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A STRATEGY FOR ECONOMIC DEVELOPMENT OF RURAL NORTHERN NEW MEXICO

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INTRODUCTION

Economic development as a vehicle for elimination of poverty has become a central theme for many individuals, organizations, agencies and governments. This urgency has not been due to any sudden discovery of the extent of poverty in the world, but rather to changes in social attitudes towards its existence. Public and private attitudes toward poverty started changing after World War II when most colonial territories achieved political independence. The emerging nations immediately set out to attain higher living standards for their citizens by instituting domestic reforms designed to stimulate internal economic growth. Political leaders in the less developed countries publicly accused the former colonial powers of having exploited their resources and neglected the welfare of their people. The more developed countries responded by providing substantial contributions of capital funds, manpower and technical assistance—foreign aid.

Poverty within the United States—in the midst of plenty—was not officially acknowledged until the early 1960's. National economic goals prior to mid-1960 were: (1) full-employment; (2) economic growth; (3) price stability; and (4) maintenance of a balance of payments equilibrium. Domestic poverty had been publicized by a number of authorities who considered these situations to be isolated "case" or "insular" conditions.¹ Most of these authorities stressed that continued full-employment and expansion of national output—economic growth—would significantly diminish domestic poverty. What was not predicted was that social problems associated with economic inequality would become more acute and divisive; that the revolt against poverty would become a major item on the nation's domestic economic agenda.

POVERTY-WAR PROGRAMS

Providing assistance to the poverty-stricken is not a completely

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1. J. Galbraith, *The Affluent Society* (1960). Case poverty is defined as the product of personal characteristics that leave a person unfit for full participation in the industrial economy. Insular poverty is the product of a "distressed" area.

new phenomenon. As Professor David Hamilton notes, in *A Primer on the Economics of Poverty*, the current "war on poverty" is significant primarily because now there is belief that poverty *can* be eliminated and that these conditions are not due solely to personal characteristics of the afflicted.² Economics has always been concerned with poverty, although the emphasis has sometimes been on producing (increasing) the wealth of a nation and, thus, of its people.

Nineteenth century economists were firm believers of *laissez faire*. Public assistance should be given only under certain conditions—the family could help an individual who was old, disabled or too young—but at a level below what a regularly employed able-bodied man could earn. Providing public assistance to the poor would increase their number because the recipients would refrain from seeking employment. Poverty was thought to be the fault of and should be cured by the afflicted. Private charity was preferred to public assistance. Settlement houses, organized labor and other social movements, however, did have their beginning during this period.

The public attitude towards poverty started changing with the arrival of twentieth century industrialization. An industrial economy posed problems different from those of an agrarian society (*i.e.*, the home and garden can not be readily expanded as the size of the family unexpectedly increases when a relative moves in). Development of a more strictly monetary economy stressed reliance on earning from employment. Personal and family insecurity is increased in an industrial economy. Legislation to improve economic security has increasingly been sought and passed since the Great Depression of the 1930's.

The Social Security Act of 1935, as amended, for example, provides retirement, survivors, disability, hospital and medical care (for the aged), and unemployment insurances, as well as certain types of public assistance and welfare services.³ Other legislation includes the Railroad Retirement Act, the Railroad Unemployment Insurance Act and provision of services to veterans, American Indians and other select groups. The Fair Labor Standards Act attempts to place a minimum income level for specified individuals who are employed on a full-time basis.

These measures did provide an element of security for many in-

2. D. Hamilton, *A Primer on the Economics of Poverty* (1968).

3. Dep't of Health, Education and Welfare, Social Security Administration, *Social Security Handbook 2* (1969). "The Social Security Act covers a number of programs which have the basic objectives of keeping individuals and families from becoming destitute due to loss of earnings, protecting older persons against the expenses of illnesses that could otherwise exhaust their savings, keeping families together, and giving children the opportunity to grow up in health and security."

dividuals and families, but missed large groups of poverty-stricken who are not covered by the legislation or fail to qualify for benefits. People in poverty are usually unemployed, underemployed or not in the labor force and appear to have one or more of the following characteristics in common: undereducated, elderly, physically or mentally handicapped, female heads of households, residents of depressed geographic areas and/or members of isolated, cultural ethnic groups. As prescribed by one of the latest, and best known, "poverty war" legislation, the Economic Opportunity Act of 1964, as amended, the Federal Government's prime approach to reducing poverty is now to improve individual labor productivity and to eliminate generative causes of poverty.

The Economic Opportunity Act is concerned primarily with: (1) raising skills levels and productivity of those in poverty; (2) pre-school poverty-stricken children; (3) elderly; (4) poverty-stricken in rural areas; and (5) urban-rural special economic impact. Objectives of the Act are to be coordinated and complemented by activities of private organizations and public agencies, particularly the U.S. Department of Labor; the U.S. Department of Health, Education, and Welfare; the Economic Development Administration and the Small Business Administration.

For purposes of this article, the most important sections of the Economic Opportunity Act are: (1) Title I-D (Special Economic Impact); (2) Title II-C, Section 232 (Research and Demonstration); and (3) Title III-B (Migrant Education and Services). These portions of the Act have been used by the Home Education Livelihood Program to obtain funds in its attempt to implement a program of comprehensive rural development in New Mexico.

The basic economic development model employed by the Home Education Livelihood Program (HELP) is the "community development corporation," a two-tier organizational structure: (1) a non-profit corporation that can solicit funds from individuals and organizations (tax deductible contributions), philanthropic foundations and governmental agencies to provide charitable, educational and related services to its constituent communities; (2) profit-designated corporate subsidiaries whose stock will be partially owned by individuals—using cooperative ownership and stock voting guidelines—in communities where operating enterprises are located, and cooperatives.

HELP's "community development corporation" function has resulted in formation, or acquiring partial ownership, of the following enterprises: Mora Valley Farmers' Cooperative Association, Mora (agriculture); Penasco Valley Farmers' Cooperative Association,

Penasco (agriculture); Rio Ruidoso Cooperative Association, Hondo (apple marketing); Del Sol, Inc., Albuquerque (woven and wood products); Cruz-Solano, Inc., Clovis (handcrafted furniture and wood products); Navajo Machine Service, Inc., Hernandez (machine tooling); Northern New Mexico Farmers' Cooperative Association-Sangre de Cristo Marketing Corporation, Espanola (apple marketing); and New Mexico Producer and Marketing Cooperative-Sangre de Cristo Livestock Corporation (cattle feeding). Of the over 70 community development corporations identified in the United States,⁴ HELP was one of thirteen organizations specifically funded by the Office of Economic Opportunity in 1969 for the purpose of economic development. According to the Center for Economic Development:

A community corporation, or local community development corporation (CDC), is essentially a cooperative, set up in a neighborhood to run economic and social programs for the community. Its main activity . . . is operating business or profit-making ventures for the community. . . .

Once it is established by law, it has the legal rights of any corporation, including the right of limited liability. Depending on the manner in which it is set up, and on its activities, a community development corporation may or may not be exempt from some taxes.

A community development corporation may see its functions as purely economic, that is, building the area's economic base, increasing residents' income and improving job opportunities, or, more narrowly, as providing some specific and concrete services, such as day care centers or schools. Some community development corporations may also be concerned with political action. In any case, for a CDC really to represent the community, it should be based on a principle of full community participation in decisions.

In principle, this inclusiveness distinguishes the community development corporation from ordinary private businesses, such as those mentioned in programs for minority business enterprise, as well as from branches of large corporations in poor neighborhoods. In these ordinary private businesses, a limited group of individual owners or partners or shareholders run the corporation, and receive the profits for their own private use. In a community development corporation, the profits accrue to the community, and the community decides what to do with them.⁵

HOME EDUCATION LIVELIHOOD PROGRAM (HELP)

A. *Brief History*

The Home Education Livelihood Program (HELP) was established by the New Mexico Council of Churches in October 1965 as a non-

4. Obtained from Center for Community Economic Development, 56 Boylston Street, Cambridge, Mass., Oct. 1969.

5. *Id.* Sept. 1970.

profit corporation for the purpose of administering Office of Economic Opportunity (OEO) programs for migrant and seasonal agricultural families (Title III-B). HELP's original "war on poverty" functions were to provide adult education, child-care services, self-help housing and health-care programs for individuals and families meeting established criteria. Fifty-six centers have been established throughout the state to perform these functions. The actual number in operation at any one time varies.

The HELP staff and trainees, during the first two years, faced continued frustrations because the participants, in most cases, did not attain hoped-for higher living standards. As noted by Alex P. Mercure, HELP Director since May 1966:

When we started HELP we found an unemployment rate of about 47 percent in one community during the months of November, December, January and February, the hardest time of the year in some parts of New Mexico. We also found we were solely dependent on one source of funding, OEO, and then only on one branch of OEO, and—it hasn't changed in the four years that I've been associated with poverty funding—you never really know until Congress closes . . . whether there's going to be any money or not. The question of continuity is always a serious problem. . . .

We . . . found that the kind of two-bit operations we were running—training people, providing education—was simply building a level of aspiration that was unreal. Even if we were . . . effective, . . . we would be . . . training people used to a style of life in small, rural communities. Inasmuch as the unemployment rates are so high in rural areas, the people ultimately capitulate to the attractions of the city, not realizing that the condition there is probably worse. Back home at least they own a house and a couple of acres and they've got families, they've got a community. The city is a strange world.

We quickly realized that we had to go beyond a terminal approach to education and training and that probably the greatest resource available in communities . . . is human talent. We also felt there was a substantial natural resource base which could be built on. At that point we expanded and sought research and development money from OEO, and we went to the foundations for seed money. . . .⁶

HELP's proposal to OEO for a "Human Resources Development Project" was approved on June 20, 1967. Under terms of the grant, HELP was to utilize its existing education, self-help housing and other personnel, as well as hiring specialists in business, agriculture, research, marketing and management. A similar proposal was funded

6. Cambridge Institute, *Information Exchange: A Conference on Community Based Economic Development*, An Occasional Bulletin No. 2, at 25-26 (1970).

by the Ford Foundation for a three-year period starting on February 18, 1968. An unrelated grant obtained in June 1968 was used to provide services to the elderly, especially in problems pertaining to social security. Mr. Mercure describes the first two years of HELP's R&D effort as follows:

We began to find that people, once they build their own energy levels and hopes, can build with seed money, if the conditions for planting the seed are conducive to their community. We got a first inkling of this when people progressed from adult education to organizing credit unions to escape the loan shark companies. Despite poor income, they managed to build up the resources of a credit union. Very quickly after that we began to work with some of the communities that had expressed ideas about economic alternatives to migration. We found that with very little effort they can convert their labor into capital. Some of this occurs through self-help housing. An average income of \$1,500 does not give many families a great deal of lendable capacity. As a matter of fact they get rejected even by high-risk loan organizations like the Farmers Home Administration. Through self-help activities, however, they can build capital for their own cooperative efforts. Small farm cooperative operations, with very little capital, were able to build bankable assets. But then we ran into problems because most banking institutions like to see nice professional credentials and experience in management. Uneducated farm workers with fourth grade educations just don't quite meet those standards. So HELP began to assume a co-signing role to make possible the lending of funds to local community groups. We also decided to develop a holding company kind of an operation whereby HELP would develop, and initially own, profit-making activities. We opted for profit-making activities because it was necessary, we felt, to begin to build the resources of the community. Thus far, the efforts made by government agencies to establish community-based kinds of economic activities have generally not reflected the need of poor people. Primarily, they reflect a Chamber of Commerce orientation toward the development of economic activities and they end up bypassing the people who have the greatest need for capital creation.⁷

By the end of 1968, OEO, a number of other government agencies and private organizations were calling on HELP to assist other development programs. Professional management consultants, not fully understand the "community" and the "community development" process, were not providing the type of training needed by the Board of Directors and personnel of development programs. HELP, based

7. *Id.* at 26.

on these requests and need, was granted OEO funds to establish a Western Training and Planning Institute, which started operating in December 1969. An OEO Special Economic Impact Project grant (Title I-D) was received in June 1969, supplemented in February 1970, to establish an apple storage and packing facility in Chimayo, a cattle feedlot in Ribera, with outlying gathering facilities in Abiquiu, Cuba and Anton Chico, and a mobile trading post to serve off-Reservation Navajos in the checkerboard area.⁸

The Four Corners Regional Commission provided funds for the feedlot and apple ventures, while the Small Business Administration participated in funding and obtaining Department of Defense contracts for the apple project. The Farmers Home Administration made a loan to the Rio Ruidoso Cooperative Association and the Episcopal Church gave a grant to the Penasco Valley Farmers' Cooperative Association. A number of banks have provided loans and/or lines of credit to Del Sol, Inc., Cruz-Solano, Inc., Navajo Machine Service, Inc., Sangre de Cristo Marketing Corporation (apples), and Sangre de Cristo Livestock Corporation (cattle). Mr. Mercure made the following assessment in October 1969:

So many of the efforts promoted to solve the economic problems of depressed areas especially ignore the whole question of the consequences of such development for the communities involved. We have, for example, a huge atomic energy installation on top of a hill in New Mexico. One can roll a rock from that hill and be certain it will strike a starving Indian or Mexican-American. The multi-million dollar installation, in other words, has really had very little effect on the community. And so we committed ourselves to the whole question of relating economic activities to its ultimate context in order to reinforce and build rural communities. So far it doesn't seem as if we have done any damage. Nor do we know how much good we are doing. . . . (we have) . . . a variety of economic activities, including crafts, industry and agriculture. We think we can multiply that within the next couple of years. It'll require—and slowly it's beginning to happen—that the private financial world begin to look at depressed areas, underdeveloped areas, really as an opportunity for them to participate in partnership with local residents, with local

8. Title I-D, 42 U.S.C. § 2763 (1964), states that: "The purpose of this part is to establish special programs which (1) are directed to the solution of the critical problems existing in particular communities or neighborhoods (defined without regard to political or other subdivisions or boundaries) within those urban areas having especially large concentrations of low-income persons, and within those rural areas having substantial out-migration to eligible urban areas, and (2) are of sufficient size and scope to have an appreciable impact in such communities and neighborhoods in arresting tendencies toward dependency, chronic unemployment, and rising community tensions."

residents in control. In my opinion, community-based economic activities can contribute a great deal toward humanizing the capitalistic system.⁹

HELP's latest effort, with an 18 month OEO grant effective July 1970, is for a living laboratory to establish the machinery for testing concepts and feasibility of housing, community schools, entrepreneurship and youth programs in a rural setting and for duplication of successful ventures in other areas.

HELP's funding has been as follows:

<u>Program</u>	<u>Source</u>	<u>Amount</u>
Adult Education (Oct. 1965-Sept. 1971)	OEO Title III-B	\$11,192,461
Senior Citizens (June 1968-May 1971)	OEO Title III-B	124,207
Western Training and Planning Institute (July 1969-Sept. 1971)	OEO Title III-B	271,492
Living Laboratory (July 1970-Dec. 1971)	OEO Title III-B	626,000
Economic Development (July 1967-Jan. 1970)	OEO Title II-C, Sec. 232	358,133
(July 1969-May 1971)	OEO Title I-D	1,120,874
(Feb. 1968-Feb. 1971)	Ford Foundation	453,450
Total		\$14,146,617

Excluding the private, profit-making ventures and the cooperatives, HELP's employment averages nearly 300 individuals: (1) Executive Director and Secretary; (2) Research Division, fifteen; (3) Programs Management Division (education and self-help housing)—Albuquerque Office, eight, and Field Operations, 179; (4) Economic Development Division, seven; (5) Industrial Enterprises Division, six; (6) Administrative Division, fifteen; and (7) Living Laboratory Division, fifty. Considering that families in New Mexico average 4.8 persons, about 1,440 individuals depend upon HELP for their livelihood. Payroll per annum, as of July 1970, for 88 salaried employees was \$640,000. The other employees were paid on an hourly-wage basis.

Assuming two training sessions of 16 weeks each per community education center per year (five years, since October 1965) and an average of thirty-five centers in operations with twenty students per session, about 9,000 students (averaging \$36 per week for 16 weeks)

9. Cambridge Institute, *supra* note 6, at 26-27.

have received about \$5,184,000 in training stipend funds. More accurate data on the number of trainees and stipend funds paid is not available. However, since HELP's education centers are located in small rural communities, it is known that the four HELP employees and approximately forty students per year per center makes HELP the predominant employer in each of the communities. The stipended trainees consider their training to be a short-term job.

B. Strategy for Economic Development

HELP's Articles of Incorporation allow it to operate on a state-wide basis. Economic development resources, however, are being concentrated in the northern portion of the State. The primary reason for this is that HELP's clientele, divided roughly on a north-south basis by U.S. Highway 66, differs as to the types of services required and the seasons of greatest need.

Southern New Mexico is the pathway of agricultural migrants working their way from the Texas Rio Grande Valley to Arizona, California, the Pacific Northwest, Colorado, Michigan and the Midwest. The most critical needs of these families are counseling on immigration, farmer-worker, crew leader, welfare and social security problems; temporary financial assistance; child-care and health services; adult education (mostly voluntary, after working hours with no paid training stipend); and skills upgrading. Not all of HELP's southern New Mexico clients are transitory, but most are non-landowners. Thus, one of HELP's largest projects in this portion of the state involves acquisition of land, securing of low-interest loans and providing personnel for construction of low-cost self-help housing.

Although research is incomplete, available data indicates that HELP's self-help housing participants are receiving several indirect benefits: (1) improved credit ratings at local commercial financial institutions because the new homes (sweat equity) are available collateral; (2) improved family health and less job and school absenteeism; (3) improved nutrition; and (4) psychological uplift for the whole family. One of the most encouraging aspects of the self-help housing effort is that the cooperative working experience has already led to establishment of credit unions and consumer cooperatives or buying clubs and increased involvement in community affairs. These activities, in turn, are resulting in a greater number of requests for HELP to start economic development projects in southern New Mexico.

Migrant and seasonal agricultural workers in northern New Mexico operate from an established home base: most own a home, some land

and livestock. Their families normally do not migrate and the worker returns home for the winter. Most of HELP's northern New Mexico clients need many of the same services as their southern colleagues: education on welfare and social security benefits, temporary financial assistance, child-care and health services and adult education. Most northern New Mexico participants, at least initially, consider HELP's stipended training program to be a short-term job to supplement agricultural earnings during the winter. An increasing number of trainees, however, are now more concerned with creating permanent full-time local employment.

C. The Function of Education

It is cliché to state that the prime function of adult education is to raise labor productivity. Unemployment does not occur only because of a lack of a skill: marketing labor is the selling of the services of the total person. The labor-commodity must possess a minimum of attributes desired by the employer: a needed skill; an ability to follow oral and written instructions; an ability to communicate; innovativeness; self-starting initiative; promptness and dependability; social awareness, etc. Thus, education programs must strive toward fuller development of the individual. HELP's adult education program is geared to comprehensive development of the trainee as a human resource.

The literacy phase of the education program is tied to the familiar work-world and socio-cultural experiences of the individual trainee. The language used by the instructor in classes may be Spanish, Navajo, or the vernacular, which is replaced by English as individual communications skills and feelings of adequacy permit. The bulk of the reading assignments are in the individual's chosen prevocational skill. Arithmetic exercises are also related to the skill.

Probably the most important phase of the program is community life involvement, or human resource development. The trainees, with the help of a teacher-moderator, analyze reasons for their poverty status and possible solutions. It is this phase of the program that develops local initiative and participation, so vital for the success of community-based ventures, in establishment of credit unions, libraries, community improvement projects and where most of HELP's economic development projects originated.

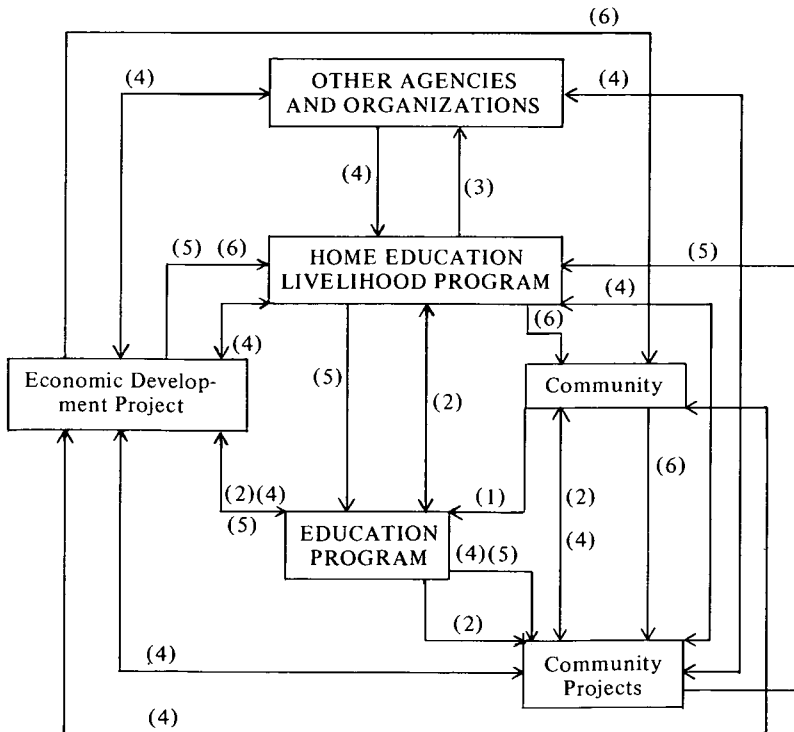
The last phase of HELP's education program is prevocational training, or skills development and improvement. Trainees are provided with sufficient rudimentary skills to qualify them for further training under other vocational programs or for apprentice-type jobs. Since most of northern New Mexico's productive middle-aged have already migrated, the average HELP client is over 45 years of age. These

individuals, even if they desired to move for further training or employment, would be faced with almost insurmountable problems in adequately adjusting to a different environment. HELP has taken the position that most of its trainees are better off by remaining in their home communities. This philosophy is consistent with authoritative sources that are now so concerned about depletion of rural human resources and escalating social costs of urban ghettos and barrios.

To pretend that most of HELP's northern New Mexico trainees will find better local employment is unrealistic: the economic situation of the area mitigates this assumption. Thus, HELP was forced to seek to stimulate indigenous economic development. Since most trainees own land, HELP's first economic development efforts were directed at more intensive utilization of existing land resources. The education program has recently been used to determine costs of production and marketability of suggested products prior to encouraging commercial manufacturing. This, of course, has reduced start-up costs for HELP's profit-making subsidiaries.

D. Economic Development Ventures

The following chart portrays the functions of HELP's education program in the economic development process.



1. The Education Program draws the community residents into the economic development process.
2. Trainees—in conjunction with the communities they represent—provide ideas for community development projects. Some ideas become community projects, such as water systems, credit unions or libraries. Business propositions are approved (or disapproved) by HELP for production, cost and market testing in the Education Program. Propositions found feasible become economic development ventures, such as the agricultural cooperatives and the weaving project (Del Sol, Inc.). Using the Education Program in this way reduces start-up costs and could eliminate costly mistakes.
3. HELP seeks capital and management assistance from other agencies and organizations if necessary.
4. Other agencies and organizations, HELP and its Education Program and the community provide assistance and manpower to the community and economic development projects. Community projects are made available to participants in the economic development venture. Benefits of the economic development project accrue to the various participants.
5. The community and economic development projects notify HELP if further training or other types of assistance are needed which, in turn, are provided through the Education Program.
6. Community and Economic Development Projects pay wages and dividends to the community and HELP. HELP uses dividends to start additional projects. Workers support their community and economic development ventures.

Basic assumptions of HELP's original economic development proposals to the Office of Economic Opportunity and the Ford Foundation were that: (1) successful small village production enterprises can be established which can serve as a sound economic base for rural communities; (2) a significant improvement in income levels of the economically disadvantaged in the target communities will occur; (3) economic improvements will result in social and cultural benefits; and (4) economic returns will justify the investment.¹⁰

The initial OEO R&D grant, July 1967—June 1968, for \$161,520 included \$50,000 for guaranteeing loans obtained from financial institutions for the operating units established under the grant. This grant further directed HELP to use its established Administrative Division to administer the grant. A \$453,450 Ford Foundation grant was received on February 18, 1968, which provided \$250,000 for "seed" capital. The Ford Foundation grant placed emphasis on indepth research to measure the impact of the pilot project: to the author's knowledge, this research is still incomplete.

10. Home Education Livelihood Program, Supplement to Proposal for Demonstration Project, HELP for Human Resources 1 (1967).

Since HELP had already concluded that most of its trainees would remain in their home communities and continue their previous occupational patterns, the education component established several demonstration agricultural projects the year before obtaining the economic development grants. Thus, one of the greatest benefits that the trainees could receive from their HELP education, besides the training stipend, would be an improved ability to earn supplemental incomes from more intensive and productive use of their lands and livestock. The community life involvement-human resource development phase of the education program was used to examine the concept of agricultural cooperatives.

Truchas Weavers (Del Sol, Inc.), Ojo Caliente Craftsmen Cooperative, the apple ventures and the feedlot enterprises were joint efforts of local people and the HELP staff. El Vado Wood Products (Del Sol, Inc.), Navajo Machine Service, Inc., and Cruz-Solano, Inc., were formulated by the HELP staff with little local involvement.

E. Agricultural Cooperatives

The trainees were not earning significant supplemental income from lands and livestock under existing conditions: (1) little capital; (2) insufficient equipment; (3) small and splintered land holdings; (4) small herds yielding low birth ratios; (5) production of low cash-yield crops; (6) low yields from existing crops; (7) high costs of inputs, such as fertilizers; (8) little knowledge of modern agricultural techniques; (9) large water losses in irrigation from seepage and evaporation; and (10) an inability to secure adequate markets for their products. Most of these problems could not be solved except through joint effort, economies of scale, of several individuals. Thus, the Mora Valley Farmers' Cooperative Association, the Penasco Valley Farmers' Cooperative Association, and the Rio Ruidoso Cooperative Association were incorporated in January, February and April 1968, respectively.

Mora and Penasco Cooperatives.—Most of the 1966-67 agricultural demonstration programs established by HELP's education component had been located in or near the communities of Mora and Penasco. The participants in these projects had been stipended trainees who also retained receipts from sale of their crops. Marketing services and some of the inputs, such as fertilizer, had been subsidized through the education program. Most of the participants were retained on the training program through the 1967-68 winter where most of the planning for formation, organization and operation of the cooperatives occurred. The HELP staff was directed to assist these new ventures in any way possible.

About 50 individuals in each community joined the new cooperatives, most of whom assumed that they would be placed on stipended training through the 1968 agricultural season. Since most cooperative members would have to migrate for employment starting in April (causing failure of the cooperatives without testing), HELP approved fifteen members in Mora and thirty-one in Penasco for some type of stipended training. Acceptance as stipended trainees assured these individuals of a small "wage" during the season and the possibility of additional earnings from the harvest.

HELP sought financial and technical assistance from various sources: the U.S. Soil Conservation Service assigned several individuals on almost a full-time basis to provide technical assistance; an application for Manpower Development and Training Act (MDTA) funds was denied because full-time employment, as defined in the Act, would not be available upon completion of training. While the Secretary of Agriculture was promoting rural economic development as a method of alleviating urban congestion and of assisting subsistence farmers, who would remain so regardless of governmental policies, a professor at New Mexico State University objected to the cooperatives because it was contrary to U.S. policy to propagate subsistence farming. Assistance from other agencies and organizations was sporadic.

HELP assigned an attorney, an agricultural specialist, most of the time of the R&D Project Director and several field personnel to assist in development of the agricultural cooperatives. Funds from the Ford Foundation grant were loaned to the cooperatives to purchase equipment, seed, fertilizer, other inputs and to lease land. In an effort to reap quick benefits, HELP advised the cooperatives to plant vegetables which, it was assumed, would be readily sold within New Mexico.

Several problems immediately developed: (1) bidding requirements of State institutions required assurance of long-term supply; (2) New Mexico produce wholesalers also required guaranteed supply and a quality product; (3) marketing costs—absorbed by HELP—escalated because lack of refrigeration and low volume required frequent marketing trips to avoid crop spoilage; (4) members' technical knowledge, or lack thereof, resulted in low-quality produce (rural values—"the bigger the better"—resulted in produce that did not suit Mrs. Urban Housewife); and (5) lack of research as to crops suitable to these two areas necessitated experimentation with unknown seed varieties.

Except for training stipends, marketing and production results of the 1968 agricultural season returned little to the members. Active

participation declined from a high of 60 during the summer to about 30 during the winter, most of whom continued as stipended trainees. Research by the HELP R&D staff during the 1968 winter revealed that crops used as ingredients for "Chicano" soul foods (blue corn, chili, posole, chicos, etc.) were in short supply and bringing premium prices. The active members concentrated on growing these crops during 1969 and were able to generate substantial production and sales.

Cooperative members during the 1969 winter were given further instructions on agricultural methods and marketing and were using credit unions to distribute more evenly their earnings throughout the year. Both cooperatives have built storage facilities that are valued several thousand dollars above their actual cost. The Penasco group has diversified into processing and selling of red chili, chicos and other products. Crops planted in 1970 included those grown in 1969 as well as feed to be sold to the feedlot enterprises. The Penasco cooperative suffered a late frost in May and an early frost in August which destroyed their major crop, blue corn.

Cooperative records indicate that ten individuals in Penasco and thirteen in Mora were active in 1970. Twelve of the twenty-three have been stipended trainees since inception of the cooperative program in 1968 and four are HELP employees. The remaining seven members have been stipended trainees for two of the three years, all of whom were trainees in 1970. The existing active group has been working together for most of the three years, has bought equipment, built storage facilities, worked land (most of which had not been cultivated for 10-15 years), been in training for two to three years and learned marketing methods. The question now is whether these groups will, or can, continue without the HELP stipended training funds.

Rio Ruidoso Cooperative Association.—HELP was asked during the summer of 1967 to assist apple growers in the Hondo Valley. As a result, a market was found in Delta, Colorado, for cull and wind blown apples. Since the Delta processor's demand exceeded the Hondo Valley supply, the HELP R&D and educational staffs were asked to assist Chimayo growers market to the same source. This effort led to formation of the Northern New Mexico Farmers' Cooperative Association-Sangre de Cristo Marketing Corporation, discussed below. An educational instructor was hired to assist these two groups market their apples.

The Rio Ruidoso Cooperative Association was formed in April 1968 and was given a \$50,000 loan—from the Ford Foundation grant—and assigned the HELP instructor as manager. The loan funds

were used to construct a storage facility and purchase grading and sorting equipment. Proceeds from a \$50,000 Farmers Home Administration loan were used to repay HELP for the initial loan. FHA and HELP officials decided that the FHA loan was now sufficient to allow the Rio Ruidoso Cooperative Association to hire its own management personnel provided that HELP made a \$6,000 one-year management grant. The HELP instructor was transferred to Chimayo where the other group was attempting to form another cooperative.

The apple cooperatives were deemed to be necessary because individual growers were selling in bulk to itinerant truckers who, in turn, often sold their product to processors in other states. Since the truckers seemed to simply be another group of middlemen in the marketing process, the growers felt that their own sorting, grading and packaging facility would return higher revenues to the community through increased local employment and higher prices for the apples.

Repayment of the initial HELP loan depleted the cooperative's treasury, forcing it to operate on a shoestring in 1969. HELP did provide training, through its education component, to assist growers in learning improved orchard practices in an effort to upgrade apple quality. The 1969 marketing season was a disappointment inasmuch as many members were forced to resume sales to truckers in order to sell the total crop which exceeded the capacity of the new facility. Marketing in 1970 was minimal due to extensive frost damage. It is hoped that the cooling facilities in Chimayo and combined marketing will be of mutual benefit.

F. Ojo Caliente Craftsmen Cooperative

The Ojo Caliente Craftsmen Cooperative grew out of HELP's education program when several woodworking trainees decided to form their own business. Started in September 1967, this venture does not meet the cooperative criteria and is simply a small business with several stockholders. The firm had obtained several contracts to manufacture toys for OEO Headstart Programs in Rio Arriba and Taos counties and had produced furniture for local residents. By November 1968, however, when HELP's new R&D effort was just beginning, manufacturing activities had come to a virtual standstill.

The group approached HELP in November 1968 for technical and marketing assistance. HELP's new R&D attorney and economist were able to assist the group in obtaining additional toy contracts from Headstart Programs in Albuquerque, Artesia and several cities in Colorado. The manager of the firm was introduced to U.S. Forest Service personnel who were about to terminate a sign-production

contract with the Grants Job Corps Center. With the assistance of the former foreman of the U.S. Forest Service's sign shop (internal production prior to the contract with the Job Corps) who had recently retired, the Ojo Caliente group was taught sign-making techniques and mechanics of governmental bidding.

A new building has been constructed in Ojo Caliente for the firm. Employment averaged 7-10 men on a full-time basis during 1969-70. Small Forest Service sign-production contracts were awarded during 1969-70. Furniture has been produced and sold through El Mercado in Taos, as well as locally. The firm was awarded a \$13,000 contract to produce bins for the Chimayo apple cooperative early in 1970. A \$60,000 Forest Service sign-production contract, negotiated through SBA, Section 8-A, was awarded in September 1970.

This is one of the most successful HELP-assisted ventures. Technical assistance required during the last year and a half has been minimal. HELP has from time to time contracted with the firm to train woodworking students and has found that their trainees have the highest job placement record of any similar HELP-sponsored class.

G. Del Sol, Inc.

The individual hired by HELP as marketing specialist under the original OEO R&D grant had previously worked for several aircraft manufacturing firms and was familiar with the governmental bidding process. One of his first tasks was to determine the types of manufacturing activities that could be undertaken under the terms of the OEO R&D and Ford Foundation grants and to secure contracts for products found feasible. Bids were submitted to several governmental agencies to produce wooden items such as furniture, shipping crates, slats, etc. HELP was judged the low bidder on a bid submitted to the Defense Supply Agency, Ogden, Utah, depot in January 1968 to produce plywood shipping crates of various dimensions.

Several possible production facilities were not approved during the pre-award inspection. An abandoned Air Force Radar site in Tierra Amarilla, however, did meet the criteria and arrangements were made with the New Mexico Forestry Department, the caretaker agency, for a nominal long-term lease. Another technicality developed when the Defense Supply Agency declared HELP to be a quasi-government agency ineligible to perform on the contract. HELP appealed this determination and was awarded the contract in May 1968 provided that manufacturing was performed by a profit-making subsidiary.

Nonprofit corporations may establish profit-making subsidiaries provided that all laws applicable to both types of corporations,

including their respective charters and bylaws, are obeyed. Thus, Del Sol, Inc., was formed in May 1968 because of the need for a profit-making corporation to perform on the Defense Supply Agency contract. Establishment of Del Sol, Inc., was consistent with HELP goals presented in the economic development proposals to OEO and the Ford Foundation. Some assets bought through the Ford Foundation grant were transferred to Del Sol, Inc., in exchange for 100 shares of stock.

El Vado Wood Products.—Del Sol, Inc., in performing on the Defense Supply Agency contract, immediately encountered the following problems: (1) obtaining substantial operating capital required to purchase equipment and materials and meet payroll until the first delivery; (2) establishing plant layout and orientation of employees to industrial work conditions; (3) obtaining and maintaining community support; and (4) achieving and maintaining work and delivery schedules.

Operating capital was obtained from a bank in Espanola by pledging the OEO R&D grant's \$50,000 loan guarantee fund and by mortgaging equipment, inventories and funds due from the contract. The loan guarantee fund was placed on a time deposit with interest earned used to off-set interest accrued on the operating capital loan. Although this and other banks have since made less stringent loans, HELP probably was able to obtain the initial loan only because of the guarantee fund and the "government" contract.

Establishment of the plant layout was hampered by having to use several different buildings to work and store work-in-process and raw materials. Finished crates were kept outside, resulting in extremely high rejection rates during inclement weather. Geographical isolation of the site was another impeding factor; workers and materials, especially during inclement weather, often did not arrive as needed for completion of the necessary work-phase. Del Sol, Inc., had to contract with an Albuquerque trucking firm to deliver lumber to the site and crates to the Ogden depot. Since lumber supplies were not available locally, costs varied according to points of purchase. Appearance of the contracted truck was erratic and, without a back-haul from Ogden, transportation costs were soaring while deliveries were hopelessly in arrears. HELP sought to solve this problem by leasing a truck, hiring a driver, purchasing lumber in Salt Lake City and establishing an assembly plant in Ogden.

Site isolation intensified the plight of hourly-wage employees because of irregular work schedules and lack of eating and other facilities. Turnover was abnormally high. Community support was

less than enthusiastic because of the site's identification with the government (*i.e.*, Air Force, N.M. Forestry Department, HELP). Few local individuals knew that El Vado Wood Products was a Del Sol, Inc., operation which, according to HELP's economic development proposals, was to be phased into community ownership.

The bid for this contract was based on the expected high point of the plywood-price cyclical pattern. 1968-69 was an unusual year; plywood prices escalated without oscillation. Del Sol, Inc., lost close to \$100,000 on the contract. Additional contracts from the Defense Supply Agency included an escalation, de-escalation clause based on raw materials cost and, thus, a portion of the original loss was recovered. These contracts have now terminated and the original crate operation is confined to production for moving and storage companies.

HELP's synergistic concepts have also assisted inasmuch as El Vado Wood Products has produced for the following HELP-owned or assisted enterprises: (1) Chimayo and Hondo apple cooperatives; (2) HELP's self-help housing program; (3) Ribera Ranch (feedlot) pig project; and (4) Sangre de Cristo Livestock Corporation. More than 100 men have worked for this venture since June 1968.

Truchas Weavers.—HELP's education component conducted weaving classes in the village of Truchas during 1966-68. As a result of this effort, HELP concluded that it was feasible to transform the existing cottage industry production pattern to a village industry. Weavers were receiving materials from the owner of a tourist-oriented store in one of the larger communities, weaving at their own pace and receiving payment upon completion of a particular item. The whole family frequently wove to supplement their income.¹¹

The Museum of New Mexico and other institutions were concerned that the art of weaving was dying. Thus, culturally, at least, there was a compelling reason for wanting to establish a sound weaving enterprise. HELP's education program had already examined several factors: (1) current labor returns; (2) that this type of work, requiring continuous standing and hand and feet movement, could be done on a sustained basis in a shop; and (3) that costs of production, including a minimum wage, could be recovered under the existing price structure. In order to determine the best market channel, Del Sol, Inc., established a tourist-oriented outlet in the town of Taos and negotiated with several manufacturing representatives to market nationally. Production was concentrated in the village of Truchas.

11. A good exposition on the role and types of weaving in New Mexico can be found in R. Dickey, *New Mexico Village Arts* (1949).

The first summer of operation generated a great deal of enthusiasm. Start-up costs were minimal since most of the looms and other equipment had already been purchased by HELP for its former training classes, were owned by the weavers, or could be built inexpensively. Since initial production started during the tourist season, operating capital needs were minimal because of an exceedingly high turnover. Training costs were minimal because the weavers had years of experience and had recently received HELP training. Productivity initially increased as the weavers became accustomed to the shop and specialization and minor technological changes were introduced.

Shortly after national marketing efforts were started, Del Sol, Inc., realized that the woven designs had to be changed to blend with contemporary furnishings in order to sell in volume. New items—ponchos, purses, pull-overs—were introduced to offer buyers a choice and prevent reliance on rug sales. Prices established necessitated marketing through “carriage” trade outlets and retailers often demanded exclusive territory rights. Bookings were scheduled in gift shows in New York, Chicago, Dallas and Los Angeles. These shows yielded rave reviews but few sales.

The initial enthusiasm dwindled rapidly during the 1968-69 winter as inventories accumulated. Patterns that appeared pleasing were often produced on a full-production basis and had to be sold at a fraction of the intended price. Operating capital needs increased as sales declined, payroll continued and inventory accumulated. Most of the increased operating capital needs were drawn from the depleted Ford Foundation grant.

Sales of woven products during the summer of 1969 were marginal, although publicity generated by the venture enticed tourists into Truchas. Local merchants reported increased sales, attributed to earnings of Truchas Weavers employees and tourists. Sales at the production facility in Truchas increased and steps had to be taken to keep the tourists from disrupting production. Plans for a new facility in Truchas were scrapped when sales failed to meet projections.

Accumulated inventories were embarrassingly high in early 1970 and were beginning to be of concern to OEO officials responsible for administration of HELP's economic development grants. Del Sol, Inc., and HELP were hopeful that a good 1970 tourist season would deplete inventories and allow resumption of production at the previous pace. Truchas Weavers, however, was forced to lay-off some employees and to close periodically during the 1970 summer. The

affected personnel were told that sales were below the expected level and that this, undoubtedly, was due to the state of the nation's economy.

Employment has averaged six in Truchas and four in Taos. Local management at the plant site and the Taos outlet is developing rapidly to the point where less HELP technical assistance is being required. This venture seems to be somewhat nearer than El Vado Wood Products in HELP's goal of divestiture into community ownership.

H. Cruz-Solano, Inc.

Cruz-Solano, Inc., is owned jointly by the former proprietor (46 percent), HELP (46 percent) and a former financier (4 percent). One of the first efforts by HELP's new R&D personnel was to determine the feasibility of further developing the cattle industry in northern New Mexico. These studies led to establishment of the feedlot enterprises discussed below and a preliminary analysis of the cattle-hide tanning process. Since the tannery industry is highly centralized (with few closed corporations also owning a substantial share of the firms using the leather output), and requires heavy capitalization, HELP sought to establish a partnership with an established tanner. The project progressed to the point where a major tanner inspected possible New Mexico sites, including Clovis where several slaughter plants are located.

A New Mexico tannery did not materialize because of locational, water, technical, managerial and other difficulties. However, HELP officials at the Clovis meeting were informed that a Clovis firm, which met HELP's criteria, was in serious need of assistance. The firm had operated in Clovis since 1955 and was owned by a skilled carver who had been stationed at Cannon Air Force Base. The proprietor had been hiring Mexican nationals—allowed to migrate into the United States because of their technical skill—because he was unable to subsidize the lengthy training required by local labor. He was, nevertheless, employing a number of individuals meeting HELP's client criteria, had become involved in the "Chicano" movement and the local "war on poverty" and was convinced that local financing had dried up because he had run for the City Commission.

Mel-Puer was specializing in production of special order Puerto-Hispano hand-carved furniture and refinishing of antiques. Plant quarters were cramped and equipment used was of home-shop quality. Lumber inventories were depleted because he was having to make all purchases with cash. Payroll and other operating expenses

were in arrears. The Small Business Administration had given the proprietor a \$13,000 loan in 1966 which he blamed for many of his current problems because it allowed him to obtain additional fixed capital but did not provide needed operating funds.

HELP decided that this type of firm could be tied into the crate and woven products operations. The first step was to provide financial assistance to prevent bankruptcy and establish satisfactory supply arrangements. Adequate equipment had to be purchased in order to improve labor productivity. Record keeping had to be upgraded in order to determine true costs of production and whether the existing price structure was correct. Further, the proprietor had encountered tax problems because of inadequate accounting procedures.

Initial HELP loans were a drain on the proprietor's resources because of imposition of a heavier debt burden and additional time needed for administration, a HELP requirement, reduced his time spent on production and marketing. HELP's chances of recovering its loans and investment on technical assistance appeared slim unless it could participate in forming managerial policies. Thus, the sole proprietorship, Mel-Puer, was incorporated into Cruz-Solano, Inc., and HELP was issued 46 percent of the authorized shares.

By this time it had become apparent that marketing strategy had to be changed to increase sales volume sufficiently to assure solvency of the firm. HELP started submitting bids for government contracts and included the furniture in gift shows and Truchas Weavers' advertising. Because of transportation costs a decision was made to limit marketing efforts to New Mexico, Texas, Arizona, Colorado and Oklahoma. Prototypes were produced, which initially increased overhead and operating costs, in order to determine production costs for the various items manufactured. Office and motel furniture were introduced as a potential for mass production. Hand carving was reduced and employees were forced to specialize. The proprietor's prior practice of charging costs of constructing the pattern to the first item produced was eliminated. Costly overtime was reduced and the proprietor was placed on a salary rather than a draw.

Cruz-Solano, Inc., now has a continuing contract with a national firm to produce stereo cabinets. Its motel furniture seems to be drawing increasing interest. HELP is convinced, nevertheless, that some highly ornate hand-carved furniture has to be produced in order to use Truchas Weavers' upholstery material. Cruz-Solano, Inc., has not bought crates since it manufactures its own. A continuing line of credit has been established with a Clovis bank, with HELP as

co-signer. The banker stated that the loan was made solely because of HELP's repayment ability.

I. Navajo Machine Service, Inc.

Bidding for government contracts for El Vado Wood Products and Cruz-Solano, Inc., frequently necessitated securing bids from local suppliers and possible subcontractors. Navajo Machine Service, Inc., who in this way became familiar with HELP's operations, was looking for a new facility and additional operating capital in order to perform on government contracts obtained. The firm was also working as a subcontractor to several large prime contractors, primarily weapons and airplane frame manufacturers.

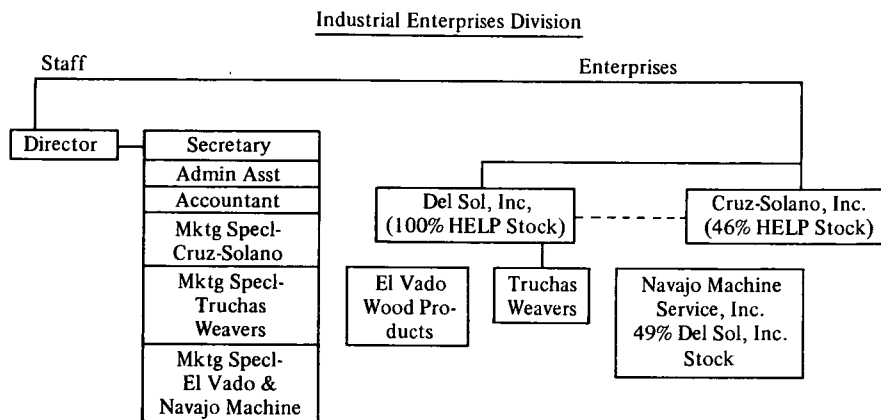
HELP assisted Navajo Machine Service, Inc., to move to Hernandez during the Spring of 1969 and to obtain additional operating capital, contracts and manpower training funds. Navajo Machine Service, Inc., in turn hired individuals referred by HELP and transferred 49 percent of its stock to Del Sol, Inc. The plant site is a former armory secured on a nominal long-term lease. Operating loans were arranged through the Espanola bank that had previously provided loans to El Vado Wood Products, with Del Sol, Inc., as co-signer. As in the case of loans to Del Sol, Inc., operating units and Cruz-Solano, Inc., the banker considers HELP to be the ultimate guarantor.

Navajo Machine Service, Inc., is now the only highly technical machine operation in that part of northern New Mexico. HELP's hopes that preferential bidding allowed firms located in depressed areas would result in increased contracting has not materialized. Heavy reliance on and the decline of defense-oriented and aircraft contracts have seriously hurt its volume of production.

HELP has learned a hard lesson on its role as minority stockholder. In the case of Cruz-Solano, Inc., HELP has been able to effectively influence management policy because of the stock distribution: HELP, 46 percent; former owner, 46 percent; and former financier, 4 percent. Influencing Navajo Machine Service, Inc., policy has been more difficult because the former sole stockholder holds 51 percent of the stock while Del Sol, Inc., holds 49 percent.

HELP's organizational chart shows an eighteen-member Board of Directors, an Executive Director and the following departments: (1) Program Management (education and self-help housing); (2) Administration; (3) Research; (4) Living Laboratory; (5) Economic Development (agricultural enterprises); and (6) Industrial Enterprises. The

organizational structure of the Industrial Enterprises Division is shown below.



J. Special Economic Impact Project

Title I-D, Economic Opportunity Act of 1964, as amended, authorizes the Director, Office of Economic Opportunity, to establish programs in urban areas designed to solve critical problems (*i.e.*, arresting tendencies toward dependency, chronic unemployment and rising community tensions) attributed to high concentrations of low-income persons and rural areas having a substantial out-migration to eligible urban areas. Selected characteristics of twelve projects funded for 1969-71 are shown below.

HELP's community development corporation (CDC), identified in the proposal as the New Mexico Economic Development Corporation, has not been formed because of HELP's contention that HELP itself, Del Sol, Inc., one of the cooperatives, or a federation of cooperatives can serve the purposes established in the grant without having to form an additional legal entity. This problem is discussed in more detail below.

Initially funded for \$708,500, the Special Economic Impact Project grant called for establishment, by May 31, 1971, of a feedlot complex (\$400,000 leverage funds and \$36,500 to assist in defraying first year administrative expenses) and an apple packing and storage facility (\$100,000 leverage funds). The grant also provided funds to: (1) hire needed legal and consultant services; (2) hire an Executive Director, a secretary and a bookkeeper for the CDC; (3) establish the CDC; and (4) provide training, facilities and services for the CDC Board of Directors. HELP was to use its existing staff, facilities and

	Durham, N.C.	Cleveland, Ohio	St. Louis, Mo.	Detroit, Mich.	Chicago, Ill.	Washington, D.C.	Northern N.M.	Hancock Co., Ga.	Roanoke Valley, Va.	Tri-Co., Ala.	Harlem, N.Y.	Eastern Kentucky
1. Community Development Corporation Model												
a. Two-tiered structure. Residents buy into profit-making holding company	X		X		X				X			X
b. Residents participate in individual businesses			X	X		X	X	X		X	X	
2. Industry Emphasis												
a. Manufacturing	X	X	X	X		X	X	X	X	X	X	X
b. Commercial	X	X	X	X	X							X
c. Construction			X	X	X				X			
d. Agriculture							X	X				
3. Leadership Strength												
a. Professional					X		X	X				X
b. Community			X	X	X							
c. Mixture-Professional & Community	X					X			X	X	X	
4. Dominant Ethnic Composition												
a. Negro	X	X	X	X	X	X		X			X	X
b. Mexican-American							X					
c. White									X			X
5. Formation of Community Development Corporation												
a. Immediate			X		X	X	X		X			
b. Phased	X		X					X	X		X	X

services to provide management, marketing, economic and other technical services needed by the CDC and the two enterprises established.

Sangre de Cristo Livestock Corporation-New Mexico Producer and Marketing Cooperative.—The Special Economic Impact Project grant required OEO approval of feasibility studies prior to release of budgeted venture funds. Feasibility studies for the feedlot complex had been completed since October 1968 and were included as part of the original proposal to OEO. Early 1969, however, was a year of administrative review and change at OEO, as throughout the federal bureaucracy, and all projects were re-analyzed prior to release of funds. As a result, a consulting firm was hired to prepare an independent feedlot study which substantiated most of HELP's original findings: over 150,000 head of cattle are sold annually from

the northern New Mexico counties of Mora, Rio Arriba, San Miguel, Santa Fe, Taos, Sandoval and Guadalupe; most of HELP's clients own an average of 12 head of cattle and 20 acres of land; and marketing of cattle is on an individual basis at the home-site or at distant auction rings, in both cases reducing potential returns to the owners.

Cattleowners selling at auction have to pay yardage, insurance, brand inspection and sales commission fees, representing about 8-10 percent of the sales price. Individuals selling to itinerant buyers are paid by the head, rather than by weight. Several buyers admit they hedge about 20 percent on weight and one-three cents a pound in order to recover costs. The feedlot venture will eliminate most auction costs and, with value added through feeding, will net the cattleowners about \$20.00 more per head, after feed costs, than under the current marketing method. Since most cattle are sold in the fall when the owners are in most dire need, the feedlot venture will pay 90 percent of the market value of the cattle on delivery. This is approximately equal to current net returns. The balance and value added will be paid when the cattle are sold from the lot.

Bureaucratic red tape stifled momentum and posed possible loss of potential financing sources as the money market tightened. HELP's original proposal was to establish "preconditioning" feedlots in Abiquiu (Ghost Ranch), Ribera and Anton Chico and gathering lots at Tierra Amarilla, Cuba and Penasco.¹² These lots are a necessary first step because cattle are now shipped out at 350-450 pounds. Feeding this size cattle to about 750 pounds allows the feedlot, and the cattleowners, to realize quick returns from growth rather than fattening. Hay, used extensively in growth rations, is available locally and shipped out simultaneously with the cattle. "Finishing" feedlot operators have expressed enthusiasms for preconditioned cattle. Shrinkage, trauma and mortality are lower for preconditioned than for range cattle.

The feedlot will be initially operated by the Sangre de Cristo Livestock Corporation whose stock will all be owned by HELP. Constructed at a cost of about \$150,000, the first feedlot, located near the town of Ribera, started operating during the first week of December 1970. Construction funds and an \$800,000 operating line of credit were obtained by using the \$400,000 Special Economic Impact Project loan guarantee fund and by mortgaging the facilities and cattle. Initial capacity of the Ribera feedlot is 2,000 head, with eventual capacity at 5,000 head. Special Economic Impact Project

12. The primary difference in "preconditioning" and "finishing" feedlots is that the finishing lots have to feed a higher concentration of grain.

grant funds are to be used to help defray first year administrative expenses.

The New Mexico Producers and Marketing Cooperative was formed in October 1970 to be the initial cattle and feed purchasing agency for the corporation. Special Economic Impact Project grant funds will be used to provide training, facilities and services for the cooperative's Board of Directors. Four of the members of the cooperative's Board of Directors are also members of the Sangre de Cristo Livestock Corporation Board. HELP now plans to transfer corporate assets to the cooperative in mid-1971. HELP's synergistic system will operate as follows: (1) the feedlot was constructed by Del Sol, Inc.; (2) the Mora and Penasco cooperative members will sell feed and cattle to the feedlot; and (3) HELP's education program will provide requisite training and will sponsor a feeder pig demonstration project.

Northern New Mexico Farmers' Cooperative Association-Sangre de Cristo Marketing Corporation.—The Northern New Mexico Farmers' Cooperative Association was incorporated during the summer of 1969 (see prior discussion on the Rio Ruidoso Cooperative Association). HELP instructed its Espanola educational personnel and the Economic Development Division staff to assist in organization and management of the cooperative. Economic Development Division personnel were assigned to prepare financial, feasibility and other data required by OEO and other possible financial sources.

Several organizations were simultaneously involved in assisting the cooperative: the New Mexico State Office of Economic Opportunity had assigned an individual for six months on a full-time basis to assist in member recruitment; HELP was providing the manager; and the Espanola Development Corporation, the Four Corners Regional Commission and the County Extension Agent were providing technical assistance.

Approved for release in September 1969, the \$100,000 from HELP's Special Economic Impact Project grant was the first firm funding for the proposed apple sorting, grading, packing and storage facility. Prior to release of these funds, HELP had authorized the cooperative's manager to solicit bids for construction of the facility and provided office space, telephone, supplies and administrative assistance. Funds were also advanced to allow marketing of the 1969 crop.

Cooperative members approached the Small Business Administration for a loan and were notified that cooperatives are not eligible applicants. This type of loan, however, could be made to a private, profit-making corporation. Thus, the Sangre de Cristo Marketing

Corporation was formed specifically to apply for the SBA loan. Apple growers have to join the cooperative and simultaneously purchase stock in the corporation. In order to legally differentiate the two organizations, the corporation's Board of Directors includes two additional members.

The Sangre de Cristo Marketing Corporation applied for the SBA loan through the Espanola Development Corporation. Since this was the development corporation's first application, HELP and the Four Corners Regional Commission had to provide grants to raise the local 10 percent requirement. Final funding was as follows:

Fixed Capital

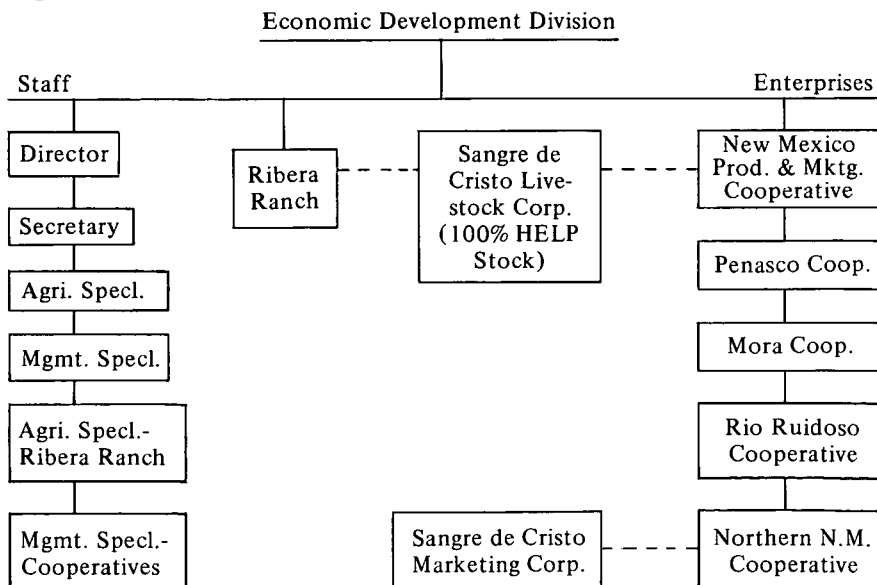
Small Business Administration Loan	\$299,700
Espanola Development Corporation	33,300
Four Corners Regional Commission Grant	\$28,300
HELP Grant	5,000
	<u>\$330,000</u>

*Working Capital**

Long-Term Loan from HELP	\$51,000
Short-Term Loan from HELP	24,000
	<u>\$75,000</u>

*Subordinated to the Small Business Administration. HELP is still holding \$20,000 for possible future requirements.

HELP's Economic Development Division organizational structure is portrayed below:



K. Supplementary Special Economic Impact Project Grant

HELP's original OEO R&D grants were: July 1, 1967-June 30, 1968—extended to September 30, 1968, because authorized personnel were not hired until October 1968-January 1969; October 1, 1968-September 30, 1969—extended to January 31, 1970, because several individuals who resigned were not immediately replaced. Except for the Economic Development Director, a secretary and an accountant, who were funded under the original Special Economic Impact Project grant, all other personnel working directly on economic development were funded through the OEO R&D grant. Therefore, a proposal for third-year funding was submitted to OEO.

OEO asked HELP to withdraw its R&D refunding proposal and to submit an application for supplemental funding of the Special Economic Impact Project grant because: (1) OEO's administrative and funding procedures had resulted in more available funds in the Special Economic Impact Project than in the R&D component; and (2) OEO wanted HELP to incorporate the R&D personnel and enterprises into the community development corporation approach required by the original Special Economic Impact Project grant. As a result, a \$262,374 supplementary grant was provided, effective from February 1, 1970, to May 31, 1971. The supplementary grant also provided \$40,000 to establish a Mobile Trading Post to serve off-reservation Navajos in the checkerboard area. This new project, as in the case of the feedlot and apple ventures, requires submission of a detailed feasibility study. This study had not been completed as of December 1, 1970.

The latest Special Economic Impact Project supplemental funding is \$150,000 to supplement Title III-A Farmers Home Administration loans to individuals and organizations participating in approved economic development activities. It is expected that most of the beneficiaries will be associated primarily with the feedlot project.

CONCLUSION

The original Special Economic Impact Project grant stipulated that HELP would establish a community development corporation, the New Mexico Economic Development Corporation, which would function as an entirely separate corporate entity. HELP had reluctantly agreed to form the new CDC when it became apparent that this was the only barrier to obtaining the grant. Verbal discussions with OEO official had occurred periodically over the merits and demerits of creating a new and separate community development corporation. In July 1970 HELP finally decided to formally request that it be designated the CDC because:

1. HELP's other programs were needed to implement a comprehensive total rural development program.
2. The new CDC had inherent built-in administrative problems.
3. Questions existed as to the legal relationships between the new CDC, HELP and HELP's subsidiaries.

The original Special Economic Impact Project grant only provided the following personnel: (1) Executive Director of the CDC; (2) CDC secretary; (3) CDC accountant; (4) feedlot manager; (5) feedlot accountant; (6) feedlot secretary; and (7) CDC Board of Directors secretary. The CDC's administrative function was to administer the funds provided for establishment of the CDC and for the apple and feedlot ventures. Ventures could be provided funds as loans, grants, loan guarantees or investment. HELP, as trustee for the proposed CDC, had already used venture funds to provide loans, loan guarantees and grants. Since the new CDC would have no investment in the ventures and no provisions had been made to seat anybody associated with CDC on boards of the ventures, the CDC's control over venture activities would have been dubious at best.

The CDC, at the direction of its Board, could contract with any agency for space, administrative services and technical personnel, which HELP had agreed to provide on a less-than-cost basis in an effort to reduce administrative fund requirements in the original proposal. Contracting with HELP for these services would have further diluted the CDC's administrative function.

The CDC could have elected to contract with another agency or sought to provide its own services. However, in this case, the CDC could have found itself in open conflict with HELP in seeking new funds and economic development projects for the same geographic area. Further, the CDC would have been woefully understaffed compared to HELP who, at that time, had not agreed to incorporate its economic development staff in the Special Economic Impact Project grants. The CDC would also not have had access to subsidized training through HELP's education program and would not have been able to use the community centers and staffs without HELP approval.

The problem of providing adequate personnel for the CDC was rectified in the first supplementary grant by funding eleven additional staff positions previously provided to HELP through the R&D grants. The CDC could still be stymied, as noted above, by contracting with HELP for administrative and technical services. Establishment of an entirely separate CDC would have generated undue administrative costs by duplication of services that HELP was willing to provide through its central Administrative and Program (Education and Self-Help Housing) Management Divisions. A per-

sonnel crisis could have been created by seeking to transfer the HELP economic development staff to the CDC if HELP, in turn, had used its other funds or secured new funds to retain the same staff.

Perhaps the most difficult and complex provision of the Special Economic Impact Project funding was the question of ultimate disposition of the enterprises established through HELP's prior R&D grants. This difficulty emerges because Del Sol, Inc., Cruz-Solano, Inc., Navajo Machine Service, Inc., and the non-Special Economic Impact Project cooperatives all have negative net worths resulting from continued losses. The CDC could have elected not to absorb these enterprises but merely accept them as affiliates for technical assistance. HELP, on the other hand, could have refused any type of association. Thus, the CDC could have found itself with substantial personnel funds and three ventures—feedlot, apple cooperative, mobile trading post—over which it had little control or influence.

Most of these problems could be solved by having HELP declared the CDC. The major reason that OEO has not acquiesced to HELP's proposal is that whatever community control there is over HELP is diffused over a geographic area much larger than that designated by the Special Economic Impact Project grants. The HELP Board of Trustees is currently comprised as follows: eight members appointed by the New Mexico Council of Churches, four by the Church Women United and eight elected by HELP's clients.

Current discussions between HELP and OEO officials seem to indicate that HELP will be declared the Community Development Corporation, especially since the grants terminate on May 31, 1971. The HELP Board will be told to adjust its membership to comply with OEO Special Economic Impact Project provisions. A possibility is to expand the Board to twenty-two, with eleven positions allocated to the New Mexico Council of Churches and the Church Women United. Of the remaining eleven positions allocated to HELP's clients, one would be from each Special Economic Impact Project county and one from each of HELP's administrative quadrants.

HELP could possibly elect to only have an advisory committee appointed to assist its Board. The community control issue, in this case, would not be settled. HELP, however, believes that this is a moot issue since the communities already substantially control the ventures established through the Special Economic Impact Project grants and the pre-existing cooperatives. The perplexing question at this time is whether Del Sol, Inc., Cruz-Solano, Inc., and Navajo Machine Service, Inc., financial conditions will ever improve sufficiently to allow to sell, give or assign sufficient stock to eligible community residents to effectively assure community control.