

PREFACE

The Project Assistance Completion Report (PACR) for the Small Farmer Production and Marketing Project (SFPMP) reports on periods before and after the Project Assistance Completion Date (PACD). This has been so because of the following:

1. USAID continues to monitor the use of properties purchased with its funds to safeguard against abuse. The project is still not making a profit and in the case of closure, these USAID donated properties are not to be used by any of the directors as personal properties.
2. It is of importance to USAID to see how a small farmer co-operative functions without financial and managerial assistance.
3. The Ministry of Agriculture has pledged its support to the cooperative and it is important to observe how the cooperative will function with government subsidy as against USAID's assistance.
4. The Management of the cooperative continues to invite USAID to visit the project.

PROJECT ASSISTANCE COMPLETION REPORT

Small Farmer Production and Marketing Project USAID Project #532-0097

The Small Farmer Production and Marketing Project (SFPMP) was initiated on April 1, 1983, by Partnership for Productivity/International (PPF), and was responsible for project implementation until December 31, 1986. Subsequent to this, Cooperation for American Relief Everywhere (CARE) provided management until the Project Completion Date of May 27, 1989. The St. Catherine's Vegetable Producers' Association located in Old Harbour was the site of the project. The same expatriate project manager stayed with the project throughout the tenure of both private voluntary organizations.

The original purpose of this OPG (532-0097-G-SS-5174-00), as stated in the project agreement signed by Partnership for Productivity in 1983, was to work with the Saint Catherine's Vegetable Producers Association (SCVPA) in order to:

1. Assist predominately small and medium size farmers in the Bushy Park and Rhymesbury areas in increasing the volume and quality of fruits and vegetables;
2. Assist in the marketing of the same through the development of Producer Marketing Organizations (PMOs) of which farmers will be members;
3. Help to establish a well functioning interface between large numbers of small growers and the marketing organization;
4. Develop relationships between the PMOs and U.S. importers and distributors and monitor the performance of these U.S. business contacts;
5. PMOs are self governing bodies (limited liability companies, cooperative associations, etc.) of produce growers in particular areas, Bushy Park and Rhymesbury in the case of this project. Under the Agriculture Marketing Program, the Ministry of Agriculture is assisting in their creation, establishing packing house facilities and some training of management personnel, with the help of a USAID loan. A PMO in any given area will market crops grown by its members and associate members. This project was also to provide technical assistance in the development of the PMO in the areas of membership, organization, management and operations, in order to efficiently market the increased volume of produce generated on the domestic and export markets.

The project was originally designed for a life of one year (April 1, 1983 - March 31, 1984) with total funding of US\$360,000. The PACD was extended on four occasions to May 27, 1989 which made available an additional US\$700,000, with a total obligation of US\$1,060,000 for the six-year Life of Project (LOP).

Total disbursement as of May 31, 1990 was US\$987,463 leaving an unliquidated amount of US\$109,659 (USAID Financial Records). CARE's financial data showed an unobligated balance of Federal Funds of US\$49,653 as of February 23, 1990 (EOCS for procurement during final stages of the Project have not been submitted to USAID by CARE).

CARE has been requested by USAID to furnish vouchers for all expenditures under the project so that the final accounts can be completed. Mission will follow-up to ensure that this is done.

The project has faced numerous problems but despite these the project can be seen as a relative success with some solid achievements. The project was designed to assist the St. Catherine Vegetable Producers Association (SCVPA) in becoming a viable small farmer co-operative and to assist in its development as a Producer Marketing Organization. The project was also charged with the responsibility of executing training in both agronomic and marketing development for members of the SCVPA. At the PACD some of these objectives had been accomplished, as listed in (a) to (h) below.

a. The small farmer producer and marketing organization, the SCVPA has been formed and is operating as a registered limited liability company, despite the fact that the co-operative is still operating at a loss.

b. The project offered training in vital areas critical to the development of small farmer producer marketing organizations, i.e., pesticide use, packaging of agricultural produce, proper record keeping, and efficient water application to crops.

c. The cooperative acquired important farm inputs for members of the cooperative at competitive prices, i.e., agricultural chemical, fertilizer, spray equipment, seeds, tools etc were sold to farmers at cost price.

d. It also provided quality storage for produce after harvesting. The packing facility made available by the Ministry of Agriculture and USAID to the project is playing a vital role in the marketing initiative. The packing facility reduces post-harvest losses significantly and acts as a quality control center for produce from the project area and other PMOs.

e. The project was able to bring small farmers together as co-operative members and concentrated heavily on farmers with 1-5 acres. By so doing many new crops were introduced to improve the income of these small farmers. Some of these crops are cantelopes, pak choi, lettuce, cabbage, cucumber, onion and papaya.

Before the project, production was on an ad-hoc basis, and the project was able to organize some level of planned production system. Farmers for the first time were producing on request from the co-operative. This request was based on available market outlets for the respective crops.

f. The project was able to offer storage and packaging services to other PMOs for crops such as calallo, yams and peppers.

g. The project through training has created a business-like atmosphere among the farmers and formulated a systematic approach to agriculture in a small farmer setting.

h. The SCVPA is not entirely self-sustaining. It is still operational and while it still suffers from financial difficulties and uncertainties, it could become viable if the organization can continue to employ good management.

The cooperative failed to consolidate on good financial management maintaining market share developed over time and to stimulate farmers to produce sufficient good quality product in a sustainable manner for the available markets. With the mix of limited successes and failures the project was completed although the cooperative was not in a profit position at PACD, the foundation for the operation of a small farmer cooperative is established.

The Small Farmer Production and Marketing Project approach could be redesigned with more emphasis on local technical assistance and training and the above achievements could be achieved from a much reduced budget. At PACD the Project utilized US\$923,685 from a total budget of US\$1,060,000 on a co-operative with a membership base of approximately 360 of which active members seldom exceed 280 at any point in time. The number of beneficiaries would have been much greater if the project design was structured for a wider farm coverage.

However, several factors have operated to constrain this project from greater success. The original project concept was to establish a marketing organization around a few larger farmers in the Bushy Park area. This situation was changed about 6 months after the initiation of the project with USAID putting forth several conditions precedent, which called for a broad based organization. This move upset several of the original members, and therefore, prejudiced their subsequent involvement in the project. These board members wanted the co-operative to be centered around larger farms while smaller farms would participate under the mother farm or satellite system. Therefore, changing project design as USAID's commitment expanded had a direct negative impact on the role of members of local leadership in the cooperative. Local leadership was one of the key constraints through the entire project.

The severe delays in the supply of irrigation water had a negative impact on the project. Although Bushy Park was described in the project agreement as being irrigated, it proved to be nearly 3 1/2 years after the project began before the area received any water at all. Several other areas covered by the project were similarly

affected and have yet to receive water. Therefore, the project manager had to expand the purchase and packing activities of fresh produce beyond the primary project site in order to effectively utilize the packing house, vehicles, staff and supporting equipment provided. While this made economic sense for the project in absence of the planned local production, it also diffused the focus of the project. A lack of focus was one of the major problems with the project.

A number of organizations including Ministry of Agriculture (MINAG) and National Union of Co-operative Societies (NUCS) participated in this project and there was a good deal of initial confusion and competition over roles. This factor also impeded progress in the early stages of the project until it was sorted out.

The limitations of step by step project extension process were aggravated by natural phenomena such as floods in June 1986 and Hurricane Gilbert in 1988. In all, perhaps only a year's production out of six years was lost. While some normal variation in production probability should have been taken into account in designing the project as a multiyear operation from the outset with an established LOP. The project reacted on an annual basis to setbacks caused by natural phenomena and four extensions to PACD without modifying the already weak project design.

Apart from the major constraints already mentioned there were others that affected smooth implementation of the project including:

(1) The inability of the Board to identify, hire, and train a suitable local manager despite several attempts to do so. The project operated throughout with an expatriate project manager who performed creditably. The SCVPA demonstrated faith in the expatriate manager by hiring him with their own funds to continue to run the organization for four months after the PACD. Yet, his presence somehow did not result in the SCVPA succeeding in instating local management. Several attempts were made to hire local managers but none of them stayed on the job because of the following:

- (a) Poor performance on the job.
- (b) Difficulty to fulfill the board's expectations over the short period given for these managers to perform.
- (c) The local managers were often times frustrated by the lack of facilities available and lack of guidance from both the expatriate project manager (who was over worked just keeping things going) or the Board.

It is quite obvious that it is difficult to identify middle management personnel in Jamaica and managers for agricultural marketing enterprises are particularly scarce. Owing to this situation, CARE Project Manager was retained throughout the LOP although it cost the project US\$345,323 over the LOP or 33% of total budget for the Project. The average cost per year for the expatriate management was US\$57,553 in comparison to an average annual salary of J\$48,000 (US\$8,727 at US\$1 to J\$5.50) for local managers. The retention of CARE personnel could have been averted

if the salary offered for local managers was more attractive, but then the PVO project would have had to come to a close as CARE did not have any other staff on the island to backstop the project.

(2) The implementation of the project was not able to focus on the prime objectives as stated in the Project Agreement which were made on assumptions that proved wrong. The idea was to create a viable producers marketing organization. With the very strong traditional agriculture marketing structure new forms of marketing organizations have not proven successful in Jamaica. Also as mentioned earlier without adequate irrigated acreage to sustain single purpose producers marketing organization the focus evolved to extension activities and the buying and selling of produce from outside the project area instead of from the members of the co-operative.

(3) The co-operative naturally relied on the readily available outside grant assistance instead of restructuring and aiming at early financial viability. As a result the grant funded technical assistance and support costs were seen in the same light as revenue.

(4) The board was not selected from persons with expertise in the area of agricultural marketing and also the board only started to take an active role in the implementation of the project after the PACD. During the life of project the board seldom took part in the decision making as most boards in Jamaica do, since the USAID input through CARE represented a major portion of the total ongoing project management. The board did not limit the job of the CARE project manager, which on record was to assist in the agronomic and extension aspects of members of the co-operative. Instead of this narrow role, he operated as the marketing manager. This broad approach constrained the growth of all the local managers who on paper were hired as marketing managers, but ended up functioning more as extension officers.

The overall situation after the PACD is that the St. Catherine Vegetable Producers Association is continuing to function and is furthering project objectives. In part this is because the project until recently has benefited from prepaid rent and insurance. The prepaid expenses to the project were in the form of lease payment made up-front just before the PACD. This funding came to an end at December 31, 1989, and the project has been continuing on its own since January 1990. The Chairman of the Board was interviewed in April 1990 and he was no longer confident that the Project will remain viable in the future because again they had lost their manager (this time to illness) and the SCVPA appeared to be heading into debt.

Since the close out exercise in May 1989, the Ministry of Agriculture has proposed to assist the project in developing the lands on which the packaging house is located, by constructing two fish ponds of one acre each in size, and planting of approximately two acres of papaya. Besides this, the project also has on site all material for the construction of a shade house which will be used to produce seedlings for co-operative members. All proceeds from this new development (MINAG Proposal) will go to the SCVPA while the

Ministry of Agriculture will use the packaging facilities for field day demonstrations and other forms of training. The project has not yet got formal lease documents for the facilities but the Ministry of Agriculture is still working on this matter. All matters concerning the Ministry of Agriculture's involvement will go through the SCVPA Board for approval.

The project relied on the services of CARE's project manager for another four months after PACD, before the new Jamaican manager was hired to fill the post. During the period between the resignation of CARE's project manager and the hiring of the new manager, a member of the board acted as interim manager. This situation negatively affected the co-operative financial position by paying two managers at the same time. Again the project is in need of a manager and the likelihood of success remains doubtful.

CARE's project manager has secured numerous sales arrangements with various business entities islandwide with concentration in Kingston, but most of these arrangements became inactive after Hurricane Gilbert, which struck Jamaica in 1988. Since the PACD, the new management has been trying to rejuvenate these sale agreements in a bid to make the co-operative viable.

In October 1987, 1988 and 1989 the following are the monthly financial statistics of the project:

Date	Disbursement	Receipt	Profit/Loss
10/20/87	J\$ 41,364	J\$64,885	J\$ 23,521
10/20/88	16,873	17,302	429
10/21/89	104,657	72,260	(32,397)

The project was approaching viability in 1987 and made a small surplus in October 1988 but slipped to a large deficit in 1989. The deficit was due to both poor collection of cash because of the transition from CARE/USAID management to total board management and to low production caused by Hurricane Gilbert.

Despite the cut back in support from USAID and CARE, the SCVPA could possibly be back at the 1987 level of performance and beyond if the co-operative can employ good management, and when the long awaited irrigation water is available to farmers in the project area on a regular basis.

An assessment of the project six months after PACD revealed that the objectives and purposes of the project are necessary for the area that the project operated. Irrigation water has reached the area, however, the upgrading of the St. Dorothy system with new steel pipe has again created severe disruptions of supply for many farmers. Since the area now has had and will have irrigated lands, and a large number of small farmers, the concept should be to maximize the output by increasing production and assisting the local farmers with marketing outlets and other services. These SCVPA services will allow the farmer more time on his land, thus helping to maintaining an emphasis on expanded production. The project tried to achieve this by providing inputs at reasonable

prices, collect the farm produce to minimize post harvest loss, initiate training programs to further educate the members of the co-op to become better farmers and liaise with other organizations on behalf of the farmers.

Lessons Learnt:

In assessing the project, the most important lessons learned are as follows:

(a) The Project created a co-operative which is not sustainable. The idea was to support the government's new agricultural marketing system, the Producer Marketing Organization, but this system failed because the PMO concept simply did not work. It is evident that both the GOJ and USAID should not concentrate on farmers utilizing economically effective private marketing companies instead of creating new institutional forms which cannot work without subsidies, price distortions and some form of monopoly.

(b) USAID should insist on timely commodity procurement because in the final six months of the project implementation, project activities consisted to a large degree on finalizing project financed procurements that should have been scheduled earlier in the project.

(c) The project evaluation that was conducted in 1988 should have been done two years earlier, to allow for adequate lead time to benefit from the recommendations which were:

- i) Hire a qualified manager, a field assistant, and possibly an assistant manager/accountant for the SCVPA.
- ii) Institute improved procedures for hiring, training and evaluating staff.
- iii) Provide board members with incentives, and training in the areas of cooperatives philosophy, history and methods; business operations analysis, and personnel.
- iv) Develop a systematic program for membership development and education.
- v) Develop marketing strategy which focuses on risk management.
- vi) Management should explore means to increase sales of farm supplies.

The SCVPA in trying to implement the recommendations, most of them, if not all could have been successfully tackled during project implementation, but the board was lacking the management skills to enforce successful implementation of these recommendations.

(d) The project design process was flawed. The assumption of irrigated water was inaccurate, and the technical assistance provided was forced into inappropriate roles. The lack of a multiyear design based a better understanding of marketing and

the local situation proved impossible to overcome inspite of major efforts from all involved. The project design failed to recognize many of the relevant characteristics of an agricultural producers marketing system. An efficient agricultural marketing co-operative is characterized by open competition, well informed co-operative members as well as other participants and limited price distortions. The SFPMP, with emphasis on extension activities and the buying and selling of farm inputs and agricultural produce, disallowed appropriate attention to be paid to these characteristics of an agricultural co-op which could be achieved by a better focussed training and technical assistant component/element of the project design.

(e) The institutional design required a form of management virtually unavailable in Jamaica, that is low cost highly skilled middle management willing to work for a cooperative. USAID should review all projects to ascertain whether or not indigenous management is critical and if so, make it mandatory. In this case, although critical, CARE's Project Manager operated throughout the LOP despite the evaluation finding that a local management team is of paramount importance to the Project. It is extremely difficult to identify managers for operations such as these; today long after the departure of the expatriate project manager, the SCVPA is stuck without adequate management. It would be far more effective to work with indigenous private sector markets, than to attempt to create a unique organizational form with special staffing requirements.

(f) The project design should not be replicated to other areas, but could be redrafted with an emphasis on existing marketing patterns. The re-design should not take the approach of an agricultural marketing co-operative but should be structured as an institutional building mechanism, which would offer technical assistance in developing an export marketing information system instead of the local fragmented marketing distribution system presently being pursued by the SCVPA.

(g) USAID should ensure that the Project benefits as many people as possible, but in this project the number of beneficiaries were very low relative to the LOP budget (US\$1,060,000). The co-operative membership averages 350 farmers of which 100-120 are active members at any point in time.

In the final analysis the members of the co-operative have been exposed to a systematic approach to market driven agriculture, which seemed to be the correct way of producing any agricultural product. Although this method proved very expensive (US\$1,060,000) largely because of the cost of expatriate management, it gave Jamaica an opportunity to compare a market driven agricultural co-operative as against the state-run Agricultural Marketing Corporation (AMC), the higgler system or individual farmers producing and marketing on their own.

Although the performance of this Project clearly warns against further extension or future replication it would be worthwhile to compare this operation with an individual who buys and sells farm produce as a profit oriented business. The clear benefit of the project to Jamaica, may therefore be an example of an institutional form not to invest in the future.

The Project consumed US\$923,685 as of March 31, 1989 out of a LOP budget of US\$1,060,000, and at November 1989 the net balance showed a deficit of J\$32,397 (US\$5,890 at US\$1 to J\$5.50). The Project has not made a profit since inception and although the SCVPA got title to all the commodities granted by USAID including vehicles and computers, it will still be difficult for the co-operative to achieve sustainability.

This is in stark contrast to the private sector's performance when left alone to fend for itself. For example, an interview with a higgler (buys vegetables from farmers and sells to hotels, restaurants etc.) revealed that the start-up cost of his operation was J\$130,000 (US\$23,636) in 1987. He purchased one pick-up truck (second hand) and hired one assistant. He achieved a pay back period of two years and made operating surplus from within year one of his operation. His profit now ranges between J\$72,000 - J\$85,000 per year. The private higgler obviously is a far more effective marketing approach than the cooperative which we supported in every way possible. The cost benefit ratio of the cooperative project is discouraging with cost far outweighing benefits as against the individual higgler with an encouraging cost benefit ratio.

The lessons learnt from this comparison are:

- (1) USAID has no place in agricultural marketing cooperative which is not consistent with current market trends.
- (2) The SCVPA benefited from generous support or even over-capitalization therefore it made bad use of money (opportunity cost of money), never finding a cost effective way of surviving.
- (3) The individual higgler system works well in Jamaica and has been around long before both the PMO and the AMC and this system should not be replaced with these inefficient project oriented marketing network, none of which have improved the farmers standard of living by expanding market share for agricultural produce nor significantly increased prices for these products.

Clearances:

ARDO:ROwens (Dft)

ARDO:SFrench (Dft)

OPPD:RHenry/NHardy *int.*

OEPE:PCrowe *pc.*

CONT:MGweshe *MS*

ADDR:TTiff *T*

ADIR:MAZak *A*

RLA: *E. L. ... B.A.*

(Drafted:ARDO:LFulton;2827b)