



# Farming dynamics

## RURAL ECONOMIC ORGANIZATIONS IN BOLIVIA: A SMALL FARMERS' STRATEGY

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## Introduction

What future does the family farm have in countries like Bolivia in the context of the globalization of exchanges? How can it be viable? Do the OECAS (Organizaciones Economicas Campesinas) as economic associations, however partial and precarious, provide an answer to the questions concerning the possible viability of the family farming sector in Bolivia?

We shall try in this article to answer that question.



### Bolivia

Total population	8,3 millions: 62,4% urban 37,6% rural
Rural population	Since 1976, decreased by 20,6%
Income	Under 2 \$ US per day
Rural poverty	90,8% (methodology NBI)
Employment	Agricultural Sector = 39% of PEA. Of which 85% are dedicated to subsistence agriculture
Growth of family farming	1,3% against 1,15% for the rural population

## The international environment

It is common knowledge that this precarious agricultural sector must develop in an unfavorable economic environment characterized by the globalization i.e. the global expansion of a market economy and of international commerce, the indiscriminate access of the producers of the developed North to the markets of the South less developed countries, the ever accelerating standardization of production quality norms imposed by the World Commerce Organization and the perspective that those norms will be extended to public services like health, education and research.

In this environment, two economic scenarios are opposed that deepen the process of differentiation in the rural sector. According to some experts, two systems co-exist in Latin America. On the one hand, a highly capitalized agriculture, managed according to a business logic and oriented principally towards exportation: this sector employs 10% of the rural population, On the other hand, an agriculture with no or little capital or technology accounting for 90% of the rural population represented by “family farms” i.e. small scale intensive agriculture. Of those it is estimated that 20% are evolving towards a market oriented production.

## The birth of the OECAS in Bolivia: unions, cooperatives, local initiatives

Over the past decades, the family farm sector has given birth to a new form of rural organization departing from the traditional corporatist and representative structures. Back in the 1980's, local farmers initiated a process that gave birth to the OECAS, with the assistance of NGO's and, to a lesser extent, of the state. They took the name of OCEAS i.e. “*organizational structures adopted by the peasants small farmers – members of cooperatives, associations of producers, farmers guilds – in line with the activities of production and commercialization and services with the stated objective of constituting self-managed enterprises.*”<sup>(1)</sup>

(1) Devisscher, M. 1996: cited in Ascarrunz, B. 2004, page 9.

The OECAS have evolved according to three scenarios:

- Some have developed as the “economic arms” of corporatist organizations and unions i.e. the CORACAS (Corporaciones Agropecuarias campesinas) integrating economic activities that progressively tend to become autonomous.
- Others are old cooperatives that have been revitalized.
- Finally, a few organizations have been set up with the express purpose of achieving economic objectives.

## Characteristics and economic importance

The OECAS are associations of peasant families that pursue economic objectives. They have the following characteristics:

- They are integrated organizations that controlled by farmers and rural dwellers;
- They are organizations that bring together several families of farmers and as such are distinct from individual “family farms”;
- They are associations with formal structures with at least a formal coordination body which distinguishes them from informal networks and rural institutions that are not strictly speaking organizations;
- They are organizations that produce primary goods in the agricultural sector. This sector also includes other activities such as commercialization and transformation.

The OECAS have the following activities:

- Agricultural products, livestock, food transformation, artisanal products, forestry and non agricultural activities like fishing;
- Commercialization: sale of the products produced by their members, exportation or networking with exporters, joint purchasing, joint marketing and sales, market and price research, quality control and all related activities such as packaging, transportation and stock-management;
- Other services: technical assistance, capacity building, formulation of projects and negotiation with private and public financial institu-



tions, coordination with similar organizations, contracting of marketing agents, relations with local authorities and public institutions.

There is no official data in Bolivia concerning the importance of this sector nor of the “family farm” economy in general. It shows how “invisible” this sector has been for the state. However, for the past two years, this situation has evolved towards at least a recognition of the existence of this sector although not yet towards the formulation of policies for it.

Today there exist in Bolivia about 633 OECAS distributed thus: 47% in the “altiplano” and mountain areas, 27% in the valleys and 26% in the low lands and tropical areas. About 114.000 families belong to these organizations, 87% of which are dedicated to traditional activities such as agriculture and livestock. The remainder 13% has moved into new fields that have shown development potential like the artisanal sector, forestry, fish-farming, ecotourism, and small scale transformation of agricultural produces, among which “bio” products are getting increasingly important.

The importance of the OECAS in terms of employment is clear. A family farm, as a farming unit, employs all the members of a family: father, mother, sons and daughters. In some cases, it will also employ other kins: uncles, brothers, grand fathers etc.

A typical unit consists of 5 members of the family of which 3 can work and are economically active. The other 2 would be under age, cannot work and remain economically inactive. An enlarged “family farm” consists on the average of 8 people of which 5 can work and 3 cannot. In line with those criteria the OECAS “employ” from 401.406 people on the down-side to 669.010 on the up-side. This represents on the conservative side 32% of the total rural population described as economically active, and 56% on the optimistic side. Thus the employment created by the OECAS is quite significant in the Bolivian economy: the lower percentage is roughly equivalent to the country’s current unemployment rate.<sup>(2)</sup>

## The different facets of the OECAS

Based on the above we can attempt to classify the OECAS according to three analytical stand-points.

**Viewed as economic units** the OECAS principal objective is to increase the income of rural families by linking up the rural economy with the market economy through a collective marketing effort. Thus the OCAES could be a way to modernize the rural economy.

**Viewed as structured functional entities** the OECAS are “organisms” that combine several functions: technical support, information, human resources, administration and are self-regulated.

**Viewed as social micro-systems** the OECAS are also considered as an interactive system in which various actors interact: on the one hand, decision makers, technical staff and managers; on the other hand the organization as such in its relations with the outside world (experts, consultants, cooperators) and the local authorities (municipal environment) in the framework of a decision taking system that reflects the play of power and influence.<sup>(3)</sup>

To the above one might add a strategic view-point whereby the OECAS play a seminal role in the development of strategies for small agricultural producers towards the acquisition of the capacity to compete in order to guaranty food security and to succeed in entering the markets. This view-point would preclude the too common opinion whereby food security and marketing as two separate instead of two complementary realities.

## Problems and potentialities

The OECAS are confronted with many problems in achieving their objectives among which the most important are:

- Inadequate post-harvest handling and low product quality hampers the marketing of the OECAS agricultural production;
- Limited knowledge of the markets;
- Difficult access to sources of working capital;
- Ineffective assistance from public and private

(2) Villegas, C mm. Cochabamba, 2004 cited in Soto, C. report Iller. Meeting SOS Faim, Cochabamba, 2004, Page 6

(3) Laguna, P. Doctoral thesis, Wageningen, 2004

institutions and international cooperation entities and little internal capacity to network with its environment: NGO's, municipalities, businesses, public sector etc;

- Internal weakness in medium and long term planning and a strong inclination to think and act in the short term;
- The confusion of responsibilities between managerial and technical functions leading to inefficiencies, putting financial objectives at risk and occasionally threatening the very continuity of these organizations;
- A marked reliance on cooperation agencies to cover their operating costs. This reopens the debate on setting financial return yardsticks for the OCEAS.

The OCEAS however also have potential and opportunities:

- They are organizations based on rural solidarity and constitute a space for apprenticeship and for the development of leaders and managers;
- They are legitimate bodies because representative of their communities;
- They provide economy of scale in the production and commercialization of agricultural products;
- They facilitate the neutralization of unfavorable external factors and the regulation of market prices;
- They can promote the access of non-traditional, especially biological, products to the market;
- They can foster a progressive access to the local authorities.

## A few challenging paradoxes

The OCEAS must creatively seek a balance, complementarities and articulations between a number of apparently conflicting tendencies that characterize its actions and its environment.<sup>(4)</sup>

### Measuring the social return and the impact on farmers' families versus the economic return and the viability of the enterprise?

On the one hand, an OCEA must seek to achieve positive financial results for the benefit of its

members i.e. farming families. In entrepreneurial terms such results are the key to success and viability. However, in actual life high profits for the entrepreneurs may mean low prices for the producers. This is clearly a dilemma. In addition one must factor in competition and over time an OCEA may find it difficult to maintain lasting profit margins of time particularly if it must renew continually the "product" it offers.

### Reconciling the "union" and the economic dimensions?

OCEA-like organizations tend, especially in Bolivia, to become vehicles to put forth grievances and claim social rights and thus to assume a militant social role. Such organizations require strong and motivating leaders with the capacity to mobilize their organizations towards achieving social objectives.

However an OCEA may need another type of leadership with cautious leaders capable of weighing objectively all alternatives before acting, of controlling operating costs and of preserving the patrimony of the organization. This requires men or women with more management than leadership skills. There is nonetheless a risk that such managers may lose contact with the organization's members or that the latter become disappointed with the absence of significant tangible results.

### Living with management turn-over versus the requirements of professional management?

Without some turn-over of managers and some opportunities for other members to participate in the management of "their" OCEA there is a risk of the base losing contact with its management and of a progressive attrition of the democratic process. On the other hand, too frequent a turn-over will generate a recurrent loss of experience and professional skills.

### Combining the advantages of a small social scale and those of a big economic scale?

A small social organization can more easily than a large one draw in its members to participate actively in its activities and to identify with the group.



(4) Synthésis of a situation reported by Lucas De Conninck, Report III. Meeting SOS Faim Bolivia, 2004

Conversely, a large economic organization would find it easier than a small one to make profits and achieve a strong market position. Ideally one should strive to integrate effectively small social organizations into a large economic entity.

### **Starting out with commercializing the current local production versus starting out with tailoring the production to the market needs?**

In the first case, while the farmers master their traditional farming techniques their products are often not well received in the most “sophisticated” and lucrative markets.

In the second case, while, theoretically at least, the producers can achieve higher profits and stronger market position they may run into difficulties in adapting the new production standards required by the markets.

It is thus important that OCEAS seek ways of offering a range of products compatible with an easy adaptation of farming techniques at the producer’s level with a good market acceptance.

### **Seeking cost leadership (high volumes at low price) versus seeking market niches (low volumes at high price)**

In order to achieve high sales volumes by aggregating the productions of many farms the OCEAS may consider a marketing strategy based on “cost leadership”. At the same time, it is necessary to maintain over time margin levels sufficient to ensure the financial viability of the organization. To this end, up to now few Bolivian organizations have adopted a “market niche” strategy based on lower volume and high prices although some OCEA have achieved some success implementing components of such a strategy.

### **Self financing and building up the OCEA’s own capital versus resorting to outside investment**

A policy of self-financing and the solicitation of members’ financial contributions will lead to members identifying more strongly with “their” OECA. However, small producers cannot invest much. As a result the capital building process can

only be slow. Therefore the financial benefits that the organization can offer its members are limited.

Conversely, the recourse to strong outside financing, through donations or the issue of shares can facilitate the capital growth of an OECA and the distribution of more substantial economic benefits to its members/producers. But the risk exists that the latter will start considering the OCEA like any enterprise in the life of which they do not participate and start behaving as minority shareholders. Where is the point of equilibrium? Much will depend on the capacity and leadership of management in finding it and maintaining it.

### **Evaluating the respective advantages of a collective approach to management versus the individual decision-making entrepreneur**

It is commonly accepted that “united we are stronger” but collective management with its array of meetings and often unwieldy management process can have a significant cost. A management process centered on one single individual can be more effective and less costly; at the same time there is some value in “putting several heads together”.

### **Fitting the individual farm in the value chain: i.e. from the producer to the ultimate consumer**

A farmer can produce without thinking much of interacting with others, especially if he has limited needs for outside purchases. To sell his products he must however participate in a “market” which can be described as a “chain” constituted by many diverse economic actors. An OCEA can concentrate on bringing together many farmers each working as an independent unit but if the other links in the chain do not operate effectively it will hinder its effectiveness. In such a case an organization’s reaction is typically to start doing what it believes others cannot do well. But in the end any organization loses its effectiveness by dispersing its efforts in too many areas. Would it not be more effective to help out the other actors in the chain or to coordinate the work of all to ensure that the whole chain works better?

## Conclusions: the conditions of viability of the OECAS

### Conditions relating to the environment

As already mentioned the current international environment is unfavorable to the development of the family farm economy and to OCEA-type organizations due to the consequences of globalization and the policy of agricultural subsidies practiced by the countries in the North. As far as the Bolivian environment is concerned the following should be noted.

- The effective development of the OCEAS requires a stable macro-economic scenario and one of economic growth and not one of recession. The government must play an active role in promoting and regulating that growth;
- The individual farmer cannot be expected to become a stable competitor unless the country itself is competitive. The government should encourage the producers to exploit the opportunities they have through measures of positive discriminations and justice in favor of the producers;
- The totality, or almost, of Bolivian livestock raising farms are not “enterprises”. This at least signals to the state that it should create the necessary conditions that will allow the family farms to become competitors in the domestic market. In parallel the state should take advantage of the opportunities that exist on the international markets. This redefinition of the role of the state requires a wide ranging “re-engineering” process so that it can move away from its current indolent passive role;
- What about the private sector? Above all it should play a complementary role to that of the state in order to develop a market of services to the agriculture in general and to “family farm” producers in particular.

### Conditions relating to the internal organization of the OCEAS

- The OCEAS are faced with the challenge of “re-engineering” their organizations into entrepreneurial associations where they must

acquire a long term vision and improve the quality of their human resources;

- From an economic point of view, the OCEAS with the best prospect of success are those that generate revenues and manage seriously their finances because their long-term potential for growing profits is the best. To this end the identification and “bonding” of members is essential at the social level but also at the economic level;
- From a management stand-point the OCEAS can better develop their level of effectiveness if they are organized along functional lines with delegated responsibilities;
- From an organizational stand-point, the studies of the OECAS in Bolivia have paid little attention to the mechanisms of internal information and decision making. These mechanisms can be revealing of the democratic practices (or of their absence) in these organizations. This aspect which has been little analyzed is of crucial political importance for the peasant movement in general in as much as the OCEAS are emerging components of that movement;
- Field investigations have demonstrated that the OCEAS have the greatest chances of success when they decentralize their commercial functions and specialize in one or the other, for instance selling or stock management. The acquired experience in one area of specialization diminishes the overall risk of failure.

Summing up, the OCEAS need to evolve from a concept of one-way assistance to their members towards a more interactive system. They should become suppliers of services to their members instead of pure benefactors, demanding clients instead of stand-back benefactors, suppliers of paid services instead of donators of free services. They should become members of a value chain rather than simply a grouping of primary producers, creators of competitive assets rather than caretakers of existing resources. They should be oriented towards the market demands instead of only the basic needs of their members.<sup>(5)</sup>

(5) Gonzales, A. «Commercialization: opportunities and challenge for small scale agriculture» cited by Soto, 2004.

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## REACTIONS

*In each number we quote some of our readers' reactions to the content of past numbers of Farming Dynamics. Our hope is thus to foster debates and exchanges of ideas.*

*Do not hesitate to mail or e-mail your comments.*

■ Reaction of Ngimbi DITSIA , Executive Secretary of the Regional Council of Development NGO's, - RDC, to n°3 of Farming Dynamics:

*«I discovered in the 3° number of Farming Dynamics that agriculture remains the first source of income and subsistence for almost 80% of the population in West Africa like in my country the RDC and that the people in my country and in my region experience the same*

*constraints (difficulties in acceding to the factors of production, difficulties linked to human resources etc.) Beyond similarities, the West-African farm producers have already arisen to a level of political struggle that aims at leading their States to protect them in the face of globalization. I dream of such an awakening of the Congolese peasant that would go towards the organization of a strong and dynamic peasant movement. This idea is taking shape.»*

## REFERENCES

### ■ Web sites and electronic bulletins

**www.aopeb.org** Discover the electronic bulletin of this association of producers "bio" in Bolivia.

**www.redev.info** A new web site on sustainable rural development whose purpose is to facilitate the exchange of information and debates on various themes ( assistance to peasant organizations, support of the agricultural sector, agricultural policy and food security).

### ■ Publications/books

**Zoom on agriculture** A new publication of the GRET whose ambition is to give reading keys to enable actors in the South to defend the interests of their countries, their populations and their peasants. Info: gret@gret.org

**The family farm: agent of development** A document on family farms that can be downloaded at [www.shl.bfh.ch/fed/docs/TASIM-AO\\_Doc\\_Travailn°6-Synthese.pdf](http://www.shl.bfh.ch/fed/docs/TASIM-AO_Doc_Travailn°6-Synthese.pdf)

**SOS Faim and farmers' organisations**

Since 1964, SOS Faim Belgium and since 1993 SOS Faim Luxembourg are supporting farmers' organizations as well as agricultural producers in about 15 countries in Africa and Latin America.

Their activities basically concern three areas: support of institutional and organizational development, promotion of economic activities and defence of producers' interests in the South, through actions in Belgium, Luxembourg and the rest of Europe.

To this end SOS Faim Belgium and Luxembourg created "Farming Dynamics", a quarterly bulletin edited in French, Spanish and English.

The objectives of this bulletin are:

- to provide widest possible information about farmers' and producers' associations: what are their activities, what are their experiences? What kind of problems do they have to face, what are the solutions? What are their positions or proposals to matters of their concern?
- to create room for debate, exchange of experiences and ideas about subjects relevant to the development of farmers' organizations, of agriculture and of the rural population.
- to provide information about those policies which influence the activities of farmers' organizations in the South.

You will find this and previous issues for download in French, Spanish and English on the website of SOS Faim Belgium [www.sosfaim.be](http://www.sosfaim.be) and SOS Faim Luxemburg [www.sosfaim.org](http://www.sosfaim.org)

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**Do you wish to comment on one or the other subject mentioned in this issue of Farming Dynamics? Do you want to give your opinion, some additional information, etc? Please contact us [info@sosfaim.be](mailto:info@sosfaim.be)**

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