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**RESTRUCTURING
AGRICULTURE AND AGRIBUSINESS:
PRIVATE SECTOR PROGRAM FOR POLAND
USAID GRANT EUR-0024-A-00-2042-00**

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

from a consortium of

Land O'Lakes, Inc
Sparks Companies, Inc.
The American Trust for Agriculture in Poland
Center for International Food and Agricultural Policy
of the University of Minnesota

in cooperation with the
Foundation for the Development of Polish Agriculture

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1. EXECUTIVE SUMMARY

As noted in the last quarterly report for Restructuring Agriculture and Agribusiness: Private Sector Program for Poland (RAAPS), Michael Gormley, RAAPS consortium manager, completed a trip to Poland in early October to make a firsthand assessment of the existing situation in the country, the progress of the government's privatization policies and the overall setting for the RAAPS program. This trip helped to clearly define the alternatives available to fulfill the program's mandate to facilitate and promote privatization and competition in a rapidly changing Polish environment.

Over the past quarter, the consortium, which is composed of Land O'Lakes, Sparks Companies, the American Trust for Agriculture in Poland, and the University of Minnesota, has worked to revise the RAAPS activities and restructure its workplan and schedule for the remainder of the first year. With that process now completed and the full workplan approved, the consortium begins 1993 ready to aggressively proceed with the RAAPS project. The implementation plan for year one, which is newly defined as September 1992 through August 1993, is enclosed as Attachment B.

2. IMPLEMENTATION OF ACTIVITIES / PROGRAM ADJUSTMENTS

Forums

The number of national and regional forums has been reduced from five to three during the first year (September 1992 to August 1993). The one-day forums, given their time limitations, have limited educational value. Additionally, over the past year, Poland seems to have been overwhelmed with seminars introducing the function of competitive markets. However, one-day forums work effectively to introduce a wide variety of participants to the program and to promote interest in the workshops and technical assistance interventions, which are the core of the program.

Two more forums will be held, one in each of two new cities where the RAAPS consortium will be concentrating its efforts: Krakow and Lublin. As mentioned, each will be used to introduce the RAAPS program and will take place prior to beginning other activities such as workshops and technical assistance interventions.

The next forum is scheduled for March in Krakow.

Workshops

The focus of the RAAPS program has shifted towards technical assistance interventions. Yet, for those interventions to be successful, roughly the same level of commitment to classroom instruction as originally projected will be required, at least for the first year. However, the workshops need to be restructured such that they clearly focus on those management issues which enterprises in the process of privatization truly require.

The audience that the consortium wants to address is ready for a course of instruction more advanced and focused than what is now widely available in Poland. This level of instruction is effectively a prerequisite for managing the complicated issues of privatization. Consequently, the workshop instruction has been structured to go hand in hand with technical assistance interventions, as well as to prepare and select intervention candidates.

Over the last quarter, the structure of the courses has been reworked to provide a more advanced level of instruction, while focusing on widely and directly applicable management concepts--a less theoretical and more practical approach. To that end, workshop instruction has been consolidated into two general courses:

1. Agribusiness Management and Privatization
2. Intermediate Marketing

The courses will emphasize hands-on financial tools such as financial statement and cash flow analysis, asset valuation, and risk management--tools necessary for the application for commercial credit or the development of a business plan.

Additionally, more case study presentations requiring group study and problem solving will be implemented. It is important that case studies be relevant to Polish managers, so case studies will be written based on current Polish situations.

Ideally, the workshop participants should take courses back-to-back to get a well-rounded introduction to these management concepts. To this end, the consortium will schedule these courses to run concurrently and consecutively. At this point, it is not certain whether this is logistically possible for either students or instructors.

Fifteen workshops are planned for implementation in year one, which is defined as September 1992 through August 1993. The next workshop is scheduled for late March or early April in Krakow.

Technical Assistance Interventions

The RAAPS consortium has also revised its approach to technical assistance interventions. Originally, it had projected interventions of an average of two weeks' duration, focusing intensely on the firms' defined problems. However, for the interventions to be successful, the firms will require continual monitoring and the resolution of their problems over an extended period of time. An initial three- to four-day intervention will define each firm's problem and begin to implement a resolution. This will be followed by additional two-day interventions over the course of six to twelve months. Ultimately, more time will be spent per intervention than originally projected, but ongoing monitoring and evaluation is more likely to yield lasting results. Logistically, this approach is more complicated but more conducive to success.

Recruitment of the first year's twelve to fifteen technical assistance intervention candidates has begun.

3. UPCOMING ACTIVITIES

With the first quarter of 1993, the consortium walks in full stride with activities under the RAAPS program. In mid-January, Michael Gormley and William Motes travel to Poland to focus primarily on two objectives:

- A. To recruit technical assistance candidates: Over the past two months, with the assistance of various organizations, they have recruited candidates for technical assistance interventions. Having evaluated questionnaires from a number of enterprises, they will interview, analyze, and select candidates.

During this process they will cautiously select candidates who are capable of maximizing the assistance provided, yet who remain within the project's mandate and resources. They will avoid commitments which may later only add to the sense of disappointment with Western aid that is now prevalent in Poland and Eastern Europe.

- B. To finalize working agreements with two universities in Poland:
 - the Agricultural University of Lublin, and
 - the Agricultural University of Krakow.

The agreements with the universities are a culmination of extensive discussions of plans and expectations of cooperation. Not only will the universities provide facilities for seminars, they will, more importantly, also assist in recruiting candidates for both workshops and technical assistance interventions. Faculty members from both universities will actively participate in the RAAPS project, first as trainees in the University of Minnesota's four-week seminar for educators, and later as an extension of the consortium's teaching capabilities,

providing long-term continuity. Both of these universities are expected to become full partners in the RAAPS project.

Also, this first quarter, two U.S.-based short courses for Polish participants will be held:

- A. Agribusiness Management will be presented by Sparks Companies in Memphis, Tennessee, February 8-13, 1993. Fifteen grain traders will participate in an intense week of instruction on futures markets, risk management, hedging and options, among other subjects. Selected from among Poland's most important agribusiness firms (AGROS, GALTEX, ROLIMPEX), participants are well-trained and experienced. The participants will likely benefit tremendously from exposure to the U.S. market and its operations.

- B. Training Agribusiness Instructors will be presented by the University of Minnesota, in Minneapolis, over four weeks beginning February 15. Eight to ten Polish university professors will work closely with six University of Minnesota professors to structure courses and develop curricula, lectures, case studies, and textbooks in four areas of economics:
 - Macroeconomics
 - Microeconomics
 - Accounting
 - Finance

The professors selected are from partner universities in Krakow, Lublin, and Olsztyn, as well as Posnan.

Toward the end of the quarter, the forums and workshops will begin, and throughout the quarter the technical assistance interventions will move forward.

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4. ATTACHMENTS

A. Financial Report

RESTRUCTURING AGRICULTURE IN POLAND
FINANCIAL REPORT

	<u>Expenditures</u>		
	<u>Actual</u>		<u>Projected</u>
	<u>Grant to Date</u>	<u>10/1/92 to 12/31/92</u>	<u>1/1/93 to 3/31/93</u>
1. Direct Labor	\$26,550	\$20,189	\$34,495
2. Fringe Benefits	8,677	6,148	10,893
3. Consultants	9,655	5,597	14,651
4. Travel/Per Diem	11,374	2,158	95,000
5. Expend. Supplies/Materials	147	91	550
6. Nonexpendable Equipment	17,000	0	12,000
7. Subcontracts/Subagreements	85,194	66,705	140,000
8. Other Direct Costs	17,661	9,934	7,200
9. Evaluations	0	0	0
10. Indirect Cost**	<u>42,475</u>	<u>18,431</u>	<u>6,492</u>
Total	<u><u>\$218,733</u></u>	<u><u>\$129,253</u></u>	<u><u>\$321,281</u></u>

** The estimated final overhead rate is 39%. The adjustment of (\$8,195.76) is included in Indirect Cost.

B. Year One Implementation Plan

Schedule A. Projected Courses, Timetable, Frequency, and Responsible Organization - Year One

Activity	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Responsible Organization
I. Forums									
Privatizing Agribusiness			1	1					FDPA
II. In-Country Workshops									
The Finance of Privatization			2						SPARKS
" "				2					SPARKS/LOL
" "					2	1			LOL/FDPA
Intermediate Marketing			2	2	2				LOL/FDPA
" "						1			FDPA

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Schedule A. (cont'd.)

Activity	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Responsible Organization
III. Technical Assistance Interventions									
Agribusiness Institutes				1	1	1			CIFAP
Privatizing Agribusiness			2	1					SPARKS
" "				1	1				SPARKS/FDPA
" "					2	2	2	1	LOL
IV. U.S.-Based Training									
Basis Management		1							SPARKS
Training of Trainers in Agribusiness			1						CIFAP
Agribusiness Management							1		LOL
Women Leaders in Agribusiness								1	LOL

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