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AGRICULTURAL
COOPERATIVE
DEVELOPMENT
INTERNATIONAL

acdi

Developing Farmer Cooperatives and Farm Credit Systems Overseas

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Executive Committee



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Dixie L. Riddle



Vice Chairman
Robert W. Bryan

Chairman
Dixie L. Riddle
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CENEX

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Agricultural Cooperative Development International

Central Support Activities

A. Activities under Support Grant AID/SOD/PDC-0330-G-SS-6050

For ACDI, 1986 was a year of major changes and of preparation for more, necessitated by the shrinking availability of funds for overseas economic development. ACDI ably responded to this challenge by doing more with less, by providing more person-months of technical assistance overseas even though total income decreased.

As shown in the bar charts on page 6, total funding of ACDI in 1986 decreased to \$5.8 million. In spite of this reduction, ACDI fielded 414 person-months of technical assistance on overseas projects, a slight increase over the preceding year. This was achieved even though the Agency for International Development (AID) reduced its central support grant to ACDI by 5 percent. Further reductions in this grant are scheduled for 1987 and 1988. To offset this first-time-ever decrease in its core grant, ACDI filed for and received approval of an increase in its indirect cost rate charged to projects.

Another major change occurred in July when ACDI moved into new quarters along with its affiliated organizations, the National Council of Farmer Cooperatives (NCFC), The Farm Credit Council (FCC) and the American Institute of Cooperation (AIC). It is expected that bringing together this "extended family" of organizations representing the U.S. agricultural cooperatives will have a synergistic effect on the capabilities of each organization.

It was also a year of transition in ACDI's management structure. It was the last full year for Donald Thomas as president and chief executive officer before retiring at age 65. It was the first full year for Ronnie Gollehon as executive vice president. Dr. Lee Rosner became director of training in mid-year. At year-end, Donald Crane advanced to executive director of program support in order to consolidate



DONALD H. THOMAS
President

the accounting, administration and technical service functions more effectively.

Thus, by the end of 1986, ACDI had positioned itself to continue providing high quality, cost effective technical assistance and training for the development of agricultural cooperatives, farm credit systems and related agribusiness projects within the realities of less available funding.

ACDI's ability to obtain new projects and to develop innovative approaches and improvements in all phases of its operations reflects credit on all its personnel and particularly on its project officers. Activities of the headquarters staff include the following:

- Identification and analysis of projects
- Development of project proposals, including initial recruitment
- Negotiation of project contracts and grants
- Orientation, placement, support and supervision of personnel assigned to country projects
- Review and evaluation of project activity and assistance in resolving problems impeding progress
- Arrangement of training assistance and provision of orientation to host country cooperative personnel studying U.S. cooperatives and farm credit banks

- Design and execution of appropriate workshops in the developing countries
- Participation in appropriate national and international conferences and seminars
- Stimulation of support for assistance to less developed country (LDC) cooperatives and farm credit systems by U.S. agricultural cooperatives
- Procurement of project equipment, supplies and publications
- Provision of financial management and administrative support for the entire enterprise.

Placement and Support of Field Personnel

During 1986, ACDI began major new projects or work in the West Bank and Gaza, Turkey, Burma and the Philippines. Ongoing projects were extended or expanded in Uganda, Egypt, Tonga and Guatemala, while long-term contracts ended in Bolivia, Honduras, Jamaica and Tanzania.

ACDI placed 13 persons on new long-term assignments in overseas projects during the year, while bringing home 10 persons who completed their contracts. Thus, at year-end, ACDI had 28 persons serving in long-term positions overseas, not including personnel hired locally. In addition, ACDI filled more than 50 short-term consultancies during 1986. New team leaders employed by ACDI in 1986 were Donald Hovendick in the West Bank and Gaza, Richard Perry in Burma, and Richard Neis in Turkey.

In total, as shown in the chart on page 6, ACDI technicians served 414 person-months overseas in 1986. This number does not include project visits or project development efforts by headquarters personnel nor does it include project personnel hired locally which, if included, would easily bring ACDI's overseas input to well over 500 person-months.

Training

During the last three years, the majority of ACDI's participant training programs in the U.S. have been components of its technical assistance projects. In 1986, fewer projects, with

less emphasis on U.S. training, called for retargeting.

In an effort to adapt to these changing conditions, the ACIDI training department began offering custom-designed training programs to individuals sponsored by other organizations.

Most programs include three parts: 1) classroom study, 2) on-the-job training at ACIDI member cooperatives and farm credit banks, and other agribusinesses, and 3) homestays with cooperative member farm families.

This new endeavor has been successful. In 1986, 50 participants from 15 developing countries completed short-term technical training, totaling 1,328 person-days. Of these, 20 did not come from ACIDI projects. The U.S. Department of Agriculture Office of International Cooperation and Development contracted ACIDI to design and conduct the Small Farmer Credit Policy and Administration course. In addition, a major AID contract was awarded to a consortium of which ACIDI is a member. The consortium, comprising ACIDI, the Academy for Educational Development, the American Association of Community and Junior Colleges and the Center for Applied Linguistics, was granted a contract under the AID Central American Peace Scholarship (CAPS) Honduras program. During the five-year project, ACIDI will schedule on-the-job training



RON G. GOLLEHON
Executive Vice President

at member organizations and home-stay placements with cooperative member farm families for academic participants.

Two ACIDI-sponsored, long-term academic participants, one from Kenya and the other from Uganda, graduated with bachelor's degrees and returned to key positions in their home countries. Their training was a component of ACIDI technical assistance projects.

In 1986, eight ACIDI member organizations provided 138 person-days of participant training. Members donating

substantial assistance included CENEX, CF Industries, Farm Credit Services of St. Paul, the Farm Credit Banks of Springfield, Land O'Lakes, Southern States Cooperative and Sunkist Growers.

The Farm Credit Administration, Farmers Home Administration, Agricultural Cooperative Service, University Center for Cooperatives, World Council of Credit Unions and Credit Union National Association assisted with orientations about U.S. agricultural cooperatives, finance and credit.

Coordination with Other Development Agencies

ACIDI actively participates in exchanges of information with other development agencies and international cooperative organizations. ACIDI is a dues-paying member of the Society for International Development, the International Development Conference, the Organization of Cooperatives of the Americas, World Food Day, and the National Council of Returned Peace Corps Volunteers. ACIDI also maintains ongoing relations with many international organizations such as the Inter-American Society for the Development of Cooperative Financing (SIDEF-COOP), the Food and Agriculture Organization of the United Nations (FAO), the Joint Committee for the Promotion of Aid to Cooperatives



LEE ROSNER, left, director of training and DOUGLAS E. PETRIE, deputy director of training.



From left: YOLANDA HAUGLAND, assistant systems administrator, UMESH MALLY, executive assistant and KATHLEEN CARLEY, administrative assistant.



From left: TSEGAY BERTHE, accountant; RENE SEGARS, bookkeeper and ISKANDER I. IBRAHIM, director of finance.



From left: THANDI BERGFALK, director of trade and economics; DALE J. KEY, deputy director of technical services; SUSAN WEXLER, trade and economics specialist; DONALD R. CRANE, director of technical services and GAIL CARTER, management information specialist.

(COPAC), the Plunkett Foundation, the International Federation of Agricultural Producers (IFAP), the International Labor Organization training center at Turin, and others.

Publications

ACDI's quarterly *News of Cooperative Development* is sent to interested individuals and organizations throughout the world. ACDI project reports, evaluations, feasibility and country studies are sent to AID's Development Information Unit for input into its computer system as well as to other concerned AID offices and missions.

In 1986, *The Washington Cooperator*, a bi-monthly publication, was launched by the four affiliated organizations. ACDI's Director of Information and Editor Suzanne M. Rucker contributes to the newsletter and is responsible for the production of a joint annual report as well as ACDI's annual report. The two joint publications represent the first effort of consolidating functions among the four affiliates by establishing a communications group comprising editors and communications personnel of the affiliate organizations.

Suzanne Rucker is an active member of the Cooperative Communicators Association as well as the communications subcommittee of the Cooperative Resources Committee.

Relations with U.S. Cooperatives

ACDI gained two new cooperative members during 1986. The Farm Credit Banks of Jackson and Harvest States Cooperatives. Their representatives on the ACDI board of directors are James Toit and Edward Ellison respectively.

In January, at the annual meeting of the National Council of Farmer Cooperatives, ACDI held a breakfast meeting for 160 U.S. cooperative leaders. The principal speaker was AID Assistant Administrator Julia Chang Bloch.

At ACDI's annual meeting in May, approximately 100 persons from member cooperatives, other cooperative organizations and AID attended the dinner meeting which was addressed by Senator Richard Lugar, chairman of the Senate Foreign Relations Committee.

In August, at the National Institute on Cooperative Education sponsored by the American Institute of Cooperation, ACDI hosted the international luncheon attended by some 250 cooperative leaders and young farmers from throughout the country. The luncheon speaker was Philippine Ambassador Emmanuel Pelaez. This function was held at the University of Tennessee.

In November, ACDI hosted some of its member cooperatives at the 25th anniversary commemoration of AID and international cooperative development held at the University of Minnesota.

In these and other ways throughout the year, ACDI continued to emphasize development education of the American public and to interest cooperatives in supporting the overseas development role of AID by direct assistance through ACDI.

B. ACDI Cooperative Development Fund

Contributions to the Fund

Despite the depressed state of U.S. agriculture, cash contributions to the ACDI Development Fund by members and individuals amounted to over \$68,500 in 1986. ACDI members and friends have contributed nearly \$2 million to ACDI and its sister organization, Cooperative Fertilizers International from 1968 through 1986, for use in assisting farmers and their cooperatives in Africa, Asia and Latin America.

Utilization of the Fund

In 1986, disbursements from ACIDI's Development Fund totaled \$48,700. ACIDI continued its support of Volunteers in Overseas Cooperative Assistance (VOCA) with \$17,000. The grant supplements AID support which allows VOCA to pay travel and related expenses for volunteers on short-term assignments in developing countries. ACIDI's Asia and Pacific regional office also received support in the amount of \$16,138.

In the Philippines, ACIDI responded to a request by a Peace Corps Volunteer for a contribution of \$2,500 for the purchase of a personal computer to serve the Cooperative Bank and the Area Marketing Cooperative in Iloilo. This is reported to be the first computer use in the Philippine agricultural cooperative movement. Another \$5,000 was spent helping the Cooperativa de Ganaderos de Cotopaxi, a farm supply cooperative in Ecuador, to computerize some of its functions.

A Philippine cooperative leader was provided \$600 from the Development Fund to partially cover U.S. travel expenses incurred while observing cooperative operations in the U.S.

Other expenditures included \$5,948 to cover travel and other expenses for ACIDI consultant Bartlett Harvey while on an assignment to evaluate the needs of the ACIDI-designed Ugandan Rural Economic Recovery project. A contribution of \$1,000 covered part of the cost of a visit to ACIDI member CENEX by the managing director of the Farmers Cooperative Ltd. of Zimbabwe. This visit evolved from an assignment for VOCA by former ACIDI board member Roy Wiebe to Zimbabwe, where he initiated a "sister cooperative" relationship between FCL and CENEX.

Any use of the Development Fund can be made only with the specific approval of the ACIDI Executive Committee.



From left: MAURICIO DELGADO, project assistant; JERRY S. LEWIS, project officer for Asia, Near East and Pacific; MARY PECAUT, project assistant; ROWLAND THURLOW, project officer for Africa and Caribbean, and ROBERT C. FLICK, project officer for Latin America.



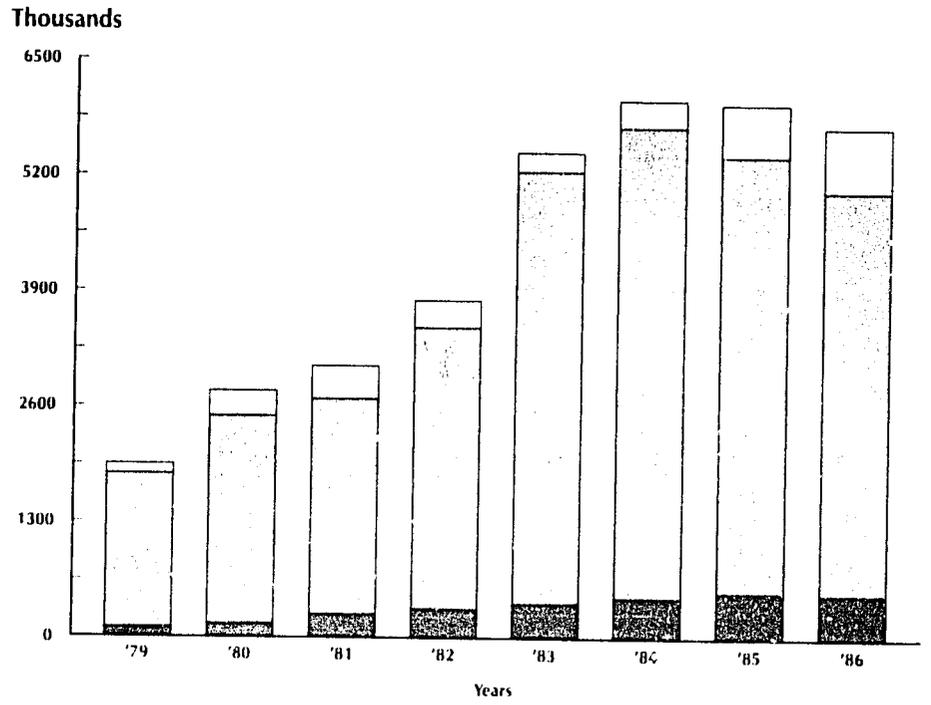
From left: MANNA GIRMA, resource assistant; GAIL TAPSCOTT, secretary and KATIE MILLOY, secretary.



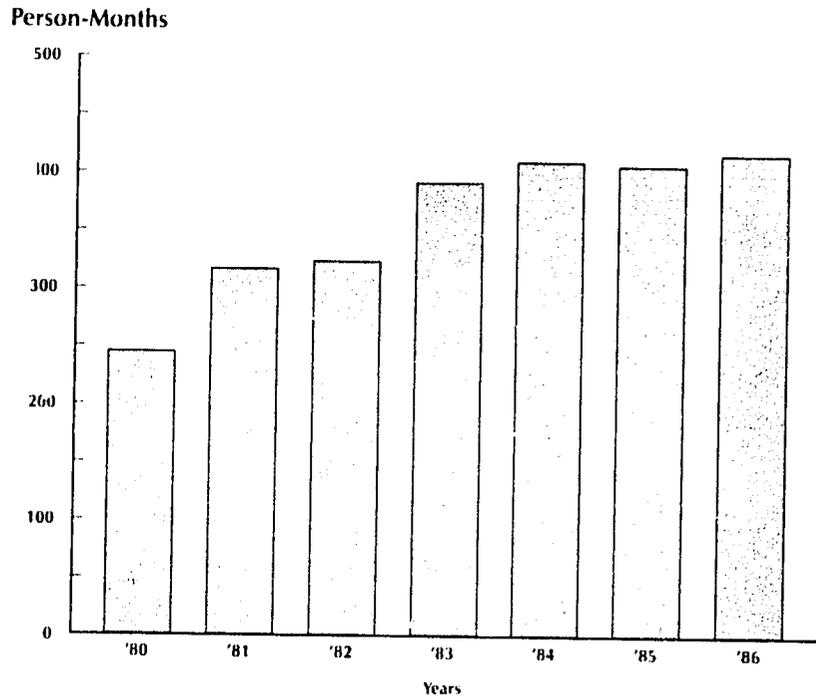
*SUZANNE M. RUCKER
Director of Information*

Sources of Funding for ACDI Programs (Dollars)

-  Other Sources (IBRD, IDB, FAO, ACDI)
-  AID-Financed Overseas Projects
-  AID Central Support Grant



Person-Months Served Overseas by ACDI Cooperative Technicians



Non-Project Studies

During 1986 ACIDI was assigned nine brief studies and reports outside the framework of the ongoing, long-term projects. Most of these involved a person-month or less of work, although the Asian study of women in development took most of the summer. Brief notes are given on these studies in chronological order.

Grenada - Cocoa Association

Thomas Carr responded to an assignment from the AID Regional Development Office Caribbean to analyze the financial implications of a proposed merger of the Grenadian Cocoa Association and the managing board of the Cocoa Rehabilitation Project. He prepared detailed financial analyses of organizational alternatives, recommended training for the boards in business finance, and recommended ways that farmer control of the operation could be achieved.

Ecuador – Farm Supply Cooperative

In January Loren Fennell, development evaluation specialist, went to Ecuador to analyze the market study and five-year development plan prepared by an Ecuadorian consulting firm for COORSA, the supply cooperative created by the Chamber of Agriculture. He advised COORSA on the validity and usefulness of the study, worked with COORSA and the consultants on strategies for plan implementation and prepared an OPG proposal for AID assistance to COORSA to carry out the plan.

El Salvador – Technical Assistance to Land Reform Beneficiaries

USAID/El Salvador requested David Fledderjohn, ACIDI regional cooperative representative, to assist a mission evaluation project design team to review technical assistance delivery to land reform beneficiaries by various AID-supported efforts. He helped analyze the short- and long-term needs for such assistance, and recommended through what channels USAID could

support it with the least creation of dependence on lasting support.

Ecuador – Coffee Cooperative Federation

At the request of USAID/Ecuador, Robert Flick, Latin America project officer, spent a month working as a member of a project design team at the mission. He appraised the administrative and institutional capability of FEN-ACAFE, the coffee cooperative federation, and its affiliated cooperatives to identify marketing and other constraints on their development. He recommended provision of substantial financial and management technical assistance and consolidation of the small, village member cooperatives into viable, large regional unions.

Asian Development Bank – Women in Development

The Asian Development Bank (ADB) requested ACIDI to provide an expert to analyze several of their housing and urban development projects with a view to integration of women and gender considerations into the design and implementation of such projects. This was part of an ADB effort to prepare guidelines for the improved integration of women into all sectors of bank activity. Pauline Milone, sociologist, undertook this task. She found that the ADB projects neglected many special factors needed to provide equitable treatment for women's needs. She prepared a comprehensive set of guidelines for the design and implementation of housing and rural development projects, illustrated by abundant reference to the successes and failures of comparable projects in many developing countries.

Costa Rica – Northern Zone Export Development

USAID/Costa Rica requested the assistance of David Fledderjohn, ACIDI Latin America representative, for most of September. He analyzed the possibility of developing production, processing and marketing of export crops in the northern part of the country through small farmer groups. Such development would build on USAID's

Northern Zone Infrastructure Development project in the same area. Fledderjohn recommended substantial improvement in agricultural production practices. Improvement in infrastructure would still be needed prior to attempting to organize cooperatives or other farmer-owned agribusinesses in the region.

Belize – Dairy Cooperative

Jane Tomlinson, former ACIDI associate project officer for the Caribbean, spent most of September in Belize at the request of the USAID mission. She worked with the Macal Dairy Cooperative to prepare a plan enabling the cooperative to consolidate its milk processing capacity and improve member services, marketing activities and develop market product diversity. Tomlinson prepared a project proposal and draft cooperative agreement in which the development would be substantially supported by U.S. surplus commodities. The mission has not yet acted on the proposal.

Peru – National Agrarian Organization

USAID/Peru contracted with ACIDI to provide two experts, in agricultural cooperatives and in U.S. farmer organizations, to analyze the status, prospects and relationships of ONA, the Peruvian National Agrarian Organization and regional farmer organizations. ACIDI's David Fledderjohn and Dale Butz of the Illinois Farm Bureau fulfilled this assignment. They provided ONA management with development strategy recommendations and the USAID mission with suggestions for future project activities. Fledderjohn returned in January to lead a workshop for farmer leaders on carrying out the strategy.

Honduras – UNIOCOOP Computer Installation

Dale Key, ACIDI computer specialist, made a second trip to Honduras in the fall to oversee the installation of five computers provided to UNIOCOOP, the ACIDI-assisted cooperative federation, and its member cooperatives, and to provide initial training to the staff on use of the equipment.

SDACSIT Study

Turkey

Personnel

Richard A. Neis, Planning Specialist
(Chief of Party)
Mac Whitsitt, Credit Specialist

Consultants

Bartlett Harvey, Human Resource
Development Specialist
Lee Rosner, Training Specialist

In June 1986, ACDI undertook a six-month Study for the Development of the Agricultural Credit Cooperative System in Turkey (SDACSIT) under a contract with the State Planning Organization of the Government of Turkey. This World Bank-funded project was successfully completed by advisers Neis and Whitsitt, with short-term assistance from consultants Harvey and Rosner. Further assistance in executing the study was provided by International Consultancy Service Co., Ltd. (INTERCO) of Ankara which furnished a team of six local specialists and whose chairman, Ahmet Akdogan, also served as technical coordinator.

One of the two objectives was to make an in-depth evaluation of the agricultural credit cooperative system in Turkey with emphasis on its performance during the past five years. The second was to identify major weaknesses in the system and to devise a comprehensive five-year plan to strengthen the system and expand its financial intermediary capabilities to serve the farmers of Turkey. The plan also would include a detailed, integrated implementation program.

The agricultural credit cooperative system in Turkey has existed some 50 years in its present form. It currently consists of an apex central union, 16 regional unions and 2,307 local credit cooperatives in a federated structure. The system's membership includes about 1,500,000 farm families or about 36 percent of the total. The system provides about 22 percent of the loans to the farmers of Turkey and is virtually



Board of Directors of the Regional Union of Agricultural Credit Cooperatives in Mersin. Dick Neis, ACDI team leader and credit specialist is at front right, and Ahmet Akdogan, chairman of INTERCO, the Turkish subcontractor, is second from right, back row.



Shown in front of a local ag credit coop is a wagon manufactured in the farm machinery factory owned by the Central Union of Agricultural Credit Cooperatives.

the only source of institutional credit for small farmers. It also furnishes about 25 percent of the total fertilizer requirements of Turkey's farmers, 10 percent of their agricultural chemicals and 50 percent of their small farm implements and machinery. Turkey is a net exporter of food and food products and the agricultural sector contributes substantially to the country's balance of payments. Thus, the system is a very important element in the country's agricultural sector as well as its overall economy.

The agricultural credit cooperative system in Turkey was found to be relatively well-structured and in a very strong financial condition, as a whole. Therefore, it has a sound basis upon which to build. However, it was also found that due to past management practices, the system has not been allowed to develop and grow, skill levels are relatively low and a number of inefficiencies exist.

The primary recommendations of the study team included expanding the system's scope of lending (initially on a pilot basis), major strengthening of the loan administration techniques and practices, and reinforcement of management information. Further recommended are application of internal and external controls, and appropriate upgrading of personnel and training to implement the new procedures as well as to improve skill levels.

The SDACSIT project was completed in December 1986 and its recommendations are currently being studied by the Turkish government and the country's cooperative leaders to determine the scope and timing of a major institutional development project.

International Trade Information System

USDA Research
Agreement No. 58-3/31-4-0007

Personnel

C. Thandi Bergfalk, Deputy Director of Trade and Economics
Susan D. Wexler, Trade and Economics Specialist

Background

The International Trade Information System (ITIS) was conceived in September 1984 as a means for providing historical trade data to cooperative exporters. ACIDI has assumed responsibility for project supervision, management and staffing, while the National Council of Farmer Cooperatives is furnishing advisory services, electronic equipment and office space. Financial support has been provided jointly by the Agricultural Cooperative Service of the U.S. Department of Agriculture, the National Council of Farmer Cooperatives and the Central Bank for Cooperatives. Guidance for the direction of the project has come from all three organizations.

Once the development phase of the ITIS project was completed in March 1986, the next phase was creation of a distribution mechanism that would

allow cooperatives all over the country to access the information. AgriData Resources, Inc. was selected as the carrier for the ITIS database. In the course of negotiations, a plan was developed to also create a Cooperative Communications Network, CO-OP NETSM, to be delivered through the AgriData system in addition to distributing the ITIS database. This combined approach will best assure the financial viability of the ITIS project in the long run, while also bringing new electronic communication and information retrieval capabilities to American cooperatives. The Agricultural Cooperative Service of USDA extended the project grant in September 1986 to contribute a share of the expenses of the project through December 31, 1987.

The goals of the ITIS Project are:

- To maintain the International Trade Information System and distribute it through AgriData, expanding and modifying the database in response to cooperative needs
- To create and maintain CO-OP NET for cooperatives, offering communication and legislative and news information
- To provide user materials and support to cooperatives using CO-OP NET and the ITIS database.

Project Progress

The development phase for the ITIS database was completed in March of

1986, with all historical data collected and loaded into the database. Since that time, work has continued on maintenance, expansion, and further programming for the transfer of fixed format tables to AgriData. In December 1986 the first part of ITIS, statistics on the current fiscal year of USDA's food assistance and credit assistance programs for exporting agricultural commodities, was successfully transferred to AgriData and is now updated regularly on that system. The remaining data will be transferred during the first half of 1987.

The process of setting up CO-OP NET, the communications and information network for cooperatives, is continuing. About 50 different legislative reports are now available from the National Council of Farmer Cooperatives and many others are in the planning stage from various sources, including the American Institute of Cooperation and USDA's Agricultural Cooperative Service. A core of 35 cooperatives are participating in a six-month trial period for the network, testing the electronic communications and usefulness of the information available. The effort to inform other cooperatives about the service and to encourage them to subscribe will continue next year. User guides and indexes have also been developed and distributed.

Regional Cooperative Representative for Latin America

(AID Contract No.
520-0000-C-00-5005-00)

Personnel

David C. Fledderjohn

Background

For five years, ACIDI has maintained a resident adviser and representative in Latin America as a resource for cooperatives and related rural development.

Responding mainly to initiatives of USAID missions, ongoing ACIDI projects and cooperative institutions, David Fledderjohn initially performed assignments under individual contracts and provisions of the central support grant and contributions by ACIDI. During the past two years, Fledderjohn's travel has been reduced as a result of time sharing agreements with the AID Mission to Guatemala. During 1986, he worked half time in Guatemala and the remainder on consulting assignments in five Latin American countries.

Activities

GUATEMALA

In anticipation of expanded and diversified projects of rural development, the AID mission has utilized the services of the representative extensively for office and field assignments in Guatemala where he has resided for the past 16 years. Evaluation of ongoing work, research and documentation for planned projects, general staff work of the mission and a major assignment in the design of a project for strengthening the cooperative sector, comprised the majority of work performed. Contacts were maintained with cooperative in-

stitutions with which ACDI has worked previously, particularly those which are recovering from the effects of the political violence of recent years and struggling under adverse economic circumstances facing agriculture worldwide.

PANAMA

At the invitation of the AID mission, the Panamanian government and the ACDI project team, the representative dedicated several weeks during the year principally to alleviate problems encountered in the design and implementation of the agricultural cooperative marketing activity. The agricultural cooperative federation was examined and plans laid to analyze its true financial position while it continues reduced operations under government receivership. Possible alternative courses of action were discussed with management and leadership as a first step in finding solutions to acute problems in the cooperative system.

Problems with the credit portion of the marketing activity received primary attention at mid-year. Private and public banks were consulted for solutions and serious consideration was given to

radical changes in the project's documentation and design. Within a few months, most of the problems with loan applications and handling were overcome and the cooperatives were able to make investments for expanded and innovative marketing activities as originally planned.

COSTA RICA

The representative undertook a field assessment of the progress and status of a program of land settlement, community organizations and supporting services provided to settlers under an AID project in the northern border sector of the country. Problems and obstacles encountered to date as well as future opportunities for expansion of activities were subjects of discussions with mission officials and a report.

EL SALVADOR

In a brief assignment, the representative participated in a team of consultants formed to prepare guidelines and plans for the continuation of AID support to beneficiaries and cooperatives of the agrarian reform. Of particular interest was the aspect of technical and extension services for farmers.

HONDURAS

Following a series of consultancies beginning with the project planning phase of several years ago, the representative assisted the ACDI project team in a projection and planning exercise focused on the role and operations of the cooperative union now functioning as the apex organization of cooperatives formed and assisted during the project. Organizational structure, services, affiliate relationships and growth perspectives were the subjects of principal attention.

PERU

The representative and ACDI consultant Dale Butz, during a short-term consultancy, assisted ONA (National Farmers Organization) of Peru in planning and expanding its representational and service capability. Field visits to commodity committees, sessions with directors, staff and AID mission officials provided material for a report and recommendations to several areas of possible strengthening of the organization's programs.

Regional Cooperative Representative for Asia and the Pacific

Personnel

Mark A. Van Steenwyk

Background

In 1984, ACDI opened its second regional office in Manila to serve the Asia and Pacific region. It was established to provide technical assistance to cooperatives, lending institutions and other government and private sector organizations and to help plan and implement interregional and U.S.-based training and exchange programs for Asian credit and cooperative leaders. The Asia and Pacific office assists other cooperative development organiza-

tions and serves as a liaison for U.S. agricultural cooperatives interested in promoting trade and establishing business contacts in the region.

Activities

During 1986, the representative maintained communications with several prominent cooperative development, financial and educational institutions in China, Korea, Malaysia, Nepal, the Philippines, Thailand, Fiji and India.

Trade Development

Trade development with U.S. cooperatives was promoted through participation in a five-day seminar on export development held in Suva, Fiji in May. This USAID-organized program was attended by 50 participants from 10 South Pacific countries. ACDI's display exhibit, entitled "Trading with U.S.

Co-ops," led to the identification of seven import/export opportunities for American cooperatives. Opportunities for American cooperatives interested in supplying the Philippine market with soybeans and dairy products also were explored.

Consulting Services

In early 1986, the regional representative conducted, under a cost-sharing agreement, a rural credit and cooperative systems assessment for USAID/Nepal. In June, he participated in the design of a cooperative project in Nepal for the Asian Development Bank (ADB). In December, USAID/Nepal again requested his services in reviewing the financial and management practices of a national agricultural bank.

Also in June, the regional office negotiated a two-month contract with the

ADB to furnish a consultant to assess gender issues affecting bank-financed urban development and housing projects.

Later in the year, USAID/Philippines contracted ACDI's regional office to conduct a comprehensive study of the country's cooperative movement. The contract calls for six months of consulting services by the representative over a one-year period.

Training

The representative participated in a number of training activities, including regional training and research consultation in agricultural banking held in Manila and organized by the Asian and Pacific Regional Agricultural Credit Association (APRACA). This meeting led to the formation of a sub-regional agricultural banking training center for six Southeast Asian countries. In December, the representative participated in a Philippine policy seminar in cooperative training sponsored by the International Labor Organization (ILO) and attended the biannual general assembly of APRACA in Kathmandu, Nepal. The meeting, attended by agricultural and cooperative bankers from 18 Asian and South Pacific countries, led to a new regional, two-year agricultural credit training program. ACDI has collaborated closely with APRACA on regional training activities since 1984.

Other

Through the regional office, ACDI's Development Fund provided a \$2,500 grant to a cooperative rural bank in the Philippines in response to its request for a microcomputer and appropriate software. A Peace Corps Volunteer is providing the technical and training support for this project.



Mark Van Steenwyk, ACDI's representative for Asia and the Pacific, second from right, attends the 6th General Assembly of the Asian and Pacific Regional Agricultural Credit Association (APRACA) in Kathmandu, Nepal, in December. Numerous other international development organizations were represented at the meeting.

Developing Cooperatives in the Chapare



Personnel

Steven D. Wiles, Credit and
Cooperative Organization Adviser

Background

The Chapare is an area of about one million acres of subtropical rain forest northeast of Cochabamba in the eastern foothills and valleys of the Andes. It is the center of coca production in Bolivia, a traditional, legal crop in that country. However, production has expanded enormously, replacing most other commercial agricultural production in the area for the simple reason that an acre of coca can net a farmer from \$5,000 to \$7,000 a year, mainly from the illegal cocaine trade, far more than he can obtain from any alternative.

The Governments of the U.S. and Bolivia have embarked on an ambitious program to destroy the cocaine processing laboratories and cut down

the illicit drug traffic, while reducing coca cultivation through the development of alternative crops and income opportunities. USAID is engaged in this latter effort, which includes the development of farmer service organizations and rural production enterprises.

Steve Wiles was heavily involved in the initial design of the economic and developmental aspects of this program, and since mid-1984 has been a key participant as adviser to the Bolivian national development organizations and the farmer organizations and local enterprises in the area. He has served as coordinator for other development specialists in the area, insofar as their work related to credit or community organizations in the Chapare. He also advised the Bank of Cochabamba in undertaking a credit program in the area despite the difficult conditions.

In his local work, he helped the "New Canaan" cooperative with a \$5,000 ACDI Development Fund grant to develop a honey production and marketing enterprise now providing supplemental income to over 150 members through beekeeping. He provided limited assistance to a large farmers' association which formed a multipurpose cooperative. The latter has, without external financing, established a substantial distribution of consumer goods and farm inputs, with firm plans to move on to transport, marketing, health services and housing. In addition, he stimulated the restoration of area tea production, assisted farmers to negotiate a timber marketing agreement with an enterprise to manufacture particle board, and assisted a number of other entrepreneurs with the preparation of bankable loan applications.

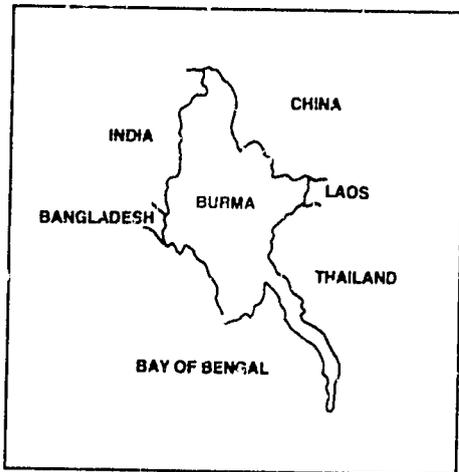
Project Progress

During the first months of 1986, Wiles continued his advisory work with the development organizations and the

cooperatives. He made contact with a newly organized farm service cooperative, "Santiago Carasco Tropical," and attempted to dissuade the bank from charging borrowers for loan analysis work which was already covered in their fee and interest rate margins on the use of PL-480 funds. The adviser also recommended that USAID request the return of PL-480 funds which had been granted to FENACRE, the savings and credit federation, over a year and a half before for assistance to the honey cooperative and on which there had been no performance.

Wiles returned to the Farmers Home Administration in June, when his leave of absence could no longer be extended. It cannot be said that his work was finished nor that the program had reached its goal of reducing coca production. Conditions in Bolivia of extreme inflation, political and economic disorganization, and the inherent difficulties of work in the jungle made short-term success too much to hope for. However, his presence added invaluable elements of realism and his direct work with farmers and their organizations made the program far more productive than it otherwise would have been.

Edible Oil Processing and Distribution



In 1985 USAID reached an agreement with the Burmese Ministry of Cooperatives on a project of technical and financial assistance to start the rehabilitation of the Burmese oil industry. The project is to upgrade the capability of four of the five cooperative machine shops in Burma and to rehabilitate 15 oil mills over a four-year period, incorporating improved oil processing technology, operating efficiency, sanitation and safety. In the process, Burmese mechanics, engineers, and administrators are to be trained in more effective modes of operation and in the metallurgy and manufacturing techniques needed to revise the mills. At the end of the project, an additional 30-45 plants will be in some phase of rehabilitation. About 60 percent of the mills assisted in this project will be cooperatively owned. The Burmese government plans to have a total of 400 mills rehabilitated by 1994. The project intends to leave behind a Burmese capability to carry on the rehabilitation effort.

Late in 1985, ACDI joined with EPE, Inc., an Ohio small business engineering firm whose officers had a long history of expertise in edible oil process-

ing, to undertake the USAID-funded project. Since it requires primarily technical expertise, EPE is providing the team leader, an oil processing specialist and one master mechanic, while ACDI is providing the second master mechanic, all consultants, management and training inputs, logistical and administrative support, and serving as prime contractor. Following extensive formalities, the contract was signed in

Personnel

Richard R. Perry, Oilseed Processing Specialist (Chief of Party)
Derrick R. Burgess, Master Mechanic
David A. Zaleski, Master Mechanic

Background

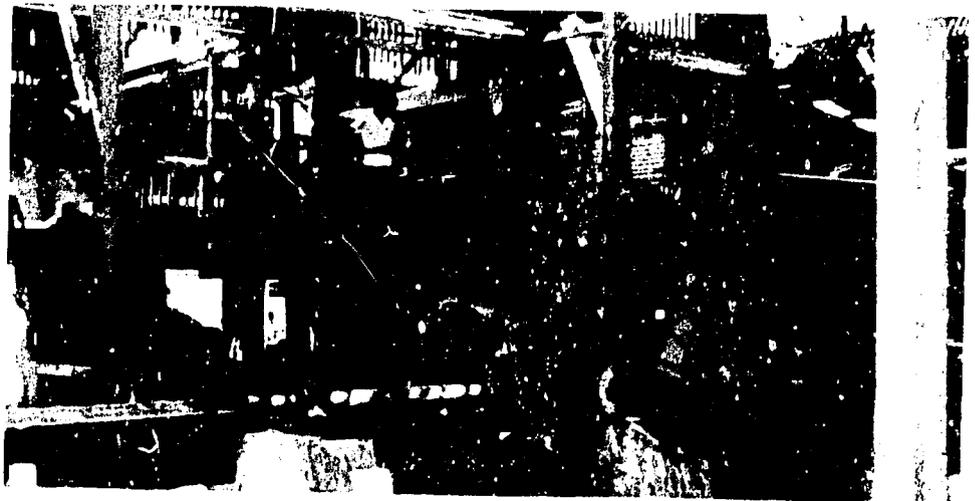
Burma, with 37 million people, is the most populous country in southeast Asia, and one of the poorest. It is self-sufficient in food, but per capita income is only about \$180 equivalent. After twenty years of self-imposed isolation, Burma is again carefully entertaining Western expertise.

Rice is the basic food but needs to be supplemented with fats and oils and proteins for proper nutrition. Sesame and peanuts are grown in abundance, together with some sunflower, and small edible oil processing mills are scattered throughout the country.

Most oil processing in Burma is done in a traditional Hsizone press, a huge conical mortar with a bullock continuously driving a heavy pestle inside it. In addition there are some 2,000 small continuous-exPELLER, cold press mills, an early 20th century technology, most of which are badly worn and operating inefficiently. Of these, 400 oil mills operate somewhat efficiently but their productivity could be significantly increased with moderate investment. Five regional cooperative machine shops carry out repairs and manufacture replacement parts for the private and the cooperative oil mills.



A typical steam boiler, which is an old locomotive boiler, being used by a new oil extraction mill in Sagaing, central Burma. The bamboo basket in foreground is used for carrying the sawdust fuel.



Screw presses driven by leather belts, one of about 2,000 such oilseed mills in Burma, most of which operate inefficiently. At upper left is Derrick Burgess, master mechanic on the ACDI/EPE team of specialists in Burma to help improve the operating capacity of existing plants.

August, and the team arrived in Burma in late October 1986.

Project Progress

In addition to the difficulties of settling into as exotic and complex an environment as could be found, the team was very busy during their first weeks, meeting the officials of the Ministry of Cooperatives and the leaders of the oil processing industry, visiting plants and machine shops, and planning project activities for the coming year. A project office is being established in Rangoon, as well as one in Mandalay, since much of the work will be concentrated in the central part of the country.

The team plans for this first year to renovate an existing mill into a model with the latest technology appropriate for Burma. It will include seed cleaning, dehulling, flaking, cooking and drying, oil expelling, filtering, refining and bottling, and cake grinding. All equipment will be designed and built by the team in cooperation with the chemical and mechanical engineers of the machine shop cooperatives, using local materials and craftsmanship, except for some motors and controls. They expect the model plant to be ready by the end of the year and to have at least tripled its former capacity. It will serve as a training center for the project, not only for processing techniques, but for sanitation, safety, quality control and distribution. All facets of construction and operation will be videotaped by a Burmese team for training purposes. The advisers are hard at work on a "pre-plan" incorporating drawings, technical papers and explanations of the innovations. This will be published in Burmese as the basis of an introductory propaganda campaign.

Training

The team has spent a good deal of time on the development of training plans. Six participants have been selected for long-term university training in the U.S. starting next fall, with six



The ACDI/EPE team of specialists on a field trip that included visits to a dozen oilseed processing mills in Burma. Second from left is Richard Perry, chief of party on the Edible Oilseed Processing and Distribution project. Fourth and fifth are team members Derrick Burgess and David Zaleski, followed by AID Project Officer Dennis Weller, Burma Fats/Oils Specialist Dr. Tun Aung Pru and Project Manager U Tin Win.



A new Hsize oil extractor mill, using a bullock-driven mortar and pestle. Most of the oil pressing in Burma is done in this traditional way.



Plate and frame filter of the Magwe plant, built in 1985. Prior to a visit by the ACDI/EPE team, this mill had never run at more than a fraction of its capacity. In just over a day, the team supervised a shutdown and, using proper start-up procedures, brought it back into operation at full capacity. It continues to run far better than at any time since its installation.

more to go in early 1988. Short-term training consists of 88 person-months of management training and 48 person-months of training in oil seed operations and machine shop skills. The latter will be accomplished through on-the-job training in corporations and cooperatives which operate extraction plants, or in computer maintenance training.

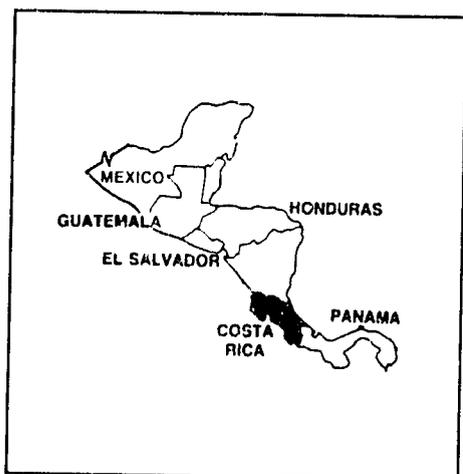
In addition, three sets of one-month observation tours are planned for each of the next three years, to Malaysia for an overview of oil milling and distribution systems, to Japan to study extraction techniques, and to West Germany to study expeller and parts manufacturing.

The project will also involve an extensive in-country training program, for

which agreement has been reached to use the resources of the related West German workshop project and the International Labor Organization (ILO) program.

The project is off to a fast start, but faces an enormous task under difficult circumstances. The team leader estimates that rebuilding the 15 oil mills will require 123 person-years of effort.

COSTA RICA PROJECTS—AN OVERVIEW



Background

Costa Rica is often referred to as the Switzerland of Central America. It is the region's oldest and most stable de-

mocracy. The military was abolished in 1948. Educational levels are relatively high, as are levels of health care and other social programs. Using a system featuring two major parties, elections are held on a regular basis, under traditions and procedures of fair play that are guarded like a national treasure. Costa Rica paid its own way for this social progress until the mid-1970s, being historically one of the richest coffee producers, a leading exporter of bananas, and exporting sugar, beef, horticultural products and seafood as well.

The USAID Mission was planning to phase out of Costa Rica in the mid-70s because of lesser need for assistance. But Costa Rica has no known petroleum resources and was hit by the double impact of escalating imported petroleum prices and falling prices for

its agricultural exports. The light manufacturing sector, which had grown to serve a growing domestic market, as well as neighboring countries under the Central American Common Market, found demand for its products greatly diminished. Government-backed industrial ventures, financed by all too available international borrowing, strained the federal budget and even the stability of the Central Bank. By the early 1980s, Costa Rica had a very high per-capita international debt and one of the highest per-capita levels of U.S. economic assistance. Given the significance of Costa Rica as one of the most democratic countries in Latin America, as well as its small size of three million inhabitants in an area the size of West Virginia, U.S. assistance to Costa Rica should be considered a good investment.

COSTA RICA (AID Project No. 515-0178) (Operational Program Grant)

Cooperative Banking Services

Personnel

Richard A. Neis, Management Adviser
(Chief of Party)

Background

In March 1983 USAID/Costa Rica provided ACIDI a grant to furnish three years of technical assistance and training to the newly established Banco Cooperativo Costarricense (BANCOCOOP). The bank had been provided with \$5 million equivalent of seed cap-

ital derived from the sale of U.S. surplus commodities under PL-480.

With the help of Richard Neis, former head of cooperative banking at the Farm Credit Banks of Springfield, Vinzenz Schmack, a former Bank of America financial expert residing in Costa Rica, and other consultants, BANCOCOOP enjoyed explosive growth and great success in its first years. Key

senior positions were filled and staff increased to 44. The directors and many of the senior staff came to the U.S. and Puerto Rico for training and orientation. Criteria and operating procedures for credit, accounting, international transactions and management information were developed and embodied in manuals. BANCOCOOP negotiated a \$6 million loan from the Inter-American Development Bank for cocoa rehabili-

tation, successfully launched its own short-term certificates on the San Jose financial market, and established backup lines of credit for its international business with two Panamanian banks. Loans outstanding at the end of 1985 totaled \$14.5 million, of which nearly half was medium-term investment and working capital loans to co-operatives. Delinquency was negligible, and BANCOOP was consistently rated by the Central Bank as among the soundest in Costa Rica.

Project Progress

Early in 1986 the project was extended for a year in order to use existing unused funds for additional training and consultation, but Financial Adviser Schmack ended his long-term work in the bank at the end of 1985 and Management Adviser Neis ended his in March 1986, as originally scheduled. ACDI had conducted an evaluation of BANCOOP operations in mid-1985 which resulted in a series of recommendations for further improvements. Neis spent his last months at the bank advising bank leadership of the importance of some of those recommenda-

tions and helping staff get started on their implementation. Improvements carried out by the bank during the year include:

- completion of a personnel policies and procedures manual
- development of job descriptions for most positions
- continued training of the credit staff on the basis of the operations manual
- revision of operations manual to comply with Central Bank and governmental regulations
- management making written mid-course policy adjustments based on quarterly reviews against annual budget
- a cooperative development and technical assistance unit being established and gradually strengthened
- weekly seminars held to keep staff up to date on credit policies and procedures
- improvements made in loan approval documentation
- annual lines of credit established for clients with frequent need of working capital loans
- loan follow-up made periodic and consistently recorded in the credit file

- loan classification guidelines being prepared
- quarterly reviews started of portions of the portfolio against risk classification guidelines
- a Costa Rican with loan administration experience engaged as consultant.

In addition, remaining project funds were used for several training programs during the year. Members of the board and five senior management personnel attended a two-week seminar on bank management in Miami put on by INCAE, the Central American management institute supported by Harvard Business School and USAID. The assistant manager spent a month attending a short course held by the International Management Training Institute in Brattleboro, Vermont, and in on-the-job training at the Springfield Farm Credit Banks. Two credit analysts were enabled by project funds to attend courses at Costa Rican universities.

BANCOOP has made excellent use of the assistance provided to it and is well on its way to sound continued growth as a bulwark of cooperative development in Costa Rica.

COSTA RICA (Operational Program Grant No. 515-0227)

Coffee Credit Project

Personnel

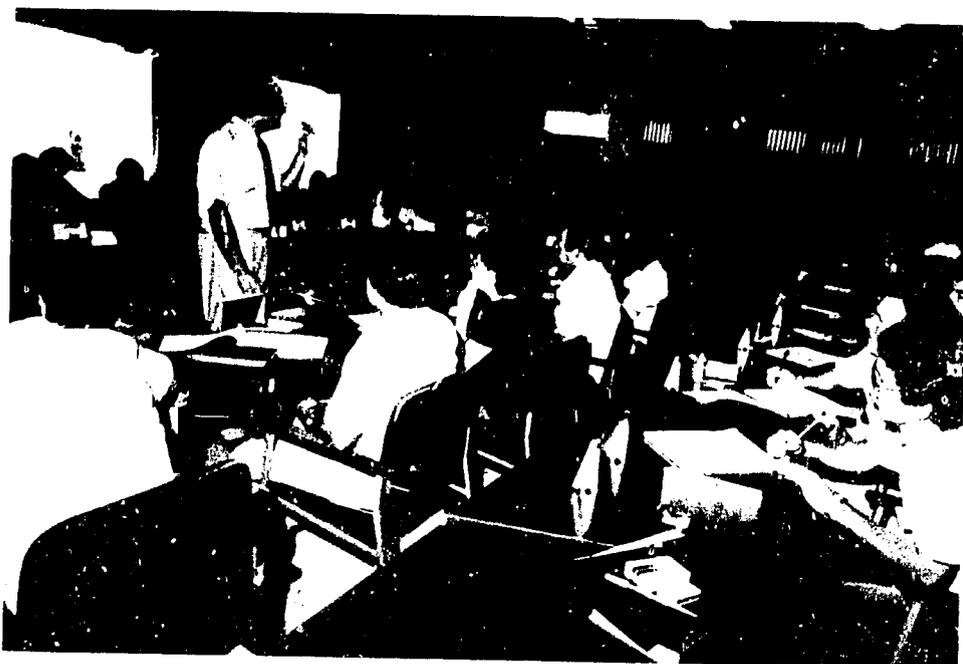
Cristobal "Frank" Astacio, Coffee Credit Specialist

Background

Coffee rust first appeared in Costa Rica in 1983. The fungus disease, of Ethiopian origin, gradually defoliates the trees, reducing their productivity to the extent that traditional production is no longer economic. Appearance of this plague posed a serious threat to Costa Rica, since the annual 260,000 ton coffee crop provides 40 percent of foreign exchange (\$400 million), \$60,000 million of government reve-



At a project-assisted coffee plantation in San Carlos, project agronomist Yuanuario Herrera shows fast maturing Caturra coffee to Mario Vindas, paratechnician for COOPESANCARLOS and Frank Astacio, ACDI's credit adviser. This improved variety yields up to 50 cwt per hectare.



Dr. Juan A. Aguirre of Cornell University lectures project participants on modern coffee production techniques.

nues, and one third of national employment. The 1985 census showed there are 107,000 hectares of coffee, cultivated by around 50,000 farmers, 80 percent of them owning less than 2.6 hectares.

To defeat the fungus, groves must be replanted with high yielding, rust resistant varieties, and farmers trained in the use of fertilizer and pesticides. This costs about \$2,000/ha, but results in substantially increased yields, freeing land for other crops.

To confront the challenge, FEDECOOP, the national coffee cooperative federation, requested technical and financial assistance of USAID/Costa Rica. In 1984 the three-year Coffee Technification and Diversification Project came into being under Costa Rican leadership. Engineer Rafael Alvarado Leiton is general manager of the executive unit directing the FEDECOOP/USAID project, and the unit is staffed by qualified agronomists under the leadership of Professor Gilberto

Gutierrez Zamora. USAID provided \$18 million for the local currency loan program, and ACIDI Credit Specialist Astacio made two trips to Costa Rica to help get the project started and arrived as project adviser in early 1986. He had been on a comparable emergency effort in Honduras.

Project Progress

The rapid expansion of the project throughout the eight coffee regions of Costa Rica reveals its degree of acceptance by the 31 cooperative members of FEDECOOP. Up to December 1986, over 5,000 ha had been renovated in addition to the 448 ha of diversification into alternative crops.

FEDECOOP is providing loans under one of the most modern and pragmatic agricultural credit systems existing in any Latin American country, working through its member cooperatives. Each cooperative knows its coffee growing members, and can quickly assess their credit needs and credit worthiness. Credit agents of the cooperative visit farms to verify needs and assist with loan applications. Subsequently they

follow up to assure correct use of the funds.

Almost 5,000 farmers have been served by the project to date, the beneficiaries being small farmers, many of whom are receiving credit and technical assistance for the first time. By year-end, \$12 million equivalent had been authorized of which over 80 percent had been disbursed. In nearly all cases, the investment was carried out in accordance with guidelines established by ACIDI's coffee credit expert assigned to this project.

Of the beneficiaries, 195 are women, who are cultivating a total of 200 hectares and have received \$400,000 in credits. Many of them develop an excellent degree of technical knowledge. This is true especially with the wives of indigenous inhabitants cultivating coffee in the area of Coto Brus, near the Panamanian border.

Loans are payable in up to seven years, with a three-year grace period. Production expected after the third year is around 30 cwt per hectare, with a conservative increase to 40 cwt per hectare after the fourth year, when the gross income for the farmer rises to approximately US\$4,000/ha. However, due to the early fruiting of the new varieties, farmers are obtaining 5-10 cwt in the first year, which helps with interest payments. At full production, beneficiaries should obtain a net income of about \$1,600/ha, about twice the national per capita income.

Repayments delinquency is insignificant because farmers authorize loan payments to be deducted from funds due them for coffee deliveries. Nursery loans to cooperatives have been almost entirely repaid.

Training

Credit training is one of the outstanding needs of the project. Field personnel require the best possible training in agricultural project analysis, farm appraisal, determination of repayment capability of each potential bor-

rower and credit reporting. The first agricultural credit workshop was carried out in September 1986, with the attendance of 38 agronomists assigned to the 31 participant coffee cooperatives. On-the-job training sessions are also being provided through continuous field trips by the credit adviser and his Costa Rican counterparts to the participant cooperatives.

An annual training program is being designed to improve the economic and financial knowledge of personnel in charge of loan analysis and credit reports, and to update and improve the technical knowledge of the agronomists. The latter element will include reports on research results on rust resistance, local adaptability, yields and taste of new varieties provided by the most outstanding coffee expert of Costa Rica. In addition, the agronomic technology and economics of macadamia,



Each of the two women shown is a head of household with families benefiting from the project. Woman on right is the mother of 20 children. Three FEDECOOP employees at left are visiting and giving farming advice.

cocoa, and cardamom are also included in this annual training program, so that credit agents have the opportunity to evaluate the costs and benefits of investment in these alternative crops.

The training program includes basic farm management courses for coffee growers, teaching them sound credit management and record keeping for farming businesses, including input costs and installment plan deadlines.

The USAID-FEDECOOP project is a real force against the several factors affecting the main national crop of Costa Rica's economy. The excellent results so far achieved signify it will succeed. The project is on schedule, but demand is growing daily for more assistance. Each of the participating cooperatives wants funds to renovate a more extensive area, and most of them have nurseries ready to transplant more hectares than programmed.

COSTA RICA (AID Grant No. 515-0227)

Quepos Oil Palm Project

Personnel

Steven C. Huttstutlar, Cooperative Development Specialist

Consultants

David C. Fledderjohn, Cooperative Development Specialist
Heraud, Gonzalez & Asociados, Certified Public Accountants

Background

An American firm operating in Costa Rica, United Brands, had been producing most of the edible oil for Costa Rican consumption on its palm oil plantations, but its production was declining and imports of palm oil were increasing. In early 1984 David Fledderjohn, ACDF's regional representative for Latin America, was brought in by the AID Costa Rica Mission to study the idea of developing a worker cooperative to take over a 4,000 acre section of the firm's plantation where the



Oil palm kernels being off-loaded into rail cars at the processing plant. The fruit is cooked in the cars before being pressed.

trees were over age and needed replacement.

Fledderjohn concluded that, given the considerable experience of the prospective members as workers rather than farmers, and the urging of the company that its system of farm organization be preserved for efficiency, the cooperative should provide an integrated package of production services to worker members. This model of organization is contemplated in the Costa Rican cooperative law and is considered a useful method of organizing the production of tropical plantation crops which have high capital and labor costs.

Under the project agreement, the company has turned over the land to the cooperative for a \$2 million promissory note, and USAID has provided a local currency loan of about \$5 million to finance replanting the area and maintaining the new trees until they reach full production in the fifth year. Both loans bear 12 percent interest, have terms of 19 years and are payable in local currency. In addition to these favorable credit terms, legislation passed as a result of this project will assure that the cooperative and other independent producers will receive payment for their product based on the international price of palm oil quoted in U.S. dollars and then converted into local currency.

In 1985, following a year of preparatory and organizational work, ACIDI received an Operational Program Grant (OPG) from AID to continue work on the oil palm cooperative for three years, through September of 1988. In 1984-85 ACIDI assisted in selecting the cooperative members, educating them in cooperative principles and management, writing the bylaws and incorporating the cooperative, COOPECALIFORNIA. The adviser also helped design the administrative structure and hire staff, coordinate the physical move of members into existing housing at the cooperative site, and coordinate transition of management of the farm from the company to the cooperative.



Steve Huffstular, ACIDI's cooperative development adviser, and COOPECALIFORNIA members inspect young, improved-variety oil palms. The ground cover is kudzu, a nitrogen-fixing legume which is used both to control weed growth and as forage for goats and sheep.



COOPECALIFORNIA manager, J. Milton Ramirez, in mature oil palm plantation.

Project Progress

January 1986 marked the official start of COOPECALIFORNIA as a legal entity, with its own books, staff, equipment, and full responsibility for daily operations. During the year, the adviser trained the manager in budgeting and credit management and the board of directors in planning and supervi-

sion and established internal controls and written operating policies. Other accomplishments include development of a computer report for monitoring of monthly expenses against the budget, sponsorship of seminars in human relations and managerial accounting, negotiation of the 1987 budget and evaluation of the accounting system. The latter function became critical later in the year as ACIDI intervention resulted in replacement of the original accounting system with the assistance of Heraud, Gonzalez & Asociados, certified public accountants.

At the end of 1986, COOPECALIFORNIA was harvesting the first small crop from its new plantings of palm, which are in optimum condition. All of the member housing had been remodeled and painted and 13 new houses built to allow expansion of membership to 84 families. It will reach 111 families by 1988. Two schools located at the cooperative had been painted and improved. The COOPECALIFORNIA soccer team was a local success

and had its own three-team minor league. The committee of member wives continued fund raising to build a small park on cooperative land, and the board of directors was beginning a small scholarship program for cooperative family members.

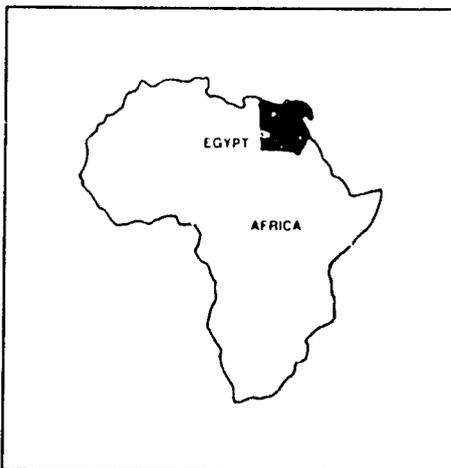
COOPECALIFORNIA faces major challenges in learning conservative use of credit, educating its members to feel

a sense of proprietorship and commitment, and meeting the social needs of its members. The functions that were previously performed for them by a corporate employer or labor union now fall to the cooperative. It provides members a livelihood but also housing, utilities, entertainment, social activities, and a miniature local government. The sum of these functions make it

more of a small town than an agricultural cooperative in the narrow sense. So far the management and leaders of COOPECALIFORNIA have faced these challenges responsibly, learning from their successes and failures in a healthy way. The Costa Rican educational system stresses cooperation and civic responsibility early on and COOPECALIFORNIA reflects these principles.

EGYPT *(AID Project No. 263-0079)*

Small Farmer Production Project



Personnel

Arthur C. Buffington, Senior Credit Adviser (Chief of Party)
 Bonnie J. Conners, Office Coordinator
 George L. Ellis, Extension Farm Management Specialist/Livestock
 Roger A. Engstrom, Extension Farm Management Specialist, Crop Production and Mechanization
 Robert W. Fischer, Credit Operations Specialist
 Newton J. Guderyon, Training Specialist
 Katherine C. Lewis, Word Processor and Secretary
 Clarence N. Livingston, Transportation and Storage Specialist
 Anthony J. Monaco, Credit Quality Specialist
 Saad A. Nasr, Accounting-Management Information Specialist
 Iven L. Ose, Agribusiness Specialist

Mohamed Shoukry, Computer Specialist
 Jeffrey G. Sole, Training Coordinator and Management Training
 Samir Sultan, Training Specialist
 Thomas G. Wetsel, Extension Farm Management Specialist
 Maurice de Young, Resource Management Specialist

Consultants

Stephen Gibbs, Drip Irrigation Specialist
 Saad A. Nasr, EDP Accounting Management Information Specialist

Background

Egypt is a country of some three million farmers, essentially all using irrigation and the majority farming less than five acres, either as tenants or as freeholder. Nearly all of them are served by the Principal Bank for Development and Agricultural Credit (PBDAC) through 17 governorate banks with a network of more than 750 village banks.

Egypt and the United States signed a \$25 million grant in July 1979 to initiate the Small Farmer Production Project in the three governorates of Assiut, Kalubiya and Sharkiya. During

Young girl helps collect eggs from a 96-layer, locally manufactured poultry battery distributed through the SFP project. The batteries are part of a poultry "technical package" covering lighting, nutrition, immunization and disease control as well as overall management.

the first five years with credit and agricultural advisers stationed in these governorates and a headquarters group in Cairo, the Small Farmer Production Project (SFPP) introduced in selected village banks a new system of combined extension and credit work, with the introduction of "crop packages" of improved seed, pesticides, fertilizer and practices and lending based on farm plans. Also, unsecured medium-term loans for tractors and livestock for small farmers, including landless village residents, were introduced. Internal improvements in bank practice resulted in faster loan processing and greatly improved management information. Results in terms of increased production and farm income were spectacular.

The project was extended in 1985 for an additional two years, the funding nearly doubled, and the entire staff centralized in Cairo. This led to the project developing new objectives:

1. Institutionalize the new systems



in the three governorates with purely Egyptian staffing and leadership.

2. Assist the PBDAC to extend the SFPP system to eight additional governorates through Egyptian leadership.

3. Develop a human resource development capacity of trainers and facilities to assure the availability of well trained people for the SFPP future in Egypt.

Good progress has been made toward fulfillment of these objectives. It now appears that the project may be extended for an additional period to facilitate the completion of the institutionalization and related objectives as well as to assist the Principal Bank in preparing for a new credit project which will be entitled "Agricultural Production and Credit Project," also a USAID-funded operation.

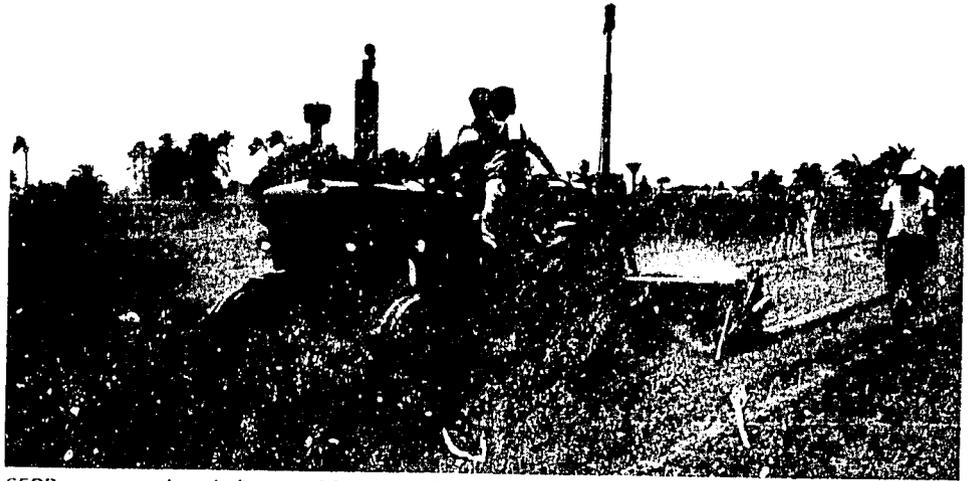
Project Progress

SFPP Lending: In the past 11 months, there has been an increase of 28.5 percent in the numbers of farmers served and an increase of 28.7 percent in the amount of money loaned. Loans with payments thirty days or more past due are up, but collection performance remains extraordinarily high.

Since the beginning of the project, through December 1986, the record of Small Farmer Production Project lending is as follows:

Number of farmers served	66,727
Tenant farmers	13,000
Landless farmers	1,400
Female farmers	8,000
Landowner farmers	about 45,000
Number of loans closed	113,000
Repaid in full	98.5%
Amount of loans closed	77,000,000
Repaid	99.2%
Principal repaid	57,000,000
Interest paid	5,150,000
Loans outstanding	46,000
Amount outstanding	20,400,000

credit quality control manual was developed in 1986, together with a set of forms, and people selected to begin the testing of the system in the three governorates. At close of the year all three governorates had a functioning



SFPP-sponsored and -financed land leveling; entrepreneurs ride on tractor owned and operated by a sub-contractor who purchased it through the project and now rents it to local farmers and businessmen.

quality control system. The bank was also becoming acquainted with the system and preparing to include credit quality in its audit operations.

During 1986 ACDI advisers and the PBDAC training department managed a monumental human resource development operation, with the help of the Ministry of Agriculture extension service and the Center for Management Development. This was required by the continued expansion of the project from 38 village banks to 70 by the end of the year. Seventy-nine courses were conducted for new loan analysts, village bank managers, accountants, farm management extension agents and many others, plus the normal amount of retraining of people already involved in project work. In all, 1,220 participants attended 7,631 person-days of formal training in the three governorates during 1986. Emphasis was also given to the training of trainers for the future, as well as the enhancement of training facilities.

Seventeen PBDAC governorate managers, as well as the bank's Chairman Adel Ezzi and SFPP Director Mahmoud Noor, spent nine and a half person-months in the U.S. on observational study tours. They met with officials of the Farm Credit Administration, Farmers Home Administration, Farm Credit Banks of Sacramento and several of its member PCAs, Sunkist

Growers in California and Centrol, a CENEX affiliate located in Wisconsin, which provides extension services and technical inputs to farmers.

The accounting and management information pilot project moved ahead on several fronts while trying to clear the air on the purchase of the necessary computer hardware. Preparation for the pilot computerization of accounting information included the development of accounting manuals, flow charts of village and governorate bank operations, charts of accounts, and the training of initial staff. The remodeling of space in the Principal Bank as a training center and administrative office for the pilot project was well underway at the close of the year. With the arrival of the computer equipment the pilot project should be able to move ahead on all fronts.

The area of economic and agribusiness development presents a nearly endless list of opportunities. The project has moved ahead aggressively in the development of a progressive agribusiness lending concept supported by manuals, forms, training and the development of administrative people to carry out the program for the Principal Bank and the project's three

governorates. The Principal Bank has been encouraged to end machinery distribution through its banks and substitute an aggressive lending program in support of attracting desirable dealers who would serve the small farmer with a full mechanization service, including parts and repairs, as well as machinery. Marketing advice was given to the banana growers in Assiut, who formed a cooperative by year-end.

Prospects are good for the development of an economic research center in the bank as well as effective agribusiness administrators.

Farm management can point to a great deal of work and progress in the areas of livestock, crops, mechanization and poultry. Continued emphasis has been given to the development of a total livestock package for the application by the small farmer in using his resources and alternatives. Such a package must be specifically designed for each governorate and taught to the extension people for their interpretation to the small farmer, accenting livestock in his operations. This livestock package must include new sources of protein, a demonstration of the use of available, non-traditional feeds, and the preparation of feedstuffs to carry over to seasons where livestock feed is not as plentiful, including quality hay. Mung beans are being introduced in this connection.

The research specialists have developed a poultry technical package as well as various new crop packages. These remain the key attraction to farmers participating in the project. In mechanization, emphasis is on the use of seed drills, rototillers, block farming, tractor training, and sprinkler irrigation. There is some exploration of drip irrigation for selected crops. All of these require intense training and re-training to provide real progress.

The household poultry batteries being used by many small farmers continue to be very successful. Improved layer and broiler manuals have been prepared, with beginning work on accompanying videos for farmer training. Work continues with the Poultry Improvement Committee to prepare to take over leadership in this area. Overseas training was also given to two poultry pathologists who will be instrumental in the continued development of sound poultry management work.

The project's record of progress is attributable to many factors such as good team planning, effective team relationship between the ACIDI specialists and the Egyptian staff and leaders, and a renewed enthusiasm throughout the governorates and the project team based on evident development progress and enhanced service to the small

farmer. One can also point to support by Chairman Adel Ezzi who took the helm of the bank in 1986 and quickly declared his enthusiasm for the project and its replication throughout Egypt. A good many other Egyptian leaders in extension, research and mechanization in the Ministry of Agriculture, have become strong promoters of the project's future for Egypt. At the close of 1986 the project seems poised for continued progress that will make significant difference for the small farmer of Egypt and the enhancement of agriculture throughout Egypt's future.

Maurice DeYoung, center, SFPP resource management specialist, visits with banana grower Khalil Fahmy. Project banana expert Dr. Mamdouh Riad is at far right. Meetings were held in Assiut Governorate to discuss formation of a banana cooperative.



Cooperative Development Services



Personnel

Juan A. Alvarez, Cooperative Operations Adviser (Chief of Party)
Richard L. Clark, Cooperative Management Service Technician

Consultants

Nery Chinchilla, Expansion Area Investigator
David Fledderjohn, Regional Cooperative Representative
Douglas L. Pool, Drip Irrigation Specialist
Stuart J. Smith, Melon Production and Packing Specialist
FHIA - Honduran Agricultural Research Foundation

Background

Starting in 1981, an ACIDI team has been organizing and training "regional" cooperatives of small farmers in Honduras. These cooperatives are organized on a two-tiered local basis, with organized groups of members in outlying villages and a central organization with manager, office and warehouse in the rural market town. Great emphasis is placed on sound management, open accounts, timely service delivery and member participation, including buildup of corporate capital.

By 1985 there were four such cooperatives, two concerned primarily with traditional grain crops, and two with the production and export of winter melons and cucumbers to the U.S. market. During 1985, a national union

of cooperatives, UNIOCCOOP, was formed joining these cooperatives in a permanent Honduran organization staffed by Honduran members of the ACIDI team, with two ACIDI expatriate members staying on as advisers. Late in the year, a fifth cooperative, COHORSIL, which had been successfully managing the export of snow peas, joined the union. The AID grant covering this transition phase of the project was for fourteen months, ending in August 1986.

Project Progress

1986 saw a continuation of the progress made by UNIOCCOOP since its formation in May 1985. During its first year, the union established its own office and operation, including a computerized accounting system. Other achievements include:

- Organizing overseas training for 31 managers and extensionists of member cooperatives
- Arranging and financing 30 person-months of consultancy for member cooperatives
- Procuring and distributing 1,500 tons of fertilizer
- Auditing member accounts
- Conducting two training seminars for managers and accountants
- Obtaining a survey report on potential areas of new membership and expansion
- Planning and conducting a survey of member satisfaction
- Negotiating debt relief and expanded credit for members
- Negotiating improved export transportation arrangements and relations with additional brokers
- Placing an export representative in Miami
- Handling export/import documentation for multiple shipments of produce and inputs.

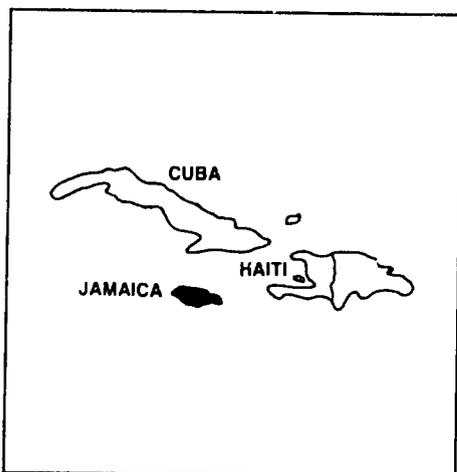
Results for the year, however, were mixed for the member cooperatives. COHORSIL had another successful season, exporting 63,350 pounds of snow peas. Fruta del Sol in Comayagua, using drip irrigation for the first time, exported 58,800 boxes of cucumbers and 17,700 boxes of cantaloupes, despite unseasonable rains and

reduced acreage that, together with low prices, reduced returns. CREHSUL in Choluteca also suffered from flooding that delayed planting and washed out some diversification efforts, but managed to export 53,000 boxes of good quality honeydews and 200 tons of sesame seed. The new hydrocooler helped to preserve quality. COHORSIL is solidly self-supporting, but the other two export cooperatives are still in deep financial trouble. They are planning extensive crop diversification efforts this year.

Results were more encouraging at the cooperatives marketing traditional crops. Maya Occidental in La Entrada used its new coffee drier and warehouse to facilitate marketing of over 9,000 cwt of coffee so successfully that it was able to return to members an additional 75 cents a bag after meeting all costs. It also marketed modest amounts of corn, rice and dry beans. At Morazan, 20 de Marzo was unable to make much use of its new rice mill donated by the ACIDI Development Fund because of the low quality of grain. Feasibility studies have been completed at both cooperatives on irrigation systems which will support expanded rice production and improved quality. Marketing by 20 de Marzo included 9,115 cwt of corn and 2,450 cwt of rice. Maya Occidental was self-supporting when the project ended August 31 and 20 de Marzo expected to be by year-end. Vegetable variety trials were not undertaken during the winter season 1985/86 by these cooperatives because of soil disease problems, but are planned for the 1986/87 season.

This is the third time that ACIDI has left Honduras at the end of a project in the course of 14 years of work in the country spread over 19 years. Each time ACIDI left behind positive ideas and improved ways of working, in people's heads. However, this is the first time ACIDI left with a feeling of having established solid organizations that can develop on their own. Conditions in the country are not easy, and more work with these and other cooperatives is needed.

Agricultural Marketing Project



Personnel

S. Allen Poole, Producer Marketing Organization Adviser

Background

In 1979 the Ministry of Agriculture and USAID developed a large project to improve produce marketing in Jamaica for the benefit of consumers and small farmers. The focus of the project was a new marketing division in the ministry and the construction of a number of field produce grading and packing stations and wholesale centers. In 1982 the project was restructured to place increased emphasis on the organization and training of

producer marketing bodies (cooperatives, associations or corporations) and a new project advisory team arrived in early 1983, including Allen Poole as PMO adviser.

Most of Poole's work, with his Jamaican colleagues, has involved director and member education, attendance as adviser at numerous meetings, inculcating the idea that the PMO is their own cooperative, not the government's. These tasks have been made more difficult by the prevalence of illiteracy among both members and directors. In addition, he has helped the Union of Cooperative Societies develop a six-month training program and internship for marketing manager recruits for the PMOs. Establishing adherence to sound business and marketing practices has been slow work at both the new PMOs and the established cooperatives participating in the marketing program.

By late 1985 ten PMOs had been formed, with elected boards, charters, and some 5,000 farmer members who had fulfilled the financial and site requirements for eligibility for ministry-financed agricultural grading stations. Six of these had marketed some \$50,000 of produce during the year, although only three grading stations had been completed. A large part of

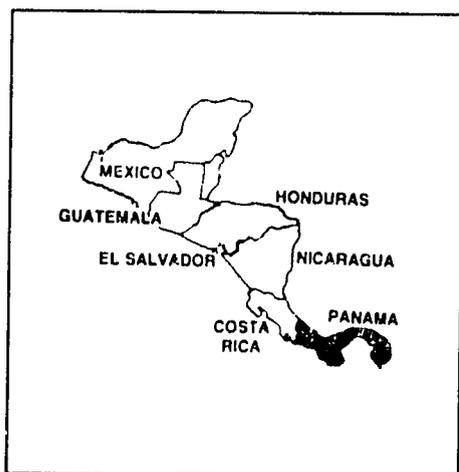
the sales were to major hotels, supermarkets and other large buyers, and two of the PMOs had made a start on exporting through brokers.

Project Progress

The last months of the adviser's assignment in early 1986 saw continued work with the organizations and increased marketing, but no new organizations chartered. Special help was required by some of the PMOs which faced financial difficulties or suffered from incompetent or dishonest staff. One suffered substantial loss on its winter export of cucumbers due to late deliveries and low Florida prices. Work was assisted by the establishment of a marketing cell in the wholesale market in Kingston equipped with a new two-way radio, but the new project vehicle for PMO work was still awaiting customs clearance after eight months.

Despite such problems, a solid start has been made on building a farmer-owned and -controlled marketing system. Key staff in the Ministry of Agriculture Marketing Division and in the Union of Cooperative Societies are in place to continue guidance and management training for the PMOs, which will be needed for some time to come.

Agricultural Cooperative Marketing



Personnel

Miguel Angel Rivarola, Senior Project Adviser (Chief of Party)
Zaida de Barragan, Executive Bilingual Secretary
Noel Delgado, Credit Adviser
Eduardo Matheu, Marketing Development Adviser
Generoso Nicolas, Management Development Adviser

Consultants

William Bolton, Vegetable Marketing Specialist

David Fledderjohn, Organizational Development Specialist
James Hairston, Financial Specialist
Tyronne Heinrich, Feasibility Study Adviser
Dale J. Key, Computer Specialist
Latin American Confederation of Credit Unions (COLAC)
Steven Smith, Agricultural Cooperative Cost Accounting Specialist
Stuart Smith, Melon Packing Plant Specialist
Albert J. Soday, Fertilizer and Feed Mill Specialist

Background

In June 1985 AID contracted with ACDI to provide technical assistance to a number of Panamanian cooperatives and cooperative institutions to enable them to better assist farmers to market their crops. The principal institutions involved are IPACCOOP, the national cooperative institute, COAGRO, the federation of agricultural cooperatives, and the cooperative "window" at the Agricultural Development Bank (BDA).

In recent decades Panama has developed a considerable cooperative movement with some 74,000 members. About 14,000 members, roughly 15 percent of the country's farmers, belong to agricultural cooperatives federated with COAGRO. Many of these cooperatives, and COAGRO itself, were in financial difficulty at the beginning of the project, suffering from unwise over-expansion, lack of

needed facilities and poor management.

While most of the team members were immediately available, delays in contract signing had resulted in the loss of the original marketing adviser, and a replacement was not present until early 1986. However, by the end of 1985, project offices and work were well established at IPACCOOP and BDA, and management training seminars had been conducted for 126 cooperative managers and directors. A computer system had been ordered, and technical assistance had been provided to a new cooperative union planning to export melons to the U.S. Also, a contract had been signed with the Latin American Confederation of Savings and Loan Cooperatives (COLAC) to conduct a baseline survey of all COAGRO member cooperatives.

Project Progress

Substantial progress was made on all fronts in 1986 with direct benefit from the project loans to 1,761 farmer members. However, an "in-house" assessment has persuaded all concerned that current Panamanian conditions require redesign and possible modification and extension of the project.

Marketing

The marketing development center was transferred from COAGRO to IPACCOOP and its efforts focused on feasibility studies to back up cooperative marketing credit applications. As a result, credits were granted to six cooperatives. Two small cooperatives were funded to construct, equip and operate their coffee facilities, enabling them for the first time to market member coffee. UCAPE, the melon growers' cooperative, exported nearly 160,000 boxes of honeydews, cantaloupes and watermelons to the U.S. market in 1985/86 and is planning to export around 200,000 boxes of honeydews this coming winter season. The vegetable cooperative is starting to increase its marketing operation and to purchase storage and handling equipment for potatoes and onions, a refrigerated truck to distribute their produce in Panama and a computer system. The grain

marketing cooperative received, stored and distributed nearly 1,000 tons of corn and sorghum. The cocoa cooperative will have new warehouses, offices and a new inland water boat to transport cocoa to its shipping point on the Atlantic Ocean. All this meant total BDA credits of \$2,158,319.

COAGRO, the agricultural cooperative federation, was placed under government receivership in February, and during the year many improvements were begun. ACDI's consultants and advisers assisted the intervening agencies, IPACCOOP and BDA, to prepare financial projections and strategies and worked with the board of directors and senior management to plan for the future. Studies were completed of COAGRO's fertilizer bulk blending plant and feed mill, both of which had been operating far below capacity, and recommendations made to the board. Plans are being developed to return the federation to its members, once solutions have been found to the many problems that prompted the intervention, and once members agree to recapitalize and increase their business with the federation.

Training

The management development center conducted six regional seminars of five days each. In four of them, cooperative leaders, managers and key staff from 16 agricultural cooperatives, plus IPACCOOP, BDA personnel and COAGRO field technicians were trained in management, finance and marketing. The other two seminars of two days each focused on how to analyze feasibility studies and make decisions based on the newly acquired skills. A total of 199 participants attended the seminars. Follow-up visits to all trainees were carried out, and on-the-job training on internal control was provided to the grain marketing cooperative.

The center started to publish a bi-weekly bulletin using the computer purchased last year. The bulletin pro-



Euclides Delgado, president of the melon growers cooperative UCAPE, looks on as manager Hilario Castillo signs a brokerage contract with a Florida firm for the winter honeydew and watermelon season. UCAPE expects to export 200,000 boxes to the U.S. winter market.



Participants in a project-sponsored seminar conducted by Cooperative Development Marketing Center staff learn about post harvest handling of onions during a field trip to a member cooperative.

vides, in addition to general project update information, market prices, trends and technical material. It has an offer-and-demand section that has already helped one cooperative obtain an order for a difficult to sell product. Another activity of the center has been the establishment of a technical library, which now contains some 1,000 titles.

An AC DI consultant helped the center prepare a cost accounting system much needed by the cooperatives and IPACCOOP. The consultant trained eight regional and national IPACCOOP accountants on the system.

Two observational trips were made abroad: two participants went to Costa Rica to visit and explore fields of cooperation with Costa Rican cooperative related institutions. Seven participants attended the Produce Marketing Association's annual convention, exposition, workshops and seminars in San Antonio in October. Following the convention they visited fruit and vegetable producers, packing houses and related firms in southern Texas. These visits were coordinated by the Texas Citrus and Vegetable Association and capped a very successful and instructive U.S. visit.

Credit

The credit adviser has been steadily providing technical assistance to his counterpart and other technical personnel within the BDA. By year-end 79 participants were trained in financial administration, marketing credit and related fields, and credit regulations and approval procedures were reviewed for changes. Much time and effort was dedicated to first obtain information and then to analyze the use of AID Production Credit Loan 525-T-041, an earlier USAID cooperative project. Indications are that AID will perform an audit on the use of these funds, since they should be integrated into the marketing credit fund to form a revolving cooperative credit fund at the BDA.

Evaluation

An internal assessment performed by project participants from IPACCOOP, BDA, COAGRO, AID and AC DI during a seven-day marathon session, resulted in the following recommendations for 1987:

1. That the project documents and implementation plan should be modified and updated to adjust to present Panamanian conditions. Also, the co-

ordinating structure should be redefined and simplified.

2. That the project should be extended, if possible.

3. That the project should include additional advisers for agricultural production and cooperative administration and additional funding for training activities.

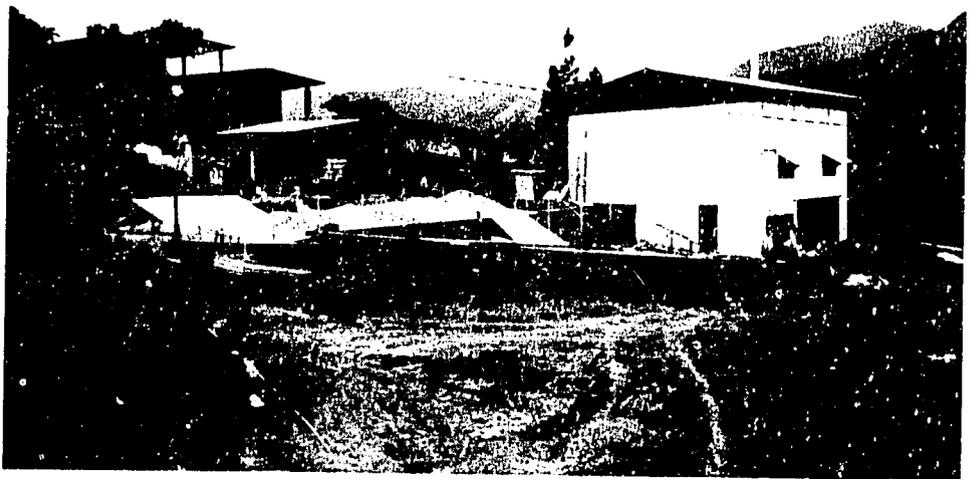
4. That the credit adviser's scope of work should be changed to include technical assistance to cooperatives and his term extended for a third year.

5. That full-time assignment of BDA credit supervisors is needed in each region where a cooperative is, or will be, receiving marketing credit.

6. That training should emphasize on-the-job training and that the Office of Administration and Support should assign technical staff to assist in training activities.

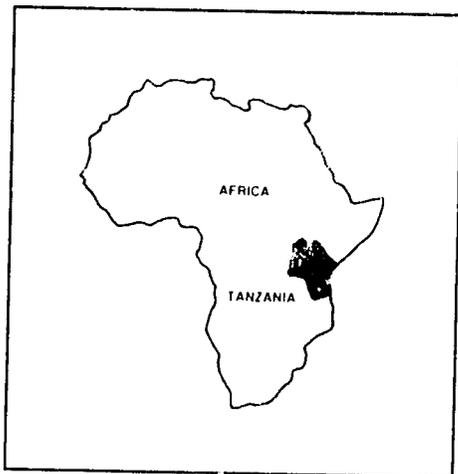
7. That project personnel should be trained in cooperative principles and methods of operation and should have the opportunity to observe the functioning of successful cooperative institutions in other countries.

These recommendations are being placed before the leadership of USAID and the Panamanian institutions for action and should result in a substantial improvement in future project activity.



The project provided credit to La Esperanza de los Campesinos cooperative to construct and equip this coffee drying facility which can dry, peel and classify up to 600,000 lbs. of coffee at one time.

Assistance to the Cooperative and Rural Development Bank



(Extending Credit and Technical Assistance to Small Farmers)

Personnel

Gustave W. Carlson, Operations and Banking Specialist (Chief of Party)
Everett M. Calvert, Bank Operations Training Specialist
Frank F. Lusby, Financial Analyst
Jack E. Proctor, Data Processing Systems and Programming Specialist

Background

The principal objective of this project was to increase the capability of the Cooperative and Rural Development Bank (CRDB), the only source in Tanzania of credit to cooperative villages and regional cooperatives. The project focused on improved banking operations, organization and methods, training, and data processing. It was initially designed by USAID to complement an already approved World Bank/IDA credit, including assistance to the CRDB, and the ACDI team was for three years financed by USAID. However, USAID funding could not be continued, due to Tanzanian delinquency on repayment of other AID loans, and in September of 1985 the project team was continued under World Bank/IDA financing. The IDA credit had financed a new computer for the CRDB and provided limited other assistance, but it too expired in June

1986 after several extensions.

Major occurrences, both in and out of the CRDB, affected the project. Probably the most significant problem facing Tanzania has been its foreign exchange shortage. Tanzania has no oil, coal, hydroelectric power or metals and must import all machinery and a wide range of industrial input and consumer goods. Production and relative prices of former exports such as sisal, coffee and cotton have seriously declined, with the result that most aspects of the economy, including export production, have been sharply cut back by lack of foreign exchange.

Also, wages did not keep pace with double digit inflation, seriously lowering morale in all public institutions. Parastatal agricultural marketing agencies, such as the Tobacco Authority, were unable to repay large overdue loans from the CRDB, and the bank had a poor record of repayment from its village borrowers. Combined with operating costs substantially in excess of actual interest collections, the CRDB was seriously decapitalized and faced a very difficult cash flow problem.

Project Progress

The CRDB's difficult situation forced a virtual lending moratorium, which enabled the ACDI team, in collaboration with its Tanzanian colleagues, to concentrate on system improvements, rather than new business. An organizational structure for the CRDB was designed which, if implemented, will streamline the entire lending process and consolidate the bank's credit operations into one department. It also provides the basis for a comprehensive supervisory system of branch and regional offices which would improve operations and the quality of credit. Additionally, criteria were developed for classification of loans by quality and likelihood of repayment.

Training

The training adviser and his Tanzanian counterpart developed a 1986/1987 training plan and designed a training catalogue, which will give each director, manager and supervisor access to the full range of short courses avail-

able. Included are:

- An introductory course for new commercial bank employees;
- A senior commercial banking course that emphasizes banking theory, regulations and procedures;
- An introductory course in lending for new loan officers;
- An advanced credit operations course for experienced loan officers;
- A computer familiarization course designed to improve the efficiency and effectiveness of computer applications in the day-to-day operations of the bank; and
- A course for key management personnel covering the broader management skills of planning, organizing, delegating, coordinating, and controlling.

Also, a new set of training policies was written which emphasized the need for a coordinated "human resource" approach to recruitment, development, and retention of CRDB professional staff.

Financial Analysis

A major start was made by the CRDB during the past year on reconciling loan accounts between headquarters and the regional offices. The effort was concentrated on the 2,000 village grain mill loans, the most problematic sector and potentially the most profitable, as milling services are in great demand throughout the rural areas. It was thus assumed that these clients were making money and could repay their loans, provided they were monitored and that accurate loan information was available on them.

The effort involved compiling historical data on each loan account in both the headquarters and the regional offices; developing methods to analyze and compare data, and then make the necessary adjustments to the computer records; establishing an improved information system for the sector; and developing a standardized loan accounting system.

It was a team operation involving regional staff as well as computer and accounts personnel. New forms were devised to monitor account comparisons, record erroneous and missing

transactions as a basis for correcting records, and a record established of file maintenance errors. Accomplishments include:

- Over 2,000 loan accounts completely reconciled;
- Disbursement corrections to over 1,500 accounts;
- Equity payment corrections to over 800 accounts;
- Repayment corrections to over 1,200 accounts;
- Interest rate corrections to over 500 accounts;
- File maintenance corrections to over 750 accounts;
- Over 400 accounts reduced to zero balance;
- Over 600 loans corrected from a credit to a debit balance;
- Overall increase in loan portfolio of more than 9 million shillings (\$530,000)
- Grain mill "suspense accounts" reduced by 90 percent.

In addition to the specific figures cited above, the exercise resulted in established procedures for reconciling the entire loan portfolio. It produced a trained team of headquarters personnel and one representative per region who know the new system, and a computer program capable of preserving and presenting loan histories and of recal-

culating loan interest from any point in time.

The Management Information System of the CRDB has been significantly enhanced. Management now has for the first time an accurate data base in the grain mill sector, and the means for obtaining comparably reliable information on all outstanding loans. Also, with the revised loan accounting form, the regional offices and headquarters computer should be calculating interest and arrears in the same way. The new information system for tracking disbursements will provide up-to-date knowledge of all costs in the grain mill sector, improving information flow to the regional offices and the borrowers.

Data Processing

Two employees brought in from other CRDB departments were trained as EDP programmers. A loan arrears report and a separate credit loan balance report were designed. Both reports were organized by region and/or project type and can be summarized in total by region. Also, the CRDB borrower statement was reformatted to have separate summaries of loan and arrears transactions, a repayment schedule, and sections for other loan related information.

A computer operations manual was prepared which helps EDP personnel

find information more quickly and standardizes computer procedures. This manual contains:

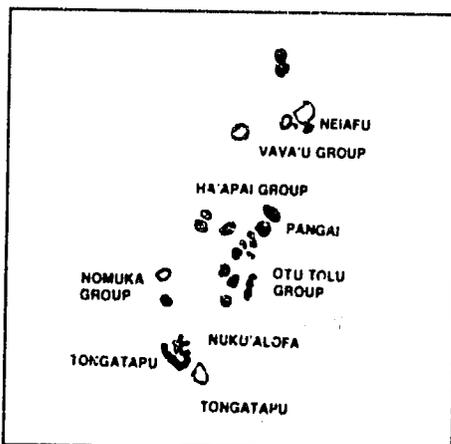
- A computer job flow of logical system procedures for daily, monthly, and annual computer runs;
- A computer report storage file identification system;
- A list of all job procedures by number and name;
- Procedures for bringing power up and down in the morning and evening;
- An operation specification sheet for each computer program which lists operator instructions, files used, and other information necessary to identify and run the programs.

Additionally, a management reporting manual was started which assists CRDB management in the use of some of the major loan reports, including the borrower ledger statement, the management information reports by project and by regional office, the management information summaries by project and by regional office, and the loan reconciliation report.

Finally, the computer division completed the programming of the CRDB payroll system and collaborated on a regular basis with the financial analyst to reconcile borrower loan accounts between headquarters and the regional offices.

TONGA (AID Project No. 879-0251)

Cooperative Federation Development



Personnel

John G. Kreag, Manager, Friendly Islands Marketing Cooperative

Consultants

William Aldworth, Cooperative Management Specialist
Dale J. Key, Computer Specialist
Bartlett Harvey, Evaluation and Project Development Specialist

Background

In 1982, the Tonga Cooperative Federation (TCF), which had been en-

gaged in importing consumer goods for distribution through its member cooperatives and marketing vanilla, was virtually bankrupt. On the basis of an ACIDI study which showed feasibility, the Government of Tonga agreed to provide loan and grant funds to recapitalize the federation and AID provided, through ACIDI, a manager, working capital and construction funds. Additional assistance came from the Peace Corps, Britain, Canada, Japan and Australia. The results have exceeded all expectations.



Vanilla beans are sorted in the curing shed according to size and moisture content prior to being placed in maturing boxes. The Friendly Islands Marketing Cooperative (FIMCO) hires local cooperative society members to do the work.

Tonga Cooperative Federation (Wholesaling)

ACDI's technical assistance to TCF was phased out at the end of 1985. Sales of TCF continued to increase in 1986 to \$6,500,000 and it continued its strong profitability. The management committee was able to solve management and cash flow problems that arose. By the end of the year it appeared that TCF was continuing to operate very successfully without technical assistance.

Institutional Development

The creation of FIMCO at the beginning of the year necessitated the recruitment of membership, working

with a new management committee and many new employees. The main focus has been on making FIMCO fully self-sufficient by mid-1987. Also during the year, ACDI furnished TCF and FIMCO with three IBM AT computers. Dale Key provided assistance with the initial installation and training. Local consultants were hired to continue the training. By year-end all typing and financial reports were being prepared by computer and some accounting functions were installed and operating.

The success to date has also created support and opportunity for significant expansion of present activities plus new agricultural marketing possibilities. At year-end consideration was being given to having FIMCO serve as a development cooperative that would spin off cooperatives as each activity

ACDI worked with the cooperatives to expand marketing in areas that offered greater potential than coconut processing, the islands' main industry, which offers little opportunity for expansion. While the focus of assistance is now on vanilla curing and marketing, fish and fishing supplies marketing, and handicrafts marketing, initially the primary efforts were to develop the import and wholesale distribution of consumer goods. By 1985 that trade was sufficiently re-established as to need no further technical assistance. ACDI was requested to concentrate on the development of vanilla, fish and handicrafts activities. They were split off from TCF into the Friendly Islands Marketing Cooperative (FIMCO) which was registered on Jan. 2, 1986, with John Kreag shifting to it as manager.

Sales in Tongan dollars during the five years of ACDI involvement have grown as follows: (T\$1 = U.S. \$.67)

Year	Wholesale	Fish and Fishing Supplies	Vanilla	Handicrafts
1982	540,000	-0-	295,000	13,000
1983	2,241,000	64,000	197,000	58,000
1984	3,290,000	114,000	253,000	61,000
1985	4,907,000	225,000	-0-	60,000
1986	6,500,000*	411,000	264,000**	122,000

*ACDI was not involved in management of the wholesaling business in 1986.

**Includes \$56,000 from the 1985 crop, approximately \$80,000 of the 1986 crop remains to be sold.

A typical fishing boat used by Vava'u fishermen. 90 percent of FIMCO's fish is supplied from these boats. Dugout canoes are most often used for spearing lobster.



became self-sufficient. As a first step, new bylaws have been drafted to give greater control to the separate membership of each activity.

Project Progress

FIMCO's first year sales exceeded all expectations. Original estimates were that they would be about \$500,000. Actual sales were T\$797,000 and the outlook for 1987 is that the strong growth will continue.

Vanilla

Vanilla is the second largest agricultural crop in Tonga and TCF had been marketing vanilla on behalf of member societies for many years. However, ACIDI's previous efforts to help improve the marketing had not been successful largely because of difficulties in maintaining quality control in grading and curing. In 1986 the method of operating the vanilla business was changed with dramatic effects. The main difference was that FIMCO took over responsibility for buying the green beans and the curing of vanilla from two of the largest cooperatives. Arrangement was made to rent the curing sheds from the cooperatives and to hire all labor from cooperatives. A vanilla manager was given overall authority over both curing sheds. Prices paid were competitive with private buyers. The results were dramatic. 2.6 tons of vanilla were cured, and it was the best quality vanilla the cooperatives had ever produced. Best of all, FIMCO made a very substantial profit which will be paid to members both in cash and share bonuses.

Plans for 1987 call for at least doubling production using four member curing sheds. This method of curing meets the desire of government and members to keep the curing at village level yet insures the necessary quality control to produce a high grade product. A large part of the success is a result of the work of ACIDI's consultant, Bill Aldworth, who worked in Vava'u during the vanilla season.



FIMCO's handicraft shop in Neifu', Vava'u group of islands. Maumi Aloua is the manager.

Handicrafts

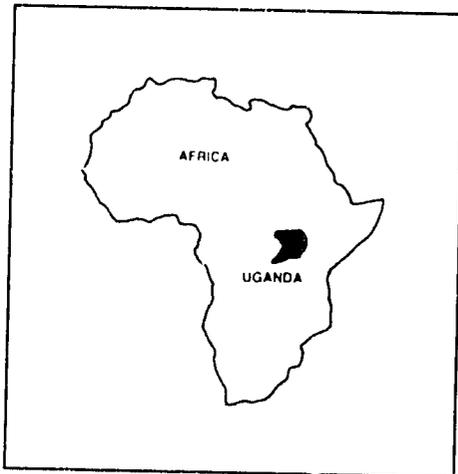
Tongans, primarily women, weave excellent baskets and mats. In addition, interesting shell jewelry is produced. For three years TCF sales stagnated at the T\$60,000 level. Under FIMCO they doubled to T\$123,000. The increase resulted from a combination of more sales area, opening a second location, continued improvement in quality, better salesmanship, increased tourism and particularly increased sales to Tongans who appreciate the quality crafts. As monthly sales have continually increased, 1987 is expected to be substantially better than 1986.

Fish and Fishing Supplies

The Government of Tonga is placing major emphasis on development of its fishery resources. Actual catches have been increasing steadily. Necessary infrastructure is now nearly in place with better harbors, boats, ice makers and freezers, and extension efforts. In addition to being a major fish marketing organization, FIMCO is the leading supplier of fishing gear in Tonga.

A recent study by the U.N. Food and Agriculture Organization (FAO) recommended that FIMCO be allowed to lease all or a substantial portion of the new ice making and freezing equipment which has been donated to Tonga by the Japanese and EEC. If the recommendations are accepted by the government, FIMCO will experience very substantial growth in its fish marketing business. Two Peace Corps Volunteers have been recruited for 1987 to assist in new fish marketing operations on outer islands. Because of the opportunity for substantial growth, serious consideration is being given to the desirability of splitting off the fishing supplies and marketing activities of FIMCO into a new cooperative.

Food Production Support Project



Personnel

Lewis E. Clark, Credit Adviser (Chief of Party)
Thomas H. Carr, Credit Planning Adviser

Consultants

Thomas H. Carr, Credit Planning Specialist
John W. Gardner, Credit Systems Design Specialist
Edward E. Murray, Computer Systems Analyst
Lawrence Wisniewski, Credit Manual Design Specialist

Background

At the time of the July 27, 1985 coup which resulted in the collapse of the Obote regime and the brief rule of General Okello, the Uganda Food Production Support Project (FPSP) was nearing the successful conclusion of four years of farm supply and cooperative assistance effort. Under the project, trainers had been trained and cooperative education training given to over 12,000 cooperative staff and directors; most union managers had attended at least one two-week management seminar; driver training and motor pool reorganization had greatly improved the efficiency of cooperative transport; cooperative farm supply distribution and marketing had been greatly improved; a survey of cooperatives was carried out and a data gathering system launched; and a strong beginning made on the development of

women's cooperative programs.

However, start-up of a small farmer credit program had been held up by the disastrous condition of the cooperative bank and organizational disagreements on how else to proceed. These difficulties were resolved in principle in early 1985. An agreement was reached on the establishment of a new Uganda Agricultural Finance Agency (UAFA), to provide small farmer credit through the cooperative societies, under the supervision of the Bank of Uganda and with major participation by both the cooperative unions and the commercial banks. Prior to the coup, the cooperative agreement had been amended to extend the tour of the credit adviser for a year to help the establishment of the new agency and the reestablishment of the cooperative small farmer credit program.

Disturbances accompanying the coup forced the evacuation of all ACDI personnel in July of 1985. It was not until March 1986, after President Yoweri Museveni came to power, that ACDI's credit adviser Lewis E. Clark and other project personnel were authorized to return to Kampala.

Project Progress

At the end of March 1986, the Management Committee of the Bank of Uganda sanctioned the establishment of the Uganda Agricultural Finance Agency (UAFA). It assigned the task of guiding the effort to the Development Finance Department and an inter-agency UAFA Establishment Committee under the chairmanship of Mr. Joseph Nserenko, senior principal banking officer. The committee membership included senior representatives from the cooperative movement, the Bank of Uganda, the Ministry of Cooperatives and Marketing (MCM) and the Ministry of Agriculture and Forestry (MAF). The committee met more than twenty times during the year and numerous sub-committee meetings were held.

The Bank of Uganda also demonstrated its strong support for the establishment of UAFA through the provision of leased office space, the



Different grades of coffee are displayed at the Bugisu Cooperative Union in Mbale, Uganda. Nine grades of coffee are handled by the union which processes the beans, then sells them to the Coffee Marketing Board for export.

purchase of office furniture and equipment and the contribution of pre-incorporation operating expenses. Likewise, the MCM provided three professional members of its savings and credit staff and an administrative assistant to serve as counterparts to three ACDI consultants and to carry on during the pre-incorporation phase. The MCM and the U.S. Agency for International Development (AID) also dedicated local currency funds to augment the pre-incorporation budgetary contribution of the Bank of Uganda.

In addition to the credit adviser, ACDI provided assistance to the UAFA Establishment Committee through three consultancies of four months each. Thomas Carr gathered data and provided economic analyses necessary for planning UAFA's initial scope. John W. Gardner and Lawrence Wisniewski prepared the initial system design and credit manual draft. These consultancies were followed by a one-month consultancy by Edward Murray, com-

puter systems analyst who made recommendations for computerizing UAFA's accounting and management information systems. In October, Thomas Carr returned to begin a one-year assignment as credit planning adviser to UAFA.

By early December, UAFA's Memorandum and Articles of Association had been drafted. Manuals relating to operations at the headquarters, branch office and primary cooperative society levels had been prepared and were being refined. Since UAFA is planned to be a joint venture of the commercial banks, the cooperative unions and the marketing boards, a substantial effort is to be undertaken by the Ministry of Cooperatives and Marketing and the Bank of Uganda to bring the shareholders together and to finalize the incorporation in order that lending operations may be initiated in 1987. In addition, massive training in credit operations of cooperative society committee members and secretaries, as well as of staff of the new agency, will be required. The intention is that UAFA should be able to access the growing and eventually large volume of funds needed to sustain a viable credit program for the operators of small farms who are the bulwark of the Ugandan economy.

Training

In August 1986, Mr. Augustine Nyamayaro, an experienced training officer in the Education and Training Section of the MCM, received a bachelor of science degree in agricultural economics from the University of Georgia. He returned to his leadership role in cooperative education and training in the ministry, including membership in the training subcommittee of the UAFA Establishment Committee.

ACDI's Director of Training, Lee Rosner, returned to Uganda for a two-week period in December at the request of the MCM and the Agricultural



Cooperative members attend a field demonstration of ox-drawn seeders. Marketing representatives of the Uganda Cooperative Central Union (UCCU) arranged the field trials to create demand for its surplus stock of seeders. The representatives were trained by ACDI sales management specialist William Aldworth, center.

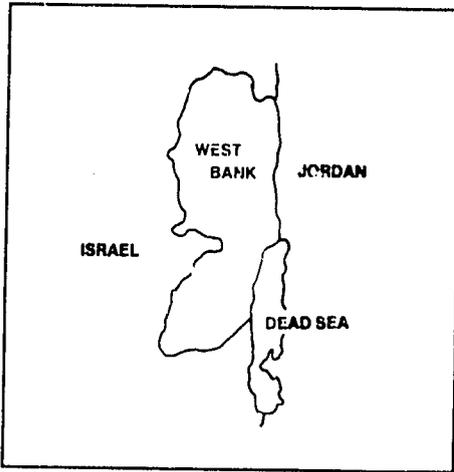
Secretariat of the Bank of Uganda. He reviewed ongoing training programs of the MCM and the Uganda Cooperative Alliance, which is being revitalized under new leadership, and discussed future training requirements of the cooperative movement. He also assisted the Agricultural Secretariat of the Bank of Uganda, the implementing agency for the World Bank/IDA Agricultural Rehabilitation Project credit (ARP 1328-UG) to develop plans for in-country and overseas training for rehabilitation of the agricultural sector.

ACDI also arranged for and coordinated training in the U.S. for four cooperative union employees. Funding for this training was arranged by the Agricultural Secretariat of the Bank of Uganda under the World Bank/IDA Agricultural Rehabilitation Project credit. Three of the participants attended programs conducted by ACDI member Land O'Lakes and the fourth completed a Postharvest Grain Handling and Marketing course at Kansas State University.



Cotton ginning operation at the Gulu Cotton Cooperative Union in Uganda.

Cooperative Development Project



Personnel

Donald L. Hovendick, Senior Cooperative Management Adviser (Chief of Party)
David L. Davies, Training Manager
Holly Hagopian, Office Assistant
Daoud Istanbuli, Cooperative Education Specialist
Joseph J. Nesnas, Office Manager

Consultants

Joanne Abed, Information Resource Specialist
Marshall Burkes, Finance and Credit Specialist
John Evavold, Cooperative Management Specialist
Bartlett Harvey, Project Administration Specialist
Bard C. Jackson, Village Electric Cooperative Specialist
Gene Ott, Cooperative Extension Specialist
Lee Rosner, Training Specialist
Len B. Wooton, Cooperative Marketing Specialist

Background

In early 1984, a team of U.S. cooperative representatives traveled to Jordan and Israel to assess the status of cooperative development in the West Bank and Gaza. In 1985 another group followed and designed a proposal for a cooperative development project on the West Bank and Gaza to be administered by ACDI on behalf of several major U.S. cooperative development organizations. In February 1986, in re-

sponse to this proposal, USAID approved a \$2.4 million grant to begin a three-year program of training and technical assistance for Palestinian cooperatives in the West Bank and Gaza.

The cooperative movement came to this region in 1920 during the British Mandate. It has since persisted through several wars and changes in government. In 1948, the West Bank became part of Jordan and Gaza was annexed by Egypt. Since the 1967 war, both have been administered by Israel.

While there is no "host" government, there are two governmental bodies supervising the cooperatives, the Israeli Civil Administration and the Jordan Cooperative Organization. The latter has maintained a presence in the West Bank since 1967 and plays a prominent role in matters involving cooperative policy, finance and operations. The Israeli authorities exert control on cooperative operations by means of a complex system of military orders and permit requirements. The cooperatives face major difficulties because of marketing restraints imposed by both governments.

There are 184 active, Israeli-registered cooperatives - 176 in the West Bank and eight in Gaza. Agricultural cooperatives number 80, non-agricultural 75 and housing 29. There are 31,000 members, 1,260 directors and 147 employees, as well as many unpaid volunteer workers. During the last reporting period, 64 cooperatives showed net profits, 60 suffered losses and for 60 there is no data available on earnings. Positive member equities were reported by 115 cooperatives. Negative equities were reported by nine, and again, data for 60 cooperatives are missing.

Project Progress

In 1986, project start-up, data gathering, needs analysis, planning and pilot training activities were emphasized. The project director arrived in Jerusalem March 1, 1986 and the training director assumed his duties in July, after serving earlier as a consultant during start-up. An office manager and office assistant were employed locally and the first four-person team of consultants was in place by mid-year.



Don Hovendick, ACDI's team leader on the West Bank and Gaza cooperative project, right, and Adnan Obadeit, West Bank cooperative leader, study the program created for women at the handicrafts cooperative near Ramallah.

Consultant assignments in the areas of finance and credit, management, extension and marketing have been completed, providing inputs for training course design and the project plan, as well as technical assistance to certain cooperatives. Other special consultancies have dealt with operations of village electric cooperatives, the development of a project library and a train-the-trainers program.

A comprehensive implementation plan was developed during the year to give long-term direction, dealing with each of five program components - training, technical consultation, cooperative education, credit, and analysis. At year-end, the project was ready to begin regularly scheduled training and development activities.

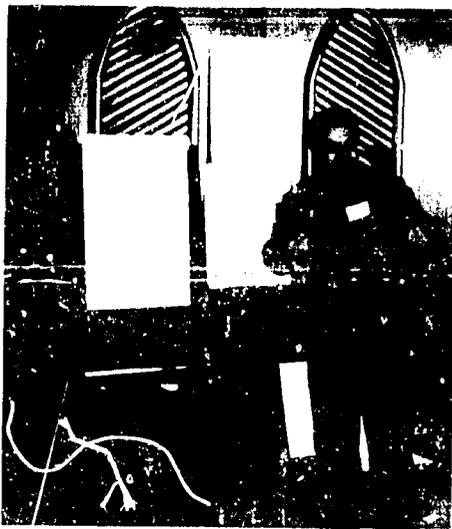
Training

The training component is designed to require at least one-half of the attention and resources of the project. During the last half of the start-up year, 18 one-day pilot classes, seminars and workshops were conducted, involving 328 students and 10 different subjects. Included were classes dealing with management, marketing, credit, extension, tractor driving and maintenance, olive press operations and electric power generation.

Classes were conducted in the project office and in facilities provided by cooperatives and others at various locations in the territories. Part-time instructors recruited locally and sometimes teamed with U.S. and other consultants, served as teachers. Continuation of such in-country training on a substantially expanded basis, and some U.S. and third country training is planned in the second and third years.

Technical Consultation

Members of the project team, U.S. cooperative consultants and others recruited locally to meet unusual needs provide coaching, tutoring, on-the-spot business and operational consulting, trouble-shooting and simple feasibility studies. The emphasis is on helping cooperatives function more efficiently, concentrating on "profit-



Student trainer practices his techniques at the one-week Training of Trainers workshop held in January. Most participants were cooperative managers and all were Palestinians.

center" management, encouraging directors, managers and leaders to be entrepreneurial and innovative. Special attention is given to complex cooperative and agricultural problems which are causing major difficulty for cooperatives and members in the region.

Examples of the assistance provided include efforts given to the establishment of an open membership policy in a successful poultry cooperative, an ongoing series of turn-around consultations for a cooperative involved in a disastrous manufacturing venture, and special accounting assistance provided to a women's handicraft cooperative.

A plan for assisting cooperatives in developing a local retail market has met with enthusiastic response. The U.S. consultant who proposed the idea will return in early 1987 to develop a prototype.

Cooperative Education

A Palestinian cooperative leader has been added to the project team. He assists with director and employee training and in addition will recruit, train

and supervise a local field staff of four who will be responsible for cooperative member information and training programs.

This special five-person cooperative member education staff and a cadre of more than two dozen part-time instructors will provide the director, employee and member training capability and depth required to overcome an almost 20-year void of such activity.

Credit

A plan has been completed which is expected to lead to the addition of a finance and credit adviser to the team before mid-1987. This long-term staff assistance is conditional on key U.S. private voluntary organizations and international donor organizations participating and entering into an agreement to identify the types of assistance to cooperatives in the West Bank and Gaza which they intend to supply through grants and the types which could best be supplied through loans. Such an agreement would allow development of successful programs for sound credit and for credit training. The same entities would work with the credit specialist to provide a uniform credit policy and system which could be utilized by any and all organizations and for which the Cooperative Development Project would then provide extensive training.

Analysis

Activities in this component include:

- conduct of the ongoing data gathering process
- establishment and maintenance of a library
- design and implementation of a cooperative performance evaluation system, and
- design of a system to track project activities and measure their impact.

Data gathering is now in the "clean-up" phase and the other activities are in early stages of development.

Financial Statements

Agricultural Cooperative Development International Balance Sheet

December 31, 1986 and 1985

ASSETS	1986	1985
Current assets:		
Cash, including restricted contract advances of \$14,614 in 1986 and \$111,784 in 1985	\$ 91,494	\$ 301,888
Accounts receivable:		
Contracts and grants, including unbilled of \$339,749 in 1986 and \$195,256 in 1985	568,195	478,209
Project operating funds	82,081	32,705
Employee loans and advances	63,226	52,457
Other	<u>13,333</u>	<u>8,914</u>
Total accounts receivable	726,835	572,285
Short-term securities, principally U.S. government agencies, at cost which approximates market	401,314	396,000
Other assets, principally prepaid expenses	<u>4,080</u>	<u>495</u>
Total current assets	1,223,723	1,270,668
Office furniture and equipment, at cost, less accumulated depreciation of \$136,939 in 1986 and \$125,893 in 1985	<u>60,808</u>	<u>40,908</u>
	<u>\$1,284,531</u>	<u>\$1,311,576</u>
LIABILITIES AND NET WORTH		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 435,437	\$ 273,683
Contract and grant advances	<u>239,113</u>	<u>421,208</u>
Total current liabilities	674,550	694,891
Commitments (Note 5)		
Net worth:		
Membership certificates (Note 2)	92,200	88,200
Restricted surplus -- Development Fund (Note 3)	414,522	394,708
Unrestricted surplus	<u>103,259</u>	<u>133,777</u>
Total surplus	517,781	528,485
Total net worth	<u>609,981</u>	<u>616,685</u>
	<u>\$1,284,531</u>	<u>\$1,311,576</u>

See accompanying notes.

Financial Statements

Statement of Revenues and Expenses

Years ended December 31, 1986 and 1985

	1986	1985
Revenues:		
Contracts and grants	\$5,662,418	\$5,938,966
Member contributions (Note 3)	68,507	90,205
Interest	22,954	31,599
Other	<u>337</u>	<u>12,359</u>
	5,754,216	6,073,129
Expenses:		
Contracts and grants:		
Salaries and employee benefits	2,717,411	2,910,135
Overseas allowances, travel and relocation	896,636	1,049,833
Employee on loan from member organization	56,318	—
Consultants	711,418	440,294
Training and workshops	233,673	566,262
Other	<u>1,046,962</u>	<u>972,442</u>
	5,662,418	5,938,966
Development Fund projects (Note 3)	48,693	60,608
Corporate expenses	<u>53,809</u>	<u>53,356</u>
	5,764,920	6,052,930
Excess (deficiency) of revenues over expenses	<u>\$ (10,704)</u>	<u>\$ 20,199</u>

Statement of Changes in Net Worth

Years ended December 31, 1986 and 1985

	Membership Certificates	Restricted Surplus — Development Fund (Note 3)	Unrestricted Surplus	Total Surplus	Total Net Worth
Balance at					
December 31, 1984	\$88,200	\$365,111	\$143,175	\$508,286	\$596,486
Excess (deficiency) of revenues over expenses	—	<u>29,597</u>	<u>(9,398)</u>	<u>20,199</u>	<u>20,199</u>
Balance at					
December 31, 1985	88,200	394,708	133,777	528,485	616,685
Excess (deficiency) of revenues over expenses	—	19,814	(30,518)	(10,704)	(10,704)
New member contributions	<u>4,000</u>	—	—	—	<u>4,000</u>
Balance at					
December 31, 1986	<u>\$92,200</u>	<u>\$414,522</u>	<u>\$103,259</u>	<u>\$517,781</u>	<u>\$609,981</u>

See accompanying notes.

Financial Statements

Statement of Changes in Financial Position

Years ended December 31, 1986 and 1985

	1986	1985
Sources of Cash:		
Excess (deficiency) of revenues over expenses	\$(10,704)	\$ 20,199
Charge not requiring the use of cash in the current period:		
Depreciation	<u>11,046</u>	<u>29,131</u>
Cash provided from operations	342	49,330
Decrease in accounts receivable	—	23,825
Decrease in other assets	—	2,813
Decrease in office furniture and equipment	—	5,126
Increase in accounts payable and accrued liabilities	161,754	11,009
Increase in contract and grant advances	—	152,421
Increase in membership certificates	<u>4,000</u>	<u>—</u>
Total sources of cash	166,096	244,524
Uses of cash:		
Increase in accounts receivable	154,550	—
Increase in short-term securities	5,314	—
Increase in other assets	3,585	—
Increase in office furniture and equipment	30,946	—
Decrease in contract and grant advances	<u>182,095</u>	<u>—</u>
Total uses of cash	<u>376,490</u>	<u>—</u>
Increase (decrease) in cash	(210,394)	244,524
Cash at beginning of year	<u>301,888</u>	<u>57,364</u>
Cash at end of year	<u>\$ 91,494</u>	<u>\$301,888</u>

See accompanying notes.

Financial Statements

Notes to Financial Statements

December 31, 1986 and 1985

1. Summary of significant accounting policies

Basis of presentation—Agricultural Cooperative Development International (ACDI) is a nonprofit organization funded primarily through grants and contracts with the Agency for International Development (AID). The accompanying financial statements combine ACDI's Government Agency and Corporate accounts. The Corporate accounts include the financial activities of ACDI which are not funded by government contracts and grants.

Contracts and grants—Revenue from contracts and grants is recognized in amounts equivalent to reimbursable costs pursuant to the terms of each contract or grant.

Contributions—Contributions are recognized as income in the year received.

Depreciation—Depreciation is determined using the straight-line method over estimated useful lives of three to ten years.

Federal income tax—ACDI is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax.

Pension expense—ACDI has a contributory target benefit retirement plan covering all eligible domestic employees. Retirement benefits are funded currently. Pension expense was approximately \$58,000 in 1986 and \$55,000 in 1985. Certain officers of ACDI are also trustees of the plan. ACDI pays its overseas employees an additional 10% of their basic pay as a retirement benefit. This expense amounted to approximately \$121,000 and \$123,000 in 1986 and 1985, respectively.

2. Membership certificates

Membership certificates are issued to active and as-

sociate members upon payment of amounts pursuant to the by-laws of ACDI. Voting rights are limited to active members. In the event of dissolution or liquidation of ACDI, any assets remaining after the payment of liabilities would be distributed to qualified nonprofit organizations.

3. Development fund

In 1972, ACDI initiated efforts to obtain contributions from members to provide an expanded capability for service to cooperatives in developing countries to be supplemented by AID and other agency funding. The Development Fund (the Fund) was established as restricted surplus and Fund revenues and expenses are being accounted for separately. Contributions are recognized as revenue when received.

Activity in the Fund is summarized below:

	1986	1985
Member contributions	\$68,507	\$90,205
Expenses:		
Overseas development support	31,693	44,608
Contributions to Volunteers in Overseas Cooperative Assistance	<u>17,000</u>	<u>16,000</u>
Total expenses	<u>48,693</u>	<u>60,608</u>
Excess of contributions over expenses	<u>\$19,814</u>	<u>\$29,597</u>

ACDI has a grant from AID to fund the initiation and administration of development programs in less developed countries. ACDI pays from the Fund a portion of the cost of certain programs under this grant

which are determined by ACDI to be consistent with the purpose of the Fund.

4. Related parties

ACDI had a subordinate grant agreement with Land O'Lakes, Inc. (LOL) whereby LOL, at a minimum, matched AID funding of services to cooperatives in developing countries by providing equivalent amounts of technical and other services. In 1985, the matching services provided by LOL approximated \$240,000. This agreement expired on December 31, 1985.

ACDI has an affiliation agreement with the National Council of Farmer Cooperatives (NCFC), a nonprofit trade association of agricultural cooperatives, for the purpose of promoting the mutual interests of each organization. In 1986, ACDI and two other nonprofit organizations entered into an agreement with NCFC whereby the four organizations would jointly occupy office space and share in the cost of the leased space and certain other office expenses (Note 5).

5. Commitments

ACDI is obligated under operating leases for certain office equipment and for its former office space, most of which is now being subleased. ACDI also rents office space from NCFC (Note 4). Rent expense was approximately \$106,000 in 1986 and \$75,000 in 1985. Future minimum payments under noncancelable leases, net of sublease income of approximately \$64,000 in 1987 and \$21,000 in 1988, are as follows:

1987	\$15,000
1988	4,000
Thereafter	<u>—</u>
	<u>\$19,000</u>

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Members
Agricultural Cooperative Development International

We have examined the accompanying balance sheet of Agricultural Cooperative Development International at December 31, 1986 and 1985, and the related statements of revenues and expenses, changes in net worth, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of Agricultural Cooperative Development International at December 31, 1986 and 1985, and the results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company
Washington, D.C.
March 20, 1987

Members *(as of December 31, 1986)***Farm Supply, Processing and Marketing Cooperatives****AGWAY INC.**

Director: Arthur J. Fogerty, Senior Vice President Corporate Relations

Syracuse, New York. A farm supply and food marketing cooperative owned by farmer members in the 12 north-eastern states.

ASSOCIATED MILK PRODUCERS, INC.

Director: William Lenschow, Director-Farmer

San Antonio, Texas. A farmer-owned purchasing, marketing and processing cooperative in 20 states.

CENEX

Director: Dixie L. Riddle, Director-Farmer

St. Paul, Minnesota. A regional agricultural supply cooperative serving 1600 local cooperatives in a 14-state area with a wide range of farm and home products and a variety of management and technical services.

CF INDUSTRIES, INC.

Director: Lawrence H. Devereux, Senior Vice President and Chief Financial Officer

Long Grove, Illinois. An interregional cooperative manufacturer and distributor of chemical fertilizers for 14 regional farm supply cooperatives in the U.S. and Canada.

COUNTRYMARK, INC.

Director: None designated

Columbus, Ohio. A farmer-owned supply, purchasing, manufacturing and grain marketing cooperative.

DAIRYLEA COOPERATIVE, INC.

Director: Clyde E. Rutherford, President

Syracuse, New York. A farmer-owned milk manufacturing, processing and marketing cooperative in the New York-New Jersey-Pennsylvania area.

FARMLAND INDUSTRIES, INC.

Director: Robert E. Johanson, Executive Vice President Administrative Services

Kansas City, Missouri. A farm supply and pork marketing cooperative serving farmers in 19 Midwestern states.

GOLD KIST INC.

Director: None designated

Atlanta, Georgia. A farmer-owned marketing, processing and supply cooperative serving farmers in 12 southern states.

GROWMARK, INC.

Director: Ross W. Gillfillan, Senior Vice President, Member Services and Grain Operations

Bloomington, Illinois. A regional farm supply and grain origination cooperative providing origination, supply and manufacturing services to member cooperatives throughout Illinois, Iowa, Wisconsin.

HARVEST STATES COOPERATIVES

Director: Edward Ellison

St. Paul, Minnesota. Harvest States Cooperatives is a grain marketing and processing cooperative serving 200,000 farmer-owners in 16 states from the upper Great Plains to the Pacific Coast.

INDIAN FARMERS FERTILISER COOPERATIVE, LTD.

Director: M.H. Avadhani, Managing Director

New Delhi, India. A multi-state farmer-owned cooperative, manufacturing and marketing chemical fertilizers and other agricultural inputs.

INDIANA FARM BUREAU COOPERATIVE ASSOCIATION, INC.

Director: Dean Denhart, Vice President Sales

Indianapolis, Indiana. A farmer-owned supply, purchasing, manufacturing and marketing cooperative.

INTERNATIONAL COOPERATIVE PETROLEUM ASSOCIATION

Director: F.A.A. Van Dongen, General Manager/Secretary-Treasurer

Elmsford, New York. Suppliers of all types and grades of quality lubricants, including lubricating oil base stocks and additives; designers and contractors for construction of lubricating oil blending facilities and other industrial plants.

LAND O'LAKES, INC.

Director: Vern L. Moore, Senior Vice President, Corporate Relations

Minneapolis, Minnesota. A farmer-owned dairy/food processing/marketing and farm supply cooperative in eight midwestern states.

MFA OIL COMPANY

Director: Dale H. Creach, President

Columbia, Missouri. A farmer-owned petroleum marketer serving farmers in five states.

MFC SERVICES (AAL)

Director: Jerry L. Harpole, Sr., President and General Manager

Madison, Mississippi. A farmer-owned purchaser, manufacturer and marketer in three southern states and Puerto Rico.

MISSISSIPPI CHEMICAL CORPORATION

Director: Gene A. Triggs, Vice President, Government Affairs

Yazoo City, Mississippi. A fertilizer manufacturer owned by farmers, independent dealers and farm cooperatives in 10 southern states.

NATIONAL COOPERATIVE REFINERY ASSOCIATION

Director: Larry E. Williams, President and Chief Executive Officer

McPherson, Kansas. Interregional petroleum producing and refining cooperative owned by five large regional farm supply cooperatives.

SEALD-SWEET GROWERS, Inc.

Director: J.W. Holford, Chief Executive Officer
Tampa, Florida. Farmer-owned marketer of citrus crops.

SOUTHERN FARMERS ASSOCIATION

Director: Robert Dixon
North Little Rock, Arkansas. A federated farm supply regional cooperative in Arkansas and Louisiana.

SOUTHERN STATES COOPERATIVE, INC.

Director: Robert W. Bryan, Vice President, Member and Public Affairs
Richmond, Virginia. Manufacturer and supplier of feed, seed, fertilizer, farm supplies and petroleum products and marketer in six states.

SUNKIST GROWERS, INC.

Director: Curtis Anderson, Vice President, Member/Public Relations
Van Nuys, California. Farmer-owned marketer and processor of citrus crops from two states.

TENNESSEE FARMERS COOPERATIVE

Director: None designated
LaVergne, Tennessee. Farmer-owned supply organization.

UNIVERSAL COOPERATIVES, INC.

Director: A.J. Oukrop, Vice President, Farm and Home Supply Division
Bloomington, Minnesota. Interregional manufacturing and purchasing cooperative serving its 31 regional cooperative members located throughout the U.S.A. and Canada.

Farm Credit Banks

CENTRAL BANK FOR COOPERATIVES

Director: Jon Greeneisen, Senior Vice President
Denver, Colorado. Participates with the 12 district Banks for Cooperatives in financing large cooperatives; also provides credit for foreign purchases of cooperative exports.

FARM CREDIT BANKS OF BALTIMORE

Director: J. Howard Settle, Executive Vice President and Chief Operating Officer
Baltimore, Maryland. Provide credit to farmers and cooperatives in five eastern states and the Commonwealth of Puerto Rico.

FARM CREDIT BANKS OF JACKSON

Director: James L. Toft, President
Jackson, Mississippi.

FARM CREDIT BANKS OF LOUISVILLE

Director: None designated
Kentucky. Provide credit to farmers and cooperatives in four midwestern states.

FARM CREDIT BANKS OF OMAHA

Director: James D. Kirk, President and Chief Executive Officer
Nebraska. Provide credit to farmers and cooperatives in four midwestern states.

FARM CREDIT BANKS OF ST. LOUIS

Director: Douglas D. Sims, President and Chief Operating Officer
Missouri. Provide credit to farmers and cooperatives in three midwestern states.

FARM CREDIT BANKS OF SPOKANE

Director: Duane Marshall, Senior Vice President Corporate and Administrative Services
Washington. Provide credit to farmers and cooperatives in five northwestern states (Washington, Oregon, Idaho, Montana and Alaska).

FARM CREDIT BANKS OF SPRINGFIELD

Director: Clifford E. Busekist, Senior Administrative Vice President
Massachusetts. Provide credit to farmers and cooperatives in eight northeastern states (New York, New England, New Jersey).

FARM CREDIT SERVICES OF ST. PAUL

Director: R. Lee Ormston, Director-Farmer
Minnesota. Provide credit to farmers and cooperatives in four upper midwest states.

National Organizations

AMERICAN INSTITUTE OF COOPERATION

Director: David C. Thomas, President
Washington, DC. The national educational organization for agricultural cooperatives. Chartered in 1925 as a university without a campus, its programs are designed to acquaint various publics with the role of cooperatives in the American competitive enterprise system.

NATIONAL COOPERATIVE BUSINESS ASSOCIATION

Director: Frank Sollars
Washington, DC. National cooperative organization providing educational, legislative and developmental services to cooperatives in the United States and abroad.

NATIONAL COUNCIL OF FARMER COOPERATIVES

Director: Wayne Boutwell, President
Washington, DC. National legislative arm of farmers' marketing, purchasing and credit cooperatives.

NATIONAL FARMERS UNION

Director: Cy Carpenter, President
Denver, Colorado. National farm organization.

NATIONAL GRANGE

Director: Edward Andersen, Master
Washington, D.C. National farm organization.

Insurance

MSI INSURANCE

Director: Gordon E. Lindquist, President and Chief Executive Officer
St. Paul, Minnesota. A complete multi-line life and casualty insurer of cooperatives, commercial businesses and individuals, controlled by over 600 cooperative associations and licensed in 42 states.