

The role of producer organisations in the process of developing an integrated supply chain; experiences from Quinoa chain development in Bolivia

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Abstract

Producers in developing countries are increasingly becoming integrated in international supply chains. As individual producers are too small to make the connection with (international) consumer markets, collecting and marketing of farm products as well as bargaining with domestic and international customers is done by collective producer organisations (POs). By exploiting economies of scale and reducing transaction costs, POs improve the efficiency and efficacy of agrifood supply chains. In developing countries, the process of supply chain development is often facilitated by state agencies and international development NGOs. These facilitators, however, do not always appreciate the role of the PO in the supply chain, as they do not reckon with the special characteristics of a PO. Being an organisation that bases its efficiency on social relations, and having both an economic and an interest representation function, a PO should not be treated as just another commercial chain participant. This paper presents a case study of a chain development process for quinoa in Bolivia, showing how chain facilitators struggle with the special features of POs. The paper suggests that externally facilitated chain development processes will be more successful when the special features of a PO are taken into account.

Key words: producer organisation, co-operative, rural development, collective action

1. Introduction

Producer organisations (POs) are an important instrument for rural development, in their ability to support both economic development and social cohesion. They can also play a major role in national and international agrifood supply chains, as they are an intermediary between often a large number of individual farming households and a relative small number of customers (or suppliers). POs have several economic functions, such as collecting, processing and marketing agricultural products, implementing quality assurance programs, and giving advise and training to their members. By exploiting economies of scale and scope as well as by reducing transaction costs, POs can improve the efficiency and efficacy of agrifood supply chains (Rondot and Collion, 2001). Collective action of producers is often necessary to improve farm gate prices by reducing logistic inefficiencies, reducing transaction costs along the chain, and strengthening producer bargaining power. Initial access to premium price markets, like export markets or national supermarkets, requires a threshold number of producers to pool production and create sufficient volume to meet logistic and transport costs. In addition, producers have to meet the quality requirements of these premium markets. The horizontal and vertical coordination required can be obtained by various forms of chain organisation, such as pre-financed contract agriculture, the establishment of a network of buying agents, or self-organisation of producers in a producer organisation. The necessity to

organize producers in supply chains has led to increasing attention to formal and informal organisational formats of POs in chains, and to analyses of the performance of existing POs in new and emerging supply chain dynamics (Reardon et al., 2004; Hendrikse and Bijman, 2002; Chirwa et al., 2005; Daviron and Gibbon, 2002).

In developing countries, the process of developing an integrated supply chain is often facilitated by actors not directly participating in the chain. Governmental agencies, domestic and foreign development NGOs and large international (donor) organisations often develop and execute programs to assist producers and POs in setting up vertical coordination systems with traders, processors and retailers. However, these externally supported multi-stakeholder programs may not always account for the autonomous goals and ambitions of the PO. External facilitators often look at the development of an integrated supply chain from a 'technical' point of view. The large body of literature on vertical coordination (e.g., Royer and Rogers, 1998), international agrifood chains, and Supply Chain Management (e.g., Lambert and Cooper, 2000) that has been built up over the last two decades, has strongly influenced public and private views on how to develop an efficient supply chain. Most of this literature has a normative character, prescribing the integration of formerly independent processes in order to gain efficiencies in logistics, information exchange and quality control.

Most producer organisations are not only economic organisations; they also have social and political functions. The efficient functioning of a PO is typically obtained by social mechanisms like trust, reputation and collective sanctions. This social network character of a PO, together with its voluntary membership and relative democratic control, makes it into an organisation where the management cannot afford to take autocratic decision and just enforce these on the membership.

This paper will first describe the essence of a PO, and the global changes in the political and economic environment that POs have encountered in the last decades. Then, we will turn to our case study on quinoa chain development in Bolivia, to describe and analyse the participation of POs in an externally supported chain development process. The case is about quinoa, a crop grown in the highlands of Bolivia. Coordinated government supports to improve the quinoa supply chain has started in 2001. The case describes the way in which the insufficient account for the special social and political characteristics of the PO affected the multi-stakeholder process of quinoa chain development and led to contradictions between the chain participants.

2. Producer organisations and its multiple functions

Different types of rural producer organisations have been distinguished based on different criteria like the type of farm that the members hold and the function that the organisation has for its members. Another useful distinction can be made between community-based organisations on the one hand and commodity based organisations on the other hand. Community based associations, sometimes called self-help groups, are built around customary principles and ideas of promoting and protecting individual as well as collective well-being. These POs use combine economic, social and political functions, and represent the wider interests of the community in which they are based. Commodity based organisations, like marketing co-operatives, primarily concentrate more on their economic function. This function usually is the marketing (and processing) of products generated by the members' farms. Sometime a PO is established to support the production and marketing of one single cash crop (like the so called single-purpose co-operatives). Often, however, the PO mirrors

the diversified farming systems of its members, taking care of marketing (and processing) of the different products coming from the members' farms and provides a number of different services to their members, from the supply of inputs to the marketing and processing of farm products, (like the so called multi-purpose co-operatives).

These PO structure a specific business model within a supply chain, and they have roles and interests that are qualitatively different than the sum of individual interests of their members. It has other interests than individual smallholders. Not the farm gate price is the prime concern, but the margin on commercialisation of production. Profit is not their prime objective; instead they look foremost to ways to maximize the turnover of products from their members. Generating profit (or surplus) on economic activities is however a necessity as they struggle to meet ends as a intermediary enterprise: pay staff; pay organisational expenses of member consultations; pay taxes; etc. Their commercial activities are mostly realized in straight competition with private actors in the chain (middlemen).

In most developing countries even the single-purpose marketing co-operatives combine social, economic and political functions. The political function contains interest representation vis-à-vis local, region and central government. Where in most developed countries there is a clear distinction between the role of the farmer union - interest representation in the political arena - and the role of the co-operative - strengthening the economic position of the farmers by joint bargaining and marketing - these roles are usually combined in POs in developing countries.

The social character of a PO actually manifests itself in two ways. On the one hand, the PO has a social function within the area from which it draws its members. On the other hand, the PO itself is a social community or social network, where social processes regulate the relationships among members and between members and PO management. Formal institutions, like democratic decision-making and member control, can only be effective if complemented by informal institutions such as norms, trust and collective sanctions. For democratic decision-making and for effective and efficient member control, member commitment is indispensable. Commitment, particularly over a longer period, cannot be based only on the short term economic performance of the PO (as economic performance may vary over time). Commitment is a social process, determined by such factors as mutual solidarity, communication, and ideology.

This second element of any PO is clearly illustrated by the character of one particular type of PO, the co-operative. The International Co-operative Alliance (ICA) defines a co-operative as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (Birchall, 1997: 65). In other words, a co-operative is both an association and an enterprise. It is in the association where the social processes of commitment and solidarity take place, and it is in the enterprise where the economic benefits for the members are gained. This dual character of the co-operative has long been acknowledged (see Draheim, 1955; Van Dooren, 1982), however, the recent emphasis on the economic function of the PO/co-operative may lead to a disregard of the social processes needed for good functioning.

One of the ICA principles¹ refers to the autonomy and independence of the co-operative: “Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by the members and maintain their co-operative autonomy” (Birchall, 1997: 68). This principle is particularly relevant for POs receiving support from outside parties, such as the state and/or (foreign) NGOs. Any type of external aid to the PO carries the possibility of having to compromise its autonomy.

3. Changing policies and changing markets

The potential of POs to provide economic benefits to its members is partly determined by the economic and political environment in which the organisation operates. Two major elements of this external environment are market conditions and public policies. In recent years, the scales of importance between these two has tilted towards market conditions. Global trends in liberalization of policies and markets has led to increasing competition for all producers, whether in developed or developing countries. As farmers in developing countries are increasingly linked to world markets or at least no longer protected from global competition, POs have a function in supporting their members in developing niche markets or in strengthening their bargaining position vis-à-vis large, often foreign-owned, processors and retailers. POs face the challenge of reconciling the demands of (international) agrifood supply chains with the interests of their members. Many scholars indicate that smallholders, to remain part of the global food economy, will need to link with new and more complex ways of marketing their produce: traditional spot markets are increasingly internationalised or replaced by more complex retail mechanisms (Reardon et al., 2004).

Developing countries have a long history of strong government role in the development of POs (Van Dooren, 1982). POs have been used as an instrument for state development policies in many countries. As such, they have been established top-down, even in situations where potential ‘members’ were not interested in establishing a PO. Sometimes, POs were more like governmental agencies than autonomous membership organisations. POs have also been used to politically control particular groups or communities. In these POs, membership was not voluntary and control was not really in the hands of the members.

However, with increasing political and economic liberalization, this role of the state is being reduced or at least changed. Structural adjustment policies, often imposed by international lending organisations such as the World Bank and IMF, have induced a profound change in the way governments deal with POs. These changes posed both threats and opportunities of the PO. Formerly, because agricultural POs in many developing countries were strongly patronized by the state and used as a vehicle for attaining development goals, they were functioning in a protected environment. This meant on the one hand that they were granted monopolies, guaranteed prices, tax exemptions, financial assistance and support services, and on the other that they were subject to overbearing state influence and control so that they never became autonomous organisations (ILO, 1995). Structural adjustment affected a lot of these co-operatives, as they had become dependant for their survival on these support policies. As such the deregulation of trade, fiscal and monetary reforms, and currency devaluation led in many countries to a profound crisis in the co-operative sector. However, new opportunities appeared for co-operatives to transform themselves in ‘real co-operatives’, according to the

¹ For these principles, see www.coop.org

ICA principles, that is voluntary, democratic member controlled organisations. The opportunities also lie in the new co-operative legislation that many countries have enacted, emphasising the co-operative as a private self-help organisation belonging to their members, rather than as state-controlled distribution channels.

The changing role of the state in most national economies, from intervention to regulation, implies that POs that were used to operate in a protected environment are now being exposed to the competitive forces of the world market. Over the last decades, agricultural producers and their organisations in developing countries have experienced a number of changes in their economic environment, posing both threats and opportunities for the sustainability of individual farms and collective organisations. These changes in agrifood markets are related to the more general trend of globalization (Reardon and Barrett, 2000). Growth in downstream components of the agrifood channel and multinationalisation have set off significant changes in the agrifood system organisation and institutions in developing countries. The most prominent changes include the development of more vertical coordination in supply chains, the rise of contractual exchange in place of spot markets, and increased attention paid to product quality and safety. Markets for agrifood products are becoming less commodity- or producer-driven and more customer-oriented or even buyer-driven (Gereffi et al., 2005). Producers are thus required to deliver a specific product, at a specific quality at a specific place and time. In other words, marketing channels are turning into supply chains. In order to obtain the necessary vertical coordination among (potential) chain participants, many public and private development agencies have established support programs to facilitate the integration of small producers into (international) supply chains.

4. The Bolivia Quinoa Supply Chain Development Process

4.1 Bolivia and agricultural competitiveness

From 1999 on supply chain development appeared as the new paradigm for agricultural development in Bolivia, substituting former agricultural policy frameworks. It has been introduced in the Rural and Agricultural Policy under the Banzer Government (MAGDER, 1999) and further developed in the National Rural and Agricultural Strategy of the Mesa Government (MACA, 2004). Earlier policies focussed on production and productive infrastructure, while the new policy has a more integral orientation on developing markets for Bolivian products. This reorientation was motivated by the decline in competitiveness of Bolivian exports in national and international markets. After the 1985 structural adjustment package and the strengthening of regional integration (MERCOSUR), from 1995 onwards, Bolivia's traditional crops increasingly compete with cheap imports, especially in the urban markets. Domestic agricultural production has become less important in meeting urban food demand. Especially the hilly Andean region is losing its former importance as breadbasket for cities and mining industry (Perez, 2003). However, in the last 30 years the rural population in Bolivia did only decrease in proportional terms, but not in absolute numbers (INE, 2002), and agricultural production still remains an important household strategy for securing livelihood needs in rural areas in a context of household pluri-activity (Zoomers, 1999).

In the globalizing interlinked agricultural markets Bolivian producers face growing competition. Instead of relying on spot markets and national agro-industry as the 'natural' market for their produce, they have to meet quality requirements and efficiencies 'intrinsic to' products imported from countries with more efficient production systems. A study on price formation in import supplied agri-chains and domestic production supplied agri-chains

revealed important logistic advantages for import-supplied consumer markets (Prudencio and Ton, 2004). Urban spot market prices are roughly equal for imported or domestically produced food. The higher inefficiencies in domestic intermediary commerce increased transaction costs in the chain and resulted in relative low farm gate prices for Bolivian producers. The producers look for a variety of ways to survive this increasing competition. An important instrument for them is forming economic organisations. These PO are increasingly visible and influential in developing agricultural policies in Bolivia

4.2 Bolivian Producer Organisations

Bolivia counts a large number of economic producer organisations, called *Organizaciones Economicas Campesinas* (OECAs). Ramos (2002) found a total number of 635 organisations spread over entire Bolivia. This broad network of organisations constitute part of the “social capital” supportive for economic development and poverty alleviation (Grootaert and Narayan, 2004; de Janvry and Sadoulet, 2005). The existing network of POs and the embodied organisational experience is considered an important resource for rural development in the Andes region (Bebbington, 1999; Bebbington and Carroll, 2000; Muñoz et al., 2004).

Some of these POs collectively market unprocessed farm output, but many try to realize value added by some form of processing, local branding or targeting premium-price export markets. In 1992, several POs constructed a national platform of organisations having the same ‘identity’: the National Coordination for Economic Organisations of Peasants – CIOEC. In 2000 CIOEC presented a policy agenda (CIOEC, 2000) during the PRSP National Dialogue, National Dialogue 2000, a nation wide consultation on the use of resources that had come available through debt relief for highly indebted poor countries (HIPC). In that document CIOEC presented the following self-definition of the newly emerging sector:

“The OECAs are a cluster of organisations with differing legal modalities: co-operatives, associations and communal enterprises. We have the characteristic to be a peasant organisation, as we are indigenous and locally rooted small holders. We have the characteristic of being economic, as we get value added through taking position in the market and increasing production and income in rural areas. And finally, we have the characteristic of being organized through our associated activities.” (CIOEC, 2000)

Many of these PO constitute second level federated structures, like a regional ‘*central de cooperativas*’ or a regional or national association of producers. While some of its economic functions are centred on the grass-root structure, where individual producer pool production and organize services like R&D and credit, the processing and exporting stage is usually prime concern for the federation.

4.3 Bolivian System of Productivity and Competitiveness

In order to develop ideas and instruments to strengthen agricultural competitiveness, the Bolivian government set up the Bolivian System of Productivity and Competitiveness (SBPC). The SBPC, which started operations in 2000, uses a product oriented chain development approach largely derived from Colombian experiences, concentrating government resources on those products where Bolivia has competitive advantage and market potential in international markets (MIDE, 2002). During 2001, SBPC selected an initial number of 14 promising supply chains. Research was motivated by the Andean

Competitiveness Program, a joint effort of the *Corporación Andina de Fomento* and Harvard University to identify and develop competitive clusters, using the cluster theory developed Michael Porter (1985, 1998). Two of these clusters were selected for pilot projects: the oleaginous sector (soy beans, sunflower) in the Amazon Basin around Santa Cruz de la Sierra (in the east of Bolivia; see Figure 1) and the quinoa sector in the Highlands area (in the West).



Figure 1. Map of Bolivia (www.sitesatlas.com)

The SBPC development process of a supply chain consists of four stages (MIDE, 2002):

- (1) Identification and mapping of the supply chain;
- (2) Organisational development and institutionalisation;
- (3) Elaboration and enactment of a public-private multi-stakeholder agreement called the 'Bolivian Agreement on Competitiveness' (ABC); and
- (4) Implementation and monitoring the ABC.

Once the process has reached the fourth stage, SBPC considers that the supply chain actors will continue the project cycle of adjusting strategies and actions by monitoring and evaluating ongoing activities, and will have established a collective organisation that will negotiate directly with governmental and non-governmental agencies for appropriate chain support measures.

4.4 Quinoa production and trade

Quinoa (*Chenopodium quinoa W.*) is a cereal grown on high altitude in the South American Andes almost exclusively produced by thousands of small producers. An estimated 16.900 households are engaged in quinoa production, grouping an estimated population of 84.500 persons (CIOEC-Quinoa, 2000). Bolivia accounts for 46% of total quinoa production, followed by Peru with 42% (Brenes et al., 2001a). As it can only grow in specific geographic and climatic conditions, quinoa production is relatively sheltered from international competition. Most Bolivian exports are informal and non-registered with destination Peru, while registered formal exports go to the USA and Europe. Table 1 present some figures on production and destination of quinoa produced in Bolivia. From 1985 demand for quinoa in developed country markets increased sharply, as did the export from the Andean countries. Bolivia is the country with the largest export to the North, while Peru is the largest consumer market (Jacobsen, 2003).

Table 1. Bolivian quinoa production and destination (2000)]

FARM OUTPUT	metric tons	%
Total production	21851	100
On farm consumption	14233	65
Marketed surplus	7618	35
MARKET DESTINATIONS	metric tons	%
Marketed surplus	7618	100
Registered exports	1534	20
Estimated Non-registered exports	2800	37
Domestic market	3284	43

Source: Brenes et al. (2001a)

Detailed data on quinoa exports compiled by Laguna (2005) indicate that in 2004 an estimated 35% of Bolivian registered quinoa exports are realized by two producer organisations, ANAPQUI and CECAOT. The remaining exports are handled by a dozen privately owned exporting companies. Both producer organisations group a total of three thousand quinoa producing households (CIOEC-Quinoa, 2000). Market shares for the producer organisations have fallen, but export volumes continue to rise after a serious set back in the 2000-2002 period. ANAPQUI is the National Association of Quinoa Producers, established in 1983 with its area of influence predominantly in the departments Oruro and La Paz. ANAPQUI is a federation of 7 local quinoa associations along Bolivia's immense Highland salt lake *Salar de Uyuni*. CECAOT is the Central of Agricultural Co-operatives Operation Earth, established in 1974 with activities concentrated in Potosí. It groups 13 local co-operatives in the Nor Lipez Province. Both organisations have received support from external donors and have developed their commercial relations to a large extent supported on Fair Trade niche market price premiums, and the development of certified organic quinoa supply chain. Both organisations participate in the national coordination of economic peasant organisations (CIOEC-Bolivia) and in the national platform on organic agriculture (AOPEB).

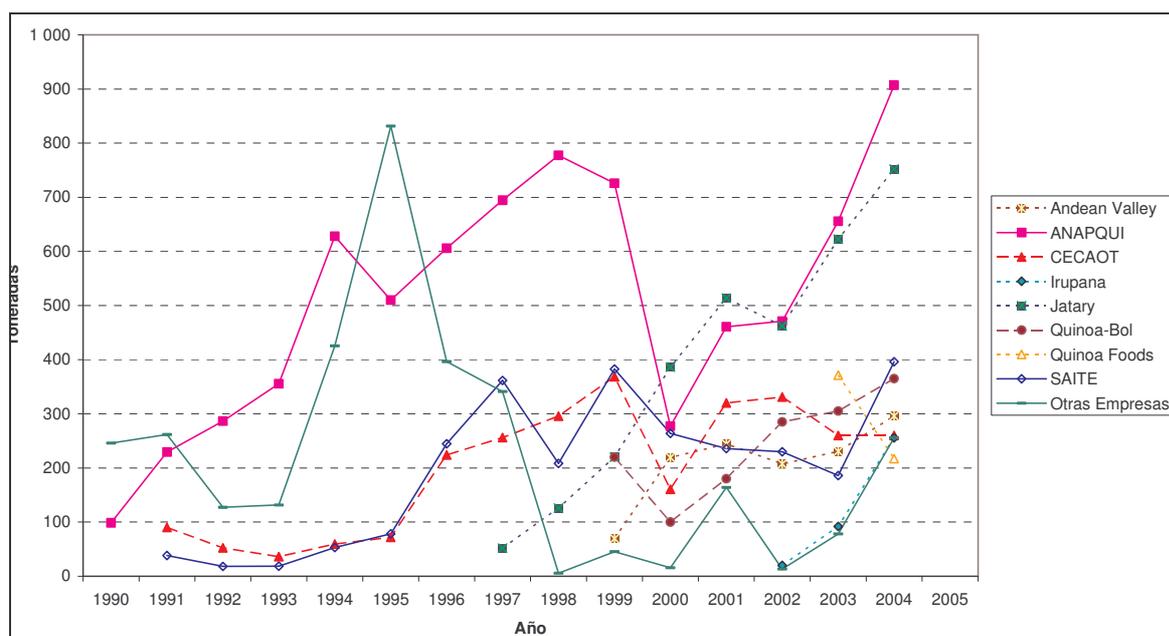


Figure 2. Evolution of volume of Bolivian quinoa exports (metric tons), per producer organisation (source: Laguna, 2005, annex 3)

Figure 2 shows the development in export volume by Bolivia's leading export firms. Between 1995 and 1999 ANAPQUI and CECAOT increased their share in the Bolivian supply of quinoa for exports from 47% to 52, with an estimated export value of US\$ 1.6 millions. Despite a serious set-back in exported volume in 2000 and 2001, presently ANAPQUI is still the export leader in Bolivia, though JATARY in only a few years has become their principal competitor in the market. (Brenes et al 2001a, Laguna 2005).

4.5 Identification and mapping of the supply chain

During the process of diagnosing the current quinoa chain, a stakeholder mapping has been done (Brenes et al., 2001a). The diagnosis mentions producer organisations as important actors in the quinoa chain. When it refers to their actual performance the study takes a rather critical perspective, echoing the findings of a case study on ANAPQUI (Laguna, 2003) about inefficiencies in commercial and organisational management. Being broad membership organisations with a combination of social and economic objectives, producer organisations are considered to be limited in their ability to react timely to changing market demands and to properly translate customer quality requirements to the primary producers. They openly questioned the viability of POs as processors and exporters in the quinoa chain (Brenes et al., 2001a: 14 and 33). The increased international price for ecological quinoa from 1997 onwards supported the formation of new strategic alliances between recently created national export firms with international capital." *These firms have more management capacity and flexibility to respond to changes in the markets than the producer organisations we mentioned, and are competing them out.*" (Ibid, p.23)

The quinoa cluster diagnosis provided the input for multi-stakeholder workshop discussions to analyse bottle-necks in chain performance. From the outset SBPC tried to position the newly created private export firms as the dynamic actors in chain development and developed pre-proposals in line with this preference for private entrepreneurship. The producer organisations did not agree with this diagnosis. They had developed their own quinoa development strategy during the 2000 National Dialogue (CIOEC-Quinua, 2000) and stressed the importance of POs for farm gate price regulation and for reliable quality control and certification.

"ANAPQUI and CECAOT are the only exporters in Bolivia that have an internal quality control and certification policy. The private firms buy in the Challapata spot market and export them as organic. (...) Other export firms get their quinoa at lower price and use fraudulent certification practices (mixing organic quinoa with conventional quinoa). Although the producer organisations are not decisive in regulation of farm gate prices, their position in the international market for organic quinoa gives them the possibility to contribute to improving the living conditions of the producers ." (CIOEC-Quinua, 2000)

The quinoa cluster diagnosis has been discussed in several meetings, where it proved difficult to 'bridge' the gap between the two opposing views on the dynamics of the quinoa cluster. The contradictions were difficult to manage, as one of the major private firms was set-up by a former ANAPQUI marketing staff employee that had taken over its commercial contacts with some of its major clients in the United States. During the workshops, the producer organisations kept stressing their historic role in the development of the quinoa chain, and the SBPC kept trying to position the new intermediary firms as prime actors in future quinoa chain. Their leaders of the POs felt increasingly uncomfortable with the chain development dynamics and had difficulties to legitimize the emerging results to their membership. It

proved difficult for them to make commitments to the other chain actors and support organisations, feeling trapped in a dynamic they could not agree with. The ex ante prejudiced image of dynamic and pro-active private firms versus slow and defensive producer organisations became reality.

4.6 Institutional development

SBPC looked for the rapid institutionalisation of a chain governance organisation, as an inter-professional committee that included all important actors of the quinoa supply chain (MIDE, 2002). The first Committee of Quinoa Competitiveness was elected in 2002 after the first chain analysis workshops in order to negotiate quinoa development support with the government. President of the committee became a representative of the producer organisation CEDEINKU, and vice-president became a representative of ANDEAN VALLEY, an important exporting firm. The composition of the committee was quite ideal from a SBPC point of view, as CEDEINKU represented the producers segment and ANDEAN VALLEY represented the (private) trade sector, while governmental support agencies obtained other board functions.

However, from the point of view of the other POs the composition of the board reaffirmed model of division of labour they did not agree with. Governmental agencies and private companies saw them as being producers not traders and exporters. However, both ANAPQUI and CECAOT derived their identity and legitimacy to a large extent from being collective efforts to gain control over more remunerative links in the quinoa chain, adding value to the raw material produced in their local branches, engaging in processing and exporting. Moreover, other POs did not consider CEDEINKU as a good representative. CEDEINKU had been one of the local branches of ANAPQUI but during the chain development process it entered in a direct trading relationship with Andean Valley for the exports of quinoa. The prominence of CEDEINKU in the chain governance organisation posed a threat to ANAPQUI, as their example challenged the internal legitimacy of ANAPQUI as specialised marketing channel for its constituency.

During the diagnostic workshops, POs were assigned to subgroups dealing only with issues in production and public infrastructure, leaving processing and exports to subgroups dominated by specialised private players. Instead of supporting the efforts of POs in strengthening vertical coordination between quinoa producers and its (foreign) customers (especially through the Fair Trade system), the SBPC supply chain development approach was biased towards functional segmentation in the chain, thus increasing vertical competition. The existing vertical coordination in the quinoa chain under Fair Trade quality conventions was considered - by the SBPC - a problem instead of a successful business strategy of POs, as shown by the following quotation from Brenes et al. (2001b: 15):

“The quinoa consultative committee did function well, although some of its participants did not compromise themselves strong enough, because of existing difficulties in the relationship of producers with some of the industrialist and exporters, as a result of the existence of a ‘solidarity market’ that clearly distorts the free market for quinoa”.

After the first workshops in 2000 and 2001, ANAPQUI and CECAOT gradually became more pro-active actors in the chain development process. They were elected into the presidency of the quinoa chain committee in 2004, when this organisation was renamed the

National Quinoa Competitiveness Committee. This national committee became composed of two elected regional Committees of Quinoa Competitiveness. The quinoa private firms lost prominence in these committees and established a separate entity formalized in 2005 as the Chamber of Quinoa Exporters.

4.7 The Bolivian Agreement on Competitiveness (ABC) for quinoa

The third step in the chain development process is the elaboration and enactment of a public-private multi-stakeholder agreement called the ‘Bolivian Agreement on Competitiveness’ (Acuerdo Boliviano de Competitividad, ABC). The quinoa ABC provides the legal framework for further activities in quinoa chain development, as a public-private partnership. It consists of an ‘shared vision’ by all chain actors and complemented with an activity matrix where responsibilities of public and private actors were defined. Some tangible agreements were the designation of a special day to promote quinoa productions and consumption in Bolivia, and the target of the specific market share of the POs in quinoa exports. The ‘shared vision’ consisted in joining efforts to get a doubling of yields per hectare in 2012, reaching a production target of 40.000 tons where 50% would be managed through POs. This explicit mentioning of POs in the ABC has been the fruit of their more active participation in the chain development workshops from 2002 onwards.

The discussions during the implementation of the ABC in 2003-2004 were strongly influenced by two proposals of supporting development agencies. The first one consisted in the creation of a special revolving fund that would provide co-investment for a huge centralized processing unit. The proposal suggested new ownership structures, prescribing collective investments (in joint ventures) with only minority shares for the POs. This was interpreted by the POs as an intent to create unequal competition; a project that could compete their plants out and threatened their survival as dominant processor.

A second contentious proposal was a credit support proposal that consisted in pre-financing quinoa production on a village basis, with the requirement of a formal trade agreement between a groups of producers and an exporting firm. The POs were afraid that this credit would erode their membership and loyal supply base. CECAOT and ANAPQUI had invested a lot in creating the social capital of decentralized collection units. To be able to serve a large membership without incurring high pre-financing costs, they relied on trust. They had developed a supply chain in which producers accepted to wait some time before final payment of quinoa deliveries. However, this trust relationship could be eroded by the proposed system of pre-financing through local middlemen. These middlemen generally use advance payments and other patronage mechanisms to bind producers before harvest, while the POs work on the basis of loyal members that wait for (premium) price payment until ANAPQUI has finished transactions with its clients. This increased competition in a context of relative cheap working capital would urge POs to pay their producers in cash at the moment of quinoa delivery to the plant, and sharply increase their financing costs. The proposal would benefit individual producers in the short run, but result in structurally increase transaction costs for the POs active in collection and transformation. These credit proposals were severely questioned by peasant leaders, not in the least because the special features of the social and political reality in Bolivian rural areas from 2000 onwards, where the rural – urban, producer - intermediary dichotomy increasingly structures political discourse.

Interestingly, many constraints in the quinoa chain were not resolved by concerted public private cooperation through the National Quinoa Competitiveness Committee. While

implementation of the ABC stranded in lengthy consultancies and bureaucratic obstruction, the POs used another political arena to get results for lowering transaction costs in the quinoa supply chain. ANAPQUI had been an important supporter of a national peasant march in July 2003, when the government responded to demands from the POs in a national pledge of peasant and indigenous organisations. This response included several measures that resolved important constraints in the domestic quinoa market. The most important one had to do with government procurement policies to make POs eligible for the provision of food for nutritional programs, which had until then been the preferential market for firms inscribed in the Bolivian Chamber of Commerce (Mendoza and Ton, 2002). The POs also managed to change the policy for nutritional programs, gaining a niche market by the explicit preference for Andean cereals like quinoa as a component in school breakfasts.

These results of political action ‘outside’ the formal quinoa chain governance committee reaffirmed their identity of being, next to an economic instrument also an instrument for interest representation. ANAPQUI and CECAOT use their political profile to increase member loyalty in quinoa marketing vis-à-vis local middlemen. These political activities thus strengthened both their position as an economic actor and their recognition as a social and political actor when dealing with support agencies. Late 2005 they also effectively changed the design of the two financing and support interventions described above. Following the changes in the Bolivian political power balance and the rise of MAS, the political party intimately related with the national peasant movements, several support agencies adapted the conditions and procedures for the support schemes to the interests of the POs.

5. Conclusions

The quinoa case is a clear example of the complex and sometimes conflictive interaction of government and (international) development NGO’s on the one hand and producer organisations on the other hand. During the process of developing a quinoa chain several issues appeared as controversial, rooted in different perceptions of the role of producer organisations in economic development.

The chain development efforts initially produced the result the facilitators aimed at. A professional organisation was established to govern the whole quinoa chain, consisting of private firms, governmental institutes and producer organisations all sitting down to develop a shared perspective on development. However, when specific support activities has to be decided on, conflicting economic interests between the various chain actors came to the surface, and decision making in the inter-professional organisation intended for chain coordination became increasingly difficult.

Perhaps many contradictions in the process of developing a quinoa chain could have been prevented if a less mono-functional interpretation of the role of POs would have been used. The initial actor mapping in the quinoa supply chain defined the position of POs merely as representing members in their functional role as producers. However, most POs are vertically integrated into marketing and/or processing, thus substituting for (and thus competing with) private firms providing the same services. If this ambition and development strategy of POs would have been made explicit in the diagnosis phase of the quinoa chain development process, the economic interests of different actors would have been more transparent.

The quinoa case study illustrates two issues that are essential for a correct understanding of the identity and business model of producer organisations in developing countries, and

thereby for developing approaches to help small producers strengthen their position in domestic and international markets. First, the function assigned to a producer organisation by the chain development facilitators – whether they are government agencies or foreign development NGOs – may be opposed to the function that the PO self-defines and considers as its core identity and ambition. The PO may not agree on a proposed division of labour in the chain that may be ‘optimal’ for others but threaten their survival and organisational mandate. Many POs strive to vertically integrate into marketing and/or processing, to gain a larger share of the chain value added and to reduce the risks inherent to dealing with private trading and processing companies. Second, POs, in defending the interests of their members, not only bargain with other actors in the supply chain, but also negotiate with governmental bodies to obtain favourable conditions for the production and marketing of their members’ products. Some development issues will be discussed directly with chain partners, others will be treated in other arenas and through national political alliances outside the chain development process.

Given the wider responsibility and activity portfolio of a PO, its organisational strength is largely derived from its ability to deliver results to their constituency in different domains, and from the ability of PO leaders to skilfully manage the sometimes conflicting legitimacy demands in these domains. Historically, in Northern Europe and North America the political representation of producer interests and the economic business development has been separated into different organisational formats. Interest representation has been the domain of farmer unions while economic business development has been the task of co-operatives. In most developing countries, however, these two objectives are present within one and the same organisation. The loyalty of members towards the PO as an economic organisation is influenced by the role and success of the PO in political interest representation. PO leaders do not only respond to the member demands related with chain performance, but also to their social and political demands. Coordination of different domains (van der Ploeg 1990) is an inherent feature of a PO, and the organisational strength of a PO is related to the ability of board members to manage sometimes conflicting or competing legitimacy needs.

Multi-stakeholder processes around pro-poor value chain development will have to grasp with the special features of POs as well as with the special position of a PO in the value chain. A PO is a member-controlled organisation, where the leadership is democratically chosen and where membership is voluntary. These structural features imply an important role for internal social and political processes (of elections, commitment and accountability). The strategic (re)orientation of the PO is therefore always a compromise between management ambitions and member demands. External facilitators of chain development that only focus on (economic) management ambitions will not get a good picture of feasible solutions. In addition, strengthening the role of a PO in the supply chain will most likely challenge the existing division of labour, as the PO is a instrument for producers to appropriate a larger share of the value added in the total chain.

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