COMPARATIVE RISK MITIGATION STRATEGIES IN AGRICULTURAL COOPERATIVES

Findings from Zambia, Paraguay and Peru

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About CRI
Cooperative Resources International (CRI) is a leading farm services firm specializing in providing improved dairy and beef genetics. Headquartered in Wisconsin and owned by some 16,000 member-producers, it exports 10 million units of semen annually to more than 60 countries. Since 2010, CRI has been implementing an important USAID-funded Cooperative Development Program in South Africa, Tanzania and Nicaragua and it has been awarded USDA Emerging Market Program projects across 17 countries globally. As the only bovine genetics company in the world engaged in any kind of meaningful developmental activity, CRI carries out donor-funded projects in places it views as pre-commercial markets, a strategy that aligns its commercial interests with developmental needs where there are prospective market expansion possibilities.

The Cooperative Development Program (CDP)
The CDP is a five-year USAID-funded competitive grant program that responds to the needs of local, host country cooperatives and other member-owned businesses by utilizing the expertise and resources of US cooperative organizations, their members and volunteers. The program encourages innovation, research, learning and dissemination among its 10 implementing partners who support programming in 15 countries in the sectors of agriculture, finance, health, energy and IT. CRI has been an implementing partner of the CDP program since 2010.

BACKGROUND
Between July and December 2017, CRI conducted a multi-country learning exercise in three cooperatively important, USAID priority countries — Zambia, Paraguay and Peru. The objective was to assess the awareness, understanding, ways and means livestock cooperatives approach risk mitigation and their success in applying the cooperative business model to mitigating risks among their members. Cooperative member services are a means to assist farmers to be more resilient to market and environmental conditions and to bring about greater stability.

Across all three study countries, regardless of culture, climate, market and politics, CRI found that the principal difference between successful farmer groups and ones that struggle to remain in business boils down to four essential attributes: trust, organization, relevant services for members and member investment. Though organizational details and structures varied, the four attributes were present in each of the successful farmer groups. They were absent in the unsuccessful groups.

The overarching conclusion of this study is that the whole range of member services, especially group marketing and group supplier agreements, can offer farmers the means to be more resilient to changing conditions, which in turn, will yield greater business stability. If farmers can minimize their risks then they can be more profitable, more productive and economically more secure. In each of the countries examined in this study, the tools are present—if not always the will or the know-how. However, without the kind of training, mentoring, confidence building and awareness and understanding of fundamentals that CRI has found to be so critical in establishing the foundations needed to be successful cooperative enterprises in South Africa and elsewhere, it is unlikely that cooperatives in Zambia, Paraguay or Peru will advance at a pace beyond their current state. That said, many of the cooperatives surveyed appear to be receptive and could benefit from capacity-building interventions like the Cooperative Development Program, given their aspirations, attributes, common vision and committed membership.
OBJECTIVE
While implementing its Cooperative Development Program (CDP), CRI has found that one of the biggest challenges cooperatives face is their lack of adherence to the cooperative business model. As counterintuitive as that sounds, a large number of the targeted cooperatives in CRI’s CDP were not initially cooperatives in the Western understanding of the term. At best, this group became known as pre-cooperatives or nascent cooperatives. CRI quickly recognized the pitfalls. It advised its targeted CDP cooperatives that one of their central purposes should be to mitigate risk among their members — economic, financial, market, weather and production. A basic tenet of cooperatives, in fact, is to help their members mitigate their risks by providing them with services, technical assistance, training and access to markets and credit so as to collectively improve their governance, management and agricultural productivity all in an effort to increase members’ and cooperatives’ incomes, profits and sustainability.

Based on its CDP experience in South Africa, Nicaragua and Tanzania, CRI hypothesized that cooperatives in emerging market countries are relatively inefficient at managing risk among their farmer-members. Both CRI’s experience and that of others who have conducted research on this topic have found comparable and consistent outcomes of poor risk mitigation: lower productivity, lower profitability, more side-selling and lower economic well-being overall for cooperative members. Three obstacles appear to prevent cooperatives the most from effectively mitigating risk: (a) lack of member equity/ capitalization/ access to financing; (b) lack of commercial agreements between cooperatives and their buyers and suppliers; and (c) few or poorly managed member services in areas such as marketing, supply, technical assistance, extension, finance, accounting etc.

To further understand and inform cooperative development organizations on needs, challenges, opportunities, and appropriate program design, CRI conducted this study to provide a window through which to view local cooperatives’ approach to risk mitigation and to better understand their needs, gaps and possibilities. Three USAID priority and cooperatively important countries were chosen for this study — Zambia, Paraguay and Peru. CRI identified, analyzed and evaluated local cooperatives' approach to risk mitigation. In doing so, the learning exercise sought to demonstrate that the general misunderstanding and misapplication of the cooperative business model among livestock cooperatives is not isolated to what has been observed in Nicaragua, South Africa and Tanzania. The research was structured not as a definitive study, but rather as a learning activity to examine a cross-section of cooperatives and supporting organizations to obtain a relatively quick on-the-ground reality check and inform both CRI and other cooperative development organizations.

Methodology
CRI conducted on-site assessments in Zambia (July 22-August 1), Paraguay (September 7-15), and Peru (December 3-10) with local livestock cooperatives, development organizations, industry organizations, government agencies, association stakeholders as well as USAID Mission professionals expert in economic development and agriculture. The interviews were held in each of the countries’ capital cities and in rural areas where the livestock production is practiced and where most of the cooperatives are located. Prior to the on-site investigations, desk research was conducted which centered on a literature review of cooperative case studies; stakeholder analyses; country livestock, economic and cooperative trend analyses; and input from knowledgeable U.S. and local cooperative and agricultural experts. In each country, a 2 or 3-person team interviewed local leaders on-site over approximately 10 days.
KEY FINDINGS
Extenuating conditions, such as monopolistic buyers, lack of financing, lack of expertise, poor roads, lack of market information, access to water, lack of technology, climate, politics and culture is unique in each location. While the context varies among the study countries, farmer organizations generally fell into one of two categories: those which were effectively meeting member’s needs, thereby mitigating these risks caused, and those which were failing to effectively serve their members. Throughout the study, one single thread emerged in interviews with successful and struggling co-ops alike, as well as industry organizations, politicians, government agents and development organizations: the heart of co-ops' struggle is members’ trust for their own organization. Trust is not dependent on members’ emotional connections, but rather in how effective the cooperative can organize and create a culture of organizational transparency and communicate a common vision that the members share.

Zambia Country Profile
According to interviews with USAID personnel and development organizations, agriculture co-ops in Zambia have a generally poor business reputation because their single purpose for forming is typically to access government subsidies for fertilizer. The Dairy Association of Zambia told CRI that due to a new government grant program focused on individual farmers instead of cooperatives, it is expected that a large number of cooperatives will soon cease altogether. However, dairy co-ops are viewed differently by government, industry and farmers. Dairy co-ops, which have formed for the purpose of bulking and selling milk to processors have a year-round business that keeps them active, solvent and relevant.

Although the dairy co-ops may form for the purpose of providing for the need(s) of its members, it could not have been accomplished without the help of international NGOs providing infrastructure, start-up capital, and technical assistance. Members simply would not have been able to aggregate the cash to build a structure and buy a bulk tank on their own. Diana Mwendaweli, Markets and Financial Services Facilitator at SNV, stated that the application of member equity is one of the biggest weaknesses in Zambian co-ops. There is very little member economic participation with shareholding only at 10 percent. Efforts to improve this have met with limited success mainly because there is a lack of transparency and trust.

Nevertheless, Zambian co-ops demonstrate that there is importance in on-going member economic investment in their businesses. Although still largely dependent on government and donor support, successful dairy co-ops have systems in place to extract payment from the members for services. Monze Co-op, for example, retains 20 percent of the milk check, which is enough to finance operations though there are rarely surplus funds to pay out dividends. In some other co-ops, a system has been established by Czech Republic Development Cooperation Agency to pay for members’ use of cooperatively-owned machines through milk delivery. To further increase farmers’ ability to manage finances, some of the co-
ops have also created partnerships to establish savings and credit cooperatives. Though the credit unions are independent of the dairy co-ops, the co-ops are members.

Without a stable commercial connection, co-ops find it difficult to survive. In Zambia, processors have formal agreements with co-ops, as they prefer to purchase from co-ops rather than individual farmers; they would not be able to collect from smallholders in an otherwise efficient manner. In order to encourage farmers to work through co-ops, Parmalat assists co-ops in managing payments by extracting a fee for the co-op from each members’ milk check. The Dairy Association of Zambia is exploring similar relationships with input providers in order to expand the availability of products to more farmers. Co-ops generally do not approach the industry themselves. Rather, NGOs and the Dairy Association of Zambia broker agreements and commercial relationships on the co-ops’ behalf. While helpful, this commercial dependency has also limited the co-ops’ effectiveness in an important way: co-ops develop the businesses promoted by NGOs and donors, and not necessarily the businesses of most interest to the members. In Choma Cooperative, it was found that while it is a dairy co-op, its members primarily see themselves as beef producers. The co-op provides no services and has no marketing or commercial agreements to promote its beef business.

Paraguay Country Profile
Paraguay provides an excellent example of how cooperatives, when managed properly, can mitigate risk, create opportunities, and care for the needs of individuals in a community. From 1924 through the middle of the last century, Mennonite immigrants settled in remote regions of Paraguay at the invitation of the government. With practically no support, they organized their communities, established industries and provided for their needs.

CRI visited 5 successful Mennonite cooperatives altogether, which are almost entirely responsible for the formal dairy production in Paraguay. Fernheim Cooperative began in 1931, 11 years before there was even a national cooperative law. Its principal business is beef production and processing, but the cooperative also assists members acquire inputs, adding value to milk and marketing dairy, sesame, corn and other crops. The cooperative also provides funds for a hospital, school and social security for members. Holanda Cooperative alone produces 47 percent of all the milk in the country. The Mennonites who settled in harsh conditions with few assets built highly-successful livelihoods. They were successful because they were committed, they were organized, and they worked together.

CRI also learned of other closed ethnic communities’ successful cooperatives founded by Brazilians, Japanese and Italian immigrants. In this context, it is worth noting that Paraguay is a young country with a system of small government that favors established, well-funded businesses. It was repeatedly pointed out by those interviewed that the Paraguayan government offers very little support, even leaving the construction of roads up to the local communities. That also means, however, there are very few taxes,
and therefore greater incentive to make profits — and a greater need to organize and mobilize communities.

Although there are examples of successful cooperatives present, there are far fewer smallholders forming co-ops than might be or should be expected. This especially affects the majority populations of rural Paraguayos (Hispanic origin Paraguayans) and Guarani/other indigenous groups. The primary reason given is that many Paraguayans and indigenous peoples do not appear to have a strong work ethic in their culture and history; individual achievement, in fact, is often discouraged. Whether true or not, CRI has encountered a similar negative cultural influence in South Africa, where a community may go so far as to raid and pillage a successful business out of jealousy. However, cultural differences can play both ways and lack of individualism can also mean a higher degree of community spirit that would in theory lead to an easier way forward to forming business cooperatives.

Central to the Paraguayan context is the lack of understanding that successful local businesses are necessary to expanding the overall local economy; business is a critically important force for raising communities out of poverty. However, those that live in poverty often feel a deep distrust for successful businesses and other types of formal organizations.

Several interviews also revealed a serious deficiency of trust. Lack of trust is evidenced by the depth of corruption in the government and society. USAID’s highest funded activity in the country today is ‘installing accountability mechanisms in core public institutions necessary for a responsive democracy.’ The purpose is to create the transparency and trust necessary for structures to operate effectively. This can also impact small organizations. At the small co-op level, CRI was told on several occasions that members do not like to put money into the co-op because the manager usually absconds with it. As the president of Neuland Cooperative put it, “transparency is the first pillar” underlying a functioning cooperative.

Although the successful Mennonite co-ops serve as an example for how the concepts of member equity and member capitalization work, small farmer organizations have generally not organized to the point where they can utilize these tools or have the trust in the co-op to attempt them. Part of the milk pay is retained for funding operations of the collection center, but no additional money is provided by members. As for equity, co-ops evidently do not make enough profits to provide annual dividends. A revolving credit or any other system would not be effective as long as members believe the money might be stolen. Before an effective co-op capitalization plan can be implemented, the co-ops need to establish the common vision and goals, and create a transparent system of organization, that will foster the trust needed for members to be willing to invest.

Farmer cooperatives generally do have commercial agreements, as is the case in some other developing countries. In fact, with the Mennonite co-ops operating successful processing businesses, surrounding communities have a unique opportunity to get in on the action with a relatively small degree of effort. The Mennonite co-ops willingly buy from small collection centers if they meet hygienic and other
quality conditions. Additionally, inputs and services that the Mennonite co-ops offer to their members are extended to those farmers at the same price. This means that the small co-ops can benefit more quickly than is common by utilizing the economies of scale of the much larger co-ops buying their milk. Why there are not more taking advantage of this opportunity seems to have more to do with distrust and lack of education than it does with any inherent difficulties or economic disparities. The general lack of a sound business approach to organization among small farmer groups was identified in several interviews, including FECOPROD, the co-op federation whose leaders purportedly said there is a lack of leadership ability, transparency and the ability to establish a plan.

Officers at USAID stated that co-ops are generally formed around grants rather than being market-driven by providing services to members and utilizing economies of scale. Although milk collection centers form for farmers to be able to sell milk into the market, few farmer groups progress to the maturity of expanding their vision and providing other services for their members. The degree of effectiveness of mitigating risk for their members is, therefore, limited.

**Peru Country Profile**

The dry climate in Peru makes agriculture both difficult and risky. Farmers’ main challenges are high input costs and low milk prices. This is due largely to a monopoly in the dairy industry where La Gloria controls 80 percent of the market. Farmers who are organized can reduce the volatility, assuring feed and veterinary products remain affordable by purchasing in bulk, but they are still faced with a price-setter that is not particularly market driven. With the milk monopoly holding the price of milk low, co-ops are trying to capture more of the value chain by processing milk themselves and selling locally. The craft cheese and yogurt markets are believed to be profitable and several co-ops and associations already have equipment and are trying to develop that business, although none of them are producing in quantity yet. Overcoming the low milk-price set by large processors is one obstacle that co-ops are struggling to overcome.

In addition to farmer services, some co-ops are also offering services that address risks of a different nature. Some of the co-ops with which CRI met have programs that provide emergency medical loans interest-free to members. Although this is not a core purpose of the cooperative, it is a common need among members and a way co-ops are relevant to their members.

Credit and financing is another major challenge. The commercial interest rate of 24 percent or more is prohibitively high. Foreign donors have provided loans with concessional lending rates in the past and co-op members voiced hope that international NGOs can offer technical and financing support more than national institutions. Several co-ops mentioned the need for credit unions, which the state evidently would capitalize, but this is currently beyond the capacity of their organizations. However, this is another valuable tool for risk mitigation that could greatly benefit smallholders, as CRI found in Zambia.

Political actions taken by Peru’s government have had a deleterious impact on farmers’ notion of the value of cooperatives. Between the 1960s and 1990s, the government instituted various agrarian reforms that took a top-down approach, in some instances forcing the formation of peasant cooperatives. As in many countries with similar cooperative histories, this approach resulted in the general failure of the application of the cooperative model. According to Jose Ferrer Noriega at the Ministry of Agriculture, the roughly 1,000 dairy co-ops and associations in Peru are quite weak; they mostly search for donors and grant funding, rather than providing the tools, technical assistance, training and networking needed by cooperatives for non-donor financing, business and cooperative strengthening, market development, etc. Some members lose interest when activities do not progress
quickly; the co-ops stagnate. Most organizations are formed to sell milk, but they lack the understanding to use the organizations to provide other services. Lack of governance and vision are among the top challenges. Jaime Garcia, Director at ConsultAndes, confirmed that co-ops generally are failing in Peru as they rely heavily on subsidies and lack capacity to compete in the marketplace.

Nevertheless, the need for cooperatives is apparent. Technoserve Country Director Victor Ganaoza said the cooperative model is key to maintaining the production models once their “Strengthening Capacity for Exports” project is completed; without it, there is a risk of farmers falling back into old traps and uneconomical production models. Likewise, USAID/Peru Project Management Specialist Fernando De Villena stated that farmers are generally willing to participate economically as long as they see returns and are provided services, but without services like insurance and loans, farmers see little value in co-ops.

Successful organizations can still apply the concepts of member financial contribution, member services and member equity. Although understanding of the cooperative business model is limited, and often skewed given past government interference, some farmers are actively working to capture more value. Although, the low level of education and lack of advisor support make it difficult for many of these groups to organize effectively, there are programs offered by the government to assist with start-up capital and loans. Farmers, however, are generally not able to access these without the help of outside professional expertise to assist with developing a business plan and that is typically outside their financial capabilities.

Farmer groups vary in their degree of sophistication. Whether registered as associations, co-ops or civil societies, the factors that separate the successful from the unsuccessful organizations are transparency, member involvement and commitment, and providing relevant member services. Those that are struggling seem to have more trouble agreeing on an approach. Moreover, members do not want to contribute personally. There is a lack of trust in the organizations’ management of funds and members hesitate to invest.

Several groups that were visited are noticeably struggling. Farmers in Huacho, for example, are milking cattle in desert conditions where feed and water is scarce. The low milk price and the high input costs prevent them from becoming little more than subsistence providers. They are trying to find a way to process their own output in order to capture more value, but they are not organized for any activity other than associations for representation to the government. Without a commercial structure or common vision, one that a cooperative can appropriately provide, there is little chance they will be able to advance to the next level.

Similarly, an association in Cajamarca has dreams of processing and selling a value-added product. It is further along and has some old equipment it wants to get operational. However, as an organization it lacks the capacity to establish a vision, strategy and plan. Although it is working to create a new business to help its members, there is little or no risk mitigation on behalf of the farmers that would ensure a consistent, standardized, high quality input of milk. The drought last year devastated many farmers, and some are looking for ways to make silage collectively. This would be a valuable cooperative service for a farmers’ organization to facilitate, but the association lacks the capacity to lead such an activity.

A third group that is struggling is a dairy association in San Camilo. It is currently selling veterinary supplies, fertilizer and tractor services to its members. However, many local farmers are excluded from membership and those who are members are not satisfied with how their needs are met. Several farmers present at the interview for this analysis expressed their desire to take part in leading the
organization, but they are not members. Therefore, the services offered are not the type, quality and price the farmers expect can be obtained with their contributions. Some believe it would be best to let the present organizations dissolve and start a new co-op that would be relevant to all farmers.

In contrast to the farmer groups that struggle in their organizational capacity, others provide services that are extremely relevant and useful. Camay Civil Society, near Huacho, found a way to reduce the volatility of maintaining a dairy farm in the desert. Some years back, through a loan from the Swiss government, it created a single cooperative dairy farm, using members’ land to provide forage. In this way, it was able to keep the input costs down, stay in business and earn higher profits. The business is effectively capitalized through members’ use of resources (land) channeled through the dairy business. At year’s end, members are paid dividends with some of the profit retained for reinvestment. As a way to further mitigate risk, they are also diversifying to other crops such as mandarins. The main reason for their success, according to the chairmain, is that the group has remained united, honest and transparent with members.

Two cooperatives in Majes are successfully applying the concepts of cooperative business. One co-op, Esperanza es Majes, began in 1998 by offering services such as milling and mixing concentrates for farmers. It also deals with exporters to sell crops such as yellow onion, paprika and artichoke for members. Its focus is on providing services rather than making profit, but it understands the need to maintain funds for reinvestment. Members pay an entry fee and monthly fees to finance the co-op. Financing is the biggest obstacle along with market prices. Selling in bulk through the co-op helps members obtain better prices and to buy inputs in bulk. Similarly, Pedregal Cooperative is financing itself according to members’ ability and seeking the most relevant ways to provide services to members. As many of the members are also members of the input co-op described above, there is a greater understanding of how to soundly operate as a cooperative. In addition to paying a quota each month from their milk delivery, members are contributing to a cooperative herd by each providing 3 cows and 3,000 soles.

**CONCLUSION**

The conclusion of this study proved to be slightly different than the original hypothesis; and the main challenge for cooperatives is more than simply applying the cooperative business model. What sets successful cooperatives apart is their ability to combine four essential attributes: trust, organization, relevant services for members and member investment. At the beginning of this study, CRI hypothesized that, as seen in Nicaragua and South Africa, cooperatives in the three study countries are relatively inefficient at managing risk among their farmer-members, resulting in lower productivity, lower profitability, more side-selling and lower economic well-being overall for cooperative members.
CRI further hypothesized that three obstacles that most prevent cooperatives from effectively mitigating risk are (a) lack of member equity and capitalization, (b) lack of commercial agreements, and (c) few or poorly managed member services. While these hypotheses proved true for numerous developing cooperatives in each of the study countries, CRI also discovered that each of these diverse environments can indeed support viable cooperatives, as farmer organizations exist in each country that provide the structure and services necessary to effectively mitigate risk for members. This is especially true in Paraguay, where very advanced cooperatives not only meet the needs of their members, but also dominate the dairy industry. According to their own leaders, this can be attributed to the fact that the cohesive Mennonite communities foster a culture of commitment and trust that permeates throughout their business activities. These successful organizations demonstrate the potential the cooperative model has to bring a wide range of benefits to smallholders in each country.

Understanding and Accepting the Fundamentals is Key to Cooperative Business Advancement

When cooperative businesses are formed in their intended manner—by members, for members—they can be highly effective in mitigating risks faced by members. CRI has witnessed this, not only in the countries described in this study, but also in the countries where it has carried out cooperative development activities — as well as in its own history. However, in countries where there is a weak understanding of the cooperative model, farmers often find it difficult to apply it effectively. Throughout CRI’s examination of Zambia, Paraguay and Peru, it was observed that many of the struggling farmer groups are geographically near to groups that are growing successfully, but lacked the organizational capacity and trust that was present in the successful groups. Until farmers are willing to work together, and have the right mechanism to do so, their combined achievements will be limited.

With proper organization, and trust among members, cooperatives in each of the three countries demonstrate the ability to establish a common vision and provide relevant services for their members. This also goes hand in hand with member economic participation: when members see that their cooperative is working to provide for their needs and trust its integrity, they are more inclined to invest and commit to build their cooperative. The combination of these factors—trust, formal organization, relevant service and member investment—lead to cooperatives that have been successful in mitigating the risks their members face.

Member Capitalization and Equity

Member equity, in whatever form, is essential to a cooperative’s performance. Not only does it provide an incentive against side-selling, it is a form of savings/ investment for members and can be used to capitalize infrastructure and service improvements either directly or as collateral to leverage debt, equity and concessional financing. How equity is managed can determine the level of commitment members feel towards their co-op. This view is reinforced by numerous studies, including a survey by Oklahoma State University Regents Professor Phil Kenkel that found that 62 percent of co-op members believe that allocated equity effects their decision to be involved in governance. Similarly, a case study conducted by Equal Exchange, Not Too Poor To Invest: The Case For Smallholder Farmer Ownership Programs found that member capitalization and equity structures are key to member loyalty, member engagement, and members’ sound financial management of their cooperative. Excepting the Mennonite co-ops in Paraguay, the majority of the farmer organizations were heavily reliant on external funding to start their businesses. However, once operating, the successful co-ops implemented strategies of member capitalization and equity return that led to greater commitment and less reliance on outside sources.

Commercial Agreements

Formal agreements with suppliers, customers, joint venture partners, private equity investors and lenders are key to the sustainability, stability and performance of cooperative enterprises. However, while this is
important and will need to be addressed by each cooperative at the proper time, it may not be among the biggest obstacles for the cooperatives surveyed in this exercise. In the three study countries, co-ops were generally able to market their products with or without commercial agreements, but what was needed was value-adding to access new markets.

Member Services
Essential member services that are professionally managed and utilized by members can increase farm outputs and foster relevance to a cooperative’s membership over the long haul. In the study countries, the most successful co-ops were those that understood the biggest needs of their members and provided for them. Camay Civil Society assisted farmers with small parcels of land to work together in an efficient and profitable manner. Likewise, many of the co-ops’ formation was due to the necessity of having a single cooling tank for their milk in order to sell it to a processor. Progressive co-ops do not stop at a single service. They work to counter other major obstacles faced by their members, such as high feed costs, poor genetics, low milk price, and emergency medical bills. However, these are only effectively implemented in organizations that already have established an underlying structure of governance and transparency.

For co-ops that are not effectively meeting the needs of their members, it is evident that lack of member capitalization, lack of commercial agreements and poorly managed member services are relevant obstacles holding up progress. Nevertheless, it was also discovered that there is an underlying element that is necessary before these issues can be addressed—namely trust. Successful co-ops each attributed their success to the confidence that members have in the organization, which leads to commitment and investment. Struggling co-ops, on the other hand, each alluded the difficulty they have in achieving a common vision and working together.

The Bottom Line
As trust is the foundation of a successful cooperative, it was also apparent that it cannot be attained without a structure upon which to build it. Farmer groups which do not have the systems, protocols, checks and balances risk members’ confusion and distrust for how the business is managed. Structure and governance are needed to create the transparency to generate trust among the members.

While many of the cooperatives in this study are noticeably struggling to build an organization to support their members, CRI also found potential and is optimistic that some cooperatives, in fact, have the fundamentals and commitment in place to build successful commercial enterprises. What set those cooperatives apart are sound governance practices, a willingness to offer viable member services, and a desire to obtain technical expertise to grow their businesses. Progress will stagnate, however, without guidance and mentorship. Many of the cooperatives surveyed have the aspirations, attributes, common vision and committed membership that are foundational for success. With the right capacity building, many of these cooperatives have the potential to flourish.
ANNEX A

Study Team

Marcel Petrutiu – CRI Director of Global Development
Matthew Rhody – CRI Global Development Administrator
Lieb Venter – CRI CDP South Africa Chief of Party
David Cohen – Senior CDP Technical Advisor

Zambia Interviews

Dairy Association of Zambia
USAID/Zambia
Breeding Impuls Zambia Limited
Czech Centre of Excellence, Czech Development fodder project
Visit to smallholder farms
Visit to commercial farm
Musika, local NGO
SNV and Agriterra
Palabana Dairy Cooperative Society
Alex Hansingo, former NCBA CLUSA Livestock Development Project Manager
Monze Dairy Farmers Cooperative Society
Choma Dairy Co-operative Union

Paraguay Interviews

Cooperativa Fernheim
Cooperativa Chortitzer
Cooperativa Neuland
ASCIM, local NGO assisting indigenous groups
Ministry of Agriculture, SENACSA – Dr. Manuel Barboza – Director General
FECOPROD, Paraguay Federation of Cooperatives
USAID/PARAGUAY
World Wildlife Foundation - Cristina Morales
Cooperativa Friesland
Cooperativa Carolina
Cooperativa La Holanda
COOP PINDO/ACIC SA
Amelia Moro, former ACDI/VOCA Cooperative Development Program COP
Peru Interviews

USAID / Peru
Ministry of Agriculture, Department for Development of Cattle
ConsultAndes
TECHNOSERVE Peru
ALIANZA CACAO, NGO
FONGAL – Foundation for the growth of dairy
Veterinary College of Peru – Cajamarca
CEDEPAS – Local NGO for Social action
Association of Cattlemen and Irrigation San Felipe
Association of Cattlemen Provenir
Mayor of Huacho
Sociedad Civil Camay
Cooperativa Pedregal
Cooperativa Esperanza es Majes
Mayor of Majes
Dairy Association Gremio Agroganadero de San Camilo
ANNEX B

Interview Questions

1. Is there scope for cooperative growth in dairy and beef sectors?
2. What are the biggest challenges? How do you see the CDP helping to advance economic and agricultural development in the country?
3. What regions have the most dairy and beef production? The most growth potential in these sectors?
4. Are there programs providing capital to and technical assistance/training to dairy and beef producers and cooperatives? (Are there Cost Share opportunities?)
5. Do farmer cooperatives utilize the concepts of member equity and member capitalization effectively? What systems are used?
6. Do farmer cooperatives generally have commercial agreements — buyer, supplier, JV’s, lenders, etc.?
7. Are cooperatives generally formed around providing member services?
8. What is the state of the national cooperative enabling laws and policies with regard to their effectiveness, cooperative compliance, and obstacles?