

CHAPTER 4. THE EACs IN CHILE

4.1 Introduction

This is a descriptive chapter, in which I characterize the EACs in terms of age; membership; location; size according to sales, employees, services they provide to their members; and the markets, crop and animal enterprises with which they work.

4.2 Method

The methods used in this chapter are described in detail in Chapter 3, Section 3.1.

Hypothesis/aim	Methods / information source	Sample size
To describe EACs and to estimate their number and membership	Two postal questionnaires	Questionnaire 1 was directed at 1050 rural organizations and was completed by 407. Questionnaire 2 was sent out to 628 organizations and was completed by 534. Of those, 424 fit the definition of an EAC and the data was used for the analysis in Chapter 4.

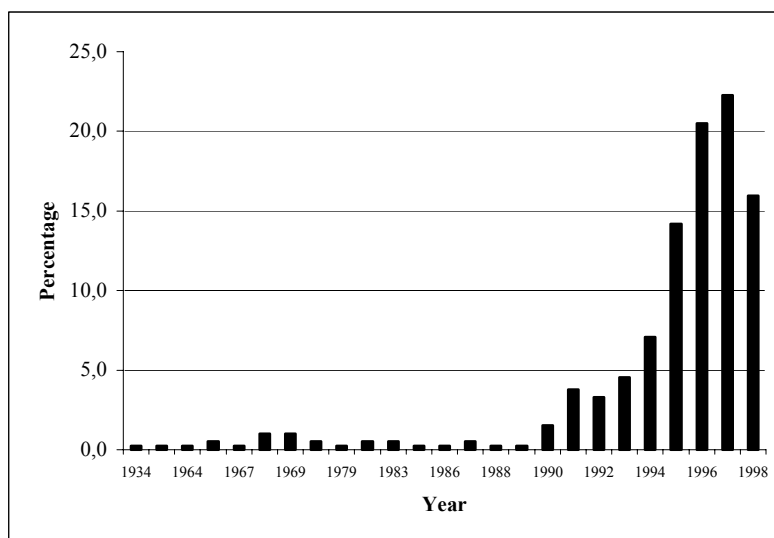
4.3 Characteristics of EACs in Chile

I estimate the number of EACs in Chile to be around 778, with a total membership of approximately 58,000 small farmers. These figures come from a careful, line by line analysis of the available information for each of the 1,050 rural organizations which were receiving some form of financial support from INDAP in December 1999. While I am fairly confident that the organizations I excluded did not meet my definition of an EAC, it is possible that among the remaining 778 some more would be excluded given more information. Thus, this is an overestimation of the number of EACs and their members. However, on the other hand, I am not counting those EACs that may exist but which have never had access to INDAP's services, although admittedly these must be very few.

Gómez (2001) addresses this issue in a recent study of all rural organizations in Chile. He separates EACs from cooperatives and trade associations (Asociaciones Gremiales), while in my own definition a local cooperative or a trade association can be an EAC if its primary purpose is to engage in marketing or value-adding activities. That is, Gómez uses the specific legal status of the organization as a distinguishing criterion, while I do not. After adjusting Gómez' figures according to my own definition, I arrive at a total of 55,000 members of what he calls EACs, cooperatives and trade associations, a sum similar to my own estimates.

Of the estimated 778 EACs in Chile, my two postal questionnaires yielded detailed information for 424. I have found no evidence that could suggest that this sample is biased in any particular direction, although I have to admit that this is a rather subjective assessment, based on my own experience, and that I simply do not have any hard evidence to prove that the 354 EACs which did not answer my questionnaires are not systematically different from those included in my sample. What follows is based on the information for the 424 EACs which replied.

Figure 4.1 shows that the vast majority of the existing EACs formed since the return of democratic government in 1990. Clearly the formation of EACs in Chile has been directly and strongly facilitated by public policies that, since 1990, have explicitly aimed at fostering the formation of economic organizations of this sort, at stimulating the incorporation of as many small farmers as possible, and at prioritizing these economic associations as the primary counterparts of several public agencies (such as INDAP, FOSIS, or CORFO).



Note: 1998 includes only first semester

Figure 4.1 Year of legal constitution of EACs

Table 4.1 shows how the regional distribution of EACs closely follows the distribution of subsistence and market-oriented small farmers.

Table 4.1 Regional distribution of EACs in Chile (percentages)

Region	% of EACs in region	Small Farms ¹		
		Subsistence	Market-oriented	Total
1	1.2	0.8	1	0.9
2	0	0.6	0.5	0.6
3	1.7	0.6	0.6	0.6
4	3.3	7.5	3.8	5.2
5	10.7	6.2	5.9	6
6	10.2	9.4	10.2	9.9
7	9	12.7	13.8	13.4
8	13.7	17.7	18.9	18.4
9	23	16	23.5	20.8
10	19.9	25	15.6	19.1
11	0.7	0.3	1	0.7
12	1.7	0.2	0.4	0.3
13	5	2.8	4.8	4.1
Total	100	100	100	100

¹ Source of number of small farms and their regional distribution: ODEPA, 2000, based on data from the 1997 Agricultural Census.

The 424 surveyed EACs declared that they work with a total of 31,500 small farmers. If we extrapolate the average number of members of these 424 EACs to the 778 EACs that I estimate exist in Chile, we would come up with a total membership of around 58,000 small farmers, or around 21% of all small farms in Chile, or one third of the number of market-oriented small farms in the country. These estimates agree with my survey of 3,000 small farmer households (see Chapter 5), which found that 22% claimed to belong to an EAC, as well as with the results of Gómez (2001).

The average number of members and clients²⁴ of the surveyed EACs is 74.7, ranging between three and 3,000. However, Figure 4.2 shows that about half of the EACs work with less than 30 small farmers, and that larger EACs, with more than 100 or 150 members or clients, are not very common in Chile. I cannot explain the dip in the number of EACs with members between 75 and 100 members.

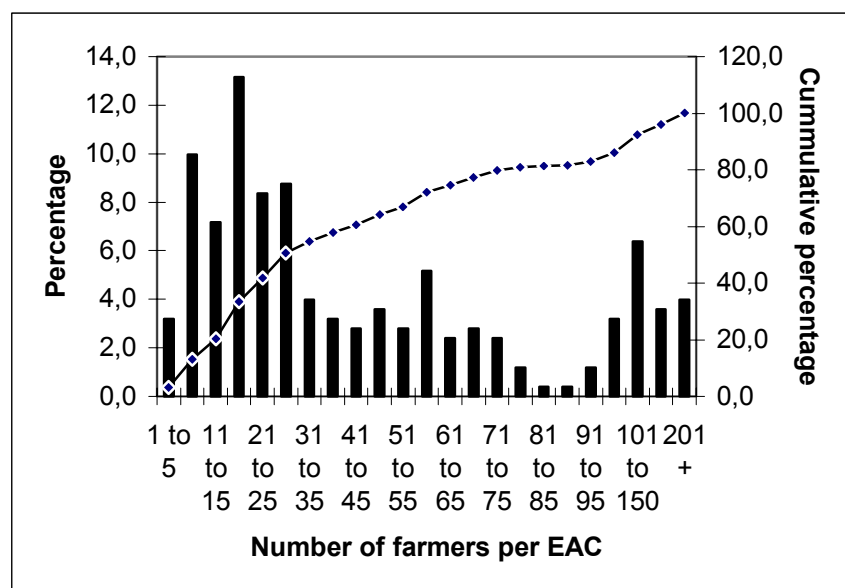
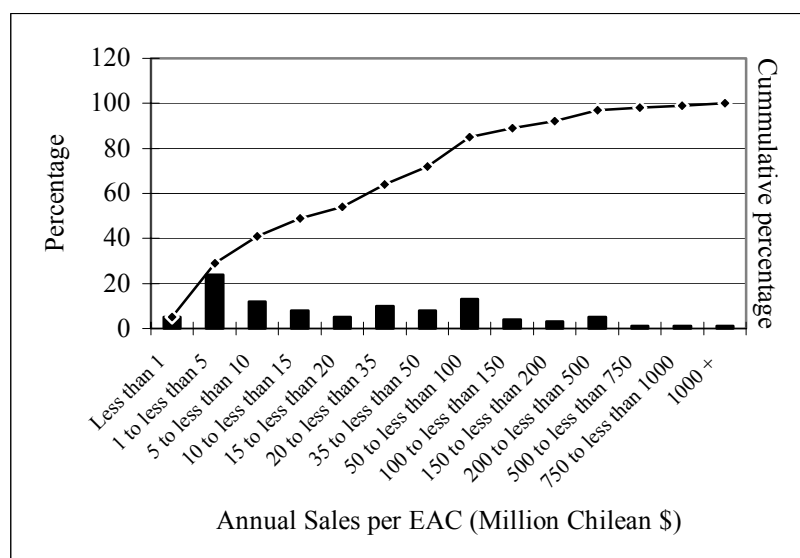


Figure 4.2 Size of EAC according to number of farmer members

The total declared value of sales in 1998 of the 424 surveyed EACs was \$57 million, or \$ 1,800 per small farmer client. According to the total value of declared sales in 1998 (goods and services), the largest EAC had annual sales of \$4.2 million. The average value of sales was \$ 135,000. However, as shown in Figure 4.3, most EACs' sales were less than about \$ 35,000 at the time of the survey; only 28% had sales of more than \$ 100,000.

The 424 EACs in our survey directly employ 1,757 people made up of 122 managers, 241 administrative staff, 280 technical staff, 115 promoters, and 999 'other' types of employee. 46% of EACs do not have any paid employees, and an additional 32% have between one and three paid employees (Table 4.2). This makes an average of 4.4 employees per EAC, with a minimum of zero and a maximum of 190 (a large milk cooperative). However, an average of 6.7 persons per EAC work *ad honorem*, meaning that the members themselves are most often in charge of management, clerical, or technical tasks within the organization. In fact, most volunteers work in management.

²⁴ Members are those who have a legal right in the EAC (e.g., shareholder), while clients are farmers who are regular users of the services of the EAC, regardless of the legal status of their relationship to the organization.



Note: \$ 1 = Chilean Pesos 453 at time of survey

Figure 4.3 EACs' annual sales (1998)

Table 4.2 EAC employees

Number of employees	Percentage of 424 EACs				
	Managers	Administrative	Technical	Promoters	Other
0	77.6	67	75.2	94.3	73.3
1 to 3	21.9	31.2	20.5	3.5	17.9
4 to 5	0	1.1	1.4	1.1	3.8
6 to 10	0.4	0.4	2.3	0.2	1.1
More than 10	0	0.2	0.4	0.6	3.9
Total	100	100	100	100	100

In relation to the markets to which EACs have access, the most important category is local markets (Table 4.3). This basically means a combination of selling goods and/or services to local people, or that the EACs are acting as a first-stage intermediary between the individual farmer and traders that travel in the countryside buying agricultural products. However, almost half of the EACs operate in national markets, and 13% are involved with exports. Furthermore, most EACs operate at two market levels on average (e.g., regional and national, local and regional, etc.).

Table 4.3 Types of markets accessed by 424 EACs in Chile

Type of market	Percentage of 424 EACs
Members' households	27.7
Local	78
Regional	57.2
National	46
International	13

Note: The total is greater than 100% because a single EAC can operate in two or more market types

Table 4.4 shows that most EACs are involved with more than one crop or animal product. Livestock production (milk and meat) is more important than crop production. This undoubtedly reflects the influence of the Milk Collection Centers that were widely promoted in the early 1990s.

Table 4.4 EACs and their enterprises

Enterprise	Percentage of 424 EACs
Milk	37.3
Fresh vegetables	32.3
Potatoes and other extensive field vegetables	28.5
Meat	19.3
Basic cereals	13.2
Leguminous grains	11.8
Berries	9.7
Flowers	8.5
Temperate fruits	8
Vegetables for agro-industrial processing	7.1
Seeds	6.6
Honey	6.4
Agro-tourism	5.4
Handicrafts	4.2
Wine	3.3
Forest products	3.3
Others	12
Traditional enterprises in Chilean small-scale farming	114.3
Non-traditional enterprises in Chilean small-scale farming	87.3

Note: The total is greater than 100% because a single EAC can work with two or more enterprises

Fresh vegetables are the EACs' main crop. On the contrary, crops such as basic grains and legumes – very common in peasant farming systems – have a limited presence in the portfolio of EAC activities. This could mean that there are disincentives to collective action associated with these crops and their markets. Activities involving non-traditional crops are carried out by 87% of EACs, emphasizing the significant role these organizations play in diversifying peasant agriculture into more profitable areas.

EACs provide a wide array of services to small-scale agriculture (Table 4.5), including members and clients. Support to crop and livestock production is the predominant activity, despite the fact that during interviews EAC leaders and managers, marketing and post-production support were mentioned as top priorities. Nevertheless, marketing of supplies and products, and other services directly related to marketing (such as storage, transportation and price and market information systems), are very important areas for EACs. Value-adding through processing is still a relatively small area of activity. In other Latin American countries, credit provision is one of the most important services provided by EACs, but not so in Chile, as in this country members of these organizations almost automatically have access to INDAP's credit programs.

Table 4.5 Services provided by 424 EACs to small farmers

Service	Percentage of EACs
Agricultural production	57.3
Marketing of products	48.6
Storage	34
Animal production	30.9
Machinery services	21.9
Marketing of inputs	21.2
Technical assistance and extension	20.5
Agro-industrial processing	17.7
Preparation of investment projects	14.9
Price and markets information	13.4
Training	12.5
Credit	11.8
Accounting	10.6
Legal services	9.4
Forest production	8
Assistance to agro-tourism	5.2
Other services	9.9

Note: The total is greater than 100% because a single EAC can provide two or more services

4.4 Discussion

The main conclusions from this survey are as follows:

- (1) The pro-active policies of three successive democratic governments have been instrumental in stimulating the formation of EACs, most of which have emerged since the return to democratic rule in 1990. Such policies have created two complementary incentives: (a) a climate of favorable political opportunities, where the organization of rural people has been encouraged as a means to strengthen civil society and to promote public participation in civic life; and (b) promotion by rural and agricultural development agencies of small farmer economic organizations to incorporate small-scale agriculture into the market-oriented economy. As we have seen in Chapter 1, these policy objectives led to very large amounts of public funds (subsidies and loans) being made available to support EAC formation.
- (2) EACs are engaged in supporting small farmers' strategies to diversify products, markets and services. Historically, small-scale agriculture in Chile has concentrated on a number of 'traditional' crop and animal products (e.g., milk, small grains, grain legumes, vegetables and a handful of industrial crops such as sugarbeet). Most of these products are sold locally through middlemen. However, my findings show that a very large proportion of the EACs are involved in non-traditional production systems, services and markets.
- (3) Small farmers have avoided repeating the trend prevailing until the 1973 military coup, of forming large-scale organizations with hundreds of members. While this probably enhances the internal cohesion of these EACs, it may lead to important problems of scale of operations for several of their products and markets (e.g., wine, flowers, fruits).