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Gastón Rico
Cooperativas Agrarias Federadas.
 (Federation of Agricultural Cooperatives)
Uruguay

Cooperatives and Fair Trade: A sight from the Uruguayan experience

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3. Agricultural Cooperatives in Uruguay

The system join 12- 15000 (20%) farmers in 55 agricultural cooperatives. First degree coops and “sociedades de fomento rural” (agricultural development societies) acts locally supplying farmer’s input, given technical advise, selling production, financing, etc.

There are 2 Second degree cooperatives specialized (grain, wool, lamb meat) and some of first degree cooperatives covers the whole nation. Many of the are agro industries and they are leader in their sector. Some figures about coops: Dairy: 90% of the milk production, 3000 farmers

Grains: 30% of wheat production, soybean, barley. 5% rice. 1500 farmers

Silage crop service: 70% of the national production.

Wool: 10% of market share, lamb meat 50%

Honey: 35%-40% of the volume exported.

Seeds, flowers cut, beef cattle are expressive.

All those product are exported by this cooperatives.

The agriculture cooperatives are also the principal suppliers in inputs to the farmers and in the extension services.

4. Beekeeping and the experience of Fair Trade

Beekeeping in Uruguay has developed during the XX century. In 1929 Uruguay stopped importing and in 1963 exported for the first time. It has had a constant

growth during the last 30 years and has 3.500 beekeepers with 350 to 400 thousand beehives.

Apiculture has developed in all the country but with major presence in the littoral area in the border with Argentina. The average for beekeepers is 100 beehives and 30 Kg per beehive, a number that shows great variations. Generally they are very small farmers or people that complete their incomes with the apiculture, but they are leaving this activity as a hobby and it is becoming a business.

Beekeeping has favorable conditions of climate, flora, population distribution and services. Flora from the native woods, leguminous, eucalyptus, and in lower quantity weeds of the crops, natural grasses, citrics, allow the production of recognized honey and at the same time different, depending its origin. The exporting profile of the country is clear, 90 % of the production goes to the international market, being the greater Germany, Spain and Brasil, and lately USA, United Kingdom, Belgium and Canada.

The evolution of exports from 2002 to 2004 (overhead table n° 1) of wines, non citric fruits and vegetables is shown in table 1. In 2004 a total of 25 millions of dollars are exported, from which 14 belong to Germany, 6 to USA and 3 to Spain.

Table 1. Exports in millions of dollars

	Wine	Non-citric fruits	Vegetables	Honey
2002	4:6	2:2	0:2	15:4
2003	3:9	6:0	1:2	23:3
2004	3:9	8:5	1:5	25:0

From the items that are basically produced in small and medium exploitations it has the biggest presence.

4.1 Why the growth and evolution in the last 10 years?

Some points:

- it has a wide base of beekeepers in all the country, many local groups, networks and horizontal coordination between farmers,
- an important associative vision linked to a sense of business,
- in a first stage until 2001, as a response to an attractive business, sustained with good cooperative presence in the External Market together with quality and technical issues.



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- in the last three years there has been a quick answer to very good prices.
- Many citizens have incorporated this activity as a subsistence as a result of the economic crisis that the country and the region suffered in 2001 and 2002.
- many plans and promotion programs depend on official and national organizations as the Ministry of Agriculture and locals as Municipalities. Also the activity of private institutions, apiculture unions, cooperatives and NGO's and support from the international cooperation channelled through the public and private sector.

Some remarkable facts during the last years:

- a) institution of the national record of beehives (law 17115 / 1999) creating the Honorary Commission of Apiculture Development, with representatives from the Government and beekeepers.
- b) crisis of the cooperatives, increase of the prices, strong development of private companies for exports which channel the bulk of produced honey to Europe and USA.
- c) mortality of beehives and the appearance of new diseases as a consequence of sanitary problems.
- d) a strong movement to increase the quality, to set up good practices, differentiation and improvements in the extractions rooms.

4.2 Why the cooperatives and association working with honey and beehives products?

These organizations have always provided spaces for the coming together of the farmers. Since 1974 some entities associated with CALFORU (multiproduct second degree cooperative) perform exporting experiences.

The sector of honey of CALFORU consolidated and worked more than 15 years in the exportation, reaching more than 30 % of the total exports. CALFORU strong debts crisis due to problems in other sectors, compelled the organized beekeepers to work in an organization specialized in honey.

In 1992 Central Apícola Cooperativa was founded and also two entities of first degree as CALAS and CALAPIS operate for exports.

Central Apícola joined 13 cooperatives of first degree and 400 beekeepers, being the first exporter of the country with 3.200 tons in 1999.

CAC has bonded successfully to the markets, promoted the item and together with the two cooperatives named before the exports reached more than the 40 % of the external commerce of honey of Uruguay. Since 2000, different problems appeared, a

great drought produced a very important decrease, more than the 90 % of the production. That year the export of CAC decreased 10 times and exported 300 tons.

At the same time it was consolidating an investment in a packing plant, once installed it did not operate. In 2001 and 2002 the crisis of the region and the country, cut dramatically the banks credits. Since 2002 the world prices increased, due to non participation of China and the closure of the markets of USA for Argentina. New private operators appeared linked to the honey commerce and exports, many of them multi nationals.

Since 2002 CAC stopped its operations, besides the lack of product, had management and administration problems, and problems related to its relationship with members. The beekeepers disconnected from the cooperative system, which did not solve their needs of business and finally the Central finished its activity.

In spite of what was said, the cooperatives were a determining factor in the growth and in the export profile of honey.

4.3 The importance of Fair Trade in the Cooperatives

At the CALFORU time a NGO linked to GEPA took contact with the cooperatives. The initial impact was very important because it paid between 20 and 30 % more above the FOB value of honey. At the first stage the importance was the access to the market more than the price itself that the beekeepers did not receive.

Lately with the formation of Central Apícola and managers' personal contacts, specially linked to a travel to Europe, the relation with this chain of Fair Trade, became direct from the Central. In most of the years it was channelled through Fair Trade, around 300 tons, while between 1.200 and 1.600 tons (between 20 and 25%) were exported.

Other characteristic of the business with Fair Trade was that the honey was shipped out of time, generally in March to May when the first harvest in Uruguay occurs in December.

Subsequently when the relationship between the Central and GEPA pushed forward, other mechanisms were obtained. For example, to give the farmer an advanced payment at the moment they receive his harvest. This was an interesting element in the network.

The link with CAC was natural, as the major part of the farmers was within the parameters of Fair Trade.

Related to the over price that were received for that 25 % of the honey, the CAC payed up all of their farmers a better price. With a similar part it created a revolving fund to establish a development fund to start and expand the activity of their member farmers.

The price that was payed to the farmer (which was divided between the group of the farmers) marked some cents of difference, which made the whole business very attractive.

One of the characteristics that CAC had was that based exclusively on the price the relationship with their farmers and when administration mistakes and management participation were detected, these farmers did not participate forward in the Central trade.

Since 2002, the market had a great increase in prices (more than twice). The Fair Trade network did not have the capacity to adjust to the new reality of the market. When the collapse occurred, CAC could not fulfill the shipments and owed an important quantity that was the advance payment of the harvest. At the moment there exist some actions tending to rebuild this relation.

Some thoughts related to this view

From uruguayan point of view, the consumers will constitute themselves as a group that generates new alternatives of market, more fair, that are non- existent in our country. From the other side, although our farmers have a link with the market, the relation with the networks of Fair Trade seems very interesting. These consumer networks generate new market niches that have to be treated according to their particularities.

The problem from the other point of the supply chain, is how to organize the offer, how to consolidate the production, classify, order, pack and export to participate in the network. This task may be done by middlemen.

In Uruguay the cooperatives have the ability to develop, to organize this offer, as they are capable of performing different operations and fulfilling these tasks.

A different situation in Uruguay is that in different agricultural sectors and also honey, the economy of market works. For all the farmers, even the smallest, the product is used for self consumption and the rest they send to the market. All of them are involved with the market. But some markets have failures: asymmetry in the information, insufficient quantity of buyers, etc.

These asymmetries are minimized in Uruguay for the majority of farmers (generally adequate information and many middlemen working), but the small are the farmer the failures impact him.

The associative and farmer networks are wide enough to reach most of the beekeepers. It does not happen with other products, more linked to the internal market, or when new products are starting.

For us it is important to point out:

- a) In Uruguayan experience (due to a specific problem) the relation with GEPA was not corresponded by CAC. It is our purpose to rebuild it starting from other cooperative companies.
- b) One view is to locate Fair Trade as a new niche of the market. From this point the attention to a certain niche deserves to be managed correctly.
- c) The management of this niche with so particular characteristics, is very interesting when the companies as cooperatives or associations are in a development stage. In the case of the Central, when it mature and has great volume, the effects of Fair Trade become minor.
- d) One question is how to attend this situation (low volume in relation to the total). Although the cooperative is bigger, it has very small farmers and can not go out the prices of the market. Could the network increase of the volumes, or is it necessary re focusing its target population?
- e) From the point of view of the management it could become complicated to attend only one part of the farmers as different. Although the trazability systems are becoming more and more common, it introduces new difficulties related to the administration and actions linked to the average price with which many cooperatives work.
- f) Other products that do no integrate the family basic food requirements in Uruguay should be explored as hand crafted cheese, wines, marmalades and sweets, packed products. What happen with fresh foods: fruits and vegetables, cereals and oils? CAC under its specialization did not explore these fields. But CAF as a representative entity of Uruguayan Agricultural Cooperatives, could generate a stream in this direction.
- g) Fair trade from the point of view of consumers: why do not go beyond the price? Definitely what it try to build is the commercial capacities for the less advantageous farmers could take a better part of the price at the market.

Gastón Rico - grico@caf.org.uy

CAF

Uruguay

Anexus 1

URUGUAY: Producer and exporter of natural foodstuffs

General information about the country

Uruguay is located in the southeast region of South America, between latitude 30° and 35° south and between longitude 53° west. It borders to the north with Brazil, to the east with the Atlantic Ocean, to the south with the River Plate and to the west with Argentina.

Its area is 176.215 square kilometres of easy rolling plain pastures, which offer no great problem for cattle raising.

The climate is temperate, rather humid and variable, with no major differences between summer and winter mainly due to sea influence.

The total population was estimated in 2000 in about 3.164.000 inhabitants, 91% urban and 9% rural.

Montevideo, with a population of 1,5 million inhabitants, is the capital of Uruguay, as well as its main port and main city. The country has a well-developed network of main roads as well as minor roads and is connected to Argentina.

Uruguay, Argentina, Brazil and Paraguay make up Mercosur (Mercado Común del Sur, Southern Common Market) which is an Integration Agreement, originally a free-trade zone, and at present in the process of becoming a Customs Union.

Main features of Uruguayan farming

Uruguay presents a mildly rolling surface with a relatively small extension of flat and hilly lands.

The Uruguayan ecosystem is mainly composed of natural rolling pastures and low hills, without important geographical irregularities. The existence of this ecosystem including natural pastures allows for the raising of sheep and cattle all year round.

Agriculture at present accounts for 8.3% of the economy measured through the Gross Domestic Product and occupies 147.000 workers. The official number of farms was as to 1990, 60.000; for 2002 shows 58.000 farms. Over 65% of Uruguayan exports are produced by this sector

Farming involves different activities, which as a whole exported in 2004 products in the value of 1.900 million dollars. This represented 70% of the Uruguayan exports during the present year (2.800 million dollars) Beef and sheep production took place en 14.3 million hectares, and generated in 2004, exports in the amount of 900 million dollars. Arable crop production took place in 650.000 hectares generating exports in the value of 290 million dollars. Fruit production was developed in 33.000 hectares and exported products in the value of 53 million dollars, while horticultural production developed in approximately 9.000 hectares, its volumes and values of exports being incipient. Forestry developed in 322.000 hectares generating exports in the value of 97 million dollars, and continuously expanding. The fishing industry exported 112 million dollars.

Main features of the Uruguayan farmers

The Uruguayan farmers have different characteristics. There are those who live with their families in the farms, and those who only go there to organize the work. There are farms that require complete dedication of the farmer; others allow time for complementary activities (part-time producers)

Animal Production

Beef Cattle Production

Beef farming in Uruguay is carried on jointly with sheep farming in most of the territory (14.3 million hectares; 91% of the territory) with a total herd of 9 to 11,5 million head. In 2000 the stock was 10.3 million head.

The main cattle breeds are European, with a 70% of the stock of British breeds (mostly Hereford, and Aberdeen Angus) and the rest being continental breeds (Holstein and Normandy) and crossbred animals.

The farming system is based on the pasture feeding provided by the natural prairies, complemented by sown prairies or natural prairies with sown leguminous.

Beef production reaches this year 600.000 tons net weight of which 180.000 tons are for domestic consumption, and 320,000 tons were exported. These exportable volumes find limited access to the European market, and have to face the negative incidence of agricultural subsidies.

The permanent export markets of the Uruguayan beef have been the European Union, Israel, Chile, Canary Islands, Hong Kong, Singapore, Saudi Arabia and the U.S.A. NAFTA becomes the first buyer.

Sheep Production

Sheep farming was mainly focussed on wool production till recently. Nowadays, the national flock is rapidly changing to sheepmeat production. The national herd was 13,7 million heads in 2000, spread all over the country but especially on basaltic and stony soils.

There are 12 wool processing plants that use last generation technology. The Uruguayan processing plants are among the most modern worldwide and they can process all the country production.

Dairy Production

Milk production, traditionally focussed on the domestic market, has started a new stage since the mid 70's. This new and very dynamic stage is based on a deep technological change on the dairy production, processing of milk and dairy products.

This raised production from 700 million liters in the mid 70's to 1200 million liters in the agricultural year 2003/04. Of these, 1050 million liters are processed in processing plants.

There are 5.500 dairy farmers, of which 4.000 are related to the processing plants, while the rest process their milk in an artisan way.

Ninety percent of milk production is processed in cooperatives of dairy farmers spread all over the country, but most commonly in the south and the west. Eighty percent of the production is processed by a cooperative named CONAPROLE, which involves more than 3,000 of the dairy farmers, relatively high level of satisfaction of

the domestic market, international market, having today exports for 140 million dollars, which have led the industry to be one of the main dairy exporters of the developing countries.

The product that generates the largest incomes from exports are cheeses, followed by powdered milk (whole milk and skimmed milk) butter, fresh milk and cream, and butter-oil.

Arable crop farming

The arable crop farming in Uruguay is spread throughout 600,000 hectares located mainly in the west of the country, near the border with Argentina. The exception to this is rice, located mainly in the east and north of the country.

In the last crop seasons the main productions have been wheat (196,000 hectares), rice (190,000 hectares) and barley for beer (60,000) and soybean 250.000 hectares.

Rice

The Uruguayan rice is recognized worldwide for its excellent quality, due to the length of the grain called American type.

All rice in Uruguay is produced with flooding irrigation. Near 200,000 hectares are sown annually, and more than 95% of the product is exported, with a value 8 in the last agricultural year) of \$ 250 million.

There are 32 rice mills located all through the main production areas.

Barley

In Uruguay barley is sown to produce barley for beer production, and has been developed in approximately 60,000 hectares. It is a product for export (more than 93% of the total production is exported) with exports of 277,000 tons (raw barley based) There is a strong vertical integration between the farmers and the processing plants.

Sunflower and soybean

The surface sown of this arable crop has widely varied over the last 30 years. However it can be said that an average of 100,000 hectares are sown. It is an oily arable crop with its own advantages in production farm management, and strongly related to the arable rotations in Uruguay.

Soybean has been increased last years up to 250 000 hectares

Horticulture and fruitgrowing

In Uruguay, fruit growing and horticulture have been activities focussed to satisfy the

domestic market. The horticultural production is located mainly in the south, near Montevideo. An exception to this are two areas, one (Salto) where the horticultural production is developed under greenhouses, and the other (Bella Union) which has special climate features. Fruticulture of perishable leaf has developed also in the south near Montevideo. Orange, grapefruit and lemon production is located mainly in the north of the country (Salto) Grape growing and wine making is strongly located in the south, and successfully changing and exporting important volumes of wine that are increasing yearly.

Beekeeping

Honey and other products of beekeeping are, after the orange-grapefruit-lemon production, the most important exports produced in the small farms. The Uruguayan honey is known worldwide; there is a good exporting experience and it is constantly receiving new investments that help it grow. Most of the production is in the west and the south of the country. The average production per beehive is around 30 kilos per year, fluctuating from 15 to 60.

There are around 2,000 to 2,500 beekeepers. Most of them are occupied part-time in beekeeping and their main income has other origin. Only 300 or 500 beekeepers have beekeeping as their full-time occupation, and they are those that produce more than half of the Uruguayan honey. In Uruguay the domestic consumption of honey is 2,000 tons and production can be larger than 10,000 tons. In 1997 the exports raised a historical maximum of \$12 million. The main clients are Germany (65% of production: 5 million kilos), Brazil (16% of production: 1,2 million kilos) and Spain (11% of production: 800,000 kilos)

Forestry

Wood production has developed very fast in Uruguay in the last 12 years, based on a "Forestry Law" that includes financial support. At present there are more than 500.000 hectares already with planted forests, and the rate of plantation is 40,000 hectares per year.

After 750,000 hectares has been planted, only 5% of the national territory will have been used in forestry.

Most of the plantations are medium and small size; 69% are smaller than 200 hectares, and only 5% larger than 1,000 hectares.