

**International  
Institute of  
Social Studies**

*Erasmus*

**From Disposed to Empowered:  
Peasant's Upgrading Across the Palm Oil Value Chain.**

A Research Paper presented by:

***Lina Sofia Cendales-Jiménez***

(Colombia)

in partial fulfilment of the requirements for obtaining the degree of

MASTER OF ARTS IN DEVELOPMENT STUDIES

Major:

**Agrarian, Food, and Environmental Studies**

(AFES)

Members of the Examining Committee:

Dr. Charmaine G Ramos

Dr. Oane Visser

The Hague, The Netherlands

November 2017

***Disclaimer:***

This document represents part of the author's study programme while at the Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

***Inquiries:***

**Postal address:**

Institute of Social Studies  
P.O. Box 29776  
2502 LT The Hague  
The Netherlands

**Location:**

Kortenaerkade 12  
2518 AX The Hague  
The Netherlands

Telephone: +31 70 426 0460

Fax: +31 70 426 0799

## Contents

List of Tables .....	5
List of Graphs.....	5
List of Maps.....	5
List of Acronyms .....	6
Acknowledgements .....	7
Abstract .....	8
Chapter 1 Introduction .....	10
Chapter 2 . Contextualizing the Upgrading.....	14
I. Contextual and Historical Background .....	14
A. Location.....	14
B. Socio-economic and Political Context .....	16
II. Specific facts of the palm oil value chain and production in Colombia .....	20
III. Cooperative context in Colombia.....	24
IV. What are the AWCs and the APCs?.....	27
Chapter 3 Theoretical Framework.....	28
I. Cooperatives as an empowerment tool.....	28
II. Global Value Chain (GVC) to understand the power relations across the upgrading process .....	29
III. How Cooperativism is related with GVC .....	30
Chapter 4 . Empowering Rural Cooperatives Through Upgrading.....	33
I. When the cooperatives enter in the story.....	33
II. El Palmar and El Horizonte: AWCs that upgraded to APCs.....	36
III. Cooperative’s ultimate ideal type: The consolidation of the APCs vertically integrated cooperatives.....	38
IV. Forget about cooperatives: EP and EH as profitable enterprises .....	39
V. Interaction of these cooperatives across the value chain .....	43
VI. How and Why they developed and succeeded?.....	45
Chapter 5 : Assessment of the Evolution: Upgrading as an effective tool for peasant’s empowerment.....	47
Chapter 6 Critical perspective of the upgrading .....	52
I. Drivers in relation with the cooperatives and GVC Theory .....	52
II. Marxist Critical Perspective .....	54

Chapter 7 Conclusions ..... 57  
REFERENCES ..... 59

## List of Tables

Table 1. AWCs and total associates (1995-2004).....	35
Table 2. Autonomous Business Organizations developed by Indupalma (2005-2017).....	43
Table 3. Cooperative's empowerment assessment.....	48
Table 4. Cooperative's Empowerment Assessment: ICA principals .....	50

## List of Graphs

Graph 1. Shares of the Annual Palm Oil Sales in Colombia (1998-2016).....	21
Graph 2. Palm oil value chain.....	23
Graph 3. Stage 1 of the cooperative evolution: Creation of the AWCs .....	34
Graph 4. Stage two of the cooperative evolution: Consolidation and enforcement through investment in productive assets .....	36
Graph 5. Stage three of the cooperative evolution: The Establishment APCs .....	37
Graph 6. Stage four of the cooperative evolution: APCs vertically integrated as integrated cooperatives .....	39

## List of Maps

Map 1. Location of the Cooperatives and the Leader Company (political map) .....	14
Map 2. Location of the Cooperatives and the Leader Company (Close-up satellite view)	15

## List of Acronyms

ABU	Autonomous Business Units
APC	Agricultural Producers Cooperatives
AWC	Associate Work Cooperative
CEO	Chief Executive Officer
CPKO	Crude Palm Kernel Oil
CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
DANCOOP	National Department of Cooperatives (Departamento Nacional de Cooperativas)
DANE	National Department of Statistics (Departamento Administrativo Nacional de Estadísticas)
EH	El Horizonte
ELN	National Liberation Army (Ejército de Liberación Nacional)
ENA	Agrarian National Survey (Encuesta Nacional Agraria)
EP	El Palmar
FARC	Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia)
GVC	Global Value Chain
IBIO	Investment Banking and Project Operation
ICA	International Cooperative Alliance
ILO	International Labour Organization
M-19	19th of April Movement (Movimiento 19 de abril)
NGO	Non-governmental organization
PA	Peace Agreement
SAS	Simplified Stock Society (Sociedad por Acciones Simplificada)

## Acknowledgements

To my parents, for being my strongest support, my energy source and the endless  
frontier to look up to.

All those who left their trace on this path of self-discovering adventures.  
I have learned from every person, moment, tear and smile.

## Abstract

The present research paper analyses the conditions that determined the upgrading process of two Colombian palm oil cooperatives, El Palmar and El Horizonte, across their value chain as an empowerment path for their members. This process was visualized, created, and implemented by Indupalma, the leader company in the region, as an expansion program that is delimited by the specific socioeconomic context from the establishment of the company, the subsequent creation of these two cooperatives, their evolution until the present times when are profitable companies. To understand how was it developed the focus would be the empowerment assessment through the International Cooperative Alliance principles, the control over the means of production, and the degree of tension in the network in each upgrading stage. Finally, the process would be critically considered by the strategies of the actors involved and the problems or advantages that it brought to the initial members of the cooperatives.

## RELEVANCE TO DEVELOPMENT STUDIES

Peasant's empowerment in relation with other private actors under a market-driven economy for developing countries, is a relevant discussion when the world trend to promote open-market trade to take the advantages of globalization, seems to be increasingly away from its real possibilities in the short term. The agrarian questions are increasingly in force, due to Marxism's critique about the capitalist logic that superposes the market economy are observable but invariant in favour of the last one.

The peasantry is very varied in its definitions and expressions, but in general, it remains the most vulnerable proletariat. In turn, it requires early solutions that reverse the trend towards urban migration, because its problems do not give a wait for a systematic change, but programmatic.

In this sense, the role of the private sector, after the adoption of the market system as an economic and social mantra, is paramount. Detailed regulations by the state are not enough, so the model of peasant cooperatives has been one of the most used responses to include them in the positive externalities of the market in social matters.



Most cooperatives fulfil their values as social and economic organization meaning to their members higher income and better welfare, However, there is no real peasant empowerment through them, but rather a form of labour outsourcing under the name of corporate social responsibility.

Nevertheless, if a peasant cooperative manages to scale in its productive chain and thus capture greater value in the process, it can achieve a true peasant empowerment, of course, within the limitations of its positioning in the global market.

### **KEYWORDS**

Colombia, Palm Oil, Agroindustry, Cooperatives, Value Chain, Empowerment, Indebtedness.

## Chapter 1 Introduction

Rural cooperatives, are considered by the International Cooperative Alliance (ICA) as a model for peasants' empowerment (ICA 2016), and even more according to Joseph Stiglitz, Nobel of Economics 2001, a tool to “overcome the market fundamentalism and to favour economic equilibrium as successful enterprises” (IER 2008). He also recognized that, due to cooperative's principles, this organizations have less tendency to labour exploitation. In Colombia, there are mainly three types of cooperatives: i) Multi-active in which the cooperative can develop many economic activities, ii) Integrated in which several economic activities can be performed, if they are integrated with each other (have a reason of causality), and iii) Specialized meaning concentrated in a single activity.

The present research will explain how two cooperatives, unique in the in the palm oil sector in Colombia, El Palmar (EP) and El Horizonte (EH), managed to vertically rise across their value chain, successfully repositioning peasants from dispossessed members of specialized Associate Work Cooperatives (AWCs), to landowners and holders of agroindustrial means of production part of a multi-active Agricultural Producers Cooperatives (APCs), until a stage of been profitable independent enterprises leaving behind the ideal-type of empowerment through upgrading: Integrated cooperatives. The upgrading process was entirely an initiative of a major private company, who planned four stages for the consolidation of successful peasant cooperatives. Throughout these stages, the power dynamics between peasants and the company were changing, as well as the discourse and the control over the means of production, determined by the country's adaptation of a market-driven economy in the 1990s and the regulatory ambiguities in the process, the economic importance of the palm oil sector in the Colombian agrarian production and its position in its value chain globally.

This research paper is going to critically analyse the extent to which the two studied cooperatives are helping the peasants to be empowered, if the main design and the implementation of the four cooperatives' upgrading stages were led by a major private company under the discourse of mutual benefit of profit-driven behaviour. As previously mentioned, if the advantage of a cooperative is to overcome the market fundamentalism, but Indupalma and the cooperatives are immersed in a value chain where they are minor players, certainly generates difficulties to achieve any empowerment in the global palm oil

market for EP and EH. Even though, an upgrading process through the value chain in which the cooperatives raised their value-added processes, increased their collective and individual income, and obtained a considerable degree of freedom in their decision-making processes, is going to be considered as successful movement towards peasants' empowerment. However, this accomplishment in the middle of the socioeconomic reality of the region where they operate, was only possible through the intervention of the private company, highlighting that ended as the trusted agent of the state and of the other economic agents in the network to carry it out.

To do so, the present research is going to be framed under Global Value Chain (GVC) theory defined by Bair (2005), as a tool to understand the power relations across palm oil's value chain in Colombia, immersed in an open market that delimits the opportunities of making decisions by each actor. The main actors analysed are El Palmar (EP) and El Horizonte (EH), the only two cooperatives that upgraded across their value chain until being, to some extent, empowered companies according to the allocation of the means of production, the decision-making independency, the tension in the network, and the consistency between the rules and strategies of the upgrading with the ICA principles following Sacchetti and Tortia (2012). Capitalist strategies like the indebtedness of the peasants and the company (Gerber 2014) or the risk/costs reduction, but following different value-added profits determined by their position in the network across time, are some of the characteristics of the empowerment assessment that were identified among the actors under the Marxist analytical lenses.

Concretely, the research formulates the question of to What extent does movement up the value chain by peasant cooperatives lead to the empowerment of their members? To support it, other questions will be answered as well, as Which were the key characteristics of EP and EH that allow them to move up? Which were the drivers that shaped the upgrade? What were the advantages/disadvantages for EP and EH members achieving an empowered upgrading?

To address those questions, was conducted an explanatory qualitative case study, deepen in the socio-economic and historical context that shaped the dynamics and actions of the actors, unmasking the 'between-the-lines' in Indupalma's discourse as the replacer of the state as welfare supplier. The information was collected by semi-structured interviews with Indupalma's cooperative promotor (Interview 1), EP general manager and member of the

cooperative from the beginning (Interview 2), and Indupalma's Corporate Social Responsibility (CSR) director (Interview 3). Secondary data such as Indupalma's annual reports and evaluations of the upgrading process, national news related to the specific cooperatives, different interventions of Indupalma's representatives promoting the model, cooperative's normativity in Colombia and economic policies adopted by the country across the time were also collected. In addition, non-governmental organizations (NGOs) evaluation of EP and EH, and presidential debates where Ruben Darío Lizarralde, Indupalma's manager across all the upgrading process and nowadays running for president.

After developing the assessment of each of the stages of the upgrading process towards empowerment, were identified by Indupalma's cooperatives promotor, three important characteristics that only EP and EH accomplished and that led their move-up as APCs: i) a common economic project of all the members ensured by the condition of an indivisible land, ii) every member knows well the rest of the members, justifying previous stages as AWCs, and iii) the members were socially homogeneous, being completely disposed and landless migrant peasants.

Furthermore, the research found that the key driver for a successful upgrading process was precisely that it was conducted by a major private company. This condition granted three important factors required for economic sustainability: i) Indupalma was the link between the cooperatives as producers with the market, meaning a place to sell their oil palm fruit, despite that it was for Indupalma itself, ii) Long-term ensured production purchase, reducing uncertainty risk for both, Indupalma and the cooperatives, and granting the land loans payment, and iii) Indupalma as the trusted actor by the state and the financial market to manage the land loans and the crop's productivity.

Even though, EP and EH are not cooperatives any more for reasons that are going to be explained later in this research, their members can be considered economically empowered in their value-added stage within their commodity chain. Although, that empowerment brought advantages like the rapidly change in the members reality from landless peasants to profitable entrepreneurs in only 10 years, and an impressive personal income rise, also were found disadvantages of bringing peasants into market dynamics. A direct exposition to market issues like the uncertainty of price volatility driven by other big players, palm oil being a targeted sector as exploitative and enemy of the environment national and internationally, lack of managerial abilities due to the low maturity and the 'new-rich' curse

of personal luxury expenses instead of investment in the requirements of the company, that consequently brought sickness in the crops by a lack of extension assistance. Nevertheless, the most important consequence of the upgrading was the member's capitalist -in a Marxist sense- behaviour finding strategies of social segregation by productivity and selfish profit ambition, instead of common welfare that was the ideal-type designed by Indupalma in the first place.

Last year, Colombia signed a peace agreement (PA) that includes peasant's economy and cooperatives as an important part to integrate the ex-guerrilla members to legality and to achieve the poverty and inequality decrease in the rural areas, by giving them productivity incentives to generate added value. It took my attention and made me think carefully about if the promotion of cooperatives in agriculture is helping peasants to economically empower through the upgrading across the value chain.

In summary, what this research found was that if the state decided to leave the rural welfare in private hands, which was the purpose of the 1990s economic reforms, then the upgrading program presented by Indupalma was a successful solution found to accomplish it. Consequently, do not blame the private company if the capitalist incentive for profits is the main driver of the whole upgrading model or do not pretend that the peasants are not going to be trained and behave according to the market rules ending with peasant's empowerment as an accommodating life rather than transforming the social order where they are still not heard until they complete the upgrade. It is exactly what was described by Dolan (2012) as 'inclusive capitalism' in which capital accumulation is morally correct bringing citizenry of under-developed regions into global markets as modern entrepreneurs self-responsible, outsourcing poverty alleviation to the poor and generating deserving and undeserving poor.

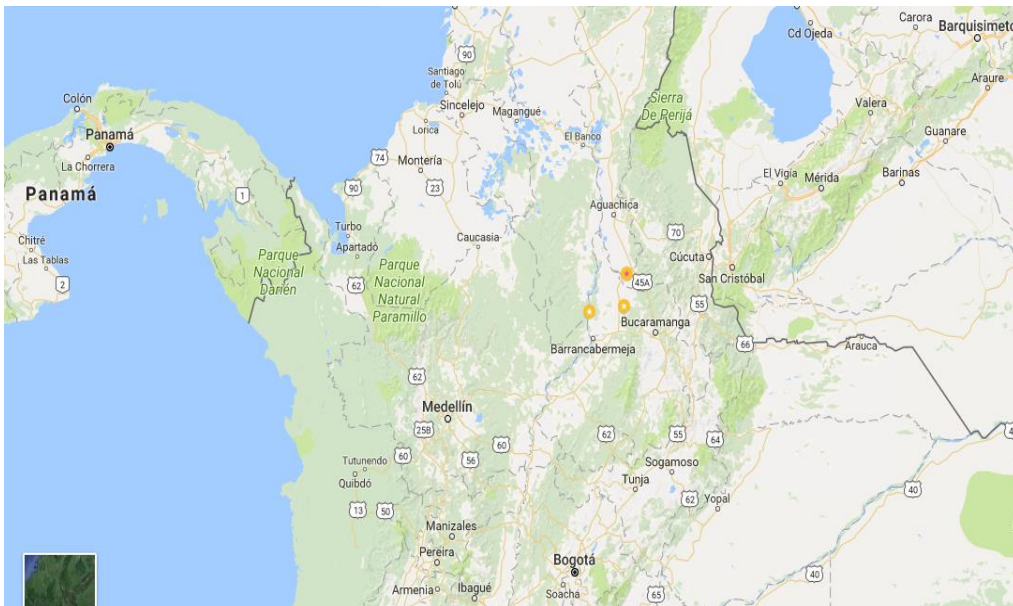
## Chapter 2 . Contextualizing the Upgrading

### I. Contextual and Historical Background

#### A. Location

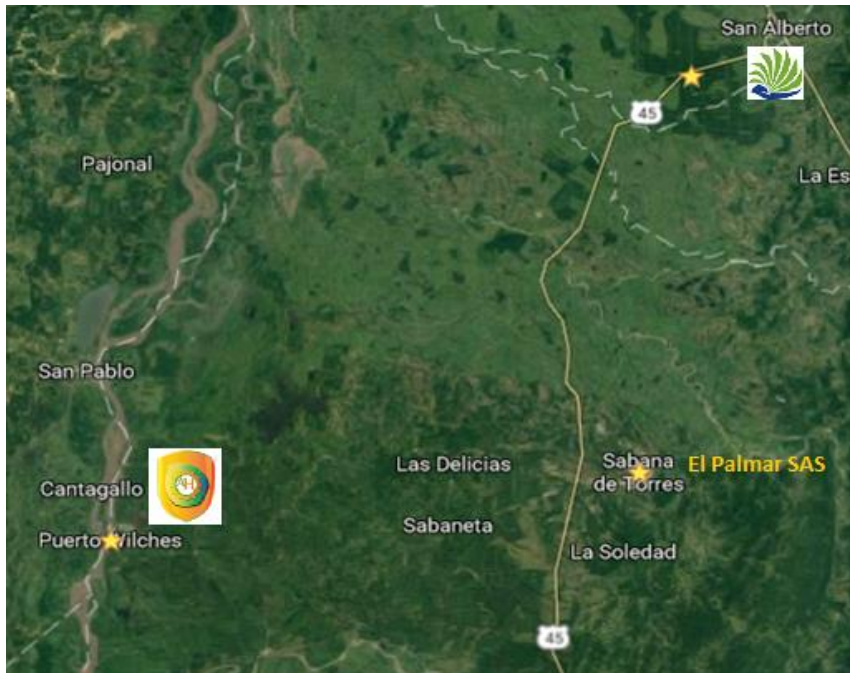
El Palmar (EP) and El Horizonte (EH) are in the middle Magdalena region in Colombia, called as that due to is in the middle slope on the bank of the Magdalena river. Belonging to the municipalities of Sabana de Torres and Puerto Wilches, at the north-western department of Santander, EP and EH are one and two hours far respectively from Indupalma’s main plantation, located in the southern part of the department of Cesar in limits with Santander. With a 55% of valleys and plains of the territory, makes it suitable for oil palm plantations.

*Map 1. Location of the Cooperatives and the Leader Company (political map)*



Source: Google maps.

Map 2. Location of the Cooperatives and the Leader Company (Close-up satellite view)



Source: Google maps.

The location where the plantations of Indupalma, EP and EH are, is relevant in terms of armed conflict and tensions within the actors in the network. The Magdalena river connects the capital and the centre of the country with the north coast and the maritime ports at the Atlantic Ocean. At the same time, the closeness with Venezuela makes it a legal and illegal trade corridor of major importance. Nonetheless, a region with an uneven state, leaves space for other actors to take territorial control and to provide public services, leaving in the middle the local precarious and detached population, in a sense that Arnold and Bongiovi (2013) described under conditions of labour uncertainty, low income and limited social benefits disintegrated from the welfare state not by choice.

The population of the three municipalities was concentrated in small industries, livestock farming, and even bringing migrant population to the first steps of the oil industry. From the 1970s and onwards, the most important engine of the economy, the welfare-former and the determinant of social conditions, has been the palm oil (Puerto Wilches 2017, Sabana de Torres 2017, San Alberto 2017), especially in San Alberto, where the extension of Indupalma's plantation is clearly observable in Map 2.

In addition, in the interviews with Indupalma's cooperative promotor (Interview 1) and with EP's general manager (Interview 2), both declared that the region was very abandoned, always having migrant population according with the commodity booms presented, as well as clarifying that, consequently, there was not any peasant's economy <sup>1</sup>of self-exploitative family labourers or a strong belonging to this territory. Instead of that, the region was characterized by being forestry or with a few small-scale producers rarely cooperating with each other to achieve economies of scale. When the members of EP and EH entered in the economic network of the region, Indupalma was already ruling and expanded the oil palm around its plantation in San Alberto.

One characteristic highlighted in Interview 1 is the agrarian vocation that nationally lowlands have had in the country, which have been used for large scale and mechanized plantations or livestock farming. In the cases of Indupalma, EP and EH, Interview 1 and Interview 2 agreed that if oil palm was not there, it is very likely that they would continue with livestock farming under traditional landlords of the region and would be less populated due to the migration from rural to urban areas.

## **B. Socio-economic and Political Context**

Across the history, there were three main institutions replacing the role of the state at the middle Magdalena: Major enterprises, three different guerrillas according to their armed and politic power, and paramilitary groups also imposing armed force. From them, those that have persisted, are the enterprises, being the major actors shaping social and economic realities the locals and bringing an important migration to the region as it was financially improving. (Fadul 2001)

Indupalma was one of those enterprises, established in 1961 around the same moment when Colombian guerrilla organizations were born. At that time, there were only two main employment options in the region: working for Ecopetrol, the national oil company with

---

<sup>1</sup> Heynig (1982) rescues the Chayanov's Theory of Peasant Economy (1974). Societies that not necessarily are governed by economic incentives and have other social bonds as kinship or the conscience of territory. In that sense, a peasant is who harvests with no pretention to commercialize having a different attitude over the land and labour. Those that have commercial incentives are considered farmers. In the peasant economy, there is no (or less) wage labour, profits, or rents. The production is for self-or-community consumption only under the valuation of use through subsistence work.



its biggest refinery there, or work in all the economic activities related with the Magdalena river, mainly naval transportation, and commercialization. That was also the time when the labour unions were very solid and heard, especially those working for Ecopetrol or at the port, reason the *Ejército de Liberación Nacional* (ELN, by its initial in Spanish) was deeply rooted in the local population. (Zero 2015).

In the 1970s, episodes of work stoppage led by the labour union and the murder of Indupalma's chief of staff, an episode that a judicial determination declared that members of the labour union were involved in the crime. In addition, the guerrilla called *Movimiento 19 de Abril* (M-19, by its initials in Spanish), after a slight force decline of the ELN, kidnaped Indupalma's general manager, demanding for better labour conditions, a pressure that ended in the acceptance by the company. Therefore, the company progressively ended in a critical financial crisis, especially with the pension liabilities and with additional petitions constantly added by the labour unions backed up by the guerrilla. (Prieto 2011)

After the claims, Indupalma provided a school, a hospital, constant salary increases, among others, bringing social security and higher per capita income in the region. After deciding that most of the labour force would be contracted directly by the company, population settlement increased with demands for social security for new generations. This demographic trend and claims continued across the 1980s. (Fadul 2001)

At the beginning of the 1990s, still with the presence of the guerrilla, at that time, paramilitary forces emerged and rocket responding to the drug trafficking phenomena that remarked the first half of the decade. These new forces weakened the company, the labour union, and the guerrillas power, due to the paramilitary forces were created as self-defence from guerrilla attacks. Paramilitary repressed the labour union and the company, because the first one was supported by the guerrilla, and the second one had involuntary paid and, in some sense, sponsored guerrilla activities (Fadul 2001). Jointly, the guerrilla of M-19 and some others, signed a peace agreement with the government and demobilized as a political party.

Meanwhile, the economic policy went from protection of national production having the highest tariffs of the Andean countries and import's substitution, to a trade opening under the neoliberal government that was called as the process of modernization of the public service, minimizing the role of the state as the new economic development project. This process brought foreign investment, that consequently meant a revaluation of the

Colombian peso. What motivates the change in the economic policy was that, even with the protected and close economy that allowed the industrial growth, it was emphasized that the marginal presence of Colombian exports in international markets forced a change in the development model also looking for productive modernization. It was clear that the economic structure of the country needed to be prepared to compete in the global market in terms of cost of production dependent of the international prices, reason the tariff cut-off was made gradually and according to the type of product. (Garay 1998: Cap 3)

The change in the economic model from the end of the 1980s until the mid-1990s also impacted the labour market. Service sector still was the biggest employer, but the second most important sector, manufacturing, was decreasing after the decline of industrial activities. At the same time, the levels of *salarization*<sup>2</sup> importantly increased whereas informalization decreased in the biggest cities, contrary to the intermediate cities and rural areas where it grew. Additionally, there was a decline of the people perceiving less than the minimum wage and without any coverage of social security, but that trend was specially located in the urban areas, something that increased the rural migration. In the mid-1990s, the unemployment rate was almost 12% because the economy was not creating enough jobs for the increasing better-educated population. The significant increase in the minimum wage in dollars in real terms (10,8% per year between 1992 and 1996) produced a cost increase for the economy in international terms, resulting in a lower competitiveness of domestic producers. (Garay 1998: Cap 1)

In the case of the agrarian activity, not only trade liberalisation negatively shocked the palm oil production liability, but also the decline of the international agrarian commodity prices, left the unskilled labour force in the rural areas, consequently decreasing the real salaries of the agrarian sector. (Garay 1998, Cap 1)

An additional action taken by the government after the trade liberalization, was in terms of labour regulation. The labour reform (Law 50 of 1990), made hiring systems more flexible and reduced some labour costs related to severance pay and pensions for unfair dismissals. Meanwhile the social security reform (Law 100 of 1993) increased contributions by employers, generating a growth of non-wage costs as a proportion of the payroll, which has

---

<sup>2</sup> *Salarization* understood as increasing the population that perceives a salary, but it does not mean formal labour, because most of the time are excluded of social security in outsourcing companies or under fixed contracts. It not necessarily means formalization, but transformation from informal to flexible labour as explained by Arnold and Bongiovi (2013).

had an impact on the competitiveness of labour-intensive sectors as the palm oil, and has led, into some extent, their displacement. (Garay 1998, Cap 1)

The 1990s decade ended with a financial and economic crisis consequence of the previously explained change in the economic system. The entrance of international capitals and the increase in the credit market, especially for real estate, were overshadowed by the Asian crisis of that time and the deteriorated financial market, ended in a massive capital outflow with high interest rates impossible to pay by the highly indebted population, having no more choice than to leave their properties in bank's hands, as those that are going to be the land distributed to EP and EH APCs.

Now in the 2000s, the now ex-guerrilla called *Fuerzas Armadas Revolucionarias de Colombia* (FARC by its initials in Spanish) had an impressive expansion across the country financed by drug trafficking. It also was the time that, remarkedly in where Indupalma's plantation is, the levels of violence of the armed conflict between FARC, paramilitary forces, and the state military forces, were large. (Zero 2015)

During the two consecutive presidency periods of Alvaro Uribe from 2002 until 2010, the government policy was focused on deteriorating the guerrilla power through military actions and a growth boost by the called "Democratic Security" financed by foreign investment, taxes' increase and an adjustment in the public investment focused on military forces.

Since that time, oil and gas conformed the largest exporting sector (43,8% in 2000), and being capital-intensive and the middle Magdalena region a relevant producer, increased the inequalities by income concentration (Ferrari 2014). This situation, rise pressure over the agroindustrial sector to generate enough jobs to prevent massive migrations to the urban areas. In that sense, and in an opposite direction than the rest of the rural areas, San Alberto and where EP and EH are, became receptors of rural labour force (Prieto 2011).

The 2000s lived a de-escalation of paramilitary and guerrilla action, and economic growth. That positive trend, even highly violent, allowed the country to overcome the 2008 global economic crisis better than some others in the region.

Now in the 2010s, under the presidency of Juan Manuel Santos, Colombia mainly concentrated its efforts in achieving a PA with the FARC and reinforced the economic free trade. At the same time, is the moment when the agricultural investments in the middle Magdalena increased, in addition with the national decision to produce biofuels.

The most recent information from the Agrarian National Survey (ENA by its initials in Spanish) of 2013, the 80% of the productive soil was under livestock production, contrasted with the 10,3% in forestry, 7,3% in agriculture and 2,1% in other activities (Agencia UNAL 2014). This trend has been increasing and deteriorating the suitable soil for agriculture, because it is known that the cheapest and profitable investment for a poor and rural peasant in the short run, is livestock. On the contrary, the middle Magdalena region was perceiving a different trend and keep absorbing labour force in agricultural activities, specifically in the palm oil industry.

Part of the first chapter of the PA, includes to provide rural regions with public good and services to reduce poverty and inequality, closing the rural-urban gaps by strengthening the peasant, family, and solidarity economy to integrate them to the market, specially where the state has been uneven. Under this objective, the plan considers incentives for productivity specifically under the solidarity and peasant's cooperatives that allow the rural population to generate added value. To achieve that goals, right now San Alberto was categorized as the 'solidary territory for peace building' implementing the "National Plan to promote solidary and cooperative rural economy", considering that three quarters of its population is dependent of the palm oil sector. (El Heraldo 2017). In fact, the government and the ex-guerrilla members are there specifically to understand Indupalma's model of cooperatives and trying to extent it in other regions and in other crops.

## **II. Specific facts of the palm oil value chain and production in Colombia**

The oil palm plantation has certain characteristics that shape its production and the capital requirements to produce it. This is a long-term crop: capable of production for 30 years but takes at least three years before it starts producing, under the need of constant maintenance. Consequently, they require a significant financial commitment to survive the first years.

In addition, to obtain palm oil, it is necessary to have as near as possible an extraction plant, requiring the machinery and equipment import. Furthermore, what happens with any liquid industrial production, it requires important economies of scale and minimum extraction scales to be profitable. Any liquid should be transported as short as possible, an argument to have a high concentration of this crop in specific regions. Specifically, it needs 500

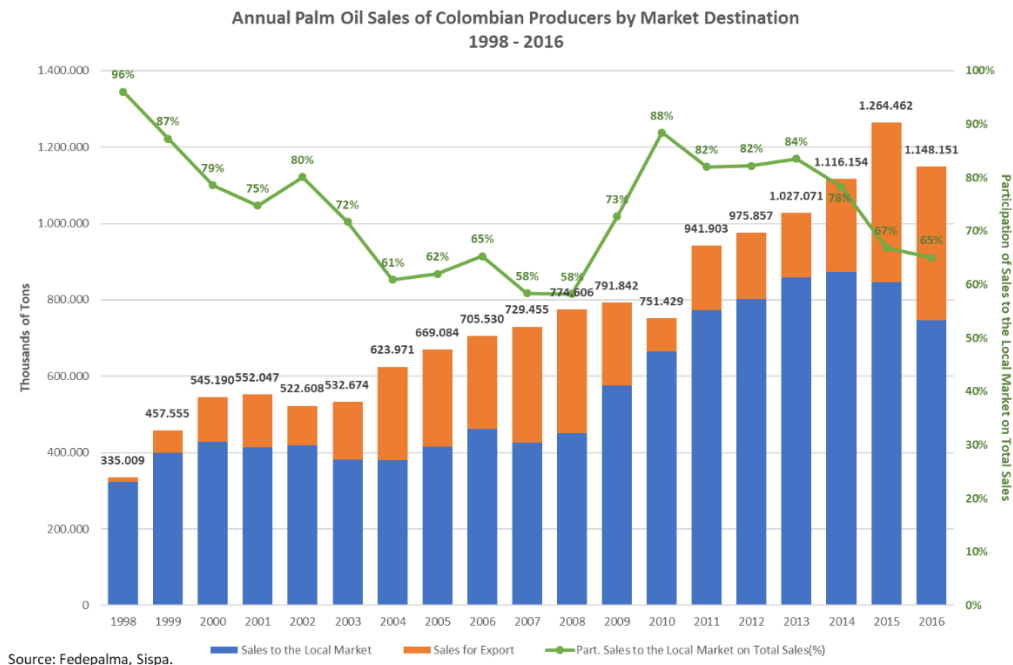
hectares (ha) minimum to make profitable to build an extraction plant and, complementary, it is permanently intensive in labour at the agrarian and agroindustrial level. (Fadul 2001)

In Colombia, the palm oil industry had been very concentrated in a few large land owners controlling a complete vertical integration of the value chain. Even though, as was explained before, they were forced to accept petitions related with social security an uneven welfare state in the region.

Colombian palm oil sector, is immersed in a global market dominated by Indonesia and Malaysia, which developed a whole oleochemical industry based on high technology and mechanized harvesting, huge economies of scale, and the very hard to defeat for the rest of developing countries, very low labour cost from low-income neighbours countries like Cambodia or Bangladesh (Accenture for Humanity United 2012), comparatively with Colombian increasing labour cost relative to Malaysia and Indonesia (LMC International 2015). Under that circumstances, Colombia is price-taker in this open market.

Most of the palm oil production is consumed by the local market, especially in the value chain where EP and EH are engaged because they began selling their contracted production to Indupalma, who proceeds to process it and sell their oils to the downstream clients.

Graph 1. Annual Palm Oil Sales of Colombian Producers by Market Destination (1998-2016)



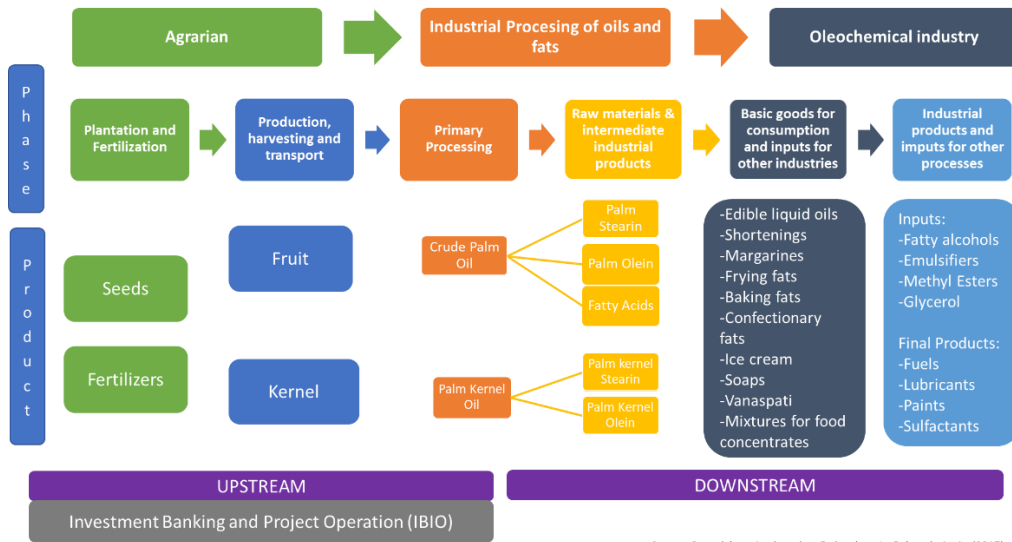
From the graph 1 can be observed that the total sales of Colombian palm oil from 1998 to 2016 have been constantly increasing on average, contrary to the participation of sales to the local market on the total sales, but still most of the national production is consumed internally. That participation used to be 96% at the beginning of the series until 2007 when reached the lowest participation (58%). More recently, in 2016, the Colombian production is consumed locally by 65% of the total sales following three years of a constant decrease.

Consequently, the present research is focused on the dynamics of the local value chain immersed in a global commodity chain where Colombia is an important player, but not a value determinant one.

The local market sales showed in Graph 1 have two big phases until achieving the final consumer according to the level of value added and processes of transformation: the upstream and downstream phases. The first one, covers the whole agrarian production until the extraction process obtaining Crude Palm Oil (CPO) and Crude Palm Kernel Oil (CPKO) which constitute the first added value outcomes of the agroindustrial phase. In the present research, the upstream phase is covered by Indupalma, the Associate Work Cooperatives (AWCs), the Agricultural Producers Cooperatives (APCs), and the Simplified Stock Society (*Sociedad por Acciones Simplificada* by its name and initials in Spanish). In that sense, EP and EH, among the time as AWCs, APCs and SAS, remain the upstream phase of the value adding process.

Following the upstream phase, are the oleochemical phases, the downstream part of the value chain. These are driven by one of the major economic groups of the country, the Haime-Gutt group, which also owns Indupalma. The present research allocates EP and EH at the initial phases of a vertically integrated network across most of the palm oil value chain, dominated not for the direct major player in the region, Indupalma, but for an even bigger actor, the Haime-Gutt group with whom EP and EH have limited contact.

Graph 2. Palm oil value chain in Colombia



Source: Own elaboration based on Fedepalma, *La Palma de Aceite* (2017)

According to Graph 2, the AWCs are covering the second and third of the phases: the production, harvesting and transportation of the fruit and kernel until the primary processing to obtain CPO and CPKO). The APCs cover from the AWCs until the primary processing phase where the CPO and the CPKO is produced, covering most of the upstream vertical value chain of the sector. EP and EH, upgraded from the suppliers of labour services and raw material to the first level of industrial transformation, which is the first phase of added value within the upstream part of the chain.

Indupalma, as well as the Haime-Gutt group should be placed following the previous scheme, to understand the vertically integrated chain. At the beginning, before and during the AWCs were established, Indupalma was their seeds provider (phase 1), their employer in phase 2, was the owner of the biggest oil extraction plant in the region, and producer of CPO and CPKO (phase 3) to be sold to the Haime-Grutt group, which oversees most of the downstream phases. However, Indupalma has upgraded and at the present is more focused on Investment Banking and Project Operation (IBIO) within the upstream phase. Also, is venturing in other agricultural sectors offering the consultancy and operational services. This upgrading under the same phase of the value chain, also explains the need to help the AWCs to evolve as APCs.

The upgrading, is considered by the company<sup>3</sup>, the government<sup>4</sup>, and the people from the region and cooperative's associates<sup>5</sup>, as a successful case of economic development created as a top-down model by Indupalma, targeting vulnerable rural population. The main goal was to provide the tools for an inclusive entrepreneurial business, generating labour opportunities in a sustainable model promoted by the private sector. The success of the model is going to be assessed in Chapter 4 but in terms of peasant's empowerment.

Across the palm oil value chain in Colombia, it is crucial to understand the actors' power relations at the national level, because the influence spectrum of the Haime-Gutt group, owner of the upstream and mostly the downstream stages of the value chain. This economic group is very powerful and influential in the national sphere. However, as an economic group facing a global market, they cannot compete with the low prices and wages obtained by the major competitors of this commodity, Indonesia, and Malaysia.

### **III. Cooperative context in Colombia**

The first relevant law related with the cooperatives normativity is the law 79 of 1988 determining fundamental role of cooperatives for the national economy, promoting the ICA principles contributing to the social and solidary economy. This law identified three types of cooperatives in the country: i) Multi-active in which the cooperative can develop many economic activities, ii) Integrated in which several economic activities can be performed, if they are integrated with each other (have a reason of causality), and iii) Specialized meaning concentrated in a single activity. Even legislated and approved in 1988, the law 79 was regulated under the decree 468 of 1990, as a tool to supplement the law to make the regulations effective. (Interview 1)

In 1990, the law 50 reformed the previous legislation, increasing flexibility for hiring, promotes the generation of employment and adapts the law to the national market liberalization. Specifically, relevant to the present research, regulates temporary work

---

<sup>3</sup> Prieto (2012)

<sup>4</sup> Programs of Social Prosperity (n.d.) El Horizonte, <http://mapasocial.dps.gov.co/Proyectos/4544>. El Palmar, <http://mapasocial.dps.gov.co/Proyectos/4543>.

<sup>5</sup> Interview 2, EP general manager.



defining limits, obligations, minimum capital, etc., and types of work that can be contracted under this modality. Additionally, clarifies the concept of salary.

Later, in 1995, after the agreement with the labour union, Indupalma launched what they called the “Program of Promotion, Constitution, establishment, and Consolidation of AWCs for the Southern Cesar”, under the condition that every agrarian worker would be contracted through a AWC. However, was also the time when the national government was trying to make a speed-up of all bureaucratic procedures, change that took almost seven months to have an effective solution for any one that wanted to create a cooperative. Until that year, the cooperatives were registered and audited by the National Department of Cooperatives (DANCOOP, by its initial in Spanish), although the new institution for registration would be the Chambers of Commerce were not ready to assume that role. It took until the middle of 1996 to make all the settings (Superintendence Social Economy 2017). During this transition period were not created any cooperative in the country, reason Indupalma took already established cooperatives of the region, under the impossibility to wait would break what was agreed.

The expansion of the AWCs was exponential and in different sectors. In 1995, were registered 460 AWCs, increasing to 12.000 in 2000. During this period, many registered AWCs passed for Indupalma operating legally, but was evident that they were not accomplishing ICA principles, acting more as outsourcing companies under the cooperative name. For Example, according to the cooperatives promotor of Indupalma:

“One time came a AWC with more than 12.000 members, something that was impractical because it is impossible for all its members to know each other, to be homogeneous and so on. There was an overflow of AWCs in the whole country, by the State itself, to attend fronts as complex as health services and civil works, as by many companies that found in the AWCs a way to hire labour and to not recognize many of their labour rights.

Indupalma itself, there is no record that any of the contracted labour working to the company could have any vacation, none!” (Interview 1)

Cooperative’s normativity was very hazy about the labour regulation they should follow, due to cooperative’s members are not employees, are associates, something that leaved an interpretation gap of what was not governed by labour normativity. In that sense, and what was said by the cooperative’s promotor: “Legally is permitted everything that is not expressly prohibited” (Interview 1).

However, Indupalma tried to make things differently. In fact, there was an important migration looking for the highest salaries in rural and agrarian services. Indupalma explicitly determined in the contracted conditions with the AWCs, that every member should be subscribed to the social security system as any other formal employee.

Only until 2006, the tacit rule that the AWCs were not breaking any law because the ambiguity of the norm, was finally resolved. The clarifying norm, Decree 4588 of 2006 are said the AWCs' limits, because the state could not hold them unregulated trying to prevent labour mediation, instead of following the ICA principles. In other words, clarifying what is a AWC and what is a labour outsourcing company. This came because of the disagreement of the labour outsourcing companies, that found in the cooperative an unfair and unequal competitor, asking the government to establish clear rules, but remain the lack of accuracy if they required to follow all the normativity of an employer-employee relation. Therefore, in 2008 ended only in 3,000 AWCs of the total of 12,000 previously registered as such, from which 7% were focused in agricultural services mainly for palm oil and sugar cane sectors (Rueda and Pacheco 2015).

The law 1233 of 2008 increased the level of the previous clarifying norm, ending most the differences with the labour and AWCs labour obligations, forcing the AWCs to incorporate all the normativity content in the International Labour Organization (ILO) labour convention. Even though, there are few differences related with the social security obligations.

In April 2011, to save the free trade agreement with the United States, was signed the decree 2025 where is specified a special surveillance with more than 500 labour inspectors for the AWCs supplying services to five specific sectors: palm oil, flowers, sugar cane, ports, and mining.

Something that was still missing was to clearly differentiate AWCs from the labour outsourcing companies and the definition of labour intermediation. The decree 2025 of 2011 says what is to send workers on a labour mission (what an outsourcing company does), and creates a guidance specifying what is a cooperative. The mentioned decreed has many inconsistencies that since it was signed the Cooperatives Association of Colombia sued it, something that is still on process. The specific main inconsistency is that says that AWCs cannot be contracted.

The consequence of that normativity gap went clearly over the mentioned sectors with special surveillance, because most of them were contracting labour under the AWCs figure, of course with different types of AWCs, but highly dependent on that contracting figure. Consequently, most of them ended to be sued and sanctioned with high penalties, including Indupalma, EP and EH, issue that is still in process. To clarify the contradiction, the AWCs law says that they can supply services, but the clarifying decree says that companies cannot contract AWCs. So, to whom the AWCs are going to offer the service of why they were established?

#### **IV. What are the AWCs and the APCs?**

An Associate Work Cooperative (AWC) is a specialized type of cooperative which supplies labour force according to the economic sector that requires them, following the ICA principles. They promote a difference with the traditional industrial capitalist relation between employee and employer, where their principal objective is to ensure labour opportunities to the associates, participating in the ownership, labour, management, and outcomes of the association, without losing the profit objective of the cooperative and its members.

A AWCs contractor enters in a market negotiation between equals and not under the power relation of domination by the owner of the means of production or labour dependency. The AWCs help the employee to high value labour, and increase their bargaining power through reinvestment of the cooperative's profits in productive assets or sharing of the profits, a characteristic that cannot be achieved in an employee-employer's relation, where the only exchange is a determined wage under the employer's rules. (Indupalma 2010)

An Agricultural Producers Cooperative (APCs) is a specialized cooperative that supplies the member's production. In this case, the APCs supply palm oil fruit from their own plantations to Indupalma. The only ones that could upgrade until this level are EP and EH in the palm oil value chain, where, how has been said previously, was characterized by large landlords who could afford the specific expenses of the oil palm, especially in the initial stages of the crops where there no input perceived. (EP and EH owner guide Indupalma 2002)

## Chapter 3 Theoretical Framework

### I. Cooperatives as an empowerment tool

According to the International Cooperative Alliance (ICA), “A cooperative is an autonomous association of persons voluntarily united to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.” (ICA 2016). In general, cooperatives are guided by the principles of i) voluntary and open membership, ii) democratic member control, iii) member economic participation, iv) autonomy and independence, v) education, training, and information, vi) cooperation among cooperatives and vi) concern for community. The present research defines peasant’s empowerment through the accomplishment of ICA principles in each of the upgrading stages that are going to be assess in chapter 5.

A small holder peasant faces issues with his economic activity if is not engaged in a vertically integrated chain. Issues as those mentioned by Collier and Dercon (2014) related with a lack of skills and technology, no access to finance for investment in capital, and disorganization about the coordination of trading, marketing, and storage. However, these are the normal issues faced by any entrepreneur with or without cooperative’s support, with a difference that the entrepreneur would face them alone, instead of having a social cohesion that bonds the cooperatives that accomplish ICA principles vi) and vi), and which are going to be a crucial factor for the successful upgrading of EP and EH.

Additionally, the mentioned issues are not related with the size of the of the plantation, but rather to a switch of the shape into a formal organization. Under a cooperative model, small holders can have access to a better structure for production looking for high productivities to overcome the limitations previously mentioned. Therefore, cooperatives are a mechanism to allow peasant’s integration in the value chain, even more, when is a landless peasant where his only contribution to the association is his labour and never considered himself as a member of an economic entrepreneurial association.

Here, is important to take special attention in what the literature says about the role of the cooperatives helping smallholders to capture value, because if the cooperative do not follow ICA principles to also pursue economic growth as a result of investment in the upgrading required for adding value, even the fulfilment of the ICA principles is not enough to

consider cooperatives as a tool for value-capture. Even more, in developing countries, where in many of the cases are producers of primary products with no market power preparing their production to be exported to developed countries, where the added value and industrial transformation takes place.

Rural cooperatives could be considered as an effective tool to achieve peasant's empowerment in terms of the three dimensions defined by Bacon (2010): i) Personal as the ability to meet basic material and nonmaterial needs, ii) relational as the ability to shape and influence relationships and avoid exploitation, and iii) collective as the ability to participate in collective action and reflection. The present research found similarities between Bacon's dimensions of peasant's empowerment with the ICA cooperative's principles.

## **II. Global Value Chain (GVC) to understand the power relations across the upgrading process**

Niforou (2015) explains that the advantage of the GVC analysis is that "its governance is perceived as a spectrum where the degree of control and coordination as well as power imbalances change significantly as a GVC moves from the high end to the low end. In terms of high end, a situation where a lead firm drives the chains in a 'hands-on' manner through, for instance, long-term contracts and high levels of involvement with suppliers. At the low end, the chain is driven by the market ('market governance') while the lead firm (if any) is just one of the many economic entities responding to market forces".

Inside the GVC analysis, Gereffi et.al (2006) identified five types of governance within the value chains: markets, modular value chains, relational value chains, captive value chains, and hierarchy. The present research paper is going to focus on the last two mentioned and as explained by the author. Understanding that captive value chain covers "small suppliers (EP and EH) that are transactionally dependent on a larger buyer (Indupalma), suppliers face significant switching costs and are, therefore, 'captive'. Such networks are frequently characterized by a high degree of monitoring and control by lead firms". Here, is going to be determined if the cooperatives are captive by Indupalma or empowered through the upgrading process, even developed by the leading firm. In addition, it illustrates the mechanisms used by Indupalma to control their investments over the suppliers.

Retaken Gereffi et al (2016)'s definition of hierarchy "characterized by vertical integration. The dominant form of governance is managerial control, flowing from managers to subordinates, or from headquarters to subsidiaries and affiliates". It applies to the present investigation due to placing the possible hierarchy in which the cooperatives are involved under the managerial assistance of the big company. Also, considering that without that shared knowledge by the company about managing a palm oil enterprise to peasants that did not know even to read, was a need from both sides, but is going to be developed in depth in Chapter 5.

### **III. How Cooperativism is related with GVC**

To approach peasant's empowerment and how it changed across the chain, the present research follows Sacchetti and Tortia (2012) to show power relations between the cooperative and other actors or institutions in the chain. It also focusses on three elements: i) The distribution of control over means of production, as expressed by the location of strategic decision-making power; ii) The degree of tension in the network according to Gereffi et al (2016)'s definition as captive value chain or hierarchy dominance, and iii) The degree of consistency between the means (rules and strategies) in relation with the ICA principals of the cooperatives.

Normally, private companies do not have incentives to invest in cooperatives being organizations having control of the benefits only on member's hands. But in fact, is very common that large companies use cooperatives labour to show CSR, decrease their labour risk of strikes, sale a discourse of local peasant's empowerment, but without any real improvement in associates conditions (Lee 2010). The previous scenario was the condition in which the AWCs were if they do not compromise with the ICA principles and if they do not upgrade.

However, in the specific cases of EP and EH, even if they were established and driven by Indupalma, they could upgrade and be empowered by owning the means of production (land and labour), increasing their bargaining power about the long-term, and finally most important, constituting their own oil palm fruit company independent from Indupalma, selling their production to other purchasers in the market, and even being stakeholders of an extraction plant.

On the other hand, even if the creation of APCs was driven by Indupalma, was because an intra-firm change, positioning the company as more upgraded focused on services as IBIO and not on production, Indupalma still needs suppliers for their CPO and CPKO industrial process, motivating the consolidation of the cooperatives, together with governmental incentives to increase palm oil production nationally.

Considering that small producers without the right guidance, face difficulties to achieve highly remunerative markets without intermediaries, it is relevant to understand the multi-stakeholder tension between the leading firm and the small-holder's cooperatives. This mutualistic relationship allows the flow of knowledge as a top-down developmental process, ensuring product's high quality, and translating it into socio-economic and environmental benefits like shown by the Charity Osei-Amponsah group (2016) for the artisanal palm oil production in Ghana.

As part of a palm oil cooperative model of Indupalma, local peasants were helped to have access to land, to establish an association that pursues their own wealth, and a sustainable income, higher than without the cooperative. However, that was faced in different tension degrees in the network, resulting in different outcomes for EP, EH and Indupalma, in terms of their income, value capturing and added value because of the upgrading process. Consequently, distinguishing which is the power position of each of the actors in each of the upgrading stages, is fundamental to assess empowerment.

Analysing all the interactions in the network, was unavoidable to use Marxist theories as the differentiation in class fractions with common characteristics with a general interest for profits, to what Gramsci would describe as concepts of control over the new outsourced proletariats that made them believe that are exercising their agency through a cooperative organization (Overbeek 2000).

In that order, Akram-Lodhi and Kay (2009) based on the transition across the rural social classes described by Lenin from agricultural proletariats, semi-proletariats, small peasants, middle peasants, big peasants and big land owners, are going to be identified across this research. The same article highlights the Marxist path for the upgrading transition through the dualistic commune, where the land is divided in private properties in peasant's hands increasing the individual incentive for the production appropriation, looking for the peasant's enrichment instead of the commune welfare.

Also from Akram-Lodhi and Kay (2009), Lenin described that transitions with three mechanisms to facilitate agrarian capital: economies of scale (here already applied by Indupalma and looking to increase them through the venture with the cooperatives), changes in tenancy relations (land property rights to the peasants and the promises of shares in an extraction plant), and debt (with the leasing of the means of production of the AWCs and the long-term loans ensured with the purchase contract of the fruit with the APCs).

This last mechanism is relevant assessing empowerment includes the of indebtedness of the actors. According to Gerber (2014) analysing the role of rural indebtedness as the engine that differentiates forms of evolving capitalism under the present case study dynamic upgrading, relevant conclusions from classical and present Marxism and Economist can be observed.

The decline of the smallholder and the rise of the landless labourer mentioned by Gerber (2014), could be compared with the internal migration of rural labour because of violence and in the context when “when credits became too dangerous even for the dominant classes, as in Europe, they found in the small-holders tenancy of the means of production ‘subterfuges’ of the indebtedness risk, hard to trace under the voluntary introduction of the peasants in this dynamic”.

From the same article can be clearly identified the Knight’s (1948) two subcategories of labour recruitment that apply for the present research: “First, there is free wage labour linked to cash advances. This is the classic example of ‘debt-peonage’ and serves to attract labour (voluntarily) from the subsistence to the commercial sector. Second, there is ‘traditional peonage’ characterized by workers linked to a single hacienda and residing on it for most of their lives. But, this labour recruitment requires to become a “creditworthy, namely to live soberly and orderly and to work hard [...] (those) handling properly a credit, they should “endorsed a specific pattern of ‘good behaviours’ notably characterized by a calculating and industrious attitude” (Gerber 2014:10).



## Chapter 4 . Empowering Rural Cooperatives Through Upgrading

### I. When the cooperatives enter in the story

The emergence of the AWC in the palm oil industry began with what is considered by the company as the age of the crisis, after several years of tensed communication with the labour union that progressively ended in a critical financial crisis for Indupalma (See Chapter 2IB). At the beginning of the 1990s, 84% of the company's income went to labour costs. In addition, as mentioned in Chapter 2IB, the economic reform and the decline of the palm oil international prices, forced the company to restructure.

Following the government implementation of a labour reform of 1990 (Law 50)<sup>6</sup>, the company could free itself of additional labour costs to those that had the rest of the formalized agricultural sector: the union claims of replacing the state in the offer of public services. After a complicated bargaining with the labour union, was signed in 1993.

In 1995, Indupalma took the option of hiring through AWCs as a labour cost-saving solution, unifying 41 employees, meaning the 4% of the total labour force at the time. At the same time, the company and the labour union agreed two fundamental conditions for the sustainability of the model: the company is interested in being profitable through the profitability of the AWCs, and to acknowledge that both profits will have social positive externalities for the community. There were also more key internal conditions for the AWC, like that they cannot have more than 70 associates, they cannot outsource their service, and the members should have paid all the social security mandatory by law to all formal contracted employee. The implementation was formally executed in 1996 with its link as civil contractors of Indupalma affiliated to a AWC.

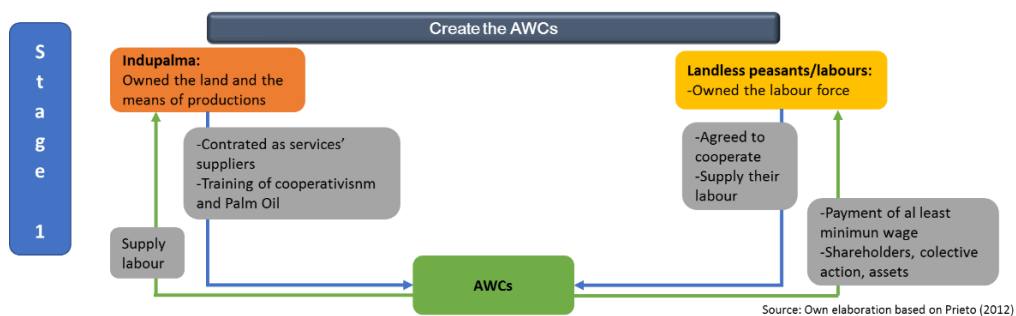
Here is where the company began with its programme for promotion, constitution, establishment, and consolidation of AWCs for the southern Cesar region, achieving what the promotor of cooperatives of Indupalma described as “ideal accomplishment of any financial manager: transforming labour cost from fix into variable, decreasing one of the

---

<sup>6</sup> See Chapter 2III

most ‘problematic’ factors of the company’s production” (Interview 1). To do that, they started with a previous AWCs that was already created formed by rail way constructors, due to it was agreed in the 1995 that labour force would be only contracted under the AWCs model, but delays and ambiguities described in Chapter2III when creating new cooperatives was impossible, so Indupalma could not create new AWCs for more than six months, and under the need of labour force, they took what was available at the time in the zone.

Graph 3. Stage 1 of the cooperative evolution: Creation of the AWCs



Graph 3 describes the inputs and outputs according to the actor in the initial stage where the AWCs were created by Indupalma. Here, can be seen that the purpose of the model is to show both, the company and the AWCs, with economic incentives to interact in this way than under direct contracts, by taking out uncertainties in both sides. The company contract the workers as service suppliers, which receive a fixed wage through the AWCs after this one pays all the contributions to social security according to formal labour normativity. Also, the company can pay additional incentives according to productivity rates (tons of fruit per month over the expected goal) of the AWC, making more interesting for the labour this additional income even in terms of collective purchase of productive assets for the AWC. At the same time, the company gives them training about cooperativism, palm oil plantation cares and seeds. In return, the associates receive the extension services of the developments related to the crop made by the company or by the Federation of Palm Oil Growers (Fedepalma by its name in Spanish).

The evolution of the number of AWCs driven by Indupalma and the total members from 1995 until 2004 went as follows:

Table 1. AWCs and total associates (1995-2004)

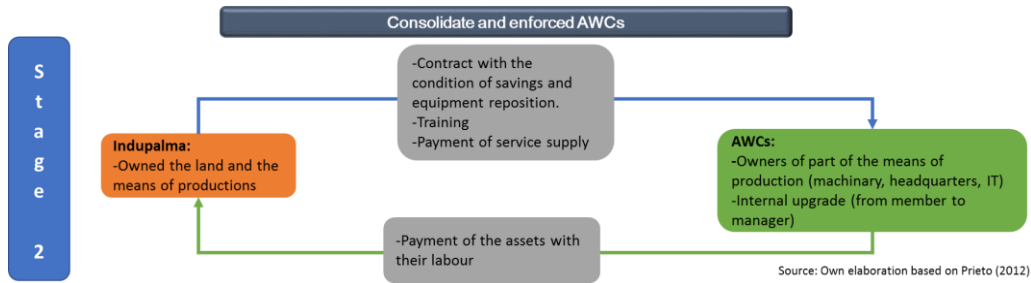
Year	Cooperatives	Associates
1995	1	41
1996	12	463
1997	16	585
1998	16	672
1999	19	841
2000	20	872
2001	20	905
2002	20	944
2003	20	996
2004	19	948

Source: Prieto (2012)

According to Table 1, the increasing trend of the AWCs matches with the national trend explained in Chapter 2II, because they became a very popular and easy way to subcontract labour force and not being considered as outsourcing. Additionally, it is important to highlight the also increasing trend of the number of total members of the AWCs, even when those remain constant.

In 1997, the AWCs began to acquire their own assets as tractors, fruit transportation, and small buildings for their social and managerial headquarters, as new information technology, consequence of the additional incentive by productivity following ICA principles of reinvestment for common wealth. With this second stage in the AWCs upgrading, Indupalma also benefits in terms of lowering the maintenance of the machinery and equipment required for the agricultural process, now AWCs' hands, as well as giving them the feeling of they have a profitable business, which indeed it was. The acquisition of the assets was done under a leasing loan with Indupalma, meaning the AWCs at the beginning are using the asset as it was rented, but with the purchase promise when they finish to pay the loan, agree for both. The flow of means of production and benefits of the stage two can be seen in Graph 4.

Graph 4. Stage two of the cooperative evolution: Consolidation and enforcement through investment in productive assets



## II. El Palmar and El Horizonte: AWCs that upgraded to APCs

As a corporate strategy to expand the palm oil production due to the boom of biofuels locally and in European Union and in the United States<sup>7</sup>, also under the financial impossibility to acquire new land, began what Indupalma denominated “the palm oil expansion plan through productive alliances with associated producers”. This plan included the purchase of the land by the AWCs through loans provided by commercial banks under special conditions subsidized by the State and the company, with the special condition that the property land rights would not be under the cooperative name, but directly under the associates’ name as a democratization of the land. The company managed and monitored the crops as an additional guarantee for the banks for AWCs’ loans, as well as to ensure the quality of the fruit that Indupalma then requires as raw material for its oil extraction plant, taken market price, ensuring AWCs’ income to pay the loans.

The State here performed indirectly, due to partly ensuring the viability of the projects. As a government decision, promoted the palm oil expansion coordinating the institutional network. From the national budget, across different institutions of the public sector, gave off policies of incentives for investment and capitalization in the sector to promote technological development, less tariffs, and agents’ coordination across the value chain. (Interview 1)

Under that conditions were established EP and EH in 2000, being both the only two that were created to be part of the upgrading process. They were only two due to two factors: i)

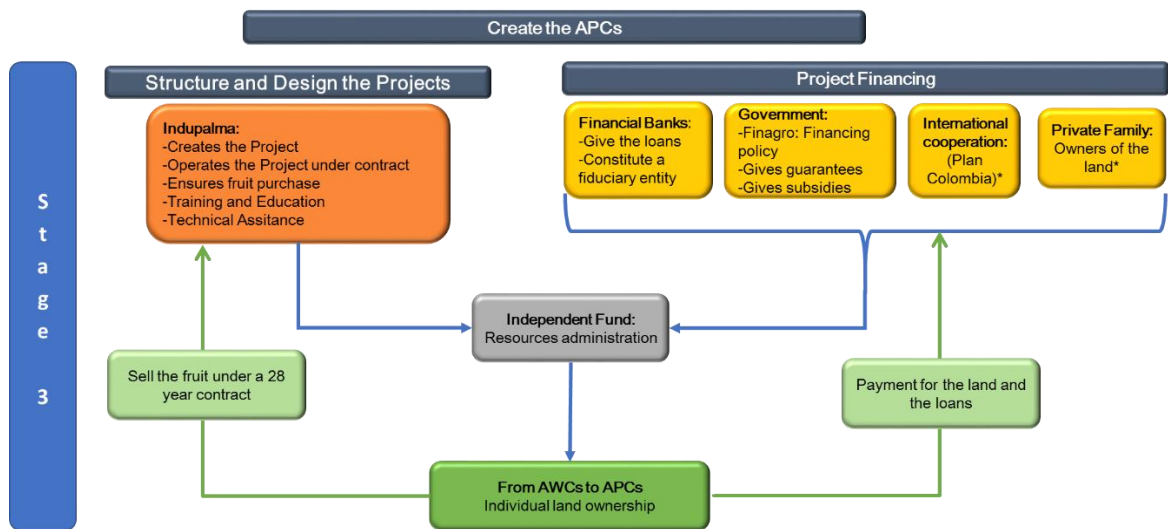
<sup>7</sup> Forum: Biofuels in Colombia 2008. Access 10 October 2017: [http://www.ecoportat.net/temas-especiales/energias/los\\_biocombustibles\\_y\\_las\\_consecuencias\\_de\\_ignorar\\_el\\_principio\\_de\\_la\\_precaucion/](http://www.ecoportat.net/temas-especiales/energias/los_biocombustibles_y_las_consecuencias_de_ignorar_el_principio_de_la_precaucion/)

Available land to the project under the special conditions of the loans, surveillance, and management, and ii) The special conditions that Indupalma specified to have a successful upgrading as a cooperative: completely dispossess (landless), socially integrated (each member knew well the other), and the best AWCs in the harvesting services. (Interview 1)

EP was composed by seven AWCs contracted in the past by Indupalma and some others that were giving other services in the region. This project had 1.700 ha arable of the 2.256 ha in total at that moment property of a commercial bank who sold it to the cooperative, the same bank that gave the loan for the planting and maintenance of the crop after receiving the budget from Finagro (public agency). At the same time, Finagro also managed the public resources and subsidies that were giving to the commercial bank. Finally, the use of a fiduciary entity that managed the properties of the project.

The second project, EH, had little differences with the first one. Here, the land (1.460 ha) was 100% owned by the Cruz family, who accepted to finance to other AWCs the 80% of that land. The remaining 20% was financed by Finagro through a commercial bank, the same that gave the rest of the loan for the plantation. Additionally, the ‘Plan Colombia’ fund sourced by the USA government to support Colombia’s peace efforts, gave non-refundable money for the development of the project. Here as well as in EP, a fiduciary entity managed the properties. See Graph 5.

Graph 5. Stage three of the cooperative evolution: The Establishment APCs



\*Only for El Horizonte  
Source: Own elaboration based on Prieto (2012)

Here, EP and EH as the only AWCs created to be upgraded as a pilot model, are at the third stage of upgrading promoted by Indupalma, where previous AWCs are now APCs formed by smallholder peasants that are owners of the land property rights, and the productive crops. This evolution almost completes the upgrading over the upstream palm oil value chain, making landless peasants, rural entrepreneurs, still under the management of Indupalma related to extension services, but with more bargaining power through the ownership of land and labour.

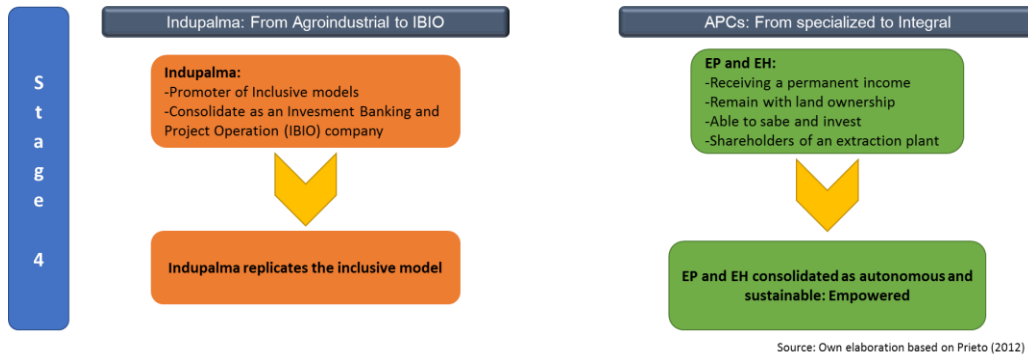
The loans with the commercial banks had five years of grace and 15 years to complete the payment. According to Prieto (2012), Interview 1 and Interview 2, the projects resulted as successful business that have been able to repay the loan sooner than expected: in 2012 EP completed the payment and EH in 2013, when they were expected to complete it until 2015.

### **III. Cooperative's ultimate ideal type: The consolidation of the APCs vertically integrated cooperatives.**

According to the cooperative's promoter Indupalma in this upgrading process, the company agreed and promote the idea that the goal would be the consolidation of EP and EH as autonomous and sustainable cooperatives, vertically integrated across the upstream phase of the value chain of oil and fats in Colombia. To do so, the cooperative should change its purpose from specialized to integrated. (Interview 1)

The principal incentive for Indupalma into promote APCs consolidation, was to achieve its own upgrading process from agroindustrial to Investment Banking and Project Operation (IBIO) company, meaning, focusing on counselling and management of agrarian projects, as can be seen in Graph 6.

Graph 6: Stage four of the cooperative evolution: APCs vertically integrated as integrated cooperatives



Is until the fourth stage where the APCs can be understood as autonomous to take their own decisions affecting their own sustainability. Here, is also the moment when the APCs can face internal problems of coordination and the decision-taking process of keep upgrading or increases their assets, or increase the distribution of the profit within the associates. In other words, and how is going to be discussed in Chapter 4, is until the stage 4 of the initial planned model that the cooperatives are empowered, despite all the complications that the rest of the cooperatives as entrepreneurial companies can face, due to the rest of the stages are managed under the guidance of the company.

#### IV. Forget about cooperatives: EP and EH as profitable enterprises

EP and EH did not follow the integrated cooperative model in the end and transformed into profitable enterprises with different levels of peasant’s empowerment through upgrading until the last stage of the upstream phase.

As mentioned in the Chapter 2III, and the Colombian socio-economic context where the economic reform of the 1990s, even after 10 years of implemented, was still under construction. Specifically, was added a relaxation in the bureaucratic steps to create a company and to encourage the entrepreneurial initiatives, something that was also developed by other Latin-American countries at that time.

To do so, was established the figure of companies called *SAS* (Simplified Stock Society by its translation in English) according to the law 1258 of 2008. In Colombia, the SAS were identified as the tool to consolidate a flexible (contractual) way of formalization, facilitating alliances between large companies towards the establishment of subsidiaries in common. In

addition, can be understood as a capitalist company with a purely commercial nature, independently of the activities foreseen in its corporate purpose (Jaramillo 2014). The SAS nature, do not follow ICA principles as their corporate behaviour, simply because the social function is completely different. In SAS companies, the general manager can take decisions without plenty confirmation of the stakeholders, facilitating also the internal processes and with less meeting reports to be registered formally at the respective chamber of commerce. It is a clear power increase in the general manager's hands.

At the same time, for the years 2011 and 2012 when EP and EH were in their summit point to become a completely empowered integrated cooperatives, was the same time when the AWCs were in their worst reputational moment, especially in the palm oil sector. As APCs, EP and EH were also contracting AWCs for the harvesting process, and as Indupalma, they are investigated for the misconception and presumably the incorrect use of the AWCs to outsource labour.

For that reason, and after the general assembly with EP members, they decided to not keep being any type of cooperative and become a SAS. As part of that deliberations, Indupalma's cooperative promoter proposed the ideal type of upgrading as the next step, but the idea was rejected by the assembly. He said that Indupalma strongly influenced the constitution of EP SAS and no other type of enterprise, instead of following its own cooperative upgrading process, because the company had misleading mistakes from the beginning with the criteria selection of EP and EH members and under the SAS figure, Indupalma would have an easier control with the manager.

At that point, Indupalma had lost administrative and surveillance control over compliance of the initial rules that were crucial conditions for the success of EP and EH as cooperatives suitable for full vertical integration. Some examples of that breaking of the game rules are, the eviction of most of the women members of these two cooperatives by the other male members, due to the believe that women were less productive than men and consequently were contributing less to the cooperative's profits. Another example, was the softly replacement of elders and disabled with other member's relatives, again, because they were less productive and did not 'deserve' to be paid equally than the rest. At the same time, other important factor was the indivisible character of the land rights and the possibility of selling it after approval of the board of directors, rule that was ingeniously broken through



the heritage right, increasing some families' land through a covered displacement from other members of the cooperative.

Indupalma knew that there were those important internal problems, reason why smartly decided to influence the SAS creation at the end of 2011. Not satisfied with just that, proposed that they will manage the EP SAS until they got well established and stable after the transition. The SAS gives special importance to the general manager to take decisions without much consultancy with the board of directors, leaving the EP SAS under Indupalma's decisions but with the landowners' peasants as stakeholders (Interview 1). The present general manager of EP (Interview 2) said that the associates were conscience about Indupalma's intentions, but they agreed because they were tired of being targeted in every meeting with other rural cooperatives as being part of paramilitary crimes (a reputation that palm oil has in all the country) or being exploitative as many other AWCs. Even knowing that they were none of those, decided that the easiest way for them to overcome that situations, was consolidating a SAS even with the discontent of being under Indupalma's leadership.

A few months later, in 2012, EH was under the same dilemma of being an integrated cooperative or transit to a SAS. However, in the mind of this cooperative remained the controversial decision that Indupalma took at the establishment of the APCs that left them with a sense of "less valuable" compared with EP members. When Indupalma presented the model to the AWCs giving services to Indupalma at that time, the initial idea was to constitute EP with 180 members, but when the land was purchased, they realized that had capacity only for 150, leaving 30 people out; a huge mistake from Indupalma that from that moment was evidenced by the cooperative's promoter (interview 1) and by the EP general manager (Interview 2) that has been linked with the cooperative from the beginning and heard the discontent from EH partners, the same 30 that were planned to be part of EP but were incorporated in EH months later. The selection criteria of the 'lucky' 150 members of EP was based on Indupalma's AWCs periodical harvest productivity assessment, in which the mentioned 30 had a lower rating. From Interview 2 was also known that EP and EH were communicating between them, and EP express the malaise with Indupalma, but also the EH member's desire to be independent from the company, because they had a genuine desire of being self-sufficient peasants. Consequently, EH board of director determined that they will be a SAS, but under their own management.

From 2011 EP SAS, and from 2012 EH SAS, began to be enterprises with the principal incentive of increasing shareholders' profits, still fulfilling the compromise of fruit supply for Indupalma, according with the condition of 30 years of this commercial relation, including the additional one percentage points over market price.

From that moment, Indupalma started to default in its contracted payment the palm oil fruit supply by EP and EH, and consequently the failure in the CPO and CPKO to the oleochemical industry owned by the Haime-Gutt group. At the same time, the competition to buy the fruit in the area increased, having a fruit production in 2015 of 1,700,000 tons for an installed capacity of 17 extraction plants in the region to process 2,700,000 tons, generating a fruit overdemand and leaving Indupalma without the capacity to compete under the new prices offered by the other extraction plants, particularly those producing biodiesel<sup>8</sup>. (Interview 3)

Therefore, Indupalma entered in a critical financial situation of payment failure and indebtedness inability that ended also in the uncompliant of making EP and EH shareholders of the new extraction plant of the company. According to Indupalma's CRS director, the project *Oro Rojo* (the new extraction plant) changed with the time into an important oleochemical complex going from an initial investment of US20 million to US50 million, including a biodiesel plant. That cost increase made financially impossible for EP and EH to be part of it.

In 2015 EH SAS ended any relation with Indupalma and now is a shareholder of an extraction plant, completing the upgrading process and being completely independent and empowered to take its own decisions of investment and trade, after breaking the 30-year obligation through disobedience after the company's default. On the other hand, EP SAS is still under Indupalma's management, but evaluating a possible break out as EH (Interview EP).

At the moment when this research was realised, EH SAS was having important issues with rot sprouts<sup>9</sup> recognizing the importance of the extension service from Indupalma and was also without any clear vision of the future as an enterprise. EP SAS in under Indupalma

---

<sup>8</sup> The mentioned market disruption, was a consequence of 37.000 hectares of fruit died by rot of the bud (palm oil terminal disease without any treatment found). These dead hectares represent a production of 760.000 tons of fruit per year.

<sup>9</sup> Rot sprout is the most common sickness of the oil palm.

surveillance, but self- managed with important profitable result of its operations and out of bud rot. Both, EP and EH are assessing the idea of diversifying their crops and decrease the palm oil dependency.

Under Indupalma’s supervision until 2017, there are different type of associations or companies with distinct objectives across the value chain called Autonomous Business Units (ABU), but most of them formed by smallholders or peasants of the region according to the project and is not very clear the extent of the autonomy of each of them.

Table 2. *Autonomous Business Organizations developed by Indupalma (2005-2017)*

Autonomous Business Units (ABU)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AWC	21	21	19	25	24	25	18	26	27	26	26	20	18
SAS							1	2	4	4	2	2	1
TOTAL ABU	21	21		25	29	32	35	44	33	30	28	22	19
Members	1.036	1.016	1.204	1.213	1.247	1.599	1.608	1.876	1.885	1.470	1.552	1.270	1.186

Source: Indupalma, CSR Direction

From Table 2 can be concluded that Indupalma is still contracting labour mostly from AWCs but the number and the members of those has slightly changed across the time. There is only one SAS assisted by the company, EP, and under the present financial crisis that the company is experiencing, the number of ABU is expected to decrease (Interview CRS).

## V. Interaction of these cooperatives across the value chain

The nature of the oil palm does not require the totality of labour the whole year for the harvest activities, and under the legal possibility of contracting flexible labour after the law 50 of 1990, and the self-exploitation of any entrepreneurial and cooperative structure, the promotion of AWCs was expected at the beginning to be used by the private sector, due to all the cost benefits it brought for any financial manager. In the case of Indupalma and many other companies, the AWC are privately promoted under the so called Corporate Social Responsibility (CSR) as part of their sustainable commercial exercise and its positive externalities. Under the AWC scheme companies can contract only the required labour and during a specific time according to the service supplied, contrary to the previous limitations under a fixed long-term contract and negotiated conditions with the labour union.

However, as what the cooperative's promotor of Indupalma said:

“It was also a rational decision for the peasants to be part of a AWC, because the company could offer an extra revenue to them for productivity, opening the possibility to increase their income, differently to a fixed contract where the wages are invariant, compensating the times of low harvest or inactivity and giving to Indupalma a higher productivity” (Interview 1).

This, is one of the arguments given by the company to describe their model as “win-win” for both, the company, and the local peasants, precisely how Dolan (2012) explains the top-down developmental strategies. It also opens the possibility to hire other cooperatives for different upkeep services.

The cooperative model allowed the implementation of a variable income scheme attached to individual and group results. Knowing that one person's performance has a direct effect on group's profits after several educational trainings about corporativism, but also the permanent follow-up auditing by the company, could be the key factor that helped them to overcome the typical internal issues of the cooperatives in general, as internal organization, coordination, expenditure of the resources and so on (Sacchetti and Tortia 2012, Dolan 2012). At the same time, that overcontrol by Indupalma, is the critique of the present research paper related with the impossibility of self-governance of the AWC and the company solving the surveillance cost by social pressure of the cooperative members, but also a necessary characteristic analysed in Chapter 5.

Would be naïve to expect that the AWC would learn how to manage themselves by default without any guidance, considering that many of them were illiterate, and that the company had no previous expertise of the cooperative model as well. However, the reason of choosing EP and EH as relevant examples where the private company has an initiative that ends in an autonomous and sustainable income for local peasants, by incentivising them upgrade across the value chain, even without leaving its own capitalist incentive to increase its economies of scale and upgrade until being a service provider, is something that needs to be analysed.

Even more, when both, Indupalma and the mentioned APCs, were sued and are in a legal process to pay an important fine due to contracting labour through AWCs figure, as previously explained. The reason was clear; an outsourcing of labour taking an ill-affected

CRS conceptualization, behind a clear intention for leaving the company and the evolved APCs free of the unlikely and problematic situation of dealing with a labour union, directly assuming the responsibility of labour issues, the uncompetitive cost of Colombian labour under open competition with bigger players.

There is also important to understand, that the company, creating at the beginning the AWCs, was clearly creating market for one of its products: palm seeds. At the same time, was ensuring the fruit provision for its processing plant with the long-term contract, without the previous problems with the labour union, and consolidating itself as a management provider of socio-economic profitable projects in rural areas, not limited only for palm oil; understanding that Indupalma wanted to upgrade until been considered as a consultancy-service supplier: and IBIO.

On the other hand, without the upgrading program, it would be hard for landless peasants to have individual land property rights and to achieve an upgraded level as SAS enterprises. This last step, allowed them to break in many aspects direct business relations with Indupalma, find their own clients for their palm oil fruit, and achieve an important level of empowerment within their value chain.

## **VI. How and Why they developed and succeeded?**

Firstly, All the data recollection of the present research and one of the most important coincidences in the interviews, was the essential role of Indupalma as a private company implementing a top-down program for rural cooperatives to upgrade. Essential because, even through strategies of indebtedness or discourse beyond the CSR, with unskilled members and the rest of the actors in the network described (the Colombian State, the financial institutions and USA State as provider of monetary resources for one of the projects) distrusting in the capability of the peasants to develop a profitably enough project, highlighted as the big consequence of the 1990s economic reform for the rural areas.

According to Dolan (2012) citing Banerjee and Duflo, not every individual could success, even wanting it. Structural conditions, socio-cultural constraints, poor infrastructure, etc, are limitations of the Colombian rurality that were overcome thanks to Indupalma's investment in the region and coordination of the network. In that order, private initiatives are not only trustable but profitable and sustainable. The access to financial markets, the

purchase guarantee, the extension services, the adaptation of the land for palm oil crops, labour education and training, the link with the productive chains and higher value stages in the value chain, and the arrangement of political disposal, the company led everything. Like in the sustainability of the coffee producers in Colombia through all the services supplied by the coffee federation, here, the federation was replaced by Indupalma, and even more, when the peasants did not have land or productive asset as what in coffee at least the land in required.

Cooperatives' internal structure in which democratically decision-making process are part of the critics of Sacchetti and Tortia (2012) for the difficulty to invest in the organization, instead of increasing the sharing profits. In that sense, Indupalma's power as the decision-maker/insinuating resulting of the training process and managing coordination focus on the upgrading. Of course, this is criticized due to the pressure of the upgrading by a profit increase and indebtedness, something that is going to be analysed in Chapter 6.

Secondly, EP and EH accomplished the conditions that, according to the cooperatives promotor are necessary to be suitable for upgrading: i) A common economic project: reason why they could not divide their land to be sold, ii) Every member knows well the rest of the members, consistent with delimited number of members, not as the fake AWCs created in the country, and iii) Socially homogeneous: All of the members were completely disposed and landless peasants.

Point by point, the common economic project was influenced by Indupalma was the upgrading under cooperatives to increment the member's welfare. However, the consolidation of any common project takes time, and the disbelief of the peasants at the time, was very low. The conformation of a community of neighbours and comrades, also takes time in a context of a migrants, even more. For this reason, creating the AWCs as the first instance to consolidate a social bond, was crucial and is very unlikely to believe that in AWCs with many members, everyone knows well each of the members. And to achieve the previous conditions, were rooted with member's coincidence and affinity. Independently with their origins, personal aspirations and believes, there is not a better social bond than the social unfavourable condition that naturally creates affinity.

If the peasants were by themselves, according all the interviews developed, not even the creation of the first AWC would be possible, simply because there was not any peasant's economy in the region, the populations were migrant and came from different places of the

country and they did not trust to each other. Associative organizations in these conditions are very unlikely. Also, most of them were unskilled, meaning they did not have very clear information about the value chain in which they were involved.

To summarise this section, the private company was crucial to link the cooperatives with the market, ensured production purchase and because, for the rest of the actor in the network, Indupalma was the trusted manager of the money and the land.

## Chapter 5 : Assessment of the Evolution: Upgrading as an effective tool for peasant's empowerment

Nowadays and from the economic openness of the 1990s, the Colombian government has had a very clear constant discourse of economies of scale, new technology, investment in infrastructure, giving privilege to alliances between big and small producers, consequently with the decreasing responsibility of the state to be the welfare provider if the private sector, like in Indupalma's cooperative upgrading process, showed that with CSR can be achieved (IDB 2005). The government shows EP and EH as successful cases to achieve the United Nation's sustainable development goals: end of poverty, zero hunger, decent jobs and economic growth, industry, innovation, and infrastructure, and the inequalities reduction (DPS n.d.).

In that sense, Indupalma's upgrading for achieves rural peasant's empowerment through cooperatives' upgrading fulfilling Bacon (2010) conditions described in Chapter 3I. At the same time, to understand EP and EH members' empowerment across the value chain, Sacchetti and Tortia (2012) also had three, and from the present research's perspective, more complete characteristics that combine Bacon's definition of empowerment, ICA principals, and the power relations across the cooperative's upgrading: i) The distribution of control over means of production, as expressed by the location of strategic decision-making power, ii) The degree of tension in the network according to Gereffi et al (2016)'s definition as captive value chain or hierarchy dominance, and iii) The degree of consistency

between the means (rules and strategies) in relation with the ICA principals of the cooperatives. That said, the Table 3 will explain these interactions across the upgrading.

Table 3. Cooperative's empowerment assessment

Actors	Interest	Control over the means of production (Location of strategic decision-making power)	Degree of tension in the network
<b>STAGE 1 &amp; 2: Establishment and Consolidation of the AWCs</b>			
Indupalma	<ul style="list-style-type: none"> <li>-Increase profits:</li> <li>Decreasing fixed cost (labour)</li> <li>-Decrease risk:</li> <li>Minimising labour relations</li> <li>-Investment: New CPO and CPKO Extraction plant</li> </ul>	<ul style="list-style-type: none"> <li>-Taking part of the control left by the guerrilla</li> <li>-Control over the extraction plant</li> <li>-Provider of the extension and other public services</li> <li>-Almost the only fruit purchaser</li> </ul>	<ul style="list-style-type: none"> <li>Under hierarchical dominance of Haime-Gutt Group, but:</li> <li>-Friendly communication with the AWCs</li> <li>-Good reputation and acceptance of the local population and government</li> </ul>
AWCs	<ul style="list-style-type: none"> <li>Empowerment:</li> <li>- Less uncertainty in labour conditions</li> <li>- Higher profits</li> </ul>	<ul style="list-style-type: none"> <li>- Labour force</li> <li>- New leaderships</li> <li>- Productive assets: tractors, buffalos, and other harvest equipment</li> </ul>	<ul style="list-style-type: none"> <li>Under captive value chain, but:</li> <li>-Decrease of the distrust</li> <li>-Decrease of the claims related with social security</li> </ul>
<b>STAGE 3: Establishment and Consolidation of the APCs</b>			
Indupalma	<ul style="list-style-type: none"> <li>-Increase profits:</li> <li>Decreasing fixed cost (land)</li> <li>-Decrease risk:</li> <li>Minimising any land issues</li> <li>-Investment: Upgrading to consultancy services</li> </ul>	<ul style="list-style-type: none"> <li>-Long-term contracts: Guaranteed the fruit supply</li> <li>-Increase APCs dependency: Management training</li> </ul>	<ul style="list-style-type: none"> <li>Under more direct hierarchical dominance of Haime-Gutt Group, and:</li> <li>-Difficult communication under the scepticism of the APCs and the Haime-Gutt group</li> <li>-APCs not very patient about profits</li> <li>-Internal company changes under Haime-Group management</li> </ul>
APCs	<ul style="list-style-type: none"> <li>Empowerment:</li> <li>-Land property rights</li> <li>-Higher profits</li> </ul>	<ul style="list-style-type: none"> <li>-Increase indebtedness</li> <li>-Better bargaining power</li> </ul>	<ul style="list-style-type: none"> <li>Under captive value chain, but:</li> <li>-Increase of the claims related with training</li> <li>-Consolidate its supplier position</li> </ul>



STAGE 4: Establishment and Consolidation of the SAS			
Indupalma	<ul style="list-style-type: none"> <li>-Increase profits: Higher value-added sector</li> <li>-Decrease any agrarian risk: Not directly assumed</li> <li>-Investment: New agrarian sectors in other regions</li> </ul>	<ul style="list-style-type: none"> <li>-Owner of a new oleochemical complex</li> <li>-Retake of EP control placing the same manager</li> <li>-Under Haime-Gutt group reorganization with their manager in the company</li> </ul>	Under hierarchical dominance of Haime-Gutt Group, and: Increase of the tension due to difficult external conditions that made them default with EP and EH
EI Palmar SAS	<ul style="list-style-type: none"> <li>Empowerment:</li> <li>-Autonomous enterprise</li> <li>-Defined managerial strategy</li> </ul>	<ul style="list-style-type: none"> <li>-Decrease indebtedness: Payment of the bank loan</li> <li>-Increase of bargaining power: the possibility to negotiate with different purchasers</li> </ul>	Under hierarchical dominance of Indupalma, and: Increase of the tension after Indupalma regrets to make them shareholders of the oleochemical complex
EI Horizonte SAS	<ul style="list-style-type: none"> <li>Empowerment:</li> <li>-Autonomous enterprise</li> <li>-Shareholders of an extraction plant</li> </ul>	<ul style="list-style-type: none"> <li>-Decrease indebtedness: Payment of the bank loan</li> <li>-Independence: No commercial relation with Indupalma after finding better prices with other clients</li> <li>-Vertical Upgrading: Providers of their own extraction plant</li> </ul>	Under captive value chain, and: Increase of the tension after observing EP transition to SAS with the same manager

Source: Own elaboration based on Interviews 1, 2, and 3. Prieto (2012), Fadul (2001).

From Table 3, some important factors determined the power relations in each stage, where each actor has its own interest according with the hierarchical or captive value chain tension in the network and the means of production. In the stages one and two, that Indupalma still owns the means of production that add more value across palm oil value chain. Remembering that in that time the institutional frame was set to promote the AWCs across the country, precisely to impulse what Indupalma needed: labour force dedicated to the agrarian activities, less likely to strikes due to the discourse of cooperativism and entrepreneurial self-exploitation for the common wellness. The local government also promoted this situation, because basically the model was covering the obligations of the welfare state (Interview 1).

In the third stage, the company arranged all the process to make the best harvesters, measured by productivity previously mentioned, owners of harvesting land and self-

assessors of each productivity by training towards cooperative's benefit/drawback of not fulfilling the common target. At the beginning, peasants were sceptical, but they had very clear that owning a land in a region that had been dominated by large landlords with an uneven state unable to clarify land rights across the years, sounded like an opportunity that should be taken. (Interview 2)

Profits were observable for both, the APCs and the Indupalma, confirming the company's promise of joint value formation with such an extent that the APCs paid their credits in advance and the company diversified its portfolio of services and invested in the oleochemical complex. The problem was, the AWCs' reputation as a tool for outsourcing labour, something that fuelled the establishment of EP and EH as SAS of to end its cooperative status.

In stage four, EP and EH as SAS companies had different power relations with Indupalma, consequence of the difference in establishment time previously mentioned. EH had the chance to evaluate the convenience of following EP steps while EP was already under Indupalma's suggestions, management decisions, and business influence. EH to evaluated in a better perspective the consequences of being an entrepreneurial company and the risk that they would have to assume if they broke any relation with Indupalma after payment defaults. EH had a better bargaining power and found outside better price conditions and new clients (Interview EP).

Retaking Sacchetti and Tortia (2012) third assessment of cooperatives empowerment, Table 4 will examine according with the upgrading stage, if the ICA principles have been accomplished. Highlighting that the assessment can only extent until stage three due to stage four does not require to follow ICA principles, previous stages were crucial in the SAS establishment.

*Table 4. Cooperative's Empowerment Assessment: ICA principals*

ICA Principals	STAGE 1 & 2: Establishment and Consolidation of the AWCs	STAGE 3: Land owners as APCs
i) voluntary and open membership	Voluntary: Yes, but there was no other economic activity in the region. Open: No, people was selected by Indupalma (cooperatives already established)	Voluntary: Yes, but not very sure about in what they were involved in Open: No, people was selected by Indupalma by productivity

ii) democratic member control	Yes, equal participation by the weight of the vote and coop decision-making	Yes, equal participation by productivity, income, and land property However, some of the members began to impose their own domination and rules
iii) member economic participation	Yes, equal participation by productivity and income. However, the cooperative was richer but each member equally poor than the beginning	However, some rules were broken (women, sick, disable, old members excluded breaking initial cooperative's rules) Strategies to divide the land, knowing that was a crucial condition for cooperative's sustainability.
iv) autonomy and Independence	Investment decisions made by the members. The general structure and management under Indupalma's control	Still under Indupalma's domination by training and long-term contracts, but breaking the rules showed an increase in the independency
v) education, training, and information	Trained by Indupalma	Information inside the organization was driven by some members (those that excluded 'unproductive' members) Even though, is clear that the main information of the crop, the production, and the market, still was in Indupalma's hands
vi) cooperation among cooperatives	Not very clear. There's no register of collective meetings among AWCs	APCs contracting AWCs. Not clear between APCs
vii) concern for community	Not very clear. Community's reality changed, as well as social relationships. But, one community programme in common: being a cooperative town	Excluding the most vulnerable members, showed a lack of concern for the community.

Source: Own elaboration based on Interviews 1, 2, and 3. Prieto (2012), Fadul (2001).

From Table 4 can be said that some of the ICA principles were achieved in some extent, paradoxically during stages one and two, when EP and EH were AWCs, especially because there were less perverse incentives for members exclusion to increase individual profits and land concentration as in the third stage, consequence of the captive value chain.

In these stages, was the moment when the AWCs were maliciously used, but Indupalma at least included the social security payments as necessary. Even though, this would bring network tension between EP and EH and other cooperative organizations that targeted the as exploitative organizations due to the outsourcing of labour.

Even if EP and EH are not cooperatives any more, there is no doubt that peasant members are in better conditions than 15 years ago when Indupalma's expansion plan began. Having EH as completely independent of Indupalma, and following the conditions to determine peasant's empowerment, could be said that they are, contrary with EP which is still under Indupalma's guidance. Of course, empowered in the extent of the initial micro network in which they were participating as passive and now active members, because now they are facing the problems of the market by themselves. Problems with the international prices, the labour cost, the weather conditions, change in the national normativity, more competition and bargaining posture in front of large producers, including Indupalma, and so on, that increase the uncertainty that they were trying to overcome with the upgrading process, but risks in higher sphere of the value chain.

## Chapter 6 Critical perspective of the upgrading

### I. Drivers in relation with the cooperatives and GVC Theory

Following Niforou's (2016) terms mentioned in Chapter 3II, the high end of EP and EH, where Indupalma drove them in a 'hands-on' manner with long-term contracts of fruit production, and a high level of involvement with the cooperatives as their manager, coordinating what should be taught and trained to cooperative members, gives evidence of a high degree of control from Indupalma over the AWCs until the third stage. That demonstrates that the AWCs were not autonomous and did not have a self-governance, as the ICA principals of any cooperative should to be considered empowered.

Even though, the power imbalance between Indupalma and the local peasants undoubtedly changed. Remembering that when peasants were members of Indupalma's labour union, they achieved many of their request supported by the guerrilla, leaving the company in a less bargaining power. As mentioned before, the imbalanced in power ended in the almost bankruptcy of Indupalma, dismissal of important part of the labour and important violence in the region. Of course, that is not a problem of the labour union as an institution advocating for fair work conditions, the problem was the pursue of great domination power

that they had gained, instead of being a negotiation tool between the company and the labour force.

Consequently, the low-end power relation of Indupalma within its market chain, was completely deteriorated. High labour costs with decreasing international process, as a price-taker, it was understandable that the company should retake high-end power to keep alive in the palm oil global market.

The mentioned power imbalance changed with the creation of the AWCs, due to Indupalma was not direct responsible of labour welfare conditions, now the cooperative, as a self-managed economic structure, should be responsible for their members. This means, the transition of power relation through the change of actor's structure, still imbalanced, now not between employer and employees, but between suppliers and buyers under the market dynamics of an economic transaction. At this AWCs' primary stages, the bargaining power of the associates was not very strong, due to in economic relations, power is enforced by the owner of the means of production, and above labour, the AWCs owned nothing else.

To summarize the argument, in terms of both, Gereffi et.al (2006) and Niforou (2015), the AWCs under a captive oil value chain in Colombian, under Indupalma exercising a high-end imbalanced power through hierarchical vertical integration, but both involved in a low-end market power that motivated the mutual evolution across the value chain.

When EP and EH upgraded until the fourth stage of Indupalma's cooperative model, the rules and roles changed, modifying as well as the high end and low end imbalanced power. The new high end resulted in APCs with the autonomy to take their own decisions of investment and able to decrease the time of loans' payment to the commercial banks. Now, previously peasants transformed into empowered players at the last upstream phase, gave them independency from the 'patriarchal' management of Indupalma.

On the other hand, the company also reinvest in new strategies adding more value to their activities as IBIO. Doing so, gave more opportunities at the low end imbalanced power to the Haime-Gutt group to enforce their command at the end of the value chain. Understanding that this last player knows best the downstream, highly valued and less labour-and-agricultural risky, decided to take executive management of Indupalma and to potentialize the services supply. Even though, Indupalma is still a major player in production of CPO and CKPO, and owns the largest oil palm plantation, other players in

the market entered and took similar, and more criticised strategies, to take the market share that the new conditions of the global market were bringing.

In the end, bringing more players in the value chain, could represent more competition and less power imbalance, especially if those players are vulnerable population. Cooperatives that at the beginning, found themselves under the leadership of a big company an unable to exercise a relevant power in the commodity chain, are organization with a clear intention to be established to satisfy the capitalist desires for profits of every member EP and EH, as well as Indupalma and the Haime-Gutt group.

At the same time, cannot be deny that Indupalma's cooperative model allowed an upgrading process that let the APCs to exercise autonomous decisions in only 10 years. Thus, power exercise and the accomplishment of the ICA principles at the same time, from a private company leading the vulnerable population, look like unequal at the beginning, but evolves until desirable levels of cooperativism. Although, SAS in the low-end power are facing directly the open market variable environment and solving themselves the issues that companion independency, as any entrepreneurial organization, are even more risky. Consequently, it solved the problem of stationary labour according with the stationarity of the harvest for EP and EH members, increasing rural labour competitiveness, due to is still self-exploited but under entrepreneurial conditions and not under peasantry conditions.

## **II. Marxist Critical Perspective**

Retaking Gerber (2014) theory of indebtedness as the tool to engine rural capitalism (See Chapter 3III, one of the strategies of indebtedness is though market discipline, pressuring the borrower -whether the AWCs, APCs, or even Indupalma – to follow the economic growth principles: to calculate, pay, trade, work, intensify. It is also linked with Dolan (2012) process of top-down formation of entrepreneurial talent with a market discipline (Chapter 3II).

On the hand, the indebtedness exploitation and social differentiation have the producers (AWCs in stages 1 and 2) paying the capitalist (APCs in stage 3, Indupalma in stages 1, 2, and 3 and the SAS in stage 4) “his surplus labour in the form of interest and this exploitative process prevents the producer, Marx thought, from increasing productivity and improving technological conditions” (Gerber 2014:4). Also following Gerber (2014) who sites Kautsky

(1900) finding in peasant indebtedness as the key mechanism alienating them from their means of production, in our present case study in stage 1 is a subordination relation under the need of salary but not a debit/credit obligation. However, in stages 2 and 3, subrogation under indebtedness to acquire productive assets. At the same time, in stages 3 and 4, Indupalma is also under indebtedness as the trusted borrower, future production contracted with the APCs and with the Haime-Gutt Group. In that sense, could be said that empower peasants can only overcome surrogacy of salaries and indebtedness under stage 4, while Indupalma is still indebted under a bigger organization.

Following the previously mentioned article but now referring to Bhaduri (1983) contractual interlocking, in which peasant's indebtedness increase "an exploitative system of forced commerce" (Gerber 2014: 5) in which the APCs were created to immerse peasants towards value chain upgrading conditioned with long-term contracts of a unique buyer their oil palm fruit in stage 3.

The present case also takes Gerber (2014) concept of 'subterfuges', with the idea of peasant's having an economic incentive and both, the company and the cooperatives, would benefit for the program in stage 3, was presented as a voluntary process when the peasants did not know clearly what was all about.

Another mechanism of indebtedness is exemplified in stage 2, 3 and 4 when Indupalma, as a creditor, had "no incentive for acquiring land or assets or for being reimbursed. They prefer to remain interest collectors in money terms or in kind" (Gerber 2014:6). An additional form of labour control in terms of the present case study "is through the creditor lends a certain amount of money that is repaid through the peasant's production at a price that includes interest. This mechanism has historically pushed peasants into monoculture cash crop production as it represented the best way to secure monetary repayment" (Gerber 2014:7). This can be observed in stage 3 when APCs were under long-term contracts under estimated market prices by Indupalma promoting palm oil monoculture, and Indupalma is under futures contracts that determine palm oil market price with the Haime-Gutt groups and with the APCs as in stages 3 and 4.

Could be also identified subcategories of labour recruitment in Geber (2014) of ‘traditional-peonage’ attracting labour with the promises of an ensured salary with the AWCs and ‘debt-peonage’ with the land loans to the APCs.

This case study articulates both, Indupalma and APCs, under fostered market dependency and therefore under the need for expansion and profitability of their holdings “forced to survive the constraints of debt, landlords and tenants but also merchants and entrepreneurs had no choice but to cut costs, grow and innovate” (Gerber 2014:9).

The same author showed how was shaped ‘honesty’ in terms of creditworthiness, which goes hand-by-hand with cooperative’s economic incentive: In this case, Indupalma was the honest and trustful creditworthy because these rural peasants did not have any credit history or even a loan support with any asset in stage 3 for the establishment of the APCs. In stage 4, are the SAS the new trustful creditworthy because they now have a good record of debt payments, something that helped EH SAS to be independent and participant of an extraction plant.

Here, Indupalma specifically trained labour showing the best way to have an entrepreneurial behaviour from stage 1 to stage 3, but also Indupalma followed the same rules for any upgrade pursued. Was precisely the lack of this behaviour, when Indupalma default to EP and EH SAS, that EH SAS decided to break any relation with Indupalma, showing that the ‘good behaviour’ also depends on the position in the value chain. Haime-Gutt group has also default to Indupalma, but because is the same conglomerate, the repayment has not been reinforced, on the contrary with EH SAS against Indupalma.

One of the needed characteristics of the successful upgrading of the cooperatives, was the careful selection of the members creating the APCs as described by Gerber (2014), being exactly the argument exposed in Interview 1 to promote cooperatives as a tool to link the landless peasants in the palm oil dynamics from stage 1 and even more in stage 3.

Link with the contemporary agrarian questions related with empowerment in Akram-Lodhi and Kay (2009): Transition across the rural social classes described by Lenin: From agricultural proletariats, then semi-proletariats (AWC), small peasants (APCs), members of



the exploited labour class for surplus extraction under the Marxist theory. Then, with the consolidation of the SAS they jumped to the middle peasants exploiting the labour surplus of other AWCs. As Lenin described in the same article, that transitions apply mechanisms of agrarian capital: economies of scale (here already applied by Indupalma and looking to increase them through the venture with the cooperatives), changes in tenancy relations (land property rights to the peasants and the promises of shares in an extraction plant), and debt (with the leasing of the means of production of the AWC s and the long-term loans ensured with the purchase contract of the fruit with the APCs).

In Akram-Lodhi and Kay (2009), describing Marxist path for the upgrading transition through the dualistic commune, EP and EH are a break point because the three mandatory characteristics they had: they know well each other, they are socially homogeneous, and the indivisible individual property rights with the joint economic project of the cooperative. In addition, the same article described McMichael the corporate food regime that in the present research, applies from a relation of subordination, to a posture of commercial relations between economic agents in the market of supply and demand of palm oil fruit under the CSR, and even more innovative, with the shared value concept created by Indupalma, clearly putting in practices the priority of capital for all the actors in the cooperative's upgrading model.

## Chapter 7 Conclusions

Across the upgrading stages, the relation between the cooperatives (or the SAS) and Indupalma, changed. Also, the discourse used by the company that smartly customized it and sold as part of its CSR, but they preferred to call it 'shared value'. Even more, Indupalma's Chief Executive Officer (CEO) across all the upgrading process, Ruben Dario Lizarralde, used it as his discourse of what he and the company have been calling "the agrarian reform from the private sector" as part of his proposals when he was designated as Minister of Agriculture the last presidential period, as well as his campaigning flag for the next presidential elections in 2018. (Interview 3)

Indupalma and the local peasants, recognize that would be almost impossible for them to achieve all that they have had (AWCs, the company's school, the extension services, the health centre, the sport centre, security from the armed conflict between the guerrilla and the paramilitary forces, etc) without the support of the company. In comparison with their neighbour towns, in general all the wellness indicators are above the average where Indupalma, EP and EH are located. (Interview 3, confirm in DANE 2013 census)

That discourse of mutual benefit with a unique opportunity to overcome poverty, is also reinforced during all the business training that the AWCs are receiving, especially when it is limited to the palm oil business, instead of being trained to develop their own business idea.

The constant message of a needed inclusion to the palm oil market to be wealthy, can be understood as a modern capitalist cultural hegemony of the neoliberal principles, hidden as ICA principles. Indupalma took the structural changes in the economic system, adopting the AWCs, efficiently transforming fixed cost into variable cost that allowed corporate advantages for the elites. Following Overbeek (2014), peasants were induced to believe that they were building empowered cooperatives changing the traditional Marxist relation of the capitalist and the proletarian, and instead, they will become suppliers and communicate with each other through a commercial transaction and not under a subordinated position.

With the third stage of the upgrading process, carefully selecting the beneficiaries of the opportunity to own their harvest land was also a step to decrease risk and fixed cost that Indupalma had no intention to maintain. Of course, peasants wanted and accepted the proposal, because would be an important step for stability and welfare.

Any rural organization, either cooperative or an entrepreneurial enterprise, requires a link between their production and the rest of the stages in the value chain to achieve the consumers. They are being very efficient producing, but there is no agent that connects them with the coordination of transportation, sales and final consumers.

Gerber (2014) argues that “instead of letting credit/debt selection rule, democratic control should take back the economy's trajectory through the definition of socially useful objectives and the corresponding training and financing of the relevant actors”. The present research agrees but emphasise in the need of a preparation of the scenario when that ideal-type could be feasible, due to is very similar with the integrated ideal-type proposed by Indupalma. After the analysis of the upgrading process developed here, achieving the

empowered ideal-type for landless migrants of the violence in the rural Colombia, that were not used to peasant's economy or a community bond at all, it is necessary to have an institutional intervention from the state or from the private sector, like in the present case study.

Both institutions, Indupalma and the Colombian state, have a profit incentive immersed in a GVC in which Colombia cannot be a big player, but with different degrees of responsibility. After the 1990s economic reform, leaving the private sector with the responsibility to provide social welfare, consequently generates difficulties for peasant's empowerment because any company would not like to have more competitors in its market, that would be economically irrational taking off the company's empowerment in the market. Simultaneously, if a state leaves under private hands the research and extension services, certainly this actor would not want to share his findings and investments without any profit, because that is the logic of the investment in the first place. Even though, this research showed that even with openly profit-incentive programs, as the cooperatives upgrading, peasant's empowerment can be possible, in the extent in which any actor can be empowered in a value chain where the country is not competitive from the first place.

## REFERENCES

- Arnold, D., & Bongiovi, J. R. (2013). Precarious, informalizing, and flexible work: Transforming concepts and understandings. *American Behavioral Scientist*, 57(3), 289-308.
- Agencia de Noticias Universidad Nacional (2014). 'Ganadería sigue ganándole tierra a los cultivos'. Accessed 16 October 2017. <http://agenciadenoticias.unal.edu.co/detalle/article/ganaderia-sigue-ganandole-tierra-a-los-cultivos.html>
- Austin, J. E. (2005). *Alianzas sociales en américa latina: Enseñanzas extraídas de colaboraciones entre el sector privado y organizaciones de la sociedad civil*. IDB.
- Bacon, C. M. (2010). A spot of coffee in crisis: Nicaraguan smallholder cooperatives, fair trade networks, and gendered empowerment. *Latin American Perspectives*, 37(2), 50-71.
- Bair, J. (2005). Global capitalism and commodity chains: Looking back, going forward. *Competition & Change*, 9(2), 153-180.

- Collier, P., & Dercon, S. (2014). African agriculture in 50 Years: Smallholders in a rapidly changing world? *World Development*, 63, 92-101.
- Departamento de prosperidad social DPS (n.d.). Proyectos: El Palmar. Access 10 September 2017. <http://mapasocial.dps.gov.co/Proyectos/4543>
- Departamento de prosperidad social (n.d.). Proyectos: El Horizonte. Access 10 September 2017. <http://mapasocial.dps.gov.co/Proyectos/4544>
- Echandía, C. (2014). “50 años de cambios en el conflicto armado colombiano (1964-2014)”. *Revista Zero*, 33, 94-101.
- Echavarría, J. J. (2014). ‘El mercado de café en Colombia’. Paper presented at the *Misión estudios competitividad caficultura en Colombia*, Universidad del Rosario, Bogotá. Presentation retrieved from <http://www.urosario.edu.co/Home/Principal/OrgulloRosarista/Adjuntos/Mision-del-Cafe/El-mercado-de-cafe-en-Colombia-JJoseEchavarría/> El Herald (2017). “En San Alberto ponen en marcha Plan de Fomento a la Economía Solidaria”. Accessed 15 September 2017. <https://www.elheraldo.co/cesar/en-san-alberto-ponen-en-marcha-plan-de-fomento-la-economia-solidaria-347693>
- Ferrari, César (2014). “Evolución económica colombiana”. Accessed 15 October 2017. <https://www.elespectador.com/noticias/economia/evolucion-economica-colombiana-articulo-516666>
- Fadul, O. (2011). *Informe Alianzas Por La Paz: El Modelo Indupalma*. (Report: Alliances for Peace: Indupalma’s Model) Consultancy Reports., No. 1. Bogotá: Indupalma.
- Garay, L. J. (1998). Colombia: Estructura industrial e internacionalización 1967-1996. *Biblioteca Virtual Del Banco De La República*, 563-614.
- Gerber, J. (2014). The role of rural indebtedness in the evolution of capitalism. *Journal of Peasant Studies*, 41(5), 729-747.
- Gereffi, G., Humphrey, J., & Sturgeon, T. (2005). The governance of global value chains. *Review of International Political Economy*, 12(1), 78-104.
- Heynig, K. (1982). Principales enfoques sobre la economía campesina. *Revista De La CEPAL*,
- Indupalma (2010). ‘Manual del propietario, Alianzas Productivas’ (Owner’s Handbook: Productive Alliances) Bogotá: *Indupalma*.
- Instituto de Estudios Rurales (IER) (2008). ‘Joseph Stiglitz propone frente al “fundamentalismo de mercado” una economía más equilibrada con un peso creciente de la economía social’. *Universidad Javeriana*. Accessed 7 November 2017. <http://www.javeriana.edu.co/ier/?idcategoria=1595>

- International Cooperative Alliance (2017). 'What is a cooperative?' Accessed 15 June 2017. <https://ica.coop/en/what-co-operative>
- LMC International (2015). 'Influences upon palm oil production costs'. Presentation to the Fedepalma Congress, Cartagena de Indias, September 2015. Accessed 10 October 2017. <http://web.fedepalma.org/sites/default/files/files/1%20James%20Fry%20Produccion%20Costs.pdf>
- Marín, R. S. J. (2014). Diferentes miradas sobre la sociedad por acciones simplificada (SAS) tras un nuevo conocimiento. *Saber Ciencia y Libertad*, 9(2), 71-88.
- Martin, S. J., & Clapp, J. (2015). Finance for agriculture or agriculture for finance? *Journal of Agrarian Change*, 15(4), 549-559.
- Murcia, A. (2011.) 'Informe De Consultoría (Consultancy Report)', No. 1. Bogotá: Indupalma.
- Niforou, C. (2015). Labour leverage in global value chains: The role of interdependencies and multi-level dynamics. *Journal of Business Ethics*, 130(2), 301-311.
- Ocampo, J. (2015). 'El campo colombiano: un camino hacia el bienestar y la paz. Misión para la Transformación del Campo'. *Departamento Nacional de Planeación – DNP*. Bogotá.
- Osei-Amponsah, C. (2016). 'Research and experimentation in support of artisanal palm oil production in Ghana'. *Innovation Systems: Towards Effective Strategies in Support of Smallholder Farmers*, 124.
- Overbeek, Henk (2000) 'Transnational historical materialism: Theories of transnational class formation and world order', in Ronen Plana (ed) *Global Political economy: Contemporary Theories*, London: Routledge, pp 168-183.
- Prieto, A. (2011) 'Informe: El Modelo De Gestión De Indupalma (Report: Indupalma Management Model)'. Consultancy Reports., No. 1. Bogotá: Indupalma.
- Puerto Wilches. (Last Update 2017). Accessed 13 October 2017. [http://www.puertowilches-santander.gov.co/informacion\\_general.shtml#historia](http://www.puertowilches-santander.gov.co/informacion_general.shtml#historia)
- Rueda, A., & Pacheco, P. (2015). 'Políticas, mercados y modelos de producción: Un análisis de la situación y desafíos del sector palmero colombiano'. *Centro Para La Investigación Forestal Internacional*. Available in: [http://www.Cifor.org/publications/pdf\\_files/OccPapers/OP-128.Pdf](http://www.Cifor.org/publications/pdf_files/OccPapers/OP-128.Pdf),
- Sabana de Torres. (Last Update 2017). Accessed 13 October 2017. [http://www.sabanadetorres-santander.gov.co/informacion\\_general.shtml#historia](http://www.sabanadetorres-santander.gov.co/informacion_general.shtml#historia)

- Sacchetti, S, Tortia, E (2012) 'The internal and external governance of cooperatives: effective membership and consistency of values'. *AICCON*, Working Paper 111.
- San Alberto. (Last Update 2017). Accessed 13 October 2017. [http://www.sanalberto-cesar.gov.co/informacion\\_general.shtml#historia](http://www.sanalberto-cesar.gov.co/informacion_general.shtml#historia)
- Social Economy Superintendence (2017). "Reseña Histórica". *Ministry of Finance and Public Credit*. Accessed 10 October 2017. <http://www.supersolidaria.gov.co/es/nuestra-entidad/resena-historica>
- Tenjo, J., & Jiménez, M. (2015). 'Mercado laboral en el sector rural colombiano'. *Centro Latinoamericano Para El Desarrollo Rural RIMISP. Informe Para La Misión Para La Transformación Del Campo-DNP. Bogotá*,
- United, H. (2013). Exploitative labor practices in the global palm oil industry. *Report Prepared by Accenture*. [Http://humanityunited.org/pdfs/Modern\\_Slavery\\_in\\_the\\_Palm\\_Oil\\_Industry.Pdf](http://humanityunited.org/pdfs/Modern_Slavery_in_the_Palm_Oil_Industry.Pdf), Accessed November, 7(2013), 411-429.