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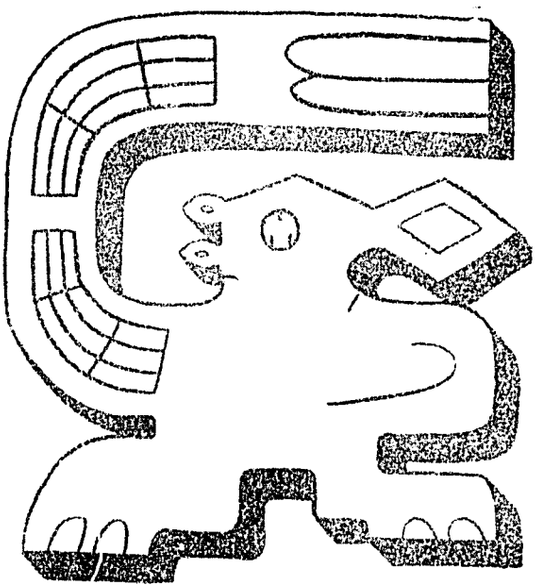

A Cooperative Farming Project in Chile: A Case Study

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A Cooperative Farming Project in Chile: A Case Study*

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This article analyzes the first several years of a small cooperatively operated agrarian-reform project in Chile. It is predicated on the idea that in a more inclusive reform, technicians will be aided by studies of how small-scale reform has worked. The study concludes that a lower level of consumption would have helped colonists in making land and capital payments. Alternatives which involve less sacrifice, however, are to use available family labor more efficiently, thus lowering operating costs, and to raise production by more intensive farming. By comparing the farm under reform with a well-managed but traditionally operated unit with similar soil resources, we have demonstrated that a margin of unexploited productivity exists on the colonized farm. This margin can be realized only if proper technical assistance is provided to help settlers—who have had little experience as entrepreneurs—arrive at a more nearly optimum combination of factors.

AGRARIAN reform of the kind proposed in Latin America under the Alliance for Progress has almost universally been taken to imply establishing farmers on family-sized plots. When land rights are given to large numbers under a reform, however, any of a range of communal farming plans could be employed.

Aside from the collective *ejido* in Mexico, there are few experiences in Latin America with cooperative farming as a land-reform device [1; 6, pp. 183-305; 10; 13, pp. 207-239]. Chile may alter that situation in the next 5 years, however. Hugo Trivelli, Minister of Agriculture under President Eduardo Frei, whose Christian Democratic government proposes to give land rights to 100,000 *campesinos* before 1971 [8], predicted that "there will be two types of properties: a family unit and cooperative property" [7].[1]

A few Chilean landlords have already introduced systems of worker participation [3]. At least one possible corporate structure for agriculture has been described [5]. Both of these might fit into the "cooperative property" category to which Trivelli refers.

Although no two systems of communal farming are likely to be the

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same, a country serious about suggesting cooperative farming as a method of reform would do well to study not only its incidence in other countries (where the cultural milieu is admittedly often different) but also its local antecedents. Aside from one serious effort undertaken on Los Silos and described in this article, however, no communally operated *fundo* (large farm) exists in Chile.

This analysis focuses on an economic history of the first two years of the agrarian-reform project of Los Silos and gives special emphasis to its second crop-year (1963-64). It centers on the following questions:

1. What institutions were set up to administer the reform and what initial organizational difficulties did they encounter?
2. Can settlers meet debt payments on land and capital?
3. How did the income of colonists in 1963-64 differ from that before the reform?
4. What is the production potential on Los Silos and how might operating costs be reallocated?
5. What does the 1963-64 experience imply for the future on Los Silos?

The purpose of analyzing this project is not to be unfairly critical of the parties involved nor to discourage reformers, but to illustrate the kinds of disputes and economic difficulties that reform may bring.

What Institutions Were Set Up to Administer the Reform and What Initial Organizational Difficulties Did They Encounter?

When Msgr. Manuel Larrain, Bishop of Talca, bought Los Silos, a 182-hectare fundo, in 1952, he immediately leased it. His last renter employed 18 resident workers about equally divided between *inquilinos* (resident farm workers) and *empleados* (fundo employees with some supervisory and/or technical responsibilities). In mid-1961, to protest their low income, seven of the fundo workers went out on strike. It was as the situation was turning from bad to worse—and after 7 months of workers' strikes—that the bishop decided to put a reform experiment into effect. The rental contract, up for renewal on May 1, 1962, was cancelled and the farm turned over to a campesino cooperative. All previous workers on Los Silos had the opportunity to join the cooperative and become landholders.

The bishop appointed a committee of trained agriculturalists to handle technical matters of land transfer and farm management. The next year the functions of the technical committee were absorbed by the Instituto

[1] The proposed agrarian reform law (Proyecto de Reforma Agraria) which the government sent to Congress on November 22, 1965 [9], again indicates that the Christian Democrats intend to press for cooperative farming as part of their program in some instances. This law would replace Law 15,020, passed in 1962 by the Center–Right coalition which governed Chile from 1958 to 1964.

de Promoción Agraria (INPROA), a private foundation set up by the Church to administer reform on Los Silos and some of its other properties.

The Los Silos cooperative would eventually hold title to all the real estate, and all credit and technical aid would be channeled through it. In order for the cooperative to purchase some of the last renter's equipment and animals, credit was obtained from a lending agency, and the bishop cosigned the loan.

When INPROA took over the general administration of Los Silos, a real estate price was set and the cooperative agreed to pay for the fundo in 20 years with 5 percent interest on the unpaid balance. The principal will be paid off in equal installments adjusted annually for inflation.

The Los Silos cooperative is governed by an administrative council of colonists elected in general session. Its work is done by six committees made up of landholding members and some members of their families.

Problems with dissenters

The bishop's technical committee decided that the capacity of Los Silos would be 16 families. Four of the 18 original resident workers of the fundo soon left of their own volition and 2 more were later expelled by the cooperative's vote. Replacements were brought in for 4 of these.

Four additional dissenting families interpreted the bishop's words the day he turned over Los Silos to the cooperative, "You are the *patrones* (bosses or owners) of Los Silos," as meaning that the farm would be divided into family units. Furthermore, since they claim that the bishop explicitly turned the fundo over to its former residents, they have never accepted outsiders taken as replacements for those who left nor admitted their claim to be cooperators with land rights.

The technical committee and later INPROA felt that too great an investment both of study time and of infrastructure and other capital would be required if the fundo were to be divided immediately into small farms. A great deal of overhead capital was represented in the barns and the silos and, moreover, some expense (for which no funds were immediately available) would have had to be incurred to change the irrigation system from one that served the fundo's large fields to one that could be used to water parcels. Besides, the committee was anxious to experiment with cooperative farming.

Since it was not possible to continue an organization that gave four families private parcels, and since the dissenting families refused to join the cooperative, the cooperative voted to expel them and subsequently voted in four new families. But the four old families insisted upon remaining in homes which they felt were rightfully theirs. (Inquilino houses were utilized as colonist houses on the project.) A Socialist alderman in the

zone, who had originally helped organize the workers' strike, encouraged and supported the decision of the four families.

At first, old residents of the fundo who elected to participate in the reform felt conflicting loyalties to the four dissident families, with whom they had worked for years, and to their new, struggling cooperative. Later they swung definitely to the side of the cooperative, however, and a feeling against the four families became a rallying point which seems to have drawn the entire organization closer during its first years. But the complicated legal efforts to expel the dissidents—still in progress—absorbed a great deal of the energy of the young cooperative which certainly might have been better used to strengthen its institutional framework in other ways.

The problem of leadership

As institutions are taking root, internal representative leadership must be developed to carry the organizations forward and to draw all members into participation. Los Silos' technical committee was quick to recognize that this meant putting campesinos themselves—many of whom had had little previous decision-making experience—into positions of responsibility in the cooperative. Unfortunately, during the time of the workers' strike, the bishop's pre-reform renter had lost his most capable inquilinos to neighboring farms which treated resident workers better, and Los Silos had become a harbor for some of the poorest laborers in the zone.

To help fill this leadership void, the hired administrator brought Luis Pérez[2] to Los Silos. Pérez had begun his career in farming as a subsitute for an inquilino, one of the lowest positions in Chilean agriculture. Gradually, he had risen to inquilino status, and by the time he came to Los Silos he was employed as one of the caretakers of his former patrón's dairy herd. Still, he was very much a campesino and remained ever-concerned with the campesinos' lot and enthusiastically anxious to help better it. Los Silos was a natural outlet for his talent and he was voted some leadership responsibilities soon after his arrival at planting time in 1962.

Meanwhile, the technical committee's appointed administrator had the responsibility of guiding the cooperative through its first year (1962-63) and making day-to-day management decisions.

The administrator proved efficient. The cooperative showed a healthy profit as the first year under reform closed. But problems resulted from his becoming very active in the local Christian Democratic Party during his tenure. At pre-election time, when the technical committee—and later INPROA—was anxious to show its political and religious impartiality, this proved a source of embarrassment. Furthermore, it served to widen

[2] This name is fictitious.

the rift between the dissenting families and the cooperators, since the Christian Democrats and the Socialists are often arch-enemies in Chile. More serious, the social distance between the administrator and the members widened as he assumed a progressively more paternal role. His past duties as an administrator of a large, traditional fundo had taught him all too well the relationship that exists between administrator and laborers in Chile. Members generally liked and respected him but tended to turn to him seeking explicit direction on "what to do next." Anxious to build more self-determination into the cooperative, INPROA returned the administrator to its Santiago office as the 1963-64 crop-year began.

At this time, Pérez was elected cooperative president and named chairman of the agricultural committee. As such, he made many of the day-to-day management decisions of the cooperative during 1963-64, a point important to our later economic analysis.

The fact that two of the new colonists were Pérez' brothers-in-law has been a source of no small concern to the original residents of the fundo and to the four dissenting families. Some seem convinced that Pérez is trying to take over the fundo for the personal profit of his family. Further, a few colonists believe that Pérez himself is getting rich at the expense of the other cooperators.

Interviews with Pérez, cooperative members, and INPROA reveal that both of these charges are groundless. Nonetheless, they underline the difficulty of finding adequate leadership for a reform effort. A leader must know the lot of his fellows and perform his functions in a manner that will strengthen rather than weaken their self-reliance. He must not only have an ability to direct his fellows but also be worthy of their trust. One need only remember the high rate of illiteracy, the miserable poverty, and the centuries of paternalism in the Chilean countryside to recognize the difficulty of locating a campesino leader who asks no special favors in return for his position.

Can Settlers Meet Debt Payments on Land and Capital?

As the 1963-64 year began, eight families had been brought in from the outside; eight former residents had remained, one of them choosing to serve as an inquilino to the cooperative.

What follows is an evaluation of one year's experience, and we cannot generalize in such a short period. However, aside from heavy rainfall in 1963-64, there were no unusual weather or marketing circumstances which could have influenced the economic performance detailed below. Although Los Silos is a mixture of individual and cooperative enterprises, the analysis treats the cooperative as the basic business and accounting unit.

Cropping pattern

It is convenient to describe the tenure system on Los Silos in terms of the three major crops grown in 1963-64.

Wheat made up about 32 percent of the farm's acreage and alfalfa accounted for another 35 percent. They were both grown on the common land, and income was designated for overhead expenses: water, electricity, machinery costs, land and interest payments. In addition, fertilizer, seed, and other direct expenses incurred by growing wheat and alfalfa were paid from this income.

Individual *chacras* (corn, potatoes, and beans) were planted on another 19 percent of the land. Members had the major responsibility for planting, tending, and harvesting their respective chacras. Income above direct expenses (for fertilizer, seed, etc.) was to accrue to the individual provided that income from the common land was sufficient to cover all other expenses and principal payments. If income from the common-land enterprises was not sufficient, this individual income would be diverted to cover any outstanding cooperative expense.

Small allied enterprises

A small building-brick enterprise and the harvest of wood for sale were also operated in common. This income was likewise to be available for meeting overhead expenses.

Livestock

Los Silos had about 50 head of dairy cattle in 1963-64, with an average of 16 in milk. Although most members own only 2 or 3 dairy animals, they could, in 1963-64, pasture up to 6 full-grown animals free of charge on the cooperative's common-land alfalfa pasture. (Animals under 1 year of age are not counted.) A small rental fee was to be charged for the seventh through the tenth animal, and no member could pasture more than 10.

INPROA's role

INPROA provided technical assistance, accounting devices, short-term production credit, and income advances. In return for its services, it charged a 2-percent marketing fee plus interest of 1.3 percent per month on short-term loans.

Labor use and management

In 1963-64, the cooperative manager (Pérez) assigned and supervised labor on the common-land, brick, and wood enterprises. In addition, if a member was occupied on one of the common enterprises the manager would send another cooperator or hired laborer to work on the chacra of the member so employed.

All members were obligated to work on the common land and carry out other tasks for the cooperative. However, there was no clear-cut economic incentive for members to work to capacity on these cooperative enterprises. Aside from members' censure and personal prodding by the manager, a member's major motivation was his knowledge that income from his individual enterprises would be used to meet overhead expenses if the common enterprises did not yield enough income to meet these obligations.

On the surface, this would appear to be a strong enough incentive. Yet a member can always rationalize that the common enterprises will be operated well even if he, one individual in a group, shirks his duty at times.

Members' income determination

Since cooperative members needed income to provide for their families while awaiting the harvest, INPROA, through the cooperative, made a living-expense advance of E° 1.1 a day.[3] This income was to be repaid from the individual's sales of produce, all of which was to be marketed through the cooperative.

Cooperators' sons who are older than 18 can become *socios*, that is, members without land rights. In 1963-64 there were four socios working for the cooperative with advances of E° 1.1 a day. They are also entitled to some share in the profits as determined by a year-end accounting.[4] Two cooperators' sons under 18 also worked for the cooperative in 1963-64, receiving a E° 1.1 wage each day without any claims to a share in the profits.

Heads of families in 1963-64 were paid their advances on days when they were ill as well as when they worked. The problem of incentives is illustrated by the fact that as harvest approached, the cooperative reported cases of malingering.

All members with dependents received governmental family allowances (under the Chilean social security laws called *asignación familiar*), while some members with special skills received cash bonuses in addition to some extra grazing rights. In 1963-64, then, members' cash incomes were expected to accrue from four sources: (a) the family allowance from the government; (b) payments from the cooperative in return for work requiring special skills; (c) individual income above direct costs as determined by separate accounting on members' enterprises, after payment of all operating expenses, land and capital amortization, short-term production credit, income advances, and marketing charges to INPROA; and (d) a di-

[3] At the time of the calculations, $US 1 = 3.25 Chilean Escudos (E°).

[4] Since, as we demonstrate later, there were no profits to divide in 1963-64, the nature of this sharing has not been clarified. As for all members, advances for socios in 1963-64 really became "wages" in the absence of profits.

vision of profits on the basis of days worked, if all expenses and obligations could be met from the common enterprises without drawing on "income above direct costs" from individual enterprises.

The cooperative in 1963-64: economic performance

Data on sales from the common enterprises were obtained from the cooperative records; data on individual sales were obtained by interviewing members. The following analysis is one of cash transactions during the agricultural year 1963-64, since most of the year's crops and livestock products were sold within the year and there was no accrual of inputs. We assume that cash sales of livestock plus depreciation of the milking cows about offset the increased value of growing animals. No major purchases of animals were made during the year. The hay stored for the following year was about equivalent to that stored and held over from the year before.[5]

Including all income from individual enterprises, common land, the cooperatively operated brick and wood enterprises, and the government family allowances, the cooperative had a gross cash income in 1963-64 of E° 63,405.80.[6] Subtracting from this figure the total operating expenses of E° 47,640.44, we find that the net cash income to the cooperative in 1963-64 was E° 15,765.36. But this figure still does not take into account either cash income to families or amortization payments due on capital and land. To complete the picture, we must turn to an analysis of individual accounts. What cash income was retained by members?

Aside from the short-term credit, charged as an operating expense, INPROA had loaned the cooperative E° 7,628.50 for family living expenses. Contrary to plans, however, the cooperative was not able to collect the family living advances at the end of the year. They were, rather, retained by the 15 members and the 4 socios. Also, the asignación familiar went directly to members, a total of E° 3,602. Total income from individual enterprises amounted to E° 20,733, but the cooperative did withhold about 50 percent of the chacra harvest to cover expenses, a total of E° 5,765. This left net cash to members from their individual enterprises of E° 14,968 (E° 20,733 minus E° 5,765). Thus the total cash income accruing to members was E° 26,198.50 (E° 7,628.50 plus E° 3,602 plus E° 14,968).

[5] We are, of course, omitting income in kind in the form of produce consumed, house rental value, etc. These items will be included in a later comparison. We are also excluding the concept of equity which could accrue to individuals from (a) an increase in their individual livestock inventories, (b) an increase in inventories held by the cooperative, and (c) the land and capital principal payments made by the cooperative. As we shall see in the analysis that follows, (a) is relatively unimportant and (b) is irrelevant given the nature of the outcome in 1963-64.

[6] Since the data is excerpted from my dissertation [12, pp. 110-171], I have made no effort to round off figures.

Adding the amount retained by members, E° 26,198.50, to the amortization payments due in that year, E° 18,200 (E° 10,500 for land and E° 7,700 for machinery),[7] yields a total of E° 44,398.50. Setting net cash income of the cooperative against this figure, we have the following:

Cash income retained by individual members plus amortization payments due in 1963-64	E° 44,398.50
Net cash income available to the cooperative to meet these payments	15,765.36
Cooperative's deficit for the year	E° 28,633.14

A comparison of the cash income available to the 15 members (E° 26,198.50) with their own estimates of cash consumption expenditures, which we gathered from interviews E° (21,080), would indicate a net saving of E° 5,118.50. Our data do not permit us to determine whether this was actually invested in production goods or whether the estimates of consumption were low. But it is obvious that new colonists could not meet their debt payments on land and capital in 1963-64.

How Did the Income of Colonists in 1963-64 Differ from That Before the Reform?

The year before the cooperative was founded, the average income (cash plus evaluated perquisites such as bread, house rental, chacra-land rental and other in-kind payments which customarily make up part of fundo workers' wages) of the 15 cooperative members was E° 1,156.51.[8]

Under the conditions existing on Los Silos in 1963-64, total income accruing to members (including consumption of in-kind products) averaged E° 2,158—E° 1,002 more than before the reform.

The legal minimum wage of inquilinos in Santiago Province (in which Los Silos is located) for 1963-64 was E° 1.354 daily (cash plus perquisites), or about E° 494 annually. Asignación familiar for a husband with four dependents would total about E° 236, bringing the legal minimum to about E° 730. The average for colonists on Los Silos was about three times this amount.

On a well-operated neighboring fundo, a profit-sharing plan has been put into effect [3]. Workers there are among the best paid in the zone. Yet the colonists on Los Silos had 1963-64 incomes that averaged E° 563 more than incomes for this neighboring group.

This raises the question of whether or not income accruing to cooperative members might be too high. There is no question that workers as

[7] Whether Los Silos should have contracted such a large debt for laborsaving machinery when labor is such an abundant factor of production is surely doubtful.
[8] All figures are expressed in terms of 1964 prices.

poorly paid as those on Los Silos were before the reform must feel that they are experiencing some direct participation in the reform effort as expressed in higher incomes and improved living conditions. Even if it had been possible for the cooperative to capture all cash income received at Los Silos during 1963-64, distributing none to individuals, the financial problem would still not have been solved. But individual members could have received much lower cash incomes initially and still have been better off than before the reform. Once the debt burden had been reduced and interest payments decreased, further increases in individual incomes would have been possible. Yet the cooperative lacked the power—and perhaps the will—to restrict consumption. It was unable to prevent some produce from being marketed outside cooperative channels. And in the case of milk, the cooperative paid members monthly without deducting expenses due the cooperative.

What Is the Production Potential on Los Silos and How Might Operating Costs Be Reallocated?

Our previous analysis showed that Los Silos had a deficit of about E° 28,633 in 1963-64. Could the cooperative have increased its gross income by this amount, to a gross of E° 92,039 (E° 63,406 plus E° 28,633)? In other words, does potential exist to maintain individual income at the 1963-64 levels and also meet repayment commitments? Let us assume an increase in gross to cover this deficit of E° 28,633 without raising cash expenses. Later, we will show how present expenses might be reallocated to make this possible.

Physical production data from a study describing Los Silos in 1947-48 [2] when multiplied by current prices show that gross income then was probably very close to the equivalent of E° 90,000.

Comparable gross income the first year under reform (1962-63, when the technical committee's technician was in charge of management on Los Silos) was about E° 83,000, not counting the produce sold outside the cooperative marketing channels [11].

A comparison of Los Silos' production with that on a well-managed neighboring farm, selected for the similarity of its soils and irrigation possibilities to those on Los Silos, yields a third measure of potential. Gross income per hectare on the neighboring farm was E° 549 as compared to E° 327 on Los Silos (excluding the asignación familiar formerly included in gross income). This is a difference of E° 222 per hectare or slightly over 40 percent. A 40-percent increase in Los Silos in 1963-64 would have brought gross income near E° 89,000.

Averaging data from these three sources implies a production potential of gross income on Los Silos of somewhat more than E° 87,000. This is only about E° 5,000 less than that needed to meet 1963-64 obligations. Po-

tential, in other words, seems to come fairly close to the requirements we have set up.

Earlier we mentioned the possibility of increasing gross income without raising expenses—that is, by a reallocation of present inputs. For example, one major means of yield increases in crop production is to increase the application of commercial fertilizer. The neighboring farm uses about 30 percent more fertilizer per hectare than Los Silos.

What are the prospects of cutting some expenses to permit this increased expenditure on fertilizer? Los Silos in 1963-64 spent E° 5,196 on wages for hired labor. All indications are that this figure could be reduced.

For example, the neighboring farm uses 30.6 man-days per hectare while Los Silos uses 59.6.[9] Although it is difficult to make a meaningful comparison with respect to labor-substituting capital on these two farms, it must be emphasized that the cropping pattern on the neighboring farm is more labor-intensive, while the average value of labor-saving machinery per hectare on the two farms is similar.

Furthermore, a recent university–government study based on extensive field interviews establishes the average number of man-days per hectare of different crops for various provinces in Chile under different conditions of farm size and mechanization [4]. Although this study does not provide estimates for livestock enterprises, it indicates that Los Silos should have required about 4,000 man-days for its crop production (using the coefficients most nearly fitting the case of Los Silos). Since 6,600 man-days of labor were available within the cooperative (including members and their six sons working in 1963-64), and wives of members usually did the milking, it seems likely that sufficient labor was available to handle the dairy operations also.

Actually 10,120 man-days were used on Los Silos in 1963-64. The difference between labor available and that used represents labor hired. Although these comparative measures are crude, it does seem clear that some expenses could be shifted—from present labor costs to yield-increasing inputs.

A serious objection could be raised to this point. While it is true that Los Silos could benefit from reducing its hired-labor costs and investing in other inputs (thus implying that labor efficiency of present members

[9] The assumption here, that they all work the same number of hours a day, is slightly incorrect, for workers on the neighboring farm work about 10 hours a day while those on Los Silos work only 8. But most Los Silos workers said that they worked harder when they worked now than before the reform. Another factor may be more important: according to INPROA, neighboring farm workers are very highly selected from the best in the zone. It has already been noted that Los Silos before the reform was a haven for poor workers. But in this comparison we are assuming that the eight colonists who came to Los Silos from outside the fundo upgraded the average so that this comparison is more or less valid.

would have to rise), this is not a solution when the nationwide agrarian problem is considered. Employing labor from outside Los Silos was, in fact, spreading the effects of reform to other people besides its own colonists.

Over several years, given sufficient time for establishment of higher yield levels and more livestock, it may indeed be possible to achieve the higher income levels claimed by colonists in addition to utilizing additional labor from outside. For the time being, however, it would seem as though less hired labor should be contracted.

What Does the 1963-64 Experience Imply for the Future on Los Silos?

In the 1964-65 year the cooperative decided to hire no labor during the planting season. Also a 2-percent marketing charge for all milk sold through the cooperative is now being collected monthly by INPROA. Funds from the sale of milk are not being returned to members until final accounting time. A rental fee is being charged for each animal grazed on the common pasture, to redress some of the inequalities of the previous arrangement. Each cooperator knows his total debt, since it was prorated among the members early in the 1964-65 crop-year.

However, these are minor corrections in comparison to the requirements for success at Los Silos. The assignment of debt to individuals may merely result in frustration unless plans for increasing production are effected.[10] But plans have been made, and in some cases are well advanced, for making Los Silos a going concern.

With more sons of members reaching adulthood and joining the labor force, additional employment will be needed, since off-the-farm employment in Chile's slow-growing industrial sector is difficult to acquire. In October 1964, Los Silos received a loan of E° 55,000 to purchase 100 cows. The dairy-cattle operation in itself will absorb more labor. Also, on-the-farm dairy-processing enterprises and a projected feeder-pig project may one day be realized.

The feasibility and success of all these plans will depend on the capacity of management and its ability to train and establish discipline among cooperative members. In addition to other management problems in 1963-64, accounts were not well kept, and it was not until the agricultural year was well along that the cooperative and INPROA realized their financial difficulties.

On Los Silos and in any agrarian reform effort, technical help must

[10] Readers may suggest that the Church could lower land price. This is difficult, since land price on Los Silos is already about 65 percent lower than commercial value, and property is held by the Church to support specific benevolences. Thus the Church has the obligation to its faithful to maintain the value of its possessions.

combine a high degree of agricultural and management skill with a knowledge of how to teach cooperative members to make their own decisions. This also implies vigilance over the farm accounts and attention to institution building. If Los Silos is to be parceled into individually owned small farms, a process which is also part of the future plans, 16 entrepreneurs (the inquilino became a member in 1964-65) must be prepared to make management decisions. For the intermediate period between being an inquilino and assuming the full responsibility of an individual proprietor, all evidence seems to indicate that technical help must be coercive enough so that high production, very necessary for a successful reform, is maintained. Hence it is doubtful whether the cooperative leader and the technician can be the same person—at least initially. A good manager must be hired for Los Silos, preferably one who will live on the fundo and who will assist cooperators in making decisions.

Further neglect of the entrepreneurial function will continue to result in costly losses for Los Silos. To expect a person untrained in farm management who is suddenly given access to the land to become an entrepreneur overnight—simply because the traditional system has been broken—is folly.

Los Silos hired a manager as the 1964-65 crop-year began. It was planned that he would draw up a farming program by counseling with the cooperative and INPROA. INPROA will allow short-term credit if colonists abide by this program. Operating credit, in other words, will be strictly supervised, and if the cooperative elects to diverge from plans, it will be withdrawn. When Los Silos is subdivided into smaller farms, farming programs will be formulated for each parcel, and receipt of short-term credit will, likewise, be contingent upon individual adherence to premade plans and changes that are approved as each crop-year progresses.

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