



# Stronger by association: small and medium-scale forest enterprise in the Brazilian Amazon

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## Introduction

Community-based small and medium forest enterprises (SMFEs) have sprung up across the extensive and remote Amazon frontier. They account for a significant proportion of forest revenue and jobs – even if many of these are informal. High transaction costs in dealing with them often leave them marginalised from policies and markets. At the frontier, marginalisation affects both traditional groups such as rubber-tappers, brazil-nut collectors, indigenous peoples, and more recently, colonists. They rarely share a common history and background.

Associations are one tool that can help. Participation in associations is often an attempt to overcome isolation, poverty and political marginalisation. It is a way of creating a sense of community and enables people to pool their resources to increase bargaining power with outsiders (Merry and Macqueen, 2004). This paper asks what forms of participation at the forest frontier enable associations to deliver?

To answer this question, this article first looks at the contexts in which participation in association has emerged in the Amazon. Next an assessment is made of the institutional forms shaping that participation. The article then examines in more depth some Amazonian examples of association – shedding light on four key elements of association:

**“Participation in associations is often an attempt to overcome isolation, poverty and political marginalisation”**

- cohesion (what glues them together);
- resilience (what decision-making structures keep them vibrant);
- equity (what distribution of costs and benefits keeps members happy); and
- support (what outside inputs are necessary).

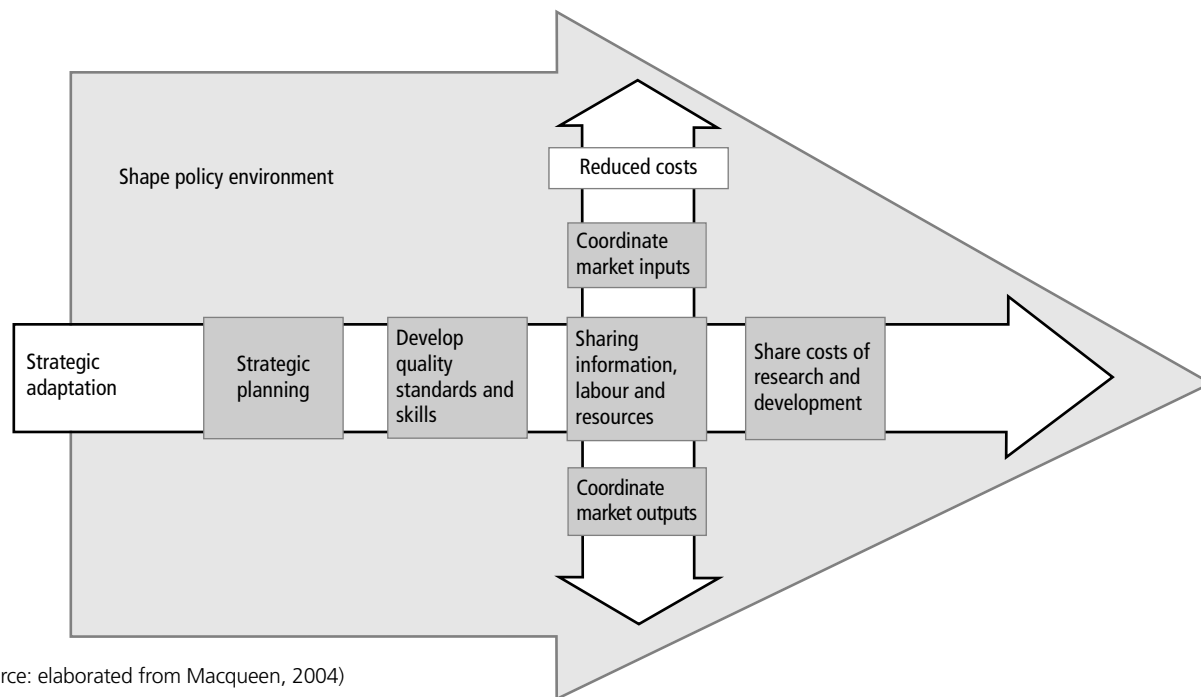
A final action-orientated section points to some ways forward – supporting associations as a tool to help marginalised groups.

## Contexts: where does participation in associations emerge?

Association is about ‘banding together around a common purpose’ – usually strongly felt by those who initially participate in that association. In what contexts has participation in associations emerged at the Amazonian forest frontier? There are three basic scenarios:

- Opportunistic – sometimes access to resources, credit or

Figure 1: The possible advantages of forming an association



(Source: elaborated from Macqueen, 2004)

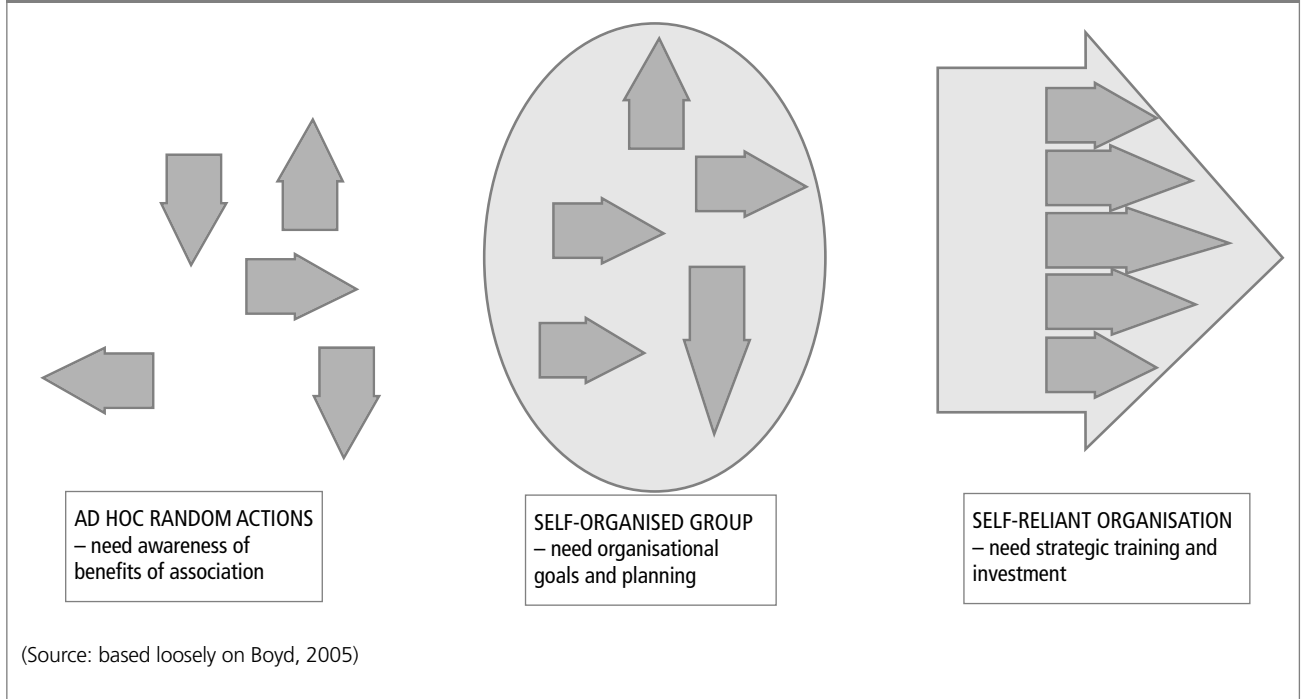
markets is only legally available to groups. For example, in the 1990s many Amazonian associations formed primarily to take advantage of credit offered through a programme known as FNO-Especial.

- Survival – sometimes, community SMFEs have been unable to compete without uniting to increase their scale and market power. For example, the *Cooperativa dos Agricultores de Medicilândia* (COOPERSAME) formed to increase the scale of production and cut out intermediary agents who were making production unprofitable.
- Strategic – sometimes new opportunities have existed to reduce costs or combine specialisms to adapt to new opportunities. For example, members of the *Associação dos Moradores e Produtores do Projeto Agroextractivista Chico Mendes* (AMPPAE-CM) worked together to launch a new eco-tourism project.

In some cases, participation towards association emerges spontaneously across a whole group. For example, the rubber-tappers living in the Seringal Porto Dias, in the municipality of Acrelândia jointly realised that their *Seringal* (natural forest containing rubber trees) might be made into a conventional Settlement Project by INCRA – threatening the integrity of the forest. They then jointly formed an association.

In other cases, a dynamic leader has been more prominent in uniting members. For example, Chico Mendes led rubber-tappers of Seringal Cachoeira, in the municipality of Xapuri, to form an association. The aim was to fight against cattle ranchers who were grabbing their lands and devastating their forests. The Association of Residents of the Extractive Settlement Project Chico Mendes (AMPPAE-CM) was later created to formally access public resources destined to Extractive Settlement Projects. Through their leader Chico Mendes, the rubber-tappers' movement was able to elevate this locally based proposal into national policies for forest peoples.

In some cases, leadership comes from outside. For example, the government agency EMBRAPA helped to start the *Associação dos Produtores Rurais em Manejo Florestal e Agricultura* (APLUMA). Changes in leadership sometimes occur as associations evolve. For example in the state of Acre, the Cooperative of Agro-Extractivists of Xapuri (CAEX) formed to commercialise Brazil nut collection. The initial leadership from among the rubber-tapper members struggled as the scale of the trade exceeded the capacity of individual families. When colonists with greater business experience arrived from Southern Brazil they soon found themselves leading the cooperative.

**Figure 2: The stages of association and organisational development**

Associations can be particularly important in remote areas where other support structures are weak – for example along the Amazonian frontier highway BR 163 that connects Santarém with Cuiabá. In these areas, SMFEs have had few other people but themselves to turn to.

#### Drivers: what do associations help members to do?

What have been the main drivers for participation in associations? Joining forces through association has helped Amazonian SMFEs in three main ways:

- First, associations have pushed for changes in the policies and institutions to favour their interests (the shaded enabling environment in Figure 1). For example, the *Sindicato de Trabalhadores Rurais* (STR) formed to combat powerful ranchers forcing rubber-tappers off their land.
- Second, associations have participated together to reduce transaction costs (the vertical axis of Figure 1). For example, members of COOPERSAME have shared transport costs, labour costs, market information, and so on.
- Finally, associations have shared the costs of adapting to new opportunities (the horizontal axis in Figure 1.) For example, members of the *Cooperativa de Produção Agropecuária e Extrativista dos Municípios de Eptaciolândia e Brasília* (CAPEB) enjoy access to processing, packaging and marketing facilities.

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Different stages of participation can be seen in Amazonian associations (see Figure 2) with an evolution from random ad hoc activities towards highly structured self-reliant development institutions – such as *Reflorestamento Econômico Consorciado e Adensado* (RECA).

As participation has become more formalised, choices have been made about what institutional forms optimise benefits.

#### Institutional forms: what structures how participation occurs?

Associations in Brazil have taken many different forms. Most correspond with those described by Boyd (2005): informal groups, formal associations, trusts, partnerships, cooperatives and companies. Informal groups of SMFEs are often found when money transactions are small, trust is high and there are shared social or environmental aims. For example, interviewees across the states of Para, Acre and Mato Grosso said their main goal was education. Many informal groups are focused on that issue – made up of parents and grandparents, friends and neighbours, all pooling resources

### Harvesting brazil nuts from extractive reserves



Photo: Duncan Macqueen

together to educate their children. Other examples of informal groups are those observed in the interactions between rubber-tappers and new colonists – the latter being trained how to collect, process and transport brazil nuts. Few written constitutions exist in such groups.

If money looms larger – but social or environmental aims are still strong – one option is to form a charitable trust. There are some examples of charitable trusts set up, for example, by the Catholic Church. The starting point is a more complex written deed of trust. Being non-democratic has probably reduced the use of this form of association.

More democratic is the formal 'association'. This is the most common institutional form for participation in the Amazon – for example the Chico Mendes association close to the Chico Mendes extractive reserve. A simple constitution defines objectives and responsibilities. Management is by an elected management committee, appointed on terms

agreed by the members. Associations such as Chico Mendes can own, invest and disperse significant amounts of land, money and other assets. But an association is primarily about representing members' interests, not commercial dealing. It is not a legal personality. Nor does it constitute a guarantee against which to borrow money (i.e. it is not contractible or bankable). Its members are fully liable if things go wrong. If commercial dealings are the main aim, groups often opt for tougher commercial models.

A commercial form widely used in Brazil is the member-controlled cooperative. A good example in the Brazilian Amazon is RECA. Cooperatives are all about democracy, equity and solidarity – i.e. less appropriate if individual profit and limited liability are important aims. Brazil fortunately does not suffer from a strong negative connotation with the word 'cooperative' that exists in other countries where they were forcibly, not voluntarily, established. Cooperatives require the same mix of business skills to introduce technology and find markets as any other business. Attracting these skills without the promise of substantial profits is a major challenge.

Perhaps the most commercially robust form of association is the company: a legal personality that can acquire resources, trade, and employ people just like a person. Directors, members and employees also benefit from limited liability. Yet setting one up in Brazil is not easy. Company law demands complex Memoranda, Articles of Association and annual reports. Moreover there is the risk in a 'company limited by shares' that founding directors are free to dispose of their shares (cashing in). The control over activities can then quickly slide into the hands of unscrupulous outsiders. Not surprisingly local groups rarely adopt the company form.

### Practical insights: what characteristics of association have secured benefits?

Field-based analyses of twelve associations in Acre and Pará showed that many Brazilian associations formed solely to take advantage of government credit programmes (e.g. FNO-Especial credit line). Many (but not all) such associations became empty shells once they have obtained the initial credit. Twelve case studies by Campos *et al.* (2005) describe continuing active groups. In such groups, an average of 90% of respondents felt that their association had made them better off in some way. Associations helped to overcome marginalisation by tackling:

- Insecurity and powerlessness – CAPEB is a large cooperative of rural producers from Acre. The Catholic Church established it to unite rural workers and extractivists, secure access to land and resources and eliminate the middleman

**Sharing mobile  
sawmill technology in  
settlement legal  
reserves**



Photo: Duncan Macqueen

buyer among other aims.

- Inequitable social relationships – members founded the association *Sindicato de Trabalhadores Rurais* (STR), which now has 7,000 members, precisely to give voice to the rubber-tappers against incoming ranchers who were forcing them off their land.
- Drudgery – the women's *Associação de Mulheres e Campo e Cidade de Porto De Moz* (EMANUELA) on the Xingu River diversifies women's activities from manioc production (a staple food) towards liana crafts (a rainforest vine).
- Diminished diversity and ecological resilience – the *Associação dos Moradores e Produtores do Projeto Agroextrativista Chico Mendes* (AMMPAE-CM) acts to promote sustainable forest management in the extractive reserve of Chico Mendes with the help of the World Wide Fund for Nature (WWF).
- Lack of identity – members established the *Movimento de*

*Mulheres do Campo e Cidade* (MMCC) in part to promote women's voices in politics.

The principal motivation for participating in these associations has tended to be financial, but members also emphasised social and environmental aims for the broad community. Associations get support from a huge number of NGO, government and church-based organisations. Even the more advanced cooperatives require a range of financial, administrative, technical and logistical support. A striking feature is the degree to which different associations provide support to one another through mutual assistance. Yet external support is not alone sufficient to keep an association going. The government agency EMBRAPA established the *Associação dos Produtores Rurais em Manejo Florestal e Agricultura* (APLUMA) to promote community timber production. But poor leadership and lack of trust have riven it apart.

Longer-term resilience may depend on formal institutional

procedures. The large cooperative RECA requires attendance at all meetings for one year before accepting new members. Continued membership is only possible through adherence to organic farming standards, environmental preservation, sale of produce through RECA and continued participation in 80% of meetings. Although most associations stipulate membership fees and attendance at meetings, it is common for associations to fail after as little as five years because members do not adhere to these rules.

Associations' members think that democratic decision-making and regular attendance at meetings are important. Campos *et al.* (2005) found that 26% of members attend all meetings and a further 52% attend frequently. Where problems had arisen, lack of trust, opaque decision-making processes or inequitable financial distribution were seen as the main causes. Membership and decision-making in mixed associations tended to favour men – perhaps explaining why women's associations of small and medium enterprise were flourishing in their own right. For example, the women's association EMANUELA was set up to improve women's health, liana weaving and nut processing activities.

### Ways forward: what steps can small-scale enterprises take to form resilient and effective associations?

- Meet with other similar enterprises to identify common concerns;
- Discuss both problems (e.g. those listed under 'Practical insights' above) and goals (e.g. Figure 1) to work out how an association could help;
- Agree a series of foundational meetings to decide rules on membership, leadership positions, frequency of meetings, taking decisions, keeping records and winding things up – making use of the tips from experience described above;
- Use the section on institutional forms (based on Boyd, 2005) to investigate what structure might best serve your interests;
- If you wish to formalise the association, identify and complete all the necessary legal steps;
- Regularly review how to maintain cohesion, resilience, equity and to attract the support you will need from outside.

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