

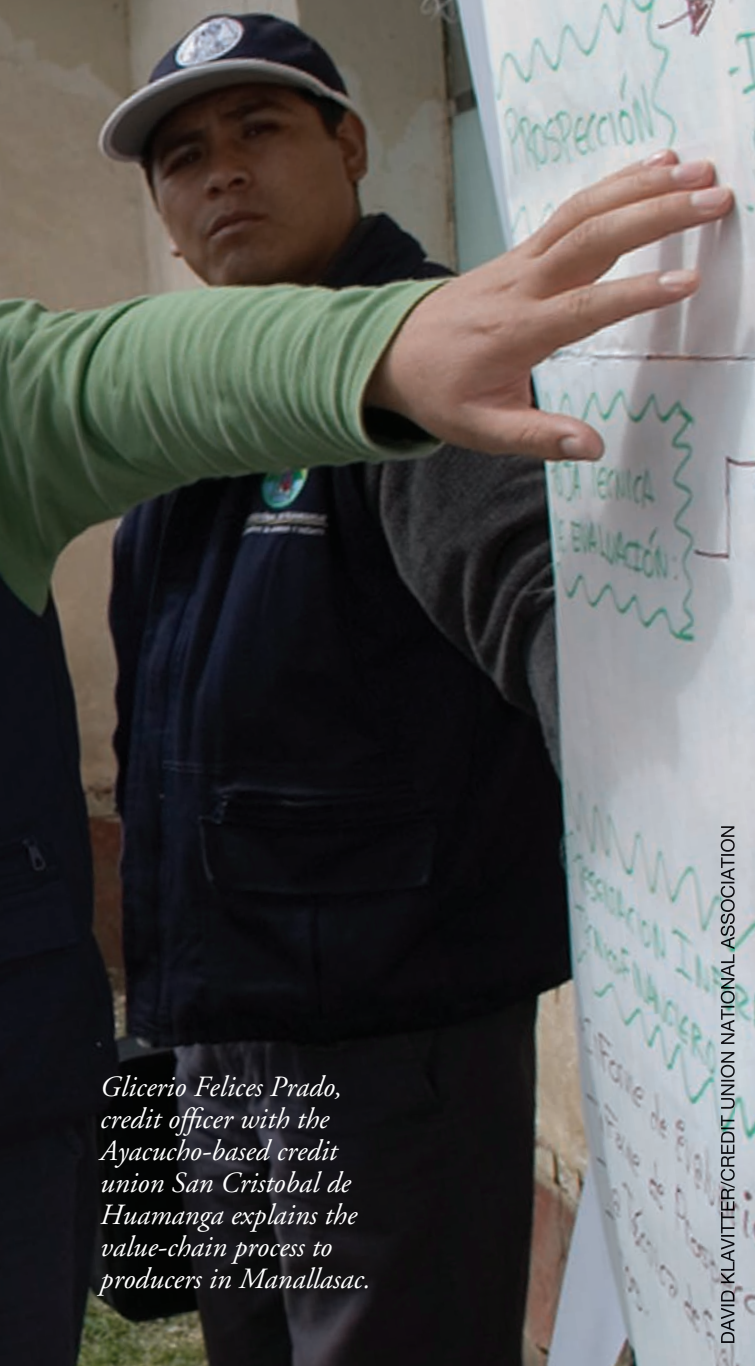


SOWING HOPE, HARVESTING VALUE

Using Value-chain Finance, Peruvian Credit Unions Help Andean Growers Compete

By Stephanie Grell

High in the Andes Mountains, poor rural growers of industrial oats near Manallasac, Peru, were optimistic during this past growing season. As the producers gathered to meet with credit officers from Cooperativa Santa María Magdalena and Cooperativa San Cristóbal de Huamanga, two credit unions based in Ayacucho, there was a sense of hope among them that this year's harvest would yield more bountiful results than the previous ones.



Glicerio Felices Prado, credit officer with the Ayacucho-based credit union San Cristobal de Huamanga explains the value-chain process to producers in Manallasac.

DAVID KLAVITTER/CREDIT UNION NATIONAL ASSOCIATION

Manallasac, like many other remote towns and communities outside of Ayacucho, experienced disproportional amounts of violence during the 1980s and 1990s when terrorism swept through Peru. Many people left the community and those who stayed plummeted into deeper levels of poverty. Although political conditions in the country have stabilized over the past decade, agricultural communities like Manallasac continue to struggle. And now, increased competition in a globalized economy may push new opportunities beyond their grasp.

Previously dependent on potatoes, the producers in Manallasac began growing industrial oats in 2004 in hopes of increasing their income. Unlike the potato market, Peru had an unmet demand for industrial oats, causing producers to think that the crop would pull them out of poverty. Industrial oats, defined as those grown for human consumption, are less risky than potatoes to cultivate because they are more resistant to adverse climate conditions and have a more secure market. After harvest, what's left of the plant, including the leaves, flowers and stems,

can be sold as livestock feed.

However, over the past few growing seasons, the producers have not been able to increase their income as much as expected. What's more, they face stiff competition, this time from competing oat producers in Chile.

"Like many other rural poor, these producers face difficulties increasing income and assets in a competitive global market due to lack of access to finance and market information and relationships," said Luis Jiménez, World Council of Credit Unions' (WOCCU) project director in Peru. "Financial institutions consider these producers, many of whom do not have land titles or any type of guarantee, too risky."

Cultural and geographic isolation also work against the Peruvian growers, Jiménez added. They oftentimes don't have strong relationships with suppliers, buyers and other participants in the "value chain," the process by which the crop or product moves from conception to consumer. Such hurdles, compounded by foreign and national competition, make economic growth difficult for the rural poor.

WOCCU's Credit Union Market Integration Program (CUMIP), funded by the United States Agency for International Development (USAID), supported by the National Association of Credit Unions of Peru (FENACREP) and led by Jiménez, attempts to help the poor rural growers of Manallasac and other communities become more competitive and, as a result, increase income generation and wealth accumulation.

One of CUMIP's goals is to link credit unions in Peru's Andean and Amazon regions with producers in rural areas who lack strong relationships with key markets and the necessary financing required at any individual phase of the value chain, from production to commercialization. Using this innovative and integrated approach, WOCCU and FENACREP are currently working with the two Ayacucho credit unions to finance industrial oat, purple corn and alpaca value chains. The organizations also are assisting Cooperativa San Martín de Porres and Cooperativa Santo Cristo de Bagazán, two credit unions located in the country's Amazon region, to finance value chains supporting producers of coffee, cacao and sacha inchi nuts, also known as the "Inca nut," used to produce an oil with a high concentration of omega-3 fatty acids.

Accessing Finance, Building Relationships

For years, the producers have received technical assistance on how to grow quality oats that will sell for more in the market. For the first time, they have the financing they need to do so. Using the first loan disbursement, received in October when the growing season began, producers had enough upfront money to purchase high quality seeds, fertilizers and pesticides. Funds from the second part of the loan will be used to rent machinery and hire workers to harvest the oats more efficiently, saving the producers money, while at the same time increasing their yields. One by one, the oat producers of Manallasac, who have organized into an association, meet with credit union officers to receive the second and final disbursement of their credit union loan.

"This is the first time that we are providing financing to the poor in rural areas," said Raul Najarro Barrientos, general manager of San Cristobal de Huamanga. "Before working with



WOCCU, it was too risky. We did not have the appropriate credit analysis tools or products.”



While rural producers in Manallasac meet with credit union officers, the children play with the credit union mascot, "Cooperin."

the producers would be repaid at the end of the season. In June, instead of paying the producers for the crop, the buyer will pay the credit union. The credit union will then deduct the amount for the loan payment and deposit the remainder in each grower's credit union savings account.

Increasing Income, Improving Lives

This year, the producers in Manallasac will be better off. Having produced a larger quantity of higher-valued oats and having signed a contract with a buyer, they will make up to 40% more than they did the previous growing season. And for the first time,

these producers will have savings accounts in a financial institution, the initial step in accumulating wealth and building assets.

"People in other communities are noticing the change in Manallasac and are asking when we will start working in their community," explained César Muñares Echavarría, general manager of Cooperativa San María Magdalena. After the producers have sold their oats at a higher price in June, Muñares said "there will be even more interest from producers who are looking for ways to increase competitiveness and create a better life."

Stephanie Grell is the new business development associate in WOCCU's Washington, D.C. office. Contact her at sgrell@woccu.org.



MIGUEL FERNANDEZ



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As a part of the new industrial oats value chain agreed upon by all of the actors, the buyer, Molinera Los Angeles, provides high quality seeds to the rural producers in Manallasac.

In September, producers in Manallasac prepared the land for the industrial oats growing season.

