



Universität Hohenheim

Impact of cooperative membership on family income of smallholders

- The case of coffee farmers in Venezuela -

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SHORT SUMMARY

Smallholders face widespread poverty due to little production and poor product quality, coupled with a lack of credit and extension; difficult marketing conditions in local and international markets; vulnerability against emergencies, sickness or death, that can lead to huge debts; and little off-farm opportunities. Farmers' organization in associations and cooperatives has been proposed as a strategy to overcome some of these problems.

In order to evaluate if farmer's organization has a positive effect on family income in rural areas, a comparative study of three groups of coffee growers was carried out. The overall objective was to explore and measure the impact of belonging to a cooperative on smallholders' family income. Specific objectives centered on the description of the cooperative's functioning and relationship with its members, and the comparison of resource capacities, production activities and family income between three groups of organized and non-organized farmers.

The study area chosen was the Morán municipality in Lara state, one of the main coffee producing areas of Venezuela. The cooperative studied has nearly 700 member families, and is related to coffee export, agroprocessing and also sells coffee to national roasting companies.

In order to establish the impact of cooperative membership on family income, a comparative analysis was planned between non-members, members and ex-members of the cooperative. Quantitative and qualitative information on the families' resource capacities, production activities, farm, off-farm and family income, as well as opinions on organizations' services were collected using standardized questionnaires. The sample is made up by 60 families randomly selected from 17 communities in the area. Other information on the cooperative's organization and functioning, and its social and religious features were gathered with group and individual interviews.

The comparative analysis performed with the three groups of Copalar members, ex-members and non-members resulted in significative differences between the groups, especially between the non-members and the other two. Non-members have lower resource capacities in terms of land, coffee processing machinery and savings, as well as less access to credit and savings schemes. The relative importance of subsistence farming is lower in the members and ex-

members group than in the non-members, but maize-beans and small livestock production for home consumption is present in all groups.

Coffee production is the dominant activity in all three groups. Cooperative members and ex-members have a higher harvest and produce better coffee quality than the non-members, and as a result their coffee revenues are significantly higher. Members sell 80% of their coffee to the cooperative, while non-members and ex-members sell most of their coffee to intermediaries. Intermediaries offer higher prices and they pay immediately in cash, while the cooperative pays with cheques and demands that 10% of the coffee revenues stay as capital in the cooperative. This differences cause a competition between the two marketing channels, but cause no difference between the coffee revenues of members and ex-members. Coffee for export was restricted because of high quality requirements coupled with official obstacles for its export since harvest 2003-2004.

Total farm income is higher for the cooperative's members and ex-members. Off-farm income sources are restricted, and overall off-farm income makes up less than 20% of the total family income of smallholders interviewed. Members and ex-members have a family income of around 9-14 million Bs. per year, and it is significantly higher than non-members (around 4 million Bs. per year). Services like savings and coffee processing machinery are positively correlated with farm and family income.

Other impacts of cooperative membership on farmers are related with insurance and sense of security in case of emergencies and death, informal education, and social bonds. The social and religious positions of Copalar are clear and cause conflicts with farmers that need the services offered but are not willing to participate with those informal requirements.

Based on the results presented, it can be concluded that cooperative membership increases the family income of smallholders, and that this impact is present even in families that abandoned the cooperative. The reasons for abandoning the cooperative can be related to higher expectations in terms of credit services, and conflicts with the philosophy, religion and social bonds required when belonging to Copalar. Non-members would benefit from belonging to the cooperative, but ex-members have different needs and expectations.