

VOLUNTEERS IN OVERSEAS COOPERATIVE ASSISTANCE

--- VOCA ---

**DRAFT REPORT ON VOCA'S PROGRAM DIRECTIONS
TO ASSIST PRIVATE FARMERS AND AGRICULTURE IN
BYELARUS**

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VOCA's Program in Byelarus

I. Introduction

Volunteers in Overseas Cooperative Assistance (VOCA) was provided funds by the U.S. Agency for International Development (USAID) to implement a program to assist private farmers and agriculture in Byelarus. This report describes some aspects of the current situation in the country important to the directions of the VOCA program, and then highlights areas where VOCA's assistance may be of particular assistance to the country.

During the next six months, VOCA plans to staff the Byelarus program largely from existing programs in Lithuania, Russia, Ukraine and Poland. During the next six months, VOCA will make an evaluation to determine the timing of sending a permanent staff member to head up its operations in Byelarus. During this time, VOCA will make arrangements for a citizen of Minsk to help arrange logistical and other details concerning the arrival of staff and specialists.

VOCA expects to operate a program in Byelarus for the next three to five years, during which time it hopes that Byelarus' agriculture is able to make a smooth transition to the market economy. Please refer to the end of this report for more information on VOCA's capabilities and past record of achievement.

The VOCA team attempted to make use of as many resources as possible in Byelarus to gather data for this report. These included top officials from the Ministry of Agriculture, the Supreme Soviet, Regional Government authorities (in Gomel, Mogliov and Minsk oblasts); as well as the management and staffs of state production and processing enterprises, state and collective farms, banks and other agriculturally-related businesses; private entrepreneurs; and, private farmers. We wish to thank all of those people who gave generously of their time and attention to help us understand Byelarus and the agricultural and agribusiness situation.

This report will not attempt to replicate the reports already written or being written by organizations with great expertise and experience in analyzing agricultural production problems and opportunities. There is currently a World Bank team in Byelarus drafting a report on the agricultural situation in the country

which should provide a solid analysis upon which governmental and non-governmental authorities can form strategies for transforming the agricultural sector. Other agencies and organizations have come to Byelarus during the past year making their own analyses of the current situation. Their reports should provide a solid source of information from which to make an analysis of production methods.

* A note on nomenclature in this report: The word 'cooperative' as understood by American farmers is replaced by the term 'marketing association' or 'input supply association.' This is done to decrease the chance for confusing the concept with that of 'collectives,' also known as cooperatives in the Soviet system.

II. The present agricultural and agribusiness situation in Byelarus

Byelarus is currently caught in a tough situation between the breakdown of the former Soviet Union and the emergence of a market-oriented economy. One reads and hears comments by top government officials about 'the Byelarus path,' a model of transformation which will allow the country to maintain production levels while still moving to the market economy.

The cause of this cautious approach seems to arise from a combination of a comfort with the past and a reluctance to embrace the changes--economic, political and social--associated with a market economy. There is a perception among Government officials and collective farm leaders that Byelarus prospered under the Soviet system. The go-slow policy is seen as a way to maintain this prosperity (and the influence of current leaders at all levels) through the transition.

It remains to be seen whether this go-slow approach will be possible should budgetary and fiscal troubles similar to those faced by other former Soviet republics come to Byelarus.

One of the great problems that will need to be addressed in the transformation to the market economy will be the understanding that meeting consumers needs is of utmost importance. There is little appreciation for Byelarusians as future discriminating consumers, and the present attitude is that the people of Byelarus will purchase anything grown or processed, without caring at all about quality or packaging. Likewise, there was little, if any, understanding of the standards demanded by Western markets for farm products. While production seemed to be of a high quality, especially in production of fruits and vegetables, the marketability of the crops for Western consumers is unknown.

Any transformation of the Byelarusian agricultural sector to the market economy faces many problems. These include:

1. The absence of a market-oriented agricultural banking system;
2. The lack of a developed private distribution system;
3. The absence thus far of significant private retail trade;
4. The absence of a competitive system for supplying the processing industry;
5. The absence of competition in the processing industry;
6. A non-existent agricultural extension service;
7. A lack of experience in competing on the world market.

Each of these areas will require a deal of attention in new legislation and in training if a transformation to the market economy is to proceed smoothly and successfully.

The following general observations, broken down sector by sector, were made during the trip:

a. Cooperative and State Farms

The primary production entity in Byelorussian agriculture is the collective farm, both cooperative and state. The country consists of six oblasts with twelve regions in each oblast. Within each region exist twenty to thirty collective farms, each one averaging about 3,000 hectares in size. As is common with the communist collective farm model, these farms are not only the dominant production unit in the country, but also provide the social infrastructure in rural communities. The collective farms own and operate rural clinics, schools, cultural centers, and other non-agricultural entities. As employer and social provider in rural Byelarus, the collective farm lies at the center of village life.

In the past, these farms were subsidized in several ways by the government. Their focus was to create employment and to maximize production. With only these two criterion for success, these farms could be considered rather successful. In the past system, investments were made on political rather than economic reasoning. While the farm chairmen have held considerable power within the local regions, they formerly had little control over production or investment decisions on their farms.

As the leaders of Byelarus move the country toward a market economy, a key issue for agriculture will be the future of these collective farms. As illustrated in the Western world, collective production agriculture is not normally successful in traditional competitive, market economies. It is noted that the return on investment to production agriculture is too low to absorb the social component of collective activity. Additionally, investment in these farms were made to maximize output, regardless of cost of production. In a market economy, the farm units will be forced to produce for the customers needs and in this way, seek profitable operations. In the past, Byelarus has produced more than its domestic needs, though with the collapse of the Soviet market, Byelarus will find in necessary to decrease production to a profitable level. This will probably necessitate abandoning some

of the productive assets in agriculture.

During our talks, it became apparent that the transformation of these collective farms is of key interest to agricultural and political leaders. Authorities are seeking ways to transform these farms which is in keeping with the stated government policy of transforming the economy slowly and thus maintaining economic stability throughout the transformation process.

In considering the transformation of collective farms, authorities will have to decide whether land ownership will include collective ownership or just state and private ownership. One government official noted that even if collective ownership is recognized, this will simply be considered a temporary ownership form between state and private ownership.

Regarding the timing of transformation of these farms, the government should consider several factors. If the farms are to continue to exist in their current state, they will require ongoing subsidization, due to the current cost/price squeeze, until they are transformed into economically competitive enterprises. Additionally, unless the government takes direct action to protect the non-fixed assets on these farms, there will be a risk of losing those to unscrupulous managers and employees. Furthermore, these farms in their current state must be viewed as a obstacle to the emergence of private farmers.

b. Private Farming Operations

Today there exist between 1,800 and 2,000 private farmers in Byelarus. The law limits the size of private farms to fifty hectares, and the farms visited ranged in size from several hectares to twenty. The government, through the Agriprom Bank, operates a program of subsidized loans to private farmers.

We were able to visit several private farmers, and each reported great difficulties in getting started. Most of the problems involved bureaucratic problems in gaining permission from regional authorities, as well as obstacles created by leaders and members of neighboring collective farms unhappy that private farmers were beginning operation.

We found no formal farmer-owned and controlled organizations working to help farmers increase profits or to lower costs. This was not surprising in light of the fact that this is the first year of private farming in the country and that farmers were initially concentrating on trying to produce food. This is consistent with trends in other republics of the former Soviet Union. There was interest expressed by farmers in trying to create these associations in the future.

c. Marketing

The current marketing system for agricultural commodities in Byelarus lacks alternatives and is non-responsive to customer needs. As noted above, the majority of production is from state owned and/or controlled collective farms. The production from these farms is sold through government product orders. Surplus production is marketed by the farms in a variety of ways, including the Byelorussian Commodities Exchange.

The commodities purchased by state product orders are processed and distributed through the state processing and distribution system. In this system, little to no attention is given to the desires of consumers. This oversight or neglect offers considerable opportunity to entrepreneurial individuals.

As the transformation from a command economy to a market economy continues, those enterprises which are responsive to consumer demands will be successful and very competitive to other enterprises in the market. In terms of food production, there appears to be a great opportunity for farmers willing to produce quality products to market these products directly to consumers. As the transition progresses, opportunities for farmers to form marketing associations and operate small scale processing/marketing enterprises seem very good.

d. Agricultural Extension

There currently is no agricultural advisory service serving private farmers. Each oblast agricultural commission (Agriprom) has an individual in charge of a private farming section, and there is a Agriprom representative working in each region as well on behalf of farmers. These regional representatives say their jobs are to work to help farmers with all of their problems--inputs procurement, marketing, access to processing, machinery procurement, etc.

Given the lack of support for private farming by state and collective farms, family farmers have no specialists to turn to with their production-related questions. This does not pose a great problem for those new farmers who formerly served as specialists on collective farms (many, if not most, of the first family farmers in Byelarus are trained agronomists or animal husbandry specialists). However, should the number of family farmers increase in the future, there will be a need to support their needs for farm management and operational questions.

e. Agricultural Credit

Currently, family farmers are eligible to receive loans of 25,000 rubles at an interest rate of 2% for every hectare they farm. Given the rate of inflation, 25,000 rubles does not help very much, and may allow a farmer enough capital to purchase only a fraction of needed inputs and machinery. There is talk that the government

may raise this amount in the future, but if inflation continues to rise, any increase will soon be outpaced by rising prices.

Even so, these loans do provide some needed assistance to private farmers. The low number of private farmers helps make possible this subsidized program. A problem may arise in the future, however, in being able to provide these funds should the number of farmers increase dramatically, as they have in other parts of the former Soviet Union. The government may also find it increasingly difficult to provide such subsidies when it enters into formal agreements with the World Bank and the IMF.

As the number of family farms increases, there will be a great need to start-up an agricultural bank (or agricultural banks) designed to meet the needs of private farmers. This could include a land bank if farmland does become fully privatized in the future (i.e. family farmers possessing full title and having the right to buy and sell their land freely). Private farmers need a financing institution where they can receive capital and financial services for all of their production and marketing needs.

f. Food Processing

Today, there appears little concern on the part of managers of state processing enterprises to adjust their practices to market realities. In discussions with managers, their attitude was that they had no problems selling anything they produced, and that all they needed were modernized plants and equipment to be able to produce more. Questions about responding to consumer demand, either domestically or outside Byelarus, were met with hostility.

The major problem facing the Byelarus state food processing industry is that it was constructed to meet the demands of a Soviet Union-wide marketing and distribution system that no longer exists. Most of the processing is located in large, centralized plants which often are some distance from the source of raw product. Packaging and quality standards are geared toward consumers in a command economy, where they are able to make only a limited choice over the products they purchase.

Should the market economy begin to operate more forcefully in Byelarus, these plants will have great difficulty in adjusting their production to the needs of consumers in terms of both price and quality. This will be especially true if the government lifts subsidies to the sector and the plants have to operate while accounting for the full costs of production.

III. VOCA's Program for Byelarus

A. VOCA's initial work in Byelarus will concentrate on the following areas:

1. VOCA will work with innovative, change-oriented collective farm operations in transforming to market-oriented, competitive enterprises.

Recognizing the importance of collective farm transformation to the successful future of Byelorussian agriculture, VOCA is ready to assist individual farms to develop market-oriented transformation plans appropriate to the individual farm situation. VOCA will seek innovative farm management, committed to change and successful transformation of their farm enterprises.

Inasmuch as possible, VOCA will seek ways to extend their experience in collective farm transformation in other Eastern and Central European countries to interested individuals and enterprises in Byelarus. This may mean the production and circulation of transformation models and/or the holding of transformation seminars conducted by experienced VOCA experts.

2. VOCA will help farmers to improve their operations by sending American farmers and agricultural specialists to work with them on their farms and with training programs now being created to help private farmers improve their profitability.

VOCA volunteer specialists will help farmers to improve their production of products important to both the domestic and export markets. Areas where VOCA specialists could be of particular benefit in helping the country develop a level of self-sufficiency in major foodstuffs include: dairy management and production, feeds and forage development, livestock management, potato development (especially in storage), wheat and other grains development.

3. VOCA will work with farmers and agricultural leaders to help create farmer-owned and controlled marketing and supply associations.

VOCA specialists will work with private farmers to help them reduce their costs and increase their profits through the operation of democratically-controlled farmers associations. If requested, VOCA can also assist in the development of regional or national associations, and in the creation of a new law on cooperatives.

4. VOCA will work with the entire agricultural and agribusiness community in helping them to understand Western methods of marketing, financing, regulating and encouraging the adding of value in a market economy.

A major problem seems to exist in identifying the areas where leaders need to concentrate upon in making market-related transformation plans. VOCA specialists will respond to requests by national and regional organizations (both

governmental and non-governmental) to hold seminar programs to discuss issues relevant to the various essential aspects of a working market economy.

VOCA will send specialists on follow-up assignments with organizations which want individual assistance. One promising area for this could be in the banking and finance area, especially in the future start-up of a land bank.

B. VOCA is committed to supporting and assisting the advancement of women in rural Byelarus. Wherever possible, VOCA will seek ways to include components or conduct individual projects important to rural women in its work in Byelarus.

C. VOCA will work closely with the Ministry of Agriculture, other Government of Byelarus ministries, the Supreme Soviet (and, should there be a change in the legislature, the Parliament), Council of Ministers, regional government authorities and others in the country to ensure that country's priorities are reflected in the program. VOCA staff will report on the organization's activities to Government of Byelarus leaders on a regular basis.

In order to help ensure a minimum of duplication of efforts by American and other technical assistance providers, VOCA staff will attempt to cooperate with other organizations currently working or planning to work in Byelarus. Among the organizations with which VOCA will probably work most closely include other organizations funded by the U.S. Agency for International Development. VOCA will also take advantage of every opportunity to cooperate with efforts supported by the World Bank and the European Community.

It is hoped that by cooperating closely, while still respecting one another's specific missions and organizational capacities, VOCA and other assistance providers should produce a greater impact more quickly than if there were no cooperation. This formula of cooperation has been especially successful in other countries in Eastern and Central Europe where VOCA has worked.

IV. Conclusion

VOCA looks forward to the opportunity of assisting the people of Byelarus during their period of economic transition. As laws and policies evolve toward encouraging private agriculture and agribusiness, VOCA will work with rural leaders to develop successful examples of market-oriented enterprises. VOCA's commitment to Byelarus will last at least three years, and during that time VOCA hopes to have been able to make a positive influence in the lives of farmers and rural communities.

VOLUNTEERS IN OVERSEAS COOPERATIVE ASSISTANCE

Volunteers in Overseas Cooperative Assistance (VOCA) is a private, non-profit, international development organization based in Washington D.C. VOCA's mission is "to increase the economic opportunities and incomes of members of private cooperatives and other small and medium sized agricultural enterprises." VOCA accomplishes this mission through providing short-term technical assistance by experienced U.S. specialists who serve as VOCA volunteers to work directly with organizations which request VOCA's help.

VOCA's Byelarus program came about as a result of funding from the U.S. Agency for International Development (USAID). VOCA was asked to begin agriculture and agribusiness development programs in the republics of Russia, Ukraine, Kazakhstan, Armenia, Moldova, Georgia, Azerbaijan and Byelarus. Until mid-1993, VOCA plans to run the Byelarus program from its offices in Vilnius, Warsaw, Kiev and Moscow. VOCA should begin soon to implement projects in focus areas and regions.

In the next several years, VOCA hopes to have the opportunity to work throughout Byelarus.

VOCA works only at the direction of local Byelarusian organizations. These organizations, including public and private enterprises and associations, request VOCA's assistance by submitting a formal request for a specialist to work with them. VOCA then evaluates the request, and sends to Byelarus a specialist considered among the best available qualified persons in the United States to work on the assignment. Most assignments last from three to twelve weeks.

VOCA has worked during the past twenty-two years to help farmers and agriculture in over 100 countries around the world. In this region, VOCA currently operates programs similar to Byelarus's in Poland, the Czech and Slovak Federal Republic, Hungary, Bulgaria, Albania, Romania, Lithuania, Latvia, Estonia, Russia, the Ukraine Armenia and Kazakhstan.

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MONTHLY REPORT: JANUARY 1993

I. VOLUNTEER ASSIGNMENTS No volunteer assignments have been completed as of yet. The standard reporting format will be implemented as soon as volunteer projects are completed.

a. Byelarus: The farmers of Byelarus are running into the problem of availability of credit for beginning their private enterprises. There is currently no national farm credit system or any type of agricultural extension service that is functioning properly in a response-driven format. Farmers can receive favorable credit through the state agroprom bank, but very little of it is available. Other problems include a lack of an extension/advisory system and a general lack of knowledge about private farming.

To address these problems and to introduce VOCA o Byelarus, we have come up with the following game plan: In mid-February, Cooper Evans and Richard Selby will travel to Minsk to meet with the Ag. Ministry, private farmers, ag. banking officials, and farm association officials to follow-up on previous meetings with VOCA staff. In March and April of 1993, five VOCA volunteers will be travelling to Minsk to inaugurate VOCA's programs in Byelarus. An agricultural banking expert, a farm management specialist, and an agricultural extension specialist will be travelling to Minsk in the middle of March to meet with government leaders, private farmers to promote private farming and cooperative development in Byelarus through a series of seminars. In April, a potato farm management specialist and an agribusiness instructor will be spending a month in the Mogilev Oblast training a group of 146 future farmers at the Byelarus Academy of Agricultural Sciences.

b. Moldova: After Cooper's Follow-up trip to Byelarus, he and Richard Selby will be travelling to Moldova to initiate VOCA programs there. We have received a request for technical assistance from a leader of a private farmers association with 476 private farms engaged in grape production/processing, vegetable production and livestock production. They would like help in agricultural credit and fruit/vegetable processing.

c. Georgia: After the trip to Moldova, Cooper and Richard will be travelling to Georgia to initiate VOCA programs there. We have been in contact with Prime Minister Tengiz Segua's office and they have demonstrated interest and support for VOCA programs in Georgia. George Maglakelidze will be arrange the visit and may be able to get us in to see Edvard Shevardnadze.

d. Azerbaijan: Program on hold.

II. PROGRAMMATIC ISSUES

a. Byelarus: We have identified four key programmatic areas where VOCA programs will be focusing. These areas came as a result of listening to the needs and priorities of private farmers, and comparing them with what government officials and agricultural leaders have identified as key country directional areas. A key law on land privatization has been

postponed for discussion until mid-March. This will be a key factor in formulating VOCA's program strategy in Byelarus.

1) Agricultural Credit: Our previous findings indicate that Byelarus private farmers are in need of a national farm credit system that is built from the grass-roots and supported by the government. Farmers and officials both listed this as a number one priority in their country.

2) Cooperative Development: There is great potential in working with a number of state and collective farms interested in forming associations of private farmers, and then utilizing the existing infrastructure of the collective as a farmer-owned input supply, processing and marketing cooperative. Two collective farm managers have already asked VOCA to assist in this effort. Two weeks ago, VOCA staff met with a group of 46 livestock, potato and small grain farmers in the Minsk Oblast talking about member-owned and controlled cooperatives. This group already has a charter. They are starting to unite and want to elect a board of directors. The board of directors are then going to hire a marketing manager, but they lack the financing to put a manager on a retainer at this time. They have received six hectares of land from the district land reform committee for building a private cooperative meat processing plant.

3) Agricultural Extension/Advisory System: The Ministry of Agriculture and the Byelarus Academy of Agricultural Sciences both have asked VOCA to assist them with the design and implementation of a response-driven agricultural extension service. VOCA volunteers will be travelling to Byelarus to address these issues.

4) Farm Management/Development: The Byelarus government and private farmers themselves would like VOCA to concentrate in this area. Commodity specific areas would include: potato, small grains, dairy, livestock and flax production.

b. Moldova: The political officer in the U.S. Embassy of Chisinau has indicated that agricultural reform is moving somewhat slowly. It is expected that VOCA will be very useful in farm management, fruit and vegetable processing, cooperative development and agricultural banking. I suggest that we look seriously at a women's component in this program.

c. Georgia: We are in contact with the Prime Minister's office and they have voiced their support for VOCA's programs and are waiting for us to move.

d. Azerbaijan: Program on hold.

III. COLLABORATIVE RELATIONSHIPS

a. Byelarus: During a VOCA follow-up trip this month, VOCA re-established contact with the Ministry of Agriculture, the Republican Farm Training Center, the Ag. Commodity Exchange, the Byelarus Academy of Ag. Sciences, the National Farmers Union and the National Peasants Party. VOCA received requests for technical assistance from the Ministry and the ag. science academy. Contacts were made with the private farmers associations in Gomel, Brest and Grodno. The National Farmers Union and the PFA's seem to be most interested in VOCA assistance. VOCA will strive to work at the direction of local organizations supporting private farming and agribusiness in Byelarus.

VOCA has also been in contact with the U.S. Embassy concerning the Chernobyl canola-fuel conversion project. The Embassy is awaiting word from AID/PVC and VOCA is waiting for a request from a local organization interested in receiving technical assistance. However, VOCA staff has passed on contacts to the Embassy including the Agro-Radiology Institute in Gomel, a private production association willing to donate test plots on Chernobyl-polluted lands, and the name of a leading canola agronomist in Byelarus.

b. Moldova: VOCA has established contact with Ms. Rebecca Joice of the U.S. Embassy in Chisinau. Ms. Joice has offered to assist us in any way possible to help our start-up activities in Moldova. We have also contacted the head of the Chisinau Private Farmers Association and an Agro-research institute supporting private farming.

c. Georgia: Re-established a long time friendship with Mr. George Maglakelidze (formerly in the Ag. Ministry). George is now an advisor to Prime Minister Segua and has stated that he will help VOCA in any way possible as we make our move into Georgia. George has agreed to organize our trip to Georgia around the 24-25th of February. He will also try to arrange a meeting with Edvard Shevardnadze.

d. Azerbaijan: Program on hold.

IV. MEDIA COVERAGE/RECOGNITION [NO MEDIA COVERAGE AS OF YET]

V. OFFICE OPERATIONS

a. Byelarus: VOCA is pursuing the apartment/office option and has already identified a few sites in downtown Minsk. Svetlana is very busy making arrangements and plans.

b. Moldova: Working on finding a national citizen who will assist Cooper and Richard during their trip to Chisinau.

c. Georgia: George Maglakelidze of the Prime Minister's office has agreed to serve as our assistant during the Georgia trip.

d. Azerbaijan: Program on hold.

VI. COUNTRY NEWS

a. Byelarus: On the 20th of January, parliament passed an industrial privatization law to transfer state enterprises to private hands, but land privatization legislation got bogged down in debate over the future of collective farms (see programmatic issues). The legislation ran into opposition from a strong collective farm lobby unwilling to relinquish control of state/collective farms.

Authorities in Byelarus say that privatization progress has been slow in introducing economic reform because of resistance in what was once one of the most conservative of the fifteen NIS republics. However, under the new privatization law, each Byelarus citizen is entitled to a privatization check (like a Russian voucher) to buy shares in privatizing industry. Details will be worked out in the next three months. The state will still maintain a 25% interest in all enterprises. Over forty enterprises have been privatized so far, but parliamentarians claim that some have been illegally privatized.

b. Moldova: The country of Moldova consists of 40 districts (raions). As in Russia, these districts have an executive committee which handles local affairs. The Moldovan Parliament is made up of 380 deputies, the president (Mircea Snegur) and a council of ministers. For several months in 1992, fighting occurred between Romanians and Slavs, killing more than 1,000 people. In July 1992, the CIS intervened by sending a peace-keeping force to work towards a cease fire. This conflict was confined to the Trans-Dniester region and things have been quiet for the last six months. With a population of about 4.4 million, Moldova is the second smallest country in the NIS, but is the most densely populated.

Moldova is one of the most productive agricultural regions of the NIS. The country's growth has largely been due to performance in the agricultural sector. Black soil covers nearly 70% of the nation. The country is known for producing excellent agricultural products including: fruits and vegetables, wines and cognacs, row crops and tobacco. There is currently a campaign in Moldova to decrease tobacco production and increase food production. Moldovan agriculture was dealt a sharp blow in 1985-86 during Gorbachev's anti-alcohol campaign. Production has recovered, but was hurt again due to a 1990 drought. Private farming is still limited, although there has been an increase in the allocation of private plots leading to increased private production on a small scale.

c. Georgia: Georgia is a mountainous country of 5.5 million people situated on the Eastern edge of the Black Sea. Georgia possesses a rich resource base suitable to agriculture. There are very good wine areas south of Tbilisi, as well as fruit and vegetable areas located between the cities of Kutaisi and Borjomi, and plums, berries and almonds in the mountainous areas near Oni. The Georgians as people are known for their entrepreneurial spirit and would like to capitalize on its rich agricultural base to export wines, fruits, vegetables and nuts to the west. Trade relationships have suffered as Georgia had relied on imports and exports with other NIS countries. This has changed for the worse. Georgia is suffering from food and medical shortages, but not on the same degree as Armenia. Religious and ethnic conflicts have led to serious fighting in the autonomous area of Abkhazia. Fighting is confined to isolated areas and is escalating. Other parts of the Caucasus mountain country are quiet. Tbilisi is also quiet and ready cooperate with foreign businesses and organizations offering technical assistance.

d. Azerbaijan: Azerbaijan, a country of 7.25 million inhabitants, lies on the Eastern shore of the Caspian in the Trans-Caucasian Mountain area. Azerbaijan is blessed with a rich agricultural base and a wealth of natural resources. Agricultural products consist of grapes, cotton, tobacco, fruits and vegetables. The war with Armenia over Nagorno-Karabakh rages on.