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Agricultural Cooperative Development International
Costa Rica Oil Palm Cooperative Project

Cooperative Development Activities Sept. 1984 to Sept. 1985

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U.S.A.I.D. Contract No. 515-0000-C-00-4411-00
Development Support for African Palm Project
End of Contract Report

I. PROJECT DESCRIPTION

The AID mission to Costa Rica is assisting a new cooperative to produce African Oil Palm for Costa Rican domestic consumption. The purposes of the project are : 1) to help Costa Rica become self-sufficient in production of edible oils, 2) to save Costa Rica's scarce foreign exchange now used to import edible oils, 3) to help Costa Rican farmers to become producers of oil palm in an orderly transition from the previous production system owned by United Brands, which is gradually reducing its production role, and 4) to assist in building an exemplary cooperative which serves the needs of these farmers as an independent, private sector business which has the ongoing support and participation of an informed, educated membership.

Following a preliminary report on the possibilities of such a cooperative, done by David C. Fledderjohn in April of 1984, AID/Costa Rica contracted for an on-site ACDI advisor for one year starting in September of 1984. As the cooperative was organized and preparing for start-up of business at the end of that contract, AID/Costa Rica extended the ACDI services for an additional three years through September of 1988. This report covers the ACDI activities during the initial one-year contract. This report should be read against the October 1984 work plan submitted by ACDI.

The resulting cooperative is the Cooperativa de Producción de Palma Africana California, R.L., or Coopecalifornia, R.L. for short. The cooperative is purchasing 4,000 acres of land from United Brands, for a price of $2 million. AID/Costa Rica has provided a $6 million loan fund to finance new palm plantings and carry the farmers to full-scale harvest in the fifth year after planting. Both loans carry an interest rate of 12% and a 20-year, flexible repayment schedule.

Marketing of the cooperative's product will be through the United Brands subsidiary in Costa Rica, the Compañia Bananera de Costa Rica (CBCR). The price paid to the cooperative will be the higher of the local (government controlled) price and the international price. This favorable pricing arrangement is the result of a new decree by the Costa Rican

government. The decree was meant to make the cooperative and other new palm operations more feasible.

II. ROLE OF ACDI

In his April, 1984 report, Fledderjohn pointed out the following key areas of overall concern:

1. Participation by farmer members is essential to assure appropriate and effective design of the cooperative's organization and stucture.

2. There is no strict set of rules nor a given model which could be followed in this case, nor should there be. General guidelines are best.

3.Workers do not become farmers overnight. Planning, patience, and education are required.

4. The CBCR provides numerous services to its workers which the cooperative may not be willing or able to duplicate.

5. The moshav model could be a useful example to use as a general guide. In a moshav, members control plots of land on a family basis, but the cooperative supplies an integrated package of farming, marketing, supply, and accounting services.

6. The Costa Rican cooperative law allows such a cooperative under the category "agro-industrial cooperatives".

7. The high cost per farmer of this project could be outweighed by establishing replicable alternative systems of developing new farmers, new crops, and new linkages to processing and marketing.

8. Outside asssistance will be needed to help solve a myriad of small problems while balancing and realigning the various interests involved.

9. The presentation of the project to interested potential members

and the selection of members must be done with great care and planning, especially since the workers are unionized.

All of the above concerns were important in the first year of implementation. In general, none of the concerns above posed a major problem.

Participation by members, from selection of the members to the current day-to-day management, has been strong, enthusiastic, and more cooperative than the ACDI representatives expected.

There are still large areas of educational need for the members, however, as was expected.

The services provided by the CBCR were not as crucial as anticipated, and in fact the cooperative has shown it is more amenable to member needs than was CBCR through simple changes such as allowing the members to have their own gardens and parks.

The moshav model of organization has not yet been accepted, but it could be under the "agro-industrial" form of organization which was selected at ACDI urging.

The high cost per farmer is still a fact, but the cooperative shows good indications of being replicable.

Outside assistance is still needed but this will change, depending on the skill levels of hired management yet to be chosen.

The most sensitive point of all, the reaction of the workers' union, has been resolved satisfactorily, if not perfectly. The union endorsed the cooperative from the start, and its number two official quit the union to join the cooperative, with the union's blessing. The cooperative is struggling to define its relationship with the union at present. The ACDI representative is urging a close talking relationship, the members having rejected overlapping membership.

Additional concerns for the cooperative's success were included by the on-site ACDI representative in the October, 1984 workplan. These can be summarized as follows:

A. This cooperative project was started by non-members, the CBCR and AID with ACDI assistance. The potential members were brought in very late in the planning, a risky, unconventional sequence of organizing.

B. Member paid-in equity is very small, about 1% of total financing, yet it is a large amount per member, roughly two months wages. This increases the risks.

C. Member capital is not being placed at risk, but is set aside in a special fund.

D. The cost, complexity, low investment by members, and lack of management experience by members creates a need for strong outside assistance for several years.

E. The need to build houses and maintain existing buildings will add to the complexity and cost of the business.

F. A re-capitalization plan is needed to insure funding to re-plant the trees at the end of their useful life.

G. The cooperative must find the best way to replace services previously provided by CBCR.

H. The biggest single issue to be faced is how to pay members for their work. Wages must eventually be tied to income from sales.

Most of these concerns are of a long-term nature, compared to those mentioned by Fledderjohn. The immediate problems of bringing the members on board late were overcome. There are facts about the costs and limitations of the project still coming out, however, which have surprised and disappointed the members and AID/ACDI. An example is the closing cost of the land purchase and operating loans, which are exaggerated under

Costa Rican law. Another is the type and cost of technical assistance to be provided the Cooperative by CBCR, which are yet to be agreed upon. It appears that these and similar problems can be overcome, without greatly weakening member commitment.

The problem of low member equity is partly offset by the strong sense of community and pride of ownership which are developing as the members remodel and paint their houses and plant gardens. These things were not possible under CBCR. Social events at the cooperative are also helping to build community and commitment. The involvement of family members in farm work is another new, positive element.

Although the member investment funds are in a separate account, the law requires that they be at risk, and the members have accepted this fact. The manner of paying dividends on those funds is clouded by an unusual part of the cooperative law, but a resolution to members' satification seems possible.

The need for strong guidance from outside is the reason for requiring professional management. As of this writing the new management appears to be dynamic and highly competent, and there is rapid progress in installing a very complete administrative system. At the end of the first year contract with ACDI, however, there was no team, no system, and they were three months away.

The burden of administering, building, and maintaining buildings and houses is still present. Construction on the new houses will not begin until mid-1986. However, the members have formed their own home remodelling and painting crews and are cutting costs tremendously. Likewise, farm roads are being built at a fraction of budget cost by using government roadbuilding equipment on weekends, at token rental fees. So far the cooperative is doing well at replacing services previously provided by CBCR, at reduced cost and to their greater satifaction.

The issue of how to pay the members will not become important until the cooperative starts living from its income in 1990. Until then, wage rates will be under the review of AID and COFASA (the bank), and so far

member requests for raises are reasonable and comparable to CBCR costs. In the mean time the members must be educated to the difference between a guaranteed wage and an advance on crop income.

III. SPECIFIC ACCOMPLISHMENTS

-An organization and development plan was approved by AID/Costa Rica.

-The advisory committee of representatives of AID, ACDI. United Brands, and the Corporacion de Financimiento Agroindustrial, S.A. (COFASA) functioned smoothly in overseeing the implementation of the plan.

-Membership was opened in March 1985 to United Brands palm workers, who elected their own representatives to participate in selection of members along with the advisory committee. Seventy-six initial members were chosen . Eventual membership will grow to 111 by 1987.

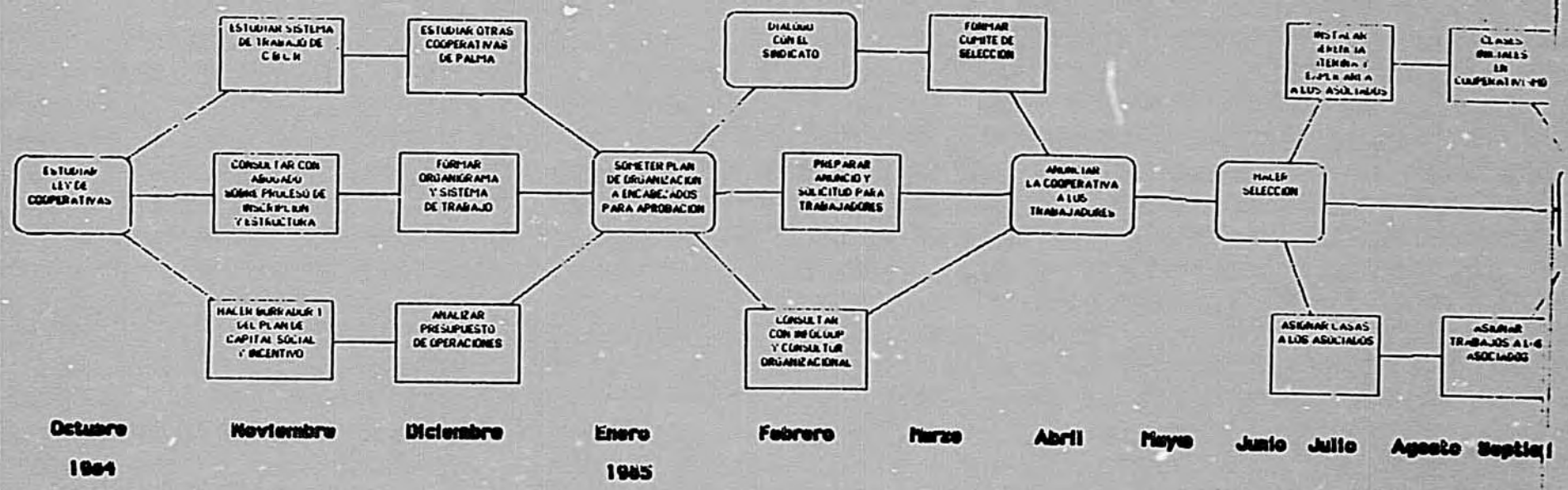
-The members and their families were moved to the cooperative site in June and July and renovation of their houses was begun.

-Cooperative education classes were conducted in August and September by the ACDI representative, leading to the writing of the by-laws with close member involvement. Assistance in by-law research and government relations were provided by consultant Mario Quiros.

-The entire farm was replanted with new palm by September, at a cost of $1.7 million under a management contract with United Brands. The cooperative will assume full management in January, 1986, while United Brands retains a technical assistance role. The new trees are in optimum condition.

-Plans were made for ongoing educational classes for members and officers, to ensure maximum participation and commitment of members. Member interest and motivation continue to be high.

COOPECALIFORNIA has the technical and financial resources to succeed , and its members are motivated. It faces the challenge of providing an integrated package of production and marketing service to a group of new farmers who are former workers. The new farmers will need effective management assistance and educational support during the early years of the cooperative. The ACDI work plan for the 1986-1988 follow-on assistance will address those needs.

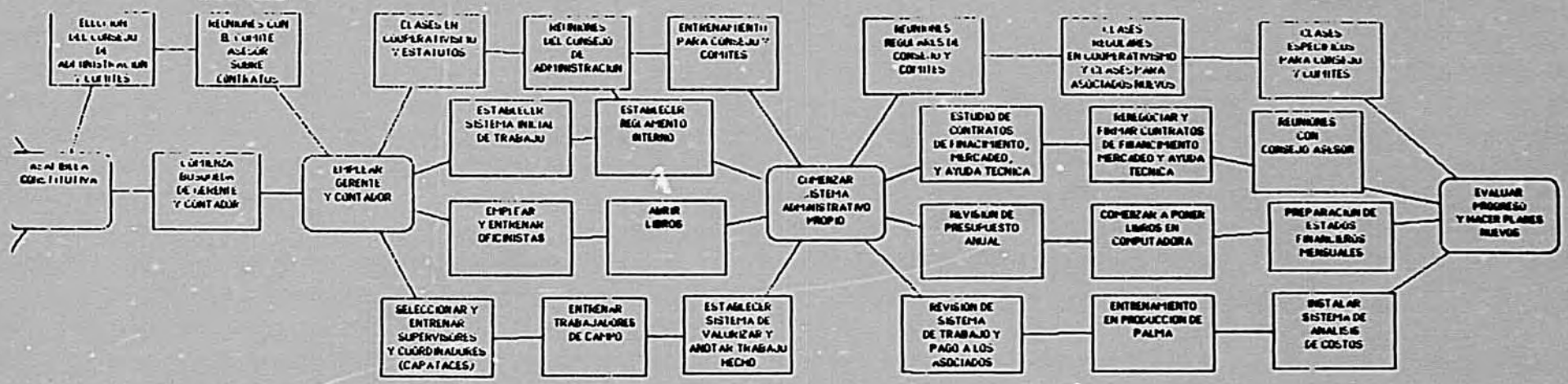

ESTUDIAR LEY DE COOPERATIVAS
ESTUDIAR SISTEMA DE TRABAJO DE C.B.C.R.
CONSULTAR CON ABOGADO SOBRE PROCESO DE INSCRIPCION Y ESTRUCTURA
HACER BORRADOR DEL PLAN DE CAPITAL SOCIAL Y INCENTIVO
ESTUDIAR OTRAS COOPERATIVAS DE PALMA
FORMAR ORGANIGRAMA Y SISTEMA DE TRABAJO
ANALIZAR PRESUPUESTO DE OPERACIONES
SOMETER PLAN DE ORGANIZACION A ENCABEZADOS PARA APROBACION
DIALOGO CON EL SINDICATO
PREPARAR ANUNCIO Y SOLICITUD PARA TRABAJADORES
CONSULTAR CON INFOCOOP Y CONSULTOR ORGANIZACIONAL
FORMAR COMITE DE SELECCION
ANUNCIAR LA COOPERATIVA A LOS TRABAJADORES
HACER SELECCION
INSTALAR OFICINA TEMPORAL Y EXPLICARLA A LOS ASOCIADOS
ASIGNAR CASAS A LOS ASOCIADOS
Octubre 1984
Noviembre
Diciembre
Enero 1985
Febrero
Marzo
Abril
Mayo
Junio
Julio
Agosto

LOS CUADROS

RATIVA DE PRODUCCION DE PALMA AFRICANA CALIFORNIA, R.L.

GRAFICA DE ACONTECIMIENTOS DE DESARROLLO COOPERATIVO

1984-1986



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