

MINER

MEMORANDUM OF CONVERSATION

Date of Meeting: October 26th, 1970.

Place of Meeting: INCRA Headquarters,
Brasília.

Subject: INCRA plans and activities.

Participants: Dr. Reinhold Stephanes, Director of INCRA; William L. Rodgers, USAID; Harlan Davis, USAID; Stanley F. Krause, USAID; Brack Daniel, USAID.

Copies to: WAEllis, DOM; RJBallantyne, IDOM; WGelabert, ADPR; EASEiff, LGS; DLion, NE; EBowen, NE; Stephen Low, Consulate, Brasília.

Rodgers explained that we were in Brasília largely to take care of business with the Ministry of Agriculture. He asked if Dr. Stephanes might give us a brief review of INCRA plans and activities.

Stephanes said he was sorry that Dr. Francisco Cavalcante could not be with us, as planned, but that Cavalcante had been called to Rio on an urgent basis. It has been resolved to incorporate GERAN with INCRA and Cavalcante is working on this matter. The Decree approving this plan would most likely be issued next week.

Stephanes indicated that INCRA would be organized along the following lines: Four new Departments would be created; namely, Cooperatives and Rural Electrification, Colonization, Cadastral and Rural Taxation and Land Titling. Many of the activities previously sponsored by INCRA, such as rural credit, extension, and education would be discontinued under the new organization. Some will be turned over to other GOB organizations but other activities such as some colonization programs will no longer receive public sector support.

Cooperatives and Rural Electrification will take responsibility for programs sponsored by predecessor agencies. The Colonization Department will be mainly concerned with settlement (directed and spontaneous) along the Trans-Amazonic Route. Cadastral and Rural Taxation will sponsor a new cadastral-census of farmland for planning purposes. New programs also will be initiated to enforce the progressive land-tax law -- the assumption being that this tax would bring about desirable changes in the land tenure system. Finally, the Titling Department would initiate programs to provide

titles to new farmers on the frontier and along the Trans-Amazonic Route. Stephanes, personally interested in this latter program, suggested that insecure tenure was the most serious problem of rural Brazil. Around the Federal District of Brasília there are 400,000 to 500,000 farmers without title. In State of Paraná there is total confusion concerning who owns what. There is still some question as to how INCRA will organize and implement the titling program.

The following names were suggested as further contacts for information on land titling problems and land taxes:

Dr. Mario Nogueira - Economist
INCRA - Rio

Dr. Bernardo Porto Corrêa
INCRA - Rio

Dr. Wilson Ribeiro - Procurador Geral
INCRA - Brasília

COMMENT:

Within a week to one month the Decree will be signed, approving the re-organization of INCRA. At that time, more specific discussions should be held with INCRA personnel to determine if and how AID might become involved in some of the new initiatives. The opening of new lands has been and most likely will continue to be for the next decade the major source of new agricultural production in Brazil. If INCRA has a major responsibility in new land settlement, AID may want to consider providing assistance to this organization.

Drafted by:
ARDO: LHDavis:icc
Nov. 4, 1970

PROGRESS REPORT ON COOPERATIVE DEVELOPMENT PROJECT

The objective of this project is to improve the organizational structure and operational effectiveness of agricultural cooperatives in Brazil. This is to be achieved by developing within Federal and State agencies the capacity to furnish professional research, advisory, educational, and credit services to farmer cooperatives.

WHY COOPERATIVES ? 1/

The development of dynamic and efficient cooperatives will provide farmers with the economic strength to buy farm inputs at lower prices, sell farm outputs at higher prices, control quality of products, enjoy an improved level of living, and influence social and political progress. A cooperative is a form of business enterprise which is owned by the customers of the business. Usually it is created, organized, and capitalized by a group of people who recognize some unmet need and set out to fulfill it for themselves. Clearly, therefore, cooperatives are private institutions.

Cooperatives like other businesses seek to make profits for their owners. The striking difference is in the nature of the owners. Ownership in a non-cooperative is based upon share of investment, return on investment is usually unlimited, and owners, if they are customers of the business, take a very small share of its total volume. On the other hand, the owners of a cooperative are its primary customers; their share of ownership is directly related to the volume of business they do with the cooperative; and return on investment is limited. Since income over and above expenses legally belongs to the owner-members on a pro-rated basis according to volume of business transacted, a cooperative is legally classified as a non-profit organization.

In developing countries "cooperation" is one of the most acceptable words and concepts. Yet the task of developing viable, beneficial, and economically strong cooperative institutions requires skilled, trained leadership such as exists in few of the emerging nations. It requires the overcoming of suspicion and distrust. It also requires capital.

There are increasing numbers of inspiring "success" stories about cooperatives in many parts of the world. But there are also instances of failure.

1/ The response to this question is based largely upon an article "Cooperatives Offer Emerging Nations a Private Way" -- by Jerry Voorhis. He has been a leading figure in the American Cooperative Movement for more than two decades and has established an international reputation of considerable proportions. The former U. S. congressman from California was for years executive director of The Cooperative League of the U.S.A. and dashed hopes. The

reasons for such failures -- and here we can generalize for almost all of the new countries -- are these: Lack of competent management, lack of trained leadership, inadequate education of members, and lack of capital; in essentially that order.

Cooperatives to be useful and successful must be economic enterprises that are formed by, capitalized by (at least partially), serve the needs of, and be controlled by the people who need them. Unless members feel a sense of responsible participation, success is unlikely.

Thus education and training are of primary and critical importance. And they should precede -- in any case parallel - the creation of functioning economic, cooperative institutions. One kind of training is needed for the trainers who will train others; another kind is needed for the leaders of the cooperatives; and still another kind is needed for the members. Most of this training and education must be done in the new country itself.

Education and training are not enough. Financial institutions need to be developed that can meet the capital needs of growing cooperatives and their members.

CONDITIONS AND STRATEGY

At the time (1964) the Brazilian government asked for help from USAID and this project was initiated there existed in Brazil some 2,300 agricultural cooperatives according to the National Institute for Agrarian Development (INDA). At that time the volume of business done by farmer cooperatives was small, services performed were few, and their impact upon the economy was quite limited.

Most cooperatives had weak organizational structures, lacked competent management, suffered financial problems, and lacked adequate facilities and equipment. In addition, because of many operational failures of cooperatives throughout Brazil, they suffered the effects of general skepticism. To make matters worse they had nowhere to turn for assistance since Federal and State agencies essentially lacked the capacity to provide any help.

USAID responded to Brazil's request and through a PASA with the U.S. Department of Agriculture (USDA) furnished some U.S. cooperative specialists to implement the cooperative project in conjunction with INDA, the Brazilian counterpart agency.

To accomplish the objective of this project the following strategy was adopted: The fundamental strategy was to encourage and help Brazilians to do things for themselves. The U. S. cooperative specialists serving as advisors acted as catalysts. They planted and replanted ideas until they germinated. Then they carefully cultivated and encouraged as the ideas grew into full fledged plans or parts of plans and were executed. It was soon learned that many recipients of ideas would lose heart and abandon ideas and plans, when they ran into obstacles or problems, unless an advisor was available to encourage and assist them. As they faced and

overcame a variety of problems their confidence and competence grew.

To attend the great number and widely scattered cooperatives, it was decided to develop a corps of cooperative specialists within the government, both at the national and state levels. Assistance was also to be given to these government agencies for the preparation and execution of plans that directly benefited farmer cooperatives.

In the beginning 36 Brazilians were selected and sent to the U.S. -- International Cooperative Training Center (ICTC) -- to receive 6 months training in cooperation and related subjects. On their return these technicians provided government agencies with at least minimum staff to initiate plans, training, and assistance for the benefit of cooperatives. The project emphasis continues to be upon training of government and cooperative personnel.

U. S. INPUTS

The U.S. has invested approximately 20 man-years of technical assistance in this project. Further it has provided funds for participant training in the U. S. of 46 Brazilians (36 took the ICTC cooperative seminar, the other 10 received observation training among cooperatives and related institutions).

U. S. specialists were stationed in Brazil as follows: Henry W. Bradford, Team Leader (April 1965 to June 1969) was stationed in Rio de Janeiro and later in Brasilia. He worked with INDA and other agencies at the national level and traveled as necessary to coordinate the work of the team.

Henry H. Gerber (October 1965 to March 1971) was and is stationed in Curitiba, PR. He works with INDA/INCRA for the development of effective farmer cooperatives in the States of Paraná, Santa Catarina, and Rio Grande do Sul.

Luther Thomas (January 1966 to September 1967) was stationed in Recife, PE. He worked with INDA and SUDENE to develop agricultural cooperatives in the Northeastern States.

Stanley J. Bednarczyk (September 1966 to March 1971) was stationed in São Paulo, SP until July 1970 when he was transferred to Recife, PE. In São Paulo he worked with INDA and related agencies to develop effective cooperatives in the States of São Paulo, Minas Gerais, Goiás, and Mato Grosso. He now works with INCRA, SUDENE, and others to develop cooperatives in the Northeast.

Bert D. Miner (August 1967 to March 1971) has been stationed in Campinas, SP since arriving in Brazil. He worked with INDA to

establish a cooperative research and training center (CETRECOOP) and assisted in its operation. He succeeded Mr. Bradford as team leader and then also worked with INDA/INCRA at the national level.

William Bugni (December 1970 to March 1971) is stationed in Recife, PE and works with State agencies to develop a more responsive cooperative and rural credit system in the Northeast.

SUMMARY OF OUTPUTS

The team has developed and maintains excellent working relations with a number of Brazilian organizations, including INDA/INCRA, state secretaries of agriculture (some governors), BNCC state offices, Extension Service offices, Organization of Brazilian Cooperatives, and others.

The restructuring of INDA into a more aggressive and effective organization (INCRA) is almost complete.

The Cooperative Research and Training Center (CETRECOOP) is established and functioning. Since 1967 some 19 courses of instruction have been given in which 511 people received training. Three research studies have been completed and technical assistance extended to many cooperatives.

Forty-six Brazilians have received training in cooperation in the U. S. under USAID sponsorship.

Other training has been conducted in Brazil, outside of CETRECOOP. About 1,350 people have benefited from such training. They represented various government agencies and cooperatives.

Eleven Cooperative Centers for Agricultural Training (CCTA) have been established in the southern part of Brazil. Each has the capacity to train 40 young men in cooperation and agriculture a year.

Financial assistance under PLANATE has been extended to approximately 400 agricultural cooperatives to hire agronomists and veterinarians.

Technical assistance has been extended to about 650 cooperatives by INDA/INCRA and USAID cooperative technicians.

Cooperative coordinating councils have been established in six States -- Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Pernambuco, and Ceará.

PROPOSED ACTION

National policy of the Brazilian government to actively encourage the development of effective agricultural cooperatives is incorporated in one of the three major objectives of INCRA: "promote rural

development through the coordination, control, and execution, preferentially of the activities of cooperatives, associations, and rural electrification". 2/

The Department of Rural Development, INCRA will accomplish this objective through its three divisions -- Division of Cooperation and Sindicalization, Technical Assistance, and Rural Electrification-- as well as through a network of 11 geographical "coordenadorias".

The Department has a budget of Cr\$ 57.167.362,00 for 1971.

The Department has developed, with the assistance of USAID cooperative specialists, a rather comprehensive program of activities to stimulate cooperative development during 1971. These activities include agreements between INCRA and State organizations working with cooperatives, establishment of an auditing service, integration of cooperatives, integration of services to cooperatives, survey of cooperatives, apprentice training for INCRA personnel, promotion of greater understanding of cooperation, coordination of a nation-wide program of assistance to cooperatives, plus a major emphasis upon training. 3/

Naturally the U.S. advisors will be working very closely with INCRA and related agencies to get these activities effectively implemented.

In line with present thinking, Mr. Miner will complete his work at CEMRECOOP (Campinas, SP) during the next few months and then transfer to Recife, PE. At the new duty station he will stress development of a training capacity for the Northeast, integrate the cooperative-credit project with the research and marketing loan projects, and continue regular contact with the national office of INCRA in Brasília.

Mr. Bednarczyk and Mr. Bugni will continue to work out of the USAID/NE office and provide assistance to cooperative and credit agencies in that area.

Mr. Gerber will continue to provide assistance to agencies serving cooperatives in the three States of Paraná, Santa Catarina, and Rio Grande do Sul.

2/ "Regulamento Geral" of INCRA approved February 1, 1971. This objective is carried over to INCRA from its predecessor, INDA.

3/ Taken from an 18-page letter treating the state of cooperatives, 1971 activities, and use of U.S. advisors that INCRA prepared and sent to Mr. William Rodgers in January 1971.