Agricultural Cooperatives in Nicaragua: A New Flexibility

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Introduction

Recent years have seen a widespread trend towards the partial decollectivisation of agriculture in countries where production cooperatives were important in the past. China, Peru, the Dominican Republic, Hungary, and others have moved towards intermediate forms of organisation which, while retaining some cooperative arrangements, have placed responsibility for many tasks in the hands of individual households.

In analysing these changes, to date, the literature has stressed their economic dimension [see Carter and Alvarez, forthcoming; Putterman 1987; and Carter and Kanel, 1985]. The focus has been on production cooperatives' difficulties in providing work incentives and supervision, their potential as institutional mechanisms for risk sharing and providing more diversified employment opportunities, tensions between the needs of individual households and those of the cooperative as a whole, and issues of economies of scale. The emerging orthodoxy is that while cooperative management is inherently problematic, the potential contribution of cooperation continues to be great, and can best be realised by institutional arrangements combining elements of both individual and collective production.

What is not always recognised, however, is that achieving such an outcome inevitably requires substantial social experimentation as well as a cooperative movement autonomous enough to be able to assimilate the lessons experimentation provides. Government policies must provide the necessary resources and a favourable environment without becoming overbearing and stifling.

This comes out clearly in the case of Nicaragua. There, as in the countries mentioned above, intermediate forms of agricultural cooperation have become increasingly important. In many areas fully collectivised production has given way to a variety of semi-collective forms. From the other end of the spectrum, previously weak credit and service cooperatives have also moved towards these semi-collective forms, taking on new responsibilities and, in some cases, even collectivising certain productive activities. In both cases, although economic issues have been important, the key has been the reversal of

top-down, statist, agricultural policies and their replacement by a more democratic vision of rural social change.

This paper analyses the Nicaraguan experience with agricultural cooperatives in the context of the evolving dynamic of state-cooperative relations. This dynamic is traced through five major periods: (1) the Somoza years (pre-1979); (2) the insurrection and its aftermath (May to December, 1979); (3) the decline in the cooperative movement under policies biased towards state farms (1980-83); (4) the resurgence of (state sponsored) production cooperatives (1983-85); and (5) the current period of flexibility and willingness to adjust policy to local conditions and preferences.

Agricultural Cooperatives under Somoza

Nicaragua's first service cooperatives were formed in 1964 with support from US AID and the National Bank of Nicaragua (BNN). These were followed in the early 1970s by a number of cooperatives, known as 'limited responsibility' (RL) cooperatives, created under the auspices of non-governmental organisations (NGOs). Their activities included: marketing, processing, credit, and technical assistance [Merlet and Maldidier 1987:50,51]. Although many were dominated by established commercial producers, poorer farmers often also benefited from their services.

Public financial institutions provided loans. But overall, government policy was not supportive of organisations involving poor rural families. This limited their potential for expansion. Thus, in 1978, there were only 42 cooperatives, with 9,270 members [*ibid*: 51].

The Insurrectional Period

The revolutionary insurrection in mid-1979 brought about a spontaneous upsurge in the cooperative movement. In Leon, agricultural communes were formed in the areas under Sandinista control. These communes were small, informal collectives organised to keep production from collapsing and to provide food and sanctuary to the revolutionary forces [Nuñez 1979:112]. Throughout the country, the advancing Sandinistas occupied farms owned by Somoza

supporters and turned them over to local peasant groups. In addition, many groups which had been involved in unsuccessful land takeovers which were repressed under Somoza took advantage of the situation to stress their claims.

When the new government took office it sought to convert all the Somoza group's lands into state farms and remove the various producer groups and individuals occupying them. Nevertheless, initially this did not always occur. In many areas, small informal production cooperatives were allowed to temporarily rent or occupy state lands [Deere *et al.*, 1985:83]. State farm workers, organised into loosely structured cooperatives, were frequently permitted to plant foodstuffs with farm resources during the slack season.

Laws requiring private landowners to rent uncultivated areas also stimulated cooperative formation. Groups were in a better position than individuals to pressure for land.

In early 1980, there were almost 2,000 agricultural cooperatives; 584 production cooperatives and 1,397 credit and service cooperatives [Ortega 1987:90] (see Tables 1 and 2). The production cooperatives were tremendously heterogeneous, relatively small, dedicated almost exclusively to basic food production, and had minimal capital assets. About two-thirds were located on private lands and perhaps two to four per cent of the economically active population in agriculture were

involved [Ortega 1987:90; Deere *et al.*, 1985:78]. The names they went by and the specific relations they maintained with the state and the Sandinista sponsored Rural Workers Association (ATC) varied sharply by location. But practically all received credit and some guidance from government technicians and/or the ATC.

Clearly, many rural families were willing and often enthusiastic about joining cooperatives and even producing collectively, at least if it meant access to new resources such as land or credit, though practically none wanted to pool their own private holdings.

On their own initiative, these cooperatives tended to collectivise some, but not all, aspects of production. They avoided rigid structures and groups too large to manage effectively. Leadership came from within, and was often based on kinship relations and other pre-existing social structures. This reduced information, supervision, and transaction costs. At times it also meant reproducing relations of domination, but not always. While there are few well documented studies of these groups, there is at least scattered evidence that many were initially quite successful [Kaimowitz, forthcoming].

The Cooperatives' Decline

As time passed, however, the policy environment got

Table 1

Nicaragua: Evolution of the Number of Cooperatives

Year	CAS	CCS	CSM	CT	RL	Total
1978	—	—	—	—	42	42
1980	584	1,397	—	ND	ND	2,023
1982	499	1,652	12	60	ND	2,223
1985	1,110	1,538	104	354	57	3,163

Source: Ortega 1987:90

Table 2

Nicaragua: Evolution of Cooperative Membership

Year	CAS	CCS	CSM	CT	RL	Total
1978	—	—	—	—	9,270	9,270
1980	9,275	48,712	—	ND	ND	57,987
1982	7,081	52,052	208	680	ND	60,021
1985	22,823	48,121	2,459	2,769	14,196	90,368

Source: Ortega 1987:90

worse. The government felt that the cooperatives were competing with state farms for land and scarce agricultural labour, and that they diverted the resources which should be used for export production to producing foodstuffs for local consumption. Consequently, most cooperatives were forced off state lands. Private landowners also began to limit the cooperatives' access to rented lands. These problems, plus a certain natural attrition, caused many production cooperatives to fold and total membership to fall by 25 per cent between 1980 and 1982 [Ortega 1987:90].

Government policies also limited the potential scope of service cooperatives. The 1979 nationalisation of the financial system, foreign commerce, and a large portion of agricultural processing, machinery services, and domestic commerce meant that many traditional service cooperative activities were preempted by the state. This left relatively little space and encouragement for grassroots initiatives in these areas.

Instead of seeing the RL cooperatives as a first step towards greater cooperation, the government viewed them negatively because of their past US sponsorship and/or relations with NGOs connected to the opposition [*ibid*:75]. These cooperatives received minimal government support and were even subjected to occasional harassment.

Admittedly, there was a major increase in credit and service cooperative (CCS) membership (see Table 2). Producers joined CCSs to gain easier access to credit and lower interest rates, but their level of participation and commitment to the cooperatives was very low.

Most CCS' activities were limited to a few meetings a year where credit requests were taken, cooperative officers elected, and community problems discussed. Each household was individually responsible for its own credit. Financing for collective processing equipment, storage facilities, and other group investments was rare [FIDA 1987:103]. Neither the government nor the ATC made much effort to identify additional collective activities the CCSs might engage

in. In practice, the CCSs were more important as a forum for contact between the rural communities, the ATC (and later the National Union of Farmers and Ranchers, UNAG) and the state than as cooperatives.

State Sponsored Production Cooperatives (CAS) and the War

Those production cooperatives that survived the period of relative neglect and hostility between 1980 and 1983 were strengthened in the process. They learned to overcome obstacles collectively, without being overly dependent on the government, and slowly worked out solutions to their organisational problems.

A constant silent struggle for land went on between them and the large state and private farms. The UNAG and the Ministry of Agriculture's cooperative programmes supported the cooperatives, but their actions were sharply constrained by the prevailing policies.

In 1981, the cooperatives won two tactical battles with the passage of an Agrarian Reform Law and a Cooperative Law. These gave them legitimacy and provided the legal basis for redistributing under-exploited lands, including state lands. Still, prior to 1983, little land was distributed [Deere *et al.*, 1985:99]. In addition, the Cooperative Law provided a rigid framework for cooperative development because it only foresaw two types of cooperatives: fully collectivised production cooperatives (CAS), following one uniform model, and Credit and Service Cooperatives (CCS). The law was also used as a juridical tool against the RL cooperatives.

A real shift in policy did not come until early 1983. After a sharp increase of the US-sponsored war against Nicaragua, the government sought to strengthen its rural political support by providing large quantities of land, credit, and services to previously landless families organised in CAS [*ibid.* 98-100]. The percentage of land in CAS jumped from two to seven per cent (see Table 3). Their portion of

Table 3

Nicaragua: Evolution of Land Tenure by Sector (%)

Year	CAS	CCS	State Farms	Private	Total
1978	—	—	—	100	100
1981	1	10	20	69	100
1982	2	10	23	65	100
1983	5	10	20	65	100
1984	7	10	19	64	100
1985	9	10	19	62	100

Source: Kaimowitz 1987:209

short-term rural credit rose from five per cent in 1981 to 30 per cent in 1985 [Ortega 1987:87]. Approximately 30,000 families, representing one fifth of all rural households, received land, while the number of CAS rose to over 1,000.

On average, this second generation of CAS had more members, land per member, infrastructure, and capital assets than their predecessors. They were more structured and their production was more diversified.

Government influence in their operations was also much higher. Typically, the complete collectivisation of production was a precondition for receiving land. The state also promoted (and at times practically imposed) specific organisational and operating mechanisms. These included predefined formulas for: cooperative management structure, membership requirements, accounting methods, and the distribution of earnings. The CAS relied almost exclusively on public credit whose disbursement depended on the approval of their production plans by bank and agrarian reform officials. Cooperative production also generally had to be marketed through official channels, often at prices well below those available on the parallel market.

Theoretically, these interventions were designed to promote cooperativisation. In reality they often hindered the cooperatives' development. A 1985 study of 71 CAS by the Ministry of Agriculture's social research centre found that in those cooperatives where government influence was the strongest, one out of two results tended to occur. Where cooperatives received highly favoured resources suitable for monoculture production of cash crops such as cotton, there was a tendency to develop along capitalist lines. The cooperatives attempted to maximise profits by using large quantities of hired labour and limiting membership [CIERA 1985:30-37].

Where fewer resources were provided, high levels of government intervention led to weak cooperatives with little internal coherency. The conflicts between individual family's reproductive needs and the organisational form promoted by the state were so great that, in the absence of a flexible and democratic process which might solve them, these cooperatives typically suffered high membership turnovers and insolvency [*ibid*: 60-65]. Some of these needs and the CASs' difficulties in responding to them are discussed below.

It was only when cooperatives were able to establish their own internal decision-making dynamic and an interactive, rather than passive, relationship with government officials that they were able to consolidate themselves. These cases were generally associated with groups that had previously struggled for land together, had pre-existing kinship ties, or were bound by strong economies of scale created by particular

indivisible investments such as an irrigation system, livestock installations, or a coffee processing plant. Notably, these cooperatives were more likely to maintain individual plots and only jointly manage those activities where collective action provided clear benefits [*ibid*: 43-54].

The New Cooperative Policies

The current cooperative policies began to emerge in mid-1985 [IHCA 1987:27-9]. Again, political factors played as great a role as efficiency issues.

Despite previous land redistributions, almost three quarters of landless and land poor families still had not received land, and many of them felt abandoned by existing policies. Some pressured the government and the UNAG for land. Others expressed their dissatisfaction through lower participation in government and Sandinista sponsored activities. The US-sponsored counter revolutionaries and the religious and political opposition groups also began to manipulate this discontent for their own purposes.

Continued reliance on providing land only to fully collectivised cooperatives was not an adequate alternative. The existing cooperatives resisted taking on new members, and large quantities of land per family had to be offered before most families would join [FIDA 1987:93,94]. (On average cooperatives received almost 15 hectares per family.) There simply was not enough land available in the areas of greatest demand to solve the problem in this fashion.

In addition, many families were unwilling to join production cooperatives in their existing form. Although, on the whole, the CAS succeeded in providing substantially higher incomes than those of other resource poor rural families, they did not fulfil a number of other important household needs [CIERA 1985; DGA 1984]. There was no clear provision for inheritance and no guarantee of membership for members' children. It was difficult for households to fully utilise their available labour because the cooperative structure did not contemplate ways to incorporate the full participation of non-member women, children, and the elderly. The lack of individual ownership of land and animals meant that families had no resources which could be sold or rented in times of crisis or old age. Many resented what they saw as restrictions on what they could plant and who they could sell to. Others already had small plots of land or animals of their own and were unwilling to give them up to join a production cooperative. The CAS were associated with participation in the militias and the threat of military attack by US-sponsored counter revolutionaries. The organisational problems and high desertion rates experienced by many cooperatives also served as negative examples. By 1986, one third of the families who received land in CAS had abandoned the cooperative.

The thousands of families forced to relocate by the war created an additional problem. Initially, the government set up resettlements where all production and even many services (such as cooking, washing, etc.) were collectivised. Each settlement held tens and sometimes hundreds of families. This kibbutz-type model was not always appropriate. Unlike those who joined the CAS, most of whom were practically landless, many of the resettled families owned property. They were willing to relocate and organise themselves for defence purposes, but often adapted poorly to participation in large-scale production cooperatives.

Further, by concentrating on the CAS, the government had practically neglected the vast majority of producers (80 per cent or so) who continued to farm individually, some of whom were organised in CCSs and others not at all. This neglect had a detrimental effect both on their agricultural production and their level of political mobilisation within the revolutionary process.

In this context, the peasant movement itself became a powerful voice for change. The UNAG, whose size and influence grew greatly in the mid-1980s, argued strongly that collectivisation should not be a precondition for receiving land and that greater flexibility was required regarding cooperative organisation. They demanded more services and resources for their members who continued to cultivate individually. They also campaigned against bureaucratic practices by the state marketing and credit services, and for greater direct producer control over these activities [Carrion 1986].

In response, the government took a number of significant initiatives. Beginning in 1985, it yielded to pressure both in the Masaya area and in some Northern regions and redistributed land without requiring recipients to join cooperatives. At the UNAG's First National Congress in 1986 the Sandinista leadership committed itself to this concept as a general policy [*ibid*]. In fact, the amount of land distributed to individual families and a variety of intermediate cooperative forms has risen sharply.

Among the intermediate forms which have emerged are the following: production cooperatives which provide individual plots for their members or allow members' animals to graze on collective lands; 'dead furrow' cooperatives (CSM) where tasks such as ploughing and fumigation are carried out collectively, but each family has responsibility for a particular plot and carries out other tasks individually; 'work collectives' (CT) which tended to be smaller and less structured than the CAS; and cooperative gardens which grow vegetables to complement family incomes.

The relative importance of these different forms is hard to ascertain. Although the number of CSMs and CTs rose sharply between 1982 and 1985, most

cooperatives continue to be officially identified as either CAS or CCS (see Table 1). Within each of these categories substantial changes have occurred, but no quantitative data are available regarding these changes.

Government support for finding new opportunities for collective action within the CCSs has increased remarkably. In addition, the CCS are being given greater priority. The more favourable climate has allowed the UNAG and the producers themselves to take the initiative and create marketing and processing cooperatives with government support [Merlet and Maldidier 1987:62,63]. This has been particularly important in the case of perishables. A more open attitude has also emerged concerning the RL cooperatives.

There is now greater recognition of the need to adapt the cooperatives' structure and operating principles to local conditions and each cooperative's specific situation. Regionally, efforts are moving ahead to define appropriate forms of interaction between the cooperatives, the state farms, and the individual farmers.

Important changes are also taking place in marketing. The UNAG has established its own marketing network (ECODEPA) for agricultural inputs and implements and other products. Restrictions on the private sale of basic grains have also been lifted in many areas.

These changes, of course, are occurring at a time when the country as a whole is facing great difficulties. The war has caused innumerable problems. The economy is in crisis and the government's capacity to undertake agricultural policy initiatives has unquestionably diminished. However positive the recent policy changes, most cooperatives, which now account for 35 per cent of Nicaragua's food production and 21 per cent of its agricultural exports, are as yet very new and fragile [IHCA 1987:15]. Thus, the full prognosis for Nicaragua's cooperative movement is still far from certain.

Certain points, however, are not. The current government policy of providing the cooperative movement with resources and training without forcing it into one specific, uniform mould has given the movement greater momentum. The emerging forms of organisation come largely from the producers themselves, and respond to their particular conditions and desires. Many attempt to provide creative solutions to the inherent tensions which exist between individual and collective needs. Given the choice, rural families have not rejected cooperativisation, but they have adapted it.

Conclusions

Nicaragua is among a number of countries that have

moved away from completely collectivised and state-imposed production cooperatives in recent years. Like most others the shift has been mostly to intermediate forms of cooperation, rather than atomised individual production; a result consistent with a growing economic literature which suggests such solutions may be optimal in efficiency terms.

This shift, however, typically has political as well as economic origins and requires a particular policy environment to be successful. Ironically, in Nicaragua it has been military pressure by the US which has led the government to redefine its relations with the peasantry and in the process provide the cooperatives with greater resources and flexibility. Others factors also played a part, but none was as important as the war. Rather than becoming more rigid and repressive, as might be expected, the war made Nicaraguan leaders aware of the need to revitalise their support among the peasantry through a policy which facilitated autonomous peasant organisations and responded to peasant demands.

In this the Nicaraguan experience is somewhat unique. Unlike many countries where a process of partial decollectivisation has occurred, the current forms of cooperation have emerged from the bottom up and in the context of increased support for cooperative development. The results seem to have been positive, although the current global economic crisis may be so great that recent advances may prove unsustainable.

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