

Cooperative Development Program Report

December 1, 1997 – June 30, 1998

Introduction

ACDI/VOCA has a long history with USAID's Cooperative Development Program (CDP). ACDI/VOCA was created through the 1996 merger of Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance. As separate entities, both ACDI and VOCA can trace their participation in this important program to their origins. ACDI/VOCA's roots with this program go back to the Humphrey Amendment of the Foreign Assistance Act of 1961, in which Congress called on USAID to include cooperative development in its assistance programs and to draw upon the resources of U.S. cooperatives to do so. Since 1963, ACDI/VOCA has been one of USAID's principal means of carrying out this important directive.

As a combined organization, ACDI/VOCA represents the international branch of the National Council of Farmers Cooperatives. We are well qualified to support CDP's objective of promoting the growth of cooperative systems overseas. ACDI/VOCA's membership comprises 44 leading U.S. agribusinesses and all of the U.S. Farm Credit System. Today ACDI/VOCA is one of the largest U.S. cooperative development organizations, with 35 years experience providing technical assistance, training, and managerial support to businesses, associations, cooperatives, and governments in developing and emerging market countries.

Our current cooperative development grant reflects much of ACDI/VOCA's expansion and diversification strategies. Brazil provides most of our matching contributions for the CDP; it also increases our potential for expanding our activities to the Amazon Basin and Lusophone Africa countries. The emphasis being placed on rural finance demonstrates our conviction that ACDI/VOCA is uniquely positioned to become the leading rural finance technical assistance provider by drawing on the talent of our U.S. Farm Credit System membership. For this reason a substantial portion of our headquarters strengthening activities and resources will be devoted to the recently created rural finance division.

ACDI/VOCA's FY 1999 CDP work plan will be submitted this month. For our second CDP report, we note that much of our efforts have gone into registering our offices in Mozambique and Brazil during this phase. Unfortunately, political maneuvering stemming from the presidential campaign in Brazil delayed the release of our in-country funding by seven months, causing our volunteer assignments in Brazil, and Brazilian volunteer assignments in Mozambique, to be frozen. Worldwide, eight volunteer assignments were completed this period and more scopes of work were written for future assignments. To date twenty-four volunteer assignments and three paid assignments have been completed under the Cooperative Development Program.

Brazil Component

The goal of the Brazil activity under CDP is to strengthen the institutional capacity of rural cooperatives in the Brazilian Amazon.

ACDI/VOCA has long history in Brazil; between 1973 and 1985 thirty volunteer assignments were conducted using our traditional cooperative development funding. This period introduced ACDI/VOCA to cooperative organizations in Brazil and positioned it for future activity.

The current Cooperative Development Program in Brazil is built on previous Farmer-to-Farmer activity conducted between 1994 and 1996, a period in which thirty-three assignments were carried out. Fifteen of these assignments were carried out in 1996, cementing the partnership with the Organization of Brazilian Cooperatives established in 1995.

The 1994 - 1996 activities include the 1995 launching of PRODESAM: the Program for the Development of the Amazon. PRODESAM is a collaborative effort by the Department of Cooperatives and Rural Associations (DENACOOB, Federal Ministry of Agriculture and Supply), the Organization of Brazilian Cooperatives (OCB), the International Cooperative Alliance (ICA) and ACDI/VOCA.

ACDI/VOCA opened an office in 1995 in OCB's headquarters in Brasília. In addition to providing ACDI/VOCA with office space, the Organization of Brazilian Cooperatives provides for the in-country costs of volunteers (transportation, lodging and per diem) and covers part of the office costs. The Organization of Brazilian Cooperatives also helps ACDI/VOCA access individual cooperatives through the state cooperative organizations that make up its membership.

Program Overview:

ACDI/VOCA-Brazil completed five volunteer assignments during the month of December 1997. Two of these assignments were carried out in the state of Acre with rubber-tappers cooperatives (Ellen Sheeley- CD300010 and CD300011) while the rest were conducted in the state of Amazonas. With the exception of a palm heart marketing assignment (Herman Obregon- CD30008), these other assignments were part of the first International Congress on Cooperative Sustainable Development for the Amazon Basin Countries (Jerry Namken- CD300003 and Thomas Dixon- CD300029).

ACDI/VOCA participated in the International Congress on Cooperative Sustainable Development for the Amazon Basin Countries by sending the aforementioned three volunteers, as well as Charles Cox, the senior vice president, and J. Michael Nehrbass, program officer, for ACDI/VOCA's Latin America and the Caribbean Division. ACDI/VOCA also arranged for speakers from Ben & Jerry's Ice Cream and Howler Products to make presentations on export marketing. This OCB-funded event was an

outstanding success, with over three hundred participants including various Brazilian governmental authorities involved in Amazon development. Currently a follow-up conference is being planned for 1998 in Santa Cruz, Bolivia; this will also receive OCB funding support.

Dr. Celso Claro de Oliveira, ACDI/VOCA's country representative and the outgoing program coordinator José Renato Ruy Ferreira also participated in the conference. Afterwards the presidents of the state cooperative organizations for the Amazon met with ACDI/VOCA and reviewed the process for soliciting and managing volunteer consultants.

HQ and Field Office Administration:

Dr. Celso Claro is the former director of the Department of Cooperatives and Rural Associations (DENACOOOP, Federal Ministry of Agriculture and Supply) and has worked in the Brazilian cooperative movement his entire career. The office administrator, Zuleide Pereira de Lucena, is a trained accountant formerly employed by the National Bank of Cooperative Credit (Banco Nacional de Credito Cooperativo).

After months of difficulties, ACDI/VOCA-Brazil finally was able to register ACDI/VOCA as an NGO with the Ministry of Justice. NGO registration in Brazil is normally an arduous process that takes three years for the paperwork to go through seven different agencies that are involved; ACDI/VOCA registered in just four months due to the connections and lobbying by Dr. Claro. Our registration papers were finally signed by President Cardoso on July 1st and published with our translated by-laws in the July 2, 1998 issue of *Diário Oficial*.¹ Now that the office is officially registered, ACDI/VOCA must make an annual report to the Ministry of Justice regarding our activities and hire a monthly public accounting consultant to ensure that we are meeting increased reporting and legal compliance requirements.

Rogério Saraiva, our new program coordinator for the Amazon was hired effective February 1st, 1998. During March 1998 he came to Washington, D.C. for training and orientation.

A brochure "*Mais Dinheiro no Bolso do Agricultor*" was published in order to publicize ACDI/VOCA's technical assistance services that are available to cooperatives in the Brazilian Amazon.

The Organization of Brazilian Cooperatives' fiscal year is supposed to be on the calendar year. Its budget depends on the amount of money that the Brazilian Congress allocates to the Ministry of Agriculture and Supply. The 1998 presidential election caused the president to reappoint several ministers before the next fiscal year budget was approved in order to gain political support from the state of Rio Grande do Sul. As a result, the new minister of agriculture appointed a new director to DENACOOOP, causing OCB and

¹ *Diário Oficial*/Number 124, July 2, 1998, pp. 11-15.

ACDI/VOCA to have to re-market our program in order to maintain our in-country funding. Delays of this sort are not expected again for the remainder of the CDP grant.

The Organization of Brazilian Cooperatives expects that the funds will be released at the latest by August 17th; the official announcement of OCB's approved budget was published in the August 3, 1998 edition of *Diário Oficial*.

Volunteer Activities:

Between December 1st and June 30th ACDI/VOCA carried out five volunteer assignments in two states using four volunteers. (See attachments) Eighty percent of the volunteer assignments (four) focused on business operations; the remaining project focused on organizational development. Three volunteers were hosted by individual cooperatives; the others by the Organization of Brazilian Cooperatives.

The majority of the assignments focused on marketing and product development. Cooperatives working with rubber and palm hearts were assisted.

Headquarters Strengthening

Creation of Rural Finance Department

ACDI/VOCA proposed to use CDP resources to help establish a rural finance resource center at headquarters, one that could communicate best practices in the field, identify and share across our regional divisions the lessons learned and products developed by our projects, and help to diversify the sources of funding that ACDI/VOCA has to implement rural finance activities.

In the last seven months, our rural finance unit has made progress in these areas. It was instrumental in obtaining funding for our first activity under UNDP's Microstart Project in Mongolia. In addition to preparing the proposal, our rural finance staff organized the work plan design mission. Program activities began in July.

In order to identify some of the products developed under ACDI/VOCA projects that can be useful in other countries, Robert Fries, assistant vice president for rural finance, participated with a USAID staff member and consultant in an end-of-project assessment of our Cooperative Bank Development Project in Poland. Among the cutting-edge products that will be used elsewhere are:

- a credit analysis training program that was widely used in Poland, and already has been adapted for use in Kyrgyzstan (under the CDP, as described below) and Ukraine;
- a computer program that compares groups of "peer banks" in such areas as growth, efficiency, profitability and solvency.

Members of the rural finance unit have also worked to develop a presentation on our best practices in rural finance, prepared an article on ACDI/VOCA's experience with rural finance for the SEEP newsletter, and represented ACDI/VOCA at the Microcredit Summit in New York, as well as a meeting of Microstart practitioners at UNDP.

Mozambique Component

The goal of the Mozambique activity under CDP is to increase the capacity of indigenous cooperatives in Mozambique.

Baseline data reporting:

In the last six months, ACDI/VOCA Mozambique has met with approximately thirty national and international NGOs, thirteen government departments and many agribusinesses, unions and associations. Approximately 150 companies were contacted in 12 countries with regard to the export of seven different products.

HQ and Field Office administration:

On May 12, 1998, 11 months after applying, ACDI/VOCA Mozambique was granted official registration as an NGO by the Ministry of Foreign Affairs and Cooperation. Immediately following this, all necessary documentation was completed and submitted to the Ministries of Labor and Finance, the Directorate of Immigration, the National Institute of Social Security and Beira City Council. At the end of the reporting period, importation taxation exemption papers were being processed by the Ministry of Planning and Finances in order to facilitate the purchasing of a vehicle.

An 86-page briefing book was written in Portuguese for future Brazilian volunteers, and one room of the office was decorated in a traditional African style for use by volunteers as an area for work and relaxation. A series of seven simply worded, pictorial leaflets were written and widely disseminated throughout the four provinces of ACDI/VOCA Mozambique operations. Highlighting certain areas of technical assistance, the titles were: "Fruit Drying", "Packaging and Labeling", "Marketing", "Business Planning", "Association Development", "Birdseye Chili Pepper", and a more general introductory leaflet, "What is ACDI/VOCA?". Seven new profile and impact sheets were also translated. In addition, assistance with translation was provided to ACDI/VOCA consultants contracted by UNDP to evaluate a microfinance project in Tete, and to a fruit growers' association that was conducting business with a South African firm.

A series of "Business Skills for Farmers" leaflets was initiated, with the first two titles "Calculating Costs" and "Profit-and-Loss Statements". The idea for these leaflets arose as a result of a volunteer assignment in March 1998 to study market linkages along the Manica-Maputo trading route. Likewise, ACDI/VOCA has participated in the Working

Group on Market Information Systems since its inception in May. The group draws together government departments and NGOs involved in the commercialization sector.

ACDI/VOCA has been active in locating domestic and export markets on behalf of numerous associations. Sesame seed contacts have been made for producers in Caia and Chemba, Sofala Province at the request of World Vision International, as well as for associations and individuals working with Africare in Manica Province.

ACDI/VOCA was contacted by the Chazuca community with reference to export market opportunities for ginger, following ACDI/VOCA Mozambique's first volunteer project there in November-December 1997. In addition, ACDI/VOCA has liaised with credit institutions on behalf of the community, in order to access credit for the construction of a warehouse.

In April our CDP Director, together with field staff from Food for the Hungry International and a government agricultural department official, visited the Malawi ACDI/VOCA SADC project working with birdseye chili peppers in Mulanje. The group learned how to grade and dry the chilies, observed a "buying day" in progress, obtained chili samples, and was shown the process of chili exportation from the producers' fields through to the final essential documentation. Upon return to Mozambique, ACDI/VOCA assisted FHI staff to make the necessary contacts with potential buyers, and gathered information concerning export regulations, freight companies, insurance and testing services.

Throughout the honey harvest season (December – April), ACDI/VOCA has assisted members of the Beekeepers Association in Gorongosa District to market their honey. Packaging companies were contacted, in addition to potential buyers, including major supermarkets and the Ministry of Health. Further, tests were carried out at the ACDI/VOCA office on the shelf life of the honey when stored in various types of packaging.

ACDI/VOCA has also been working with a local NGO, FUMASO, which wants to initiate a fruit drying program. A viability study was carried out by Dr. Garth Thorburn (U.S.A.) and Dr. Wellington Oliveira (Brazil) in December 1997, which recommended that an NGO or bank be contacted for a start-up loan. Since that time, ACDI/VOCA office staff members have assisted FUMASO personnel with the preparation of a project proposal, budget and business plan for submission to credit institutions.

At the request of several NGOs, associations and donors agencies, ACDI/VOCA investigated the legal procedures for registering an association. Numerous organizations and institutions were consulted, and a final document was written detailing each step of the complicated and costly process, for submission to USAID and LINK (the national forum of NGOs).

Many different areas were considered for potential volunteer assignments, including vegetable seed multiplication, tomato paste production, commercial tomato drying, the

export of bamboo furniture, sesame seed grading for export, association formation and development amongst small-scale loggers, the development of community groups for natural resource management, and the production of chili sauce. Some of these areas will be developed into future assignments, whilst certain other sectors appear at present to have a low potential for success. Numerous requests were made for assistance best met through providers of extension or credit services, and such inquiries were passed to more appropriate national and international agencies.

Seven scopes of work were written, of which one was completed and a further three were in progress during the reporting period, and these are discussed below. A scope of work was written for the development of the Gorongosa District Association of Beekeepers, including instruction in hive construction from locally available materials, training in business planning and bookkeeping, and assistance with writing a proposal to access credit. By the end of June, a volunteer had been identified, and the assignment will be carried out in collaboration with Food for the Hungry International (FHI) in August 1998. Another assignment written in partnership with FHI was the scope of work for a two-week association development workshop. The volunteer will train government, NGO and association representatives in the principles of association development and in methodologies for training others, including the design of systematic training plans and the preparation of instructive materials which can be used in a low-literacy context. The assignment will be executed in September 1998.

Finally, a scope of work was written for the production and marketing of dried fruit, at the request of several associations and community groups working with a national technical organization, Kwaedza Simukai Manica. The assignment will include a demonstration of how to build a simple brace-type solar drier, how to process the fruit, packaging and marketing. A manual will also be written for use by the various participating groups. In addition, one day will be spent with staff from Africare, another USAID-funded partner NGO, showing them how to build solar dryers suitable for drying sesame and sunflower seeds. The assignment is scheduled to take place in October 1998.

Volunteer and Consultant Activities:

In December 1997, Dr. Garth Thorburn and Dr. Wellington Oliveira completed their assignment: a viability study of four post-harvest processed products. The volunteers investigated honey and wax marketing opportunities in Sofala on behalf of the Beekeepers' Association in Gorongosa and studied ginger production and processing in Chazuca, Manica Province. They worked with a womens association in Dondo to assess their production and processing capacity of various fruits, and evaluated the economic viability of various tomato-based products.

In February 1998, Ms. Marion Silverthorne arrived in Mozambique for a six-week study of the marketing chain between Manica in the center-north and Maputo in the south of the country. Ms. Silverthorne traveled through four provinces interviewing traders, producers and market analysts. Ms. Silverthorne made numerous recommendations concerning the information needs of the various stakeholders in the market system, and methods for communicating this information. Ms. Silverthorne also spent time with

wholesale market traders in Maputo, in particular, with members of the Commission for the Central Commercial Market of Xipamanine-Bazuca, discussing the potential advantages of trading associations.

On June 15th, Dr. Harlan Bentzinger began an assignment of association development with ASAM (the Farmers' Association of Manica). This included field visits and a six-day course in business skills for members of the association. Dr. Bentzinger was in the process of writing a business training manual at the close of this reporting period.

On June 19th, Dr. Charles Moore arrived in Beira, and traveled the next day to Nampula Province to work with oilseed press owners in Mecuburi District. The assignment was in collaboration with CARE International, and was designed to assist with the formation of a Press Owners' Association to facilitate warehouse construction, access credit and coordinate the purchase of inputs. Dr. Moore also gave training in business planning to staff, and the assignment was still in progress at the end of the reporting period. Finally, on June 25th, Ms. Nadine Bauthamy began a six-week assignment in marketing training. The assignment includes a two-week workshop in Beira for representatives of more than twenty NGOs, associations and government departments, and two weeks in the Nhamatanda and Marromeu to evaluate and provide feedback on training conducted in the field. A marketing training manual will also be developed. At the close of the reporting period, Ms. Bauthamy was involved in preparation for the workshop.

Rural Finance Component

Kyrgyzstan: Building the Viability of the Osh Farm Credit Association

The Osh Farm Credit Association is nearing the end of its third quarter of operations. With the help of technical assistance funded under the Cooperative Development Program, it has succeeded in developing a viable loan product for small and medium-scale farmers.

CDP Input. Since December, CDP provided approximately 10 person weeks of technical assistance. **Robert Coots** (CD300028), a banking and credit volunteer, worked with the association from the last week of January to the first week of March. With his help the association improved its procedures for credit and operational procedures. Credit files were reviewed, and loan application, credit analysis, and property appraisal forms were designed. Board members were also trained in their basic responsibilities to the OFCA.

In June, **Alan Pieper**, a credit specialist, began his four week assignment that included intensive training of the OFCA credit officers, as well as the first credit officer to be hired by a new credit association that is beginning its operations in northern Kyrgyzstan. Officers received more sophisticated training in evaluating the risk of a loan and appraising the value of collateral was established. Standard forms were adjusted to

capture some of the new analytical tools. Mr. Pieper also assessed the financial reporting procedures and systems, making specific recommendations for improvements.

Impact

- *A viable loan product.* OFCA loan applications are evaluated based on the character of the applicant, the applicant's capacity to pay (based on cash flow analysis), and the soundness of the proposed business activity. This procedure itself is a distinguishing characteristic of the product, as loan analysis by commercial banks emphasizes collateral, while most NGOs offer negative interest rates and emphasize poverty alleviation over sustainability.
- *Growing portfolio.* 155 loans have been made to date, 44 during the fall season of 1977, and 111 in the spring planting season this year. All but one loan—a large loan made to a walnut marketing firm in the region—are current. Total loan portfolio stands at \$470,000.
- *Replication.* Lessons learned in effective design and servicing of loan products to Kyrgyz farmers are being shared with two fledgling associations launching operations in two other oblasts: Jalal Abad and Chui.

Counterpart Contributions

In addition to the six weeks of volunteer time in this six month period, interest payments for the first eight months of operation total more than \$55,000.

Peru: National Association of Cajas Rurales

The National Association of Cajas Rurales has recently reorganized in order to provide services to its members. Technical assistance under CDP helped in this reorganization. One advisor, Mr. **Jorge Noda**, worked with the Association to produce and implement three key manuals for the new structure: an Organization and Functions Manual, an Operating Procedures Manual, and a Personnel Manual. Mr. Noda also trained the new manager of the services unit, worked with the external funding unit in developing its strategic plan for the year, and assisted in the recruitment of an administrator and the manager for the economic analysis unit.

Mr. Noda also helped the Association to negotiate \$73,000 in project support from COFIDE, a government development bank.

A second consultant, Mr. **Ricardo Solis**, developed an extensive directory to assist the external funding unit. The directory describes in detail potential sources of funding at the national and multilateral levels, as well as private sources of international technical cooperation, grouped by country.

Southern States Cooperative Sub-grant

The goal of the Southern States activity under CDP is to enable emergent input supply cooperatives in the Ukraine to become self-financing by efficiently serving their member needs. Since the inception of the CDP grant, Southern States, with ACDI/VOCA assistance, has undertaken a careful assessment of the steps that will be necessary in order to establish and/or strengthen input supply cooperatives in a carefully selected region in Western Ukraine.

This assessment has resulted in the recognition that considerable work will be necessary before input supply cooperatives in Ukraine will be ready to implement Southern States Cooperative's computerized retail support system. Cooperatives in Ukraine are presently in the very early stages of development. The focus of Southern States and ACDI/VOCA assistance during the first phase of work with individual cooperatives must be on building and strengthening the organizational and managerial capacity of the cooperatives. Once these are sufficiently developed (hopefully, within two years of initial assistance), the computerized retail support system can be introduced.

Southern States has concluded as a result of its country assessments that it wishes to concentrate its initial attention on the development of an input supply cooperative in Western Ukraine. That region was determined to be at a more advanced stage in cooperative development in regards to:

- resources available to support cooperative formation;
- a supportive local government;
- well-organized local farmers;
- good local farm leadership.

OBJECTIVE: To form at least one democratic, private, farmer-owned cooperative in the Ternopil region of Western Ukraine to supply agricultural inputs, credit and private marketing services to its members. No other USAID implementor is carrying out any activity similar to this in the project area we have selected.

GOAL: After a firm foundation of at least one farm input supply cooperative(s) is established in the under the project, Southern States Cooperative will be ready to implement its computerized retail support system.

The cooperative will provide input supplies at cost and provide joint marketing services for member products. Small/medium-scale private farmers in Ukraine currently have limited options for obtaining technical and market information, choosing suppliers and selecting buyers. Formation of an input supply cooperative provides a means to alleviate these constraints, resulting in increased production and yields and increased return to the farmers.

Each member will make an initial capital investment to cover start-up and initial operating expenses. Ongoing costs of operations will be covered out of gross margins from sale of goods and services. Services will be modest at the beginning and will expand as required by members and as justified by gross margins.

Functions:

Initially, the cooperative will focus on establishing 10-15 on-farm forage/pasture management demonstration projects, in keeping with the modest resources initially available. Over time, as cooperative gross margins justify, functions will expand to include the following:

- Provide members on-farm service equipment, such as seeding equipment, mowers, and forage harvesting equipment;
- Attract U.S. farm/garden equipment manufacturers either as donors, suppliers or trainers;
- Serve as a sales and service center;
- Advise and assist members in crop and livestock production;
- Advise and assist members to connect to local financing and later establish a production credit association;
- Incorporate soil conservation and crop selection measures to increase crop/forage production;
- Promote community development in concert with US and Ukrainian private agricultural businesses and public institutions.

PARTICIPANTS & THEIR ROLES:

Southern States	Provide technical guidance in development of co-op assets, facilities, and services, provide technical assistance and training;
ACDI/VOCA- HQ	Administrative support to Southern States and work plan preparation;
ACDI/VOCA-Ukraine	Provide volunteer technical assistance in the areas of production, cooperative formation, governance, management and operations, via the Alliance project. A/V's credit program in Western Ukraine will support the project by providing advice and guidance in locating sources of financing for the cooperative(s);
Pioneer Seed	Provide corn silage TA and training in conjunction with seed sales to cooperative;
Massey Ferguson	Provide forage harvesting TA and training in conjunction with equipment sales to cooperative;

Selected U.S. manufacturers	Provide demonstrations, training, support and inputs;
Ukrainian Private Farmers	Provide cropland for demonstration farms; model established and leadership trained to form other input supply cooperatives in Ukraine.
Ukrainian Private Farmers Association	Political and technical guidance and support at the national level to help foster long-term sustainability of this effort.

Activities

Fundamentally, the strategy of this project is to identify progressive farmers in Western Ukraine who have an interest in cooperatives and who are willing to manage demonstration plots on their farms. This will lay the foundation to establishing farm-input and supply cooperatives that eventually will develop the inventory necessary needed to require implementing Southern States Cooperative's computerized retail support system.

Tom Garnett, Southern States' VP for International Sales, has traveled to Ukraine on two occasions to assess initial feasibility and identify partners. Southern States has retained Mr. Vitaly Zinovchuk, a leader in the private cooperative development movement in Ukraine, to do the initial screening of farms and existing cooperative development efforts in Western Ukraine. Mr. Zinovchuk has screened the farmers and cooperatives based upon rigorous selection criteria developed by Mr. Garnett in cooperation with U.S. agribusinesses in Ukraine and other international and domestic players there. Mr. Zinovchuk has identified five existing cooperatives that Southern States Cooperative would like to work with, as well as several cooperatives that are in the process of formation.

Southern States Cooperative believes that if the project is successful in choosing leading Ukrainian farmers, other farmers will become interested in joining the cooperative in order to gain access to modern farm inputs. This grassroots demand will drive the development of modern farm input and supply cooperative (s).

Proposed demonstration trials include feed trials for pigs, no-till corn production, rotational grazing with forage grasses and electric fencing, and possibly a feed trial for dairy animals. Trials will be done following strict protocols designed by Southern States Cooperative's animal nutrition and horticultural specialists. Vitaly Zinovchuk will monitor the trials, with the assistance of a Peace Corps volunteer with agriculture and business skills.

Mr. Garnett and Carl Hammerdorfer, ACDI/VOCA's director of agribusiness and trade,

traveled to Ukraine in March 1998. They spent two weeks making final selections of farmers and co-ops and planning the initial technical assistance efforts. Meetings with farmers and co-ops provided them with an opportunity to identify major constraints and develop a skeleton business plan for a farm-input and supply cooperative.

Messrs. Garnett and Hammerdorfer also held meetings with agribusinesses interested in participating in this project. Ultimately, these agribusinesses will participate only if they perceive the establishment of western-style cooperatives as a means to sell products through them during the 1999 crop year. Clearly, this will be a long-term investment of time and resources for participating businesses. However, Southern States Cooperative is optimistic that over the five-year length of this project we will be able to establish cooperatives that will benefit both Ukrainian farmers and those businesses which would like to have them as customers.

Meetings were held primarily in the L'viv and Ternopil areas; a functioning cooperative in Odessa was also visited. Several important meetings with potential donors in Kyiv were also dedicated to seeking sources of financing for the cooperative(s). There is little question that some source of financing beyond the modest investment to be made by farmers will be a key to the long-term success and sustainability of this effort.

Southern States Cooperative intends to retain Mr. Zinovchuk as a long-term facilitator of this project and develops workplans in close cooperation with him. Using the available technical assistance from the Alliance project (approximately twelve volunteer assignments for FY 1999), Mr. Zinovchuk will work with the farmers to prepare for the demonstration plots next year and to formally establish at least one cooperative. Tentatively, the cooperative members will hire a manager or management team. A/V volunteers will work with the management on a detailed business plan for the operation of the cooperative in the 1999 crop year.

Southern States Cooperative will provide training in-country using ACDI/VOCA volunteers that the Alliance will provide. Southern States Cooperative anticipates twelve volunteers over the next 15 months.

The first volunteer assignments are likely not to occur until November or December 1998, which is when the Ukrainian farmers have available time after their harvest. Southern States Cooperative will begin with basic training in input supply cooperative management, financing, governance, etc. Once the program is up and running, Southern States Cooperative hopes to bring managers from participating cooperatives to the U.S. for three weeks of intensive training in Southern States Cooperative's stores.

Simultaneously, Southern States Cooperative and ACDI/VOCA is going to try to build a linkage between our cooperatives and Cargill, Pioneer and Kyiv Atlantic to provide, respectively, fertilizer (NPK), seed and feed, hopefully on credit. This is a short-term fix, since the costs of delivering to individual cooperatives are prohibitive. The longer-term solution is to have a centralized distribution point.

Therefore, Southern States Cooperative and ACDI/VOCA is going to solicit USAID/Ukraine for funding for a Regional Wholesale Distribution Warehouse to be owned by the original five cooperatives plus 7-10 more over time. Southern States Cooperative believes that we will not reach economies of scale with the total number of farmers in its five participating Ukrainian cooperatives.