



## Case Study about Three Consumer'S Cooperatives of Organic Products in the South of Brazil was a Part of Short Food Chains

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**Abstract:** The theme of this article is to explore the case of three consumer cooperatives in the south of Brazil and observe the daily business, organization and supply chain, using as reference the “short food supply chain” to think and understand in which way the theory and praxis are close or far between themselves. The data was collected with research in the stores and interviews with the key-people in them, most of them the owners and some trustful employees. Analyzing reasons for the beginning of the business, like a mobilization and participation of members and partnering with technical support centers, NGOs, universities and farmers groups who formed the short chain and awareness. The research found some curious results, like the diversity of inside organization between the cooperatives with different kind of food chain commerce at the same time, that became clear on these institutions which are much more entangled with the ideas of short supply chains, local consumption and sustainability in theory, and all of them tried to put it on in practice this.

**Keywords:** Local consumptions; Networks; Solidarity consumption; Organics.

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### 1. Introduction

In the beginning of this century the agriculture and food production have face it many challenges. The Global Warming exposed the necessity of a shorted carbon footprint in every location of the food chains, from farms to the table, passing by the processing, transportation and retail (EDWARDS-JONES, 2008). Concepts like carbon footprint, “fair trade” and “social and economic fair” will have a great impact in consumers choose. This new lifestyles and the constant massive healthcare problems push for a more safe and healthy ways to feed yourself, bringing new meanings and significant care to “organics” and “minimally processed foods”, alternative diets like Paleo, vegetarians and so on.

The consumers cooperatives are a group of consumers who are united under a specific objective: to buy products in collective way, with certain form, with a mix of crow funding, store and association, because at the same time they can provide capital for farms in advance (or promise to buy), to sell products for members and/or general public, normally with a participative and educational background. In Brazil the connection between consumers groups and the sustainability are big, that lead to normally called them Groups Responsible Consumption (GRC), which praises the environmental, nutritional, social and economic aspects in relation to the consumption of organic products, those aspects are relevant in choosing which kinds of food the consumers buy (TURK, 2017).

In this situation nowadays this research explores the *modus operandi* of three companies who work with organics products since the farm to the table of the consumers. It was evaluated a lot of aspects in theirs routine, such as logistics, suppliers, in relation with the consumers and others relevant aspects for this study. Furthermore, it was exploring the main aspects of their market action and actions to improve and make a better function of organic markets by this kind of company – Collective cooperatives. Beyond this observations of daily basis, we have made interviews with owners and relevant employees in theses companies, to observe how they think and collaborate with the function and the role of these new ideas about food and consumption.

The market dynamics have become more modern with the advance of urbanization, technology and globalization that occurred in the last century. In the agriculture sector, the green revolution “industrialized” the countryside, generating a wide and complex agroindustrial chain with large supply lines, in which the initial links - the producers - are very distant from the final links, thus causing a lack of contact on those who produce with those who consume. Within this panorama, there are new initiatives by consumers and producer organizations that try to reconnect these agents, through fairs, “producer festivals”, and more recently, consumer cooperatives that appear with notoriety.



## 2. Theoric Referencial

Thinking as referential to this research, we can observe the studies of Kluth *et all* (2011), Moura *et all* (2010) and Casemiro (2009) that shows the consumers don't have a clear notion of how much those products value themselves, like "organic", "natural", "healthy" and "traditional" because of the information about the products, just like as nutritional and productive aspects, are not clear yet to the consumer. The most challenge to these cooperatives are the organizational logic, bringing to the center of discussion, the consumption and demand of organic market, associated with some issues related to responsible consume, slow food, health benefits and the agrarian question, with emphasis in local consumption and strong bond between producers and consumers which is always relevant to the guidelines for cooperatives producers, by the way, facilitating the transmission of information along the chain, or the consumers in a dynamic and fast short food supply chain.

The short food supply chain is a concept which have 3 fundamental types (MARSDEN, 2004). The "face to face" is the direct contacts between the producers and the consumer, like buy inside the farms or farmer markets. The "proximate", normally have few/one intermediary or/and a short distance between the links in the chain. The last one, extended, the supply chain is geographic far, but the proximity is from the information and awareness of the consumers. The proximity (awareness) can be social, economic or geographic, the information and understanding have a role in the distance (food miles).

The consumer cooperatives bring with them a differentiated bias from retail and producer cooperatives in several aspects. The change in organizational logic brings the consumption and demand of the typical retail market to the center of the debate, mixing issues related to responsible consumption, slowfood, health benefits and the agrarian problem, which is one of the guidelines always relevant for the cooperatives. producers, generating a new interface in the chain, even if, still apparently, the impact is quite uncertain in the mediation of interests of producers and consumers, mainly in terms of the transmission of information along the chain.

## 3. Methodology

This research was conducted in the State of Rio Grande do Sul (RS), and Santa Catarina (SC), both states in Brazil, more specifically in three cooperatives located in the cities called Torres (RS) - *Ecotorres Cooperative*, Pelotas (RS) - *Teia Ecológica* and Florianópolis (SC) - *Compras Coletivas Ecosolidárias*. The initial time period of study and research lasted two years, extending from April 2012 until March 2014 to generate a master thesis in Agribusiness. A second round of question and review are being done in 2020 for actualization purposes, to observe how these companies are evolving themselves today.

The data about those three cases of consumer cooperatives of organic products are collected by, non-directive interviews applied with semi-structured questionnaires about the motivations of the formation of the cooperatives, their structure and management, as well as aspects of the distribution chain, and contact with key people in that organization. Some interviews and documents about the cooperatives are being read and most recent (2020) some data are collected in networks on-line in partnership with some past contacts. During this process, the collected data were interpreted in order to generate statistics in order to explain better the most relevant aspects in the chain. Alas, in order to improve this analysis, it was used the focus in "supply chain" and "distribution chains" with emphasis in "short food supply chains" who are a derivation of traditional supply chain.

For Wood and Zuffo (1998), the SCM, or supply chain management is a methodology that serves to align the activities developed in the chain in an organized and synchronized way. Thus, minimizing cycles and maximizing the value perceived by the end customer, exceeding the limit of firms and individual agents dealing with the chain as a whole. To this end, relations with suppliers and customers become a key point in decision making and require joint planning of activities for them to be successful.

Thus, the analysis of the supply chain is a very relevant approach to the logistics of the production chains, in addition, it provides valuable information about the organization and interaction between its agents. The analysis of the supply chain takes into account the information flows in the productive chair, normally, starting from its final link towards its initial links. Like money, commodity has the opposite flow in relation to a more complex approach, and in the more organized chain, information is constantly exchanged for both directions. This analysis highlights the dynamics of exchanges and reveals asymmetries of information present in a production chain.

## 4. Results and Discussion

We had made interviews with the key-persons from the cooperatives, and it was possible to develop the following table that contains a summary of information gained in the cooperatives about their general data and how they work.



Table 1 Comparison between the three cooperatives studied in its various aspects (KLEIN, 2014)

	<b>Ecotorres</b>	<b>Teia Ecológica</b>	<b>Compras Coletivas Eco Solidárias</b>
<b>Foundation</b>	1999	1990	2006
<b>Members and partners</b>	120	33	90
<b>Potencial consumers</b>	+/-1000 month	150 day	90 for share
<b>Core</b>	Core manager; management; operating.	Operator; consumers and producers.	Core manager; general partners.
<b>Formalization</b>	Yes	Yes	No
<b>Place</b>	Torres (RS)	Pelotas (RS)	Florianópolis (SC)
<b>Suppliers</b>	+/- 45	+/-35	+/-30
<b>Local Suppliers (-30KM)</b>	70% (local producers cooperative)	75% (two local producers cooperatives)	35% (many small organic farmers)
<b>Statute</b>	Yes	Yes	No; Code standards and coexistence.
<b>Performance</b>	Sales of organic and natural products	Organic restaurant	Sales of organic and natural products
<b>Provide Training/education</b>	Yes	Yes	Yes
<b>Provide Visits to suppliers</b>	Yes	Yes	Yes
<b>Only members can buy</b>	No	No	Yes

We can observe about the constitution of the core management with a significant opposition in the organization that directly impacts the decision making. The *Ecotorres* separates your membership manager of the core group of employees responsible for operating activities. The *Teia Ecológica* focuses on the operators and all decisions that are partners who “work in the operation” while the *Compras Coletivas Eco Solidárias* features as a small core of committed arguing with all other aspects of the cooperative stakeholders.

In the aspect of formalization, we can argue that the formalization exists in two cooperatives and comes with an “formal” apparat status, minutes and several administrative documents, which the *Compras Coletivas Eco Solidárias* is replaced by a code of living, nevertheless the number of partners is very similar among all cooperatives. The number of suppliers of cooperatives presents a similarity in numbers ranging from 30 to 45. If we consider that the cooperative has a fewer supplier (Purchasing *Compras Coletivas Eco Solidárias*), does not work with green products, and does not sell industrial products, we saw that the number of suppliers accompanies the product mix in the three cases studied.

In the process to generate awareness of “food, farmer and the process”, every one of the cooperatives have seminars, workshops, and promotes “meetings” with producers. All these precedents are made in a way of a better understanding of the qualities of the production system, the product and the man who turn the well and make that happen. In some way, some authors like Montanari (2007) considers a product brought from a cooperative like well-known by producers, who, the consumer have a strong bond to be equal a face-to-face buy, generating a similar link to the traditional way.

Two of the three cooperatives have more than 2/3 of the products coming from a local production, this show a sign of a proximity chain. In these cooperatives they are connected to other local cooperatives, what probably generate a useful bond, who permits the consumer cooperative to sell fresh products and have most of the products locally brought. The only cooperative who don’t have most of the products from local producers don’t sell a large number of fresh products.

These consumer cooperatives were formed in a very spontaneous way. The cooperatives analyzed have a very flexible structure, which Batalha (1997) as characteristic attributes of “new sectors that’s change fast on the process”. In the case of consumer cooperatives, the role of the different actors in the chain is in still tenuous absence often a clarity to industry participants. According to the classification of Dess (1995), none of the cooperative acquires a modular pattern of organization, but ranging from a virtual structure, to other free of barriers.



The closest to a virtual structure, we can mention *Ecotorres* and *Teia Ecológica*, because today they have a specific actuation in market, respectively shop and restaurant, structured. Moreover, nowadays *Ecotorres* has partnerships with agribusinesses that produce things that go beyond your store, reaching other markets, the *Teia Ecológica*, has a structure of operators with engaged partners who depend on this activity for their surviving.

And with free structure barriers, it can say that the three cooperatives have characteristics that may fall within this classification, however, the *Compras Coletivas Ecosolidárias* is the one that best fits in this model. This cooperative has an almost itinerant structure, adding new points of sharing and taking others as often the opportunities arise. Its shape makes virtual marketing called “basket of goods” very cheap and fast, furthermore, members of the cooperative are not dependent for their livelihood, and can more easily risk a change of action.

This organization reflects the nature of how they are conducting cooperative activities such as purchasing, sales and operational decisions. The table 2 below was mounted in order to examine the main activities and how they are developed in cooperatives.

Table 2 Organization of consumer cooperatives according to different characteristics (KLEIN,2014)

Points analyzed	Cooperativa Ecotorres	Compras Coletivas Eco Solidárias	Teia Ecológica
Frequencysale	Business hours	Monthly	Lunches
Supply of fresh products	Three times a week	Do nothave	Three times a week
Main form of supply	Delivery route	Request Aggregates	Fair
Supply of manufactured goods	1 to 3 months	Monthly	On demand
Products “manufactured”	Orders	Request Aggregates	Orders
Price (decision)	Large margin on product	Large margin on product	Estimated cost for maintaining cooperative and remuneration
Price (promotion)	New products; products with high inventory; perishable	The nonstandard products A; avoid waste.	Doesn’t
Point of sale	Shop	Online; site; email	Online; site; email
Place of delivery	Shop	Local sharing	Restaurant
Disposal of products	Shelves ; shop	Time of delivery	Restaurant ; buffet

The table 2 shows that the frequency of product supply follows the same routine three times weekly for green products (*fresh*) and monthly nature for manufactured products. How to supply, however, we can observe the fair as a source for *Teia Ecológica*, while *Ecotorres* tries to benefit from existing delivery routes producers based on perceived need for custom region, and the case of the *Compras Coletivas Eco Solidárias* aligned with the aggregate system and shares applications.

And in relation to the pricing politics, we can see a big margin becomes the main way to estimate the final price for marketed products, although in the case of the *Teia*, because it is a restaurant, eventually adopting a system of estimating costs of the cooperative to assess the expenses for its maintenance. Regarding the promotion process, *Ecotorres* have a store, and appears more concerned with selling the products and increase sales, while the *Compras Coletiva Eco Solidárias* only cares to not spoil any product that may eventually be in stock.

Regarding, the process of decision making in these cooperatives it was proved very distinguish in the studies (Table 2). The *Compras Coletivas Eco Solidárias* has been very attached to a core that currently focuses informal operational and tactical decisions and the strategy of action guided by principles discussed with other members, primarily through electronic means in discussion groups. Already, on *Teia Ecológica*, the process is now in the hands of operator’s partners and who works in cooperative, leaving producers and partners farthest from the consumers in currently process. In the third case the “*Ecotorres*”, their operational decisions are made cooperative staff and the most tactical and strategic by a governing body parts, mimicking another operation of a commercial shop.



Table 3 Characteristics of decision making in consumer cooperatives (KLEIN, 2014)

	<b>Ecotorres</b>	<b>Teia Ecológica</b>	<b>Compras Coletivas</b>
<b>Buy</b>	Operational manager	Operating partner	Core manager
<b>Sell</b>	Employees and managers	Operating partner	Core manager and site
<b>Tactics decisions (by month)</b>	Core manager	Sócios	Núcleo gestor
<b>Decisions in wide character (status, method of operation, etc.)</b>	Partners	Partner	Partners (debate groups)

The configuration of environments keys to their training and this success seems to have three basic factors present (Figure 1):

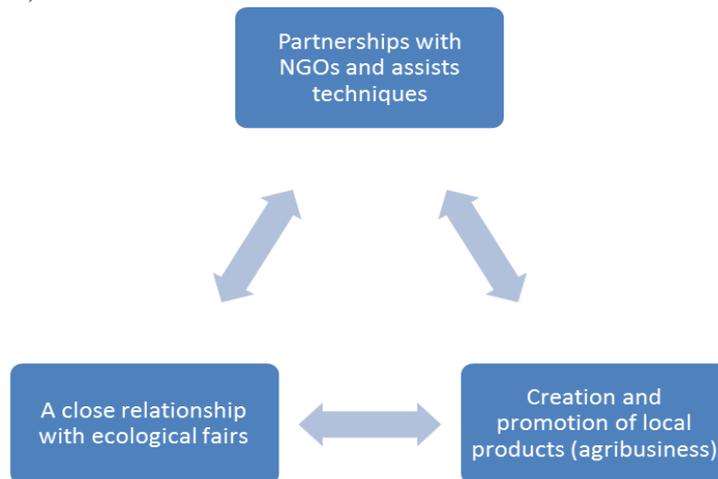


Figure 1 Characteristics of consumers points present in the southern region of Brazil cooperatives (KLEIN, 2014)

Starting from the aspects analyzed in the cooperatives studied, we can assign three factors to an environment that contributes to the formation and maintenance of a consumer cooperative of organic products. The organized producers and their markets, for example, are usually the product of a number of factors ranging from the crop of such region, the process of organizing stakeholders and public politics that encourage and support this kind of initiative. The supporting organizations are NGOs, university, technical assistance or social movements have companies in your determining factor the ability to seek, to bring knowledge and contribute to an essential factor organized and informed consumers with the desire to form a cooperative.

### 5. Final Thoughts

The cooperatives had a different way of organizing and adapting to reality. All cooperatives had different structures in terms of institutional organization, acting market and kind of service provided, and also the relationship with the fairs and producers. All of them, however, showed an early focus on the opening of a direct, collective and participatory channel between consumers and producers in a way of reducing the lack of awareness between the members of the food chain.

In this type of organization, the consumers end up becoming closer to the operation and producers, acquiring more knowledge about the production and distribution of food in your table. In meetings, courses, visiting producers and discussions on issues related to cooperative of organic guide the activity of them all, being part of something that makes daily work. This process generates a bond between the consumer and producers, especially with members of the consumers cooperative and members of a farmer's cooperative.

We can observe in the cooperatives in general, that they contribute for a better bond between the food chain, and in general make then shorted, especially the cooperatives who have relations with other cooperative. The consumers cooperative of this study shows there are a mix of "collective buy", "cofounding", "social movement" and "shop/retail" all in one. On the other point the cooperatives show the focus is not only the product, but the process of all the chain involved and living a new style.

The presence of an axis between consumers and "clear and organized" producers with support of NGOs provides technical allowance and seems to be "the formula" of creating consumer successful cooperatives, even though other organizational parameters, market positioning and strategy business show imperfections.



The search for a more efficient supply chain led cooperatives to generate partnerships and close relationships with producers. In the case of *Ecotorres*, has the same focus including the development of unique products. In contrast, the *Teia Ecológica*, showed synergy between the shop and the restaurant, which is vital, with the end of one could easily lead to the end of another due to the volume and frequency of transactions between them. In the case of *Compras Coletivas Eco Solidárias* stands how a high standard Information Technology (IT), that can generate a flow of requests and information organized overlapping the absence of more robust physical structure and generating an efficient structure of distribution malleable.

Therefore, it was noted that the cooperatives studied in this work, show a link between producers and consumers in many ways that go beyond mere information contained on the product that you buying. Search for information on where it was produced, by whom and how a product that the consumer is acquiring, by direct contact and visits the properties or intrinsic information contained in the product sold, visits to producers and to cooperative events and meetings for discussion, enabling more knowledge and information to the consumer about the product, and approaching the realities of those who produce consume.

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