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Evaluation of the Haiti Small Farmer Coffee Marketing Project

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EXECUTIVE SUMMARY

This evaluation assesses in detail the performance and impact of the Small Farmer Marketing Project (PCC). The evaluation also reviews the history and impact of the interventions of the U.S. Agency for International Development in the coffee sector, including the Small Farmer Improvement Project (PPC) as well as PCC, and draws on the assessments of these two projects to provide recommendations for the proposed coffee technology transfer project.

PRINCIPAL FINDINGS AND CONCLUSIONS

The overall objective of both PPC and PCC was to increase small farmer income. PPC, which began in 1974 and was terminated in 1981, aimed at achieving this objective through increases in smallholder coffee production. PCC, which began in 1977 and will terminate on August 30, 1984, was designed to complement PPC by providing small farmers with an alternative coffee marketing network. Specifically, PCC aimed at:

- Creating new and strengthening existing coffee marketing cooperatives;
- Improving the quality of coffee processing (even creating a new brand) by emphasizing washed coffee and providing the cooperatives and regional centers with coffee processing equipment;
- Creating a national coffee processing center, which could directly export coffee on behalf of the cooperatives; and
- Strengthening the project implementation capacity of the Government of Haiti's executing agency, the Office of Promotion of Exportable Commodities (OPRODEX [formerly IHPCADE]).

Both projects sought to influence government policy with respect to the tax on coffee exports.

The Small Farmer Improvement Project

PPC did not accomplish its objectives. Although some temporary increases in production were recorded among farmers who availed themselves of the project's subsidized in-kind (fertilizer) and cash (for labor) group credit scheme, the project was not able to halt the steady decrease in coffee production that has afflicted Haiti for the last 30 years. The elaborate input, extension, and credit delivery mechanisms of

this project did not function well during its life and ceased functioning altogether once AID financing was withdrawn. The principal reasons for the failure of PPC were its:

- Strategy of creating local organizations (agricultural credit societies [SACs]) to receive the inputs and credit rather than working through previously existing organizations;

- Failure to test the coffee production technological package for acceptability to small farmers before extending it; and

- Reliance on multiple, fragile, and inexperienced government agencies to coordinate a complicated input, extension, and group credit delivery mechanism.

Small Farmer Marketing Project

PCC, in contrast, has succeeded in achieving most of its objectives. Cooperatives have increased in number, membership, and coffee sales, and most are socially and financially viable. Cooperative coffee marketing competes effectively, albeit on a localized basis, with private exporters and "speculateurs"; most farmers receive a higher financial return from marketing coffee through cooperatives than they would by marketing through speculateurs. A national cooperatives center for processing and exporting coffee -- the Pilot Center for Cooperative Coffee Exporting (CEPEC) -- has operated since 1981. It has increased its export volume every year and, with subsidies, operates profitably. No new brand has been created, and the emphasis on washed coffee has been abandoned, but an effort has been made to improve the quality of natural coffee marketed by the cooperatives. For most project components, OPRODEX has carried out its implementation responsibilities effectively. No action has been taken toward modifying the coffee tax.

Cooperatives

PCC's strongest achievement has been to strengthen the cooperative movement. Over the life of the project, the number of coffee marketing cooperatives and pre-cooperatives has doubled, and membership in these organizations has tripled. With the exception of some of the older, mainly single-purpose coffee cooperatives, most of the cooperative organizations respect established cooperative principles, such as open membership, democratic procedures, and member participation. Coffee marketing in all the full cooperatives is profitable on a cash flow basis and would also be profitable for most of them even if no costs were subsidized. (The coffee marketing operations of the one pre-cooperative analyzed is unprofitable as a result of low volume.) Several of the multi-purpose cooperatives sustained overall operating losses in 1982-83 because of the unprofitability of enterprises other than coffee marketing.

Coffee Marketing

In general, cooperatives are able to compete effectively with exporters and speculateurs. This is not due to the cooperatives' taking advantage of alleged inefficiencies -- including collusion, price-fixing, and exorbitant profits -- in the exporter/speculateur system, for which the evaluation team found no hard evidence or sound inferential arguments. Instead, it results from economies of scale that permit most cooperatives to pay quality bonuses and patronage refunds to farmer members. When these payments are added to the base purchase price, farmers marketing coffee through cooperatives were found to receive a return that was 8-26 percent higher than those who sold their coffee to speculateurs.

Coffee Processing and Exporting

The key to the success of the cooperatives' coffee marketing was the creation of CEPEC. In its first year, it purchased coffee from 15 cooperatives and exported 2,224 sacks (266,880 pounds); last year, it purchased coffee from 36 cooperatives and exported 10,299 sacks (1,235,880 pounds), a volume that slightly exceeded the target set in the original PCC Project Paper. CEPEC's financial records show a net operating profit of 703,567 gourdes ($140,713) for 1982-83. If the subsidies that CEPEC is receiving from PCC are costed, however, profits are reduced to nearly zero. (Subsidies include personnel support, rental of facilities, equipment purchases, and a grant of $440,000 used as a revolving fund to purchase coffee from cooperatives.)

CEPEC is now operating in temporary rented facilities. In 1984, PCC will finance the construction of a permanent coffee processing and exporting plant for the cooperatives. The plant will have an initial capacity of only 20,000 sacks. However, a calculation based on current CEPEC financial statements plus projected fixed costs for the new plant reveals that the new plant will have to export 24,200 sacks (2.9 million pounds) to cover its costs without subsidies.

PCC is currently financing the construction of a pilot washed coffee processing plant at Marbial, with a capacity of 2,000 sacks. However, farmers have not responded well to incentives to produce more washed coffee (including a lower export tax on washed coffee that presumably could be passed on to the producer). In contrast, farmers have responded well to the incentives, represented by CEPEC's quality bonuses, to produce better quality natural coffee. PCC has distributed more than 100 items of processing equipment, mainly hand-cranked depulpers and hullers, to cooperatives and regional coffee centers. However, jurisdictional disputes within the Haitian government have so far kept the coffee centers, which were built under PPC, from becoming operational under PCC.

Institutional Roles and Performance

OPRODEX has done a creditable job of planning, monitoring, and evaluating PCC activities. Its most notable accomplishments have been to strengthen the cooperatives and to create CEPEC. Its greatest weakness has been its inability to secure financing for CEPEC or for the cooperatives from public or private banking facilities. This problem was created in part by banks' distrust of farmer groups, stemming from their previously weak repayment performance under PPC; the problem is exacerabated by the disadvantages inherent to any government agency attempting to broker financing between third parties.

Midway through the project, the coffee marketing cooperatives established the Union of Haitian Coffee Cooperatives (CCH), which was intended, among other things, to assume operational control of the cooperatives' national processing facility. A 1981 revision of AID's grant agreement formalized this expectation and added that PCC staff should be integrated into the new organization. CEPEC has begun to turn its profits over to CCH, and the land for the new plant has been acquired in the name of the coffee cooperatives. However, OPRODEX has resisted ceding operational control of CEPEC to CCH, which, in any case, does not yet have the financial or management capacity to assume this responsibility. Moreover, it is not realistic to expect that PCC staff, almost all of whom are government civil servants and whose salaries are now topped off (sometimes more than doubled) by PCC, would give up the security of government jobs to accept employment, probably at a much reduced salary, in a new organization of uncertain financial means.

Tax Policy

Both PPC and PCC sponsored studies of the coffee export tax. In general, these studies have found that the tax is regressive, economically inefficient, structurally irrational, and probably acts as a disincentive to increased production. Recommendations have ranged from some modification of the structure to outright elimination of the tax. However, the tax also represents a sufficiently important source of government income (about 12 percent of general revenues) that the government is unlikely to modify it without assurance of compensating revenue. To date, AID has chosen not to make modification of the tax a condition for project funding.

RECOMMENDATIONS

The Cooperative Movement

1. The Government of Haiti, AID, and other donors should continue to help strengthen the cooperative movement in Haiti to provide a participatory and pluralistic foundation for local development activities. Care should be taken, however, to work only with organizations whose existence is based on local interests and ties rather than with those based solely on the need to attract external resources.

2. Coffee marketing cooperatives should be encouraged to diversify their activities but should consider eliminating activities that are not financially viable.

3. Membership in cooperatives generally mirrors the distribution of power and resources in the local community. Thus, cooperative leadership is often made up of local elites. However, donors should not support or work through cooperative organizations whose membership is effectively limited to local elites.

4. Subsidies are probably necessary and should, therefore, not be ruled out for nascent cooperative organizations. However, subsidies should be extended to an organization only after a determination has been made of the conditions and timing necessary to eliminate them as well as of the probability that the organization will be able to achieve those conditions.

5. Mature cooperatives should look to the Agricultural Credit Bureau (BCA) for working capital to purchase coffee from members. AID may wish to consider establishing a special credit window within BCA to enable it to respond to cooperatives' needs.

6. The development of regional cooperatives, modeled after the Regional Cooperative for the Southern Region (UNICORS), should be encouraged. However, they should not be superimposed on weak or nascent organizations, but should develop from the natural growth of mature cooperatives.

Coffee Marketing

7. The Government Of Haiti, AID, and other donors should continue to support the marketing of coffee through cooperatives.

8. The operation of the new plant should be subsidized until it reaches a volume of 25,000 sacks a year. Plans should be drawn up for the gradual withdrawal of subsidies as volume increases.

9. The Haitian government, with the assistance of AID, should renew its efforts to secure increased working capital funding for the new plant, preferably through BCA.

10. AID should sponsor a study of coffee processing in Haiti, with particular attention to the relative advantages of peforming certain processing functions (both wet and dry) at local, regional, or national levels.

The Role of Institutions

11. In the short term, AID should continue to work with OPRODEX as its principal partner to develop the coffee and cooperatives sector.

12. AID should work with CCH to determine what is needed to strengthen its financial and management capacity. Technical assistance in management and financial planning is probably indicated.

13. CCH should draw up a plan by which patronage refunds to cooperatives are distributed on the basis of the quality of coffee that the cooperatives sell to CEPEC.

14. CCH, with the assistance of AID, should determine the internal CCH conditions, such as adequate staffing, tested procedures, and financial capacity, that will be necessary for it to assume operational control of CEPEC. CCH should then draw up a plan, including a timetable, by which it intends to satisfy those conditions. The plan should justify any required subsidies from the government or AID as temporary. This plan should then be used as the basis for negotiation of a new project with AID and OPRODEX.

Coffee Production and Government of Haiti Policies

15. The proposed new project should include a production component, with cooperatives serving as the local organizational basis for certain production activities.

16. A condition precedent to first disbursement under any new project should be some modification of the coffee tax.

17. AID should work with the advisers on the new Tax Administration Project to determine how fiscal revenues from sources other than coffee can be raised to compensate for any decrease in revenues from a modification of the coffee tax. Particular attention should be given to the possibility of levying or enforcing the collection of taxes on property; on the export of bauxite, sisal, or sugar; and on luxury imports.

THE COFFEE TECHNOLOGY TRANSFER PROJECT

AID should build on the accomplishments of PCC and the lessons learned from PPC in the development of the proposed coffee technology transfer project. The project should be developed collaboratively with appropriate government and cooperative institutions and should consist of the components discussed below.

Marketing

Despite the success of PCC, much unfinished work remains to be done. The most important work includes:

- Continued assistance to the new processing plant;
- Assistance with securing working capital credit for the purchase of coffee, both by local cooperatives and by the new plant; and
- Examination of how coffee processing through cooperatives can be rationalized with respect to the relative advantages of processing at the local, regional, and national levels.

Production

There is a clear limit to the income transfer benefits that cooperatives' marketing can secure for small farmers. Sustained increases in income can occur only through increases in production.

The new project's production component should learn lessons from the failure of PPC. The most important is that extension education and credit should not be proffered to small farmers through artificially created groups. For this reason, the mature cooperatives that have participated in PCC are logical candidates for constituting the local organizational basis of the new project's production component.

The technological package for the production component should be developed and extended through the use of a farming systems approach. This means that a certain amount of applied research on farmers' fields should be carried out to test the technical feasibility and acceptability of proposed interventions. The participation of cooperatives in the development and testing of interventions should be encouraged.

Institutional Development

AID should use the development of the new project as a forum to bring together key institutional actors, including OPRODEX, the National Cooperative Council (CNC), and CCH to negotiate their respective roles in the project. The government may want to include other organizations in this discussion, including the Department of Agriculture, National Resources, and Rural Development (DARNAR). The logical candidate for the lead institution in the new project is OPRODEX. However, AID should include in the project resources for the insitutional strengthening of CCH.

Government of Haiti Policies

The coffee tax question has been studied enough. It is time for AID to decide whether it wishes to use project financing leverage to require the Haitian government to act on this issue. AID should insist at least on a modification of the tax, including some reduction and a rationalization of its internal structure as a condition precedent to first disbursement on the new project. Subsequent action could be made conditional on uncovering ways to obtain compensating fiscal revenues.

INTRODUCTION

The Small Farmer Marketing Project (PCC) represents the second major attempt by the U.S. Agency for International Development, since its return to Haiti in 1973, to assist small farmers through interventions in the coffee sector. The first attempt was through the Small Farmer Improvement Project (PPC), which began in 1974 and was terminated in 1981. PCC began in 1977 and will terminate on August 30, 1984. A third project, the coffee technology transfer of project, will be designed in 1984.

The focus of both PPC and PCC was on the small coffee farmer. The principal objective of both projects was to increase small farmer income. In PPC, greater coffee production was to increase income. In PCC, cooperative coffee marketing was to result in the transfer of income from exporters and "speculateurs" to small farmers. Although the objectives and strategies of both projects were sound, most observers agree that PPC failed whereas PCC has succeeded. This evaluation explains the reasons for the failure of the one and the success of the other and thereby provides guidance for the design and implementation of the third project.

The evaluation was undertaken by a four-person team, three from Development Alternatives, Inc. (DAI), the fourth a Haitian national under direct contract to AID/Haiti. The team spent two weeks (December 4-17, 1983) gathering data and conducting interviews in Haiti. Team members visited 10 cooperatives and pre-cooperatives in three different parts of the country (the southwest, southeast, and north) as well as the cooperative processing plant in Port-au-Prince. (Annex B provides the team's itinerary and a list of cooperatives visted). The team also studied documents and files and conducted interviews at the offices of the project's principal institutional actors: AID, the Office of Promotion of Exportable Commodities (OPRODEX), the Regional Cooperative for the Southern Region (UNICORS), the Union

of Haitian Cooperatives (CCH), and the National Cooperative Council (CNC). Oral debriefings were provided to AID and to OPRODEX before the team's departure from Haiti. This report was prepared at DAI offices in Washington, D.C.

CHAPTER ONE

PROJECT PERFORMANCE AND DEVELOPMENT IMPACT

The Small Farmer Marketing Project (PCC) was conceived and designed during the second and third years -- 1975-1976 -- of implementation of the Small Farmer Improvement Project (PPC) to complement and build on its achievements.[1] The origins and purposes of PPC will therefore be reviewed to understand the origins of PCC.

THE SMALL FARMER IMPROVEMENT PROJECT

PPC was designed to increase the productivity and income of Haitian small coffee farmers. To accomplish this objective, two technological packages were conceived. One involved regeneration, that is, the replacement of senile coffee trees with new plantings. The second involved the rehabilitation of younger plantations through improved cultural practices and, especially, the use of fertilizer.

These packages were to be developed and refined with the assistance of advisers from the Food and Agriculture Organization and extended to farmers through seven regional coffee centers operating under the auspices of the Office for the Promotion of Coffee and Exportable Commodities (IHPCADE) and the Agricultural Credit Bureau (BCA), both semi-autonomous agencies of the Ministry of Agriculture.[2] IHPCADE was responsible for the development of the centers, the procurement of commodities, and the extension of improved production techniques. BCA was responsible for the administration of the project's group credit scheme, which involved in-kind (fertilizer) and cash (for labor) loans to agricultural credit societies (SACs).[3] SACs, consisting usually of 7-15 members, were seen as pre-cooperatives. In addition to their group credit function, SACs were also to form the basis for group extension education and, later, under PCC, group coffee marketing.

PPC had two other important components. One involved the construction of approximately 100 miles of rural roads to facilitate the marketing of coffee. The second was a study of the impact of coffee tax rates and world market prices on producer prices and the need for the establishment of a coffee price stabilization mechanism.

THE DEVELOPMENT OF THE SMALL FARMER MARKETING PROJECT

AID and the Government of Haiti agreed that PPC was not addressing a number of constraints to increasing small farmer income. PPC dealt almost entirely with production. A new project was seen as necessary to address problems in coffee processing and marketing.

With respect to coffee processing, AID and the Haitian government felt that a much greater effort was needed to improve the quality of Haitian coffee. This meant creating facilities and incentives that would result in a higher percentage of wet-processed rather than dry-processed coffee. (At the time, only 8 percent of Haitian coffee was wet processed.) It was felt that the higher quality coffee resulting from wet processing could more than double the price that Haitian coffee was fetching at the time on world markets. Improvements in quality would be all the more important, moreover, since PPC was expected to result in production increases that would attain, even surpass, the International Coffee Organization (ICO) quota. It also meant improving roads so that beans could be transported from the farm to the processing center within 24 hours of being picked.

Concerning marketing, the biggest constraint was seen as oligopsonistic marketing practices resulting in excess profits reaped by a small number of private coffee exporters who worked with licensed "speculateurs" to suppress artificially the farmers' share of the world market price.[4] To break the

stranglehold of the exporters and speculateurs, an effort would be made to organize farmers into marketing cooperatives and to create a processing and export plant that would be owned by these cooperatives. SACs, created by PPC, were to form the basis of the coffee marketing cooperatives.

Impetus for the project development process, as well an organizational model for the project itself, was provided when a group of key personnel from IHPCADE and AID visited Jamaica in January 1976 to study that country's transition from private sector to cooperative marketing of coffee. The group found that, until 1945, the coffee trade in Jamaica was controlled, as it is today in Haiti, by private exporters and middlemen. Following the close of World War II, a National Coffee Board and regional washing factories were established in Jamaica. By 1976, five of these factories were operating, and all coffee was exported through the National Coffee Board. This transition resulted in improved quality of Jamaican coffee and increased income to coffee farmers.

The Original Design

As described in the project paper (submitted November 15, 1976) and the original grant agreement (dated August 29, 1977), the purpose of PCC was to develop a coffee producers' cooperative marketing network that would parallel and eventually compete with the private marketing system. The principal components or activities of the project are discussed below.

The Organization and Development of Producers' Cooperatives and Pre-cooperatives

This activity would involve mainly cooperative education and the training of cooperative managers, and it would be carried out by a PCC unit to be established in IHPCADE. The IHPCADE personnel who would make up the PCC unit would receive training in cooperative education from the Agricultural Cooperative

Service (ACS). Three person-years of technical assistance in cooperative management and extension methodology would be provided to ACS to strengthen its capability to carry out this training and supervisory responsibility.

Construction of Physical Facilities for the Cooperatives

The grant would finance the architectural, engineering, and construction costs to establish washing plants for three cooperatives. (These three cooperatives would be organized from SACs that had been established at the three existing coffee centers established under PPC. Up to nine additional plants would be financed under the terms of a loan that would be negotiated at a later date.) The capacity of each plant would be 1,000 sacks (each sack is 60 kilograms) per year.

Establishment of a Working Capital Fund

To provide the cooperatives with start-up funds and the working capital that would be necessary to finance the initial year or years of processing and marketing transactions, IHPCADE would establish a financial management section that would secure credit for the cooperatives from local banks. A follow-on loan would provide three years of technical assistance to this financial management section.

Establishment of a National Coffee Processing Center

The grant would provide financing for the architectural and engineeering services necessary for the planning of the National Coffee Processing Center (CNCC); a follow-on loan would provide financing for construction. CNCC would finish the processing (grading and bulking) of the washed parchment coffee received from the cooperatives equipped with washing facilities, as well as dried (natural) coffee received from these and other cooperatives. The capacity of the proposed CNCC was left vague,

but the range discussed was 10,000-50,000 sacks per year. CNCC would also be responsible for directly exporting the processed coffee on behalf of the cooperatives. CNCC would receive long-term technical assistance in coffee processing and industrial management under the terms of the follow-on loan.

Internal Project Evaluation

The grant would provide short-term technical assistance to help IHPCADE establish the capability to provide continual monitoring and evaluation of project progress.

The successful implementation of these components was expected to result, by the end of the project, in at least 10,000 sacks of a higher quality brand of coffee marketed through 12-15 cooperatives. In addition, it was expected that the average price paid by cooperatives to farmers would be 25 percent higher than the price offered by speculateurs, and that farmers would be receiving 60 percent of the export price.

The total cost of the project was $3,205,000, of which $1,005,000 was to be contributed by the Haitian government. AID's contribution was to be provided in increments. The original grant agreement committed only $750,000; subsequent increments were to be provided subject to satisfactory progress in project implementation and to mutual agreement of AID and the Haitian government. The anticipated project assistance completion date (PACD) was August 30, 1982.

INITIAL IMPLEMENTATION AND PROJECT RE-DESIGN

The First Two Years

Project activities began in February 1978. A PCC unit was established within IHPCADE with separate sections responsible for planning and evaluation, cooperative education, and finance. Objectives were set, and a work plan was established.[5] A base-line study was conducted to determine the number of cooperatives and pre-cooperatives already in existence, their membership and other relevant information, and the potential membership by area as estimated through census data. A decision was made to concentrate initial activites in the Jacmel/Fonds-des-Negres and Changieux/Camp Perrin/Maniche areas, both of which are in Haiti's southern coastal region. Cooperatives and pre-cooperatives in these areas were inventoried concerning their needs for coffee processing equipment (including drying floors, depulpers, decorticators, and storage rooms.) Plans were laid to use PPC coffee centers in these areas for training and cooperative education.

The results of the base-line survey revealed that 19 cooperatives and 4 pre-cooperatives were potential beneficiaries of project assistance. (The project strategy was to increase this number through the regrouping of SACs into pre-cooperatives.) During the first year, initial contacts were made with all of these groupings to explain the project. Two formal seminars in cooperative formation were held in Fonds-des-Negres. Each cooperative and precooperative was then asked to nominate a person who could be trained in the management of a coffee marketing operation. Accordingly, 23 candidates received a three-month course in the management of marketing in Port-au-Prince in summer 1979.

From the beginning of 1978 to the end of 1979, the number of pre-cooperatives increased from 4 to 14, and the total membership in coffee cooperatives and pre-cooperatives grew from 5,840 to 9,675. Equipment orders had also been placed, and by the end of 1979, one hand-cranked decorticator had been delivered to a cooperative.

With respect to other project components, little or no progress was made during the first two years of implementation. No action was taken to begin construction of the three coffee washing facilities or on the architectural and engineering design of CNCC. No long-term technical assistance was provided to IHPCADE or to the National Cooperative Council (CNC), a government agency under the Ministry of Planning. And no funds had been secured from the Haitian government or from private sources for the constitution of the revolving fund needed to finance cooperative coffee processing and marketing.[6]

The lack of progress in these project activities resulted from the difficulty encountered by IHPCADE in enlisting the operation of other government agencies for such things as authorizations, engineering support, and allocations of credit; difficulties encountered by AID in identifying competent French-speaking long-term advisers for the project; and AID's second thoughts about the disadvantages of the follow-on loan.

Re-Assessment

The period 1979-1980 was marked by a slowdown in project activities and a re-thinking of the desirability or feasibility of certain project components. Three factors combined to influence this re-thinking. One was the record of project accomplishment. The second was a consultancy to PCC effected by the President of the Costa Rican Coffee Office, Dr. Alvaro

Jimenez Castro, in January 1979. This consultancy was followed by a visit of a delegation of PCC staff to Costa Rica in August-September 1979. The third was the convening of the first Congress of Coffee Cooperatives in October 1979.

The record of the first two years revealed that a large number of cooperatives already in existence could be quickly and effectively mobilized to channel their sales of coffee through a cooperative network. It also revealed that the PCC staff in IHPCADE were able to carry out project tasks related to cooperative formation and education with little or no technical assistance.

The consultancy of Dr. Jimenez resulted in a number of recommendations. Among the most important that:

- IHPCADE and the project would benefit more from short- than long-term technical assistance;
- The cooperatives should be allowed, indeed encouraged, to market natural coffee, not just washed coffee, to expand their volume;
- The cooperatives should grow coffee on their own cooperative-owned plantations (perhaps 50-100 hectares for each cooperative) for which land would be allocated by the state; construction of a centrally located pilot coffee processing facility should be accelerated; and
- The creation of a federation of coffee cooperatives, linked to its member cooperatives and to the central processing facility by a formal agreement, should be encouraged.

An important step toward the creation of this federation took place in October 1979, when 23 coffee cooperatives sent 48 delegates to a congress in Port-au-Prince. At this congress, it was decided to move toward the creation of the federation by establishing a permanent secretariat of the congress, directing a committee to draw up federation statutes, and creating a cooperative bank.

With respect to the central processing facility, PCC did attempt begining in 1979 to provide a temporary processing and exporting facility for cooperatives, while awaiting AID funding for the architectural and engineering studies for the permanent facility. PCC rented an existing facility; provided certain equipment; and hired an experienced plant manager, who had previously worked for one of the large exporters, to manage the facility. It became known as the Pilot Center for Cooperative Coffee Exporting (CEPEC).[7] Some sales and processing occurred in 1979, but contractual difficulties with the plant manager led to a halt in activities for most of 1980.

The Project Amendment

By mid-1980, the Government of Haiti and AID had agreed on certain shifts in project emphasis and a reallocation of resources to reflect these shifts.

First, given the difficulties encountered by the finance section of IHPCADE in obtaining working capital for the cooperatives from the private sector, it was decided that the project would establish a revolving fund, to be capitalized at $500,000, from the Haitian government contribution to the project.

Second, long-term technical assistance was eliminated, but funding was maintained for 35 person-months of short-term technical assistance in such areas as cooperative organization, marketing, financial management, and evaluation. In addition, provisions were made for up to 15 person-months of short-term training for PCC and cooperative members in such areas as commodity training, coffee processing, accounting, and cooperative organization and management.

Third, consonant with the Jimenez report, processing washed coffee was de-emphasized; the revised grant would provide funding for the procurement by PCC of small coffee processing units that could include dry as well as wet processing.

Fourth, it was decided not to proceed with the follow-on loan but to finance certain project components that were to be financed by this loan through the revised grant. The most important of these was CNCC, with a capacity of 10,000 sacks per year. The revised grant would provide full funding for the center, estimated at $460,000. (Land for the center would be purchased by the Haitian government at an estimated cost of $60,000.)

These changes were formalized in an amendment to the project grant agreement in December 1980.

Beyond those sections of the revised agreement that led to a reallocation of resources, certain changes in wording reflected shifts, sometimes subtle but nonetheless important, in project thinking. The original purpose, for example, stated that the small farmers coffee marketing network to be established by the project would "eventually compete with the existing private coffee marketing system."

In the revised agreement, the annexed project description makes no reference to the network's competing with the private sector. Instead, emphasis appears to have been shifted toward the strengthening of the cooperative movement. This is reflected in a new clause in the revised agreement by which the government agrees to draw up plans for the eventual integration of PCC staff into the coffee producers' organizations and for the transfer of control of the coffee centers that had been established by PPC to these organizations. It is also reflected in the rather modest

capacity proposed for the new coffee processing center. An exporting capacity of only 10,000 sacks per year would not pose a great threat to the private exporters whose combined capacity exceeds 400,000 sacks per year; on the contrary, it would compel cooperatives with excess supply to sell to the private exporters.

ASSESSMENT OF PROJECT PERFORMANCE

As of December 1983, PCC had been under implementation for approximately six years from initial start-up and three years from the effective date of the project amendment. This section assesses the extent to which the project has achieved its internal objectives. The following section examines what difference the project has made for Haitian development.

Coffee Marketing and Farmer Incomes

The project's original purpose was to create a small farmers' coffee marketing network that could compete effectively with the existing private sector and would increase the effective income of small farmers from coffee sales. Table 1 lists some indicators of success for this objective, as set out in the original design, juxtaposed with recent measures of project performance.

It is clear from these data that PCC has achieved, in large measure, most of its objectives with respect to the creation of the small farmer marketing network. Although no new brand of coffee has been created, largely perhaps because of the de-emphasis on washed coffee, the farmer cooperatives have succeeded in directly exporting a volume of coffee that slightly surpasses the planned target. The share of the export price received by farmers is not substantially higher than at the beginning of the project, but compares well with the share -- about 46 percent -- received by farmers who sell to speculateurs. Although neither the share of the export price nor the price paid by cooperatives

TABLE 1

PCC PERFORMANCE IN CREATING A
SMALL FARMERS' MARKETING NETWORK

Success Measures	Performance Indicators[a]
Small farmer coffee cooperatives exporting at least 10,000 sacks per year through cooperative-owned exporting facility.	In 1982-83, CEPEC exported 10,299 sacks of coffee.
Price paid to farmers increases from 50-60 percent of export price.	Price paid to farmers ranges from 50 percent to 58 percent of export price.[b]
New brand of Haitian coffee being exported.	No new brand has been created.
Average price paid by cooperatives to farmers is 25 percent higher than price paid by exporters/speculateurs.	Average price is 8-26 percent higher than exporter/speculateur price, depending on the cooperative and the location.[b]

Notes:

a The source of these data are CEPEC and PCC financial reports.

b Calculations based on following 1982-83 per pound figures: average export price = $1.24; average price paid by speculateur to producer = $0.57; range of average price paid by cooperatives to producers = $0.62-$0.72. Complete calculations and assumptions are provided in Chapter Two.

compared with the price paid by exporters/speculateurs has attained the original target, it is nevertheless clear that the farmers who sell their coffee to cooperatives receive a better price than those who do not.

The question of whether farmer marketing organizations are competing successfully against the pre-existing private sector must be analyzed at two levels: local and national. Some cooperatives, such as COSAR in Rendel, report that they have so many members and have captured such a large share of the market that local speculateurs are forced to raise their prices or to purchase coffee only in marginal areas. Other cooperatives, such as AUDECADH in Thiotte, have a smaller, virtually closed membership, with the leadership often made up of larger coffee farmers. Farmers who are not members of these cooperatives must sell their coffee to speculateurs, many of whom may be among the leadership of the cooperatives, at prices that are inferior to those received by cooperative members.[8]

At the national level, it is not likely that the exporters, at least not the larger ones, are greatly affected by the small volume that CEPEC is exporting. (The 10,000 sacks exported by CEPEC represents only 2.5 percent of Haiti's 400,000-sack annual ICO quota.) Even if CEPEC or its successor were to double its volume of exports in the near future, the most that is likely to happen is that one of the two dozen or so smaller exporters would be forced out of business.

Farmer Organizations and the Cooperative Movement

During implementation, the project's purpose evolved toward greater emphasis on the development of farmer organizations, almost as an end in itself, rather than focusing exclusively on the marketing objective. This was reflected in:

- The decision to proceed with the construction of a more modest coffee processing facility;

- The allocation of a greater amount of resources to cooperative formation and education; and
- The involvement of the Union of Haitian Coffee Cooperatives (CCH) in project activities.

In 1982, a PCC logical framework planning document stated that the project purpose was "to arrive at the creation of an association of coffee cooperatives grouping all co-ops in the country that want to join together to market their coffee."[9]

The project's original output target for cooperative formation seems modest compared with what has actually been achieved. The original end-of-project output target was that 12-15 coffee cooperatives would market their coffee through CNCC. However, at the beginning of the project, 22 farmer organizations were marketing coffee. Eighteen of these organizations were listed as cooperatives, although it is not clear how many of them were fully registered at the time; four were listed as pre-cooperatives. By 1983, PCC was working with 18 cooperatives and 23 pre-cooperatives, 36 of which were marketing at least some of their coffee to CEPEC. In addition to these local cooperatives, PCC assisted in the creation of the country's first regional coffee cooperative, the Regional Cooperative for the Southern Region (UNICORS), as well as CCH.[10] (See Annex C for description of UNICORS.)

Membership in the cooperatives expanded over the life of the project even more impressively than did their number. In 1978, membership in the 22 existing organizations was 5,840 (of which 291 in the pre-cooperatives.) By the end of 1982 (the last year for which these data exist), total membership was 16,317 (of which 3,345 in the pre-cooperatives.) (See Tables 2 and 3.)

TABLE 2

EVOLUTION IN THE MEMBERSHIP OF COFFEE COOPERATIVES, 1978-1982

Name of Cooperative	Membership 1978	Membership 1982	Growth %
AUDECADH	18	232	1,189
COFUMO	50	151	202
COOPACVOD	35	90	157
NOCAT	30	199	563
NOUHA	43	132	207
CACEM	110	112	2
CACGAVA	143	355	148
COSAITEC	198	225	14
AUDMAJAC	192	257	34
CATI	215	750	249
CATOUL	183	800	337
CACVA	500	1,000	100
COCAM	540	650	20
CACRAN	300	554	85
CADA	700	900	29
COCAES	695	2,700	288
CAVDAC	840	1,030	23
COSAR	757	2,835	275
TOTAL	5,549	12,972	134

N.B.: Not all of these cooperatives were legally registered in 1978, but by 1982 all were fully registered as coffee cooperatives.

Source: PCC.

TABLE 3

EVOLUTION IN THE GROWTH AND MEMBERSHIP
OF COFFEE PRE-COOPERATIVES
1978-1982

Name of Pre-Cooperative	Year Founded	Membership: First Year	Membership: 1982	Growth Since First Year (%)
Paillant	1981	32	29	-9
Aux Pins	1981	46	202	339
Virgile	1981	52	52	0
Nippes	1981	60	202	237
Camdec	1981	71	202	185
COCAMUC	1981	80	106	33
Palmes	1981	177	202	14
COAF	1980	238	903	279
CRUDES	1979	35	63	80
Nan Patate	1979	40	58	45
Colin	1979	30	60	100
COCAB	1979	40	127	218
Bortrand	1979	55	75	36
COLAME	1979	62	96	55
COCPAP	1979	67	29	-57
COCAPEC-8	1979	67	101	51
Haut Fougue	1979	80	122	53
COCAFU	1978	67	180	169
COCAFON	1979	60	68	13
MANAM	1978	42	75	79
CONALD	1978	129	300	133
CAVDVAS	1978	53	53	0
La Montagne	1981	40	40	0
TOTAL		1,623	3,345	106

Source: PCC.

Another indicator of the strength of the cooperative movement is in the diversification of cooperative activity. Most of the pre-cooperatives (all but three) were single purpose coffee marketing organizations; most of the full cooperatives (also all but three), however, were multi-purpose. Some of the strongest cooperatives, such as those in the UNICORS confederation, had as many as 10 different activities, some of which were even more profitable than coffee marketing. (See Table 4.) By definition, all the cooperatives and pre-cooperatives marketed coffee for their members. Following coffee marketing, the most frequently observed secondary activities were processing and storing food products (grains, potatoes, etc.) and managing cooperative stores and farms.

As one might expect, the pre-cooperatives and some of the younger cooperatives were on shaky organizational and financial footing. But most of the older cooperatives that the team visited were financially sound, even when the various subsidies that most were receiving were factored out of the calculations. Most of these older cooperatives were also active and dynamic organizations, as indicated by regular meetings with large attendance, regular elections, a rotation of leadership, and a high percentage of paid-up subscriptions. Whereas some of these organizations leaned heavily in the beginning on outsiders for guidance and leadership, most now are able to function without outside assistance. (A detailed analysis of cooperative organization and financial viability is presented in Chapter Two.)

Perhaps PCC's most active role has been in cooperative education and training of cooperative leaders. Table 5 shows that since 1978 PCC has organized 13 seminars on cooperative education or cooperative management for 782 cooperative leaders or members. In addition, the project has sponsored two courses in cooperative management and marketing for 46 individuals who were nominated by the farmer organizations as potential cooperatives managers. PCC has employed eight of these

TABLE 4

DIVERSIFICATION OF COFFEE COOPERATIVE AND PRE-COOPERATIVE ACTIVITIES

Activity	Number of Cooperatives	Number of Pre-Cooperatives	Total
Coffee marketing	18	23	41
Farm	8	-	8
Store	10	2	12
Transportation	3	1	4
Processing	10	-	10
Woodworking	1	-	1
Beekeeping	2	-	2
Sewing	7	-	7
Livestock	-	1	1
Education	2	-	2
Storage	8	-	8
Blacksmithing	1	-	1
Crafts	3	-	3
Marketing of other products	-	1	1

Source: PCC.

TABLE 5

PCC TRAINING ACTIVITIES, 1978-1982

Date	Nature of Training	Location	Training	Number of Trainees
April 1978	Cooperative Education	Fonds des Negres	Extension Agents	30
April 1978	Cooperative Education	Fonds des Negres	Pre-cooperative Leaders	90
June-August 1979	Cooperative Management and Marketing	Port-au-Prince	Cooperative Manager Candidates	23
February 1980	Cooperative Management	Changieux	Cooperative Leaders	31
March 1980	"	Plaisance du Sud	"	54
March 1980	"	Marigot (Macary)	"	51
March 1980	"	Fond Jn-Noel	"	90
March 1980	"	Marbial	"	55
March 1980	"	Ravine Normande	"	20
March 1980	"	Fonds des Negres	"	90
September 1980	"	Fonds des Negres	Cooperative Leaders	48
July 1981	"	Dondon	Cooperative Leaders	90
April-July 1981	Cooperative Management and Marketing	Port-au-Prince	Cooperative Manager Candidates	23
September 1981	Cooperative Education	Fonds-des-Negres	Cooperative Leaders	23
August 1981	Cooperative Education	Beaumont	Pre-cooperative Leaders	110
TOTAL				828

Source: PCC records.

individuals to help manage nascent cooperatives, or to serve as regional PCC representatives or in other project-related functions. Several other participants in these courses have been engaged directly by the cooperatives, usually to assist with cooperative bookkeeping and accounting.

Two events occurred during the life of the project that catalyzed and strengthened the cooperative movement. One was the establishment of CCH in 1979. The other was the revival of CEPEC under new management in 1981. The establishment of CCH represented the first time that coffee farmers were organized on a national basis, giving them the potential to represent their interests with one voice. Moreover, the revival of CEPEC occurred with the understanding that the processing facility would be controlled eventually by CCH, thus giving the national cooperative a great deal of potential economic power. The importance of CEPEC to the project and to the coffee cooperatives is reflected in the rapid increase, in just three years, of the volume of its processing and exporting of coffee. In its first year of renewed operations, 1981, CEPEC exported 2,224 sacks of coffee; two years later, CEPEC exports had risen to 10,299 sacks. (A detailed analysis of the operations and financial viability of CEPEC is presented in Chapter Two.)

Thus, coffee marketing cooperatives are much stronger, in terms of numbers, organization, and financial viability, than they were at the beginning of the project. To the extent that this strengthening is a result of project activities -- it is difficult to determine how much of this strengthening would have occurred without the project -- it represents the most salient and positive accomplishment of PCC.

Processing Facilities

The project as revised in 1981 de-emphasized washing facilities, but budgeted $147,000 (of which $20,000 was from the Haitian government contribution) for processing equipment for individual cooperatives. In particular, hand-cranked depulpers and hullers were mentioned. By the end of 1982, 100 hand-cranked hullers and 23 hand-cranked depulpers, plus 17 motor-driven hullers or depulpers, had been distributed by the project to various cooperatives. In addition, the architectural and engineering work had been completed, and construction had begun on a regional processing facility at Marbial.

At the time of the evaluation, the architectural and engineering work had also been completed for the new central processing facility in Port-au-Prince. Proposals had been requested from six pre-qualified construction firms for the construction of the factory. According to the PCC engineer in the Office of Promotion of Exportable Commodities (OPRODEX), the factory will be built in seven months following selection of the contractor.[11]

Other Project Activities and Accomplishments

To date, no progress has been made in securing private funding for CEPEC or for the cooperatives. However, the government has released $460,000 of the $500,000 budgeted for CEPEC working capital. The release of these funds, which occurred in two increments in 1981 and 1982, was critical in enabling CEPEC to purchase and process coffee from the cooperatives.

Planning and evaluation for PCC within OPRODEX appears to have functioned reasonably well without technical assistance. A study of OPRODEX/PCC files revealed that work plans had been drawn up for most project years and that annual assessments of work accomplished had been carried out at the end of the year.

There appears to be no formal mechanism by which important information passes from one section of PCC to the other. The staff is small, however, and it may be that informal channels of communication and decision-making work best within this type of office.

One of the biggest issues that the project has yet to confront concerns the mechanisms and timetable for the passage of control of cooperative coffee marketing, in particular, control of the new processing facility, from OPRODEX/PCC to CCH. At least two dates were mentioned in various planning documents, but both have passed by. At present, the project is heavily subsidizing CEPEC operations; the extent to which the new factory will require subsidization is uncertain. The objective in the revised design that PCC staff eventually be transferred from OPRODEX to CCH seems untenable. The key staff of PCC are also the key staff of OPRODEX, so that this transfer would in effect remove senior department heads from OPRODEX. These department heads, moreover, are all civil servants whose remuneration under PCC represents a supplement to their normal civil service salaries. These individuals have little incentive to abandon the security of civil service employment to work full-time for CCH.

Project Finances

The project budget as revised in the 1980 amendment was $3,429,000. Of this total, $1,200,000 was to be provided as a grant from AID. The remainder, $2,229,000, was to be provided by the Haitian government from the local currency generations of P.L. 480 Title I commodity sales.

Table 6 compares the grant budget with the actual amount of grant expenditures as of June 30, 1983. Only $124,000 of the total grant budget had actually been spent as of that date. Expenditure shortfalls can be seen in every budget category, but the largest one is in construction. According to the AID PCC

TABLE 6

AID GRANT: BUDGET AND EXPENDITURES

Item	Budget[a]	Expenditures[b]	Remaining
Technical Assistance	$280,000	$41,000	$239,000
Training	72,000	45,000	27,000
Equipment	127,000	-	127,000
Vehicles	180,000	33,000	147,000
Coffee processing Facility	460,000	5,000	455,000
Contingency inflation	81,000	-	81,000
Total	$1,200,000	$124,000	$1,076,000

Notes:

a Grant amendment 12/2/80.

b As of 6/30/83.

project manager, the cost estimate for the construction of the new coffee processing factory is now $480,000. Another $242,000 has been earmarked for equipment and $100,000 for vehicles for the factory. Total new expenditure requirements to PACD are estimated at $842,000.

Table 7 compares the budget for the Government of Haiti contribution to PCC with the actual amount of expenditures through September 1983. The total amount so far spent is $1,829,000, leaving $400,000 for the remaining year of the project. Since average government project expenses for past years have been below $300,000, this remaining total should be sufficient to cover normal expenses until PACD.

Table 7 also shows that the largest single government budget category is for project personnel. About one quarter of the personnel line item is used to pay salaries at CEPEC. Most of the rest is for salary supplements for the government civil servants who make up the staff of PCC in OPRODEX. In some cases, these salary supplements actually exceed the individual's base salary. The salience of these salary subsidies and top-offs within the project budget raises difficult questions about the ability of the project to sustain itself after PACD. This issue will be treated in more detail in a subsequent section.

DEVELOPMENT IMPACT

The preceding section shows that PCC accomplished many of its objectives. However, the accomplishment of the internal objectives of a project may not necessarily lead to development. In fact, it may at times even have an adverse effect on development. Conversely, it is possible that, through unforeseen

TABLE 7

HAITIAN GOVERNMENT CONTRIBUTION:

BUDGET AND EXPENDITURES

Item	Budget[a]	Expenditures[b]	Remaining
PCC Staff	$1,426,000	$812,852	$613,148
Revolving Fund	500,000	460,000[c]	40,000
Equipment	20,000	172,359	(152,359)
Land Cost	60,000	57,927	2,073
Contingency/Inflation/Other[d]	223,000	325,659	(102,659)
Total	$2,229,000	$1,828,797	$400,203

Notes:

a Grant amendment 12/2/80.

b As of 9/30/83.

c Was not listed as separate line item but was assumed to be included under real property (immobiliers).

d Mainly travel, office equipment, rent, and electricity for CEPEC.

circumstances, a project can contribute a great deal to development even if few of its internal objectives are achieved. AID's two major projects in the coffee sector, PPC and PCC, have not been without development consequence.

Production

The principal objective of PPC was to increase coffee production. This was to be achieved by the introduction of improved coffee production techologies to small farmers. In PCC, increased production was to be an indirect outcome of the project. An increase in the producer price would, it was hoped, provide an incentive for farmers to grow more coffee.

These production objectives have not been achieved. While coffee prices were at record highs, some farmers took advantage of subsidized credit packages to adopt temporarily PPC's productivity-increasing technologies. This explains why one evaluation, conducted while PPC was being implemented, recorded substantial increases in production among those who adopted the technological package.[12] But PPC did not create the conditions necessary to sustain extension, credit, and input delivery services. As a result, when prices fell and external assistance was withdrawn, all but a handful of farmers discontinued the use of fertilizer and the application of other components of the improved package.

Several explanations can be advanced for the failure of PPC:

- First, the technological package itself, while generally sound for the production of coffee, was not particularly well suited to Haitian farmers, for whom coffee growing is only one among a number of agricultural and non-agricultural activities.

- Second, the technology delivery mechanisms, involving a complicated coordination of input procurement and delivery, extension, and group credit, placed too great a burden on fragile and inexperienced government service organizations.

- Third, there existed no local organizational base among farmers for receiving, evaluating, and utilizing the inputs and services proffered; the project's top-down attempts to create these types of organizations (SACs) could not be expected to outlast the project itself.[13]

There are several possible explanations for the absence of an observed production effect in PCC. One may be simply that PCC farmers have been receiving the benefits of cooperative coffee marketing for so little time (three years or less) that the supply-side effects of their increased income may not have had time to occur. Another reason may be the recent decrease in the producer price of coffee relative to the producer price of other agricultural commodities, especially beans; this may have caused some farmers to switch land or labor inputs away from coffee. A more likely explanation, however, is that most farmers are already producing coffee at optimal levels given their knowledge of improved practices, their access to inputs, and the opportunity costs of a greater investment of time or resources in their coffee plantations; until these conditions change, no increase in production can be expected.

One important caveat to the preceding observation should be introduced. The evaluation team observed that some cooperatives were interested in, or had already begun, cultivation of cooperative plantations. Many of the cooperatives the team visited were of sufficient financial and organizational soundness that they might well serve as effective vehicles for receiving and utilizing production-increasing technologies. The use of these technologies could subsequently spread to the members' individual plantations.

Income Distribution

Since PPC had no lasting effects on production in most areas, it also had no lasting effects on the distribution of income. One exception to this probably occurred in Thiotte, where, even before PPC began, coffee was grown on relatively

large plantations using improved techniques. PPC, however, made fertilizer and knowledge of improved cultural practices available to farmers who, by Haitian standards, were relatively wealthy. The team observed that some of these farmers were continuing to use fertilizer and to enjoy increased output and, presumably, increased income. A probable negative effect of PPC, therefore, was to increase the income disparity between relatively wealthy farmers and poor farmers.

In contrast, PCC has had a direct effect in reducing income disparities. A principal outcome of PCC has been the transfer of profits from exporters and speculateurs to farmers. This has occurred through the payment by CEPEC of quality bonuses to cooperatives, which can increase the price farmers receive up to 14 percent above the average price offered by speculateurs, and through the patronage refunds of cooperative to their members. So far this effect has been localized and has not had a significant impact on a national scale. But the success of the system on a small scale would seem to indicate that it can be replicated and expanded throughout Haiti.[14]

Institution-building and Human Resource Development

The experiences and outcomes of PPC and PCC provide valuable lessons in what constitutes effective institution-building strategy in a country such as Haiti.

In a smallholder production project, it is vital to channel inputs and extension activities through viable farmer organizations. PPC attempted to create farmer organizations where none existed. This top-down approach is almost always bound to fail.[15] PCC, in contrast, worked largely with existing farmer organizations that participated in negotiations concerning the extent and type of assistance they desired and the terms of that assistance. PPC offered a standard technological package in a uniform manner to farmer groups that were created by the project and whose only raison d'etre was to receive project

inputs. Neither in the design nor during the implementation of the project did PPC farmers have any role in deciding what the contents of the technological package would be or how it would be extended.

PCC farmers, in contrast, have been able, through the strength and influence of their cooperatives, to participate directly in decisions that affect them. Cooperatives selected from among their communities, for example, the individuals who received PCC training in cooperative marketing and management. They chose the types of coffee processing equipment they obtained from the project. And they decided whether to market their coffee and other commodities to CEPEC or to speculateurs. The price at which CEPEC purchases coffee from the cooperatives is still established by OPRODEX. When control of CEPEC passes from OPRODEX to CCH, however, coffee farmers will, through their national cooperative, be able to set their own internal sales prices as well.

Because PPC farmer organizations were created by the project, most disappeared with the withdrawal of its external financing. However, because most of the cooperatives that PCC is working with existed before it began, there is no reason to believe that they will cease to exist when PCC ends. On the contrary, most should be strengthened by their participation in PCC activities.

Government Policy

An assumption was made in the design of both PPC and PCC that certain changes in government coffee pricing and tax policies might help achieve project objectives. Specifically, it was felt that elimination or reduction of the government export tax on coffee would cause producer prices to increase, thereby creating an incentive for greater production. It was also felt

that the establishment of a price stabilization fund could mitigate the severe seasonal and annual price fluctuations that constituted, it was perceived, a disincentive to increased farmer investment in coffee.

Two major studies of these subjects were sponsored, one each under PPC and PCC.[16] The first study, carried out in 1976, found that lowering the export tax would be desirable in the long run, but that an immediate tax reduction would be ineffective because of the low price elasticity of supply for coffee in Haiti. The 1976 study did propose, however, that a larger share of the government coffee tax revenues be used to assist coffee farmers by, for example, creating a price stabilization fund. The second study, carried out in 1982, recommended that the coffee tax be eliminated on equity grounds; it did not address the price stabilization issue.

The Haitian government has taken no action on either of these policy issues for a number of reasons. First, the coffee tax is a lucrative and administratively convenient source of government revenues. Elimination of the tax would decrease government revenues by 10 percent. Until it is determined how this loss in revenue can be compensated, at no increase in political or administrative cost, the government can be expected to turn aside suggestions for tax reform.

Second, the establishment of the stabilization fund would entail creating a new element in the government bureaucracy and thus would increase recurrent costs. At a time when the International Monetary Fund is pressuring the government to reduce costs, it is not likely to look favorably on the creation of the stabilization fund. Third, AID has not attempted to use project financing as leverage to force consideration of these policy changes. The projects required study of the issues, but did not tie project funding to any specified set of changes. AID

has held periodic discussions of these issues with government officials, but it seems clear that the government will not move on either of these policies until the right combination of policy alternatives and incentives is established.

NOTES

1 The acronym PCC, which shall be used throughout this report, derives from the French title of the project "Projet de Commercialisation Cafeiere." PPC refers to "Projet de Production Cafeiere."

2 IHPCADE was transformed in 1981 into OPRODEX, and its parent ministry was changed to the Ministry of Commerce. BCA is a semiautonomous financial institution, under the Department of Agriculture, Natural Resources, and Rural Development (DARNDR). BCA has been mandated by the Haitian government to make credit available for rural and agricultural development.

3 SACs are groups of farmers that are formed, usually under the guidance of BCA, to receive group-guaranteed agricultural loans.

4 The French word "speculateur" is used in the context of coffee marketing in Haiti to mean a person who buys coffee from farmers and sells it to a processing plant or an exporter. The speculateur is also frequently a moneylender who lends cash to a farmer in return for a promise of future delivery of a specified amount of coffee. The speculateur frequently enters into an agreement with a processor or exporter by which he or she receives an advance of money in exchange for a promise to deliver coffee, at a future date, to the processor or exporter. Because it does not translate easily into English, the word "speculateur" will be used as is in French throughout this report.

5 The first director of the evaluation unit is now the project manager and the director of OPRODEX.

6 In particular, an attempt was made to secure funding from BCA. However, the experience of BCA in the years previous to these negotiations with lending to cooperatives or pre-cooperatives, particularly SACs, had been so bad that it was reluctant to participate in a similar lending program.

7 CEPEC is the French acronym for Centre Pilote d'Exportation du Cafe des Cooperatives.

8 COSAR has the largest membership -- 2,800 -- of any coffee cooperative in Haiti. In 1982-83, it sold 106,000 pounds of coffee to CEPEC. AUDECADH membership is only 232. In 1982-83, it sold 211,000 pounds of coffee to CEPEC. Data are not available on total production or sales in the COSAR or AUDECADH areas.

9 In French: "Arriver a la creation d'une Association des cooperatives cafeieres groupant toutes les co-ops du pays qui voudraient s'y affilier pour commercialiser leur cafe."

10 UNICORS is composed of seven cooperatives or pre-cooperatives; it is the first registered regional coffee cooperative in Haiti.

11 OPRODEX is a semiautonomous agency of the Ministry of Commerce; it is directly responsible for the implementation of PCC.

12 See Samuel R. Daines, "Impact Evaluation of the Haiti Small Farmer Improvement Project," USAID contract no. AID/otr-C-1377, Washington, D.C., 1979.

13 A more detailed analysis of the failure of PPC is provided in Annex A.

14 The potential impact of cooperative coffee marketing on the revenues of large exporters has not escaped the attention of at least one of these exporters whose pseudonymous article in a 1982 issue of a Haitian daily newspaper virulently criticized AID's decision to finance the construction of the cooperative processing and exporting plant. See "Soyons Serieux," by Resnet Tetnneb.

15 See Elliott Morss, et al. Strategies for Small Farmer Development. (Boulder, Colorado: Westview Press, 1976).

16 JWK International, "Agricultural Policy Studies in Haiti: Coffee," September 1976; and Capital Consult S.A., "An Analysis of the Haitian Coffee Sector: Towards New Policy Directions," July 1983.

CHAPTER TWO
ISSUES ANALYSES

THE VIABILITY OF HAITIAN COFFEE COOPERATIVES

Historical Perspective

The first cooperative enterprises in Haiti were established in the 1930s, as a result of church influence. Most of the early cooperatives were production or credit organizations. For a variety of reasons related to the Haitian economy, politicians, and culture, most of the early cooperatives did not survive; those that did had little impact on Haitian life. In more recent years, two types of cooperatives -- credit unions and marketing cooperatives -- have come into existence. Many of the marketing cooperatives were formed from the membership of pre-existing credit unions, and the two are often found working together. In 1982 CNC estimated that there were 60 credit unions in Haiti. Of the nine coffee cooperatives the evaluation team visited, six had some type of credit union activity available to members. In several instances, such as the cooperatives at Pilate and Rendel, the credit unions played a critical role in developing the cooperatives of which they are now an integral part.

The first coffee marketing cooperatives appeared in Haiti in the mid-1950s, but it was only in the 1970s that substantial numbers of coffee cooperatives were registered with CNC. Interviews with the leadership of early coffee cooperatives, such as CACVA in Vachon and CACGAVA in Dondon, indicate that the reasons for their formation were the same as those for the creation of PPC. The early cooperatives felt that the speculateurs were keeping too large a share of the price obtained for coffee; cooperative marketing was seen as a way to circumvent the power of the speculateurs. Loans from BCA helped CACVA and CACGAVA begin operations, to purchase facilities for washing and

drying and create revolving funds. As a result of financial management difficulties, however, the former remained in debt to BCA from 1961 until 1977, while the latter is still repaying its early loans from BCA.

The Origins of Cooperatives and Their Influence on Development

A distinction can be made between coffee cooperatives formed in the 1950s and 1960s and those officially formed in the 1970s. The earlier cooperatives received little assistance and support from outside sources such as the church or international organizations. In contrast, the later cooperatives were assisted for long periods of time by donors and benefactors. (See Table 8.)

Strong local leaders formed and continue to control the cooperatives established in the 1950s and 1960s. Frequently, these leaders held or still hold government positions, such as magistrates and school officials, or remain dominant figures in the local community. The formation of these cooperatives in the time of President Francois Duvalier further suggests that the local leadership of these cooperatives was not viewed by the government as a threat. Many of them still exist and effectively market coffee for their members. However, the older cooperatives are characterized by a lack of development of new leadership, restriction in the services offered to members, and difficulty in tapping or utilizing outside resources. Most of the older coffee cooperatives have few activities beyond the processing and marketing of coffee.

During the 1960s, Catholic priests became directly involved in development efforts in local parishes. Their efforts to organize small groups for community action slowly evolved into developing multi-purpose cooperatives. In general, the priests' approach allowed for a long gestation period, stressed the

TABLE 8

SOURCES OF ASSISTANCE TO SELECTED COFFEE COOPERATIVES[a]

Cooperative	AID/PCC[b]	BCA[c]	CIDA	CNC[d]	FAO	IAF	ILO	OXFAM	UNDP	WFP
CACVA		x[e]								
COCAES						x				
COSAR				x	x			x	x	x
CAVDAC				x	x			x	x	x
AUDECADH[f]										
CACGAVA	x	x								
CATOUL					x				x	x
COOPACVOD			x							
COCAMUC	x									
UNICORS			x[g]	x	x		x		x	x

Notes:

a The table does not include indirect support such as that received from PPC.

b Does not include AID assistance to CEPEC through PCC.

c BCA is currently receiving assistance from AID.

d CNC is assisted by ILO advisers and receives some support from UNDP.

e No BCA assistance since 1977.

f Received no direct support.

g CIDA assistance is pending.

education of members, encouraged the development of non-traditional local leadership, and helped mobilize resources (both internal and external) to support group and cooperative-style activities.

Because the priests were interested in the development of the whole person, it is not surprising to find that almost all of the church-assisted cooperatives are multi-purpose. Cooperatives that fall into this category include UNICORS and the two cooperatives in Pilate. Multi-purpose cooperatives have generally experienced a sustained period of pre-cooperative development. The initial effort frequently came from local priests working over long periods of time with small groups. Eventually, these groups felt the necessity to become larger entities. Table 9 shows the activity spread for the cooperatives the team visited and other cooperatives for which information was available. The table also includes the dates of official registration as cooperatives with CNC.

Some observers of Haitian cooperatives have expressed the belief that the heavy involvement of local priests would eventually stultify the independence of the cooperatives.[1] The evaluation team, however, observed that as local leadership developed the priests generally removed themselves from the day-to-day operations of the cooperatives and became advisers.

In addition to the influence of the priests, several other factors influenced the development of coffee cooperatives. These include:

- External assistance for key areas of operations such as accounting and marketing;
- Actual and perceived benefits by those who have become members;
- The decentralized system of representation and operations that these cooperatives follow;

TABLE 9

ACTIVITY SPREAD FOR COFFEE COOPERATIVES AND DATE OF REGISTRATION WITH CNC

		Activities							
Cooperative	Date of Registration	Single (Coffee)	2	3	4	5	6	7	Multipurpose
CACVA - Vachon	1961	x							
COCAES - Pilate	1973	x			[a]				
COSAR - Rendel	1976								x[c]
CAVDAC - Chardonniere	1976								x[c]
CADA - Les Anglais	1976								x[c]
AUDECADH - Thiotte	1975	x							
CACGAVA - Dondon	1956			x[b]					
CATOUL - Pilate	1973	x					[d]		
COOPACVOD - Dondon	1980		x[b]						
COCAMUC - Camp Perrin	[e]		x						
COCAM - Damasin	1977							x[c]	
CATI - Tiburon	1976						x		

Notes:

a Coffee cooperative operates under MODECOP umbrella. MODECOP is the "Mouvement de Developpement Economique Communitaire de Pilate." Its activities include fisheries, small business enterprises, soil conservation, and credit unions.

b BCA provides credit. FADIP is the "Fondation de Developpement Integre de Pilate." It supports activities such as the work of local artisans, coffee processing, establishment of credit unions, and extension for agricultural crops.

c Members of UNICORS.

d Coffee cooperative operates under FADIP umbrella.

e Still in pre-cooperative status.

- The attractive world market prices for coffee during the critical period of cooperative formation, which made participation in coffee cooperatives of high interest to coffee farmers;
- The local nature of the cooperative in which few members live further away than 10 kilometers from the headquarters. This concentration of cooperative membership makes local participation easier to foster.

In addition, PCC has contributed to the formation of cooperatives. The project has trained and pays the salary of eight people who are attempting either to establish cooperatives, for example, COCAMUC in Camp Perrin, or to improve the management and operations of existing cooperatives, such as CACGAVA in Dondon. PCC's efforts at cooperative formation still tend to be top-down. Some cooperatives also have hidden political agendas, as in the case of COCAMUC, which has spun off as an alternative and potential rival to the older and more established CACVA. However, to the extent that PCC agents are engaging only in technical assistance or training, the project's operations should help to improve operations and increase cooperative development. Whether PCC/OPRODEX should be involved in this type of activity or whether other organizations would more appropriate is a question that requires further exploration.

Social Viability

The viability of a cooperative is generally analyzed in terms of certain cooperative principles. These include voluntary and open membership, democratic procedures, and member participation.

Of the nine full cooperatives that the evaluation team visited, at least five were operating with a high respect for these principles and could therefore be considered socially viable. The other four were violating one or more of the principles frequently enough that their social viability would have to be questioned.

Voluntary and Open Membership

People become members of cooperatives for reasons of self-interest. In the cooperatives the team visited, two types of self-interest were evident. First, members expected a greater return on their investment in coffee production. In general, the cooperatives fulfilled this expectation. Largely because of the return offered coffee growers by cooperatives or pre-cooperatives in the early and mid-1970s, when world market prices were high, interest in joining coffee cooperatives increased. This appeared as true for multi-purpose cooperatives as for single purpose coffee cooperatives.

The second reason for interest in membership is the protection and prestige in rural Haiti attached to being a member of a large organization. Often the cooperative serves to protect its members and their interests in what would otherwise be a weak group in society.

Membership qualifications are the most restrictive in the single purpose cooperatives. In three of the nine cooperatives the team visited (AUDECADH, CACGAVA, and COOPACVOD), ownership of coffee production land was a prerequisite to membership. COCAES, however, has purchased land on the open market and then sold it to landless farmer-members.

One can view the difference in approach to membership between the single purpose and multi-purpose cooperatives as protecting and promoting self-interest in the former as opposed to using the cooperative form, in the latter, to undertake larger development efforts. In large part, the church has advocated and supported this latter approach.

Membership in coffee cooperatives can be expected to decrease if such economic incentives as fair market prices, bonuses for quality, and patronage refunds are reduced or eliminated. Similarily, membership in coffee cooperatives can be expected to increase as long as the economic incentive exists.

Democratic Procedures

In Haiti, the more decentralized the cooperative, the more likely it will adhere to democratic principles. Conversely, the emphasis given to normal democratic procedures associated with cooperative functions is diminished when power is centralized in the president and other officers.

The model of centralized control leading to less than normal democratic procedures was most easily seen in the cooperative located at Vachon, CACVA, in which elections for officers had not been held for 15 years. Pressure from CNC has now resulted in a meeting of a general assembly once a year and in the election of officers. It is no surprise that there has been virtually no change in officers even with current elections. The importance of the status and control of those local leaders who became the first and only officers of the cooperative, coupled with the apparent satisfaction of members with their economic return from coffee marketed through the cooperative, resulted in the members' considering democratic procedures to be of little importance. This appears to be generally true in the single purpose coffee cooperatives the team visited.

In contrast, the multi-purpose cooperatives support efforts to involve members democratically at the grassroots level. In UNICORS, general assemblies are attached to each geographic sector. These assemblies elect delegates to the executive and administrative committees, which in turn control activities of the cooperative. In COCAES, 180 "groupements communautaires agricoles" (GCA) are organized into eight sections, each with its own "caisse populaire." Each GCA and each section have elected

officials as well as elected delegates from the sections that make up the COCAEs' General Assembly. From it are elected members of the administrative committee, an oversight committee, and a credit committee.

Member Participation

The greater the possibility of casting a meaningful vote, the greater will be member interest and participation in cooperative affairs. If the interest and participation are strong, it will be easy to carry out meaningful education for members. The team's analysis of nine coffee cooperatives confirms that where the possibility of democratic involvement was the high, participation was high. Participation was weak when leadership changes were few and difficult to achieve, a large general assembly was the only forum for member participation, and activities offered by the cooperative to its members were few and depended on the season.

Thus, among cooperatives that have an underlying interest in developing the whole person, participation and the availability of the means to ensure this participation received considerable attention. In addition, participation of women was much greater in the multi-purpose cooperatives than in the single or limited cooperative.

Financial Viability

This section examines the financial performance of coffee cooperatives. It first analyzes in detail the coffee marketing operations of two cooperatives and one pre-cooperative. It then compares the results of coffee marketing operations with those of other cooperative activities. Finally, it compares the returns to farmers who sell to cooperatives with the returns to those who sell to speculateurs.

Analysis of Three Coffee Marketing Operations

The evaluation team obtained detailed revenue and cost data from several cooperatives and pre-cooperatives. Results of the analysis of these data for one pre-cooperative and two cooperatives are presented in Tables 10-12.

The pre-cooperative and cooperatives were selected because they differ both in purpose and in financial performance. COCAMUC is a single purpose (coffee marketing) pre-cooperative whose costs are heavily subsidized by PCC. CAVDAC is a multi-purpose cooperative whose costs are partially subsidized. AUDECADH is a single purpose cooperative that has no subsidized costs.

For COCAMUC and CAVDAC, two separate costs and returns analyses are presented. The first, presented in the left-hand columns, shows the results of operations with only the direct costs of the organization included. (This is the method used by the organizations themselves.) The second presents the results when subsidized costs are included. For AUDECADH, only one analysis is presented because this cooperative paid all its own costs at what appear to be true market rates.

The three cooperatives each sell coffee to CEPEC at the price fixed by OPRODEX. They buy coffee from their farmers at a 0.28-0.58 gourde per pound less than the CEPEC base price; part of this margin is used to cover costs, and the remainder is returned to the farmer as a dividend or is retained by the cooperative for working capital.

Table 10 reveals that the pre-cooperative, COCAMUC, had a subsidized operating profit of about 4,500 gourdes ($900), or about one-half gourde ($0.10) per pound of coffee in 1982-83. However, when subsidies are costed, COCAMUC would have an operating loss of nearly 9,900 gourdes ($1,980), or about one gourde ($0.20) per pound. The difference between the subsidized

TABLE 10

COSTS AND RETURNS ANALYSIS FOR COCAMUC
(Cooperative Cafeiere des Mains Unies du Camp Perrin)

Basic Data: [a]

Period of analysis: one-year, 1982/83
Members: 80
First year to market coffee: 1981
Quantity coffee sold: 9,062 lbs.
Avg. coffee sale price: 3.07 ¢/lb.
Avg. coffee purchase price: 2.50 ¢/lb.
Approximate speculateur price: 2.50 ¢/lb.

Costs and Returns:

	Analysis without Subsidies Costed (¢)	(¢/lb.)	Analysis with Subisidies Costed[d] (¢)	(¢/lb.)
• Income				
Sales revenue	24,920	2.75	24,920	2.75
Quality bonus	2,900	.32	2,900	.32
Total Income	27,820	3.07	27,820	3.07
• Cost of Goods Sold (price paid to farmers)	22,655	2.50	22,695	2.50
• Variable Costs				
Sorting/hired labor	272		272	
Sacks [b]	425		425	
Motorcycle fuel/repairs	-		1,700	
Total variable costs	697	.08	2,397	.26
• Fixed Costs				
Salary of manager	-	-	11,640	
Motorcycle depreciation	-	-	1,000	
Total fixed costs	0	0	12,640	1.39
• Total Costs	23,352	2.58	37,692	4.16

TABLE 10 -- Continued

• Operating Profit (total income minus total costs)	4,468	.49	(9,872)	(1.09)
• Distribution of Profits (refund to farmers) [c]	4,803	.53	-	-
• Retained Earnings	(335)	(.04)	-	-

Notes:

a Financial data are from interviews with manager at COCAMUC and examination of cooperative records. Prices are from interviews with farmer and cooperative personnel.

b Sacks=15 ¢/sack 4-year life, 80 lb./sack

c Refund to farmers: It is not clear how more was refunded to farmers than was earned by the cooperative. The likely cause is an error in the data.

d Subsidies: The manager's salary and his motorcycle costs are paid for by PPC.

operating profit and the unsubsidized operating loss is that the salary of the COCAMUC manager and the costs of his motorcycle are paid entirely by PPC.

For COCAMUC to break even without subsidies, its volume would have to increase to nearly 41,000 sacks of coffee per year, or more than four times its current volume.[2] If the refund to farmers is included as a variable cost, it becomes impossible to attain a break-even volume because the costs of goods sold plus variable costs per unit exceed the sales price per unit.[3] Since COCAMUC is still a pre-cooperative with only 80 members, it should be able to increase its membership and, therefore, its volume of coffee sales substantially. (Average coffee cooperative membership is about 720 -- see Table 2.) Selling coffee through COCAMUC must clearly be attractive since farmers are now earning approximately 21 percent more from selling to the cooperative than they would by selling to speculateurs (3.03 gourdes per pound versus 2.50 gourdes per pound). COCAMUC may also be able to reduce its fixed costs by hiring one of its members as manager. (The subsidized salary of the current manager is considerably higher than the salaries of managers who are paid directly by the cooperatives.) However, COCAMUC will have to remain subsidized until its volume becomes much larger.

The figures in Table 11 reveal a much brighter picture for CAVDAC, which is a large multi-purpose cooperative operating within UNICORS. The subsidized per pound operating profit is about the same as for COCAMUC -- one-half gourde ($0.10). But when subsidies are costed, CAVDAC still shows a healthy operating profit of about one-third gourde ($.06) per pound. Moreover, CAVDAC was able to distribute profits equivalent to about 0.4 gourde ($.08) per pound. This raised the total return to the farmer to an average of 2.86 gourdes per pound, which is 14 percent higher than the prevailing price paid by speculateurs in the area (2.5 gourdes per pound.) When all subsidies are costed and if CAVDAC wished to retain 0.06 gourde per pound as

TABLE 11

COSTS AND RETURNS ANALYSIS FOR CAVDAC
(Cooperative d'Achats et de Vents des Denrees Agricoles de Chardonnieres) Coffee Marketing Section

Basic Data: [a]

Period of analysis: one-year, 1982/83
Members: 1,500 active
Quantity coffee sold: 98,012 lbs.
Avg. coffee sale price: 3.04 ¢/lb.
Avg. coffee purchase price: 2.46 ¢/lb.
Approximate speculateur price: 2.50 ¢/lb.
Recognized as a cooperative: 1973

Costs and Returns

	Analysis without Subsidies Costed (¢)	(¢/lb.)	Analysis without Subsidies Costed (¢)	(¢/lb.)
• Income from Coffee Sales	298,035	3.04	298,035	3.04
• Variable Operating Costs				
• Costs of Goods Sold (first payment to farmers)	241,496	2.46	241,496	2.46
Sorting/hired labor	2,757		2,757	
Sacks [b]	1,000		1,000	
Bank costs	182		182	
Interest [c]	2,262		14,000	
Miscellaneous	582		582	
Total variable costs	6,783	.07	18,521	.19
• Fixed Costs				
Salaried persons-coffee	3,639		3,639	
Portion of general salaries [d]	1,100		1,100	
Building depreciation [e]	-		1,433	
Total fixed costs	4,739	.05	6,172	.06
• Total Costs	253,018	2.58	266,189	2.72
• Operating Profit (income minus total cost)	45,017	.46	31,846	.32

TABLE 11 -- Continued

• Distribution of Profits (refund to farmers)	39,205	.40	-	-
• Retained Earnings	5,812	.06	-	-
• Net Returns to Farmers/Coop.	286,513	2.92	-	-

Notes:

a Financial data are from UNICORS and cooperative records and from interviews with UNICORS' accountant and ILO adviser. Number of members and approximate speculateur prices are from interviews with co-op officials and farmers.

b Sacks: 400 sacs/4 years at 10 ¢ per sac

c Interest: UNICORS' rate is 3 percent/year. Market rate is estimated at 20 percent/year.

d Portion of general salaries: based on the percentage of coffee revenue to total cooperative revenue.

e Building depreciation: 57,340 ¢ over 20 years, assuming half of cost goes to coffee activities.

additional cooperative capital, it could distribute to its members profits equivalent to 0.26 gourde, making the total return to the farmer equivalent to 2.72 gourdes per pound, still 9 percent higher than the speculateur price.

The major subsidy received by CAVDAC is in the form of a low-interest loan from UNICORS for working capital. The interest on this loan is 3 percent per year, compared with an estimated market rate of 20 percent per year. But CAVDAC would operate profitably even if this and other subsidies were removed, mainly because of its very large volume -- 98,012 pounds per year of coffee marketed -- which is 10 times that of COCAMUC.

The analysis of the financial data from AUDECADH (Table 12) reveals a per pound operating profit (0.17 gourde per pound) that is much smaller than for COCAMUC or CAVDAC. This is explained mostly by the high price the cooperative pays for coffee to its members (3.22 gourdes per pound.) AUDECADH does not distribute profits to its members, but simply calculates the price that it can pay on the basis of projected profits. The price received by AUDECADH farmers is higher than the combination of initial price plus distributed profits received by COCAMUC and CAVDAC farmers (See Table 10 and 11). No data were available on speculateur prices in the AUDECADH region, so it was not possible to compare cooperative with speculateur prices. However, this type of comparison might be spurious since some of the members of the AUDECADH cooperative, which has by far the largest volume of coffee sales of any cooperative in Haiti, are themselves speculateurs who buy coffee from non-cooperative members and resell it to AUDECADH.

AUDECADH capitalizes itself from members' dues and retained earnings. It receives no direct assistance from PCC and has no other apparent subsidies.

TABLE 12

COSTS AND RETURNS ANALYSIS FOR AUDECADH
(Action Unie de Cooperative Agricole d'Haiti)

Basic Data: [a]

Period: one-year, 1982/83
Members: 198
First year to market coffee: 1981
Quantity coffee sold: 194,762 lbs.
Avg. coffee sale price: 3.50 ¢/lb.
Avg. coffee purchase price: 3.22 ¢/lb.

Costs and Returns

	(¢)	(¢/lb.)
• Income from Coffee Sales	681,960	3.50
• Costs of Goods Sold (price paid to farmers)	627,973	3.22
• Variable Operating Costs		
Transport	4,061	.02
Other operating costs	17,219	.09
Total variable costs	21,280	.11
• Fixed Costs	0	0
• Operating Profit (income minus total costs)	32,707	.17
• Distribution of Profits	0	0
• Retained Earnings	32,707	.17

Notes:

a Data are from cooperative records and interview with cooperative manager. Data on costs are subject to revision as the cooperative has not yet assembled its cost data for 1982/83.

Overall Performance and Role of Coffee Marketing in Coffee Cooperatives

Tables 13 and 14 present data on the overall performance of eight coffee cooperatives and the importance of coffee marketing in these cooperatives in 1982-83. Table 13 shows that coffee revenue as a percentage of total revenue ranged from 43 percent to 96 percent among the six multi-purpose cooperatives.

Table 14 shows that other enterprises generally do not perform as well as coffee marketing. Coffee marketing was profitable in all eight cooperatives; but in four of the six multi-purpose cooperatives, other enterprises, taken together, operated at a loss. Coffee marketing profits compensated for the losses in other operations in two of these four cooperatives. Thus, six of the eight cooperatives were profitable overall.

The eight cooperatives operate 37 enterprises other than coffee marketing; 11 (30 percent) of these enterprises are unprofitable. It would appear that cooperatives need to be more discriminating in the operations they pursue, eliminating or improving those that do not perform well. For example, in the Rendel cooperative, the trucking enterprise is responsible for most of the losses. COSAR officials maintain that the trucking operation is a critical service to the other enterprises and to the members themselves; what is not clear is why the rates charged are well below the rates of private truckers.

In any case, coffee marketing is the most important and profitable operation in the coffee cooperatives. To a certain extent, coffee marketing subsidizes the cooperatives' other activities.

TABLE 13

GROSS INCOME FROM COFFEE MARKETING AND OTHER ENTERPRISES
SELECTED COOPERATIVES 1982/1983 [a]

(gourdes)

	Coffee Income	Total Income from All Enterprises	Coffee Income as Percent of Total Income
COCAMUC, Camp Perrin	27,820	27,820	100
CAVDAC, Chardonnieres	298,035	397,013	75
CADA, Les Anglais	117,644	144,705	81
COCAM, Damasin	77,873	179,079	43
COSAR, Rendel	606,001	1,194,627	51
COAP, Port-a-Piment	87,506	91,222	96
CATI, Tiburon	45,747	59,355	77
AUDECADH, Thiotte	681,960	681,960	100

a Data are from cooperative records.

TABLE 14

OPERATING PROFITS FROM COFFEE MARKETING AND OTHER ENTERPRISES, SELECTED COOPERATIVES 1982/83[a]

(gourdes)

	Operating Profits: Coffee	Operating Profits: Other Enterprises	Total Operating Profits	Coffee Profits as Percent of Total Profits	Total Number of Enterprises	Number of Enterprises Operating at a Loss
COCAMUC, Camp Perrin	4,468	-	4,468	100	1	0
CAVDAC, Chardonnieres	45,017	4,269	49,286	91	6	0
CADA, Les Anglais	11,931	16,035	27,966	43	8	0
COCAM, Damasin	1,739	(14,214)	(12,475)	-	6	3
COSAR, Rendel	9,702	(57,331)	(47,629)	-	13	4
COAP, Port-a-Piment	18,178	(140)	18,038	101	6	3
CATI, Tiburon	2,863	(871)	1,992	144	4	1
AUDECADH, Thiotte	32,707	-	32,707	100	1	0
Speculateurs	-	-	--	-	-	-

Notes:

a COCAMUC, CAVDAC, and AUDECADH data are from Tables 10-12. CADA, COCAM, COSAR, COAP, and CATI data were provided by the UNICORS accountant.

Farmer Returns

The coffee marketing operations of all cooperatives are doing well. However, what economic benefits do the cooperatives' coffee marketing activities offer their members? In all areas that the team visited, farmers reported that cooperative prices, including the quality bonuses and dividends, are superior to those offered by speculateurs. Table 15 compares speculateur prices and cooperative prices. In general, speculateur prices are competitive with the initial cooperative purchase price. In fact, in some areas, such as within the UNICORS zone, the cooperatives act as a price setter; UNICORS farmers claimed that speculateurs peg their prices at the cooperatives' initial price. Table 15 shows that the cooperatives' initial price in December 1983, plus the quality bonuses and dividends paid to farmers per pound of coffee sold in 1982-83 (1983-84 data are not yet available), amount to 12-31 percent more than the speculateur price. The table does not include in the farmers' price those dividends that are reinvested in the cooperative; if these were included, the returns to the farmer would be even higher.

Table 16 presents the average absolute value of the extra return accruing to farmers as a result of selling to three different cooperatives. Average additional returns from selling to the cooperatives rather than to speculateurs are 29 gourdes per farmer in Rendel, 76 gourdes per farmer in Camp Perrin, and 418 gourdes per farmer in Thiotte. As in the above analysis of prices, returns retained by the cooperative are not included. The increased returns, although modest, are therefore significant. Thus, the returns to coffee marketing in the cooperative sector are profitable for both farmers as individuals and for the cooperative as an organization.

TABLE 15

A COMPARISON OF COOPERATIVE COFFEE PRICES WITH SPECULATEUR COFFEE PRICES[a]

SELECTED COOPERATIVES, DECEMBER 1983
(gourdes/pound)

	Speculateur Prices	Cooperative Price				Margin Between Cooperative Price and "Speculateur" Price
		Initial Price	Quality Bonus	Dividend Paid to Members	Total Cooperative Price	
COSAR, Rendel	4.00	4.00	.31	.15 [c]	4.46	.46(12%)
COCAMUC, Camp Perrin	3.5-4.0	3.75	.32	.53	4.60	1.10-.60 (15-31%)
AUDECADH, Thiotte	3.5-3.75	3.75	.31 [b]	.00 [d]	4.06	.56-.31 (8-16%)
CAVDAC, Chardonnieres	3.5	4.00	NA	.15 [c]	4.46	.96 (27%)

Notes:

a Speculateur price and initial cooperative price are for December 1983. Cooperative prices are from cooperative records, and speculateur prices are from farmer interviews. Quality bonuses and dividends paid were from the previous year, 1982/83, since data for the 1983/84 year were not available.

b Estimate based on quantity of each grade marketed in 1981/82 and current bonus rates.

c Dividend paid in Rendel and Chardonnieres last year was ¢ .40/pound, based on a cooperative margin of ¢ .50/lb. between sale and purchase price. This year the initial price is based on a gross cooperative margin of ¢ .25/lb. Thus ¢ .25/lb. has been subtracted from the dividend paid to members, since the large dividend resulted from the large gross margin.

d AUDECADH decided to retain its dividends in 1982/83 to build up its working capital.

TABLE 16

FARMER RETURNS FROM SELLING COFFEE TO THE COOPERATIVE VERSUS SELLING TO SPECULATEURS

	Avg. Quantity Coffee Marketed per Member (lbs.[a])	Gross Returns (¢) if Sold to Speculateur[b]	Gross Returns (¢) if Sold to Cooperatives[b]	Percentage Difference
COSAR, Rendel	63	252	281	12
COCAMUC, Camp Perrin	113	424	520	23
AUDECADH, Thiotte	984	3,567	3,995	12

Notes:

a From cooperative records 1982/83.

b Prices from Table 15.

COFFEE MARKETING THROUGH COOPERATIVES

This section tackles the issue of the efficiency of coffee marketing in the private sector and through cooperatives. The section first reviews the arguments that have been made by others on this subject. Then it examines the performance of CEPEC and its impact on cooperative marketing and farmer prices.

Market Efficiency

Previous studies of Haitian coffee marketing have differed significantly with respect to market efficiency. Girault, AID, and Jaffee argue that Haitian coffee marketing is characterized by collusion among exporters to fix prices and that significant market inefficiencies exist.[4] These studies support an expansion of the cooperative movement to break the oligopsonistic power of the exporters, earn higher prices for farmers, and increase efficiency in the sector. In contrast, Capital Consult, JWK International, and Roe argue that coffee is already marketed fairly efficiently in Haiti and that there is intense competition among exporters.[5] Capital Consult concludes that little or no economic rationale exists for promoting the cooperative movement as an alternative mechanism to market coffee.

Arguments that the market operates efficiently are based on market structure and price analysis. For example, Capital Consult cites the high turnover of firms, instability in market shares, absence of effective barriers to entry, and strong correlation between FOB and producer prices to support the existence of a competitive market. The arguments are generally inferential, that is, that structural characteristics of the coffee marketing sector prevent firms from exercising oligopsonist power. Nevertheless, the arguments are fairly convincing.

Arguments that the market is controlled by exporters are based on an analysis of their costs and returns and of the intermediaries' share of total coffee revenues. Girault, for example, presents data estimating that the exporters' gross margin for 1974-75 is $13.40 per sack of coffee. He then calculates the profit of an exporter of 40,000 sacks by multiplying $13.40 by 40,000 and subtracting taxes. He calculated that this results in an exporter profit of about $500,000. However, Girault fails to include in this analysis many important costs, such as interest on funds extended to speculateurs, depreciation, and defaults. For example, if an exporter purchases half of his coffee with money advanced to speculateurs, he would advance about $960,000 (4 gourdes per pound, or 240 gourdes per sack). Assuming an interest rate of 30 percent per year, which is the estimated average return to capital in the industrial sector in Haiti[6], and that three months pass between the time the exporter pays out the money and he receives payment for his coffee from an overseas buyer, his interest cost on capital advanced to speculateurs totals $96,000.

A return capital of 30 percent should not be considered high for a country at Haiti's level of development. Capital is scarce and, therefore, rationed by market forces toward its most profitable uses. In fact, a normal profit in coffee production may be even higher than 30 percent, to compensate for the considerable risk in coffee marketing and the wide and unpredictable fluctuations in price.

An analysis of the intermediaries' share of total coffee revenue gives stronger, although still only inferential, evidence of collusion among exporters. AID reported that the absolute value of the intermediaries' (exporters and speculateurs) share of coffee revenue increased by 275 percent between 1972-76 and 1977-81. But given the high rate of inflation and increases in costs during this period, this increase in margin may be justified. Unfortunately, data are not available to evaluate this issue.

There is also controversy over the role of speculateurs in the marketing system. Some observers claim that speculateurs exploit farmers by extending credit during the period before the food-crop harvest in exchange for coffee at below-market prices later in the year. On one occasion, a farmer was extended credit in May in exchange for a promise to repay in coffee at harvest time equivalent to a price only half of the market rate. In fact, interest rates of 100 percent or more on an annual basis are frequently found in the rural areas of developing countries. Credit is extremely scarce in rural Haiti, especially during the pre-harvest period. The high interest rates reflect the real scarcity of capital, not the market power of speculateurs.

However, it is likely that speculateurs may exercise market power in isolated circumstances. For example, where speculateurs also hold important positions in a village, farmers may be compelled to sell at least a portion of their coffee to these persons, regardless of the competitiveness of the price.

In most cases, speculateurs are tied to a particular exporter, but, in fact, the ties between individual speculateur and a particular exporter appear to be weaker than was previously thought. Most speculateurs have more than one source of financing and often change their affiliation from one exporter to another. Because interest rates have climbed steeply in recent years, it appears that exporters are less willing to finance coffee purchases by speculateurs.

Given the lack of concrete evidence of inefficiency or imperfect competition in the coffee marketing sector, support to the cooperative movement cannot be justified on the grounds that cooperatives will improve the efficiency of the sector and break the monopoly profits earned by exporters. However, cooperatives can be justified on distribution grounds. Farmers are receiving

better prices for their coffee from cooperatives because of a transfer of profits from exporters and speculateurs to cooperatives. Given the scarcity of capital in Haiti, these profits are significant.

Cooperatives also appear to be making two additional economic contributions in areas in which the private sector has not performed effectively. First, some cooperatives are paying their dividends to farmers during the pre-harvest period to help them avoid borrowering from speculateurs when interest rates are highest. Second, the cooperatives are paying bonuses for high-quality coffee; incentives to produce high-quality coffee for the speculateurs are generally lacking.

The Pilot Center for Cooperative Coffee Exporting

CEPEC began operations in early 1981. Table 17 shows the dramatic increase in CEPEC's volume of exports from its creation until the present.

TABLE 17

COFFEE EXPORTED BY CEPEC
(sacks of 120 pounds)

1980-81	1981-82	1982-83
2,2224	6,730	10,299

Part of this increase is explained by the fact that the number of coffee cooperatives and pre-cooperatives selling coffee to CEPEC increased from 15 in 1981 to 36 in 1983 (See Table 18). Most of the increase is probably explained by CEPEC's attractive pricing policy.

TABLE 18

COFFEE SOLD TO CEPEC BY SELECTED COOPERATIVES[a]

(pounds)

Cooperative		1980-81	1981-82	1982-83
CACVA	- Vachon	5,977	14,620	38,358
COCAES	- Pilate	55,302	7,032	161,866
CACRAN	- Jacmel	6,380	19,580	8,398
NOVHA	- Fds. des N.	10,900	8,398	5,386
AUDECADH	- Thiotte	-	433,583	211,332
CACGAVA	- Dondon	-	75,790	45,838
CATOUL	- Pilate	31,258	62,076	1,810
COOPACVOD	- Dondon	-	63,316	11,562
COCAMUC	- Cp. Perrin	-	3,489	9,062
Other Cooperatives		176,020	349,035	916,088
Total all cooperatives		285,837	1,036,919	1,400,834
Total number of co-opertives and pre-coopertives selling to CEPEC		15	34	36

Notes:

a Source is CEPEC records. Weights shown include natural, washed, and parched coffee.

CEPEC's basic policy is to guarantee the coffee cooperatives a price that is at least equal to that paid to speculateurs by the exporters. In addition, during the last two years CEPEC has paid a bonus to the cooperatives based on the quality of coffee. A maximum bonus of 14 percent of the purchase price is possible at present and is calculated on a formula that takes into account size of beans, moisture of the beans, and presence of foreign material; these conditions are evaluated when the coffee beans arrive at the CEPEC facilities.

The bonus is passed directly on to the growers by the cooperatives. In 1981-82, CEPEC paid out 543,737 gourdes in bonuses, or 0.67 gourde per pound ($.134 per pound). In 1982-83, the amount paid in bonuses amounted to 0.29 gourde per pound ($.058 per pound), a sharp decrease due to CEPEC's stricter control and standards and the fact that some cooperatives probably put less emphasis on quality sent to CEPEC than the previous year. Nonetheless, this represented an average bonus of 9.8 percent of the purchase price for the entire year.

Although members voiced some concern about the reduction in the quantity of bonuses and thus in the final price the cooperative producer received, CEPEC appears to be correct in placing responsibility for quality control on the cooperatives.

Several of the cooperatives distributed bonuses during the pre-harvest period. These bonuses often obviated the necessity for producers to borrow from speculateurs, a system that virtually guarantees that the producer would receive a low price for coffee at market time. Cooperatives that are able to pay bonuses when members most need them are in effect replacing one of the traditional roles of the speculateur. This imaginative use of bonuses should be studied by cooperatives that do not follow this method.

Certain cooperatives voiced a concern that the system by which CCH distributes refunds to cooperatives (from CEPEC's net profits) reduced the cooperatives' incentives to produce quality coffee. This is because the bonuses, which are given directly to the cooperatives by CEPEC and then passed on the farmers, are based on quality; the refunds, however, which are passed on to the cooperatives through the intermediary of CCH, are not. If refunds are not at least in part based upon the quality of coffee delivered to CEPEC, the cooperatives' incentive to deliver quality is lowered. In 1982-83, the amount of money CCH distributed to the cooperatives as patronage refunds -- 476,819 gourdes -- was larger than the bonuses CEPEC paid for the same period -- 337,743 gourdes. CCH should consider how refunds might be better calculated to reflect the quality of coffee delivered by each cooperative in CEPEC.

Subsidies and CEPEC Profitability

OPRODEX/PCC created CEPEC and continues to subdize its operations. Subsidies include the salaries of key personnel, rent and utilities payment, and the purchase and depreciation of processing equipment.

Table 19 shows the OPRODEX/PCC subsidies to CEPEC over the last three years.

Included in the OPRODEX/PCC subsidy to CEPEC is the salary of the CEPEC director. This means that CEPEC management is accountable to OPRODEX, rather than to CCH and the cooperatives. This fact troubles CCH, which belives that accountability of CEPEC should be transferred to the coffee cooperatives.

TABLE 19

OPRODEX SUBSIDIES TO CEPEC

(gourdes)

	1980-81	1981-82	1982-83
Personnel support	85,225	139,400	143,100
Rent of facilities	54,880	41,160	41,160
Equipment	81,673	9,500	-
Purchase of land	-	-	227,375
Revolving fund for buying cooperative coffee	900,000	1,300,000	-
Miscellaneous	14,952	43,783	5,951
	1,136,730	1,533,843	417,586

Source: PCC financial records.

CEPEC financial statements show that in its three years of operations, net profits were as follows:

TABLE 20

NET PROFITS FROM CEPEC OPERATIONS

(gourdes)

1980-81	1981-82	1982-83
102,427	37,625	703,567

Source: CEPEC financial records.

A comparison of Tables 19 and 20 reveals that only in 1982-83 could CEPEC have covered its operating costs without the OPRODEX/PCC subsidies. However, even in 1982-83, if a theoretical interest rate of 12 percent were placed on the revolving fund of 2,200,000 gourdes, profit would have been only 22,000 gourdes ([.12 x 2,200,000] + 417.586 = 681,586; 703,567 - 681,586 = 21,981). If a more realistic figure for the cost of capital in Haiti of 25 percent is used, CEPEC would have lost more than 250,000 gourdes in 1982-83 ([.25 x 2.200,000] + 417,586 = 967,586; 763,567 - 967,586 = - 264,019) or about broken even if the cost of the land purchase is not considered (-264,019 + 227,375 = -36,664). Although CEPEC will not have to return the money in the revolving fund, these calculations should underline the fact that continued financial assistance will be necessary over the next several years.

The New Plant

It is clear that CEPEC must increase its volume if financial viability is to be achieved. The construction of new facilities for CEPEC should increase efficiency and help keep unit costs down. However, the increased volume may require a much larger revolving fund than now exists. In 1982-83, purchases by CEPEC were often delayed due to lack of adequate capital. This created a certain amount of animosity toward CEPEC by the cooperatives, who themselves were strapped for capital during the coffee marketing season. The new facilities are not expected to shorten significantly the turnaround time within CEPEC. Thus, increased volume will require more available capital for purchases on the part of CEPEC.

Project personnel think that the new plant will break even if it exports 25,000 sacks (120 pounds per sack) per year. However, no calculations were available to verify this figure.

Therefore, the team took CEPEC financial data for 1982-83, added in PCC subsidies, and made certain assumptions about the fixed costs of the new plant to perform the following calculation:

P (sales price per pound) = 6.2108 gourdes

FC (fixed costs) = 522,333.5 gourdes

V (variable costs per pound) = 6.0307 gourdes

$P\,Q = FC + V\,Q$

$6.2108\,Q = 522{,}333.5 + 6.0307\,Q$

$Q = 2{,}900{,}241.5$ pounds, or

24,169 sacks

This calculation in fact bears out the assumption that a volume of 25,000 sacks per year should be sufficient for the plant to operate profitably without subsidies. However, a number of assumptions have been made in calculating the fixed and variable costs. Changes in these assumptions could appreciably raise or lower the break-even volume. The basic data as well as all the assumptions on which this calculation is based are presented in Annex D.

Although the private coffee marketing sector appears to be efficient, CEPEC has been able to transfer what would have been profit to the speculateurs and exporters to the cooperatives and their members. Since CEPEC is performing an important economic task for the cooperatives, it should be in the interest of the coffee cooperatives sector to help capitalize CEPEC in the future. This could be done through authorization to retain a fixed percentage of earnings or make CCH share capital available to CEPEC. The latter will probably not occur, however, until CCH gains more voice in and control of CEPEC.

Coffee Marketing through CEPEC and Speculateurs

In 1982-83, CEPEC exported coffee at an average price of 6.21 gourdes per pound. CEPEC used this money as follows:

TABLE 21

USE OF CEPEC'S PER POUND SALES REVENUE

(gourdes)

Base price paid to cooperatives by CEPEC	3.12
Bonus paid to cooperatives by CEPEC	0.24
Patronage refund to cooperatives	0.50
Tax to the government	1.39
CEPEC operating costs	0.32
Stock carryover at end of year	0.64
TOTAL	6.21

Source: CEPEC financial records.

The average cooperative share of CEPEC's export price was the sum of the base price, the bonus, and the patronage refund, or 3.86 gourdes. CNC has been encouraging individual cooperatives to distribute the entire bonus to members, but to keep the patronage refund to help capitalize the cooperative. The average base price offered the cooperative by CEPEC is the same as the average price offered the speculateur by the exporter. A speculateur usually pays a producer 0.25 to 0.50 gourde per pound less than the price he receives from the exporter. Some cooperatives, in contrast, pass on the entire base price to the producer, while others retain a certain margin, usually 5 percent, to help cover costs.

Under various assumptions, Table 22 compares prices paid to producers by speculateurs with those paid to members by cooperatives.

TABLE 22

COMPARISON OF PRICES RECEIVED BY PRODUCERS
FROM SPECULATEURS AND COOPERATIVES
(without patronage refund)

	Speculateur		Cooperatives		
	A	B	A	B	C
Base Price	3.12	3.12	3.12	3.12	3.12
Amount subtracted from base price to cover costs	0.50	0.25	0.25	5%	None
Price paid producer	2.62 -	2.87	2.87 -	2.96 -	3.12
Bonus received for quality	0.00	0.00	0.24 -	0.24 -	0.24
TOTAL	2.62	2.87	3.11	3.20	3.36

Table 22 shows that it is the bonus from CEPEC that creates most of the difference between the bottom-line prices. Without the bonus, the total price advantage in favor of the cooperative producer can be very small.

The patronage refunds that CEPEC pays to the coffee cooperatives can be used in three ways: to cover cooperative operating expenses; to pass on to the members as a cooperative patronage refund; or to be retained to help capitalize the cooperative and pay for such costs as member education and training. Cooperatives that do not pass on the refunds to their members are in effect asking members to forgo individual income to strengthen the cooperative. This forgone income can be substantial. A full refund in 1982-83 to a farmer who sold 250 pounds of coffee to a cooperative would have been 125 gourdes

(250 pounds X 0.50 gourde per pound = 125 gourdes), or $25. Of course, producers who are not members of cooperatives would not be eligible for these refunds.

If the cooperative and the speculateur both retain the same amount as their margin from the price received from the exporter or CEPEC, the advantage for a producer selling to a cooperative lies only in the quality bonus and the patronage refund. Table 23 calculates the results if both the cooperative and the speculateur retain 0.25 gourde from the price received from the exporter and CEPEC, and if the cooperative receives and distributes to its members a 0.24-gourde quality bonus and a 0.50-gourde patronage refund. When the cooperative producer receives both the bonus and the refund, his income is 26 percent higher than the income received by the non-cooperative producer. If the patronage refund is removed, the difference is 8 percent.

TABLE 23

COMPARISON OF PRICES RECEIVED BY PRODUCER FROM SPECULATEUR AND COOPERATIVE (with patronage refund; gourdes)

	Paid by Speculateur	Paid by Cooperative
Price paid producer	2.87	2.87
Bonus for quality	.00	.24
Patronage refund	.00	.50
TOTAL	2.87	3.61

A comparison of these prices with the world market price of 6.21 gourdes shows that the price received by the non-cooperative producer is only 46 percent of the world market price, while the price the cooperative producer receives ranges from 50 percent without the patronage refund to 58 percent with the refund.

INSTITUTIONAL PERFORMANCE AND ROLES

OPRODEX

OPRODEX, created by presidential decree on April 2, 1981, is essentially IPHCADE with a new name, a new parent ministry, and somewhat different responsibility. The parent ministry was changed from Agriculture to Commerce. Concerning attribution, OPRODEX is not responsible, as was IHPCADE, for assistance in the production of exportable commodities. But the principal responsibility of OPRODEX remains the one assigned to IHPCADE: control of the internal and external marketing of exportable commodities.

Control is exercised mainly through the issuing of export licenses and certificates of quality and origin for up to 37 commodities that have been identified as exportable. As the representative of the International Coffee Organization (ICO), OPRODEX is also responsible for the issuing of ICO stamps, which permit exporters to export, under the annual Haitian quota, to other ICO member countries.

OPRODEX has 175 employees, 75 of whom work out of headquarters in Port-au-Prince. The remaining 100 are assigned to one of nine regional offices located in Port-au-Prince, Jacmel, Jeremie, Les Cayes, Petit-Goave, St. Marc, Les Gonaives, Port-de-Paix, and Cap-Haitien. The staffing pattern of the regional offices consists usually of a director and messenger, who work in the regional headquarters town, and from 4 to 21 "agents de controle," most of whom are assigned to outlying towns. The staff in the head office in Port-au-Prince is made up of 25 professionals and 50 support employees (including secretaries, drivers, and messengers). Most of the professional employees are civil servants.

Within OPRODEX, PCC is not the separate unit it was in IPHCADE. Instead, the personnel of PCC include regular OPRODEX staff, who receive salary bonuses for performing PCC work in addition to their normal OPRODEX duties, plus contract employees who are assigned to the regular OPRODEX sections or regional offices, or to CEPEC. The October 1983 payroll lists 40 individuals who are receiving full or partial salaries from PCC. Of this number, 19 are paid full salaries by the project (5 of the 19 are assigned to CEPEC), and 21 are permanent OPRODEX or Ministry of Commerce employees who receive salary bonuses. The bonuses received by this latter group are important; they range from at least 30 percent to as much as 120 percent of the employees government salary.

The 1981 decree establishing OPRODEX authorized and established responsibilities for four departments plus the regional offices. (See Figure 1). These four departments were promotions, control and evaluation, marketing, and administration. However, the December 1983 payroll divides employees into four slightly different departments: administration and acounting, control and evaluation, promotion and marketing, and customs control and taste testing. Promotion and marketing is divided into five sections: information and documentation, interior marketing, export control, registration, and cooperative marketing. (See Table 24.) In addition, there exists a department of finance whose chief works directly for the Ministry of Commerce rather than OPRODEX.

PCC staff work in all departments except customs control and taste testing. Two units -- the cooperative marketing section and the department of finance -- appear to have been created especially to respond to PCC needs. The other departments and sections cooperate with PCC but would probably exist even if PCC did not.

FIGURE 1

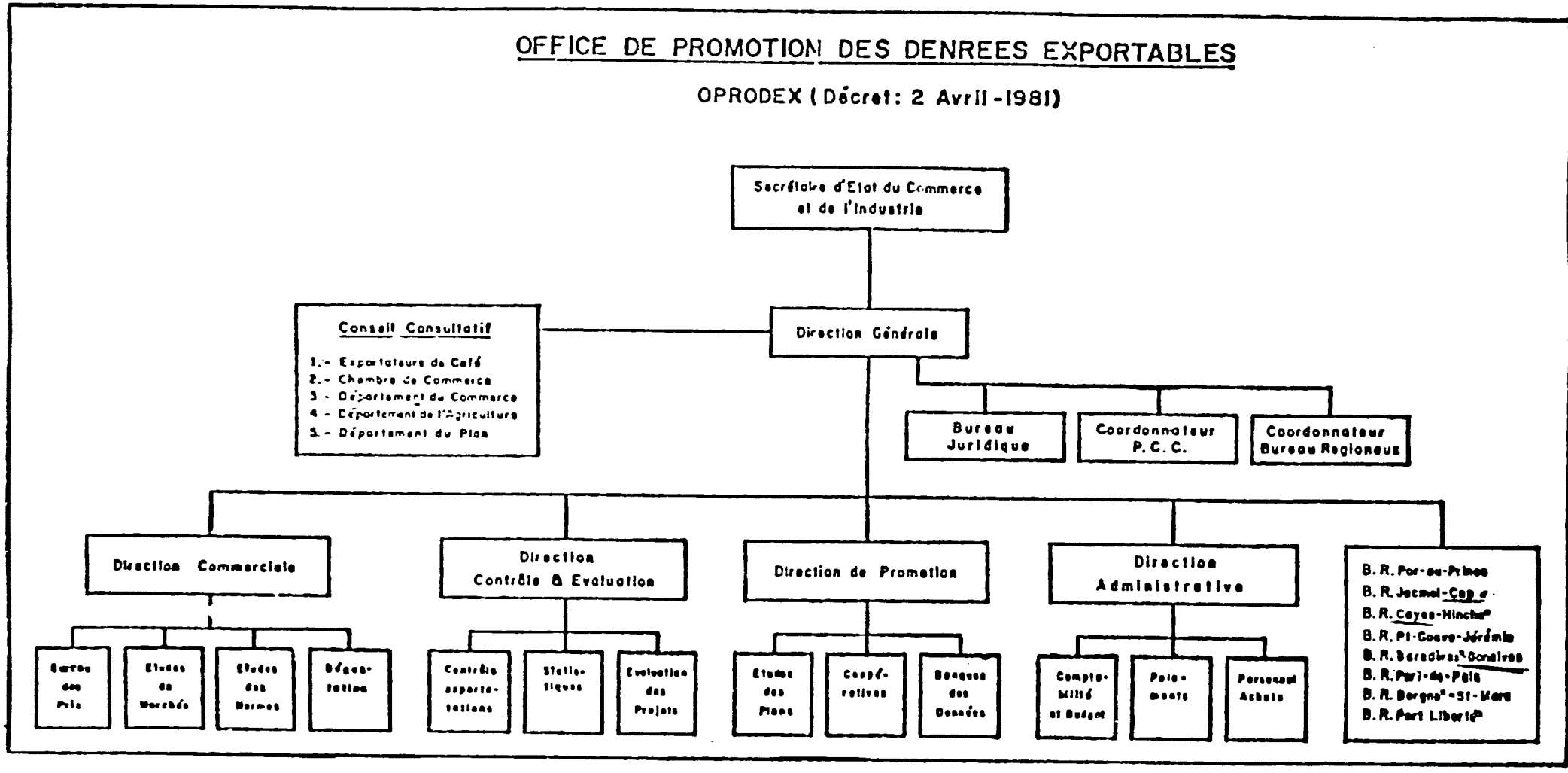

OFFICE DE PROMOTION DES DENREES EXPORTABLES
OPRODEX (Décret: 2 Avril-1981)
Secrétaire d'Etat du Commerce et de l'Industrie
Conseil Consultatif
1.- Exportateurs de Café
2.- Chambre de Commerce
3.- Département du Commerce
4.- Département de l'Agriculture
5.- Département du Plan
Direction Générale
Bureau Juridique
Coordonnateur P.C.C.
Coordonnateur Bureau Regionaux
Direction Commerciale
Bureau des Prix
Etudes de Marchés
Etudes des Normes
Dégustation
Direction Contrôle & Evaluation
Contrôle exportations
Statistiques
Evaluation des Projets
Direction de Promotion
Etudes des Plans
Coopératives
Banques des Données
Direction Administrative
Comptabilité et Budget
Paiements
Personnel Achats
B. R. Port-au-Prince
B. R. Jacmel-Cayes
B. R. Cayes-Hinche
B. R. Pt-Cosve-Jérémie
B. R. Saradères-Gonaïves
B. R. Port-de-Paix
B. R. Borgne-St-Marc
B. R. Port Liberté

TABLE 24

EMPLOYEES OF OPRODEX, BY DEPARTMENT
DECEMBER 1983

Department		Number of Employees
Directors Office		9
Administration and Accounting		29
Control and Evaluation		6
Promotion and Marketing		18
Information and Documentation	3	
Domestic Marketing	4	
Export Control	5	
Registration	3	
Cooperatives Marketing	3	
Customs Control and Taste Testing		11
Regional Offices		102
Port-au-Prince	26	
Jacmel	6	
Jeremie	9	
Les Cayes	10	
Petit Goave	9	
St. - Marc	6	
Les Gonaives	7	
Port de Paix	6	
Cap Haitien	23	
TOTAL		175

The cooperative marketing section has probably been the most active and successful section of OPRODEX with respect to PCC activities. It has been instrumental in:

- Doubling the number of coffee cooperatives and pre-cooperatives;
- Tripling the membership in these organizations;
- Carrying out an active campaign of cooperative education and leadership training; and
- Helping establish CCH and CEPEC.

In December 1983, the CCH board of directors elected the head of the PPC cooperative marketing section as the new CCH executive director.

It was an explicit objective of PCC to strengthen the capacity of IHPCADE (now OPRODEX) to provide continual monitoring and evaluation of project progress. Accordingly, the control and evaluation section was assigned responsibility for planning, monitoring, and evaluating PCC activities. OPRODEX has carried out this function well. OPRODEX files contain a rather complete set of annual planning and evaluation documents and special project reports. The content of these documents demonstrate an ability to identify and analyze key implementation issues; however, the extent to which these decisions had been made based on the information contained in these documents is difficult to determine. On a formal basis, all information flows from the departments to the director rather than horizontally between departments. However, the key OPRODEX/PCC staff is small enough in number that informal information sharing undoubtedly allows an informed consensus to be established on key issues. In addition, the person who was chief of the control and evaluation department when PCC began is now general manager ("directeur-general") of OPRODEX. Reports from the field offices do not appear in PCC files. Thus it is not clear to what extent information (and particularly problem identification) from the field was available on a timely basis for planing and evaluation purposes.

The department of finance has encountered the greatest amount of difficulty in executing its responsibilities under the project. It has not been able to secure financing for CEPEC or for the cooperatives from any public or private banking facility. However, it was able, after much delay, to secure $460,000 of the $500,000 that the government had committed for CEPEC's revolving fund. It is likely that this type of problem is inherent to a govenment agency that is attempting to broker financing. As long as the agency is not legally liable for the credit it is atempting to secure for a third party, sources of financing would probably prefer to negotiate directly with the borrower.

National Cooperatives Council

CNC is a government agency under the Ministry of Plan. It was established by government decree on February 5, 1974, replacing a similar agency that had existed since 1954. The 1974 decree was superseded by another decree in 1981 that raised CNC to the level of a Direction General from a General Secretariat. The director general reports to the minister of plan and works with a 12-person board of directors whose members represent various ministries and organizations.

CNC's responsibilities include:

- Monitoring the activities and finances of all registered cooperatives and pre-cooperatives;
- Intervening in cases in which abnormalities are found;
- Carrying out educational activities aimed at improving management and activities within the cooperative sector;
- Acting as an advocate of the cooperative sector in Haiti; and
- Registering new cooperatives that fulfill legal requirements.

In 1975 and 1976, CNC conducted a major survey of the 142 cooperatives that were officially registered before 1975. It found that only 20 were still in existence. This experience led CNC to establish more stringent conditions for registration. Cooperatives applying for registry now have to show that they have fulfilled all lawful conditions and that the means are available to carry out the objectives of the cooperative. Between 1976 and the end of 1982, CNC accorded official registry to 22 new cooperatives. Of these, 21 are still in operation, with 12 of these being coffee cooperatives.

CNC receives all of its operating funds from the Government of Haiti. Its budget has not been increased during the last several years. However, CNC has managed to spearhead efforts at improving the management and operations of cooperatives through seminars and training courses. In addition, it has published a series of brochures on cooperative activities as well as a monthly bulletin. The latter is an effort to improve the understanding of cooperatives within Haiti.

CNC has been instrumental in gaining international donor support for the UNICORS cooperatives as well as assisting the coffee cooperatives in improving their accounting practices. CNC currently has several advisers from the International Labour Organization (ILO) who assist in the development of training programs and materials.

Recently, CNC played a crucial role in resolving a problem between CCH and OPRODEX concerning ownership of the land for the new coffee processing facility. CNC believed strongly that the land should belong to the coffee cooperative sector, thus enabling the land and facilities to revert to the coffee cooperatives if CEPEC ceases to exist. CNC is a strong supporter of CCH, which it helped create, but harbors a certain mistrust of PCC and its involvement in the cooperative sector. CNC also supports the idea behind CEPEC, but distrusts current CEPEC management.

Although CNC does not at present have the means and necessary staff to carry out its mandate, the knowledge, work, and understanding it has gained over the past eight years is a resource that should be called upon in the planning of any support to the coffee cooperative sector.

The Union of Haitian Coffee Cooperatives

CCH was established October 22, 1979, as a first step toward the creation of a federation of coffee cooperatives in Haiti. The creation of CCH was neither planned nor foreseen under PCC. It is a good example of an unexpected and, in this case, fortuitous development that can profoundly effect the implementation of a development project.

The events that led up to the establishment of CCH were:

- The first National Congress of Coffee Cooperatives, an event that received financial and organizational support from PCC;
- A visit by PCC and cooperative personnel to Costa Rica to observe the coffee cooperative structure and its relevance to Haiti; the visit was organized and supported with PCC funds; and
- The strong recommendations and guidance received from Alvaro Jimenez Castro during two consultancies to Haiti in 1979 and 1980.

As a result, CCH was charged with the functions foreseen for CNCC, which was planned under PCC. It therefore became necessary to link the marketing and processing activities created and supported under PCC with CCH. However, it was not until 1981 that CEPEC was able to secure adequate provisional facilities and begin to serve CCH members.

After solving a series of organizational problems, CCH has recently taken the following steps:

- Found an independent physical location for its headquarters while waiting for offices in the new CEPEC facilities;
- Chose an executive director and an accountant;
- Selected eight regional supervisors to work at establishing links with member cooperatives. These individuals began work in October 1983 after participating in several training courses; and
- Carried out a survey among members to define major problems and areas in which CCH might play a useful role.

To date, CCH has operated without full-time personnel. The choosing of an executive director and an accountant should mean that CCH will begin to operate on a permanent and day-to-day basis under the supervision of its elected board of directors and oversight committee. No organizational chart has been established. Until the end of 1983, all CCH decisions were made and carried out by the board.

CCH has received most if not all of its operating funds from PCC. CCH has depended on these funds to carry out its limited but expanding operations in support of its members. CCH is recognized as a cooperative of coffee cooperatives by CNC and as such should establish its own financial viability. To date, PCC has financially supported meetings and reunions of CCH as well as made available funds for training personnel. It has also made its personnel available to help in the operations of CCH. Over the last three years, PCC has contributed 65,000 gourdes to cover the costs of meetings and assemblies. CCH's goal over the next several years should be to break away from this type of dependence.

In May 1983, CCH received $155,000 in Caribbean Basin Initiative funds to be used primarily for loans to member cooperatives to establish revolving funds to purchase coffee from

members. By December 1983, 20 loans to cooperatives had already been disbursed, with additional loans pending. Interest on these loans was fixed at 12 percent per annum.

Recently, CEPEC has turned over more than 700,000 gourdes to CCH as profit from CEPEC operations for the 1982-83 fiscal year. This is the first time that CEPEC has made profits available to CCH; it is unclear how or why this decision was made. The general assembly meeting planned for late December 1983 was to decide on the division and uses of this money. The board of CCH proposed the following allocation of these funds:

TABLE 25

PROPOSED DISTRIBUTION OF CEPEC's NET PROFITS, 1982-1983

(gourdes)

Interest on shares (11,685 G x 6%)	701
Capitalization from purchases (4,717,874 G x .5%)	23,591
Legal reserve (10%)	70,356
Education fund (10%)	70,000
Buying fund	62,096
Patronage refund to members	476,819
TOTAL	703,565

Source: CCH.

This proposed budget reveals that the CCH board of directors is attempting to balance its need for its own operating capital with the more immediate needs and interests of its member cooperatives. The creation of an educational fund, the increase in CCH capitalization, and the additions to the buying fund

indicate a concern for increased independence and viability. CCH's distribution of the patronage refund is accompanied by a suggestion to member cooperatives that the refund be used to increase capitalization of individual cooperatives.

All parties agree in theory that CCH should eventually take over total control of CEPEC. An orderly plan should be established on how this can best be done. CCH's contribution to the future of CEPEC in improving quality control of coffee and in arranging for funds be used in the purchase of coffee from individual members is important to the growth and health of CEPEC. That CCH is not presently reinvesting or supporting the financial growth of CEPEC, as seen through the division of CEPEC profits, should give cause for concern.

Relations Among Key Institutional Actors

One of the key implementation problems with PPC was that two government organizations, IHPCADE and BCA, shared project resources and project implementation responsibility. Neither of these organizations was subordinate to the other; no project manager had the authority to control or coordinate their activities. The predictable consequence of this arrangement was that project-related activities often proceeded on two uncoordinated tracks, resulting in misunderstandings about project priorities, confusion about input delivery schedules, and, ultimately, loss of confidence among beneficiaries.[7]

PCC has been spared this problem. With the exception of certain inputs that AID provides directly, all project resources and responsibilities have been centralized in one organization -- OPRODEX. Official project documents contain vague references to a coordinating role that would be played by the Agricultural Cooperative Service (ACS) with respect to the cooperatives component of the project. In fact, ACS has played no role in the implementation of PCC.

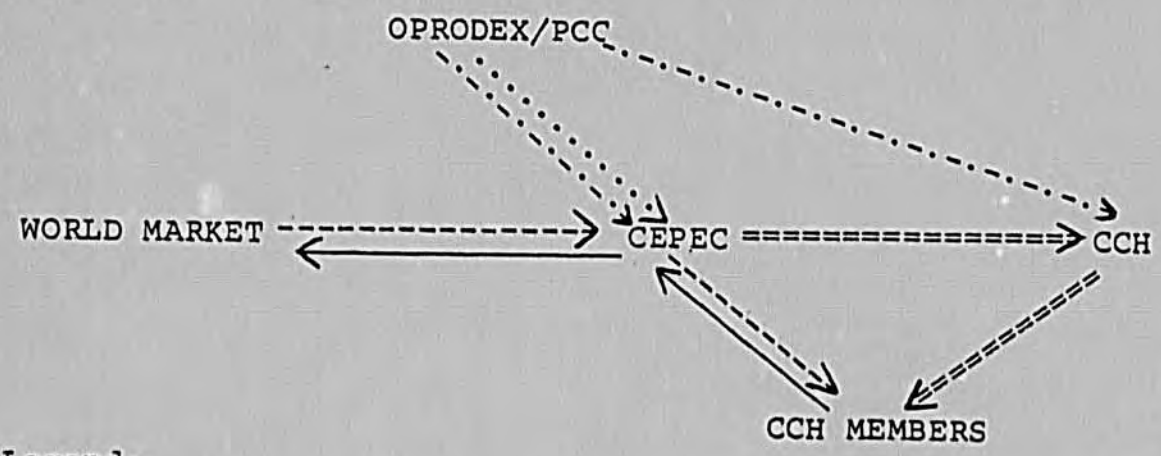
Structurally, it is somewhat anomalous for PCC cooperative formation and education responsibilities to be located in an organization such as OPRODEX, which lacks an official mandate and, prior to PCC, had had little experience in this field. However, in view of the operational weaknesses and inexperience of organizations that did have the cooperatives mandate, such as ACS or CNC, coupled with the desirability of centralizing project implementation authority and resources, the decision to place this component with OPRODEX was undoubtedly sound. This decision looks particularly wise in view of the strong performance of OPRODEX's cooperatives marketing section.

The centralization of PCC resources and decision-making authority helped PCC avoid many of the implementation obstacles that were encountered in PPC. However, even when this centralization occurs, the favored implementing agency does not usually have complete control over its decisions and activities.[8] Aside from the need to enlist the cooperation of other organizations whose influence, policy-making, power, or non-project resources may have to be mobilized to make the project work, other organizations frequently make claims, legitimately or illegitimately, on project resources during the course of implementation.

Both CNC and CCH lay claim to parts of PCC turf that now belong to OPRODEX. Both organizations wield influence on the project even though neither has direct access to project resources. (See Figure 2.) Both can contribute positively to the achievement of project objectives, but collaboration with OPRODEX has frequently been hampered by its reluctance to relinquish control of discrete project activities and by a certain amount of mutual distrust that has arisen among the three organizations.

FIGURE 2

RELATIONS BETWEEN OPRODEX, CCH, AND CNC



Legend:
····· Management Control
----- Payments for Coffee Purchase
_____ Coffee Sold
·-·-·- Subsidies
===== Patronage Refunds

Although no role for CNC was foreseen in any project document, CNC perceives that it should be responsible for the cooperative education component of PCC. CNC believes that CEPEC suffers from management problems that would be relieved once control of CEPEC passes from OPRODEX to CCH. It is likely that these perceptions have been influenced heavily by CNC's long-term advisers from the ILO.

The existence of CCH was not foreseen when the project was originally designed; thus, no resources or responsibilities were accorded it. By the time the grant agreement was amended in 1980, however, CCH had been created. The grant amendment recognized this occurrence by stipulating that the project would "integrate gradually the project's staff into the new small coffee producers' marketing organization in order to establish a

basis for independent operations by the end of the project." In subsequent documents it was also understood that CCH, as the national cooperative of coffee cooperatives, would assume control of the coffee processing plant.

To date little progress has been made in moving toward this transfer of control. OPRODEX retains complete operational authority over CEPEC. It hires, fires, and pays all CEPEC staff, except the wage laborers. It estabishes the price that CEPEC pays for cooperative coffee and approves all policies in such areas as quality premiums, refunds, transportation, and reimbursements. CEPEC negotiations with overseas brokers and buyers are handled through OPRODEX, using its telex. CCH has no operational authority in this area. Its claim to this authority is not based on its presumed competence, but only on the fact that it represents the cooperatives whose coffee is being processed and exported by CEPEC. Despite the lack of any CCH contribution to the management of CEPEC, a large portion of CEPEC profits are turned over to CCH every year.

On several occasions, timetables have been formally or informally established for the transfer of CEPEC from OPRODEX to CCH. According to a 1980 OPRODEX/PCC planning document, the transfer was scheduled to occur as early as October 1980. In 1982, a convention was signed between OPRODEX and CNC recognizing that OPRODEX/PCC would be responsible for the construction and operation of the new coffee processing factory, but that all parties would "work toward" the integration of PCC staff into the new coffee marketing organization. In addition, the transfer of operational authority to CCH would occur when CCH was "ready." More recently, CNC, intervening on behalf of CCH, has suggested an eight-step process by which a gradual transfer would take place, with the last step, representing full control by CCH, planned for October 1985.

In late 1982, CCH and OPRODEX were forced to deal with an issue that illustrates the difficulties involved in the whole transfer problem. The issue involved ownership of the land for the new factory. CCH wanted the title to the land, which the government purchased for the project, to be in its name. OPRODEX opposed this. A compromise solution was that the land was purchased by "the Haitian State for and in the name of the coffee cooperatives of Haiti." A opinion by an AID lawyer stated that this arrangement probably did not satisfy the requirement that "clear title" be obtained for the factory land since the wording is unclear about whether the land belongs to the state or to the coffee cooperatives. The opinion added, however, that if all parties were satisfied with the wording, perhaps it should be left alone.

OPRODEX's position lately has been to avoid the transfer issue. A transfer of control of project resources to CCH is clearly not in OPRODEX's interest. For one thing, this transfer would remove the justification for the generous salary top-offs that are now being received by most of the top OPRODEX staff. The project objective of integrating this staff into the cooperatives' marketing organization, moreover, probably amounts to wishful thinking. Most of the top OPRODEX/PCC staff are civil servants who are now receiving, in effect, two salaries, one from the government and one from the project. It is difficult to conceive of circumstances under which these individuals would give up the security of government employment plus one-half of their salary to accept employment from a new organization of uncertain financial means.

It seems unlikely that the transfer problem or the larger issue of relations among CCH, CNC, and OPRODEX/PCC will be resolved during the life of AID assistance to PCC. Institutional interests are too firmly established and historical mistrust too far advanced to expect that cooperation and collaboration will improve greatly over the next eight months. The closing down of the project and the withdrawal of AID assistance, moreover,

reduce AID leverage in this matter. What AID can do, however, is to use the development of the proposed coffee technology transfer project as a forum to bring all interested parties together. AID should place as much responsibility as possible on the participating institutions to draw up organizational arrangements and mechanisms for collaboration that will make the new project work. To the extent that this design process is truly participatory, it should be possible to negotiate arrangements satisfactory to all parties concerning not only the issues of institutional roles and responsibilities in the new project, but the current institutional issues as well.

THE FUTURE OF THE HAITIAN COFFEE SECTOR

This evaluation has shown that coffee marketing through cooperatives, although not without problems, can be viable and constitute for the small farmer a more reumunerative outlet than had been available through the speculateur. The Haitian coffee sector as a whole, however, will advance only if progress is made toward the resolution of two other problems: coffee production and the coffee tax.

The Production Problem

Over the last 30 years, coffee production in Haiti has stagnated. Available data indicate that for the period 1952-61, Haitian farmers produced an average of 34,600 tons per year; for the period 1962-71, average annual production was 34,000 tons; and for 1972-81, production averaged 30,000 tons. During this same period, exports decreased approximately 1.5 percent per year, from a level of 27,600 tons per year in 1950-54 to only 13,500 tons per year. The stagnation in production and decrease in exports appear to be a pause in a long-term decline that has been taking place since before the turn of the century.[9]

Reasons for Stagnation in Production

Many reasons have been offered to explain the stagnation in coffee production. Overall agricultural production in Haiti has been stagnant for a number of years; thus, stagnant coffee production is a part of a larger problem affecting the entire agricultural sector.

Second, the land/labor ratio is decreasing, causing a shift toward more labor-intensive enterprises and an increase in cultivation on more marginal lands.

Third, the price of coffee in real terms has declined by 4.8 percent per year during the post-war period. However, there is no discernible downward trend in the relationship between coffee prices and the prices of foodcrops. For example, the ratio between coffee and bean prices remained at a level between 1.24 and 1.36 over the three five-year periods between 1962-66 to 1972-76, before rising to 2.28 during 1977-81.

Fourth, production projects, such as PPC, failed to have any sustained impact on coffee production, although some temporary increases in yields were realized. Principal shortcomings in PPC included an inadequate technical package, a weak extension program, and a weak link between the farmer loan program and input supply.[10]

Other important factors inhibiting growth in coffee production include a declining resource base, that is, soil erosion; land tenure arrangements not amenable to investment in land improvement; and unsuitable macro-economic policies, such as import quotas, which artificially raise the prices of foodstuffs, and the coffee export tax.

Approximately 180,000 Haitian farmers grow coffee. Average coffee area per farm is about 0.77 hectare. Yields are low, about 200-250 kilograms per hectare.

Coffee is not always the most remunerative enterprise in Haitian farming systems. In some areas, such as Thiotte and Baptiste, coffee is more profitable than food crops. In elevations below 300 meters, food crops seem to be more profitable. A survey of farmers in northern Haiti revealed that gross returns to coffee production were about average among six enterprises examined. Coffee ranked third among the six enterprises examined on both returns to land and returns to labor; compared with coffee, returns to land were higher for maize, upland rice, and cocoa but lower for bananas and peas. Coffee ranked third on returns to labor, lower than bananas and peas, higher than rice and maize, and about the same as cocoa.[11]

But profitability is only one of several factors that farmers consider in making their production decisions about coffee.

- In areas in which drought is an important threat to maintaining food supplies, coffee is an important insurance crop. As a result of drought, farmers in Chardonnieres experienced a failure in their production of annual crops in 1983. Their coffee trees were not greatly affected, however, because they grow their coffee at a higher altitude. In addition, the shade cover that characterizes most farmer coffee fields limits the effects of drought on coffee production.

- Coffee production can also constitute a kind of savings bank for the farmer; well-dried "coque coffee," that is, dried coffee cherries, may be stored for long periods without losses; thus, farmers rely on their stocks of stored coffee to meet incidental expenses throughout the year.

- The market for coffee is generally more reliable than for foodstuffs. Timely marketing is less important for coffee than for other foodcrops, since it can be stored more easily. Thus, coffee marketing presents fewer risks to the farmers than food-crop marketing.

- Coffee yields are less affected by labor supply than are annual crops. A shortfall in labor supply during the peak labor period for coffee, the harvesting season, will have a much less serious effect on coffee yields than on fodd-crop yields.

Most small farmers do very little to manage their coffee plantations. New coffee seedlings -- "cafe rat" -- sprout from fallen berries and grow under heavy shade. Farmers generally do not weed, thin, or prune their trees. Most reports claim that there is very little scope for increasing production of cafe rat. These reports are not based on interviews with farmers, however, whose management strategies are complex. For example, these reports criticize the shading of coffee plantations by small farmers. However, although shading does decrease production in good years, it may positively effect it during drought years.

In fact, very little is known about how Haitian farmers manage their farming system -- their objectives and priorities, their available resources and constraints, and how they manage their resources to meet their objectives in the hazardous environment they face. It is thus not surprising that problems have been encountered in assisting farmers to increase their production.

The reasons that farmers do not adopt improved packages poorly understood. PPC researchers and extension workers claimed that their package was technically sound but that farmers were too conservative to adopt it. However, the recommended variety, Caturra, was more susceptible to disease, pest damage, and weed damage than the farmers' traditional variety.

The International Coffee Organization Quota

Concern has been expressed in some quarters about the desirability of increasing production in the face of the low export quota that ICO has accorded to Haiti. The quota has been about 400,000 sacks a year in recent years. The evaluation team does not feel that this quota constitutes an important deterrent to increasing production.

First, over the last 20 years, Haiti has attained its quota only three times. Average exports over this period have been less than 320,000 sacks per year. Thus, average annual production could increase by at least 25 percent before attaining the current quota.

Second, the increasing domestic demand for coffee plus the possiblity of exports to non-ICO countries could probably accommodate a much larger volume of exports.

Third, the ICO quota is set in part on the basis of projected production. If Haiti demonstrates an increase in production potential, there is reason to believe that the quota could be negotiated upward.

Toward Increasing Coffee Production

The evaluation team feels that increasing coffee production should receive high priority from AID. First, coffee is Haiti's most widely grown crop; thus, even modest increases in production can have an important effect on improving rural incomes. Second, whereas PCC has increased small farmer incomes by tranferring profits from middlemen to farmers, these gains are very modest compared with what could be gained through a sustained increase in production. For example, farmer producer prices, and thus farmers' returns, have increased by 8-26 percent as a result of sales to the cooperative; but further increases are limited by

the absolute size of the intermediaries' margin. The potential for increasing production, however, is considerable. Even if yields per hectare were doubled, resulting in a doubling of farmers' returns, Haiti would still find itself in the lower range of yield levels among coffee producing countries.

Two other observations also support the argument for emphasizing coffee production. First, there is no evidence in agricultural development studies in the developing world that export crop production must come at the expense of food crop production. Instead, empirical evidence supports the opposite hypothesis -- expanding export crop production is usually accompanied by expanded food crop production. The principal reason for this finding is that increased production in an export crop has important spread effects that influence the entire system. Thus, for example, improved inputs and infrastructure contribute to increasing production throughout the system. Second, the slow growth of world demand for coffee is not a valid argument against increasing production as long as Haiti cannot even maintain its share of the world coffee market.

The strategy that must be adopted to increase production must include:

- Reforming fiscal policies that are detrimental to coffee production;
- Strengthening institutions that can play a role in supporting increased production; and
- Developing technologies that increase productivity and are acceptable to for Haitian farmers.

Cooperatives have an important role to play in the second and third areas:

Institutional support. Cooperatives can contribute to increasing production by marketing inputs essential to improved coffee production -- improved tools and equipment for maintaining

and processing coffee, production inputs, and information on increasing production. Many cooperatives have proved themselves adept at diversifying their activities; marketing coffee inputs can be an important complementary operation to marketing output.

Contributing to improved production methods. This area is considerably more complex than is the marketing of inputs. Researchers know the principles of increasing coffee production in Haiti; what is lacking is knowledge of how to apply these principles to the systems of small farmers in ways that will be acceptable to them. This, in fact, was a principal weakness of PPC. It is beyond the scope of the cooperatives' resources to support a research and extension program to develop new technologies or even adapt existing ones to the conditions of small farmers. For example, it is not likely that assigning a middle-level technician trained in modern coffee production methods to a cooperative would contribute significantly to coffee production among the cooperatives' members.

What is needed is a more broadly focused farming systems research (FSR) program involving multi-disciplinary teams of researchers diagnosing farmers' problems and carrying out adaptive on-farm research, as anticipated in the Haiti FSR project, soon begin. Cooperatives can play an important role in supporting the activities of an FSR team, helping to organize survey work in the diagnostic phase and to conduct and maintain on-farm experiments, and mounting demonstrations of new techniques of production. Cooperatives should not have to perform these functions without being reimbursed for their efforts, however. Some form of contract or protocol between an FSR unit and a cooperative, explicitly stating the obligations of each side, may be the best way to formalize cooperation.

The Coffee Export Tax

Taxes on coffee exports have long been an important source of revenue for the government of Haiti. Between 1977 and 1981, coffee export taxes averaged 14.7 million dollars, 25.4 % of the total value of coffee exported and 12.3 % of general government current revenue.[12]

The coffee export tax combines a specific and an ad valorem tax.[13] Instituted in 1973 and modified in 1977, the rate structure is complicated, characterized by haphazard variation in the actual rates of taxation (see Table 26). The system thus has many peculiar and evidently unintended effects. For example, an exporter selling a 60-kilogram sack of coffee at 285 gourdes pays a tax of 77.2 gourdes and thus earns 207.8 gourdes. Curiously, if the exporter sells the same quantity at 301 gourdes, he pays a tax of 96.6 gourdes and thus earns only 204.4 gourdes. Thus, within a certain range of prices, he earns less money when selling at the higher price. Overall, the system has a slight stabilizing influence on total export revenue, since the tax rate decreases when coffee prices drop to very low levels.

Despite the many calls for its reduction or elimination in recent years, the coffee tax has remained an important source of government revenue. From 1969 to 1972, coffee taxes averaged $5.1 million per year, or 10.4 percent of total budget revenues. From 1977 through 1981 they averaged $14.7 million, or 12.3 percent of budget revenues.

However, as a percentage of the total coffee price received on the world market, taxes have decreased in recent years, due to the tax reform of 1973 and the rise in coffee prices in the late 1970s. Table 27 shows that whereas taxes accounted for 33.6 percent of the value of exports during the 10 years before the reform, 1963 through 1972, they accounted for 24.9 percent of the value during the 10 years following the reform, 1979-82.

TABLE 26

TAXES ON UNWASHED OR BROKEN COFFEE

FOB Price Gourdes/60 kg. Sack (¢)	Actual Tax (¢)	Tax Rate (%)
200	43.0	21.5
230	45.3	19.7
235	47.7	20.3
285	77.2	27.1
300	88.0	29.3
301	96.6	32.1
375	96.6	25.8
400	102.6	25.7
480	121.8	25.4
481	128.4	26.7
700	181.2	25.9
900	235.8	26.2
960	250.2	26.1
961	256.8	26.7

Source: Abdel Rahman and Byrne, La fiscalite en Haiti, Table 8, p. 100.

TABLE 27

DISTRIBUTION OF RETURNS FROM COFFEE EXPORTS

	Share of Taxes	Intermediaries' Share	Producers' Share
1953-62	27.9%	18.5%	53.5%
1963-72	33.6%	24.2%	42.2%
1973-82	24.9%	24.5%	50.6%

Source: Calculated from annual data presented in Capital Consult (1983).

The share going to the intermediaries remained about constant during this period, at just below 25 percent, while that going to producers increased from 42 to 51 percent.

In examining the effects of the coffee tax, observers have focused on four issues: equity, efficiency, revenue generation, and the structure of the tax. These issues are outlined below.

Equity

The coffee tax is extremely regressive, because it heavily taxes the income of coffee farmers, who make up one of the lowest income groups of Haitian society. Whereas taxes make up about one quarter of total coffee export revenue, the actual tax rate that farmers face is significantly higher. Capital Consult calculates the effective tax rate to be:

$$\frac{\text{value of tax} \times 100}{\text{value of tax} + \text{producer price}}$$

The formula assumes that the tax is passed on to the producers, a reasonable assumption according to the discussion in the previous section. Thus the effective rate averaged 43 percent over the 1964-71 period, and 32.4 percent from 1973-77. In fact, these figures cannot be directly compared with income or corporate taxes, since the coffee tax is a tax on revenue earned, whereas the latter are taxes on net income or profit. If the costs of production were subtracted from the denominator of the above equation to calculate a tax on net income from coffee, the actual tax that coffee farmers face would be even higher than the effective rate calculated above.

Thus on equity grounds it seems clear that the coffee tax should be eliminated. However, is there any assurance that the benefits of reducing the tax would be passed on to the producer? On theoretical grounds, there are two reasons to suppose that benefits would filter down. First, since the exporting and speculateur sectors are relatively competitive, these sectors would be unable to keep the benefits for themselves. That is, with the removal of the tax, they would bid up the price of coffee by an amount equivalent to the tax.

Second, in theory, the less responsive the output of producers to changes in prices, the greater the proportion of the taxes (and tax reductions) that is passed back to the producers. Empirically, these hypotheses are confirmed by the available data. During the 1970s, a combination of two forces, the modification in the tax structure in 1973 and the rise in coffee prices, led to a significant decrease in the tax burden to farmers. From 1963-72, taxes decreased from 33.6 percent of the value of exports to 24.9 percent during the period 1973-82 (see Table 27). Virtually all of the tax reduction was passed on to the farmer through higher producer prices, while the share of export value going to intermediaries remained constant at just below 25 percent.

Efficiency

The coffee tax also distorts the efficient use of resources in the economy away from coffee production toward other less profitable uses. Economic theory instructs that an increase in producer prices, as would occur with a reduction in the coffee tax, would lead to more investment in coffee and thus higher levels of production. Thus, some have claimed that the export tax is the main disincentive to increasing coffee production in Haiti.

JWK International and Capital Consults are more cautious, pointing out that there are several reasons why higher prices would not automatically translate to higher production.[13] First, coffee has a low price elasticity of supply, that is, coffee production does not respond quickly to changes in prices because of the long period (three to five years) required for a coffee seedling to bear fruit. Second, farmers lack the means to increase production; neither the land for planting coffee nor the inputs and techniques for improving production are usually available. Indeed, the modest increase in producer prices and the reduction in the tax burden in the mid-1970s did not generate an increase in production.

However, this is not to say that the tax reduction did not have an effect; it is possible that without the price increase, coffee production would have declined, especially given the rise in the relative prices of food crops during the late 1970s. In fact, studies done elsewhere show that low-resource farmers are very responsive to changes in prices in tree crops, even in economies in which technological change faces many institutional obstructions.[14] For example, in Nigeria, price increases in cocoa and oil palm led to significant increases in production. Furthermore, the rapid increase in cocoa production in Ivory Coast and decline in neighboring Ghana over the past two decades have been tied to the countries' price policies; Ivory Coast maintains high producer prices, whereas Ghana's are very low. A

1982 AID report notes that countries with low export tax burdens have greater success in increasing production than countries with high tax burdens.

The evaluation team feels that an elimination of coffee taxes would have a significant effect on coffee production. The producer price increase associated with the 1973 reform amounted to 20 percent; an elimination of the tax in 1982 would amount to a 50 percent increase in the producer price. In the short run, producers could increase their quantities marketed by more careful harvesting, thinning, and pruning. In the medium and longer run, regeneration of existing plantations and planting of new trees would result.

Another important inefficiency resulting from the coffee export tax is the implicit subsidy on the domestic consumption of coffee. Coffee in Haiti sells at prices considerably lower than world market prices and quantities marketed appear to be gradually increasing, from 11,000 tons in 1959 to 16,000 tons in 1976. If the tax were eliminated, coffee exports would increase because of the increase in production and the diversion of coffee from the domestic market to the international market.

Revenue Generation

While acknowledging the ill effects of the coffee export tax, many observers have claimed that the tax should be maintained in the short run, given the scarcity of other sources of government revenue. In fact, most developing countries rely heavily on foreign trade taxes for revenue; these taxes are convenient to collect and control, whereas direct taxes, such as on, income, property, and sales, are exceedingly difficult to collect.

Nevertheless, opportunities do exist for replacing the funds earned from the coffee tax, and these opportunities should be exploited. For example, Haiti places a relatively low tax burden on its foreign trade sector; taxes in this sector amount to 3.1 percent of gross national products (GNP), compared with 4.5 percent on average in 47 surveyed developing countries during 1969-71. Over the same period, taxes on income and wealth accounted for only 1 percent of GNP in Haiti, compared with 4.5 percent in the other surveyed countries. Most astounding is the fact that exports other than coffee go almost completely untaxed -- coffee accounted for 32 percent of export value during 1974-78, but coffee taxes accounted for 91 percent of all export taxes. Coffee is the only important export product in Haiti produced by small farmers; other items such as bauxite, sugar, and sisal are produced largely or exclusively by Haiti's corporate sector. It seems clear then that coffee taxes are high relative to other taxes not only because of administrative convenience but also because of political convenience.

Tax Structure

Two important issues relate to the structure rather than the level of the coffee tax; action can be taken on these matters without decreasing tax revenue. First, the tax structure should to be revised to eliminate the haphazard variation in marginal rates. These rates most certainly encourage corruption; if buyer and seller can both benefit by a transaction at a price lower than the world market price, it is in their interest to trade at a lower price and share the difference. The International Monetary Fund suggests a constant ad valorem rate of 26 percent of export value, the approximate average tax rate over recent years.[15] This change should be instituted immediately, pending action on the level of the coffee export tax.

Second, the tax advantage given to washed coffee should be eliminated. Washed coffee is currently taxed at 20 gourdes per sack less than unwashed coffee, amounting to a tax 30 percent less, at 300 gourdes per sack. The purpose of this tax differential is to promote the production of washed coffee, which requires substantially more capital than unwashed coffee and which fetches a higher price on the world market. The combination of the price advantage on the world market and the tax advantage has not been successful in promoting production of washed coffee, which has remained at 5-10 percent of total coffee exported over the past two decades. Evidently, farmers find it more profitable to produce unwashed coffee, or they are unable to afford the technology necessary for producing washed coffee. Therefore, the tax differential should be abolished. The International Monetary Fund notes that abolishing the tax differential would allow a reduction of about 0.4 percentage points on all coffee without loss of revenue.

NOTES

1 See, for example, Diane L. Wolf and Joelle Jean-Julian, "Cooperatives in Haiti," USAID, 1978.

2 P.Q=FC+V.Q; 3.07Q=12,640+2.76Q=40,774.

3 Sales price=3.07; variable costs=.26+.53=.79; COGS=2.50; 2.50+.79=3.29.

4 Christian A. Girault, Le Commerce du Cafe en Haiti, Memoire du Centre d'Etudes de Geographie Tropicale, Bordeaux, 1982; USAID/Port-au-Prince, "Food and Agriculture Sector Strategy for Haiti," 1982.

5 Capital Consult, An Analysis of the Haitian Coffee Sector: Towards New Policy Directions, USAID/Port-au-Prince, 1983; JWK International, "Agricultural Policy Studies in Haiti: "Coffee." 1976; Terry Rae, "An Economic Evaluation of the Haitian Agricultural Marketing System," USAID, 1978.

6 Inter-American Development Bank, Industrial Development in Haiti, 1982.

7 See Development Alternatives, Inc, "Evaluation of the Haiti Small Farmer Coffee Project," Prepared for the Office of Development Resources, Latin American Bureau, AID, June 1977.

8 See, for example, "Reflections on Project Organization and Implementation," in Donald R. Mickelwait, Charles F. Sweet, and Elliott R. Morss's New Directions in Development: A Study of U.S.AID. (Westview Press, 1979), Chapter 8.

9 Data in this section are from Capital Consult, loc. cit., unless otherwise specified.

10 Alex Bellande, Rationalite socioeconomic des systemes de production agricole in Haiti: une etude de cas, Universite MacGill, 1982.

11 See Development Alternatives, Inc., loc. cit.

12 Capital Consult, loc. cit.

13 A specific tax is a tax per unit sold, for example, 870 gourdes per 60-kilogram sack. An ad valorem tax is a tax on the value of the unit sold, for example, 3 percent of the value of a 60-kilogram sack.

14 P. Scandizzo and C. Bruce, "Methodologies for Measuring Agricultural Price Intervention Effects," Staff Working Paper, No. 394, The World Bank, Washington, D.C., 1980.

15 International Monetary Fund, "Haiti," Report EBS-82-120, Washington, D.C., 1982.

CHAPTER THREE

CONCLUSIONS AND RECOMMENDATIONS

PCC has been a successful project. It has attained many, if not all, of its original objectives. Its greatest impact has been on the development and strengthening of Haitian cooperatives. It has had a positive, albeit localized, impact on farmer incomes. It has had no discernible impact on production or on the government's coffee sector policies.

This chapter summarizes the most important conclusions and recommendations under the headings of the cooperative movement, coffee marketing, institutional performance, and impact on production and GOH policies. A final section presents broad recommendations on components of the proposed coffee technology transfer project.

THE COOPERATIVE MOVEMENT

Conclusions

1. The project has had a positive impact on the development of cooperatives. From 1978 to 1983, the number of cooperatives and pre-cooperatives that are marketing coffee doubled and the membership in these organizations tripled. Most of the full cooperatives, as opposed to the pre-cooperatives, are multi-purpose. A major reason for the success of this component was that PCC, for the most part, adopted a strategy of working with existing cooperatives and other local organizations rather than trying, as did PPC, to create local organizations.

2. Adherence to cooperative principles varied. In general, the older, single purpose cooperatives, tended to violate cooperative principles more often than the newer, multi-purpose cooperatives. In the latter group were cooperative organizations whose development was frequently assisted by priests or by PCC.

3. Coffee marketing was a profitable operation in all the cooperatives visited. Some of the multi-purpose cooperatives, however, had overall operating losses, which meant that the profits from the coffee marketing operations were subsidizing the cooperatives' other enterprises.

4. Many of the cooperatives were receiving some type of subsidy, usually in the form of outside payments for salaried personnel, the free use of buildings, or low-interest loans. Some of these cooperatives would be able to operate profitably even without these subsidies, whereas others would not. The most important variable in determining unsubsidized financial viability was the amount of coffee bought and sold.

5. UNICORS, the regional cooperative of cooperatives in the southwest, operates profitably and provides valuable services to its member cooperatives in such areas as transport, accountancy supervision, and planning projects for outside funding. It can thus serve as a model for the development of other regional cooperatives.

Recommendations

- The Haitian government, AID, and other donors should continue to help strengthen the cooperative movement in Haiti to provide a participatory and pluralistic foundation for local development activities. Care should be taken, however, to work only with organizations whose existence is based on local interests and ties rather than those based solely on need to attract external resources.

- Coffee marketing cooperatives should be encouraged to diversify their activities but should consider elimination of activities that are not financially viable.

- Donors should not support or work through cooperative organizations whose membership is effectively limited to local elites.

- Subsidies are probably necessary and should, therefore, not be ruled out for nascent cooperative organizations. However, subsidies should be extended to an organization only after a determination has been made of the conditions and timing necessary for the elimination of the subsidies as well as of the probability that the organization will be able to achieve those conditions.

- Mature cooperatives should look to the BCA for working capital to purchase of coffee from members.

- The development of regional cooperatives, modeled after UNICORS, should be encouraged. However, they should not be superimposed on weak or nascent organizations, but should develop from the natural growth of mature cooperatives.

COFFEE MARKETING

Conclusions

1. Selling coffee through membership in a cooperative is attractive to farmers mainly because the total financial return (which includes the base price, the quality bonus, and, in some cases, a patronage refund) is greater than the price at which they would sell coffee to speculateurs. Part of the return is sometimes received during the pre-harvest period, thus obviating the necessity to rely on speculateur advances.

2. Cooperatives do not necessarily market coffee more efficiently than exporters/speculateurs since that sector is fairly competitive. Instead, financial benefits from marketing through cooperatives represent a transfer of normal profits from what would have been earned by the exporters and speculateurs to the cooperatives and the farmers.

3. In some localities, particularly in the southwest, cooperatives have taken over a large part of the coffee market from speculateurs. On a nationwide basis, however, the amount of coffee marketed through cooperatives is too small to pose a major competitive threat to private exporters.

4. The continued existence and financial health of CEPEC is an essential condition for the continuation of coffee marketing through cooperatives. At present, CEPEC relies on subsidies to operate profitably. A break-even calculation shows that the new plant will require an export volume of nearly 25,000 sacks a year to break even without subsidies.

Recommendations

- The Haitian government, AID, and other donors should continue to support the marketing of coffee through cooperatives.
- The operation of the new plant should be subsidized until it reaches a volume of 25,000 sacks a year. Plans should be drawn up for the gradual withdrawal of subsidies as volume increases.
- The government, with the assistance of AID, should renew its efforts to secure increased working capital funding for the new plant, preferably through BCA.
- AID should sponsor a study of coffee processing in Haiti, with particular attention to the relative advantages of peforming certain processing functions (both wet and dry) at local, regional, or national levels.

INSTITUTIONAL PERFORMANCE

Conclusions

1. OPRODEX has done a credible job of managing PCC, particularly with respect to planning, evaluation, and cooperatives development. It has had difficulty, however, in securing working

capital financing for CEPEC and the cooperatives. The consequence has been an unhealthy reliance by the cooperatives, and particularly by CEPEC, on grants or low-interest loans for working capital.

2. The creation of CCH was a fortuitous development for PCC inasmuch as it constitutes an advocate at the national level for the interests of all local coffee marketing cooperatives. However, CCH is still developing an institutional identity and management and financial capacity. Until recently, it has been without any full-time staff. Accordingly, it should not be asked to assume a great deal of responsibility too soon.

3. CNC represents an agency within the government whose influence and resources can be judiciously tapped to assist cooperatives. However, its staff and financial resources are limited.

4. Relations among OPRODEX, CCH, and CNC are strained, mainly because OPRODEX controls, as intended, all project resources, including, most important, management of CEPEC. Under the current project, OPRODEX has no incentive to cede control of any of these resources to CCH or CNC.

5. It is not realistic to expect, as anticipated in the amended project agreement, that PPC staff will "integrate gradually ... into the new small coffee producers' marketing organization in order to establish the basis for independent operations by the end of the project." Almost all senior PCC staff are government civil servants whose salaries are now topped off (sometimes more than doubled) by the project. These staff cannot be expected to give up the security of government employment to accept employment, probably at a much reduced salary, in a new organization of uncertain financial means.

Recommendations

- In the short term, AID should continue to work with OPRODEX as its principal partner to develop the coffee and cooperatives sector.
- AID should work with CCH to determine what is needed to strengthen its financial and management capacity. Technical assistance in the fields of management and financial planning is probably indicated.
- CCH should draw up a plan by which patronage refunds to cooperatives are distributed on the basis of the quality of coffee that the cooperatives sell to CEPEC.
- CCH, with the assistance of AID, should determine the internal conditions, such as adequate staffing, tested procedures, and financial capacity, that will be necessary for it to assume operational control of CEPEC. CCH should then draw up a plan, including a timetable, by which it intends to satisfy those conditions. The plan should justify any required subsidies from the Haitian government or from AID as temporary. This plan should then be used as the basis for negotiation of a new project (see below) with AID and OPRODEX.

IMPACT ON PRODUCTION AND GOVERNMENT POLICIES

Conclusions

1. Neither PPC nor PCC has had any sustained impact on the production of coffee, although some cooperatives demonstrated interest in production activities by establishing cooperative farms.

2. Neither PPC nor PCC has had any impact to date on government policies concerning the coffee tax or coffee price stabilization.

3. The coffee tax is regressive, economically inefficient, structurally irrational, and probably acts as a disincentive to increased coffee production. It also, however, constitutes a sufficiently important source of revenue for the government that it is unlikely to modify the tax without assurance of compensating revenues.

4. The ICO quota does not constitute an important obstacle to increased production.

Recommendations

- The proposed new project should include a production component, with cooperatives serving as the local organizational basis for certain production activities.
- A condition precedent to first disbursement under any new project should be some modification of the coffee tax.
- AID should work with the advisers on the new Tax Administration Project to determine how fiscal revenues from sources other than coffee can be raised to compensate for any decrease in revenues from a modification of the coffee tax. Particular attention should be given to the possibility of levying or enforcing the collection of taxes on property; on the export of bauxite, sisal or sugar; and on luxury imports.

THE COFFEE TECHNOLOGY TRANSFER PROJECT

It is recommended that the proposed new project consist of the components discussed below:

Marketing

Despite the success of PCC, much unfinished work remains to be done. The most important work includes continued assistance to the new processing plant; assistance with securing working capital credit for the purchase of coffee, both by local cooperatives and by the new plant; and an examination of how

coffee processing through cooperatives can be rationalized with respect to the relative advantages of processing at the local, regional, and national levels.

Production

There is clear limit to the income transfer benefits that cooperative marketing can secure for small farmers. Sustained increases in income can occur only through increases in production.

The production component of the new project should learn from the failure of PPC. The most important lesson is that extension education and credit should not be proffered to small farmers through artificially created groups. For this reason, the mature cooperatives that have participated in PCC are natural candidates for constituting the local organizational basis of the new project's production component.

The technological package for the production component should be developed and extended through the use of a farming systems approach. This means that a certain amount of applied research on farmers' fields should be carried out to test the technical feasibility and acceptability of proposed interventions. The participation of cooperatives in the development and testing of interventions should be encouraged.

Institutional Development

AID should use the development of the new project as a forum for bringing together key institutional actors, including OPRODEX, CNC, and CCH to negotiate their respective roles in the project. The government may want to include other organizations in this discussion, including DARNDR. The logical candidate for the lead institution in the new project is OPRODEX. However, AID should include in the project resources for the insitutional strengthening of CCH.

Government Policies

The coffee tax question has been studied enough. It is time for AID to decide whether it wishes to use project financing leverage to require action on this issue by the Haitian government. AID should insist on at least a modification of the tax, including some reduction and a rationalization of its internal structure as a condition precedent to first disbursement on the new project. Subsequent action could be made conditional on uncovering ways to obtain compensating fiscal revenues.

ANNEX A

THE PERFORMANCE OF THE SMALL FARMER IMPROVEMENT PROJECT

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THE PERFORMANCE OF THE SMALL FARMER IMPROVEMENT PROJECT

INTRODUCTION

The Small Farmer Improvement Project (PPC), which began in 1974 and ended in 1981, was designed primarily to increase the income of small farmers through increases in coffee production. The project's strategy was to provide inputs, extension, and applied research activities through coffee centers in areas selected for high production potential.

THE CURRENT SITUATION

Most observers agree that the project did not achieve its objectives. It did not increase production or small farmer income. Coffee centers that the project built are no longer in operation. Most extension agents that were hired and trained by the project are no longer working in coffee extension. In the Jacmel Macary area, for example, only 5 out of 20 agents trained by PPC are maintained on the Department of Agriculture's payroll. Most of the directors of the coffee centers are involved in non-coffee activities. Most of the agricultural credit societies (SACs) that were created to receive the technological package (including credit, fertilizer, and new varieties) no longer exist.

Thus, only two years after the end of AID financing of PPC, there is no evidence of continuity in project activities, and only a very small number of PPC farmers are currently using improved coffee farming techniques.

THE TECHNOLOGICAL PACKAGE

The package, designed by the project, involved the rehabilitation of traditional coffee plantations and the introduction of new and improved varieties. Traditional coffee plantations in Haiti are characterized by heavy shade, high density, non-use of fertilizer, and intercropping. These factors all have an adverse effect on production. Yields are extremely low, averaging 200-250 kilograms per hectare. Virtually any modification of traditional coffee farming practices would promise an increase in production.

The elements of the PPC technological package were as follows:

- For existing plantations: proper spacing, pruning, use of fertilizer, and control of shade.
- For new plantations: a new variety, adequate shading, proper spacing, and fertilizer.

PPC has been criticized for its overemphasis on fertilizer and, in particular, the use of fertilizer on unproductive trees. Extension agents were trained to use fertilizer only on productive trees. However, farmers did not always follow the advice of extension agents.

Many farmers were not ready to accept and apply the whole technological package. The problem was that partial application was often no better and sometimes worse than no application at all. For example, a farmer who reduced shade but diverted fertilizer to food crops might actually suffer a decrease in coffee production. However, farmers who adopted the entire package did enjoy an increase in production. Yet the percentage of those adopting the package was too small to have an impact on national or even regional production.

EXTENSION ACTIVITIES

The teaching of the modified coffee farming system was carried out by extension agents who reported to coffee center directors. All coffee centers had demonstration plots and coffee plant nurseries. Young coffee plants were distributed freely to farmers.

The use of demonstration plots did not prove effective in changing farmers' attitudes and behavior. Some centers took the initiative to send extension agents to work on the farmers' own plantations in fertilization and new plantings. Where this occurred, some successes were recorded. But, in general, extension work in PPC had three weaknesses:

- Lack of farmer participation;
- A work load that was too heavy for the local extension agent; and
- The limited knowledge of extension agents, particularly concerning the new varieties.

The coffee centers distributed 200,000-300,000 small coffee plants annually. After two years, only 10 percent of the distributed coffee plants were still alive. Farmers and even extension agents lacked knowledge of the appropriate cultural practices for the new varieties. In addition, cultivation of the new varieties is very labor intensive, and many farmers could not or did not put enough labor into the new plantations.

PPC extension specialists were also responsible for creating SACs, the farmer organizations that were established to receive the technological package. However, SACs often did not last more than one or two years. Many disappeared even while the project was being implemented.

A major reason for their short life span was the unwillingness of farmers to accumulate debt. But the lack of continuous use of the technological package, particularly the application of fertilizer, meant that there would never be any lasting effect on production.

An overriding problem was that extension specialists lacked sufficient understanding of traditional coffee farming systems to adapt the package to the needs of individual farmers. Two years after the project ended, the reasons for the non-adoption of the package by small farmers are still not well understood.

OTHER LIMITING FACTORS

Slow administrative procedures and the centralization of all decision making in the central office of IHPCADE also had an adverse effect on project performance. Directors of coffee centers could not resolve problems on the spot because of lack of funds.

When the director requested funds, it took three to four weeks for the request to be processed. Moreover, fertilizer was rarely sent on time to the coffee centers for delivery to farmers. Farmers did not receive their fertilizer during the proper period. The low salaries of local extension agents were also a source of problems. Extension activities in the rural areas of Haiti are very demanding. The low salaries the extension agents received did not motivate them to carry out their work efficiently.

CONCLUSIONS

PPC had some success in areas, such as Thiotte, already prepared to receive the package, and some isolated farmers did increase their yield per hectare. However, the project did not attain its initial objectives:

- The current situation reveals the nonfunctioning of the coffee centers and the disappearance of the SACs;
- Partial application of the technological package explains the bad performance of PPC at the farm level; and
- The lack of knowledge about the equilibrium of traditional farming systems and coffee growing, combined with bad administrative policies, weakened the extension component of PPC.

A new coffee production proje t should learn the lessons of PPC. This implies that priority should be given to understanding of traditional coffee farming systems. Extension activities must include the participation of organized and stable local organizations. Selecting areas with good coffee growing potential must be the rule, and the project must have a long-term involvement.

ANNEX B

EVALUATION TEAM AND COOPERATIVES VISITED

ANNEX B
EVALUATION TEAM AND COOPERATIVES VISITED

The Evaluation Team was composed of:

- Craig Olson, economist and team leader;
- Kenneth Koehn, cooperatives specialist;
- Steven Franzel, agricultural economist; and
- Marc-Eddy Martin, agronomist.

Dr. Olson, Mr. Koehn, and Dr. Franzel are full-time employees of Development Alternatives, Inc. (DAI). Mr. Martin is employed by AID/Haiti on a personal services contract. Dr. Olson was team leader on the 1977 DAI evaluation of the Small Farmer Improvement (coffee production) Project. Mr. Martin served as the director of one of the coffee centers established under that project. Mr. Koehn and Dr. Franzel also had had previous experience on short-term assignments in Haiti.

The team spent two weeks (December 4-17, 1983) in Haiti and visited eight cooperatives, one pre-cooperative, the UNICORS regional cooperative, and the national cooperative of coffee cooperatives.

Cooperative visited	Location	Visitors
CCH[a]	Port-au-Prince	Koehn, Franzel
CAVCA	Vachon	Koehn, Olson
COCAMUC[b]	Camp Perrin	Olson, Franzel
COSAR	Rendel	Olson, Koehn, Franzel, Martin
CADA	Les Anglais	Olson, Koehn, Franzel, Martin
CAVDAC	Chardonnieres	Olson, Koehn, Franzel, Martin
UNICORS[c]	Chardonnieres	Olson, Koehn, Franzel, Martin
AUDECADH	Thiotte	Franzel, Martin

COCAES	Pilate	Koehn
CATOUL	Pilate	Koehn
CACGAVA	Dondon	Koehn
COOPACVOD	Dondon	Koehn

Notes:

a The national cooperative of cooperatives.

b A pre-cooperative.

c A regional cooperative of cooperatives.

Team members also visited the offices of OPRODEX and BCA and the pilot coffee processing facility, CEPEC.

ANNEX C

UNICORS

ANNEX C
UNICORS

In August 1979, five cooperatives situated along the southwest coast formed a union, now commonly referred to as UNICORS (l'Union des Cooperatives de la Region du Sud). UNICORS was officially recognized in August 1980 by CNC as the first regional agricultural cooperative in Haiti. Its current members include COSAR, CATI, CAVDAC, CADA, COCAM, and COAP.

Each member cooperative of UNICORS is represented on its board and oversight committee. UNICORS has a full-time manager and accountant to carry out the policy and actions established by the board. In total, UNICORS represents more than 6,000 agricultural producers.

The cooperatives formed UNICORS as a means of efficiently harnessing resources (internal and external) to assist in their growth and development. UNICOR's isolated location along the southwest coast and the relatively short distances between member cooperatives have provided the opportunity to plan and implement efforts for the good of all members. UNICORS has been successful in gaining assistance from the FAO, UNDP, World Food Program, OXFAM, and CIDA to help with such diverse efforts as transporting commodies, repairing roads, planting new coffee fields, establishing a revolving fund that members may use to make coffee and other agricultural purchases from their members, and running a guesthouse at the UNICORS headquarters in Chardonnieres.

UNICORS currently maintains three sections on a cost center basis. These are the guesthouse, transportation, and land owned and cultivated by UNICORS. In 1982-83, only the guesthouse made a profit, with transportation showing a loss of some 30.000 gourdes and the cultivation of land losing a small amount. In the future, the latter will begin to turn a profit as new coffee plantings begin to produce. This exercise of the owning land and seeing a profit from its cultivation to support other

operations is is at present being used by not only UNICORS but also all of its members. It represents an effort to become financially independent in their internal operations.

TABLE C-1

COFFEE SOLD TO CEPEC BY UNICOFS MEMBERS
(in lbs.)

	1980-81	1981-82	1982-83
1. COSAR/Rendel	69,276	26,869	106,294
2. CAVDAC/Chardon.	34,858	13,486	77,502
3. CADA/Les Anglais	21,846	21,961	73,474
4. COCAM/Damassin	33,252	13,918	21,432
5. COAP/P-a-Piment	-	4,174	24,560
6. CATI/Tiburon	14,130	10,722	12,018
TOTAL	173,362	91,130	369,280
% of CEPEC Purchases	61%	9%	26%

ANNEX D

BREAK-EVEN ANALYSIS FOR NEW COFFEE PROCESSING PLANT

ANNEX D

BREAK-EVEN ANALYSIS FOR NEW COFFEE PROCESSING PLANT

Basic Data[a]

Export Volume - 1983	=	10,299 Sacks or 1,235,880 lbs.
Export Revenues[b] - 1983	=	7,675,743.7 gourdes
Revenue/lb. (P)	=	6.2108 gourdes
Fixed Costs (FC)[c]	=	522,333.5 gourdes
Variable Costs[d] - 1983	=	7,453,164.57 gourdes
Variable Costs/lb. (V)	=	6.0307 gourdes

Calculation

$$P\,Q = FC + V\,Q$$

$$6.2108\ Q = 522{,}333.5 + 6.0307\ Q$$

$$Q = 2{,}900{,}241.5 \text{ lbs, or}$$

$$\underline{24{,}169} \text{ sacks}$$

Notes

a. Source of Basic Data: CEPEC financial records

b. Includes sales and rebates (refaction)

c. Fixed costs: CEPEC 1983 administrative costs (frais d' administration) = 72,335.5 gourdes plus salaries now paid by PCC = 143,000 gourdes inflated to 200,000 gourdes plus 10% depreciation on cost of new plant = 2,400,000 gourdes 0.1 = 240,000 gourdes plus miscellaneous costs now paid by PCC = 5,951 gourdes inflated to 10,000 gourdes:

Current CEPEC administration	=	72,333.5
Subsidized salaries	=	200,000.0
Plant depreciation	=	240,000.0
Miscellaneous		10,000.0
Total		522,333.5

d. Variable costs: CEPEC 1983 cost of goods sold - (COGS) = 4,791,946.65 gourdes plus CEPEC 1983 operating costs (frais d'exploitations) = 2,095,073.00 plus 12% interest on amount of revolving fund used to purchase coffee = 4,717,874.30 x .12 (At present CEPEC pays no interest on the use of this money).

COGS	=	4,791,946.65
Operating costs	=	2,095,073.00
Revolving fund interest	=	566,144.92
		7,453,164.57