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Leaders and Intermediaries in Producers' Associations

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ABSTRACT

The development literature considers associations an important economic development tool that allows producers to pursue their economic welfare collectively and through participatory means. This paper comparatively analyses the experience of three associations of agricultural producers in the underdeveloped regions of Brazil and Italy that were successful in this economic development task. Their experience, however, challenges a commonly held view about the participatory nature of associations.

The main explanation for the success of these associations is that they occupy relatively high-profit market niches, characterized by limited competition. However, most of their members would never have been able by themselves to identify and access these profitable markets. The associations owe their commercial success to external agents like NGOs, consultants, and marketing intermediaries, or to dynamic and educated group leaders. These development agents, being less embedded than the average producers in culturally isolated economic systems, have been able to identify in some cases, or construct in others, these lucrative marketing opportunities of which the group members were unaware.

Such a development sequence that leverages the knowledge and connections of certain individuals to build a discontinuity with the present state of underdevelopment of producers may appear in conflict with the principle of homogeneity of group interests and values. In fact, this is not the case: homogeneity of membership and autonomy of leadership may go hand in hand. The homogeneity of interests and the strong collective identity of these associations allowed them to grant to their leaders enough autonomy of decision to pursue development strategies that most of their members did not fully endorse.

I INTRODUCTION: PRODUCER GROUPS AND DEVELOPMENT

This paper asks under what conditions are organizations of producers effective tools to promote the economic development of relatively poor areas. The theory of producers' co-operation, in its most simplistic form, says that independent production units, by collaborating, will reach production levels high enough to access larger markets, on which they will be able to compete through reduced production costs. They will also be able to play on even ground in credit and input markets. Besides these strictly economic advantages, co-operating producers become more powerful political players at the local level. For small-scale producers, co-operative organization represents a way of overcoming the constraints represented by their small size, and of taking control of their destiny.

However, while the theory of co-operation appears convincing, the record of success of co-operative institutions in developing countries is very limited. Empirical research has shown that the process by which organizations of producers become competitive in larger markets is difficult in practice (Fals-Borda *et al.*1976). This lack of success is usually attributed to the failure of economic agents in developing countries to co-operate. The question on which today's literature focuses is why, in the presence of clear theoretical advantages, economic agents decide **not** to co-operate.

In contrast, this paper addresses the question of economic development, by analysing the experience of groups of producers in relatively disadvantaged areas that have made significant economic progress through co-operation. It implicitly adopts a view of the development process in which establishing and enforcing co-operative behaviour is only one among the many problems that producer groups have to face. The problem of co-operative behaviour represents only one of the hurdles which producers face on the development path, a path that requires, among other things, the learning of new skills and rules of the trade, modern production techniques, new working and saving habits. In this more complex view of the world, the empirical finding that many collective initiatives of producers are under stress, and in practice perform much worse then expected, is much less surprising than for new institutional economics (Braverman *et al.* 1991, Osorio 1996).

What makes producer associations succeed or fail? There are two main explanations in the development literature: (i) economic incentives and (ii)

members' participation. The first is based mainly on the material aspects of collective action: costs, rewards, and penalties. According to this view, groups can successfully pursue economic development goals if they devise effective institutional arrangements, that correctly structure the individual incentives faced by group members, and equitably distribute the costs (Kenworthy 1997).

A separate factor identified in the literature as contributing to success, and more dominant in the discourse on concrete development projects, is participation. According to this view many collective initiatives have failed either because they have superimposed on local communities western models of interaction (Attwood *et al.* 1985), or because they have been dominated by local élites. These problems would be avoided if members, in this case producers, were able to participate more actively in collective organizations.

The cases analysed here confirm the somewhat obvious assumption that groups engaged in economic activities characterized by high economic returns are more likely to be successful on all dimensions of group development (Wade 1985). All the groups analysed in this paper owe part of their unusually successful economic results to the super-profits they are able to extract from situations of marketing advantage. The body of the paper is largely an attempt to understand the conditions that allowed the producers to find (in some cases), or to construct (in others), high profit product niches. These conditions are not always the same, and are sometimes in conflict with each other, or with widely shared values and goals of the development community.

The issue of members' participation becomes relevant here. Advantageous marketing positions were not all the result of the group's own struggle for better terms of trade, as the fashionable image of the 'participant' development process would lead us to expect. Marketing intermediaries and other agents external to the groups played a fundamental role in opening up the opportunities for commercial success. In some cases outsiders offered access to preferential market channels to groups that had no knowledge of these opportunities. In the cases in which producers themselves played an active part in their own commercial success the initiative for such developments came from a minority within the group.

While the social and economic homogeneity of groups was found to be an important ingredient of fruitful collective action, so was their ability to grant to their most dynamic leaders autonomy to pursue high-profit development strategies. Outside the stylized world of theoretical neo-institutionalism, the expected payoffs of co-operation are hardly visible in advance to group members because they are completely immersed in the local reality. An

important ingredient of economic success is the ability of groups to leverage the capacities and connections of leaders, and to allow them autonomy of management. At the same time, it is crucial that factors contributing to social and economic homogeneity, such as the clear identification of the group with a particular product or a particular social struggle, help them stick together when the strictly economic rewards of co-operation temporarily disappear.

The paper draws on research conducted among groups of producers processing and marketing agricultural products collectively in southern Italy and in northeast Brazil[1]. The two regions share the common reputation of being areas in which economic agents have very little natural or traditional propensity to co-operate. They also have in common the fact of being underdeveloped sub-sections of more advanced countries. Social scientists have argued with respect to both cases that the limited effectiveness of the many economic development programmes targeted at these regions has depended, among other things, on the local anti-co-operative attitude, and on a traditional vertical structure of economic and social relations (Putnam 1993; Almy 1988).

The research looked at groups of producers in the two regions, trying to understand why some of them were able to achieve economic results through collective action, while others were not (Bianchi 1999). In southern Italy buffalo milk mozzarella cheese producers created a consortium in 1993 to protect and promote their product. The consortium contributed substantially to the reputation and profitability of the industry. Tomato processing firms, in contrast, facing a set of incentives that appeared similar, failed to realize the potential advantages of collective action.

The northeast Brazil study analysed six of the longest lived producer associations in four different states in the region, asking why some have been much more successful than others in promoting local economic development. The chapter uses only the material from the three most successful cases in two studies: the case of the mozzarella producers in Italy, and the two best-performing producer associations in Brazil. The findings are implicitly derived from a comparison with the other cases not discussed here as well.

1. The Italian field research was conducted for a period of 3 months in the summers of 1997 and 1998. The Brazilian work took place over 2½ months in the spring of 1998. Both projects involved the collection of data, visits to small-scale enterprises, interviews with entrepreneurs, managers and employees of co-operative institutions, public sector workers and specialists in the sectors in question.

II DEVELOPMENT THROUGH MARKETING

The prominent cases of success all enjoyed super-profits obtained through a position of market advantage. The resulting super-profits explain why these groups, and not the many others that tried to compete on open markets, were able to attack the many complex obstacles that constrained their growth simultaneously.

The two successful Brazilian associations and the Italian consortium of buffalo mozzarella producers were able to take advantage of special, preferential terms of trade that shielded them from the harshness of open market competition. In the Italian case the advantageous market position had to do with the specific character of the buffalo mozzarella product, which was certified by a collective label of origin. In the two most successful Brazilian cases the advantage consisted in other special characteristics of the products that commanded market premia: respectively, their 'natural' character, and the fact of being 'fairly traded'.

The groups that were successful in obtaining these privileged marketing conditions also enjoyed in different degrees what I am going to call at the most abstract level 'homogeneity of group interests'. All of the successful groups focused on a single product. (The groups that did not start up as single-product associations eventually narrowed down their functions to the promotion of one core activity or product.) In the Brazil cases, the homogeneization of group interests was also pursued by means of a 'closed shop' strategy aimed at excluding producers representing different values and interests of other kinds. The homogeneity of social position and values seemed to add cohesion to groups independently of the sharing of economic interests. The two most successful producer groups in northeast Brazil were the end product of a decades-long process of political consciousness-raising. This common ideological background is at the root of the deliberate strategy they pursued to exclude the rich and powerful, who were seen as adversaries in their collective struggle. Homogeneity has helped group members to stay together in hard times, and to make sacrifices in the interests of their common goals.

Finally, the autonomy and discretion accorded by groups to their leaders in managing producer associations in some cases helped to construct the protected marketing niches. Internal decision-making structures that allow too much participation by members can impair the ability of leaders to pursue high-profit strategies in the members' interest. The most ambitious and educated individuals within groups, those who are more likely to understand trends in distant and modern markets, and open contacts with key intermediaries in those

markets, are attracted to organizations that allow them adequate autonomy of management.

The remainder of this section reviews the experience of the successful producer groups on which the paper bases its findings, focusing on the issue of protected market niches that is at the heart of their economic development. The following section tries to explain how high-profit marketing niches were constructed or accessed by the groups, and illustrates the role of marketing intermediaries, group leaders, and member homogeneity. The final section contrasts the findings with those of the economic development literature, paying particular attention to the issues of economic incentives for co-operative behaviour, and equal participation by group members.

2.1 The consortium of buffalo mozzarella producers in southern Italy

The advantage that the Italian producers of buffalo mozzarella cheese created consisted in getting Italian consumers to identify their product as a high quality artisan product for which they were willing to pay a high price. The buffalo mozzarella industry enjoys much higher profit margins and a much faster growth of sales than the canned tomato industry, the sector that in terms of size, location, and number of firms, comes closest to it.[2]

The market advantages of buffalo mozzarella producers relative to other Italian food producers are not inherent in the product, but have been constructed through collective action. The determinants of the industry's super-profits are product quality and the monopoly of local producers of buffalo milk, the key ingredient of mozzarella. The buffalo mozzarella producers of the south needed to protect their product niche against two threats: one external, and the other internal to the group.

The external threat is the **threat of imitation** by larger and more experienced firms. Some larger manufacturers from the North have repeatedly tried to enter the buffalo segment of the mozzarella market. To do this they have to get access to a sizeable and reliable source of buffalo milk. They also have to de-couple the image of buffalo mozzarella from the south of Italy, to convince consumers that buffalo mozzarella can have a different origin from the one they know.

2. Buffalo mozzarella profit rates sometimes reach 25 per cent, compared to 3.5 per cent for canned tomatoes. The 5 per cent a year growth of buffalo mozzarella sales quantity (8 per cent in value terms), is much higher than that of the canned tomato producers whose market is basically static, except for a few innovative product niches.

The internal threat is the **possible decay of the reputation for quality**. There is a strong incentive for producers of mozzarella to adulterate buffalo with cows' milk. In the past this practice was common, and created a bad reputation for the product. The incentives to cheat on the composition of the product originate from the scarcity (and high cost) of buffalo milk. This is particularly acute in the summer months, when less buffaloes produce milk, at a time when demand for the product is particularly high. Adding a limited quantity of cows' milk in the production of buffalo mozzarella guarantees a 5-10 per cent reduction in the cost of a product almost two-thirds of whose cost is represented by the milk input. Even more importantly, the adulteration of buffalo milk allows firms to increase production when mozzarella is scarce, and its price is high. What makes cheating very tempting is the fact that a product made with up to 30-40 per cent of cows' milk is also good: even very sophisticated consumers can hardly recognize the difference. This practice destroys the image of buffalo mozzarella as a product distinct from the cow equivalent, blurring the boundaries between the two. Customers will not identify buffalo mozzarella as a different product and agree to pay a premium price for it, if they know that the difference between the two is only a matter of percentage buffalo milk content. Moreover, it lowers the entry barriers in the sector, potentially allowing large manufacturers of cheese located outside the south where buffaloes are kept, to enter this profitable market niche. This would increase price competition and lower the overall reputation of the product, bringing down the profit margins for producers in the south. This conflict between individual and industry-level incentives created the rationale for collective action. The creation of a consortium has represented an efficient way to protect and promote the collective interests of the estimated 250 or so firms producing buffalo mozzarella in southern Italy.

In 1981, four firms operating in both buffalo ranching and cheese production created a consortium, a voluntary association aimed at protecting and promoting buffalo mozzarella. Initially the consortium had little appeal to the majority of producers and few joined it. It gradually increased its appeal, playing a major role in the sector, and changing the discipline of production standards through its lobbying efforts at the central government level.

In 1989 the consortium applied to for a 'Denominazione di Origine Controllata' (DOC), a collective label that could only be used for products manufactured within a well-specified geographical area of the south (Campania region plus two or three surrounding provinces), and produced by a certified production technique. Four years later, in 1993, the government accorded the DOC 'Mozzarella di Bufala Campana' to mozzarella cheese produced in this area,

assigning to the Consortium[3] quasi-governmental responsibility for setting up and enforcing production controls, and suing those who used the label illegally.

After the decree was passed the membership of the consortium increased from 15 to 95. In 1996 protection was also granted to the product within the European Union. Mozzarella is the only dairy product in southern Italy that has obtained this kind of protection from the state. All the 13 other types of Italian cheese protected by a DOC are from the north.

The Consortium has been effective both in terms of the economic benefits it has delivered to the industry, and in distributing the costs of co-operation among members. The degree of participation and the scope of co-operation in the Consortium increased substantially following the award of the DOC label. Firms could join the Consortium as 'members', or as 'users' of the DOC name and logo[4]. Table 1 below summarizes the evolution of membership from 1994-8, showing that firms were increasingly choosing the status of 'members', shifting towards a higher degree of participation.

TABLE 1
CONSORZIO MOZZARELLA DI BUFALA CAMPANA:
MEMBERSHIP TRENDS 1994-8

Year	1994	1995	1996	1997	1998
Members	-	29	28	26	45
Users	-	66	69	75	54
All	40	95	97	101	99

Source: Consorzio Mozzarella di Bufala Campana

The consortium has been a success in terms of the economic results it has produced for member firms. The DOC label helps in the process of entering the larger northern Italian and foreign markets. Consumers all over Italy have started to recognize the mozzarella with the DOC 'Mozzarella di Bufala Campana' label as the 'true' buffalo mozzarella. The largest firms need this system of product certification most, because they do not interact directly with the market, through personal face-to-face relationships with final customers, but sell mostly through anonymous wholesale and supermarket channels. However, all the firms located in the area benefit from an institutional

3. Consorzio Tutela Mozzarella di Bufala Campana DOC.

4. 'Members' pay a higher membership fee of about $4,250, and administer the organization through the 13-unit steering committee they elect. 'Users' pay a fixed fee of $1,820 per year in exchange for the right to use the DOC for their products. In addition, all 'users' and 'members' pay a variable fee of 1.2 cents per kilo of mozzarella sold with the DOC label.

arrangement that has built up a reputation for quality, and sustains price by increasing demand in distant markets. These benefits are retained within the area of production, limiting production increases to those allowed by the local availability of buffalo milk.

Joining this system does not necessarily mean complying with it in practice. Firms can pay to join the Consortium and use its name and symbol, and then adulterate the product to increase their volume of sales. This way, 'free-riders' enjoy the advantage of using the reputation created by all the firms who co-operate and increase their own sales and profits as well.

To prevent this type of behaviour the Consortium introduced sanctions for those who are caught adulterating the product. Besides denouncing illegal behaviour to the judicial system (a weak threat given its slowness), at their first sign of misconduct firms are fined approximately $6,000, at their second twice that sum, and if they are found adulterating the product a third time they are expelled from the Consortium and denied the use of the DOC.

TABLE 2
CONSORZIO MOZZARELLA DI BUFALA:
SAMPLES COLLECTED AND ANALYSED, AND EXPULSIONS

Year	1993	1994	1995	1996	1997
# samples analysed		165	194	214	199
Positive results, %	23	15	10	11	7
Expulsions	-	-	2	6	2

Source: Consorzio Mozzarella di Bufala Campana

The consortium appears to have been successful in securing compliance with production rules. Data published by the consortium on the results of its controls, reported in Table 2 above, suggest that the incidence of adulteration has decreased substantially[5]. The results delivered by the high reputation strategy of the Consortium, complemented by a well devised system of sanctions, single out this case of increasing producer co-operation in a supposedly individualistic society. Not all producer groups for which there are clear potential advantages from co-operation realize these though. We come back to the question of how successful co-operation came about in this case in Section III below.

5. Three independent investigations of buffalo mozzarella products from different firms conducted by consumers' associations in 1987, 1991 and 1993, reported respectively that 40 per cent, 33 per cent and 60 per cent of the samples were adulterated with cows' milk (Bianchi 1999).

2.2 Successful producer groups in northeast Brazil

In this section I shall describe the successful commercial performance of two groups of small-scale producers in poverty-stricken northeast Brazil. Despite the very different absolute level of economic development in this region, what distinguishes these successful groups from average performers in northeast Brazil appears similar to what distinguishes the successful group in the food-processing sector in southern Italy. The best-performing cases all process and trade relatively high-value products characterized by price premia.

The most prominent case of success among the six associations studied is APAEB[6], an association of farmers who have collectively invested in the marketing and processing of sisal fibre[7]. In the course of a struggle lasting almost twenty years to enter the international market for this commodity, with the help of NGOs, APAEB first became a major exporter of raw fibre, and more recently invested in a factory manufacturing sisal carpets. APAEB is located in the semi-arid interior of the northeastern state of Bahia, a region characterized by a very high poverty rate.[8]

APAEB's dynamic export performance first in raw sisal, and more recently in manufactured carpets, has produced positive spill-over effects in a region in which about one million people are estimated to derive part of their livelihood from sisal. Although APAEB promotes the development of the region in several different ways, the strongest positive effects of the association consist in increasing employment, and raising the price of fibre at the local level.

The major direct effect of APAEB' s work consists in an increase in the price paid to farmers for sisal. Before APAEB entered the business, buyers at the local level used to pay a low $0.20/kg of unprocessed fibre (1990 figure). After APAEB entered the market and started to process and export sisal directly, the price went up to $0.25/kg, in 1992. Finally, with the industrialization of the product in the collective carpet factory, the price rose to an average of $0.33/kg, in 1996. Even though APAEB buys and processes only about 5 per

6. Associacão dos Pequenos Agricultores do Municipio de Valente, the small farmers' association of the city of Valente.

7. Sisal (or agave) is a cactus that grows in the semi-arid region of the state. This plant comes originally from Yucatan in Mexico, where it is used, among other things, to produce the well-known Tequila liquor. It was introduced in Brazil around 1903, where it is now mainly used for the vegetable fibre that can be obtained through a process of simple machine processing and sun drying. The fibre is then further cleaned from impurities, selected, dyed, and used to produce rope or simple artifacts like carpets, seat covers, bags, etc.

8. Sixty-five per cent in 1991 according to the APAEB Annual Report 1997 which takes the 1991 census of population figure.

cent of the overall production of sisal in the state of Bahia, this quantity has been large enough to influence its price in the region, contributing to a increase of more than 50 per cent in nominal terms. In real terms the increase has been somewhat lower of course.

Parallel to its core sisal business, APAEB also runs several other programmes. It acts as a financial intermediary collecting farmers' deposits, and funds from foreign NGOs and the Development Bank of the northeast (BNB), and lending to more than 600 farmers for production improvements. It is involved in a multitude of social activities in large part financed by foreign NGO funds. It runs a technical boarding school teaching modern farming techniques to 75 children in the grades 5-8. It owns and operates a general store. It has installed a radio station and will soon also operate a TV station to reach rural villagers with information and educational programmes. In 1995-8, as part of a reforestation programme, APAEB distributed 20,000 drought-resistant fruit and fodder plants to its members free of cost each year.

The association is also very active in the field of research and dissemination of agricultural practices appropriate for the semi-arid region. The two most important of these practices are goat herding and the related use of solar energy-powered fences[9]. Finally, APAEB collaborates with the local rural workers' union and provides some material support for the landless movement in its struggle for land redistribution in the region.

The impressive economic results of APAEB depend in large part on the recent shift in the preferences of advanced countries' consumers in the direction of natural anti-allergic materials in home furniture. This consumer trend has made sisal a valued alternative to synthetic carpeting in the European and North

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9. Solar energy may be the most innovative of these techniques. It allows farmers to take advantage of one of the few natural resources of this region, the sun, to power their residences. When it is used to electrify the wires delimiting the farmers' property, this technology also allows them to raise goats—the most appropriate livestock for the region's agriculture—saving up to 70 per cent on the cost of fencing. Goats are more appropriate than the more traditional cows to a dry and variable climate, because they are more efficient in the use of the scarce natural pastures, and allow farmers to break up their assets more, but create new fencing needs.

APAEB works as an extension agent for the installation of solar energy systems in remote farms of the region that are not reached by conventional electrification. 186 of these systems have been installed in 10 surrounding municipalities in the last four years with the advice of the technicians of APAEB, and financed by the credit co-operative. 73 more solar systems have been sold by ABAEB without any accompanying credit.

American markets, and has revitalized the demand for a raw material that used to be employed mainly in the manufacture of low value products like rope. APAEB chose to invest in carpet manufacturing after market research performed by hired consultants indicated that sisal carpets represented a potentially growing market.

The new identity of sisal as a 'natural' product has helped the collective enterprise of farmers to attract wealth to a poor and dry region, and to distribute benefits to a large number of people. Through its consultants, who have *de facto* become the real managers of its sisal activities, APAEB has not just benefited passively from the favorable international trends, but has actively worked to exploit their full economic potential.

The second of our Brazilian groups has been able to access a premium-price niche in an otherwise standardized market thanks to the activity of a non-profit international trader of products from developing countries. COOMAP[10] was created in 1993 by a group of small farmers belonging to several community organizations in the region of Picos, in the northeastern state of Piauí, to improve the terms of trade of their products through collective marketing. Different community groups came together in COOMAP under the institutional umbrella of the local Catholic Church. COOMAP specialized in the marketing of one particular product: cashew nuts. One year after its creation, COOMAP exported its first cashew nuts to Europe, contracting the processing[11] out to a local firm. In 1997 COOMAP invested in its own processing plant, today employing 25 people. The project was financed mostly by grants.[12]

The success of COOMAP depends on the special, non-competitive market in which it operates. COOMAP sells more than 90 per cent of its production, and all of its exports, to CTM (Cooperazione Terzo Mondo), an Italian NGO which contacted COOMAP through the local Catholic Church. CTM is part of a network of non-profit intermediaries promoting what they call 'Fair Trade' or

10. Cooperativa Mista Agropecuaria dos Pequenos Produtores Rurais, the mixed agricultural co-operative of small-scale producers.

11. With the help of a simple, hand-operated machine, the nut has to be separated from its external peel. In order to do this, it has to be cooked in two rounds in a large oven, and classified according to its size. The nuts that are broken in the process have to be separated from the others and sold at a much lower price, from 20 to 40 per cent of that of the first quality. A lot of the productivity of the factory depends on the ability of the operators of the cutting machines to reduce the percentage of broken product.

12. An Italian governmental organization donated $40,000 necessary to buy the machinery for the factory. The World Bank-funded rural development programme of the state of Piaui entered with $24,000 more, which covered part of the costs of construction. In total, the grants covered almost 90 per cent of the total costs of the investment.

'Equal Exchange'. They select co-operatives and similar grassroots organisations in developing countries, pursuing social goals and guaranteeing non-exploitative working conditions to their workers, and use them as suppliers. They pay higher prices than the market to these organisations, and advance payments before delivery to help members to free themselves from what they consider disadvantaged and unjust economic relations with intermediaries and moneylenders.

The products are then sold in the industrialized western countries accompanied by information indicating how the price paid by the final consumer is distributed between the different phases of production and distribution. Consumers get to know in what ways they are helping producers in developing countries, and what kind of difference they are making by buying 'fairly traded' instead of conventionally traded products. Fair Trade is not very dissimilar from a certificate of origin like the DOC. They are both labeling systems certifying that products possess certain characteristics – origin and production technique in the case of the DOC, social promotion and better working conditions for Fair Trade in the case of COOMAP – for which consumers are willing to pay a price premium.

CTM bought between 7 and 8 tons of cashew nuts per year from COOMAP between 1995 and 1998. It offered $7.5/kg instead of the approximately $6/kg which competitive international markets would have paid (25 per cent more), and paid 50 per cent of the value of the shipment before delivery, at the time the order was confirmed. Despite the small size of the order, the product was then sold in Italy under the branded name of COOMAP.

The above-market rent guaranteed to COOMAP by the 'Fair Trade' network might have encouraged the co-operative to develop a 'relaxed' attitude towards productivity. The evidence I have on this co-operative group is all in the opposite direction. Apart from entering collective processing of cashew nuts, COOMAP has proved very successful as a financial intermediary. It stands out from other co-operative groups for its 100 per cent repayment record and has thus obtained repeated loans from the Development Bank of the Northeast (BNB), many of which have been passed on to its farmer-members, contributing to their capitalization.

The co-operative has been able to use its reputation for creditworthiness, to launch new investment plans. The BNB has recently approved another loan, financing 88 of the 110 active members of COOMAP individually to enlarge their cashew plantations and to buy sheep and goats. Ten per cent of the loan ($60,000) will finance two community-level food industries, processing the

fruit of the cashew, a separate part from the nut, which is currently wasted or used for animal feed.

With strong external support from international NGOs, COOMAP has made great advances in its first five years of existence. The positive results of collective action are increasing the scope for co-operation, through collective investments. Other positive aspects of this group include (i) the willingness of members to learn and improve themselves through training, and (ii) its democratic internal decision-making (on which more below).

III HOW DID IT ALL START?

The preceding section should have convinced most readers that connecting up with protected and profitable market niches can make a real difference for producers located in regions that lack many of the resources necessary to be competitive in manufacturing. The first question I ask in this section is how groups of producers can identify, create and access such market niches. How have the successful cases been able to do it?

Perhaps the most important point to be made about protected trading channels is that discovering or creating them is often beyond ordinary groups of producers in poor and marginal regions. Producers often lack information on market trends, and, more specifically, lack an understanding of the culture of more advanced consumer markets, that would help them identify those niches. They cannot be expected to come up by themselves with marketing solutions of the kinds presented above, that would create a real discontinuity with their current state of poverty.

The producers I analyse in this paper have been able to enter highly profitable and relatively protected market niches thanks to the initiatives of outsiders. In some cases, atypical marketing intermediaries like NGOs have provided the link with the profitable niches. In others, the most ambitious and forward-looking group members have devised the marketing strategy with the support of outsiders. Leaders and intermediaries are the key to the economic development of these groups.

3.1 Marketing intermediaries

In the northeast Brazilian cases marketing intermediaries were the key to the economic success of the producers. The success of the cashew producers of COOMAP comes from a marketing system that springs out of a developed

world cultural movement, whose altruistic methods and goals the cashew producers could hardly understand in full. It was agents external to the group, the Catholic Church and the Italian NGO CTM, which introduced them to this protected and subsidized market niche. The higher profits and better terms of trade guaranteed by CTM gave the local producers a chance to accumulate and invest in collective productive capacity that was not available on the open competitive market for cashew nuts.[13] By themselves, the producers would never have been able to discover or access this NGO network: they lacked the necessary information and contacts.

COOMAP's encounter with the fair trade network and CTM was brokered by the Catholic Church, whose leadership at the local level is committed to the social and economic problems of the poor. The local church can be seen as an important external development agent in the region; one that, because of its international linkages, has opened up the unique possibilities of the fair trade network.

COOMAP is an example of a group that has taken advantage of an opportunity presented to it by intermediaries. APAEB, the older co-operative trading sisal carpets is different in that it has played a more active role in constructing its marketing channels. It gives us a more optimistic picture of the possibilities open to producer groups for actively pursuing commercial success. However, APAEB benefited from the services of external marketing agents. Its case, therefore, also reinforces the idea that groups need external help with collective marketing. One could probably argue that the real cause of APAEB's success was its ability to incorporate these intermediaries in its structure, and enlist them in the cause of its economic development.

External marketing agents provided a critical input for the development process of APAEB, but only at the end of a long struggle by the producers to arrive at such a solution. Created in 1980, the association started to market its members' sisal collectively in the mid eighties, but the prices it was able to obtain on the local markets were insufficient to start a process of accumulation and development. After a long bureaucratic struggle to obtain the necessary permits, APAEB made its first direct exports in the late 1980s, but it was not

13. In the international market, buyers require that suppliers sell at least 15 tons of nut (a full container) for which they pay at delivery its full value of about $90,000. The working capital necessary to buy from farmers enough raw product to meet such a big order, and the cost of labour to process it, would be prohibitive for a small organization that does not have access to cheap and efficient sources of financing, or does not have the capacity to conduct delicate financial operations. CTM has helped enormously with the 50 per cent advance on payments, with the higher price, and with the smaller size of its orders.

content with being a simple exporter of raw material. The contacts it had developed with international donors, and with the local development bank, suggested to the leader of APAEB a new, more ambitious project to industrialize sisal locally. The leader of APAEB was a member of a relatively well-off local family who has been very involved in local level NGOs.

The turning point in the group's history is represented by the moment the leader of APAEB came across an international trading firm based in the state capital, Salvador, which ended up working as APAEB's marketing office. This firm provided the necessary bridge between the world of NGOs and rural development organizations, of which APAEB is a part, and the world of profit-seeking international business. Upon visiting APAEB, the international firm was persuaded of the viability of the initiative by the enthusiasm of its members, and probably also by the knowledge they had of the growing demand for sisal products. They thus started working for APAEB as consultants.

After brief market research, the consultants decided to recommend sisal carpets which promised really interesting market developments in the light of international trends towards the use of natural fabrics in home furniture. At the end of 1993, with the help of the consultants, APAEB submitted a proposal to the BNB for a 1.5 million dollar loan to build a sisal carpet factory. After factory production began in 1996, it was immediately clear that the capacity installed needed to be expanded in order to satisfy the demand. By this time the firm had become so involved in the project that it offered part of its property (worth about $270,000) as a guarantee for a second BNB loan, of $1.6 million. Today, the firm has become indistinguishable from APAEB, although it is still formally a separate enterprise. APAEB has permanently hired it on a salary basis and uses it as a sales office, technical advisor and management staff.

One can see from this story that APAEB, through a more tortuous process, has created for itself what COOMAP found from its start: a developmental intermediary, i.e. one that has an interest in the growth of its suppliers, and provides them with economic opportunities usually unavailable on commodity markets. Despite their very different economic nature, the two types of intermediaries ended up performing very similar functions. It is the role played by the intermediaries that stands out as a large part of the reason why these cases are so successful relative to other producer associations in northeast Brazil.

3.2 Leveraging the leaders

The case of the buffalo mozzarella cheese producers is slightly different. The economic success of this group did not depend on the role of a particular type

of intermediary, but on the product's reputation for quality that the consortium acted to protect, and unequivocally associate with a well-defined geographical area of production. Buffalo mozzarella producers market individually through a conventional chain of wholesalers, department stores, and the like. The interesting question arising from this case is why this group of producers was able to devise such an astute collective development strategy nevertheless. Why were they not constrained by the limited imaginative capacity that often characterizes groups of producers in less developed areas? If we focus our attention on how the consortium was created, the dissimilarity with the two other producer groups analysed above becomes less.

The modernizing economic agents in the mozzarella production chain were the most prominent members of the group of buffalo ranchers, with the help of a livestock expert, a university professor at the local University of Naples. The strong linkages he developed with the world of buffalo ranching at the local level, a fortunate exception by Italian standards, could be in part explained by the fact that his family used to own buffalo land in earlier generations.

The university professor started by offering free technical assistance to the largest enterprises, in exchange for the possibility of conducting experiments on their farms. The Extension Service of the University of Naples, currently headed by the professor's main pupil, still works on the basis of the same informal arrangement. This collaboration between public university and private firms resulted in significant productivity increases.[14]

The university professor chaired the World Association of Buffalo Farmers for many years and organized many seminars and conferences on the subject. In this role he developed international connections and collaborated with world experts in the subject, bringing them to the farms of his friends-entrepreneurs. He is the person who took the first initiative to create the Consortium for the Promotion of Buffalo Mozzarella in 1982, 'with ten of the largest and more modern farmers'.[15]

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14. The most important of these innovations involves the management of pregnancies. This addresses the problem created by the seasonal variability of milk production: left to themselves buffaloes give birth in the autumn, and therefore concentrate milk production in the winter months, when the demand for mozzarella cheese is low. This creates an insufficient supply in the summer when the demand for the product is high. As a result of more than 20 years of experimentation and extension, about 70 per cent of the farmers today adopt a technique that spreads the supply of buffalo milk more evenly across the year. The more constant availability of milk, in its turn, reduces the incentives for product adulteration, and the use of improper inputs like frozen buffalo milk that would significantly reduce the quality of mozzarella.

15. Quoted from my personal conversation with Prof. De Franciscis.

Among the founders of the consortium was the most innovative buffalo mozzarella farmer–who was the first to introduce mechanical milking of buffaloes in the 1970s. Another of the modernizing pioneers of the consortium was very active in politics at the national level. He supported the industry when he became the Minister of Agriculture, and then the leader of the National Association of Farmers. As Minister, his signature appears under the 1993 decree assigning the DOC to buffalo mozzarella.

What comes out of this sketched account of the modernization of the mozzarella industry is the picture of a developmental elite composed of the largest farmers and a few prominent outsiders. Only a handful of large-scale commercial farmers perceived the necessity to protect and promote mozzarella early in the 1980s, with the help of a well-informed and educated outsider in the form of the university professor. The majority of small-scale buffalo ranchers and dairy firms were initially very skeptical about the consortium. Differences in social status among the producers, and the nature of the relationship between them, eventually helped many of small farmers and dairy firms to accept the idea of a collective institution that was devised by a few large landowners.

The few larger farmers that were responsible for the creation of the consortium consider themselves higher in status than the majority of the buffalo ranchers. They are also better connected to the professional and public sector milieu, where they promote their interests and voice their claims without any sense of inferiority. The smaller farmers, before the consortium was launched, had already had the chance to experiment on their farms with the cattle-raising techniques developed by the few largest ranches. For this reason, and because of their deference towards the larger farmers, they were open to initiatives taken by the ranching elite as something that could also be in their interest. Somewhat paradoxically, the disparity in social status between buffalo ranchers facilitated the adoption of the new product development strategy, giving larger farmers the self-confidence to take the initiative in the interests of the entire group, and giving smaller farmers a certain degree of trust in the initiative.

The simultaneous reading of the three cases presented above leaves us with a more general finding about the construction of market advantage. Ordinary groups of uninformed producers in underdeveloped areas cannot be expected to discover and occupy profitable market niches unless they receive some sort of external help. The economic agents who have proved to be capable of starting such strategies of product differentiation or niche marketing are usually not rooted in local production systems of less-developed areas. They are either total

outsiders to groups, as in the case of the autonomous marketing intermediaries described above, or the most powerful and well-informed members of groups, who possess the necessary connections with different social milieu.

One likely sequence of product upgrading, seen at work in the cases of mozzarella and sisal, requires the participation of both the educated and modernizing leadership of the groups, **and** well-connected external agents or intermediaries. Group leaders are most likely to take the initiative in the interests of other group members, or to ally themselves with external agents who can give them access to product upgrading and/or high-price niche strategies. In the case of the Italian mozzarella producers the professor, an outsider who understands the culture of the ranchers because of his family background, used the contacts he had with the richest and most advanced producers, to introduce improvements in product quality and production techniques that benefited the entire category of producers.

A similar alliance also took place in the case of the Brazilian co-operative manufacturing sisal carpets, whose successful strategy of looking for allies among international traders did not come from the membership base, but was the initiative of a particularly dynamic and motivated leader. Most of the members would probably have disagreed with it if it had been thoroughly and democratically discussed. The creation of a partnership with a trading firm, that has been fundamental for this export success, has required overcoming the hostility against marketing intermediaries that characterizes members of APAEB as much as the members of other grassroots organizations. APAEB members originally got together to give themselves an alternative to the stranglehold of local level traders, and therefore tend to believe that marketing intermediaries are the **cause** of the rural producers' state of dependency, and not the solution.

3.3 Homogeneity of interests, exclusionary policies, antagonistic ideology

Divisions internal to the groups have worked in favour of economic development in the examples above as they have helped free up the creative energies of the brightest and most inventive group members. This raises the question of whether internal group equality is bad for producer organizations. It is clear that some degree of homogeneity of interests and values among group members is necessary to keep the producers' organizations united. Shared economic interests among members facilitate the task of managing the groups by reducing the number of conflicting goals that the organizations pursue. However, it may also be valuable to have an organization in which the leaders are clearly separated from the rank and file. Homogeneity of certain kinds may

allow groups to transfer management responsibilities to group leaders, and make the task of monitoring the results of their activity easier.

Homogeneity of interests, of socioeconomic status, of values, among members should not be seen as unchangeable features of groups that give advantage to some organizations over others. They should be seen instead as variables on which groups **can act** to increase the coherence of their activity and the effectiveness of their management. Two of the associations in our sample have pursued member homogeneity in the course of their history along at least two very different dimensions: (i) the economic activity of their members, and (ii) their members' social and economic conditions.

3.3.1 Product homogeneity

The product-specialization of the two better performing associations of producers in northeast Brazil has simplified their economic objectives. The same can be said of the Italian consortium of mozzarella producers, which exists because the members all produce exactly the same thing. (Product-specialization is not sufficient to guarantee the economic viability of collective initiatives. The experience of other cases not discussed here indicates that comparable collective initiatives of producers organized along industry lines can fall prey to internal divisions and conflicts of interest (Bianchi 1998).)

The strongest evidence in favor of product homogeneity comes from the transition towards product specialization in the two Brazilian farmers' associations COOMAP and APAEB. In both cases, there was no one single predominant crop among those cultivated by the founders. In the case of APAEB, producers from five different villages of the region got together in the association, and only in the local economy of two of them was sisal dominant. The same was true for COOMAP: while certain producers in the original organisation were relatively specialized in growing cashew nuts, others concentrated on more traditional products like beans, corn, or livestock.

In the course of their history, both COOMAP and APAEB transformed themselves into product-specific trading organisations. After COOMAP found a channel for marketing cashews profitably, it focused on their processing and marketing. At that point, most of the members who did not produce cashews felt neglected, criticized the association for doing little for them, and eventually left the association, creating other groups. APAEB underwent an even clearer process of product specialization that illustrates the tight relationship between homogeneity and leadership autonomy.

In the early 1990s, the association suffered from the inability to take even the easiest decisions because of conflicts within its administrative council between the representatives of different municipalities which specialized in different crops. The conflict of material interests of the producers from the different municipalities was amplified by a decision-making structure that allowed for continuous discussion and participation in the ordinary management of the association. External consultants contacted for the purpose of addressing this problem recommended the break up of APAEB into five municipal-level organizations, more homogeneous internally, and therefore more manageable. It was only after this organizational restructuring that one of the five resulting organizations, the APAEB, focusing on one particularly dynamic crop, sisal, experienced an economic take-off.

In the case of APAEB there is clear evidence not only that homogeneity of interest within the group has facilitated the work of the leaders, but also that it has helped attract dynamic and ambitious leadership. The current leader of APAEB, who guided first the effort to export and then the effort to industrialize sisal, left the administration of the association when it was paralysed by conflicts of interest between different producers, and plagued by endless debates between different municipal representatives. He came back to APAEB after it had isolated itself from the groups of the other municipalities, and become a more flexible institution in which he could put his ideas into practice. Although he takes most of the important decisions in the group, he is not elected to the administrative council. He invented the role of external consultant for himself, in order to retain more decision-making autonomy.

3.3.2 Homogeneity of socioeconomic status and values

There is another form of group homogeneity that characterized the membership of APAEB and COOMAP from the start—homogeneity of socioeconomic status. Both groups admit only small farmers (as defined by the maximum land holding required to take part in rural workers' unions) who depend on agricultural work for the bulk of their income. COOMAP requires perspective members to be affiliated to village associations or rural workers' unions. These provisions are clearly intended to exclude the large commercial landowners, who do not live on the land but could potentially come to control the associations, and use them in their interest. The extent to which they are really socially and economically homogeneous, could be debated. However, these organizations still employ the discourse of class struggle, and describe their activity at least in part as the struggle of the poor and marginal against the rich and powerful. To the extent that homogeneity of class or socioeconomic status is achieved, it is the result of a political culture that aims at class solidarity and cultivates antagonism against the rich.

Both organizations have their roots in the political education that groups of poor rural workers have received from the progressive wing of the Catholic Church (sometimes labeled 'liberation theology'). They are the product of a strategy used by the church in the 1970s and 1980s, and subsequently adopted by the state and by other development agents, to empower the rural poor by organizing them into groups. The teachings of the progressive clergy, legitimized under the Brazilian dictatorship by their association with religion, taught poor rural workers that the political and economic situation in which they lived was unjust, that their religious beliefs were incompatible with such a situation, and that they had both a moral responsibility and a concrete opportunity to act collectively to reverse this exploitative state of affairs.

One effect of this political legacy has been to make the organizations more homogeneous in terms of the economic interests of their members, by means of a membership policy that restricts access. A separate legacy is to give homogeneity to the **ideas** of the members, and consequently to the objectives that the organizations pursue. Besides excluding *ab origine* the rich, who could have co-opted the organizations, this background of political and ideological training has produced beneficial effects in the course of the life of these groups as well, as they have embraced economic and commercial objectives. In the case of the APAEB especially, the antagonistic culture strengthened the internal cohesion of the group and helped it to face many difficulties by presenting the economic development of the group as an uphill battle, as an 'us against them' situation in which 'we' are on the right side.

Both forms of internal homogeneity—the product and the class/ideological—contribute to making the groups more manageable instruments of change in the hands of dynamic leaders. On top of that, the ideology probably adds an additional element of strength: by equating economic development to class struggle it builds a hard shell for the organizations, anticipating the difficulties of the task, and preparing for inevitable setbacks.

Thus the principle of group equality is not entirely in conflict with the observation that the most successful groups are firmly in the hands of the most educated and skilful group members. Homogeneity of interest makes it easier to pursue the interests of all members without granting the possibility of fullest participation to them all.

IV CONCLUSIONS

The economic development literature points to producer associations as a major instrument for upgrading local production systems in underdeveloped areas. Development policies have long recognized their value. Producer associations are expected to benefit their members by marketing their production collectively giving their members access to larger, and possibly international, markets and increased market power. One common finding of the more applied development literature is that in many cases associations fail to deliver these benefits. The constraints that these institutions try simultaneously to overcome are often too many and too complex. Among those constraints is the problem, currently the focus of a lot of scholarly attention, of establishing and enforcing co-operative behaviour.

Generalizing on the basis of the experience of two successful northeast Brazilian associations and one consortium of producers in southern Italy, this chapter has tried to identify some of the factors that can help groups of producers to overcome the constraints. The major reason for the success of these cases, compared to other similar groups in the two regions, was the discovery of relatively high-profit market niches, characterized by limited competition. In the presence of super-profits, these groups have been able to overcome the multiple constraints to their economic development.

Most group members are not likely to be in a position to identify profitable market niches, because they are embedded in culturally isolated economic systems, they lack resources or education, or they are otherwise limited in their strategic horizon. There is a key role to be played by marketing intermediaries and development agents external to the groups in connecting producers with lucrative market segments, that would otherwise be out of their reach.

In one of the cases examined, a marketing intermediary provided a linkage with a profitable market niche to a group of producers who would not otherwise have been aware of this possibility for expanding their revenues. In this case, the determinants of the group's success lie primarily in the activity of external intermediaries, who, precisely because of their being less embedded in the local cultural system, understood the dynamics of modern, distant markets. In the other two cases the market niche characterized by relatively high profit margins and low competition was accessed, or created, by the group itself, through a process of active product upgrading. In these cases the producers also took advantage of the services of external marketing intermediaries, and of other external experts. But, unlike in the first case, in these cases a few producers

also played an active role both in upgrading members' production, and in starting collective action in the first place.

The main lessons from these stories are that certain types of intermediaries can provide groups of producers in underdeveloped areas with opportunities for super-profits that can help them to exit from the poverty impasse in which they would otherwise be stuck. The most inventive and ambitious members of these groups can be expected to make the first contact with developmental agents outside the group. Most of the other group members can then take advantage of the activity of these leaders and outsiders.

What does this view of economic success, based on the initiative of a few 'enlightened' individuals internal and external to the groups, imply for development theory? One implication concerns the theory of incentives to collective action.

The assumption that co-operative agreements will work when the payoffs from co-operation are high enough, is consistent with several recent new-institutional economic theories (Wade 1985, Tirole 1996, Von Hippel 1987). Rational maximizing economic agents will be more likely to co-operate with each other the higher the payoffs are. This idea seems so obvious to most of today's theorists that their contributions are really attempts at modeling the assumption that the box of payoffs and the rules of the game determine which of the possible co-operative equilibria will be reached.

The empirical material presented here shows that most of these models fail to take into account an important element that characterizes many cases in practice; that the payoffs—in this case the super-profits—are not always fixed in advance, and therefore producers cannot compare them with those that alternative courses of action would yield. One should correspondingly distinguish between at least two cases: one in which the payoffs are presented to a group of producers as given, so that they can rationally weigh the costs of co-operation against the potential returns; the other, probably more common, in which the possibility of higher returns is not clear in advance, but is either seen as an uncertain outcome by the potential co-operators, or not seen at all.

One of the cases in our sample—the COOMAP cashew producers case—adheres more closely to the first of these. In the case of COOMAP the high-quality-and-profit niche pre-existed the establishment of the co-operative. COOMAP's collective action was aimed at taking advantage of a favorable set of payoffs 'exogenous' to the activity of the group. This type of situation can truly be framed as a game in which the costs and payoffs of co-operating are

easily observable by the participants when they have to decide between more or less co-operative courses of action.

This is not true of the cases in which the payoffs are at least in part the product of the creative activity of the producers. The buffalo mozzarella producers, for example, first promoted and then protected the reputation for quality of their product through collective action. In a similar way, APAEB struggled for years to increase the value added locally to the production of sisal. In both of those cases the opportunity to make extra profits was not readily available: it was created by the efforts of some of the producers, helped by outsiders who provided the linkage with external markets and technical advice. The advantages offered by sisal carpets and 'certified' buffalo mozzarella were not evident to the majority of producers. Only some of the most informed producers, who were already operating in the national market for mozzarella cheese, were in a position to foresee the potential payoffs of a collective strategy of product certification.

Similarly, APAEB's successful decision to incorporate external marketing intermediaries in the decision-making of the group was initially unpopular among the members. However, it is precisely those intermediaries who were able to anticipate the potential for profit of the market for sisal carpets. APAEB was able to arrive at this solution partly because it allowed a lot of discretion and freedom of initiative to its leader, by virtue of his undisputed acumen and experience. In other words, APAEB's decision-making structure was designed to take advantage of the uneven distribution and scarcity of education among the members.

The evidence presented in this paper seems also to challenge another widely shared idea that influences thinking about economic development and the policies to promote it. This is the idea that participatory democracy within grassroots organizations, besides being an important goal, is an important ingredient of the development process. This view conceives the development process as something originating fundamentally from within groups, when the demands of community members are democratically expressed.

The emphasis on participatory democracy at the grassroots level is justified on the basis of the experience of past failures. Co-operatives and other local institutions too often fall captive to local community leaders, who use them for their own purposes. The co-operatives which become the prey of such entrenched leaderships cease to represent the interests of the majority of their members (Fox 1993). This is particularly true in developing areas like northeast Brazil where the tradition of social relations privileges 'vertical' forms of

interaction between the powerful few and the dispossessed many (Almy 1988). Superimplanted on these social norms, co-operatives often end up being dominated by local oligarchies.

The risk is that those oligarchies, as long as they are in control of the co-operatives, will reproduce the unequal distribution of power, knowledge, and resources. For this reason active member participation has often been recommended as one important ingredient of successful co-operatives, especially in developing countries (Attwood *et al.* 1985). However, the conflicting finding that many **successful** co-operatives are often controlled by the wealthier and socially more prominent producers is not new either. Several classic studies of producer co-operatives have stressed the key role played by the largest producers or local level elites, in their economic success (Attwood and Baviskar 1987; Tendler 1983). The problem of democracy in the economic development of co-operatives has been specified in the form of a trade-off between managerial efficiency and members' empowerment. There is a view that organizational democracy may have a value in itself, but this comes at the cost of reducing decision-making flexibility (de Janvry *et al.* 1993: 568; Wells 1981: 244).

Participation is also seen as an antidote to cultural and political dependency on outsiders. Development theory has stressed the difference between the organizations of producers in which members understand and consciously pursue their collective interest, and those that are superimposed on communities from the outside (Bennett 1983). 'Indigenous' forms of co-operation are said to have much better chances of surviving in the long run.

The evidence in this paper suggests that the view of real development as something coming fundamentally 'from within', should not be taken too far. The groups reviewed here found successful marketing solutions that triggered a process of broader economic and social development, by leveraging the knowledge and resources of group leaders and outsiders. Such solutions are very different from those to which a faithful expression of the will and aspirations of the majority of members would have led. In order to free up the energies of their most educated and ambitious members and thus create a real discontinuity with their original state of underdevelopment, these groups needed to sacrifice at least in part members' participation to the group's administration.

The reason for presenting this view of collective economic development based on leadership autonomy and developmental intermediaries is not to suggest that it should entirely replace the prevalent view according to which group members

take direct responsibility for their own destiny. As has been repeatedly stressed in the development literature, leadership autonomy can be exercised against the interest of group members. The goals of participation and effective management should both be pursued to the extent that is possible. Entrepreneurial skills may be one of the local resources that the decision-making structure of groups should be able to utilize to the fullest extent.

Finally, the evidence that successful development strategies result from the independent activity of outward-looking leaders seems at odds with another characteristic of well-performing groups—social and economic homogeneity between members. In fact, the principles of management autonomy and member homogeneity within producer groups are not entirely in conflict with each other. The homogeneity of the membership may facilitate the task of granting autonomy of management to ambitious leaders, who can establish the much-needed contacts with different economic environments. The coherence of material interests and cultural values within groups, by clarifying group goals, may make the task of monitoring the activity of leaders from outside easier.

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