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**LAND O'LAKES, INC.**

**FARMER-TO-FARMER SPECIAL INITIATIVE  
PROGRAM IN THE NEW INDEPENDENT STATES (NIS)  
OF THE FORMER SOVIET UNION  
COOPERATIVE AGREEMENT FA0-0705-A-00-2091-00**

**Quarterly Report on Activities  
From October 1 to December 31, 1992**

**January 28, 1993**

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## **1. EXECUTIVE SUMMARY**

Land O'Lakes experienced the excitement and frustration this quarter of start-up activities under the Farmer-to-Farmer program in the NIS. During experiences ranging from challenging logistical situations to meeting with one of the first private farmers in Russia, the importance and necessity of this program surfaced repeatedly.

During the fourth quarter of 1992, Land O'Lakes' Farmer-to-Farmer program to the NIS provided two volunteer specialists to two agribusiness organizations providing distribution-type services. In addition, one staff person was relocated to Moscow to enhance networking, contacts and to support the volunteers as they came. A staff person from Land O'Lakes' Corporate Headquarters in Arden Hills, Minnesota, where the Land O'Lakes International Development Division is located, traveled to the Tula region of Russia, connecting with one of the highest concentrations of private farmers in the NIS and working with the chairman of the board of a newly-formed cooperative.

While fielding both volunteers and staff, administrative work on the implementation phase of the program continued. Through continuing communication with USAID, personnel were approved, activity authorization and country clearance procedures were put into place, and work on the year-one workplan and FFA subagreement was begun.

Land O'Lakes continues to receive information regarding possible technical assistance requests. With a solid infrastructure in place for determining appropriate technical assistance needs and to deal with the logistics of fielding the experts to address these needs, the program is expected to progress steadily forward in subsequent quarters.

## **2. IMPLEMENTATION OF ACTIVITIES**

### **A. Program Start-up**

From point of execution of the cooperative agreement to date, various aspects of program implementation and start-up have been addressed. Personnel, an office location in Moscow, and beginning development of contacts for technical assistance recipients were all part of activities this quarter.

Richard Hanna, an experienced farmer and former cooperative board member from Joice, Iowa, was selected as a project officer for Land O'Lakes' International Development Division. Hanna brings to the division experience in farming and farmers, cooperatives, equipment, distribution and supply systems, and all other aspects of private farming. His responsibilities will include all implementation aspects of the Farmer-to-Farmer program.

Nathaniel Carin was selected as a Land O'Lakes International Development Division in-country manager for the Newly Independent States (NIS). Carin was the division's in-country manager for Eastern Europe and has experience in technical assistance needs evaluation, in-country logistics, program implemen-

tation, and working with and supervision of foreign nationals. His responsibilities will include coordination of program activities in-country and developing contacts with potential technical assistance recipients.

Another important initial activity is the establishment of a firm base of operations in the NIS. To accomplish this, Nathaniel Carin was transferred from Warsaw, Poland to residence in Moscow, Russia. From there he will provide logistical support to the process of establishing an office site, recruiting and selecting in-country program assistants, and establishing contacts for a base site in Ukraine. Carin is currently collaborating with Summit, Ltd. in an attempt to procure joint office space with their Moscow office. By combining resources in this area, additional and optimum space may be obtained.

Other start-up activities have included a trip to Russia by Rich Hanna to coordinate and assist with the establishment of a network of farmer and leader contacts out of which assistance requests will be received. This trip is described in detail under section 2.C. Hanna is also establishing a volunteer database and network in the United States to supply the high-quality and highly expert volunteers necessary for a program of this scope. He is also recruiting a part-time program assistant.

Also, negotiations are underway with FFA and USAID to produce and execute a subagreement between Land O'Lakes and FFA for youth and educational volunteer assignments. These assignments will take place both in Russia and Ukraine.

#### B. Volunteer Assignments

All volunteer assignments were technical assistance interventions with privatized or emerging private businesses which supply inputs and infrastructure into the Russian farmer's distribution and/or supply system.

SPECIALIST	DATES	LOCATION	RECIPIENT ORGANIZATION
Doug Marshall	October 5-12, 1992	Moscow, Russia	Russian School of Management and Agribusiness
Barbara Riordan	November 3-14, 1992	Moscow, Russia	Institute of Comparative Social Research, Ltd.

#### Doug Marshall

Doug Marshall, specialist with Cooperative Auditing Services, was assigned to provide technical assistance to the Russian School of Management and Agribusiness. This contact came as part of a conference presented by The International Educational and Scientific Association (ZNAIE), the Economic Reform

Foundation and the Russian Academy of Entrepreneurship, all Russian organizations which are involved in instructing businesses in the process of privatization.

The Russian School of Management and Agribusiness contains, in Marshall's words, "the only people who have technical knowledge in the distribution and management of input supply materials and purchases of agricultural commodities." At the School, Marshall spent time working with Dr. Budilkin, the School's Rector. Marshall's scope of work was to assist the School in the development of their agricultural cooperative training curriculum. He made the following specific curriculum proposals. Pertaining to each of these proposals, Marshall provided suggestions as to possible technical expertise resources for completion.

- Develop a cooperative extension system training program using available tools being offered by existing US cooperatives.
- Develop courses to teach management styles such as participatory and horizontal
- Develop courses which present internal auditing in its proper format, including courses which would elevate present accounting standards
- Develop courses designed to present businesses with a workable structure for employee ownership and distribution systems such as the ESOP and Binary Economics models.

In addition to the above technical assistance to the Russian School of Management and Agribusiness, Marshall was to have provided technical assistance to the Lipetsk meat packing plant in privatization and cooperative ownership methods. However, despite frequent attempts, communication with Lipetsk was established too late for train tickets to be purchased for any time during the following week.

This experience pointed out the vital need for in-country support, such as that which will be provided by Carin and his Russian assistants, before any further volunteer assignments were undertaken. Providing appropriate logistic arrangements has proven to be one of the more challenging yet essential aspects of the volunteer assignments. Relocation of Carin to Russia alleviated most of the problems.

### Barbara Riordan

Barbara Riordan, Land O'Lakes' marketing specialist, provided technical assistance to the Institute of Comparative Social Research (CESSI) in the area of marketing and consumer research - areas not understood in the Russia distribution system and yet vital to the success of private enterprise. Her assignment was focused on marketing and consumer research dealing with dairy products, an area of long-term concern to private farmers.

Riordan assisted CESSI in conducting focus group research, a type of research widely accepted in the United States but relatively unknown in the NIS. While CESSI has begun to develop marketing research skills, they lack this element, which recognizes that marketers need to understand not only what consumer do but why they do it.

The objective of the focus groups, which were conducted at CESSI, was to begin to understand Russian consumer attitudes and usage habits toward dairy products. Riordan assisted CESSI in working with the results of discussion with focus groups consisting of eight to ten Russian housewives from middle and upper middle income households. Because consumption is dependent on availability, the challenge was to separate "wants" from "needs."

With Riordan's guidance, CESSI was able to begin to develop an understanding of how different dairy products are consumed and how habits might differ. In her words, "This exercise allowed us to draw some conclusions from the study, discuss possible marketing strategies targeting these consumers, and determine the best approach for future research."

Riordan and Carin were also invited to participate in The World Food Expo in Moscow. This provided further insight into the types and quantity of technical assistance needs currently experienced by Russian farmers, dairy processors and distributors. In particular, Expo attendees were interested in US agricultural services and dairy production organizational structures. This trade show offered a solid venue for advancement of the Farmer-to-Farmer program.

### C. Staff Trips

Richard Hanna, project officer with Land O'Lakes International Development Division, traveled to Moscow and Venev, Russia. The purpose of his trip was to meet with key people in order to introduce himself and, more importantly, the Farmer-to-Farmer program. In addition, because Hanna will be recruiting volunteers for technical assistance assignments under this program, he was also compiling information on the conditions that will confront those volunteers.

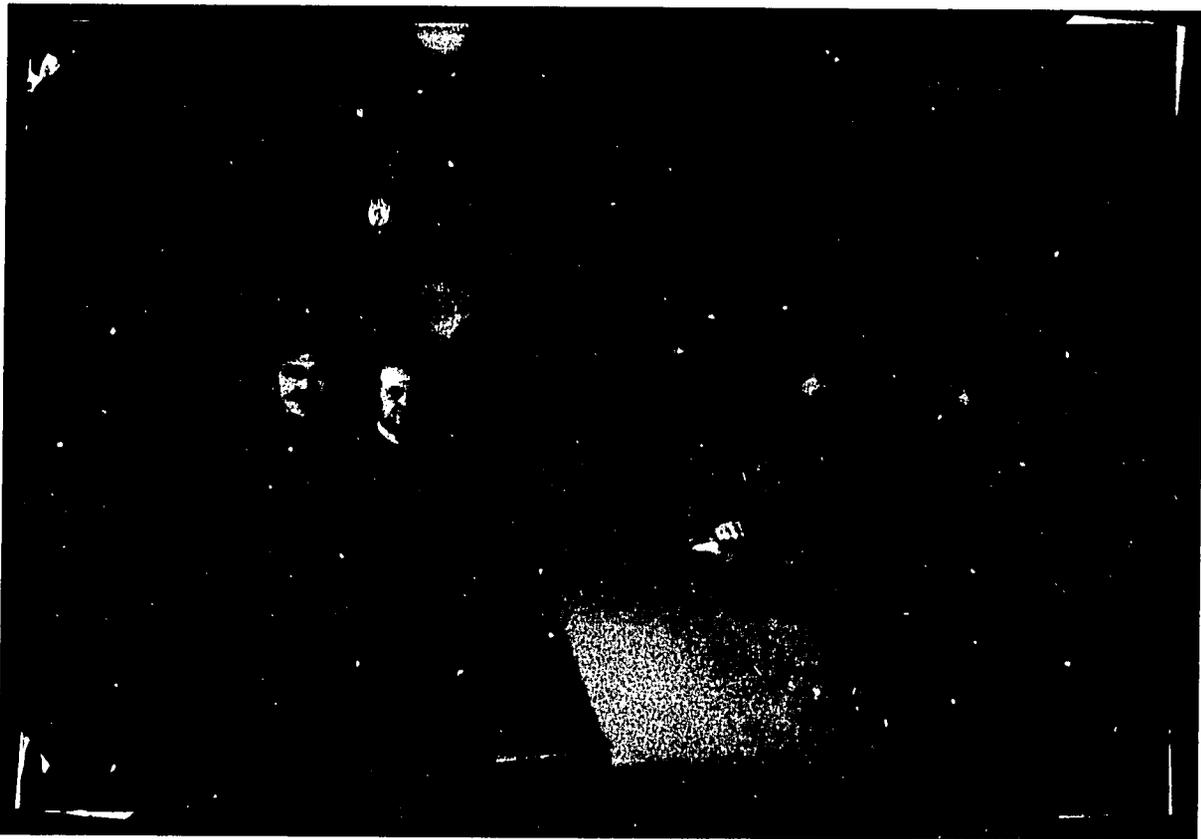
Due to the convening of the Congress of Deputies shortly before Hanna's trip, it was very difficult to meet with key people in Moscow. Hanna was, however, able to meet with Dr. Bashmachnikov, the president of AKKOR, Yuri Linin, Vice President, and Yuri Klimenko, Department Director. The following information was collected during that meeting:

- Despite pockets of resistance, the numbers of private farmers are growing very quickly - 10,000 new private farmers are being registered per month.
- There is concern among farmers that farmer organizational groups may become too bureaucratic and lose sight of what they are supposed to be doing for farmers and farmer cooperatives.

In Venev, which is located in the Tula region of Russia, Hanna was able to visit about 15 private farms involving 54 private farmers - including the first private farmer in that area. Accompanied by Alexander Kondratenko, the chairman of the board of directors of the newly-formed Venev cooperative, Hanna viewed a wide range of sizes of farms as well as various livestock operations. From these visits, he was able to get a general idea of what the most pressing needs were for technical assistance. Education, abilities, expertise and needs, all of which vary greatly, will be taken into consideration when determining technical assistance assignments.

Hanna also analyzed several potential supply and distribution organizations, including a milk processing plant, machinery repair enterprise, food market, and bank. In addition, he toured the Agricultural Institute #35 of Venev. This institution not only trains farmers and other agribusiness workers, they also own equipment which they rent out to private farmers at a reasonable cost. Information regarding the youth programs that could potentially be implemented through this institution will be passed to FFA for further development.

Before returning to the United States, Hanna conducted three lectures (two in Venev and one at Moscow State University) on the subject of cooperative practices and how private farmers in the U.S. work. He was well-received in both locations.



▲ Rich Hanna (second from right) meets with a group of private farmers to discuss future technical assistance requests



▲ Rich Hanna (left) meets with Vladimir Rotin of Venev to determine the potential for seminars at the technical institute followed by technical assistance



▲ Rich Hanna on the farm of private farmer Anatoly Puzakov. Anatoly was one of the first private farmers in Russia.



- ▲ Alexi Yakunin (left) was one of the many private farmers who expressed the need for improved knowledge and education in forage production and development of a farmer youth organization.

### 3. PROGRAM ADJUSTMENTS

Due to the logistic difficulties discussed earlier, including previously lengthy country clearance processes, Land O'Lakes was unable to field the amount of volunteers during this quarter that were indicated in the proposal implementation plan. An adjustment in the amounts of volunteers for each future quarter will be reflected in the workplan submitted to USAID for project officer approval. It is not anticipated that there will be further difficulties with volunteer assignment as an infrastructure for technical assistance requests, tracking, clearance and logistic arrangements has been created.

### 4. UPCOMING ACTIVITIES

In addition to placing volunteers in carefully selected, appropriate assignments in the Moscow and Tula areas of Russia, Land O'Lakes will begin its efforts in Ukraine. Concurrently with volunteer assignments, the following administrative tasks will take place:

- USAID approval of year one work plan
- USAID approval of program management staff
- Approval and execution of subagreement with FFA

The first quarterly newsletter containing information about the Farmer-to-Farmer program will be produced during the upcoming quarter. Distribution will occur in mid-quarter.

## **5. ATTACHMENTS**

Attachment A: Quarterly Financial Report

**ATTACHMENT A**  
**QUARTERLY FINANCIAL REPORT**

FARMER TO FARMER  
FINANCIAL REPORT

	<u>Expenditures</u>		
	<u>Grant</u>	<u>Actual</u>	<u>Projected</u>
	<u>to Date</u>	<u>10/1/92 to 12/31/92</u>	<u>1/1/93 3/31/92</u>
1. Direct Labor	\$15,557	\$15,557	\$28,114
2. Fringe Benefits	4,893	4,893	6,747
3. Consultants	3,861	3,861	16,032
4. Travel/Per Diem	18,200	18,200	44,331
5. Expend. Supplies/Materials	98	98	1,175
6. Nonexpendable Equipment	0	0	0
7. Subcontracts/Subagreements	0	0	10,219
8. Other Direct Costs	3,704	3,704	9,050
9. Evaluations	0	0	0
10. Indirect Cost**	<u>18,059</u>	<u>18,059</u>	<u>33,524</u>
<b>Total</b>	<u><u>\$64,372</u></u>	<u><u>\$64,372</u></u>	<u><u>\$149,192</u></u>

\*\* The estimated final overhead rate is 39%. The adjustment of (\$4,167.36) is included in Indirect Cost. The estimated overhead rate for 1993 is 35%.