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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

GUATEMALA

PROJECT PAPER

AGRIBUSINESS DEVELOPMENT

Amendment No. 1

AID/LAC/P-473
CR P-213

Project Number: 520-0276
Loan Number: 520-K-039

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PROJECT AUTHORIZATION

AMENDMENT No. 2

Name of Country: Guatemala
Name of Project: Agribusiness Development Project
Number of Project: 520-0276

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, the Agribusiness Development Project for Guatemala was authorized on December 31, 1984 (the "Authorization"). The Authorization is hereby amended as follows:

a) In Section 1, delete "Three Million United States Dollars (\$3,000,000) in grant funds" and substitute "Four Million United States Dollars (\$4,000,000) in grant funds" there for.

b) Funds appropriated under Section 103 of the Act may be obligated to fund the increase of grant funds provided for above.

2. The Authorization cited above remains in full force and effect, except as hereby amended.

Date: 3/3/89

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AGRIBUSINESS DEVELOPMENT PROJECT 520-0276
Project Paper Amendment

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AGRIBUSINESS DEVELOPMENT
PROJECT 520-0276

Project Paper Amendment

I. EXECUTIVE SUMMARY

The Agribusiness Development Project (520-0276) Paper amendment will provide for a refinement and consolidation of activities under the Cooperative Improvement component to be implemented through a 13-month extension of the Cooperative League of the United States (CLUSA) Cooperative Agreement. The amendment will increase by \$1,000,000 the LOP funding for the project to a new total of \$4,000,000 in Section 103 grant funds. The loan-funded portion of the project (\$9,500,000) remains unchanged. Please note that subsequent to signing the original Cooperative Agreement, NCBA changed its name to the National Cooperative Business Association (NCBA); the remainder of this document will therefore refer to NCBA.

Refinement of activities under the cooperative improvement component will allow targeted farmer associations and cooperatives that have made significant improvements in production, management, and marketing of non-traditional agricultural exports (NTAE) to consolidate current gains and begin to institutionalize the capability to sustain the above achievements. Approximately 6,500 farm families in six cooperatives and farmer associations will directly benefit through increases in production and export of non-traditional agricultural products from current levels of 7.5 million pounds to nearly 12 million.

II. BACKGROUND

The Agribusiness Development Project was designed with three separate elements--a Bank of Guatemala component, a cooperative improvement component, and a Non-Traditional Products Exporters Guild component--each with separate termination dates. The overall project PACD is March 21, 1990.

Two of the components--a grant to the Non-Traditional Products Exporters Guild (the Gremial) and a grant/loan to the Bank of Guatemala--continue to December, 1989 and to the PACD of the project, respectively. The project provides funding to the Guild to develop a market information system and to strengthen its export and investment promotion activities. The market information system is currently providing over 500 guild member firms, individuals, and cooperatives and farmers associations, including those assisted under the cooperative

strengthening component, with market data for a broad range of NTAE products.

The funds for the Bank of Guatemala provide lines of credit to BANDESA and the commercial banking system for on-lending to cooperatives and private firms.

The third component, implemented through a Cooperative Agreement signed on September 25, 1985 with the Cooperative League of the United States (CLUSA), has a termination date of March 7, 1989. The agreement provided \$1.33 million to assist in strengthening management and operating procedures of cooperatives and farmer associations and to improve the marketing of fruits and vegetables produced by their members.

The NCBA agreement funded three long-term field technicians and additional short-term TA and management support to cooperatives and organized groups of small producers to develop their capacity to export non-traditional agricultural products, primarily fresh fruits and vegetables.

The Cooperative Agreement stipulated that the team would assist at least ten cooperatives or organized groups to achieve export operations during life of the project. Since the arrival of the NCBA team in October 31, 1986, the following accomplishments have been achieved:

- Rincon Grande. This cooperative will export approximately 600,000 pounds of fresh strawberries in 1989, as projected. Arrangements are under way to freeze another million pounds of strawberries this year, thereby increasing their shelf life and the time during which they can be marketed. In addition, some 240,000 pounds will be sold locally and 250,000 pounds will be exported to El Salvador.

- Aguacatan. Creole garlic, which sells locally for US\$0.15 per pound has been replaced by improved garlic. This year the Chichan Cooperative and Producers Association of Aguacatan will export to the U.S. some 1,200,000 pounds of improved garlic, selling for \$0.90 per pound. Furthermore, the volume of creole garlic exported was cut back, bringing about a sharp rise in its market price.

- Cuatro Pinos. This year the cooperative exported some 8 million pounds of snow peas, and a combined total of 11 million pounds of french beans, sugar snap peas and baby vegetables.

- Magdalena has achieved self-sufficiency as an exporter: it is no longer dependent on local brokers. It is also providing contract packing and cold storage for Kato Ki.
- Key management and accounting personnel have been selected at Rincon Grande and the Chichan Cooperative . The Manzaneros cooperative and La Encarnacion Cooperative already have independent management
- The Management Training Program developed and offered in collaboration with the Gremial was completed in November 1988. It comprised 15 one-day sessions and had an average attendance of 22 participants.

Despite these successes, the November 1987 project evaluation and subsequent Mission reviews found that development of the cooperatives to a point where they are able to sustain production and export of their products will require more time than the present Cooperative Agreement with NCBA provides. The evaluation recommended that the Cooperative Agreement with NCBA be extended by three years. The purpose of the present 13-month extension is to continue to improve diversified non-traditional agricultural production of cooperatives and producer associations and to extend their marketing activities into direct-export-marketing programs managed by the cooperatives themselves.

It is recognized by the Mission that this extension is an interim step, and that the sustainability of the overall cooperative improvement component cannot be achieved in less than the approximately three years recommended by the evaluation. This interim step provides the Mission time in which to explore how best to consolidate its cooperative development efforts with the anticipation of integrating this activity into the newer Cooperative Strengthening Project (520-0286) following termination of the Agribusiness Project in March 1990.

III. PROJECT DESCRIPTION - Cooperative Improvement Component

A. Project Goal and Purpose

The original project goal--increase rural family incomes through increased production, storage, processing, marketing, and employment opportunities for high-value crops--is maintained without change in the amended project.

The purpose remains to provide small farmers with profitable outlets for their fruit and vegetable production through new or expanded agribusiness enterprises in rural areas.

B. Project Strategy

The Cooperative Improvement component will target six primary cooperatives and farmer associations by concentrating direct technical assistance, management development support and training on them. The six primary participants are: 1) Cuatro Pinos, 2) Rincon Grande, 3) Magdalena, 4) Kato Ki, 5) the Agricultural Producers Association of Aguacatan; and 6) the Chichan Agricultural Cooperative. The decision to concentrate project efforts on six cooperatives and farmer associations was made based on the following rationale:

1. The November 1987 mid-term evaluation indicated that the greatest improvement in cooperative and farmer association management and operations, and the most effective delivery of training were accomplished when technical assistance team members worked on a one-to-one basis with individual organizations.
2. Several of the cooperatives and farmer associations will enter into expanded production, processing and marketing activities in 1989. This increased level of effort will require extremely close working relationships between members of the TA team and the organizations.
3. To provide the intensive level of technical assistance required to more than the six farmer organizations identified above would diffuse the technical assistance delivered and seriously weaken the overall component effort.

Several secondary cooperatives and associations will receive indirect assistance through "piggy-back" marketing arrangements with the project's primary cooperatives. Secondary cooperatives will also be aided through training programs and other initiatives which the project will co-sponsor with the Gremial (such as dehydration of herbs, spices and other products at the Los Alamos experimental dehydration plant, managed under contract with Los Alamos by the Gremial).

The six primary cooperatives/associations have a current total membership of 6,087. However, one cooperative, Kato Ki, constitutes 4,000 of that total. It is a multi-purpose credit union with only one half of its membership directly involved in agricultural activities. Cuatro Pinos has another 1,600 members. The remainder of the primary and secondary cooperatives vary in size from 40 to 100 plus members.

The cooperative and farmer association beneficiaries are highland farmers working small plots of land (.1 to 3.5 has.) in a mixed subsistence and cash enterprise system. Corn, beans and squash are combined with small amounts of livestock and high-value vegetable crops, such as snow peas, broccoli, brussels sprouts, and various cole crops. Most farmers are indigenous in origin. As a group, highland farmers have been identified in innumerable studies as among the poorest and most disadvantaged, in developmental terms, within the Guatemalan social structure.

Finally, the primary cooperatives and farmer associations will vertically integrate their operations through cooperative ownership and control of packing and processing facilities. Access by cooperatives to their own facilities should improve their competitiveness with private packers and processors. Thus, farmer groups and cooperatives not directly targeted by this activity, but supplying target organizations with produce for processing, will benefit from increased prices paid them.

C. Project Outputs

End-of-Project indicators of improvement in the cooperatives' capacity to handle commercial export production, packaging and processing, marketing, and shipment of NTAE produce, and growing independence from USAID technical assistance to manage the above activities are discussed below. It should be noted that these are medium-term objectives and that not all will be achieved during the 13-month amendment. They are expected to be met in the follow-on project. The criteria for achievement of the sustainability objectives follow:

Manpower Development. The contractor will have trained through advanced stages, by means of mini-case studies, short courses, and follow-up on-the-job training, at least one full-time manager and accountant in each of the participating cooperatives.

Management Support. As each participating cooperative or farmer association begins to generate profits from increased production and marketing activities, the organization will start to assume a percentage of the salary support program costs. One year after the organization has shown a net annual profit of 15% over previous export earnings, the organization will have assumed at least 50% of the cost of the management support program covering its employees.

Because the decision to have the participating cooperative assume 50% of the management cost is only made a year after the cooperatives experiences a 15% profit on export earnings, and since this extension is only for 13 months, not

much movement is foreseen in this area until the follow-on activity.

Production Enhancement. All participating cooperatives and farmer associations will have formal production schedules for participating members with projections for marketing produce through the organization. Production schedules will also be established for each organization sourcing product to a primary cooperative.

Cuatro Pinos and Magdalena already have formal production schedules, and the other cooperatives are expected to adopt them under this amendment.

Market Development. All participating cooperatives and farmer associations will be coordinating marketing/processing through "piggy back" and other purchasing and processing agreements, including supervision of produce selection, handling, and contracting.

It is expected that half of the participating cooperatives will be coordinating marketing and processing by the end of this extension. The balance should adopt some form of coordination in the succeeding project.

Personnel Trained in Production Improvement, Produce Selection and Handling, and Marketing. Key management and production personnel in each cooperative and farmer association will be trained to work with member producers on production improvement and diversification and produce selection and handling. Key personnel in each organization will have been identified and trained in marketing and will be participating in the coordination of marketing efforts among the various organizations. This has been achieved by Rincon Grande, Cuatro Pinos and Aguacatan. Further training will be given to these cooperatives and will be introduced to the other participating cooperatives in this amendment and its follow-on.

In addition, in each organization key members will have met and established personal relationships with the brokers and buyers with whom their cooperative or association has been doing business. It may be necessary to identify local intermediaries if the cooperatives don't have the necessary language skills, communication infrastructure (phone, telex) or business sophistication to effectively deal directly with brokers and buyers. This will allow them to maintain these contacts after the T.A. is no longer available to assist in marketing. This should be accomplished, in all cooperatives, by the end of the amendment.

D. General Project Activities

The cooperative improvement component is both a continuation and refinement of activities undertaken in Phase I. The extension will build upon what has been accomplished, refine several approaches and techniques and concentrate project efforts in six primary cooperatives, as noted above. The project amendment, through the extension of the cooperative agreement with NCBA, will include the same project inputs as Phase I. These are described in the following paragraphs:

1. Technical Assistance

Technical assistance activities can be classified in several functional categories. These activities will be carried out by the NCBA team with support from specialized short-term advisors.

- o Marketing assistance: Market research and identification, promotion and penetration, contacts with buyers, and assistance with the logistics of transportation and shipping.
- o Production and harvesting assistance: Product and variety selection, planting and harvesting schedules, appropriate and safe use of fertilizers and pesticides, disease and insect control, cultivation practices, use of irrigation, technological adaptation, irrigation, field research and experimental trials, quality selection and post harvest protection for shipment.
- o Processing assistance: Quality control, health and safety standards, equipment maintenance, cold storage techniques and freezing technologies.
- o Administration: Managerial and financial systems, internal controls, audits, plant scheduling, marketing and sales agreements and practices, control of inventory and receivables, cash flow management, organizational structure, personnel management and compensation, and procurement of inputs.
- o Financing: Analysis of debt load, cash flow and credit worthiness, feasibility studies for diversification and expansion, and loan packaging and negotiation with BANDESA and other financial institutions.

The technical assistance to be provided will include two long-term expatriate technicians for the duration of the extension (approximately 26 person months) in the areas of (1) financial analysis, credit, accounting, and business administration and (2) agricultural production, marketing, and product handling. An administrative liaison and specialist in cooperative management, operations and training materials development will be provided on a quarter-time basis for the period from the signing of the agreement extension to the end of September 1989. At that time an administrative assistant, to be trained by the administrative liaison, will be provided to take care of the financial and administrative operations of the team's operations after the service of the administrative liaison terminates. Two local-hire technicians with expertise in agricultural production, marketing, and produce handling will be provided to assist the expatriate technicians in working with the cooperative throughout the extension period (26 person months).

The extension provides for approximately eight person months of short-term technical assistance in the following areas:

- post-harvest handling
- frozen food processing and operations and quality control
- equipment design and setup for fresh and frozen food processing plants
- production and processing of herbs and spices
- garlic production and marketing
- plant pathology
- strawberry production, processing, and marketing
- management of controlled environment packaging for export of perishable fruits and vegetables.

2. Management Support

The management support program will be continued and expanded. The current program provides funds to cooperatives for salaries needed to employ key management and technical personnel. This support, critical in the initial expansion stages of the cooperatives' production and marketing efforts, will be provided on a declining scale. As the farmer organizations begin to generate profits, they will begin to assume the cost of the management-support personnel on a progressive basis.

The Phase I project only recently began to use the support component. This delay occurred because the cooperatives themselves felt no need for increased personnel until they had

begun to expand and diversify production and recognize the increased need for improved management and technical capability. Under the amendment, this component will supply the management requirements for increased production and market diversification. It will ensure that needed personnel are available to properly manage and ensure the rigorous quality standards and scheduling requirements for export markets.

Within the short period that the management support component has been in operation and with the extension period providing slightly more than one year, it is not realistic to expect that the cooperatives will be in a position economically to fully assume the management support cost of their personnel by the end of the extension period. The Mission recognizes this amendment as an interim measure during which the issue of long-term sustainability of these activities cannot be fully resolved. The resolution of this issue will be fully dealt with when the Mission decides how best to ensure continuation of these efforts through their integration into the Cooperative Strengthening Project.

To assist the Mission in addressing how best to promote sustainability in these cooperative activities, the technical assistance team will develop a series of indicators that can measure cooperative movement toward progressive self-sufficiency in management of their operations, and a time frame within which the cooperatives can realistically attain this. The measures will include, but not be limited to, the establishment of projections of export earnings, and the rate at which the cooperatives can be expected to achieve such earnings under efficient management operations. The development of these measures and a realistic time frame for their accomplishment will be completed within two months of the signing of the extension agreement.

Accompanying these measures and prepared within the same two-month time frame will be a complete workplan and training program that establishes how the assistance provided to the cooperatives will help these organizations achieve this self-sufficiency. The work-plan will identify by name the key individuals in each cooperative (or who must be contracted from outside) who, in the judgment of the T.A. team, are capable of developing the skills and business acumen to make self-sufficiency of these cooperatives feasible. In addition, based on the projection of export earnings, a schedule will be drawn up for each primary cooperative, describing the timing of the incremental take-over of administrative costs.

In the interim, however, the cooperatives will progressively assume the costs of employing and retaining their highly skilled personnel through two separate mechanisms. As indicated above, as each participating cooperative or farmer

association begins to generate profits from increased production and marketing activities, the organization will begin assuming a percentage of the salary support program costs. One year after the organization has shown a net annual profit of 15% over previous export earnings, the organization will begin bearing at least 50% of the cost of the management support program covering its employees.

In addition, a profit-sharing arrangement will be studied for key management positions. This arrangement will provide incentives to management who, in the many cases where they are not cooperative members, would not otherwise participate in profits. It will also help to ensure that they are not pirated away by other organizations or companies. Under this arrangement, their own personal interests as well as that of the organization membership are mutually channeled into efficient, income-generating export operations.

3. Training

During Phase I, NCBA worked with the Non-Traditional Exporters Guild to plan and conduct a number of training activities. These "classroom" activities supplemented on-site training which occurred through the provision of technical advice.

The long-term, management training program developed in collaboration with the Guild for project cooperatives, other cooperatives, and organized groups will be continued during the extension period.

Each session incorporates 5-6 presentations in areas such as: The cooperative as a business organization; decision making in the cooperative; board/management functions, responsibilities and relationships in the cooperative; cooperative law; etc. Simple case studies are utilized in most areas, either with group participation or for individual problem solving.

In addition, Phase II will provide further training in market development and new production technologies. A portion of this training will be accomplished through participation in conferences and seminars. This will allow cooperative managers to meet buyers, shippers and representatives of federal regulatory agencies. These relationships will be invaluable when cooperative officers take over from the NCBA team.

Representatives of cooperatives will attend presentations on consumption patterns and market trends, and become exposed to new equipment and technologies. The project

will also sponsor attendance at marketing events such as agricultural fairs and marketing promotion seminars (e.g., the Produce Marketing Association annual meeting) as well as selected visits to key wholesale markets in the U.S. and possibly Europe.

The cooperative improvement activities to be carried out under the amendment will concentrate on achieving the following objectives:

4. Increase Efficiency of Existing Cooperative Facilities

The NCBA team will develop linkages between cooperatives that own or can access cooling and packing plant facilities and cooperatives or groups with production potential but without facilities. Increased supplies of produce, which allow increased utilization of packing and freezing facilities, will improve operating margins and net profits, improve cooperative market penetration, and strengthen the financial situation for the cooperatives and their individual members.

5. Diversify Agricultural Production

The project will promote diversified agriculture production by utilizing new, improved plant varieties with good export-market acceptance and greater resistance to disease. These activities will be targeted at cooperatives with current high concentrations in one crop that want to decrease market and production risks.

Crops targeted for this diversification focus include: asparagus, artichokes, raspberries, blackberries, strawberries, baby vegetables, french beans, sugar snap peas, radichio, ginger and various herbs. Strawberries will receive special attention in order to expand cooperative production of this high value product.

6. Increase Production Volumes and Values

Objectives for increased production and projected export earnings are established for each cooperative in Table IV.

7. Strengthen Administration and Management

Train cooperative employees in business administration, export marketing, internal controls, accounting and managerial decision making. This will be done to strengthen the cooperatives as market-driven business organizations focused on long-term profitable relationships for the benefit of their members.

8. Improve Marketing Practices

Provide guidance on improved marketing practices so that in their dealings with foreign buyers the cooperatives will be able to employ techniques which help reduce exposure to constant price fluctuations and minimize collection risks following sale of product.

9. Identify New Markets and Improve Penetration of Existing Markets

Broaden and deepen the exposure of cooperative managers to international markets through additional training and by participation in agricultural fairs and marketing events/seminars in the U.S. and possibly in Europe.

10. Improve/Initiate Packing and Processing Operations

Assist Cuatro Pinos in the installation and initial operations of a processing plant for frozen produce.

If feasible, develop a packing site at the Patzicia facility. Three cooperatives (Kato Ki, Rincon Grande and Magdalena) will coordinate and consolidate shipments from their own facility rather than rely on private packers/exporters.

11. Reinforce Environmental Safeguards in Use of Chemicals

Continue advisory services and training in the safe use of pesticides and other chemicals in coordination with similar activities under the Highlands Agriculture Development Project (520-0274).

E. Activities Undertaken with Specific Cooperatives

During the extension period, the NCBA team will apply two distinct levels of assistance to the cooperatives assisted over the October 1986 - March 1989 period. This strategy is designed to concentrate relatively scarce human resources on a reduced number of primary cooperatives for maximum effect. Limited assistance to several secondary cooperatives will be provided by tying them into the marketing activities of primary cooperatives.

1. Primary Cooperatives

The primary cooperatives listed below are the focus of the extension's activities. These cooperatives are important to the overall success of the project due to their size, ability to process and market production from other cooperatives, and their success in establishing a diversified production base.

The first step to be taken in improving the production, processing, and marketing capabilities of these organizations will be financial and managerial analyses of each cooperative or farmer association that has not yet been analyzed. Training and technical assistance will be directed to overcoming the weaknesses identified in the analyses. Integrating marketing and processing functions will be an important element of the development strategy for these cooperatives. Of equal importance will be the continuation of institutional strengthening undertaken in the previous phase of the project. By the end of the project extension, each of these cooperatives will have improved their financial performance and have stronger management teams in place.

a. Cuatro Pinos

Cuatro Pinos will receive assistance in establishing a vertically integrated, frozen vegetable processing operation at its present site. In order to aid Cuatro Pinos in this expansion, the extended project will provide specialized short-term consultants in frozen food processing. In addition, management support will be provided to permit staffing by qualified, local food-processing technicians.

A second activity will assist Cuatro Pinos in identifying a U.S. joint-venture partner to market the frozen product line. Ideally, a long-term relationship can be established in which the U.S. partner will buy all or substantial portions of the frozen products. This same partner may be persuaded to provide working capital to the venture and also provide management and technical assistance under separate contract. NCBA and its "for-profit" subsidiary, Cooperative Business International, will try to identify a partner. Contacts have already been initiated with several U.S. firms including: PROFAC, an East coast cooperative packer; Blue Anchor, a West coast cooperative; and NorCal, a private, frozen food processor from California.

A third activity will assist in procuring production from other cooperatives. Products will include snow peas, sugar snap peas, broccoli, french beans, strawberries and baby squash for processing at the frozen food plant.

Five cooperatives located in the surrounding area have been identified as additional sources of production. They are Magdalena, Kato Ki, Rincon Grande, Bella Vista and Santa Lucia. Products from these cooperatives will improve the utilization rate of the Cuatro Pinos plant, thereby making possible a reduction in processing costs. In addition, the

sourcing cooperatives will benefit because they will pay less than the current rates charged by private firms to have their products frozen and exported.

A final activity will be to identify a joint-venture partner for export sales of fresh produce. Cuatro Pinos intends in the future to open a U.S. office to broker and ship its own produce as well as produce from other Guatemalan cooperatives. The volume that Cuatro Pinos generates justifies the overhead costs to open and operate a U.S. office.

b. Magdalena

The primary activity for Magdalena will be to expand direct export operations by improving backward linkages to other cooperatives and pre-cooperative groups. This will allow Magdalena to make better use of its packing and processing facilities and reduce operating costs. The associated groups will gain access to packing facilities and export distribution channels, while Magdalena will improve plant utilization, market penetration and capital generation.

The NCBA team will work with Magdalena to recruit additional membership from a group close to Chimaltenango. This group has about 50 acres of AID-financed irrigated land, but has no outlets for its product. A local agronomist, paid for under the Management Support Program, will be hired by Magdalena in order to provide technical assistance to this group which will be growing for export for the first time.

Production will be concentrated on snow peas, baby squash, french beans, sugar snap peas, brussels sprouts and broccoli. Several additional crops, particularly asparagus and strawberries, will be analyzed to determine agronomic and economic feasibility. Field trials and some test production and marketing will be conducted. Should production of the new products appear profitable, a plan for diversification will be formulated.

It is also expected that a significant volume of vegetable crops coming from third parties will be pre-cooled, packed and transported for a service fee.

c. Kato Ki

Kato Ki was established as a credit union and thus has not yet focused on farming of non-traditional crops. Nevertheless, through its membership in FECOMERC, it has attempted to open export markets for some of its production.

Kato Ki has recently requested technical assistance and participation in the Management Support Program in order to better serve the needs of approximately 2,500 member growers.

The NCBA team will assist in irrigation management, production, quality control, administration and marketing. Technical assistance and funding from the Management Support Program will be provided. Kato Ki is expected to produce 400,000 pounds of snow peas this year utilizing production credit from a \$1 million grant from the Italian Catholic Church. Included in these grant funds is money for transportation and cold storage. The NCBA team will also assist in establishing controls for use of this production credit line.

The focus of activities during 1989 will be on establishing a solid production and financial base and marketing capability (possibly through the Patzicia facility). This will permit an expansion and diversification of production in subsequent years.

d. Aguacatan

The project will provide short-term technical assistance to 300 growers in planting, production and harvesting of new varieties of garlic introduced by the project in 1987. Production assistance was provided for the crop year cycle September 1988 through February 1989. Under the amendment, the project will provide assistance in grading, packing and marketing of an estimated 1,050,000 pounds or 27 container loads for export in 1989-90. Management assistance and support are required in accounting, administration, grading, packing and marketing.

This will be the first export season for the association. Packing will be done, if shown to be feasible, at the Patzicia facility under sub-lease from Kato Ki or Rincon Grande.

e. Chichan

The cooperative will soon complete construction of a warehouse for garlic in Aguacatan. The project will provide assistance to the 50 growers in cultural practices of garlic production. This smaller cooperative would also be included in marketing efforts with the Growers Association in Aguacatan.

A small amount of funding under the Management Support Program will also be provided for personnel in accounting, administration, grading, packing and marketing.

f. Rincon Grande

This cooperative is entering a crucial year. The installation of a drip irrigation system on about 50 contiguous acres of land was completed in early 1988. Production by the end of the project is estimated at 2 million pounds. Marketing will be handled by several brokers in Florida and, if production and prices hold, and if there is adequate air transport, the cooperative stands to earn substantial profits. The cooperative will be able to consolidate its projected gains from this year, take advantage of the newly acquired skills of its personnel, and perhaps retire a portion of its debt.

The project will continue to provide technical advice and support for key personnel. Strawberries grown with drip irrigation are a technically complex product and substantial learning is required before the cooperative can be expected to manage all of its own operations.

The cooperative, with NCBA concurrence, has decided to invite another group of farmers to become members. This group already has drip irrigation and some experience with strawberries. Should this group choose to participate, a substantial investment of time will be required by the team, and additional funds from the Management Support Program will be provided to establish the operations and sourcing arrangements with this group.

2. Secondary Cooperatives

The Team will assist several secondary cooperatives to increase export sales by arranging purchasing agreements with primary cooperatives.

a. Zunil

The project will continue to provide specialized advice in the production of aromatic herbs on trial plots, on land recently inaugurated by operations of mini-irrigation systems under the AID-financed highlands irrigation project. Trial exports of fresh herbs will be made during 1989, and some of the herbs will be processed through the Los Alamos/INDE geo-thermal dehydration plant located in Zunil.

The main objective will be to support the cooperative to establish export production and a business framework in which to control its operations. The NCBA team will work with the Guild in the dehydration program and is likely to phase out of activities as the Guild steps up its own work.

b. El Asintal

El Asintal is located near Retalhuleu, approximately 30 minutes from Zunil. The cooperative primarily produces and markets coffee. However, in an attempt to diversify, some members have started to grow ginger.

The project will assist El Asintal in introducing and expanding new high value ginger from Hawaii next year and in establishing markets for the 14 acres presently under cultivation. Additional assistance might be provided, if requested, in field trials for basil. Product handling characteristics are similar, and the two products could be marketed through the same channels. Project-financed assistance will be minimal.

c. Bella Vista

Bella Vista will be assisted by Magdalena in the procurement of brussels sprouts for export during the 1988-89 marketing season. Bella Vista and Magdalena have projected exports of 500 lbs. per week during this period. The main requirements will be to assist Bella Vista in its piggy back relationships with Magdalena and Cuatro Pinos so that it can receive higher prices for its production. The project will provide technical advice to improve production scheduling and quality control. This will be accomplished for the most part by utilizing personnel from Magdalena and Cuatro Pinos. Continued training, through the Guild, will be offered, but direct technical advice from NCBA will be minimal.

d. Santa Lucia

This cooperative currently produces broccoli and snow peas and wants to become a provider to the Cuatro Pinos frozen food plant. NCBA will work with this small cooperative to solidify these linkages and utilize personnel from Cuatro Pinos to assist in production scheduling and quality control. Direct technical advice from the TA team will be minimal.

F. Activities Affecting Several Cooperatives

1. Reactivation of Patzicia Facility

The main activity here is to develop the Patzicia facility as a fresh packing shed for project cooperatives. Before this step is taken, the feasibility of the use of this facility will be studied by an outside consulting team. Approximately \$20,000 is included in the PP Amendment budget for this purpose. The team will review demand for Patzicia's

services, appropriateness of its physical plant, and adequacy of water and electricity necessary for its efficient operation. In addition, the economic and financial benefits of using this facility, as opposed to the same services from the private sector or other cooperatives, will also be analyzed.

If the feasibility study is positive, NCBA will provide technical assistance, training and short-term consultants to establish the packing operation, advise on quality control and packaging standards, set up the office and accounting systems, and create the necessary inventory controls and monitoring programs. The management support program will be used to employ a few key technicians.

If approved, reactivation of the cold storage and packing facilities at Patzicia is expected to move forward with a three-year lease/purchase option to be negotiated with BANDESA. NCBA has presented proposals whereby Kato Ki or Rincon Grande will assume full financial responsibility for the lease and for repairing the cold storage units in order to resume fresh packing operations. Both cooperatives have agreed that whichever is determined by BANDESA to be the most acceptable lease, the other will sub-lease space and services for grading, packing and office operations during the export season. Moreover, the Association of Growers in Aguacatan plans to initiate its garlic export operations also under sub-leased space and services for selection and packing of garlic for export. Lastly, the facility can be used to pack crops from non-cooperative members, principally medium-sized farmers in the area.

Should BANDESA and one of the cooperatives not come to agreement on the lease/purchase contract, several other alternatives for marketing 1988-89 production have been formulated. These include service contracts with other cooperatives (e.g., Magdalena and Cuatro Pinos) and private firms, as well as continued use of the piggy-backing arrangements already used successfully in past years.

2. Pesticide Training and Advice

Training in appropriate and safe use of pesticides will continue. Activities to date have included providing technical advice in the field by long-term advisors and short-term consultants. NCBA will also sponsor, probably with the Guild, at least one seminar on pesticide use/application. This seminar will be conducted with participation of representatives from USDA and FDA and will be coordinated with similar activities being undertaken in the HADS Phase II project.

3. Expansion of Strawberry Production

Increased production of strawberries is important in the project's diversification efforts. A number of cooperatives have expressed interest in strawberries.

The strategy for expansion will be based on both new production at Rincon Grande and several other sites, as well as incorporation of new member growers into the Rincon Grande Cooperative. (The latter approach had been used successfully by Cuatro Pinos to increase its production of snow peas.) New member groups, in different but nearby geographical locations, will be invited to join Rincon Grande to take advantage of the expertise that exists in this cooperative and to facilitate marketing of increased volumes.

IV. COST ESTIMATE AND FINANCIAL PLAN

A. Project Amendment Budget and Financing Arrangements

The proposed total cost of the project amendment is \$1,030,000. Of this amount, \$1,000,000 will be provided by AID from Section 103 grant funds and \$30,000 by participating cooperatives. The total counterpart contribution for the entire Agribusiness Development project is approximately \$8,930,000, which represents 40% of the total project cost of \$22,430,000.

The full amount for this amendment -\$1,000,000- will be obligated in the 2nd Quarter of FY 1989 through an amendment to the Cooperative Agreement with NCBA. Of this amount, \$20,000 will be reserved for USAID use in contracting with a local consulting firm to undertake a feasibility study of the Patzicia processing facility.

Table I provides a summary budget for the Cooperative Improvement extension. Table II provides a projection of summary expenditures by fiscal year. Table III shows methods of implementation and financing, and Annex III provides a detailed financial plan. The advance and/or direct reimbursement method of financing, which is used in the current project, will be used for all project expenditures.

A contingency factor of 5% has been included in the project amendment budget; no specific calculation has been made for inflation due to the fact that the amendment covers only 13 months.

B. Sustainability and Recurrent Cost Discussion

This amendment provides for a refinement and consolidation of activities under the Cooperative Improvement component implemented by NCBA. The Management Support program is continued and expanded. It will ensure that needed personnel are available to properly manage and ensure the rigorous quality standards and scheduling requirements for export markets. As the farmer organizations start to generate profits, they will begin to assume the cost of management support personnel on a progressive basis. By the end of the project, each of the primary cooperatives will have improved its financial performance and have stronger management teams in place.

TABLE I

AMENDED COOPERATIVE IMPROVEMENT COMPONENT
BUDGET SUMMARY AND FINANCIAL PLAN

(U.S. Dollars)

<u>BUDGET SUBCOMPONENTS</u>	<u>USAID</u>	<u>HOST COUNTRY</u>	<u>TOTAL</u>
Technical Assistance			
Long-term	529,944	-	529,944
Short-term	186,811	-	186,811
Training			
Short Courses	55,000	-	55,000
Observational Travel	22,200	-	22,200
Management Support for Cooperatives	133,826	30,000	163,826
Patzicia Feasibility Study	20,000	-	20,000
Commodities (Computer)	6,000	-	6,000
Contingencies	46,219	-	46,219
	<u>\$1,000,000</u>	<u>\$ 30,000</u>	<u>\$1,030,000</u>
	=====	=====	=====

TABLE II

SUMMARY EXPENDITURES BY FISCAL YEAR

(U.S. Dollars)

<u>FISCAL YEAR</u>	<u>AID</u>	<u>HOST COUNTRY</u>	<u>TOTAL</u>
1989 500,000	-	500,000	
1990 <u>500,000</u>	-	<u>500,000</u>	
	<u>\$1,000,000</u>	-	<u>\$1,000,000</u>
	=====	=====	=====

TABLE III

METHODS OF IMPLEMENTATION AND FINANCING

<u>METHOD OF IMPLEMENTATION</u>	<u>METHOD OF FINANCING</u>	<u>APPROXIMATE AMOUNT (U.S. Dollars)</u>
1. Cooperative Improvement	Direct Pay (per AID-PVO Cooperative Agreement)	<u>1,000,000</u>
		<u>\$1,000,000</u>
		=====

V. IMPLEMENTATION PLAN

A. Implementation Arrangements

The Cooperative Improvement amendment will be implemented through an extension of the Cooperative Agreement with the NCBA. NCBA will continue to provide technical assistance and training to targeted cooperatives as outlined in this Project Paper amendment. It will be responsible for arranging all short term technical assistance and the procurement of any commodities, limited in this case to the purchase of one small computer system intended for use by Rincon Grande or Kato Ki in managing the Patzicia facility. As indicated elsewhere, the PP Amendment USAID will contract directly for the feasibility study of the Patzicia facility through an existing local IQC or a competitive process.

As stated on p. 8, NCBA will provide a U.S. administrative liaison/cooperative management specialist on a quarter-time basis to September 30, 1989, to be replaced by a trained local administrative assistant for the period October 1, 1989 to March 20, 1990. NCBA will provide two long-term technical advisors and two local-hire technicians for the 13-month amendment period, supplemented by short-term technical assistance for the financial/management analyses of participating cooperatives and in the technical areas listed in Annex VI.

Within USAID, the project will be handled by one U.S. direct hire officer in the Office of Rural Development, supported by a project management committee drawing on personnel from PRM, PDSO, and the Controller's office.

B. Implementation Schedule

A listing of key events and target dates for the 13-month period is provided below. See Annex VII for a detailed implementation schedule by cooperative.

	<u>1 9 8 9</u>
Project Amendment authorized.	March 3
Cooperative Agreement Amendment with NCBA signed (full obligation of funds).	March 8
Two observational trips by coop. personnel.	March

USAID contract signed with private consulting firm for Patzicia feasibility study	April 30
Audit of NCBA begins (est.).	May 1
Procurement of computer initiated.	May
NCBA to submit to USAID a workplan, training program (with names of key management personnel in each coop.), and schedule for coop. assumption of administrative costs.	May 8
NCBA submits output indicators and earnings/operating costs projections to USAID.	May 8
USAID reviews results of Patzicia feasibility study.	May 30
NCBA completes financial and managerial analyses of Kato Ki, Aguacatan, and Chichan.	June 8
PIO/T executed for evaluation of Cooperative Improvement Component.	August
Estimated date for evaluation start-up.	September
NCBA administrative liaison team member replaced by local hire administrative assistant.	October 1
USAID decision on future assistance to cooperatives.	November
	<u>1 9 9 0</u>
Preparation of follow-on project.	December (1988) to February (1990)
Project completed (PACD).	March 21

C. Evaluation and Audit

The Agribusiness Development Project provides grant funds totalling \$141,250 for evaluations, audits and policy studies, of which \$42,500 was utilized for the mid-term

evaluation of the project in 1987. The Mission has requested the Inspector General's Office in Washington to schedule an audit of the Cooperative Agreement with NCBA in early 1989.

An evaluation of the Bank of Guatemala credit component will be carried out during the first half of 1989. Discussions with the Guild for an evaluation of its efforts are also underway. An evaluation of the Cooperative Improvement component is scheduled for September 1989. Once these evaluations have been completed, the Mission will determine whether an extension of the overall Agribusiness Development Project should be provided or whether individual elements of the project should be extended separately. It is expected that strong consideration will be given to continuing the Cooperative Improvement program by incorporating it into the Cooperative Strengthening Project (520-0286) through an FY 1990 project amendment.

VI. PROJECT ANALYSES

The project analyses undertaken for the original Project Paper still apply. In November 1988, an environmental assessment of pesticide use in the project was completed, and the project was determined to have no negative environmental effect on the basis that adequate technical assistance and training in safe pesticide use are provided for in the project.

Financial/managerial analyses have been completed on Rincon Grande, Cuatro Pinos and Magdalena. These analyses were undertaken by the NCBA team (with assistance from the Cooperative Strengthening Project) in order to assess the cooperatives' strengths and weaknesses, determine more precisely where training and technical assistance should be targeted, and establish a base of management and financial data. The analyses included factors such as: cooperative organization, management structure, staff quality and capacity, technical and managerial skills, accounting practices, internal controls, cash management techniques, debt structure and debt carrying capacity.

Within three months of the signing of the Cooperative Agreement extension, NCBA will have completed financial analyses of all remaining cooperatives, and will have undertaken economic analyses (cost/benefit) of the cooperatives' proposed economic ventures. The financial analyses will continue to utilize the model developed by the Cooperative Strengthening Project, and will draw upon that project's technical expertise, to the extent possible, supplemented by short-term TA under the Agribusiness Development extension.

A by-product of these analyses will be greater awareness on the part of the cooperatives of the need for financial audits. These external audits, conducted periodically by an independent accounting firm, will be useful to the membership and boards of directors. The audits can help assure integrity in reporting, particularly as the cooperatives begin to handle both local and foreign accounts.

The analyses will also provide a systematic means of identifying managerial and financial shortcomings to be addressed by the cooperatives with NCBA assistance during the final 13 months of the project.

(5860C)

ACTION AID/1 INFO AME DCM ROCAP LCON AGAT STORE/6

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TOP: 19:33
CM: 31921
CH-G: AID
DI-T: AID
AD:

AIDAC

L.O. 12356: N/A

TAGS:

SUBJECT: GUATEMALA AGRIBUSINESS DEVELOPMENT PROJECT
(5200276) AMENDMENT

1. THIS CABLE PROVIDES LAC BUREAU'S PROGRAMMATIC APPROVAL OF THE NEW PROJECT DESCRIPTION (NPD) SUBMITTED VIA FAX DATED 1/6/89. THE MISSION DIRECTOR HAS BEEN DELEGATED THE AUTHORITY UNDER DELEGATION OF AUTHORITY 753 TO AMEND THE PROJECT SINCE THE LIFE OF PROJECT (LOP) FUNDING IS LESS THAN DOLS 30 MILLION AND THE PROJECT DOLS NOT POSE SIGNIFICANT POLICY ISSUES. LAC BUREAU APPROVAL IS SUBJECT TO THE FOLLOWING GUIDANCE:

2. IN THE REVIEW MEETING, THE ISSUE OF THE SUSTAINABILITY OF ACTIVITIES ASSISTED UNDER THE COOPERATIVE DEVELOPMENT COMPONENT WAS RAISED. THE MISSION SHOULD INCLUDE IN THE PROJECT PAPER AMENDMENT CLEARLY ESTABLISHED BENCHMARKS FOR THE PHASED WITHDRAWAL OF USAID'S FINANCIAL AND TECHNICAL SUPPORT TO THE RECIPIENT COOPERATIVES. FURTHERMORE, THE PP AMENDMENT SHOULD INCLUDE: A) A JUSTIFICATION FOR THE LEVEL OF

MATCHING FUND SUPPORT BEING PROVIDED TO THE COOPERATIVES TO EMPLOY KEY TECHNICAL AND MANAGEMENT PERSONNEL; AND, B) ASSURANCES THAT THE COOPS WILL GENERATE SUFFICIENT REVENUES IN A REASONABLE PERIOD OF TIME TO ASSUME FULL FINANCIAL RESPONSIBILITY FOR THESE EMPLOYEES. FOR BOTH THE MANAGEMENT SUPPORT AND THE NTAL CROP RESEARCH ACTIVITIES, THE TERM, MATCHING FUND, SHOULD BE CLEARLY DEFINED SO THAT ONE CAN DETERMINE THE LEVEL (E.G. 25 PERCENT, 50 PERCENT) BEING PROVIDED.

3. THE CN FOR THE SUBJECT AMENDMENT WENT UP TO THE HILL ON JANUARY 12 AND OBLIGATION CAN BE INCURRED ON JANUARY 27. ARMACOST

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CONSOLIDATED BUDGET

	Est. Costs to 03/08/89	03/09/89- 03/21/90	Total
1. Salaries	\$407,666	\$164,211	\$571,877
2. Consultants	\$40,792	\$100,600	\$141,392
3. Fringe Benefits	\$111,821	\$ 37,190	\$149,011
4. Travel-Transportation	\$109,993	\$150,610	\$260,603
5. Allowances	\$201,494	\$ 92,901	\$294,395
6. Other Direct Costs	\$ 34,501	\$ 16,527	\$ 51,028
7. Participant Training	\$ 10,166	\$ 55,000	\$ 65,166
8. Mn'gt Supp. Subagree	\$ 54,546	\$133,826	\$188,372
9. Equipment and Supplies	\$ 56,152	\$ 6,000	\$ 62,192
10. Overhead	\$276,687	\$181,980	\$458,667
11. General and Admin.	\$ 29,285	\$ 14,935	\$ 44,220
12. Contingencies	\$ -0-	\$ 46,220	\$ 46,220
=====			
TOTAL	\$1,333,143	\$1,000,000	\$2,333,143

* These three activities are requirements to be completed in first two months of extension of project and comprise the cornerstone on which all efforts to make the current activities sustainable are built.

DETAILED FINANCIAL PLAN

Technical Assistance

1. Long-term Technical Assistance

<u>Salaries</u>	<u>FY 89</u>	<u>FY 90</u>	<u>TOTAL</u>
U.S. Personnel Field			
7.5/12 X 106,341	66,464		
(2.75/12 X 106,341)+29,548		53,918	120,382
Washington Project Monitoring	6,475	4,963	11,438
Local Staff 7.5/12 X 29,009			
(2.75/12 X 29,009)+7,615	<u>18,128</u>	<u>14,263</u>	<u>32,391</u>
	<u>91,067</u>	<u>73,144</u>	<u>164,211</u>
 <u>Fringe Benefits</u>			
Field personnel 28%	18,610	15,097	33,707
Washington 19%	1,230	943	2,173
Local 4%	<u>725</u>	<u>585</u>	<u>1,310</u>
	<u>20,565</u>	<u>16,625</u>	<u>37,190</u>
 <u>Travel and Transportation</u>	 <u>16,938</u>	 <u>76,202</u>	 <u>93,140</u>
 <u>Allowances</u>	 <u>39,822</u>	 <u>27,513</u>	 <u>67,335</u>
 <u>Other Direct Costs</u>	 <u>9,355</u>	 <u>7,172</u>	 <u>16,527</u>
 <u>Total Direct Costs</u>	 <u>177,747</u>	 <u>200,656</u>	 <u>378,403</u>
 Overhead (37%) on direct costs	65,766	74,243	140,009
Commodities	6,000	-	6,000
General & Administrative cost (3%) (Direct Costs and Commodities)	<u>5,512</u>	<u>6,020</u>	<u>11,532</u>
Sub-Total	255,025	280,919	535,944

2. Short-term Technical Assistance

<u>Salaries</u>	<u>FY 89</u>	<u>FY 90</u>	<u>TOTAL</u>
Consultant Fees	49,422	41,419	90,840
Travel and Transportation	15,436	11,834	27,270
Per Diem	<u>14,471</u>	<u>11,095</u>	<u>25,566</u>
Total Direct Costs	<u>79,329</u>	<u>64,348</u>	<u>143,677</u>
Overhead (37%)	32,6377	27,094	59,731
General and Adm. (3%) (Total direct costs)	<u>1,926</u>	<u>1,477</u>	<u>3,403</u>
Sub-Total	113,892	92,919	206,811*

3. Training

Short courses			
Research Experimentation	12,500	12,500	25,000
Market and Production Development	<u>15,000</u>	<u>15,000</u>	<u>30,000</u>
	27,500	27,500	55,000
Observational Travel	<u>11,100</u>	<u>11,100</u>	<u>22,200</u>
Sub-Total	<u>38,600</u>	<u>38,600</u>	<u>77,200</u>

4. Local Cooperative Management Staff

Feb. 15 - Sept. 30, 1989	69,458		
Oct. 1 - March 21, 1990		64,368	
			<u>133,826</u>
Sub-Total	69,458	64,368	133,826

5. Contingencies

	<u>23,025</u>	<u>23,194</u>	<u>46,219</u>
Sub-Total	23,025	23,194	46,219

GRAND TOTAL	500,000 =====	500,000 =====	1,000,000 =====
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* Of this amount, \$20,000 will be obligated in the cooperative agreement with NCBA but reserved for USAID use in contracting for the feasibility study of the Patzicia facility.

(3118C)

COOPERATIVE SUMMARY

<u>Primary Coops</u>	Current Status	End of 3 Year Ext.
Cooperative: <u>Cuatro Pinos</u>		
1) Membership	1,600	1,768
2) Gross Sales	Q 11,806,495	Q 15,000,000
3) Net Profit	Q 1,662,998	Q 2,200,000
4) Foreign Exch. Earned	\$ 4,000,000	\$ 5,600,000
5) Employment:		
Seasonal	86-120	120-350
Fixed	11	20
6) Agriculture Production For Export	6,122,716 lbs.	9,850,000 lbs.
Cooperative: <u>Magdalena</u>		
1) Membership	155	236
2) Gross Sales	Q 1,090,710	Q 2,000,000
3) Net Profit	Q 7,342	Q 300,000
4) Foreign Exch. Earned	\$ 200,000	\$ 700,000
5) Employment:		
Seasonal	5-30	60-120
Fixed	5	12
6) Agriculture Production	935,831 lbs.	2,000,000 lbs.

Cooperative: Kato Ki

1) Membership (Total)		4,000		4,000
Ag. Producers		350		700
2) Gross Sales	Q	110,000	Q	600,000
3) Net Profit		<22,000>	Q	200,000
4) Foreign Exch. Earned	\$	0	\$	250,000
5) Employment:				
Seasonal		6-10		25-40
Fixed		6		12
6) Agriculture Production For Export		0		600,000 lbs.

Cooperative: Rincon Grande

1) Membership		51		80
2) Gross Sales	Q	48,653	Q	3,000,000
3) Net Profit	Q	3,369	Q	500,000
4) Foreign Exch. Earned	\$	10,000	\$	1,100,000
5) Employment:				
Seasonal		20-50		100-200
Fixed		5		10
6) Agriculture Production For Export		40,000 lbs.		2,200,000 lbs.

Cooperative: Chichan

1) Membership		31		52
2) Gross Sales	Q	48,000	Q	130,000
3) Net Profit	Q	2,000	Q	45,000
4) Foreign Exch. Earned		-0-	\$	50,000
5) Employment:				
Seasonal		individual		20-40
Fixed		1		5
6) Agriculture Production For Export		-0-		80,000 lbs.

Cooperative: Association in Augacatan

1) Membership	250	375
2) Gross Sales	-0-	Q 1,000,000
3) Net Profit	-0-	Q 150,000
4) Foreign Exch. Earned	-0-	\$ 370,000
5) Employment:		
Seasonal	-0-	30-100
Fixed	-0-	8
6) Agricultural Production For Export	-0-	1,200,000 lbs.

Secondary Coops*

Current Status

Cooperative: Zunil

1) Membership	102
2) Gross Sales	Q 200,000
3) Net Profit	Q 35,000
4) Foreign Exch. Earned	-0-
5) Employment:	
Seasonal	-0-
Fixed	7
6) Agriculture Production For Export	112,000 lbs.

Cooperative: Bella Vista

1) Membership	100
2) Gross Sales	Q 75,000
3) Net Profit	Q 8,000
4) Foreign Exch. Earned	\$ 90,000
5) Employment:	
Seasonal	5-25
Fixed	5
6) Agriculture Production For Export	180,000 lbs.

Cooperative: Los Manzaneros

1) Membership		40
2) Gross Sales	Q	150,000
3) Net Profit	Q	5,000
4) Foreign Exch. Earned	\$	7
5) Employment:		
Seasonal		5-30
Fixed		5
6) Agriculture Production For Export		80,000 lbs.

Cooperative: Santa Lucia

1) Membership		40
2) Gross Sales	Q	200,000
3) Net Profit		-0-
4) Foreign Exch. Earned	\$	76,000
5) Employment:		
Seasonal		15-30
Fixed		3
6) Agriculture Production For Export		170,000 lbs.

Cooperative: El Asintal

1) Membership		76
2) Gross Sales	Q	175,451
3) Net Profit	Q	5,388
4) Foreign Exch. Earned	\$	1,000
5) Employment:		
Seasonal		5-10
Fixed		6
6) Agriculture Production For Export		30,000 lbs.

Cooperative: Cunen

1) Membership		30
2) Gross Sales		-0-
3) Net Profit		-0-
4) Foreign Exch. Earned		-0-
5) Employment:		
Seasonal	individual	
Fixed		3
6) Agriculture Production For Export		-0-

*Projections for 13-month results have not been made for secondary coops because the Team will not focus its activities on this group.

TA & TRAINING COST BREAKDOWN

	<u>FY 89</u>	<u>FY 90</u>	<u>TOTAL</u>
Long-term Technical Assistance	249,025	280,919	529,944
Short-term Technical Assistance	113,892*	92,919	206,811
Local Cooperative Management Staff	69,458	64,368	133,826
Commodities (computer)	6,000	0	6,000
Training	<u>38,600</u>	<u>38,600</u>	<u>77,200</u>
	476,975	476,809	905,780
Contingencies (5%)	<u>23,025</u>	<u>23,195</u>	<u>46,220</u>
	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>

* includes \$20,000 for feasibility study for Patricia facility.

SUMMARY OF PROJECTION FOR USE OF SHORT-TERM CONSULTANTS UNDER CLUSA AGRIBUSINESS PROJECT,
 CONFORMED TO PERIOD JANUARY 1, 1989 - MARCH 21, 1990.
 (Presumes CLUSA/W will estimate average international travel costs; average
 consulting fee; number of days per diem per trip).

COOPERATIVE OR ASSOCIATION	AREA OF EXPERTISE	NUMBER OF TRIPS DURING 15 MONTHS	NUMBER OF CONSULTING DAYS PER TRIP	TOTAL NUMBER OF CONSULTING DAYS PER CONSULTANT
1. CUATRO FINOS for freezing plant	Engineering design	2	12	24
	Quality control for frozen food processing operations.	4	4	20
	Packing, storage and handling related to frozen products.	3	15,10,5	30
2. Fresh packing for any primary CLUSA Co-op or Diversification into new products such as flower asparagus or artichokes.	Engineering design upgrading cold, storage, and freezing.	2	12	24
	Equipment design (sorting lines for fresh product.	3	5	15
	Controlled atmosphere for storage and shipment of fresh strawberries.	2	5	10
3. RINCON GRANDE	Production (strawberries).	6	4	24
4. Producers Assoc.; CHICHAN COOPERATIVE; CUNEN.	Garlic production, selection, handling, and marketing.	6	10	60
5. CUATRO FINOS and ZUNIL.	Herbs and spices.	2	5	10
6. Overall project in collaboration with Gremial.	Pesticides use and U.S. regulations.	1	4	4
7. Overall project in collaboration with Gremial.	Plant pathologist.	1	4	4

Summary: 10 short-term consultants
 32 trips
 225 consulting days

Implementation Plan

	2nd. Qtr. '89 (March 8, '89)	3rd. Qtr. '89	4th. Qtr. '89	1st Qtr. '90	2nd. Qtr. '90

Tech. Asst.					
Long Term	1.8 pers/mos	6.75 p/m	6.75 p/m	6 p/m	6 p/m
Short Term	.5 p/m	3.0 p/m	3.0 p/m	2.0 p/m	.5 p/m
Management Support	18 pers/mos	75 p/m	84 p/m	84 p/m	75 p/m
Training					
Short C'rse		35 participants	35 part's.	35 part's.	
Observat'l Travel	2 trips	2 trips	3 trips	2 trips	2 trips
Commodity P.					
Computer		1 unit			
Financial/ Econ. Anal.*		3 coops anal.			
Devel. of Output Ind's./ Projections*		XXXX			
Identification of Key Org. Pers'nal for training*		15-18 people			
Patzicia Feasibility Study					
1. Contracted		May 1st.			
2. Completed		May 18th.			

Implementation Plan
 January 1989 - March 15, 1990

ORGANIZATION SPECIAL PROJECT	ACTIVITY	QUARTER				
		1ST	2ND	3RD	4TH	5TH
COOPERATIVA AGRICOLA INTEGRAL RINCON GRANDE R.L.	1. Hire professional management whom can administrate, market and manage RINCON GRANDE.	X				
	2. Advise RINCON GRANDE on contract arrangements for:					
	a) Processing surplus product.	X				
	b) Marketing processed frozen product.	X				
	3. Schedule short-term consultants.	X	X	X		X
	4. Assist formalization of transportation arrangements for:					
	a) Internal transport field to pre-cooler	X				
	b) Export of fresh and frozen product.	X	X			
	5. Review and analize baseline study of membership.	X				
	6. Train Co-op administration to administrate fresh and frozen strawberry operation.	X	X	X	X	X

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ORGANIZATION SPECIAL PROJECT	ACTIVITY	QUARTER				
		1ST	2ND	3RD	4TH	5TH
ASOCIACION DE AGRICULTORES DE AGUACATAN	7. Review procurement of garlic seed for experimentation and seed bank			X		
	8. Develop long-term training program for administration, pesticide and export procedures.	X	X	X	X	X
	9. Buy experimentation seed from Mexico		X			

ORGANIZATION SPECIAL PROJECT	ACTIVITY	QUARTER				
		1ST	2ND	3RD	4TH	5TH
ASOCIACION DE AGRICULTORES DE AGUACATAN	1. Assure appropriate scheduling of export marketing of garlic production from improved seed and current marketing of creole garlic production:	X	X			
	a) financing with Bandesa/Corfina for marketing.	X				
	b) boxes, costales, etc.	X				
	c) labor for grading and packaging	X				
	d) transportation	X				
	e) marketing	X				
	2. Monitor quality of production from improved seed imported by CLUSA Project.	X	X			
	3. Arrange for short-term T.A. for production, harvest, grading, and packaging garlic.	X	X	X	X	X
	4. Arrange for financing for packing shed in Aguacatan for 1989-1990 harvest.			X	X	X
	5. Assist in market development trade shows to export 27 container loads of garlic.	X		X		
	6. Develop internal controls and accounting.	X	X			

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ORGANIZATION SPECIAL PROJECT	ACTIVITY	QUARTER				
		1ST	2ND	3RD	4TH	5TH
COOPERATIVA INTE- GRAL KATO-KI, R.L.	1. Schedule participation in training program in collaboration with Gremial		X	X	X	
	2. Hire administration personel and production personel	X				
	3. Assist with debt transfer from Fecomerg to Bandesa.	X				
	4. Undertaken financial and administration analysis of Co-op.	X				
	5. Advise co-op on equipment and infraestructure need for packing shed and production inputs.		X	X		
	6. Coordinate contacts for marketing of snow-peas to U.S. and Europe.	X	X		X	X
	7. Assist Co-op in building production.	X	X		X	X
	8. Plan marketing trip to U.S.				X	

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ORGANIZATION SPECIAL PROJECT	ACTIVITY	QUARTER				
		1ST	2ND	3RD	4TH	5TH
COOPERATIVA AGRICOLA INTEGRAL MAGDALENA, R.L.	1. Increase agricultural production to obtain greater plan capacity utilization.					
	a) Hire agronomist	X				
	b) Enter new production groups into Co-op	X	X	X		
	c) Increase membership				X	X
	d) Enter irrigation groups into Co-op.	X	X			
	e) Add agricultural production department to Co-op's organizational chart.	X				
	f) Production programming/marketing programming.	X				
	2. Review with administration					
	a) Credit policy.	X	X			
	b) Product payment policy.	X	X			
	c) Organizational chart.	X	X			
	d) Internal controls.	X	X			
	e) Cost accounting.	X	X			
	f) Hire additional administration.	X				
	3. Training Board of Directors and staff.		X	X	X	
	4. Hire short-term T/A for fresh packing operation.	X				
	5. Review need for additional working capital and production loan for Coop and members.		X	X		

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ORGANIZATION SPECIAL PROJECT	ACTIVITY	QUARTER				
		1ST	2ND	3RD	4TH	5TH
COOPERATIVA AGRI- COLA INTEGRAL CHICHAN, R.L.	1. Obtain financing for garlic marketing with Bandesa	X				
	2. Complete construction of garlic warehouse in Aguacatán.	X				
	3. Arrange short-term T.A. for growing, harvesting packing garlic	X	X	X	X	X
	4. Review procurement of Taiwan garlic seed.			X		
	5. Schedule participation in long-term training program.		X	X	X	
	6. Assist management and administration capacity of Cooperative through management support and training.	X				
	7. Assist development of internal controls for handling.	X	X			
	8. Assist in marketing garlic for the 1988-1989 crop year.	X	X			

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ORGANIZATION SPECIAL PROJECT	ACTIVITY	QUARTER				
		1ST	2ND	3RD	4TH	5TH
SECUNDARY COOPERATIVE:						
SANTA LUCIA NO- VIERO	1. Arrange work-out plan on financing Co-op debt with Bandesa and Federation strengthening project.	X	X			
	2. Arrange for production contracting with CUATRO FINOS for frozen food plant.				X	X
	3. Schedule participation in training.			X	X	
	4. If refinancing is successful then consider management support.			X	X	
BELLA VISTA, R.L.	1. Add fresh brussels sprouts production through MAGDALENA.	X	X			
	2. Schedule contracts for frozen production to CUATRO FINOS.				X	X
	3. Invite Co-op to training.			X	X	
SAN JUAN FLOWER GROWERS	1. Evaluate potential for participation in management support program.	X				
	2. Evaluate short-term T.A. in flower growing			X	X	
	3. Invite Co-op to training classes.		X	X	X	
	4. Assist in marketing.				X	X

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ORGANIZATION SPECIAL PROJECT	ACTIVITY	QUARTER				
		1ST	2ND	3RD	4TH	5TH
CUNEN ASSOCIATION	1. Monitor asparagus and white garlic, shallots production.	X	X			
	2. Plant shallots under experiment basis.	X				
	3. Evaluate incorporation of white garlic into Association.			X	X	
	4. Invite Association to training.		X	X	X	
ZUNIL	1. Monitor herb and spice production undertaken by CLUSA project.	X				
	2. Evaluate local market for Zunil production production.	X	X			
	3. Review potential for management support program.		X	X		
	4. Assist in seed procurement and production assistance.	X	X	X	X	X
	5. Assist in training.			X	X	X

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ORGANIZATION SPECIAL PROJECT	ACTIVITY	QUARTER				
		1ST	2ND	3RD	4TH	5TH
EL ASINTAL, R.L.	1. Assist in export marketing of giner	X	X			
	2. Schedule participation in long-term training.		X	X	X	
	3. Assist in procurement and importation of new ginger varieties.	X	X			
LOS MANZANEROS COOPERATIVE PROCESSING OPERATIONS	1. Review possibilities of opening imported apples into Guatemala through an apple association.	X	X	X		
	2. Continue consulting with Bandesa on Patzicia facility and other CECOMERCA.	X	X	X		