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**An Evaluation of Costa Rica's  
Project of Coffee  
Technification and Diversification**

**Prepared for  
USAID/Costa Rica**

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## Introduction

Because coffee is Costa Rica's most important export crop and provides employment for more persons than any other single activity, the discovery in 1983 of coffee rust disease in the country posed grave problems for the entire economy.

To combat the disease and, at the same time, attempt to reduce the country's heavy dependence on this one commodity, in 1985 a large scale Coffee Technification and Diversification Project was undertaken. Since the fall of 1985 the Project has been implemented via a USAID/ACDI Operational Program Grant.

The purpose of this report is to review and evaluate the activity under this OPG to date, particularly in respect to the criteria listed in the "Scope of Work-Terms of Reference" which follows.

Scope of Work-Terms of Reference

I - Credit Activity

- \* What is the number and value of Project loans to date and how do these compare with Project targets?
- \* What policies and procedures have been employed in providing this Project credit to coffee growers, and have these proven to be adequate?
- \* In respect to those loans which have matured, what has been the experience in loan-collection
  - by primary-level co-ops from farmer-members;
  - by FEDECOOP from its affiliated cooperatives;
  - by COFISA from FEDECOOP?

II - Technical Assistance

- \* What kinds of technical assistance have been provided to Project borrowers--and by whom? Has this proven to be adequate?

III - Project Administration

- \* What is the present status and performance record of FEDECOOP's Project Coordination Unit?

IV - Diversification and Technification

- \* How many coffee growers have undertaken renovation of their coffee land--i.e., planting of disease-resistant coffee trees and utilizing new, improved cultivation techniques?
- \* How do these data compare with Project targets?

V - Training

- \* What kinds of training programs have been offered to coffee growers--and by whom?
- \* What has been the growers' reaction to these training activities?

VI - Impact

- \* What economic impact has this Project had on participating coffee growers?

Methodology

The data and information contained in this report were gathered in these ways:

1. Meetings and interviews with key personnel of USAID/Costa Rica, FEDECOOP, and COFISA.
2. A review of Project documents and records supplied by USAID, FEDECOOP, and COFISA.
3. Lengthy discussions with ACDI's Costa Rican representative and Beverly Latham, former USAID director of the Project.
4. On-site visits to 11 of the 31 of FEDECOOP's affiliated cooperatives, located in five of Costa Rica's coffee zones, and interviews with co-op managers, agronomists, accountants, and board members.
5. On-site visits to a number of coffee fincas and interviews with the farmer-owners.

Following the collection of information by the methods listed above, this Draft Report was prepared, including conclusions and recommendations for the future of the Project.

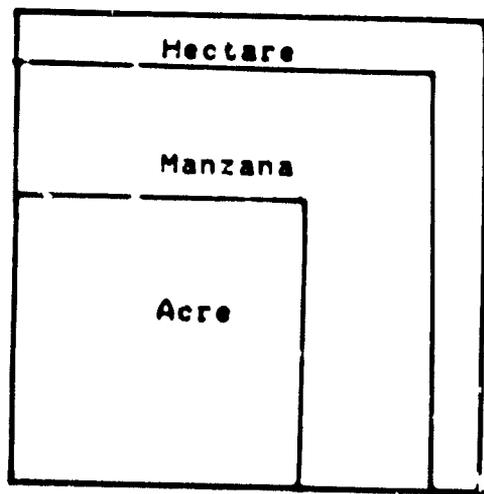
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Note: Throughout this report conversion of colones to dollars is made at the rate of 62.5 colones per dollar, or one colon = 1.6¢.

List of Acronyms Used

- CATIE - Center for Research and Education in Tropical  
Agronomy
- COFISA - Corporation for Industrial Finance, Inc.
- FEDECOOP - Federation of Coffee Cooperatives
- IDA - Agrarian Development Institute
- INA - National Training Institute
- INCAE - Harvard University's Central American Institute of  
Business Administration
- INCAFE - National Coffee Institute
- MAG - Ministry of Agriculture and Animal Husbandry

Land Measures



1 Hectare = 1.25 Manzanas  
= 2.47 Acres

1 Acre = .40 Hectare  
= .50 Manzana

1 Manzana = 1.98 Acres  
= .80 Hectare

Persons Interviewed in Costa Rica

1. Frank Astacio, ACDI Coffee Credit Specialist
2. Paul Kretchmer, USAID Rural Development Officer
3. Ross Wherry, USAID Project Officer
4. Juan Arteaga, Banco de COFISA, S.A.
5. Gilberto Gutierrez, Senior Agronomist, FEDECOOP
6. Rafael Alvarado, FEDECOOP Coordinator of Coffee Project
7. Mario Castillo, FEDECOOP, Computer Data Processing
8. Diego Sanchez, Fedecoop, Copmputer Data Processing
9. Yanuario Herrera Ruiz, Chief Agronomist, Co-op Naranjo
10. Mario Lopez Vindas, Ass't Agronomist, Co-op Naranjo
11. Gerardo Cubero Chacón, Chief Accountant, " "
12. Marvin Rojas, farmer-member of Cooperativa Naranjo
13. Heriberto Porras Zamora, " " " "
14. Jose Miguel Fernandez, " " " "
15. Francisco Gomez, " " " "
16. Luis Corales Acuña, " " " "
17. Luis Rojas, Manager, Cooperativa San Juanillo
18. Manuel Rodriguez, Accountant, " "
19. Orlando Arrieta, Agronomist " "
20. Onafre Hidalgo Leitan, Agronomist, Santa Rosa Cooperative
21. Rodrigo Joviquez Zumbrado, " " " "
22. Elucer Camacho Reggiani " " " "
23. Juan Bta. Moya, Manager, Cooperativa Libertad
24. Alfredo Bugantes V., " " Accountant
25. Rafael Mora Cano, " " "
26. Ronald Chavarria, " " Agronomist
27. Ricardo Saboria, Acting Manager, El General Cooperativa
28. Alfredo Monge, President, Board of Directors, El General
29. Mariano Ruiz Abarca, Agronomist, El General Cooperativa
30. Giver Alvaraco, Accountant, " " "
31. Henry Fonseca, Agronomist, " " "
32. Guillermo Onezcora, Ass't Mgr., " " "
33. Tobias Gonzalez, Bd. of Dir. " " "
34. Juan Alvarez, Ind. Engineer, " " "

(Cont'd)

35. Ilger Cubero, Bd. or Dir., Atenas Cooperative
36. Rafael Angel Hidalgo.,Bd. of Dir., Atenas Cooperative
37. Ulises Arce Arce, Ass't. Manager, Atenas Cooperative
38. Guillerao Villegas, Member, Credit Com., Atenas Co-op.
39. Elsia Sibaga Soto, Secretary, AID Project, Atenas Co-op.
40. Guillermo Ordonez Ruiz, AID Project Technician, Atenas
41. Virginia Castro, Accountant, Atenas Cooperative
42. Oscar Ramirez, Field Technician, Atenas Cooperative
43. Juan Jorge Rodriguez,R., Agronomist, Palmares Cooperative
44. Hugo Armando Ledezma Vasquez, " "
45. Lori Fuentes Valecano, Cooperative Promotion, Palmares "
46. Francisco Vasquez Carranza, Accountant, Palmares Co-op.
47. Omar Alpizar, FEDECUOP Agronomist at El Dos Cooperative
48. Juan Carlos Alvarez, Ass't Agronomist, El Dos. "
49. Heriberto Castro, Accountant, El Dos Cooperative
50. Raul Villalobos, Manager, El Dos Cooperative
51. Omar Alvarez, Manager, Cooperativa Tilaran
52. Juan Castro, Ass't. Manager " "
53. Luis Alejo Alvarez, Accountant, " "
54. Frank Lopez Ramirez, Accountant, Co-op Cenizosa
55. Rafael Antonio Fuentes, MAG Agronomist at Co-op Cenizosa
56. Brett Campbell, Peace Corps Volunteer at Co-op Cenizosa
57. Jorge Alfaro, Cooperative Promotor, at "
58. Oscar Campos, Manager, Co-op Pilangosta
59. Hugo Suarez, Cooperative Promotor, at Pilangosta
60. Gerardo Quezada, Member, Bd. of Dir., Pilangosta Co-op
61. Luis Salazar, Accountant, Co-op Pilaangosta
62. Nautilio Monge, Manager, FEDECOOP
63. Michael Foster, Capital Development Officer, USAID

### The Cooperative Sample

During the course of this investigation visits were made to 35 percent of the cooperatives affiliated with FEDECOOP and participating in this Technification and Diversification Project. The eleven cooperatives visited are located in five of the country's eight coffee zones and constitute a representative sample of the whole group--ranging from small poor cooperatives with less than 200 members to large, successful enterprises with membership in the thousands .

Key personnel in each cooperative were interviewed in accordance with a standard questionnaire form, so that the kind of data obtained in each instance would be similar and could be meaningfully tabulated and compared. A copy of the questionnaire used appears in Appendix A. A detailed account of the operations and financial position of each of the eleven cooperatives will be found in Appendix B. What follows here are general observations derived from these visits and interviews.

There is great enthusiasm for the technification aspect of the Project but little interest in diversification into other crops. The enthusiasm obviously is due to the much greater yield of high quality coffee that is being obtained with the disease-resistant coffee plants and use of the new improved cultivation technology. Yields are three, four, and five times greater than previously. The members of one cooperative are getting an average of 80 fanegas of coffee per hectare as compared to 20 before. The yield on one finca visited is 100 fanegas per hectare.

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\*Average membership of these 11 cooperatives is 1,264. But beware of averages: A man who could not swim drowned while wading across a stream with an average depth of 3 ft., 2 in.

\*This phrase "disease-resistant" is used frequently throughout this report. It is a shorthand expression to describe the type of coffee trees that are being planted in the renovation aspect of the Project. It does not mean these plants are immune to the coffee rust. They are not "disease-proof". They are two new commercial varieties, called Caturra and Catuai, which better withstand the rust, are not as badly damaged by it, and produce a yield several times greater than the traditional variety of coffee plants.

The project got off to a relatively slow start in 1985 but soon thereafter expanded rapidly because of the strong demonstration effect. Many co-op members who were not participating in the Project saw the impressive results obtained by the few who had undertaken renovation of their coffee land and eagerly came forward to participate.

The result is that the renovation-technification aspect of the Project is way ahead of schedule, as figures shown later will indicate. And the total impact of the Project goes far beyond what is shown by Project figures.

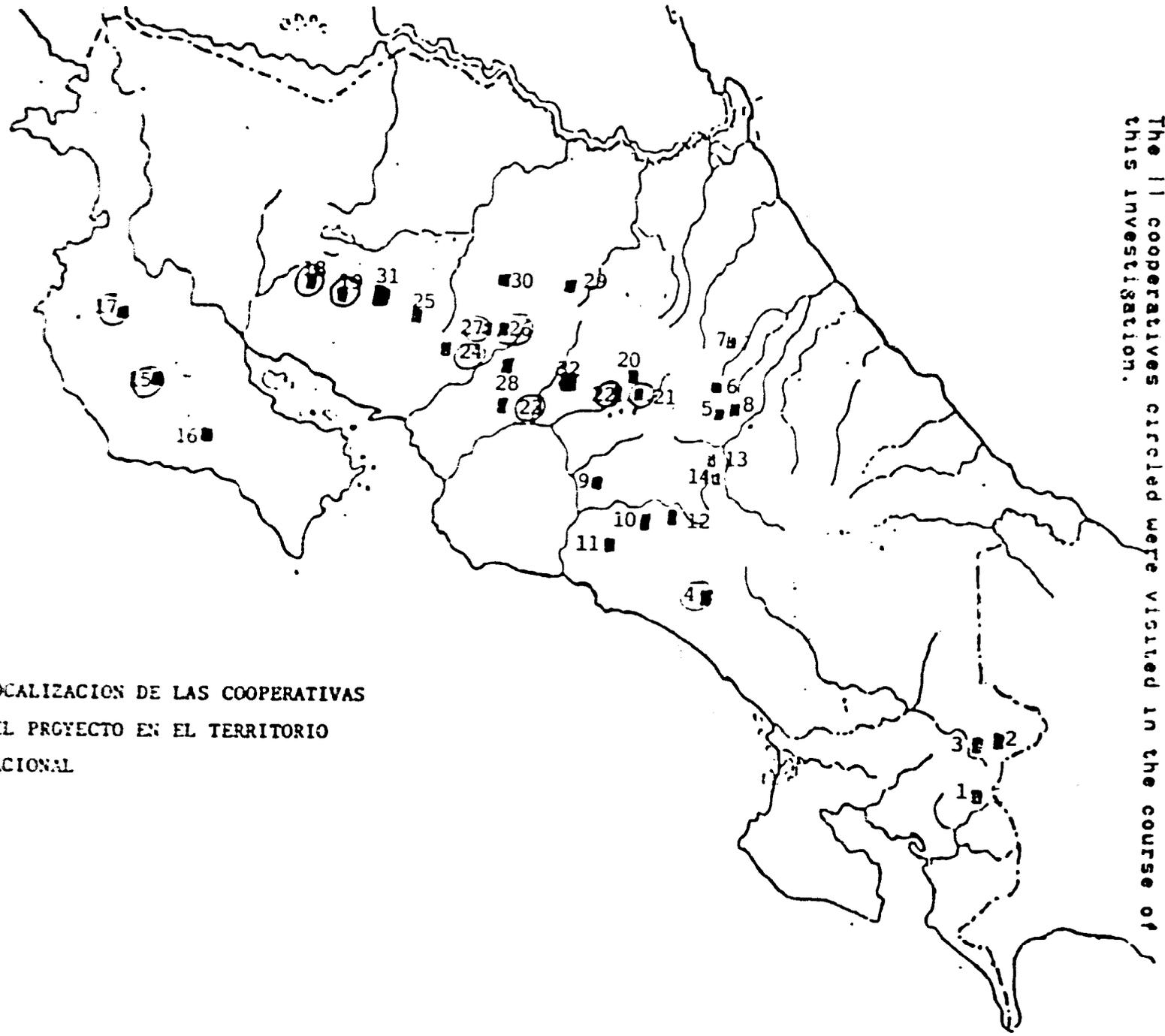
In the 11 cooperatives visited, an average of 20% of the members of each co-op had applied for and received Project loans for renovation of their coffee land, and thus are registered as participants in the Project. But, at the same time, many other members have undertaken renovation on their own--by obtaining credit from other sources or out of their own pocket.

Another thing that has happened is this: A member participating in the Project who owns, say, three manzanas of land may have obtained Project credit to renovate only one of the three. Then later (or simultaneously) he may renovate a second hectare by himself without Project assistance. The result is that twice as much land is renovated than appears in the Project statistics.

In the case of the 11 sample cooperatives visited, although just 20% of the members are officially listed as Project participants, actually 45% have actually undertaken renovation. As for the total area under renovation, for the 11 sample co-ops an average of 16% of members' land has been renovated via Project credit--yet the true figure is 36% of members' total land, the additional 20% having been done apart from the Project. The reason for so many renovating their coffee land on their own account or via other credit sources is simply that the demand for Project credit has been far greater than the available supply.

As far as the diversification aspect of the Project is concerned, this has lagged behind Project targets and expectations. Among the farmer-members of the 11 co-ops visited only a very few have diversified into other crops. There are several reasons for this. First and foremost, there is a natural reluctance--even fear--of small growers everywhere to abandon a familiar crop and commence cultivation of a strange one. They are uncertain of the market. How much can they sell, where can they sell it--and at what price?

LOCALIZACION DE LAS COOPERATIVAS  
DEL PROYECTO EN EL TERRITORIO  
NACIONAL



The 11 cooperatives circled were visited in the course of this investigation.

Other reasons: One of the principal crops recommended for diversification is macademia, but there has been a considerable shortage of macademia seedlings in the country. Also, there are few personnel qualified to provide technical assistance to coffee growers who might wish to diversify into other crops.

Ten members of one of the 11 cooperatives visited (Tilaran) have obtained Project loans to finance diversification into macademia and now have 16 hectares planted to this crop. But their present complaint--and worry--is that they do not have anyone to advise them in the proper cultivation of these trees.

Even with greater Project efforts in the future to promote diversification, it is unlikely that it will be undertaken by coffee growers located in Costa Rica's central plateau (coffee zones #6 and #7). This is because conditions there are ideally suited to coffee cultivation--the soil, rainfall, altitude and temperature are among the best in the world for coffee production. Thus, with these strong natural advantages there seems to be little incentive for coffee growers in this region to experiment with other crops.

Management of the 11 cooperatives visited in the course of this investigation generally appreciate the Project services they are receiving from FEDECOOP, yet there are several areas in which they feel improvements should be made:

- ✦ A few complained of the infrequency of visits by FEDECOOP's Technical Adviser and General Coordinator of the Project.
- ✦ Several feel that the prices FEDECOOP charges for fertilizers and other agricultural chemicals are too high in comparison with prices offered by other suppliers.
- ✦ Another complaint in respect to agricultural inputs is that FEDECOOP does not provide sufficient technical information on their proper use. Co-op managers and agronomists say that commercial vendors of agricultural chemicals provide their customers with such information in great detail, but FEDECOOP does not.
- ✦ Most of the cooperatives visited ask for more assistance from the Federation in several areas: in coffee culture, in improving the efficiency of their beneficiaries, and in management training.

## Total Project Activity

FEDECOOP's General Coordinator of this Technification and Diversification Project was most helpful and cooperative in providing ample statistical data and other information concerning Project activity from 1985 to date. The same was true of all other personnel in FEDECOOP's Project Coordination Unit.

### Diversification & Technification

The original Project plan called for disbursement of credit over a five-year period to approximately 6,000 coffee growers affiliated with FEDECOOP for the purpose of renovating approximately 7,000 hectares of coffee land.

In this respect the Project has been successful far beyond expectations. These targets have been realized in less than two years rather than the five contemplated.

As of June 30, 1987, \$799,935,000 in credit had been disbursed to 6,608 coffee growers to renovate 6,676.84 hectares of coffee land. Details of these totals and how they compare with Project targets are shown in Table #1.

Table #2 shows the planned and actual results of the nursery stock program--the almácigos. Here, Project targets were not realized in two areas: the number of hectares devoted to the cultivation of nursery stock and the amount of credit advanced for this purpose. In each of these areas 83% of the Project goals were achieved.

Table #3 shows what has been achieved in the diversification aspect of the Project. The original plan called for 1,500 hectares to be devoted to crops other than coffee--specifically cacao, macademia, and cardamon--and 1,000 growers to be engaged in this activity. Results to date: 617 hectares diversified out of coffee (41% of the target figure), and 246 growers engaged in this activity (25% of target).

For reasons set forth earlier in this report, diversification has proceeded more slowly than expected. However, it cannot yet be said that FEDECOOP's Project Coordination Unit has failed in this diversification aspect of the program. The original plan called for these goals or 1,500 hectares and 1,000 growers to be achieved over a five-year period--and to date the Project is barely two years old. If progress continues for the next three-plus years at the same rate thus far, the diversification goals should be reached.

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PROGRAMA USAID-FEDECOOP R.L.  
SITUACION ACTUAL DE FINANCIACION RENOVACION  
AL 30-6-87  
COLONES

ETAPAS	HECTAREAS				VALOR				BENEFICIARIOS		
	PROGRAMADAS		REALIZADAS		MILES PROGRAMADOS		MILES REALIZADOS		BENEFIC. ESTIMADOS	%	BENEFIC. REALES
	HAS	%	HAS	%	VALOR	%	VALOR	%			
RENOVA-85	1,333.00	20.05	1,630.51	121.86	160,182.1	20.05	195,200.7	121.86			1,913.00
RENOVA-86	3,334.00	49.96	3,093.63	92.79	399,138.3	49.96	370,361.8	92.79	6,000.00	100.00	2,992.00
RENOVA-87	2,001.00	29.99	1,952.70	97.59	239,554.8	29.99	233,772.5	97.59			1,703.00
<b>TOTALES</b>	<b>6,673.00</b>	<b>100.00</b>	<b>6,676.84</b>	<b>100.06</b>	<b>798,875.2</b>	<b>100.00</b>	<b>799,335.0</b>	<b>100.06</b>	<b>6,000.0</b>	<b>100.00</b>	<b>6,608.0</b>

Table No. 1

- (13) -

NOTA: El convenio estima aproximadamente 7000 hectareas, para beneficiar 6000 agricultores

### Credit Activity

The chain of Project credit from top to bottom works like this: AID loans funds to COFISA at 2% interest. COFISA in turn loans to FEDECOOP at 9%, retaining the difference of 7%, which it turns over to CATIE to finance research and experimentation in coffee culture. FEDECOOP then loans funds to its affiliated cooperatives at 12% or 14%, retaining 4% or 6%. (The reason for the difference is this: If FEDECOOP provides technical assistance to the cooperative, it charges 2% more than if it does not.) The cooperative then loans funds to its farmer-members at 18%.

To date, FEDECOOP has made 88 loans to its affiliated cooperatives for the purpose of coffee land renovation, 50 loans for the planting of nursery stock, and 23 loans for diversification into other crops. The dollar values of these loans and the number of growers who have benefited from them are shown in Tables #1, #2, and #3.

Thus far no loans at any level of this credit chain have matured--from COFISA to FEDECOOP, from the Federation to its affiliated cooperatives, or from the cooperatives to their farmer-members. Thus, no delinquency has occurred in respect to repayment of loan principal.

The loan agreements call for a three-year grace period for repayment of principal. Borrowers are required to make only interest payments during this time.

These interest payments are being made on time by the grower-members of about 60% of the cooperatives involved in the Project.

This is because a system similar to "payroll deduction" is employed: When the grower-member delivers his coffee to the co-op, he receives payment for the value of his crop--minus the loan interest due at that time.

Beverly Latham, until recently AID director of the Project, has noted that although this is a most effective way of keeping interest payments current, it does nothing in terms of educating the borrower in personal responsibility to repay his debts. It teaches him nothing about how to manage his own funds, how to save out of present income to meet future obligations.

As for the other 40% of the Federation's affiliated cooperatives, the members have not made interest payments because no deduction system was employed--nor could it be, for the following reasons:

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PROGRAMA USAID-FEDECOOP R.L.  
 SITUACION ACTUAL DE FINANCIACION ALMACIGOS  
 AL 30-6-87

ETAPAS	HAS PROGRAMADAS	%	HAS REALIZADAS	%	VALOR MILES PROGRAMADOS	%	VALOR MILES REALIZADOS	%	BENEFIC. REALES	%
ALMACIGO 85	155.00	62.00	105.72	68.21	60,060.5	62.00	40,940.0	68.16	252.00	45.65
ALMACIGO 86	95.00	39.00	102.03	107.40	36,811.3	38.00	39,535.0	107.40	300.00	54.35
<hr/>										
TOTALES	250.00	100.00	207.75	83.10	96,871.8	100.00	80,475.0	83.07	552.0	100.00

Table No. 2

Table No. 3  
 PROGRAMA USAID-FEDECOOP R.L.  
 SITUACION ACTUAL DE FINANCIACION DIVERSIFICACION  
 AL 30-6-87

PROGRAMADO				REALIZADO							
ANO	HAS	%	VALOR MILES	%	I	HAS	%	VALOR MILES	%	BENEFIC.	%
*CACAO*											
85					I	60.00	31.45	7,975.00	31.35	1.00	0.00
86	33.00	17.37	4,400.00	18.00	I	59.00	30.93	7,894.00	31.03	37.00	0.15
87	157.00	82.63	20,038.00	82.00	I	71.75	37.61	9,567.00	37.61	55.00	0.22
SUB-TOTAL	190.00	100.00	24,438.00	100.00	I	190.75	100.00	25,436.00	100.00	93.00	0.37
*MACADAMIA*											
85					I	16.00	4.48	1,669.00	4.27	10.00	9.01
86	402.00	40.50	44,071.00	39.47	I	236.00	66.11	25,873.00	66.25	75.00	67.57
87	590.50	59.50	67,593.00	60.53	I	105.00	29.41	11,511.00	29.48	26.00	23.42
SUB-TOTAL	992.50	100.00	111,664.00	100.00	I	357.00	100.00	39,053.00	100.00	111.00	100.00
*CARDAMOMO*											
85					I						
86	50.25	30.13	5,544.00	30.21	I	55.75	85.44	6,151.00	85.37	31.00	81.58
87	116.50	69.87	12,808.00	69.79	I	9.50	14.56	1,054.00	14.63	7.00	18.42
SUB-TOTAL	166.75	100.00	18,352.00	100.00	I	65.25	100.00	7,205.00	100.00	38.00	100.00
*VIVEROS MACADAMIA*											
85					I						
86					I	4.00	100.00	4454.00	100.00	4.00	100.00
87					I						
SUB-TOTAL	0.00	0.00	0.00	0.00	I	4.00	100.00	4,454.00	100.00	4.00	100.00
TOTALES	1,349.25		154,454.00		I	617.00		76,148.00		246.00	

## NOTAS:

En el convenio se estimo realizar 1.500 hectareas para beneficiar a 1.000 afiliados.

CONVENIO:	1.500 HAS	100%	1.000 BENEFIC.	100%
REALIZADO:	617 HAS	41%	246 BENEFIC.	25%

At coffee harvest time it is customary for the cooperatives to extend short-term credit to their members to cover the extra labor costs they must pay for temporary workers to pick the coffee. The advance these cooperatives made was 4,000 colones per fanega.

If the coffee price is 6,000 colones per fanega at the time of delivery to the co-op, the 4,000-colon advance is deducted and the grower is paid the difference of 2,000 colones. But if there is a sudden drop in coffee price between the time when the credit is advanced and the member delivers his crop to the cooperative--then there are problems!

If the price drops to 4,000 colones, there can be no net payment to the grower. And if the price is less than 4,000, he is in debt to his cooperative. This is exactly what happened at this last harvest time.

Not all the Federation's affiliated cooperatives gave such generous advances to their members. Those who did so felt it was necessary to meet the competition of commercial buyers (who would offer a similar advance). Management of these co-ops made these advances in order to maintain member loyalty.

Nevertheless, these cooperatives which were unable to collect Project interest from their members did pay FEDECOOP the sums due out of their own funds. Thus, there have been no delinquencies further up the credit-chain.

This may keep these cooperatives in good standing with the Federation, but it is a dangerous practice. It serves to decapitalize the cooperative, and this can have serious consequences if it continues.

These cases of member-delinquency in interest payments have given rise to serious concern about the future. What may happen when the members' loans mature--when they are required to repay loan principal?

An apparent solution to this potential problem is obvious: The cooperative simply deducts the loan payment due when it pays the grower-member for his coffee. Although this is an apparent solution, it is not a viable or practicable one.

Why? Because when payments of loan principal fall due next year, there is nothing to prevent the cooperative member from selling his coffee to someone other than his own cooperative, someone who will make no deduction for loan repayment. And there are many commercial coffee buyers--intermediarios--who would be only too willing to buy coffee from co-op members at a good price. What might be done to avoid this state of affairs is discussed in the final section of this report--"Conclusions and Recommendations".

The policies and procedures that have been followed in providing Project credit to coffee growers vary somewhat from one cooperative to another, but in almost all instances they have proven adequate in weeding out loan applicants who are not creditworthy.

These credit criteria employed by the cooperatives were in place and in use before ACIDI's coffee credit specialist arrived on the scene, but in his opinion they have proven to be 98% effective. He has discovered that some "friendship" loans were made, but these were few in number.

He now is developing standard criteria and procedure for the screening of future loan applicants, utilizing the best features of the various systems the cooperatives have been using.

### Technical Assistance

Since the inception of the Project much technical assistance has been provided to the participating coffee growers by the agronomists of FEDECOOP's Project Coordination Unit and by others employed directly by the affiliated cooperatives. Some additional technical assistance has come from MAG, and a little from other sources as well. Yet much more is required.

The Project has grown so rapidly--so many more growers have undertaken renovation than was anticipated--that the demand for technical assistance has far outrun supply.

A study of the amounts and kinds of technical assistance required, how it might be provided, and by whom is the subject of a parallel investigation now being completed by Dr. Edgar Nessman of the University of South Florida at Tampa. Thus, any further treatment of this topic here would be redundant or inappropriate.

### Training Programs

In addition to technical assistance provided to coffee growers individually in the field, all participants in the Project have benefited from a number and variety of training programs. These have been, and are being, offered by the cooperatives themselves and by representatives of FEDECOOP, ACDI, INCAFE, and MAG.

Topics covered include coffee culture, farm management, cooperative principles and practices, credit management, etc., and the training methods cover a wide range: Large group meetings (attendance of 100 members at a session is not uncommon), "challas" or small discussion groups, educational bulletins, visual aids, and radio programs. One cooperative visited broadcasts an hour-long educational program every Sunday morning.

Member reaction to these training activities has been very positive. Grower-participants in the Project are eager to learn and welcome all opportunities to do so.

### Project Administration

FEDECOOP's Project Coordination Unit is fully staffed and functioning well. Its seven agronomists are constantly active in the field providing technical assistance to affiliated cooperatives and their members.

There is an operational plan for the Project Coordination Unit (See Appendix C ), and it is being followed as closely as possible.

The Project's General Coordinator and Chief Technical Adviser have made a number of field trips to affiliated cooperatives in 1986 and 1987. A schedule of these visits is given in Appendix D, along with a description of the functions and responsibilities of the Technical Adviser.

Nevertheless, management of some of the 11 cooperatives visited in the course of this investigation voiced the complaint that these two top-level Project officers visit some cooperatives with great frequency and others very infrequently or not at all.

### Economic Impact

The Project is yet too young to provide comprehensive quantitative data on how it will affect the economic status of the many small coffee growers who are participating in the Project.

Those who joined the Project early now have new disease-resistant coffee plants that are two years old and already are providing yields several times greater than were previously obtained.

Were it not for the sudden and drastic drop in coffee prices between the fall of 1986 and the early months of 1987, these growers' incomes would have greatly increased. As it is, their increased yield to a considerable extent helped offset the much lower market price.

Those growers who joined the Project more recently have not been so fortunate. Because they had not yet realized substantial increases in yield, they have suffered economically as result of the sharp drop in the price of coffee.

Nevertheless, the economic future of Project participants appears very promising because of their increased yields of very high quality Costa Rican coffee.

### Conclusions and Recommendations

All in all, the Project appears to be progressing very well. In one major aspect--renovation of coffee land--it is running way ahead of schedule. In the area of diversification, it has grown more slowly.

While this rapid acceptance of the high-yield coffee plants and the accompanying advanced cultivation technology are very positive developments, this has created a serious problem or bottleneck in the area of technical assistance. The demand (and need) for it has far outrun supply. The amounts and types of technical assistance required and how it might be provided is a separate study now being completed for ACIDI.

Another area of concern, basic to the continuing success of the Project, has to do with repayment of loan principal by coffee growers when their loans mature.

Recent delinquency in interest payments by approximately 40% of the coffee growers may be a harbinger of things to come. It is true that this delinquency is due in large measure to the precipitous drop in coffee prices from \$193 per quintal in the fall of 1986 to \$93 in February-March of 1987. Yet this may also be indicative of a seemingly pervasive trait of the Costa Rican farmer: Decades of welfare-state largesse have conditioned him to expect to receive but not to give in return. If this attitude prevails, then the Project will come to an early end.

On the other hand, if loan repayments are honored as they become due, then this Project can become a self-sustaining revolving credit system which could continue far into the future, aiding thousands of Costa Rican farmers in a wide variety of agricultural activity.

To make sure this happens, much effort must be concentrated on the matter of loan repayment during the next two or three years. Crucial to the success of this effort will be the motivation of growers to recognize and accept personal responsibility for honoring their financial obligations.

This will not be an easy task. To succeed, the entire loan-collection process--method, mechanics, psychology--must be planned, supervised and coordinated by someone experienced in this type of activity. Without such leadership and direction there will be little chance of success.

A second area of concern, and recommendation, is the diversification aspect of the Project. As noted previously, this has progressed more slowly than the renovation program.

There are two problems here:

- \* If coffee growers continue to renovate their land with the new high-yield coffee trees rather than diversify into other crops, future markets for high-grade coffee could be seriously depressed. Thus, diversification should be implemented as soon as possible.
- \* On the other hand, if diversification is pushed too rapidly, without competent studies of the economic feasibility of growing, marketing, exporting non-traditional crops, then growers may incur serious losses, and the acceptance of further diversification would be set back considerably.

Therefore, it is recommended that before any cooperative ventures into the production of a new commodity, it first conduct an economic feasibility of the type outlined in Appendix E of this report.

As noted earlier, the number of coffee growers participating in the Project has grown so rapidly that more technical assistance is needed at this time than was anticipated in the original plan. Specific recommendations concerning this will be found in a report now being completed for ACDI/AID by Dr. Edgar Nessman of the University of South Florida-Tampa.

The coffee growers who are benefiting from the Project are also paying for it via the 18% interest charge on the credit they have received for renovation and diversification. It is true that this is a lower interest rate than they would have to pay if they received credit from other Costa Rican lending institutions.

Be that as it may, a number of growers are aware that 7% of the interest they pay goes to support CATIE, and there is a general resentment or misunderstanding of this aspect of the loan agreements. Why, they ask, should they be required to subsidize this institution? How does it benefit them?

Therefore, it is recommended that either (1) the rationale behind this subsidy of CATIE be clearly explained to the cooperatives and their members and that they be told how CATIE specifically benefits them, or (2) this 7% subsidy be discontinued and another way found to continue the support of CATIE.

The growers do not mind paying 18% interest, for they know it is less than they would have to pay for credit from other sources. Nor do they expect to receive credit for 11% if the CATIE subsidy were discontinued. They are willing to continue paying this 7% but would like it to remain within the cooperative system and used as a means of strengthening the capitalization of their cooperatives.

One final recommendation: The entire Project would benefit by providing key personnel in FEDECOOP's Project Coordination Unit and a number of the managers of the Federation's affiliated cooperatives with some formal training in business administration, with emphasis on management skills. This could be done in any one of several ways--via short courses offered by Harvard University's INCAE in Costa Rica, or by sending managers to the University of Wisconsin's Center for Cooperatives at Madison where short, intensive courses in cooperative management are periodically offered.

## Executive Summary

The observations, conclusions, and recommendations which constitute this report are presented here in very brief form.

■ This Coffee Technification and Diversification Project is progressing well, and in a major area of effort--the renovation of coffee land--it is far ahead of schedule.

■ Diversification out of coffee into alternative crops has progressed more slowly--for several reasons: a natural reluctance of traditional coffee growers to abandon a familiar crop, a shortage of macademia seedlings, and insufficient technical assistance in cultivation of alternative crops.

■ While increased diversification is important, it should not be undertaken on any large scale without first conducting proper feasibility studies of the type presented in Appendix E of this report.

■ Visits were made to 35% of FEDECOOP's affiliated cooperatives to ascertain how their grower-members are responding to the Project. In every instance, growers are enthusiastic about the new coffee plants and the new cultivation technology. Yields are several times greater than previously.

■ Because this renovation aspect of the Project has grown so rapidly, more technical assistance in the field is urgently required. Much is now being provided by agronomists of FEDECOOP's Project Coordination Unit and by agronomists employed by some of the affiliated cooperatives, but this is not sufficient.

■ FEDECOOP's Project Coordination Unit is fully staffed according to original plans and is functioning quite well, with only minor exceptions.

■ No Project loans have yet matured, thus there are no delinquencies in repayment of loan principal. However, the grower-members of approximately 40% of the affiliated cooperatives are delinquent in making required interest payments. This does not bode well for the future success of the Project.

■ It is most important that much effort be directed to collection of loan principal during the next two or three years. If this is not done, the Project will soon die. If

this is done properly. the Project can become a self-sustaining revolving credit program which will benefit many Costa Rican farmers in a variety of agricultural activity far into the future.

\* Key personnel of the Project Coordination Unit, as well as managers of some of the affiliated cooperatives, would benefit from additional training in business administration and management skills. This would strengthen the operation of the entire Project.

APPENDICES TO REPORT ON  
COSTA RICAN COFFEE PROJECT

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1. Nombre de la cooperativa: \_\_\_\_\_
2. Ubicación: \_\_\_\_\_
3. Número de socios: \_\_\_\_\_ Número de empleados: \_\_\_\_\_
4. Actividades principales de la cooperativa: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. Volúmen total de café vendido por la cooperativa durante el último año económico: \_\_\_\_\_

-----  
Datos financieros por año económico de \_\_\_\_\_ a \_\_\_\_\_.

Composición del activo

6. Activos circulantes: \_\_\_\_\_
7. Activos fijos: \_\_\_\_\_
8. Otros activos: \_\_\_\_\_
9. Activos totales: \_\_\_\_\_

Composición del pasivo

10. Deudas circulantes: \_\_\_\_\_
11. Deudas a largo plazo: \_\_\_\_\_
12. Deudas totales: \_\_\_\_\_
13. Patrimonio neto total: .....

- 
14. Ingresos totales del año pasado: \_\_\_\_\_
  15. Gastos (egresos) totales del año pasado: \_\_\_\_\_
  16. Ganancia neta (o pérdida) de operaciones: .....

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17. ¿Cuántos de los asociados de la cooperativa han pedido préstamos de la cooperativa desde el principio de este proyecto de "Technificación y Diversificación"? \_\_\_\_\_
18. ¿Cuántos han recibido préstamos? \_\_\_\_\_
19. ¿Para cuáles propósitos? \_\_\_\_\_  
\_\_\_\_\_
20. ¿Cuántos socios han recibido asistencia técnica? \_\_\_\_\_
21. ¿De quién?---De FEDECOOP?\_\_\_\_ ¿De esta cooperativa?\_\_\_\_ ¿Otro?\_\_\_\_\_
22. ¿Es suficiente esta cantidad y tipo de asistencia técnica? \_\_\_\_\_
23. ¿Si "no", ¿Qué más sería necesario? \_\_\_\_\_  
\_\_\_\_\_
24. ¿Cuántos socios han diversificado de café a otras cosechas? \_\_\_\_\_
25. ¿Que tipo de diversificación? \_\_\_\_\_
26. ¿Cuántos socios han adoptado tipos mejorados de café? \_\_\_\_\_
27. ¿Que porcentaje de la tierra total de los socios ahora es cultivado con las técnicas nuevas--como resultado de esta programa de "Technificación y Diversificación"? \_\_\_\_\_
28. ¿Qué tipo de programas de entrenamiento han recibido los socios? \_\_\_\_\_  
\_\_\_\_\_
29. ¿Quién ha dado estas programas? \_\_\_\_\_  
\_\_\_\_\_
30. ¿Qué fue la reacción de los socios a estas programas de entrenamiento? \_\_\_\_\_
31. ¿Que servicios recibe esta cooperativa de FEDECOOP? \_\_\_\_\_  
\_\_\_\_\_
32. ¿Quedan ustedes satisfechos con la calidad y cantidad de estos servicios? \_\_\_\_\_ Si "no", por qué? \_\_\_\_\_  
\_\_\_\_\_
33. ¿Hay otros servicios que a ustedes les gustaría recibir de FEDECOOP? \_\_\_\_\_  
\_\_\_\_\_
34. ¿Cuántos veces por año recibe ustedes visitas de personal de FEDECOOP? \_\_\_\_\_ Quiénes son? \_\_\_\_\_  
\_\_\_\_\_

OPERATIONAL DETAILS  
OF  
SAMPLE COOPERATIVES

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Cooperativa Naranjo

(Coffee Zone #7)

This is a large and very successful cooperative, 20 years old. It has 2,022 farmer-members, 92 full-time year-round employees and employs 30 to 40 more at harvest time. Its chief activities are the purchase, processing, and sale of coffee for its members, provision of all ag-inputs, production credit for members, and irrigation services. In addition, it has organized a large consumer co-op to serve the members' needs. For the most recent crop-year the cooperative handled 145,000 fanegas of coffee.

Of the 2,000-plus members, 650 have applied for loans to take part in this program of Technification and Diversification, and 543 of these applicants have received loans--all of which have been used for renovation of coffee land. As of Aug. 12, 1987, 459 hectares of members' land had been renovated since the program began in 1985. This represents approximately 10% of all land held by farmer-members, and all this land is being cultivated with the new techniques introduced by this program. Cost of this renovation has been 55 million colones.

All 543 members who received loans also have received technical assistance, as well as assistance in credit management, from two agronomists employed by the cooperative and from Frank Astacio, ACIDI coffee credit specialist.

None of the members has ventured into diversification out of coffee into alternative crops. However, the co-op management would like to encourage some members to try planting strawberries and caña-India, an ornamental plant that has an excellent export market.

As far as training is concerned, this co-op offers frequent and direct technical assistance to members, issues instructive bulletins, etc., and the reaction of members to this has been very positive.

After interviewing co-op officials, visits were made to the fincas of several of the members, varying in size from 2 to 10 hectares. (Approximately 80% of Naranjo's members are small producers.) All farms visited are operating under the new cultivation techniques and are using the new improved types of coffee introduced by this AID coffee project. In every case yields are considerably ahead of expectations and projections.

A certain amount of shade is needed for healthy coffee plants and thus inter-cropping is practiced on these farms--with banana plants, guava trees or tall corn growing inbetween some of the rows of coffee trees. These grow taller than the coffee plants and so provide shade. At the same time, the grower benefits from the resulting produce which he can use for household consumption, or sell for a bit of extra income.

Interviews with a few farmer-members revealed these results: One grower who farms 7 hectares has 1½ hectares planted to the new coffee-type. Altho these plants are only 2 years old (which is quite young) he already is realizing a yield of 15 fanegas per manzana as compared with the 5 f/m he received from the old-type coffee.

Another grower--with 50 hectares under cultivation--has 6 of these planted to the new coffee type and is realizing a yield of 20 fanegas per manzana, as compared to 10 previously. And because these coffee plants are very young (only 2 years old) the yield next year should be 30 to 40 fanegas per manzana, and then will continue to increase in the future. Finally, a very small grower, who has a finca of only one manzana, has half of this planted to the new coffee type. In just the second year his yield already is double that of the old coffee variety.

Financial Data for Cooperativa Naranjo

(Period: Oct 1, 1986 to Mar. 31, 1987)

Current assets	₡147,608		
Fixed Assets:	<u>772,552</u>		
Total Assets:		₡920,160	
Current Liab.	-----		
Long-term Liab:	<u>₡863,632</u>		
Total Liab:		<u>₡863,632</u>	
Net worth:			<u>₡56,528</u>

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Total income for period:	₡84,903
Total expense for period :	<u>70,766</u>
Net operating gain:	<u>₡14,127</u>

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Operating Capital: ₡147,608  
Debt/Equity Ratio: 15:1  
Return on assets: 1.5%  
Return on Net Worth : 25%

1/1

Cooperativa San Juanillo

(Coffee Zone #7)

Although only six years old, this is a large and successful cooperative with 2,750 members, 79 full-time employees, and more at time of the coffee harvest. It buys, processes, and sells members' coffee, provides them with ag-inputs, technical assistance, and has a large consumer co-op which sells food, clothing, and household appliances at very reasonable prices. Last crop-year the San Jaunillo Cooperative handled 97,300 fanegas of coffee.

In the AID Program of Technification and Diversification, 381 members have applied for and received loans for renovation of coffee land, and 20 more have received loans to plant almaci-goes (nursery stock). At present, 462 hectares of members' land have been renovated and now is being farmed with the new cultivation techniques introduced by this Program.

A few additional hectares are planted to nursery stock--young coffee plants. Throughout this process of renovation and cultivation, members have received technical assistance from three agronomists employed by the cooperative. None of the members has taken part in the diversification program.

It should be noted that members of this cooperative began planting the new disease-resistant coffee trees six years ago--well before AID initiated the present Program. As a result of this early start, some 1,500 of the co-op's members are growing the new-type coffee plants and employing the new methods of cultivation. Approximately 85% of all the land held by members is now being cultivated with the new technology. The co-op's agronomists are continually working with members in training programs and making regular visits to members' farms.

FEDECOOP provides this cooperative with production credit, training programs, and technical assistance in the operation of the co-op's bxeneficio. Also, FEDECOOP exports the coffee handled by this co-op and imports ag-chemicals for members' use.

While the management of the San Juanillo co-op appreciate these services, they would indeed appreciate more assistance from the Federation--particularly in these areas: more technical assistance, additional long-term finance to meet members' needs, up-to-date information on the latest developments in coffee culture, additional transport, and, very important, more technical information on the proper use of the agricultural chemicals FEDECOOP imports and supplies to this cooperative. Commercial suppliers provide this information to their customers, but FEDECOOP does not.

Financial Data for Cooperativa San Juanillo

(Period: Oct. 1, 1985 to Sept. 30, 1986)

Current Assets:	₡12,645,507
Fixed Assets:	2,919,526
Other Assets:	<u>99,846</u>
Total Assets:	₡15,664,879

Current Liab.:	₡13,029,338
Long-term Liab.:	<u>1,227,293</u>
Total Liab.:	<u>₡14,256,631</u>

Net Worth: ₡1,408,248

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Total Income for Period:	₡9,540,833
Total Expense for Period:	<u>9,473,848</u>
Net Operating Gain:	<u>₡ 66,985</u>

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Operating Capital: (₡383,831)  
Current Ratio: .97  
Debt/Equity Ratio: 10:1  
Return on Assets: .004  
Return on Net Worth: 4.8%

This cooperative, with headquarters in the town of Heredia, has 1,000 members, 40 year-round employees, and 20 to 30 more at harvest time. Its principal activities are the buying, processing, and selling of members' coffee, supplying them necessary ag-inputs, and production credit. During the last crop-year, the co-op handled 38,000 fanegas of coffee.

Since the Technification and Diversification Program began, 189 of the members have applied for and received loans for the purpose of coffee land renovation. However, most of the other members not officially enrolled in the Program also have renovated some portion or all of their own fincas. All 1,000 members have received and are receiving sufficient technical assistance from the agronomists employed by their cooperative. Altogether, 280 hectares of members' land is now renovated.

Training programs in coffee culture are regularly offered members by the co-op's agronomists in periodic zone meetings, or "charlas", as well as buy agents of commercial suppliers of ag-inputs, and representatives of the Ministry of Agricultura & Ganaderia. Members' reaction to these training activities is very positive. None of the members has entered into crop diversification.

From FEDECOOP this co-op receives short-term production credit for its members, long-term credit to participate in this Program, and supplies of agricultural inputs.

In addition to these services Santa Rosa management would welcome additional long-term credit so more of the members might enter the Program--as well as more technical training of its agronomists by FEDECOOP experts.

Financial Data for Cooperativa Santa Rosa

(Period: Oct. 1, 1986 to June 30, 1987)

Current Assets:	\$4,299,917	
Fixed Assets:	854,101	
Other Assets:	<u>133,021</u>	
Total Assets:		\$5,287,039
Current Liab.:	\$4,029,191	
Fixed Liab.:	<u>729,145</u>	
Total Liab.:		<u>\$4,758,336</u>
Net Worth:		<u>\$528,703</u>

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Total Income for Period:	\$3,107,041
Total Expense for Period:	<u>3,077,275</u>
Net Operating Gain:	<u>\$ 29,766</u>

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Operating Capital: \$270,726  
Current Ratio: 1.07  
Debt/Equity Ratio : 9:1  
Return on Assets: .005  
Return on Net Worth : 5%

Cooperativa La Libertad

(Coffee Zone #6)

This cooperative was founded 26 years ago and now has 1,100 members and 180 employees. It buys, processes, and sells its members' coffee, supplies them with all ag-inputs and tools, and operates two beneficios. Also, it has established a consumer co-op to serve its members' household needs. Last crop year La Libertad handled 100,000 fanegas of coffee.

Since the Technification and Diversification Program began, some 300 to 350 of the members applied for loans to enter the program. To date, 226 members have received loans for the purpose of renovation, and eight others were granted loans to plant new nursery stock.

Although only 226 members are officially enrolled in the Program, an additional 269 have undertaken renovation of their fincas. Thus, about 45% of all members have adopted the new-type coffee plants and are using the improved cultivation techniques. But official figures show that only 21% of the members have undertaken renovation. Approximately 20%, or 1,000 hectares, of members' land is now being farmed with the new cultivation techniques.

The yields members are realizing with the new coffee trees is four to five times greater than previously. Average yield is now 80 fanegas per hectare. One finca visited is getting 100 fanegas per hectare.

All members, whether officially enrolled in the Program or not, are receiving technical assistance from the co-op's agronomists--yet this is not sufficient. Two more agronomists are needed, as well as additional transport, in order to fully meet the technical assistance needs of members.

No member has gone into crop diversification, but the cooperative itself, on land it owns, is growing Guanabana (a tropical fruit) and also raising cattle.

From the cooperative's agronomists and from representatives of INCAFE, members have received technical assistance in coffee culture, and from Frank Astacio they have received some instruction in credit management. Member reaction to these training programs is excellent; attendance averages 120 members per training session.

From FEDECOOP this cooperative receives production credit and long-term financing for its members to take part in the AID PS program. FEDECOOP also markets the co-op's coffee and provides ag-inputs and some educational services.

La Libertad management appreciates these services, but feels they could be improved and augmented with additional services. In particular, La Libertad would like to see FEDECCOP begin to mix its own fertilizers in order to supply it to member-cooperatives at lower cost. In addition, FEDECCOP's assistance would be appreciated in these areas: exploring new fields of endeavor for development, conducting feasibility studies of potential projects, and providing more information on the most recent experiments and developments in coffee culture.

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Financial Data for Cooperativa La Libertad

(Period: July 1, 1986 to June 30, 1987)

Current Assets:	\$5,978,935	
Fixed Assets:	2,158,194	
Other Assets:	<u>1,151,231</u>	
Total Assets:		\$9,288,360
Current Liab.:	\$5,676,413	
Long-term Liab.:	<u>932,346</u>	
Total Liab.:		<u>\$5,768,759</u>
Net Worth:		<u><u>\$3,519,601</u></u>

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Total Income for Period:	\$11,577,051
Total Expense for Period	<u>11,397,472</u>
Net Operating Gain:	<u>\$ 179,579</u>

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Operating Capital: \$302,522  
Current Ratio: 1.05  
Debt/Equity Ratio: 1.64:1.00  
Return on Assets: 2%  
Return on Net Worth: 5%

Cooperativa El General

(Coffee Zone #1)

This agro-industrial cooperative with 3,500 members and 200 employees will be 25 years old this November. While its most important activity is the buying, processing, and selling of coffee, it is engaged in several other important lines. In addition to operating a large coffee beneficio (which this year will process 80,000 fanegas), it also operates a sugar refinery (ingenio) and a dairy.

Apart from the 1,190 hectares of land owned by the farmer-members of this cooperative, the cooperative itself owns six fincas totalling 404 hectares, on which it raises sugar cane, coffee, macadamia nuts, pineapple, timber, and beef cattle.

Since the AID Program of Technification and Diversification began in 1985, some 900 members of this co-op have applied for loans in order to take part in the Program. Of these applications, 614 have been granted--30 for the purpose of almicales (planting nursery stock), and 584 for purposes of renovation of coffee land. But in addition to these 584 members who have undertaken renovation via AID-FEDECOOP loans, approximately twice as many more members have undertaken renovation of their coffee land, are planting the new type of disease-resistant coffee trees and are using the improved cultivation techniques. As a consequence of this "spread effect", approximately 50% of all members' land is now under renovation--or about 600 hectares. All of these members have received and are receiving technical assistance from the cooperative's four agronomists and from FEDECOOP personnel as well.

According to management of El General, at least two more agronomists--as well as a few paratechnicians--are needed in order to properly meet the members' technical assistance needs. (In fact, there are five agronomists employed by El General, but one of them works exclusively with sugar cane.)

This cooperative is carrying out a rather extensive education program. It holds periodic zone meetings with members, "charlas", issues educational bulletins, and broadcasts an educational radio program every Sunday morning. All kinds of topics are covered--technical aspects of agriculture, cooperative principles, etc. The reaction of members to these educational activities has been very positive.

FEDECOOP supplies this cooperative with the usual services, but management of El General would appreciate greater frequency of service, e.g., more visits by top FEDECOOP agronomists to assist with problems of coffee culture. (One FEDECOOP agronomist gives very satisfactory and frequent help with the co-op's macadamia plants, but this is not true in the case of the Federation's coffee agronomists.)

In addition--and very important--El General urgently requests more complete and more accurate information from FEDECOOP experts on the proper use of ag-chemicals which FEDECOOP supplies. Commercial vendors of ag-inputs give their customers such information in great details--but FEDECOOP does not.

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Financial Data for Cooperativa El General

(Period Jan 1, 1986 to Dec. 31, 1986)

Current Assets:	\$3,675,175	
Fixed Assets:	1,690,542	
Other Assets:	<u>867,992</u>	
Total Assets:		\$6,233,709

Current Liab.:	\$3,876,077	
Long-term Liab.:	<u>1,292,531</u>	
Total Liab.:		<u>\$5,168,608</u>

Net Worth:		<u><u>\$1,065,101</u></u>
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Total Income for Period:	\$11,143,509	
Total Expense for Period	<u>11,055,035</u>	
Net Operating Gain	<u>\$ 88,474</u>	

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Operating Capital: \$200,902  
Current Ratio: .95  
Debt/Equity Ratio: 4.85:1.00  
Return on Assets: .014  
Return on Net Worth: 8%

Cooperativa Atenas

(Coffee Zone #7)

This cooperative with 1,000-plus members provides them with the usual services--the buying, processing, and selling of their coffee crops, providing them with all ag-inputs, as well as with production credit. There are 75 full-time year-round employees in the offices and beneficio, and an additional 20 to 25 are employed at harvest time. There also is a consumer co-op for members' convenience. Last year the beneficio processed 42,000 fanegas, and this crop-year 50,000 fanegas are expected.

Since the Technification and Diversification Project began in 1985, a total of 169 members have received loans under the Project for renovation of their coffee fincas, and 11 have been granted loans for the planting of coffee nursery stock. In addition to these members, 80 others have undertaken renovation on their own.

Thus, while 18% of the members are officially participating in the program, 8% more have copied the others and are doing the same thing on their own.

Approximately 80% of all members are receiving technical assistance from the agronomists of this cooperative and agents of the Coffee Institute (a department of MAG). According to Atenas management, this amount of technical assistance is not sufficient. Two more agronomists are needed, along with additional transport.

None of the members has applied for a Project loan for purposes of diversification, yet 25% of the members have undertaken diversification on their own account--planting mango, oranges, tomatoes, and sweet pepper.

Of the total 2,000 hectares owned by members, 400 are now being cultivated with the new technology, although only 225 of these are officially a part of the Project.

A number of training programs have been given to members by representatives of the Atenas cooperative and the Coffee Institute--dealing with coffee culture, farm management, cooperative principles, etc., and the reaction of members has been very positive.

From FEDECOOP the Atenas cooperative receives long- and short term finance, help with cooperative education, farm supplies, export of coffee, and technical assistance in the operation of the co-op's beneficio. While Atenas appreciates these services, its management is less than fully satisfied--for these reasons: It is felt that the price charged by FEDECOOP for fertilizers and other ag-chemicals is too high compared with the prices offered by the competition. Also, Atenas would appreciate more technical assistance in the operation of its beneficio. Last year FEDECOOP's agronomist Roberto Esquivel visited Atenas five times. FEDECOOP's General Coordinator of the Project and its senior agronomist have never visited this cooperative.

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Financial Data for Cooperativa Atenas

(Period: Oct. 1, 1985 to SEpt. 30, 1986)

Current Assets:	\$2,063,509	
Fixed Assets:	1,046,626	
Other Assets:	<u>147,484</u>	
Total Assets:		\$3,257,619

Current Liab.:	\$1,592,765	
Long-term Liab.:	987,774	
Other Liab.:	<u>12,186</u>	
Total Liab.:		<u>\$2,592,725</u>

Net Worth:		<u><u>\$664,894</u></u>
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Total Income for Period:	\$971,508	
Total Expense for period:	<u>894,595</u>	
Net Operating Gain:	\$ 76,913	

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Operating Capital:	\$470,744
Current Ratio:	1.30
Debt/Equity Ratio:	3.9:1.0
Return on Assets:	2%
Return on Net Worth:	12%

Cooperativa Palmares

(Coffee Zone #7)

The 1,300 farmer-members of the Palmares co-op receive from it the usual services: the purchase, processing, and sale of their coffee; production credit; ag-inputs, etc., as well as a large consumer co-op which supplies food, clothing, and household appliances. Last crop-year the cooperative handled 59,000 fanegas of coffee and expects to process 75,000 this year.

Since the beginning of this AID Project approximately 300 members have applied for loans to participate in it, and 270 of them have been granted loans--all for the purpose of renovation. But in addition to these, 50% more (135 others) have undertaken renovation on their own account and are not officially a part of the Project.

All members of this cooperative, not only those enrolled in the Project, have received and are receiving technical assistance from Palmares agronomists and from agents of MAG, and Palmares management feels this is sufficient. No member has ventured into diversification, but approximately 10% of members' total land is under renovation.

Representatives of this cooperative as well as the MAG are providing members with training programs dealing with coffee culture and farm management through group meetings, bulletins and visual aids. Member reaction to this activity has been very good.

FEDECOOP serves the Palmares cooperative with production credit, ag-inputs, co-op education, and export of coffee. Nevertheless, Palmares management feels the price it pays for fertilizer and other agricultural chemicals is too high compared with prices offered by other suppliers. Also, it is felt that because FEDECOOP buys in such large volume, it should arrange to have its name printed on all the sacks of fertilizer, chemicals, etc., for this would provide valuable advertising and publicity for the Federation.

Last year FEDECOOP's senior agronomist visited this cooperative five or six times. Also, other Federation agronomists have visited, as well as FEDECOOP accountant Victor Nunez.

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Financial Data for Cooperativa Palmares

(Period: Oct. 1, 1985 to Sept. 30, 1986)

Current Assets:	\$5,521,736	
Fixed Assets:	<u>1,291,652</u>	
Total Assets:		\$6,813,388
Current Liab.:	\$4,918,166	
Long-term Liab.:	<u>1,134,138</u>	
Total Liabilities:		<u>\$6,052,314</u>
Net Worth:		<u>\$761,084</u>

-----

Total Income for Period:	\$4,576,706
Total Expense for Period:	<u>4,544,767</u>
Net Operating Gain	<u>\$ 31,939</u>

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Operating Capital: \$603,570  
Current Ratio: 1.12  
Debt Equity Ratio: 8:1  
Return on Assets: .005  
Return on Net Worth: 4%

Cooperativa El Dos

(Coffee Zone #5)

This is a small cooperative with only 270 members and is located in a difficult region of the country--mountainous, relatively poor soil, very poor roads, etc. Nevertheless, in spite of these handicaps and its small size, its financial data compare favorably with other cooperatives much larger and more favorably situated.

El Dos operates its own beneficio, has 11 year-round employees and hires two or three temporary workers at harvest time. For last crop-year the co-op processed 5,200 fanegas of coffee.

Of the 270 members, 36 have received loans to participate in the Project of Technification and Diversification--all for the purpose of cropland renovation. In addition to these 36 who are officially registered as participants in the Project, an additional 40 members have undertaken renovation on their own account, planting the disease-resistant coffee trees and using the new cultivation techniques.

All of the 36 members in the Project have received technical assistance from the agronomist employed by El Dos and by FEDECOOP agronomists who frequently visit this cooperative. Other members receive some technical assistance as well, but available resources are insufficient to meet members' needs. Transport is a major problem. The topography and condition of the roads are such that agronomists can reach many of the members' fincas only on horseback.

Of the total 350 hectares of coffee land cultivated by all members of the cooperative, approximately 25% is under renovation and is being cultivated with the newer more efficient cultivation techniques. The remainder of members' coffee land--approximately 260 hectares--is planted to old-type coffee trees which produce a small yield of low-grade coffee.

Members are receiving a variety of training programs in coffee culture, credit management, cooperative principles, etc. offered by representatives of FEDECOOP, INA, MAG, and El Dos. Reaction to these programs is excellent. Average attendance is 100 members per training session.

El Dos receives from FEDECOOP a number of services it regards as very valuable--production credit, longer-term credit for this Project, supply of ag-inputs, export of coffee, technical assistance in operation of the beneficio, and assistance in cooperative education. Agronomists and others from FEDECOOP visit El Dos often (75 times last year), yet this co-op never has been visited by the Federation's General Coordinator of the Project, nor by its senior agronomist.

Financial Data for El Dos

(Period: Oct 1, 1985 to Sept.30,1986)

Current Assets:     \$161,600  
Fixed Assets:       71,447  
Other Assets:       10,008  
Total Assets:                   \$243,055

Current Liab.:     \$ 72,166  
Longterm Liab.:   53,644  
Total Liabilities:               \$125,810

Net Worth:                               \$117,245

-----

Total Income for Period:   \$567,159  
Total Expense for Period:   553,823  
Net Operating Gain:       \$13,336

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...  
Operating Capital:   \$89,434  
Current Ratio: 2.24  
Debt/Equity Ratio: 1.07:1.00  
Return on Assets: 5%  
Return on Net Worth: 11%

Cooperativa Tilaran

(Coffee Zone #5)

The 569 members of this co-op receive the usual services. The cooperative also grows nursery stock of macademia trees which it sells to those members who wish to diversify into this crop. There are 27 year-round employees and a few others are hired temporarily at harvest time. Last crop-year the co-op handled 11,730 fanegas of coffee.

Since the Project began, 10 members have received loans for the purpose of diversification into production of macademia nuts, and they now have a total of 16 hectares planted to this crop. A total of 57 members have received Project loans in order to renovate their coffee land. They now have a total of 84 hectares planted in the disease-resistant coffee trees and cultivated with the new technology. These 84 hectares constitute 21% of total land owned by all members.

In addition to these 57, another 25 members have undertaken renovation of 50 hectares on their own account, apart from Project funding. Adding this to the official Project participants, there then is 33% of members' land now in renovation and cultivation via the new improved technology.

All of the official Project participants are receiving technical assistance, and some of the other members as well. Resources are insufficient to serve all members adequately. At least one more agronomist (with transport) is needed to provide proper technical assistance to coffee growers, and someone expert in macademia culture is needed to assist those members who have diversified into this crop.

The technical assistance provided to date has come from FEDECOOP, MAG, INA, and the Tilaran cooperative. Additional educational programs have been provided in cooperative principles and credit management. Member reaction to these programs has been excellent.

From FEDECOOP the Tilaran co-op and its members receive the usual services--export of coffee, supply of ag-inputs, short- and long-term credit, educational courses, and technical assistance with operation of the beneficio. Tilaran appreciates these services, but at the same time would like to have more help from FEDECOOP in management-training, as well as in member-education in cooperative principles and practices.

One FEDECOOP agronomist spends considerable time providing technical assistance for Tilaran's members, and during last year other Federation personnel have visited Tilaran to offer short courses in co-op education. In addition, FEDECOOP's Project Coordinator and Senior Agronomist have visited this cooperative on three occasions.

Financial Data for Cooperativa Tilaran

(Period: Oct. 1, 1985 to Sept. 30, 1986)

Current Assets:	₱212,143	
Fixed Assets:	347,902	
Other Assets	<u>87,825</u>	
Total Assets:		₱647,870

Current Liab.:	₱188,182	
Long-term Liab.:	<u>189,000</u>	
Total Liabilities:		<u>₱377,182</u>

Net Worth: ₱270,688

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Total Income for Period: ₱1,130,373  
Total Expense for Period: 1,117,205  
Net Operating Gain: ₱ 13,168  
-----

Operating Capital: ₱23,961  
Current Ratio: 1.13  
Debt/Equity Ratio: 1.39:1.00  
Return on Assets: 2%  
Return on Net Worth: 5%

Cooperativa Cenizosa

(Coffee Zone #4)

This is a small cooperative with only 180 members and 8 employees. It operates its own small beneficio, using the sun to dry the coffee. Last crop year 583 fanegas of coffee were processed.

Since the Technification and Diversification Project began, 65 members have been granted loans for purposes of renovation of their coffee lands. Another 80 members have undertaken renovation on their own. Of the total 500 acres of coffee land owned by all members, 13.5% of it--or 67.5 hectares--has been renovated and is being cultivated with the new improved technology.

All members are receiving technical assistance with their coffee cultivation from this cooperative's own agronomist, from FEDECOOP, and from a MAG agronomist--yet this is not sufficient to meet members' needs. At least an additional agronomist and more transport are required.

Members have received training programs in coffee culture, credit management, co-op principles, etc., from MAG, INA, FEDECOOP, and their own cooperative, and member reaction has been very positive.

FEDECOOP is paying one-half the salary of the agronomist employed by Cenizosa as part of the AID Project. Also, the Federation provides educational services, technical assistance with operation of the beneficio, and short- and long-term credit. In addition to these services received, Cenizosa management would appreciate this additional assistance from the Federation: financial support to improve the co-op's beneficio, and additional credit so more members could take part in the coffee renovation program.

This co-op is visited by an agronomist, an accountant, and a credit supervisor from the Federation.

Financial Data for Cooperativa Cenizosa

(Period: Sept. 30, 1986 to March 31, 1987)

Current Assets:	\$127,112	
Fixed Assets:	39,123	
Other Assets:	<u>97,771</u>	
Total Assets:		\$259,006

Current Liab.:	\$127,662	
Long-term Liab.:	<u>87,827</u>	
Total Liabilities:		<u>\$215,489</u>

Net Worth: \$43,517

- - - - -

Total Income for Period:	\$146,027
Total Expense for Period:	<u>148,361</u>
Net Operating Loss:	<u><u>\$ 2,334</u></u>

- - - - -

Operating capital: -\$550  
Current Ratio: .99  
Debt/Equity Ratio: 5:1

Cooperativa Pilangosta

(Coffee Zone #4)

This cooperative is quite different than the ten previous cooperatives visited in the course of this investigation. This is because cultivation of coffee is not the major activity of its 220 members--but only a "sideline". Their major activity consists of cattle raising and cultivation of rice, corn, and beans.

Nevertheless, more than 100 members applied for credit to take part in the Technification and Diversification Project, but not all of them received loans because some could not meet the rigid credit criteria established by management and the cooperative's credit committee. Loans were granted to 69 members for purposes of renovation and to 20 others for the planting of nursery stock.

But at the same time other members also undertook renovation of their coffee land on their own and are not officially registered as participants in the Project. In addition to this, some of the members who received loans to renovate a portion of their coffee land undertook renovation of an additional portion on their own. Thus, considerably more members' land has been renovated and is being cultivated with the improved technology than appears in the Project records for this cooperative. Of total coffee land owned and farmed by members, 130 hectares or 50% of it has been renovated. However, this represents only 7% of total members' land because by far the greatest portion of it is devoted to cereal crops and pasture land for their cattle.

All members of this cooperative have received and are receiving technical assistance--not only those officially in the Project. They are receiving this assistance from the cooperative itself and from an agronomist of the Ministry of Agricultura and Ganaderia, yet these efforts are not sufficient to properly meet members' needs. At least an additional agronomist is required and additional transport for the agronomists.

None of the members has applied for or received Project loans for purposes of diversification out of coffee into other crops. This region of the country is not suitable for cultivation of macadamia trees, but it is quite suitable for caña-India, mangoes, Guanabana, and citrus fruit.

Members have received a number of training courses from their cooperative, from INA, and FEDECOOP--in a variety of topics: coffee culture, credit management, cooperative principles, etc. This is done in large groups, in small charlas, and with members individually, and member reaction has been very positive.

Pilangosta receives the usual services from FEDECOOP, including assistance with their accounting system, educational programs, technical assistance in coffee culture and in the operation of the beneficio. Yet the Pilangosta management would indeed appreciate more technical assistance in coffee culture. In addition, management would like FEDECOOP to assist technically and financially in equipping this co-op with a complete computerized data system.

Representatives of FEDECOOP frequently visit this cooperative. One of the Federation's agronomists comes twice per week; the FEDECOOP representative in charge of supplying ag-inputs calls frequently; an educational representative called six times last year, FEDECOOP's senior agronomist comes by frequently, and the Federation's general coordinator of the Project came to visit twice.

Financial Data for Pilangosta

(Period: Oct. 1, 1985 to Sept. 30, 1986)

Current Assets:	₱306,873	
Fixed Assets:	376,573	
Other Assets:	<u>21,949</u>	
Total Assets:		₱705,395
Current Liab.:	₱301,143	
Long-term Liab.:	<u>366,728</u>	
Total Liabilities:		<u>₱667,871</u>
Net Worth		<u>₱37,524</u>

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Total Income for Period:	₱742,849
Total Expense for Period	<u>775,362</u>
Net Operating Loss:	<u>₱ 32,513</u>

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Operating capital: ₱5,730  
Current Ratio: 1.02  
Debt/Equity Ratio: 18:1

FEDECOOP'S OPERATIONAL PLAN

(Note: The numbers across the top of the chart on the following page indicate the type of activity undertaken, as explained by the numerical listings on pages 34 and 35. The letters in the boxes of the chart indicate in which week of the month the activity is to take place.)

CALENDARIZACION DE ACTIVIDADES

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
ENERO																							
FEBRERO	C	D	A	ABC																			
MARCO					AB	BCD	CD																
ABRIL							A				D	C											
MAYO																						B	
JUNIO							ABCD	ABCE	AB	A			A	AB		AB	CD						
JULIO							AB	AB	CD						AB	CD	AB	D					
AGOSTO									AB							CD		D			D		
SEPTIEMBRE									CD							CD		D			D		
OCTUBRE																		D	A		D		
NOVIEMBRE																		D	A		D		
DICIEMBRE																		D	A		D		
																						A	A

A : PRIMERA SEMANA  
 B : SEGUNDA SEMANA  
 C : TERCERA SEMANA  
 D : CUARTA SEMANA

1. Inicio de trabajo de revisión del Documento Básico del Proyecto de Tec-  
nificación y Diversificación de Café
2. Preparación de información técnica de carácter agrícola y crediticia pa-  
ra la celebración del Consejo consultivo de FEDECCOP
3. Acuerdo del Consejo Consultivo de FEDECCOP
4. Reuniones FEDECCOP-AID-COFISA para la definición del "memorandum de -  
entendimiento"
5. Reuniones FEDECCOP-COFISA-AID para la distribución de Recursos Finan-  
cieros, tipo de interés y plazos de amortización
6. Distribución de semillas mejoradas a las Cooperativas
7. Hechura de semilleros
8. Hechura de almácigales
9. Establecimiento de cafetales (preparación del Terreno, siembra de  
café y sombra)
10. Preparación y entrega de información técnica a nivel de Cooperativas
11. Selección de personal técnico y auxiliar para la sede central del -  
Proyecto
12. Análisis de ofertas para adquirir vehículos, equipos e instrumentos  
de trabajo. Adjudicaciones
13. Asignación de funciones y lugares de trabajo al personal técnico
14. Contratos de Consultoría: FEDECCOP, UCR, CATIE, OFICAFE, MAG
15. Preparación de información técnica sobre cultivos de diversificación:  
macadamia, cacao, cardamomo, frutales, flores, incluyendo cuadros de -  
costos.
16. Preparación de material divulgativo sobre los diferentes aspectos -  
que cubren el proyecto

17. Realización de cursos técnico-prácticos para el personal técnico involucrado en el proyecto
18. Supervisión de trabajos de campo y oficina, por parte de funcionarios de la Unidad Ejecutora del Proyecto
19. Análisis del Proyecto: Problemas, logros, avance. Unidad Ejecutora - con personeros AID-COFISA
20. Reuniones para discutir el Proyecto a nivel regional con gerentes, - Consejos de Administración y técnicos de Cooperativas
21. Conclusiones y recomendaciones de la Unidad Ejecutora al Consejo Consultivo de FEDECCOP
22. Programación de actividades 1986

CALENDARIZACIÓN DE DESEMBOLOS

- |                              |   |
|------------------------------|---|
| 1- Donación- plan de compras |   |
| 2- Crédito                   | { Almaciões<br>Tecnificación<br>Diversificación |
| 3- Consolidado               |   |

### FEDECOOP's FIELD VISITS

(Note: Pages 37-42 of Appendix D provide a list of the visits made to FEDECOOP's affiliated cooperatives by the Project's Technical Adviser, Gilberto Gutierrez Zamora. Those visits marked with an asterisk (\*) indicate that on these occasions he was accompanied by Rafael Alvarado Leiton, General Coordinator of the Project. Pages 43 and 44 give the duties and responsibilities of the Technical Adviser.)

INGENIERO GILBERTO GUTIERREZ ZAMORA

VISITAS A COOPERATIVAS 86/87

ENERO 1986

8 COOPE CARTAGO  
10 COOPE SARAPIQUI  
16 COOPE LIBERTAD ■  
17 COOPETILA  
29 COOPE ARAGON ■  
31 COOPE SUIZA

FEBRERO 1986

3 COOPE LIBERTAD  
4 COOPE LECO ■  
11 COOPE UNION ■  
12 COOPE ARAGON ■  
14 COOPE LIBERTAD  
18 COOPE UNION  
20 COOPE AGRI EL GENERAL  
25 COOPE PALMARES ■  
26 COOPRONARANJO  
27 COOPE AGRI EL GENERAL

MARZO 1986

4 COOPE SANTA ROSA ■  
5 COOPE UNION  
18 COOPROBANVITO

62

ABRIL 1986

- 16 COOPE SANTA ROSA
- 24 COOPE ATENAS ■

MAYO 1986

Durante 22 días se viajó por las zonas cafetaleras de Colombia y Brasil. ■

JUNIO 1986

- 3 COOPE PEJIBAYE
- 17 COOPE DOTA
- 19 COOPE SAN JUANILLO ■
- 23 COOPRONARANJO
- 24 COOPE PALMARES ■
- 27 COOPE CAFIRA

JULIO 1986

- 1 COOPE PALMARES
- 3 COOPE CAFIRA
- 10 COOPE SAN CARLOS ■
- 11 COOPE TARRAZU
- 17 COOPE ARAGON
- 24 COOPE CAFIRA
- 29 COOPE CARTAGO ■
- 31 COOPE LIBERTAD

AGOSTO 1986

2 COOPE SANTA ROSA  
7 COOPE UNION  
11 COOPE CARTAGO  
12 COOPE SARAPIQUI - COOPE SAN CARLOS M  
13 COOPE PALMARES - COOPE CAFIRA  
18 COOPE CENIZOSA  
19 COOPE CERRO AZUL M  
20 COOPE PILANGOSTA M  
27 COOPE VALVERDE VEGA  
28 COOPE SAN JUANILLO

SETIEMBRE 1986

1 COOPE PILANGOSTA  
9 COOPE LIBERTAD - COOPE RIO PIRRO  
17 COOPE LIBERTAD - COOPE RIO PIRRO - COOPE SANTA ROSA M  
23 COOPE UNION M  
24 COOPE LIBERTAD  
25 COOPE CAFIRA - PEREZ ZELEDON  
30 COOPE LECO M

OCTUBRE 1986

2 COOPE SARAPIQUI  
6 COOPE CAFIRA - SEMINARIO HOTEL DEL SUR M  
10 COOPE CAFIRA - PEREZ ZELEDON M  
15 COOPE LIBERTAD M  
22 COOPE SUIZA

NOVIEMBRE 86

- 5 COOPE LECO
  - 6 COOPE PEJIBAYE
  - 11 COOPE CARTAGO
  - 12 COOPE ARAGON
  - 13 COOPE LLANO BONITO ■
  - 18 COOPE AGRI EL GENERAL ■
  - 19 COOPE AGRI EL GENERAL ■
  - 20 COOPE SAN CARLOS
  - 25 COOPE SAN CARLOS
  - 26 COOPE SAN CARLOS
- GIRA AID ■
- 

DICIEMBRE 1986

- 3 COOPE UNION
- 4 COOPE PALMARES
- 11 COOPE SARAPIQUI ■
- 18 COOPE SUIZA
- 22 COOPE LECO ■
- 22 COOPE SARAPIQUI ■

ENERO 87

- 15 COOPE PALMARES
- 21 COOPE SANTA TERESITA ■
- 28 COOPE ARAGON
- 30 COOPE AGUA BUENA



FEBRERO 1987

- 3 COOPE SARAPIQUI ■
- 4 COOPE SABALITO
- 10 COOPE SUIZA
- 12 COOPE CARTAGO

Resto del mes en visita a Honduras. ■

MARZO 1987

- 3 COOPE AGRI EL GENERAL ■
- 10 COOPELDOS ■
- 17 COOPE LECO
- 23 COOPE SAN CARLOS ■
- 27 COOPE PILANGOSTA
- 31 COOPE SARAPIQUI

ABRIL 1987

- 3 COOPRO NARANJO ■
- 14 COOPE SAN CARLOS
- 23 COOPE ATENAS
- 28 COOPE UNION ■

MAYO 1987

- 1 COOPE MONTES DE ORO
- 5 COOPE PALMARES
- 7 COOPE CAFIRA
- 12 COOPE SANTA TERESITA ■

66

MAYO 1987

- 14 COOPE VALVERDE VEGA ■
- 15 COOPE PALMARES
- 18 COOPE LIANO BONITO
- 23 COOPETILA ■
- 27 COOPE UNION

JUNIO 1987

- 2 COOPE MONTES DE ORO ■
- 9 COOPE PALMARES
- 16 COOPE AGRI EL GENERAL
- 22 COOPE AGUA BUENA
- 23 COOPE AGRI EL GENERAL
- 30 COOPE CARTAGO

JULIO 1987

- 7 COOPE PALMARES
- 8 COOPE CAFIRA
- 9 COOPE PEJIBAYE
- 14 COOPE SAN CARLOS ■
- 16 COOPE SUIZA
- 28 COOPE UNION
- 29 COOPE PALMARES ■

O B S E R V A C I O N E S

Las funciones y responsabilidades del Asesor Técnico del PROGRAMA USAID-FEDECOOP R.L., en el campo netamente agronómico, comprenden los siguientes aspectos:

- 1.- Supervisar la programación que realizan y ejecutan los técnicos del Programa.
- 2.- Colaborar en la ejecución de Seminarios, charlas, giras de campo, talleres de trabajo teórico-práctico, cursos para técnicos agrícolas de las Cooperativas afiliadas a FEDECOOP R.L.
- 3.- Identificar y resolver problemas que afectan el buen desarrollo y producción de los cafetos.
- 4.- Buscar y lograr la participación de especialistas que laboran en otras entidades para la solución de problemas de difícil diagnóstico.
- 5.- Preparar material divulgativo sobre aspectos varios de la producción del cafeto.
- 6.- Brindar apoyo logístico a los técnicos involucrados en el PROGRAMA USAID-FEDECOOP R.L., cuando estos preparan, dictan y realizan labores de carácter teórico-práctico.
- 7.- Evacuación de consultas a través de la vía telefónica o de visitas a la oficina central.
- 8.- Promover el conocimiento, discusión y solución de problemas que afectan la producción y calidad del café. Esta actividad se realiza con la participación de grupos interdisciplinarios que laboran para FEDECOOP R.L. y sus respectivas cooperativas.

- 9.- En esta forma la labor del Asesor Técnico se enfatizó más como respuesta a las peticiones del Personal Técnico involucrado en el PROGRAMA USAID-FEDECOOP que como labor o acción producto de un plan de visitas preconcebido.
  
- 10.- Actividades y labores de carácter ejecutivo están contempladas en la programación que realizamos al inicio del PROGRAMA USAID-FEDECOOP R.L. y en concordancia con la posición que ocupo como miembro de la Unidad Ejecutora del mismo.

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## FEASIBILITY STUDY OUTLINE

- (45) -

## APPENDIX E

Here is an outline of the type of study that should be carried out before venturing into the marketing of a new commodity:

- I - First, it is necessary to collect basic production data from a random sample of the present farmer-members of the district union's primary cooperative societies. These data should necessarily include the following:
  - A. Size of Farm
  - B. Nature of Land tenure
  - C. Area planted to various crops
  - D. Yields per hecuare
  - E. Amount of on-farm consumption of crops
  - F. Amount sold through marketing channels
  - G. To whom sold, and prices received
- II - Next, a description should be given of the sampling technique employed in the data collection.
- III - Projections of production by farmer-members for a period of five years should be made, assuming growth rates a follows:
  - A. Growth in yields of present members of 0%, 3%, and 5% per year.
  - B. Growth in membership of cooperatives of 5% and 10% per year.
  - C. On-farm crop consumption remaining constant, and decreasing by a certain percent per year.
- IV - Projections of procurement of members' crops by cooperatives:
  - A. First, an examination of present marketing methods used by farmer-members, and an estimate of how competing buyers would affect the amount procured by cooperatives.
  - B. Based on this, assumptions could be made that cooperatives would procure only 40% of available crop (low), 60% (medium), and 80% (high).
- V - Summary: As a result of calculations based on III and IV above, as well as examination of weather data over past years to determine probable frequencies of drought in future, the volume of the various crops available for marketing through cooperative channels for the first through the fifth years of operation can be estimated.

VI - Transport: Compare methods and costs of collecting crop at the primary society for later pick-up by the district union. Crop could be:

- A. Brought in by farmer himself
- B. Picked up by primary society's truck
- C. Picked up by rented truck
- D. Some combination of above three

Then, determine costs of transport from primary societies to district union's storage or processing center.

Next, determine costs of transport from storage center to market.

VII - Storage: Determine storage costs per unit of crop per week or per month for crops under consideration.

Determine percentage of shrinkage, spoilage and waste, and add as part of total storage costs.

VIII - Handling: Determine costs of handling in bulk vs. sacks, etc., and make estimate of proportions of given crop that will be handled in each manner.

IX - Interest paid on borrowed capital.

X - Depreciation of trucks and other capital equipment.

XI - Payments to farmer-members for their produce at time of delivery to their primary societies, based on immediate payment of at least current price that farmers could receive from competing buyers.

XII - Administrative and Management Costs: Will additional personnel be required to manage the marketing operations?

XIII - Anticipated Revenue to be received by district union as result of marketing operations:

A. Examine seasonal price fluctuations over recent past (preferably for the five previous years).

B. Based on this historical seasonal price data and probable volume of procurement (as revealed in III above), determine most profitable marketing strategy by comparing revenues and costs resulting from:

1. A strategy of maximizing storage, with minimum sales in immediate post harvest period.
2. A strategy of even sales from harvest to harvest.

XIV - Determination of capital requirements - based on probable volume which district union will procure, calculate:

- A. Investment capital requirements needed for purchase of trucks, scales, storage facilities, and any other necessary capital equipment.
- B. Working capital requirements to pay farmer-members for their produce upon delivery.
- C. Total of these two is amount of loan required to finance marketing operations, minus whatever equity capital might be available from the district unions and its member-cooperatives.

XV - Financial Analysis:

- A. Determine break-even point of operations, as follows: After calculation of capital requirements (XIV above), anticipated revenue (XIII above), and costs of operation (VI thru XII above), the break-even point can be determined; that is, at what point in time the revenue is sufficient to cover all operating costs, interest payments, and meet the debt repayments required by the loan agreement.
- B. Prepare pro-forma balance sheets, operating statements, and cash-flow estimates for the first through the fifth years of operations.