



**COMPONENTE AGRICOLA DEL PROYECTO DE APOYO TECNOLOGICO PARA LAS
INDUSTRIAS DE EXPORTACION DE CENTROAMERICA Y PANAMA**

**NTAE STRATEGIC WORKSHOP
San Salvador, El Salvador**

Assignment Number: ST-198

PREPARED BY:

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THROUGH

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Project No. 596-0165

UNDER THE AUSPICES OF:

**United States Agency for International Development (USAID)
Guatemala City, Guatemala**

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PROEXAG II



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Export Industry Technology Support Project - Proyecto de Apoyo Técnico a las Industrias de Exportación (EXITOS)¹

February 28, 1994

TRIP REPORT

I. Destinations and Dates

El Salvador, February 23 to 26, 1994

II. Persons Contacted

See attached reports

III. Purpose of the Travel

This trip was to participate in the meeting requested by USAID El Salvador to help set the direction for the Mission's NTAE programs in the future. A team retreat was held following this meeting.

IV. Accomplishments

I went to El Salvador a day earlier than the members of the PROEXAG team to interview the leadership of CLUSA, TECHNOSERVE, and FUSADES. I provided feedback on these interviews to the team members as preparation and a way to set the final agenda for the meetings.

As directed by team leader, Bruce L. Brower, one trip report was prepared for all participants. It is attached. This report plus attachments constitute the report for ST-198.

V. Recommendations

None.

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PROEXAG II



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Export Industry Technology Support Project - Proyecto de Apoyo Técnico a las Industrias de Exportación (EXITOS)¹

February 28, 1994

TRIP REPORT

I. Destinations and Dates

El Salvador, February 22 to 26, 1994

II. Persons Contacted

USAID: Charles Costello, Mission Director
Gordie Straub, ADO
Tully Cornick, Deputy ADO
John Sullivan, Deputy Director Office of Private Enterprise
Antonio Gonzalez

FUSADES: Ricardo Molins, Director de Calidad Integral
Ricardo Suarez, Gerente de Promoción y Desarrollo
Manuel Rodríguez Cedillos, Gerente de Producción y Capacitación

CLUSA: Stanley Kuehn, Director
Jim Evans, Deputy Director
Samuel Salazar, Gerente de Agronegocios
Karen Schwartz, Director of Operations, Washington

LAC-TECH Kenneth D. Weiss, Marketing and Agroindustry Advisor

PROEXANT Marco Peña Herrera, Director (Ecuador)

TECNOSERVE:
Carlos Abarca, Director
Roberto Vega Lara, Gerente de Planificación
Napoleon Puente
Hamilton Erazo

PROEXAG: Bruce Brower
Rick Clark
Mark Gaskell
Diana Pejarano
William Barbee
Dale Krigsvold

John Lamb
Carlos Azmitiz
Margo Dannemiller

III. Purpose of the Travel

This trip was for two purposes. The first was to direct a conference on the lessons learned and possible directions for NTAE in El Salvador. The second was to take advantage of the presence of John Lamb and hold a team retreat.

IV. Accomplishments

The Conference was held. Attached are notes from the same, as well as the outline. A formal conference proceedings will be produced and filed with this trip report.

Also attached are the items covered in the retreat. By and large, the retreat dealt with how to manage the project as it begins the process of close out. It was agreed that the project would announce its close of business as of July 5, 1994.

V. Recommendations

None

PROEXAG II



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Export Industry Technology Support Project - Proyecto de Apoyo Técnico a las Industrias de Exportación (EXITOS)¹

March 4, 1994

Gorden Straub
Agricultural Development Officer
USAID/El Salvador
San Salvador, El Salvador

Dear Gordie,

Attached is a copy of the proceedings from the recent meeting we held at the hotel El Presidente. Thanks for asking us to participate. We do hope the process was of some use as you continue to develop a strategy for NTAE development in El Salvador.

As a post script to the meeting, let me make a few candid observations. They are based not only on the meeting and our previous experience in El Salvador, but also on our continued conversations as a team in our retreat on February 24-25. Please use discretion in how you distribute the comments in this letter. Since they are candid, they might be offensive to some. My purpose is not to offend, but to give USAID/El Salvador our frank assessment.

While there are many things which need improvement, we see the most critical constraints to Salvadoran NTAE development as follows:

1. Land ownership. There is a lower level of security about ownership than in other C.A. countries. In addition, the issue of ownership is particularly ill-defined among the agrarian reform cooperatives. This is a serious impediment to investment and credit acquisition.
2. Legal recourse. We are aware of U.S. produce companies which absolutely refuse to do business in El Salvador again because they found there was no way to protect themselves in the legal system.
3. Credit. Agricultural credit is critically short and very expensive. These conditions inhibit long term investments in NTAE projects. This is not conducive to sound resource management. For poor farmers, this limitation is an absolute barrier.

Of course, all of the other things mentioned in the conference, such as good information systems, access to good technical assistance, environmental protection, improving access to Caribbean ports, etc. are all important to include in your program. But, if the above problems are not resolved, the rest of your efforts will likely be in vain.

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We also feel it would be a mistake to mix programs among cooperatives and private farmers. They can certainly benefit from the same infusion of certain resources, such as the visit of a crop expert, but the implementation programs for assistance to these groups is just too different to be easily compatible in one single project. Similarly, mixing programs for small, poor farmers and one for general NTAE development would be difficult. Furthermore, we feel that targeting the small farmer without also working with the larger agriculture sector would not be as productive as advancing both at once. We think an overall, "systems" approach is best, with specific projects targeting appropriate development components (small farmers, cooperatives, policy, etc.) inside your global plan.

With regard to the organizations involved in NTAE in El Salvador, we have an uneasy feeling that the three represented at our meeting: FUSADES, CLUSA and TECHNOSERVE, do not represent the full NTAE sector. The fact that there were businessmen holding a meeting in the El Presidente on NTAE at the same time we were holding our meeting, and that we did not know who they were and they clearly did not know about us, is not a good sign that we are yet including all the significant players. Perhaps we should also have included COEXPORT in our meeting. In general, we have found that the most vibrant organizations we deal with are those which are member based, where the members own and direct the organization. None of the three organizations we met with fit that pattern. That is not to say they do not have a role to play, but we feel that broad based, member owned and directed associations have the best potential for long term viability and vitality.

As a summary of our experience with the three organizations present, we think they each have a role to play and they each represent an important resource. But, as currently structured and operating, within the current environment in El Salvador, they are clearly not up to the task of making NTAE take off, or they would have already done so. Our experience with FUSADES has been that they have, and have had, good staff. In many instances they have enjoyed superior staff. FUSADES has not, however, been properly structured to get the maximum impact of good staff. We are not capable of giving an organizational analysis of why, but our experience is that FUSADES has a poor track record at getting the good information and technical expertise they have, out to the field. For the resources they have had, the land area affected and number of farmers assisted seems small to us. We have seen problems with follow through. We have seen real weaknesses at analyzing projects from the standpoint of business realities. We worry about some of their attempts at self sufficiency as being unfair competition with normal businesses. Nevertheless, there are tremendous resources at FUSADES. For instance, the information resources available at FUSADES are superior. They have the largest NTAE library in Central America among our counterparts. And, as I said, they do have some very good people.

CLUSA, from our perspective, has a good track record of getting technical assistance to the field. They have shown a superior ability to bring projects to fruition among cooperatives. Nevertheless, we feel their long term success at institutionalizing

successful NTAE business practices among cooperatives is linked to the solution of the major impediments of land tenure, credit and legal recourse. In addition, we do not think their efforts will have long term success without major revisions in the way the ag. reform cooperatives are organized. The watch words are responsibility and reward. Until individuals are held responsible for what they do and see personal rewards for excellence, the cooperatives will only rarely escape mediocrity. We also feel that the success of CLUSA is not yet institutional, it is linked to individuals. Take away its expatriate leadership, or its equivalent, and the organization will not do nearly as well. We do not think it is reasonable to think CLUSA will someday become a financially self-sustaining organization. But, they can be a good development engine to establish financially self-sustaining NTAE industries among cooperatives.

TECHNOSERVE has not been one of our counterparts. We thought they represented themselves well at the meeting. We think they have a role to play in assisting cooperatives. We suspect they are limited by the same societal, structural constraints as we mentioned above.

Neither our project, nor the combination of these three organizations has been able to cause an NTAE explosion in El Salvador, as is happening in other C.A. countries. We think USAID has a critical role to play in helping remove the structural barriers which are dampening the NTAE promotion work of all of us.

There were some things about the interactions among the organizations which seemed strange, to me. My interpretation, admittedly biased, was that we were not all dealing with the same conception of reality. For instance, in the summary, the statement was made that the conditions for successful NTAE development are not currently present in El Salvador (which implies USAID has a development role to fill). Two of the organizations, in their summary presentations rebutted that statement, saying the elements for successful NTAE are present in El Salvador (implying that USAID may not have a development role to fill). That seemed strange in light of the two facts that 1) NTAE has not taken off in El Salvador as in other countries of C.A. and 2) all three of the organizations present would, I presume, like to see USAID assistance continue. A second example was that we argued there are some activities, such as information systems and certain laboratory services, which are not financially self-sustainable but which provide a significant public good and ought to be considered for some sort of perpetual support mechanism (implying a USAID endowment or something similar). The response from FUSADES was to the contrary, that these activities can and will be financially self-sustaining (implying no assistance from USAID is needed). I point these out simply to illustrate that you can probably help the whole NTAE development process by promoting frequent and intense communication among these groups. If we liken opinions and operational directions to streams of light, right now you have something like a forth of July fireworks starburst among these organizations, when what you need from them is something closer to a well directed laser beam.

With our project finishing, it will not be as easy to coordinate cost savings by using visiting experts throughout the Region. Perhaps with our closeout, there might be greater opportunity to use LAC/TECH to coordinate regional TA opportunities. We do think it is in USAID's interest that there be more dialogue and more frequent contact among mission staff of Central America and Panama to find ways to multiply the value of the USAID NTAE dollar spent through coordination of TA. There is one area in which this is especially true, the area of Central American market information. We think there would be a large increase in the trade of fresh produce among the countries of the Region if prices of horticultural products were readily and consistently available for all the major terminal markets of the Region. Though we think it would be relatively easy to do and fairly inexpensive, it is not something any one country, neither individual USAID missions nor individual governments, can establish alone. It would take some sort of regional level effort.

While we certainly have other opinions about how to develop NTAE, I will avoid the temptation to continue since this letter is already too long, and I risk being labeled an NTAE evangelist. The proceedings contain a great deal of information. I was pleased with the good job Margo Dannemiller and Carlos Azmitia did in pulling them together.

Again, thanks for the invitation to do the conference. We hope the proceedings are of some use. We wish you the very best of luck in developing your program. I will send a copy of the proceedings to LAC/TECH and PROEXANT. We leave the distribution of the proceedings in El Salvador to your judgement. To the extent we can be of any other use before our closeout, we are at your service.

Sincerely,

Bruce L. Brower Ph.D.
Team Leader

**WORKSHOP ON
NON-TRADITIONAL AGRICULTURAL
EXPORTS**

**FEBRUARY 23-24, 1994
SAN SALVADOR**

PARTICIPANTS:

**USAID
CLUSA
FUSADES
TECHNOSERVE
LAC/TECH
PROEXANT
PROEXAG**

INTRODUCTION

The NTAE Workshop was organized by PROEXAG at the request of USAID/El Salvador. The reason for the event was to provide a strategic thinking session with regard to the potential of NTAE for the USAID portfolio, the experience with NTAE programs in the rest of the Region, and the lessons which could be learned therefrom, and finally, to provide a forum for considering what roles TECNOSERVE, CLUSA and FUSADES might play in future NTAE projects developed by USAID/El Salvador.

This document is intended to serve as the proceedings of the NTAE workshop including presentations, discussion and opinions on key issues, and suggestions presented to USAID as a result of those discussions. It is followed by Annexes which includes some of the materials presented by the participants.

Workshop Agenda

Welcome	
Opening Remarks	Chuck Costello/USAID
Introduction	Bruce Brower/PROEXAG
NTAE Overview	John Lamb/Chemonics
Brief description of Organizations.	TECNOSERVE FUSADES CLUSA LAC/TECH
Work Groups and Discussions of Group Results	
Successes and Failures in NTAE programs	Bruce Brower
Opportunities in EL Salvador for NTAEs	PROEXAG Team
Review NTAE Situation in El Salvador, Suggestions and Summary . .	Bruce Brower
Suggestions, Viewpoint, and Response to Summary	TECNOSERVE CLUSA FUSADES PROEXANT
Closure	Chuck Costello/USAID

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Proceedings

Opening

Mr. Chuck Costello, director of the USAID Mission to El Salvador began the workshop by offering a few words regarding the condition of USAID agriculture programs in El Salvador. Mr. Costello discussed how a lack of institutional development has hampered the success of USAID programs and that this institutional base is still not well developed. He stressed that the key to obtaining success in El Salvador is to study and revise the current situation and to direct future programs and strategies for NTAE development according to the findings. El Salvador can not afford to fall farther behind the rest of Central America.

He cited Guatemala's success in NTAE development and pointed out the current opportunity USAID/El Salvador has as this point in time to emulate Guatemala's NTAE development. He cited beneficial factors such as a continuing budget in the Mission for NTAEs, a good USAID team, and high local investment rates. He urged the parties involved (FUSADES, CLUSA, TECHNOSERVE) to join efforts and find new clients for NTAE development. Mr. Costello also mentioned that the biggest challenge for new programs and strategies that would result in sustainable markets and product is in order for all participants (mainly the poor) to benefit.

Introduction

Dr. Bruce Brower explained the purpose of the workshop and gave a brief outline of the activities to be carried out. He emphasized that this was a session for strategic thinking, not strategic planning. Dr. Brower imparted the idea that a wider vision of NTAEs is necessary in order to identify and define the steps to be taken to formulate successful programs in the future.

As part of this introduction, Dr. Brower described the basic objectives of USAID as characterized by the following:

- I.
 - Improve Health
 - Improve Income of the Poor
 - Improve Education Levels
 - Improve Civil Liberties and Democracy
 - Improve the lot of Women
 - Improve and Protect the Environment

NTAE offers USAID a tool for trying to achieve the above objectives. Well functioning NTAE programs have beneficial characteristics such as:

- II.
 - Successful operations are possible on small land areas

- They provide high returns per land unit
- They have a high labor need, especially for women
- They bring hard currency to the economy
- They are intensive and when properly managed, often are typically environmentally sound than traditional agriculture.

- III. However, it must be recognized that NTAE are also characterized by:
- Increased need for credit
 - Require greater knowledge of cultural practices
 - Greater need for imported inputs
 - Better post harvest required
 - More sophisticated marketing
 - More demanding transport requirements
 - Greater information needs
 - Need for better disease and pest control
 - Greater burden on infrastructure
 - Better water management required

In addition, poor implementation of NTAE can result in dangers or problems such as the following:

- IV.
- Higher risks, greater potential for business failure
 - Short term exploitation of resources (trade permanent crops such as coffee for fast cycle annuals)
 - Potential human exposure to chemicals
 - Environmental degradation (runoff, erosion, etc.)

Any NTAE program in El Salvador must manage items in III, planning to avoid the dangers of IV, to achieve the favorable characteristics of II and thereby advance the primary goals of I.

It was pointed out that coffee, sugar, cotton, tobacco, and bananas were all non-traditionals when they were introduced. The difference between what we are discussing now and those crops is that NTAEs as considered here are crops which require intensive management, tend to have smaller markets than "commodities," are usually sold as fresh, and which require a horticulture management style. An NTAE support program should strive to develop an agile, diversified horticulture industry rather than be totally crop focused. In other words, the markets and opportunities change. A healthy NTAE industry must be able to adapt to changing markets, adopt new crop mixes, etc. Development of a good "culture" of horticulturists, who understand the intensive management associated with horticulture should be a central part of any NTAE program.

In order to focus participants on the tasks at hand, a short review was given on the beneficial aspects of NTAEs.

NTAE Overview

John Lamb of Chemonics provided information on the current condition of NTAEs in the markets and among the countries of Latin America. (See all attachments in Annex A)

Of the 20,000 crops that can be considered as viable NTAE alternatives, only 200 of them are currently being cultivated. It is important to consider that while these crops are considered viable, NTAE crops do entertain a certain degree of risk given that production will demonstrate a 25% increase or decrease, depending on factors that are completely out of the producer's control.

Even with the considerable complexities of horticulture, global tendencies toward growth indicate great possibilities for export industries.

Some of the tendencies to keep in mind for NTAEs markets include:

- their is an increasingly large gamut of producing nations w/commercially viable products
- a greater mix of fresh and processed products exists
- there is an increase in value-added products
- there has been a marked increase in market segmentation
- there has been an increase in the supply and demand of ethnic products
- 12% of supermarket floor space is now dedicated to produce, consumers choose stores by the quality of produce
- domestic supply has decreased due to alternative land use, labor, cost of water, environmental regulations
- there are more supplying countries, more imported products, and more demand for imported products
- agriculture is expanding horizontally to increase supply season
- there has been an increase in both technology and competition
- NAFTA brings higher competition with Mexico which exports 51 different products to the US
- there has been, and will be, a reduction of foreign aid

- per unit production profits have decreased, creating a disadvantage for small producers, focus on consolidation of production (economies of scale)
- there is room to increase flower exports to Europe
- flowers are moving from specialty shops to supermarkets
- Europe is a larger market than the US for bananas and pineapples
- decrease of foreign assistance to Central America

Gene Battaglia, one of the US' most successful produce brokers, stated in the recent UFFVA conference, that the future of the produce industry is with imported goods. Producers need to pay close attention to supermarket trends and focus on quality and consistency.

Upon examination of available data, the volume of exports from El Salvador is lower than that of other countries. The elements of NTAE export success is based on the deal, if any one unit of the deal is not profitable, the rest of the deal won't work. In order to increase NTAE exports, it is essential to capture and manage the essence of the deal process.

Aside from examining the key elements of export-oriented policy, it is also important to realize that El Salvador has certain limiting factors, including geographic aspects and the location of its ports that puts it at a disadvantage with other Central American countries, as they can not export directly to the east coast. Some factors that impede the growth of NTAE exports can also be traced to political instability. In addition, El Salvador has not benefitted from the investment by multinationals.

Mr. Lamb concluded the NTAE review by discussing a quote (See Annex A) stating that the supply response would not occur automatically even in a stable situation, if technological, managerial, and marketing know how were not available to package the various elements needed for exporting. Therefore it is necessary to analyze the ways this catalytic process can be initiated. Furthermore, any NTAE program should be given the freedom to work across all components and aspects of a deal in order to facilitate the process as needed.

Presentations by NTAE Organizations

TECHNOSERVE is an organization which operates in several different areas: agricultural production, assessments and production plans, assistance in determining whether to plant NTAE or traditional crops based on the country's unique situation (see Annex B).

TECHNOSERVE representatives state that NTAEs in El Salvador have experienced certain difficulties other than those well-known limitations. Some businesses in El Salvador have closed their doors (e.g. Quality Foods) and multinationals have pulled out. There have been certain legal problems involving incompliance with contracts.

TECHNOSERVE believes that the success of NTAEs is based on selecting crops based on net profitability.

The FUSADES/DIVAGRO project is slated to end on September 30th of this year. The project is currently reviewing its activities to analyze methods for sustainability. As part of their activities, they provide commercial technical assistance as well as assistance for crop development, marketing, and integral quality. They also provide lab services such as soil and water analyses.

FUSADES is focused on the selection of specific product varieties for El Salvador.

They conduct "validations" or studies of return to cost for viability. They have 5 separate "development poles" designed to promote five product groups. They provide all of the technical assistance for these products from seed, to boxes for export, and contact with a reputable broker.

FUSADES representatives feel that the project will indeed be able to survive due to profits generated from the farm they are managing, a "development pole" based on pineapple and projects they are developing for other projects such as onion and chile.

The CLUSA project will be funded until 1996. The project has four main components aimed at agribusiness and marketing, production, training, and MIS.

CLUSA feels they have no need to seek out new markets as there are continuously people arriving in El Salvador attempting to source products. They are focused on assisting in the development of new products. Once a product/market has been identified, they provide assistance as to where to find financing, whether it be through the Central Bank, the Exporters' Bank, or by other means. They then identify a cooperative, perform a preliminary investigation, and then sign a letter of agreement. They then design a series of training sessions for the coop. They assist with the development of an Action Plan for 1 year and perform bi-annual evaluations.

CLUSA provides technical assistance in all aspects including accounting and contacts, to harvesting and liquidations. CLUSA also provides assistance regarding how to use the income received from the sale of these crops.

CLUSA has been assisting producers in El Salvador who are preparing to export their first container of onions.

Mr. Ken Weiss represented LAC/TECH at the workshop. He gave a brief presentation describing LAC/TECH's operations and activities. They have 8 permanent advisors in marketing, nutrition, land ownership, financing, etc. and they work with several short-term advisors as well. They are dedicated to Rural Development and have developed a document on Rural Development Strategy.

They work with all of the USAID LA Missions and USAID/Washington directly. They are involved in proactive work in El Salvador.

LAC/TECH provides marketing assistance with USAID support. They are currently working on a video of NTAEs in Latin America, and recently produced a document of the effects of NAFTA on agriculture. LAC/TECH has also conducted product specific studies such as a market study on sesame and soon to be released study on oriental vegetables.

Work Group Sessions

Work Group 1 responded to the following question:

"Each of you has individually decided to put in 10 Ha of asparagus in El Salvador. What are you going to need? Where and how are you going to get it? What difficulties do you foresee? Be specific."

The question was intended to get participants to think through all of the aspects of putting in an NTAE crop in El Salvador and thereby identify those components which might present particular difficulties in El Salvador. The group reported the following:

In order to produce 10 ha of asparagus in EL Salvador, a producer would follow a series of at least eight steps including:

1. Obtaining preliminary information regarding marketing, technical aspects, and past experiences (e.g. Quality Foods).
2. Discovering sources of technical assistance such as Jorge Villatoro in Guatemala, CINDE in Costa Rica, CAPCO, COUTURE, and PROEXAG.
3. Identifying sources of seed: California and New Jersey.
4. Identifying buyers such as Couture or CAPCO.
5. Identifying sources of credit: FIDEX, Banco Central, Banco de Desarrollo,

6. Obtain information and assistance with infrastructure and post-harvest such as coordination with the buyer to supply boxes, using hydrocooler and refrigerated transportation references.
7. Investigation of transportation options, several air routes available.
8. Investigate land availability, buying and/or renting land w/ adequate water supply.

The issue of land use raised a point of discussion among participants. The enforceability of land use agreements is fairly secure only in contracts with private land owners, and even then enforcement can be difficult. It is not recommended to rent land from a cooperative.

Discussion of the steps necessary to begin production of an NTAE product led to the identification of several limitations to the creation of NTAE businesses in El Salvador and resulted in the formation of specific suggestions to USAID for future NTAE programs.

SUGGESTIONS: There should be legal reforms to make renting coop land legal.

Comment: It is too costly to raise certain NTAEs which are unknown with sometimes unstable markets, especially those requiring long-term investment; it's difficult to get enough capital.

Response: The entire amount need to maintain the product does not need to be invested up front since returns on the crop itself can be reinvested.

SUGGESTION: USAID should work on establishing long-term credit.

Comment: The current uncertain environment scares away investors.

Comment: Information on products in other countries of the region is not always 100% applicable to El Salvador.

Comment: What needs to happen in order for El Salvador to have NTAEs be successful? In future programs is there a need to better develop information systems?

Response: We are lacking sufficient information systems (especially source and dissemination).

Response: Information isn't sufficient but it can be obtained.

Response: Information is available but appropriate dissemination depends on sharing

the knowledge that does exist.

Response: There will always be a need for technical assistance by individuals with knowledge of the both the producer and buyers' needs.

SUGGESTION: As part of the Information Systems and Technical Assistance in general, all aspects of the NTAE process should be covered from beginning to end.

Comment: Different risks exists which lead to an uncertainty and unawareness. Programs need to help producers to eliminate the barriers and initiate a new policy.

Comment: The risk of a resurgence of war has decreased but is still very real.

Comment: Regarding agricultural goods, what are the costs of imports? What are the tariffs like? Is there a need for a new policy in this area?

Comment: Agricultural goods coming into the country need to be of better, more uniform quality. Often the products that come into the country are no longer useful (defective or expired).

SUGGESTION: Norms and regulations need to be effected which guarantee quality, and regulate the goods imported.

Comment: Buyers of produce from El Salvador experience a certain legal insecurity due to incompliance with contracts. These regulations should be much stronger in order to create more favorable conditions in the country.

SUGGESTION: A method should be developed to better monitor these transactions, a stronger regulations to control compliance.

Comment: Infrastructure is not only needed at he moment of the sale but at all levels of the process. Better rural roads, an organization of producers, irrigation and improved post-harvest storage would all be helpful, if not necessary to attract investors. These elements need to be divided into two groups, those items which can be provided by the private sector and those which should be covered with public funds. Some elements of the infrastructure on the public side will have a direct impact to facilitate agriculture.

SUGGESTION: To improve future programs, USAID should review transportation and the border crossing process. (the C4 program is in effect but not known to all)

El Salvador should use information from the asparagus trials without hesitation. Other countries are moving ahead and Guatemalan cooperatives are already growing. If growers plant with care, watch altitudes and temperatures, asparagus is profitable if grown with care and efficiency. Although some of the participants question whether there is a motivation for asparagus, PROEXAG is simply informing that asparagus is profitable, can be grown, there is a market, it is currently under cultivated in the region and it is an opportunity which should be taken advantage of.

Work Group 2 responded to the following question:

"Why are there so many Salvadoran coyotes, who purchase fresh produce, functioning in Central America? Why are seedless watermelons not grown in EL Salvador? Nicaragua will export 400 containers of onions this season, why won't El Salvador?"

This question was aimed at getting the participants thinking about what is currently not working in the Salvadoran system, what are the structural problems? Coyotes travel outside of El Salvador to purchase product because it is not available in El Salvador. In going to Guatemala, they drive by prime NTAE land that is either fallow or in low profit crops such as sugar cane. Why? What makes growing vegetables attractive for a Guatemalan but not a Salvadoran? Seedless watermelons were introduced in El Salvador, but failed. Why? What made SunWorld stop trying to do business in El Salvador? El Salvador and Nicaragua had equal access to information and TA on the sweet onion opportunity. Why has Nicaragua taken advantage and El Salvador not?

Discussion of this phenomenon that has both beneficial and negative connotations, led to the identification of several limitations to the creation of NTAE businesses in El Salvador and resulted in the formation of specific suggestions to USAID for future NTAE programs.

- Comment: Coyotes exist because there is definite need for them. El Salvador is not self-sufficient. There is a great deal of money to be made for coyotes.
- Comment: Why are there coyotes? Why do they travel such great distances to get products that can be grown equally as well in El Salvador?
- Comment: There is a need for increased technical assistance, financial support, and legal support for land ownership.
- Comment: People in agriculture need income 12 months a year, not just during harvest.
- Comment: There needs to be a shift from agronomy to horticultural thinking.

Comment: Technical Assistance and training should be offered for all aspects of production, storage, and training.

Comment: One reason there are coyotes instead of producers is the turn around on investment. A coyote puts his money down to buy product and sells it all in a couple of days. A grower has to go through the production cycle. The El Salvador system of high credit cost, uncertainty and risks discourages producers.

SUGGESTION: An Organization of Producers focusing on production and marketing would allow producers to join forces to achieve better results and increase support for producers.

Seedless Watermelon:

The specific problems identified for watermelon according to the experience of the participants were:

- the cost of the seed is very high
- on occasion prices have been lower than those for seeded
- bad previous experience
- lack of discipline needed to care for product

Comment: Seedless watermelons failed because of poor management. The crop requires growers who understand the intensive management and planning needed for horticultural crops.

Onions:

The specific aspects identified for onions according to the experience of the participants were:

- onions could achieve melon volumes
- Central American investors used to have unfavorable conditions, no longer so
- CLUSA/FUSADES have achieved positive results
- again, this is another experience caused by a lack of general support on the part of the movers and shakers, need to find/create new businessmen

- Comment:** NTAEs cannot be developed in El Salvador until there is a system of marketing in which the producer is liquidated without delay.
- Response:** How come the other countries of C.A are in this business without that luxury?
- Comment:** Rapid liquidations is a difficult issue since many receivers themselves do not get paid for 35-40 days, and in addition they are often fronting money for seeds and/or shipping.
- Comment:** The cost of credit is too high.
- Response:** But Nicaragua faces those same conditions, how come they will make millions of dollars on onions this year and El Salvador is still doing feasibility trials?
- SUGGESTION:** An arrangement must be made so that the producer does not have to face problems in which the payment period is very lengthy.
- SUGGESTION:** Short term loans (2-3 months) should be made available for raw materials to cover the liquidation waiting period.
- Comment:** Coyotes prove that produce marketing internally (in El Salvador) is profitable.
- Comment:** The Blue Book is a support tool for producers as it contains ratings of businesses including their payment history.
- Comment:** U.S. PACA law protects Salvadoran businessmen doing business in the produce industry in the U.S.
- Comment:** Agriculture needs a positive image as a business to lure investors away from real estate; it is healthy for the economy.
- Comment:** Consistency of supply is necessary.
- Comment:** A "cleansing" of the current exporters is necessary as corruption exists and is an impediment to development.
- Comment:** There is a lack of appropriate credit, rural electrification, and power for water pumps.
- Comment:** Need to match local crops to those required by world markets

Comment: A study in 1984 revealed that less than 3% of growers in El Salvador receive financing from a bank.

Work Group 3 responded to the following question:

"You have decided to invest \$50,000 of your own money in a joint venture in El Salvador to grow raspberries. Name the major groups or types of people in rural El Salvador from which you might choose someone with whom to do business. List the positive and negative aspects of each group as a potential business partner."

This question was intended to draw out of the participants the inherent problems of dealing with certain types of growers in El Salvador because of the legal or organizations problems associated with the type of group they represent.

The table on the next page shows the details of the group deliberations regarding the strengths and weaknesses of various groups.

Discussion of the possibilities for rural partners for NTAE production, led to the identification of several limitations to the creation of NTAE businesses in El Salvador and resulted in the formation of specific suggestions to USAID for future NTAE programs.

SUGGESTION: Producers prefer to work with small and/or medium producers, than agricultural reform cooperatives, or agricultural companies.

Comment: In general, the legal, land tenure and credit climates in El Salvador are discouraging to any investor who might want to work with any of these groups.

Comment: The best agricultural land are those controlled by the agricultural reform cooperatives and the excombatants. This is important since NTAE success is dependent on producing and exporting commercially viable volumes.

Response: No private investor in his right mind would do business with a cooperative of the Agrarian Reform because they are not agile. They can not make decisions in a timely way. It is difficult for anyone to make a decision, no one takes responsibility, and therefore there is no initiative inside a cooperative. There is still no clear definition as to who owns what with regard to these coops.

Comment: El Salvador does not have a national law regarding the control of water. There are quotas on water use from rivers. There is control in "irrigation

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districts".

- Comment: Enforcement of contracts is difficult in El Salvador. Many foreigners who have tried to do agricultural business (joint ventures, contract farming, etc.) have left discouraged because it is difficult to hold people responsible for malfeasance or outright robbery.
- ¹ Comment: A law has recently reached Congress regarding protection of forests and the environment. However, it is difficult to see what effect this will have as these laws are rarely enforced in El Salvador.
- Comment: The figure leads to some discussion regarding the reason for a lack of labor in certain areas. The growth of industries is absorbing much of the available labor. Programs such as those of the government's FIS (Fondo de Inversión Social) has contracted many rural workers. There is considerable migration to the urban capital. Many people have family members in the US who support them financially.
- Response: The only real limitation on the labor available is the wage that is paid.
- Comment: Experience indicates that people don't look for agricultural jobs even when salaries are very high. Many young people are working in construction. It is nicer to work indoors and social acceptance of non-ag jobs is often higher than for ag. laborers.
- Comment: Conditions in the rural sector are poor and people prefer the relative comfort of the city.
- Comment: Many Trade Free Zones are pulling workers who consider these jobs to be more "upscale".
- Response: Though not related directly to agriculture, these trade zones, especially where female labor predominates, may be tearing the low income families apart. Females concentrate around the trade zones, where they board, and travel home to families on weekends.

Although there are limitations, El Salvador has zones (highlands 400-900m) that are under utilized. Other countries are diminishing production of certain products. Opportunities exist, they must be recognized.

Opportunities for El Salvador

Many of the most viable NTAEs have been mentioned here including raspberries,

asparagus, artichoke, yellow, white and red onions; especially sweet onions. Other viable products include cut flowers, especially colored callas, malanga, ginger, and other roots, vernonia, organic crops, and baby corn.

There is an indication that markets are increasing world-wide for certain tropical fruits that can be successfully grown in El Salvador. However, they require a long-term investment as the first production is achieved in 4 to 10 years.

Markets for shrimp are strong and these aquaculture industries can be profitable.

For frozen foods, lima beans and broccoli are options.

Smaller producers should consolidate markets. Need to concentrate on a "horizontal spread" to stabilize markets. Since agricultural land is limited, intensive crops are preferred. Growers should be adaptable to crop switching.

El Salvador should consider Mexico as a market. Mexico will be buying considerably more product from Central America in the future.

A discussion ensued regarding a concern over for-profit endeavors by USAID funded projects and their possible competition with the private sector versus the need for these projects to act as catalysts for NTAE development.

Successes and Failures of NTAE Programs in Central America

See Annex C for acetates presented by Bruce Brower.

The most important aspect in considering the success of a venture is a long-term vision. There are several specific functions of entities in particular:

- reduce barriers which impede the entrance of new products to the market by providing necessary information,
- provide information on the trends of technological changes, competition, and new or changing regulations,
- catalyze investment
- facilitate access to markets
- represent the interests of the sector
- international promotion

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diffuse benefits

If the entities currently performing these functions are eliminated, there will be deficiencies in these areas.

Work Shop Review

1. Conditions for NTAE do not currently exist in El Salvador.
2. The following elements do exist:
 - adequate lands
 - water (for irrigation)
 - labor (depending on vision)
 - markets
 - transportation
 - products of opportunity
 - adequate infrastructure to begin
 - capable individuals
 - ventanilla unica

The following elements need attention to create a successful NTAE environment:

Policy: imported goods, income tax, which organization is most qualified to work toward solutions?

Legal

Structure: There are no laws for the protection of and adequate legal recourse for local of international businesses, an inadequate protection of the environment

Land: Ownership uncertainty prevents growing of long-term crops

Credit: Access to credit for agriculturists is practically non-existent and the cost is very high, when available, impede long-term investment

Transport: Exists, but expensive

Technical

Assistance: More is needed, it needs to be present more consistently, a complete package is needed for an agile system

Infrastructure

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- Needs: Cold rooms, roads, a more efficient system for crossing international borders
- International Relations: Promote NAFTA, secure relationships with other CA countries, sell El Salvador's image
- Information Systems: Need a consistent access system, diffusion, manipulation of data from Central America and the world. Need a way of knowing what is going on in the other Central American markets (prices)

Suggestions for USAID Program in Non-Traditional Agricultural Exports

I. NTAEs can be used to try and do two things:

1. improve the economy
2. increase income in the poorest sector

These two objectives have compatible outcomes, but the means for achieving them are not compatible. That is, what it takes to make NTAE work as a system for helping improve the entire economy is very different from what it takes to make NTAE work for small, poor farmers. A program to do the former can be fairly modest in size and have a large impact. A program to do the latter will have to be very large, aggressive, rich, have a lot of time and should expect modest results. A program to do the latter, without the former, will probably be even less successful. In other words, a program to help small farmers will work best if there is a parallel effort to make NTAE work throughout the economy.

The experience of the PROEXAG project has been that small farmers are benefited by an approach aimed at making NTAE work in the economy, but not as much as if they were targeted directly. (Over 80 per cent of the farms receiving PROEXAG project assistance are under 1 Ha in size even though small farmers were not specifically targeted by the project.)

II. Focus on business, the industry. Do not try to circumvent the NTAE business or "deal" chain nor produce organizations or processes that can not function competitively in the long run (not subsidized).

III. When searching for start-up organizations, or organizations which can be used as development engines, USAID should change its conception of sustainability. Most of the activities which are important for promoting development are not sustainable without subsidy. Rather USAID should look for organizations which serve the industry from

which USAID could buy additional modules of service for the development process recognizing USAID will have to cover the full costs. This is best done if the recipient organizations structure the delivery of services so that the development components are kept separate from their core, sustainable activities, so that the withdrawal of USAID funds leads to a more reasonable reversion to sustainable activities than has been witnessed in most C.A. countries.

Central Sustainable Activities

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Service and Activity Modules to be Purchased

- complete cost + operating costs + profits
- separate accounting
- contracts of personnel tied to the life of the project
- returns to original size when the project is over
- purchase modules of development activity
- forget self-sufficiency in these modules
- create value of membership (member are the OWNERS of their own organization)
- PERMANENCE of certain modules (public value)

Regarding the last point, there are activities that are of sufficient public value (information systems for instance), but which are not financially self sustaining, that a systemic approach to NTAE development could include consideration of how to subsidize these activities in perpetuity such as by earmarked endowment.

- IV. Maintain 15 year vision (most USAID programs are developed with too short a view of the future.
- V. Don't mix groups in programs, for NTAE the largest independent modules should be managed by separate groups, for example there should be a separate focus on coops, entrepreneurs etc. The kinds of implementation strategies are so different for helping cooperatives, as opposed to poor private farmers, as opposed to resource capable farmers, that mixing them in the same project presents serious implementation problems. However, multiple projects should have close coordination to take advantage of TA expert visits, training sessions, etc.
- VI. Base the program on results, not processes. People go into business to make a

profit. USAID should build a program that similarly motivates the implementing parties to succeed. Most USAID programs are built on process: "An organization has been established therefore we have succeeded" or "We have trained so many thousand participants, therefore we have met our objectives." In fact, it would be better to tie the definition of success and the concomitant remuneration based on how profitable the NTAE activity turned out to be, or how much volume was actually exported, or some other measure of real and profitable economic outcome.

- VII. Avoid managing details, or over-managing. Many USAID NTAE projects falter because of the USAID management system whereby the project spends inordinate amounts of time responding to USAID instead of responding to the problems of NTAE development. Organizations are forced to make USAID the primary object of their activities, instead of focusing on growers or other players in the business.
- VII. Monitoring and evaluation should be separate from the project but be concurrent and continuing activities. Any project which has to accomplish development and at the same time measure its own performance in anyway other than normal activity reports, will spend time and resources on the monitoring and evaluation process that could have better been spent on doing the things that are supposed to be monitored.

Salvadoran Organizations' Rebuttal and Evaluation of Roles They Could Play In NTAE Development

TECHNOSERVE

The information presented by Technoserve is also included in Annex B.

As expressed in their NTAE Triangle, Technoserve includes all the elements: government, policies, institutions, exporters, and producers. As institutions within this framework which provide credit, banks are simply used to providing loans for products which are better known than NTAEs. Producers should collaborate to have better control of all of the elements at their level by creating the Consejo Nacional de Exportadores (CONAPROEX). These elements include: land, capital, irrigation, products, controls, and transportation.

Representatives from TECHNOSERVE stressed the importance of creating an "export culture". CONAPROEX would help to create this culture. The council would be a special effort allowing poor people to participate; it would be self-sufficient as it would receive a certain percentage of all exports from El Salvador.

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The role of TECHNOSERVE is to work with cooperatives. That is the area of their experience and a their basis for helping to create an "export culture". During the workshop, several examples were discussed regarding ways that A.I.D. projects can interfere with the NTAE system by creating a temporary, artificial element which acts as an interruption since the system is damaged when the element is removed. None of the TECHNOSERVE activities would be considered as an interruption since the training and knowledge they provide stays in the country. They work with local entities that will all remain in the country.

CLUSA

CLUSA would disagree that the conditions necessary for NTAEs do not exist in El Salvador given that there is another whole set of variables to be considered. However, there are both positive and negative examples of NTAE development in the country. In terms of credit, the situation is changing. Access is improving as part of the process of people working in NTAEs. On the other hand, there are currently five processing plants closed for various reasons in El Salvador.

CLUSA suggests that the most important question to be answered is, "Why haven't people, businessmen, technical teams been able to get these products off the ground?" "Is there an underlying reason?" CLUSA has developed its own strategies and guidelines designed to define their role and their attempt to respond to these questions. (See Annex D).

One of the primary tasks is to change the mentality of producers so that they can adapt to changing requirements while taking advantages of past experiences in Central America. Many producers in El Salvador think that they have to grow certain products because it's become a habit, even when those products are going downhill. They have to be given alternatives and they have to be shown that the larger picture, that they are businessmen as well as agriculturists. They must realize that they should be trying to meet the present demands in the country.

Other objectives revolve around trying to change current relations among key players and trying to soften sore spots. Cooperatives and small producers should try to see themselves as private agrarian businesses. CLUSA is attempting to change the general outlook.

Focus should be on the development of a business based primarily on its personnel which can carry out projects.

Prior to the presentation by FUSADES a discussion resulted regarding the processing plants that are currently not functioning. It is important to understand the reasons why these plants have closed. Why is it that they were intended to process cantaloupe and

now production is not sufficient. What type of business or financial problems did Quality Foods and other companies experience?

An important note was made that the focus should be on regional capacity, not national.

FUSADES points out that the question that needs to be asked is, "Why aren't these companies doing anything to acquire other products to work with?" "Why don't these types of companies have the necessary vision to consider what would happen if a single product goes downhill?"

Comment: Would it be feasible, considering the newly open borders for EL Salvador to have regional processing sites?

Comment: TACA has announced plans to build a cold room at the airport.

Comment: PROEXPORT might serve as an organization to promote NTAEs and to represent producers and their needs for greater infrastructure, etc.

Comment: NTAEs are not really represented in PROEXPORT. The organization is more focused on the legal or business aspects of agriculture (such as registries and paperwork) than agriculture itself.

Comment: Nevertheless, it may be a point of departure for an organization of exporters and begin to assume additional responsibilities.

Comment: There are series of elements of a social and political nature which do not seem to work for the small producer.

FUSADES

NTAE crops can not be adequately controlled by weekend farmers, like traditional crops are, they are too intensive.

Many lands available for NTAEs in El Salvador have been transferred for other purposes by companies who lacked the business capacity to develop them. El Salvador is in need of REAL agricultural training.

FUSADES points out the existence of two apparently separate aspects which are being discussed in the workshop:

1. The need for modules of a temporary nature.
2. The fact that the promotion of NTAEs is a never-ending task.

These aspects seem to be incompatible.

FUSADES also considers its role as collaborators in the creation of the previously mentioned "export culture". However, they emphasize that their role must be a proactive one given that people are not yet aware of what they are lacking. FUSADES feels it must involve itself in areas where the private sector heretofore has not been interested and to act as a catalyst.

FUSADES does not see the possibility of achieving a major impact with a few manzanas of raspberries. They are considering the promotion of certain crops which easily lend themselves to large land extensions, particularly grains for oils since they have determined there is a lack of oils in the region.

Comment: FUSADES should look into vernonia as it seems to be developing into a profitable option for the region.

In response to the question, "Why haven't these products taken off?" FUSADES points out that the previously mentioned limitations, are broader than they seem. There are certain legal reasons, but it is important to consider that politically and economically, El Salvador has received one blow after another. Products that have gone downhill in other Central American countries have been particularly damaging in El Salvador (i.e. coffee, cotton, sugar). Most of the NTAE crops are unknown and need to be demonstrated to producers, hence their poles of development.

In terms of their role, FUSADES does not see any conflict between the services that each organization can offer. FUSADES would not like to see the creation of another organization to coordinate the roles of the organizations already in existence.

They propose solutions like participating in joint ventures for NTAE projects and pulling out once the project is solidly established, and coordinating with other groups to join efforts and avoid duplication of effort.

A discussion of pineapple, as a specific project ensued. On the one hand, FUSADES feels it has a lead on a specific market opportunity. On the other hand, the PROEXAG team worries that this market opportunity is not real. While the opinions were many and varied, it was agreed that everyone hopes FUSADES succeeds.

PROEXANT

Before closing the workshop, participants were treated to a presentation by Marco Peñaherrera, General Manager of PROEXANT, a NTAE promotion organization in

Ecuador which has experienced considerable success. Mr. Peñaherrera provided background information on PROEXANT. He discussed the activities that PROEXANT since the beginning of the project, describing their significant success level in increasing export totals, products exported, and jobs created. He discussed the types of products Ecuador has been exporting and the types of projects they have entered into to make PROEXANT self-sufficient when USAID project funds are terminated.

Director Costello gave the closing remarks to the conference.

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