

AIRGRAM

PD-AAA-262-F1

DEPARTMENT OF STATE

UNCLASSIFIED

CLASSIFICATION

For each address check one ACTION INFO

BP
5/20/78
-5
Project file

| | |
|------------|----------|
| Director | |
| DATE Rec'd | |
| Deputy D. | ✓ |
| Ast. D.D. | ✓ |
| Dpty. D. | ✓ |
| Pol. Off. | |
| Eco. Off. | |
| Ast. P.E. | |
| Res. Off. | |
| DATE SENT | 10/11/69 |
| File | ✓ |
| Destroy | |
| Cys Rec'd | |
| Action | |

DISTRIBUTION

ACTION

CA

INFO.

FFF
WOF
AWO/H
RMP/C
GC
PRR

TO - AID/W TOAID A 471
RECIFE USAID A 59

FROM - RIO DE JANEIRO

SUBJECT - Feed Grain Program - USAID Brazil - Noncapital Project Paper (PROP)

REFERENCE - 512-69-995-174.5

Attached is the Feed Grain Program Noncapital Project Paper (PROP) for Brazil. It covers the life of this continuing project, since its inception in 1963 through termination in 1972.

BELTON

State
Agri
BB
Treas
Comm
DOD

Att to CA 5-26-69

PAGE 1 OF 2

| | | | | |
|---|----------------|------------------|----------------|---|
| DRAFTED BY FFPO:CBPadgett:rr PRPC:AMDiaz | OFFICE FFPO | PHONE NO. 236 | DATE 5/3/69 | APPROVED BY FFPO:PJDavies, Chief DDOM:HKleine CONT:RCurtis |
| AID AND OTHER CLEARANCES PRPC:MJFox/AMDiaz ADPR:MHarrison | | | | |

CLASSIFICATION

FEED GRAINS PROGRAM

NONCAPITAL PROJECT PAPER (PROP)

COUNTRY: Brazil PROJECT N° 512-69-995-174.5
SUBMISSION DATE: April 30, 1969 ORIGINAL X REVISION N° _____
PROJECT TITLE: Feed Grains Program

U.S. Obligation Span: FY 69 through FY 72

Physical Implementation Span: FY 69 through FY 72

Gross life-of-project financial requirements: *

| | |
|--|-----------------|
| U.S. dollars (CCC value including estimated ocean freight) | \$ 7,800,000.00 |
| U.S. owned local currency | \$ |
| Cooperating Country Cash contribution | \$ 1,046,000.00 |
| Other donors | \$ - |
| | <hr/> |
| TOTAL | \$ 8,846,000.00 |
| | ===== |

TOTAL TONS 53,850 M.T.

* Estimates include existing and proposed new projects.

FEED GRAIN PROGRAMI. Summary and Justification

The Feed Grain Program is a continuing activity which follows AID's policy of utilizing the resources of the Food for Peace Program to increase the output and consumption of protein food in developing countries to combat malnutrition and assist in developing the rural economy. In Brazil, major emphasis is given to the north and northeast areas where the food consumption level is critically below the minimum requirements for an adequate diet and the rural economy is still primitive. Such emphasis is consistent with both the USG and the GOB goals of improving the food consumption level of the undernourished.

The north and northeastern states are dependent on outside sources for a major part of their food needs. Pernambuco, for example, imports about 75 percent of its meat and a large part of its cereal. However, even with imports, these states must increase their food production, particularly animal protein, to meet the minimum requirement of an adequate diet, i.e. 45 grams a day per person.

Thus, in line with GOB and U.S. goal of increased food production, this activity is designed to:

- 1- Improve and increase production of poultry and livestock products by 100 to 300 percent;
- 2- Demonstrate to 33,000 cooperative members the value of feeding balanced rations;
- 3- Assist in developing improved pastures and forage production in two states and feed production (sorghum and corn) in twelve states located in the central, north and northeast of Brazil;
- 4- Assist thirty participating cooperatives in developing better methods of production and marketing of poultry and livestock products; and
- 5- Demonstrate and train about 5,000 farmer participants in improved methods and techniques of poultry and livestock production.

To achieve the above goals six ~~training~~ centers will be established in the north and northeast; each center or project involving one or more production cooperatives. These projects will be guided by a Project Council consisting of the Secretary of Agriculture as Chairman, one or more cooperative representatives and an advisor from the Food for Peace Office of USAID. This Council will establish policies for carrying out the fiscal, technical, and operational responsibilities of the program as required by P.L. 430 regulation, emphasizing the principles of Title IX.

The state secretaries and the cooperatives will be brought together using the democratic processes of decision-making, both within the Council and within the cooperatives. This process creates the essential feeling of trust and confidence, and an understanding of the problems and mutual benefits which result

from joint efforts towards common goals.

The US and the GOB will make equal grain contributions (see table II) for the production of balanced feeds which will be sold to the cooperative members and project participants. Income from feed sales will be used to pay for milling, processing, refrigeration, transportation, marketing and demonstration equipment; and for administrative costs and technical assistance.

In addition to the grain inputs to these projects by the GOB, technical assistance, warehousing, and transportation will be furnished by the various agencies (Secretary of Agriculture, Extension Service, Ministry of Agriculture, INDA, etc.). Private industry will be encouraged to participate in providing training and demonstration material and equipment.

The present feed grains program and approach summarized in the preceding paragraphs is a logical outgrowth of the program which began in Brazil in 1963. Of the twelve projects initiated at that time, five are being terminated, four will phase out by 1970, and three will be continued. USAID is now shifting program emphasis to the north and northeast.

The five projects being terminated attained, and in some cases surpassed, the targets set when they were conceived. In the areas where the projects operated the results are commendable. Feed production increased from 100% to 700% and all locally produced grain is now being used. One project, for instance, increased its feed production from 400 M.T. to 3,000 M.T. monthly and it is still increasing. This resulted from technical assistance and feed milling equipment bought with revenue from donated P.L. 480 Title II grain.

Another project, a poultry cooperative, increased its annual sales from \$400,000 to almost \$3million. In addition, the "Seed" capital that has accumulated from Title II P.L. 480 grain, has allowed the sponsoring cooperatives to approve more loans in cooperation with local banks.

The not quantifiable achievements are even more far-reaching and significant in terms of continued development and weapons against malnutrition. Besides the capital resources resulting from these projects, technical assistance is being institutionalized through the various state agricultural agencies. These agencies are training cooperative leaders and paving the way for continued development of the resources which will alleviate food production problems in Brazil.

II. Setting

Food production in the north and northeastern states is insufficient to provide their 27 million inhabitants an adequate diet. For example, according to a survey conducted in 1963 by the Interdepartmental Committee on Nutrition for National Development, in 1961 the northeastern states supplied 2,105 calories and 38 grams daily of protein per inhabitant. Rice, corn, and beans provided 56 percent of the protein; meat, milk, and eggs provided only 24 percent. With population increasing at a faster rate (about 3% a year) than food production (2% a year) remedial action to reduce the population-food production gap is even more

urgent.

The above deficits stem from a myriad of factors. The main ones are the insufficiency of technical knowhow, forage and balanced feeds, adequate sources of financing, and proper processing and marketing facilities. Likewise, the absence of incentives to attract competent agricultural technicians to work and live in isolated and substandard living conditions, is also a contributing factor.

These problems affect mainly the lower income groups. It can be seen in the high rate of infant mortality, great incidence of endemic diseases, high rate of tuberculosis, low scholastic performance, and poor disposition toward physical work.

Various Brazilian agencies, including the Ministry of Agriculture, Secretariat of Agriculture, Extension Services, and Credit Institutions, have tried to alleviate them in several ways, especially by promoting livestock and poultry production. However, in this area they have achieved only nominal increases. Inadequate budgets, the lack of coordination and ineffective use of available resources plus the timid approach toward these problems explain the slow progress made. These, indeed, are major drawbacks against the development of poultry-livestock facilities and production in Brazil.

Cooperatives have also tried to help, but again, the lack of knowhow and resources make the efforts of most of them ineffective. Nevertheless, together with the above agencies, some selected cooperatives provide a basis for expanding and improving the poultry-livestock development program. WHY?

Besides the above obstacles, overdependence on only one crop - sugar cane - and the lack of proper incentives to farmers not engaged in sugar cane production, have discouraged feed grain producers. This has resulted in inadequate, locally produced grain supply impairing the rapid expansion of the poultry-livestock development program in such areas as the northeast.

Moreover, feed manufacturing plants supplying balanced rations are practically nonexistent in the northeast. Few poultrymen in the area have their own mixing plants and these facilities do not have the capacity nor the technical knowhow to meet the needs of an expanded poultry and livestock production program. Increased and better facilities for milling and mixing balanced rations must, therefore, be provided. *as well as a viable market for feed grains*

The Feed Grain Program, will alleviate the above problems and will assist in preparing the way for continued progress in increasing food production. In doing so, it will follow the U.S. objective of strengthening, governmental institutions at municipal, state and regional levels through self-help and technical assistance by supporting with advisory services and contributions in kind, the efforts and resources of Brazilian entities, including cooperatives and states secretariats of agriculture. These inputs will strengthen the above institutions and will stimulate them to pursue more actively the task of increasing food production.

What will it do to overcome the crucial problems of incentives + opportunities for feed grain growers, meat producers + meat consumers?

*incentives & opportunities
PROFIT MOTIVE*

It will also affect the labor market. The number of jobs to be attributed directly to the program, will, of course, depend on the magnitude of the inputs, but in any event, increased labor will be required for: forage and grain production, poultry and livestock programs, transportation, storage, mixing, marketing and other incidental tasks.

In summary, the feed grain program, will strengthen local institutions, create jobs, and help in reducing the expanding gap ~~caused by the discrepancy~~ between food production and population growth, thereby furthering U.S. and GOB goals.

III. Strategy

Implementation of the program will be achieved with and through Brazilian Project Councils comprised of representatives from various cooperatives, farmers associations, and the states secretariats of Agriculture as President of the Council. This mechanism stimulates collective action and the self-pride element so much valued by Brazilians. It also heightens the stature and influence of the States Secretariats of Agriculture as the resources are provided by the program through the Secretariats, thus stimulating more action and improved operations. In addition, the Project Council device tends to attract more attention and to exert more influence among higher government authorities at both the state and federal level, thus encouraging them to provide land, buildings and funds to support the activity.

Country Title

The Project Council mechanism is also a democratic approach which follows Title IX directives as it encourages self-help and stimulates both public (State Secretariats of Agriculture) and private entities (farmers cooperatives having about 33,000 members) to work hand in hand to attain common goals: improving and strengthening their own operations and in so doing, promoting the further and consistent development of poultry and livestock production programs in Brazil.

unappointed president?

Again, the main thrust of this program is to stimulate, through various means, the individuals and institutions concerned to increase their efforts and use the available resources more effectively to reduce the gap between food requirements and food production. USAID, through the Feed Grain Program seeks to effectively combine the available labor, land, knowhow and capital resources to produce more animal protein food at lower cost. For example, U.S. P.L. 480 Title II grains (corn or grain sorghum) will represent a large capital input, but more important, it will stimulate the use of other Brazilian public and private resources to increase poultry and livestock production.

are these the goals? or are the means of it the goal?

The State Secretary of Agriculture, as consignee of the feed grains donations and President of the Council, will be encouraged to take the lead in the implementation of the project in his area. By using this approach, an existing institution will be strengthened and the foundations laid for continuations of the program on a permanent basis. Accordingly, when U.S. grain grants terminate, it is anticipated that the Brazilian entity matching the U.S. grain contribution will continue grain donations for additional livestock and poultry development projects with the same or similar organizational structure - Project Council in

why continue grain donations?

cooperation with the State Secretary of Agriculture and members of selected cooperatives and farmers' associations.

donative The Feed Grain Program complements Mission efforts in Agricultural production to develop increased institutional capabilities for planning and implementing projects designed to increase livestock and food production. In implementing the program, therefore, efforts have been coordinated and will continue to be coordinated with the USAID's Agricultural and Rural Development Office (ARDO) and specifically in relation to its efforts in the fields of poultry and dairy production, grain storage, cooperative development, agricultural credit and marketing.

Along the above lines, projects are proposed for the states of Alagoas, Amazonas, Bahia, Par , Para ba, and Rio Grande do Norte. Each project will be supported for a three-year period, after the end of which it is expected to be self-supporting or supported, if required, from GOB sources.

IV. Planned Targets, Results, and Outputs

By the end of the three-year period estimated to complete the Feed Grain Program in six states, it is estimated that the participating cooperatives will constitute adequate sources of balanced rations to continue expanding livestock and poultry production. At the same time, it is planned that improved processing and transportation facilities will enable cooperative members to market their products efficiently while receiving more services from the cooperatives.

Also, the technical knowhow problem will be substantially reduced. By the end of the three-year period, a corps of agricultural and livestock technicians will have been trained and will be available to assist farmers, on a continuing basis, to improve and expand their operations. By this time it is expected that the management capability of the Council and cooperatives will be upgraded to a level that eliminates the need for outside advice on management and administrative matters such as bookkeeping, cost accounting, records handling, personnel, financial management, etc. In addition, it is estimated that the production of local grain will increase sufficiently to provide a large percentage of the grains needed to continue the projects, with none or minimum outside support, at an expanded level.

Finally, the contemplated 100-300 percent increase in poultry and livestock production should result in lower prices to consumers, thus making these products more accessible to more people. An example of actual increases achieved by two projects serves to quantify, in terms sa&pxa production, the results expected from the Feed Grain Program during three years:

TABLE I

| Year | <u>Dozens of Eggs Sold</u> | | <u>Kilos of Broilers Processed</u> | |
|---------------|----------------------------|-------------|------------------------------------|-------------|
| | "Project A" | "Project B" | "Project A" | "Project B" |
| 1966 | 3,492,107 | 1,771,510 | 613,140 | 100,043 |
| 1967 | 7,897,741 | 2,702,370 | 834,836 | 175,909 |
| 1968 | 17,354,351 | 5,467,933 | 1,233,763 | 286,052 |
| Net Increase: | | | | |
| (1968-1966) | 13,862,244 | 1,696,473 | 615,533 | 186,010 |
| % Increase | | | | |
| from 1966 | | | | |
| to 1968 | 400% | 100% | 100% | 186% |

Proportions vary depending on the magnitude of each project and other variables such as the capital inputs and local circumstances. However, given comparable conditions, by the end of the three-year period, similar increases are expected for the ~~new~~ projects proposed for Alagoas, Amazonas, Bahia, Par , Para ba, and Rio Grande do Norte.

V. Course of Action

As shown in preceding pages, increased food supply in Brazil can come from high yields, increasing food donations or imports, and expansion of the productive means of the country. However, in the long-run, as the growing population continues to exert pressure on the production capabilities of the country, increased food production can only come from higher yields. The course of action, therefore, is designed to upgrade the resources available, some in quantity, some in quality, to increase productivity.

Since the lack of competent personnel is a major impediment to the further development in the poultry and livestock production area, participant training has been and will be a vital element in achieving the goals of the Feed Grain Program. Thus: (1) about 5,000 farmers in the North and Northeastern States will be trained to use modern methods and techniques for poultry and livestock production; (2) five agricultural and cooperative technicians will be sent to the U.S. to observe and learn how the U.S. poultry and livestock cooperatives operate, with particular emphasis on the management, feed processing, and marketing aspects; and (3) two key agricultural technicians will be given advanced specialized training for one year in a U.S. university to equip them with the knowledge necessary for continued development and expansion of food production.

Technical assistance will also be essential to accomplish project objectives. In this respect, local talent will be used to its maximum capacity. From 15 to 20 agricultural technicians will work implementing the proposed six feed grain

projects previously mentioned. These technicians will be furnished for the life of each project by the State Secretariats, Ministry of Agriculture and by local banks. To help finance these technicians, salary supplements and/or per diem will be provided through the Feed Grain Program.

The U.S. and GOB will continue to provide feed grain to complement the above inputs. From 10 to 15 agricultural production cooperatives will receive essential grain which will be channelled through the Project Councils. The U.S. grain contribution over a three-year period will be about 19,500 metric tons to meet the requirements. 1/

Improved facilities and feed mixing equipment will also be required. Items in this category include: feed mill, hatchery, poultry processing plants, cold storage facilities, refrigerated trucks, sales outlets, demonstration materials, grain storage facilities, etc., which will be provided for each project as income from the sale of balanced rations, with donated grain, becomes available. Land, buildings, labor and cash contributions will be furnished by the state and/or federal government. *grants or loans?*

Finally, to bring about the necessary changes in attitudes and stimulate further efforts towards project goals, two more techniques will be used. First information campaigns will be conducted through the Project Council, among state secretariats of agriculture, cooperatives, banks, private industry, seed companies etc. Lastly, a biannual conference is proposed to bring together project coordinators and technicians to evaluate and discuss project development and progress, problems and corrective action as required.

1/ 19,500 M.T. requirement is accounted for as follows:

- a) 15,000 M.T. is the total requirement for 3 years for the six new projects in Amazonas, Pará, Rio Grande do Norte, Paraíba, Alagoas, and Bahia;
- b) 2,500 M.T. requirement to renew the Vitoria project for three years;
- c) 2,500 M.T. requirement to renew the Teresina project for three years.

Encl. Table II

AIRGRAM

DEPARTMENT OF STATE

Proj. 5120174.5

PN-

UNCLASSIFIED
CLASSIFICATION

For each address check one ACTION | IN

TO - AID/WASHINGTON

TOAID A 704 X

RECIFE

USAID A 130 1970 JUL 27x PM

1 14 5

FROM - RIO DE JANEIRO

AID
C & A - BR

DATE SENT
7/23/70

SUBJECT - Amendment No 1 Feed Grains Program 512-69-995-174.5
PROP

REFERENCE - (A) TOAID A-471 RECIFE USAID A-59, 5/8/69
(B) PROP Reviews - Diaz to Files Memo June 16
(Arthur Hughes)

Please amend the Feed Grains Program PROP to read as follows:

1. Page 2.

FEED GRAINS PROGRAM

NONCAPITAL PROJECT PAPER (PROP)

COUNTRY: Brazil

PROJECT NO 512-69-995-174.5

SUBMISSION DATE: April 30, 1969 ORIGINAL _____ REVISION NO 1

PROJECT TITLE: Feed Grains Program

*CIA
A&R
STATE
NSC*

DISTRIBUTION
ACTION
LA
INFO.

*AAAC
IS
OA
ACONT
ITAD
HR
OFR*

PAGE 1 OF 4 PAGES

| | | | | |
|---|-----------------|----------------|-----------------|---------------------------------------|
| DRAFTED BY <i>Joseph C. Huber; tm</i> <i>H 7/13</i> | OFFICE NEFFD | PHONE NO 18 | DATE 7/13/70 | APPROVED BY: <i>ADPR: HARRISON</i> |
|---|-----------------|----------------|-----------------|---------------------------------------|

AID AND OTHER CLEARANCES

NEFFD: RR Standley *RR*
NEDAD: GR Pease *GR*

FFDO: P Strong *PS*

PRPC: ADiaz *AD*

UNCLASSIFIED
CLASSIFICATION

U.S. Obligation Span: FY 63 through FY 75

Physical Implementation Span: FY 63 through FY 75

Gross life-of-project financial requirements: *

U.S. dollars (CCC value including estimated ocean freight) \$ 8,453,000.00

U.S. owned local currency \$ ----

Cooperating Country Cash contribution \$ 1,900,000.00

Other donors \$ ----

TOTAL TONS 66,350 MT \$10,353,000.00

* Estimates include existing and proposed new projects.

2. Table II "Additional Units" segment

| Additional Units | U.S. Grain Input M.T. | GOB Grain Input M.T. | Total CCC & GOB Grain M.T. | Total CCC Value U.S. Grain plus Freight (\$000) | U.S. Grain Value World Market Price (\$000) | Matching Grain Required | Status of Feasibility Study Made | Type of Project | Estimated Project Compl. Date | Cooperative Members Involved |
|------------------|-----------------------|----------------------|----------------------------|---|---|-------------------------|----------------------------------|-------------------|-------------------------------|------------------------------|
| Amazonas | 1,500 | 1,500 | 3,000 | 195 | 87 | Yes | To be made | Poultry | June 1974 | 200 |
| Pará | 9,000 | 9,000 | 18,000 | 1,038 | 522 | Yes | Done | Poultry | June 1975 | 640 |
| Piauí | 2,500 | 2,500 | 5,000 | 288 | 145 | Yes | Done | Poultry/ swine | June 1973 | 350 |
| R.G. do Norte | 3,000 | 3,000 | 6,000 | 336 | 174 | Yes | Done | Poultry/ dairy | June 1973 | 140 |
| Paraíba | 3,000 | 3,000 | 6,000 | 336 | 174 | Yes | To be made | Poultry/ swine | June 1974 | 175 |
| Bahia | 3,500 | 3,500 | 7,000 | 410 | 203 | Yes | To be made | Poultry/ dairy | June 1974 | 1,585 |
| | 22,500 | 22,500 | 45,000 | 2,603 | 1,305 | | | | | 3,090 |

UNCLASSIFIED

UNCLASSIFIED

3. Correct page 9 paragraph 2 to read "The U.S. grain contribution over a five-year period will be about 22,500 metric tons to meet the requirements. 1/ (and footnote) 1/ 22,500 M.T. requirement is accounted for as follows:

- a. 20,000 M.T. is the requirement for up to five years for five new projects in the States of Amazonas, Pará, Rio Grande do Norte, Paraíba, and Bahia (See Table II). RGN and ~~XX~~ Pará have been submitted. Others are still being developed.
- b. 2,500 M.T. requirement to renew the Teresina, Piauí project for three years.

4. Add paragraph 5 to page 9 as follows:

Technical assistance and participant training inputs are financed under project number 512-69-995-174.1. The following is supplied for general information.

Technical assistance -- 2 full time direct hire, USAID technicians, and 2 full time local hire technicians.

Participant training -- 2 groups of 5 individuals each, for a period of 10 weeks each for training in the U.S., per fiscal year. This training will cost about U.S.\$23,000.00 per fiscal year. For fiscal year 1971 there will be 6 months graduate study in the U.S. for one individual for an estimated cost of U.S.\$3,000.00.

BOONSTRA