

Manduvirá Co-operative

About the farmers

Full name:	Cooperativa de Producción Agro-Industrial Manduvirá Ltda
Location:	Southwest Paraguay
Status:	Co-operative
Founded:	1975
Fairtrade certified:	1999
Number of members:	1,050
Certified organic:	100%, certified by IMO/Skal
Volume of processed sugar:	1,200 - 1,500 tonnes
Harvest:	June - November
Average farm size:	3 hectares (7.4 acres)

“With Fairtrade, the farmers have more motivation and they are returning to caring for their land. They can now improve the standard of living for their families and the community, and ensure more education for their sons and daughters. They feel useful – that they can help their family and community and co-operative. That’s why Fairtrade is so interesting to them.”

Luis Dario Ruiz Diaz, President of Cooperativa Manduvirá



Harvesting sugar cane

Background

Manduvirá co-operative, founded in 1975, is located in the village of Arroyos y Esteros (Streams and Swamps) in the southwest of Paraguay. Life for farmers is tough here as the region is remote and isolated, farms are small and incomes are unreliable. The plots of land they own are constantly being divided into smaller and smaller plots because farming families want to have at least a small piece of land to hand down to each of their children.

The aim of the co-op is to support its members in marketing their sugar cane and other crops and provide a range of services such as credit and savings facilities, welfare programmes, technical support and agricultural training. The growth in membership of Manduvirá has been rapid – rising from under 200 initially to over 1,000 in 2006 – testament to the success of the organisation in supporting local farmers.

As well as sugar cane, members also grow oranges, grapefruit, bananas, melon, pineapple, manioc, maize, beans, potatoes, tomatoes, sweet potatoes and peanuts for home consumption or for sale on the local market. Many also keep pigs and chickens. However, access to marketing opportunities in the region is limited by the poor condition of local dirt roads, although the journey time to the important markets in the capital city of Asunción has been reduced following completion of the new highway, Ruta 3, in 2003. The lack of a reliable income has forced many farmers in the area to sell their land and move to cities in search of work. There is also growing pressure from powerful soy farmers who are rapidly purchasing land in neighbouring areas.

The Global Sugar Market

Sugar is produced in 121 countries and global production now exceeds 120 million tonnes a year. Most sugar is produced and consumed in the same country - only about 25-30% is traded internationally, and much of that increasingly within regional trade blocs. In addition to providing direct employment for growers on estates and smallholdings, the sugar industry gives indirect employment to hundreds of thousands of others and, by extension, supports the livelihoods of millions of family dependents.

The global sugar market is heavily distorted by a complex combination of trade measures. The Europe Union (EU) has operated high internal prices and export subsidies for its domestic sugar beet producers, leading to overproduction and the dumping of excess sugar onto world markets. This is estimated to have depressed global sugar prices by 12%. The EU has also imposed steep import tariffs on sugar cane producing countries such as Paraguay. While some African, Caribbean and Pacific (ACP) countries such as Malawi have benefited from tariff exemptions and higher EU prices (under the Sugar Protocol, a market access scheme that is part of the Cotonou Agreement) this is due to be phased out in 2008. Following

complaints at the World Trade Organisation, the EU recently developed proposals to cut prices and subsidies for its domestic producers. However these have been criticized by campaign organisations for both not going far enough and for offering massive compensation to the Europe's own farmers but not to ACP sugar producers who will also lose income.

Fairtrade and Cooperativa Manduvirá

Production and sales

The EU regime outlined above has effectively ensured that imports of sugar from countries outside of any preferential arrangements are largely uneconomic. At a local level, small-scale cane growers in Paraguay have severe cash flow problems in March and April when cane prices are negotiated. Their income from the previous season's harvest usually runs out by January so the intervening period before the new harvest in June is a tough period, known locally as 'el tiempo muerto'. In addition, regional prices are lower than those paid by the country's main mill and hardly cover farmers' production costs nor reward organic production.

Manduvirá co-operative, like other small-scale sugar producers in Paraguay, doesn't have the resources to mill its own sugar cane and so has historically relied on the processing facilities offered by Otisa Sugar Mill, the major processor in the region. The co-operative negotiates a commercial price for its sugar cane directly with the mill. The mill then processes the sugar cane and markets it to national and international buyers.

Fairtrade sales

Fairtrade sales are conducted in the same way – a price is negotiated between co-operatives, mills and Fairtrade buyers based on market prices. The benefit of Fairtrade to certified sugar producers is the guaranteed Fairtrade premium of \$60/tonne plus the organic premium of \$20/tonne. This premium fund is invested in social and economic development projects agreed on by an elected Premium Committee.

Impact of Fairtrade

The engagement of Manduvirá with Fairtrade has contributed enormously to the economic development of the co-operative. The direct contact that the group has had with importers and their increased access to information regarding prices and market flows has strengthened their negotiating power. Around three years ago the co-operative began subcontracting the Censi y Pirotta Mill to process some of its cane. Manduvirá's commercial confidence and capacity have developed to the point that, as from summer 2006, it will increase control of its own exports by subcontracting 60% of production to the Censi y Pirotta Mill and will then market the sugar itself, including packed sugar carrying the Manduvirá brand name.

Fairtrade premium

Members have decided to use 50% of the Fairtrade premium as a cash payment to bridge the gap between harvests when members' incomes are at their lowest. This pays for food, other household needs, and education costs. Where possible part of the payment is invested in the sugar cane fields to improve soil fertility for example.

The Fairtrade premium benefits the wider community as well as Manduvirá's members. The first major project funded by the premium was the construction in 2004 of a new office with a clinic and community hall for 100 people. The co-operative pays for a doctor, two dentists, two medics, and for laboratory analysis - before this there was only one doctor for the whole region. Co-operative members pay 20% of the consultation costs while non-members are happy to pay a little more rather than take the hour and a half bus ride to Asunción. One of the dentists reported that their promotion of dental hygiene has already seen a noticeable reduction in dental problems. This healthcare project has significantly benefited the local population and enhanced Manduvirá's standing in the community.

The premium has also been used to:

- Repair or improve members' houses and roofs
- Replace latrines with newly-built bathrooms and toilets
- Improve access to running water
- Purchase computers for the co-op offices
- Purchase a tractor for use by all members

"It is not only about the Fairtrade premium, today we have a much clearer vision, we can look beyond our own co-op and business. Fairtrade brought us the contacts with traders and importers and gave us access to market information. Thanks to Fairtrade, we have grown from small sugar cane farmers to sugar producers."

Andrés Gonzáles Aguilera, Manager of Manduvirá Co-operative

"Fairtrade has strengthened our cooperative thanks to the long-term relations with the importers. Now we can export our sugar directly and we no longer have to go via the sugar mill. As a result we now have direct contact with the importers and can increase our profit margins."

Victor Rojas, sugar cane grower, member of Manduvirá Co-operative

Cooperativa Ontillo & Cooperativa el Arroyense

These two smaller co-ops are neighbours of Manduvirá at Arroyos y Esteros. In spring 2006 they announced plans to join together as a single organisation to strengthen their commercial position with mills and traders. They traditionally sell their sugar cane to Otisa Mill but have now begun to subcontract the Censi y Perotti Mill to process sugar cane for their own buyers.

Cooperativa El Arroyense

El Arroyense co-op has 191 members and was founded in 1989. Its aim is to help members market their sugar cane and other

fruit and vegetables and reduce their dependence on middlemen.

Use of the Fairtrade premium

- Purchase of a computer for members' children.
- Purchase of books, school uniforms etc for members' children
- Educational project funded a teacher for 11 schools in the region to give extracurricular teaching to four or five children per class with learning difficulties.
- Health project provides subsidised healthcare for all members and their families - reduced fees for medical consultation, surgical treatment, and ambulance charges.
- Extended the co-op offices by constructing a new room with two bathrooms for meetings, education classes and social activities.
- Construction of a house for a security guard.
- Provision of clean drinkable water
- Purchase of new sugar cane fields for members
- Provision of technical and agricultural assistance

Cooperativa Montillo

Montillo co-op has 80 members and was founded in 1995. Its aim is to improve cane production, provide technical assistance and credit, and improve the marketing of members' agricultural products.

Use of the Fairtrade premium

- 50% of the premium is used for cash payments to members
- Purchase of two plots of land totalling 7 hectares (17 acres).
- Construction of an office block with two offices and a toilet.
- Construction of a house for a security guard next to the office.
- Construction of a warehouse to store members' products ready for transport to market and store bulk purchases of sugar, oil, flour, salt, rice and pasta for members.
- Purchase of a crane to move and store the bulk sugar cane.
- Purchase of a large-scale weighing machinery. Previously farmers had to deliver their cane individually to the processor, now they can weigh and store it together for collection by the mill and can verify weight.
- Purchase of a radio-telephone with phone and fax facilities – previously, the nearest facilities were almost an hour's walk away.

Fairtrade Foundation July 2006

Look for the FAIRTRADE Mark on products. It's your guarantee that disadvantaged farmers and workers in the developing world are getting a better deal.

