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## Are Private Farm Management Centers Feasible in El Salvador?

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### Abstract

This paper evaluates the economic and the financial viability of implementing private farm management centers (FMC) in El Salvador. To pursue this objective, a classification process was used to create a set of representative farms. Then, enterprise and whole-farm budgeting techniques are used to calculate net benefits without FMCs. The benefits of the FMCs are projected assuming that alternative services are provided. These alternatives are developed to simulate farm improvements that are expected from the services provided by the FMCs. The financial and economic impacts of the farm improvements are calculated using multiperiod linear programming models.

To compute the benefits of the FMC as a whole, the incremental net benefit of each representative farm is extrapolated to the population that they represent. The viability of the FMC is examined using the financial and economic net present value (NPV) and internal rate of return (IRR). Lastly, to assess the inherent risk of the project, a sensitivity analysis is conducted.

The data used in this evaluation were obtained from a variety of sources. The socio-economic characteristics of the farmers come from a survey administered to farmers randomly selected from cooperatives associated with the FMCs. This survey also contains individual enterprise budgets for different crops cultivated in each farm during the 2001–2002 agricultural year. The financial, accounting and marketing information was obtained from records collected by the FMCs. Secondary sources are also used to compare, expand and improve the data available.

The main results of this analysis suggest that a combination of better farm prices (paid and received), reallocation of resources, and crop diversification that would be promoted by a farm management center can lead to increases in farm profits that would be sufficient to cover the operation of the FMC and still generate net gains in household income.

**Keywords:** Cost-benefit analysis, developing country, El Salvador, farm management centers, multi-period linear programming, private agricultural extension