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TRIP REPORT  
Small Farmer Credit Project in Honduras  
March 15-21, 1980  
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Saturday, March 15, 1980

Mike Hardin and Harry Mapp departed Stillwater at 4:30 a.m. for connections with Texas International in Oklahoma City to Dallas, Houston and New Orleans. In New Orleans, we connected with SAHSA and (after having returned to New Orleans to tighten the baggage compartment door) had an uneventful flight through La Ceiba and San Pedro Sula to Tegucigalpa, Honduras. We were met at the airport by Loren Parks at about 5:30 p.m. Loren took us to the Hotel Honduras Maya and, after checking into our room, we were joined by Kurt Rockeman and Ron Tinnermeier. Peter Dorner of the Land Tenure Center at the University of Wisconsin, who was in Honduras to meet with the U.S. Ambassador regarding land reform, also joined in our discussion of the Small Farmer Credit Project. Ron, Kurt, and Loren dined with Mike and Harry and afterwards we discussed the plan of work for our visit to Honduras.

Sunday, March 16, 1980

After breakfast, Ron Tinnermeier, who has been renting a single room at the Hotel Honduras Maya, moved in with Mike and Harry. We spent the rest of the morning and early afternoon discussing the project and work plans for the portion of the trip during which Ron would be part of the work team. At 2:00 p.m. Loren Parks and Kurt Pockeman joined the group.

We spent the remainder of the afternoon discussing progress on the project and publications to be derived from the project. Harry and Mike

indicated that the major purposes of our trip included (1) discussing progress on and establishing deadlines for each of the publications we intend to publish as a result of the project in Honduras, (2) getting a progress report on the group loan program and an estimate of the amount of time and project resources currently being allocated to group loans, (3) discussing the commitment of project resources to assisting Coopers-Lybrand in their evaluation and re-organization of BNF, (4) evaluating progress made to summarize the farm records data collected as part of the Small Farmer Credit Project and (5) discussing future whole farm analysis and the linear programming tableau formulated by Odell Walker for a small farm in the Choluteca region of the country.

We discussed the aspects of the project remaining to be completed over the next several months, and the possibility and importance of completing the written reports prior to the departure of Loren and Kurt from Honduras. Loren indicated that as soon as this visit of OSU support personnel to Honduras is completed, he will allocate most of his time to writing the reports. He indicated that he is giving more and more responsibility to Ricardo and Reynerio in carrying on the day to day operation of the project. Loren indicated that most of the training sessions have been completed. Remaining sessions include one at the end of March for people in the Coffee Institute, a training program for personnel in the Technical and Credit Divisions of BNF to be held in April or May, and a training program for personnel from several other government agencies, including the Ministry of Natural Resources, INA, IHMA, and others to be held in April or May. These programs will include training on budgets, partial budgeting, capital investment analysis, and (possibly) cattle budgets. Most of the preparation for and conduct of these training sessions will be carried out by Ricardo and Reynerio.

We spent considerable time discussing the progress being made by Cooper-Lybrand in BNF. Loren indicated that Gustavo Gomez had requested his (Loren's) help in establishing guidelines for making loans. Loren has cooperated with Gomez for several reasons. First, BNF personnel have expressed an interest in having Loren's input into recommendations made by Coopers-Lybrand. Second, personnel from USAID have expected Loren's cooperation in working with the consulting firms evaluating BNF policies, programs, and structure. Third, Loren has felt that cooperating with Coopers-Lybrand has given us an opportunity to include some of the basic work and accomplishments of the Small Farmer Credit Project in the future operating procedures of BNF. For example, future loan evaluation procedures will likely include the use of budgets developed by the OSU team. Without Loren's assistance, recommendations made by the consulting firms may have ignored the contributions of the Small Farmer Credit Project to the information and loan evaluation procedures of BNF.

In discussing the group loan program, Loren indicated that the loan in Santa Rosa is going very well. He feels that additional trips to Santa Rosa will not be needed. The group loan in Ajuterique includes approximately 17-20 people on the same loan, and the same number are keeping records. Loren is planning to have Ricardo and Reynerio supervise the remaining part of the group loan program.

Ron expressed the concern that as the size of group gets larger, diseconomies may occur which reduce the effectiveness of group loan. That is, members of a large group may not be as familiar with each other as members of a small group. If a member of the large group defaults, the other members may not be willing to cover the loss. In this case, the group may not be able to get another loan. Ron suggested that Loren have

his group, as well as BNF personnel, consider the potential disadvantages of creating group loans for groups of 20 people or more.

Monday, March 16, 1980

Ron, Mike, and Harry walked to the BNF, stopping to eat breakfast along the way. After arriving at BNF, Mike and Kurt worked together on the farm records data collected as part of the project and summarized by Kurt. Loren, Ron and Harry met to discuss the proposed publications and publication deadlines for reports stemming from the Small Farmer Credit Project. We discussed publication priorities, and potential authorship on each of the six reports to be written. Loren indicated his desire to be senior author on each of the project publications. The suggested authorship is tentative and assumes that Loren will be able to write the reports prior to his departure from Honduras. Authorship may be altered later to reflect the contributions of the co-authors to the final publication. The six publications, listed in order of priority for Loren's time, and the potential authorship are as follows:

1. Enterprise Budgets - Parks, Rockeman, and Walker
2. Small Farmer Credit Training Programs - Parks and Badger
3. Farm Records - Parks, Williams, Hardin and Rockeman
4. Group Loans - Parks and Tinnermeier
5. Managing Small Farmer Credit Programs - Parks and Mapp
6. Economic Analysis of Small Farm Units - Parks and Walker

In addition to the above, a number of publications are being developed which will be products of the OSU/BNF team. These publications and the suggested authorship are as follows:

1. The Credit Manual - Parks and Barahona

2. The Crop Budget Book - Parks, Barahona, Arias, Rockeman, and Medrano
3. Livestock Budget Book - Rockeman and Parks

At 10:30 a.m. we met in the office of BNF President, Rene Cruz, to discuss the project and possibilities of institutionalizing the existing work started by the OSU team. Attending the meeting, in addition to Cruz, were Roberto Valladates, Manuel Amaya, Christiana de Fletes, Loren Parks, Kurt Rockeman, Mike Hardin, Ron Tinnermeier, Ricardo Arias, and Harry Mapp. Loren made suggestions regarding the possible continuation of various aspects of the Small Farmer Credit Project. Cruz, and other representatives of BNF, assured us that various aspects of the project will be continued. However, until the new law is passed by the legislature in Honduras creating the new banking institution which will replace BNF, and until the consulting companies (Cooper-Lybrand and Beck and Associates) complete their study and recommendations, it is difficult for members of BNF to say where the current activities will be placed in the reorganized bank. They assured us that the activities of the project are very important and will be continued as part of the reorganized bank. At the end of the meeting, we also discussed the plans of Rick Cruz to attend Oklahoma State University beginning in the fall semester of 1980. The meeting concluded at approximately 11:30 a.m. Rene Cruz invited the group to join him for dinner that evening at the Chico Club.

After lunch, Loren, Ron and Harry resumed discussion of future publications to come from the Small Farmer Credit Project. Loren indicated that he will outline the three publications for which he has not developed an outline and then begin working on the budget publication. Deadlines established for completion of a first draft of each of the reports is as follows:

1. Enterprise Budgets--March 31
2. Small Farmer Credit Training Programs--April 15
3. Farm Records--April 30
4. Group Loans--April 30
5. Managing Small Farmer Credit Programs--May 15
6. Economic Analysis of Small Farm Units--May 31

The group then discussed the publications in general terms. We agreed that each publication should have a preface, perhaps written by Dan Badger and Ron Tinnermeier, to include the recognition of the institutions and individuals cooperating on the project, the nature of the project, a statement of the project objectives, and a brief description of BNF and it's role as a lending institution in Honduras. Additional discussion of BNF might be appropriate in individual publications as it relates to specific aspects of our work.

Loren, Ron and Harry reviewed the outline developed by Loren for the Small Farmer Credit Training Programs publication. We suggested that the training publication concentrate on section 2 of the outline, Training Program Design. The initial section of the training program publication is to discuss the audience for whom the program was designed, problems associated with developing training materials, identification of training programs that were successful and those that were not successful, and identification of factors contributing to success or lack of success. In addition, the publication is to concentrate on section 6 of the outline, which focuses on an evaluation of the training program, experiences learned during the training programs, etc. The actual contents of the training programs (sections 3, 4, and 5 of the outline) are to be included as appendices.

Kurt and Mike evaluated the recordstables developed by Joe Williams and the tables of record results summarized by Kurt from the record books. These tables were found to be complete and very accurate. Following a discussion of the capabilities of the record book, the records publication outline was discussed with consideration given to incorporating portions of results presented in the summary tables.

Next, Loren, Ron, Harry, Mike and Kurt discussed the outline of the Farm Records publication. A copy of the material written by Joe Williams and Mike Hardin (Sections 1A, 1B, and 2A of the outline) was left with Loren. It was suggested that Loren add to the existing outline the advantages of farm records as a way to collect data. Farm records appear to be a good data collection alternative to large surveys of many farms in a region of the country. In addition, farm records generate data throughout the year that could not be obtained at one point in time with a farm survey. We agreed that the publication should show successes and failures in record keeping and attempt to identify why some attempts were successful and other failed. In addition, the publication should identify the advantages of having bank lending officers maintain at least one record book for a farm in their area. An indication of what the farmer got out of the record keeping activity would be a useful addition to the publication. Ron suggested that we consider having an OSU graduate student from Honduras perform a survey of farmers' attitudes and reactions to keeping farm records. Farmers perceptions of the value of records would be a useful product of our project.

Following the discussion of the records publication, Kurt and Mike worked separately on certain areas of the records with Kurt explaining the

procedures he used in transferring data to the tables designed by Joe Williams and the efficiency of this transfer. Kurt felt that the record book was simply designed and that some Honduran farmers with a third-grade education were able to keep the entries in the first three parts of the book. Each of the records tables was analyzed and portions of the results were incorporated into the outline of the records publication.

Loren, Ron and Harry discussed the Group Loan publication outlined by Loren. We suggested that the introduction be scaled down to aim specifically at the audience for which this publication is intended. The statement of the general problem faced by credit institutions in handling loans to small farmers and specific problems of the BNF would not be discussed in detail in this publication. The central focus is to be on section 2 (The Experiment With Agricultural Committees), section 3 (The Experiment in Ajuterique) and section 4 (Conclusions and Recommendations) of the outline. This publication is to document the experiences of the project with the group loan program in Honduras.

That evening, the OSU team was the guest of Rene Cruz at the Chico Club. Those attending included Rene and Martha Cruz, Alfonso Bonilla, Christiana de Fletes, Loren and Diana Parks, Reneyerio, Ricardo, Kurt, Ron, Mike, and Harry. Rene Cruz made some very nice comments regarding the success, value, and contribution made by Loren, Kurt, and the OSU team to BNF. He was very complimentary regarding the contribution of the project and hopeful regarding the future of the work started during this project for the new institution which will replace the BNF.

Tuesday, March 18, 1980

Ron, Mike, and Harry arrived at BNF at 8:30 a.m. and discussed project

publications until 9:30. At 9:30 the group has a meeting with representatives of Coopers-Lybrand. We met with Mr. Pasmani (Head, Coopers-Lybrand team), Pedro Perez and Angel Radiati of Coopers-Lybrand, and Patricio Crespo (A Master of Science graduate from the University of Missouri) who works with ATAC. Pasmani indicated that Coopers-Lybrand made a series of proposals in December and January to restructure BNF. They have a short-run plan to begin restructure BNF. They have a short-run plan to begin restructuring the bank and a three-year plan to make the bank more efficient in the long run. He indicated that the bank has approved the short-run plan and that the government of Honduras has agreed to pay the cost of implementing portions of the plan. The Coopers-Lybrand recommendations would separate the operations and credit support activities of the bank. Pasmani felt that the activities initiated by the OSU team would likely be a part of the credit support activities. The Technical Division of BNF may be reduced to a staff activity to do planning and economic analysis. After considerable discussion of the Coopers-Lybrand recommendations and the future of BNF, the meeting was terminated at 10:30 a.m.

While Mike and Kurt worked on the farm records data, Ron, Loren, and Harry discussed the outline for the publications on Managing Small Farm Credit Programs. Once again, it was suggested that Loren scale down the discussion of the past and existing program at BNF. This material may need to be discussed in a general publication to introduce the entire series of publications derived from the project. It was suggested that Loren concentrate on section 3 (Revised Loan Evaluations Procedures and Policies) and section 4 (Revised Loan Supervision Procedures and Policies) of the outline. The general orientation of the publication is to first focus on development of information to be used in evaluating loans by BNF. Next, the publication is to focus on lending procedures used for different groups of BNF clients.

While the information system includes enterprise budgets, product and input price information, financial statements, cash flow evaluation, etc., all of this information would not be used in evaluating every loan request. Separate procedures are to be outlined for operators of very small farms (a streamlined set of forms would be completed) and the operators of large farms (who would have a more detailed set of information to provide).

At 11:15, Ron and Harry visited with Alfonso Bonilla about the future of the project. Bonilla feels that no matter who wins the upcoming election, the top officers of BNF will be replaced. He does not feel that the replacements will go as far down as the division chiefs, such as himself and Manuel Amaya of the Credit Division. However, there will be considerable uncertainty regarding the future functions and structure of the bank until the new law is passed by the legislature and the restructuring is completed. Bonilla also indicated that his daughter is still considering attending Oklahoma State University to study computer science. She has also applied for admission at the University of Michigan, University of California-Berkeley, and Texas A & M University. He indicated that because she has a number of friends attending Texas A & M, she may be leaning slightly towards Texas A & M despite his wish that she select Oklahoma State.

After lunch, Loren, Ron and Harry had a 1:30 p.m. appointment with Bill Janssen, Rural Development Officer for the USAID mission. Steve Wengert and Ralph Conley of the USAID mission also met with us. Ralph replaced Rob Thurston (currently USAID Rural Development Officer in Bolivia) as coordinator for our project. Ron reviewed progress of the project in the Dominican Republic and Loren reviewed the status of the Small Farmer Credit Project in Honduras. We discussed the reorganization of the BNF and the future structure of the bank. Loren discussed his recommendation for

continuing the project functions within the new BNF structure. We all agreed that, given the political and institutional uncertainty in Honduras, it is difficult to say where or whether the functions of the OSU project will be continued. We discussed the possibility of having Loren return to Honduras periodically, after the completion of the Small Farmer Credit Project, to attempt to help institutionalize the functions initiated by the project. Janssen was sympathetic to the need for having Loren maintain contact with BNF. The group discussed a wide range of topics, including the impact of rapid inflation on credit conditions in the U.S., Honduras, and the Dominican Republic. The meeting concluded at 3:30 p.m. and Loren, Ron and Harry returned to BNF.

During the above meeting at USAID, Kurt and Mike spent considerable time discussing the farm records summaries at BNF, and prepared a detailed outline to be used in developing the farm records publication. Much of the data collected and summarized by Kurt will be incorporated into the publication.

At 4:00 p.m. Ron and Harry joined Kurt and Mike. Kurt demonstrated the input requirements to get the budget data from worksheets to computer printout. There are five coding sheets required for each budget and the group reviewed each of the coding sheets. Form #1 contains the headings for the budget including the identification of the crop, region of the country, and the person preparing the budget. Form #2 summarizes the data items necessary to calculate variable costs of production. Form #3 contains the notes at the end of the budget. Form #4 is the fixed cost section of the budget. Kurt had developed worksheets to assist in developing numbers for fixed and variable costs. Form #5 includes the profitability analysis. Three prices are specified for the crop or livestock activity:

high, medium, and low. The profitability analysis includes calculations of returns to land, management and capital, and returns to land and management. Approximately 150 budgets have been coded for reproduction on the computer. This represents approximately half of the budgets that are currently ready to be reproduced. It took them approximately one week to code, keypunch and run about 60 budgets through the computer at BNF.

In the evening Ron, Loren, Mike and Harry had supper together and later went to Kurt's apartment for coffee.

Wednesday, March 19, 1980

Ron Tinnermeier departed the Hotel Honduras Maya at 6:00 a.m. for the airport to return to Colorado. Mike and Harry arrived at BNF at 8:30 a.m. to learn of the death of Ernesto Foster, a member of the Technical Division at BNF. Foster suffered a stroke and died Wednesday morning.

Harry and Loren discussed the proposed publication on whole farm analysis. The current outline, which was developed by Odell Walker, appears to be satisfactory for the development of the whole farm analysis publication. Loren and Harry discussed the linear programming tableau developed by Odell Walker and carried by Harry to Honduras. Discussion focused on how to handle the rotations for corn, melons, and sesame and the timing of labor operations by months of the crop year. Loren felt that labor breakdowns finer than one month were not necessary. If it proves that labor timing is critical, additional detail can be added later. We discussed data needs to establish irrigated production activities for the farm operations for which irrigation is a possibility. Loren agreed to develop fixed and variable costs for the irrigation system and to develop irrigated budgets for each activity to be included in the model.

He indicated that irrigation permits farmers to produce crops that cannot be produced under dryland conditions. Loren plans a trip to the field next week or the week after to finish developing the data on the irrigated situation. We discussed the appropriate way to handle the cattle activity in the model. Loren indicated that he would get answers to several questions regarding common practices for cattle on the small farm units. He indicated that he did not see a need for differentiating labor by skill categories. He felt that hired labor and family labor are of about equal quality, however, he did agree to discuss this issue with Peritos in the field. We discussed the possibility of establishing the capital activities on a monthly basis. Borrowed capital, family consumption, and sale of corn occur each month during the growing season. Loren expressed the desire to have the detail in the linear programming model so that capital needs would be identified on a monthly basis.

Loren agreed to develop whole farm situations for farms in the Ajuterique (irrigated vegetables and grains). One additional farm situation in the Cholteca region has been summarized and the information sent to Odell. Loren also agreed to develop a farm situation for the Jamastran Valley that would be a typical corn and bean operation. Crop activities would include corn, beans, sorghum, sugar cane, and rice under dryland production. These data will be collected over the next several weeks and prepared for transmission to Oklahoma State University.

Once these data are completed and the linear programming tableau set up, we discussed the possible analysis to be conducted. The interest rates will be varied from 12 to 18 percent to observe the impact on farm capital in the farm organization. In addition, the effects of a flat fee or loan charge of a certain amount regardless of the size of the loan may be analyzed to observe its impact.

Loren indicated that whole farm planning was not taught at recent training sessions because other materials were thought to be of higher priority. He also asked whether or not Odell Walker would have time to rough out the publication on whole farm analysis. Loren is concerned that his time will be stretched quite thin in developing first drafts of the other publications. Kurt and Mike discussed the organization and the content of the crop and livestock budgets. All but about 25 of the original sets of input information for the 250 crop budgets have been received at the bank. About 60 budgets have been finished and reproduced by the computer and the other 190 are in some process of being coded, verified or generated by the computer.

The status of records was also discussed. There are ten completed books in Ajuterica and those ten will continue. There are three more cooperators who started in September, and there are three to four new cooperators that started this month. Of the original ten, only five are members. The seven that started in the last six months are all group loan members. There were five record cooperators in the Jamastran Valley which were terminated after 18 months of records due to termination of the project. There is one cooperative farm that has seventeen members in the Jamastran Valley. The bank is paying one of the members to make entries. They have completed one year's data and are continuing. Two records books are being supervised by the Perito, Robert Cierri. Kurt will learn what he can from his experiences with these two record cooperators, to help build a case for the educational benefit of records to Perito's in the future. In Cholutecha, they have one cooperative farm that is supervised by Clemente Meraz Cruz. Clemente also supervises two

private record books similar to the other Perito. Based on the experiences of these Perito's and Kurt's experience again by becoming very closely involved in the records, there is a tremendous educational benefit associated with supervising these record cooperators, not only to the farmer but most importantly to the Perito himself. We recommended to Loren that this point be included not only in the recommendation to the bank, but in our report to AID.

After lunch, Loren and Harry discussed the enterprise budget publication. Loren indicated that he has started on a revised outline and will complete the outline and the publication on time. Loren indicated that rather than forwarding the revised outline to OSU, he would like to produce a first draft of a publication and then get reactions from the OSU group.

Kurt and Mike continued their discussion of the livestock budgets. Initial training with livestock budgets created some confusion. The sale of .33 head of heifers and .28 of steers was not easily understood by those in the training program. Per cow expenses created less problems. It was suggested that income and expense units could be listed as a total. Total units and value could be printed to reduce confusion. Then a separate column for per unit or per cow expenses would provide information necessary for partial or other budgeting decisions. Space is available on the budget for this additional column.

Clarification is also needed for fixed costs associated with improved pastures. Kurt indicated that the cost, yield, and stocking rate changes for improved pasture are fairly standard. These stocking rates can be identified on each budget to clarify pasture costs assumptions. Kurt

felt that multiple pasture budgets would create more confusion for the perito's. Since the livestock budgets are already more complex than the crop budgets, clarification of the stocking rates and improved pasture costs would be less confusing than multiple pasture budgets.

Most of the information has been collected for approximately 15 livestock budgets from six regions. Based on these discussions, the final livestock budget format will be completed. If programming resources are available, the livestock budgets and input forms will be computerized. Kurt is rapidly becoming known as the livestock expert in Honduras.

Loren also gave us copies of the loan evaluation material developed by Coopers-Lybrand. There were two reports and copies of these were sent to Ron Tinnermeier and given to Dan Badger.

Loren, Mike, Kurt, Ricardo, and Harry had a group meeting to discuss the future of the OSU project work and its institutionalization within BNF. We identified the key components of the project as training, development of budgets, record keeping, price collection, and economic and policy analysis. It was a feeling of Mike and Harry that the training aspects of the program perhaps gives the greatest opportunity for continued success of the project within the new BNF institution. We agreed that the training aspects of the group legitimize keeping budgets up to date and record keeping for the purpose of developing information for teaching and training personnel within the bank. We discuss at some length the possibilities that may be open to Ricardo under the new organization of BNF for continuing the functions created by the Small Farmer Credit Project.

Thursday, March 20, 1980

Mike and Harry met Kurt for breakfast and walked to BNF. We joined with Loren to review topics discussed during the trip and the publication

plans and deadlines. We had another opportunity to visit briefly with Alfonso Bonilla and Christiana de Fletes and to discuss the future of project activities with Ricardo and Reynerio.

After lunch, Mike and Harry checked out of the Hotel Honduras Maya for the airport. We departed Tegucigalpa a couple of hours late and arrived in Guatemala City at 7:30 p.m. and checked into the Camino Real Hotel.

Friday, March 21, 1980

Mike and Harry departed Guatemala City at 9:30 a.m., and after stops in Mexico City, Houston, Dallas and Oklahoma City, arrived in Stillwater at 10:00 p.m.