



Uruguay

CAF-Uruguay: cooperatives discover their role in innovation

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ESFIM supports the Cooperativas Agrarias Federadas, CAF (Federation of Agricultural Cooperatives), which has a constituency of 33 organisations including approximately 12,500 family farms (Agriterra-CAF 2008). CAF is a second-tier cooperative. The member organisations are cooperatives or associations (sociedades de fomento rural) that are involved in collective marketing.

Some of the members of CAF, especially the dairy cooperative Cooperativa Nacional de Productores de Leche (CONAPROLE) and the wool cooperative Central Lanera Uruguaya (CLU), are among the strongest industries in Uruguay. A large part of the membership, however, consists of relatively small players

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in comparison to the very strong multinational companies that increasingly offer similar services. The strong cooperatives support CAF chiefly as an instrument to obtain favourable agricultural policies, whereas the smaller members also look to CAF for support on organisational issues. The vision statement of CAF emphasises the importance of this representative function:

“To position CAF as a respected and well-networked organisation of the agricultural sector that genuinely represents the vigorous cooperative enterprises and that is the specialised, sector specific voice of its member agricultural cooperatives, for the construction of competitive growth with equity and social responsibility.” (CAF 2006)

In the last decade, the cooperative sector in Uruguay has faced profound changes. Uruguay experienced an economic crisis in 1998-2002. This was mainly the result of the Argentine monetary policies, which had linked the exchange rate of the peso to the US dollar and, in 2001, forced by a sovereign debt crisis, decided to re-float the currency and introduce restrictions on monetary flow. This abrupt change in the monetary policy context affected the banking system and disrupted much economic activity, leading to declining purchasing power in Argentina and Uruguay. Household incomes decreased by 20 per cent in this period and poverty figures rose, although still remaining relatively low compared to other South American countries. The cooperative sector barely survived this crisis. Many cooperatives could only remain in business with the support of the government and the state development bank, Banco de la República Occidental de Uruguay (BROU). CAF played a key role in coordinating the sector’s negotiations with the government to obtain support post-crisis, such as in resolving debts. A major support measure took place in 2004, when the state enterprise that managed the national grain storage system transferred their facilities to the cooperative sector, thereby strengthening the patrimony of these cooperatives. In 2005, many of the cooperatives that started to manage these storage facilities became a part of COPAGRAN, a merger of eleven cooperatives. This organisation started out heavily indebted but has managed to become solvent again by offering its storage facilities to farmers profiting from booming soya prices and a solid growth in acreage.

From 2007 onwards, all agricultural commodity prices improved, not only soya, and this generated a boom in agricultural investments and economic activities. The market for cooperative services for agricultural inputs and seeds grew very quickly. Many transnational companies entered the market and competed with the cooperative sector but left enough room in the market for the latter to grow, attract loans for investment in infrastructure and extend their service provisioning. The dairy sector, with CONAPROLE as the leading company, has increased production and developed an impressively wide range of consumer goods.

Advocacy challenge

The success of its members backfired on CAF, which entered into an identity crisis because the cooperatives managed very well alone and needed little help from CAF. Furthermore, CAF's funding needed to be reinvented. In the period between 2004 and 2009, approximately 50 per cent of CAF's income was generated from membership contributions and another 50 per cent from international donors, especially Agriterra and the Swedish Cooperative Council (SCC) (Agriterra-CAF 2006). A large part of the technical team of CAF was hired with funding from development cooperation, to carry out activities on organisational reinforcement and to develop a youth programme. In 2010, the reduction of funding and the unwillingness of the cooperatives to pay for these 'non-core' services with member contributions, generated a reduction in personnel. The retirement of the director (*gerente*) after more than 25 years, caused a deterioration of the institutional memory as well as the contacts and networks within the government. Gaston Rico had been director of CAF from its foundation in 1984, and had been the central figure in CAF's advocacy work. After his retirement, the board and the newly-appointed director had initial difficulties in replacing him. The new director appointed in August 2010, faced with necessary budget cuts, started a process to change the function of CAF as a 'public good' service-provider to an organisation that was more instrumental for the different advocacy activities of each of its members. However, paradoxically, this proved difficult due to the cooperatives' reduced interest in collective action. The cooperatives no longer needed the active CAF lobby to get (emergency) government support. Another replacement of the executive director in August 2011 aggravated this process. The new, young director was left with a very limited support staff, few contacts within the government and fewer demands from the members, resulting in few possibilities for specific advocacy activities or organisational support. The institutional crisis in CAF ended in July-August 2012, when, partly as a result of ESFIM, the new staff at CAF managed to re-position CAF as a leading agricultural union with influence in government policy making.

Collaborative research process

The main problems related to market access were discussed in a national workshop in March 2009. The results of a preparatory study commissioned by CAF and AGRINATURA and conducted by the consultant Santiago Cayota and CAF-officer Lourdes Pose played a key role in this workshop. These consultants discussed the current dynamics and major challenges related to competitiveness and growth with specialists from each agricultural sector. The role of the cooperative in each of the sectors was described and illustrated with available data. Based on a review of the various commodities, a preliminary list of thirteen main constraints was identified and discussed in the workshop. These constraints were ranked in importance for each of the twelve sectors.

The participatory methodology for the workshop was developed by the AGRINATURA researcher Giel Ton together with CAF-officer Lourdes Ponce. The preliminary list of key constraints served as the major input to distil focal areas for ESFIM research support. The key constraints were discussed in small groups and elaborated during the first day, and prioritised and translated into advocacy activities on day two of the workshop. In the action plan, both necessary internal actions (by CAF and its members) and external actions (by the government) were specified.

This participatory process led to an ESFIM Country Plan being drawn up in 2009 that concentrated on three issues:

- Financing, internal capitalisation of patrimony and member commitment to cooperatives
- Risk management and agricultural risk insurance
- Capacity building for board members and strategic organisational development

In December 2009, a second national workshop was organised around the first of these three issues. Examples of good practice in institutional arrangements and internal organisation that resolved constraints on capitalisation were taken from within the cooperative sector and CAF. Among these were CONAPROLE's member certificates and the resurgence of *Cooperativa Ruralista Agraria del Departamento de Colonia (CRADECO)* which was based on contributions of a select group of members that decided to invest in the cooperative to preclude bankruptcy. Members' commitment was also illustrated using the example of the *Unión Rural de Flores*, which had a strategy to distinguish services for members and non-members. The participants discussed in small groups the viability of these kinds of instruments to resolve similar problems in their own cooperatives. The ESFIM country plan included a follow-up component of in-depth case-studies to apply the analytical framework developed under the comparative research project 'Incentive Structures in Collective Marketing'.

Alongside the national workshop in December 2009, research had been done on the position of cooperatives compared to other institutions that link smallholders to markets and that directly compete with cooperatives in service-provision to farmers, especially contract farming for agribusinesses. The research focused on the loyalty of the members to their cooperatives. A random sample of nine cooperatives was selected for this research, which used two methods, a telephone survey to a random sample of members from each cooperative and visits with board members to discuss the issues. One of the topics that were included in the study was members' perspectives towards a peculiar phenomenon in Uruguay: when lending money, banks require collateral to be provided by the board members personally. Because of this, board members are discouraged from engaging in dynamic business strategies. Interestingly, the members interviewed also pointed to the positive side of this system, in that it prevents board members from making risky decisions. The study evaluated the social and economic performance of Uruguayan cooperatives by mapping differences between cooperatives and their members in their perceptions on the performance of the cooperative's service provisioning and internal governance. The data from this survey was subjected to econometric analysis by Sabrina Samson (WUR), between March and July 2010. Through Principal Component analysis, two social performance indicators were distilled from the questionnaire and compared with three economic performance indicators: return on equity, turnover per member and leverage of external capital.

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Advocacy outcomes

The ESFIM Country Plan that proposed to further the research on organisational intelligence in the cooperatives was not implemented, due to the changes in CAF that we discussed above. CAF proposed to reformulate the ESFIM country plan and, instead of case-studies, to focus on the Innovation Policy that forms the backbone of Uruguay’s support to private sector development. The relevance of this theme was based on the rapid development and growth in the Uruguayan agricultural sector. Agriculture is booming, primarily as a result of the activities of the corporate sector (mostly international companies), which are able to generate funds for investments and to attract highly-skilled personnel. This results in a high density of technological innovations and high levels of specialisation. Economies of scale result in high productivity.

Uruguayan economic policies have innovation as their core objective. The National Agency on Research and Innovation (ANII) is an inter-ministerial agency created in 2007, which commissioned a study on innovation in agriculture in 2010. Because of the relevance of this theme for CAF, it decided to complement the ANII-research with its own, ESFIM-supported research to provide a perspective on innovation in the cooperative sector. CAF’s study highlighted the importance of social capital in the agricultural sector and the relevance of institutions such as cooperatives and CAF itself in innovation, and identified points for improving the enabling environment for innovation within the cooperative sector.

The board of CAF hired the senior consultants in July 2011. The team was composed of two researchers, Lucia Pittaluga and Carina Narbondo, who undertook a range of interviews with the key persons in Uruguay’s innovation system. The team was assisted by advisors from CAF and ANII/INIAA. In September, the consultants developed the conceptual framework for the study and discussed it with the AGRINATURA researcher in three teleconferences. The resulting framework was then discussed with the CAF board. It explained the important concepts in the dialogue surrounding innovation processes, and made the cooperatives cornerstones of innovation networks.

In November 2011 CAF hired three more sector experts to conduct research on the innovation obstacles affecting cooperatives in three areas: agriculture, dairy, and livestock. Each sector has particular characteristics in terms of relative competitiveness of cooperatives and logistical challenges in each of the value chains. The sector reports identified the main issues related to innovation, examples of successful innovative practices and pointed out advocacy topics related to innovation policies and instruments. Preliminary results were discussed by the consultants in the CAF office, in the presence of two AGRINATURA researchers in June 2012. The research underlying the sector reports had made CAF-staff and the cooperatives aware of the concept of innovation and the value of their practices in innovation processes. As a result, innovation became prominent in CAF’s public relation activities. The case-descriptions of innovation processes provided material for several presentations at the Foro Cooperativo Agropecuario CAF 2012, in August 2012 including: the partnership called ‘Grupo Trigo’ created between the cooperatives and the research institute INIA, designed to fast-track the testing and release of new seed varieties; and the novel agreements made between sorghum contract farming and animal feed procurement by different echelons of members within the cooperative (Cooperativa Agraria Limitada de Aigua - CALAI). This Forum was organised inside the Parliament and aimed to reposition the cooperative sector in Uruguayan policy making. The Forum gathered 160 participants for six hours of conferences, including cooperative leaders, ministers, parliamentarians and researchers. It was a landmark event for CAF, reflecting an increasing openness on the part of the ministry. CAF’s small professional



team obtained much support and funding from within the Parliament and ministries to cover expenses. ESFIM funds provided a fallback option that proved unnecessary, and these funds were redirected to support a second event in October 2012.

The second event at which the ESFIM research on innovation policy was discussed at a workshop held on 5-6 October 2012. Although the lead consultants did not manage to present a report to the workshop, the three sector consultants drafted a common summary document. The research results were also presented by José Bervejillo, one of the experts, in a break-out session of the Global Conference on Agricultural Research and Development (GCARD 2012) on 30 October 2012 in Punta del Este. This event presented a valuable networking and advocacy opportunity for CAF, with high-level participation of INIA, as well as the presence of President José Mujica and the Uruguayan chair of the CGIAR, Carlos Perez de Castillo. On 31 October, 2012, the AGRINATURA researcher and CAF discussed the delay incurred by the researchers in presenting actionable points related to innovation processes and innovation policies in agriculture. It proved difficult for the researchers to apply their concepts on innovation systems to the concrete realities of cooperatives. Based on the feedback from these discussions, the consultants finished their work. CAF went ahead with the preparation of a final report, incorporating most of the sector reports, and the additional, more conceptual ideas in the overall study. A book, titled “Innovaciones en las Cooperativas Agrarias Federadas” has been edited and printed on the role of cooperatives in innovation policies in May 2013 (Bervejillo et al, 2013)

Partnership

Several teleconferences concerning the start of ESFIM and plans for a workshop took place between CAF and the AGRINATURA researcher preceding the kick-off meeting in March 2009. ESFIM research activities on the research priorities identified started in September, with the pilot testing of a survey on the motivation of farmers to either be active members of cooperatives or choose private market outlets. Formal approval of the 2009 ESFIM budget for operational costs was reached with Agriterra in November 2009, but only one quarter of the required budget was allocated. This funding was sufficient to finance the CAF policy officer and to organise the national workshop. The funds for subsequent ESFIM collaborative research in 2010, however, were not secured from EL&I-DGIS until late 2010.

The change in focus of the ESFIM-Uruguay country plan, from case studies on ‘member loyalty and capitalisation’ to ‘innovation policies and innovation processes’, was a conscious decision of the CAF director and board. The AGRINATURA researcher accepted these changes, but only after several teleconferences. The main concern of the researcher leader was to obtain actionable research outputs for CAF. The main consultants’ report was abstract and conceptual. The AGRINATURA researcher stressed the inclusion of recommendations for enabling policies and documentation of illustrative cases, next to the proposed general survey to all cooperatives on aspects related with innovation. In June 2012, this necessity of ‘touching ground’ was further discussed by both the senior and supporting AGRINATURA staff members with CAF and the hired consultants. It was decided to plan regional meetings to evaluate the findings in the relevant sector documents and then develop a two-track process: firstly would be the presentation of recommendations and project proposals at a Forum with parliamentarians in August 2012; and secondly, a synthesis report on innovation processes would be presented by the senior consultants at the CAF Annual meeting in October 2012. The delay in delivering actionable outputs was discussed on 31 October, and a final report was presented in December 2012. The final publication of results were presented by CAF in a national event in July 2013.

Lessons learnt

- Staff changes affect collaboration. The work in Uruguay proved that personal relationships are essential for fostering research partnerships. Initial teleconferences and face-to-face interaction during December 2008-March 2009 created a smooth working and communication channel that was followed by a sequence of high-quality research activities. The change of the CAF policy officer Lourdes Pose in January 2010, coupled with the lack of funding for collaborative research in the same year and affected by the retirement of the director in August 2010 changed this panorama. It took more than one year to get on track again with ESFIM research-plus-advocacy.
- Advocacy moments provide the needed deadlines for consultants. The consultancy on innovation policy took a long time; much longer than planned. A relatively large part of the funding was dedicated to the external consultants and almost nothing for co-funding CAF-staff. As a result, a situation was created in which the supervision and pressure on the consultants to deliver actionable results was reduced. The setting of dates for high-level advocacy events made it necessary to generate research outputs. This revealed where the delays in the research were occurring, and made it clear that these had to be tackled by CAF in order to get actionable outputs.
- Backstopping helped to keep up momentum. CAF liked the role played by both AGRINATURA researchers in backstopping the research. They were especially pleased with the field visits with Henri Hocdé, which helped them to see the benefits of the research, and the face-to-face meetings between Giel Ton and the researcher leaders to help shape and finalise the research assignment.
- External perspectives triggered internal learning. AGRINATURA support was especially valued by CAF for making it possible to look at salient features and experiences common in the respective cooperatives, but that were novel for other cooperatives and other stakeholders involved in agricultural innovation. The technique of drawing a visual map of innovation processes in cooperatives after each case-study visit, proved effective in starting discussions with the CAF board and preparing presentations for external audiences. The interviews also provided the new director of CAF with an entry into the history and dynamics in a sector that he barely knew. It became clear that staff in national offices often have little opportunity to learn about the inner economic workings of their member organisations. Visits with outsiders can provide these insights, and can open doors to other stakeholders (government, etc.) that otherwise would have been kept closed to them.

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