

**D4.5 National Synthesis Report on  
Case Studies in Latvia:  
Latraps  
Preili Organic Farmers Network**



# Encouraging Collective Farmers Marketing Initiatives (COFAMI)

## Background and objectives

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- Collective action by farmers has played an important role in the history of European agriculture and rural development. During the 20<sup>th</sup> century the joint actions of farmers in many EU countries gave rise to the foundation of agricultural marketing co-operatives, resulting in better market access, increased farm incomes and regional employment. More recently farmer collectives have made an important contribution to the spread of sustainable production methods.
- Now European agriculture is facing a range of new challenges. Farmers have gradually lost control over supply chains, due to the growing power of retailers, and are also confronted with a general decline and reorientation of policy support. At the same time, there is a need to respond to changing consumer demands for food safety, quality and an attractive countryside. Again, collective action may help in finding appropriate answers for these new challenges.
- Against this background the COFAMI project studies the potential role of collective farmers' marketing initiatives (COFAMIs) in finding adequate responses to changing market and policy conditions. More specifically it aims to identify the social, economic, cultural and political factors that limit or enable the development of such initiatives. The project also seeks to identify viable strategies and support measures to enhance the performance of collective farmers' marketing initiatives.

## Steps in the research

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- At the start of the research a **conceptual framework** for the study of COFAMIs will be developed. A review of relevant scientific literature and a 'quick-scan' of 8 previous EU research projects which included COFAMI cases will provide the basis for this.
- For each study country a **status-quo analysis** of collective marketing initiatives and relevant contextual factors will be made. This involves an overview of existing COFAMIs, their aims, organisational forms and strategies, relations with other supply chain partners, and relevant market and policy environments.
- A series of 18 in-depth **case studies** of different types of COFAMIs will be conducted. These will provide more detailed insights into the influence of different factors that limit and enable the development, performance and continuity of COFAMIs. The performance of initiatives in terms of social, economic and environmental impacts will also be assessed.
- In the **synthesis** the results of these different research activities will be integrated into general conclusions about the relative importance of various limiting and enabling factors for different types of COFAMIs. Support strategies for COFAMIs and measures to improve their performance and dissemination will also be formulated.

## Project results and consultation

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Participatory methods and stakeholder consultation will play a key role in all stages of the project, to ensure that research outcomes are grounded in field experiences and policy debates. A National Stakeholder Forum will be established in each participating country. In addition a European-level expert group of scientific and field experts will be formed to broaden geographical coverage beyond the 10 countries represented in the project.

The research will provide farmer groups, support organisations and government agencies with insights into different collective marketing strategies, their success and failure factors, and suggestions of measures that support COFAMIs. Additionally, the project will contribute to scientific and policy debates on the role of farmers' initiatives and new supply chain arrangements in promoting sustainable rural development and the supply of safe and quality food.

All project results will be made available through the project website [www.cofami.org](http://www.cofami.org)

## Project partners

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## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	6
1. INTRODUCTION.....	9
2. LATRAPs: GRAIN AND RAPESEED PRODUCERS' MARKETING INITIATIVE.....	12
2.1. <i>Material</i> .....	12
2.2. <i>General description of the case</i> .....	12
2.3. <i>Contextual factors and driving forces</i> .....	14
2.4. <i>Organization and network relations</i> .....	19
2.5. <i>Capital assets and capital building</i> .....	22
2.6. <i>Dynamics of COFAMI</i> .....	24
2.7. <i>Impact assessment</i> .....	26
2.8. <i>Summary and conclusions</i> .....	27
3. PREILI ORGANIC FARMERS NETWORK.....	30
3.1. <i>Material</i> .....	30
3.2. <i>General description of the case</i> .....	32
3.3. <i>Contextual factors and driving forces</i> .....	34
3.4. <i>Organization and network relations</i> .....	39
3.5. <i>Capital assets and capital building</i> .....	42
3.6. <i>Dynamics of COFAMI</i> .....	46
3.7. <i>Impact assessment</i> .....	48
3.8. <i>Conclusions</i> .....	50
3.9. <i>Suggestions</i> .....	52
4. SATELLITE CASES .....	53
4.1 <i>Satellite one: The „Hessian collective farmers marketing initiative for renewable primary products” (NAWARO) in Germany</i> .....	53
4.2 <i>Satellite two: Grain and rapeseed marketing cooperative ‘Dobele Agra’</i> .....	58
4.3. <i>Satellite three: Speciality food marketing cooperative in Ireland ‘Taste of Wexcellence’</i> .....	59
5. CONCLUSIONS AND RECOMMENDATIONS.....	63
6. RESOURCES.....	69

## LIST OF FIGURES

Figure 1. Marketing channels of Latraps Cooperative .....	21
Figure 2. Latraps network .....	22
Figure 3. Timeline of Latraps.....	24
Figure 4. Administrative map of Latvia .....	32
Figure 5. The trademark “Latvijas Ekoprodukts” .....	32
Figure 6. Organization.....	39
Figure 7. External network relations .....	41
Figure 8. General overview of Preili organic farmers network time-line .....	46

## LIST OF TABLES

Table 1. Number of agricultural service cooperatives in 2007 in Latvia.....	10
Table 2. The number of farmers involved in agriculture service cooperatives.....	10
Table 3. Enabling and limiting factors .....	16
Table 4. Status and evolvement of different capital resources.....	23
Table 5. Impact assessment.....	26
Table 6. Division of collective and individual activities.....	34
Table 7. Contextual factors .....	35
Table 8. Overview on capitals and their outcomes .....	44
Table 9. Comparison between Latraps and Dobeles Agra.....	58

## LIST OF ABBREVIATIONS

ALOA – The Association of Latvian Organic Agriculture  
ASC – Agricultural service cooperatives  
COFAMI – Collective farmers marketing initiative  
FSC – food supply chain

## EXECUTIVE SUMMARY

This report is part of the COFAMI (Encouraging Collective Farmers Marketing Initiatives) research project, financed by the European Union under 6<sup>th</sup> Framework Programme, Contract No SSPE-CT-2005-006541.

COFAMI project aims to strengthen the role of collective farmers marketing initiatives in agriculture, sustainable food production and rural development by identifying the social, economic, cultural and political factors that limit and enable their development. Additionally, it seeks to formulate viable support strategies, policy and practice recommendations to enhance their performance, dissemination and continuity.

The project is collective effort of research groups from 10 European countries: The Netherlands, Switzerland, France, Germany, Austria, Latvia, Italy, Denmark, Czech Republic and Hungary. The project consisted of five research activities or work packages: Development of analytical framework; Status-quo analysis of farmers cooperation and COFAMIs in participating countries; Case studies (in total 18 case studies of farmers collective marketing initiatives were carried out); Synthesis and recommendations; and Stakeholder/expert consultation and dissemination of results. Results are available on the project website ([www.cofami.org](http://www.cofami.org)).

This report summarizes the research carried out in Latvia. The report is divided into five parts. The introductory part refers to the Work Package 2 report (status-quo analysis of farmers' cooperation in Latvia) and briefly sketches the historical context of farmers' collective marketing. The second and third parts are devoted to extensive and in-depth studies of two collective farmers' marketing initiatives: the LATRAPs grain and rape seed producers' cooperative and Preili organic farmers' network. The fourth part compares the Latvian cases with similar initiatives in other European countries highlighting similarities and differences in organization and performance of cooperatives. The final part draws together conclusions from all work packages and formulates policy and practice recommendations. These are elaborated not only on the basis of research findings but also taking into account stakeholder consultations and proposals expressed at national stakeholder seminars.

The research of COFAMIs in Latvia allows drawing the following conclusions:

- Individual marketing strategies are more widespread and developed than collective ones.
- Organised farmers collective marketing initiatives and cooperatives started to develop more intensively from the year 2000 onwards.
- Currently there are more than 100 registered agricultural cooperatives in Latvia active in agricultural services, crop production, dairy, vegetables, meat production, and organic agriculture sectors. Collective marketing and organisation of supplies are the main activities of cooperatives.
- The main contextual factors that affect the market performance of COFAMIs in Latvia are: territory related factors (proximity to urban centres and markets); socio-political factors; institutional support; socio-cultural factors (culture and experience of cooperation); economic (competition, accumulated experience of marketing strategies); and knowledge factors.

- The most relevant internal resources at COFAMIs disposal that influence their performance in Latvian situation are: social capital; human capital (knowledge, technical skills, leadership, cooperation skills, openness to partners etc); financial capital; and Physical capital.
- Summarizing contextual factors and COFAMIs resources, the main success factors of COFAMIs are:
  - 1) Well grounded commercial and organisational strategies;
  - 2) Transparency in decision making, clearly set rules, duties and rights in the organisation, mutual trust;
  - 3) Professional management;
  - 4) Engagement in policy and professional networks that legitimises the initiative and its aims in a wider society;
  - 5) Supporting and stimulating legislative and controlling framework that sets the legal basis and encourages formation and development of COFAMIs.

The research allows formulating several policy and practice recommendations. These recommendations have been verified at the national stakeholders meeting.

*Policy recommendations:*

1. State and EU support to cooperatives should be connected to their economic performance indicators.
2. Special support should be given to cooperatives at the starting phase of their activity.
3. There is a need to change political attitude towards cooperation and to see it as component of economic competitiveness and sustainability of agricultural sector, sustainable food provision and rural development.
4. The new Rural Network which is under formation as a part of implementation of Latvia Rural Development Plan should include institutional structures and instruments to provide training and advice to farmers' cooperatives.
5. Cooperation is considered a survival strategy for majority of small and medium-size farmers in Latvia; therefore COFAMIs and cooperatives need higher profile recognition and acknowledgement at political level as organised movement towards competitive agriculture and sustainable rural livelihoods. The time of extreme liberalism and disregard of cooperation in Latvia is over.
6. Establishment of cooperatives much depends on support of local governments; there is a need to educate the representatives of local governments about economic and community benefits of farmers' cooperation.

*Practice recommendations:*

1. COFAMIs need better public relations in order to popularize potential and achievements of cooperation, demonstrate good practice examples. This public information, awareness rising and PR role could be taken up by professional associations e.g. Latvia Association of Agricultural Cooperatives and supported by the Ministry of Agriculture.

2. The cooperative management has to make continuous effort to maintain members' motivation and commitment through achieving higher outlet price, negotiating better contracts with wholesalers, processors and retailers. An effective tool to maintain the commitment of members to cooperative is organisation of training and advice, as well as caring for social activities of cooperative members.
3. Best practice examples and experiences of successful cooperatives in Latvia (and similar initiatives in other EU countries) should be circulated among stakeholders' communities – existing cooperatives and initiatives under formation, farmers' associations and NGOs. Training for cooperative leaders and 'know-how' management manual for farmers are necessary tools to develop and/or improve the entrepreneurial and cooperation skills.
4. A new training programme for the cooperative leaders and managers on the development and marketing of niche, quality and speciality products should be designed and offered providing examples from Latvia and other countries.
5. Educational and training programmes and courses in the field of agricultural cooperation and marketing should be more actively introduced in agricultural colleges, vocational schools, and Latvia University of Agriculture.



# 1. INTRODUCTION

The contemporary forms of collective farmers marketing initiatives in Latvia developed gradually after fundamental changes in agricultural production system that took place in 1990s – restitution of private land ownership, establishment of private farms, privatisation of agricultural enterprises and price liberalisation.

The land reforms of 1990s led to the dissolution of large collective farms. Some 200 thousand private farms (average size –20 hectares) were established, which in most cases lacked appropriate buildings, machinery, investment capacity and farmers' knowledge and therefore agricultural production experienced sharp decline. From the mid 1990s agricultural sector started to stabilise and political process became dominated by EU integration. The Latvian agricultural policies set new objectives: to modernise agricultural production, increase competitiveness of farms, align with EU regulations regarding in the areas of production quality and food safety. However there were practically no organised sales or sales cooperatives until the end of 1990s. The tendency towards farmers' cooperation in marketing resumed around the year 2000 when farmers established numerous producers associations to market their produce and lobby interests and a legal frame for agricultural service cooperatives was developed.

Several major tendencies can be observed regarding configuration of farmers' collective marketing: Farmers' organizations mainly collaborate in selling produce to processors (grain sectors as an example). Individual farmers lack advanced marketing strategies. Farm-gate sales prevail in cooperation. The strategic marketing cooperation is quite weak across different sectors of agricultural production. Commercially successful farms and agricultural enterprises are more active than farmers' grass-root groups to develop their marketing strategies and private labels.

Several factors hinder farmers' collective marketing: Legacy of socialist collective farming and resistance to cooperation, weak civil society in rural areas, economic stratification among farmers (better-off farmers hesitate to cooperate with small-holders). Intermediaries that provide short-term solutions for farmers often are undertaking the role of "traditional" cooperatives. There are also educational barriers as farmers generally lack strategic marketing skills. On the other hand, several processes and factors foster development of COFAMIs, among them: Establishment of farmers' organizations, associations, revival of cooperatives and rural NGOs, political support to cooperation and special national agricultural subsidies programmes aimed at fostering farmers' cooperation, economic opportunities and benefits derived from cooperation, as well as demand in COFAMI products from retailers, consumers, processing industry. The growing competition among producers also stimulates COFAMIs.

Currently individual marketing strategies are more widespread, diversified and developed than collective ones. There have been attempts to set up farmers' grass-root as well as organised collective marketing initiatives, most of them have failed, however the number of successful producers associations, farmers' cooperatives, shareholding companies and other initiatives grows that demonstrate potential of COFAMIs.

All together in promoting farms' produce there can be identified several formal and informal forms in which cooperation happens in Latvia: informal cooperation among farmers; agricultural service cooperative societies; producing cooperatives/share-holder companies; producers' associations; cooperation focusing on special quality products, shareholding in processing companies and cooperation in (tourism) services.

Agricultural service cooperatives are experiencing the greatest dynamics among COFAMIs forms since 2000 (See Table 1 and Table 2). It is related both to farmers increasing awareness about the advantages of collective marketing and to the public support to co-operation, established since 2000, which is assigned particularly to this form of cooperation.

**Table 1. Number of agricultural service cooperatives in 2007 in Latvia**

Agricultural sector	Number
Dairy cooperatives	33
Grain cooperatives	29
Agricultural machinery service cooperatives	15
Fruit and vegetable cooperatives	14
Meat cooperatives	8
Multisectoral cooperatives	6
Honey cooperatives	2
Total	107

*Source: Agriculture Services Cooperative Association*

**Table 2. The number of farmers involved in agriculture service cooperatives**

2000	2001	2002	2003	2004	2005	2006	2007
2380	2950	3748	4280	5010	7140	7430	7727

*Source: Agriculture Services Cooperative Association*

### **The situation of case studies in national context**

There are two cases represented in the national report: Latraps and Preiļi organic farmers' network. Latraps is agricultural service cooperative society that was established in 2000 to market rapeseed and crops at national and international level. The cooperative society Latraps serves as a 'good practice' model of agricultural service cooperative demonstrating how initiative can develop within a relatively short period of time.

Preiļi organic farmers' network unites organic farmers from Preiļi district, Eastern part of Latvia. It has been initiated in mid 1990s, when soon after the establishment of the first organic farms in the area, Preiļi organic farmers NGO was founded. The network functioned as the main driver of organic production development and promotion in the district by disseminating knowledge and stimulating local producers to adopt environmentally friendly methods. The case study analyses experiences derived from two agricultural service cooperatives that evolved within the network of organic farmers.

Several criteria were put in fore when choosing the case studies in Latvia. These criteria were:

- (1) Agricultural branch. The case studies represent grain and rapeseed and organic farming branches. The grain and rapeseed sector is well-established and one with the highest economic output in agriculture, while organic farming is developing slowly and economic performance is tiny in agriculture;
- (2) The phase of the development. Initiatives represent various stages of the development. Latraps has reached saturation phase, while represented organic cooperatives experience stagnation;
- (3) Organisation. Both initiatives represent different modes of organization and management style. Latraps has professional management, well established structure, elaborated development strategy, regional branches and contractual relationships with members. Organi farmers cooperatives represent loose organisational style, ad hoc activities, lack of

professional management and the relationships between members and cooperative are not institutionalized.

- (4) Market. Latraps markets the produce of the members mostly in international market, while organic farmers mostly sell their produce in two regions of Latvia.

## **2. LATRAPs: GRAIN AND RAPESEED PRODUCERS' MARKETING INITIATIVE**

### **2.1. Material**

The case study material for Latraps is based on two major sources of information: semi-structured interviews and electronic media (Internet) review.

#### Semi-structured interviews

The interviews were conducted from April to July 2007. The snow ball approach was used to select the respondents and the selection process was guided in a way that informers would represent different relevant stakeholders in the case. The interviewees included farmers, the cooperative's administrative and board representatives, agricultural advisor and other actors from rape production sector. In total there were 8 face-to-face interviews conducted, all of them recorded.

#### Electronic media

Another useful source of information was various materials in the internet that included cooperative's web-site, publications on the initiative, rape production and processing in Latvia and interviews with Latraps representatives in electronic media (web portals and radio) also were gathered and analyzed.

### **2.2. General description of the case**

Latraps is a cooperative that markets rapeseed and crops. It was established in 2000 in Zemgale region by 12 big farm owners (300 to 800 ha), who decided to cooperate in order to export grain and rapeseed. The situation in grain market in Latvia was difficult as farmers experienced price dictate from the two largest processing companies: *Rīgas Dzirnavnieks* and *Dobeles Dzirnavnieks*. Farmers' idea was to strengthen their economic power in price disputes with buyers through a cooperative that would sell the farmers produce on domestic and export markets and collectively buy inputs. The idea was diagnosed as crazy in professional and political millieus, because the quality of Latvian grain was considered too low to be competitive in the international market. However, despite the discouraging prognosis, already the first year of the cooperative turned out to be successful and profitable. The success attracted other farmers, and during the next year the number of members has grown up to 80. Nowadays Latraps is the biggest cooperative society in Latvia with around 400 members, all of them farmers.

Most of the farmers (80%) are located in Zemgale region where the idea of the cooperative was originating and where thanks to advantageous agro-climate conditions farms are bigger than in the country in general. Though, gradually the cooperative has expanded its network all over the country, and there is a wide range of farmers in the cooperative - farm sizes vary from 10 to 4000 hectares, still the average size reaches 400 hectares. Together with the increasing number of members it is becoming complicated to manage so broad network and

the cooperative leaders are considering the need to reorganize the cooperative. The first steps have been done and there are opened regional branches.

Major **joint activities** performed in the cooperative is marketing rapeseed and grain and supplying members with the raw materials necessary for production of rapeseed. Other important functions that the cooperative performs are consulting farmers about rape production and other relevant questions, and storage and primary processing of rapeseeds and grain. In 2007 the cooperative was considering broadening its market activities by starting biodiesel production. Since the establishment of the cooperative a lot of attention has been devoted to the popularization of rape cultivation among farmers, which has been a long-term strategy to ensure the growth of the cooperative.

Latraps has been clearly oriented to **export market** as there was no rape processing plant in Latvia at the cooperative's start-up. Nowadays the national market composes 10 to 15% of Latraps outlet. Since its establishment, the cooperative is experiencing stable growth and upscaling. The annual turnover of Latraps in 2001 was 1.5 million lats (2.08 million euros), 2002 – 5.3 (7.4), 2003 – 9.7 (13.5) and in 2006 it reached already 25 million lats (35.7 million euros). The main revenue comes from sales of grain and rape, sales of mineral fertilisers, pesticides and machinery to the cooperative members.

The cooperative owns a considerable physical capital. In the first year it has purchased a grain dryer and purification plant. During the following years the modernisation has continued and today the cooperative owns the most modern corn working and storage complex in Latvia. The total value of the corn working and storage complex is 2.5 million EUR. In modernization Latraps has actively used the available public support: it has implemented 3 SAPARD projects that covered 540 000 EUR investments.

Farmers have several **benefits** from the membership. As stated, there are two strategic directions in the cooperative economic activities: the collective purchase of materials, chemicals, fertilisers and other inputs and the collective sales of the farmers' production. Members benefit from both activities: organised input supplies reduce transaction costs, collective marketing allows to reach the higher price. Before the cooperative was established, grain growers were fully dependent on the prices set by the largest milling companies such as Rīgas Dzirnavnieks and Dobeles Dzirnavnieks. Seven years later Latraps is the organisation which sets the price level and competitors work out their offers based on Latraps prices. The farm gate price for rape offered by the cooperative in 2007 was set at the level of LVL 195 per ton (EUR 280), the largest competitor offers LVL 165 (EUR 235) per ton. In addition farmers who have concluded contracts with rape collectors or bio diesel factories may receive additional LVL 40 (EUR 57) in subsidies for energy crops. The price is 30 % higher than in 2006. Other benefits that come with collective organisation of sales and supplies are the guaranteed outlet – the cooperative buys in and markets all the farmers' production – and it saves the time that farmers would need to invest if operating individually. Altogether the membership in the cooperative provides for the farmers a secure and profitable position in the market. Besides the economic activities, the cooperative is an active place of information and knowledge exchange. It provides the members on regular base with useful information on state support, projects, education possibilities etc. Moreover, the cooperative organises informative seminars on rape production.

Latraps is positively characterized in media as a successful initiative, an example that encourages other farmers to work together in order to protect their interests and to take advantage of the benefits of cooperation. It serves as a 'good practice' model of what an agricultural service cooperative can develop and reach within a relatively short period of time.

Latraps case presents several **interesting aspects** regarding innovative collective marketing initiatives:

- It is operating in a new rural economy sector – bioenergy, and is a positive example of the growth and potential of this sector. On the other hand, it puts forefront also the vulnerable questions regarding its impacts on the environment and traditional farming: rape production is intensive and often large scale and it removes from traditional agricultural activities.
- As rape production is a new sector in Latvian agriculture, there were no specific regulations developed yet. The cooperative has taken a very active part in policy making and as such it is an example of effective policy lobbying strategy.
- Embeddedness of a new product and collectivity: rape production is very recent in Latvia with no traditions. First experimental fields were set in the 1990s, but it has spread out after 2000 thanks to the successful marketing strategy of the initial cooperative's core group and policy support. How collectivity is built in such a disembedded (product without local cultural tradition and economic grounds) situation?
- Collectivity and upscaling: The cooperative has experienced a remarkable growth. Interesting question is what happens to a collectivity when it has reached some saturation or even its maximum in upscaling? Fragmentation, reforming, dissolution? How to manage upscaling so that it does not hinder collectivity?

### **2.3. Contextual factors and driving forces**

In order to assess relevant enabling and limiting contextual factors and the driving forces of the initiative it is necessary to provide the context of the development of Latraps cooperative.

#### **The history of rape cultivation in Latvia**

Rape cultivation is a comparatively recent sector in Latvian agriculture. It was introduced, in the beginning of 1990s as an experimental crop by the agricultural company Dobeles Agra. In 1993-1994 Dobeles Agra implemented a project aimed at disseminating the knowledge, technology and practice of rape growing in Latvia. The project was initiated by the Canadian shareholders of the company and activities included technical advice, distribution of seeds, centralised procurement, demonstration activities, and training of Latvian advisors abroad. This initiative though had few followers. Only from 2002 onwards when the Latraps cooperative was founded, Latvia joined the European Union in 2004 and various funds became available, the producing of rape gained popularity among agriculturalists.

Latraps was initiated in Zemgale region, which historically is famous for its grain production (wheat, rye and barley) and was metaphorically called the grain barn of Latvia. The other major crop of cultivation was sugar beet. Comparing with other regions of Vidzeme, Kurzeme and Latgale in which the main branches were dairy farming and cattle breeding, agriculture in Zemgale has been characterized by larger farm size and more intensive methods of cultivation

both before the World War II and during the soviet period. This combination of cash crops, farming of scale and intensive agriculture created a “farmers’ mentality” open to technological changes and market innovations. In the post-socialism period and after Latvia joined the European Union Zemgale farmers were the first who took up the modernization path, integrated in a free market situation and made use of various state and EU subsidies. On some occasions the entrepreneurial and innovative spirit of Zemgale farmers reshaped the traditional basis of regional agriculture, and that was exactly what happened with sugar beet production and rape – the first almost disappeared, the latter was introduced as new culture. For example until 2006 many Latraps members grew sugar beet along with grain and rape (e.g. farmer Valters Bruss cultivated it on 1/10 of the farmland), but farmers gave up this production as three processing plants were shut down in Latvia in 2006 and farmers were offered substantial EU compensations for leaving the sector.

In the discourse of large farmers there is no grievance for the crop which for a long time has been a proud of Zemgale agriculture, an important sector of national agriculture. Instead, many members of the cooperative, especially large scale producers, quickly reoriented to rapeseed production which appeared no less profitable than sugar beet. With the help of Latraps cooperative this reorientation was made easier and rapeseed growers achieved very good vertical integration in quite internationalised grain and rapeseed markets. Large scale farm owners do not express sentiment about passing away of traditional branch of agriculture nor contemplates about social or environmental consequences of this reorientation. This illustrates that Latraps cooperative and large farmers are clear advocates of growth, modernisation and up-scaling of grain and rapeseed production, with technological improvements, investment, land concentration, collective marketing and serving international industrial markets being the main tools.

### **The history of cooperation in Latvia**

After the soviet experience of forced cooperation both in farmers’ community and in the society in general there were negative connotations of cooperation. It was considered as economically non-effective and restraining and destructing individual liberty. During the agricultural reform in the beginning of 1990s, a part of previous collective farms were reorganized in cooperatives (privatized by ex-workers, they were not farmers’ cooperatives), but still they continued to operate on the previous principles and their economic performance was moderate thus strengthening the vision of cooperatives as non-effective form of economic action. In parallel individual farming strategies were spreading out and becoming a major mode of agricultural production and marketing practices. Gradually this fragmentation and individualization supported the weakening of farmers’ position vis-à-vis processors and retailers. Together with the aggravation of the situation in agricultural market, monopolized by few processors, farmers started to look for the ways to establish themselves as considerable market players and to strengthen their position in negotiations with other food supply agents. Cooperation idea was slowly taken up and rehabilitated.

Latraps was the first ‘new’ cooperative, established by individual farmers who had agreed to try to create a collective organization in order to improve farmers’ situation in the market. *“In 2000 a group of farmers had heard that in the world of civilized agriculture cooperation is a tool by which farmers protect themselves. Despite that the word “cooperative” was a damn, something very bad – taking into account all those soviet kolkhozes, post-soviet kolkhozes renamed as cooperatives and pre-soviet period when everybody was rounded up in cooperatives which were named collective farms afterwards – we decided though that we*

*would go this way and will try to build a structure, a cooperative that would help to arrange the market in farmers interests.” (Ruže)*

In 2002 there was introduced the state support for agricultural cooperatives. Latraps has taken active role in lobbying the cooperation policy formulation, the development of legislative acts and subsidy schemes. Policy support has stimulated the creation of agricultural cooperatives, and their number has reached 64 in 2007. Farmers are recognizing it as a tool for protecting their interests in the market and improving their farms’ economic performance.

### **Relevant enabling and limiting factors**

A summary of enabling and limiting factors which are relevant for the performance of Latraps are presented in the Table 3.

**Table 3. Enabling and limiting factors**

<b>Factors as described in the grid</b>	<b>Relevance for performance of COFAMI case</b>	<b>Limiting / enabling factors for COFAMI performance and dynamics</b>
<b>Main descriptive data</b>		
Proximity / remoteness to urban centers	Low	+ Proximity to urban centers is not as relevant as in Preili case, however Latraps office is located in one of the major cities in Latvia, which ensures access to infrastructure and to skilled office staff
Production conditions for agricultural land use (soil quality, natural handicaps, land parcelation)	High	++ The quality of the soil in the region allows high volumes of yield and the landscape is flat that allows efficient cultivation of the land  - the soil prices in Zemgale region are the highest in Latvia
Relative importance of agriculture for regional income and employment	High	+ Agricultural activities traditionally has been part of regional identity
Density of farms with similar production structures	High	++ The density of similar farms fostered the establishment of the cooperative as the farmers faced similar problems when dealing with the processors
<b>Socio-political / institutional context</b>		
Urban-rural interrelations	Medium	- Rural out-migration to the urban centers and other countries has led to the high competition for skilled agriculture workers that makes farm owners constantly look for the ways to increase efficiency of the production



Role of farmers' associations / unions in rural policies	High	++ The initiators of the cooperative are involved in other professional associations as well (high social capital). ++Latraps is involved actively in the policy formulation process and collaborates with the ministry of agriculture in order to promote cooperative's interests
Territory based policies (presence / absence, network-characteristics)	Low	+ Latraps mainly is interested in national and EU level policy formulation
<b>Institutional support to COFAMIs</b>		
Existence of formal regulatory framework for collective action / marketing	High	+ The state support for collective action was more relevant in the development phase of the cooperative. Today this support is not relevant for the overall activities of the cooperative.  ++ SAPARD has been relevant for the scaling-up of the initiative and for the increase of farmers' market power.  ++ State and EU support influences the development of the new initiatives of the cooperative – e.g. bio-diesel plant construction.
Institutional facilitation capacity	Medium	+ When farmers interrupted sugar beet-root production and started rape production, there was a state support (compensations) to ease the transition of production mode
<b>Socio-cultural context</b>		
Culture and positive experience of cooperation	Medium	+ In spite of the soviet experience and memories of the forced cooperation, farmers are aware that Latraps represents new form of cooperation and new entrepreneurial culture (modernization, scaling- up, income) that has no connotations with soviet style agricultural production and marketing.
Rural social cohesion	Medium	++ The founders of the cooperative are acquainted between themselves, has high level of mutual trust, shared vision and aims for the further growth of their farms and cooperative. Also after 7 years since establishment of Latraps they demonstrate the loyalty towards the cooperative that manifests through their attitude 'our enterprise' and is followed with correspondent behavior – all produce is marketed through the cooperative
Presence/ absence of	Low	+/- Zemgale traditionally is the region of

agriculture in local identity		grain production, called grain barn of Latvia, however mainly the agricultural activity is perceived as business not as part of identity
<b>Economic and market contexts</b>		
Competition on relevant markets: number of actors; price evolution, market share, competition with other market parties	High	++ Current conditions in the grain and rape markets (both local and international) is beneficial for the farmers and they do not complain about competition in the market, but rather compete for the means of production, namely – land. Latraps is producing 60% of domestic rape that turns the cooperative in the major player among rape growers in Latvia.
Type of marketing strategies (marketing channels, development of innovation and experimentation, price policy)	High	++ Initiators themselves were business-like minded and they attracted professional management and external experts to establish successful cooperative, develop marketing strategies and build up long term partnerships with processors/buyers of the farmers produce. The management constantly works towards the improvement and the discovering of the new opportunities for marketing and added value production.
Importance of local, regional and national markets	High - Medium	++ The role of national market was crucial at the beginnings of the cooperative – low power of the farmers in the national market was one of the major driving forces for the establishment of the cooperative.
Importance of international markets for buying and selling products and services	High	++ Gradually Latraps focused mainly on international market as the cooperative managed to establish long term partnerships and better price-conditions than in the national market
<b>Learning context</b>		
Existence / absence of training to facilitate farmers participation in COFAMIs management	Medium	+ Training on cooperation was crucial in pre-phase of the cooperative to promote the idea of the collectivity; in later stages other factors were more efficient to attract new members (price-premium, identity with success community, efficiency);  + The scaling up of the cooperative sets a challenge for the involvement of the farmers in management. At the same time cooperative is presented as business unit with clear distribution of roles and the members accept the way cooperative is managed.

## **2.4. Organization and network relations**

### **Organization and network management**

Before the establishment of Latraps the core group was carefully studying the main shortcomings of the existing marketing cooperatives not to repeat mistakes and there were identified several organizational issues for successful running of a cooperative:

- The cooperative has to be run by a skilful, professional and well paid manager;
- Member farmers have to refrain from engagement in daily management activities;
- Efficient management of a cooperative is at core of success (Latvian Beef Cattle Breeding Association was identified as a cooperative having problems in this regard);
- Sufficient volumes is a precondition for business operation (the biological farmers cooperatives were mentioned as having difficulties in this respect);
- The cooperative may run in trouble if there is an economic dominance of one or few members (that was the case with a vegetable cooperative).

The cooperative's organization and management was created accordingly to these principles.

The current membership in the cooperative has reached 400 farmers from all over Latvia. There are regional branches and several more active local groups of farmers, for example in Barkava and in Bauska. Economically the farmers are linked with the cooperative on the basis of yearly contracts that state that farmers have to sell 100% of their rape production to the cooperative; for grain the requirement is not so strict. At large the members follow the rule. The cooperative on its part takes care of concluding contracts with wholesale clients, organizes the collection system, and offers drying facilities that are especially needed for medium and small size farmers who do not possess drying facilities on the farm. Farmers may also buy materials and machinery through the cooperative. These relations have economically gainful and convenient for both parties. However, the growth of the cooperative in terms of members has caused some problems, the chairmen of the board reported that many farmers lose the sense of direct involvement and do not perceive the cooperative as their common enterprise. On the one hand, farmers benefit from price and secure yearly contracts, on the other hand many are tempted by competing companies, such as Kemira Agro, Kesko Food, BTC Company and others, which offer slightly lower prices but provide farmers with seed material and chemicals on favorable conditions. There are certain opportunistic tendencies spreading among the cooperative members. Much of managerial effort is put to resist the dissolution tendency, first of all by offering better price. The managing director sees solution in establishing smaller satellite cooperatives within the Latraps organization that would operate at regional or local level. However, the difficulty is to find proper managers and to oversee the whole organization from the centre.

### **Structure of the cooperative**

Latraps Cooperative is a national organization with members in all regions of Latvia. The cooperative structure consists of:

- A general assembly of members which is the main decision making body, organized 3 to 4 times per year;
- The board consisting of five elected persons and which is controlling body, meeting weekly;

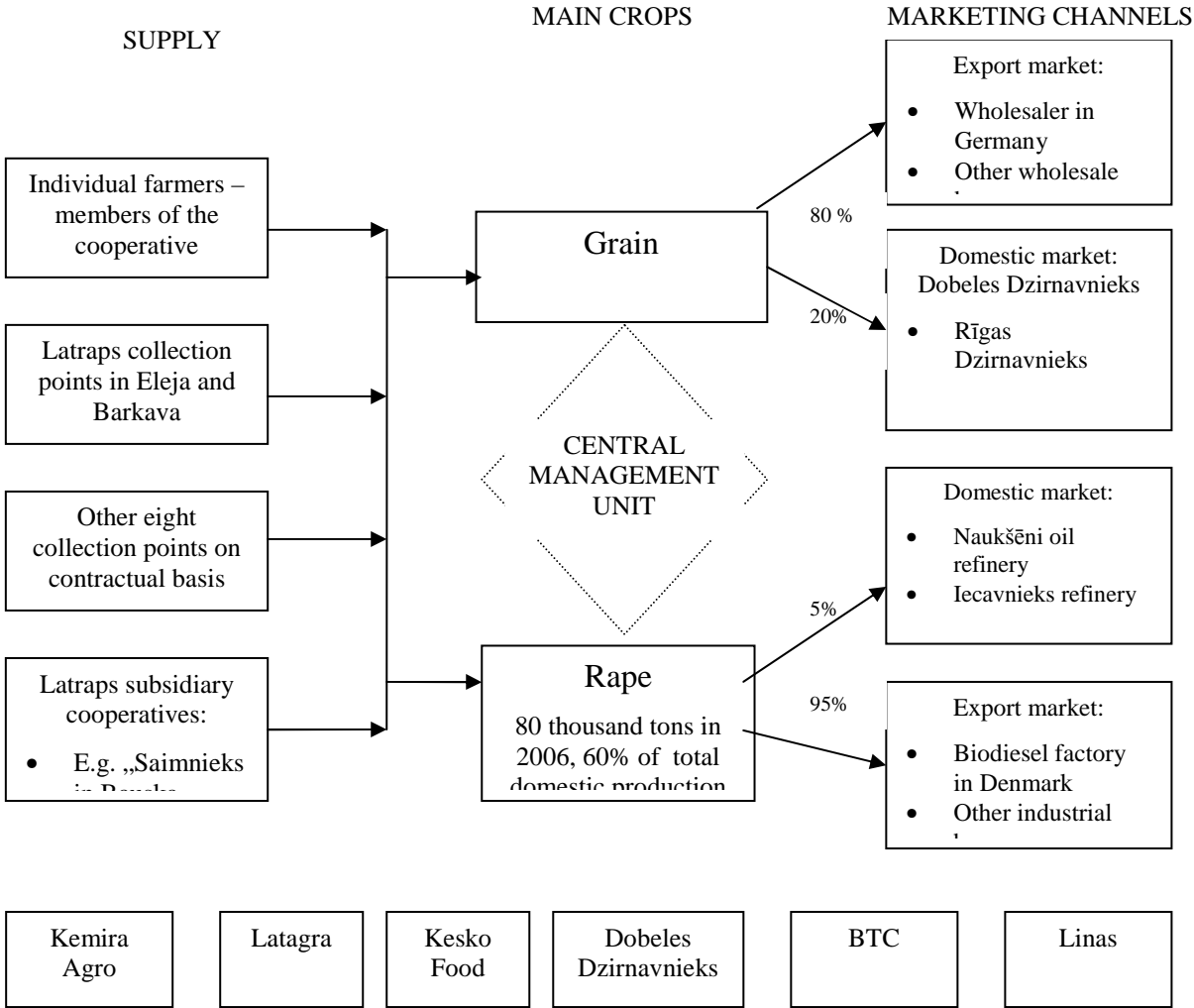
- The chairperson of the cooperative;
- The managing director;
- The central management unit coordinating routine daily activities;
- Two cooperative owned grain collection points in Eleja and Barkava (they also provide cleaning and drying facilities).

Latraps cooperates on contractual basis with a number of grain collection and drying companies that do not belong to the cooperative but are inherent part of the whole collection system. Recently several new smaller subsidiary cooperatives were established by the members of Latraps for improvement of local marketing arrangement; these units are also not a legal part of the cooperative but a part of its operating system.

### **Supply chain and marketing**

The configuration of Latraps' supply and marketing chain are represented in Figure 1. The cooperative has its two own collection points, established in 2002 and 2006. Establishing of a network of collection points was crucial to organise sales of a large quantities of grain for export market. For that purpose Latraps cooperates with other organizations as well and in 2007 has concluded contracts with some 20 grain collection points and drying facilities all over Latvia. Special agreements have been made also with Liepāja and Ventspils ports. As concerns the grain Latraps prefers to conclude contracts with foreign wholesalers and industrial buyers and the largest part of production is sold on export market. The largest domestic processors – Dobeles Dzirnavnieks and Rīgas Dzirnavnieks are considered rather as competitors not as buyers, because these factories have their own collection channels and they compete for grain. The same orientation towards export market is observed in the case for marketing rape. The domestic processing facilities are limited in Latvia, there are only two small processing plants for extracting rape-seed oil (one in Naukšēni, the other one in Iecava) which can process maximum 5% of total domestic harvest. Production facilities for the other major end product – bio-ethanol are also limited: there are several small bio-ethanol factories in Ventspils (Bioventa), Stende and in other places; currently they are experiencing economic difficulties and Latraps prefers to sell up to 95% of rape just to one bio-ethanol factory in Denmark. This makes both grain and rape production highly integrated in international markets and in the same time dependent on unpredictable fluctuations and political decisions. So far Latraps managers and members seem to be satisfied with strong vertical integration in international markets and concentrated marketing because they receive quite high prices and demand for grain and rape is steady growing in the world. The problematic aspect is dependence just on few wholesalers and industrial buyers. Therefore Latraps has plans to build its own bio-ethanol factory in Staļģene.

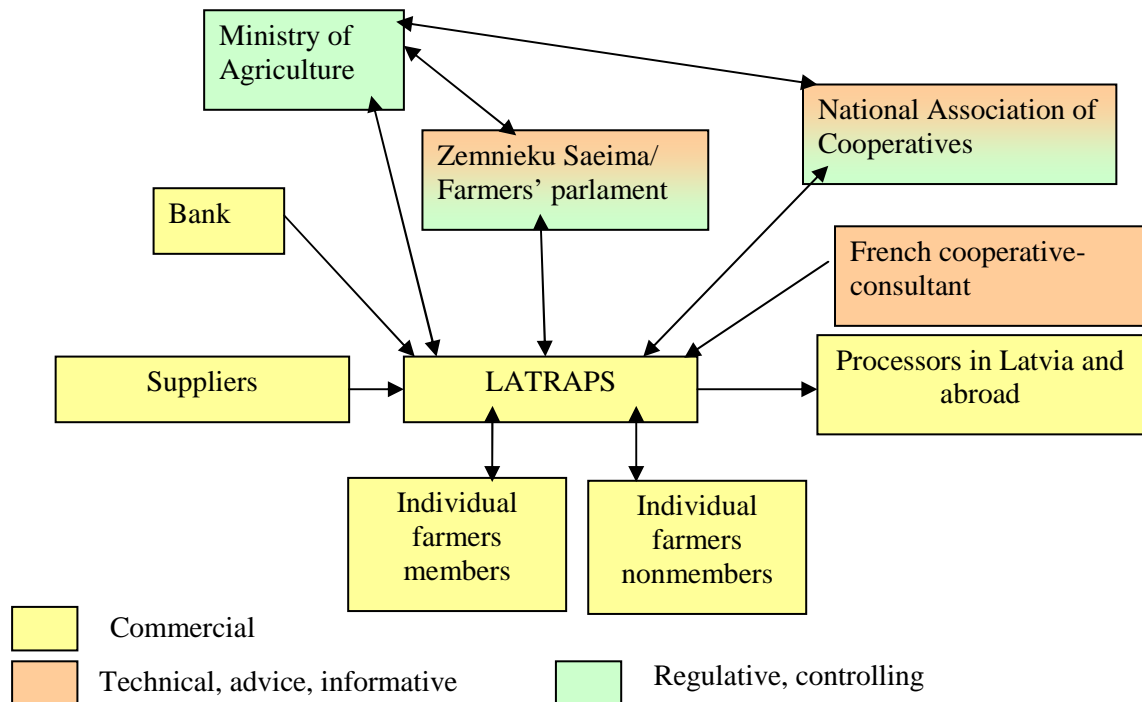
**Figure 1. Marketing channels of Latraps Cooperative**



**Broader network**

The broader network of Latraps is presented in Figure 2. Besides market relations with farmers and processors, an important collaboration partner is a bank whose client the cooperative is since many years. In order to reach its strategic aims, Latraps is taking active part in policy lobbying. Its main partners here are Zemnieku Saeima (Farmers Parliament) and the National Association of Cooperatives who are consulting partners in collaboration with the Ministry of Agriculture in the definition of agricultural and rural policy. This membership in organizations allows the cooperative to represent and promote the interests of rape growers into policy process, in discussions about national rural development plan and subsidies. Since the establishment Latraps has a consulting partner in France, who has helped to develop the cooperative’s organizational structure and marketing strategy. Latraps is well integrated and has a powerful position in the relevant market and policy networks.

**Figure 2. Latraps network**



## 2.5. Capital assets and capital building

### Financial capital

The start-up financial capital of the cooperative was provided by farmers' individual investments. Each of 12 founding partner contributed by 250 lats (350 EUR), thus the cooperative's starting capital was 3000 LVL (4300 EUR). The business since the first year was profitable and together with newcomers' fees it provided some money to reinvest. However, it was not sufficient to develop the business and to establish the necessary storage and processing facilities. Bigger investments were needed and the cooperative was looking for external funding. Despite the initial mistrust from a bank, in 2001 the cooperative has succeeded to get a bank loan. In recent years Latraps has attracted EU and national subsidies for the modernization.

### Physical capital

The initial physical capital was of individual base – the 12 founders were big farmers with well equipped farms. However, rape production demands at least minimal facilities of primary processing and storage. So, purchase of drying and storage facilities was among the first tasks of Latraps manager. In 2002 the cooperative bought the grain collection point in Eleja. Since then its facilities have been gradually expanded and modernized.

## Natural capital

The natural surrounding in Latraps case is important as far as the favourable agro-climate conditions in the region where it was initiated has stimulated large-scale farming and for big farmers at the time period it has been easier to take a risk and to start a collective project. It is not relevant for marketing and product quality specification.

## Human capital

There was little experience with successful farmers marketing cooperation in Latvia at Latraps creation phase, therefore founders decided to consult foreign cooperatives for advice. In the beginning phase Latraps received valuable advice about management issues and organisational strategy from a French partner-cooperative; collaboration with French partners is still continued. From the very start the cooperative hired a professional director with clear managerial tasks and established a central management union which coordinated activities with suppliers, buyers and member farmers.

## Social capital

The cooperative was established by farmers from nearby who knew each other and so there was mutual trust for engaging in a common project. They had a shared goal and a vision to reach it. During the recent years the size of the cooperative has created problems in the members' sense of belonging to it.

The status and evolvement of different Latraps capitals are presented in the Table 4.

**Table 4. Status and evolvement of different capital resources**

Capital	Aspects	Initial	Current	
Financial	Relevance	++	+	
	Status	Medium	High	
	Description	Starting capital - individual investments of LVL 3000 in total (4300 EUR)	Solid financial self-capacity that allows to attract external finances (bank loans, subsidies)	
		Effective use of state and EU support (implemented 3 SAPARD projects that covered 540 000 EUR investments) Bank loans		
Physical	Relevance	++	++	
	Status	Medium	High	
	Description	Big farmers (300 to 800 ha)	Modern corn working and storage complex with the total value of 2.5 million EUR	

			Technical park Processing plant Average farm of 400 ha
		Gradual investments in cooperative's physical capital	
Natural	Relevance	+	+
	Status		
	Description		
		Favorable agro-climate conditions	
Human	Relevance	++	++
	Status	High	High
	Description		Increased number of members (from 12 to 400)
		Very professional management, good strategic, management and marketing skills Considerable knowledge stock about rape production	
Social	Relevance	++	++
	Status	High	Medium
	Description	Trust among the initiators based on mutual acquaintance Shared goal	Members losing the sense of direct involvement

## 2.6. Dynamics of COFAMI

The dynamics of Latraps is presented in Figure 3. It covers both major events in the cooperative as well as depicts the relevant contextual events.

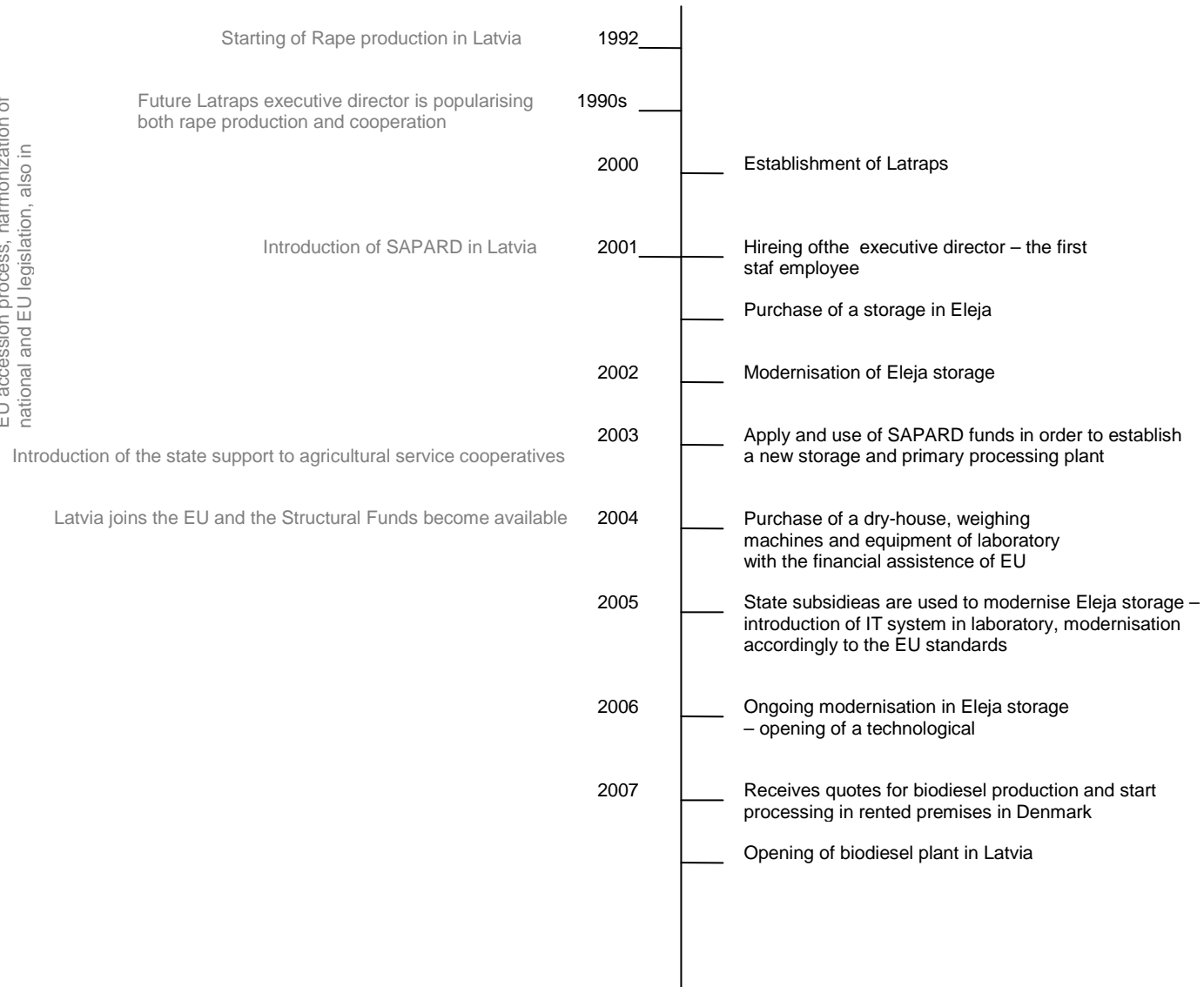
**Figure 3. Timeline of Latraps**



EU accession process, harmonization of national and EU legislation, also in

### Relevant contextual events

### Latraps cooperative



Since its establishment the cooperative has experienced a smooth and gradual upscaling, by opening new and modernising plants, increasing the number of members, increasing production volumes and turnover, broadening network and economic activities. Though it seems that in 2007 the cooperative might be arrived at some turning point and there are two prophets for that. Firstly, the cooperative has grown so big in terms of the number of members that it both provokes alienation in the members and becomes difficulty manageable. So, the cooperative leaders are considering splitting up the cooperative in smaller units or opening regional branches. Secondly, by broadening its economic activities – opening a biodiesel production plant – the cooperative is entering new market.

Accordingly to that then two stages in cooperative development could be extracted: (1) 2000-2007 consolidation and modernization and (2) 2007 onwards broadening of economic activities and reorganization of the network. The respective critical points would be the establishment of the cooperative and opening a processing plant and establishing regional branches.

## 2.7. Impact assessment

The various Latraps impacts are summarized in Table 5.

**Table 5. Impact assessment**

Impact	Positive	Negative
Market	<p>The cooperative has initiated and disseminated rape production in Latvia. Accordingly to their estimations, they possess 60 % total domestic product.</p> <p>Latraps has ensured very good vertical integration of farmers in quite internationalized grain and raps markets, but it leads to farmers' dependency on them.</p>	
	<p>Sets price in grain and rape market.</p> <p>As a powerful actor in the agricultural market the cooperative has contributed to stabilize it and to improve the farmers' position.</p>	
Social	<p>The cooperative has a good image in the Latvian society demonstrating the wellbeing and competitiveness of Latvian farmers.</p> <p>It has increased farmers' self-organizational capacity.</p>	
	<p>There were no identified Latraps' impacts on gender relation and farm succession.</p>	

Educational (+)	Provides information and knowledge regarding rape cultivation, state support, etc both to cooperative's members and broader agricultural community.	
Cultural (-/+)	Supporting for some small farmers to continue (and develop) with their farming business thus sustaining traditional rural business (on the other hand it is not culturally embedded).	Stimulates abandoning the cultivation of traditional crops and traditional farming models based on them.
Environmental (-/+)	Avoids abandoning of agricultural land.	Intensive farming practiced in rape production degrades rural landscape and environment.  Monocrop cultivation.
Political (++)	The cooperative is taking active part in agricultural policy formulation regarding cooperation, bioenergy.	

## 2.8. Summary and conclusions

### Introduction of a new crop: market innovation and embeddedness

On big extent rape production has expanded in Latvia thanks to Latraps. Its economic performance, farmers-friendly organization and marketing initiatives have attracted many farmers. Since the cooperatives establishment rape cultivation gradually expanded and from 2000 onwards has reached the maximum in certain areas. Due to crop rotation conditions rape can be grown maximum on 1/3 of the arable farmland and many Latraps member farms have reached this level. The crop appeared to be more profitable than grain or sugar beet and many farmers eagerly converted to intensive raps production. The new culture changed the agro-economics and landscape in such regions as Zemgale and Kurzeme: during spring time when rape fields are blossoming the landscape looks un-typically yellow for Latvia, the harvested fields also look different. These visual changes have provoked some discussions about the endogeneity and appropriation of this new culture in terms of agro-technical conditions, agronomic knowledge, environmental impacts, effects on traditional farming systems and relations with processing industries. The reminiscent parallels were drawn with times of socialist agriculture when collective farms were obliged to grow corn in undue northern climatic conditions – the communist party decision that provoked resistance among agronomists and kolkhozes chairmen. Nowadays there is no hesitation among farmers to undertake rape production and abandon traditional cultures as far as it is economically profitable and there is demand on international market. So far there has been little contemplation among producers and cooperative members about the environmental pressures of rape production and its dependence on highly concentrated international marketing channels. Environmental and social aspects of intensive rape cultivation in the region as well as potential economic risks are not the issues discussed among farmers.

Summing up the economic, political, technological, ecological, marketing and knowledge factors of rape growing one may argue that introduction of raps culture has been a pure market and technological innovation, and that the crop production, marketing and processing system is disembedded from the local circumstances. The seed varieties are being imported from abroad, equipment and chemicals purchased from international suppliers, the agronomic advice received from England, Canada and elsewhere, the proportion of investors buying up land and rape production facilities are Germans, Danes, Dutch, Englishmen and other, and the absolute majority of produce is sold on external markets as raw material that has been processed elsewhere. The idea and practice of rape growing was introduced in Zemgale region and Latvia at large from outside both in terms of varieties, technology, equipment, materials, knowledge and professional advice. This gives a picture of an introduced, quite disembedded crop where the land, the territory and the labour are only an intermediary link in the globalised flow of rape knowledge, technology, advice, processing structures and marketing logic.

Rape production greatly challenges the established family farm structure as well. The average size farms of 20 hectares of land cannot sustain this up-scaling path and farmers are urged to sell their farms. The agricultural land prices in Zemgale have gone up strongly after the raps production expanded and proved to bring profits. There is increasing competition for land both among large scale Latvian farmers and foreign investors. Economic prospects for smaller family farm households in this context look grim.

### **A cooperative for large-scale producers?**

Rape is the culture which requires large land areas for production, an expensive machinery, lot of material inputs, intensive methods of cultivation and concentrated marketing to supply mainly wholesale and industrial customers. All those factors can be efficiently met mostly by large scale farmers who operate on hundreds or even thousands of hectares of fertile land. Indeed, the cooperative was established by big farmers, who were important players in agricultural market also individually. During the later years many small farms have joined the cooperative (and accordingly to manager's estimations are benefiting even more). Opting for raps does not leave farmers with many alternatives than to modernize and enlarge, follow the up-scaling path, and become strongly integrated in quite anonymous international markets. The cooperative in totality of its activities is the way how large rape growers collectively respond to highly concentrated and internationalized rape production and marketing chains. It has been an option exactly for large farmers to adjust to the market. So far Latraps members have experienced increase in price, however the long term economic sustainability of such a production model when a bulk of raw product is sold to a few international wholesale buyers remains unclear.

In summary, the example of Latraps illuminates several interrelated success factors in COFAMI:

- Well-founded commercial and organizational strategy: in collaboration with foreign cooperative's specialists, there was drawn an optimal cooperative's commercial and organizational strategy already before its establishment. This has let to reduce the possibility of internal conflicts and market failures. The establishment of a well functioning cooperative has been of particular importance and can be considered as a great achievement in the Latvian

context where people had prejudices vis-à-vis economic cooperation and there were no positive cooperative's examples.

- Human capital, in particularly professional manager and marketing specialist: from the very beginning the cooperative's management is assigned to a professional manager. It has let to avoid possible interest conflicts and time management problem, in the case the manager was a farmer (which is a rather common practice in Latvian cooperatives). Moreover, as the manager has been among the first promulgators of rape production and also cooperation in Latvia, the cooperative has obtained a very competitive and devoted professional.

- Involvement in policy and professional networks: the cooperative is actively engaging in policy lobbying. Its specialists have prepared several policy propositions, the cooperative is collaborating with professional organizations to strengthen its position in negotiations with policy makers. The influence on policy is based both on the cooperative's and individual farmers' economic power and importance as well as to its integration in the respective policy networks. Policy lobbying was of particular importance because both cooperation and bioenergy were new policy fields in Latvia and the lack of regulations might hinder developments in those sectors.

### **3. PREILI ORGANIC FARMERS NETWORK**

#### **3.1. Material**

The case study of **Preili organic farmers' network** is based on the three sources of information: semi-structured, guided interviews, literature and electronic media (Internet) review and direct observation. To produce credible and trustworthy analysis of the COFAMIs studied, the three kinds of triangulation were applied: (1) triangulation of the methods (interviews, observations, media and literature review); (2) triangulation of the sources that involved integrating in the case more than one perspective on a situation (e.g. COFAMI leader, COFAMI member, non-member, policy maker etc.); (3) analyst triangulation – the researchers reviewed the findings and patterns discovered, contributed to the analysis their memos and elaborated the conclusions for the case study. Further several specific activities are outlined that were implemented to achieve the goals of the project:

##### Literature, document and electronic media review

The specific purpose of the literature and Internet review was to convey the state of the art of the cooperation in agriculture in Latvia, and specifically, in the organic farming sector. Also, Internet research on the subject allowed identifying one of the relevant informants on cooperation in organic sector in Latvia. As a result of the preliminary analysis of the printed and electronic materials, researchers outlined the main problems in the field and complemented the existing list of research questions for the field-work.

##### Observations in the organic market in Daugavpils and an organic shop in Riga

In order to gain a closer familiarity with the research subject and the practices of market agents in their natural settings, researchers visited a local market in Daugavpils, an organic shop in Riga, and farms where organic production and storage took place. The observations helped to assess the developments in farmers' cooperation, marketing chains and the economic performance of market agents and also consumer behaviour.

##### Participation at the annual meeting of the Association of Latvian Organic Agriculture (ALOA)

At the beginning of March the researchers participated at the ALOA annual meeting. It provided an overview of the activities, including marketing initiatives and the development of new marketing channels, carried out by the ALOA in year 2006. Also, the problems in the organic sector were discussed and the tasks to fulfil in the nearest future were set (e.g. education of the society, quality of the products, cooperation opportunities research etc.). Participation at the meeting provided useful information to elaborate on the context of the COFAMI development in Latvia and in particularly in organic sector.

##### Semi-structured interviews

All together seventeen interviews were conducted during February and March, 2007. The interviewees represented various stakeholders involved or related to the network and agricultural cooperatives: leaders of the COFAMIs, members and non-members of the cooperatives, a journalist, a local agricultural advisor, the consumers of organic products, a

representative of the local branch of a bank, a representative of the municipality and a representative of the Ministry of Agriculture. The interviews' material provided the main body of the information for Latvian COFAMI study.

The analysis of the interviews was carried out in a following way:

1. The data were organized into meaningful categories in order to discover patterns in the information provided;
2. New categories were developed through combination or subdivision of the existing ones, and the researchers identified repeating ideas and broad themes that connected the ideas and categories elaborated by the researchers;
3. The repeating ideas and themes formed the analytical information material for the report and for the conclusions. This information was supplemented with analytical memos of the researchers and information obtained from the literature review and observations.

Also, during the process of analysis the following issues suggested by Berkowitz (1997) were taken into an account:

1. What patterns and common themes emerge in responses about specific topics? How do these patterns (or lack thereof) help to illuminate the broader study question(s)?
2. What interesting stories emerge from the responses? How do they help illuminate the broader study question(s)?
3. Do any of these patterns suggest that additional data may be needed? Do any of the study questions need to be revised?

The methodological and analytical approach enabled researchers to probe for greater depth of the understanding and explanation of the COFAMI development, impact and enabling and limiting factors from the perspective of the various actors.

### 3.2. General description of the case

**Preiļi organic farmers' network** unites organic farmers from Preiļi district, Eastern part of Latvia (Figure 4). It has been initiated in mid 1990s, when soon after the establishment of the first organic farms in the area, Preiļi organic farmers NGO was founded. The network functioned as the main driver of organic production development and promotion in the district by disseminating knowledge and stimulating local producers to adopt environmentally friendly methods.

**Figure 4. Administrative map of Latvia**



To date all together there are approximately 400 organic farmers in the network. More than 100 have received the certificate of the Association of Latvian Organic Agriculture “Latvijas Ekoprodukts” (Figure 5) that allows them to sell their products labelled as organic.

**Figure 5. The trademark “Latvijas Ekoprodukts”**



The activities of the organic farmers' network have diverged into three main directions: (1) educational – information and knowledge dissemination; (2) policy making – lobbying organic farmers in policy networks; (3) economic – development of the common market strategies. The organisational core of the network – the NGO has been liquidated. The farmers continue informal gatherings though, many of them are members in ALOA. Taking into



account COFAMI project interest, the latter – economic dimension of the network – will be explored more in detail. In particular, the focus of the case study will be on two organic cooperatives Produkts Veselībai and Latgales Ekoprodukts.

Both cooperatives were established in 2004, after nearly 10 years long lasting discussions and several unsuccessful attempts to start a collective marketing project. They are the only organic cooperatives in the district and among the first ones in the country. The cooperatives have correspondingly 10 and 15 members, all of them are farmers.

The cooperatives were created with the aims to:

- (1) organise collective sells that would consolidate organic farmers' position in the existing and new marketing channels on regional and national level;
- (2) negotiate higher prices for the products;
- (3) provide accounting, agricultural and logistics services to the members.

The members of the cooperatives mostly have medium sized (ca. 40 hectares) farms and they are diverse both in terms of production and of farmers time allocation for farming. The farms are owned and managed by families and often some of the family members are also employed outside the farm for economic and social reasons. Most of the farms practice mixed farming, producing high variety of vegetables, fruits, milk and meat. Some of the farmers have developed rural tourism activities and wood processing.

The products marketed through the cooperatives are vegetables and fruits, as well as honey and herbal teas. The range of products is limited to primary processed, fresh and often unpacked products. This is due to the lack of processing facilities of organic products in the region. The vast majority of Preiļi district organic farmers and also cooperatives' members produce mainly milk and meat that needs further processing in order to be sold in the market. As there is no organic processing, milk and meat is sold to the conventional processors. Because of the limited range of marketable products, as well as organisational shortcomings outlined later in the report, the economical performance of the cooperatives is modest: the average turnover does not exceed 10 000 EUR per year. There are no employed personnel for any of the cooperatives activities and their offices are located at the leaders' farms.

Since the establishment of the cooperatives, the members have enjoyed a number of benefits from the collective initiative. The first and most important one is the recognition of the distinctive quality of the products by other FSC agents. It is particularly important in the context of growing organic market in Latvia, when the organic food chain is weakly developed yet and most of the organic products are sold in conventional market. The cooperatives provide for the members an opportunity to market their products as organic in specific organic distribution outlets. Related to this, there are two other benefits: farmers can receive price premium and they have an access to a broader organic market (geographically and also in terms of a higher variety of marketing channels). Another economic benefit is that some costs related to production and marketing (logistics, supplies, publicity) are reduced. The cooperatives are also an important informational source for farmers – they distribute information on market opportunities, available state support, calls for the projects and provide some advisory services to the members. The cooperatives are taking part in food exhibitions and fairs on national level that contributes towards the publicity of both the cooperatives and individual farmers and their products.

However, despite those various benefits, farmers prefer to develop and sustain their individual marketing strategies, which are, in their view, easier to manage and more reliable. Individual

strategies are even dominating over collective ones. The leaders of the initiatives describe the members as passive and with a little interest in the collective activities. Their approach to collectivity can be characterized with the words ‘what will I get’ instead of ‘what can I do for our benefit’, receiving attitude is predominating contributing attitude. The farmers tend to cooperate only if there is an occasional need to sell surpluses and they prefer to have a COFAMI as a safety net, not as a main marketing channel. The Table 6 presents the division of activities between collective and individual agents. It shows that none of the activities would be completely consigned to the cooperatives.

**Table 6. Division of collective and individual activities**

Collective	Individual
Collective production standard – certified organic products	
	Production
Negotiations with FSC partners	Negotiations with FSC partners
	Storage
Transport/ing	Transport/ing
Promotion	Promotion
Marketing	Marketing
Selling	Selling

In the given context the case study on Preiļi organic farmers’ network was chosen for the number of reasons: (1) organic agriculture is a comparatively new and growing branch in Latvia, and the case provides an opportunity to study the development of a new market sector. Moreover, Preiļi network has been studied in the previous EU research project Making Agriculture Sustainable that lets to analyse the related processes in longer term; (2) the case study involved the exploration of building-up a new food chain based on regional production and marketing; (3) the outstanding aspect of the Preiļi case study in the context of collective action formation is related to the development of collectivity and notably to the relations between individual and collective marketing strategies and to the difficulties of establishing the common codes of practices among the members of a collective initiative. These aforementioned aspects make the case study both necessary for the involved actors to help them to reflect on their ‘state of the art’ and possible future developments and, secondly, it has a high potential to create a new knowledge about collective action and the role of various factors and capitals influencing the rise or the decline of the collective initiative.

### **3.3. Contextual factors and driving forces**

In this chapter, the socio-economic situation in the district is presented that gives the local context of the initiatives. Afterwards, the enabling and limiting factors relevant for a small scale COFAMI drawing on Preiļi case study findings are analysed and presented in the Table 7.

Preiļi district is one of the smallest districts in Latvia. Its acreage is 2 042.2 km<sup>2</sup> or 3.2 % of the territory of Latvia. It is located in Latgale region, which has the lowest indicator of GDP amongst the Latvian regions, reaching only a half of Riga's GDP. Preiļi is among the districts with the lowest rates of production per capita, productivity, level of investments and wages and the highest unemployment rate (15.8%). Historically the district has been agricultural and its development still depends a lot on agriculture: most of the employees are working in agriculture and forestry (23.4%) (followed by education (11.5%), retail and services (9.5%) administration (9.4%)). The agricultural and industrial production is set as a priority of socio-economic development of Preiļi district, including the development of entrepreneurship in dairy and meat production, processing and non-traditional agriculture. The entrepreneurial activities in the district are low: the indicator of the economically active enterprises is half of the average in Latvia. In year 2005 there were 2020 enterprises, 1205 of them were farms. Despite the fact that Preiļi district experiences the increase of investments in enterprises and the wide range of the support for agriculture enhances the production, many entrepreneurs still find themselves on the 'edge of survival'. The economic problems are aggravated by the decrease of population. During last 13 years, due to low birth rates and outward mobility, the number of inhabitants in Preiļi district has decreased by 5921 persons. Especially young people and professionals are keen to look for better employment and living conditions in larger urban centres, in the capital of Latvia or in the other countries. This hinders the economic development in the district in general and has created also human capital problem in the studied farms and cooperatives.

**Table 7. Contextual factors**

Factors as described in the grid	Relevance for the case	COFAMI performance and dynamics limiting/enabling relevant factors
<b>Main descriptive data</b>		
Proximity / remoteness to urban centers	High	- Remoteness from the urban centres implies limited access to the market and information and higher costs of logistics + Remoteness contributes towards innovative strategies to bring the consumer closer to the farm
Relative importance of agriculture for regional income and employment	High	+ There are more than 380 organic farms in Preiļi district: high unused potential for cooperation
Density of farms with similar production structures	Low	+ Although there are many organic producers in the area, farmers do not define themselves as competitors. They compete with conventional producers
Job opportunities in other sectors	Medium	+ Diversity of farmers activities allows to allocate wide range of capitals to the farm
<b>Socio-political/institutional context</b>		
Urban-rural interrelations	Medium	- Young people's geographic mobility to urban centres or other countries enforces depopulation, which results in the lack of human resources.
Territory based policies (presence / absence, network-characteristics)	Medium	+ Organic farming among other innovative farming methods is set as an priority in district's development plan

<b>Institutional support to COFAMIs</b>		
Existence of formal regulatory framework for collective action / marketing	High	<ul style="list-style-type: none"> <li>- Policy measures are more appropriate for large producers' groups, while small cooperatives experience high risks for longevity and sustainability of the COFAMI</li> <li>- Small and medium farmers and 'weak' rural actors are less organised and not well integrated into policy networks</li> <li>+ State support provides seed money to start the COFAMI</li> <li>+ There is state support to marketing activities and food promotion (programs for Latvian and special quality food promotion)</li> </ul>
Institutional facilitation capacity	High	<ul style="list-style-type: none"> <li>- Lack of appropriate support for the further stages of COFAMI development</li> </ul>
Rural public-private partnerships	Medium	<ul style="list-style-type: none"> <li>+ Partnership with local government facilitates collective action</li> </ul>
Institutional willingness / capacity to create 'protected spaces' for new institutional arrangements	Medium	<ul style="list-style-type: none"> <li>- There is no 'protected space' for new COFAMIs (threat to longevity) although farmers emphasize that new establishments need such spaces</li> </ul>
<b>Socio-cultural context</b>		
Culture and positive experience of cooperation	High	<ul style="list-style-type: none"> <li>- There is a lack of positive cooperation and marketing tradition (Soviet 'collective' and ad hoc informal cooperation). Rural dwellers lack participatory and cooperation knowledge and skills, and initiative.</li> </ul>
Rural social cohesion	High	<ul style="list-style-type: none"> <li>- Historically developed conviction about preference of individual strategy, low level of trust in collectivity</li> </ul>
Presence/ absence of agriculture in local identity	High	<ul style="list-style-type: none"> <li>+ Farming as a life-style to community members</li> </ul>
<b>Economic and market contexts</b>		
Importance of local, regional and national markets	High	<ul style="list-style-type: none"> <li>- Organic producers have limited opportunities to meet rising interest and demand – limited access to supermarkets</li> <li>- Consumers' food awareness is comparatively low which can be explained both by cultural consumption pattern and low purchasing capacity. This complicates the entrance of innovative and new products in the market.</li> <li>+ The interest about special quality products and local food patriotism is growing that may encourage the formation of new initiatives and collective sales</li> </ul>
Economic weakness, lack of capital	High	<ul style="list-style-type: none"> <li>- Economic weakness enforces short term marketing and does not allow space for long term, strategic vision</li> </ul>
Competition on relevant markets: number of actors; price evolution, market share, competition with other market parties	High	<ul style="list-style-type: none"> <li>- Competition with conventional rather than organic producers and lack of access to supermarkets keep the prices just slightly above conventional products</li> </ul>
Type of marketing strategies	High	<ul style="list-style-type: none"> <li>- Lack of appropriate marketing strategies and lack of ability to build them undermines the development of COFAMI</li> </ul>
Relations between actors on the markets (strategic alliances, hybrid forms)	High	<ul style="list-style-type: none"> <li>- Absence and insufficient efforts to establish long-lasting relationships and contracts undermines the development. NB: Farmers have own regular customers</li> </ul>

		- Dominance of large processing industries, retailers and importers in conventional food chains
<b>Learning context</b>		
Existence/ absence of relations with local or regional actors to develop learning initiatives	Medium	- Cooperatives do not initiate learning activities -Moderate social capital: rural dwellers lack participatory and cooperation knowledge and skills  + Some members are actively engaged in outside learning and in the exchange of experience activities on regional, national and international level.
Existence / absence of training to facilitate farmers participation in COFAMIs management	Medium	-Low education level, lack of specific knowledge and skills in entrepreneurship, marketing and cooperation, farmers' ageing, farm succession problem  + Trained members would apply new knowledge provided that they are interested and understand the benefits of the cooperation  + Good advisory network. Advisory services are well fine-tuned to the contemporary farmers' needs for knowledge and are facilitating the spread of innovative ideas and practices. Still their capacity is limited and not all the knowledge and information needs can be satisfied.  - There are missing training courses and consultation specifically on cooperation

The competition in food market and moderate possibilities of income stimulate farmers to look for a new ways of production, income generation and business organisation. However, only few farmers are aware about the advantages of the cooperation, there is a lack of understanding of collective marketing strategies and practices. Small scale initiatives often lack the most important resources (financial, social, political, and educational) to grow into successful COFAMI. The analysis of the contextual factors allows concluding that relevant contextual factors in all the domains described are more favourable for conventional and large scale initiatives than for small scale COFAMIs. **Economic, market, socio-cultural and learning contexts** are the domains where the majority of the relevant limiting factors are concentrated and hampers the evolvement of small-scale COFAMIs.

### **Economic and market context**

Organic sector is growing in Latvia, but as organic food chain is poorly developed and organic farmers still strive to gain a stable position in food market, they are subjugated to the competition with conventional farmers. Consumers, who in general have limited knowledge on organic food and limited purchasing power, choose the cheaper one. The cooperatives are contributing to organic food chain development, as contrary to many organic farmers, they avoid to sell their products in conventional market. However, they use mostly the existing market channels and experience difficulties when trying to establish new ones. For that, the cooperation with other food chain agents would be necessary. However, as stated, potential consumers are not capable to pay and there is a lack of interest and decency from the side of other food chain agents, who are interested in immediate profit and, accordingly to farmers' experience, may not be trustable.

Farmers' aspirations for economic power, premium price and greater market share have contributed significantly towards the creation of the COFAMI. At the same time the lack of

economic capital for starting the initiatives and forming the basic investment capital to create marketing instruments and risk capital hinders their successful development. The low budgeted small-scale COFAMIs have difficulties to attract skilled and competent managers to run the initiative. The leaders of the cooperatives acknowledged themselves that often they lack the right amount of the time and necessary skills to manage the COFAMI efficiently and to meet their own expectations and also those of the members. Moreover, situation when the leader of the cooperative is one of the farmers and markets his/her own produce at the same COFAMI can create well-founded interest conflict or groundless suspicions within the organization.

### **Socio-cultural context**

Although organic farmers in Preiļi district do not define themselves as competitors, they have difficulties to develop a successful cooperation and business partnerships that, taking into account the situation in organic market, would be powerful tools to consolidate and strengthen their market position. Behind these difficulties to develop collective marketing initiatives there are also several socio-cultural aspects. Many interviewees refer to the “individualistic style of Latvians”, meaning that they prefer to work on their own and on the way themselves consider the best. It lets them control the business and gain possibly less but sure revenues. This individualism is supported by farmers’ experiences of enforced cooperation and the accompanied lack of trust in each other and in collectivity, lack of cooperation skills and knowledge. As follows, farmers have developed their individual marketing channels that according to them function satisfactory and provide an opportunity to market all their produce themselves.

For a long time period there were few positive examples of cooperation that would encourage other producers to start up similar collective initiatives. During ten year period the only agricultural cooperatives were those established on the base of collective farms with previous workers as stakeholders and which in many cases were not operating effectively. The first cooperatives, as they are known in Western European countries, were established around 2000. Since then together with the accumulation of experience and knowledge the cooperative movement is developing.

### **Learning context**

The learning context of the initiatives is formed of various institutions and professional bodies and their activities as well as informal networking. The major institutions contributing to knowledge exchange in the district is Agricultural advisory service, various professional networks, regional development agencies, media. Agricultural advisory service is of particular importance as farmers and rural dwellers are its target groups. It has its bureaus in all the districts and in general the advisors are following the new trends in rural and agricultural sectors in order to meet farmers’ and rural entrepreneurs’ knowledge needs. However, those learning activities are mostly focused on production and management side of the business. There is less support available for specific innovations, as well as more training courses would be useful specifically regarding cooperation and also marketing and management. Association of Latvian Organic Agriculture, whose members are also Preiļi organic farmers, is organizing training seminars and distributing a leaflet among its members. During the last couple of years, market cooperation has become one of the central issues in its activities, so promoting it within organic community.

Preiļi cooperative's members are rather well integrated in the existing knowledge network. They are active in various local, national and international level (e.g. trips of the exchange of experience). Despite that, still the learning is a weak link in the factors contributing towards successful cooperation. Farmers often do not understand the principles of cooperation and therefore they remain resistant also to new forms of marketing.

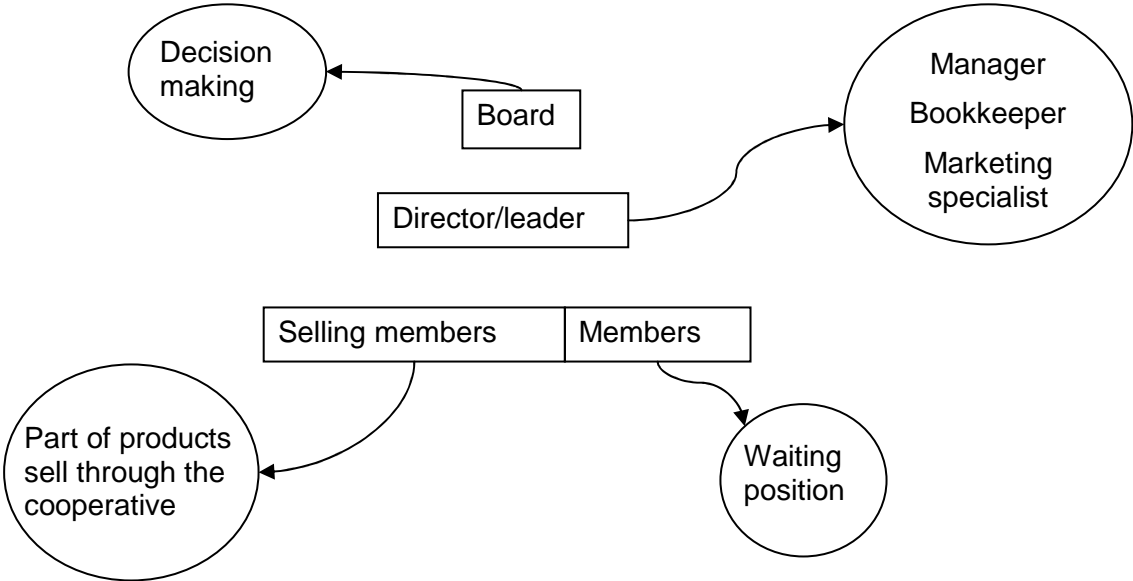
We can conclude that in the context of scarce financial resources, low commitment to economic collectivities, lack of appropriate skills and knowledge, entrepreneurial spirit and shared values, remoteness to urban markets and a few public support, the COFAMI most likely will not be successful. Besides the unfavourable context factors, the members themselves should take more decisive position to change the existing path and to build a new strategic plan for the future development that is supported by all the involved parties.

### 3.4. Organization and network relations

#### Internal organisation

Both cooperatives are legal entities and their government and supervision are regulated by The Law on Cooperatives. It envisages the organization of a general assembly, which is the major administrative body, the establishment of a council (representative body between the general assemblies) and a board which bears the executive power (see Figure 6). Respectively, both cooperatives have boards, the chair of the board, and the cooperatives hold annual general meetings. Produkts Veselībai organizes monthly meetings where the questions of the day are discussed. The main decisions regarding the cooperation performance are taken after consulting the members, on the daily base they are the executive directors who decide.

Figure 6. Organization



Farmers' membership in cooperative is contracted and they pay membership fee. In contrary, the commercial relations between the members and the cooperative are not defined and strengthen by contracts. The director of one of the cooperatives explains that it is too risky because there is no guarantee that one of the sides – producers or purchasers – would comply with such contracts. “I expose myself to risk. Contracts are not advantageous. If I sign a contract with a farmer I have to buy his products. Last year we signed contracts for buying onions, I made regular tours in the farms and gathered onions, because commercials in Riga told me – grow, I'll buy everything from you. So I signed a contract and bought onions from farmers, but finally I incurred losses, of course.” So, distrust and disloyalty between food chain agents and limited market of organic products hampers the formalisation of commercial relations between the farmers and the cooperatives.

In both cooperatives there are members who are selling their products to the cooperatives and those who are passive members without engaging in commercial relation. The latter prefer to sell their products through their established individual market channels because they are not sure that the cooperative would buy all their products neither that it would be more profitable, or their products (in particularly milk products) can not be sold through cooperatives because they are not processed. These farmers stay the members hoping that the cooperatives' would survive and prosper in future.

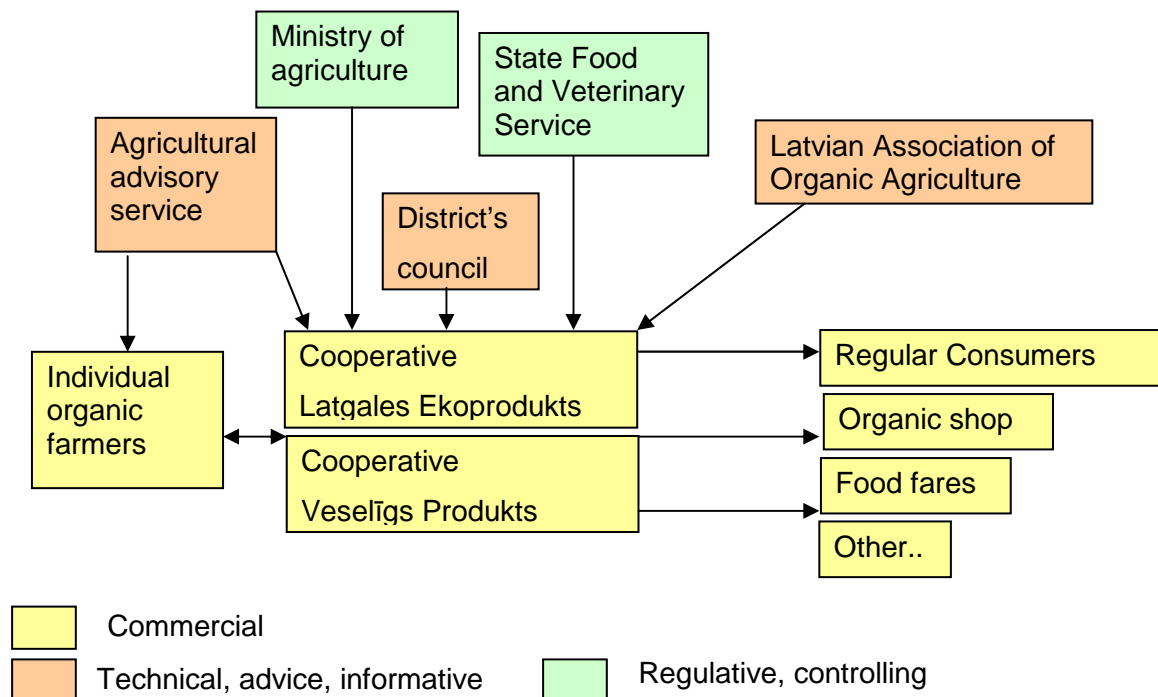
Despite the democratic form of the cooperatives, their members are rather passive in participating in the cooperatives' affaires. After the enthusiastic collective decision to establish the cooperatives, they have existed thanks to the leaders' individual contributions and enthusiasm, which are their major driving force. The executive directors in both cooperatives are their initial leaders and most of the functions they perform alone – they are managers, bookkeepers, marketing specialists, drivers, suppliers, etc. Because of the shortage of finance the cooperatives can not afford to hire any professional staff and also the directors do not receive salary. Such a situation, when a collectivity depends on separate individual's initiatives without a lot of support from the side of other members and when members' rights are obligations are not clearly defined, considerably endangers the sustainability of the initiatives.

### **Relevant external network relations**

There are three types of relevant external links: commercial, technical and regulatory (See Figure 7). The cooperatives are under constant supervision of regulative and controlling institutions – the Ministry of Agriculture sets the agricultural policy and defines support measures, both to producers and agricultural cooperatives.



**Figure 7. External network relations**



The most active farmers from the cooperatives are active members in ALOA, which is collaborating with the ministry in defining the relevant policy measures. State Food and Veterinary Service surveys companies' compliance with sanitary and hygienic norms, and they carry out regular controls also in the cooperatives.

There are three important “technical” partners for the cooperatives: they have good relations with local administrative and agricultural advisory bodies – District’s Council and agricultural advisory bureau, which provide them technical assistance – information on state support, educational possibilities and production, training course, rooms etc. ALOA is a national organisation of organic farmers that represents and defends their interests in various institutions. One of its most important functions is disseminating different kinds of professional information among organic farmers. As stated above, the association is actively promoting the idea of cooperation.

Regarding commercial relations, the cooperatives have a couple of stable partners. Some regular activities include supplies to an organic shop in Rīga (though, the supplies are organised in an ad hoc manner when there is no the respective product in the shop), rides to residential districts to bigger regional towns where organic products are sold directly to consumers, and participation in food fares. Produkts Veselībai has won the rights to supply products to one of the local schools during four years (however, after the first year the leader is not sure of the prolongation of the contractual commitment as it is not profitable) and they are supplying also to an internet shop. Altogether the cooperative’s market activities are sporadic and there are no long-term contracts with any market agent. In the meantime, the farmers are not ready themselves to assume such an engagement – the risk that they can not provide the contracted supplies (because of poor crops) is restraining them.

## **Changes in organisation and network relations and role of contextual factors**

Both internal and external relations have experienced few transformations during cooperative life cycle, they are low-dynamic.

To a large extent, the setup of cooperatives has been induced by the new objective of the state agricultural policy to stimulate producers' cooperation. Although the market situation was stringent for organic products and producers' collective action has been protractedly discussed among organic producers as a possible solution, this state support has been an important push towards collective organisation of farmers. The important role of political support turns out also during the further development of cooperatives. Together with the reduction of the state support<sup>1</sup> the cooperatives have difficulties to expand and to professionalize their performance, as they don't possess sufficient financial means to invest in market initiatives, establishment of facilities and hiring professional staff. The difficulties to set up and to sustain operating of the cooperatives have a negative impact on the internal organisation. As the cooperatives did not meet farmers' expectations regarding the increase of sales and new market channels, there has been a gradual decrease in members' motivation. So, farmers have become more resilient and the number of members has reduced. Because of the decreasing motivation resulting from modest economic performance of the cooperatives, also their internal exchanges have gradually decreased and the internal organisation has become looser. The leader of Produkts Veselībai, not feeling enough support from other members and experiencing constant difficulties in managing the cooperative, is even considering the resignation from the director's post.

The low participation of members and as follows the modest performance of cooperatives is related to the lack of cooperation skills and knowledge and the lack of trust and loyalty to collective organisation. In the background of these characteristics there is the rupture of cooperation traditions during soviet period and the 'individualistic Latvian character', often mentioned by interviewees, insufficient and inadequate knowledge support from agricultural advisory service.

The cooperatives' external networks have not considerably expanded nor reduced. They remain rather narrow with few stable and long-term relations. The narrowness of the cooperatives' networks is related to their strategy to sell products as organic - the market of organic products is limited and there are few organic consumers, processors and retailers with whom to cooperate. Organic farmers do not feel able to compete with cheaper conventional, in particularly imported, products and to entice new partners and consumers.

### **3.5. Capital assets and capital building**

#### **Status of different capitals and their evolvement**

At the current stage both cooperatives experience deficit in all kind of capitals (See Table 8). Their volume has changed, mostly decreased, since the establishment of cooperatives, except for natural capital – the district is appropriate for the development of organic farming - poor soil and hilly relief stimulates farmers to develop non-intensive and alternative-to-conventional farming models.

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<sup>1</sup> The biggest support the cooperatives have received for the establishment of cooperatives, during the next years the state support is calculated accordingly to turnover that in these cooperatives is small.

**Table 8. Overview on capitals and their outcomes**

Capital	Relevance (0, +,++)	Status (low, medium, high)	Description of effects
Social	++	Medium	Social capital was decisive in the establishment of the cooperatives and in the further gradual decline of collectivity.
Human	++	Medium	Farmers have good knowledge and skills regarding production, but the lack of knowledge and understanding about cooperation considerably reduces trust in it and, as follows, their engagement.  Lack of professional managers and marketing specialists limits the economic performance of the initiatives.  The cooperatives are existing on the base of the enthusiasms and entrepreneurial skills of their leaders
Financial	++	Low	Financial capital has multiapplication: when available, it has been used to hire personnel, to improve the technical and physical base for the cooperatives.  The constant lack of finances reduces market and marketing activities.
Physical	+	Medium	Individual physical capital has been improving that ameliorates the production side.  Collective physical capital is also slowly improving, but it still remains insufficient that hinders more effective organisation of supplies.
Natural	+	Medium	Natural environment in the district is appropriate for and is stimulating organic farming.

At the preliminary stage of cooperatives, there was sufficient social capital in organic farmers' community to establish them. Future members were farming in a comparatively small region – they were rather compactly located, organic farmers' community was small and they knew each other rather well that facilitated their exchanges. Social networking among farmers and the accumulation of social capital had been facilitated a lot by the nongovernmental organic farmers' organisation in the district, operating already since the mid-1990s. So, there was mutual trust based on good interpersonal relations and which was strengthened by the common goal – wish to commercialize organic products. When the possibility to attract financial capital for the establishment of cooperatives appeared (state subsidies), social and human capitals were consolidated to build collective projects. Each cooperative project was driven by an entrepreneurial farmer who mobilised others and undertook the leading role. The farmers' initial interest in cooperation was high, there were 30 to 40 people gathered. The good relation

with local authorities and agricultural advisory service also was encouraging. This bridging social capital has been used to increase cooperatives' capacity. Advisory service helps them with accountancy and provides rooms for meetings. District council has supported organic farmers by including diversified and non-traditional agriculture development as one of the priorities of the district that enhances farmers' access to the bank loans for the farm's up-grading.

Despite this promising start-up built on solidarity, at the current stage the deficiency of social capital is one of the reasons why cooperatives are operating faintly. There is no sufficient trust and loyalty in the collective projects. There are reproaches of unfairness towards the farmers-managers and the members tend to fail in providing necessary supplies. To the large extent this is a result of the farmers' lack of knowledge and understanding about the principles of cooperation. They are reluctant to invest their financial and non-financial resources for the sake of the future benefit and mostly they prefer to continue with individual market strategies. The belief in the cooperatives has been gradually undermined by their modest commercial performance. The cooperatives continue to exist mainly thanks to the initiative of the leaders.

As stated, the initial financial capital was provided by the state subsidies and entrance fees – Produkts Veselībai has received 1300 EUR out of 7100 EUR available (it was the maximum amount that newly established cooperatives could apply for) and Latgales Ekoprodukts - 2100 EUR. After the state subsidies for the creation of cooperatives have been used (cash register, accounting system, etc), the cooperatives experience shortcoming of finances that considerably restricts their performance – they can not hire professional personnel, develop technical facilities, carry out more publicity activities, etc. They have difficulties to attract finances from the other sources. Bank loans are not accessible for the cooperatives either as they cannot ensure a warranty. Individual farms are charged with loans themselves. Latgales Ekoprodukts has taken a loan from the leader's farm in order to be able to co-finance the establishment of packaging facilities.

The state of physical capital has slightly improved. The cooperatives have launched their activities without possessing any facilities. At the time being Latgales Ekoprodukts has established collective packaging facilities and bought a transport. Physical capital of individual farms has improved, too: the farmers are active in applying for the EU and national funds for the modernization of their farms. Although physical capital is improving, it is not sufficient yet. For instance, the cooperatives don't have collective storages that would ameliorate logistics. Some of the investments in physical capital have turned out to be useless so far – there was bought honey packaging equipment, which so far has not been used though.

Both cooperatives also experience shortcoming of human capital. There is good knowledge regarding the production side of the cooperatives. Despite the shortage of labour in some farms, all the farmers have considerable experience, knowledge and skills about organic production and they can produce sufficient amounts. But there is deficient of human capacity regarding marketing and business management. There is no professional who would work on those questions, and it explains partly the difficulties of cooperatives in organising collective sales and promoting their products more efficiently. Professional human capital - professional manager, marketing specialist, financier, seller etc – is important for a successful economic performance and management of COFAMI. Though, also lay members should be informed about cooperation principles in order to avoid misunderstandings leading to mistrust. Also the smoothly decreased number of members has degraded availability of human capital.

## **The role of capitals at different development stages**

Although all the capitals appear necessary for COFAMIs operation, their importance varies along COFAMI development stages. Social capital is in the core of a collective action and it is crucial all along COFAMI development. Containing informal networking, trust and common values, it is a precondition for a formation a collective project. Although these components of social capital remain as a glue of collective initiative, for the durability of a collectivity it is important to strengthen it by institutionalisation – defining common rules, action codes, rights and responsibilities. So far social capital in terms of institutionalised cooperation, trust and interdependency among members have not been sufficiently aware and employed in the cooperatives.

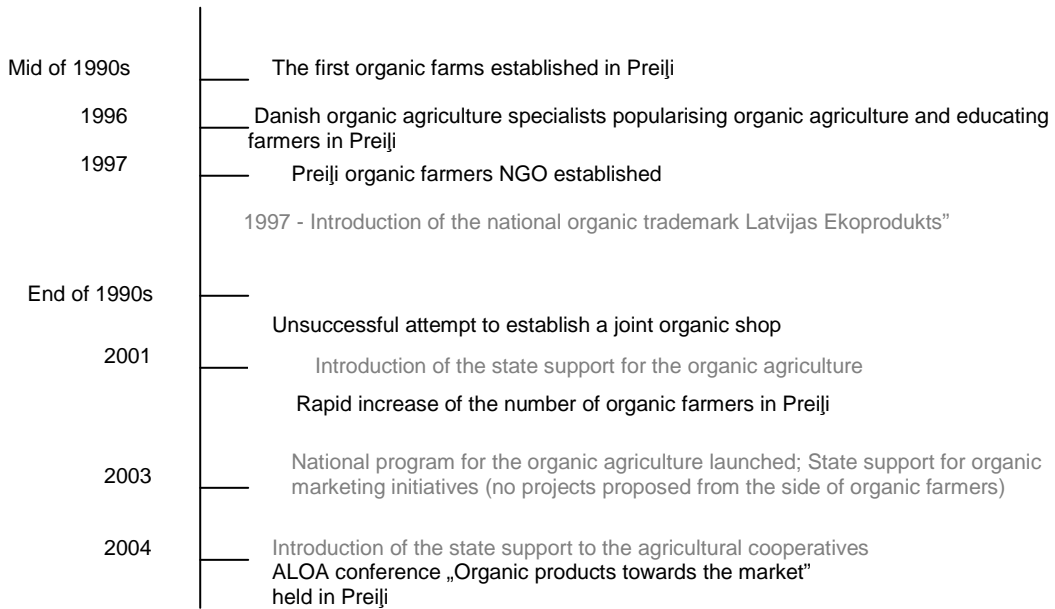
The organisational and economic performance is strengthened by physical capital and it becomes more important during the process of the scaling up. The experience of unused honey packaging facilities witness though that the investments have to be well considered before they are implemented.

Diverse capitals are mutually constituting and interdependent. So initially the financial capital was used to establish physical capital (transport, packaging facilities) and human capital (hiring personal). Accumulated physical and human capital in turn offered opportunity to increase the financial capital. F.i., when Latgales Ekoprodukts arrived in financial difficulties the cooperative started to offer transport, agricultural and accounting services to the farmers in order to increase turnover. Deficiency in social capital leads to imperfection in business performance: as members are not trustful and does not provide supplies, it creates losses and creates tensions and mistrust in the relations with other market partners.

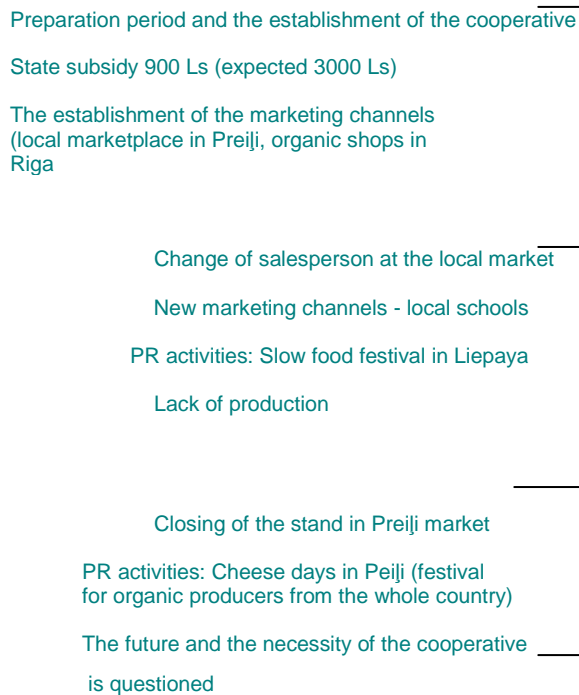
### 3.6. Dynamics of COFAMI

**Figure 8. General overview of Preili organic farmers network time-line**

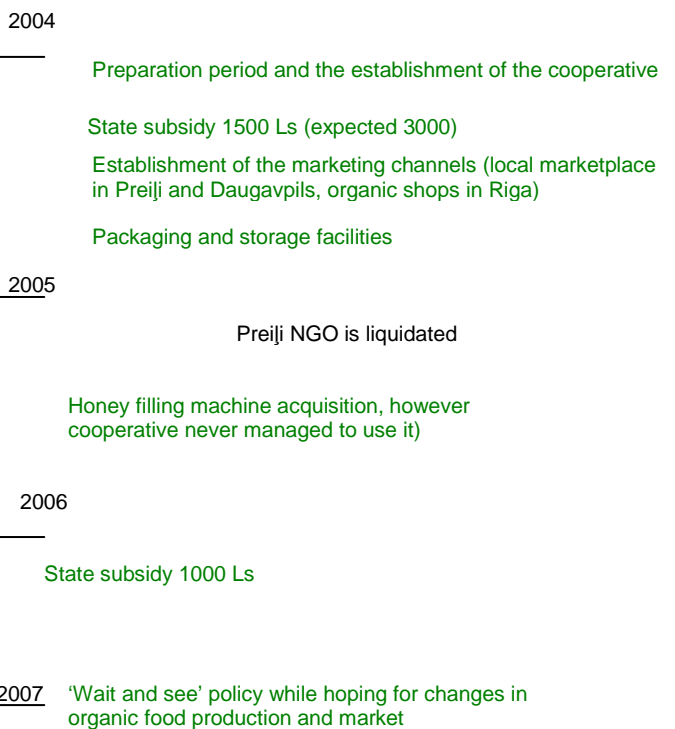
**Relevant contextual events**



**Time line of the Produkts Veselībai**



**Time line of the Latgales Ekoprodukts**



## **The description of the relevant stages of COFAMI**

Both cooperatives Produkts Veselībai and Latgales Ekoprodukts were founded comparatively recently and their history of marketing activities is only three years long. The life-cycle of the cooperatives can be characterized as a low dynamic flow of activities that has led to the gradual decline of collectivity and to the loss of aspirations of the involved farmers. The process of the collectivity's decline can be relatively subdivided into three stages outlined below.

## **The regulative framework and the establishment of the cooperatives**

In 2002 the amendments of Law on Cooperative societies set the legal base for the agricultural service cooperative societies (ASC)<sup>2</sup>. It defined the exemption of income tax, the procedures of foundation, the entrance and expulsion of members, and the use of surplus. Since 2004 ASC have possibility to apply for national subsidies "Repayment of credit interest for approved ASC", "Support to investment in agriculture" and there is also available special support for the recently established cooperatives. In addition to the national support, ASCs can apply for the support from Single Programming document: Investments in agricultural enterprises and Transformation and development of rural areas.

The build up of the regulative framework coincided with the organic farming growth processes in Preiļi district. Since the former study in Preiļi district in 1999-2000 (MAS project)<sup>3</sup> organic farming has experienced a considerable increase in terms of the number of farms, acreage and also production volumes. Strengthening and gradual growth of the organic farms oriented towards commercial production has also taken place, and new marketing channels have appeared (e.g. Organic outlet or "The Green market" at Riga Central Market, Regional food fairs and occasional sales, for example "potatoes fest" in nearby town of Madona which is an organised sales event with urban consumers visiting nearby farms and buying certain kind of produce, local schools and kindergartens). The growth of the organic sector has two main driving factors behind it: national and EU subsidies that stimulated conversion, availability of bank loans and state guarantees for modernising agricultural farms, especially for construction works, machinery and land purchases. Meantime Preiļi Organic Farmers Association has dissolved as a registered NGO and its functions have been transferred to ALOA.

The establishment of the collective marketing initiative has always been among the central issues in the farmers' network and the state support for the cooperation facilitated the process of establishment of COFAMIs in the district. Farmers' discussions on organizational issues took approximately half a year and as a result in year 2004 two COFAMIs were established in Preiļi district. The members of the initiatives shared the goals and the vision about how to

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<sup>2</sup> Agricultural service cooperatives are equivalent to traditional cooperatives known in Western Europe. The term was introduced to distinguish them from producing agricultural cooperatives established on the base of ex-collective farms.

<sup>3</sup> Tisenkopfs, T. and S.Šūmane (2000) *Making Agriculture Sustainable: the Role of Farmers Networking and Institutional Strategies. National Report*. Rīga, Baltic Studies Centre.

meet the market pressures and how to enhance the members' participation in the food market.

### **Active phase**

After the establishment of the co-operatives a number of marketing activities followed, some of them came as ad hoc events rather than a result of strategic planning. The leaders, investing a lot of their private resources (logistics, office at home, transport etc.), established links to the existing regional and national marketing channels and succeeded to create some new ones. The cooperative Produkts Veselībai started to sell products at the local market and hired a sales person for this purpose. The farmers assessed the opportunities to establish processing and packaging facilities, however due to the inability to attract financial resources and low capacity of the management the idea was not implemented after all. The cooperative Latgales Ekoprodukts managed to acquire a honey packing device and to create a storeroom at the cooperative leader's property. Notably that major part of the activities was undertaken by the leader and the level of the cooperatives' members' commitment was variable. The useless acquisition of the honey packing device serves as one of the indicators for the mismanagement and miscommunication in the organization: the leader was convinced that the members would use the device for packaging their honey, but after setting up the device and calculating the prices the members refused to use the service as they could find cheaper solutions for filling the honey. The leaders faced more and more difficulties and constraints to manage the organization and to convince the members to market their produce within cooperative instead of relying on their individual marketing channels.

### **Stagnation**

After two years long period of the fragmented efforts to create stable marketing channels and to obtain the recognition in the market, the cooperative leaders had to acknowledge that due to the number of foreseen and unforeseen factors, the collective initiatives fail to reach the goals that were the driving forces of the COFAMIs. The lack of economic capital, the lack of adequate state support for small-scale cooperatives, the lack of the commitment and trust of the members and the lack of appropriate management are amongst the most relevant limiting factors that led to the failure of COFAMI. At the moment both cooperatives have slowed down their activities to the level of 'survival strategy' and only limited number of the activities are still carried out in order to keep the system alive for some longer time. Produkts Veselībai is leaning towards closing down and has not proceeded with the process of approval for ASC at the Ministry of Agriculture in year 2007. Latgales ekoprodukts has started to offer agricultural and accountancy services to local farmers in order to ensure some turnover.

## **3.7. Impact assessment**

As both cooperatives are rather recent, there are only few impacts observed. Moreover, most of the impacts are not the outcomes of strategic actions but are indirect or side effects of cooperatives' performance. There are few quantifiable impacts.



### Market (+)<sup>4</sup>

Although both initiatives are small-scale and their economic performance is moderate (the turnover didn't exceed 10 000 euros in 2006), they contribute to organic market and organic food chain development. The cooperatives are among the 10 first collective organic market initiatives, and collective action among farmers is necessary for the consolidation of organic market: so far individual farmers had difficulties to negotiate with other food chain agents, neither separately they have enough capacity to establish long term and stable market initiatives.

Until the establishment of the cooperatives, Preiři organic farmers sold their products individually mostly through conventional market channels. Thanks to the cooperatives, part of their products can be sold as organic and, as follows, they can receive price premium. There are comparatively few farmers engaged in the cooperatives still, but they have served as a tool to create a special market niche, which can be expanded in future. Although farmers witness that they have not gained financially a lot from selling products through the cooperatives, some market costs have been reduced – transportation, publicity, supplies of organic fertilizers.

### Social (-/0)

The cooperatives do not have an important social impact. After four years operation, individualistic market approaches are still dominating over collective ones. There is disloyalty and mistrust among the members regarding the organisation of supplies that burdens the economic performance. Thus, the cooperatives do not serve as very successful examples of cooperation that would encourage the formation of similar initiatives.

There is no considerable impact either on the image of farmers. Although the cooperatives as collective organisations include a representative function of organic farmers' community, this potential is little used. There are few and not regular marketing activities. Some organic farmers are engaged in other professional associations (culinary heritage, tourism association) thus promoting positive image of organic farming in broader networks and wider society.

Farm succession is a general problem in rural areas, as most of the younger generation is moving to urban areas. Preiři cooperatives have not contributed to farms' growth and image so considerably that they would influence positively younger generation' decision to overtake them.

### Educational (0/+)

The educational impact of the cooperatives is modest and it does not exceed the boundary of cooperatives' members. The cooperatives do not initiate learning activities, but at some extent they are contributing to the exchange of professional knowledge among farmers – some farmers mention them as important sources of relevant information and knowledge. In

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<sup>4</sup> The impacts were assessed in the scale -- (very negative); - (negative); 0 (no impact); + (positive); ++ (very positive)

particularly, the leading persons have learned about cooperation principles and management and have improved their entrepreneurial skills. There is no evidence though that the cooperatives would have facilitated the dissemination of organic production or cooperation. Some members are actively engaged in outside learning and exchange of experience at regional, national and international level. So, new knowledge, contributing to cooperatives' human capital, is attracted by individuals.

### Cultural (0)

Also the cultural impact of the initiatives is indirect and modest. Some farms (mostly those engaged in tourism) maintain and use in their market strategies local traditions (food, celebrations, etc.), but they have not been stimulated in particularly by the cooperatives.

### Environmental (+)

In general the initiatives have a positive impact on environment. They support the development of organic agriculture that in turn contributes to the maintenance of landscape and biodiversity.

### Political (0/+)

The initiatives have some impact on policy formulation. The cooperative's leaders are active members of LAOA, which is taking part in rural policy formulation. As organic farmers are active in Preiļi district, organic agriculture has been set as one of the priority sectors in the district's development plan. Though, similarly to educational and environmental impacts, policy lobbying is not a strategic action and it is based on individual cooperatives members' initiative.

## **3.8. Conclusions**

Preiļi cooperatives experience reveals several crucial points in the development of (innovative) collective farmers marketing strategies:

### Creation of a new market

The case characterises the difficulties to establish a new market sector. Organic market in Latvia is underdeveloped – there are few organic processing companies and retailers, consumers are not aware of organic products and not ready to pay more for them, and producers are economically fragmented. The volumes of organic production would be sufficient to provide regular supplies and to establish a separate food chain. However, the underdeveloped organic processing and the lack of collective market projects that would consolidate organic production are blocking the further growth of organic market. Conventional processing companies are not interested in opening organic processing lines, whereas farmers do not possess means to develop processing themselves. There are no stable

and reliable business partners. The case confirms that for the creation of a new market niche there is needed a solid collaboration not only among the producers, but among all the food chain partners. (F.i., to access the main market Riga, a storehouse nearby the city would be necessary. Separate small initiatives, like Preiļi cooperatives, alone are not able to establish them.)

#### Relation between individual and collective strategies

Economic pressures in the organic market sector witness the necessity to organise collective market strategies, but farmers and organisations are not ready for that. As described, individual strategies in Preiļi case are strongly dominating over collective ones. The collectivity in market oriented initiatives is loose (in contrary to professional organisations, oriented towards technical questions which exhibit high loyalty from the side of farmers). Farmers are reluctant to collective economic action. They lack understanding of cooperation principles that creates misunderstandings and distrust. Growing disappointment is leading to the decline in COFAMI activity. There are not established common codes of practice as both farmers and the cooperative leaders are afraid to take risk. On the other hand, as there are no defined mutual responsibilities, it makes the relation between the farmers and the cooperative less secure. So, farmers continue with individual market strategies and often are supplying to conventional processors where certain regularity and stability of purchase and price are guaranteed.

#### Organisational shortcomings

The case provides a proof that small-scale COFAMIs have a high risk to meet the organisational shortcomings that partly are related to the lack of sufficient financial resources and partly to the low human capital. The first shortcoming that is relevant for the both cooperatives is the lack of professional management. The strategic and everyday management of the cooperatives is completely delegated to the leaders, who find themselves struggling between two domains – the management of their own farms and the management of the cooperatives. It restricts their farms business and double-domains do not allow allocating enough time for the cooperatives. In a longer run such management system is not sustainable and exposes the leaders to the risk of interest conflict, to the mistrust from the members and generally to the low level of organisational efficiency. Second, but not least important shortcoming is the lack of the marketing strategy. Both cooperatives have failed to create long term collective vision, strategy, measurable criteria for the achievements and tasks shared by the involved members. They are aware of the few existing market channels and most of collective supplies are organised through them when an opportunity appears.

#### Restrictive regulative, support and controlling framework

The introduced state support for cooperatives and organic production is not corresponding well to the needs and the specificity of organic farming. In general the state support is aimed at the growth, production and expansion. State support to the cooperatives is not appropriate for organic COFAMIs as they, operating in a non-intensive sector, experience difficulties to reach the minimum growth set in the regulative acts in order to be eligible to receive the subsidies. The support to the organic agriculture has been mostly oriented towards the stimulation of production and not to the processing and marketing activities. Controlling institutions (Revenue Office, State Food and Veterinary Service) are recognised as too strict and

burdening: they apply punishment instead of consulting strategy and that is undermining in particularly new initiatives, which are still learning also administrative and regulative questions.

### **3.9. Suggestions**

The questions interesting for the comparison in Preiļi COFAMIs context would be:

1. the changing contexts under which farmers turn to cooperation instead of keeping their individual marketing strategies; relation between individual and collective marketing strategies.
2. the successful practices of the aggregation of necessary capitals in (small scale) COFAMIs; in particular, the consolidation of social capital.
3. the role and the necessary changes in the regulative framework and learning environment for the enhancing of the performance of COFAMI.
4. the interplay and the impact of the same contextual factors in small and large size COFAMIs, operating in different fields (comparison to LV case 2).
5. particularities of COFAMI development in a new market sector.

## **4. SATELLITE CASES**

### **4.1 Satellite one: The „Hessian collective farmers marketing initiative for renewable primary products” (NAWARO) in Germany**

#### **Research questions to be compared**

Latraps initiative has evoked two research questions relevant for COFAMI development which will be analyzed more in detail in the satellite case:

- How to secure collectivity in scaling-up of an initiative?

In the result of successful economic performance and cooperative’s organizational policy the number of Latraps members has considerably increased. The cooperative leaders anticipate the difficulties to maintain the collectivity. Although altogether the farmers are loyal to the cooperative, there are some cases of free-riders, the size of the cooperative provokes alienation in some farmers and creates management difficulties. What are the possible solutions?

- How to combine market success and sustainability aspects?

Latraps has conquered a stable and powerful situation in the market: it has created its market channels, is well integrated and is setting the price in the market and its turnover is increasing yearly. However, other sustainability aspects – environmental and social issues seems to be less addressed in the initiative. If and how is it possible to incorporate into the initiative other sustainability elements? If and how public-private partnership can contribute to solve this?

#### **Why NAWARO?**

For the comparative analysis of the two questions there was chosen the NAWARO initiative („Hessische Erzeugergemeinschaft für nachwachsende Rohstoffe w.V.“) in Germany. This choice was based on several considerations. (1) Among the available cases the NAWARO case report provided the most comprehensive and suitable information regarding the defined research questions; it is one of the cases studied within COFAMI project. (2) Both COFAMIs are operating in the same sector – bioenergy production – and therefore presumably they may face similar challenges and problems rising in this fast growing new sector and as follows be susceptible to similar solutions. (3) Like Latraps, the NAWARO initiative has experienced a considerable growth in terms of economic performance and the number of members. So the question if and how it faces and deals with the problem of the maintenance of collectivity during scaling-up is also referable.

#### **General description of the NAWARO initiative**

The NAWARO initiative was established in 1994 by 150 farmers from the Hessian district of Wetterau. Its initial aim was to produce and to market crops for industrial use in the “non-food-sector” and for the production of energy. As follows its main activities are production and marketing of rapeseed and biodiesel. In 2005 it started supporting biogas. Besides, the NAWARO initiative offers also information and specialist advisory services and represents the farmers’ interests at various professional and policy networks. Its particularity is the successful marketing of a mass product without a special quality.

The initiative was established in response to a political decision to have an obligatory 15% of set-aside areas in the region. In order to make use of those areas, further members of the initiative decided to cultivate there the allowed primary renewable products. Also during the later years the development of the NAWARO initiative has been explicitly shaped by turnabouts in agricultural policy, and its economic activities and operation have changed accordingly to policy measures. Despite some possible negative consequences (for instance, the reduction of the percentage of set-aside area to 5% provoking decline in rape production), it has been flexible and has successfully used the new opportunities emerging from policy shifts.

The NAWARO initiative represents a well integrated network; there is good integration of both internal and external actors. It collaborates actively with social and market partners in order to reach its goals. Already the very start-up of the initiative gathered various local actors – representatives from “Maschinenringen”, water and soil associations, and Hessian farmers’ union. Later it has established strategic alliances with other relevant actors, especially regional farmers association.

The initiative has been economically successful: at the first year of its operating there were 150 members cultivating 500 ha of rape from set-aside-areas, and a sales volume of biodiesel reached 1.950.00 liters. In 2007 it has grown up to 11.000 ha of rape fields, 1700 members and 30.000.000 liters of sold biodiesel. The market share of NAWARO composes about 20% of Hessian rape cultivation.

### **Collectivity and Upscaling**

In both cases the collectivity has been initiated in a group of like-minded people. Latraps was established by a group of farmers. In NAWARO it was a broader group, representing more diverse agents from the region, and therefore attributing to the initiative broader social legitimacy, access to various resources, etc.

The initiatives’ market and organization consolidation strategies have been based on the increase of the members. They are opened to new members; there are no any restrictions for new entrants in the both initiatives, except for in the NAWARO only farmers can become members, no businesses are admitted. Moreover, both initiatives take active role in encouraging farmers to take up the new business in bioenergy production, and also in promotion and lobbying the sector in general. They use mass media and professional networks to disseminate their ideas and engage also in policy lobbying to receive public support to their business. Latraps has contributed a lot in the development of the respective policies of cooperation and new bioenergy. NAWARO lobbies federal states and federal politics and has collaborated in political networks concerning biomass in Wetterau district, biofuels and the centre of excellence for renewable products in Hessen.

Apparently, both initiatives’ public relation policies have been attractive and economic performance successful, the new bioenergy sector, supported by policy measures, has been promisingly growing, and in the result an increasing number of farmers, facing the difficulties in traditional branches and/or looking for new business opportunities, has joined them. There is no witness in the NAWARO case that scaling-up would have created pressures on collectivity. In contrary, “according to all actors, there have been no internal crisis, within the NAWARO initiative. .. It is entirely accepted and recognized by the farmers.” Neither Latraps

has experienced internal crisis; nevertheless, as stated, managerial difficulties and alienation from the side of some farmers appear. Several aspects of collectivity and its management will be further compared.

In both cases there is a great diversity of farmers that potentially might create conflicts of interest or unequal power positions: the NAWARO initiative unites 1700 farmers with farms sizes from 10 to 1000 ha (rape acreage from 0.5 to 200ha); in Latraps – 400 farmers from 10 to 3000 ha. However, the diversity did not appear to be a reason to weaken collectivity. In Latraps each farmer has one vote in the general assembly that limits the domination of big farmers. The latter ones have dominant situation in the board though.

There are set internal formal rules and organizational structure, which serve not only to manage business relations between the cooperative and the farmers, but also to govern the collectivity. In the NAWARO case they seem to be more diverse. There are common production and quality rules, and “members are obliged to follow them and therefore admit quality inspections by the NAWARO initiative. Furthermore, they have to observe the common marketing rules and make the agreed contributions. If the general meeting did not decide on exemptions, farmers have to deliver all their sales products covered by the NAWARO initiative to the initiative.” In both initiatives the cooperative is contracting farmers for supply of renewable primary products. In NAWARO case there is concluded a contract between the initiative and a farmer that NAWARO will buy a certain amount of rape. Farmers have to buy also the end-product – biodiesel. In Latraps there are signed yearly contracts between the cooperative and a farmer about grain and rape supply. There are very few cases of non-performance of contracts. In Latraps there are no so strict controlling measures. The cooperative competes for farmers with more advantageous price, the provided services to members and long-term stability.

Organizational structures in both initiatives are similar, composed of general meeting as the principal decision making body, board/directorate and executive directors. In NAWARO there is also an advisory board which broadens the representation at management level. In general NAWARO pays attention to a balanced internal representation of interests. In the directorate all the Hessian regions are assembled, the advisory board includes representatives of farmers union, federal states alliance of the MR and farmers from the regions not represented in the directorate. “Farmers (potentially) have a significant influence on decision-making and strategy development (which in reality does not play a big role because of a high degree of consistency in goals among management and farmers).”

There are also financial settlements between COFAMI and the farmers: in the NAWARO “farmers pay a membership fee, the annual basic contribution, a payment for contract, and a quantitative payment. As a disbursement, farmers first get an advance payment and then a bonus depending on the way of marketing.” Many farmers are bounded to the initiative also by the investments in the NAWARO’s subcompany Hessische Nawaro Kapital GmbH. In Latraps farmers pay annual membership fee and there are advantageous credits available for farmers from a collaborating bank.

Both COFAMIs apply various measures to support and reward farmers’ loyalty. The major benefits for the members in NAWARO are reduction of administration costs/overheads and realization of their products for a better price. The COFAMI provides also storage and transport facilities, marketing and educational and information support concerning renewable

primary products, biomass cropping. Latraps is operating on similar base – as stated, farmers benefit from reduced costs, better price, sure outlet, transport and storage facilities, information and knowledge and positive image. Thanks to the COFAMIs farmers gain a stable and secure position in the market.

Clear and agreed rules, responsibilities, rights and benefits are the formal means that bound and govern farmers in a collective initiative, and they are important to consolidate the collectivity. However, there are also more subtle informal elements like trust, shared values, cooperation skills, etc. that inspire and drive the collectivity. Herein, the previous experience of cooperation and farmers' unions' attitudes towards collective marketing are relevant for the collectivity formation. In the NAWARO case the farmers have the experience of working together: it is a region of sugar-beet cultivation and in the past farmers have found a sugar plant; after its closure they had to cooperate in order to organize logistics. In Latraps case there are more negative connotations to cooperation due to the soviet and after-soviet negative experience of cooperatives that has created mistrust in collective market projects. However, this was more referable to the start-up phase of the cooperative; gradually these prejudices are overcome by its successful performance.

### **How to combine market success and sustainability aspects?**

The development of the new bioenergy sector is contributing to the diversification and competitiveness of rural economics. It provides a base for the development of new rural businesses, provides jobs and increases income. Bioenergy production has some positive environmental impacts, like the reduction of hazardous emissions in biodiesel and alternative to the use of non-renewable resources. On the other hand, rape is a culture that demands to apply intensification strategy. As follows, by supporting intensive and industrial farming, rape cultivation is degrading rural landscape and endangers biodiversity, it might lead to abandoning traditional cultures. If and how these issues are addressed in the cases, how their market success is balanced with social and environmental goals?

Both initiatives have been primarily business interest driven. In Latraps big farmers intended to increase their market power in squeezed and retailers' dominated market. In the NAWARO initiative farmers were looking for how to make use of the obligatory 15% set-aside areas. Both initiatives demonstrate significant growth in economic performance, and it is an important precondition for their sustainability. However, environmental and social aspects seem to be less incorporated in their strategies.

Both initiatives have few references to socio-cultural context and environmental concerns. In general rape production sustains the tradition of agricultural production in the regions by adapting it to contemporary society needs; on the other hand, as rape is a new imported culture it is not advantageous for specific local agricultural traditions or even is cutting them back. There are expressed concerns in the society about the intensification of agriculture. NAWARO members refuse it; as well as they disagree that there would be risks of dissemination of maize monoculture and GMOs, because themselves do not have intentions to cultivate them. Members of Latraps relate the expansion of intensive growing of rape to sustaining of rural landscape, as farmers have taken up abandoned or hardly cultivated agricultural lands.



Acknowledgment and support in broader community are important for social legitimacy and durability of an initiative. NAWARO is involved in numerous networks; it has many social and market partners (municipality, farmers union, distributors, agrarian service etc); it is well socially embedded. It broadens the range of the interests represented in the initiative. The initiative itself is looking for public response and acknowledgment; for instance, its events are always accompanied by intensive public relations in order to receive public backup. Also NAWARO business is based on good cooperation with other regional business actors. The collaboration with the sugar beet transport at the start-up has been the road to success for the initiative. Such strategic alliances strengthen the regional business network that results in new market initiatives. For instance, in cooperation with distributors and Maschinenringen the initiative has set up the Hessian market for biofuels, in cooperation with Maschinenringen and the Agrarian Service of Wetterau there is offered biodiesel, biodiesel service stations and biodegradable lubricants.

In the NAWARO case there is also good cooperation between public and private sectors. NAWARO has taken part in several public authorities initiated projects. Local government has been very interested in building a network on biomass and working also with NAWARO for that purpose. NAWARO has participated in a round table on biomass in Wetterau district, which aims at raising the use of renewable energies, improve regional business cycles and added value, sustain workplaces, diversify income in agriculture and forestry and implement pilot projects. Thus the initiative is integrated in broader rural development strategy which attributes to it a broader socio-economic importance. Latraps in this respect is less socially embedded. Although it has its strategic partners and it is well integrated in professional and policy networks, it is operating independently.

There are several social outcomes which contribute to the sustainability of farmers' communities and regional networks. As collective organizations, the COFAMIs have increased self-organizational capacity of rural agents, there has been increased trust, cooperation skills among rural actors. They have contributed also to knowledge increase. Besides the improvement of their member-farmers' knowledge and skills, they have educational and informational impacts on broader society. In the NAWARO case county's vocational school has started formation concerning renewable energies, and apparently also the NAWARO initiative has contributed to it. Latraps is organizing public educational seminars regarding bioenergy production.

## **Conclusions**

The satellite case provides more comprehensive responses to the defined research questions.

Firstly, it illustrates the importance of participatory approach and representation of various groups in COFAMI management and collectivity formation. Even if the participatory governance structures are not actively used by the farmers, it is important that they have this possibility to take part and influence decision making. This ensures legitimacy to the initiative from the side of members. Furthermore, different kind of engagements might strengthen the link between the initiative and its members. Like in the NAWARO case, farmers are engaged not only as contractors of supplies, but also as the users of its informational and knowledge network, they are investors in the COFAMI's company and buyers of its end-product biodiesel.

The balance of various benefits is another factor strengthening collectivity. Farmers cooperate mostly for economic reasons. So, such benefits from the engagement in the cooperative as better price, reduced costs, guaranteed outlet etc. to attract and keep members are very important. However, for the collectivity and its durability also social benefits like positive image, public recognition, feeling of belonging to the collectivity based on shared goals, values and trust are crucial.

An important element for sustainability is broad networking with social, market and political partners that facilitates the legitimacy of the initiative, integrates in it more interests, needs and resources, and thus potentially reduces conflicts and negative externalities. Collaboration between public and private actors lets concerting the initiative’s goals with broader societal goals.

**4.2 Satellite two: Grain and rapeseed marketing cooperative ‘Dobele Agra’**

Dobele Agra is an agricultural cooperative which has initiated rape cultivation in Latvia. It was established as a joint agricultural stock company in 1991 with the assistance of the Ministry of Agriculture. Since then it has grown and currently cultivates 4000 hectares of land and produces 20 thousand tons of crop annually of which 50% are wheat, 30% - rape, and 20% - barley.

Dobele Agra and Latraps demonstrate two slightly different approaches to rape production and marketing (See Table 9). In terms of marketing both organisations are bulk exporters, most of the produce is being sold to few wholesale intermediaries and their marketing channels do not differ much; in terms of production Dobele Agra is more oriented towards applying innovative methods of rape growing and intensively uses professional knowledge and advice, whereas Latraps puts emphasis on the organisation and management of collection system. The ownership structure differs as well: Latraps is a farmers’ cooperative whereas Dobele Agra is a foreign owned company joined in a larger consortium of six similar rape producing enterprises in Latvia (the other two are Elako: 2000 ha and Zemgale Agra: 3000 ha, ) and in Lithuania (among them Pasvalis Agra). All enterprises belong to the same British investors. The consortium collectively organises supplies, divides volumes of production and sales, evaluates purchase offers, freights ships, organises common seminars and consultations.

Regarding knowledge and advice in the field of rape cultivation, Dobele Agra is not quite satisfied with advice provided by the Latvian Agricultural Advisory Centre and Latvia University of Agriculture, therefore the company invites for seminars foreign advisors and uses also professional researches. Consultants come from England, Germany and other countries. Few years ago Dobele Agra had its own test fields where experiments with varieties and fertilisers were carried out under the auspices of foreign advisors. The experimentation centre though was closed down as it appeared too costly. The company tries to improve the quality of production, currently the opportunities are being explored to grow a variety of rape with high content of amino acids for production of nutritionally rich oil, the one the McDonalds company has shown interest in.

**Table 9. Comparison between Latraps and Dobele Agra**

	Latraps	Dobele Agra
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Type of organisation	Cooperative	Private enterprise
Membership	Open	Closed
Ownership	Latvian	Foreign
Emphasis on:	<ul style="list-style-type: none"> <li>• Commercial activity</li> <li>• Management</li> <li>• Organisational dynamic</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial activity</li> <li>• Learning</li> <li>• Innovation</li> <li>• Improving quality</li> </ul>
Collection system	Disperse	Concentrated
Marketing	Concentrated, export market	Concentrated, export market

### 4.3. Satellite three: Speciality food marketing cooperative in Ireland ‘Taste of Wexcellence’

#### The central question for the satellite case analysis

Preili organic farmers’ network satellite case is the study of high quality food producers’ network ‘Taste of Wexcellence’ from Ireland, county of Wexford. The central question for the satellite case study is related to the interplay and the conflict between individual and collective marketing strategies applied by producers/farmers in order to sale their produce and to increase their market power in the national markets.

Herein, when analysing the collective versus individual marketing strategies it is important to acknowledge that both the main case and the satellite case represent the initiatives that have been induced by the objective of the state agricultural policy to stimulate the cooperation of the small-scale producers’ in order to increase their ability to access the market that is dominated by the large scale retailers and food-chains. In both countries considered here, the small-scale producers/farmers had to create and develop niche market for their produce and the expected outcome of the collective action was increased sales, empowerment of local producers and facilitation of rural development in the area. The collective marketing has been considered as one of the possible tools for achieving the aims of the stakeholders and the support provided by the state nourished the idea of collective action. However, at the time of carrying out the research, on-farm production of high quality ‘value added’ food played a relatively minor role in Irish rural development. Its relevance was more in its potential role and in the vital linkage between the agriculture and food sectors. Also, the organic products market is still underdeveloped in Latvia and organic farmers are looking for possibilities to raise the sells of organic products and to increase the popularity of organic products among consumers in Latvia.

Both cases - Preili and Wexford provide rich material for number of research questions for further exploration, however the study of the interplay between collective and individual marketing strategies is chosen as main research subject here as in both cases collectivity was perceived as a tool for the reaching the aims of the involved parties (e.g. producers, farmers, local community, policy-makers etc.), however the role of individual marketing strategies and channels remained strong during the time of the building of network and the collective marketing strategies development. The producers and farmers prioritized their individual marketing strategies to collective action, although for various reasons in Latvia and Ireland

that will be studied further on. Nevertheless both networks have potential to grow into sustainable initiatives if proper decisions and activities are undertaken by the involved parties.

### **The material used**

The study of the high quality food producers from Ireland the 'Taste of Wexcellence' is chosen as the satellite case for 'Preili Organic Farmers' Network' case study for the number of reasons: (1) 'Taste of Wexcellence' represents the development of marketing channels for niche products; (2) 'Taste of Wexcellence' involves the study of the empowerment of small-size producers/farmers that aim to increase their market power; (3) Both initiatives were minor at the time when the research was carried out, but they demonstrated a potential for the growth if proper activities were undertaken; (4) Wexford and Preili districts have high dependence on farming; (5) Both initiatives involve the tension between collective and individual marketing strategies applied by producers to gain access to the market and the interviewed producers/farmers tended to describe themselves as primarily operating individually not collectively.

However the approaches to the cases are slightly different: during the fieldwork in Preili, the researchers among other relevant issues focused on the interplay between individual and collective marketing strategies employed by the organic farmers, whereas in the case of 'Taste of Wexcellence' the main objective of the investigators was to obtain information about the experience of the producers with on-farm food production and processing in County Wexford. The marketing strategies were not studied as much in detail as in the case of Preili organic farmers' network. Certainly, this aspect limited the information available to compare and to elaborate on individual and collective marketing strategies in Wexford and Preili cases; however the information available allows to supplement the data of Preili case and to enrich the material for the drawing out final conclusions for national report. The 'Taste of Wexcellence' satellite enriches the context for the exploring interplay between individual and collective marketing strategies, namely, the factors that contribute towards and factors that limit the collective action.

### **General description of the satellite case**

The 'Taste of Wexcellence' case is devoted to the study of high quality food producers from the county of Wexford in Ireland. The 'Taste of Wexcellence' initiative was started in 1993 under LEADER I programme by the local action group WORD that was responsible for the implementation of LEADER I and LEADER II in county Wexford. The aims of the 'Taste of Wexcellence' were to promote tourism and to create a high profile quality image of food from the area in association with local producers, processors and members of the catering trade in order to improve supermarket listings, and attract the attention of higher spending tourists so that smaller food companies in the county could compete and grow. The initiative has been moderately successful in accessing new markets, and producers faced difficulties to stay in those markets due the problems related to discontinuity of the supply and the quality of the produce.

In the 'Taste of Wexcellence' the products, the amounts, the marketing channels and the scale of individual and collective operations vary. Most often producers use one or several marketing channels listed below as is common for producers to be involved in more than one

chain at a time: (1) direct sales to the local consumers or local retail outlets; (2) consumers are targeted through links with distributors, speciality stores or the larger chains in the Dublin area; (3) sales to the local or regional catering trade; (4) few producers develop export markets.

Individualism and personalism is an important part of the marketing in the case of ‘Taste of Wexcellence’ – such activities as organising own sales, making direct contact or bringing samples to potential buyers within their local/regional area contribute towards building up personal networks of buyers. It is important to note that in some cases when farmers have developed long lasting relationships with consumers they tend to perceive collective activity with scepticism or even as a threat to their individual reputation (McDonagh and Commins 1999, cited from “High quality food production in County Wexford”, 2001).

### **Analysis of the specific results and application to the main case**

Both case studies provide evidence that network building has resulted in gaining access to the markets that might not previously have been accessible. However, in both countries the producers have had problems with maintaining the place in the newly established markets due to inconsistency of supply and quality. Partly these shortcomings arose from predominance of individual marketing strategies over collective ones. In the case of ‘Taste of Wexcellence’ the food producers interviewed saw them to a large extent operating on their own, similarly, like in Latvian case study ‘Preili Organic Farmers’ Network’. Collective marketing is perceived as a secondary option and the marketing channels developed by the producer on his/her own are perceived to be more reliable, stable and more easy to manage than collective ones.

The producers’ scepticism towards collective marketing is maintained by assumption that it might threaten one’s reputation if other network members fail to keep up to the high quality standards of produce that were set at the beginning. Another important aspect is that the collective activities were not supported by legal contracts that clearly outline the role and duties of the network members. The lack of clearly defined and agreed roles in the network poses the concept of trust as a crucial notion for sustaining collectivity. If the level of trust is insufficient then also collectivity will be weak and remain underdeveloped during the course of the networking process. The collectivity, if not supported by legal documents, is dependent on trust and commitment, however in small scale initiatives individuals experience the need to delegate responsibility to the other people or groups more seldom as in the large-scale initiatives and as a consequence they prefer to keep the responsibility in own hands during the whole process of the product life cycle.

There are also some other factors outlined in the case study of ‘Taste of Wexcellence’ that should be considered when discussing individual versus collective marketing. Authors of the report “High quality food production in County Wexford” refer to McDonagh and Commins (1999) who indicate to the trend towards centralised distribution in the retail trade and as a consequence the logistics inherent in these trends are disadvantageous for artisan, craft, speciality or niche food producers for the number of reasons, relevant also for the Preili organaic farmers’ network moderate performance:

- 1) the niche food producers marketing strength lies in personal contact with customers – a holistic approach to production and marketing where profit margins come from consumer satisfaction. Their markets develop around their own personal reputation and reliability so they are apprehensive about relinquishing personal access to their buyers;

- 2) volume is low for most of producers and technologically unsophisticated – their ability to fill orders on demand at short notice is limited;
- 3) centralised billing can lead to delays in getting paid while many small scale producers operate on a cash on delivery basis. Delays with payment may threaten their viability;
- 4) central distribution centres cut off the communication flow between the producer and his/her market intelligence.

These points made in ‘Taste of Wexcellence’ invite to consider different collective activity limiting factors than in Preili case. In Preili modest cooperation of the cooperative related to low financial capital, to the lack of cooperation skills and knowledge and the lack of trust and loyalty to collective organisation. The case of Ireland more highlights the perspective of the product specificity which in a way limits the opportunities for collective activity and calls for different approach in terms of political support for small-scale producers and awareness building of the society on speciality foods.

In Ireland the small scale food sector has developed comparatively recently and its has been under the same legislation as large scale food production, however these two sectors have different production, marketing and distribution styles, also, food safety regulations do not work as the needs/requirement are different from small to large scale producers. Moreover, according to the study of McDonagh and Commins, public funded support has mostly been used for expansion rather than set-up of speciality food businesses as the innovative business ideas often are perceived with caution on the part of personnel in the support services. In some cases the individualism has kept producers away from what they perceive as slow-moving bureaucratic processes. The authors of the report ‘Taste of Wexcellence’ point out that this case study outlines the constraints facing the development of a vibrant farmhouse speciality food sector in Ireland and that what underlies these constraints is the lack of policy level recognition that speciality foods are a distinct product requiring different support to industrial food production.

The collective action can be strengthened through common efforts to develop food culture and to raise the awareness of society on food issues. The ‘Taste of Wexcellence’ shows that building collectivity and trust is a long term project that cannot be implemented in a day. Also, such resources as information available and advisory services play major role to develop successful networks and collective activities.

## 5. CONCLUSIONS AND RECOMMENDATIONS

Situation overview and case study analysis of collective farmers marketing initiatives in Latvia show that they are becoming increasingly popular forms of organisation among producers and their partners in order to deal with the existing market and social problems, as well as to make use of the new appearing opportunities related to broadening of rural functions and forming new markets. On the base of both case studies there can be outlined major external (contextual) factors that appear to be of particular importance for COFAMIs in Latvian situation.

### Territory related factors

- Proximity to urban centres is important as they are the major market for farmers' products and at big extent influencing the costs (related to the transportation). Another advantage of the urban centres is that they are operating as the centres of knowledge and information relevant for farmers and COFAMIs.
- Production conditions for agricultural land use influences the type of innovation that would develop in the region. As case studies show Zemgale with the favourable agro-climate conditions stimulate innovations in major traditional and conventional agricultural production sectors, whereas farmers from Preiļi region with less fertile soil and hilly relief are looking for raising their competitiveness in niche, less traditional sectors.

### Socio-political factors

- Urban-rural interrelations: because of the unfavourable living and working conditions rural areas are experiencing outward migration that in turn leads to the difficulties to attract qualified (and even not qualified) workers both at farms and COFAMIs.

### Institutional support

- Existence of formal regulatory framework for collective action / marketing and its adequacy to farmers' needs: the introduction of legislation and supportive measures have stimulated considerably the formation of cooperative initiatives among producers. It provides both legal base and financial support to such initiatives. However, available political support is acknowledged among stakeholders as not sufficient and would need improving in terms of developing more advantages for COFAMIs and the members of COFAMIs, including improved cooperation among Ministry of Agriculture and farmers' NGOs. Also, the fostering of the cooperation should be set as one of the priorities in the policy planning documents.

### Socio-cultural

- Culture and experience of cooperation: due to the negative experience of cooperation during soviet period and muddy cooperatives during 1990s, the farmers and society in general has perceived cooperation as something economically ineffective and individuals restricting. In the result, individual production and marketing strategies for a long time period have been dominating. However, during the last years gradually there

is forming the understanding among producers about the advantages of collective action. The positive experience of newly established cooperatives are supporting and convincing farmers to engage in collective action.

– Presence of agriculture in local identity : as agricultural has always been an important element in Latvian identity it is an encouraging that farmers are insisting to find new ways to maintain their traditional occupation and remain competitive.

### Economic and market

– Competition on relevant markets: growing competition both in the national and international market press farmers to look for new competitiveness measures, either in new product development, increasing effectiveness or in social organisation.

– Type of marketing strategies: the accumulated experience of marketing strategies, constraints and opportunities in existing marketing channels impacts how adequate and what the marketing of COFAMIs would be. It is characteristic that newly forming/ niche markets are characterised by more diverse marketing strategies.

### Learning

– Existence / absence of training to facilitate farmers participation in COFAMIs management : the farmers training in Latvia is focused still mainly on the acquisition of technical skills. There are few management and marketing knowledge and skills offered, neither there are specific courses on cooperation and cooperatives available. As follows, farmers often lack knowledge and the information about how to start a COFAMI, about cooperation in general and the benefits from cooperation; it has supported the prejudices among farmers regarding collective action and has reduced their involvement in COFAMIs management and might prevent from reaching the aims of cooperative.

Those external factors form the context for COFAMIs operation; they are governed, used or overcome, by the means of the resources at COFAMIs disposal. Among the distinguished resources in the project (social, human, financial, physical and natural) the following aspects appeared to be of particular importance in Latvian situation:

Social capital implying trust, common values and communication patterns is decisive for the establishment of collective initiative. Motivated and dedicated members are integral part when starting and developing a COFAMI. If members do not share common vision and collective aims, then favorable contextual settings are not sufficient for COFAMI to succeed. It was characteristic that the studied COFAMIs were initiated by a group of persons with shared social background and they belong to the same community. After the establishment of collective project social capital continues to be an important cementing factor of a collective initiative, it has to be maintained. It can be strengthened both by formal rules as well as informal activities, like daily communication, informal gatherings, exchange of information, common events, etc.

Human capital including knowledge and skills is among major driving forces in COFAMIs. Technical knowledge is crucial for the production, marketing and management; however, social skills (cooperation skills, openness to partners, compromise etc) are important in



collective projects as well as they facilitate exchanges, networking, strengthen the social fabric of COFAMIs. Leaders play crucial mobilising, motivating and management roles. (Although the cases studied are driven by strong leaders, the increase of the number of COFAMIs in Latvia is prevented by the lack of 'strong', 'motivated', 'well-informed' leaders within farmers' community who would have a degree or skills in entrepreneurship or management.). In the meantime the participation of lay members in the COFAMIs management has to be facilitated.

Financial capital is of particular importance at the start-up of the initiative as well as at turning points, like starting up new business line or broadening marketing channels. Both availability of sufficient own investments and accessibility to external investments are supporting.

Physical capital: both individual members and COFAMIs need minimal physical capital in order to ensure successful operation of business.

Summarizing contextual factors and COFAMIs resources there can be drawn conclusions about the success factors of COFAMIs:

- 1) Well grounded commercial and organisational strategies reduce the possibility of internal conflicts and market failures;
- 2) Transparency in decision making, clearly set rules, duties and rights in the organisation facilitates trust in collective projects;
- 3) Professional manager that holds leadership and marketing skills implies integration of professional knowledge and let to avoid possible interest conflicts within organization and time management problem, which could happen in the case when manager was a farmer (which is a rather common practice in Latvian cooperatives);
- 4) Involvement in policy and professional networks legitimise the initiative and its aims in a broader society, and is a source of new resources;
- 5) Supporting and stimulating legislative and controlling framework sets the legal basis and encourages formation and development of COFAMIs. Essential factor in start-up and development phases for COFAMIs is the support provided by public institutions. Meantime, it should encourage COFAMI to up-scale and to become a market player that is able to sustain oneself without relying on financial support provided by the state.

Several policy and practical recommendations can be drawn:

Types of cooperation: In Latvia the dominant type of agricultural cooperation initiatives is agricultural service cooperatives (marketing cooperatives) - their total number is 107, among them 64 cooperatives are recognised by the Ministry of Agriculture, which means that these cooperatives are entitled for the state support. Grain and milk sectors are among leaders in number of cooperatives. There are very few machinery (machinery ring type) cooperatives in

Latvia. However, there are collective initiatives that do not fit in the existing policy framework for agricultural cooperation. Policy recommendation: develop support measures for other types of cooperative initiatives.

State and EU support: There are many cooperatives which operate only due to state and EU support. There have been discussions about usefulness of such support which is decoupled from economic performance indicators of cooperatives. The standpoint of Latvia Association of Agricultural Cooperatives and Ministry of Agriculture is that support to cooperatives should be connected to their economic indicators (e.g. turnover). To distribute cooperative support as a kind of grant is undemanding and not a good policy practice. Special support should be given at starting phase of cooperation. Policy recommendation: State and EU support to cooperatives should be connected to their economic performance indicators. Special support should be given to cooperatives at the starting phase of their activity.

Policies: From LAAC point of view cooperatives are the only way for farmers to survive. This standpoint was shared also by the representative of Farmers Saima (Farmers Parliament) and other participants. However practitioners admitted that at high political and government level (reference was made to civil servants from the Ministry of Finance) there are wide spread stereotypes about cooperation and cooperatives as would be die-outs. This might be the attitude and side effect of extreme liberal policies that dominated recent decade the political scene. Policy recommendation: There is a need to change political attitude towards cooperation and to see it as component of economic competitiveness and sustainability of agriculture/rural development.

Relations with local governments: Establishment of cooperatives very much depends on positive attitude and support of local governments; participants reported different experiences in Latvia in this regard. Practical recommendation: to educate the representatives of local governments on benefits of cooperation both for farmers and local community.

Information and public relations: Much more attention should be paid to dissemination of information about cooperatives, PR and positive examples which is yet unopened albeit very important field. LAAC should work in this direction in partnership with the Latvia Association of Local Municipalities. Popularising of best experiences is primary task. Currently information in public sphere and media about cooperatives is almost absent. Policy and practical recommendation: Cofamis need better PR that should be implemented by Ministry of Agriculture and Latvia Association of Agricultural Cooperatives in order to popularize the idea of cooperation and to demonstrate 'good practice' examples.

Policy and new institutional arrangement for rural development: State Rural Network (Valsts Lauku tīkls): As a part of implementation of Latvia Rural Development Plan 2007-2013, a new national level structure/organisation – The Rural Network is being designed and formed. The Rural Network will embrace several existing institutions and their regional branches that currently operate under the auspices of different ministries, for example Latvia Agricultural Advisory Service and their regional divisions, local agricultural advisors, the regional development agencies, and perhaps other institutions. The idea is to combine resources of

several Ministries and to better govern rural development process. The working group is established which until the end of 2008 has to propose the structure and legal basis for new State Rural Network (obviously it will have the Council, the Board, the Administration, the regional structure, etc). Also the functions of the State Rural Network have to be determined. The idea is that these functions would be broader than the functions of the existing advisory service which operates according to the sectoral lines. If properly designed the new institutional arrangement could include advisors and measures to support also agricultural cooperation, innovation, marketing, collaborative activities for rural development, mobilise cooperation with civil society and other innovation and knowledge support institutions. Policy recommendation: The new State Rural Network which is under formation as a part of implementation of Latvia Rural Development Plan should include in its institutional structure, forms of advice and governance specific support measures to farmers cooperation and COFAMIs.

Internal management of COFAMIs during scaling-up: the main thing to keep cooperative running and members motivated to continue cooperation is to provide them tangible benefits in terms of higher price, better contracts, offer of advice etc. The best cooperatives in Latvia are well aware of this fact, therefore they put much effort to keep farmers informed, organise seminars, offer competitive price and price advantages and negotiate hard with processors and wholesalers. If cooperatives do not work efficiently to comply with the need of their members, they risk losing them fast and farmers can turn to the other market channels. Practical recommendation: The cooperative management has to make continuous effort to maintain members motivation and commitment to participate through achieving higher outlet price, negotiating better contracts with wholesalers and processors, organising for cooperative members training and advice, caring of social activities.

Cooperation as survival for majority of small and medium-size farmers: there is a widespread opinion among agricultural stakeholders that cooperation is survival strategy for small and medium farms (not so much for big farms), therefore much greater political attention and appreciation should be given to the ideas, organisational forms and support of cooperation; recognition of agricultural cooperation should be much more stated and acknowledged in policy documents. Policy recommendation: COFAMIs and farmers cooperatives need higher profile political appreciation and acknowledgement as an organisational form towards competitive agriculture, successful marketing and sustainable rural development.

Leadership: If to compare grain and meat sectors in Latvia from the point of view of economic performance and farmers cooperation the first can be evaluated as success while the latter - failure. The explanation lies also in the fact that in grain sector cooperatives leaders and managers are much more professional. In milk sector there are three that although do not possess processing capacities yet, but due to active leadership dairy farmers cooperatives are expanding and improving. Practical recommendation: 'Best practice' examples of successful cooperatives should be circulated among stakeholders (farmers' NGOs) and farmers. Management training courses, training for leaders and 'know-how' management manual for farmers are necessary to develop and/or improve the entrepreneurial and cooperation skills of farmers.

Niches: Cooperatives can form niches themselves and differentiate quality products. The initiative should come from farmers themselves, but the problem is that farmers' lack knowledge about market differentiation, procedures how to set rules collectively, organise niche production and marketing. Practical recommendation: Training programme for the cooperative leaders and potential managers on niche, quality and speciality product development and marketing should be created providing examples from other countries along the process of training.

Agricultural/rural education: Students of agricultural colleges, vocational schools, and Latvia University of Agriculture should receive more education and training in agricultural cooperation and marketing. Policy and practical recommendation: educational and training programmes and courses in the field of agricultural cooperation and marketing should be introduced in agricultural colleges, vocational schools, and Latvia University of Agriculture.

## 6. RESOURCES

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Radoraidījums Eiropas Fondu atslēgas 16.03.2005. klausītājiem dod iespēju uzzināt kā ES struktūrfondu līdzekļi tiek izmantoti Zemgalē. Žurnālists un producents Imants Austrīņš uz sarunu aicinās Latvijas rapša audzētāju kooperatīva Latraps valdes priekšsēdētāju Edgaru Ružu, kurš informēs radioklausītājus par ES struktūrfondu līdzekļu piesaisti kaltes iekārtu attīstībai un graudkopībai nepieciešamās tehnikas iegādei. Radoraidījuma turpinājumā klausītājiem tiks piedāvāts apskats par biodegvielas attīstības, tai skaitā arī rapša pārstrādes attīstības, nepieciešamību Eiropas Savienībā. (Radio emission Key to European Funds proposes an interview with the executive director of Latraps about the modernisation of drying facilities with the use of European funding, as well as informs about the development of biofuel production and rape processing in European Union) <http://www.esfondi.lv/events.php?id=1&arhivs=all&action=event&category=45&eid=566>

Radoraidījums Eiropas Fondu atslēgas, kurā citu tēmu starpē sniegts ieskats kooperatīva Latraps modernizācijā, par ko stāsta kooperatīva biedri – rapša un citu graudaugu piegādātāji. (Radio emission Key to European Funds on the modernisation of Latraps) <http://www.esfondi.lv/print.php?id=729>

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