

Mobilising internal finance from within forest and farm producer organisations

A case study of Cresol Credit Union System founded by farmers



Access to Finance Case Study 6: Brazil

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Cover photo: Strawberry production in the state of Santa Catarina by a farming family that is a member of Cresol (right). A farming family growing vegetables with the support of Cresol's technical assistance programme in the state of Rondônia © Cresol Baser institutional collection, Gilberto Chaves

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Table 1. Cresol’s products and services

Acronyms

BNDES	Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social)
Cresol	Cresol Credit Union System (Sistema de Cooperativas de Crédito Cresol)
FFPO	Forest and farm producer organisation
Pronaf	Brazil’s National Programme to Strengthen Family Farming (Programa Nacional de Fortalecimento da Agricultura Familiar)
SFN	National Financial System (Sistema Financeiro Nacional)

Summary

The financing of rural and agricultural sectors continues to be a global challenge in the search for local development and as a tool to overcome food shortages, food insecurity and poverty. This case study presents the evolution of the Cresol Credit Union System in Brazil, founded in 1995 by 27 family farmers. Cresol currently consists of one third-tier (apex) confederation, four second-tier central credit union organisations, and 72 first-tier credit unions, many of which consist of forest and farm producer organisations (FFPOs). Through its 734 local branches distributed across 18 Brazilian provinces and states, Cresol provides financial services to more than 786,000 member families, of whom over 245,000 are involved in agricultural activities. At Cresol, 38.7% of its members are women and 23.2% of are young people.

Agriculture continues to be the main destination of Cresol's credit portfolio, and Cresol aims to be much more than a simple financial institution: it seeks to be an outstanding example of a cooperative financial institution that supports the development of its members and the environment where they live. Unlike traditional banks, Cresol understands the realities of and challenges facing its members and their communities, and so has developed solutions to adequately meet their needs. Cresol's success has depended on its ability to maintain a close mutually beneficial relationship with its members. Cresol's main positive impact is that it provides productive credit, investment credit and working capital to farmers' organisations and farmers directly.

In part, Cresol's credit portfolio comes from the contributions of its members in terms of savings and investments. However, it has also developed strategic relationships with national and international actors, receiving support from other organisations including the Brazilian Development Bank (BNDES), private and development banks, and international funds. For example, Cresol helps facilitate farmers' access to BNDES agricultural credit lines. By the end of 2022, Cresol was the financial institution with the largest number of indirect BNDES operations, with 81,437 operations and a total placement of US\$880 million.

Cresol also has its own technical assistance programme called Rural Entrepreneurship. Its objective is to provide technical assistance to farmers, cooperatives and farmers' associations that contribute to the development of agricultural chains. This is done through improvements in management, better utilisation of natural resources, and strategic investments in technology and sustainable practices.

Today, Cresol has a strategic plan with systemic objectives, where everyone who is part of the Cresol Credit Union System has a clear understanding of their responsibilities, duties and expectations regarding their performance. This applies to all levels of governance: institutional, political, tactical and operational. This systemic alignment is what has enabled Cresol to expand sustainably at a national level.

1 Introduction to the Cresol Credit Union System

The 1990s was a time of discussion between civil society actors and the government on ways to reduce poverty in rural Brazil. It was also a period of mobilisation, with civil society seeking recognition of family farming as an important category of production. One of the main challenges facing smallholder farmers was their lack of access to credit.

In 1995, 27 smallholder farmers in the southwest of Paraná founded the Cresol Rural Credit Union System with an estimated total capital of US\$130 dollars (US\$1 equivalent at the time to roughly 5.29 Brazilian reals). The name reflects the interaction and solidarity among the cooperatives in the network. Their goal was to provide credit and other financial and non-financial services to smallholder farmers in the region. Over the last 27 years, Cresol has been instrumental in the development of Brazilian family farming. In 2022 it became the largest indirect credit operator of the Brazilian Development Bank (BNDES).¹

Cresol's mission is to provide financial solutions with excellence by fostering close relationships in order to generate development for its members, their companies and communities. With this mission, Cresol aims to be much more than a simple financial institution: it seeks to be an outstanding example of a cooperative financial institution that supports the development of its members and the environment where they live. Ethics, credibility, excellence, simplicity and sustainability are the values that guide Cresol's vision and have been present since its creation.

From 1995 to 2015, Cresol provided its financial services exclusively to farmers in rural areas of Brazil. However, in 2015 its strategic planning provided new guidelines to serve all people living within Cresol's coverage areas. This decision was taken by Cresol in consideration of the changes experienced by Brazilian family farming, especially the decrease in the number of farmers and the continuing rural exodus of farmers' sons and daughters to the cities. Thus, in 2015, Cresol opened its doors to the general public, both rural and urban. Cresol now finances 265 rural productive activities and a variety of formal and legal commercial activities. Its credit portfolio comes from the contributions of its members to savings and investment products, as well as funding from BNDES, private and development banks, and international funds. Agriculture continues to be the main destination of Cresol's credit portfolio, which offers microcredit to its rural and urban members. Currently, more than 245,000 farmers and more than 100 farmers' organisations are Cresol members.

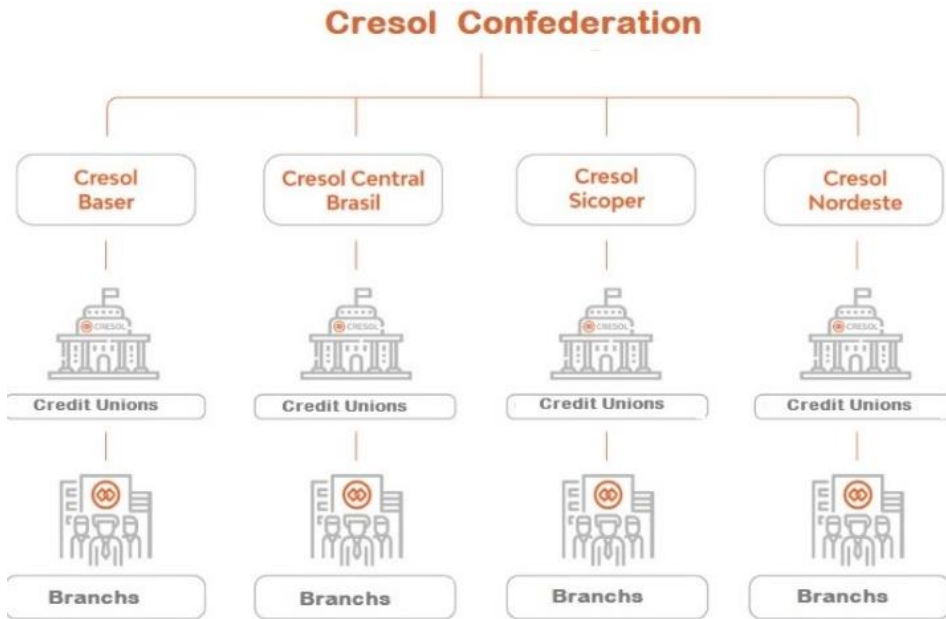
1.1 How the Cresol Credit Union System is structured and operates

In organisational terms, Cresol is a Brazilian cooperative and is recognised as a cooperative financial institution by the Brazilian National Financial System (Sistema Financeiro Nacional or SFN). The structure and operation of Cresol is based on the General Law of Cooperatives 5764/1971. This is a basic model that focuses directly on providing the best services for the benefit of its members and for strengthening the cooperative network.

Cresol consists of three tiers. Currently, Cresol is made up of one third-tier (apex) confederation, four second-tier central credit unions, and 72 first-tier credit unions, many of which consist of forest and farm producer organisations (FFPOs) (see Figure 1). Through its 734 local branches distributed across 18 Brazilian provinces and states, Cresol provides financial services to more than 786,000 member families, of whom over 245,000 are involved in agricultural activities. At Cresol, 38.7% of its members are women and 23.2% of are young people.

¹ The 'Brazilian Development Bank' is how Brazil's National Bank for Economic and Social Development (Banco Nacional de Desenvolvimento Econômico e Social) is commonly referred to.

Figure 1. The Cresol Credit Union System



Source: Cresol Institute (2021)

The national headquarters of the third-tier Cresol Credit Union System is based in Francisco Beltrão in the state of Paraná. The four second-tier unions also have their own administrative headquarters:

- Northeast Cresol in Lauro de Freitas, Bahia state
- Cresol Baser in Francisco Beltrão, Paraná state
- Cresol Central Brasil in Chapecó in Santa Catarina state, and
- Cresol Sicooper in Passo Fundo in Rio Grande do Sul state.

In 2021, Cresol launched its digital banking services, which provides customer services digitally throughout the country. Currently, Cresol has members located in 2,891 municipalities in Brazil.

Cresol’s financial products and services are designed to meet the needs of its members and serve three audiences: natural persons, legal entities and the agricultural sector (Table 1).² Cresol’s objective is to be a complete cooperative financial institution, providing its member with all of the services and products that a traditional bank offers. The difference to traditional banking, however, is that Cresol understands the realities of and challenges facing its members and their communities, and so has developed solutions to adequately meet their needs. For example, when Cresol grants a loan to a company or a farmer, it does so in the expectation that this will strengthen the sustainability and growth of that member’s business. To Cresol, credit cards are an instrument for improving the local economy and a financial organisation tool for members, just as the collective consortium is a savings instrument.

By offering a complete financial service, members can operate all their personal and business transactions within the cooperative. At the end of 2022, Cresol had 786,000 members, US\$4.7 billion in assets, US\$1.9 billion in savings, US\$3.25 billion in total portfolio, US\$500 million in assets and 7,000 employees. To strengthen its members’ capacity and reduce risks in the credit placement process, Cresol has developed its rural finance methodology, with the

² In Brazilian law, a natural person (*pessoa natural*) is anyone acting as a private individual rather than as a legal entity. A legal entity is an individual, company or organisation that has legal rights and obligations.

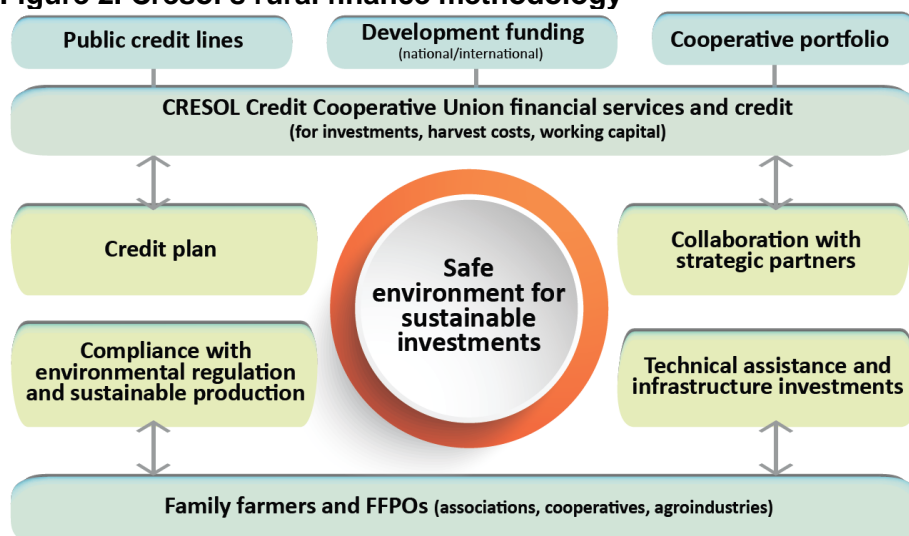
objective of financing family farmers and generating a positive environment for sustainable investments (see Figure 2).

Table 1. Cresol’s products and services

Products and services for natural persons	Products and services for legal entities	Products and services for the agricultural sector
Individual loans (personal, car, home)	Payment methods	Credit for planting and harvesting
Investment credit	Working capital	Investment credit
Current accounts	Investment credit	Proagro insurance
Credit and debit cards Insurance	Current accounts	Agricultural insurance
Pix transactions and bank transactions ³	Credit and debit cards Insurance	Consortia ⁴
Open finance ⁵	Pix transactions and bank transactions	Internet banking
Capital accounts	Open finance	
Insurance	Capital accounts	
Private pensions	Insurance	
Internet banking	Internet banking	

Source: www.cresol.com.br/site

Figure 2. Cresol’s rural finance methodology



Source: Alessio *et al.* (2021)

³ Pix is an instant payment platform created and managed by the Central Bank of Brazil. See <https://cresol.com.br/pix>

⁴ Consortia is a group of people who come together with a common goal, be it to buy property, a car or a service. Together, the group pays monthly a portion of the good it wants to acquire, with no down payment and no interest, during a pre-defined period. See <https://cresol.com.br/consorcios>

⁵ Open finance means that cooperative members can use their data and information to access personalised products and services. See <https://cresol.com.br/open-finance/>

1.2 How Cresol benefits its members

1.2.1 Matheus's story

In the city of Marechal Cândido Rondon, Cresol associate Matheus Gustavo Bloedorn and his family saw an opportunity for growth. Their story began when Matheus decided to invest in diversifying his family's income-generating activities. With the approval and full support of his family, after buying and moving to their first farm, Matheus began designing a pig housing project. Matheus commented that 'unlike many pig farmers, we did not have experience in the field. We migrated to the farm with the aim of testing our production capacity,' he said.

To start this challenging project, the Matheus family had an important financial partner: Cresol. In addition to helping the family to pursue their dreams, Cresol also motivated them to include solar energy on the property to improve sustainability and reduce costs. Happy with the alliance, Matheus has an important message for those not yet familiar with Cresol:

Cresol is not just a credit union – it is our second family. They were the ones who believed that this dream would be possible [and] they served us with the full dedication of the team. It is also important to say that the cooperative is transparent in its results, positioning us as the owners of the branch. That is why I recommend Cresol!



Pig farmer Matheus Gustavo Bloedorn, a member of Cresol © Cresol Institute

1.2.2 Waldecy's story

The city of Codajás in the Amazonas is known nationally for its açai (Brazilian fruit) forests. Cresol invests and believes in the sustainable management of the Amazon Forest and that the preservation of the biome will lead to better living conditions for farmers there.

Through projects that promote agroecological and agroforestry practices, Cresol has provided rural farmers with access to credit through the Pronaf programme (Brazil's National Programme to Strengthen Family Farming or Programa Nacional de Fortalecimento da Agricultura Familiar) to invest in their businesses and increase production. Farmers' access to public financing policies for family farming via Pronaf went from US\$0.00 in 2015 to US\$298,000.00 in 2021. One of the farmers to benefit was Waldecy Macedo de Melo, a Cresol member. According to Waldecy, with Cresol's support,

We have formed an association in order to work in a collective and mechanised way. We have always struggled, always encountering great difficulty. Regarding the association with Cresol, thank God everything went well and here is the result.



Açaí farmers who are members of Cresol in Codajás © Cresol Institute, Trias Belgium, Isabel Corthier

2 Origins and evolution of the Cresol Credit Union System

2.1 Establishment, foundation and membership

Cresol was created as a credit union on 24 June 1995 and its first financial operations were carried out with the support of the Central Bank of Brazil (Banco Central do Brasil). However, prior to this there had been a series of movements and actions that led the way for farmers to establish Cresol.

In the 1980s and 1990s, two farmer organisations contributed to the development of Cresol: the Association for Rural Guidance and Assistance Studies (Assesoar) and the Rureco Foundation. These two organisations were responsible for managing revolving funds financed by two international organisations: Act in Belgium (today called Trias) and Misereor in Germany. Managing these revolving funds prompted discussions in the farmers' unions and associations about the issue of access to credit. They identified the challenges and constraints of maintaining the operation of the funds: the limits to attracting more resources to finance farmers, and the legal limitations of operating credit lines and producing a profit. The decision of the farmers, farmers' associations, farmers' unions and the leaders of the revolving funds was the constitution of a credit union.

For the cooperative to exist, Cresol still needed to develop a statute and gain the approval of the Central Bank of Brazil. This statute was debated in various places by many small farmers in the region and approved at the first assembly on the 24 June 1995 (Callegari and de Fátima Fernandes 2020). In the same year, another four Cresol credit unions were founded in the west, southwest and centre of Paraná, in the cities of Capanema, Laranjeiras do Sul, Pinhão and Marmeleiro.

The main objective was to organise a network of cooperatives that could become an alternative financial system, with the participation of farmer organisations as members, and contributing to the democratisation of rural credit and effective social control (as a cooperative is owned and managed by its members) (Volles 2010). The founding of Cresol was in response to the exclusion of family farmers from the traditional national financial system, which at the time was made up of large banks located far from rural populations. Its initial purpose was to be an instrument to strengthen family farming through access to credit. Figures 3 and 4 show some numbers of the evolution of Cresol in its 27 years. Figure 4 shows that Cresol's overall membership grew by 12.4% between 2020 and 2021 (Cresol Institute 2022).



Constitution of Cresol © Cresol archive

Figure 3. Evolution of Cresol’s assets 2000–2022 (in Brazilian real/billions)

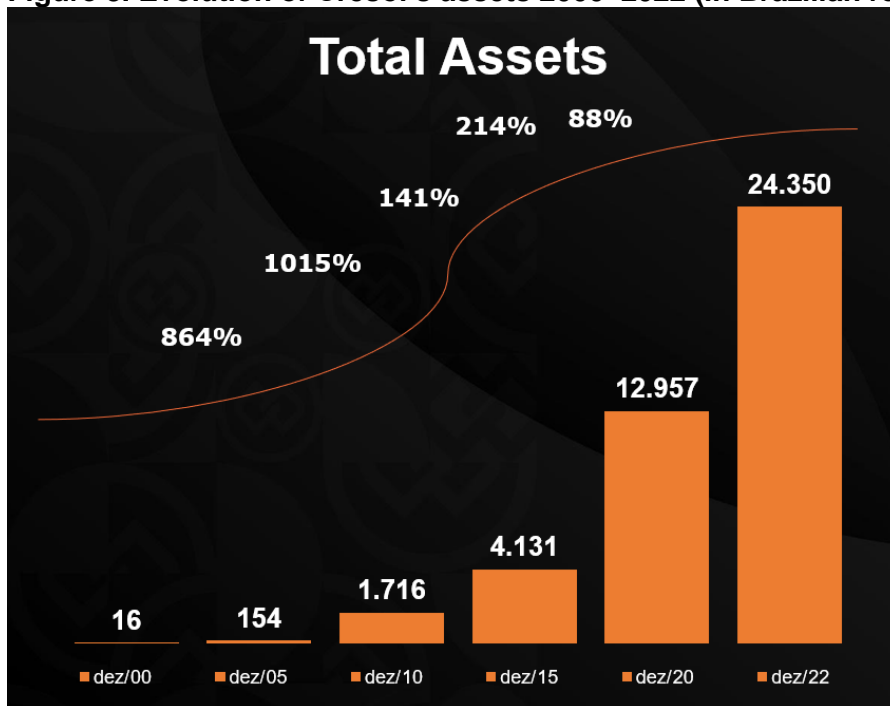
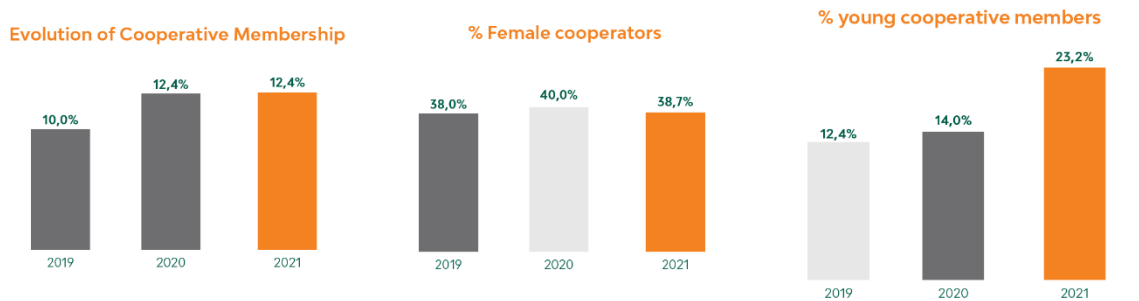


Figure 4. Evolution of Cresol’s membership (2019–2021)



Source: Cresol Institute (2022)

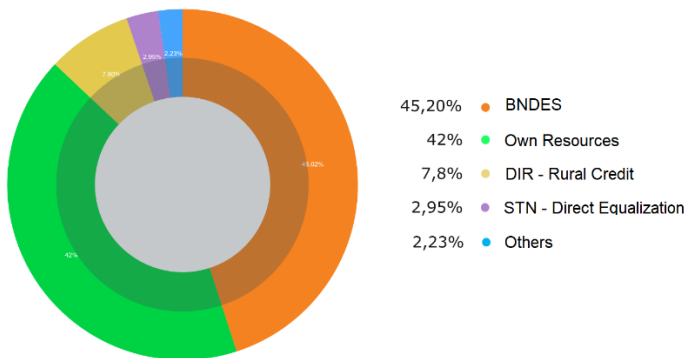
2.2 Sources of funds

The first resources managed by Cresol come from the mandatory initial contribution made by each member on joining the cooperative. Founding members contributed the equivalent of 10 bags of corn (which at the time was close to 67 Brazilian real). In turn, each member could borrow a maximum of 20 times their share of the capital or 1,340 Brazilian real (Callegari and de Fátima Fernandes 2020).

With this contribution to its equity, Cresol began to operate in the Brazilian financial system, offering its members initial checking and savings account services, long-term loan applications, personal credit, revolving fund management, and – the most important of its services – access to productive credit available from Pronaf. Cresol’s efficiency in the operationalisation of Pronaf was essential for the expansion of the system, in terms of numbers of members and managed assets. Currently, Cresol’s credit portfolio comes from the contribution of its members to savings and investment products, funding lines from BNDES, funding lines from private banks and development banks, and international funds (Figure 5). This is important because the demand for credit from its members is greater than the financial investment capacity of the members themselves.

Figure 5. Cresol’s sources of funding

Sources of Funding



2.3 Evolution of the Cresol Credit Union System

Cresol is the second-largest rural microcredit programme in Brazil and has evolved considerably over the last 27 years. Structural and procedural changes were essential to consolidate good cooperative governance and to cope with the increase in its number of members and assets. This section provides a timeline of key steps taken to achieve the consolidation of the Cresol Credit Union System.

- 1995: Foundation of the first Cresol credit union. The constitution of the first cooperative was an important lesson and later fostered the foundation of other Cresol credit unions in the state of Paraná.
- 1996: Structuring of the first centralised base for service provision (Cresol Baser). Its objective is to support the operational and administrative activities of the cooperatives.
- 1998: Expansion to other states in the south of Brazil and the foundation of new Cresol credit unions in the states of Rio Grande do Sul and Santa Catarina.
- 2000: Beginning of the structuring of the Central Credit Unions (second-tier credit unions). Cresol Baser becomes the first central credit union, Central Cresol Baser.
- 2002: Creation of the National Forum of Family and Solidarity Economy Cooperatives, in which the second- and first-tier credit unions prepare claims that are directed to government and regulatory bodies.

- 2004: The Central Cresol Baser is recognised as an official agent of the BNDES. This enables Cresol to form a close relationship with the development bank and implement BNDES credit lines of benefit to farmers and others.
- 2004: Constitution of a new second-tier central credit union, Cresol Central Brasil in the states of Santa Catarina and Rio Grande do Sul (based in Chapecó, Santa Catarina).
- 2005: Creation of the Cresol Institute, responsible for providing cooperative and financial training for members, managers, Cresol employees and the whole community.
- 2008: Creation of the Cresol Confederation, a third-tier institution created to strengthen the systemic interaction between services and technologies.
- 2008: Creation of the second-tier central credit union Ascoob in the state of Bahía. Today, Ascoob is called Cresol Northeast Central.
- 2012: Expansion of the Cresol Credit Union System. The board of directors approves the expansion of Cresol's area of intervention, so that Cresol now has a physical presence in 18 states of Brazil.
- 2013: The Confederation of Services is transformed into the Cresol Confederation.
- 2014: Constitution of a third second-tier central credit union, Cresol Sicooper, with its headquarters in Passo Fundo in the state of Rio Grande do Sul.
- 2015: Change in the mission of the Cresol Credit Unions System, strategic planning and incorporations. Structural changes mean that Cresol now offers services to both rural and urban members of the public. At the same time, the number of cooperatives in the system decreases from 160 cooperatives to 72 cooperatives, due to some of the cooperatives merging to seek better regional representation and a greater presence of the branches.
- 2016: The Cresol Credit Union System logo is updated and the Cresol brand begins to be consolidated.
- 2016: Cresol obtains its own bank code and securities clearing, giving it independence from commercial banks. Until 2016, Cresol depended exclusively on the Central Bank of Brazil but now Cresol fully manages its own financial operations.
- 2018: Cresol creates an agri-agency to develop international cooperation activities. The goal is to contribute to the development of financial cooperatives and share their experiences with microfinance organisations around the world.
- 2018: Implementation of a new governance model, with clear roles for the Cresol bodies that coordinate political, strategic and operational actions.
- 2021: Cresol presents its sustainability framework (Figure 6) and its strategic lines of action to generate impact and development for its members and their communities: inclusive finance, participatory governance and cooperative education. This is connected to the Sustainable Development Goals (SDGs) and the environmental, social and governance (ESG) agenda.
- 2022: Cresol becomes a signatory of to the United Nations Global Compact.

Figure 6. Cresol’s sustainability framework



Source: Cresol Institute (2022)

2.4 Management and services

2.4.1 Management

The Cresol Credit Union System is managed under the General Law of Cooperatives 5764/1971 and the guidelines of the Central Bank of Brazil, essentially following what is established in its bylaws and current regulations.⁶

Cresol’s internal statute establishes a horizontal management structure. At annual general assemblies, members can vote to approve the execution of actions from the previous year and determine new proposals for the strategic direction of their cooperative. Every four years, the members elect a new board of directors and fiscal council. These representatives are responsible for aligning strategic actions with the mission and vision of the cooperative and to ensure that the rules and good practice for governing a cooperative are adhered to and maintained.

The role of the board of directors is strategic, and is intended to strengthen the relationship and trust between Cresol’s members, directors, managers, employees, communities and associated organisations.

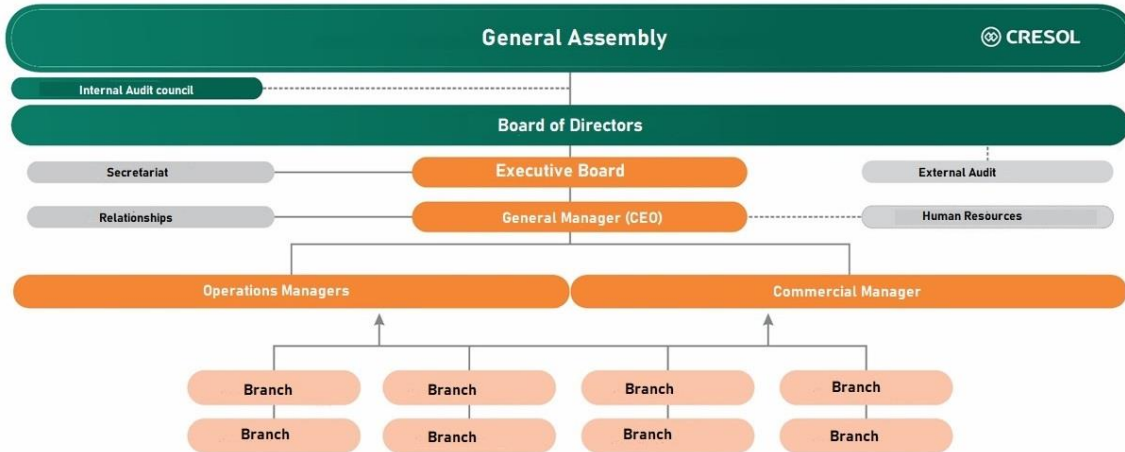
Here at Cresol, governance meets trust. This is a basic aspect in our business. Transparency in the provision of accounts, openness to member participation, representativeness in decisions made by management. It is in Governance that every sustainability strategy is born. The governance is responsible for all decisions that guide the future of our cooperatives (Cresol Institute 2022).

Regarding the governance of a first-tier Cresol credit union, the general assembly is considered the supreme governance body of the cooperative. The general assembly operates within the limits of the law and the bylaws of the cooperative and is responsible for making all decisions in the interests of the members. Its deliberations are binding to all members and it is responsible for electing the board of directors. The board of directors, as well as the executive board, are the administrative bodies of the cooperative. As for its responsibilities, the board of directors has strategic, guiding, elective and supervisory attributes. The operational and executive management is the responsibility of the executive board, formed by three members: the general manager, operations manager and the commercial manager. The executive board

⁶ In Brazil, the National Cooperative Credit System (Sistema Nacional de Crédito Cooperativo or SNCC) is made up of the National Financial System (SFN) and is regulated by the Central Bank of Brazil.

and board of directors are supervised by an internal auditing council, which verifies the fulfilment of the legal and statutory duties of both bodies. The board of directors cannot exercise the cumulative functions of fiscal council and executive board. The cooperatives also have their technical and operational capacity increased through the relationship branches. The branches have technical teams responsible for promoting the cooperative’s financial services and products directly to its members.

Figure 7. Governance of a first-tier Cresol credit union



2.4.2 Services

Cresol understands that its members require access to its services at all times, from access to credit for planting to taking vacations or paying for car or life insurance. Although Cresol’s services and products are available all year round, there are times when Cresol runs advertising campaigns in traditional media and social networks, with the objective of increasing savings, better positioning itself in sectors such as agriculture, or bringing in new members. Some examples of campaigns launched in 2022 include:

- Credito 360°: ‘Cresol’s rural credit is present in all phases and seasons of the year.’
- Cooperating is simple: ‘We want members to see us as allies, someone who will believe in their personal and professional projects.’
- Between rural lines: ‘Valuing the work carried out in the field and showing the importance of this sector to society.’

To access Cresol’s financial services and products, natural persons or legal entities must apply to join a Cresol cooperative and make an initial contribution of US\$20.00. This contribution is still owned by the member, but is also now an asset of the cooperative. If a member leaves the cooperative, they recover their share capital.

To access credit, members must first undertake a credit risk assessment to assess their current financial, legal, social and environmental situations. In general, for the first three, the following criteria are used: economic/financial situation, degree of indebtedness, ability to generate results, payment punctuality and delinquency, contingencies, sector of economic activity, credit limit, wealth and income. To reduce the risk of members defaulting on repayments, Cresol has a good scoring system and offers complementary technical activities to help make the investments viable (see Section 3.2). Currently, the delinquency rate of the Cresol Credit Union System is below 3%.

The evaluation of environmental risks is essential to ensure that the investment does not harm the environment. For this, Cresol rigorously applies Brazilian environmental protection laws. The farmer member must have their documentation regularised and/or have documents issued to them from the Rural Environmental Registry (Cadastro Ambiental Rural), among

others. When applicable, the DAP (Declaration of Eligibility to Pronaf) and environmental licensing of the activities are also requested.

Cresol's diligence and decision whether or not to invest its member – in other words, to grant credit – is based on up to three levels of evaluation: at individual branch level, the first-tier credit union level, or the Central Credit Unions level. The complexity of the investment and its risk determine which actor in the Cresol Credit Union System must approve the credit. A low-risk loan is automatically approved by the system or evaluated at the branch, while a medium-risk loan is evaluated at the level of the board of the first-tier credit union. A high-risk loan is evaluated at the level of the Central Credit Unions.

3 Impact of the Cresol Credit Union System on its members

3.1 Impacts on the commercial operations of FFPOs

Cresol makes a positive impact on its farmer members and farmer organisations in two ways. The first is a direct benefit. Farmer organisations, as legal entities, have the opportunity to access different services, such as loans for investments, insurance, savings, and debit and credit card facilities. The second is an indirect benefit. Cresol benefits individual farmers who are both natural persons and also members of a farmer organisation. In this case, the services available to the farmer members are the same those applied to a natural person, in addition to Cresol's exclusive services and products for the agricultural sector.

Cresol's main positive impact is that it provides productive credit, investment credit and working capital to farmers' organisations and farmers directly. An important characteristic of Cresol's performance is the diversification of its portfolio, which is focused on family farming and microcredit. Through Cresol, more than 65,000 credit operations were approved in the 2021 Harvest Plan,⁷ with a total placement of US\$550 million to family farmers and their organisations. Regarding the diversification of its portfolio, in 2021, Cresol carried out 579,863 microcredit contracts, with a total placement of US\$460 million. Cresol continues to respect the principles of its foundation, to ensure that family farmers have access to credit and that Cresol credit reaches more people everywhere.

A second very important impact of Cresol is that it provides farmers with access to the government's Agricultural Activity Guarantee Programme (Proagro) (which provides insurance for small and medium producers) and other private agricultural insurance. Family farming is a segment that suffers the worst effects of climate change. Floods and prolonged droughts are events that are becoming commonplace in Brazil. For this reason, Cresol is an important ally to farmers and farmer organisations in helping to reduce the climatic risks of their agricultural activity. In 2021, 14,877 applications for the use of Proagro were registered, with a total compensation of US\$85 million to farmers. This guarantees farmers some financial protection against the impacts of climatic events, enabling them to continue producing food.

3.2 Impacts on internal relations of FFPO members

A third impact of Cresol is at the level of internal relations between farmer organisations, by helping to develop the technical capacities of farmers and their organisations, and the connection between the productive sector and Cresol. It is important to highlight that Cresol's interactions with farmer organisations are strictly technical and commercial. Cresol does not influence the governance of these organisations.

Cresol has its own technical assistance programme called Rural Entrepreneurship. Its objective is to provide technical assistance to farmers, cooperatives and farmers' associations that contribute to the development of agricultural chains. This is done through improvements in management, better utilisation of natural resources, and strategic investments in technology and sustainable practices. The results are a higher income for the farmers and their organisations. For example, a group of milk farmers from the Cresol Liderança Credit Union was monitored by the programme between 2020 and 2021. The group had a 28% increase in milk production and a 56% increase in income. With an annual investment of US\$800,000, Cresol benefited 1,430 farmers in 2022 and more than 30 farmers organisations; 70% of the farmers who have benefited from the programme have a Cresol savings account.

⁷ The Brazilian federal government's annual Harvest Plan allocates funding to subsidise low-interest loans for Brazilian producers. See <https://ukragroconsult.com/en/news/brazil-releases-its-2021-22-harvest-plan>

Cresol also contributes directly to the financing of agricultural value chains. Its contribution is as a strategic ally in the financing of family farmers and their organisations. By having operations in 18 Brazilian states and in different Brazilian biomes, Cresol has had to develop financial products and services for the most diverse agricultural sectors. In 2021, Cresol financed 265 different agricultural activities, from traditional soybeans to silkworm moth production. The main agricultural value chains to benefit from the credit offered by Cresol include corn, soybeans, wheat, beans, coffee, fruit trees, vegetables, dairy cattle and meat cattle, chickens and pigs. The types of financing are also very diverse. For example, among many others, Cresol provides finance for seed, agricultural inputs and machinery, photovoltaic panels, irrigation, farm structures, livestock, services and working capital.

Finally, the impact and recent increase in the participation of young people and women in Cresol's portfolio is notable. In 2021, Cresol reached US\$750 million in the total portfolio for young people (up to 29 years of age) – an increase of 52% compared to the previous year. The presence of women in the total portfolio in 2021 grew by 49.7% compared to the previous year, totalling US\$400 million. Proportionally, 23.2% of Cresol's members are young people and 38.7% are women.

An example is Bruna Carolina da Silva. Aged 22, Bruna is a member of Cresol and lives in the rural area of the municipality of Fervedouro in the state of Minas Gerais. She produces specialty coffee and in a short space of time, her coffee project has already been recognised as a finalist in an international innovation contest. According to Bruna,

We have a long relationship with the Cresol cooperative, which has contributed a lot to the development of our farm. Cresol helped giving us credit through Pronaf, which helps us a lot in the coffee harvest, collecting fertiliser and drawing water (Cresol Instituto 2021).



Bruna Carolina da Silva, Cresol member and coffee farmer © Cresol Instituto

3.3 Impacts on external relations (banks, markets and government)

Cresol's external relations are directly related to its recognition as a financial institution by the National Financial System. One of its main relationships is with state development banks in Brazil, such as BNDES, the Minas Gerais Development Bank (Banco de Desenvolvimento de Minas Gerais or BDMG), the Extreme South Regional Development Bank (Banco Regional de Desenvolvimento do Extremo Sul or BRDE), and the Amazon Bank. Cresol also has partnerships with private banks. These alliances provide Cresol with diverse sources of funds to satisfy its members' needs.

A special case is Cresol's relationship with the BNDES. Cresol helps facilitate farmers' access to BNDES agricultural credit lines. By the end of 2022, Cresol was the financial institution with the largest number of indirect BNDES operations, with 81,437 operations and a total placement of US\$880 million. This is only possible due to the increase in Cresol's

technological capacity over the years, due to its area of intervention being focused on small cities, its credit diversification strategy, and its close relationship with family farmers. For Bruno Caldas Aranha, Director of Productive and Socio-environmental Credit at BNDES:

There is no doubt that, throughout our history, the association with Cresol has played an important role, be it in our operating strategy or in the BNDES mission of contributing to sustainable development. We work together to promote financial inclusion, access to credit and community development, with special attention to family farming and microenterprises (Cresol Instituto 2022).

Cresol also has a presence in national strategic spaces, including

- Cooperatives Guarantee Fund (Fundo Garantidor do Cooperativismo de Crédito or FGCoop)
- Council of the Brazilian Confederation of Credit Cooperatives (Confederação Brasileira das Cooperativas de Crédito or Confabras)
- Central Bank of Brazil Working Groups
- Brazilian Association for Development (Associação Brasileira de Desenvolvimento or ABDE)
- Organisation of Brazilian Cooperatives (Organização das Cooperativas Brasileiras or OCB), and
- National Union of Cooperatives of Family Farming and Solidarity Economy (União Nacional das Cooperativas da Agricultura Familiar e Economia Solidária or Unicafe).

Participation in these national strategic spaces has had a direct impact on the development of Cresol's technical and technological capabilities and contributes to the creation of a stable cooperative financial environment.

4 Future prospects for the Cresol Credit Union System

4.1 Future plans

Brazil's credit union sector is growing rapidly. The Cooperative Yearbook (2022) reports that there has been an increase of 3 million members in credit unions since 2019, reaching 14 million members overall in 2021. In terms of assets, the increase in the credit portfolio of the cooperative system was 35.9% in 2021, while the SFN average was 15% (EBC 2022). Cresol has also experienced this great growth in its organisation. In 2020, the Cresol Credit Union System grew by 40% and in 2021, 30%. All this exponential growth leads the organisation to face new challenges and responsibilities.

According to their leaders Adriano Michelin, Cledir Magri and José Carlos Vandresen (Michelin *et al.* 2020), Cresol's main intentions for the future are to:

- Maintain close relationships with its members and increase the number of members
- Expand to regions where Cresol does not currently operate (83% of Cresol's portfolio is in southern Brazil)
- Foster the financial sustainability of its operations and thereby contribute to social, environmental, cultural, organisational and educational issues, and
- Continue to invest in training, from managers to members.

Cresol also seeks to implement concrete actions at different levels. At the technological level, Cresol is constantly updating its digitalisation of finances and data management so that it can continue to work as instrument of inclusion and provide a better service to its members. Cresol is also in the process of qualifying its portfolio, which makes it possible to identify its contribution within the framework of sustainable finance. Regarding the expansion of the system, this is only possible with the continuing availability of funds, so Cresol is developing new funding instruments and seeking new national and international funding partners. In addition to having available resources, reducing risk in agriculture is essential to make operations viable, so Cresol is very interested in opportunities to operate with blended finance (donation and loans). These are issues that are on Cresol's daily agenda and that need the support of strategic allies, public and private, for their realisation.

4.2 Prospects for replication

Starting a credit union is not difficult. Therefore, the management and governance mechanism presented by Cresol has great potential to be replicated by other national and international financial institutions. However, to replicate this model it is necessary to understand that a credit union is also a business, and as a business it has to be sustainable in order to have continued positive environmental, cultural, social, economic, educational and organisational impacts.

On the path of institutional sustainability, there are many challenges and problems that an organisation can encounter: becoming too distant from its members, not having an operational and strategic business plan (which may result in its bankruptcy), confusion between the political, tactical and operational roles in the management and governance of the cooperative, and the lack of capital to invest and expand, among others. The way to overcome some of these challenges is to create strategic external alliances, invest in its overall professional performance, and to continue the financial education of its members.

5 Main conclusions

Cresol is the result of a great mobilisation of local actors at a time when family farming was excluded from the Brazilian financial system. The mobilised and organised farmers in the 1980s and 1990s sought different ways to overcome barriers in access to credit. From their experience in managing revolving funds, the need for a credit union – Cresol – arose. Family farming continues to be the most important sector for Cresol's operations and microcredit is the tool used for financial inclusion and local development. In 2021, more than 65,000 credit operations were approved by Cresol as part of the 2021 Harvest Plan, with a total placement of US\$550 million aimed at farmers and their businesses. In this period, Cresol financed 265 agricultural activities. The geographical diversity and the number of agricultural chains assisted by Cresol is only possible by having in a portfolio of financial products and services adapted to the most diverse agricultural sectors.

This case study has shared learning about Cresol's evolution as an organisation from a credit union to a confederation, and the structural changes it has made over the last 27 years. In this process, Cresol's ability to remain connected to its members stands out, building a close relationship of mutual benefit. It has allowed Cresol to understand their reality and propose financial services and products that are appropriate to their needs. In addition, Cresol aims to be a complete cooperative financial institution that can offer its members – whether rural or urban – all the financial solutions they need. To do this, Cresol has developed strategic alliances with national and international actors and has undertaken a long process of developing the professionalism of its personnel, and has evolved its governance model. Today, Cresol has a strategic plan with systemic objectives, where everyone who is part of the Cresol Credit Union System has a clear understanding of their responsibilities, duties and expectations regarding their performance. This applies to all levels of governance: institutional, political, tactical and operational. This systemic alignment is what has enabled Cresol to expand sustainably at a national level.

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