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What To Think About Cooperatives: A Guide from Bolivia

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

A word, first, about the nature of the success I witnessed, before describing the seeming mismatch between success and inadequacy. The most obvious achievement of the Bolivian groups is that they still exist, almost ten years after their creation. Though they have not yet suffered the ending of outside donor funding, their survival and active life are something of a record, when compared to many other endeavors to organize rural cooperatives in Latin America. A second category of achievements of the Bolivian groups is the benefits they provided to peasant-farmer members and, in many cases, nonmembers: (1) better prices, greater reliability, and honest weights resulting from cooperative purchasing and marketing of their crops, using coop-owned trucks; (2) better prices, honest measures and weights, and unadulterated products available at coop stores supplying consumer staples and agricultural inputs (the price differential tended to diminish after awhile, in marketing as well as retailing, either because coop prices drifted back toward prevailing prices or because private merchants adjusted their prices downwards to meet the coop competition); (3) savings in transport and other expenditures for farmers who previously had to travel some distance to buy consumer staples and inputs, and now could buy them nearby; (4) transport savings to producers resulting from the establishment of coop processing facilities (rice mills, cacao-processing plant) where before there were none; (5) availability of credit to those who previously had no access to banks; and (6) new opportunities for employment and apprenticeship in coop service operations, of which agroprocessing created the most jobs.

In addition to these benefits, two of the coop associations provided benefits to whole communities through community infrastructure projects undertaken in their early years—schools, potable water, irrigation, road grading. Another association initiated a campaign to combat cacao blight, which could have a significant impact on grower incomes. And the agricultural equipment-rental service of one association allowed peasant farmers to move from shifting to stable agriculture, and from rice-growing to cane-growing, with corresponding increases in income. Many of the benefits named here were reaped by nonmembers as well as members.

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

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

The second surprising inadequacy of the coop associations had to do with membership growth. Membership seemed to stop growing at an early stage, even when the associations were expanding their services and income-earning activities. Each association had an average of twenty member coops with seventeen members apiece, totaling only 350 members. At most, coop membership reached only 25 percent of the families in a community, and a much smaller share of the population of the area served by the association of coops. Given that each association group had received roughly $350,000 from the Inter-American Foundation, the small size of membership could mean an average investment of $1,000 per member family—in addition to significant investment in the form of member and other donor contributions and IAF staff expenditures. Measured against the low-cost model of development assistance aspired to by the IAF, these costs would appear to be disappointingly high—an appearance modified significantly when nonmember benefits are taken into account.

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

It is obvious why the first inadequacy, weak management, would be cause for surprise. We are used to seeing this problem singled out, after all, as the cause of coop failure. It is not obvious why we are bothered when coops have small and declining memberships, little participation, and entrenched leaderships. What does this matter, if they succeed in generating some significant benefits? The problem lies partly in our vision of coops as participatory and democratic. If they do some good, it is hard for us to believe that they are low on participation. In reaction to this contradiction, we tend to see more participation and less control by entrenched leaders than actually exists or, more skeptically, we suspect that significant benefits for the poor have really not been achieved. Also, when we find that our favorite qualities are lacking in coops, we tend to prescribe or fund remedies for catching up—more training in cooperativism, more rotation of leadership, more drives to expand membership.

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

El Ceibo (Central Regional de Cooperativas "El Ceibo," Ltda.), a 350-member association of eighteen coops located in the cacao-producing area of the Alto Beni, was founded in 1976 by four small village groups that banded together to market cacao. Ceibo now buys 60 percent of the cacao marketed in the Alto Beni and, with its own 10-ton truck, markets it in La Paz, an eight-hour truckride away. On the backhaul from La Paz, Ceibo brings consumer staples that it wholesales to the small consumer stores of its member coops. Ceibo also operates cacao-processing and drying plants, where it ferments and dries about 40 percent of the cacao it buys (it purchases the rest home-dried); and, it has a small chocolate factory in La Paz, which absorbs less than one percent of the cacao marketed. Ceibo is now embarking upon an agricultural extension program to combat cacao blight, which has decimated much of the cacao plantings in the area.

Of the four groups, Ceibo has taken on the smallest number of activities, concentrating almost exclusively on cacao marketing. It is the only one of the groups without a credit program, and the only one without a retail consumer store operation; it is also the only one to have succeeded at a wholesale store operation. Partly because it attempted less, Ceibo seems to be the most successful of the groups in terms of its finances and its impact on the region. IAF support for Ceibo, starting in late 1980 and amounting to $200,000, was for (1) operating capital to purchase cacao, (2) construction of a second drying plant, (3) purchase of a second truck, (4) cooperative education, and (5) the salary of an administrator for the cacao-processing operation.

Bella Vista (Cooperativa de Ahorro y Crédito "Bella Vista," Ltda.), situated in the higher coffee-producing zone adjacent to El Ceibo, started in 1969 as a savings and loan cooperative that was closely guided by a Franciscan priest. Receiving outside funding in the late 1970s, Bella Vista expanded into the marketing of coffee and rice, acquired a small rice mill, opened a large consumer store, and continued its savings and loan operations. With about 200 members dispersed throughout the area, Bella Vista is the only one of the four groups that is a large single coop; the others are associations of small affiliated coops based in communities of less than one hundred families. Partly because of the geographic dispersion of Bella Vista's membership, it was the most precarious of the four groups; it also experienced a major loss of capital and in community confidence because of political repression resulting from its role in organizing a strike of the Alto Beni's farmers against increased trucking rates and other policies of the military government. IAF support for Bella Vista, starting in 1978, amounted to $185,000, and was used for (1) the purchase of a 14-ton truck, (2) operating capital for marketing, (3) operating capital for a consumer store, (4) a fund to promote eradication of coffee rust (a plan that did not materialize), and (5) cooperative education.

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

In the early 1980s, CCAM became the only one of the four groups to receive funding from a large donor, the Inter-American Development Bank ($500,000). CCAM was also the only group to secure short-term production credit from a local private bank for lending to its members; it succeeded in repaying the loan. (From the same bank it also obtained operating-capital credit for its rice mill.) IAF support to CCAM, amounted to $206,000 between 1974 and 1983, and was used for (1) operating capital for the consumer-store operation, (2) grain storage and drying facilities for the rice mill (still to be completed), (3) a revolving-credit fund for production loans to members, and (4) the replacement of pontoon bridges washed out by floods.

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

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

IAF support for COINCA, starting in 1976, has amounted to $415,000, and was used for (1) a credit fund for production loans, (2) operating capital for a consumer store operation, (3) construction of a headquarters and store building in the capital city of Tarija, (4) purchase of a vehicle, (5) administrative salaries (COINCA was the only group with a paid, outside professional manager, agronomist, and accountant), and (6) an education program. (The winery operation was funded by a German volunteer agency.)

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

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

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

SPILLOVER AND ARRESTED GROWTH

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

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

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

In addition, three other "structural" traits of certain coop tasks caused them to spill benefits to nonmembers: (1) for activities that provided public goods (roads and road maintenance, potable water, schools), limitation of use to members or any other particular group in the community was not feasible or customary; (2) for some activities, members could not realize full benefits unless nonmembers participated too (control of contagious crop and livestock diseases); and (3) in some cases, innovations had a propensity to spread by themselves (agricultural practices that can be easily copied by observing neighbors, seeds and other inputs that are commonly traded among neighbors, and improved pasture grasses and other plants that spread like weeds). In all these cases, small and nongrowing coop memberships would not necessarily be a cause for concern, since the activities engaged in assured the spillover of benefits.

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

The free riders

Spillover may be good for reaching large numbers, but it is bad for the growth of members and their capital contributions. People do not want to contribute to a coop if they can get their benefits without joining. Cooperativism, like labor unionism, is quite familiar with this "free-rider problem" and has laid down some basic rules for avoiding it. One such rule is that purchasing and marketing operations should provide benefits to consumers only in the form of profit distributions or patronage refunds (which can be limited to members)—and not in the form of better prices (from which all buyers will benefit, member and nonmember alike). In this way, the coop can take advantage of the nonmember's contribution to business volume and economies of scale without having to provide a reward through better prices.

Why didn't the Bolivian groups try to cut down on spillovers and reduce the adverse impact on membership? First, the income-earning activities of these groups did not generate enough profits to distribute—a not unusual outcome; when profits did materialize, they were often commandeered to cover losses in other coop activities or to capitalize expansions. Second, and also common, the Bolivian groups found it hard to charge prices that covered their costs if those prices were as high as prevailing prices—even if it meant they returned profits to member-patrons at the end of the year. To adhere to prevailing prices, they thought, was to behave exactly like the "exploitative" middleman whom they were supposed to replace—and hence would stand them in bad stead with the community. In this sense, the Bolivian associations were behaving contrary to what one might expect of a small group with a better-off, entrenched leadership: they were setting prices with a social conscience. (Sometimes, unfortunately, these "socially conscious" prices did not cover costs.) Patronage refunds and prevailing prices, in sum, do not always represent realistic policy choices for rural groups like the Bolivian ones, even though they may be the best way to attract members and keep away the free riders.[1]

Success and dependence

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

In order to gain a different perspective on the financial dependence of the Bolivian groups, it is helpful to remember that the model of an independent agricultural coop, financed out of capital contributions from members, is more descriptive of North American historical experience than of current Latin American reality. In North America, rural coops were formed mainly by medium and large farmers with the capacity to make significant capital contributions, whereas in Bolivia and many other Latin American countries, farmers of these means often constitute only a better-off few. In Latin America, in other words, the financially independent coop may be an unrealizable goal—if we expect these organizations to draw their members from among the poor.

The acid test of the strength of donor-funded coops occurs, of course, when outside funding stops. None of the Bolivian groups had reached that point, even though some are over ten years old. Critics of the groups argue that they would be nothing without their outside funds and patrons, while supporters argue that self-sustaining success requires many years of outside support. Though the Bolivian groups might indeed have collapsed or severely contracted if their outside funding had been withdrawn, it is impossible to know what strength and resources they would mobilize if this state of affairs were actually upon them. Until the acid test takes place, moreover, these "financially dependent" groups end up providing some important services to the peasant economy over a long period—as well as building skills among the peasantry and the strength to deal with a powerful, nonpeasant world. The success of many such groups, finally, is often crowned with their "adoption" by the local public sector—at least in terms of financial support—so the acid test never takes place. Some of the concern about financial dependence, therefore, may be pointless.

Good management versus growth

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

Growing memberships made it difficult for the Bolivian groups to work on these problems.[3] Because each new coop usually wanted a store and access to credit, the only way for the associations to start reducing their credit-caused problems was to refuse to accept new member groups or, at least, to not vigorously promote them. Also, some would-be members, and even old members, lost interest in membership upon learning that credit would no longer be so easy. From the coop's point of view, of course, this loss represented a desirable process of self-selection, whereby would-be delinquent borrowers were discouraged from joining.

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

CCAM and COINCA took a vigorous approach to the problem of store credit by "de-linking" store expansion from the creation of new coops. They centralized their store operations in one place under their direct control; and they severed the wholesale relationship with affiliated stores or exercised greater control over the stores' prices, profit margins, and management practices. In that these latter improvements involved less "local control" of the affiliated store, they made the member coop look more like a buying and selling outpost of the association—at least with respect to the store activity—than like an independent and democratic community body. The marketing operations of El Ceibo also resembled this more centralized, less "democratic" way—with member coops seeming more like "buying agents" for the association than genuinely participatory community bodies. Though the cooperative as buying agent may not jibe with our image of cooperativism, it may nevertheless be consistent with achieving a broader reach for otherwise limited coop benefits.

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

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

Barter is another way to reduce the management problems of store operations, illustrated by El Ceibo's combination of consumer merchandising with the purchasing of cacao. Barter, of course, is also the time-honored practice of many private merchants in rural areas who sell consumer staples on credit and receive payment in harvested products. In the hands of private merchants, the barter relationship is considered by many to be exploitative of the peasant.

A more drastic approach than barter to problems of store credit is to ban credit completely and sell only for cash—as dictated by the principles of Rochdale cooperativism. Though the Rochdale approach makes excellent management sense, the barter model of El Ceibo and the "exploitative" rural middleman may be preferable on distributional grounds: rural stores are often the only places where the poorest community members ever get access to credit and, therefore, are their lifeline to consumer necessities during hard times. Here is another case, then, where the pursuit of good management and healthy cooperativism is at odds with social equity—and where donors, therefore, should pay special attention to finding ways to preserve the more equitable results.

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

THE STRUCTURE OF TASKS, SOCIETY, AND THE ECONOMY

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

We have already identified two reasons why entrenched leaders are not necessarily a problem. First, if one views the member coop as a local buying and selling outpost for the coop association, then an entrenched person in charge is not necessarily so bad, and may even have some advantages. Second, some activities like marketing, processing, and stores force coops to spill their benefits widely. For these activities, therefore, the reach of a coop's benefits will be in some ways beyond the self-interested control of the entrenched leaders. But why would entrenched leaders choose spillover activities in the first place if they were only looking after their own interests? This is where a strong influence will be played by social, agronomic, and economic conditions—in conjunction with the nature of the coop's task.

Fragmentation and leadership

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

Though the leaders of the Bolivian groups were definitely from among the better-off members of their communities, they shared as farmers the same economic interests as their poorer farming neighbors—the desire for better crop prices, lower transport costs, access to production credit, and consumer staples and agricultural inputs at lower prices. This contrasted with the merchant and trader leaders of coops with headquarters in larger rural towns. As businessmen, they would not be at all happy to see their coop charging lower prices than their own for consumer staples, or offering higher prices to growers, or introducing low-cost credit. The pursuit of self-interest by this latter kind of coop leadership has, in various instances, most certainly conflicted with the interests of farmer members.

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

Crops and their social character

The agricultural economy of each coop environment determines whether leaders define their interests as consistent with those of the community. Of the four groups, El Ceibo seemed to exhibit the most socially concerned behavior and generated the greatest amount of spillover, even though its leadership was as entrenched as that of the other groups. At CCAM, in contrast, one heard criticisms of "elite dominance" and "rich peasants looking only after themselves"; the leadership had motorbikes or pickup trucks and second houses in the busy cantonal capital where association headquarters were located. Why El Ceibo did better than CCAM at being egalitarian is revealed by the strikingly different socio-economic structures of the two areas.

Unlike the Alto Beni, home of El Ceibo, CCAM's Santa Cruz exhibited a strong socio-economic differentiation on the basis of crop. In Santa Cruz, poor peasant farmers grew rice and were usually situated far from roads. The better-off farmers, in contrast, grew sugar cane and had good access to roads. Rice was grown under the shifting slash-and-burn system, requiring the eventual abandonment of one's land and the perpetual moves to new areas of virgin forest on the nearby frontier.[4] Sugar cane was competitive only when grown on land cleared of tree stumps using mechanized land-clearing and land-preparation techniques. Cane also needed to be near good transport because of its perishability, once harvested, and the low value of cane in relation to its volume. The differences between sugar and rice meant that the only way for a peasant to improve his income markedly in Santa Cruz was to have well-located land, access to machinery for land clearing and preparation, and credit to hire labor. Even getting this far, a peasant still could not market his cane without buying a quota at the local mill, which generally was not interested in selling quotas to small farmers.

In the Alto Beni, there was no such differentiation by crop. Everybody could plant the high-value crop (cacao) from the start, no matter what his location or means. Though cacao was also perishable, it had the advantage over sugar cane of being amenable to home-processing if one did not have ready access to transport. (Most Ceibo members sold their cacao home-processed.) As a perennial crop, of course, cacao requires more capital to establish than annual crops like rice—leading one to expect economic differentiation between better-off growers of cacao and the poorer growers of annual crops. But cacao, known as a small-farmer crop, was considerably less demanding of capital than sugar cane and was perfectly competitive without mechanization. And most growers in the Alto Beni had access to capital for starting cacao—in the past, through government credits provided by colonization projects, and later, through assistance to new settlers from their established relatives.

Finally, the remoteness of the Alto Beni from its consumer markets and the resulting difficulty of transport made marketing the most important problem. The marketing problem was a great equalizer, since it afflicted better-off and poor farmers alike. The gains farmers dreamed of had to do with reducing their transport costs and increasing their selling prices for cacao—and not with shifting to

higher-value, more capital-intensive crops. (Likewise, farmers expressed little concern about gaining access to credit.) In comparison to sugar cane in Santa Cruz, then, cacao's characteristics lessened the social and economic gap between better-off and poorer farmers in the Alto Beni. Correspondingly, there was no differentiation by crop between El Ceibo's leadership and its rank-and-file. This was in contrast to the distinct differentiation at CCAM between the cane-growing leadership and the rice-growing rank-and-file, not to mention the rice-growing nonmembers.

The cane-growing interests of CCAM's leadership led to coop activities that, coincidentally, had an inherently low spillover potential. A peasant farmer wanting to shift from rice to cane—as all rice-growing peasants in Santa Cruz who accumulated a little capital wanted to do—could be helped by four types of coop activities: (1) agricultural equipment services (cane was competitive only on land cleared of trees by bulldozers and ploughed by tractor); (2) credit to hire labor (of the three regions, agricultural wages were the highest in Santa Cruz); (3) transport on which one could be absolutely reliant (because of cane's perishability); and (4) access to a cane mill (cane growers could not sell cane without buying a quota from the mill). CCAM's activities were concentrated in precisely these four areas: it was the only one of the three groups that ran an agricultural equipment-rental service, obtained credit at a private local bank for lending to members, and had a fleet of its own trucks, which were used mainly for cane transport. (CCAM also used a large amount of donated capital to purchase a cane quota.) None of these activities had the forced spillover potential that processing, marketing, and stores do.

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

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

Another example of the interaction of the agricultural environment with social impacts comes from El Ceibo. In the Alto Beni, cacao disease became so serious in the late 1970s that it reduced yields by more than half over a period of only four or five years. Eradication of cacao disease therefore came to be an urgent concern of the Alto Beni farmers; knowledge of eradication techniques and the ability to apply them represented a conspicuous way to increase grower income. Campaigns against contagious crop diseases, of course, have high spillover effects because everyone must participate in order for anyone to be protected. In addition, demonstrations of the new technique (mainly radical pruning) are like a public good—anyone can attend or can copy from his neighbor. Like the Alto Beni's marketing problem, then, cacao disease was a great equalizer. It attacked large and small producers alike and required participation by small producers in order for the crops of better-off producers to be free of disease. And because a contagious crop disease was such a pressing problem in the Alto Beni, El Ceibo was drawn into an activity with inherently high spillover benefits.

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

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

The socio-economic environment of Tarija dictated that COINCA go into fertilizer supply and that this activity could have a broad social impact. The CCAM case was different: the socio-economic environment produced a leadership that was distinguishable from the rest of the membership by the crop it produced and by coop activities that tended to increase the distance between leaders and poorer farmers. Rice-milling was the significant exception.

Structural conditions, finally, also led COINCA into making wine and providing credit and technical assistance to grape growers, much as such conditions led CCAM into rice-milling. As an activity, the task of wine-making had the same desirable traits as rice-milling. But the distributional traits of wine-making were just the opposite of rice-milling: it kept benefits limited to a minority of better-off grape-growing members rather than spilling benefits widely.

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

Entrenched leaders and trouble

Though entrenched and better-off coop leadership is often a cause for concern, it is nevertheless what one usually encounters in agricultural coops. That this kind of leadership occurs whether or not coops are successful or socially responsible suggests that we need to find other causes for the problems usually attributed to this phenomenon. Though donors have little power to change the nature of coop leadership—and it may not be their place to try to do so—they can exercise some control over the more undesirable effects of entrenched leadership. This can be done by choosing tasks to finance, and environments in which to finance them, that will bring out the similarity of interests between the better-off leadership and the rest, rather than their differences.

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

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

SUCCESS AND INADEQUACY

How were the Bolivian coop associations able to grow and take on more activities while plagued by weakness in management? A clue can be found in the four tasks undertaken by all the groups—credit, consumer stores, marketing, and agroprocessing—and the fact that performance was consistently better (or worse) at certain of these tasks than at others. Agroprocessing ranked as the best-performed task—followed, in descending order, by marketing (including trucking operations), stores, and credit. Management inadequacies, in other words, seemed to be partly related to the nature of the task. Problems were consistently more prevalent in some activities than in others, leading one to suspect that some tasks were easier than others, or less vulnerable to bad management, or more demanding of good management. That might be why success and inadequacy could coexist.

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

Credit and stores

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

Two instructive exceptions to the problem of inadequate pricing were the prices charged by CCAM for rental of its bulldozer and by El Ceibo for transport of cacao. The only piece of agricultural equipment that CCAM charged cost-covering rates was its bulldozer; unlike CCAM's other equipment, bulldozers were not available locally for rental from private suppliers. In setting its rental price, therefore, CCAM was not constrained by a prevailing bulldozer-rental price that it felt obligated to undercut, regardless of cost. El Ceibo, in turn, was able to "charge itself" a full cost-covering rate for truck transport when it bought the cacao and incurred the transport cost of marketing itself (an "internal cost"). This contrasted with the case where Ceibo transported cacao or other produce for producers, without buying the product. In this latter situation, the transport charge was quite direct and visible, paid by the farmer accompanying his produce. But when the transport cost was "internal," it was less visible to the farmer, since it was one of several components in the margin between Ceibo's buying and selling price for cacao. With the more visible "external" transport price, Ceibo felt obliged to charge an inadequate one-third less (and lower than prevailing prices) than it charged itself for the "internal price" of transport, as reflected in the marketing margin. Ceibo could get away with charging the higher price on internal transport, it explained, because nobody would know or complain. When the price charged was "hidden" along with other costs in the marketing margin—or when there was no prevailing price to undercut—it was easier for coops to use criteria of cost and financial viability in determining the prices they charged.

Casual repayment policy, as seen above, also contributes to the problems of credit and store operations. Coops find it very difficult to be tough about repayment because it means being hard on their own people—particularly their leaders, who are often the largest borrowers and who play an important role in making decisions about who gets credit. Rigorous repayment policy spoils the comfortable and rewarding aspect of credit and store programs—the act of giving—because delinquent borrowers must be denied new credit and purchases. Together with the difficulty of charging adequate prices, these repayment problems cause the operating capital of coop credit and store operations to dwindle rapidly.[5]

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

Agroprocessing and marketing

When viewed against these problems of credit and stores, agroprocessing begins to look less complex—but in an administrative rather than a technical sense. In contrast to stores, processing and marketing involve the simple aggregation of units of a homogeneous product—unmilled rice, cacao beans, wine grapes—with a standard measure and price. This contrasts with the consumer store's breaking down of things into small amounts, and its myriad measures and prices—a more complex process that presents greater opportunities for graft. Graft is also less likely with agroprocessing because the product belongs to the farmers, and they will be directly affected if they do not get their return. Misappropriation of credit or store merchandise, in contrast, does not affect coop patrons directly—even though it is bad for the coop and, in the long run, for its patrons. There are strong social pressures against graft in agroprocessing and marketing, then, that are not present in store and credit operations.

Setting adequate prices is easier when coops are engaged in agroprocessing and marketing. All growers, of course, will want the coop to sell their crop at the highest price possible. In marked contrast to credit and stores, the marketing coop can charge what the market will bear—since the buyer is an impersonal outsider, or even an adversary, for whom the coop has no particular concern. Similarly, there is little social constraint on the prices charged by the coop for the various components of its marketing or agroprocessing services—transport, labor, fuel, depreciation of equipment, overhead—because these prices are not directly in view. They are aggregated into a total that is reflected in the margin between the coop's buying and selling price, as seen in El Ceibo's "hidden" price for transporting cacao.

Though the coop's marketing margin is clearly of concern to growers, and very much in view, the costing of each item in that margin is less evident. Prices charged for credit and merchandise (and hauling and equipment rental), in contrast, are more visible and easily subjected to invidious comparison with prevailing prices.

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

One of the most remarkable differences between agroprocessing and credit or store operations is the effect of mismanagement on capital. If stores and credit operations cannot deal adequately with prices, repayment, and accounting, they will lose their operating capital and jeopardize the very existence of the operation—as happened with CCAM and COINCA. But if the management demands of a rice mill or a cacao-processing plant are not met, the coop will not lose its capital. It will simply earn less income, or none at all, while the plant stands idle or is poorly used. In this sense, agroprocessing is more tolerant of lax management than credit and stores, regardless of how easy or difficult it is.[6]

Agroprocessing, and its embodiment in equipment and buildings, is endowed with a certain protective isolation from meddling. Decisions about plant operation are less interesting or less within the understanding of members than the topics of who gets credit, what kind of merchandise should be bought for the store, what rates should be charged for credit, and what prices should be charged for merchandise. The separate and "unknowable" nature of a production task also makes it easier for coops to justify handing over the activity to an outside technician. The four processing operations of the Bolivian groups—two rice mills, a winery, and a cacao-processing plant—were run as separate businesses, which members could "join" without subscribing to other coop activities. CCAM's winery and the large rice mill were run by paid outside professionals—an enologist and an experienced rice-mill operator—who kept an iron control over the books. Agroprocessing performed better, in sum, because the inaccessibility of the technology, together with the inconspicuous nature of the prices charged for the various components of the marketing margin, helped to keep meddling opinions and disruptive political pressures at bay. Agroprocessing was desirable, in other words, because it kept "participation" out.[7]

Agroprocessing has another positive feature. Like any construction project, coop processing plants usually elicit large member contributions in labor and in materials such as sacks of concrete or loaned tools and equipment. (This is in contrast to the ongoing labor contributions required of members for collective plots and for storekeeping, which are often disliked by members and potential members.) New coop members are frequently allowed to pay their capital subscription in labor and materials—as occurred with the construction of Bella Vista's rice mill. Credit and stores, as well as trucking and agricultural-equipment rental, offer no such opportunity for member contributions—except for cases where the coop constructs the store building rather than occupying an existing structure. The membership, therefore, does not feel the same pride of ownership for the credit fund and the store's inventory as it does for the processing plant. Processing installations, finally, enable coop associations to get credit at local private banks; both COINCA and CCAM obtained commercial credit—an unusual achievement for coops still dependent on donor financing—by pledging, respectively, their winery and their rice mill as guarantees.

Another way of expressing the argument is that agroprocessing does better than credit and store operations because it requires a project that finances capital, rather than operating, costs. Donors have been criticized for indulging in just these kinds of projects and neglecting the less glamorous projects where operating costs are central and not overshadowed by capital costs. In various ways, however, the Bolivian agroprocessing plants were not stereotypical capital projects. The technologies were "appropriately" rustic, the construction techniques were labor-intensive, and the operation of the plants generated the most employment of all coop activities. The plants also represented linkages forward from agricultural production, providing growers with the opportunity to appropriate more of the value added to their crop. In addition, the profits of the processing operations were crucial to covering the losses in the areas of credit and stores, allowing the coops not to be completely undone by the costly learning process of these latter activities.

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

Agroprocessing is not without its disadvantages. Along with marketing, the agroprocessor runs the risk of making one large mistake in judgment that can cause a tremendous loss. Bella Vista, for example, withheld its rice from the market in the expectation of a large price increase and ended up having to sell below the original post-harvest prices. Similar tales of woe are a common theme in the history of cooperatives, both successful and failed. With credit and stores, in contrast, loss of operating capital through poor management is gradual—perhaps one reason why it is tolerated for so long. The agroprocessing (and marketing) accomplishments of the four groups did not come easy, then, but these activities also did not suffer from the problems and sustained losses that credit and stores did.

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

In deciding whether to support coop proposals for processing operations—which sometimes seem frighteningly ambitious—donors can learn to distinguish between the easily-mastered technologies (and markets) and the more difficult ones. A cross-project look at what has worked can also provide some help—with the Bolivia projects suggesting grain milling and the initial stages of cacao (and coffee) processing —and the U.S. experience suggesting fruit drying and, based on the experience of many other countries as well, dairy products. Each case,

however, has to be judged on its merits. Processing will not always be appropriate.

The problem of free capital

With our knowledge of the winning qualities of agroprocessing, we can now understand better the problems of credit and stores. Grant-funded credit operations do poorly, in part, because the coop association does not have to pay the money back. It is not forced, therefore, to take on the disagreeable task of being tough about borrowing requirements, repayment, and interest rates. Thus it was that CCAM started to get tough on borrowing qualifications and repayment, and to charge prevailing interest rates, only when its IAF-financed credit fund was so decapitalized that there was no other alternative but to seek a private bank loan for more capital. "Free" donor capital, then, seems to be a culprit in the credit problem. But the agroprocessing projects also received free capital from donors, yet this did not create the same serious problems—except for some casualness, on occasion, about excess capacity. Indeed, free donor capital for agroprocessing seemed to facilitate rather than hinder improved management, by providing time for the coop to make mistakes and learn the business.

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

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

When credit is not a prime constraint, coops may be less willing to take the plunge into bank credit. Providing credit funds to coops as loans rather than grants, therefore, may constitute an excellent mechanism of self-selection: those groups that are still interested, even after knowing the conditions, may be more up to the difficult task ahead. Given that credit operations require such strength of organizational character, it may be best to simply eliminate credit from support to the groups that do not need it as urgently as other services. It may appear cold-hearted, of course, to suggest that fledgling peasant coops be subjected to repayment discipline in order to help them make some choices. But it should be remembered that the complaint of most peasant farmers who want credit is that the bank will not lend to them, will not treat them well, will cause them many costly trips back and forth, and will not disburse the credit on time for clearing and planting. They are more concerned about gaining access to the bank, in other words, than about getting special consideration on repayment conditions and interest rates.

Loss, learning, and change

Requiring repayment is not the only way to provide coops with more outside support and guidance for the taking of difficult steps. Well-timed donor warnings about suspending disbursements on a grant—or refusals to consider grant amendments or additional grants—can have the same effect. Two marked improvements in the management of the studied groups occurred as a result of such feared deprivations.

COINCA received a highly unfavorable audit report some years into the first IAF grant; the audit focused, not surprisingly, on problems in the area of credit and stores. (The winery received a clean bill of health.) Since COINCA believed that the IAF would provide no further disbursements or grants until it made the audit-recommended improvements, the audit provoked a crisis that resulted in certain improvements in management.

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

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

If certain management problems are the result of an undemanding environment rather than a lack of knowledge, then people do not necessarily have to be trained or convinced in order for things to improve. Instead, one may be able to reduce the problems by "changing" the environment—a power that donors often have, since they are an important part of a coop's environment. The IAF sometimes ignores its power to change an environment for the good. It has a distaste for intervention and is more preoccupied with the vulnerability of coops to the uncontrollable parts of their environment—the sudden price changes, the shortfall in fertilizer supply, the failed harvest, the opposition of powerful intermediaries, political repression.

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

Easy successes

One final point about the ways that donors can constructively intervene and the best moments to do so. All of the studied groups produced impressive early successes. El Ceibo quickly captured 40 percent of the cacao market of an entire region, paid growers almost twice the price paid by the large middlemen, and still earned a handsome profit. COINCA succeeded in obtaining such a large bulk discount on a fertilizer purchase that it could sell fertilizer to growers at half the prevailing prices. CCAM opened roads to distant communities with its bulldozer and motor graders, supplying them with their first consumer stores, trucking services, and reliable access to markets. These remarkable successes led to subsequent and more ambitious grants from a pleased IAF.

If the groups had done so well with so little to start, it seems reasonable to have assumed that they could have moved forward easily. Almost without exception, however, the later years turned out

to be more difficult, with less impressive results, than the early ones. Prices charged or paid crept closer to prevailing prices; transport operations started to run losses as equipment got older and maintenance became more expensive; decentralized store operations shrank or closed up; credit funds decapitalized. Early coop success, then, did not necessarily augur a vigorous future. In fact, a coop that fails (especially one with years of free donor funding) may have lived several seemingly healthy years before its failure. This is strikingly illustrated by the data on U.S. coops that failed, which show a ripe average age, "at death," of ten years.

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

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

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

CONCLUSION

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

Finally, our experience with coops can teach us a great deal about decentralized community or regional initiatives. Sometimes, non-cooperative forms of these endeavors will be an even better approach to the task. Normally, we tend to ignore or reject these other institutional forms because they do not have the "good" qualities we associate with coops—they may be controlled by elites, they may be weak on management, they may involve only a few people. But since our study has shown that coops themselves often have these same "failings"—even when they yield substantial benefits—then we need

not be so restrictive in our search for alternatives. At the same time, we will have to pay careful attention to the structural factors that contribute to the good results.

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

NOTES

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

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

3. The management problems attendant upon membership growth were nowhere as great for activities like processing and marketing.

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

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

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

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

DIRECT TO THE POOR

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