible. But in the setting of selling prices, these goals are in direct conflict.

When small is better

Before closing this comparison of coop marketing and stores, it should be noted that agroprocessing and marketing do not have it over stores in every way. In comparison to stores, for example, processing and marketing require large amounts of capital, not only to establish the processing plants and to buy trucks, but to buy the crop. (Coops cannot pay cash for the produce they buy without operating capital, and they cannot compete with private traders without paying cash.) Though stores may also require operating capital, their establishment costs will be much lower, as well as the operating capital required. Stores can start tiny and build up their sales and capital levels gradually, moreover, while marketing and processing operations cannot begin so small.

Store purchases and sales are spread evenly throughout the year, at least for consumer goods. Though sales will peak after the harvest, and be low before, this variation will in no way create

the concentrated capital and managerial demands of buying and selling a crop during the harvest period. (Rice, coffee, and wine grapes are delivered for marketing over a three-month period; cacao is less demanding since it is harvested over seven months, and bananas are least so because they are harvested all year long.) Coops with modest capital and no access to outside funding, then, will be better able to start a store than a processing or marketing operation.

Marketing and agroprocessing not only suffer from the concentration of capital and managerial demands during certain times of the year, but success can be very difficult to handle. A good sale, with selling prices greater than anticipated, can flood a coop with an overwhelming amount of money in a short period of time. Though this kind of windfall ought to be a joyous event and not a problem, young coops often cannot handle such sudden wealth. This is exactly what happened to El Ceibo, in its first years of marketing cacao. Overwhelmed with cash after receiving an unexpectedly high price for its cacao, Ceibo ended up losing a good part of this windfall through unwise urban investments and theft. Stores, with their calmer and more predictable streams of income, do not create these kinds of problems.

In processing and marketing, one mistake in the timing of buying and selling can wipe out the major part of a coop's capital. This is what happened to Bella Vista, when it held its coffee several

weeks in expectation of a higher price, only to face a price that was lower than that at which it had bought. Store operations are much less vulnerable, because items are sold a few at a time, and prices of inputs and consumer goods do not fluctuate as wildly as those of agricultural commodities. Managing a store operation, unlike marketing, does not require perfect availability of transport, or skill at split-second decisions to buy and sell. In the inflationary environment of most Latin American economies today, moreover, mistakes in overbuying for stores can be turned into profitable investments, by selling the old stock at the inflated prices. COINCA made just such a happy mistake: it ended 1981 with a year's excess supply of fertilizer and other inputs, which was followed by a severe devaluation in 1982 that increased the prices of these items by ten times.

Many coop stores do not keep as abreast of inflation as they might, and thus they lose rather than gain with inflation. They are often ill-informed of recent price changes, particularly when they are located in remote areas, like the Alto Beni. Keeping prices up with inflation, moreover, carries the stigma of behaving like a private merchant, which coops are always trying to avoid. Finally, the losses incurred by not marking up past stock are not always understood by store managers. They understand that every time they buy the wholesale prices are higher, as they frequently

complain, but they do not always recognize that every time they sell, the retail prices they charge can also be higher--if they raise them.

Coop stores, in sum, may sometimes compound the losses of a mistake in overbuying stock by not raising prices so as to reap windfall inflationary gains. In this sense, the large and brutal losses that can be made in marketing are perhaps an advantage rather than a disadvantage, in that the conspicuous presence of this large risk elicits extremely watchful behavior. With stores, in contrast, the loss is not so dramatic or so easy to visualize. It happens gradually--not as a result of doing something wrong, but as a result of not doing anything at all.

Before leaving the subject of processing and marketing to explore coops stores further, I wanted to comment on one more important aspect of processing activities.

5 - Donor weakness and coop strength

Donors are often criticized for being too lavish with capital projects. The Bella Vista coop, for example, is said to be "over-capitalized" with a large headquarters building, a large store, two large trucks, and a rice mill--all donated by three different sets of outsiders (the IAF, Bread for the World, and Catholic Relief Services). And as if this were not enough, Bella Vista is now talking with a fourth outside donor about the possibility of installing a cacao-processing plant. Notwithstanding this largess, critics say, Bella Vista does not have the administrative strength to complement its capital endowment: the trucks are losing money, the rice mill has excess capacity, and the store does not maintain inventory control or keep track of sales.

El Ceibo, similarly, is well-endowed with buildings--including meeting rooms, a small dining hall and dormitories--in addition to a pickup truck, two large trucks, a cacao-processing plant, and a second one near completion. Though the processing plant runs at only 50% capacity, as explained in a previous chapter, new funding from the IAF allowed El Ceibo to construct a second plant. CCAM, the most capitalized of all the groups, has a fleet of agricultural equipment, a rice mill, trucks, trailers for hauling sugar cane, a completely-equipped auto mechanic's shop, and a good-sized store.

Except for some of the agricultural equipment, all the capital was acquired with donations from the IAF, Bread for the World, and various U.S. companies through the efforts of CCAM's patron priest. The agricultural and transport equipment do not make a profit because of low rates and the fact that they can function only six months of the year because of the long rainy season; the rice mill, though profitable, has excess storage capacity because of an inability to obtain adequate working capital from local banks; and the store has been leased to a private merchant because of poor management.¹

Capital extravagance

Critics of the "extravagant" capital endowments of coops have stressed the "irresponsible" predilection of donors for capital-intensive ways of support. Our discussion of the virtues of agro-processing, however, allows us to see some positive aspects of the donor bias toward capital projects. This means that agroprocessing, and the capital installations required for it, is different from stores and credit operations in yet another important way. All the

¹COINCA is more modestly endowed, with a rented headquarters and store, and a modest pickup truck; its only "luxury" is a winery that, unlike many of the other processing installations, is so small that it works at full capacity. COINCA is now building up its capital with a new building, financed by IAF, and a project to expand the winery.

processing facilities acquired by the studied groups, including the IAF-funded acquisitions, were donated and therefore did not have to generate income for debt amortization. Thus if the coop were slow to use its processing facilities efficiently, or even let them sit idle, it would still not lose this capital. The investment would always be there, ready to generate income, whenever the coop decided to improve its management.¹ Transport and agricultural equipment, also donated, shared this quality. Though critics of donated or subsidized capital projects point to this lax performance as an adverse effect of not charging a market price for the capital, such permissiveness also gives some crucial time for learning.

In contrast to capital projects, the poor management of stores and credit operations will result in a dwindling of one's capital right from the start--as happened to the studied groups. By the time the coop starts mending its ways, a good part of its capital may be gone. The learning period for the studied groups seemed to take about three to five years, after which time (and inflation) the original funds were almost completely lost. In some cases, the coops were able to continue their store or credit activity only because they had obtained new funds in the interim from other sources--new

¹Poor management, of course, also involves the kinds of mistakes that can ruin a piece of equipment. This did not seem to be a problem with the capital facilities of the studied groups, perhaps because the equipment was not sophisticated.

IAF grants, profits from agroprocessing, bank credit. It is a testimony to the importance of production credit to some of the groups (CCAM and COINCA) that even after such a hard lesson in decapitalization, they were still looking for ways to continue their credit programs on an improved basis--particularly CCAM. The latter even sacrificed the profits of its rice mill in order to recapitalize the delinquency-ridden credit fund and to pay an unexpected increase in interest on credit taken from a private bank and lent to individual members.¹

One would think that the higher penalty for mismanagement of stores and credit operations would force coop management to shape up with greater rapidity. Hirschman (1958:139-43) has made just such an argument in favor of high-penalty tasks, in the course of trying to explain the surprisingly good performance of developing countries in the maintenance of airplanes--in contrast to their laxness in maintaining other kinds of equipment and constructions. In contrast to the airplane case, however, the penalties for bad management in stores and credit operations come gradually and with a substantial

¹CCAM's loan contract with the Banco Hipotecário, made in late 1981, stipulated an interest rate of 27%, indexed to the foreign exchange rate. By the time repayment was due, the interest rate had risen to 57% (as a result of devaluation and inflation) and CCAM felt it was not fair to charge this unexpected interest increase to member-borrowers. It therefore covered the 30-point differential out of the rice-mill profits.

lag--in comparison to the suddenness, immediacy, and tragedy of an airplane crash. Unlike improvements in airplane maintenance and the management of processing facilities, moreover, the task of improving the management of stores and credit is socially quite difficult: it requires being hard on one's own friends, and changing oneself from being a person who gives to one who takes away.

Donated capital facilities not only show greater tolerance for learning, or just plain laziness, than does capital for credit and store operations. In certain ways, capital facilities are also more demanding of performance. When donors buy agroprocessing installations and other equipment for coops, that is, they are providing the coops with the capacity to earn income, but not the income itself.¹ In order to actually earn income from the donor-provided asset, the coop will have to perform as an enterprise. If it does not, the donor's gift will have left it with nothing, except for the few months of prestige one can get out of owning a shiny new piece of equipment. Thus although the capital invested in agroprocessing or other physical assets may be tolerant to a period of poor management, the income to be realized from this asset is not. This is equivalent to providing grants to coops with substantial strings attached: the income can be realized only through good management. With donor grants for budget

¹I owe this point to Albert Fishlow.

support and non-revenue-generating programs, like training and agricultural extension, the coop does not have to perform first in order to get the income. Ironically, it is these latter kinds of activities and their recurrent expenditures that have recently been pointed to as more deserving of donor support than capital projects--or, at least, as having been neglected in the past because of the greater attraction to donors of capital projects. The "lavish" capital projects of donors, then, turn out to have their redeeming side.

Agroprocessing and transport, in sum, can be carried out for some time before adequate management and accounting skills are in place. Laxity in the management of a rice mill or a truck will simply result in the failure to earn income from these investments--a high penalty, of course, but still much less than losing one's capital in addition to one's income-earning capacity. Because capital facilities will not yield their potential income and benefits without better management, they emit strong incentives for coops to improve their management, as well as giving them a laboratory setting in which to practice. Stores and credit operations are different: the administrative skills required are greater, and the "grace period" during which one can go without them is shorter. Without proper management, the capital of the stores and credit operations will dwindle to nothing.

Collective contributions and capital weakness

The donor indulgence in capital projects has another positive side to it. The ease with which coops can mobilize capital contributions in the form of labor for their construction projects--as described in an earlier chapter--is complementary to the "capital weakness" of donors. Construction of a coop processing facility provides an opportunity to mobilize capital in a community where cash is scarce. The construction projects, in addition, are a good way for coops to get started, because of their immediate results and their value in mobilizing membership and community support. Though it might make better sense to get managerial and accounting skills into place first, this more modest kind of a program is so much less appealing than a construction project that it would probably leave the fledgling coops with no adherents at all! (Also, it is difficult to teach managerial and other such skills without having an activity around which to teach them.) Construction projects, finally, provide an opportunity for coops to accept outside funds in a dignified way--because it allows them to make a substantial capital contribution of their own, in the form of labor. The pride of ownership resulting from having contributed to a capital project, in turn, can cause coop members to

exercise more responsibility in making decisions about the management of the operation.¹

When completed, construction projects show only their "extravagant" side. One sees only the equipment and the physical structures--sometimes lying idle, and almost always looking more substantial than the coop's administrative skills. But one does not see the embodied capital contribution in the form of labor, the memberships that were elicited, and the sense of dignity and mission that the construction imparted to the coop's first days. Seemingly less extravagant projects--like funds for operating capital or credit to individual farmers--require no such sacrifice by coop members. The wasteful use of these latter types of funds, moreover, will be less conspicuous in the community than will equipment that stands idle.

Equipment and construction, then, may indeed exemplify the propensity of donors to finance the wrong kinds of projects, but these projects also represent the strength of the community in

¹It was on these grounds that an IAF evaluator criticized a proposed cooperative potato-storage project in southern Bolivia (Orlove 1982:11). Because materials and labor for the silos were to be purchased rather than donated, the evaluator said, members would have less of a right to influence the management of the storage operation. Similarly the evaluator of CCAM's problem-ridden store operation pointed to the fact that members were not required to contribute to the store's capital as causing them to feel little responsibility or concern for the storekeeper's excessive use of store credit (Medina 1982:3.09).

mobilizing for something it wants.¹ In trying to reform their ways, donors might worry less about their weakness for equipment and construction--which perhaps will never be overcome--and more about the ways in which to "force" the linkage to better management and use of the constructions, once they are in place. I will look at some of these possible linkages later.

¹Not all extravagant capital donations have this positive side: equipment not housed in a construction, like trucks and tractors, requires no labor input to acquire and therefore no opportunities to attract membership and capital contributions.

6 - The proverbial store

My casting of coop stores in an unfavorable light in previous chapters, in comparison to agroprocessing and marketing, would seem to be inconsistent with the fact that many coop stores prosper. Almost all the studied groups, after all, had a store operation that had at one time or another turned at least a small profit. In 1981, El Ceibo made a profit of 4% on its wholesale merchandise operation (16,000 \$b. over sales and inventory of 386,000 \$b.), and Bella Vista made 5% on its retail store (130,000 \$b. over 2.4 million \$b. in sales).¹ Despite the profits, however, most of the store operations had undergone serious problems, and had reduced the span of their operations.

Success and retrenchment

COINCA's store started out as a wholesale-retail operation in the city of Tarija, selling inputs and consumer goods directly to the public and wholesaling these same goods to 18 affiliated stores of the member coops. COINCA eventually abandoned the consumer goods, partly because it could not compete with private merchants, who were buying low-price contraband goods from across the nearby Argentine border. (COINCA continued

¹The income figure includes 131,000 \$b. in profits carried over from 1980, roughly equivalent to the profit earned in 1981. Profit figures were not available for CCAM's and COINCA's retail stores.

to provide short-term loans to some member stores, however, to acquire their consumer merchandise directly.) Supplying consumer goods was difficult, COINCA also reported, because of the variety desired by the member stores, each one asking for different goods and brands. Keeping up with this demand was difficult, and would have required the stocking of a large variety of goods and brands, many of which would sell slowly. Actually, the availability of "relatively abundant" donor funds for working capital had caused COINCA to overstock the member stores, "leaving scarce capital tied up on the store shelf."¹

By 1981, COINCA was supplying its member stores only with agricultural inputs, farm tools, and animal drugs. Despite this retrenchment, it still had problems with member stores that did not pay within the liberal 90-day period; the member stores suffered from problems of mismanagement and graft, inadequate bookkeeping and management skills, difficulty at recouping payments on sales made to consumers on credit, and political pressures to charge low prices. For these reasons, six of the 18 member stores had failed by 1982,

¹Healy (1982:20-21). Medina (1982:3.09) reported such overstocking by CCAM when it received its IAF funds, spending them "without much regard for sales volume or knowledge of it." El Ceibo's wholesale operation may be suffering from the same problem; the 1981 financial report shows a level of merchandise inventory at the end of the year that is 70% of the value of sales for the whole year--167,000 \$b. vs. 236,000 \$b. (El Ceibo 1982).

or were expelled by COINCA for non-payment. By late 1982, only one of the stores was considered to be viable in the opinion of COINCA staff, and the input program was gradually decapitalizing, because of delinquency and failure to keep prices abreast of inflation.

CCAM reacted even more vigorously than COINCA to similar problems of wholesaling to its member stores. In 1977, it started out retailing inputs and consumer goods in the rural provincial capital of Mineros, and wholesaling these same goods to nine member stores (with a goal of expanding to 12 stores). (Mineros has 8,000 inhabitants and 36 similar retail stores.) After four years of problems and losses with the member stores, CCAM had to abandon its wholesale operation completely and continue only with the retail operation in Mineros. Established bookkeeping methods had not been followed, nor did the cooperative councils of the member coops and the association demand them. When IAF funds for operating capital arrived, the central store allocated stocks to the member stores without the least requisites and without attempting to train the members of the coop committees that would be monitoring the stores. Both the central and the affiliated stores sold on credit without any written record or additional charge; storekeepers, who were member-volunteers working on a rotating basis, had complete control over credit decisions, and could leave their tour of duty simply by indicating the list of debtors (including their own debt), without having to repay their own

debt within any particular period of time. The two alternating shopkeepers of the central store distrusted each other so much that they failed to carry out their task of monitoring the substores, because each did not want to leave the store to the other. (For the same reason, neither trusted the other to work alone, so that both worked at the same time instead of alternating, as they were meant to.) Finally, CCAM leadership displayed little interest in these problems, their attention being absorbed by the rice-milling and marketing activity, which involved much larger sales volumes and was more profitable. By 1982, seven of the nine existing stores had gone bankrupt or had been expelled by CCAM for non-payment; the remaining two stores continued to operate autonomously, after repaying their loans to CCAM. The central store in Mineros had also done poorly, and was leased to a coop member in late 1981 to save it from bankruptcy.¹

COINCA's less drastic approach to the store problem--continuing to wholesale inputs to member stores while dropping consumer goods--was not possible for CCAM. Fertilizer accounted for the largest share of sales of the COINCA store because fertilizer had been used for almost a decade by Tarija's peasant farmers on their traditional cash crop, potatoes. In Santa Cruz, in contrast, fertilizer

¹Most of this information on CCAM's stores is taken from an excellent report by Medina (1982), a Bolivian consultant contracted by the IAF who himself has had considerable experience as a private store owner.

is not used for the crops grown by CCAM's members--rice, sugar cane, and bananas. For CCAM to wholesale agricultural inputs in Santa Cruz, then, might not have involved a large enough volume to make the operation worthwhile, and also might not have been of particular interest to member communities.¹

El Ceibo took its own approach to the problem of wholesaling consumer goods. Rather than giving up completely on consumer wholesaling, Ceibo decided to stock only a limited list of 10 to 15 essential consumer goods--sugar, rice, flour, noodles, salt, cooking oil, matches, coffee, soap, and kerosene. Kerosene alone accounted for 59% of sales in 1981--138,000 \$b. out of 236,000 \$b. (El Ceibo 1982). (This select list compares to the Bella Vista store's stock of 520 items!) Ceibo's policy forced the member store to buy whatever else they insisted on having on the local retail market. The latter

¹Given the image of Santa Cruz as the only center of dynamic and "modern" agricultural growth in Bolivia over the past two decades, it is ironic that a modern input like fertilizer would have been better business in an area like Tarija, with a traditional crop like potatoes and a sleepy history of agricultural development--at least in comparison to Santa Cruz. The difference, of course, is due to the more favorable ratio of fertilizer to crop prices in potatoes than in the new Santa Cruz crops, and the fact that the pressures to use land-augmenting techniques like fertilizer are much greater in Tarija than in Santa Cruz. The latter region is at the edge of a constantly advancing agricultural frontier, which causes labor (and credit to hire labor) to be perceived as scarce, rather than land. Tarija, in contrast, is a long-settled and stable region, afflicted with the twin problems of increasing land exhaustion and minifundization resulting from inheritance practices. This contributes to the high value of land relative to labor.

purchases, of course, would be at higher prices, since any single store would not be able to buy enough to obtain the bulk discounts enjoyed by Ceibo. In that member stores would therefore be able to sell essential goods at relatively cheaper prices than the other items, this form of retrenchment was also desirable on distributional grounds: by concentrating on high-volume essential items, Ceibo obtained bulk discounts and passed on lower prices to consumers only on goods that were essential for the poorest. This left prices relatively higher on the less essential items, consumed in greater proportion by the better-off members of the community.

El Ceibo, then, was the exception to the other groups in that its store operations had not contracted markedly, its purchasing was limited to a small list of basic consumer staples, and it had moved from retailing to wholesaling rather than vice versa, like the others.¹ In the next section, I try to explain why Ceibo turned out so unusual.

Running through these stories of improvement is the theme of the increasing simplicity of the purchase and sales operation: the stores reduced the variety of products sold and/or switched to products that were by nature more homogeneous. Homogeneity of products

¹Bella Vista has no member coops and therefore has never sold wholesale to other coops (except in a few cases). Though it originally planned to have 18 member stores, it has always had only one retail store, selling agricultural inputs and consumer goods.

sold was also important in determining the success of various types of rural purchasing cooperatives in the United States. For a long time, the only purchasing coops that were successful were those specializing in the purchase of petroleum products used by farmers. Students of U.S. coop history attribute the singularity of this success to the fact that (1) all farmers used some kind of petroleum products (those without tractors used grease for horse-drawn machinery and kerosene for lamps); (2) the distribution of petroleum derivatives--oil, gasoline, kerosene, grease--was a fairly simple business operation; (3) management had to deal with only a few products; and (4) capital requirements were relatively low (Fite 1965:14).

For the Bolivian coops, agricultural-input supply had some of the same desirable qualities of petroleum derivatives, at least in comparison to the supply of consumer merchandise. Hence COINCA could improve its store operation not only because it tightened up the payment conditions between itself and member stores and direct buyers, but because it was accidentally forced to drop consumer merchandise owing to market conditions unrelated to the question of homogeneity, which caused it to specialize in agricultural inputs. Though El Ceibo sold mainly consumer merchandise, with agricultural inputs playing a minor role, it limited itself to a small number of homogeneous consumer staples. Like the U.S. rural cooperatives, moreover, petroleum derivatives played an important role in El Ceibo's merchandising operation, representing more than half the value of merchandise wholesaled by Ceibo in 1981. (Since tractors and motorized vehicles were not used

by Alto Beni farmers, most of these petroleum-derivative sales were for kerosene for home lighting.)

In conclusion, coops seemed to improve the management of their purchasing operations when they placed limitations on the variety of merchandise handled, and specialized in "simple products." In the preceding chapter, I made a similar point about the relative ease of agroprocessing and marketing as opposed to stores--the former activities involved homogeneous products whereas the latter involved much greater heterogeneity.

Expansion beyond reach

Almost all of El Ceibo's member stores had passed through a period of mismanagement and graft, out of which some stores had miraculously emerged--though the period since their emergence had in many cases been less than a year. Why some of the stores succeeded in surviving these dark periods and others did not is a mystery to me. What is clear and surprising, however, is that almost all the successful stores had experienced the same mismanagement and graft in the past that had put the unsuccessful stores out of existence. The commonness of these bad periods to almost all store histories gives some clue as to why store operations did not grow as much--even the more successful ones, like El Ceibo's--as marketing and agroprocessing operations did.

Systems of coop stores tend to contract, or at least not to expand, because expansion of sales usually requires an increase in the number of stores. Each store operates in a small community (about 30 to 150 families), and the market for each is quickly saturated.

The opening of each new store, in turn, results in a proportionate increase in the need for scarce accounting and management skills, as well as in the opportunities for graft. The more member stores there are, then, the greater the sales and the problems.

Coop groups do not usually have access to the resources and skills that allow an increase in monitoring and training in proportion to the increase in stores; the problem of graft may not yield much to training and monitoring. More constraining, the small capital base of coops cannot withstand an extended period of learning-by-doing, during which mismanagement and graft result in a depletion of the capital advanced by the central store to the member stores in the form of merchandise. This explains the withdrawal of COINCA and CCAM from servicing member stores, and the moratorium placed by El Ceibo and CCAM on the entry of new member groups.

The tendency of coop systems to withdraw to a large central retail operation makes obvious business sense: it reduces the demand for scarce accounting, monitoring, and training, as well as the loss from mismanagement and graft. At the same time, unfortunately, this retraction reduces the social benefits of the store operations markedly. The most desirable and largest benefits to be obtained from coop stores, as noted above, accrue when they are located in places where there were none before. The central retail operation toward which coops tend, however, is usually located where private stores are in

abundance--as in Tarija (a departmental capital) and Mineros (a provincial capital).¹ In these places, of course, the existence of the coop store will bring the least benefits--no reductions in transport and associated expenditures for consumers, and minimal price benefits, because the coop store will represent a small share of the total market and therefore have little power to bring down the prices charged by other stores through competition²--and because coop prices will tend toward the same level as those charged by private merchants. Donors might therefore want to avoid financing the expansions of these well-established central stores, if it is clear that they bring no increase in social benefits.

The problems that lead coops to retrench in their store operations might be reduced by treating the community store as an outpost of the central store--rather than as an outgrowth of community participation and organization. The storekeeper, for example, might be chosen and trained by the central store and placed directly under its supervision; bookkeeping practices and pricing policies would be centralized too. This would be directly contrary to cooperative

¹Mineros had 36 stores similar to that of CCAM's, 26 market stands, and 11 street stands.

²CCAM's store accounted for only 5% of the volume of sales in Mineros, though its share was higher in basic goods like rice and sugar (Medina 1982:3.21).

principles, of course, whereby a store's procedures are determined by the member coop. Adherence to these principles, however, may be contrary to what is required for the success of a decentralized retailing operation--i.e., the use of standardized procedures for pricing, bookkeeping, wholesale purchase, and buying on credit. If stores were less "cooperative" and more centrally managed, this could also alleviate some of the problems of mismanagement, graft, and the political pressure to charge low prices. If the availability of goods is what community members value most, finally, then the supplying of communities in this way would be a response to the community's needs and wishes, even though it did not take a cooperative form.

My ideas about the virtues of greater centralization of coop purchasing operations are not new. In the first quarter of the 20th century, the U.S. coop movement was wracked with debate over precisely this issue (Knapp 1969:67, 410-11; and 1973:207). Some groups, like the Alliance and the Pacific Cooperative League, took a strong stand in favor of a more centralized approach to cooperative purchasing, as well as marketing, for the reasons discussed here: the tortuous process of creating and federating competent and autonomous coops, and the need to achieve economies of scale in order that such operations be financially viable and generate benefits. Thus the Pacific Cooperative League gave little independence to its affiliated coop

stores; though the store could declare its own dividends, the League kept control over buying, management, financing, bookkeeping and educational work. The Alliance explicitly rejected the "bottom-up" Rochdale approach to organizing cooperatives, on the grounds that it was too slow and limiting. In the U.S., in other words, a more centralized approach to coop purchasing was adopted by an important group of coop associations as a way of overcoming the kinds of problems encountered by the Bolivian groups today.

If Bolivian central stores resolved some of their problems by retrenching from the member stores, then why would they want to expand again? Mainly, the successful and "retrenched" store operation now has some better ideas about how to more successfully manage a relationship with member stores, and will have more power to impose its will. CCAM, after living through the failure of its member stores and its wholesaling relation to them, is now training its members to think about community stores "the right way"--e.g., selling only for cash or in exchange for harvest products. El Ceibo is also moving in a centralized direction by providing member stores with its itinerant bookkeeper, who trains the local storekeeper to keep books according to a standardized system. And COINCA now requires that member stores accept a quarterly visit from its accountant to review the books.

Barter and capture

El Ceibo's wholesale merchandising operation neatly complemented its cacao marketing, a complementarity that had no parallel in the other groups. Member coops received their store merchandise on 15-day credit from Ceibo and could repay with the cacao they collected for delivery to Ceibo; coops repaying immediately in cash or cacao would receive a discount. The stores, in turn, sold merchandise on credit to buyers, who could also repay in cacao (within 15 days)--a barter system that was viable during the seven months that cacao is harvested.¹ Ceibo's wholesale merchandising also fit in well with its cacao-buying because of the truck it owned for marketing cacao. Because the truck usually returned empty from its eight-hour trip to La Paz, the real cost of bringing back consumer goods on this return trip was almost zero. The wholesaling of consumer goods, then, made Ceibo's cacao-marketing and trucking operation more profitable.²

By trying to exploit complementarities between the marketing of crops and the merchandising of consumer goods, El Ceibo was acting just like the large private traders of cacao in the region. They also

¹Recently, El Ceibo has also made cash advances to coops (out of IAF funds) for the purchase of cacao above and beyond that which is used to repay the merchandise advanced.

²This kind of complementarity also existed for Bella Vista, though it sold store merchandise only for cash. Bella Vista's truck carried coffee to La Paz and returned with merchandise for the store.

had their consumer stores, where they sold goods on credit and received payment in cacao. As with the private traders, the "barter" relationship between Ceibo and its member store, and that between the store and final consumer, locked the stores and consumers into supplying cacao to Ceibo--and thus helped to guarantee it a share of the cacao grown in the region. Because the cacao harvest was spread out over a seven-month period, moreover, the barter system could work during a substantial part of the year. In 1981, for example, Ceibo bought 9.6 \$b. million worth of cacao during the year, 23 times the value of the merchandise it retailed to the member stores, plus inventory--more than enough, in other words, to cover the value of the merchandise advanced to the stores by El Ceibo.¹

The consumer store of El Litoral, one of El Ceibo's member coops, represented an even better-working case of complementarity between the marketing of crops and the merchandising of consumer goods. El Litoral is located at the edge of the Alto Beni River, at the only crossing point for produce to be marketed in the more heavily populated areas on the other side of the river, where the region's only through road exists. Litoral monopolized this transport service

¹In 1982, store sales were 236,000 \$b. and inventory was 167,000 \$b. (El Ceibo 1982).

with its own motorized canoes, the acquisition of which had been the reason for organizing the coop ten years ago. Bananas as well as cacao were transshipped at Litoral. Since bananas are harvested all year long, they represent a perfect form of delayed and barter payment for a coop store; and Litoral's control over transport gave it the power to exact repayment for merchandise bought on credit. It is no surprise, then, that Litoral's consumer store--receiving most of its payments for merchandise in bananas--was the most long-lived and most profitable among the coop stores belonging to El Ceibo. (Litoral's store operation was so financially sound that it was able to bounce back surprisingly rapidly after a devastating fire that destroyed the store and all its inventory.)

The potential for complementarity between marketing and consumer retailing was not as great for COINCA and CCAM as it was for El Ceibo and Litoral. COINCA's plans involved only the provision of inputs and consumer supplies, but not the marketing of agricultural produce--for reasons discussed later. Though it did go into grape purchasing, the grape growers represented only 30% of COINCA membership. Cacao, in contrast, is not only grown by all Ceibo members, but by almost all peasant farmers in the Alto Beni. Given that the grape harvest lasts only two or three months, any complementarity that might exist for COINCA between marketing grapes and merchandising consumer goods would still not endow COINCA with power over a large

part of merchandise payments owed to it from a store operation.¹ COINCA, finally, did not own a truck to carry member grapes or other produce, meaning that no backhaul advantage was to be gained by delivering inputs or consumer goods to the member communities.²

For CCAM in Santa Cruz, one would have expected to see a strong complementarity between crop marketing and consumer merchandising. More like El Ceibo, CCAM had its own transport, a majority of members grew one crop (rice), and CCAM processed that crop with its own rice mill. And for grower-members who delivered their rice personally to the mill, CCAM deducted any production credit owing from its cash payment to the member for his rice. But most of the rice milled by the CCAM mill was delivered by private truckers, partly because of the concentration of the federation's transport services on the better-off cane growers--who represent about 12% of the membership--and because of the difficulty of access to many of the rice-growing communities. Since the independent trucker would

¹COINCA did have a barter opportunity with respect to the production credit it had made available to its member grape growers. When members delivered their grapes to COINCA's winery, COINCA deducted this credit owing from the cash payment made for the grapes. Since member repayment of production credit advanced by COINCA was an ongoing problem, the power provided to COINCA by the grape-marketing mechanism to exact "forced" repayment was a very important one, even though it could touch only some of the credit accounts.

²COINCA owns a pickup truck that is used, among other things, to carry wholesale inputs to the community stores, but not for grape transport.

himself buy the rice from member growers in outlying communities, and then deliver it to the CCAM mill, there was no opportunity for CCAM to "capture" the member and exact credit repayment at the point of sale. It was therefore easy for some members, in debt to CCAM for production credit, to sell their rice to private mills in order to avoid repayment. The control of transport, in this case would have been helpful to ensure credit repayment. Unlike cacao, finally, rice has a short harvest season (three months), which also would preclude a year-round complementarity between marketing and merchandising.

Among the four Bolivian groups, then, the structure of Ceibo's economic environment was unique: all farmers in the region produced the same crop, the market was far away, and private transport services to farm communities were sufficiently underdeveloped to make it easy for Ceibo to become a primary buyer in these communities, with the help of only one or two pickup trucks. This caused Ceibo's store operation to also be unique, in that it was a side activity of a major marketing operation--involving only a small fraction of the sales volume of the marketing operation. Ceibo's unique approach to consumer stores through marketing repeats the pattern of development of some of the more successful purchasing operations in the history of

U.S. coops.¹

El Ceibo was like many private rural stores, in sum, which are part of a larger complex involving the buying, selling and transporting of agricultural produce. Even if this kind of store is not profitable, it can still make sense as part of this larger operation: the store provides cargo for the otherwise empty backhaul of the merchant-owned truck, and the merchant's selling of store wares on credit provides him with a guaranteed supply of agricultural produce at a price over which he has some control. Most coop stores, we have seen, are not integrated in this way with the buying and selling of agricultural produce. This is one reason why they find that the margins in retailing turn out to be not as high as everyone expected.

Credit, the key and the trap

Some coops simulate the private merchant-trader by integrating their consumer merchandising with the marketing of agricultural products, as El Ceibo has done. Although this integration makes the store operation more efficient, it is also more demanding of

¹At the end of the 19th century, the number of coop stores and supply-purchasing coops was small in relation to coop marketing groups; experience with purchasing was gained by these marketing groups, however, through the purchase of farm supplies as a side activity (Knapp 1969:94-95).

management, because it requires selling to the consumer on credit and collecting from him. If the consumer does not buy on credit, he is not locked in to selling his agricultural produce to the merchant-trader, and the latter therefore holds less control over the supply of produce he wants to buy and the setting of its price. Coops find it difficult to reap the gains of the complementarity between stores and marketing because of this vital credit connection.

Selling on credit is a much more difficult management task than selling for cash: (1) it introduces the need for increased book-keeping--to keep track of those who owe and the amounts owed, and to calculate interest owed, if it is charged;¹ (2) it introduces a new price, the interest rate, that is even more politically difficult to set at cost-covering levels than are merchandise prices; (3) it introduces additional opportunities for misappropriation of store capital, through non-payment of credit;² (4) it creates another opportunity for meddling in store operations by coop leaders

¹The difficulty for peasant coops of calculating interest charges is strikingly illustrated by a study of credit unions in rural Tanzania. These groups decided, when starting, to charge a fixed amount for interest, regardless of the size of the loan. Despite the obvious inequities of such a policy--larger borrowers pay less interest in percentage terms--the unions felt that the necessity of making individual interest calculations for each borrower would complicate accounting considerably, putting it beyond their reach (Dublin & Dublin, forthcoming).

²An evaluation of delinquency in the credit accounts of the CCAM store operation found that almost half the delinquent credit (47%) had been taken by the two storekeepers of the central store itself (Medina 1982).

who are asked by delinquent debtor-friends to allow them to have more credit; and (5) it requires two totally new and difficult management skills--the ability to deny new credit to those who are delinquent,¹ and the ability to collect from those who are delinquent and are not seeking to make new purchases.

A marketing-merchandising operation based on consumer credit can also create problems for coop marketing programs. The debtor-producer who wants to avoid his debt at the coop store can do so by not selling his produce to the coop--as happened with some debtor-members of El Ceibo and CCAM, who deliberately sold to private buyers to avoid having to repay their credit. This will cause the coop to lose the credit it extended, and deprive it of the produce it needs to buy for its marketing operation.² The private merchant-trader,

¹Even the paid professional manager of COINCA--an outsider--was alleged to be lacking in this ability, according to various COINCA employees and advisers.

²The only case I ran across in which marketing and credit were integrated and the grower had absolutely no way to escape delivering his goods to the creditor-marketer was in Santa Cruz. CCAM and other cane growers received credit for inputs from the private sugar mill where they sold their cane. The mill would deduct the debt from payments made to the grower when he received his cane. In this sense, the relationship seemed no more binding than that between CCAM or El Ceibo and its credit-receiving growers. But a quirk of the cane market locked growers into selling at a certain mill: every seller of cane had to obtain a license to sell, and a quota at a particular mill--as part of a government system set up to control the marketing of sugar. (CCAM had bought a group quota at one particular mill, and divided it among its cane-producing members.) Cane producers with debts to the mill, then, had no other place to sell if they wanted to avoid paying their debts.

of course, faces the same problem; unlike the coop, however, he has no difficulty being tough on delinquent borrowers and choosy about who gets to borrow in the first place.

The problems of selling on credit have not been unique to the Bolivian coop stores. They have plagued coop stores everywhere in Latin America, and caused the failure of many coops and their stores in the history of North American cooperatives from the 19th century onwards. In the United States, the Central States Cooperative Wholesale Society, formed in 1919, eventually failed because of a "careless expansion of credit"--in addition to poor management and reckless expansion of operations (Knapp 1969:403, 406). Similarly, the Right Relationship League, formed in the mid-1890s to serve as a coop buying agency for retail stores around the Chicago area, foundered on the credit problem, which it resolved only by cutting out credit completely (Knapp 1969:399). In fact, selling on credit was recognized early on as so ruinous for coop stores that rigid adherence to cash transactions became one of the major principles of Rochdale cooperativism (Cerny 1963:196). Why did the Bolivian coops have to learn this lesson on their own, when it had already been learned more than a hundred years earlier--and transmitted through the years as a principle of the model on which they were based?

When coop stores decide that credit sales are creating too many problems--as COINCA, Bella Vista and CCAM did--it is still

difficult for them to decide to suspend credit, because credit is what coops are expected to provide. Also, people are used to buying on credit from private merchants, which means that the coop will have difficulty in competing with private stores if it is not willing to sell on credit. In members' eyes, the coop store will not look like an improvement over the "capitalist" storeowner, if it does not even offer the service that the latter does. As CCAM leaders reported, many member coop stores had to close down because "there's just not much money in the countryside and you have to sell on credit." Though coop stores may retreat from store credit for good management reasons, then, this can also put them out of business.

Private storeowners often dislike selling on credit, but feel impelled to do so in order to stay in business. The studied coops also ended up disliking credit sales, feeling they had been "burned" by the practice; they therefore progressively limited their offering of store

credit, despite their concern about cultivating a bad image. The General Assembly of COINCA voted in March 1981 to limit store sales to cash, except in the case of fertilizer. Even with fertilizer, only members could buy on credit, 50% still had to be paid in cash, and repayment would have to take place within one month. The Assembly also decided that member stores could not get new merchandise until they had paid for previous shipments, and that payment would have to be made within three months. CCAM took even more drastic steps against store credit, eliminating it completely (along with its wholesaling operation to member stores). Not selling on credit, of course, deprived the coops of one of the few exclusive benefits they could offer to members, since most stores selling on credit did so to members only. The tendency of the coop stores to eliminate credit sales, then, may have also contributed to the low and declining level of membership in the studied groups.

The credit problem, in sum, put coops in a double bind: either they suffered the losses of selling on credit and the resulting greater needs for working capital, or they suffered the competitive handicap of not selling on credit and the corresponding tarnishment of their public image. One way out of this bind would be to open stores only where there were none, so that one could sell only for cash without any credit-supplying private competition to undermine one's efforts. Opening stores where there are none, as noted above,

Coops and federations continue to endow their stores with great social significance after the period of high social benefits has long since passed. The dramatic first moments of the store--its opening, its low prices, its memorable battles with private merchants--come to symbolize the first taking of power by the coop over its environment, the mastery of a task that everyone thought was easier than it turned out to be. Unlike other coop activities, like credit and certain kinds of marketing, the store is a conspicuous physical sign of this mastery.¹ The symbol continues on, even though the current store may be a pleasant money-making operation with little social daring and differentness. That the coop store is "only" a money-making operation and nothing else, of course, is no reason to belittle it. Given the problems of establishing such an operation, it represents a fine accomplishment for a group that started out with no experience in this area at all. And store profits can be used to finance more socially significant activities, as in the case of COINCA and Bella Vista, where store profits helped cover losses in more socially significant operations--particularly trucking.

¹This proud vision of the store, it should be pointed out, may be limited to the coop leadership. Many members, as well as non-members, often see the coop store as just one more store in town. The social symbolism of the coop store is not limited to these particular groups. Among the farmers of Northwest Canada, where the cooperative movement was strong, the coop store (along with the grain elevator) was the "core of emotional loyalty" of farmers to the coop (Lipset 1971:199).

Why should it be a problem that stores do not expand? Is it not sufficient that they give a certain presence and stability to the coop itself, as opposed to any significant social benefits? These questions bring us back to one of the issues raised at the beginning of this study: how do we justify support for coop groups that may be successful as organizations but whose members represent only a small share of the persons and the communities where they are located? Our response to this query focused on the spillover traits of certain activities, including stores, and the potential of a subset of these activities to expand and create a broader impact. Though the stores have the potential to spill benefits, they cannot fulfill that promise because expansion brings on management problems, whereas agroprocessing and marketing thrive on expansion. Given the low membership of coop groups, then, the stores are difficult to justify unless they lead to, are associated with, or subsidize other activities that generate higher social benefits. I will explore the possibilities of such sequences in a subsequent chapter.

The difficulties of expanding coop store systems may also trammel the organization of new member coops, and in this way limit the expansion of social benefits resulting from other coop activities. Because coop stores maintain their dramatic symbolism independently of their actual results, that is, communities without coops are often mobilized into organizing by the vision of the store held out to them

by coop promoters. It may be difficult to elicit interest in organizing a coop if the group is to have, say, only marketing or agricultural extension services, but not the hallowed store. There is some evidence that stores actually became a kind of bottleneck to growth: both COINCA and CCAM, as told above, suspended the admission of new coops because of the difficulty of handling new member stores. And a consultant's report on COINCA identified the rapid early expansion of the community coops, along with their stores, as the greatest challenge facing COINCA, and asked whether the association could cope with that rapid a growth (Kraljevic 1978:1).

The problems of store expansion, in sum, may set limits on the growth of coop associations and other activities with a high potential for spillover benefits. This constraint on system expansion helps explain why all the studied groups reached an early peak in membership and in the number of communities served, and then stopped growing or declined. Stores, of course, do not deserve all the blame for constraints to system growth. Collective and individual credits to coops and their members were at least as problematic as stores and store credit, and also contributed to the leeriness about expansion.

7 - What are coop federations?

If coop marketing and processing thrive on expansion, then why don't they just expand to non-member communities without going through the tortuous process of creating member coops there first? In thinking about this question, we find that the leader of a member coop acts as a kind of trusted buying agent for the federation--to whom the federation can safely advance cash in exchange for his buying and handing over of agricultural produce to the federation for processing and marketing. The federation, in turn, provides status and legitimacy to this local leader, giving him the power to buy produce, handle large amounts of cash, distribute credit and, in some cases, buy and sell consumer merchandise.¹ In return for this greatly enhanced status, the leader is more than willing to serve as the federation's "buying agent"--and for free. The leader, of course, will always have the opportunity to take some financial compensation for himself through misappropriation.² But the federation

¹From interviews with Bolivian community leaders, Dandler (1973: 344-5) reports their persistent concern for showing their effectiveness by means of "some concrete delivery of resources or services to their own communities or their followers in other villages."

²Misappropriation may be more difficult in the buying of agricultural produce, where a given amount of cash advance must be returned to the federation in the form of a given volume of homogeneous product. Any shortfall would be obvious and immediately verifiable.

also holds considerable power over him if he betrays its trust: it can take away his newly enhanced legitimacy in the community--as occurred when COINCA expelled some coops whose leaders had pocketed operating-capital advances for the coop store.

Who would these trusted agents be if the federation were to expand into communities without coops? How could the bond that exists between the federation and the leader of the member community be simulated in non-member communities? It might be difficult and costly for a federation to arrange for such trusted agents in non-member communities--at least at the low costs at which a cooperative leader serves as agent, not being dependent on the federation for his livelihood or daily direction. But would it actually be more costly and complicated to train and pay a few buying agents than it is to organize a coop from scratch and train its leadership in cooperativism?

The history of the U.S. rural cooperative movement shows us that there is considerable precedent for the use of paid or volunteer local buying agents to expand a coop service--as opposed to full-blown affiliated coops. In the second half of the 19th century, for example, the U.S. Grange ran its input-purchasing operation through community representatives who, like the Bolivian coop leaders, were "volunteers" (Knapp 1969:48). Through this network of local agents, the Grange assembled orders and placed them with wholesale merchants and

manufacturers. By the mid-1870s, the volunteers had evolved into local and state business agents (not cooperatives), working on commission or salary. (To protect against dishonesty, agents who handled cash were often required to furnish bond.) In a similar arrangement, the cotton, tobacco and other commodity marketing coops of the 1920s engaged "field men" to represent the coops in making contacts with new members and in obtaining delivery of commodities under marketing contracts (Knapp 1973:210). The "poolers" of the Virginia Seed Service played the same role, being farmers who assembled seed orders from their neighbors and, for a small commission, delivered the seed to them; at one point, the Service had 300 pooler-farmers performing this function (Knapp 1973:153-154). As the Service expanded to providing feed and fertilizer in addition to seed, it replaced the poolers with local dealers. The U.S. Grange-League Federation Exchange, finally, turned to local dealers in the 1920s to retail its feed, after finding that local coops could not be organized rapidly enough to create a viable cooperative feed-supply operation (Knapp 1973:152). The Exchange enlisted the dealers (referred to as "agent-buyers") on a franchise basis, along with any existing local coops.

The U.S. coop movement, in sum, made substantial use of local agents--volunteer or paid--to obtain economies of scale, and to overcome the constraints to expansion of their services to

more communities. Though the Bolivian groups did not resort to this agent system, the affiliated coops and their leaders looked more like agent-dealerships, in some ways, than community organizations; the federations, nevertheless, still had to go through the process of helping them organize as coops, and thus could in no way expand their services as easily as an agent-based system.

Viewing coop leaders as part of a decentralized system of buying agents for the federation is different from the way these leaders are usually portrayed--that is, as spearheading healthy grass-roots organizations, which participate vigorously in the development of their federation. This latter view is difficult to reconcile with my observations of these systems, according to which power, skills and fervor are concentrated in the federation, while the member coops are fragile--in terms of their participation in federation decisionmaking, their representativeness as community institutions, the participatory nature of their own decisionmaking processes, and their competence at managing income-earning activities.¹

How can such a strong head (the federation) be supported by such a weak body? One possible answer is that the metaphor is wrong: if we look at the head as not being dependent on the body for its strength, then the contradiction disappears. If the member

¹There are always one or two impressive exceptions in each federation; they are often the founder coops.

coops are seen as buying agents of a strong central organization, then their fragility in relation to their federation is not so perplexing. Weak as they are in relation to our image of them, the member coops may be doing a more than adequate job of fulfilling their "agent" role. Though this picture of coop leadership may not be an ennobling one, it nevertheless is the picture of an organizational arrangement that can be highly effective in bringing benefits to peasant producers.

Viewing the coop federation as an effectively decentralized service system helps us to deal with the quandary posed at the beginning of this paper. The studied groups achieved some impressive benefits for peasant producers, that is, yet the processes supposed to lead to this kind of success were weak: membership was low, coop leadership was entrenched, and management was deficient. How could it be that the training in cooperativism had taken place, the rhetoric of participation was in the air (among leaders, at least), peasants were benefiting from the federation's existence, but the key to all this was not in its place? Viewing the member coops as buying and distribution agents--and the federation-coop complex as an innovative and "appropriate" institutional form for providing services to peasants--helps to reduce these contradictions.

Elites, entrenchment, and company loyalty

If federations and their coops are viewed as decentralized service institutions, when effective, how does this resolve some of the disharmonies of seeing them as participatory organizations? What difference does it make to us as donors?

The "agent" view of member coops allows us to be less concerned about the monopolization of leadership positions and (some) coop benefits by the few. Being better off, the entrenched leaders are usually better versed than the rest in buying and selling, in contracting transport, and in storing produce. For a federation to have at its disposal a loyal corps of such entrepreneurs can be very valuable to its operations. And the more decentralized the federated system is--the smaller the base community, and the larger the number of base coops--the greater this pool of entrepreneurial talent will be. The smaller, more numerous and more rural are the base communities, finally, the more one can get away from the "wrong" elites--i.e., the non-farmer merchant and professional elites found in rural towns.

Another advantage of an entrenched and elite leadership relates to the extreme scarcity of administrative skills in the coop environment, and the severe constraint this represents to the establishment of successful coop enterprises. Coops and their promoters, aware of this problem, invest considerable time and resources in training, always providing courses to leaders and members in

cooperativism, management, and accounting. Though this effort may have a significant impact on changing community perceptions about the possibilities for constructive change, it at the same time seems to contribute little toward transferring the skills needed to manage coop enterprises. Frequently, the courses are too brief, they lack meaning out of a context of actual problem-solving, and they are highly general or irrelevant; an evening course for young cooperativists at Bella Vista, for example, offered a slide show about an Israeli kibbutz that manufactured cosmetics. Coop members often complained about the "philosophical" nature of the courses, saying they would prefer to learn more "technical" information. An evaluation of a set of AID-financed coops in Bolivia noted the same dissatisfaction, which it attributed to the coop promoter's "tendency to confuse technical assistance, which members desire, with coop education, for which members show little interest."¹ When training for coop management was significant, it often involved much longer courses given to a select number of people. El Ceibo, for example, gives a six-week course in accounting spread over a six-month period, which means one full-time week per month.

¹Devres (1982:113-4). My judgments about training are based only on superficial observations, impressions from previous field work, and comments of other evaluators like those of Devres. A serious study of the impact of the many courses offered by coops has yet to be made, and is a subject worthy of future evaluation efforts.

The most significant training provided by coops may occur outside the courses and on the job--provided, often, by outside advisers who spend months "walking" a coop leader or employee through the most mundane details of work. This has been the role of the German volunteer in El Ceibo, the Maryknoll priest in CCAM, the German volunteer-enologist at COINCA's winery and, less comprehensively, a Bolivian accountant-consultant at Bella Vista. Though these outsiders are ostensibly contracted to work with a specific person, or impart a particular skill, they usually end up exercising considerable control in the organization and imparting knowledge and skills to almost everyone there. This kind of influence is sometimes excessive, of course, leading to dependency as well as learning. But when it works well, it happens over a long period of time--months and years, rather than the days or weeks of the standard coop course.

In addition to the on-the-job training provided by outsiders, coop leaders and others who are active in the federation accumulate an immense amount of learning-by-doing. If these leaders were constantly rotated out in order to allow the democratic infusion of "new blood," the investment in training and in learning-by-doing would be lost. Though the continuity of the entrepreneur-leaders in their coop and federation positions may violate the canons of democratic and professional coop management, then, this continuity may also contribute to creating and running an effective service institution for peasants.

El Ceibo provides an interesting example of how leadership entrenchment works. Not only do the elected positions of the member coops rotate among the same few persons, but this select few rotates in and out of leadership and paid positions in the federation. The long-term leader and current president of El Litoral, one of the strongest member coops of Ceibo, is now being trained by the current federation treasurer to take over the latter's job for the coming year; the latter, who was trained by the German volunteer, will return to a leadership position in his home coop, just as the ex-Litoral president will go back to his home coop, at the end of his year of service as federation treasurer. Similarly, the son of one of the leaders of the Villa Prado coop, whose family was well enough off to put him through a secondary boarding school nearby, is now taking El Ceibo's six-week training course in accounting and management. Afterwards, he will be employed by the federation for a year (perhaps as manager of the processing plant), and plans to return to his community, where he has already bought land, arranged to marry a woman from a neighboring village, and hopes to follow in his father's footsteps as a leader of the coop there. The ex-president and current treasurer of the Flor Andina coop, finally, has a full-time job as driver for El Ceibo at a year-round salary that is 50% higher than the minimum wage. He can continue as treasurer of his nearby home coop because his wife, more schooled than he, maintains the books in his absence.

Though these stories show how coop and federation positions are restricted to a small group--as complained about by non-members or the excluded members themselves--they also have their positive side. Looking at El Ceibo as a service enterprise with various buying and selling "outposts," one can see this rotation of leaders between the coops and the federation as familiarizing the "outpost agents" with "headquarters" and the business in general. It provides the federation with links into the communities where it does business, and sends back the agents to their communities with an experience that has turned them into loyal and well-trained representatives of El Ceibo.

Merging the manager and the directors

Coops and federation, according to the book, are supposed to acquire managerial and other services through paid employees--particularly a manager and a bookkeeper. Elected leaders, in contrast, are meant to play an advisory and monitoring role, for which they are not paid. Many coops and federation are indeed set up to operate that way, like COINCA with its paid professional manager and its bookkeeper. In practice, however, there is an almost complete blurring of lines between elected leaders and paid management and staff. CCAM's paid manager is also its elected president; he has been rotated into that position from the presidency of a base coop and has also occupied other elected positions in CCAM. El Ceibo has no manager, and is run by its elected president, who receives a salary

and is usually rotated into the presidency from other elected positions in the federation; the treasurer is also elected and paid. (Next year, the current president will rotate to another position in the federation, in charge of coop education.) As noted above, the new treasurer of Ceibo for the coming year is the ex-president of the member coop, El Litoral. Each federation, moreover, offered a variety of employments, usually in its processing plants. With few exceptions, these jobs were limited to members.

One or two of the elected leaders of a federation usually becomes deeply involved in daily management decisions. The board of directors and any other monitoring bodies tend to play a passive role as formal bodies, going along with the de-facto leader-manager, to whom bookkeeper-accountants are also subordinate. When there is a paid professional manager from the outside--COINCA being the only case--distrust of the "outsider" by the elected leaders provokes these bodies to play a more active role as a group; but even then, only one or two of them becomes involved while the others go along. Whatever the case, the management and leadership functions are not distinct in the studied groups, and hence the entrenchment of the elected leaders provides an important element of stability to the running of the enterprise--whether for good or for bad.

The blurring of distinctions between elected directors and management, it should be noted, is completely contrary to the

principles of cooperativism on which the studied groups are based. Not only are management and elected directors supposed to be separate individuals, according to the principles, but elected leaders and their relatives are not supposed to occupy paid positions. I point out this divergence from the model not to criticize the studied groups, but to stress the importance of understanding that they are quite different--as are many Latin American coops--from what cooperatives are "supposed" to be.

A final and worrisome aspect of entrenched coop leadership is that at one point, in each coop's history, some member of the leadership has had his hand "in the till." Though all the groups had gone through a period of graft and mismanagement, as noted above, many emerged into better times, but often with the same leaders. How could the organization have reformed itself if the unreformed leaders were still in place? The continuity of these same persons in leadership positions, one would have thought, would have doomed the organization to failure.

Part of the early mismanagement in coop histories was perhaps a result of ignorance rather than malice aforethought. The leaders did not so much reform themselves, that is, as they learned more about how to run an organization and how not to make mistakes. Or, those with their hands in the till may have perhaps experienced a change of heart, when they saw that they might be destroying the very

entity that was creating the opportunities for graft (and prestige). Or, the mismanagers may have started to worry that the public knowledge of what they were doing would embarrass them--a risk that would increase as monitoring bodies learned more about how to do their job and people took coop rhetoric about participation more seriously. Whatever the explanation for this change of heart, the perplexing persistence of the mismanagers into good times suggests that the entrenchment of coop leadership may not be as bad for long-term coop performance as one might have thought.

A final word about entrenched leadership and cooperative training courses: the coop leaders I met with seemed to talk in a strangely predictable way about their community's problems and how to deal with them, using standardized words and phrases. This "patter" was distinctly different from the way non-members talked, or members who had not been exposed to, or were skeptical about, the message of cooperativism. Initially, I saw this standardized talk as a somewhat naive and hypocritical view of how the world could be improved--coming as it was from the mouths of the better-off persons of the community who, while espousing participation, had held on tightly to their leadership positions for years.

After a while, I came to see the cooperative "patter" for its motivational value as well. It presented a noble view of what coops and federations can do for society--regardless of its accuracy--

and thus made them more appealing to community leaders as a vehicle through which to enhance their power and prestige. From this viewpoint, I found it a little easier to understand the interminable preaching about cooperativism and the persistence of courses in it--despite the skepticism about their value, the disparity between their rhetoric of participation and actuality, and the complaints from members about their being too "philosophical." The courses, that is, were a way of providing potential coop leaders with a socially purposeful way of thinking and talking about the institution that was drawing them in.

The coop "patter," then, may not be of much practical value and may not convince the rank-and-file to join coops and make sacrifices for them; but its vision of doing good may be quite attractive to community leaders, giving them something to sacrifice their time and their money for. That the vision does not really represent what is happening, and perhaps "turns off" the wider population that it seems meant to attract, may be of secondary importance.

The federation as appropriate technology

In the form cast above, the federation-coop system could be described as an alternative to the attempts by state entities or facilitator organizations to provide certain services. By tapping community leaders for its "staff," the system draws on local entrepreneurs experienced in buying and selling, who can afford to work

for free.¹ By basing the federation "outposts" in the smallest administrative units--communities of 30 to 80 families--the system brings in leaders whose main livelihood is farming, and who therefore share more of a common interest with the rest of the farming community than would the merchant, trader, or professional elites of the rural towns. The federation system comes wrapped in an "ideology" that--no matter how inaccurate or self-serving--motivates local leaders to contribute their time, money and skills to building the organization, and to learning how to run it. The federation system, finally, builds up a management and a staff whose status derives from the small communities they lead. This contrasts sharply with private facilitator and public-sector organizations, where management and staff more often look to faraway places, usually in cities and high up in a bureaucracy, for prestige and power.² At its best, then, the entrenched leaders of the coops and their federations can be seen as part of an "appropriate" organizational technology for providing development goods and services to peasant farmers.

¹Those leaders who work on coop matters for free or for a small per-diem never reported any time conflict with the management and labor demands of their farm; being better off, they were accustomed to hiring outside agricultural labor, or to relying on extended family networks in which the less better-off members trade their labor in exchange for services from their better-off kin, like the free use of land or housing.

²Orlove (1982) comments perceptively on this particular problem in his evaluation of programs sponsored by the Bolivian urban organization, ACLO, a Jesuit social-action agency. (ACLO was the founder, among other groups, of COINCA in Tarija.)

If the main contribution of member coops is to serve as agents for the federation's service activities, then why do federations have to create a new member coop each time they want to expand their service to another community?--a question that was posed at the start of this chapter. Wouldn't it be easier for the federation to expand into new communities simply by selecting, training, and compensating a community member there? Wouldn't that break the constraint on the growth of healthy federation activities, which cannot expand because of the demanding chore of getting a member coop started and running for each new community? Although the substitution of a paid agent for a new coop might compromise the principles of cooperativism, it would also serve one of cooperativism's main goals; or, at least, it would serve one of our reasons for supporting coops--to reach as large a segment of the poor as possible, rather than to stop when the organization is well-grounded and successful, but reaching only a few. Coop federations, in sum, can perform important services for peasant populations that do not necessarily participate in them. And coop training, in turn, may be more significant in getting local leader-entrepreneurs to dedicate themselves to these endeavors than in socializing people to the arts of participation and self-management.

Implicit in my argument are certain guidelines for donors on how to decide which coop proposals to support, and on how to monitor projects. The guidelines fall into two categories--

(1) choosing the activities with a greater propensity for spillover benefits, and (2) having the "right" kinds of elites in control, as determined by each particular coop's social and economic environment. Our ways of orienting and controlling coop leadership, in other words, do not have to be limited to participatory forms of organization or intensive donor monitoring.

These suggestions should cause relief and worry to supporters of coop projects. It should be a relief that the entrenched leaders and low memberships, such a frequent finding in evaluations of coops, are not as bad as everyone thought. Other mechanisms can be at work, promoting on their own the same goals of increased income and power for the rural poor. It should be worrisome, however, that participation is not as present as we have assumed it to be in groups called coops--and that even when it does exist, it will not always help coops to manage their activities successfully. This means that we will have to pay more attention to other variables--like the structure of the activity and its socio-economic setting--to give the desirable social impacts we are looking for.

8 - Taking the next step

So far, we have seen that some operations with a potential for high social benefits will run up against a natural constraint to their growth: the number of member stores declines, the marketing system does not grow, and the processing plant does not expand to capacity. These slowings-down of enterprise growth reflect not only the exclusivist tendencies of successful coop systems, but also inherent barriers to expansion in the nature of the operation itself. The rice mill does not expand because it is too difficult to obtain working capital on a reliable and adequate basis; the cacao plant does not expand because it would have to pay a higher price in order to secure an adequate supply of unprocessed cacao; the store system does not expand, even though it may be covering its costs, because the management problems involved in adding new stores are too great. In face of these problems, donors may want to learn more about the bottlenecks to expansion, and encourage coops to take these problems on--in a way that severs the link between expanded activities and expanded membership.

A few suggestions along these lines have emerged so far. Instead of buying agricultural produce only in villages with member coops, for example, the coop may want to pay a buying agent to work in villages without coops. Or donors might want to encourage a reversal of the trend toward retrenchment of coop stores, by supporting

innovative ways of placing stores in new communities that reduce the management problems of such a system--as mentioned in a previous chapter. I have no particular commitment to these suggestions about stores and buying agents, but make them to illustrate how coops can provide greater impacts in a way that builds on their strength as businesses and without placing unrealistic demands on their capacity to grow. This kind of expansion, again, will not necessarily bring more members and may even be associated with less participation in coop decisionmaking, as decisions become more complex and the need for flexibility is correspondingly greater.

In some cases, attempting to expand coop enterprise may be imprudent, and may endanger the coop's viability--regardless of the amount and wisdom of donor support. In these cases, the donor has three alternatives, which are the subject of this chapter. One is to facilitate the expansion of the state into this area, by intermediating a collaboration between the coop and the state. A second is to support the taking on of a new activity by the coop, in addition to its stable or retrenching business--an activity that has higher spillover benefits than the original one now has. If neither approach is feasible, a third possibility is to terminate one's support completely.

Bridge to the state

As time goes by, a coop's services may become less significant to peasant farmers because of the intervening growth of the region--

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the building of a road, for example, may end a monopolization of transport and trading--or because the public sector has become more active in providing services originally available only at the coop. Or, the coop enterprise may be unable to expand its services to cover a broader population even though it has developed a very effective model for doing so. Coop performance may nevertheless catch the attention of a newly active public sector, setting an example for it; a public-sector agency may even ask the coop for some advice and contacts. Donors should be watchful for opportunities to encourage this form of collaboration, particularly when a coop does not seem capable to expand certain high-benefit services on its own.

Coops tend to turn their noses up at public-sector agencies, even when they have pleasant and even collaborative relations with these agencies at an informal level.¹ In 1980, for example, El Ceibo obtained a US\$12,000 grant from the public-sector National Community Development Service (SNDC), to be used as operating capital for its new and under-utilized cacao-processing plant. Despite this unusual instance of public-sector largess to Bolivian coops in the Alto Beni, Ceibo nevertheless refers to the agency as the "National Calamity Development Service." The nearby Bella Vista coop, which had received US\$10,000

¹I have written about this phenomenon in Tendler (1982a:76-104).

from the Service to construct a large headquarters building, expresses the same contempt. In Tarija, the staff of the public-sector development agency, CODETAR, had worked with COINCA people in the field on various projects involving irrigation, poultry, and fruit orchards. CODETAR had the financing and COINCA had the community contacts. Interestingly, however, the two organizations had never "officially" met. When asked about "cooperation" with CODETAR, COINCA talked disparagingly about CODETAR,¹ and both claimed that they did not work together at all. Similarly, COINCA's founder-facilitator organization, ACLO, had contempt for the state extension and research agency, IBTA, but turned out to have collaborated successfully with IBTA agents at an informal level in various communities. As part of an IBTA campaign against peach blight, for example, ACLO and COINCA brought the fungicide to certain communities and explained how it was to be applied; in order to facilitate an IBTA program to improve sheep herds, ACLO introduced IBTA to communities where it had contacts. Though IBTA, CODETAR and SNDC certainly left much to be desired as service agencies, it was

¹Not without justification: at the time of my visit, CODETAR had been intervened by the government because of various reports of malfeasance and graft--involving, among other cases, the poultry project in which COINCA coops participated. One year earlier, however, an IAF-sponsored audit of COINCA had found it in almost as reprehensible a state.

difficult to assess the degree of collaboration, or potential for it, by talking to the coops--almost as if they had a vested interest in showing that collaboration was not possible.

El Ceibo provides a model of the fruitful collaboration that can take place between a coop and a state agency--as well as an example of the disdain that the coop will express for the state even while friendly relations are occurring in the field. Ceibo had little of good to say about the IBTA agricultural research station in the Alto Beni, but turned out to be engaged in a small and innovative joint program with IBTA to eradicate cacao disease. Ceibo had selected two of its peasant leaders for a week of training in the new techniques of eradication at a course in Colombia; working in conjunction with IBTA, which was building up its own eradication research, the Ceibo extensionists demonstrated the new techniques in their communities, with considerable success. Ceibo was planning to expand the program, with financing from the Swiss development agency, COTESU. Despite the high marks that the IBTA agronomist gave to Ceibo, it spoke disparagingly of IBTA as a group of status-conscious urban professionals, and hoped that the COTESU financing would enable it to some day take over the eradication program for itself.¹

¹The largess of the planned COTESU project did much to feed that hope, as well as the disdain for IBTA by Ceibo's German volunteer, who was brokering the project for Ceibo with COTESU.

The budding relationship between Ceibo and IBTA represents a moment when donor financing for one activity and not another can have significant impact. If one sees coops as a preferred way of organizing communities and their social endeavors, then one might choose (unwisely, I think) to help cement the distance between Ceibo and IBTA. But to support the retreat of Ceibo from IBTA at this particular moment--when IBTA is starting to concentrate funding on research in cacao--would be to forego the opportunity for an innovative relationship between the two, with the potential for drawing IBTA research and extension closer to peasant agricultural needs and for bringing about major increases in farm productivity in the region.

The aversion of the Bolivian groups and others like them to public-sector agencies is understandable. Their past experiences have often been bad--such as the ill-fated Ministry-of-Agriculture campaign against coffee rust in the Alto Beni, when extension agents arrived unannounced at farmers' fields and started spraying indiscriminately--to which the surprised farmers responded angrily with machetes in hand. Frequently, the time, cost, and humiliation it takes for these groups to get something out of public agencies is not, in the end, worth it. Coops fear, moreover, that if they obtain goods and services from public agencies, this will make them vulnerable to political meddling and undermine their autonomy. This

kind of apprehension caused the Cooperativa Integral de Santa Cruz del Norte, one of a group of AID-funded Bolivian coops, to take "a conscious decision to avoid links with public agencies which could impose reciprocal obligations..." (Devres 1982:32). The coop even eschewed publicity about what it was doing, since it feared that this "might invite politically related requests from government agencies." For somewhat similar reasons, COINCA has stayed at arm's length from the local rural labor syndicate, because of its fear of being manipulated by ward-healer-type bosses. (This, notwithstanding the fact that everyone agrees that the Bolivian rural syndicates are quite effective at brokering for peasants in La Paz--mainly with respect to land titles.)

A final reason that coops prefer to stay away from government agencies is the difficulties of collaboration with any outside entity, the dependency it entails, and the organizational rivalries that it stirs up. COINCA tried to get the Ministry of Agriculture to provide potato seeds at its experimental station, but this did not work. (Potatoes are widely grown by peasants in Tarija, seed is a significant percentage of cost, and available improved varieties degenerate after a few years of use.) COINCA planned to import and sell three million metric tons fertilizer in conjunction with another coop federation, CERCAT. (COINCA normally buys fertilizer from local distributors.) With financing from the IAF, this direct importation would have

brought about a major decrease in wholesale costs (about 50%), entailing significant benefits for Tarija's peasant farmers, all of whom use fertilizer in potato cultivation. CERCAT, the weaker of the two groups, feared that the fertilizer arrangement gave too much power to COINCA. Because of this and other "personality" problems between COINCA and CERCAT, the fertilizer importation never took place. CERCAT, of course, is not a public-sector entity, and thus is not the best example of the collaboration problems that cause coops to stay away from public-sector organizations. But the bureaucratic rivalries and the dependency that makes collaboration difficult are characteristic of collaboration with any outside entity, not just public ones.

There is good reason, then, for the coop aversion to working with other entities, or seeking funding from them. But this represents only one side of the picture. Even when public agencies are "good," or become more sympathetic than they used to be, the coop judgment of hopelessness usually remains in force. Assuming hopelessness, that is, becomes a bad habit--among coop benefactors as well as among the coops themselves--and results in an ignoring of opportunities when they present themselves, as well as in an unrealistic view of a coop's ability to achieve certain things on its own. And, as Smith (1982:57) points out in describing church-government hostility in Chile under Pinochet, the lack of communication between the church-

sponsored social programs and the government makes it "highly unlikely that the ideas and strategies" elaborated in these programs will have an impact on the values and strategies of leaders in the public sector.¹

Our willingness to believe the coops' allegations of hopelessness about public-sector assistance or collaboration is helped along by the feeling, among proponents of "grass-roots" development, that links to national bureaucracies ruin many of the good things about country life. Bennett (1973:209, 227) argues that this negative view of relations to national institutions, as reflected in the work of the "impact theorists," has gained currency almost to the complete neglect of the opposite side of the picture. The rural community, he argues, is not always "at the mercy of the national bureaucracy," but just as often will manipulate it for its own end or, at least, avoid its undesirable features. Members of rural communities, he says, often desire "closer contact with the urban national society and culture, and...their institutions were formed with this contact in view from the beginning" (p. 209). New ties to the national bureaucracy, in other words, can result in a "continuation of desired trends" and

¹The case of Chile under Pinochet is an extreme one, of course, where relations were, indeed, impossible. But the effect that Smith describes is just as likely to take place in countries where the potential for relations is better and the aversion--together with the "crutch" of outside donor funding--keeps it from being realized.

not just a "loss" of autonomy. One positive result of donor support to rural coops and other organizations can be the establishing of these new ties, and the development of the capacity of local groups to manipulate them.

If rural communities desire "closer contact with urban national society," as Bennett says, then why do rural coops express such aversion to one of its principal institutional forms--public-sector agencies? We have seen already that part of the explanation is to be found in the accuracy of the aversive view, and the fact that coops and other "independent" rural organizations prize their autonomy above all else; if they get something from a public agency, they fear, they will have to give something they don't want to in return. But there is another important reason for these expressions of aversion: in order to get funds from outside donors, coops feel they must prove their case about the hopelessness of going to the public sector. They prefer funding from small donor organizations outside the country because this relationship is perceived as less threatening to autonomy, and as having almost no reciprocal obligations attached. Though the relation to the outside donor may be ideal in terms of autonomy, however, it may not be ideal in terms of program success or in terms of achieving more significant impacts--both major goals of the donor. It is incumbent upon donors, then, to be particularly careful about assessing the protestations of hopelessness vis-a-vis the public

sector that emanate from the organizations they are supporting--and to disprove coop assumptions that successful links to national bureaucracies will be punished with less support from the outside.

The ease of early success

The spillover benefits of the Bolivian coops and federations peaked early in their histories, and then leveled off and started to decline--as the following examples will show. This impressive early performance often inspires donors to make subsequent grants to the young coops, on the assumption that growth in membership and in the number of coops will continue automatically, carrying the performance and the benefits with it. If the coops could have accomplished so much with so little experience at the beginning, it is natural to imagine how much more they will be able to accomplish after they have gained some sophistication. This seemingly logical assumption turns out to be wrong because early successes are often easy, in comparison to the task of carrying them into the future. Donors, understandably impressed with the early successes, become disappointed and perplexed a few years and a few grants later, when the easily mastered things suddenly start to come apart.

There are various explanations for the relative ease of the first successes of coops, and the disappointments that come later. First, as we have already seen, it is often in the interests of coop members and organizational health that coops do not expand.

Certain activities, moreover, may be possible for peasant groups to carry out at a low level but not at a higher one. And even with growth, as we will see in this section, the high initial spillover benefits of certain activities can diminish markedly after the first few years. This will be particularly true of initial accomplishments in the prices charged by coops in their input and consumer store operations, and paid by coops to farmers in their marketing and processing operations.

Most coop leaders have a fascinating tale to tell about how they brought about a dramatic change in price. With great nostalgia, COINCA tells of bursting into existence by making fertilizer available to farmers for half the price at which private vendors were selling. El Ceibo likes to talk about those heady first years when it paid peasant producers of cacao twice the price that the private traders were paying, and could still sell the cacao at a handsome profit in La Paz. CCAM tells proudly of how it sent its trucks into member communities of such difficult access that private truckers would not go for any price. All the groups tell similar stories about their consumer goods operations: how they dealt a stunning blow to private merchants when they first opened, with significantly lower prices, or how they opened up in communities where there were no stores, and where residents had had to walk miles beforehand to make their purchases.

Some years after these dramatic breakthroughs, one often finds that private intermediaries are paying or charging approximately the same as the coops. In some cases, these converging prices will represent a meeting of coop prices by the private merchants, rather than a rise of coop prices to pre-existing levels; the former case will not represent a decline in social benefits at all, since the coop's presence is helping to keep private prices in line. In many cases, however, it seemed that coop prices were rising to pre-existing levels, as noted above. Or, just as common, the coops were having a hard time meeting the competition's price, as was particularly apparent in the case of El Ceibo, which hung slightly behind the prices offered by private traders for the purchase of cacao.

The most consistent inroads on spillover benefits occurred with the consumer stores, where problems of mismanagement and credit abuse caused federations to centralize their store operations or to clamp down on the growth of member stores. This meant fewer or no stores located where previously there had been none. The closeby availability of goods and the reduced transport costs brought by the "pioneer" stores were of greater value to consumers than any price discount relative to private stores; as one group of communities in the Caranavi hinterland said to the coop federation, "Just help us to set up and operate stores in communities where now there are none, and we won't care what price you charge us for the goods." The

decline of stores in communities without them, in other words, reduced the social benefits of this activity substantially.

The first price victories for coops usually followed disbursement of an IAF or other donor grant, which was used to purchase merchandise or agricultural produce. The lump-sum availability of this operating capital created a euphoric sense of new freedom and power; with a handful of operating capital and a simple decision about a price, one could make dramatic improvements in people's lives. At these first moments, the costs of management were not really known, and the experience with costs that did exist did not yet reflect the cumulative effect of the mistakes and misfortunes that plague any business.¹ Eventually, however, the coops could not undercut and outbid the private merchants and traders on a sustained basis, and still cover their costs. Also, private traders sometimes moved into the market spaces opened up by the coop, which had demonstrated that a certain volume of demand existed in a given area. The largest private buyer of dry cacao in the Alto Beni, for example, decided to start buying unprocessed cacao and install his own processing plant only after witnessing the success of El Ceibo's first plant in that

¹ An evaluation of the AID-financed Cooperativa Integral del Gran Chaco in Bolivia found the same sequence of events. "While on the financial side, the coop began quite successfully, problems arose immediately on the management side. These problems still exist..." (Devres 1982: 23).

area, and after observing how such a plant works by visiting the Ceibo plant itself. When private operators move in this way into the areas "monopolized" by a coop, their price will represent a new floor (or ceiling) beyond which coop prices can not stray. In adjusting to these more rigorous market conditions (and to emerging costs), coops may be no longer able to generate the high benefits in the form of price and other spillovers that they did in the beginning. Though this kind of competition will be disliked by the coop, it nevertheless represents a wholesome development for all those affected by prices in a region. (The coop, of course, does not see the enhanced competition this way, fearing that the new competition is out to "break" the coop enterprise and will ultimately succeed.)

In telling the histories of U.S. purchasing cooperatives, Knapp (1957b and 1969) notes a similar evolution from first easy successes to later more difficult and less impressive times. By the first decade of the 20th century, he writes, private stores had responded competitively to the lower prices of coop stores so that the latter could no longer show social benefits in the form of lower prices (1969:408). And as in the case of the Bolivian groups, it started to become apparent that "insufficient attention had been paid to the maintenance of capital and the conduct of business operations," causing many stores to fail as a result of overextension of store credit and incompetent management (1969:408). Knapp sees this state

of affairs as characteristic of "all movements that develop rapidly" (*Ibid.*), and as following an early "cycle of pioneer expansion" (1957b:472). With success, he says, the driving force of the movement seems to lose its vigor and complacency takes the place of enthusiasm. He quotes one coop manager as describing these post-expansion doldrums as the coop having "the world by the tail on a down-hill pull" (*Ibid.*). In this phase, he says, coops dislike criticism and tend to justify their actions by past successes.

The Bolivian groups seemed to be following this historical pattern. Even when their prices showed little difference from prevailing private prices, they continued to endow the store and marketing operations with great social significance. When initial events create such dramatic first impressions, it is easy to fail to notice subsequent and more mundane signs that the first impressions no longer hold. For this reason, it is sometimes difficult for the outsider to discern that coop activities with high initial impacts may be contributing very little of the same today. To point out the similarity of coop prices to prevailing prices, moreover, seems almost a sacrilege--a showing of disrespect for people with a proud past.

From business to service

What do donors do about the discovery that high initial spillover benefits, particularly in the area of price, no longer exist? One certainly would not want to blindly recommend a return

to the early years of dramatic price differentials, because in many cases it was better management that contributed to the decline in price benefits. At the same time, one cannot necessarily resort to increasing social benefits by breaking the bottlenecks to expansion and increasing the scale of coop activities, because an expanded level of operation may be beyond a coop's capabilities. What, then, is there left to do? The above story about El Ceibo and agricultural extension provides an example of one way out.

Though certain of the Bolivian coop activities no longer had the golden impact of their first days, they nevertheless had evolved into moderately successful businesses. This in itself was an impressive accomplishment in institutional growth, given that these enterprises were started from scratch by a handful of peasant leaders five or six years ago. Though these businesses may now provide less social benefits than they did at first, the success at business was significant in causing the federation to be accepted as a presence in its area of operation. If it later took on other activities with broader social benefits, then the less socially significant but prestigious business operations contributed to making those other activities and their benefits possible. It is important to ask, therefore, not just whether the coop's business activities are benefiting only a small membership, but whether the whole gamut of coop activities includes some socially significant pieces, or some

movement in that direction. In some cases, these latter activities may be financed out of the profits of the business activities--which is even more reason not to criticize a coop for an excess of enthusiasm about business. Here is where El Ceibo's agricultural extension project comes in.

Over the last five years, as noted above, cacao yields have fallen drastically in the Alto Beni, from 20 quintales to 5-10 quintales per hectare, because of two fungal plant diseases--witches' broom and blackpod. Because of the disease, the Bolivian state agricultural bank (Banco Agrícola de Bolivia) has not financed new plantings of cacao for the past six years. Effective methods of combating cacao disease have been developed only recently, mainly because the government has not allocated funds for research in cacao; the local government research station has worked on cacao only since 1978. (As an export crop, cacao was introduced by the Bolivian government's colonization projects in the Alto Beni only ten years ago.) For witches' broom, the new disease-control technique requires drastic and frequent pruning--which increases the labor costs of this tree crop, but does not require large outlays for purchased inputs, unlike many other improved agricultural practices. (Pruning is not effective for blackpod disease, which attacks only the fruit and requires the use of fungicides.)

Promoting the new disease-control practices will have high spillover benefits to non-members. Anyone can attend the Ceibo extensionist's demonstration of the technique, carried out at a centrally located farm in the community, or learn by watching his neighbor. The nature of cacao disease, moreover, is such that a member who has properly pruned and fumigated his stand of cacao will still be vulnerable to the diseased trees of a neighbor. It is in the interests of members and Ceibo, then, to promote adoption of the new techniques by non-members. Because the pruning does not require purchased inputs, finally, the adopter is not dependent on the coop or the extension service for any part of the technique except its explanation. This is a significant advantage of the new practices, since problems of input supply and credit have plagued many programs attempting to improve productivity in agriculture.

The new disease-control techniques are also desirable because they help preserve the small-farm landholding structure of the Alto Beni--an old colonization area where the largest and most modern producer of cacao owns 24 hectares, and where plots average 12 hectares in size. The new techniques enable production to increase substantially, that is, without requiring an increase in the size of the area planted. Given the tendencies of many colonization areas like the Alto Beni to lose their egalitarian land structures, this characteristic of the technology is an important one.

Because pre-disease yields of cacao were three or four times higher than those of today, the adoption of the new practices could bring income increases to peasant farmers that would probably dwarf the social benefits provided by El Ceibo through its marketing operations and consumer stores. Just as important, the large increases in production that would follow adoption of the technology would probably not result in the usual price declines that increases in agricultural production often do--because the Alto Beni's cacao is almost completely exported, and Bolivia is a marginal supplier to the world market. El Ceibo's proposed extension program, in sum, could be a spillover activity par excellence. Unlike the stores and the marketing, moreover, it does not need to earn an income, or to be preceded by the formation of new coops, in order to yield benefits.

El Ceibo's extension project is an excellent example of an appropriate path to take after the decline of benefits in other activities. The story would have been a better one, of course, if Ceibo had itself financed the extension project out of its own profits. Unfortunately for the story (but not for Ceibo), the project is to be financed by an outside donor (the Swiss development agency, COTESU)--though Ceibo contributed small amounts to the startup phase (for which it also used IAF funds).

Business comes first

Why couldn't El Ceibo have started out with its high-benefit work in eradication of cacao disease from the start? Do cooperatives always have to start with business activities that bring rapidly declining social benefits and built-in constraints to expansion? After all, tasks like agricultural extension (or land titling) certainly seem easier than running a business; they do not require timely decisions about buying and selling, and are not fraught with the dangers of losing one's capital completely through a mistake in timing or judgment. Then why shouldn't the high-impact activities precede the business operations rather than vice-versa? The most obvious answer is that coops engage in business activities first because that is what people want--a desire that is based on expectations that, in part, cannot be fulfilled on a sustained basis.

Business activities make "natural" first tasks for other reasons. El Ceibo, for example, became a presence in the Alto Beni, a force to be contended with, by marketing cacao. Though combat of cacao disease might produce impressive results, it would never be a war against powerful persons with crushing economic power, the way marketing was. Success in the marketplace, in other words, created awe and respect in a way that the less adversarial activities like extension never could. Correspondingly, business activities possessed concrete symbols to celebrate their successes--the coop truck returning to town dusty after a victorious sale in La Paz, the rice mill with its

shiny equipment and its thick walls enclosing large spaces, and the coop store, shown off proudly to visiting outsiders. Agricultural extension or land titling possess no such concrete symbols. The drama of the successes in marketing, processing and stores, in other words, allowed the coop to move on to other activities which, though promising higher social payoffs, were not as glamorous and not such a sure sign of power.

Activities with high social benefits, like the agricultural-extension example above, often involve more dependence by coops on other institutions than do coop businesses. In El Ceibo's case, agricultural extension required a relationship with the state's agricultural research agency. Land titling, initially taken up by COINCA and CCAM, was dependent on the action of the government land agency, which caused the securing of individual titles to take several months or years--and the groups to abandon the programs.¹ For similar reasons of dependence on others, COINCA abandoned a potentially high-benefit health project; funds were insufficient, qualified personnel were lacking, and difficulties were created by the government health agency that was supposed to collaborate (Kraljevic 1978:21). A final and tragic example of dependence on outside entities comes from the history of Bella Vista's attempts to mount a campaign against coffee rust in

¹Other reasons for abandonment of titling were involved. Titles were obtained or successfully in process for the small number of coop members desiring them; there were problems with the lawyers retained to assist in the titling (e.g., the charging of side fees to applicants); and the coop was entering an area already occupied in Bolivia by the labor syndicates.

the late 1970s. Before Bella Vista could get anywhere, the Ministry of Agriculture started its own campaign in 1979, sending its agents to spray the affected areas without a previous educational campaign. When the peasant farmers of the area came upon the agents destroying their crops without warning, they became enraged and chased away the agents brandishing machetes. The Ministry never came back. Though Bella Vista tried to put together its own campaign, and obtained financing from the IAF, it never succeeded (partly because the coffee rust mysteriously disappeared in some areas). Service-type activities may have a potential for high social benefits, in sum, but they also can require an uneasy dependence on outside institutions that enterprise activities do not.

Success at business allows coops to prove their mettle in the eyes of the community by beating the "capitalists" at their own game. When people speak in awe of El Ceibo, they talk first about its market power--its 60% hold on cacao production in the Alto Beni--rather than its price policy, its honest weights, or any other humane and non-capitalistic behaviors. That growers were willing to pay attention to the Ceibo extensionists' advice on radical pruning, it would seem, was dependent on this image of El Ceibo as a powerful and savvy operator. Similarly with COINCA: both members and outside observers alike spoke with great respect of its ability to produce a good wine and to sell to the best hotels in La Paz. This success

in the wine business was significant in causing banks and state agricultural agencies in Tarija to consider COINCA as a conduit for some of their funds, and to think of working together with COINCA in the future. It is as if the coop had to prove itself as a tough capitalist, in other words, before it could settle down to work on some gentler things.

Beyond market power

Though success in business may make it easier for coops to undertake new activities with higher and more sustained social impacts, they will not necessarily do so. With their comfortable businesses and reduced memberships, they may simply live out the stereotype of the elitist coop, serving its own interests and perhaps even exploiting others. What determines the way that coops will go after their businesses become successful, if the period of high social benefits has passed?

The direction that coops take is, in part, a function of pure chance and circumstance. In the Alto Beni, the problem of cacao disease had become so pressing, for elites and poor alike, that it was a very obvious next task. As we have seen above, in turn, the structure of this particular task had very high spillover benefits. In Santa Cruz, in contrast, the "obvious" next task after consumer stores and rice milling was mechanization of agriculture--the purchase of tractors for a coop tractor-rental service. Clearly, spillover

benefits were almost non-existent for this particular activity; even within the coop, the service was beyond the reach of poorer members with lands too distant to make mechanized plowing economic. (Tractor rental services, of course, do not cause benefit distributions to be as concentrated as would credit for individual farmers to buy tractors; CCAM's approach to the task was therefore less income-concentrating than it might have been if credit had been made available for individual tractor purchase.)

The direction taken by coops after doing moderately well at business will also be determined by their own image of the kind of institution they are. This is where their anti-capitalist rhetoric plays a constructive role--regardless of how accurate it is, or what difficulties it causes for the taking of sound business decisions. Coops preach so much to their members and the community about how community-minded they are, and about how hard they are fighting on the side of the downtrodden against the forces of the rich and powerful, that they can become quite nervous about acting like the very capitalists they have so criticized. We refer later to the problematic features of this behavior--most important, the reluctance of coops to raise prices to cost-covering levels because of the fear that they will be accused of behaving "just like capitalists." This self-inflicted fear also causes coops to want to engage in some "do-good" services in addition to their business

activities. In fact, the more successful the business becomes--and the more coop prices converge with private-trader prices--the more vulnerable the coop starts to feel about being accused of "capitalist" behavior.

A final influence in the direction that coops take is what donors say. Donor influence was the most important determinant of the new activities taken on by the studied groups, much as I would like to show the contrary. Though El Ceibo moved into agricultural extension, for example, it was only with comprehensive financing provided by an outside donor, COTESU, together with planning and intermediation by Ceibo's resident German volunteer. CCAM created its own equipment-repair shop on the advice of its priest adviser, who obtained all the equipment through donations. COINCA, starting out in consumer and input sales operations, moved on to a winery because of availability of a German grant for the equipment, which came with a completely trained volunteer German enologist. El Ceibo went on to build a second cacao-processing plant--despite the difficulty of buying sufficient unprocessed cacao to keep the first plant fully occupied--because of funding from the IAF. Bella Vista, finally, decided to build a rice mill after starting to establish itself in coffee marketing, because of free equipment donated by Bread for the World. All these decisions about new activities were either determined by donor preferences, or influenced by the availability of donor funding for capital expenditures.

I am not saying that the above decisions, or the donor influence on them, were bad. In most cases, the donor-financed new activity turned out surprisingly well even if it did not seem to make good sense. The point of the examples is that donors do have considerable influence on the unfolding of coop activities--if not in an active sense of expressing preferences, then in the passive sense of approving what coops present, and of financing capital projects with greater relish than operating expenditures. Coops with successful businesses, in sum, can go either way at certain junctures in their growth. And donors exert considerable power at these points, whether they want to or not.

9 - Induced management

When the Bolivian groups embarked upon their IAF grants, none of them possessed the management and accounting skills necessary to carry out the grant-funded activities. In some cases, they still do not have that capacity today, several years later. Stores do not keep track of inventory, credit is provided to those who are delinquent on past loans, sales are made without receipts. How have these organizations continued to function, if the "requisite" skills were not and still are not in place? The most obvious answer is that all the groups received subsequent grants, which kept them from experiencing the penalties of poor management. But did the additional grants simply take these enterprises off the hook, or did the continued support represent a crucial "grace period" during which learning and improvement were taking place?

The above question is difficult to answer partly because the coops were usually good at some things and not at others, using the profits of the successful activity (along with subsequent IAF grants) to cover for the losses in the others. Under the subsequent grant, the strong activity would continue to get stronger, even though the weak might continue weak. Ultimately, the drain of the weak activities on the strong one may cause the leadership to force some improvements in the weaker areas. This seems to be what is happening

now with CCAM, whose rice-mill profits were used to cover the losses on delinquent loans to members. As CCAM leadership sees the profits of its rice mill increasingly lost to paying off delinquent member loans, it has started to revamp its credit-granting and collection procedures, which will require less generous treatment of member-borrowers than in the past. In this story, would one say that IAF funding allowed the continuation of the lax credit procedures, or that it facilitated the strengthening of the rice mill? The latter activity created the profits to cover the credit losses which, in turn, caused dissatisfaction among coop leadership at seeing the increasing drain on their mill profits, and hence to the reform of credit policies.

Because most of us regard certain management skills and procedures as prerequisites (including myself, before going to Bolivia), we are surprised when we see organizations without them, which nevertheless have succeeded in carrying out various income-earning and other activities for many years. Instead of re-evaluating our concept of prerequisites when faced with such evidence, we often settle for explanations that allow us to maintain the concept. One can easily explain the Bolivian case, for example, by saying that the successive IAF funding masks the toll that poor management would normally take, and allows the organization to keep functioning--a view that allows us to continue believing that certain management skills and procedures

are prerequisites. But the experience with the Bolivian coops also allows us to try out another hypothesis--i.e., that certain skills and procedures can be the outcome of engaging in a particular activity, rather than the prerequisite.¹ Or, more practically, the desired skills are so difficult to acquire--particularly when there is no concrete activity on which to practice them--that we really have no choice but to start without them. If this is true, then donors have a greater responsibility to see that they are acquired after the project is under way.

One of the ways donors can exercise their responsibility to induce the acquisition of the requisite skills and procedures is to support activities that show more tolerance for learning by doing, and for which the social difficulties of improving management are minimized. As discussed in previous chapters, agroprocessing

¹Often, it is only by looking at successful projects that one can see such alternative views, because the success will sometimes turn out to not be associated with one of its "prerequisites." When we look at failures, we tend to ascribe the reasons for the failure to our pre-existing ideas or prejudices, because that is what occurs to us first. With failure, moreover, we are explaining something that did not happen as a function of a prerequisite that did not exist, so that we are excused from having to present evidence for this explanation. It is for this reason that I was not unhappy about looking at four projects that were considered successful by the IAF. As successes, it was clear that they would give more robust evidence and be more demanding, in terms of postulating cause-and-effect relations, than the failures.

and marketing are desirable on both counts, when compared to stores and credit operations.

Advisers, patrons and saints

Another way for donors to meet their responsibility of inducing the adoption of necessary management practices, after a project is under way, is to provide ongoing technical assistance and even exercise some control for some years. Though this kind of intervention is against the IAF's style of operating, it was distinctly present in three of the four projects studied, but supplied by other donors: the German volunteer at El Ceibo, the priest at CCAM, and the German volunteer-enologist at COINCA. Bella Vista, the least successful of the four groups, had a variety of patron-advisers along the way, though none with the longevity, charisma, or control of the persons working with the other groups. Though a part of Bella Vista's problems can be attributed to its political militance and subsequent repression, I think another part is attributable to the absence of such an outsider--with the dedication, bossiness, and skills of those attached to the other groups. The Bolivian projects, then, are not necessarily a testimony to the non-interventionist IAF style, because the onerous task of intervention was taken care of by others.

The outside advisers of the Bolivian groups functioned not only in a technical capacity but also as powerful patrons. They brokered for the coop with state agencies and other donors, playing

a crucial role in gaining access to other resources and to favorable government decisions on regulatory and tax matters. In the case of CCAM, the brokering was probably even more important to the federation's growth than any management skills that were imparted by its patron priest. Does this mean that brokering is more indispensable to coop success than good management--at least for the first years?

Though the value of the brokering role of resident coop advisers is generally understood, it is easy to forget that it also requires control: if one is to negotiate credit, regulatory relief, tariff exemptions or donations for a group, one must be able to show that the group is behaving like a respectable organization, and will continue to do so in the future. Thus it was that the adviser-patrons exercised considerable control in their groups, usually a source of dissatisfaction to coop leadership itself at one time or another, or to outside observers like myself, who are surprised and disappointed to see more dependence on outsiders than was expected.

Coop resentment of the outside adviser seemed greatest at El Ceibo. Of the three groups, El Ceibo's adviser-patron was the most comprehensively involved in day-to-day coop affairs, and had the most power over decisions. At COINCA, in contrast, the outsider-enologist was less resented. This was probably because the coop manager, unlike all the other groups, was also an outsider--a paid

university-trained agronomist--and the "outsider-resentment" was focused on him. Also important, COINCA's volunteer enologist was responsible for only a small and well-defined part of COINCA's operations--the winery--which she was allowed to rule with an iron hand. Her specialized skill as an enologist did not give her the license to control decisions in any other aspect of the organization--in contrast to the more generalist, promoter backgrounds of the other advisers. Wine-making, moreover, was an activity that, if run well, could produce immediate results and income--if, as in COINCA's case, one could sell the wine before aging. The almost immediate profits of the winery operation, and the successful placing of the wine in the La Paz luxury market, provided evidence to COINCA's leadership that the yielding of control to the enologist could pay off handsomely.

The control of El Ceibo's adviser-patron was more diffuse, covering various activities. It would therefore have been difficult to attribute any one success to him--without attributing disappointing performance in other areas to him as well. Because the broader skills and involvement of the El Ceibo adviser were less task-specific than those of the COINCA enologist, they were not as conducive to transfer to a coop member or a local paid professional. COINCA's wine-making, as noted above, was a task for which an outsider could come in and leave a trained local replacement in a relatively short

period of time. To replace Ceibo's adviser with a Bolivian professional, in contrast, would have required entrusting too much power over the whole organization to an outsider.

Resentment to CCAM's patron-priest also was low, probably because his power as a broker was much greater than that of the other two outsiders: he arranged for all CCAM's outside grants, managed the acquisition of most of their equipment and spare parts (much of it, for free), negotiated tariff exemptions for equipment imports, and arranged for the credit they received from the local banking system. At the same time, his lack of experience in management and accounting, and his role as a promoter rather than a technician, did not give him the formal authority or the taste to get as deeply involved in everyday management matters as a professional manager or accountant would have.

Though the IAF did not intervene with the studied groups or exercise control over their decisions, in sum, somebody else from the outside did--and, in many ways, to their ultimate benefit. This means not only that management skills were not a prerequisite and could come second, but that a they-know-how approach to the acquisition of the skills does not really describe what happened.

Deprivation and learning: a chronicle of crises

We are now in a better position to cope with the question of whether IAF funding was facilitating poor management, or giving

coops the time needed to learn. When the studied groups experienced a threatened loss of funding, this proved to be a powerful force in getting them to improve their management--as the examples below will tell. Failing to provide additional funding while management is still poor, then, will sometimes be just as powerful an incentive to improve management as providing funding so as to extend the learning period. Whether refusal or concession is best will depend on the particulars of the case at hand, and the conditions under which the funding is granted (or refused). The rest of this chapter provides some sense of what these particulars are.

A donor's first decision to fund an organization should require less consideration and interaction with the recipient than the subsequent decisions. This might seem illogical, since one has to learn from scratch about an organization the first time it requests funding. But the first encounter will not be the appropriate one for inducing improvements in management: what is needed will not be obvious, the "laboratory" in which to work out the improvements will not yet exist, and leadership will not be aware of the cost to them of not improving. Only the second time around will the donor be able to learn how the socio-economic environment of a particular coop interacts with the nature of the tasks it undertakes, to produce successful results in some areas and problems in others. Only at this later point

will the donor really know whether it is wise to support this organization, and how it should be done.

If donors give additional funding without understanding the power of the inducement mechanism they hold in their hands, then they are letting go of one of the few opportunities to contribute forcefully to improved management--and are contributing instead to the continuation of weakness. Some subsequent grants to weakly managed organizations, then, will sustain that weakness, and others will not. The following stories should make this point clear.

Bella Vista and the truck. In 1981, Bella Vista bought a 14-ton truck for marketing, on credit, with IAF funding. A sudden difficulty in making payments on the truck provoked a severe crisis. Because the cooperative had purchased a truck larger than that approved by IAF, and because IAF disbursement was phased over several months, the initial disbursement was enough to cover only a down payment for the truck; successive IAF disbursements and income from the truck operations were projected to be adequate for the successive 18 monthly installments.

Bella Vista's plans for meeting the quarterly truck payments were unexpectedly upset by a more than tenfold increase in the price of the U.S. dollar in Bolivian pesos during 1982, from 20 \$b. to the dollar to 270 \$b. at the height of the truck crisis in October. (The peso was officially devalued to 200 to the dollar in early

November of 1982.) Payments on the truck were tied to the dollar, as are all purchases of imported equipment in Bolivia, while the IAF disbursements were calculated in pesos.¹ In that spare parts for Bolivian trucks were also completely imported, including tires, these costs also increased more than tenfold, during a period when the prices of agricultural products sold by the coop (mainly coffee) increased by only four times at most, while hauling rates increased only twice.² (The life of a tire for a truck making the Bella Vista-La Paz run is three months.)

The devaluation forced Bella Vista to take some decisions that caused the truck to be operated more soundly than in the past:

¹Though the IAF grant was actually denominated in dollars, the IAF was drawing down Bolivian pesos from its IDB account, which was comprised of local-currency funds with which Bolivian and other Latin American borrowers pay back credits from the IDB's soft-loan window. The value of the grant proceeds, then, decreased pari passu with the devaluation.

²Freight and passenger rates charged by trucks in Bolivia are set by the government, which is in turn highly constrained by the intense popular protests that have accompanied increases in transport rates in recent years in Bolivia. Though protests against increased transport costs in Latin America are common in the cities, the protests in the Bolivian countryside are more unusual in their intensity. Bolivian peasant farmers have on more than one occasion shut down the country's highway system in response to increases in hauling and passenger rates and general dissatisfaction with the military regime.

Because of the combination of strong public pressure and government enforcement, the low administered hauling rates actually seem to be observed, not resulting in "black-market" pricing that approximates free-market levels. One sign of this is that the successive devaluation of the peso in 1982 resulted in a marked decrease in the number of vehicles for hire--both in the countryside and the cities--mainly because of the high cost of replacing a tire.

3

it decided to raise its low hauling rates, and to use the truck's capacity better by taking on the marketing of bananas. The importance and difficulty of both decisions will become clear from the following.

Bella Vista had wanted to buy a truck in order to transport and market dry coffee in La Paz. Though the coffee bought by the coop (or carried for third parties) was enough to fill the truck and keep it working constantly during the coffee harvest (two round trips to La Paz a week), the harvest lasted only three months. This left the truck with little to carry during the majority of the year, except passengers and third-party cargos.¹ In contrast to coffee, bananas are harvested throughout the year, and are produced widely among peasant farmers in the region; as a steady source of truck cargo, therefore, bananas are ideal.

¹In order to engage in this latter type of business, the coop had had to register the truck with the truckers' association ("Sindicato de Transportistas"). Without such registration, the truck was considered a private vehicle and therefore not allowed to charge for non-member cargo and passengers. The coop looked at its truck registration as a painful political compromise, because farmers saw their interests as opposed to those of the truckers, against whom they (the farmers) went out on strike when hauling rates increased.

Registration of the cooperative truck also subjected Bella Vista to the risk of not being able to market its produce during any future strikes against the truckers, when only private vehicles would be allowed to pass. El Ceibo, in contrast, was able to get out of registering its truck (for reasons explained above) and was therefore allowed to get its cacao through, as it proudly likes to tell, when farmer strikes closed the roads to all others.

Bella Vista's decision to face the truck crisis by taking on more marketing--rather than seeking more third-party cargos--was also a good choice. Because trucking is fairly competitive in the Alto Beni, and because rates are controlled, truckers often make their profits on buying and selling the produce they transport, rather than on transporting the cargo of others. The buying and selling of bananas, then, would provide more income to the coop than would have the transport of the same amount of cargo for third parties.¹ The new coop activity in the marketing of bananas, of course, would also bring income benefits to the banana producers. As a way of resolving the devaluation crisis, then, the decision to go into banana marketing was a constructive one.

A second constructive outcome of Bella Vista's truck crisis was the decision to raise hauling and passenger rates (within the limits allowed by government ceilings). The coop's comparative calculation of pre-crisis costs and returns showed that even at that earlier time the truck was not quite paying its way, if depreciation were allowed for. Thus the devaluation crisis made Bella Vista aware of the need to raise its rates, and provided the coop with a public justification for charging more. This kind of justification was extremely useful, because coops and their promoters tend to define their social commitments in terms of charging lower prices than

¹Income to the coop can also be higher because it is not constrained by administered rates in setting the rate it "charges" to itself for products that the coop buys and sells. This is exactly what El Ceibo did, as told in preceding chapter.

private merchants, whose price levels and constant price increases during inflation are looked at as exploitative. The increased truck rates, in short, would have been difficult to come by without the crisis.

Before the truck crisis, in sum, Bella Vista was not setting its hauling and passenger rates at cost-covering levels, and was not too concerned about keeping the truck working for income outside the three-month harvest season. The devaluation and Bella Vista's resulting inability to meet the truck payments--a kind of simulated loss of IAF funds already granted--resulted not only in desperate appeals to the IAF to readjust the grant to its original dollar value, but also in a plan to increase its rates and move aggressively into the marketing of bananas. (It also searched hard for and obtained a small grant from a Bolivian donor agency to help cover the immediate payments due.) Though a withholding of IAF funds did not occur, then, the effect was the same.

The sequence of events unleashed by the devaluation, it should be noted, would not have taken place if the IAF had financed the full amount of the truck and disbursed the funds in one lump sum, enabling Bella Vista to buy the truck outright. Actually, this had been the original plan, but Bella Vista decided to buy a larger truck than IAF was willing to finance, and hence had to make the purchase on installments, and rely on truck income as well as IAF funds to meet the payments. The healthy results of the truck crisis, moreover,

were contingent upon Bella Vista's not being "rescued" by the IAF-- at least to the full amount of the payments owing. As in the case of Bella Vista, donors are often asked to bail out their grantees from such crises, and it is important that they first find out what constructive actions are likely to emerge without their rescue effort--as the IAF did with Bella Vista--or how additional assistance might be limited so as not to abort the unfolding of these constructive actions.

The "excess capacity" of Bella Vista's truck can be compared to that of El Ceibo's cacao-processing plant, as discussed at the beginning of the paper. The excess capacity at the Ceibo plant provoked no crisis: the plant was donated and did not have to generate income for amortization, so that the coop would not lose the plant if capacity were underutilized. The Bella Vista truck crisis, moreover, was provoked by sudden events outside its control--the devaluation and the prior decision by IAF to allocate peso funds for purchases to be made in dollars. This contrasts to the endogenous and less sudden character of the excess capacity problem at El Ceibo.

Not all crises, finally, point conveniently to the obvious steps, which can be taken immediately, that the Bella Vista crisis did. Another Bella Vista crisis is a perfect example, which was caused by political activism leading to severe political repression. There was no obvious constructive solution to the capital losses

caused by the repression,¹ or the lingering trail of fear in the Bella Vista region about associating with the cooperative. The truck crisis, unlike the repression, gave Bella Vista a chance to avoid the capital losses by taking certain steps beforehand. And it gave Bella Vista a chance to emerge a victor in the eyes of the community, and not a symbol of fear.

COINCA and the audit. Another example of the sequence of poor management, threatened loss of funding, and an improvement in management is the IAF-sponsored audit of COINCA. Started in July 1979, the audit was not completed until September of 1980 because of the large number of missing and inadequate receipts for large expenditures. Also, COINCA stopped the audit for long periods because it "froze" in fear of the coming reports, which would jeopardize COINCA's chances for disbursements on further IAF funding. The auditors found gross mismanagement, particularly in the area of stores and credit, and made specific recommendations for improvement, in a report available to both the IAF and COINCA. The IAF suspended disbursements until a second audit was made to see if the first audit's recommendations had been adopted.

Obviously, the audit caused a crisis at COINCA. The credit program was suspended temporarily, the sole paid agronomist resigned, moves were made toward hiring a professional accountant and establishing a new accounting system, and the Board of Directors started

¹ Among various actions, a local military unit "investigating" the coop helped itself to much of the store inventory and prohibited the already loaded truck from hauling its undried coffee to La Paz, causing the complete loss of the truckload. (Undried coffee will rot if not processed within three days.)

to exercise more control over the manager (after putting him on one-month obligatory vacation).¹ Independently of the IAF's actions, the uncomplimentary findings of the audit became known in Tarija, because of the open nature of COINCA as a cooperative federation, and because of COINCA's involvement with ACLO--an outside institution with a gripe against COINCA, and therefore happy to make common cause with anybody else finding fault with the federation. Because of this public airing in the small departmental capital of Tarija, the audit discredited COINCA among the private and state institutions upon which it was hoping to get support--particularly the private banks to which it was appealing for financing. The discredit, in turn, also scared COINCA into making some of the recommended improvements.

Capital to buy grapes. COINCA provides another example of the effects of financial deprivation on coop management. COINCA's winery, as noted above, was not included in IAF funding. Though the equipment and the technical assistance were paid for by the German volunteer agency, COINCA had no operating capital to buy grapes, or to even

¹Despite this stir, COINCA's salaried accountant (and ACLO) felt that the IAF started to disburse again without evidence of adequate improvements--for example, the manager was still authorizing store credit to members who were delinquent on past accounts, against new policy and against the auditor's specific recommendations--and that the IAF's unusually powerful leverage at that moment was therefore not being used to COINCA's advantage.

make a 20% down payment to sellers, as private distilleries were doing. COINCA therefore applied to IAF for operating capital, some months before the harvest season; COINCA, some months later, found itself almost on the top of the harvest season with not even an initial reply from IAF, let alone operating capital. Since grape growers would not sell to COINCA unless they received at least the amount of cash that the private distilleries were paying, COINCA would have had to let the winery sit idle for a full year if it did not acquire operating capital by the start of the three-month harvest season.

Waiting in vain for a reply from the IAF, COINCA applied in desperation for credit from a private bank, which was managing a special Central Bank line of credit for operating capital to agro-processing industries (the AID-funded "Warrant Credits"). The bank granted the credit, the grape purchases were made (for 20% down), the wine was bottled and sold, the debt was repaid, and COINCA was able to pay off the rest of the amount owed to growers sooner than the private wineries--thereby establishing a reputation among peasant growers as a buyer to be trusted. Thus the IAF's inadvertent financial deprivation of COINCA--in the form of not responding to a request for a grant that COINCA assumed would come through--forced COINCA to gain access to and establish a credit record at a major private bank in Tarija.

Though this story does not really tell us about an induced improvement in management, it does show the impact of financial deprivations on forcing coops to go to banks, rather than rely on the IAF, when they are at the stage when they can gain access. Elsewhere in this report, I have commented on the tendency of coops to overdo their contempt for banks and other entities in charge of development services, and to eventually suffer from their self-imposed isolation. COINCA's "forced" entry into the Tarija banking system, then, was an important and difficult step in the development of its ability to survive on its own.

CCAM and the credit problem. Another example of forced improvement in management resulting from the withholding or inadequacy of IAF funds comes from CCAM in Santa Cruz. As with the other groups, CCAM was lending out its IAF grant monies to individual producers at excessively low rates of interest--which, along with inflation and delinquency, made it impossible to maintain the value of these credit funds, let alone cover the costs of administering them. The coop set interest rates low because, as the argument always runs, it would be "unjust and usurious" to charge more, and because farmers would "never" take credit at such higher rates. When the credit funds dwindled and member demand continued high, CCAM had no other choice

but to seek more loan capital from the banking system.¹ It succeeded in obtaining financing from a private bank in Santa Cruz and had no trouble passing it along to member farmers at the prevailing interest rate (27%), which was more than double what it had been charging for credit on its free IAF monies.² (With inflation rising from 20% to 400% during this period, all these rates were negative in real terms.) CCAM suddenly found, in sum, that it was willing to charge higher interest rates when this was the only way for it to replenish its credit fund--and that members would indeed show no hesitation about taking credit at these higher prices.

Another example from CCAM of the effects of loss (actual or expected) is that of the rice-mill profits noted above, which the coop had to immediately surrender to cover delinquent payments on bank credit re-lent by CCAM to members. When CCAM saw its rice-mill profits disappear in this way, it embarked upon a more disciplined program of credit allocation and collection. This contrasts with its lack of reaction to the erosion of its IAF

¹It has submitted a second grant application to IAF, but for funding to cover the purchase of tractors for sale on credit to member coops. IAF denied the proposal, not on management grounds, but because it believed that mechanized agriculture was not appropriate. (See Appendix A.)

²It did soften however, as explained above, when the indexed interest rate rose to 57%, as a result of the devaluation of the peso, and it decided to cover the differential between 27% and 57% out of the rice mill's profits. Even though it had knowingly contracted the loan at a floating rate, it felt it was unfair to re-lend to individual members at one rate and then end up charging another.

rotating-credit fund. Because it did not have to repay the IAF, it did not experience this loss as a real one.

Overnight changes and forced interactions

Two aspects of the above stories of financial deprivation merit comment. First, the financial deprivations led to improvements in management almost overnight. This suggests that poor management in these particular areas was not necessarily a result of inadequate training or skills. People knew exactly what steps they would have to take, that is, but had not done so earlier because it was easier not to.¹ Going to the bank for operating capital rather than to the IAF cost more and required the mortgaging of coop assets; marketing bananas was more work than letting the truck sit idle during the slack season; raising hauling rates was more politically difficult than leaving them at levels that did not cover costs; being hard-nosed about credit collection took more work and was more socially distasteful than the easy and pleasant task of giving out credit and helping your friends; and charging low interest rates to member-borrowers was a friendlier deed than charging higher ones.

¹Leibenstein (1966:404-405) made a very similar point: "Not every change in technique," he says, "implies a change in knowledge. The knowledge may have been there already and a change in circumstances induced the change in technique."

In all these cases, financial deprivation changed the relative costs of the various alternatives by increasing the cost of not taking the steps toward improvement. In these areas, then, poor management may have reflected the difficulty of taking certain steps toward improvement, and not necessarily ignorance. The bad effects of poor management on coop health, of course, may not have been perceived previously because of their being strung out through time. In this sense, sudden financial deprivation helps reduce ignorance by concentrating the effects of poor management at a point in time, making them more conspicuous. In a study of technological innovation, Rosenberg (1969:23) makes similar observations. He suggests that "threats of deterioration or actual deterioration from some previous state are more powerful attention-focusing devices than are vague possibilities for improvement." A worsening state of affairs, or its prospect, he suggests, may have a stronger psychological effect in galvanizing people into action than the prospect of potential improvements.

All this should make us more optimistic about the prospects for improved management. Improvements in certain areas, that is, will not be dependent on years of training and experience, or the random chance of finding charismatic and honest leadership. At the same time, discovering the potential for overnight change places more responsibility on donors for taking the actions, like financial

deprivation, that change the relative costs of improvements in management.

A second theme that emerges from the stories told above is the importance of relations with local commercial banks in bringing about the desired improvements in management. In each story, the coop was either forced to go to the bank for the first time, or forced to improve its management in order to repay an existing debt. The bank relationship had wholesome effects on management practices because the coops usually had to pledge their assets in order to obtain the loan; they therefore became more concerned about practices that might threaten their ability to repay--such as charging prices that were too low or being slack about credit collection. The chronic problem of not being able, or not wanting, to charge reasonable interest rates was also resolved in one fell swoop when coops suddenly had to get their loan capital from the banks, paying market rates of interest, instead of from the IAF with no repayment responsibilities at all. This helped the coops learn that their members would gladly take credit at market rates.

Having to obtain credit from the bank also made it easier for the coop to charge for its administrative costs, since a few points of commission charged by the coop on 27% interest stood out less than a few points of commission charged on 10% or 12% interest. Getting credit at the bank also forced coops to be more careful and

selective about the kinds of activities they were going to undertake, and their phasing. With free money, coops tended to plan and ask for the world--and then think about how to draw down the monies later. Having so much money around--with no urgency associated with spending it or paying it back--facilitated the casual attitudes of the studied groups about giving money out (in credit) and getting it back.¹ Being forced to go to the bank, finally, helped coops overcome the gulf that they themselves often created between themselves and the institutions dispensing development goods. Given the alleged hopelessness of peasant coop attempts to deal with banks and other institutions, I myself was surprised that CCAM and COINCA had been working with private banks for some time, particularly in light of the obvious questionability of some of their management practices.²

Gaining sustained access to the national banking system, in sum, will be essential for any coop enterprise, if it is to eventually stand on its own without IAF support. As long as these groups

¹Various IAF staff members reported similar attitudes in other countries. Member coops, or individual borrowers, knowing that a federation was receiving credit funds "for free" from the IAF, would argue that there was no reason that they should have had to pay back if the federation didn't.

²In discussing the history of U.S. cooperatives, Knapp (1973:217, 404) points to another salutary effect of the relationship with banks. Because banks insisted on proper audits and informative financial statements, this forced coops to establish and maintain such systems, and to raise their auditing and financial-reporting standards significantly.

can obtain monies from the IAF they will do so, since it is less costly and less risky than going to the banks. This does not mean that the IAF must withdraw completely in order to force the coop to the bank. After the first round of IAF financing has established the coop's credibility and provided it with assets that can serve as bank guarantees, the IAF may want to continue financing some activities, such as those that do not generate income--and send the coop to the bank for the more obviously bankable projects, like operating capital for marketing.

Infants and the IAF

If bank credit is such a desirable taskmaster, why should the IAF finance coops with grant monies in the first place? Why shouldn't they be sent to the bank from the start? Clearly, this is not possible because the first IAF grant provides the coop with two basic ingredients for getting a bank loan: (1) a pool of operating funds with which to open a bank account and keep a large balance, which will serve as the compensating balance required of borrowers; and (2) assets against which the loan can be pledged--the coop headquarters, the store and its inventory, the agroprocessing installations, and the agricultural and transport equipment.¹ In

¹I was struck by the fact that the first bank loans obtained by CCAM and COINCA were obtained from private banks, rather than the state agricultural bank. Private banks, after all, are supposed to be even more hard-nosed about lending to peasants and coops than state banks. But the private banks at which these coops took their first loans were the same banks at which they held large deposits in the form of checking accounts for their IAF funds.

this sense, the donor's weakness for financing "extravagant" capital projects, as discussed above, also endows the coop with a basic strength--the ability to raise capital on the local market. For very rational reasons, of course, the IAF-funded coops will not take advantage of this opportunity unless they are forced to.

An IAF grant to coops with income-earning activities, in sum, is like an infant-industry tariff, which gives the enterprise the initial freedom from market discipline that is necessary to get it started. But the coops will behave just like infant industries do when the time comes to remove the tariff, and when protection is allowing them to avoid making improvements in productivity: they (the coops) will prefer the protecting IAF monies to funds obtained on the free market. They will rail against being put out of the nest, just like the infant industries, and argue that there is no possibility of gaining alternative funding. Unlike governments that set tariffs in a political environment, however, the IAF fortunately has the power to unilaterally reduce the "protection" of its infant coops when it deems necessary; the protected coops will not have the same power as "old" infant industries, which allows them to prevent the reduction of their protection. At these moments, the opinion of the old infant coop on whether it can stand on its own will be the least reliable. At these moments, therefore, the IAF should be careful to make a particularly independent assessment of the matter.

Corruption: a cautionary note

All of the studied groups seemed to have experienced a chronic and low level of malfeasant deeds by one leader or another, mainly in the form of taking from the till. Though some coops passed out of existence as a result of these depredations, others seemed to be able to survive perfectly well with them or, at least, continued to limp along. Coop leaders and members seemed somewhat tolerant of this bad behavior, at least in terms of not denouncing or removing the leaders whose self-serving actions became known.

When corruption and greedy actions do gain attention, it is sometimes because the accusers are dissatisfied about other issues, but the charge of corruption is a more vivid way of venting one's dissatisfaction and discrediting one's opponents. Accusing someone of corruption rather than bad judgment is more satisfying, moreover, because the ethical standard on which the charge is based cannot be challenged. Accusations of bad technical judgment can always be counteracted with arguments based on different technical criteria: the "wrong implements" bought for a coop store were perhaps available at a better price and better than the traditional ones, or the "overbuying" of inventory was perhaps justified by a very desirable bulk discount that more than compensated for the loss of capital tied up in inventory. When accusations of malfeasance are made, moreover, it is usually in one-to-one conversations, behind backs,

and not in groups. Thus they do not get transformed into action, as evidenced by the fact that the malfeasant leaders and managers always seem to remain on the scene.¹

The case of COINCA. The atmosphere of COINCA was filled with accusations of corruption. As the only one of the studied groups with a non-peasant manager, COINCA is somewhat of a breeding ground for distrust. The manager is not one of their kind, the peasant leaders feel, and the coop is therefore out of their control, no matter how enlightened the manager's judgments might be. They criticize him, however, for having his hand in the till--a pithier attack than to say, as did one disgruntled ex-leader, that "a peasant doesn't want to go into his own coop and have to sit down and be talked to by an intellectual!"

Complaints about bad judgment easily shade into accusations of graft. When pressed for specific examples of misconduct, the COINCA leaders usually cited instances of bad judgment rather than graft--buying too much stock of one item (which, however, might be a result of kickbacks), not knowing what implements farmers like most, etc. This is not to say that the peasants' characterization

¹In a study of Chicano strawberry coops in California, Wells (1982: 419-420) finds frequent accusations of corruption--as well as of "egoism" and "anti-cooperativism." She attributes the frequency of these charges to the tension between the egalitarian ideology of cooperativism and the reality of unequal authority held by elected leaders and salaried employees.

of their manager was untrue, but only that malfeasance is an all-purpose accusation because it is effective and satisfying. Thus it will be used in some cases where there actually is malfeasance (often on top of other faults) and in others where there is none, or very little. The indiscriminate use of the accusation numbs our ability to find out if malfeasance actually exists when we hear about it.

Accusations of malfeasance at COINCA also came from the federation's founder-facilitator, ACLO. As noted elsewhere, ACLO was dissatisfied with COINCA's "excessive" interest in its income-earning activities, as opposed to community and class issues. In ACLO's eyes, the manager and the peasant leadership were "on the take" together. Similar accusations were made by COINCA's part-time professional accountant, who works full time in the public-sector development agency of the department of Tarija (CODETAR). He sees COINCA's accounting practices as unprofessional, and feels that the manager and the leaders are breaking sound business rules and are on the take. Finally, COINCA's German volunteer-enologist also puts a plague on both houses--judging both the professional manager and the peasant leadership to be up to deeds of no good. (The manager seems to be the only one not anxious to unburden himself of such accusations--whether out of discretion or complicity, one does not know.)

Evaluators should take great care in gauging such denunciations of malfeasance because they may reflect a level of corruption that is longstanding and tolerable. The corruption may be denounced at a particular moment because of people's dissatisfactions about other things--the social distance between a university-trained manager and a peasant leadership, the accountant's distaste for sloppy books, the Catholic-action agency's disappointment over a coop's lack of class militance, a German enologist's desire to run a tight operation.

Though the accusations of malfeasance came thicker at COINCA than at the other studied groups, I was still not sure whether malfeasance was actually worse there. The greater intensity of the accusations, it seemed, might also reflect the much greater socio-economic heterogeneity at COINCA. In contrast to the homogeneity of the other groups, there were three different groups of actors at COINCA and two different institutions: the three actors were the peasant leadership, the urban professional employees (the agronomist-manager, the accountant, the bookkeeper), and the urban and Catholic social activists of ACLO. The two institutions were ACLO and COINCA. The other studied groups involved peasant farmers only. If outsiders were involved, they were in an ancillary capacity and formally subordinate to coop management (the German volunteer at El Ceibo, the Maryknoll priest at CCAM)--and they came to the coop group as individuals rather than as organizations, like ACLO.

The unique social heterogeneity surrounding COINCA could have upset the social consensus around low-level malfeasance that might exist in a homogeneously peasant group--a consensus that would reflect the acceptance of certain behavior as socially acceptable, and the ability to discern acceptable malfeasance from the more crippling variety. The urban professionals, in contrast, would be judging what they saw according to criteria of how a modern organization should behave; taking from the till is malfeasance no matter how mild and under control it is--and hence these professionals might not have the ability or inclination to discern harmful malfeasance from the acceptable variety. When pushed, in fact, urban critics of the current level of malfeasance at COINCA admitted that it probably did not have a significant impact on the operation of the organization. The social structure of COINCA, in sum, may have generated more accusations of corruption, but not necessarily more corruption itself.

Though COINCA's unique social heterogeneity should temper one's interpretations of the grumblings about malfeasance, the mix of activities engaged in by COINCA does seem more vulnerable to corruption, as compared to the mix of the other groups. In relation to COINCA, the other groups have a much higher proportion of processing and marketing activities, along with transport and agricultural equipment. COINCA has little processing, marketing or transport activities, and thus the management of credit and stores plays a

relatively greater role. Agroprocessing and marketing, as noted elsewhere, have some built-in protections against malfeasance, while credit and stores are the opposite. In fact, the accusations of malfeasance at COINCA always related to the credit and store operations, and never to the grape buying and processing.

For various reasons, then, we are handicapped in trying to discover malfeasance in coop organizations, and even more so in trying to understand its impact. Our understanding of corruption is lopsided because we never look for chronic malfeasance in successful organizations, so we do not know what it looks like when it does not cause problems. We only hear about it when serious problems arise--whether related or not to corruption--so we come to associate corruption with problems. But if corruption also exists in successful organizations, then the correlation between corruption and problems is spurious or, at least, less direct than is assumed. We are not likely to discover that the association is spurious, however, because we do not usually look for or hear about corrupt deeds in the successful groups. When we do hear about it and the group is still

successful in some ways, as in the case of COINCA, we have no way to judge the case.¹

¹In thinking about this argument, I was stimulated by a comment of my colleague Ruth Dixon, when she was helping me with some statistical analysis of data on a previous project. She was struck with the fact that we are immediately suspicious of the quality of our data when they do not show the trend, or lack of trend, that we expected--thinking we may have made calculation errors, or that the data are bad. But we are not equally suspicious of the quality of the data and the calculations when they do show the trend, or lack of it, that we expected. We have good reason to be suspicious, I am arguing, of the seeming pattern of association between corruption and problems, because of the systematic (though inadvertent) way our observation process excludes the cases of corruption with success.

10 - The well-tempered capitalist

Those who criticize the choice of cooperatives as instruments of development argue that, when successful, these organizations tend to become self-serving "capitalist" enterprises that benefit a small elite membership, and often end up exploiting the poorer members of the community. A frequently-cited example of such selfishness is the way production coops treat their seasonal labor: as soon as these coops start to do well, they close their ranks and shift their work obligations to outside, low-paid laborers, whom they will not allow to join the coop, let alone to unionize.

There is no question but that a narrowing of the benefits of coop activities often takes place as the coop becomes more successful as an enterprise. But this phenomenon is not necessarily inevitable. And the collective production endeavors, most frequently cited by the critics, actually seem to have a built-in tendency to become more exclusive--just as other coop activities have natural tendencies in the opposite direction. In previous chapters, we saw some examples of these natural tendencies toward desirable benefit distributions, and how the attributes of coop tasks helped to determine whether benefits would be narrow or broad. In this

chapter, we will look at the attributes of the social and economic environment, and show how these influences can temper the tendencies of entrenched coop leadership to act only in their own interests.

Crops and their social character

Some activities undertaken by coops, including the studied groups, obviously exclude the poorer members of a community: services benefiting farmers exclude the landless (though they may increase employment opportunities for the landless); access to credit may exclude those without secure title to their land; investment credit for agriculture (often for establishment of perennial crops) can exclude poorer farmers because only the better off can afford to wait several years until the returns of such an investment materialize. To what extent did the entrenched leadership's control of the studied groups cause such exclusions to take place--and to what extent were other factors determining? In some cases, as the examples of this section will show, control by the better off together with structural factors caused the exclusions to occur and to escalate. In others, structural factors worked in the opposite direction. COINCA is a good example to start with.

COINCA: grapes vs. potatoes. COINCA's winery is its only marketing and processing activity. The 130 grape-growing members (out of 400 total), are the only ones to receive regular technical assistance from COINCA, all necessary inputs, and an assured market. Since investment costs for establishing a vineyard are high, the grape-growing members are a better-off minority.¹ COINCA pays considerably less attention to the annual crops grown also by the poorer farmers of the area, the most important being the potato. (Its fertilizer-supply operation is a significant exception, since fertilizer is used mainly on potatoes in Tarija.) No attention at all is paid to corn, the cultivation of which is a sure sign of poverty because it is grown disproportionately by those without irrigated land.

COINCA's emphasis on grapes was not only the result of elite self interest. The steps necessary to do something for grape growers were easier and more obvious than they were for potatoes and other important annual crops. Grapes pointed to a feasible processing activity, which represented a compact project appropriate for donor financing--equipment and technical assistance for a winery. With wine grapes, moreover, one could realistically aspire toward complete

¹In 1978, per-hectare investment costs for establishing a vineyard were US\$5,000 (Kraljevic 1978:20). The 130 grape growers have a total of 25 hectares in grapes, including six hectares in collective holdings. This gives a rough average of one-fourth of a hectare per vineyard.

vertical control of a production process that would provide considerable added value--from cultivation of the grape to marketing of a processed product that can be stored easily and indefinitely. The grapes themselves, of course, required no storage capability of COINCA--in contrast to table grapes, as well as potatoes--because they have to be processed within hours after harvesting. The wine-making process, finally, reduces the volume of the product markedly; together with the need for only one central processing facility, at which the final product can also be stored, this means that the physical requirements for storage capacity are not great.¹ If grapes had not had such desirable characteristics, the self interest of the grape-growing leaders may not have been sufficient in itself to direct coop activities toward grapes and to generate successful results.

¹To market table grapes is much more difficult than wine grapes, of course, given that table grapes require both refrigerated storage and fairly rapid sale to final consumers. It is interesting that COINCA is now exploring the possibility of taking on this more difficult marketing task, as complementary to its wine-making activities. It plans to sell the grapes it does not use for wine-making for direct consumption, which would free its grape-buying from the limitations of its wine-making capacity, and thus extend the benefits of this new and better market to more peasant producers. As a second step after wine-making, the marketing of table grapes probably has more of a chance of succeeding than if it had been taken on from the start, and not in conjunction with the wine-making operations.

Unlike wine grapes, potatoes offer no neat project--even though they would have been a desirable investment in social terms. Not only were potatoes produced by most peasant farmers in Tarija, but they were one of the few profitable peasant crops in the region (in addition to some fruits and vegetables). Potatoes were also one of the few peasant crops in Bolivia for which fertilizer use was economically feasible and, partly for this reason, were second only to wheat in productivity increases during the 1963-1972 period.¹ Though the storage and marketing of potatoes would therefore have been an obvious step for COINCA, it was a difficult one. Peasant farmers in the Altiplano of Bolivia traditionally store potatoes in the ground, where they freeze, and put them through a thawing and freezing process that allows them to be stored for long periods. This is not possible in the highland valleys of Tarija, with their lower altitudes and warmer temperatures. The storage and marketing of potatoes in Tarija would therefore be a major infrastructural and marketing task--organizationally complex because of the need for many decentralized storage facilities, and requiring considerable marketing skill because of the need to

¹Yields increased from 4,974 kg. per hectare in the 1963-65 period to 6,767 kg. in 1970-1972. Yield increases were due mainly to intensive use of fertilizer, irrigation, and improved seeds (Wennergren & Whitaker 1975:119).

decide when it is best to sell.¹ The stored product, moreover, would still have to compete with the Altiplano potatoes that are marketed in Tarija. The forward integration of potato production, then, was in no way as feasible as that of wine-grape production.

In deciding how grapes came to receive more attention from COINCA than potatoes (or corn), one finds it difficult to separate out the structural aspects of the two crops from the self interest of the better-off leader-growers. The role of self interest, moreover, is even more diffused by the fact that only five of COINCA's 28 member communities had soil quality and drainage conditions suitable for grape cultivation. This weakens further the "elite explanation" as the sole reason for COINCA's attention to grapes.

CCAM: cane vs. rice. CCAM provides another example of the interaction of leadership self-interest and structural factors in determining how a coop behaves. CCAM is run by a minority of better-off cane-growers (12% of the membership), who are distinguished from poorer members who cultivate upland rice. Cane is competitive

¹COINCA actually did make a small effort to market potatoes and corn, but was unsuccessful because of its lack of capacity to store and because of the reliance on producers to sell their own produce at stalls in the capital city's central market, something they had never done before. ACLO is now planning a potato storage project, to be presented to the IAF for financing, which would involve the COINCAs of Chuquisaca and Potosí, as well as Tarija.

with upland rice only where lands are de-stumped, where plowing is mechanized, and where market access is excellent--mainly because cane must be crushed within one week of cutting and because the relatively low value of cane per-unit weight requires the minimization of transport costs.¹ Cane is therefore beyond the reach of those who are remotely located or have little capital, and CCAM's cane growers are distinguished from the other members by (1) the greater accessibility of their lands to roads and processing facilities, (2) their ability to have invested in de-stumping and leveling their land, and (3) their ability to pay for tractor services or buy their own.

Consistent with these crop traits, it is the five CCAM coops closest to the cantonal capital of Mineros that have all of CCAM's cane-growers, who fill all the leadership positions and are most represented at CCAM meetings, in contrast to the seven remote and rice-growing groups. (Cane-growers usually grow some rice.) The rice farmers, whose lands are located far from adequate roads and from cane-milling facilities, cultivate rice on non-stumped lands under a system of slash-and-burn agriculture. These poorer farmers are found, in great part, on "the other side" of a large river, which has only a pontoon bridge that cannot be crossed at all during some weeks

¹A study of crop location in Santa Cruz found that distance from the road was a good predictor of the type of crop: cane was closest, then bananas (which deteriorate less quickly than cane after harvesting), and then rice, for which transport costs are only 6%-12% of the price received at the mill (Wennergren & Whitaker 1976:91-92).

of the rainy season. In none of the other coop environments was there such a marked distinction--in cropping systems and geography--between the poorer and the better-off farmers.¹ The influence of CCAM's better-off leaders, then, was clearly reflected in the federation's first steps.

Most of CCAM's founder-leaders were not growing cane when the coops were formed. Because they had accumulated some capital, however, they were "on the verge" of making the transition from shifting agriculture to stable "mechanized" land.

CCAM gave them the means to make the move and sustain it through (1) the purchase of a cane quota at a nearby sugar mill out of donor funds,² (2) the acquisition of trucks, tractors and trailers to transport member cane to the mill, and (3) the establishment of an equipment-rental service for clearing and cultivating.

Unlike the processing of wine grapes, cane milling was not a "natural" next step for the federation, because the investment in

¹This distinction is described more carefully in Hale (1978:13-16) and Maxwell (1980:164-168).

²In 1976, CCAM bought a 12,000-ton quota at a local mill for 100 \$b. a ton, with a donation from Bread for the World. It was impossible for small farmers to purchase these quotas individually even if they had the resources. The mill quotas are the result of a government program that allocates quotas to the various mills, and requires that the producer buy a right to sell a certain amount to the mill by buying a proportionate share of equity in the mill. The donation received by CCAM for this purpose was large enough to buy a quota that the federation has never filled.

equipment is high and the operation is complex. If CCAM wanted to get into agroprocessing, rice milling was a more feasible next step, even though rice might not be among the strongest interests of the cane-grower leadership. Nevertheless, it was grown by both better-off and poorer peasants alike--just as were potatoes in Tarija. Thus although the self-interested behavior of the better-off founders determined that CCAM's first activities would benefit only cane-growers, the structure of the various enterprise possibilities--and the social structure of crop production in the area--determined that the next "obvious" income-earning activity would also benefit the poorer rank-and-file.

What will people say?

Certain social constraints on the coops also played a role in limiting the pursuit of a small leadership group's self interests. Coop leaders were concerned about community reactions to coop behavior, particularly with respect to the setting of prices for inputs, merchandise and services. They often felt obligated to charge less than the going price for an item, even if it meant selling at a loss, in order to live up to their image as an institution in service of the community. Similarly, coops with trucks felt particularly reluctant to charge going rates for passengers (as opposed to cargo), in order to maintain the image of the coop truck as "on the side of the people."

There are various other examples of this public sensitivity. When El Ceibo felt it could no longer hold the line on the price of its truck services, it felt it could not raise the rate until it first held a series of community meetings "educating the people" as to the necessity of this act. Bella Vista also spoke of having to explain its truck crisis to the community in order that it would understand the need to raise rates. And it breathed a sigh of relief for having a strong external justification for the action--i.e., without increased truck income to pay the loan installments, the coop would have to give back the truck. El Ceibo's decision to distribute the profits of its cacao-processing plant to the non-members as well as members from whom it bought cacao, was taken in part so that the non-members "would not say we're making money off them." El Ceibo charged lower hauling rates to farmers taking their produce to market than to those whose cacao it was marketing itself: the latter rate could be higher because it was "hidden" in the margin between Ceibo's buying and selling price, whereas the rate charged to farmers was explicit, and therefore had to be seen as low.

The most interesting example of concern by a coop over its community image comes from El Litoral, a member coop of El Ceibo. Because of Litoral's position on the Alto Beni River, which had to be crossed in order to market cacao--and because it provided motorized boat transport service at low prices--all the cacao producers on that

side of the river sold their cacao to Litoral, as the agent of El Ceibo. Concerned that the yearly distribution of profits from cacao buying to its small membership (15 persons) would provoke criticism by non-members, Litoral devised the following antidote: it planned to set aside a fund of "non-member profits," to be calculated on the same basis as member profits--i.e., proportional to the seller's share of total cacao bought by the coop. When the time would come for the annual distribution of profits among members, the non-member shares would be announced but put aside in a fund for community projects, such as the building of a school, a church, or a soccer field. If non-members did not want to "lose" their share of the profits to community projects, they would have to join the coop, making the same capital contribution that members had made. If they gave up their profits, of course, the community would benefit. In either case, Litoral would be spreading its good fortune outside the existing membership.

Litoral's idea was an ingenious one. By committing a share of its profits to projects that would benefit the whole community, the coop was spared of the criticism that it was behaving like a "greedy capitalist." At the same time, this community-minded offer constituted an incentive for non-members to join--that is, so as not to "lose" their profits to the community. No matter what the individual non-member's decision, the coop could not lose: it offered

profits to non-members in a form that they could not receive unless they became members--and if this offer was rejected, the coop was still beyond reproach because these unclaimed profits would be selflessly spent on projects of benefit to the whole community.¹ Litoral's offer, finally, removed one of the major risks of joining and contributing to a coop--that one would get nothing in return. It allowed the non-member to take a wait-and-see attitude, until the receiving of benefits was a certainty. Though this would not be a successful approach to getting a coop started--since everyone would prefer to wait and see--it certainly might be good for expanding

¹Note the difference between Litoral's and Ceibo's form of sensitivity to being looked upon by the community as exploitative. Ceibo offered its profit distributions to non-member sellers of cacao without requiring anything in return, and thus removed any incentive for them to become members. Ceibo, of course, had a lot more to worry about than community image: it was trying to secure a supply of unprocessed beans for its processing plant, so it could not afford the risk that non-members would not be attracted to join by a Litoral-type offer. Also, it needed to pay the equivalent of a price premium for this non-member supply--a premium that might have been canceled out by membership charges.

Note also that Litoral's offer appeals to the "individualism" that many coop supporters rail against--by encouraging the non-member to take his profits, rather than let them revert to a community project. ("If you join, you'll get your money; if you don't and the community gets a school, you lose.") It is this kind of "individualism" that coop promoters like ACLO and other church-affiliated action groups find disappointing.

a successful one like Litoral.¹

There are other examples of coop sensitivity to pressures to behave with a community conscience, even when responding to these pressures might not be particularly good for the coop. The Bella Vista coop owned a small plot of land that it planned to use in the future for agricultural experimentation. One day, the community was looking for a site to build a new school, took note of the empty coop site, and pressured the coop to donate the plot to the community. The coop did so grudgingly, feeling it had no other choice. A similar story can be told about El Ceibo, which owned a small truck that it felt obligated to lend to the community school on occasion for free. Though Ceibo had agreed to do this long ago, in return for the donation of a used truck from a donor, the donor had long since departed from the scene and Ceibo would not necessarily have had to continue respecting this obligation. But it felt that

¹The petroleum-purchasing coops of the U.S., which were the most successful of the agricultural purchasing coops there, had the same problem as Litoral and resorted to a similar mechanism to overcome it. Like Litoral, they needed non-members to patronize their services in order to achieve economies of scale. As an incentive, they therefore gave patronage refunds to non-members in the form of credit on a share of stock in the coop. When the credits built up to the value of a share of stock, the non-member became a shareholder with the right to cash refunds (Fite 1965:14). This same tactic was used by the Farmers' Alliance Exchange of Texas (Knapp 1969:64).

it could not deny the truck to the community for this purpose, if it were to behave as a "responsible community institution." Finally, El Ceibo was very proud that its truck had been allowed to carry produce to market in La Paz when farmers had shut down the roads to truckers in protest against increases in transport costs and other national policies. Ceibo felt that its past behavior as a "responsible" community institution--and the fact that it had not "gouged" its truck passengers--had accounted for its being viewed as on the side of the peasants, even though its truck was crossing their strike lines.

In some situations, then, coops feel constrained from behaving in a self-serving or exploitative way in the communities where they operate. Indeed, among the groups studied, financial management problems resulted just as much from excessive concern about the displeasure of members and the community as from excessively self-serving behavior. This could be seen in the reluctance of coop leadership to be rigorous about credit collection; in the difficulty that consumer stores had in not selling on credit, even when it was known that this tended to cause their ruination; and in the fear of raising prices of coop services and goods to near-market levels, even though not to do so would cause losses and even though buyers were already being provided with substantial non-price benefits.

Controlling the leadership

How do we explain the deference to community opinion by coops that were run by an entrenched leadership? Part of the answer lies, again, in the nature of the activity: many of the examples of sensitivity to community perceptions come mainly from the "spillover" activities--trucking, marketing, input and consumer merchandise, sales and agro-processing. In these activities, the coop is dependent on non-members for a large part of its purchases or sales, and the activity and its prices are out in the open. Activities with spillover benefits force a certain community-minded discipline on the coop, in other words, more than do activities that involve only members, like credit or collective production projects. The anti-capitalist rhetoric of coops and their promoters also contributes to community-minded behavior. Though the rhetoric may not always be accurate, and though it sometimes causes coops to make unsound decisions, it provides the community with a solid description of how a "bad business" behaves. The rhetoric, then, gives the community a specific guide as to how to judge the coop's future actions as an enterprise.

A coop's concern about how it looks in the eyes of the community also has to do with social norms about a leader's responsibilities, and the extent to which individual wealth should be shared. Orlove (1982) and others have commented upon the unusual sense of community and degree of work-sharing in the highland communities of Bolivia.

Though none of the studied groups was located in the highlands, three were made up of migrants from those areas (Bella Vista, El Ceibo, and partly CCAM)--who had often resettled as communities, continuing to maintain their traditions in the new homeland. Coops with entrenched leaders and low membership in these kinds of communities may have been less prone to self-interested or exploitative behavior than they would have been in less homogeneous and close-knit social settings.

The location of member coops at the lowest political-administrative level--the community--also contributed to the influence of community norms on coop behavior. The focus of coop organizing efforts on small communities rather than towns might be looked at as overly decentralized; it requires a large investment in forming and servicing each coop, which will have only ten to twenty members. In order to reduce the high cost per organization formed, it would seem to make more sense to create fewer and larger groups at higher administrative levels. But these cross-community organizations would lose the benefit of the close-knit social fabric of the small communities, and the influence that these social norms exert in channeling coop behavior in community-minded directions.

ACLO, the facilitator organization that founded COINCA, was very aware of these advantages of organizing in small communities. It explicitly avoided rural towns as the home for its coops, because experience had shown that the merchants, traders and professionals

of the town elites usually captured coop leadership.¹ The town location would set the stage for a conflict of interest between the leadership elites and peasant farmers--with the farmers wanting the coop to help reduce prices of marketing, transport, and merchandise, and the merchants and traders wanting the opposite. In small communities away from the towns, ACLO believed, non-farmer elites would not be around to take things over; the smallness of the area to be organized, with its greater social and economic homogeneity, would be more conducive to community-wide membership and participation.²

Though the coops of the studied groups were in fact located in communities away from merchant and professional elites, the leadership was still in the hands of better-off farmers and membership was low. ACLO, however, was not completely wrong; though the better-off were just as much in control in the communities as they would have

¹Healy (1982:16-17). Healy cites the case of another peasant association in southern Bolivia--Agrocentral in Chuquisaca--where member coops and their consumer stores were located in towns, and where membership was open to all, resulting in "instant social domination" by town elites (1978:9).

²ACLO's concern and experience is not particularly unique to southern Bolivia. In a study of organized community life in rural Saskatchewan in Canada, Lipset (1971:246-7) stresses the importance of the fact that positions in community organizations were held by farmers, and were closed to members of the urban middle class. He contrasts this to many other rural North American areas, where community institutions serving farmers are controlled by the middle class of the rural towns.

been in the towns--and membership just as limited--the small-community leaders had more interests in common with those of the rest of the community, since all were farmers. Also, the smaller size of the communities would have been more conducive to the perpetuation of traditions of the better-off taking care of those less well-off. The more decentralized location of the base coops, then, made for a greater community of interests between the better-off leadership and the rank-and-file, though not necessarily for a more participatory or all-embracing membership.

Understanding the community-minded forces to which certain coops are subject helps us to describe the coop federations better. The federations, that is, were led by various leaders who were all grounded in community settings that exerted considerable social control over them. The control was exerted through custom, in other words, rather than participation.¹ Needless to say, I am describing this system at its ideal, when coop leaders show community-minded

¹ACLO would describe this community-minded behavior in a different way: it says that the newly enlightened community should act as a unit, and not as a series of individuals, and that therefore the coop leader acts for the community (in principle) in the councils of the federation of member coops. This seems to be even further from reality than the participatory view of what happens, since the coop leader is elected by a membership that is only a small percentage of the community, and therefore in no way represents its interests as a whole. I am saying, in contrast, that though the coop leader has been elected by a minority, which may even have played a passive and clientelistic role in his election, he is sometimes forced by social custom and the structure of the activities taken on by the coop to act in a way that is in harmony with community interests.

as opposed to self-interested or exploitative behavior. That the system can sometimes work this way--without much participation--is attested to by some of the positive results found among the studied groups. The likelihood of the social environment to produce egalitarian results, in sum, is another criterion--more accurate, sometimes, than "participation"--by which donors can make a judgment about the coops and the activities they choose for support.

The Capitalists and the Christians

In looking back on this paper, we can see it as an attempt to explain the persistent and perplexing differences between coop rhetoric and reality: the rhetoric of participation vs. the reality of entrenched leadership, the rhetoric of a coop working for the good of the whole community vs. the reality of the excluded bottom 40%, the "anti-capitalist" rhetoric of the coop vs. the reality of its success (when successful) as a capitalist enterprise. How could such striking differences between rhetoric and reality have come about? Much of this difference can be traced to a strange blend of two ways of thinking about cooperatives. One rests on the North American experience with cooperatives in the 19th and early 20th centuries, and the other harks back to an early Christian vision of cooperative society. This blend is best explained by starting with a story about ACLO and COINCA.

COINCA disappoints ACLO. ACLO, a Bolivian Catholic social-action group that founded COINCA in Tarija, was keenly disappointed over the way COINCA turned out. A cooperative, ACLO says, should be an expression of the community, and not the sum of a particular number of individuals, each out to improve his own lot through cooperative action. In a federation of such coops, each coop delegate is meant to represent the community as a whole, not the group of individuals that comprise the coop, nor the faction that elected this particular leader. Coop activities, in turn, should benefit the whole community, not just some individuals. The distribution of coop profits to members is undesirable, in this view, because it appeals to "selfish individualism" rather than concern for the community.

It is not surprising that ACLO came to spurn its own creation when COINCA later became involved in a coop federation's typical activities--credit to individuals, input purchasing, a winery, and collective production projects--almost all to yield, hopefully, profits for distribution to members. Though ACLO grudgingly commended COINCA's performance with the store and the winery, it at the same time deplored the "capitalist" consciousness that brought this success about; "COINCA cares less about the community," ACLO complained, "than it does about the price of grapes!" It was as if ACLO had wanted COINCA to be successful at a business that benefited

peasants, without having the "capitalist" qualities it takes to make that kind of success--a kind of immaculate capitalist conception.¹

In fairness to ACLO, it should be pointed out that it conceived of COINCA as a second-best approach to organizing peasants under a military regime that did not allow political organization among peasants. Under these conditions, cooperatives were seen as the only form of peasant organization that would be tolerated, given their "innocent" aim of going into business.² With this view of COINCA, it is not surprising that ACLO's greatest disappointment in COINCA concerned the latter's failure to participate formally in the nationwide peasant strikes against the truckers and the government. (Though COINCA did not participate as an organization, many of its leaders and members did as individuals; one of COINCA's principal leaders, moreover, was a major organizer of the strike.) Creating a

¹ACLO's critical attitude about COINCA was held more strongly by its leadership than its staff. Tensions of a similar nature arose between ACLO and the other peasant federations it has created in southern Bolivia. A perhaps more important reason for these tensions is the gulf that eventually develops between many urban "broker" organizations like ACLO and the peasant groups they create, when the latter become strong enough to assert some independence--as discussed in Orlove (1982), and Scurrah & Podestá (1982). The latter discussion of this problem with respect to urban worker-managed enterprises and their broker organizations is remarkably reminiscent of relations between COINCA and ACLO.

²This indirect-organizing view of cooperatives is held not only by ACLO; the IAF also sees its cooperative projects in countries with repressive regimes as the only politically viable form of support to independent peasant organizations.

cooperative federation as a second-best substitute for rural unionism, it would seem, was bound to leave ACLO disappointed on political grounds, no matter how successful COINCA were to become as an enterprise and no matter how much this success was benefiting peasants.

Though ACLO's disappointment with COINCA can be understood in terms of the specifics of the case, its position is common to a general way of thinking in Latin America about cooperatives. Partly because of the influence of the Church in organizing Latin American coops, this way of thinking views the coop as taking the community back to an idealized, pre-capitalist condition, where people lived in harmony and worked collectively. Collective production efforts represent a return to a "natural" state, which had been corrupted by the advent of capitalism and its glorification of individualism.

Even the more reformist expression of the Christian view, which admits to class struggle between peasants and others, usually does not concern itself with differences of class interest within the community where the cooperative is organized--except, perhaps, for the identification of a few "bad" middlemen, whom the rest of the community will be against. There is no room, that is, for differences of interest between landholding peasants, landless workers, tenant farmers or single mothers. A cooperative headed by a peasant landholder, like all those studied, is supposed to be able to orchestrate the harmony of the whole community. ACLO's emphasis

on cooperative education, and its disappointment with COINCA's seeming lack of interest in the subject, was consistent with this view of the harmonious community; it was necessary to indoctrinate people to the value of collective endeavor and the evils of individualism, that is, if they were to undertake community projects to which they would all have to make sacrifices, and from which they would benefit only as a group.

The North American forebears. With U.S. development assistance to Latin America starting in the 1950s, the "Christian" view of cooperatives was put together with a cooperative form based on the North American experience with agricultural and consumer coops in the 19th and early 20th centuries. The organizational form, the concrete goals, and the technical assistance came from the North American experience, while the vision and the rhetoric were fed by the Christian ideal. Therein lies one of the reasons for disappointment with cooperatives that are successful as enterprises. Except for a few cases, the U.S. cooperative movement celebrated individualism, and the possibility of buying into it through collective action. The patronage refund is a good example: according to the Rochdale model, coop stores were supposed to charge market prices, even when the margins of private merchants were high, and return the difference to member-buyers in the form of patronage

refunds (Cerny 1963:205, and Knapp 1957:343). In this way, one would give people a strong (and individualistic) incentive to join the coop, instead of "losing" the social gains in lower prices available to the whole community, members and non-members alike.¹

North American rural cooperatives did not presume to represent any wider interest group but landholding farmers. Farmers comprised a large share of the rural population, of course, but nobody assumed that their interests were in harmony with those of agricultural laborers, tenant farmers, craftsmen or others. The U.S. cooperative movement had no compunctions about declaring the tenant farmer--who represented a large share of poor U.S. farmers in the 19th and 20th centuries--to be completely outside the pale. "Cooperatives grow [only] where freeholders live," it was said, because tenant farmers always need immediate cash, don't have enough to invest in coop facilities, and always are in the danger of having to leave their farms (Miller & Jansen 1957:463).

¹Another important reason for this tenet of the Rochdale model was that price-cutting, it was feared, would provoke paralyzing retaliations by private merchants (Knapp 1969:52, and Cerny 1963:205). The Bolivian coops seemed to take just the opposite approach to this eventuality: they loved the idea of charging lower prices and thereby raising the private merchant's ire.

An interesting exception to the Rochdale rule of high prices and high patronage dividends was the U.S. Farmer's Alliance, which believed in selling goods at cost. The gain in reduced prices, the Alliance argued, could "benefit the whole class, and not simply those who had surplus money to invest in capital stock [i.e., the coop members]...." (Knapp 1969:65-6). The Alliance, in other words, seemed to show a greater social consciousness (though perhaps less political realism) and an interest in providing spillover benefits.

Even among landholding farmers, the North American progenitors of the Latin American coops represented medium and large farmers, while poor farmers were distinctly not included (Lipset 1971:201-205, 276, and Marshall & Godwin 1971:27). The highly successful cooperative movement of Western Canadian wheat farmers in the late 19th and early 20th centuries, for example, did not include the poorer farmers of the region, who were the ethnically and religiously different Roman Catholic immigrants from Eastern Europe (Bennett 1973). The established agricultural coops of the United States South gave little help to coops organized among poorer farmers in the 1960s; they refused membership to black farmers, would not employ blacks, would not sell to the new coops, and would not lend to them through their coop banks (Marshall & Godwin 1971:38).

The North American coops that were organized around marketing and consumer merchandising--the main activities of the Bolivian coops--were in many cases either apolitical or conservative. Though the consumer's coop movement was "anti-monopolist," for example, it was not anti-capitalist; supporters were not interested in working toward changes in the country's economic and social structure (Fite 1965:15, and Bennett & Krueger 1971:351). Though farmers' movements and coops railed against exploitation by outside, usually urban interests--banks, grain brokers, railroads--they were not interested in questions of exploitation within their own

communities (Bennett 1976:2.6). In fact, the importance of these external institutions in mobilizing farmer protest has been said to have prevented the development of a class consciousness within rural North America during this period (Lipset 1971:48-49). Finally, farmers belonging to cooperatives were said to espouse "cooperative-collectivist" principles only when they were in trouble, but would vote "individualist-conservative" as soon as they were out of it (Bennett 1973:215-6). The North American coop movement, in sum, did "not advocate a basic change in capitalistic institutional structure," but sought simply to extend the benefits of capitalism to a larger number of persons (Bennett & Krueger 1971:351).

These descriptions of North American cooperativism seem more like the coops I visited than ACLO's vision of harmonious, all-embracing community institutions. The descriptions are consistent, for example, with El Ceibo's and COINCA's justifications for not formally participating in the peasant strikes against the government and the truckers. We're in business, they said, not politics; we don't want to bring everything down on our heads. Bella Vista's political militance and leadership in the strike, in contrast, brought down a brutal repression and the destruction of its assets-- a graphic example of the fears that lay behind Ceibo's and COINCA's caution. The Bella Vista experience, then, suggests that a coop

enterprise is perhaps a very poor alternative to a peasant union-- and not even a second best.

The North American coops would probably have disappointed the holders of the harmonious, all-embracing vision of communities-- as well as those with hopes that coops could be an instrument of class consciousness. Unlike ACLO, the North American cooperativists did not envision a group "that would represent women, landless peasants, and small-farmer interests"--nor would they have been disappointed, unlike ACLO, at having created an institution that was "more exclusive, with male members having the only voice or voting power" (Michaels 1982a:1). That the North American coops were individualist and comprised of better-off farmers, of course, does not mean that they did not spill benefits over to non-member groups. But it does mean that the North American model on which the Latin American coop is partially based in no way presumed an inherently collective community spirit.

The North American cooperative, then, makes a strange bed-fellow for the Christian vision of a pre-capitalist, collectively-oriented community--as does the more class-conscious or neo-Marxist version of the Christian model. Clearly, the two models can overlap, to the extent that landholding farmers represent an overwhelming proportion of the community, or when spillover benefits are high, or when membership is high. But people will not be interested

in collective production endeavors; the landless, the tenants, and the women will be excluded from coop membership and, sometimes, even exploited; and even among the landholding farmers, the coops will be joined mainly by the better off. Though these outcomes are consistent with North American coop history, they are disappointing and surprising to the holders of the Christian vision.

What does it matter to donors that Catholic action groups are sometimes disappointed about the way Latin American coops turn out? The subject is relevant to us as donors because we ourselves have absorbed the Christian vision of the cooperative, at the same time that we have been giving it the concrete form of the North American model. It is we who are disappointed when the coops we support look like their North American predecessors; we live in dread fear that they will turn out, under close scrutiny, to be dominated by elites. For this reason, it is important to see the difficulty of the fit between our hopeful vision of the coops, and the historical experience from which they are copied. And it is important to understand that farmer opposition to powerful outside interests may be a more powerful mobilizing force for Bolivian coops--as in the North American case--than a perceived harmony of community interests. To the extent that these outside forces are a more significant cause of poverty than internal exploitation, the coop may be a

fairly powerful mechanism for raising incomes community wide. But this uniting against the "outsider" should not be interpreted as a sign that the whole community is being benefited, or that strong socio-economic differentiation does not exist within the community.

Because we want so much for coops to be something that they are not, we tend to ignore the evidence that our coop ideal is not the only way to achieve the kinds of distributional results we want. Under certain conditions, as we have seen, the actions of the "selfish" coops can lead to some of the same community-wide benefits that we thought could emerge only from selfless community action. If our ideal of cooperativism is not the key to why things are working out, moreover, this means that some of the outcomes we desire may be achieved through organizational forms that do not necessarily involve cooperatives. We suggested earlier, for example, that coop federations might train and employ buying agents to operate in some communities where there are no member coops. Or, certain decentralized public-sector operations might sometimes meet our objectives. Even private groups of entrepreneurs--who are too remote from state institutions and town elites to ever get access to state-supplied development goods and services--might be worthy of our support if the projects of these entrepreneurs had the same spillover qualities as those of some of the coop activities described above.

11 - Conclusion

We have seen that coops, if successful, can turn into the very monsters that they are supposed to slay. They may preach the rhetoric of participation and community mindedness, while in truth catering to a small and better-off portion of the population they say they represent. Whether these coops will also engage in activities with high spillover benefits, therefore, will often depend on the characteristics of the task, and the socio-economic environment, and not necessarily on a concern for social impact. Donors can take some of the randomness out of this process by choosing to support the activities that tend to have these more desired impacts.

Identifying the "good" activities and the coops that do them, as seen above, will not be enough. Though the good qualities may seem to inhere in an activity, they will often be present only at certain stages of a coop's history, and only in certain social and economic environments. Donors will therefore have to be alert to changes in the benefit distribution of the activities they finance, and be careful not to accept uncritically the dramatic historic symbolism associated with the starting moments of these activities. Donors should also stand ready to encourage the taking on of tasks which, though "good," may not have been appropriate or feasible at earlier stages of coop history.

It is easy to overlook the opportunities for coops to move into activities with greater social impact because the critics start to get vocal about "capitalistic" and "elitist" behavior, and the supporters get disheartened. In the fray, no one notices that the "capitalistic" operations have set the stage for the new, high spillover activities; and that coop rhetoric about exploitation has become so familiar that the better-off leaders of a coop may be quite interested in undertaking a beneficent activity that helps their image; and that the donor, finally, can have tremendous influence at certain moments by expressing a preference for one activity over another.

Some readers may question the wisdom of encouraging coops to move in directions that make them less like coops. In various ways, however, I have shown how the studied groups already strayed markedly from the principles of cooperativism--particularly with respect to their entrenched leaderships, the dependence on outside financing as opposed to internally-generated capital, the merging of manager and elected director, the contracting of coop directors and other members as paid employees, the lack of patronage refunds, and the tolerance for mismanagement and graft. Thus the achievements that we witnessed in the studied groups were themselves not the result of a faithful application of cooperative principles. If the changes proposed above were to cause coops to diverge from cooperative

principles, then, this should not worry us. We should be disturbed only if the groups we finance do not provide the kinds of benefits and benefit distributions we are looking for.

It is important to remember, in thinking about these questions, why donors chose to support cooperatives in the first place: coops could sometimes do a better job than the state and its large development projects, it was felt, in improving the conditions of the rural poor. In various instances, the studied groups in Bolivia did seem to be the only institutions of significance working with peasant farmers. Since the state was doing almost nothing at all--at least in the Alto Beni--then it was perhaps not that difficult for the coops to fulfill our criterion of "doing more than the state." Whatever the case, our benchmark for judging this performance was the public sector, its goals, and its performance (or lack thereof) in meeting these goals. To the extent that we considered the studied groups successful, it was because they were moving in the direction of these goals, and not because they were particularly faithful examples of cooperativism.

If the studied groups were not cooperatives, then what were they? There is no handy name for what they are, which is probably one reason why they get called cooperatives, and why we tend to measure their performance in terms of cooperativism--or as deviations

from it. It has been the task of this paper to try to come up with a more realistic description of what they are when, indeed, they are achieving our expectations.

Appendix A

The importance of CCAM's reliable and sympathetic equipment-rental service has perhaps been overshadowed by the concern of IAF and others over the generally adverse effects of mechanized farming on soils in the Santa Cruz area. For this reason, IAF would not allow CCAM to use its funds to buy an additional tractor. The CCAM farmers I interviewed, along with some professionals, felt that the alternative of animal traction--proposed by the IAF and others as more sound than tractors in terms of ecological and employment aims--was not economic for small farmers in the Santa Cruz area, given the difficulty and cost of using draught animals in a tropical and wet environment. The farmers' position, it would seem, was supported by the fact that animal traction was nowhere to be found in the lowland Santa Cruz region (except for a Mennonite colony) even though it was common in highland Bolivia, where many of Santa Cruz's peasant farmers had migrated from.

The traditional shifting agriculture of Santa Cruz peasants has not evolved into more intensive stable cultivation partly because of the perpetual availability of nearby virgin forest. Mechanization is the only existing "next step" for peasant farmers who want to stop moving.¹ This suggests that there may be little choice for

¹Excellent sources on this problem are Wennergren & Whitaker (1975), Boyd & Wennergren (1975), and Maxwell (1980).

the IAF and others between supporting the move to mechanized agriculture, desired by peasants themselves--and supporting the traditional system in which opportunities for improvement are little, and the perpetual moving of community inhabitants in search of new land would make coop organization difficult.

The soil-exhausting problems of mechanization, which are of such concern to the IAF and others, may have been leading to their own solution--at least among the recently mechanized CCAM farmers. They expressed considerable sensitivity to the needs to alternate their crops with nutrient-supplying rotations, forced to as they have been by declining yields. Small farmers, in fact, may respond more rapidly to this problem because, unlike large farmers, they do not have the capital to start all over again elsewhere, when yields decline. Yet our concern about the adverse ecological impact of mechanization has been based on what happens when it is in the hands of the large farmers, not the small ones.

When the IAF is approached with a proposal to finance a CCAM-type tractor service in an area where everyone is mechanizing and many peasant farmers want to but cannot--because of their lack of access to equipment services--the decision is not an obvious one. One possible solution could be for the IAF to finance the tractor and tie the grant to complementary coop activities that would facilitate the adoption of soil-protecting practices.

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