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FINAL REPORT
OPERATIONAL PROJECT GRANT - No. 522-0300
COOPERATIVAS REGIONALES DE SERVICIOS AGROPECUARIOS

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I. SUMMARY

In July 1985, Agricultural Cooperative Development International (ACDI), signed a Technical Assistance agreement with the Union de Cooperativas Regionales de Servicios Agropecuarios (UNIOCOOP). The funds for this technical assistance were provided by USAID/Honduras under the "Operational Project Grant No. 522-0300, signed by the three aforementioned Institutions.

The principal objectives of this agreement was to provide technical assistance to UNIOCOOP and to its four affiliated Cooperatives, in those areas established in the scope of work, and assigned to the two technical personnel provided to the UNIOCOOP by Agricultural Cooperative Development International (ACDI).

The duration of the technical assistance was fourteen (14) months - July 1985 to August 1986, and this report summarizes the objectives accomplished under those activities stated in the OPG. The report concludes with a series of recommendations, drawn from the experiences gained during the work period.

An important part of the success of this OPG is the professional manner in which UNIOCOOP developed its activities and the objective way in which it has made its decisions. By working in this way it has gained the appreciation and recognition of its own personnel and others in a short period of time, something that merits continual economic and technical support, which will result in a direct benefit to its five (5) affiliates and to other Cooperatives that will join UNIOCOOP in the future.

Regarding the five (5) affiliates: two of them--Maya Occidental and COHORSIL--are self-sufficient. The first one, not only gained its self-sufficiency at year's end on April 30, 1986, but made a price adjustment of L.1.50 to each member for every 100 pounds of coffee that were marketed through their Cooperative. They were also able to give a small bonus to their employees. As a result, this cooperative has not only assumed a position at the forefront of Models but reaffirms the economic feasibility of the cooperative model as developed under the "Regional Cooperatives Project". It also demonstrates the importance of the "professional administration" concept for the success of this type of firm.

The 20 de Marzo cooperative, should reach an break-even point at the close of its operations in 1987.

The CREHSUL y Fruta del Sol cooperatives, however, face serious financial problems resulting from the last two export seasons of cucumber and melon. Nonetheless, the Government of Honduras as well as USAID/Honduras, have decided that these two firms should continue with operations and are studying alternatives to aid them with their economic difficulties.

In our opinion, the lost incurred by both firms should be considered as an EXPERIMENTAL EXPORT COST, not for any paternalistic reason, but rather that in these activities existed much experimentation, principally in production in areas such as: drip irrigation, planting of non-staked cucumbers, discovering new varieties of melons, etc. Also, they were influenced by adverse effects not contemplated by and out of the control of the producer and the cooperative such as: lower than normal market price, incomplete infrastructure (season 1984-85), hurricane winds at cucumber harvest, frozen cucumbers due to the deficiency in the cooling system of transportation, floodings that delayed the planting of melon in CREHSUL, and, from every point of view, questionable technical assistance from Shemesh International. All of these resulted in a negative impact in the economic results of both firms. If, with the help of the Government of Honduras and the USAID/Honduras, the Cooperatives CREHSUL and Fruta del Sol are able to stabilize their economic-financial situation, and better conditions are presented to continue in the production and exportation of fruits and vegetables, we do not doubt that they will add to a level of success as the three other affiliates of UNIOCOOP. With this, they will prove that the concept of Model Cooperative is functional and that it should be practiced in Honduras as a tool for economic development.

II. PROGRESS INDICATORS; SITUATION; COMMENTS

2.1. Advisory team of the University of Kansas will develop training programs directed at strategies to use in marketing corn*

The Kansas team held a seminar during the second week of August to discuss different strategies to follow in the buying and selling of corn. Twenty members of the staff of the five affiliates of UNIOCOOP attended.

The knowledge gained from this seminar was immediately put into practice by the managers of the Cooperatives 20 de Marzo and Maya Occidental, the two cooperatives most directly involved in the production of the basic grains.* Unfortunately, the advisory team of Kansas finished its contract on February 1986. While they were in country, they helped in the consultancy of the marketing of basic grains. (*) (Attached to this report is a copy of the

subjects discussed in this seminar. ANNEX I.) (Attached is a copy of the report prepared by the Kansas team of the marketing at the national level. ANNEX II.)

2.2. Assist the Cooperative 20 de Marzo and Maya Occidental in the rice production, and the installation and operation of the rice mill.

Through two distinct studies, the feasibility was determined for developing a project of rice production and processing in both Cooperatives. The Cooperative 20 de Marzo started the operation of its' rice mill on January 16, 1986. This rice mill was purchased with funds donated by U.S. agriculture cooperatives who are members of ACDI and who support cooperatives in developing countries. This activity did not succeed as expected due to poor rice quality - the cooperative acquired 2,425 cwt. from its' members of which 2,300 cwt. had to be sold unprocessed; the remainder was sold processed. There has also been no promotional campaign as was initially contemplated due to the poor quality of the rice.

In the same way as the Rice Mill Project, the Cooperative 20 de Marzo, with the support of UNIOCOOP, promoted and developed an irrigation project for the production of rice in one of its local group which has demonstrated potential for this crop. This project will have the infrastructure for a gravity irrigation system covering an area of 140 mz, and an estimated annual production of 12,000 cwt. With this Project, not only will the production increase, but the quality of the rice produced will be improved. The Project has been completed and the first harvest will be in October-November of this year. The Project cost was L. 391,850. Attached are copies of both studies, and a summary of the updated results of the mill's operation. (ANNEX III and IV.)

For the acquisition of the rice mill, a detailed origin of the funds and applications follow:

Donation ACDI (purchase equipment)	L. 59,340
Working capital 20 de Marzo	L. 50,000

A study for a Rice Mill Project for the Cooperativa Maya Occidental is completed and steps are being taken to acquire the funds to get the Project working. We hope that it will be in operation before the end of this year. Attached is copy of the study and other correspondence. ANNEX V.)

2.3. FHIA will sign a contract with the Model Cooperatives to aid in increasing productivity and decreasing production costs

UNIOCOOP signed an agreement with F.H.I.A. on August 29, 1985 in which UNIOCOOP represents the five model cooperatives and also included a work plan for ag-year 1985-86. (Copy of the contract and work plan is attached. ANNEX VI.)

FHIA assisted in conducting melon trials in CREHSUL with varying fertilizer levels, different varieties, pruning techniques and gravity and drip irrigation systems. They gave partial assistance to Fruta del Sol cooperative in their tomato and cucumber trials and aided COHORSIL in the investigation to determine disease affecting cabbage production.

All five cooperatives have used the FHIA laboratories for soil analysis the cost of which has become a part of standard production costs.

No vegetable variety trials were carried out in 20 de Marzo or Maya Occidental cooperative as disease and insect problems led FHIA to recommend that the land lay fallow for one year. Plans are being made to continue these experiments in 1986-87. FHIA, did however, offer extensive aid in analysing coffee diseases and supervised work being carried on in the field. FHIA also aided in UNIOCOOP's and the cooperatives program of seed production. FHIA also aided in post-harvest examination of melons and cucumbers for BRIX content, diseases, and packing techniques.

2.4. Hire short term national or international advisors to advise in different areas:

- a. The SHEMESH Agro-International firm was contracted with UNIOCOOP's funds as well as ACIDI OPG funds to provide short term drip-irrigation specialists for honey dew and cantaloupes with CRESHUL and tomatoes, cantaloupes and cucumbers with Fruta del Sol. Unfortunately, many factors were involved which delayed planting and funds were not available to extend the original contract so the SHEMESH team was not available through harvest season.

The final report that one should expect from such a contract was therefore not available. and at this

writing the final analysis of the drip-irrigation project is not available. (Attached are the managers reports, ANNEX VII and VIII.)

- b. A short term expert was hired to aid in packing plant operations in CRESHUL (December 1985 through January 1986). His work included: aid in the set up of packing personnel, developing traffic patterns, explaining testing procedures and improving post harvest handling techniques. (Attach copy of his report, ANNEX IX.)
- c. Nery Chinchilla, an ex-ACDI administration advisor was hired to analyse areas in Honduras that might have potential as future candidates for both de Model Cooperative program, and as affiliates to UNIOCOOP. Mr. Chinchilla identified 5 area/cooperatives with short-range potential, and 5 other areas as long range candidates (Report is attached, ANNEX X.)
- d. With assistance from the ACDI/Washington computer specialist and by contracting a local firm, UNIOCOOP personnel was instructed in the use of personal computers and the Cooperative 20 de Marzo has begun to computerize it's accounting system using UNIOCOOP equipment.
- e. A drip-irrigation specialist, Mr. Doug Poole, was hired for a one week period to analyze both the physical set-up as well as actual costs of installation, operation and production, and make recommendations on the drip-irrigation system used in both Fruta del Sol and CREHSUL Cooperatives. (See ANNEX XI.)

2.5. Develop seminars in auditing and bookkeeping techniques

UNIOCOOP sponsored two seminars for the Model Cooperatives executives on financial subjects and on generally accepted accounting and administration principles. The number of participants in each seminar was 15 and 18.

In addition to these seminars, the UNIOCOOP auditor, while practicing periodic audits in each affiliated cooperative, aids in training the personnel of the Vigilance Committees. Up to this date there have been five corrective audits.

2.6. Coordinate visits to the United States

- a. UNIOCOOP and affiliated cooperative executive staff attended the CBI Convention in New Orleans. In this trip, they also attended the West Texas Regional Hot

Pepper convention; and subsequent field visits were made to Texas A&M Research stations to see the production of cayenne and other hot peppers. The Texas portion of this trip was coordinated by Kirroy Carpenter and consultant Richard Clark were paid with ACCI funds.

- d. Funds were obtained through USAID CAPS program for a tour to Indiana by cooperative staff and board members in coordination with Purdue University. They visited feed mills; fertilizers plants; university vegetable, melon, tomato, corn, and soybean plots; cattle, dairy, poultry, and swine operations; and hands-on visits to local farms. This tour was coordinated and accompanied by Richard Clark who was paid with OPE funds.

2.7. Internal Marketing for Fruits and Vegetables

UNIOCCOOP hired the consulting firm "Athenian for the Agro Industry" to determine the feasibility of developing an Experimental Project of Marketing Fruits and Vegetables in the northern part of the country. Once the study was finished, a copy was sent to USAID/Honduras to determine the possibility of the Project being integrated into a National Project that was under the consideration of the USAID. Up to this date we have not received any information regarding the project. If nothing is developed with the USAID, UNIOCCOOP will try to get the necessary funds and the required technical assistance to implement the Project. (Attached is copy of the study, ANNEX XII.)

2.8. Affiliation of UNIOCCOOP to FEPROEXAAH

In two occasions UNIOCCOOP applied for admission to FEPROEXAAH. FEPROEXAAH denied the first application indicating to UNIOCCOOP that it was more convenient to become affiliated with the Floriculturist and Horticulturist Association. UNIOCCOOP considered this inadmissible and requested FEPROEXAAH reconsider the case. Up to this date, FEPROEXAAH has not made a decision. UNIOCCOOP has decided that if its direct affiliation is not accepted, to withdraw its intention of affiliation, as to do so through an Association is against its' own interest.

2.9. Design and implement a system which measures the social and economic impact

A questionnaire was designed with help from AID and UNIOCCOOP staff to determine from a cooperative managers'

viewpoint the economic and social impact the cooperative has had on its' members. Interviews were conducted from April through May on over 250 cooperative members. All data was entered into the central office computer for analysis by UNIOCOOP and AID staff, and later made available both on diskettes and document form to the involved cooperatives. (See attached document, ANNEX XIII.)

2.10. Prepare and implement the required methodology for managers for a monthly evaluation of its activities

This activity was completed with the reforms made to the financial and statistical reports prepared by the affiliates. The information was not only for the manager to evaluate results and make decisions, but also is very helpful for UNIOCOOP to keep updated on what has been planned by each Cooperative. Also, THE UNION tries to attend every ordinary session of the Board of Directors of each affiliate, in order to advise the Board and the Manager in the interpretation and analysis of the economic and statistical indicators that are included in such reports. (Attached is a copy of the model used, ANNEX XIV.)

2.11. Encounter marketing and transportation alternatives for the export products.

As a result of the various negotiations made with the representatives of the shipping transportation companies and the use of one more broker for the marketing of the export products, substancial improvements were made in both areas, even if the transportation cost increased by 5 percent.

During the last season, the export products were sold through more than one broker; this strategy enabled the Cooperatives to observe which broker was more diligent in selling their product. UNIOCOOP, in coordination with the export Cooperatives, maintained a representative in Miami throughout the export season. This person was the Cooperatives's contact with the brokers, and kept UNIOCOOP and the Cooperatives informed of the details of the export operations. (Attached is copy of his find report: ANNEX XV.)

2.12. Organize UNIOCOOP, assist in input services, audits, marketing, technical assistance, and education and training services.

From the beginning days of UNIOCOOP it was the responsibility of the Hondurans to direct and administer all operations. It is easily noted the professional administration, leadership, and extent of services, that has been developed, and the trust and confidence not only of its affiliates, but also from the organizations that lend economic and technical help, and with the others which maintain work relations. Some data of the services rendered are summarized below:

- a. Importation and distribution of 1500 tons of fertilizer.
- b. Five corrective audits made by the specialized personnel.
- c. Support and continual assistance to the Maya Occidental Cooperatives and 20 de Marzo during the marketing season of coffee and basic grains. Maya Occidental marketed more than 9,000 cwts of coffee, 841 cwt. of corn, 858 cwt. of rice, and 1,144 cwt. of dry beans. 20 de Marzo marketed 8,115 cwt. of corn, 110 cwt. of dry beans, and 2,450 cwt. of rice.

Also support and assistance were given to COHORSIL, Fruta del Sol, and CREHSUL in its exports operations. The amounts exported were as follows:

COHORSIL	63,350 lbs. snow pea
Fruta del Sol	58,600 boxes of cucumber, and 17,700 boxes of cantaloupes
CREHSUL	53,000 boxes of melon, and 2,000 cwt. sesame seed

- d. Regarding technical assistance and services rendered by UNIOCOOP to its affiliates, the following stand out:
 - Obtain technical support from the Honduran Foundation for Agricultural Investigation (FHIA).
 - Overseas training of 31 between extensionists and/or Managers.
 - Transactions of exportation and importation documents.

-- Finance short term consultancy to:

<u>COOPERATIVE</u>	<u>MAN/MONTHS</u>
Maya Occidental	3 " "
20 de Marzo	2 " "
Fruta del Sol	19 " "
CREHSUL	6 " "

-- Negotiate financial debt of the Cooperative Fruta del Sol and CREHSUL for the amount of L. 2,300,000 and L. 2,252,800, respectively; and open a new line of credit for both firms for the amount of L.2,000,000 and L.1,739,157. respectively.

-- Negotiate and obtain a subsidy in the expenditure operation for the affiliates for the following amounts:

20 de Marzo	L 123,140
Maya Occidental	111,964
Fruta del Sol	100,000
CREHSUL	100,000
COHORSIL	65,000

2.13. Affiliate one or more Cooperatives during the period

The Cooperativa de Horticultores de Siguatepeque, Lda., (COHORSIL) joined UNIOCOOP in September 1985 becoming the fifth affiliate. Even though the cooperative had only fifty members at the moment of its' inception it has an agricultural product sales volume of L. 500,000. With the economic help and technical assistance of UNIOCOOP it was able to improve its professional staff by hiring a full time manager and accountant, rent an appropriate office, and increase its exportation of snow peas. It has plans to enlarge its receiving, classification, and packing facilities of snow peas. Also, it has plans to diversify crop production of its members; incorporating the production of strawberries, okra, and other products suitable for marketing through the Freezing Plant that the Agro International Company will initiate in the Valley of Comayagua by the end of this year. COHORSIL was also given an OPG grant by USAID to work with crop diversification and integrated crop management under the guidance of a Peace Corps Volunteer.

2.14. The two basic grains Cooperatives will expand their operations by adding storage facilities, marketing more products, and obtaining medium-term financing for its corresponding investments.

The Maya Occidental and 20 de Marzo Cooperatives have created the basic infrastructure to collect, dry, store

and market basic grains. This infrastructure was financed with a L. 250,000 donation from USAID for the construction of offices and storage facilities; and, with a medium-term financing of L. 250,000 obtained from BANADESA.

2.15. Production and marketing of a variety of products covering an area of 300 hectares in the Model Cooperatives.

As previously mentioned, the large-scale diversification projects planned for Maya Occidental and partially those for 20 de Marzo were postponed for one-year according to recommendations of FHIA to combat disease and insect problems; however, 20 hectares of chile tabasco were planted in the GLA of Guangolola of the Cooperative 20 de Marzo with relative success.

CREHSUL experimented with chile tabasco, soybeans, sesame and grain sorghum. However, unseasonal, torrential rains caused extensive flooding that destroyed all of the chile transplants, and ruined the already harvested soybeans. The sesame and grain sorghum plots were somewhat more successful but still below expectations resulting from lower than projected yields. Total area was 820 manzanas. No large-scale diversification plots were carried out in Fruta del Sol.

2.16. FHIA will use the vehicle donated by ACDI to visit experimental and demonstration lots in the Models, and will provide additional technical assistance to its members.

ACDI, from funds given by various United States Agricultural Cooperatives who support international cooperatives, donated a four wheel drive small pick-up truck to FHIA, which FHIA in turn, assigned permanently to the head of the horticultural department who at this time is working exclusively with the model cooperatives in experimental trials and trouble-shooting. Each cooperative had a schedule with the horticultural department which in most cases included weekly visits to cooperatives or in some cases monthly week-long visits.

2.17. UNIOCOOP initiates operations.

UNIOCOOP initiated operations July 1, 1985 with a highly qualified staff. It has established and has in practice, work standards and policies, an accounting system, and corresponding internal controls.

Monthly sessions take place with the Board of Directors where the budget, work plans, development activities, and on-going problems are analyzed, and recommendations are given to help solve them. UNIOCOOP relations with USAID/H, and other organizations with which it has working relations are excellent.

2.18. Signed contract between UNIOCOOP and ACDI to establish working relations between both organizations

This contract was signed on July 1, 1985. The working relations between the personnel of UNIOCOOP and ACDI have been maintained in a climate of mutual cooperation, and with a professional attitude. (A copy of the contract is attached. ANNEX XVI.)

2.19. UNIOCOOP will purchase \$500,000 in agricultural inputs, and will obtain a 5% minimum margin in the buy-sell operations for its affiliates.

The purchase value of its inputs obtained and sold by UNIOCOOP during its first year of operations was \$750,000. Its gross margin obtained from this activity will be 6%. For its second year of operations, purchases are projected for the amount of \$1,000,000 with a similar gross margin. A major part of this operation will be with the firm UKF of Holland. After two seasons, this firm will open a line of credit for UNIOCOOP for \$500,000, and give UNIOCOOP distributorship for the central region of Honduras.

2.20. UNIOCOOP will conduct two constructive audits of each affiliates

During its first year of operations, UNIOCOOP will make corrective audits. It's important to mention that the auditor that started with UNIOCOOP, Mr. Rosalio Urquia, resigned on January 1, 1986, to become the Manager of the 20 de Marzo Cooperative when the incumbent resigned due to an illness. The present auditor was contracted on the same day of Mr. Urquia's departure, and up to this time he has made three audits. Mr. Urquia made two audits.

2.21. The Maya Occidental and 20 de Marzo Cooperatives, marketing their members's products:

The Cooperative Maya Occidental marketed the member's

coffee according to daily market prices, and at the end of the season made an adjustment of the original price. This price readjustment represented, approximately, L 1.50 per cwt. marketed through the Cooperative.

The Cooperative 20 de Marzo used a similar process with corn during the season 1986-87 as the Maya Occidental; even if corn does not offer the same opportunities as coffee for this type of market system.

2.22. ACDI consultants and UNIOCCOOP personnel provide/advise to the affiliates in administration, management, marketing, and cooperative fields.

The ACDI consultants as well as UNIOCCOOP personnel complied with this objective, adhering to the Union's Work Plan, and also accomplishing those special tasks requested by the Manager of UNIOCCOOP or from the affiliates.

In the area of administrative-management, policies and standards were revised, adjusting them to each affiliates' necessities. Among these are: loan regulations, capitalization system, incentive policies to employees, plan for conditional sale of vehicles to the members, and a system of computerized accounting.

In the area of marketing, the contract with the brokers were negotiated under different conditions from earlier years; negotiations were made on freight costs with Honduras companies rather than through brokers in USA; the Port of New Orleans was visited and various meetings were held with the companies's officials and with other companies that work with the port in the management of products, and the possibility of marketing products to that port was investigated.

In the area of cooperative development every opportunity was taken to provide cooperative administrative assistance to the affiliates. Our objective was that the Cooperatives perform as a private firm, but always respecting the cooperatives' principles. The meetings at the local group and Cooperative level were always important; participation of the members in the decision-making was accomplished through the local group meetings, Consultancy Committees, Board of Directors, Credit Committees, and meetings of the Vigilance Committee, and the practice that the Cooperatives be open to every farmer in the zone that fullfills the admission requirements was vigorously upheld.

2.23. Change CREHSUL's marketing policies

During the 1984-85 export packing season, CREHSUL set a fixed price for melons delivered to the plant, as was the custom under the previous buyers, PATSA. This practice led to disastrous results during this season, forcing CREHSUL to change its marketing agreement with its members. The new agreement stipulated that CREHSUL would effectively act as a broker for the members, and a final price was paid to members based on the actual selling price in the United States. This change of policy was more appropriate for all involved, and was well received.

2.24. Two visits to Honduras from the Regional Representative of ACDI

The ACDI regional representative visited Honduras from August 19-23, 1985 to analyze the newly-formed Union regarding its objectives, staff requirements, advisor responsibilities, and preparing a budget. He returned April 21-25, 1986 to review UNIOCOOP activities and more importantly aid in preparing an outline for a document to be presented to AID. The document consisted of the history of each cooperative from its conception, including problems encountered, solutions and achievements; the actual status of each cooperative including financial analysis, diagnostic evaluation, and progress indicators; the overall general objective of UNIOCOOP and its affiliates; present budget and three-year projections of UNIOCOOP and each cooperative including action plans. An analysis of other areas and cooperatives in Honduras with potential to enter UNIOCOOP and subsequent financial and well as technical aid that will be needed. This document was to be presented to AID in late July, but as a result of set-backs suffered by the two export cooperatives its' completion will probably be delayed until Fall 1986.

2.25. Two visits from the System Analyst of ACDI/W

The computer systems analyst, Mr. Dale Key, made three trips to Honduras. The first, to set-up the computer system and teach the UNIOCOOP auditor the use of the accounting system; the second, to follow-up on data entered from local cooperatives and aid in teaching more complex operations of the accounting system; the last to aid in coordinating and purchasing computers for each of the regional cooperatives, as well as insuring the use of the accounting system in central office and its use by all affiliates. (See ANNEX XVII)

2.25. Two visits to Honduras from the ACDI/W official

During the month of December 1985, Mr. Robert Flick visited Honduras for a week. During his stay, he visited the five Cooperatives affiliated to UNIOCCOOP. During the visits to the Cooperatives 20 de Marzo, Maya Occidental, Fruta del Sol, CREHSUL and COHORSIL, he was accompanied by UNIOCCOOP's Manager. During this visit he interviewed with the Manager and personnel of each Cooperative, and he visited some field projects. At the end of his work term, he met with the USAID Project Official informing him of the results of his trip. The purpose of his second visit in July 8-13, 1986 was to review the ACDI final report. (See ANNEX XVIII and XIX, respectively.)

2.27. Capital contribution from UNIOCCOOP affiliates

The five affiliates fulfilled with the L. 1,000 initial contribution.

2.28. The programmed income source by UNIOCCOOP and what was obtained are shown below:

FINANCIAL PLAN

	<u>B U D G E T</u>	<u>OBTAINED</u>
Contribution of UNIOCCOOP's capital	L. 10,000	L. 10,000
UNIOCCOOP commission on sales	50,000	60,000
Purchase of 3 tractors for 20 de Marzo	160,000	180,000
Working Capital Contribution from the 20 de Marzo Cooperative for the operation of the rice mill	50,000	50,000

ACDI INPUTS

Donation of one rice mill to 20 de Marzo Cooperative	\$ 22.500
Donation of one 4x4 pick-up to FHIA	9.500

Two visits by Regional Rep., fee \$3,426. per diem \$350. air fare \$500. misc. \$114.	5,000
Two visits by ACIDI/W Project Officer: fee \$2,800. per diem \$950, air fare \$1,400, misc. \$140	5,300
Two visits of ACIDI systems analyst plus 100 hrs of programming in home office: fee \$1,870, per diem \$950. air fare \$1,400, misc. \$170, 100 hrs in DC \$2,500	6,900

TOTAL	\$ 49,200**

**The above contributions by ACIDI were completed as planned and expenditures exceeded the budgeted amounts in all cases, except the pick-up and the rice mill.

III. SCOPE OF WORK OF THE ACIDI CONSULTANTS

The following is the "Scope of Work" of each ACIDI consultant that worked for UNIOCOOP.

3.1. Juan Alvarez, Operations Consultant.

- a. Assist in transferring the administration of the Project ACIDI/Honduras to the national counterpart of UNIOCOOP.
- b. Assist the Cooperatives Fruta del Sol and CREHSUL in designing a financial plan and identify the available sources to refinance its current debt.
- c. Assist UNIOCOOP's affiliated Cooperatives in identifying new products and services in which they could compete in the national market.
- d. Evaluate the development process of the "Models" in reaching its selfsufficiency.
- e. Assist UNIOCOOP's affiliated Cooperatives in the evaluation of its operations and financial status.
- f. Assist, in coordination with USAID/Honduras in designing a methodology to evaluate the impact of services that the Cooperatives give its members.
- g. Assist the Cooperative's Managers in designing and implementing administration policies and internal

procedures.

- n. Assist UNIOCCOOPs' management office in any activity required to reach its project goals.

As the information in the progress indicators covered in this report states, the scope of scope was completely covered. UNIOCCOOP's Management Office, thru its reports, has informed on the assistance rendered.

Regarding the assistance rendered to the Managers of the Cooperatives, it is important to mention, some revisions and incorporations made to policies and procedures:

- a) Capitalization policies were reviewed, and were adjusted to what was more convenient to the business and for the members. In some cases, the capitalization percentage was lowered from 10% to 5% on the amount of credit given. In others, a percentage was established to capitalize the revenues obtained from the producers.
- b) An interest payment on the members stock was approved and considered this payment as an ordinary operation expense.
- c) An incentive policy was established for the cooperative employees, based on specific goals of the selling of inputs, credit recuperation, etc.
- d) New administration standards for credit were established in the Maya Occidental and 20 de Marzo Cooperatives. Something similar will be done in Fruta del Sol and CREHSUL.

A new policy was established for the selling of ag-products. Distribution stores were opened in different strategic local groups, scale of prices were established according to the purchase volume, and different prices were established for members and non-members.

3.2. Richard L. Clark, Consultant in Management Operation-Advisor

- a. Coordinate with ACDI/W the selection and contracting of short-term technical assistance for the "Model Cooperatives" project.

- d. Coordinate with ACDI/W the organization of educational tours and visit to U.S. farms and packing plants using AID-LAC funds.
- e. Coordinate with ACDI/W the ordering, purchasing and shipment of supplies needed by the Union (UNIOCCOOP) and its members.
- f. Identify and coordinate purchasing of trade publications, subscription to trade organization and any other related technical information.
- g. Identify problems that can be helped with technical assistance available from ACDI members.
- h. Aid UNIOCCOOP in contracting with US agri-chemical dealers for the importation of registered pesticides.
- i. Assist UNIOCCOOP, the "Model" cooperatives and FHIA in the design and implementation of a crop-diversification program.
- j. Act as liaison between UNIOCCOOP members and U.S. brokers, and identify new business opportunities in the international market in behalf of UNIOCCOOP members.
- k. Assist the management of UNIOCCOOP and those of its members in personnel, management and internal organization and administration.

The actions accomplished to comply with the above mentioned scope of work have been described throughout this report, however, it should be clarified that:

- a. UNIOCCOOP was unable to register any ag-chemicals although much work and investigation was done. All necessary documentation was completed with the Honduras Government, and meetings were held with various International Pesticide distributors. The main drawback to any successful negotiation was that UNIOCCOOP had wide-range of small-volume products, therefore, the prices received by the companies plus shipping and importation costs made their products economically unattractive. It is assumed that in the future as the product list is enlarged and volumes increase, UNIOCCOOP will be able to directly import products under its own name.
- b. As UNIOCCOOP and the Cooperatives maintained a permanent representative in Miami, the role as liaison between U.S. brokers and cooperatives was not as extensive as in previous years.

c. Although not in original scope of work, much of time was spent in aiding the Cooperatives with computer-designed liquidation system, payrolls, and statistical analysis of brokers. Also, in the design and evaluation of social-economic impact study.

IV. CONCLUSIONS AND RECOMMENDATIONS

4.1. Conclusions

We feel that UNIOCOOP and its affiliates will be able to maintain their recognition as a model cooperative system, that can be put into practice by other entities that see the cooperative system a useful tool for agro-industrial development in Honduras. We cannot say that the model is perfect or that it does not face problems. The case of Fruta del Sol and CREHSUL is of concern, but with possible solutions that are in no way paternalistic. Looking back, it seemed we were very optimistic and aggressive, when we should have included the production and export operations under commercial - experimental conditions, we did so under the risk and cost of the members. Also, a new technology, drip irrigation, was adopted without passing through a corresponding experimental period, and without a previous training of the national personnel; not only in the installation and maintenance of the equipment, but also in its use.

Two of the five cooperatives affiliated to UNIOCOOP are already self-sufficient. The third one should reach that point at the end of its' operations of this economic year. The Fruta del Sol and CREHSUL Cooperatives have the potential to become two large agro-industrial and self-sufficient firms. Everything depends on the solutions that are found to their actual financial crisis.

UNIOCOOP has petitions of affiliation of other cooperative organizations functioning in the country. In a short period of time, UNIOCOOP has established a good reputation and is recognized as a serious and responsible institution, with the professional capacity to provide services and adequate technical assistance to it's affiliates. This is confirmed by the relations that it has with private banks, multi-national and local commercial firms, technical international firms, and the offices of the Government of Honduras. In short, the creation of UNIOCOOP not only fills a necessity in the "Model Cooperative" Project, but represents an invaluable asset to re-integrate the

Honduran cooperative system to a modern concept of cooperative development. This concept adds to the system, among others, the following principles:

- a. Professional administration.
- b. An adequate and systematic capitalization system.
- c. Potential for self-sufficiency of the business.
- d. An organization structure that permits the member to participate in the decision-making.
- e. Practice the cooperative principles with the flexibility that it is permitted.
- f. Render economic incentives to its employees.
- g. Manage the business with a minimum number of employees, and utilize short term contracts for special projects.
- h. Practice generally-accepted management principles.
- i. Encourage the agro-industrial development of the cooperative business in order to offer to its' members, a secure market for their products and increase the profitability of the producers' investment.
- j. Integrate the primary cooperatives in a second-level grade organization so that they can take advantage of the economies of scale.
- k. Provide timely, technical assistance and extension to producers-members.
- l. Provide services and products at a competitive price; while maintaining a just profit margin.
- m. Maintain political neutrality i.e. anyone who meets the basic entrance requirements will not be denied admission whether he be an agrarian reform farmer or an independent.
- n. The directors serve on a voluntary basis and are paid a stipend only for costs incurred to attend regular meetings.

4.3. Recommendations

From the experiences gained during the fourteen months of technical assistance offered to UNIOCOOP and its affiliates, we consider important to leave some recommendations that should be considered and carried out at the appropriate moment.

- a. UNIOCOOP should take steps to procure economic resources and to establish a Rotating Fund to be used in the following way:
 - To undertake feasibility studies for agro-industrial projects or other projects that will contribute to the development, stability and consolidation of the cooperative firms affiliated to or future affiliates with UNIOCOOP. For example, in the five affiliates there exists a potential to industrialize the raw materials that its' members produce such as corn, milk, tomatoes, coffee, sesame, and cashew nut, - a potential that should be studied and determined economically with the priority given that each case merits.
 - To help its current and new affiliates in capital investments, whenever they face transitory financial problems.
 - To finance part of its affiliates budget costs whenever they cannot do it with their own resources, and especially new affiliates.
 - The Rotating Fund(s) that are established will be disbursed according to the corresponding Regulations; in which standards, procedures and conditions are indicated.
- b. UNIOCOOP should count on outside resources at least for the next two years, to help cover its operating costs. This help is necessary for UNIOCOOP to consolidate its operating structure, provide short term technical assistance to better serve its affiliates, and speed up its self-sufficiency goal. Up to this moment, UNIOCOOP'S principal source of income is the buying/selling of inputs. This puts the Union in a fragil self-support base, that in any moment can affect its operational stability.
- c. It is important for UNIOCOOP and its affiliates to implement projects that offer additional income which will increase the rentability of its affiliates. Among these are:
 - A fertilizer mixing plant or pesticide formulator.

- A project for seed production of basic grains, and the corresponding infrastructure to process the seed.
- A basic grain processing plant (flakes, meal).
- A pickling plant for hot peppers or cucumbers.
- A plant to manufacture wire-bound crates for exporting produce.
- A commercial warehouse for grain storage.

~~Export facilities in ports.~~

- A permanent export office in USA.

d. Every economic and/or technical help that is offered for the Cooperative Model movement, should be channeled through and administered by UNIOCOOP.

e. Until the financial crisis are normalized in the Cooperatives Fruta del Sol and CREHSUL, UNIOCOOP should be given authority to form an ex-officio part of the Board of Directors with vote and veto power. This authority can be incorporated in the agreement between BANADESA, the Cooperatives, and UNIOCOOP. This would insure that the technical-administrative recommendations made by the Union are carried-out without any reservation. The Union would also have immediate knowledge of any Board decision regarding administrative, and financial decisions.

f. All UNIOCOOP's affiliates are economic firms with multi-million operations. For such reasons, the cost of an external annual audit that certifies the integrity of their financial statements, should be budgeted as an ordinary operation costs.

g. The corrective auditing service that UNIOCOOP offers its affiliates, should be reinforced with one more person to follow-up on the recommendations given in the audits, and also provide help to the auditor.

n. The organization and motivation process in the local groups should be intensified, as the success of each model depends on the cooperative's awareness of these groups.

i. UNIOCOOP should take advantage of every opportunity presented for further training of its personnel and the Cooperative staff.

- j. The model Cooperatives should acquire, as soon as possible, computers which will facilitate the accounting work and provide more efficient information. We recommend that a firm be contracted to check the accounting system and if possible convert it to a unit/cost system.
- k. UNIOCOOP should organize a Development Department to extend its' affiliates base in an orderly and systematic form. However, considering the economic load and the small profitability of these activities - which would represent the promotion, organization or re-organization of new affiliates - we recommend that resources be acquired to cover the Department expenditures. This help should be for five years, and would allow the increase of the Unions' members base, which would strengthen its' profitability and development potential.
- l. In order to enable UNIOCOOP to import the necessary inputs of its affiliates on a timely basis, they should have a credit line with BANADESA. We understand that USAID/Honduras is in agreement with this, as this will assure that the affiliates have a high quality product when needed, and aid in the future plans of self-sufficiency for the Union.
- m. The security deposits and the various insurance that the affiliates have, should be reviewed periodically and up-dated. The corrective audits that UNIOCOOP practices should insure that such matters are appropriate, and in accordance with the risks covered. UNIOCOOP should have the same care with its insurance.
- n. With the possibility of computerizing its' financial and accounting operations, UNIOCOOP should have a person full time who would provide technical assistance. In order to advance its self-sufficiency, UNIOCOOP should solicit to Peace Corps/Honduras for a knowledgeable Volunteer.