

Oregano in the Valleys of Bolivia

Value chain services through a private shareholder company



by FDTA-Valles oregano team¹

In Bolivia a private foundation, an umbrella producer cooperative and a NGO have established UNEC (Unidad de Negocios de Especies y Condimentos) – a private shareholder company – as a body which provides advisory and marketing services to small-scale producers of herbs and spices in remote areas. This rather unconventional approach to the provision of market-oriented advisory services may have potential in other places too.

¹ This article was originally prepared as a case study for a publication on Market-Oriented Agricultural Advisory Services (MOAAS) by the Neuchatel Initiative (www.neuchatelinitiative.net) and has been edited for publication in the RDN by AGRIDEA.

² SIBTA (Sistema Boliviano de Tecnología Agropecuaria) was established in 2000 as a public-private program to promote agricultural development through demand-driven mechanisms. Four private foundations based on the four macro-ecological regions of Bolivia (called Fundaciones para el Desarrollo Tecnológico Agropecuario, FDTAs) are channelling private and public funds to promising projects that involve the active participation of small-scale farmers and other stakeholders.

The context

The valleys of Chuquisaca and Tarija departments in Bolivia are characterised by low and concentrated rainfall, nearly inexistent irrigation facilities, poor transportation infrastructure, smallholder semi-subsistence farming systems and a high poverty index of over 90% with an average family income of 523 USD/year.

In the beginning of 1999, the *Sociedad de Cooperación para el Desarrollo Internacional* (SOCODEVI), a Canadian NGO, and the *Central Local de Cooperativas Agropecuarias de Chuquisaca* (AGROCENTRAL LTDA), a second tier cooperative, were looking for profitable diversification opportunities for the five member producer cooperatives of AGROCENTRAL. Oregano and other spices and condiments were identified as having such potential. In 2001 a proposal for a project to develop this opportunity with emphasis on large-scale oregano production was submitted to, and then approved by, the SIBTA² foundation of the valleys region – Fundación para el Desarrollo Tecnológico Agropecuario de los Valles (FDTA-Valles).

Inexistence of advisory services, lack of commercial know-how with producers, inadequate institutional environment for commercialisation, very limited access to investment and operational capital to allow small-scale producers to access new markets, insufficient scale of production etc. were the main constraints that prevented producers from seizing the opportunity. In 2002 UNEC (Unidad de Negocios de Especies y Condimentos) was created as a vehicle to introduce a market-oriented business model to develop small farm agriculture. It has the function to run the spices business and so enable the member farmers of AGROCENTRAL to produce and profitably market oregano and other spices on a sustainable basis. The reasoning behind creating such an entity was the inexistence of a private stakeholder that could take on the challenge of moving forward the oregano business. AGROCENTRAL and its Cooperatives did not have the capacity to do it, and it could obviously not be the role of FDТА-Valles or SOCODEVI to run businesses; their role is to support development efforts.



A farmer couple in their oregano field.

UNEC

UNEC is a private for-profit corporation in which FDТА-Valles, SOCODEVI, and AGROCENTRAL, together with its five member cooperatives, participate as shareholders. The producers through AGROCENTRAL own 33.3% of the shares of UNEC, with the other two-thirds being held by FDТА-Valles (33.3%) and SOCODEVI (33.3%). It is anticipated that both FDТА-Valles and SOCODEVI will transfer their shares to the cooperatives when UNEC achieves greater consolidation on organisational and commercial levels.

The long-term objective of UNEC is to provide farmers with a business-oriented, economically viable entity that works within the oregano and other spices value chains on a commercial basis in order to generate more profit for the farmers.

UNEC is in charge of the management of agricultural, agro-industrial, commercial and business management

as well as organisational development in the oregano agro-productive chain. It provides services in the following areas:

- Agricultural area: technical assistance, provision of planting materials and inputs
- Agro-industrial area: improvements and innovation in storage, processing, grading and packaging
- Commercial area: national and international marketing and commercialisation
- Institutional area: strengthening of the involved cooperatives and AGROCENTRAL

The Farmer Field School (Escuelas de Campo, or ECAS) approach is used for learning, sharing and exchanging experiences and knowledge in improving production practices and yields and for carrying out on-going monitoring of production. Training and participatory workshops are conducted in organisational development, basic farm management skills, economic analysis of production, utilisation of market information etc.

UNEC's other key task is marketing the produced spices. It builds linkages to internal and external markets, negotiates with buyers and transporters (particularly important for optimal export freight costs), establishes production plans in line with estimated market demand, manages contracts with producers and buyers, and organises transportation and sales transactions.

Achievements so far

By now more than 1000 farming households in the Departments of Chuquisaca and Tarija are engaged with UNEC. Around 52% of the participating households are active members in the cooperatives.

With UNEC, a business model able to bring together small-scale producers under a single entity has been established. Barriers to new markets have been broken. Producers have learnt how to adopt new practices allowing for increased production volumes, reduced loss and improved product quality.

The commercial strategy of UNEC is to establish clients in both internal and external markets. The external markets in which UNEC current operates are Brazil, Uruguay, Paraguay and Argentina. In terms of internal market demand, UNEC has been able to strengthen relationships in already existing markets,



Production of oregano seedlings.

both with wholesale markets and with private firms in the central axis of Bolivia (La Paz, Cochabamba, and Santa Cruz), as well as in the Chuquisaca area itself. The buyers of UNEC produce in both internal and external markets are mainly wholesalers and in smaller quantities the food industry or food businesses (e.g. pizza restaurants).

Further, seven oregano drying centres, nurseries, an essential oil extraction plant and a centre for storage, grading and packaging have been established. The production area has reached over 140 ha. Since 2003, more than 2700 tons of fresh oregano have been produced. These were marketed as dried product or dried for extraction of essential oil which is then sold. Also, production and marketing of other spices (e.g. anise, cumin) as well as organic production have been initiated and the prospects for such diversification look promising.

The factors which motivate farmers to participate with UNEC are various, though its success in increasing incomes of farmers is very likely the greatest. The participating producers have increased their oregano-related income by 79% as of June 2007. Another advantage compared to traditional crops is that oregano provides them with quarterly cash flow. In addition, each participating farmer is able to receive permanent technical assistance and on-going training that allows them to increase productivity and reduce costs, as well as



Oregano neatly packed in large bags.

to have access to secure markets through UNEC and receive immediate payment for product sales. Another incentive for farmers is the possibility of producing new crops that could be equally profitable (new spices, organic production), providing the opportunity for improving economic success on an even greater scale.

Also, UNEC has created 45 permanent jobs, 50% of which have been filled by women.

UNEC has attained an image as a Bolivian spice exporting business with excellent quality products at national and international level. The UNEC label and its image, earned little by little, now have a high impact when it comes to seeking new markets.

Development support and financing

FDTA Valles and SOCODEVI were and are instrumental in the establishment and capacity building of UNEC and in the development of the oregano value chain. They provided conceptual and technical support at all levels.

The efforts to support the development of the oregano and other spices sector are largely funded by FDTA-Valles (i.e. international donor and Bolivian public funds). Also the donor-funded NGO SOCODEVI contributes finance. Those producers who are members

of one of the AGROCENTRAL member cooperatives contribute indirectly through their membership fees. The project in the department of Tarija is being financed to a great extent by the departmental government, while the government of Chuquisaca, despite being very supportive, so far has not contributed financial resources.

So far, 53% of UNEC's operating expenses are financed by the proceeds of the oregano business, with the remaining being covered by FDTA-Valles and SOCODEVI including a portion of the salaries of the technicians and other staff. It is of course expected that on a longer term the operations of UNEC will be commercially viable and fully financed by the profits generated by the spices business. The prospects that UNEC will be fully financially independent in the near future (it is hoped to achieve this within around three years) are excellent. The export market is solid, with very good prices, and the production, processing and management capacities of UNEC are improving. Nevertheless the transition from reliance on development funding to fully commercial functioning of UNEC will be a challenge, even though public funding may continue to be available for tasks that are in the public interest such as expansion into new areas, the inclusion of new small-scale producers or the research and development activities required to move into new products or new markets.



Bags of dried oregano are packed in a truck for export.