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**Land O'Lakes, Inc.**  
International  
Development

**LAND O'LAKES, INC.**

**AGRICULTURAL COOPERATIVE/BUSINESS DEVELOPMENT  
AND TRAINING FOR CENTRAL AND EASTERN EUROPE  
GRANT NO.: EUR-0024-G-00-1072-00**

**Quarterly Report on Activities  
From April 1 to June 30, 1993**

**July 30, 1993**

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## 1. Executive Summary

### Albania

A Coordinator for activities in Albania was hired. She is Rebecca Balogh. She will be setting up an office in Tirana. A delegation from Albania traveled to the U.S. to participate in Land O'Lakes' Orientation to U.S. Leadership and Agricultural Policy.

### Bulgaria

Eight courses and one Technical Assistance intervention were completed in during the second quarter of 1993. Three International Agriculturalist Program (IAP) interns were placed on farms after completing ESL training.

### The Czech Republic

Four courses were completed during this quarter. Two IAP INTERNS were placed on farms after completing ESL training. One of the interns returned to the Czech Republic due to health reasons. Vlastimil Tlustý arrived in the U.S. to start his agribusiness IAP internship.

### Estonia

Two courses were completed and the Arne Tilk, IAP intern, was placed on a farm after completing ESL training. Information on the National Forum, which was held in March, that was not included in the first quarter 1993 report is included in this report.

### Hungary

Five courses were held in Hungary during the quarter. Peter Guba, a past attendee of one of Land O' Lakes' marketing courses. Used skills and knowledge acquired in the course to market an extremely large surplus of butterfat which was shackling his companies efforts to market all of the milk they took in. He accomplished this by approaching a large retail chain store and presenting the idea of private labeling (a concept he learned in the marketing course) sour cream for the chain. as a result of this success he has been promoted within the organization.

### Latvia

*Dairy Production* was presented by Kevin Dahlen in April. A brief report of the presentations and findings of the Latvian National Forum (held during the first quarter) is included as an attachment.

### Lithuania

A brief report of the presentations and findings of the Lithuanian National Forum (held during the first quarter) is included as an attachment.

### Poland

Four IAP interns continue their training and were placed on farms. Four IAP interns arrived to start agribusiness internships. Ten courses were completed and three consultants assisted businesses at eleven sites with marketing, Total Quality Management, and dairy production issues.

## **Romania**

A summary of the program of the Romanian National Forum is included.

## **Slovakia**

Two courses were completed during the quarter.

## **2. Activities**

### **Albania**

A Coordinator for activities in Albania was hired. She is **Rebecca Balogh**, and her official start date with Land O' Lakes is July. She will be setting up an office in Tirana.

A delegation from Albania traveled to the U.S. to participate in Land O'Lakes' Orientation to U.S. Leadership and Agricultural Policy. They arrived in Minneapolis May 15 and departed for Albania on May 25. After their return to Albania they have decided to form an advisory board to assist Land O' Lakes in implementing its project in Albania. The board will consist of Government officials, Academic Professionals, and farmers and it should be an invaluable asset to the programs in Albania. An itinerary of their activities is attached as Appendix A. The participants were:

#### **Mr. Lulzim Daci**

Mr. Daci is the general director of the Livestock Production Department of the Ministry of Agriculture and Food. Mr. Daci is involved in policy guidelines in the Albanian Dairy Sector. Since his return to Albania he has asked to assist Land O' Lakes in organizing the National Dairy Forum which will be held in the third quarter of 1993.

#### **Mr. Dragan Gjickondi**

Mr. Gjickondi is head of the Vocational Training Department of the Ministry of Education. He is responsible for the implementation of government programs in vocational education. After the trip, he has requested that Land O' Lakes provide training and assistance for reestablishing two model Vocational Agriculture schools in two locations in Albania.

#### **Mr. Haxhi (Kambo) Metkolli**

Mr. Metkolli is a dairy businessman/producer in Bilisht. He is manager/owner/employee of a dairy processing plant.

#### **Mr. Gani Peza**

Mr. Gani Peza is a private farmer in Tirana.

#### **Ms. Anula Peti**

Ms. Peti is a senior economist in the Livestock Production Department of the Ministry of Agriculture and Food. She is responsible for internal and external economic relations in Albania. Ms. Peti speaks English and Italian and will be acting as an interpreter for the group.

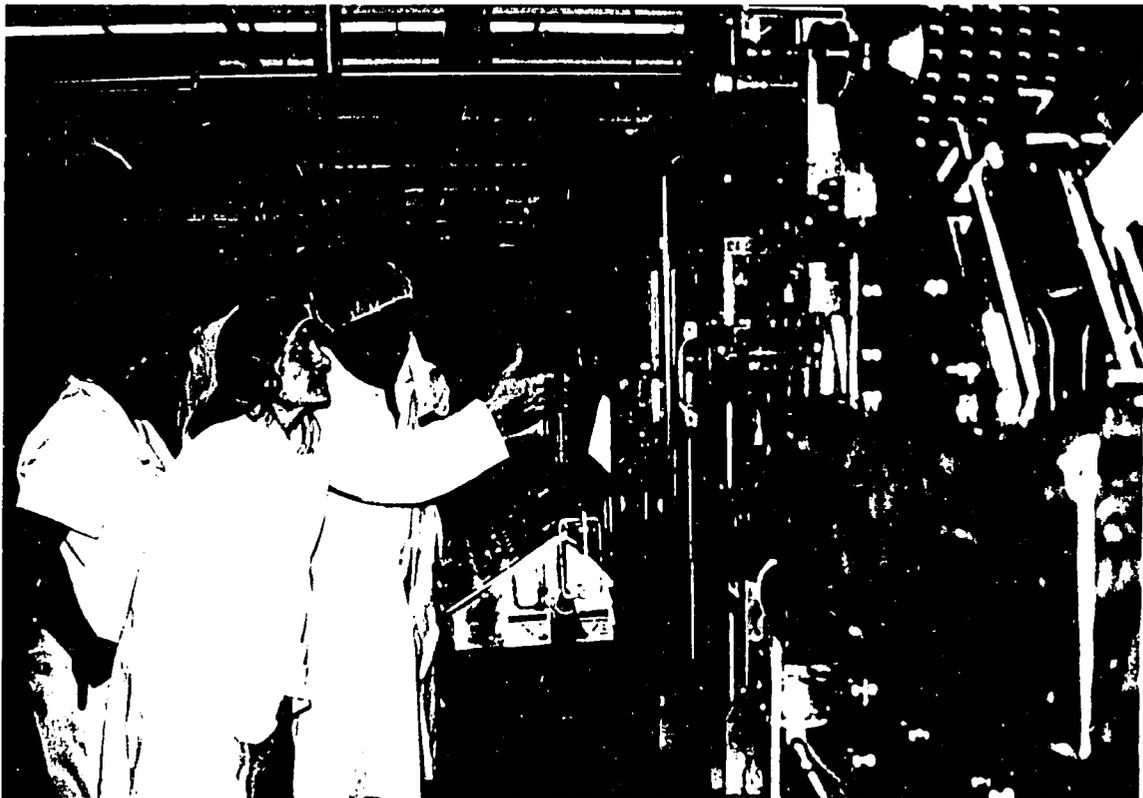
**Ms. Merita Uruci**

Ms. Uruci is self-employed as a dairy consultant. She provides technical assistance to individuals and companies dealing with the dairy business. Since her return, Ms. Uruci has completed surveys of Albanian farms for Land O' Lakes, completed a survey of the major dairy production regions in Albania for Land O' Lakes, and completed a survey of milk collection for the World Bank. The information she has gathered will be used by Land O' Lakes staff during the life of the programs in Albania.

The group was very interested in the cooperative system and U.S. farms they visited, as well as the processing facilities, and especially the Eichten family cheese processing operation.

On the last night of their visit, Mr. Dragan Gjickondi, Director of Secondary Education for the Ministry of Education, told this story:

"A man was out walking one day when he saw off in the distance a very dark object in his path. He couldn't determine what it was, but it was very frightening to see this large, dark object. As he neared the object, it appeared smaller, and started to take on a form. As he got even closer, it looked like a tree. And when he came close enough, he realized it was a man."



Mr. Lulzim Daci and Merita Urchi tour the Land O' Lakes Inc. Cheddar Cheese processing plant at Perham Minnesota.



Eileen Eichten of Eichten's Hidden Acres discusses cheese processing techniques of a small scale plant with the Delegation from Albania

## **Bulgaria**

### International Agriculturalist Program

The three International Agriculturalist Program farm interns completed their English as a Second Language training at Southwestern Technical College in Pipestone Minnesota. They were placed on farms in May. In June, they attended a course on Dairy Herd Health and Nutrition at Southwestern Technical College. A Participant Training Report is included as Attachment F.

### Training

Eight courses and one Technical Assistance intervention were completed in during the second quarter of 1993. The course entitled *Cooperatives: Principles and Practices* was presented twice, Once by **Dave Johnson**, in Roussalka, and the second time by **Dean Massey** in Plovdiv. The course is an introduction to farmer owned, free market, cooperatives. The course participants were from various places in the Agricultural sector in Bulgaria. Participants included:

- Business and Cooperative Managers, Chairmen and Presidents
- Farmers and farm employees
- Governmental Administrators
- Members and the Chair of the Land Reform and Liquidation Committee

***Intermediate Mktg Principles*** was presented by Mark Literski in Stara Zagora. Some of Mark's comments on the course follow.

Fourteen marketing topics, numerous case studies and 10 marketing exercises were covered in the course. The marketing exercises, which often involved placing participants in the roles of brand managers or brand team members, were developed by the instructor and employed 42 brands of consumer products from 10 broad product categories.

Course evaluations indicated very high grades for the seminar activities, visual aids and the effectiveness of the trainer and interpreter.

Because some students had taken the introductory marketing course offered by Land O' Lakes, they were familiar with some of the shared case studies. Replacing some case studies with marketing exercises not only kept more of the material "fresh" to participants, but seemed to better allow them to apply the marketing principles learned in class.

By the end of the course, it was very clear that its objectives were met. Class members, primarily via the lectures and case studies, expanded their knowledge base about marketing principles. Via the marketing exercises, participants demonstrated that they could apply the knowledge they had acquired.

***Procurement and Assembly of Milk*** was presented twice this quarter by Ted Kjos. First, in Roussalka, and next in Pleven. The following is excerpted from Mr. Kjos' trip report.

A great deal of discussion was dedicated to understanding how the dairy industry operates in Bulgaria and the United States. The goal was to stimulate questions concerning the purpose and function of procurement programs, either in place or needed. Explanations of milk pricing, product assembly costs and returns helped to illustrate different methods to manage the procurement side of their business. Organizing and managing a field force was the most popular topic. Since the industry is concerned about the quality and quantity of milk currently available, taking a proactive approach to address these issues seems to be the most viable approach. Much of the course material centered on dairy plant representatives working with producers to improve milk quality. Techniques for handling, storage and transportation of milk were discussed.

As is the case in most business environments, after a thorough review of the latest technologies, programs and practices, we directed our attention to the areas most suited to implementation. Central to the issue in Bulgaria and the rest of the world is the supply of milk. Procuring and maintaining a high quality and sustainable supply of raw milk is both essential and attainable.

I was encouraged by the participation and questions raised. Requests for more information and courses indicates a great deal of interest in this topic.



These photographs were taken during an exercise conducted by the class. The class was divided into two groups: one was the "brand management team" for Certs breath mints, led by Ivanka Vitanova (light green shirt above); the other was the team for Tic-Tac breath mints, led by Yuliana Yarkova (dark hair, dark coat, light sweater below). The groups were given the following scenario: Certs is the leading breath mint in America. Tic-Tac begins taking market share away from Certs with its new, differently shaped mint and its plastic packaging. The brand managers were told to develop a strategy, with the input of their brand team, for their products throughout the stages of the Product Life Cycle. They were told to be proactive in developing strategies and in predicting their competition's tactics. The groups worked on their strategies for about 40 minutes and presented a comprehensive plan to the class and instructor. Their strategies were critiqued by the instructor and class. (Interestingly, and most gratifying to the instructor, many of the product strategies suggested by the groups have actually been implemented by Certs and Tic-Tac in America).



**Ed Lotterman** taught the *Privatization Process* course in Haskovo and Lovich. The course content included:

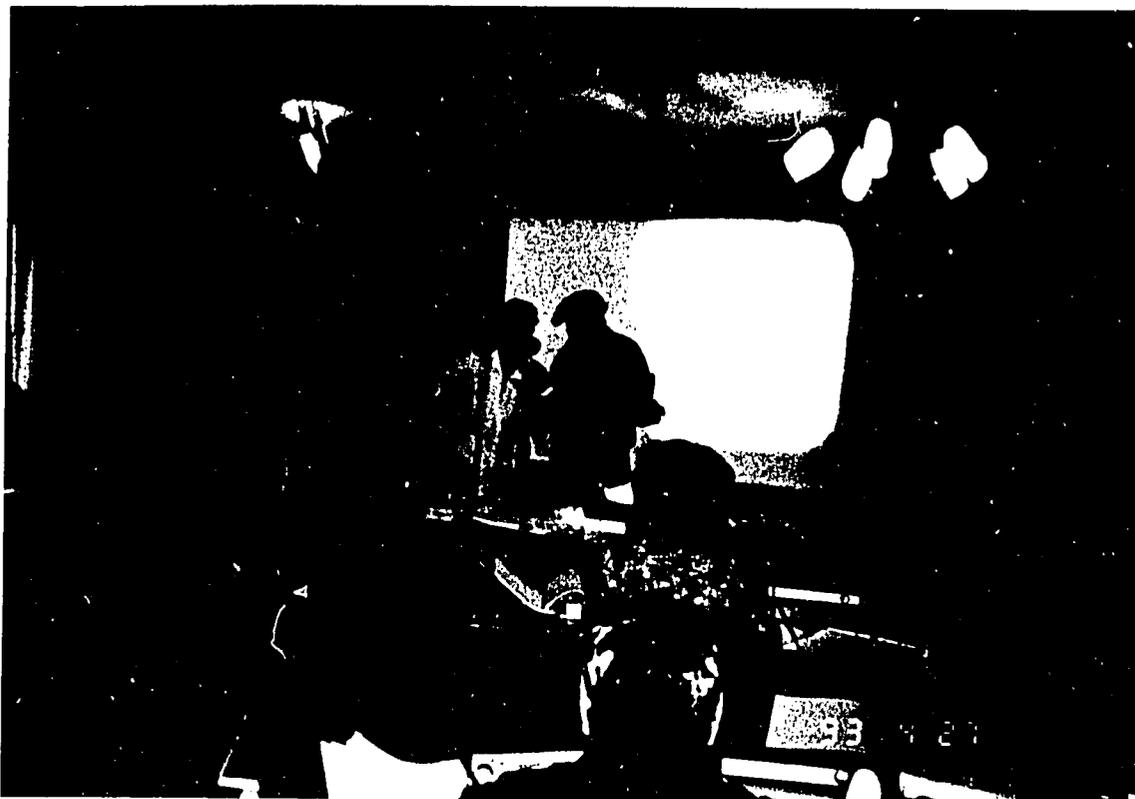
- Setting goals and objectives
- Introduction to alternative economic systems
- Economic resources and property rights
- Supply and Demand: How market economies function
- Alternate forms of business organization
- Economic institutions in mixed market economies
- Economic functions of government
- Economic indicators and agribusiness firms
- Money and monetary policies
- Macroeconomic policies of governments

The course also included a workshop in which participants discussed and evaluated how their enterprises or institutions were progressing in the general process of privatization of the Bulgarian economy. This workshop included group homework assignments, field trips to enterprises being privatized and group presentation and discussion sessions.

In addition, Ed's report states:

In addition to the formal training, I was fortunate in being able to extensively discuss with participants specific issues that their enterprises faced in Bulgaria's on-going transition. Such issues included questions of access to capital or credit, marketing, business plans, budgeting, cash flow projections, export documentation and financing, trade policies of the United States and the European Community, quality control, effects of exchange rate policies and a variety of other topics. I believe that these discussions were as useful to the participants as the more formal components of the course.

*Dairy Processing and Manufacturing* was presented by Gary Geist in Velingrad. The five day course was attended by a diverse group of individuals. Attendees included technologists from dairy plants, management from dairy plants, milk collectors, and also a farmer. The course included a field trip to the Mlechna Promlishlenost dairy plant in Velingrad. Class participation was very good. Attendees asked a mix of business and technical questions of Mr. Geist. The class members were particularly partial to practical and applied information. They were looking for immediate help and solutions to plant problems, hopefully at low or no cost to their plant. One individual was interested in starting a dairy plant, another was a General Manager of a dairy plant, who was interested in production of cream cheese and cottage cheese.



Gary Geist in the *Dairy Production* course demonstrates the proper use of a hairnet and beard restraint using Krasimir Stanev as his "guinea pig."

#### Technical Assistance

After Dean Massey was in Plodiv as in instructor for the *Cooperatives: Principles and Practices* course, traveled to Sofia to assist dairy plant managers facilitate the privatization of their plants. He worked with Mr. Lutme Galabov, Executive Manager, and the staff of the Sirma-Prista Dairy for three days. During that time he let the management staff through an analysis of their finances and facilities. He then facilitated the development of proposals for privatizing the facility. For the next two days Dean conducted a mini seminar for other dairy plant managers, to help them with the issues surrounding privatization of their facilities.

#### Dates of Courses

Cooperatives: P&P	4/19-23/93	Roussalka	Dave Johnson
Dairy Processing & Mfg.	4/26-30/93	Velingrad	Gary Geist
Intermediate Mktg Princ.	5/17-21/93	Stara Zagora	Mark Literski
Procurement & Assembly of Milk	5/17-21/93	Roussalka	Ted Tjos
Procurement & Assembly of Milk	5/25-29/93	Pleven	Ted Tjos
Privatization Process	6/14-18/93	Haskovo	Ed Lotterman
Privatization Process	6/21-25/93	Lovich	Ed Lotterman
Cooperatives: P&P	6/21-25/93	Plovdiv	Dean Massey

## **The Czech Republic**

### International Agriculturalist Program

The two International Agriculturalist Program farm interns completed their English as a Second Language training at Southwestern Technical College in Pipestone Minnesota. They were placed on farms in May. One intern, Roman Capka, was terminated from the 1993 IAP program due to emotional and physical illness and sent back to the Czech Republic. In June, the remaining intern, Jaros Zdenek, attended a course on Dairy Herd Health and Nutrition at Southwestern Technical College. Vlastimil Tlusty, arrived in Minneapolis in June to begin his agribusiness internship. A Participant Training Report is included as Attachment F.

**Thomas Rysavy** presented *Cooperatives: Principles and Practices* in Dobruška. An excerpt from the executive summary of his trip report follows.

The intended objectives of the course were to provide an understanding of cooperatives and other types of businesses in a free market economy, and to give the attendees information to help determine whether member-owned cooperatives were relevant and/or a preferred way to do business in today's Czech business environment.

As the Czech Republic goes through its privatization process, the role of cooperatives, especially at the production (farm) level, is very confusing. Since many of the attendees were employees of collectives, they appeared to be threatened by the cooperative concept, feeling that they would lose jobs, etc. if the farms were cooperativized by the land owners. Thus, the course was presented in such a way as to point out that cooperatives were one good way of doing business in a free market society - but not the only way. The form that individual businesses (farms) should take depends on the circumstances and people involved.

The attendees then realized that they need to understand cooperatives and their principles as future decisions are made about the various businesses and as the needs of the people involved are evaluated.

I believe the course was indeed successful in giving the attendees the understanding that they need and in carrying out the objectives of the course. The students were very attentive, extremely participatory and, ultimately very positive in their course evaluations, both oral and written.

*Intermediate Mktg Principles* was presented by **Al Oukrop** in Louti. Twenty-six people participated. All had previously taken the introduction to marketing course which had been previously offered. The students were most interested in the *Competitive Climate*, *Pricing Strategy*, and *Consumer Behavior* portions of the course. During the course the participants split into teams and developed a marketing plan, which a team member presented to the class on the last morning.

***Introduction to Private Agribusiness*** was taught twice by **Don Renquist**. Both were three day courses taught in Prelouc. Results of Dons Class were:

Class members gained knowledge of many basic concepts of agribusiness management. They debated the need for planning and goal setting. This strengthened their ultimate understanding of these two subjects. Some participants lacked confidence in their future. There were intelligent and creative people which I was able to reinforce. Their level of confidence progressed throughout the course as they recognized their abilities.

Don also states:

The participants recognized that Czech Republic agriculture is changing and this change will accelerate. The sessions allowed me to show them techniques and skills obtained that will (give them a better chance to succeed).

They see the USA, its businesses and agriculture as highly successful. We were able to show some of the risks and failures in the USA. They had a more practical understanding of US business and agriculture at the end of the session. This gave them some confidence of the need to set goals, plan, make decisions and monitor their plans. They now have a better understanding of risk taking in order to make progress.

#### Benefits of Training Reported by Participants

**Ludvik Khayl**, who attended the ***Introduction to Marketing*** course (Feb. 22-26 in Dobrnay) was asked to describe one situation where you have applied the skills learned in the course. He described a customer survey, which his company implemented at a retail outlet. The survey obtained information from consumers who had just purchased products. The information was, which products that the customer remembered prices of, and how many product prices each customer remembers.

**Milan Navrátil** a University Professor at the Agricultural University in Brno, attended **Al Okroup's *Intermediate Mktg Principles*** (Apr. 26-30 in Louti). He indicated that he has applied the newly acquired knowledge with his students. He also stated that participation of both Vocational-School teachers and University teachers at courses like this one is a way of indirectly transferring knowledge, which makes Land O' Lakes educational activities affect more people.

**Jan Kouba** Chairman of a collective farm, attended ***Cooperatives, Principles and Practices*** (March 29 to April 2 in Dobrnay) which was taught by **Thomas Rysavy**. Jan described this application of what he had learned, "With the existing organizational structure of our farm, to manage that each workplace is dependant upon the results of their work." He also indicated that as a result of the course, he has started to use economic analysis and cost effectiveness analysis to make operational decisions at the farm he is Chairman of.

#### **Dates of Courses**

Cooperatives: P&P	3/29-4/2/93	Dobrnay	Thomas Rysavy
Intermediate Mktg Princ.	4/26-30/93	Louti	Al Oukrop
Intro to Private Agribus	6/14-16/93	Prelouc	Don Renquist
Intro to Private Agribus	6/17-19/93	Prelouc	Don Renquist

## Estonia

### International Agriculturalist Program

The International Agriculturalist Program farm intern, Arne Tilk, completed his English as a Second Language training at Southwestern Technical College in Pipestone Minnesota. He was placed on a farm in May. In June, he attended a course on Dairy Herd Health and Nutrition at Southwestern Technical College. A Participant Training Report is included as Attachment F.

### Forum

The *Estonian National Forum on Agricultural Policy and Training* Was held March 15, 1993 in Tartu. A summary of the program follows.

- a. **Arno Kannike**, President of the Estonian Dairy Association, discussed dairying in Estonia. He listed some of the needs of the dairy industry in Estonia. One was the development of small scale local cheese production. Another was a need to close some of Estonia's excess milk production capacity. Then he stated that Estonia needs to have a quality incentive payment plan to improve the milk quality. Along with the price incentive, lab equipment is needed to test the quality of milk in Estonia.
- b. **John MacKillop**, of Geonomics Institute, explained the work that Geonomics is doing in Estonia, and reinforced the concept that milk quality is key to obtaining dairy product markets outside of Estonia.
- c. **Jaan Madis**, an engineer with Paide Dairy who had recently returned from a one month long internship in the U.S. which was funded by a USAID grant to Land O' Lakes. He shared some of his experiences from that trip, and discussed Land O' Lakes activities in Estonia.
- d. **Prof. Arvi Olkonen**, of Tartu Agricultural University, discussed the needs of Estonian farmers. Cash flow is a big challenge for farmers in Estonia, because dairy plants are two months late in paying for milk. As a result, farmers can not pay for seed for spring planting. Loss of export sales to Russia has caused a need to access other markets for dairy products. In order to access these markets, product quality must be better. He also stated that low interest loans are needed for the dairy sector.
- e. **Karin Turk**, from the Estonian Development Center of Meat and Dairy Industry, talked about product quality. Needs are for higher quality in raw milk supply and finished product. Current markets are limited to skim milk powder due to low quality of other products.
- f. **Dr. Waldman**, Director of Tartu Dairy Research Institute, discussed challenges that the Institute faces as a result of privatization.
- g. **Heli Jaamets**, of the Tartu Dairy Cooperative, talked about new cooperatives in Estonia, and challenges of new private farms.

## Courses

**Kevin Dahlen** taught *Dairy Production* to a group of twenty-five dairy farmers, Ag Education teachers, and farm workers. The group was quite receptive to new ideas and production methods. The group was most interested in the *Ration Balancing* section of the course. Kevin observes that the area of farm management that can help farmers in Estonia the most is business management. The concepts of opportunity cost as well as supply and demand were very difficult for the class to grasp. He states that the participants in the class have the desire and ability to be financially successful. However the current economy and supply (especially feed) infrastructure in Estonia are difficult challenges for them to overcome.

**Patty Halfman** was the instructor for the *Cooperatives: Principles and Practices* course. The following is excerpted from her trip report.

The group was also very interested in the working of Land O' Lakes, especially our dairy and farm supply areas. In these discussions they got a feel for what we could offer in technical assistance and request forms were filled out.

Throughout the week the group continued to express concern over the lack of credit, fear of the people in getting their old cooperative leadership back, and the lack of teamwork that is prevalent throughout Estonia. People have no interest in working together. Dishonesty also seems to be a problem they will need to deal with. We discussed the value of operating an honest, reputable business to establish a good public image.

After this week, I think this group is very capable of teaching others the benefits of cooperatives, in establishing additional cooperatives, and in leading their cooperatives effectively. They possess the determination to succeed, they have the ability to define needs and figure out creative solutions, and they see opportunity for agriculture in Estonia. I think anything they set their minds to do they will accomplish.

The group liked the American style of teaching. By Friday they realized the value of small group discussion in coming up with more ideas than one person could. They also realized that by discussing problems facing agriculture in Estonia they could begin to find solutions. This teaching style was new to them but they quickly adapted to the participatory style and enjoyed the discussion and debate. The teachers mentioned they were going to incorporate it in their teaching.

Another major accomplishment of the week was to get the group to think past limitations and problems and to start discussing possibilities. They also learned the value of teamwork, a concept that needs to spread.

The board chairman and directors felt the discussions on the management of cooperatives and the practical suggestions I shared would be very useful. They appreciated the practical advice based on things that worked and didn't work here.

I think the entire group left with an excellent understanding of how cooperatives function and the unique benefits coops can offer to farmers.

At the end of the course, the extension and university personnel mentioned that this was the first time they had ever received any materials on cooperative formation which was translated into Estonian. As such, they planned on incorporating the information in the materials into their curriculum.

### Dates of Courses

Dairy Production	5/3-7/93	Saku	Kevin Dahlen
Cooperatives: P&P	6/7-11/93	Tartu	Patty Halfmann



Patty Johnson of Southwestern Technical College in Pipestone Minnesota, was the instructor for the English as a Second Language training for the IAP production interns. In the center of the room directly in front of Patty is Arne Tilk from Estonia. (With the big smile!)

### **Hungary**

#### Courses

Gary Wenes was the instructor for the *Cooperatives: Principles and Practices* course held in Komphost in March. Some of Gary's observations on the course follow.

The participants of this class were very enthusiastic about the U.S. style of member-owned cooperatives. The group was comprised of farmers, University employees, and agri-business workers. The group quickly understood the term 'cooperative' and the type of business structure the U.S. cooperative refers to. I felt they correctly grasped the concepts I explained and wanted to use the term "cooperative' even if it was different than their norm.

The participants were very interested in the cooperative concepts we discussed and felt these concepts will be very important to the success of agriculture in Hungary. It was difficult for

them to see an immediate implementation because of the chaotic agriculture situation the country is in today. They explained that as of 12/31/92 all state farms were disbanded. This was heavy on their minds because the country was not prepared to cope with the results. Even so, the participants could still see the advantages that member-owned, member - controlled cooperatives could have for them.

Participants were very frustrated that legislators were not receptive to agricultural concerns. All businesses in Hungary seemed to be doing very poorly. Most of the manufacturing industries seem to have been built to utilize raw materials from other countries. Their markets also seem to have been former Eastern Block countries which now are in very poor financial condition. Because of all of the areas of need, it appears agriculture will suffer.

*Introduction to Marketing Principles* was taught by **Elizabeth Dolphin** in Debrecen. Her course utilized many American consumer products as props to demonstrate the many marketing tools currently being used in the United States. In addition, several Hungarian props were used.

At the beginning of the course, the class was divided into 5 groups of 6 and asked to put together a marketing plan based on the material covered in class. Additionally, the class was asked to participate in a few ad hoc groups not related to the project.

Ms. Dolphin observed that:

The students in this course were very motivated, enthusiastic, and participated regularly in the class. They definitely understood the transition from a production driven economy to a market driven economy. Currently in Hungary, many joint ventures are taking place with Western European countries.

She also states that:

There is definitely a need for marketing training in Hungary. The country appears to be further advanced than other countries of the former Eastern Bloc. Because of this, the participants will be able to apply the marketing concepts sooner which makes this course very relevant to their situation. Additionally, the participants did express concern over the number of joint ventures taking place with Western European companies. Most agreed that the joint ventures were helping their economy, however they were concerned that there were few companies owned entirely by Hungarians. This course addresses this concern by providing the participants with the tools needed to assess whether or not they can compete on their own without a joint venture and what they need to do to compete.

**LeRoy Vanicek** presented a course entitled *Introduction to Private Agribusiness Management*. LeRoy had presented this course four times previously for Land O' Lakes. He stated that this group was the most knowledgeable in accounting and financial management, of any he has taught the course to.

*Intermediate Marketing Principles* was presented two times by **Bernard Bradley**. First in Hodmezovasarhely and the second time in Kaposvar. The objective of the course was to train the participants in marketing, cooperatives, and business development, so they can function more efficiently in a free market economy.

### Benefits of Training Reported by Participants

**Peter Guba**, is employed at Brsod County Dairy, and has attended one of Land O' Lakes' marketing courses. After attending the course, he convinced senior management at the dairy plant that they should have a marketing and new product development area. They agreed and appointed him as the manager of the new department. His first project was driven by an extremely large surplus of butterfat which was shackling his companies efforts to market all of the milk they took in. Mr. Guba approached a large retail chain store and presented the idea of private labeling (a concept he learned in the marketing course) sour cream for the chain. They agreed. The transaction is large enough that it utilized all of the excess butterfat at the dairy. At last report they were putting finishing touches on the contract for the deal.

As a result, management at the dairy appointed Mr. Guba as head of distribution for all dairy products produced by his employer.

### Course Dates

Cooperatives: P&P	3/29-4/2/93	Kompolt	Gary Weness
Intro to Mktg Principles	4/19-23/93	Debrecen	Elizabeth Dolphin
Intro to Private Agribus	5/3-7/93	Pecs	LeRoy Vanicek
Intermediate Mktg Princ.	6/7-11/93	Hodmezovasarhely	Bernard Bradley
Intermediate Mktg Princ.	6/14-18/93	Kaposvar	Bernard Bradley

### **Latvia**

#### International Agriculturalist Program

The International Agriculturalist Program farm intern, Olafs Rucis, completed his English as a Second Language training at Southwestern Technical College in Pipestone Minnesota. He was placed on a farm in May. In June, he attended a course on Dairy Herd Health and Nutrition at Southwestern Technical College. A Participant Training Report is included as Attachment F.

#### Forum

A brief report of the presentations and findings of the Latvian National Forum is included as attachment J.

#### Courses

**Kevin Dahlen** taught *Dairy Production* to a group of twenty-five dairy farmers, Ag Education teachers, and farm workers. The group was very interested in the *Ration Balancing* section of the course. During the Soviet era, most ration balancing was done by centrally located nutritionists. As a result very few of the participants had any more than a basic understanding of dairy cattle nutrition. The challenge is compounded by the fact that feeds like protein supplements and mineral premixes are difficult to locate and are very expensive. Business management skills are a need among the course participants in Latvia. Kevin reported that understanding business concepts is an area that would help the group the most.

## Course Dates

Dairy Production      4/26-30/93      Jelgava      Kevin Dahlen

## **Lithuania**

### Forum

A brief report of the presentations and findings of the Lithuanian National Forum is included as attachment I.

## **Poland**

### International Agriculturalist Program

The four International Agriculturalist Program farm interns completed their English as a Second Language training at Southwestern Technical College in Pipestone Minnesota. They were placed on farms in May. In June, they attended a course on Dairy Herd Health and Nutrition at Southwestern Technical College. In June, Dariusz Gaszewski, Pawel Wrzesinski, Urszula Scierska, and Anna Seniczak arrived in Minneapolis to begin their agribusiness internships. A Participant Training Report is included as Attachment F.

### Courses

Ten courses were completed in Poland in the second quarter of 1993.

**Walt Wedin** conducted *Forage Production* during April 19-23 in Kalisz, Poland. The course, attended primarily by private farmers, extension advisors, and local cooperative workers, included a field trip to the farm of Tomasz Poczta, one of the course participants. During the course, the participants agreed that Mr. Poczta should revise the process of how he fertilizes his forage.

*Intermediate Marketing* Was presented six times in various sites across Poland. **Jim Kelleher, Floyd Wojtalewicz** and **Roger Rudolph** were the instructors. Jim Kelleher began his class by having the students tell who they were, what they do and a bit about their company. Throughout the week, Jim used practical examples which could apply to each participant's position, company or situation. Jim's trip report states:

The best portion of the classes was using what was learned and applying it to each of the class members. We spent a great deal of time talking about each of the participants role in work and what challenges they face in terms of competition, quality, new product introduction and market share growth. By concentrating on the personal goals and objectives we were then able to attempt to apply the course concepts to each of them.

They all had many questions about my marketing experience and seemed to appreciate the examples, especially the failures! It is apparent that these people felt that I as an American, would come in and try to show them the only right way of doing things and that we in the U.S. have the secret to be perfect. By showing examples of mistakes and product failures, I was able to join them as human and that our companies in both countries have challenges and do indeed make mistakes. We also were then able to learn from these mistakes together and brainstorm ways we could have avoided these mistakes.



Tomasz Poczta, pictured above on his farm in Poland, uses a plant square to assess the alfalfa stand count. Tomasz was a participant in Walt Wedin's "Forage Production" course conducted at a 4H Management School in Kalisz, Poland. The visit to Tomasz's farm was a scheduled field trip during the course, allowing all participants to practice this exercise.

Land O'Lakes instructor, Floyd Wojtalewicz, below, uses butter flat packaging to illustrate how graphics may be used to position products toward a target consumer. Floyd's "Intermediate Marketing" course took place in Kalsk, Poland.



**Dale Dunivan** was the instructor for *Farm Management* which was presented in Radom-Pacyna and Czestochowa. The course focuses on strategic planning, farm record keeping and budgeting. A simple farm account record book, which has recently been completed, was made available to participants.

**Karen Bretzman Peterson** presented *Introduction to Marketing* in Siedlce. She reports that as a result of course participation:

Students were able to apply marketing principles in their own individual business situations. All 29 students developed a better understanding of marketing principles and how to integrate all the parts of marketing into an overall marketing strategy and adjust that strategy to their business goals. They also learned from examples given about products and marketing concepts applied in America. Participants were eager to explore how these new ideas could be used immediately in their businesses.

### Benefits of Training

**Ryscard Alfelowicz** attended *Forage Production* in Bydgoszcz. When asked to describe a situation in which he was able to apply what he learned he said, "I can use knowledge I have gained from the course in everyday work. I advise farmers from my area how (to) use updated ways of forage production, machinery, how to select the best forage, and how to prepare silages."

**Michael Christenson** reports,

the General Manager of the Sierpc dairy, (reference the Technical Assistance report which follows) Mr. Zbigniew Carzynski, has been to the US with Land O'Lakes. The strategic mindset of this dairy is a credit to Land O'Lakes' training programs. The same is true of the Rawa Mazowiecki OSM Dairy, which I visited in week two of the technical assistance program. In that case, both the general manager and the sales manager have attended LOL marketing courses. The positive results there commend the sequence of aid being offered - first courses, then technical assistance. The strategic mindset and openness to advice on the part of the management there is a result, at least in part, of previous participation in LOL courses.

**Krystyna Kowalski** participated in Karen Bretzman Peterson's course, *Introduction to Marketing* (Siedlce June 21-25). She states, "The most important thing; our company strategy before was to manufacture as many products as possible and then think how and where we can sell them. Now, I know that we should look at the market needs and then think how to supply the needs."

**Jadwiga Krzak and Jagoda Huk** attended Roger Rudolph's *Intermediate Marketing* (Krosno June 21-25) As a result, they started a market research project for their company. They are also planning to identify competitors in their trade area.

### Course Dates

Forage Production	4/19-23/93	Kalisz	Walt Wedin
Intermediate Marketing	4/19-23/93	Zaborowek	Jim Kelleher
Intermediate Marketing	4/26-30/93	Kolobrzeg	Jim Kelleher
Intermediate Marketing	5/17-21/93	Kalsk	Floyd Wojtalewicz

Intermediate Marketing	5/24-28/93	Posvietne	Floyd Wojtalewicz
Intermediate Marketing	6/14-18/93	Slupsk	Roger Rudolph
Farm Management	6/14-18/93	Radom-Pacyna	Dale Dunivan
Farm Management	6/21-25/93	Czestochowa	Dale Dunivan
Intermediate Marketing	6/21-25/93	Krosno	Roger Rudolph
Introduction to Marketing	6/21-25/93	Siedlce	Karen Bretzman-Peterson

### Technical Assistance

Technical Assistance interventions were completed by three consultants at eleven sites in Poland during the first quarter.

**Michael Christenson** worked with three O.S.M. dairy processors. They were the Sierpc O.S.M. Dairy in Sierpc, the Zuromin O.S.M. Cooperative Dairy in Zuromin, and the Rawa Mazowiecka O.S.M. Dairy in Rawa Mazowiecka. He also assisted the Sadke Production Cooperative in Sadki. The Sierpc dairy has a strategic mindset and was looking for a way to work around the current butter surplus. Mr. Christenson's recommendations were focused short and long term marketing strategies. Michael engaged the management at Zuromin in a dialog about the fact that in order to succeed in a market driven economy, customer needs should drive the business. He also discussed the concept of the workforce as an asset rather than an expense to be minimized. Mr. Christenson described these two activities as the beginnings of a paradigm shift that need to happen for Zuromin O.S.M. Dairy to be successful. He also generated Marketing, Management and Member relations recommendations. The management of the O.S.M. Dairy at Rawa Mazowiecka were introduced to market and competitive research tools for adapting to new market and competitive realities. Mr. Christenson developed extensive recommendations on marketing. He also made specific recommendations on how to empower workers, how to get membership support, and how to survive, as a small volume processor in a market soon to be filled with larger processors. At the Sadki Production Cooperative Michael recommended several strategies for success which include value added marketing, market research techniques, organizational development, and the use of Total Quality Management Techniques.

**Karen Bretzman Peterson** provided individual marketing consultations with four agri-business companies in Radom. The four businesses were, a seed center, a feed mill, a grain processor/flour mill, and a meat processor. The seed center was doing an excellent job of changing its product mix to respond to the marketplace. Karen recommended that they develop a slogan to add to their advertising efforts, evaluate their pricing strategy, and expand its customer base to include types of customers that were not previously targeted. However, she noted that the seed center's management were resistant to competing against other companies. They did not want to believe that a good way to improve their situation was to take customers away from competitors. The feed mill was operating at 5% capacity, Karen recommended that they pursue additional customers, target large farms, expand their service area, and perhaps develop a feed that is better than its competitors to win new customers. The grain processor/flour mill's recommendations from Karen were to develop a brand name, develop a logo, and conduct market research for its products. At the meat processor, Ms. Peterson conducted a mini seminar on marketing. A cross section of about twenty employees of the company attended, including the owner, accountants, store managers, truck drivers, plant workers, and security guards. At the same time as Ms. Peterson was conducting this mini seminar, the sales group for the company were attending the week long *Intermediate marketing* course presented by Land O' Lakes in Bielsko Biala.

Three dairy operations benefited from **Jorge Marin Guzman's** visits. On the first, calf mortality, and scours treatment for calves were addressed with recommendations to use a colostrum feeding program. Improved nutritional management of dry cows and springing heifers was also recommended. On the other two farms, recommendations were made which will enable the herds to reduce mastitis incidence in the herds.

## **Romania**

The Romanian National Forum for Agricultural Policy and Training, held March 25 in Bucharest, Romania. Some highlights of the program were:

- John R. Davis Jr., (U.S. Ambassador to Romania) opened the Forum.
- James Snell, (USAID, Washington) discussed USAID programs for Eastern Europe.
- Gheorghe Liciu, (Romanian Cattle Breeders Assn.) discussed the dairy situation in Romania.
- Dumitru Preda and Gigi Urlu reported on their trip to the U.S. as participants in Land O' Lakes program, Orientation to U.S. Leadership and Agricultural Policy.
- Jim Franz (Land O' Lakes, Sofia) presented an overview of Land O' Lakes Development programs in Romania.
- Al Wanous (Land O' Lakes Agri Inc., Warsaw Poland) gave a presentation on the U.S. Cooperative system.
- Gabriela Ontica (National Agency for Privatization) and Mr. Dinescu (Ministry of Agriculture and Food) presented an update on land titles.
- Ana Maria Mihaescu (World Bank) and Vasile Coman (Bank for Agriculture) discussed Ag credit

## **Slovakia**

### International Agriculturalist Program

The International Agriculturalist Program farm intern, Miroslav Michalcin, completed his English as a Second Language training at Southwestern Technical College in Pipestone Minnesota. He was placed on a farm in May. In June, he attended a course on Dairy Herd Health and Nutrition at Southwestern Technical College. A Participant Training Report is included as Attachment F.

### Courses

**Michael McKeown** presented *Cooperatives: Principles and Practices* in Nitra. His class roster included seven coop managers, a research scientist and two university professors. The seminar was an introduction to private farmer cooperatives. The class participants had a high level of interest in American business management practices, and in methods to develop employee commitment to organizational goals.



Olafs Rucis from Latvia applies a splint to Miroslav Michalin from Slovakia, during the first aid training for the IAP production interns at the Land O' Lakes corporate office in Arden Hills Minnesota. The course was taught by Rosie Hallecock from Minnesota Farm Bureau.

**LeRoy Vanicek** was the instructor for the *Introduction to Private Agribusiness Management* course taught in Liptovsky Mikulas. LeRoy reports that the class gained the most from the material on western style cooperatives and the general manager's responsibilities and accountability. This was the sixth time LeRoy has presented this course in Eastern Europe. His experience with this course makes him quite valuable to the program.

Course Dates

Cooperatives: P&P	4/5-9/93	Nitra	Michael McKeown
Intro to Private Agrbus	5/10-14/93	Liptovsky Mikulas	LeRoy Vanicek

3. Program Adjustments

Estonia, Latvia:

Land O'Lakes will conduct a needs assessment in late August to further determine and focus the resources for training and technical assistance in Estonia, Latvia, and Lithuania.

Poland:

Follow up interviews and feedback from extension centers have indicated that the Training of Trainers courses in Poland are less relevant for the extension agents and that more advanced training in specific topics such as nutrition and ration balances would be more relevant. As such, Training of Trainers courses will be discontinued for extension personnel in Poland and replaced by more advanced technical mini-topics.

4.

FREE MARKET COOPERATIVE  
FINANCIAL REPORT

	Expenditures		
	Actual Grant to Date	4/1/93 to 6/30/93	Projected 7/1/93 to 9/30/93
1. Key Leader Training	\$144,523	\$8,397	\$34,065
2. Country Forums	51,001	4,678	8,004
3. Program Management	591,496	152,972	314,016
4. Int'l. Agriculturalist. Training Program	177,770	63,581	32,735
5. U.S. Training	0	0	133,960
6. In-Country Training	1,089,847	253,476	247,670
7. Dairy Campaign	0	0	73,226
8. ST Technical Assistance	74,145	4,184	269,280
9. LT Technical Assistance	0	0	333,955
10. Program Development	20,979	14,295	0
11. Site Assessments	0	0	13,951
12. Independent Program Evaluation	0	0	0
13. Subcontracts	143,402	93,554	106,829
14. Indirect Cost	<u>932,542</u>	<u>248,404</u>	<u>535,506</u>
Total	<u>\$3,225,705</u>	<u>\$843,541</u>	<u>\$2,103,197</u>

This report represents a summary of actual and accrued expenses for the referenced agreement or grant. If accrual expense amounts were not available for activities occurring in the reported quarter, those expenses will be included in the next quarterly financial summary.

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## ATTACHMENT A

### ITINERARY OF ALBANIA KEY LEADER TRAINING

# ITINERARY FOR U.S. LEADERSHIP AND AGRICULTURAL POLICY ORIENTATION

Land O'Lakes, Inc.

May 15-25, 1993

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## Day 1 SATURDAY, 5/15

9:45 Arrival and check into Holiday Inn, Shoreview hotel  
Collette/Sue

## Day 2 SUNDAY, 5/16

11:00 Mini orientation at Land O'Lakes, **Collette Younan, Project Officer, and Sue Johnson, Project Assistant** (Mississippi room/ice water/cups)

12:00 Lunch at Old Country Buffet - Shoreview

1:30 Drive-by tour of St. Paul/Mpls/Como Park

## Day 3 MONDAY, 5/17

8:15 Depart Holiday Inn - Shoreview for Land O'Lakes headquarters

8:30 Welcome to Land O'Lakes - **Rolf Campbell, Director of Operations, International Development Division**: present on International Development's mission, programs, etc. Other Staff present: **Jill Kohler, Manager, Project Development; Rosemarie Kelly-Rieks, Manager, Development Marketing; Thomas Boraas, Manager, Training Research and Development; Ken Schamberger, Program Specialist, Administration; Mary Hotchkiss, Program Specialist, Administration; Lori Anderson, Project Officer, Training; Delores Peterson, Instructional Design Coordinator; Collette Younan, Project Officer, FMC/BAHR; Cheryl Yasis, Project Officer, FMC/PELLCS; Sue Johnson, Project Assistant, FMC/BAHR; Kathy Horgan, Project Assistant, FMC/RAAPS; Diane Bruns, Project Assistant, FMC/PELLCS; Jo Tynen, Project Secretary, BAHR.** Superior room

9:30 Orientation to Land O'Lakes with **Gary Weness, Member Relations** (x2202)

10:30 Tour of Research Technology and engineering with **Rolf Campbell** (x2693)

12:00 LUNCH AT LAND O'LAKES CAFETERIA

1:15 Board Van for University of Minnesota  
*Tour of the University of Minnesota Saint Paul Campus*

**GEORGE HILDRE, RETIRED Land O'Lakes EMPLOYEE, TOUR HOST/DRIVER**

2:00 Meeting with **Marilyn Grantham** "Introduction to Minnesota Extension Service and The Mission of a Land-Grant Institution." (625-4252) 1954 Buford & Gortner Avenues (Room 146 - Classroom/Office Bldg)

3:15 Tour of U of M Dairy Research facilities with **Don Otterby** (624-0782)

4:00 RETURN TO HOLIDAY INN - SHOREVIEW

5:45 Leave hotel

6:30 Dinner with **Allen Gerber** (MN Association of Cooperatives/228-0213) and visit last day of legislative session. (Meet at CENEX parking lot at 6:15)

Day 4 **TUESDAY, 5/18**

- 8:30 Leave hotel
- 9:00 Tour of Central Livestock Association: Live animal auction and demonstration of electronic marketing program. **Curt Zimmerman (451-1844)**
- 9:30 Tour Stock Yards
- 11:30 **LUNCH AT ST. PAUL GRILL: 350 Market Street, St. Paul (need reservations for 8 people)**
- 2:00 Tour of Minnesota State Capitol (45 minutes), **Pat Plonski, Agricultural Committee Administrator (296-4172)**. (Need to be on time for this one.)
- 3:00 Briefing in chambers of the House of Representatives (Half hour session)
- 3:30 Meet with MN ag commissioner - Elton Redalin.
- 4:30 Return to Holiday Inn - Shoreview (**rest, prepare for evening dinner**)
- 6:00 Depart Holiday Inn for dinner at the **Lowell Inn - Stillwater**
- 6:30 Dinner with **George Hildre, Rolf Campbell, Director of Operations, Helen Nelson, Director, Planning and Administration, and Collette Younan, Project Officer** at the Lowell Inn, Stillwater (439-1100).

Day 5 **WEDNESDAY, 5/19**

- 8:00 Leave hotel
- 8:30 Opening and tour of the Minneapolis Grain Exchange; during the tour **Mr. Jim Lindau, President** may briefly meet with the group, but call Joe O'Neill, Tour Director (338-6212) [PLAN ON 1 1/2 HOURS]
- 10:30 FFA (Paul Day, State FFA advisor/608-829-3105) at Land O'Lakes, Inc. **JAMAICA ROOM**
- 12:00 LUNCH AT LOL, pick-up luggage
- 1:30 DEPART FOR THE WATERLOO, IOWA RAMADA INN (319) 235-0321 **CHERYL YASIS, PROJECT OFFICER, PELLCS TO BE JOINING GROUP**
- 5:30 Arrive Waterloo, Iowa
- 6:30 Dinner/Presentation at hotel provided by Land O'Lakes' Spreads Plant Staff.

**Day 6 THURSDAY, 5/20**

- 7:15 Leave hotel
- 7:45 Tour of Land O'Lakes Spreads Plant, **Clara Johnson, Plant Manager**, Hudson, Iowa (319) 988-3226
- 10:00 Depart for Webster City, Iowa
- 11:30 Meet **Bruce Perry, Animal Research**, Land O'Lakes Answer Farm, for lunch at the "Touchdown" restaurant.
- 12:15 Tour of the Land O'Lakes Answer Farm, Fort Dodge, Iowa, **Bruce Perry, Animal Research** (800) 369-3060
- 3:00 Tour of the NEW Cooperative, **Clarence Lehman, Manager**, Vincent, Iowa (515) 356-4185
- 3:30 Depart for six-hour drive to Morris, Minnesota. [Stop at restaurant for dinner en route.]

OVERNIGHT TO BE SPENT AT SUNWOOD INN MORRIS, MN (1/589-3030)

**Day 7 FRIDAY, 5/21**

- 9:00 Leave hotel
- 9:30 Wulf Limousin Farms, **Jeral and Dave Wulf** (1/392-5802)
- 11:30 Lunch in Morris
- 2:00 Tour of Land O'Lakes Cheese/Whey Plant, **Tom Otto/Terry Moore (contact persons/tour guide)** (218/346-4680) Perham, Minnesota
- 3:30 Tour New York Mills cooperative in New York Mills, **Doug Storrusten** (218) 385-2366

OVERNIGHT TO BE SPENT AT HOLIDAY INN BRAINERD, MN (218/829-1441)

Day 8 **SATURDAY, 5/22**

- 8:00 Leave hotel
- 9:00 **Henry & Botzek Dairy Farm, Foley, MN 968-6389**
- 12:00 Lunch in Mora
- 1:30 **Chester and Kevin Belkolm Farm, Braham, MN 679-3858/679-2491**
- 3:30 Travel to Duluth, MN

**OVERNIGHT AT THE RADISSON DULUTH/HARBOR VIEW, Duluth, MN (218/727-8981)**

Day 9 **SUNDAY, 5/23**

**FREE DAY/SHOPPING, TOURING DULUTH, ETC.**

Day 10 **MONDAY, 5/24**

- 8:30 Leave hotel for **Eichten's Cheese Farm.**
- 11:00 Eichten's Hidden Acres Cheese Farm, Center City, MN  
Factory 257-4752 / Store 257-1566 **COLLETTE YOUNAN TO MEET  
GROUP AT STORE**
- 1:30 LUNCH AT OLD COUNTRY BUFFET (Co Rd B2, Roseville)
- 3:00 Land O'Lakes Feed Mill, **Mike Jewell, Plant Manager, Inver Grove Heights  
(437-7762)**
- 4:30 RETURN TO HOLIDAY INN - SHOREVIEW
- 5:30 Supper at Land O'Lakes - Cafeteria
- 6:30 Wrap-up session with **Thomas Boraas, Manager of Training Resources, Delores  
Peterson, Training Specialist, and Collette Younan, Project Officer -  
Mississippi room.**

Day 11 **TUESDAY, 5/25**

6:30-7:00 DEPART FOR AIRPORT/Collette and Kathy

ATTACHMENT B  
REPORT ON LITHUANIA DAIRY INDUSTRY  
(GEONOMICS SUBCONTRACT)

Lithuania Dairy Industry  
Milk Quality and Transaction Mechanism  
Trip Report: June 12-19, 1993  
Michael Claudon and John MacKillop

JUL 6 -- 1993

### **The Current Situation in Lithuania**

Under the Landsbergis government, Lithuania initiated a program of agrarian and rural reforms in 1990. During this trip it became quite clear that Lithuania's attempt to adopt some of the land reform and dairy industry development schemes attempted by Poland has left most of the country's dairy farmers, as well as the dairy industry worse off than it was three years ago. Privatization, land restitution, and the wholesale dismantling of state and collective farms, combined with energy shortages, and a concentration of all food processing plants in Vilnius has resulted in chaos in the country-side. Food production is plummeting, and private farmers are being paid less than survival wages.

Under the Democratic Labor Party (LDDP) led government of President Brazauskas, the Seimas (parliament) has replaced Lithuania's 1,200 state and collective farms by just under 3,000 "farming companies." The new companies are organized as joint stock companies, with the state retaining ownership of 50 percent or more of the shares. These companies do not own land, but lease it from the state. In fact, land ownership remains a highly contentious issue in Lithuania.

Combined with the return of land holdings to former owners, the dispersal of collective and state dairy farm assets (including dairy cows) has created over 104,000 micro-farms averaging 8-10 hectares and 2-3 cows per dairy farm. These micro-farms occupy fully one-third of the arable land in Lithuania.

Restitution combined with dissolution of state and collective farm assets (including dispersal of all herds), has dramatically eroded Lithuania's food production capacity. Total food production has dropped by as much as 50 percent.

Meat production has fallen from an annual average of 500,000 tons to a hoped for 180,000 tons in 1993. Milk production has fallen proportionately, and reportedly is plagued by such high bacteria counts that Lithuania's parents will not feed fluid milk to its children. In fact, Alvydas

Mikelionis, the farmers union representative in the Ministry of Agriculture, declared that he never drinks Lithuanian milk, believing it to be dangerous.

The food exports which Lithuania could once use to finance imports of energy and other products from the NIS (Russia, particularly), have all but ceased. Lithuania now grows barely enough food to feed itself, causing food prices to hemorrhage. With food expenditures averaging 80 percent of the typical household budget, Lithuania's families are finding it increasingly difficult to meet their basic survival needs.

Moreover, the new private farms lack basic machinery and land base to be economically viable unless the government, following the French model, judges micro-farming of sufficient cultural and social importance to justify providing subsidies and other forms of financial support. However, at present, the typical farmer is earning 4,000 Lithuanian talonas monthly. The national average is 11,000 talonas monthly, with most food processing industry workers reportedly earning twice the national average. The Lithuanian government simply lacks the resources to provide price or income supports to the farmers, and government attempts at milk quality control have been a failure, as even one "new independent quality testing" laboratory is running analysis on 35,000 milk samples per day. Even if the efficiencies of electronic milk testing were available, 35,000 samples per day is impossible.

The situation is made even more challenging by the legacy of Soviet domination, under which all food processing plants were in Vilnius, located in south-eastern Lithuania. To find a market for their milk, meat, or other raw farm products, Lithuania's farmers must transport them to Vilnius. Once in Vilnius, they face a tightly knit monopoly that is strongly supported by the current department heads in the Ministry of Agriculture. The milk producers and the industry can progress to Western standards, and perhaps fairly rapidly, if they can grasp the cooperative system and develop self-regulation policy and collective bargaining, and enter the processing arena as cooperative-owned and operated businesses.

Not surprisingly the current reform process has few supporters among countryside residents, with public opinion polls showing as many as 71 percent of rural residents opposed to the direction of the reforms.

Moreover, Lithuania is in the throes of a pitched political confrontation between the LDDP on the one hand, and the opposition led by Vytautas Landsbergis on the other. At the center of the

debate is the issue of land ownership. LDDP member and chairman of the Seimas' agrarian committee, Mykolas Pronckus, argues that reform involves more than simply returning all the land to those claiming it. "Reform must include creating appropriate conditions for farmers to operate in."

The opposition interprets "appropriate conditions" to imply a continuation of central control over production and processing, and centralized supply management. Above all else, the opposition seeks to preserve and protect the continuity of ownership rights, according to opposition deputy Alvydas Balezentis. The Ministry's plans to install the Danish system is adding fuel to the opposition's anxieties.

Added to Lithuania's problems, is the clear sense we took away with us that the Ministry of Agriculture is not prepared, willing, or currently able to restructure itself from performing the administrative and production/distribution roles of the Soviet period, to performing the largely enforcement, regulatory, and administrative functions of a federal department of agriculture in a decentralized, private enterprise-dominated economy.

Within this environment, and given the fact that the LDDP controls the government, including the Ministry of Agriculture, any effort to legislate and then enforce a uniform transaction mechanism between dairy farmers and milk processors will meet strong opposition. Vytautas Bernotas, director of animal production and dairy processing in the Ministry, made it clear that he will resist any effort that threatens a change in the current Ministry-processor-farmer power structure, and his decision is to adopt the Danish centralized supply-management system as soon as possible. Such a system can be appropriate to the needs and capabilities of a highly developed industry, but is ineffective in addressing crude buyer-seller transactions and elevating product quality and safety over a short time period.

### **The Challenge for Lithuania**

The current political tension notwithstanding, there is universal understanding in Lithuania of the pressing need for higher milk quality standards, for somehow ensuring the commercial survivability of dairy farmers, and for producing milk that is safe for Lithuania's babies and children to drink.

Yet the dairy industry has not developed its own agenda for creating stability, or meeting quality or safety improvement needs. Rather, the industry appears to be relying on the government

to initiate a solution. The government in turn is not aggressively pursuing rural problems, nor is the government truly seeking to recognize Lithuania's unique situation; one that requires a solution to be developed by the milk produces and their associations.

### **A Private Sector Strategy**

Rather than attempt to legislate higher quality standards and uniform transaction mechanisms from the top, as was accomplished in Estonia, we will work to empower Lithuania's dairy sector, which is making progress toward the development of free market producer cooperatives as a mechanism for developing policies designed to stabilize Lithuania's industry and market a quality product, and for achieving the goal of producing an industry self-regulating policy for the conduct of transactions and product quality control.

Free market cooperatives, provided they can function in the market place independently of each other and in a competitive environment, appear to provide the means for initiating development of an overall policy, including the transaction mechanism and quality control. It is universally accepted that a free market cooperative member marketing agreement (contract) between the cooperative and milk producer member will include among other items an agreement upon:

#### **1) Milk Quality**

- Each member agrees that all milk sold to the cooperative shall be produced, kept and made available at the point of pickup designated by cooperative.
- Each member agrees that all milk sold to the cooperative shall be in conformity with all requirements of
  - (a) the cooperative;
  - (b) the dealer(s) to whom the milk is sold by the cooperative; and
  - (c) all laws, rules, and regulations applicable to the production and marketing of milk.
- The cooperative's members and its representatives may at reasonable times enter the premises where the milk is produced for the purpose of inspection to determine compliance with said requirements.
- The cooperative shall have the right to refuse to accept any milk not meeting the requirements of the Agreement.

#### **2) Payment for Milk**

The cooperative agrees that it will pay a member the proceeds received from the sale of his milk, after taking into account adjustments for such differentials as the cooperative may

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from time to time determine to be equitable, and after deducting costs and expenses of handling and of conducting the business of the cooperative, all as determined by the board of directors of the cooperative, and after deducting funds retained for capital and other purposes or otherwise charged in accordance with the bylaws. The cooperative will pay the member by a uniform method applied equally to all members.

This grassroots approach, using the cooperative organizational system and the cooperative/member contractual agreement, may be particularly suited to Lithuania's situation. Unlike national legislation enforced by the federal government, an industry that is self-regulating may be more responsive to producer and consumer needs in a market economy. In particular, the self-regulation approach may stimulate the development of milk receiving stations to accommodate the micro-farms without compromising milk quality. The free market cooperative approach may also enable farmers to establish jointly owned and operated dairy processing plants located in the countryside, thereby escaping the processor monopoly in Vilnius.

The Farmers Union and dairy farmers who are initiating the development of market cooperatives provide the audience and partners for this program. Additional partners will be provided by the Lithuanian Dairy Association, the Farmers Union (headquartered in Kaunas), the Lithuanian Veterinary Academy (in Kaunas), and the Lithuanian Institute of Animal Science (in Baisogala 100 km north of Kaunas). Finally, a close complementary relationship with the Land O' Lakes training team designated to work in cooperative development and operation is crucial.

The Institute of Animal Science has excellent personnel and technical capability. The Farmers Union is well organized, eager to participate, and not an adversary of the Ministry of Agriculture. The Farmers Union also has good relations with the dairy association.

Moreover, from what we have learned on this trip, Lithuania shares Poland's affinity toward cooperatives. As was stated by Farmers Union representative, Mikelionis: "We want to know if the road we are taking is the right one, and if not how to identify and move Lithuania's 104,000 new private farmers, who are working 30 percent of Lithuania's arable land, onto the right road. We (the Farmers Union) must support farmers' initiatives and give them good advice. But we do not want to reinvent the bicycle; we just want to ride it."

We have agreement from the Farmers Union and the Institute of Animal Science to establish a working team. Institute personnel have begun translating the Geonomics Estonian legislation into

Lithuanian, and are prepared to begin work on tailoring its content to the specific needs and situation in Lithuania. Additionally, Mr. Mikelionis will work to secure representation by the dairy association and the Ministry of Agriculture on the working team. (Arunas Svitojus, Head, Department of Animal Breeding, Ministry of Agriculture, expressed strong interest in the bottom-to-top approach to a transaction mechanism and raising milk quality project.)

Finally, there is very strong interest at the Farmers Union in structuring at least one of the scheduled Land O' Lakes training courses around the recommendations generated by the Geonomics-Lithuanian team.

**Lithuanian Contacts:**

Arunas Svitojus, Head, Cattle Breeding, Lithuanian Ministry of Agriculture Rm. 339, "old bldg."  
Ms. T. Tabakajeviene, Milk Quality Expert, Lithuanian MOAG

Alvydas Mikelionis, Lithuanian Farmer's Union representative, Lithuanian Ministry of Agriculture,  
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ATTACHMENT C

EXECUTIVE SUMMARY OF BULGARIAN DAIRY  
POLICIES REPORT

(SPARKS SUBCONTRACT)

# **Sparks Companies, Inc.**

## **BULGARIAN DAIRY POLICIES**

**Prepared for the  
U.S. Agency for International Development  
Grant No. EUR-0024-G-00-1072-00**

**April 1993**



# BULGARIAN DAIRY POLICIES

## EXECUTIVE SUMMARY

After nearly five decades of central planning, Bulgaria has installed a democratic government, developed new laws to permit private property and open markets and undertaken far-reaching macroeconomic reforms, including:

- Tight monetary, fiscal and wage policies to control inflation;
- Increasingly liberal prices and trade regulations; and
- Increasing efforts to redefine the government's role in the nation's markets.

This combination of measures has changed Bulgaria dramatically. Thousands of new, private businesses have opened, exports to several western markets have grown, and retail stores now are well stocked with a variety of goods, although at higher prices.

And, Bulgarian progress toward economic reform is being recognized and supported by various international organizations. Bulgaria is in its second year of successful compliance with IMF economic stabilization requirements, and OPIC has agreed to provide loan guarantees, insurance on equity investments and loans to small and medium-sized private businesses.

### **Agricultural Transition**

The transition has been especially difficult for agriculture. The change in structure has been total. Most transactions depend upon legal and commercial regulations still becoming developed (contracts, services, markets, credit). Examples include:

Land Ownership. "The Ownership and Use of Farm Land Act" defines the process of land restitution, and restrictions concerning land ownership, use and sale. District governors appointed 2,093 liquidation councils to distribute cooperatively held property (land, livestock, machinery, etc.) in 1991.

Land is being returned to owners registered before the 1946 state expropriations, or to their heirs. All of the land subject to restitution has been claimed, but many claims remain to be adjudicated.

Land Titles. There is currently no certain process for establishing clear titles for land. After the land is restored, private owners must register ownership and establish title through the courts, under laws and procedures yet to be defined.

At this time, new owners continue to lack documentation sufficient to qualify their land as collateral for loans or to collect rent.

**Foreign Ownership.** Foreigners can own land, but not agricultural land (except as a minority owners of a joint venture corporation).

**Land Use.** Agricultural land cannot be industrialized, but must remain in crop or livestock production, or fallowed.

- About 200 Councils have completed their determinations.
- Another 1,062 expect to finish by Feb.-March 1993.
- The remaining 840 have problems too serious to complete now.
- Total of 706,000 applications being considered for 5.7 million hectares of land.

The immediate outcome likely will be temporary ownership certificates, pending completion of the process.

### Agriculture Overview

The potential for agricultural production and processing is strong in Bulgaria. Bulgaria's farms were collectivized in 1946 but new rules in the early 1970s made it possible for farmers to cultivate small private plots (typically less than 0.5 ha in size).

In spite of the prohibitions of private land ownership, private farming quickly became very important, accounting for 20% of the cattle and swine and about 40% of the sheep and goats by the mid-1980s, in spite of the lack of size economies and government efforts to discourage this trend.

The former governments viewed agriculture and agribusiness as large-scale industrial type operations and invested heavily to develop agricultural exports. Even before the current period of economic reform, agribusiness faced more severe problems than any other sector:

- The very large farms were relatively unproductive, overstaffed and undermechanized.
- Extensive control by large and powerful state agencies led to rigid prices, low returns to producers, and consequently little investment and infrastructure development.
- Bulgaria's farm exports traditionally depended on Eastern Bloc markets (80% of its foreign trade, 60% with the USSR), and their collapse was a severe blow to the farm sector. The strengthening of these markets, even on a barter basis, offers strong potential for expanded Bulgarian sales.

The transition to free markets offers the potential for increased efficiency and higher returns. However, since 1990, agricultural producers have been caught between rising production costs and controlled selling prices.

- Production costs rose substantially when price controls were removed. Inputs became scarce and expensive as falling exchange rates boosted prices of imported agricultural chemicals and machinery, and usage fell.
- Although retail food prices were liberalized in 1991, those for flour, bread, selected meats, milk, butter, sugar and oil were monitored until early 1993. Today, all prices are free.
- However, the GOB still intervenes to control inflation. Producer selling prices of selected products are established through GOB minimum price rules for state-owned enterprises, a policy that has worsened the producer cost-price squeeze for a number of products including poultry, milk and several grains. The GOB also monitors profits of agribusiness firms. These processes are diminishing significantly the incentives for agricultural investment and production.
- Milk and meat production have fallen sharply as a result of both the GOB market interventions and the continued reliance on the old processing monopolies.

### Privatization

While the reform process is well underway, privatization of the state sector has been slow. During 1992, a small number of enterprises actually were privatized.

Agribusiness interim management and privatization differ, depending on the subsector. Grain processing, compound feed manufacturing operations and poultry operations are supervised by the Ministry of Agriculture.

- These enterprises have been decentralized (and de-monopolized) into 91 "limited liability" companies.
- In general, they are operating far below capacity because their domestic and export demand has declined, production of commodities to process is down and costs are up sharply.

Enterprises of the former cooperative farms and agro-industrial complexes are supervised by the Ministry of Commerce. These include larger dairies, canneries, fruit and vegetable plants, wineries, tobacco houses, etc.

Remaining problems include:

- The government still hopes to sell its state-owned enterprises, but the population lacks purchasing power to buy them, and the inflow of foreign investment has been slowed by economic uncertainty.
- Debts of state enterprises have not been completely defined. In general, the government intends to recapitalize enterprises when they are sold and is considering writing off some of these debts, but lacks resources to do so quickly:
- A new, western European style commercial code has been authorized, but is still being developed and implemented. For example, provisions concerning bankruptcy, accounting protocols and other essential features are not yet final.
- Current tax provisions, some dating to the previous regime, include disincentives for private investment. However, the government is far advanced in development of a new, coherent tax system and plans to have the new rules in force for 1993.

In spite of uncertainty and bureaucratic problems, private investment is occurring. Some western capital has been invested in a few joint ventures and a variety of business arrangements. While still small, the volume of this investment is expected to grow in importance.

### Conclusions and Recommendations

Elements of a sound reform strategy are well established now in Bulgaria, including private ownership of land and at least limited free markets for processing, marketing, producing agricultural products.

To complete the process, the GOB must:

- Complete land restitution;
- Establish a real market for land with real titles;
- Complete the restructuring production units (livestock, dairy, poultry, specialty product production, food products, etc.) into efficient competitive firms;
- Support the development of an agricultural and agribusiness infrastructure (exchanges, distribution nets, etc.);
- Free farm product prices, with links to world markets;
- Develop a working, commercial credit network for private producers.

In the Bulgarian dairy industry, a number of general conditions and specific policies impact on the Bulgarian dairy industry at the present time, including:

- Minimum producer prices for certain basic agricultural commodities, including raw milk;
- Continued state control (with some subsidization) of large commercialized agribusiness enterprises, including dairy plants;
- Slow definition and implementation of an effective, modern commercial code that defines property ownership and protects private transactions;
- Continued government efforts to stabilize retailer prices for basic food items, often at below market levels to limit price impacts on consumers;
- Export restrictions on various food items, including some dairy products.
- Lack of clear, secure, and tradeable property rights with respect to agricultural land, and the consequent absence of a land market;
- Subsidized credits and physical production inputs;
- Lack of a well defined, consistent export development policy; and
- Widespread efforts to improve factor productivity, especially labor.

State and collective farm herds continue to be disbanded under the privatization process, with the result that cows are being shifted rapidly from large, state-owned operations to very small, frequently part-time units with very little infrastructure to collect, process and price milk efficiently. In addition, the milk and dairy products pricing system is chaotic with raw milk prices still administered in large part through the state-owned processing operations, although some private firms are bidding for milk to supply their own plants. Producers have little information about alternative marketing channels, in most cases. And, quality and safety standards are highly uneven and likely inadequate.

As for other sectors of Bulgarian agriculture, it will be extremely difficult for the GOB to both stabilize this industry and support the development of efficient sized, well organized, competitive, private dairies and dairy processing plants. Much of the current problem appears to be the lack of effective competition among state-owned processing operations and their unresponsiveness to developing market trends. Thus the primary recommendation of the study is that the GOB continue its support for rapid privatization of the agroprocessing sector and limit or reject the numerous proposals for administered prices, input subsidies and export restrictions now being discussed. In addition, several key policies deserve attention:

**Competitive pricing at all levels of the marketing chain.** A primary policy goal frequently expressed by the GOB is for a privately owned, market oriented agricultural system. In addition, government officials uniformly express strong interest in an

efficient, well capitalized system capable of competing effectively in foreign markets. To develop such firms will require considerable amounts of western capital, which will depend on the expectation of future profits (and the development of an effective commercial code and other commercial and legal infrastructure). Such decisions depend, in turn, on the expectation of a fully competitive system with market determined pricing at all levels, as well as opportunities to improve firms' competitive positions (and retain substantial profits) by reducing costs.

The spread of competitive pricing at the retail level implies that market signals regarding consumer preferences exist and that the private sector of the marketing chain is attempting to respond to them. Attempts by the GOB to continue cost-based milk and product prices for the state-owned sector likely are creating substantial opportunities for private investors to compete, but the state-owned sector is so important that cost-based pricing policies seriously distort prices and production throughout the system. The GOB should consider abandoning the cost-based pricing system completely and moving toward general reliance on competitive pricing (in spite of the losses that might be implied for a number of the state-owned establishments).

Since the policy of taxing directly profits above the sector "maximum" also distorts incentives severely, and likely limits incentives and investment. The GOB should consider ending such policies quickly as competition expands.

**Support for dairy infrastructure.** To be efficient, competitive market systems require very large amounts of accurate information and access to alternative markets. To make effective decisions, producers need information about milk supply, demand, prices and trade in alternative markets, and processors need the same information for numerous products. In addition, objective standards of quality (and purity and sanitation) are required along with effective mechanisms to implement them. These essential services now are almost completely absent. By defining target areas for the provision of market news, production estimates, and by offering inspection, grades and standards to cooperative operations and private plants, the GOB can enhance their capacity to compete and help reduce the sector wide adjustment problems now being encountered in Bulgaria.

**Consistent policy monitoring and development.** Important but fragmented agricultural policies now are developed almost independently in a number of government ministries and agencies, for a variety of reasons. The most important involve food prices, and frequently are implemented without regard to impacts on producers or on the supply of food products.

The potential for conflicting policies and unintended impacts is very great. For example, the Ministry of Agriculture is responsible for land reform policies, and for the land restitution and reform process. The Ministry of Finance is primarily responsible for credit policies including subsidized credit programs, while the Council of Ministers is responsible for agricultural procurement prices (and, farm prices state enterprises pay for

commodities) while the National Price Commission is responsible for stable food prices. The Ministry of Agriculture and the Ministry of Industry both have responsibility for management of agribusiness operations, depending on their organization and size.

The GOB should consider assigning responsibility for consistent agricultural price, investment, development, privatization and trade policies to the Ministry of Agriculture so that even when policies must be developed to meet non-agricultural goals, their impacts on agriculture (intended or unintended) are considered and evaluated. As long as this basic responsibility for agricultural policy overview is unclear (or missing), it will be extremely difficult for the GOB to design and select fully coherent sector policies.

ATTACHMENT D

EXECUTIVE SUMMARY OF ROMANIAN DAIRY  
POLICIES REPORT

(SPARKS SUBCONTRACT)

# **Sparks Companies, Inc.**

## **ROMANIAN DAIRY POLICIES**

**Prepared for**

**Land O'Lakes, Inc.**

**and**

**U.S. Agency for International Development**

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# ROMANIAN DAIRY POLICIES

## EXECUTIVE SUMMARY

Romania, the second largest Central European nation outside the former USSR, occupies an area of 238 thousand square kilometers on the western shore of the Black Sea, mostly north of the Danube River and including the main portion of the Carpathian Mountains. Its present population is estimated at 23 million.

Until the end of 1989 when President and Communist Party Chairman Nicolae Ceaucescu was overthrown, the Romanian economy followed the standard central planning model. The state owned all productive resources and was the only entrepreneur. Through the various government ministries, all goods and services were produced and distributed. The government, through its central economic plan, executed production and investment decisions for all firms, and scheduled the work and consumption decisions for all households.

Today, the nation's interlocking reforms include the privatization of productive assets, the liberalization of prices, the demonopolization of markets, the freeing of foreign trade, and the creation of a legal system to guarantee the independence of all economic agents. While each of these reforms is currently in progress, they are being pursued with different degrees of enthusiasm and success.

Before collectivization, agriculture employed more than half of the population. The communist regime industrialized the sector to take advantage of economies of scale and to mobilize its capital and labor. In the 1980s, 20% of all arable land was operated by about 400 state farms while 60% was managed by about 3,800 "cooperatives" (collective farms) with about 15% (including plots of state and collective farm workers) cultivated privately. However, the latter segment produced about one third of all crop and two thirds of all livestock products.

Under recent regimes, about 30% of the active population was employed in agriculture but produced less than 15% of GDP, emphasizing the subsidization (and undervaluation of output) of the sector. The intermediate step of enterprise "commercialization" has been fully implemented, and most state enterprises, including state farms and state-owned agricultural processing units, have been transformed into autonomous commercial entities, regardless of their eventual ownership. The economic survival of these enterprises now officially depends on their own financial performance. However, since they continue to be owned by the state with managers reporting directly to the respective ministries, bankruptcies are being averted by credit lines extended from state-dependent banks. This allows for the continued employment of redundant workers and also keeps unprofitable enterprises in business.

Law 18 (1991) dissolved the Agricultural Production Cooperatives (collective farms) and allowed former land owners to file claims with Village Land Commissions and to be issued an "adeverinta", to be followed by the issuance of the land title proper, once cadastral mapping is complete. Even though property titles are lacking and land still cannot be bought and sold

outright, a series of informal arrangements (partnerships, share-cropping, and rentals) are being devised by the "adeverintados" to maximize the return on their confirmed claims (references were heard to an informal market for "adeverintas").

In the case of livestock farms, awards of animal ownership to workers have led to an almost complete atomization of the sector. Initial efforts to continue operation of viable commercial units on a shared basis failed to develop widespread interest, no matter how informal the arrangement. Where such operations do occur, they are more likely to be found in poultry and pig production rather than dairy and beef. Some such dairy cooperatives operate using the barns of former dairy collectives.

The demise of the collective farms has been accompanied by considerable property damage. For example, many of the crop farms had elaborate irrigation systems which were partly torn up and destroyed, as were the barns and milking facilities of many livestock collectives.

Prices of most final products now have been freed, except for basic food and energy items. Both wages and interest rates continue to be decided by the government (the largest employer and the largest lender). The original list of basic food products subsidized at the retail level has been reduced gradually throughout the past 12 months, and by April 1993, only nine remain (and these are scheduled to end). They include fluid milk, butter, whole milk powder, bread, and sugar. However, there is no schedule to end the subsidies at the primary commodity level, or the minimum procurement prices that go with them.

Even though the nation has a long tradition of dairying, per capita consumption of dairy products in the 1980s has been at a milk equivalent of less than 200 liters, sharply less than that of other Central European countries such as Czechoslovakia (440 l) and Poland (420 l), or of the United States (250 l).

Romanian dairy production is both highly diverse and labor intensive. Around 10% of the total volume of milk comes from sheep and goats, and some buffalo milk is produced as well. The total installed capacity for industrial dairy processing accounts for only about 40% of milk production in normal years (such as the mid-1980s) and in 1992, barely 15% of all milk produced was delivered to commercial dairies for processing. The remainder went to either direct consumption, direct sales, or was used to produce white and yellow cheese and butter.

A minimum producer price for raw cows' milk is set periodically by the Ministry of Agriculture and Food. In April 1993, it stood at L55.00 per liter and functioned as a fixed price due to the power of the state-owned dairy processing system. Recent sector performance indicates that these prices have not provided investment incentives sufficient to reverse the declining trend of raw milk deliveries.

At the processing level, fluid milk of 1.8% butterfat, butter, and whole dried milk at 20% butterfat are subject to price control (through dairy processing "profit" limits of 15% based on

a normative production cost). If sold by the dairy to a state operated food products retail establishment, part of the price is paid by the government in form of a consumer subsidy.

Examples of Producer and Consumer Subsidies  
(scheduled to be modified May 1, 1993):

<u>Primary Product</u>	<u>Received by Producer</u>	<u>Paid by State</u> - - lei per liter - -	<u>Paid by Processor</u>
Raw milk at 3.4% fat, liter	55	15	40
Pork, liveweight, kg	400	170	230
Beef, liveweight, kg	400	145	255
Poultry, liveweight, kg	420	155	265

<u>Subsidized Final Product</u>	<u>Received by Producer</u>	<u>Paid by State</u> - - lei per liter/kg - -	<u>Paid by Consumer</u>
Fluid milk at 1.8% fat, liter	59	43	16
Butter, kg	1,150	900	250
Whole milk powder at 20% fat, kg	692	450	142

### Milk Production

Dairy cow numbers have decreased by 350,000 since 1989 (about 16% from that year's 2.2 million cow level). However, milk yields have grown and 1992 production was 4% greater than in 1989. Collective farms which three years ago owned 40% of all milking cows have dwindled to virtual insignificance (from 1.0 million cows in 1980 to 0.04 million in 1993), and state farms now have one-half their former stock levels. Private owners, meanwhile, have picked up most of the difference. The accompanying decline in total numbers can be accounted for at least in part by culling during the transfer process. Substantial shifts to private ownership by the other classes of livestock (including pigs and poultry) also occurred during the period.

Five sixths of all Romanian milk cows were kept in herds of five head or less in 1992, and the average herd is 1.5 animals. At this time, most of the privately owned cows are being kept in informal operations that are unlikely to constitute a stable nucleus of commercial dairies. These are primarily part-time farming operations (some supported by cash income from off-farm jobs or government pensions of some household members, while others tend the family plot and the family cow). Such operations are an extension of the private sector tolerated even under the socialist regime, and subsidized by wages (and other, more informal support) from the state and collective farm sector. Thus, while dairy production on a part-time basis may be a definite improvement over the previous collective operations, it is generally not commercial dairying in

an economic sense. Proper breeding, feeding, and management are beyond the reach of most private producers.

### Dairy Processing

Even before the recent economic and social policy changes, raw milk deliveries for industrial processing apparently never exceeded 40% of total milk produced, and now have declined to about 15%. Most Romanian milk is used to make cheese or butter, both of which account for greater raw milk usage than does fluid milk. About 4,500 million liters of raw milk are produced per year, but 85% (almost 3,900 million liters) is either consumed by the producer, sold directly to other consumers, or supplied to local and regional markets in the form of home-made or privately manufactured butter and cheese. There is no recorded information on the very substantial informal manufacturing and distribution sector, although the informal farmgate price for raw milk is reported to be between L100 and L130 per liter.

Fluid milk, fresh products, and powdered milk traditionally have been the exclusive domain of the state-owned dairy processing industry, as part of its assignment within the planned economy. The shift of one-half of Romania's 2 million dairy cows from the state-controlled to the private sector and the continued administration of procurement prices have reduced the supply of raw milk to the formal processing sector dramatically. Especially, the commitment of the state-owned dairy processing industry to unrealistic prices has led to the virtual breakdown of the supply of fresh dairy products to urban markets, notably Bucharest. Fluid milk at the established L16 per liter price is available only to those who stand in line daily for very small supplies. At the other extreme, imported UHT milk sells for L600 per liter.

Comparable to the market distortions created by unrealistic prices are those created with respect to supply. What little raw milk that is sold to the dairies at the legal minimum procurement price must pass through a somewhat primitive collecting system. The survival of existing plants depends heavily on their ability to locate supplies of milk, and to limit costs (especially labor). In addition, the industry's capacity is quite limited, so that a considerable expansion likely will accompany the inevitable shake-out of the state-owned enterprises.

Under the former regime, the distribution of dairy products consisted of transporting them from plants to assigned outlets, warehousing them if necessary, and dispensing them to consumer outlets (all done at prices established by the Ministry of Trade). Perhaps the major change today (apart from the decline in production) is that dairy companies now must deliver their products with their own fleet. Of the total output of the dairy processing industry, 50% is distributed through outlets belonging to the Ministry of Trade, 40% through small private retailers, and the remaining 10% through stores operated by the dairy enterprises themselves.

The permitted processing margin for all dairy products in state plants is 12% (for retailing, 30% is allowed, so if the plant does its own retailing, it can increase its total margin to 42%). Catering (selling to restaurant or canteen customers) is allowed at a 94% markup, so a dairy operating its own food outlet would be allowed a 136% markup on its own products.

There does not yet exist a private wholesale sector for food products (or any other products). It is conceivable that private retailers will create opportunities for private transporters, who will eventually assume other intermediary functions thus gradually ushering in the establishment of a wholesale sector. At present, these intermediary functions continue in the hands of the government.

## Conclusions

The study's analysis of the Romanian dairy sector raises a series of key issues that are fundamental to the economic reform process. Several observations are important:

- Privatization has proceeded much farther in milk production than in dairy processing, where the continued lack of competition severely limits any market-type linkage between milk producer and dairy product consumer. The liberalization of prices so far has not included the consumer prices for fluid milk, butter, and powdered whole milk or the producer prices for raw milk, a situation that is severely limiting industry investment.

The demonopolization of markets up to now also has excluded the state enterprises providing inputs and services, a lack of competition that has led to undue increases in production costs.

- Similarly, the liberalization of foreign trade has not yet been extended to agricultural exports. Such a policy could raise commodity prices, including those of dairy products, thus increasing incentives to invest and produce.
- The creation of the body of commercial legislation that regulates normal business transactions is not yet complete, a lack that prevents efficient agricultural markets, especially with respect to the entry (incorporation) and exit (bankruptcy) of participants. The development of input supply channels and credit mechanisms to the new Romanian agricultural entrepreneurs has lagged severely. It is limiting producers' access to inputs and interfering with production. As these regulations are implemented, they likely will stimulate the development of agribusiness firms and increase market competition very significantly.
- The land reform, or agricultural land privatization, has been delayed significantly because of technical problems with the cadastral survey. This is delaying the issuance of definitive titles and limiting collateral available to potential borrowers in the crop and livestock sectors.
- The development of effective markets and competition for commodities is being delayed by the continued existence and operation of state enterprises, many of which retain effective monopsony powers in spite of their inefficiency. The creation of a

wholesale sector for agricultural commodities also has been delayed by the slow pace of privatization for existing state institutions.

## Recommendations

Based on the issues identified above, the following recommendations are presented:

- The full privatization of the agroprocessing sector, including dairy processing operations, is essential to an efficient dairy sector and to investment growth. The continued operation of state-owned milk processing monopsonies together with the state-owned input suppliers is severely limiting sector growth. The Government of Romania (GOR) should move quickly to complete the disaggregation and privatization of state dairy operations, as well as those other firms that provide marketing services or inputs to the sector.
- The GOR should quickly end fixed (or maximum) retail prices for dairy products (and other food and fiber products), along with corresponding consumer subsidies. It also should end policies of fixed (or minimum) procurement prices for raw milk, along with corresponding producer subsidies, and should move quickly to liberalize the current foreign trade restrictions on dairy products. Competitive pricing at all levels of the marketing chain should be established as a priority policy goal by the GOR.

To achieve an efficient, well capitalized dairy system capable of competing effectively in foreign markets likely will require considerable amounts of western capital, which depends, in turn, on the expectation of future profits. Only with fully competitive markets and the opportunity to improve firms' competitive position by reducing costs is such investment likely to be forthcoming. Attempts by GOR to continue cost-based milk and product prices are creating substantial opportunities for private investors to compete, but the continued presence of state-owned enterprises is inhibiting that competition. Current purchasing and sales policies are severely distorting markets, and short-term "super incentives" to stimulate milk deliveries can only be a costly, temporary solution. As a result, the GOR should consider abandoning cost-based pricing (and profit regulations) entirely and moving toward full reliance on competitive pricing in spite of potential losses by state owned firms.

The government also should consider ending its support and involvement in all transportation, warehousing and wholesale distribution activities.

- Current policy objectives appear to be sound and workable. The focus on private ownership of land and a strong, western-style commercial code is providing solid support for privatization. However, the slow pace of the development and implementation of effective commercial regulations (including bankruptcy and

contract laws and regulations) now are serious constraints to investment in the dairy sector.

The GOR must complete its land privatization and titling and help establish a free market for land and livestock as soon as possible. In the meantime, it should evaluate ways it can support the use by banks or other lending institutions of confirmed claims of agricultural land as collateral for agricultural credit.

- A major need in Romania is the development of effective management and operating models for the sector. At this time, private ownership of cows is expanding rapidly, but the industry has been fragmented into units far too small to be efficient. The GOR can greatly facilitate the sector's transition by designing and helping organize efficient management units for milk production, collection, processing and distribution.

One possible way of organizing the sector is the use of associations and true management cooperatives (especially in the absence of effective markets for either land or livestock). The GOR should consider identifying these and other ways of providing effective technical assistance for such organizations to stimulate increases in productivity and efficiency.

- A major current problem is lack of market infrastructure. To be efficient, competitive market systems require very large amounts of accurate information and access to alternative markets. To make effective decisions, producers need information about milk supply, demand, prices and trade in alternative markets, and processors need the same information for numerous products. In addition, objective standards of quality (and purity and sanitation) are required along with effective mechanisms to implement them, important services that now are almost entirely absent. By defining target areas for the provision of market news, production estimates, and by offering inspection, grades and standards to cooperative operations and private plants, the GOR can facilitate their capacity to compete and help reduce the sector-wide problems now encountered in Romania.

ATTACHMENT E

EXECUTIVE SUMMARY OF POLISH DAIRY  
POLICIES REPORT

(SPARKS SUBCONTRACT)

# **Sparks Companies, Inc.**

## **POLISH DAIRY POLICIES**

**Prepared for**

**Land O'Lakes, Inc.**

**and**

**U.S. Agency for International Development**

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# POLAND DAIRY POLICIES

## EXECUTIVE SUMMARY

Like that of its Eastern European neighbors, Poland's economy operated in conformity with the central planning model until 1989 and has been in the midst of a difficult transition to open markets since that time. However, at least two important factors have advanced this development in Poland. Most of its farms were never collectivized, so that the identification and transfer of private farm property that has been difficult in neighboring countries was not required in Poland.

In addition, the transition to economic, legal and commercial systems began quickly after the collapse of Communism. Much of the necessary legal and regulatory structure now is in place and functioning, and the privatization process, while exceedingly difficult, is increasingly well defined and advancing.

Nevertheless, difficult economic problems remain, in part caused by the magnitude of the changes necessary. The organization of the necessary capital to privatize many of the nation's large enterprises has been difficult across the economy, and agriculture has been no exception. And, while most of the nation's farms were private, its agribusinesses were entirely state-owned. All agricultural inputs, for example, came from state-owned enterprises and most agricultural production was purchased and processed, handled, transported, stored and retailed by state-owned enterprises. Thus, problems with product quality and marketing costs are similar in Poland to those in other Eastern European nations.

### **Dairy Policies**

In 1949, the dairy processing industry (which was entirely private up until that time) was taken over by the state and operated directly. In 1956, it was reorganized into collective type cooperatives, in which the respective milk producers were given individual ownership of 2% of equity (while the state held the remaining collectively owned 98%). Up to 1990, the operation of the industry was heavily subsidized. Through forced retention of earnings, the milk producers' individual ownership shares had increased to an average of 36% by the end of 1992.

The dairy sector in Poland is very large, producing 12.7 billion liters of milk in 1992 from an average of 4.2 million cows. Farm use is high (about 30% of the total), with just over 50% sold to processors and 20% sold directly to consumers.

While the Polish dairy industry is quite sophisticated in many aspects of its development and organization, it depends heavily on small dairies. For the nation, the average dairy farm has just over 3 cows (up from 2.4 cows in 1989). Only 4.4% of the dairy farms have more than 11 cows, while 58.4% have 4 or fewer. More than 5% have only 1 cow.

For most Polish dairy cows, winter feeding consists of hay, since small scale silo operation is costly. Protein supplements are generally imported and expensive (and the compound feed industry continues to be dominated by the former state-owned monopolies).

Most farms have no grazing area, and either hold animals indoors or tether them along highways. However, milking is done by machine even on small farms. Cooling tanks also are generally available, but many farms experience difficulty in keeping cooling pumps in operation and milk quality problems frequently arise from milk held overnight and delivered to collection points following the morning milking.

There is no standard formula used to adjust raw milk prices for varying levels of sanitation, butterfat, or other components, although there is a national standard for the classification of milk according to butterfat, bacteria count and somatic cells. The systems of premiums and discounts encountered focus primarily on butterfat, with premiums normally paid for "Class I" milk. However, the application of these standards is somewhat less than strict and milk of all classes is normally pooled at the collecting points, after its recording for payment. Prices do not appear to reflect significant seasonal variations in milk availability.

The industry has been under severe cost/price pressure during the transition. Producer costs were increased severely by increases in prices of imported protein supplement feeds and other production costs. Dairy product prices, by contrast, were restrained by falling consumer income (cut by transition measures to reduce inflation) and by poor product quality. Producer returns also are reduced by wide marketing margins of state-owned marketing enterprises that continue to hold virtual monopolies in many regions. And, domestic dairy products face competition from imports, many of them subsidized.

The result of these economic pressures has been sharp declines in production (down from 15.9 billion liters in 1989 to 12.7 billion in 1992) due to declines in both yields per cow and cow numbers.

In spite of the importance of the decline in cow numbers and herd productivity, the most dramatic recent development has been the disintegration of the processing subsector and the shift of 20% of the milk from industrial processing into direct sales to consumers. The growth of this private marketing channel has increased producer returns, and is helping to stabilize the Polish dairy industry.

Milk producers' small scale leads to costly assembly and dairy product production, in spite of considerable investment in genetics and management. There are 9,000 raw milk collecting points in Poland, serving about 700 industrial dairy processing plants that range in size from 10 tons to 800 tons in daily raw milk capacity. Most dairy plant equipment appears to date from the 1960s and 1970s.

The plants are owned by approximately 345 enterprises, of which 330 are collective-type milk producers' cooperatives. Five other plants are state-owned, and five are owned privately. The latter two groups account for about 4.5% of all dairy product output.

The primary direct policy measure for milk producers is the effort by the Agricultural Marketing Agency (ARR) to maintain producer raw milk prices at or above PZL2,200 per liter through purchases of butter and skim milk powder, and the implementation of duties on imported dairy products in an effort to protect domestic milk prices.

During 1992, about 6% of all butter and 8% of all skim milk powder produced were purchased under this price stabilization program. In addition, subsidized credits are occasionally granted under general agricultural programs such as the one implemented last year for drought relief.

### Conclusions

The transition to market-oriented policies in Poland received a considerable headstart from the continued private ownership of most farms throughout the communist regime. This advantage is reduced, however, by their small size and extreme fragmentation and by the slow development of a land market. Such a market is essential to the development of the necessary capital for renewed investment in the sector. Its growth could be stimulated by growing competition among upstream suppliers of agricultural inputs and downstream markets for agricultural products. In both directions, the Polish government still is a major player.

Current price support and border protection programs protect several agricultural commodities and their producers and processors. Not only do these programs interfere with the professed goal of undistorted markets, they imply some danger of resource misallocation and expensive programs. However, current dairy support levels are quite low, far below those in the United States or the EC and close to price levels in New Zealand. Tariffs imposed in response to subsidized dairy product imports also provide protection to Polish dairy producers.

The demonopolization of markets up to now has excluded some of the state-operated providers of inputs and services. This leads to both elevated dairy production costs, as inefficient input suppliers pass on their costs, and reduced revenues due to the lack of competition, lack of product and market development and high marketing costs. The current situation is characterized by:

- Incomplete transition of input supply channels and credit mechanisms to modern agricultural entrepreneurs (as opposed to the peasant farmers) that continues to interfere with the transition process to a more commercial agriculture.
- Delayed introduction of competition into commodity handling and processing by sluggish liquidation of existing state institutions.

- Delays in the creation of a competitive commodities wholesaling sector, which is limiting marketing, market development and competition.
- Incomplete development of the commercial code, the body of legislation to regulate normal business transactions. This prevents the market from being as efficient as it should be, especially with respect to the entry (incorporation) and exit (bankruptcy) of participants.

## Observations

Current Polish government dairy policies appear to be sound, workable and fully oriented toward competitive, open markets.

Although the dairy industry has partly completed its transition from centrally planned to open, competitive markets, it is likely to face major future adjustments as it competes for both Polish and export markets (in the former Soviet Union and elsewhere).

The focus on private ownership of farms and a strong, western-style commercial code is providing solid support for complete industry privatization. However, the slow pace of the development and implementation of effective commercial regulations and an effective land market, and the lack of a modern law for cooperatives are becoming increasingly serious constraints to additional investment in milk production and marketing.

Similarly, the government of Poland must complete its privatization of the agricultural inputs industries and of agricultural processing, handling and wholesaling enterprises to insure the necessary competition to support modern, high quality, competitively priced dairy products. While current border protection and price supports do not appear to be holding prices at uncompetitive levels, pressures for additional protection are building and could distort future resource allocation and restrict market growth.

The Polish dairy industry of the future likely will include a wide variety of larger scale production and processing operations under both private and cooperative ownership. As the industry specializes, firms producing high quality fresh and fluid products could concentrate around population centers, while those producing mostly hard products will operate production centers in the more remote areas, such as those in the North or South East.

To achieve these shifts in efficiency, investment, structure and location, milk producers and processors will need to develop and refine products and a new image of quality and develop to expand their markets. Such shifts will require a well capitalized dairy system, with much of the new investment likely to come from the West. This capital infusion will depend, in turn, on the expectation of future growth and profit. Only with a fully competitive system is such investment likely to be forthcoming.

In addition, the transition from the current industry structure to the larger scale, more efficient producers of the future will require considerable consolidation of current producing and processing units. To insure equitable access to growing markets by current producers and processors likely will require increased technical assistance and information.

To be efficient, competitive market systems require very large amounts of accurate information and access to alternative markets. To make effective decisions, producers need information about milk supply, demand, prices and trade in alternative markets, and processors need the same information for numerous products.

In addition, objective standards of quality, purity and sanitation are required along with effective mechanisms to implement them, important services that are not now widely available. Raw milk pricing standards and guidelines are an example of such services that are important, and which could be provided by producers through their own cooperatives with support from the government.

Finally, product quality and sanitation are currently serious problems in many dairies and severely limit the quality of final products. Government adoption and assistance in enforcement of such standards would significantly help the industry compete with other producers in Europe and throughout the region.

ATTACHMENT F  
IAP AGRIBUSINESS INTERNS

# Land O'Lakes, Inc.

Participant Training Report  
 Agricultural Cooperative/Business Development & Training  
 in Central and Eastern Europe  
 Grant Number EUR-0024-G-00-1072-00  
 April 1 - June 30, 1993

NAME	CITIZEN	GENDER	TRAINING SITE	DATES	PURPOSE	ACTIVITIES	FUNDING
KOSCIELNIAK, Ewa	Poland	Female	Multiple sites in Minnesota and Wisconsin Farm: Sturgeon Bay, WI	Mar. 20 - Dec. 4, 1993	To give dairy participants an opportunity to learn about U.S. production technology and management through a five month farm internship and to be exposed to the interrelationships that comprise a successful agricultural infrastructure through off-the-farm activities and technical training in dairy related topics. <u>Technical Training During this Quarter:</u> Dairy Herd Health & Nutrition. This one week technical training included topics in recordkeeping, care and management of calves and heifers, waste systems, herd selection, mastitis and common dairy diseases, genetics and breeding programs, basic nutrients, forage quality and type, and feed handling systems.	Technical	USAID
MALINOWSKI, Wojciech	Poland	Male	Multiple sites in Minnesota and Wisconsin Farm: Oconto, WI	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID
STAWINSKI, Waldemar	Poland	Male	Multiple sites in Minnesota and Wisconsin. Farm: Wolsey, SD	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID
WAWRYNCZAK, Adam	Poland	Male	Multiple sites in Minnesota and Wisconsin. Farm: Watertown, WI	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID
TILK, Arne	Estonia	Male	Multiple sites in Minnesota and Wisconsin. Farms: Brandon, WI ('til 7/19) and now: Sturgeon Bay, WI	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID

# Land O'Lakes, Inc.

Participant Training Report  
 Agricultural Cooperative/Business Development & Training  
 in Central and Eastern Europe  
 Grant Number EUR-0024-G-00-1072-00  
 April 1 - June 30, 1993

NAME	CITIZEN	GENDER	TRAINING SITE	DATES	PURPOSE	ACTIVITIES	FUNDING
RUCIS, Olafs	Latvia	Male	Multiple sites in Minnesota and Wisconsin Farm site: Brillion, WI	Mar. 20 - Dec. 4, 1993	To give dairy participants an opportunity to learn about U.S. production technology and management through a five month farm internship and to be exposed to the interrelationships that comprise a successful agricultural infrastructure through off-the-farm activities and technical training in dairy related topics. <u>Technical Training During this Quarter:</u> Dairy Herd Health & Nutrition. This one week technical training included topics in recordkeeping, care and management of calves and heifers, waste systems, herd selection, mastitis and common dairy diseases, genetics and breeding programs, basic nutrients, forage quality and type, and feed handling systems.	Technical	USAID
ZDENEK, Jaros	Czech Republic	Male	Multiple sites in Minnesota and Wisconsin Farm : River Falls, WI	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID
CAPKA, Roman	Czech Republic	Male	Terminated from Program.	Mar. 20 -	Terminated from program due to physical and emotional stress.	Technical	USAID
ZRUBAN, Jozef	Slovakia	Male	Multiple sites in Minnesota and Wisconsin. Farm: Claremont, MN	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID
VALASEK, Frantisek	Slovakia	Male	Multiple sites in Minnesota and Wisconsin. Farm: Henning, MN	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID

# Land O'Lakes, Inc.

Participant Training Report  
 Agricultural Cooperative/Business Development & Training  
 in Central and Eastern Europe  
 Grant Number EUR-0024-G-00-1072-00  
 April 1 - June 30, 1993

NAME	CITIZEN	GENDER	TRAINING SITE	DATES	PURPOSE	ACTIVITIES	FUNDING
MICHALCIN, Miroslav	Slovakia	Male	Multiple sites in Minnesota and Wisconsin Farm: Dodge Center, MN	Mar. 20 - Dec. 4, 1993	To give dairy participants an opportunity to learn about U.S. production technology and management through a five month farm internship end to be exposed to the interrelationships that comprise a successful agricultural infrastructure through off-the-farm activities and technical training in dairy related topics. <u>Technical Training During this Quarter:</u> Dairy Herd Health & Nutrition. This one week technical training included topics in recordkeeping, care and management of calves and heifers, waste systems, herd selection, mastitis and common dairy diseases, genetics and breeding programs, basic nutrients, forage quality and type, and feed handling systems.	Technical	USAID
ZLATANOVA, Velitchka	Bulgaria	Female	Multiple sites in Minnesota and Wisconsin Farms: Poplar, WI (sheep) and now: Hewitt, MN (cows)	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID
CHTILIANOV, Chtilian	Bulgaria	Male	Multiple sites in Minnesota and Wisconsin. Farm: Henning, MN	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID
MATEV, Milen	Bulgaria	Male	Multiple sites in Minnesota and Wisconsin. Farm: Evansville, MN	Mar. 20 - Dec. 4, 1993	Same as above.	Technical	USAID

# Land O'Lakes, Inc.

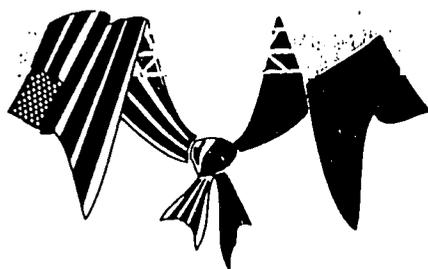
Participant Training Report  
 Agricultural Cooperative/Business Development & Training  
 in Central and Eastern Europe  
 Grant Number EUR-0024-G-00-1072-00  
 April 1 - June 30, 1993

NAME	CITIZEN	GENDER	TRAINING SITE	DATES	PURPOSE	ACTIVITIES	FUNDING
GASZEWSKI, Dariusz	Poland	Male	Central Minnesota Cooperative	June 7 - August 27, 1993	To upgrade and broaden the skills of young agribusiness professionals in the area of their expertise.  Intern's emphasis: Agricultural Marketing	Technical	USAID
WRZESINSKI, Pawel	Poland	Male	Mondovi Cooperative	June 7 - August 27, 1993	Same.  Intern's emphasis: Livestock & Cooperative Management	Technical	USAID
SCIERSKA, Urszula	Poland	Female	Land O'Lakes, Research, Technology & Engineering	June 7 - August 27, 1993	Same.  Intern's emphasis: Dairy Science & Microbiology	Technical	USAID
SENICZAK, Anna	Poland	Female	21st Century Genetics	June 7 - August 27, 1993	Same.  Intern's emphasis: Cattle Breeding & Genetics	Technical	USAID
TLUSTY, Vlastimil	Czech Republic	Male	Cenex/Land O'Lakes, Finance	June 7 - August 27, 1993	Same.  Intern's emphasis: Finance & Credit, Macro-dairy Policy	Technical	USAID

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ATTACHMENT G  
NEWSPAPER ARTICLES

PREFECTURA JUDETULUI GIURGIU  
PRIMARIA MUNICIPIULUI GIURGIU



**22-25 APRILIE 1993**



UNIVERSITATEA DON WASHINGTON

## **PREZENTAREA PROGRAMULUI**

În 1990 Congresul Statelor Unite ale Americii și Agenția pentru Dezvoltare Internațională au recunoscut importanța colaborării cu țările est-europene îndeosebi în perioada de tranziție a acestora la economia de piață. Astfel o serie de programe guvernamentale americane și-au început activitatea în țara noastră în sectoarele de bază ale economiei românești. Având sponsorizarea U.S.A.I.D., Universității din Washington și bucurându-se de sprijinul și participarea unor organizații ca V.O.C.A., Citizens Democracy Corps, International Fertilizer Development Center, Primăria Municipiului Giurgiu, Prefectura Județului Giurgiu, s-a organizat în perioada 22-25 aprilie, la Giurgiu prima ediție a **TÎRGULUI FERMIERILOR - GIURGIU 1993**.

### **Principalele obiective ale târgului sînt:**

1. Seminarii privind activitatea organizațiilor și companiilor americane din domeniul agriculturii, care pot oferi fermierilor particulari posibilitatea de a cunoaște - prin prisma experienței specialiștilor participanți la târg - noi modalități de organizare (conducere) a fermelor și de pregătire a produselor pentru vânzare, astfel încît acestea să poată fi eficiente în condițiile specifice economiei de piață.

2. Expunerea unor echipamente, utilaje și materiale auxiliare destinate realizării producției și prelucrării produselor agricole.

**TÎRGUL FERMIERILOR** se intenționează a avea un caracter anual, el urmînd să constituie ocazia pe care producătorii agricoli o vor avea pentru a se întîlni, a face schimb de informații, a intra în contact direct cu producătorii de utilaje și mașini agricole, a încheia și derula contracte pe termen lung.

### **ORARUL EXPOZIȚIEI TÎRGULUI FERMIERILOR:**

<b>11.00 - 19.00</b>	<b>22.04.1993</b>
<b>9.00 - 19.00</b>	<b>23 - 24.04.1993</b>
<b>9.00 - 18.00</b>	<b>25.04.1993</b>

*Giurgiu - A future free zone*  
**GIURGIU - VIITOARE ZONĂ LIBERĂ**  
*The county and city mesography.*  
**MONOGRAFIA JUDEȚULUI ȘI MUNICIPIULUI GIURGIU**

### DATE GENERALE

Giurgiu este un vechi oraș întemeiat de genovezi și atestat documentar încă din anul 1403 prin scrisoarea domnitorului Mircea cel Bătrîn, către regele Vladislav Jagello. În perioada dependenței Țărilor Române de Imperiul Otoman, Giurgiu a reprezentat un important centru de comerț.

Județul Giurgiu este situat în partea sudică a României, la altitudinea de 20 m, pe parcursul mediu al Dunării din a cărui lungime deține 72 km în cadrul Cîmpiei Române.

Suprafața totală a județului Giurgiu este de 3 810 km<sup>2</sup> deține 3 orașe și 46 comune. Fluviul Dunărea, care scaldă limitele sudice ale județului, îi conferă posibilitatea legăturilor cu cele opt state riverane și ieșirea la Marea Neagră, iar odată cu terminarea canalului RIN - MAIN - DUNĂRE, deschiderea spre Europa de Vest cu ieșire la Marea Nordului prin portul ROTTERDAM, pentru nave cu capacitate pînă la 4 500 tone. Există totodată un pod rutier și feroviar GIURGIU - RUSSE, care asigură legătura cu Peninsula Balcanică și Asia Mică.

### POPULAȚIA

Județul Giurgiu are o populație de 312 878 locuitori cu o densitate de 92,5 locuitori pe km<sup>2</sup>. Din totalul populației județului, în mediu urban trăiesc 95 000 locuitori, din care în municipiul Giurgiu 74 036 locuitori.



Conclusions: The students in this course were very motivated, enthusiastic, and participated regularly in the class. They definitely understood the transition from a production driven economy to a market driven economy. Currently in Hungary, many joint ventures are taking place with Western European countries.

She states that There is definitely a need for marketing training in Hungary.

The country appeared to be further advanced than other countries of the former Eastern Bloc. Because of this, the participants will be able to apply the marketing concepts sooner which makes this course very relevant to their situation. Additionally, the participants did express concern over the number of joint ventures taking place with Western European companies. Most agreed that the joint ventures were helping their economy, however they were concerned that there were few companies owned entirely by Hungarians. This course addresses this concern by providing the participants with the tools needed to assess whether or not they can compete on their own without a joint venture and what they need to do to compete. .... needs.

LeRoy Vanicek presented a course entitled Introduction to Private Agribusiness Management. LeRoy has presented this course four times previously for Land O' Lakes. He stated that this group was the most knowledgeable in accounting and financial management, of any he has taught the course to.

Cooperatives: P&P	3/29-4/2/93	Kompolt	Gary Weness
Intro to Mktg Principles	4/19-23/93	Debrecen	Elizabeth Dolphin
Intro to Private Agribus	5/3-7/93	Pecs	LeRoy Vanicek
Intermediate Mktg Princ.	6/7-11/93	Hodmezovasarhely	Bernard

## PRESENTING THE PROGRAM

In 1990 the U.S Congress and U.S.A.I.D. recognized the importance of collaboration with the East European countries, especially during their transition period towards the free market economy. So a couple of American government programs have started in Romania in the most important economic sectors. Under the sponsorship of U.S.A.I.D. and The University of Washington and with the support of some other organizations like V.O.C.A., Citizens Democracy Corps, International Fertilizer Development Center, The Mayor's Office from Giurgiu, was organized during April 22-25 in Giurgiu the first edition of The Farmers Fair.

The main objectives of the fair are:

1. Seminars presenting the activity of American organizations and companies, which are able to provide new experience and training for the farmers in order to help them to improve the quality of their products according to the free market economy conditions.
2. To exhibit equipments, machines, and auxiliary materials to mean for ag products production and processing.

THE FARMERS FAIR intends to have an annual character, and this will be an opportunity for thr farmers to get in touch, to exchange information, to contact different machines producers, to make long term contracts.

### GIURGIU-A FUTURE FREE TRADE ZONE.

#### General Data

Giurgiu is an old town established by the some sailors from Genoa and certified in documents in 1403 thru the letter of King The Old Mircea to the King Vladislav Jagello from Poland. During the dependence period of the Romanian countrys towards the Otoman Empire, Giurgiu represented an important trade center.

The county of Giurgiu is located in the southern part of Romania, at 20 meters altitude, along the Danube River on a length of 72 kilometers.

The territory of Giurgiu county covers 3,810 square kilometers, and includes three towns and 46 villages. The Danube River offers the possibility to comunicate with the other eight river European countries and also with the Black Sea. After the Rhein-Main-Danube channel is finished, there will appear the possibility of communicating with the Northern Sea thru the Rotterdam Harbour, for vessels up to 4,500 tons. There is also a bridge between Romania and Bulgaria for trains and ground transportation.

#### Population

The population of the Giurgiu county consists in 312,878 inhabitants, with a density of 92.5/Square kilometer. There are about 95,000 inhabitants in the towns, from which in the city of

Giurgiu live 74,036.

### Agriculture

From the total surface of the county there are 273,507 allocated for agriculture of which: 257,467 hectares of arable land, 9,301 hectares of pastures, and 6,739 hectares of orchards and vineyards. From the total surface of arable land, 209,666 hectares consists in private properties which belong to 103,833 owners, the rest of it is public property.

The zootechnical sector consists from 48,552 heads of bovine, 188,321 heads of swine, and 127,960 heads of sheeps.

### Industry

In the county of Giurgiu there are 131 state owned enterprises, 2 commercial firms with mixed capital, 5 handicrafts organizations, 194 ag firms and 2,286 private enterprises.

The main fields in the industry are as following: 19.4 percent in machine industry, 8.1 percent in oil extraction, 14.3 percent in chemical industry, 8.0 percent in constructions materials, 14.9 percent in textiles, 15 percent in food industry, and 20.3 percent in others.



## Second group of foreign visitors at STC to learn English, farming ways

By Mark Fode

For the second time in little more than a year, a large group of foreign visitors is enrolled at the Pipestone campus of Southwestern Technical College, learning English.

The group of 15 people, including 13 men and two women, is from several different countries, including the Czech Republic, Slovakia, Bulgaria, Poland, Latvia and Estonia, and, like the Polish students of 1992, is learning from li-

censed ESL (English as a second language) instructor Patt Johnson.

The instruction will last six weeks and will serve as a prelude to a six-month stay in America. The group will stay with host families in Minnesota and Wisconsin for the better portion of their stay, learning agriculture techniques which will improve their farming abilities.

For now, the group is staying in

Foreign visitors

Continued on page 2A



Four of the 15 visitors from eastern Europe do some studying at STC-Pipestone recently. They are, from left, Josef Zruban, Arge Tilk, Olatz Rucis and Roman Cepka.

## Fall of communism gives mass communications professor opportunity to teach abroad; local business people in Slovak Republic learn new concept of free market activities



**The Slovak experience was a rewarding one for Roger Rudolph, mass communications professor. He taught marketing concepts to former communists. File photo**

By Roger Rudolph

My recent experience in the Slovak Republic was interesting, fascinating and exhausting.

The trip involved teaching two 40-hour courses and the shock of entering, adjusting to and leaving a foreign culture within a three week period. It was a challenge to learn enough about the political and economic environments of the Slovak Republic to teach a

meaningful and relevant course to local business, education and communications professionals.

The Slovak Republic is a country where an incredible amount of change has occurred in the past three years. The official country I visited was Czechoslovakia, which split into two countries Dec. 31, 1992; the Czech Republic and the Slovak Republic.

This split will have some interest-

ing effects on mass communications industries. Both countries may develop their own major broadcast and print media organizations. At the time of my visit, there was one Czech television station and one Slovak network.

The Czech network was an extension of the old government owned and operated entity. The Slovak network is new. Both networks were broadcasting throughout Czech and Slovak areas.

Advertising media buyers have easier choices compared to planners in the USA who have a larger selection of media.

Teaching a course to individuals in another culture was both challenging and rewarding. Two interpreters were used in the classroom. However, language barriers were easier to cross than cultural barriers.

Imagine trying to explain the notion of product branding and differentiating through positioning in mass media advertising to individuals who had experienced

communism for 25 years.

Under communism, free market activities such as branding, product differentiation and advertising could not exist. People did not have choices in selecting convenience and shopping goods. If individuals wanted to buy lamps or blankets, they went to government owned stores and purchased the product that was on the shelf.

Many individuals expressed concern over the rapid development of advertising in the Slovak Republic. Some were concerned local companies could not afford to advertise and large multinational corporations such as Proctor & Gamble were invading the airwaves.

Crossing language and cultural barriers in the Slovak Republic turned out to be an extremely rewarding experience. Many students expressed their thanks to me for teaching them a subject they needed to understand and apply in their efforts to develop free markets.

# Abroad: Mass communications professor travels to Slovak Republic to teach concept of marketing to former Czechoslovakians

By Dean Shavor

For the past 50 years, the western world lived in fear of communism and those countries that threatened freedom and democracy.

How times have changed.

With *glasnost* and the fall of communism, the east is looking westward for help in the transition to a freer society.

During quarter break, Roger Rudolph, SCSU mass communications professor, traveled to Bratislava in what formerly was Czechoslovakia to conduct two five-day training courses. The course, "Intermediate Marketing Principles," was attended by members of a formerly government owned dairy cooperative.

Land-O-Lakes, which was award-

ed a grant by the U.S. Agency for International Development.

The project's goal is to start an agricultural cooperative/business development and training program. The program will provide training and technical assistance to agro-industries making them globally competitive.

Rudolph's students were taught how to make the transition to a private, competitive business. Now that the government's power has decreased control, workers need to learn to be competitive and profitable.

Another subject taught was customer service. Under communism there was a zero percent customer service rate. "The idea that customers are important and their needs should come first seems foreign to them," Rudolph said.



Roger Rudolph, SCSU professor, got by with a little help from his interpreter, Renata Lengyelova. Rudolph was in the Slovak Republic teaching marketing. File photo

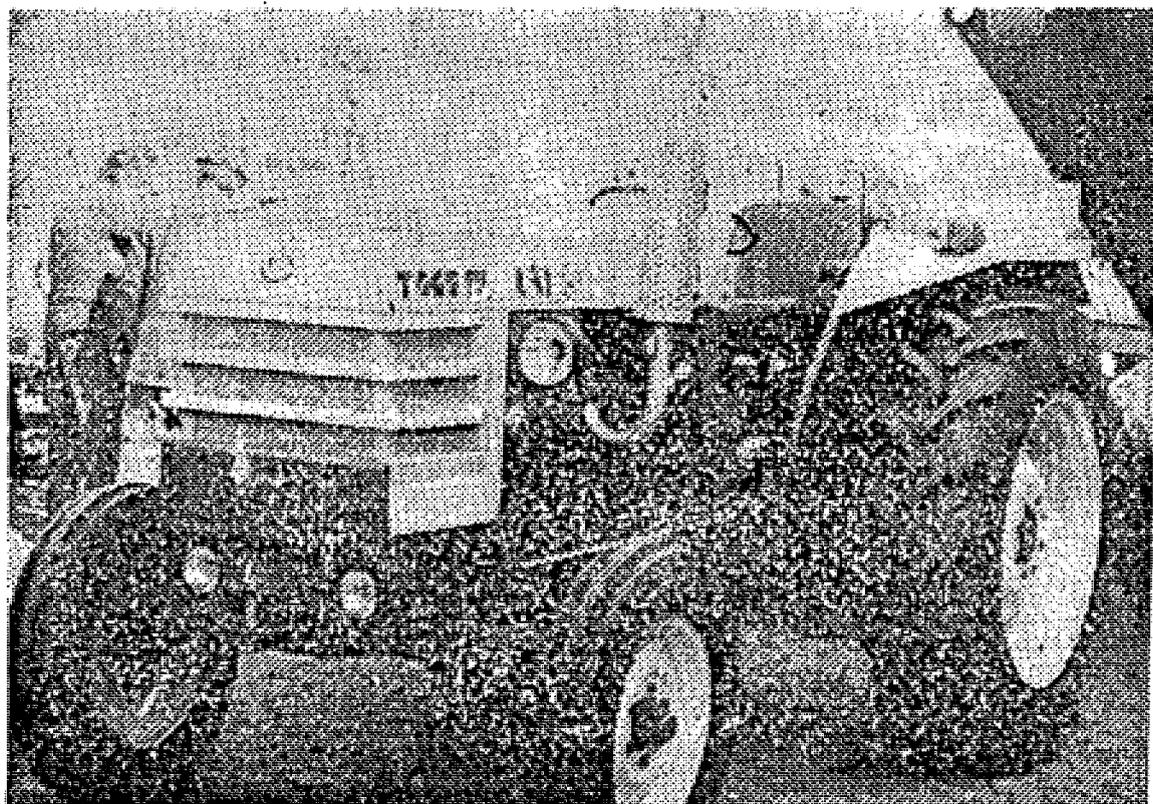
With the start of the new year, Czechoslovakia split into two separate nations, Slovakia and the Czech Republic. It will be difficult to predict if the economies will be capable of making a successful

transition to a more democratic society. But with help from programs like this one and companies such as Land-O-Lakes, the change is being pushed in the right direction.

AP

# Promotorii acțiunii și sponsorii

Agencia Internațională pentru Dezvoltare din Statele Unite; Universitatea din Washington; VOCA; Pioneer Hi-Bred Seeds; Centrade-Central European Trading; International Fertilizer Development Center; Land O'Lakes; Sawyer Miller Group; Primăria Municipiului Giurgiu; Prefectura Jud. Giurgiu; Citizens Democracy Corps; Ministerul Agriculturii și Alimentației; Ordinul „Carmelite” Biserica Catolică a Statelor Unite; Radio România; Academia de Studii Economice; Teatrul Valah; „Mady” S.R.L.; „Geni Criss” S.R.L.; „Boema” S.R.L.; „Cati Mar” S.R.L.; „Axel Comimpex” S.R.L.; „Gama” S.R.L.; „Gabluc” S.R.L.; „Romtim” S.R.L.; „GEF” S.R.L.; „Vlașca”; „Jurnalul de Giurgiu”; „Cuvîntul Liber”; „S.C. Somat” S.A.; „S.C. Dunărea” S.A.; „S.C. Confor” S.A.



**AMERICAN COOPERATIVES COME TO BULGARIA**  
(Narodno dalo newspaper, Varna, April 21, 1993)

A five-day courses on "Cooperatives: Principles and Practices" started in the holiday village of Rousalka. The course is organized by Land O'Lakes, Inc., from Minneapolis, Minnesota, USA. The American experts share their experience in organizing cooperatives, their financial management, obligations, interrelations and control.

Mr. David Johnson, the trainer, believes that his and his colleagues' ideas will be put to practice in Bulgaria as they have been successfully applied in the US for almost a century.

Aida Nanikyan

## AMERICAN DAIRY COOPERATIVE OFFERS CONSULTATIONS

The largest dairy cooperative in the United States, Land O'Lakes, Inc. (LOL), has received funding from the US government to organize training programs in Latvia for agricultural organizations, cooperative specialists and farmers. LOL has planned seminars for Latvia's agriculturalists, as well as technical assistance programs and an opportunity for Farmers to participate in internships in the United States. The training program coordinator in Latvia, Vivita Rozenbergs, told Diena that these programs are hoped to promote agricultural cooperative formation in Latvia, because the United States has proven cooperative effectiveness.

At the LOL organized conference, the American participants hoped to gain information from Latvia's dairy producers, processors, the Ministry of Agriculture and agricultural organization representatives about six concrete seminar themes from twelve offered in the dairy field. During the conference, technical assistance request forms were available. Technical assistance is offered between seminars - American instructors offer progressive work methods in product production and processing, marketing, personal training and privatization questions. Requests are meant for dairy farmers and agribusiness's with concrete problems who turn to LOL for consultation, V. Rozenbergs told Diena. These requests are then forwarded to the US, where LOL, learning about the nature of the request, concludes if the firm can help. A program is worked out to solve the problem, and American experts travel to Latvia. This year, 48 days of technical assistance is planned. It takes at least two months for requests to be fulfilled.

V. Rozenbergs informed Diena, that the first seminar currently being organized will happen April 25 - 30 in Jelgava. Similar seminars will take place six times this year in different regions of Latvia. These activities will continue next year, as well. All these events are free - they are financed by the US government. Additionally, LOL Program manager James Bueltel mentioned that one farmer from Latvia has been in the US a number of weeks receiving training and will stay there for eight months.

Newspaper Diena, April 2, 1993

\*Translation follows



# Latvijas Republikas Laikraksts

# Diena

OTRĀRĪF

## Amerikas piensaimniecības kooperatīvs sniegs konsultācijas

Baiba Melnāce

Rīga, 31.marts. Lielākais piensaimniecības kooperatīvs Amerikas Savienotajās Valstīs *Land O'Lakes (LOL)* sagēmis līdzekļus no ASV valdības, lai organizētu Latvijā mācību programmu lauksaimniecības uzņēmumu un kooperatīvu speciālistiem un zemniekiem. *LOL* paredzējis seminārus lauksaimniekiem Latvijā, tehniskās palīdzības programmu, kā arī iespēju zemniekiem stažēties ASV. Mācību programmas koordinatore Latvijā Vivita Rozenberga *Dienai* uzsvēra, ka šī programma veltīta lauksaimniecības kooperācijas veicināšanai Latvijā, ASV tā pierādījusi savu efektivitāti.

*LOL* organizētajā konferencē ASV pārstāvji vēlējs gūt informāciju no Latvijas piena ražotājiem,

pārstrādātājiem, lauksaimniecības ministrijas un lauksaimniecības organizāciju pārstāvjiem, kādi ir šī aktuālākie temati semināriem no 12 piedāvājumiem par piensaimniecību. Konferencē piedāvātas arī tehniskās palīdzības pieteikuma veidlapas. Tehnisko palīdzību sniedz semināru starplīkš — amerikāņu instruktori iesaka progresīvas darba metodes produktu ražošanas un apstrādes, mārketinga, personāla mācību un privatizācijas jautājumos. Pieteikums domāts piensaimniecības uzņēmumiem vai zemniekiem ar konkrētu problēmu, kuri griežas pēc konsultācijas vai ekspertīzes *LOL, Dienai* pastāstīja V.Rozenberga. Tālāk šis pieteikums tiek sūtīts uz ASV, kur *LOL*, iepazīstoties ar informāciju iesniegumā, noskaidro, vai firma

var palīdzēt. Tur tiek sagatavota programma, kā risināt šo problēmu, tikai tad eksperts dodas uz Latviju. Pavisam šogad ir paredzētas 48 dienas šādai tehniskajai palīdzībai. Iesākais laiks, kad pieprasītājs var gaidīt palīdzību, ir pēc diviem mēnešiem.

V.Rozenberga *Dienai* informēja, ka pirmais seminārs, ko jau gatavo, notiks 25.—30.aprīlī Jelgavā. Līdzīgi semināri šogad notiks sešas reizes dažādos Latvijas rajonos. Šis darbs turpināsies arī nākamajā gadā. Visi šie pasākumi ir bezmaksas — tos finansē ASV valdība. Savukārt *LOL* Mācību programmas vadītājs Džimss Buehels pastāstīja, ka viens Latvijas zemnieks jau vairākas nedēļas stažējās ASV, Minesotā, un pavisam tur pavadis 8 mēnešus. ♦

## AMERICAN EXPERIENCE FOR FARMERS

In the year of 1921, a group of milk producing farmers has established a small marketing cooperative Land O'Lakes in American Minnesota. Today, half a million of farms of 15 US states participate in the ownership of the Minneapolis seated firm. The yearly turnover of the cooperative is 2.2 billion dollars.

These days, James Bueltel, Land O'lakes representative for Central and Eastern Europe, has visited Czech Republic.

\*Surplus of European, including Czech, agriculture, is a fact you must take into account in your enterprising. Does Land O'Lakes intend only to trade with us?

By no means. We have come to Eastern Europe, including the Czech Republic, with several projects we want to assist with to starting, preferably private, farms.

\* How? Many private farmers are starting from zero. Without means, without experience and thus also without any good chance to penetrate into the market.

Naturally, we are informed of such problems. This is why we have prepared cycles of courses and a system of technical and financial assistance for Czech farmers. Last year already, we have started courses in the Czech Republic which are focused on farm and coop management, privatization, marketing and retail sale. Adjoining to them are internships in the US where selected farmers participate. In America, they spend around half a year at farms associated in Land O'Lakes, at research stations and credit organizations established by the US farmers. By the way, such programs are being organized in other post communist countries too.

\*Our farmers miss - as well as other sectors of the economy - a modern technical background. Is Land O'Lakes ready to offer anything in this field?

For the time being, we do not count with any direct technical assistance but we offer the knowledge of our technicians and trainers who are prepared to enter newly established private agricultural and food enterprises. Here, they could give advice on free-market management etc. But in the future, their activity will not be restricted to advice only, we would like to assist your agriculture in financial matters too.

\* Many farmers will certainly be interested in a financial assistance or in the help of American managers. Will you be able to satisfy any Czech farmer?

Individual applicants will be selected according to your needs and the possibilities of Land O'Lakes. But we want to satisfy the needs of all starting private entrepreneurs.

\*Translation follows

## Americká zkušenost rolníkům

Skupina farmářů, zabývajících se produkcí mléka, založila v roce 1921 v americké Minnesotě malé marketingové družstvo Land O'Lakes. Dnes se jedná o úspěšnou firmu, která sídlí v Minneapolisu, podílí půl miliónu zemědělských farem s patnácti státi USA. Mlékový roční obrát družstva činí 2,2 miliardy dolarů.

V minulých dnech navštívila Českou republiku ředitel Land O'Lakes pro střední a východní Evropu James A. B. tel.

□ *Partky zemědělců, tedy i českého zemědělství jsou faktorem, s nímž musíte počítat, m. podnikání pschiat. Hostlá Land O'Lakes v sds pouze obkadevat?*

Rozhodně ne. Do východní Evropy, tedy do ČR, jsme přišli s řadou projektů, které chceme pomáhat především rozvoji soukromých farem.

□ *Která z těchto soukromých farem má za-*

*čítat od nuly. Bez prostředků, bez zkušenosti a tudíž i bez volné možnosti proniknout na trh...*

O těchto problémech samozřejmě víme. Proto jsme pro české farmáře připravili cyklus školicích kursů, systém technické a finanční pomoci. Už v minulém roce jsme zahájili v ČR školení zaměřená na vedení zemědělských podniků a družstev, privatizaci, výkup a zpracování mléka a jiných komodit, jejich distribuci, marketing a prodej v maloobchodní síti. Na ně letos navázáme sérií školení přímo v USA. Zúčastní se jich vybraní farmáři nejenom z České republiky, ale i z ostatních postkomunistických zemí. V Americe stráví zhruba půl roku na farmách sdružených v Land O'Lakes, na výzkumných stanicích a v úvěrových organizacích, které si farmáři v USA vybudovali.

□ *Nášim zemědělcům chybí - stejně jo-*

*so v jiných odvětvích hospodářství - moderní technické zázemí. Je Land O'Lakes připravena v této oblasti něco nabídnout?*

Se přímou technickou pomocí zatím nepočítáme, ale nabízíme znalosti techniků a lektorů, kteří jsou připraveni vstoupit do nově vzniklých soukromých zemědělsko-průmyslových podniků. Zde by mohli poradit v otázkách managingu v podmínkách volného trhu. Do budoucna se ale jejich činnost neomezí pouze na rady. Chceme pomoci i při financování vašeho zemědělství.

□ *O finanční podpoře či o pomoci amerických manažerů bude jistě širý zájem. Můžete uspokojit každého českého farmáře?*

Jednotlivci uchazeči budou vybíráni podle potřeb a možností Land O'Lakes. Chceme ale vyjít vstříc potřebám všech začínajících soukromníků. (d)

Lidové noviny 28.5.93

Over 500,000 farmers from 15 states in USA have shares in Land O' Lakes Inc. It was established in 1921 by a small group of dairy farmers from Minnesota as a market cooperative. Now the annual sales of Land O' Lakes exceed 2.2 billion dollars. Land O' Lakes headquarter is in Minneapolis (St. Paul, Minnesota). Land O' Lakes is well known in the US for its high quality dairy products. Additionally, the corporation produces and sells a large scale of agricultural products and provides extension service in the stock-breeding sector. For the further technological development of the dairy production, Land O' Lakes provided scientific and research support to the dairy farmers.

Since 1981 experts for Land O' Lakes provide TA in management for farmers and agribusiness people, training in ag production and agribusiness sector, development of milk processing industry, cooperative system, dairy products, marketing, consumer's demand and specialized research, cattle-breeding, sales and exports.

The international activities of Land O' Lakes include in-country seminars and technical assistance in Central and East European countries, Far East, Latin America, Asia, Africa and the Caribbean.

Land O' Lakes training program for farmers and agribusiness specialists in Central and Eastern Europe is funded by the United States Agency for International Development. For 18 months such a program has been implemented in Bulgaria. The purpose of the project is to assist Bulgarian farmers in restructuring the state-owned cooperative farms into private farms and cooperatives and to help agriculture and agribusiness transition to free market economy. Private cooperatives principles and practices, the financial management, obligations and interrelations - these issue are essential part of the project. They are the topic of a 5-day seminar conducted in the holiday village of Roussalka, near Varna, and organized by Land O' Lakes. Mr. James Frantz, Regional Manager for Bulgaria, Romania and Albania, and Mr. David Johnson, the trainer of the seminar, kindly answered our questions:

Question: As usually, the first question is what are your impressions from Bulgaria?

David Johnson: I am in Bulgaria for three or four days now. But I notice that people are very friendly. I met the participants in this seminar five hours ago. They are devoted to the idea of establishing cooperatives and they want to see it put to practice successfully.

James Frantz: I am not well acquainted with the situation here. But my first impression is that people here are ready to face the changes. The very word - cooperative - is somewhat misunderstood it has a negative meaning. We would like to help people here find its really meaning, the good meaning.

Q: As far as I understand Land O' Lakes is a cooperative. What is the main principle?

D.J.: Land O' Lakes is owned by its members. All the profits are distributed between them. The distribution is based on the business they do - how much milk they had sold, how many seeds they had bought with this money, etc. The main point is that the coop is not owned by the state. Everything is organized by the members and so all the profits are for them. The cooperative is to market the products of its members. And we have cooperatives that supply the farmers with everything necessary for their operations.

Q: Our sore point - financing the cooperatives?

D.J.: This question is very important for us, too. We have cooperatives which mainly deal with financing the farmers.

Q.: Bulgaria has good traditions in cooperatives. Credit cooperatives appeared at the end of 19th century.

D.J.: I understand that you are just beginning to establish cooperatives. What you had up to now (the state owned collective farms) was not a cooperative. It was a production unit that replaced the farmer. The cooperatives in the US have supporting role. Our goal is to help you establish such supporting cooperatives here. The farmer is the main producer. And here in Bulgaria farms are to be created now. I am here to share my ideas, my colleagues' ideas for expanding and managing of the cooperatives. The ideas that we apply successfully will probably work here, too.

Q.: Will

D.J. I have devoted a great part of my life - over 35 years - to cooperatives. I like the idea of helping other people. My parents were farmers.

J.F: I am here to make this idea popular. It is a system that proved to be successful in the US. The cooperative makes farmers' work easier. I hope we will help establishing this system of supporting the farmers here.

Mr. David Johnson visited the dairy farm in the town of Bozhuretz. I asked him if something struck him.

No, he said. "I have visited such farms and I consider them well maintained and managed. If there is difference, it is the quantity of milk production. In my opinion your government should keep what was built here. Because the proper size of the operation guarantees its efficiency. I should emphasize again on

this: you better keep these big farms but organize them in a way that all the members should have shares and gain profit out of it. If I were the Bulgarian Minister of Agriculture I would do exactly this: let all owners breed their cattle together here, in the big farm.

I talked to some of the participants at the beginning and at the end of the seminar. They are farmers and agribusiness specialists from all over the country. They work either in the till existing state owned collectives or in their private farms. In their opinion the american ideas for organization, management and financing the cooperatives are simple and understandable. The participants consider these ideas easy to be applied in Bulgaria.

Aida Panikyan

\*Translation follows

April 27, 1993

вторник 27 април 1993 г.

# Оакел

СЕДМИЧЕН ВЕСТНИК Каварна, 9650 ул. "Добротица" 20



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## И АМЕРИКАНЦИТЕ ВИЖДАТ БЪДЕЩЕТО В УЕДРЕНИТЕ ФЕРМЕРСКИ КООПЕРАЦИИ



Дейвид Джонсън

500 000 фермери в 18 щата на Америка. Годишните ѝ продажби надхвърлят 2,2 милиарда долара. Седалището на международната корпорация е в гр. Минисотис (Сейнт Пол, Минесота). В САЩ Лейк О'Лейкс е известна с висококачествените си млечни продукти. Освен това корпорацията произвежда и продава широк спектър селскостопански продукти и осигурява помощ в растениевъдството и животновъдството. За неиното обединение на дейността на Лейк О'Лейкс в

сздаде на през 1921 година като пазарна кооперация на малка група фермери-млекопроизводители от щата Минесота, сега Лейк О'Лейкс осигурява на повече от

селскостопанското производство и хранително-вкусовата промишленост, корпорацията инвестира дългосрочно и участва в базисни, развойни и технологични изследвания.

От 1981 г. Лейк О'Лейкс предлага експертна помощ на селски стопани и агробизнесмени, по-конкретно: управленска и консултантска; обучение в областта на селскостопанското производство и агробизнеса; развитие на млекопреработвателната промишленост, кооперативната система, млечните продукти и маркетинг; оценка на нуждите на клиента и специализирани проучвания; продажба на добитък - координиране на селекцията, изкупуването и износа.

Международната дейност на Лейк О'Лейкс осигурява широк гама от основно стопански продукти и техническо сътрудничество в страните от Централна и Източна Европа, Далечния Изток, Латинска Америка, Азия, Африка, Карибския басейн.

През рубондия от американската агенция за международно развитие, Лейк О'Лейкс организира програми

за обучение на работещите в областта на селското стопанство от Централна и Източна Европа. От година и половина такава програма се осъществява и у нас. Предназначението ѝ е да помогне на нашите фермери и агробизнесмени в процеса на трансформация на държавните кооперативни стопанства в частни ферми и кооперации, и приключил от централно планиране към пазарна икономика. Принципите на организирано и практика на частната селскостопанска кооперация, нейното финансиране, задълженията, взаимоотношенията, контролът, правото на отговорност и млечната кооперация са въпроси, които заемат важно място в споменатата програма. Топо беше и темата на потдобен семинар, организиран от Лейк О'Лейкс, който се проведе във ВС "Русалка". Осъ в началото на семинара господата Джеймс Франц, регионален мениджър за България, Румъния и Албания, и Дейвид Джонсън, лектор на семинара, бяха любезни да отговорят на наши въпроси.

на II стр.

continued  
on p. 2

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# И АМЕРИКАНЦИТЕ ВИЖДАТ БЪДЕЩЕТО В УЕДРЕНИТЕ ФЕРМЕРСКИ КООПЕРАЦИИ

от 1 стр.

- Дежурният въпрос: какви са впечатленията ви от България?

Дейвид Джонсън: Едва от три-четири дни съм във вашата страна. Но не можах да не забележа, че хората са психически настроени. А с хората са групата, на която сега преподавам, съм от няколко часа. Те са студенти на идеята за създаване на кооперации и искат да успеят в осъществяването и.

Джеймс Франк: Тук съм от два месеца и нямам кой знае каква представа. Но първото ми впечатление е, че хората тук са решени на трезвина. Думата кооперация у вас е малко компрометирана. Ние бихме искали да помогнем на хората тук да разберат колко хубаво съдържание има тя.

- Разбрах, че в дълбоката си същност Ленд О'Лейкс е кооперация. На какъв принцип е изградена тя?

Д.Дж.: Тя е собственост на своите членове. Ето защо всички и лечебни се разпределят между тях. Системата за разпределянето им е базирана на бизнеса, но то са правителствени кооперации - колко мляко са и продали, колко семена или торове са купили от

няк и др. Ключовата позиция е, че това нещо не е държавно. То е организирано от самите хора и е предназначено за тях. Кооперацията само реализира създаването, произведеното



Част от продукцията на "Ленд О'Лейкс"

от членовете и. Имате кооперации, които снабдяват фермите с всичко, необходимо за производството.

- Един много важен за нас въпрос

- финансирането.

Д.Дж.: И при нас, в САЩ, то е много важно. Имате кооперации, които се занимават специално с финансирането на фермерите.

- България има дълбока традиция в кооперативното движение. Позволете да аметка - кредитната кооперация у нас се появява в края на XIX век, прераства във всеотраслова, еволюира в производствена и специализирана. От разговорите си с курсистите навярно вече имате представа в какво се резимирава българското схващане за кооперация и това в САЩ.

Д.Дж.: Доколкото разбирам, вие едла сега започвате да учредявате кооперации. Това, което сте имали досега (има се предвид ТКЗС - б.а.), не е било кооперация. То е бил производствена единица, която е заместявала фермера. Нашата кооперация има обслужващ характер. Целта ни е да ви помогнем да учредите обслужващи кооперации. Производителът е фермерът. При вас първа се създават фермерите. Аз съм тук, за да споделя своите идеи, идеите на моите колеги за организирането и управлението на

кооперацията. Идеите, които осъществяваме у нас, може би по някакъв начин ще намерят приложение и у вас.

- Бихте ли ми казали нещо повече за себе си?

Д.Дж.: Отдал съм по-голяма част от живота си - 35 години - на кооперативното движение. Защото ми харесва идеята хората да помагат на хората. Родителите ми бяха фермери.

Дж.Ф.: Аз съм тук, за да помогна тази идея да се разпространи. Това е една система, която се оказва много успешна в САЩ. Кооперацията прави работата и живота на фермера доста по-лесни. Надявам се и тук да установим тази система на помощ на фермера.

З едни ст дните на семинара г-н Дейвид Джимс заедно с курсистите посетих краевкомлекса в с. Божурец. Попитах го дали нещо го е спъвало в краевкомлекса.

- Не - отговори г-н Джонсън. - Познавам такива ферми и смятам, че тази е добре поддържана и управлявана. Ако има разлика, тя е само в добива на млякото. Мисля, че онова, което трябва да направим вашето правителство, е да залези размера и всичко,

което тук е построено. Защо размерът гарантира ефективността на фермата. Повтарям: да се съхранява това уедрано стопанство, но така да се организира, че да даде полза на участниците, т.е. всеки да има дялово участие и да получава лечебна. Ако бях министър, от това тук бих направил кооперация - всеки собственик да остави животните си тук да се отглеждат. На едно място.

И в началото на семинара, в края му разговарях с някои от участниците в него. А те са селскостопански производители и агробизнесмени от цялата страна и работят както във все още съществуващите ТКЗС, така и в частния сектор. Мнението им е, че американските им колеги гледат много яростички, човешки идеи за организация, управление и финансиране на кооперацията. Курсистите считат, че тези принципи лесно биха могли да намерят приложение у нас. Стига по някакъв начин и възможно най-скоро да бъде преодолена лабиринтът на неперфектното ни законодателство.

Ауга ПАНИКЯН

→ continued from p. 1.

## ATTACHMENT H

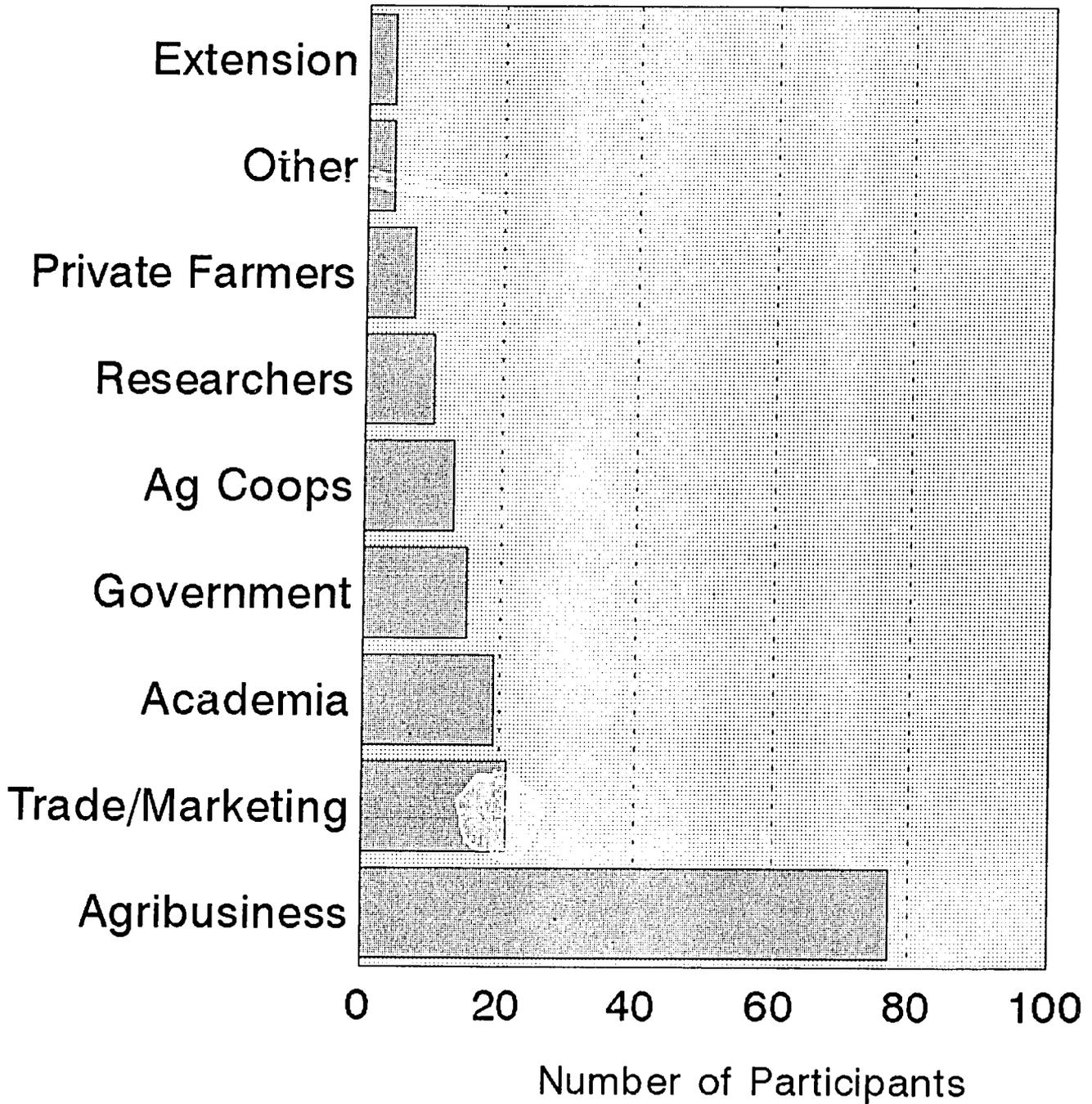
### DEMOGRAPHICS OF IN COUNTRY TRAINING PARTICIPANTS

# BULGARIA

## Professional Affiliation

In-Country Training, 2nd Quarter, 1993

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Number of Courses - 8

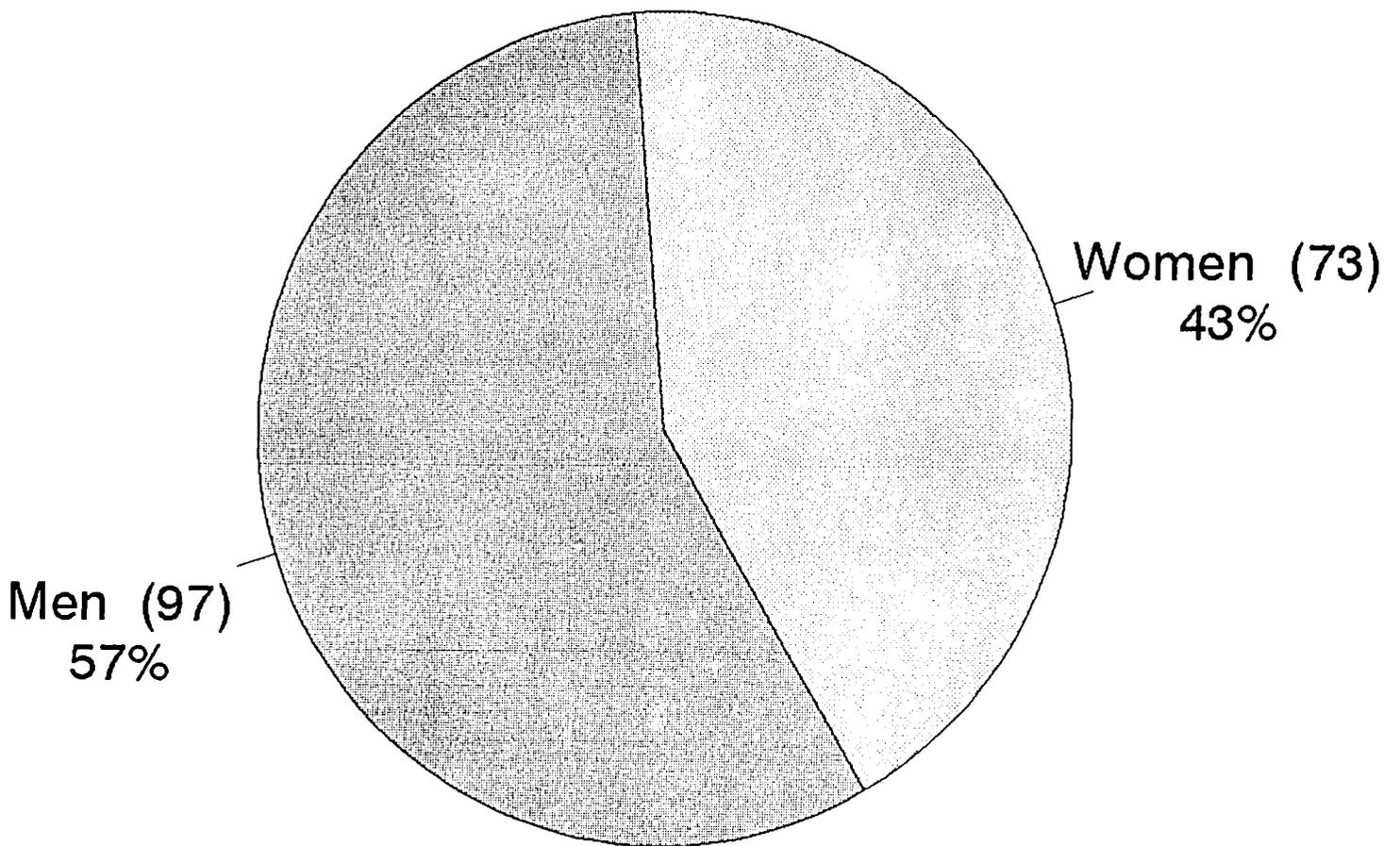
Land O'Lakes, Inc.

# BULGARIA

## Gender Profile

In-Country Training, 2nd Quarter, 1993

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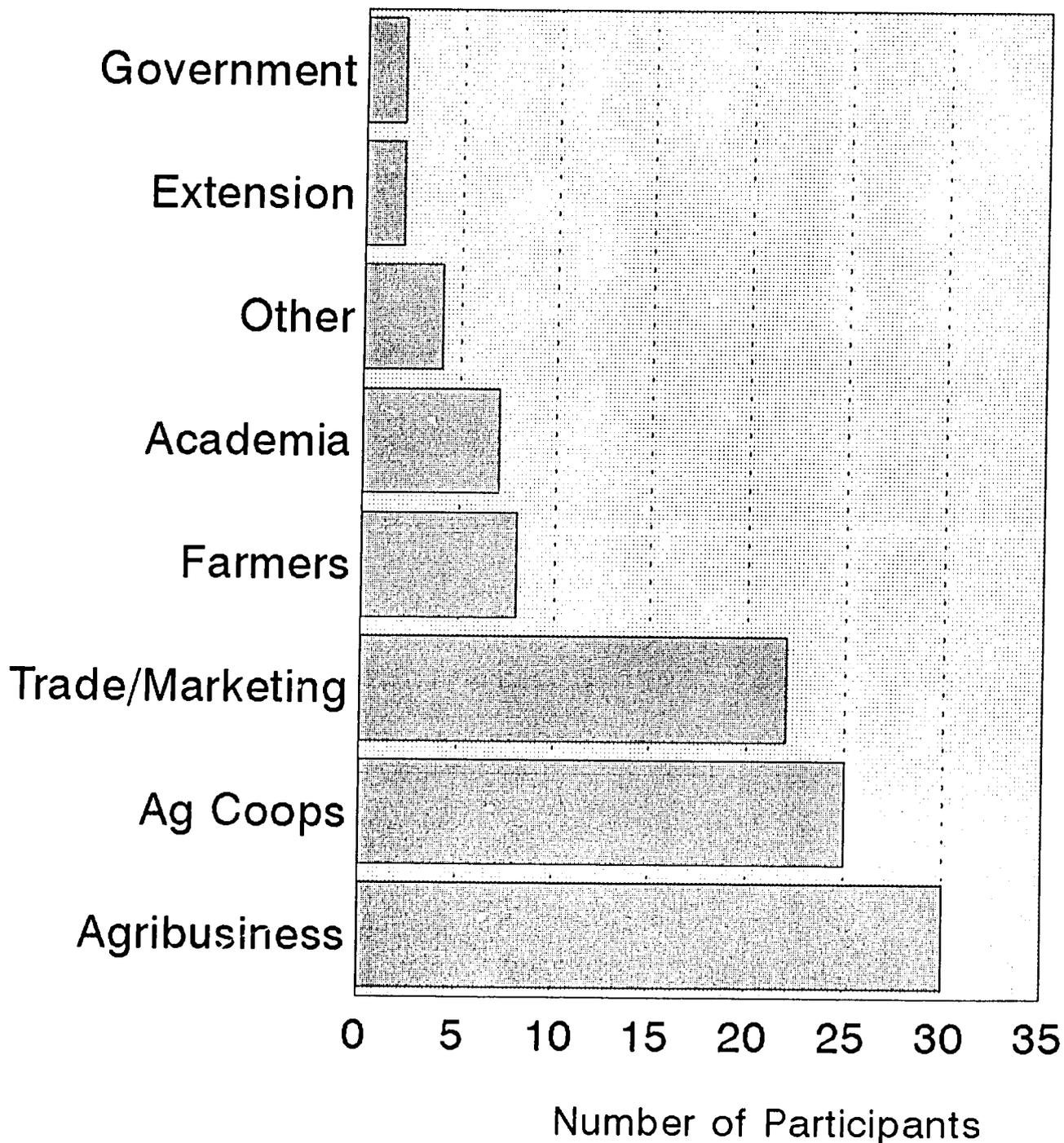


# THE CZECH REPUBLIC

## Professional Affiliation

In-Country Training, 2nd Quarter, 1993

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Number of Courses - 4

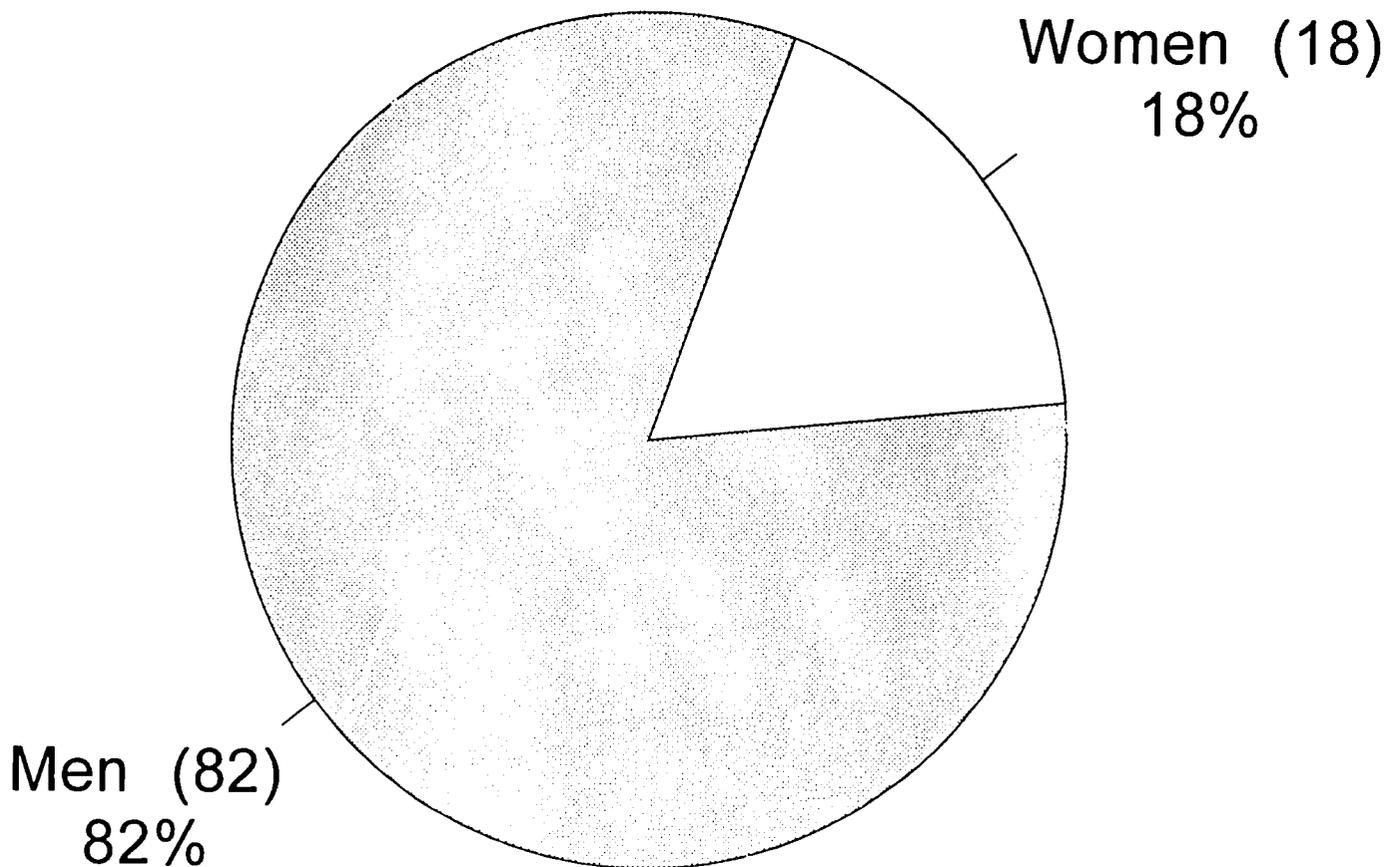
Land O'Lakes, Inc.

# THE CZECH REPUBLIC

## Gender Profile

In-Country Training, 2nd Quarter, 1993

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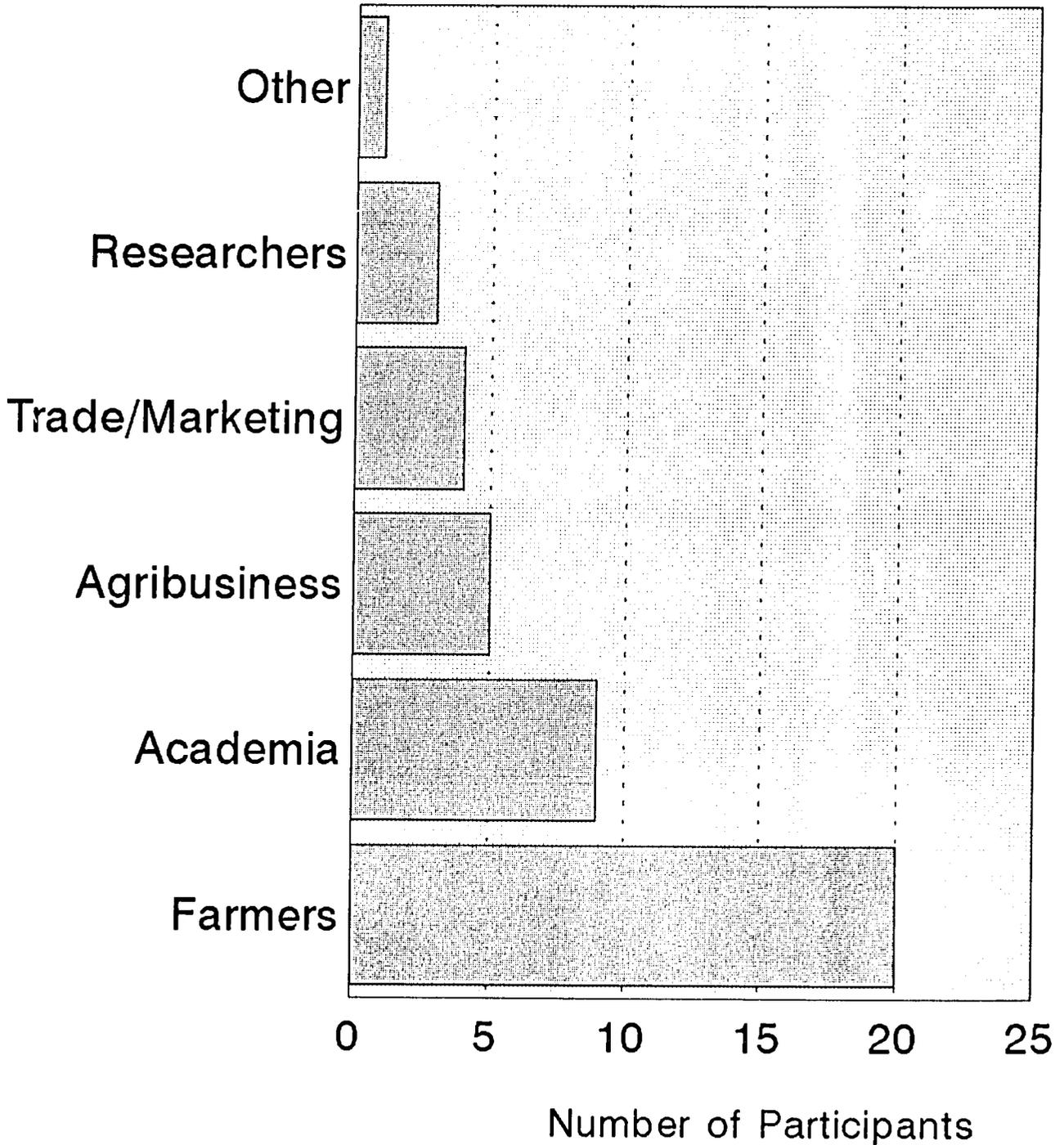


# ESTONIA

## Professional Affiliation

In-Country Training, 2nd Quarter, 1993

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Number of Courses - 2

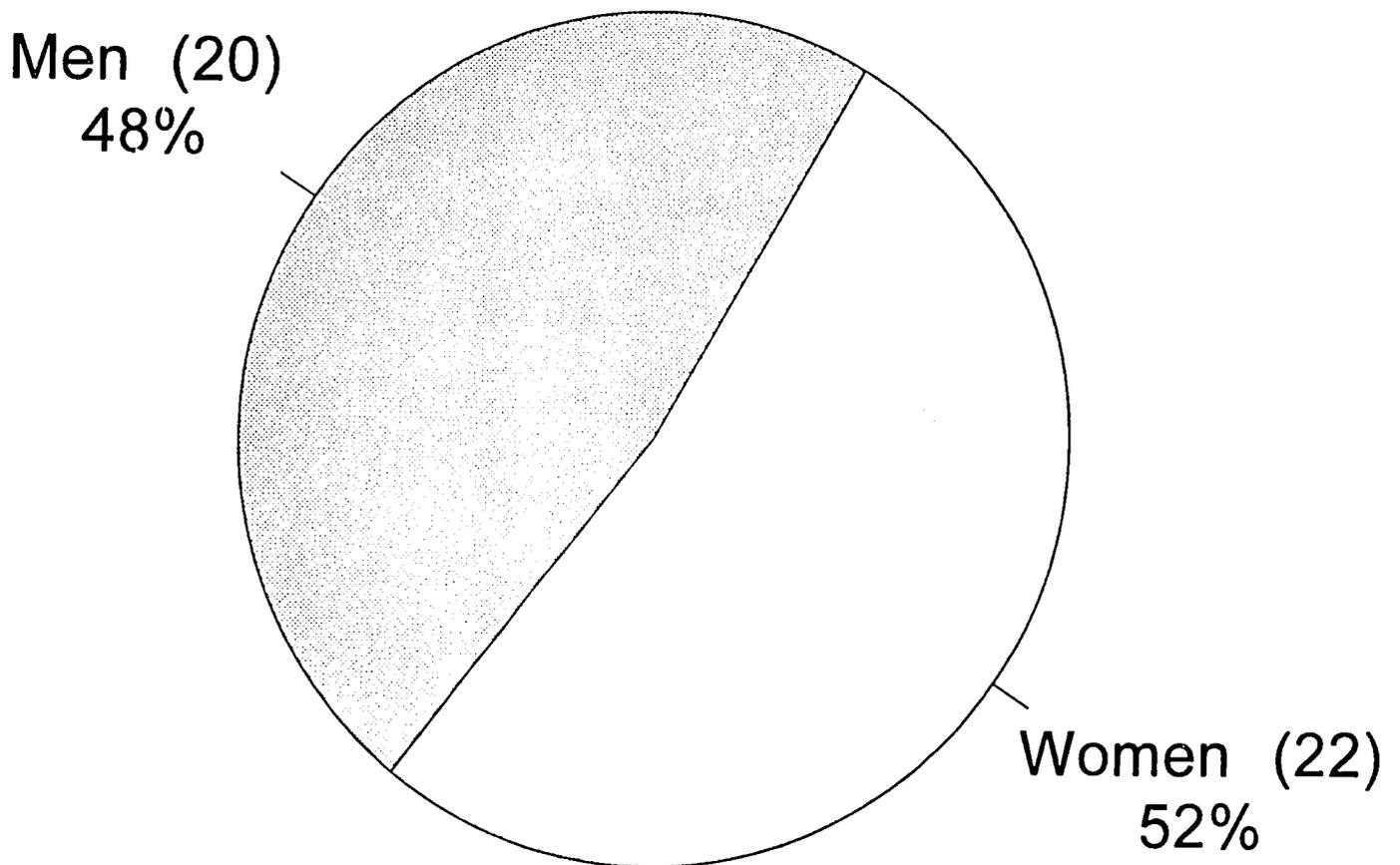
Land O'Lakes, Inc.

# ESTONIA

## Gender Profile

In-Country Training, 2nd Quarter, 1993

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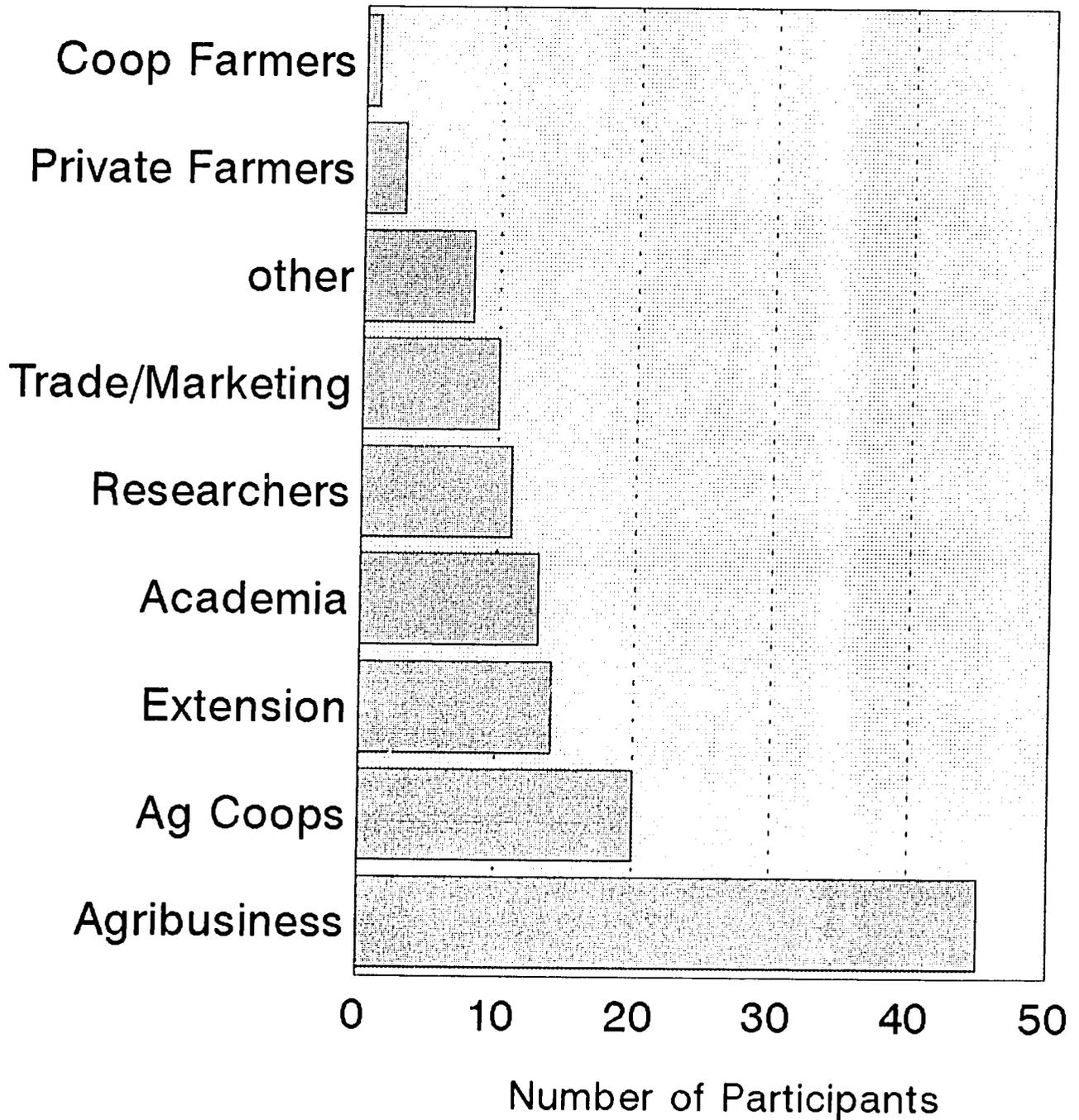


# HUNGARY

## Professional Affiliation

In-Country Training, 2nd Quarter, 1993

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Number of Courses - 5

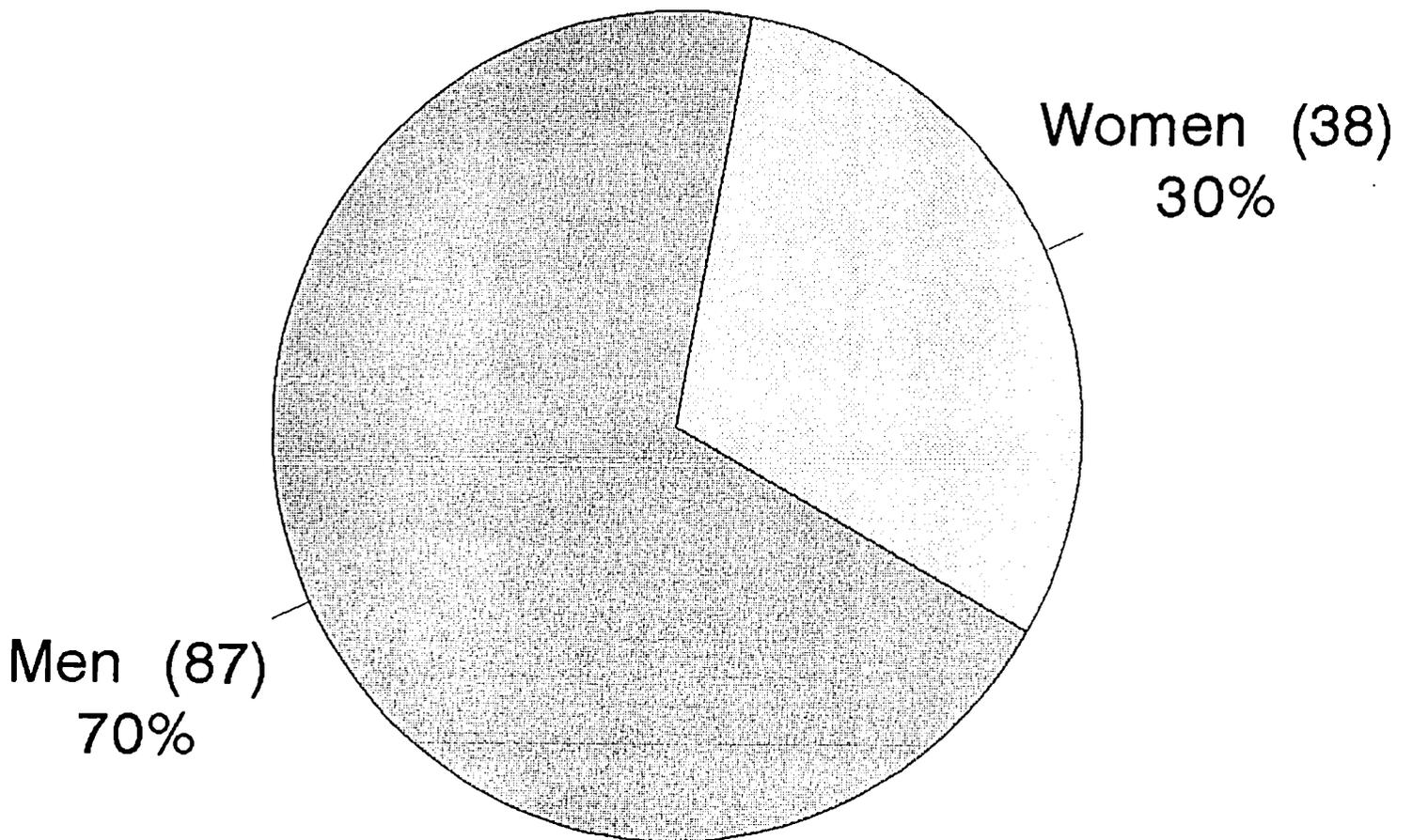
Land O'Lakes, Inc.

# HUNGARY

## Gender Profile

In-Country Training, 2nd Quarter, 1993

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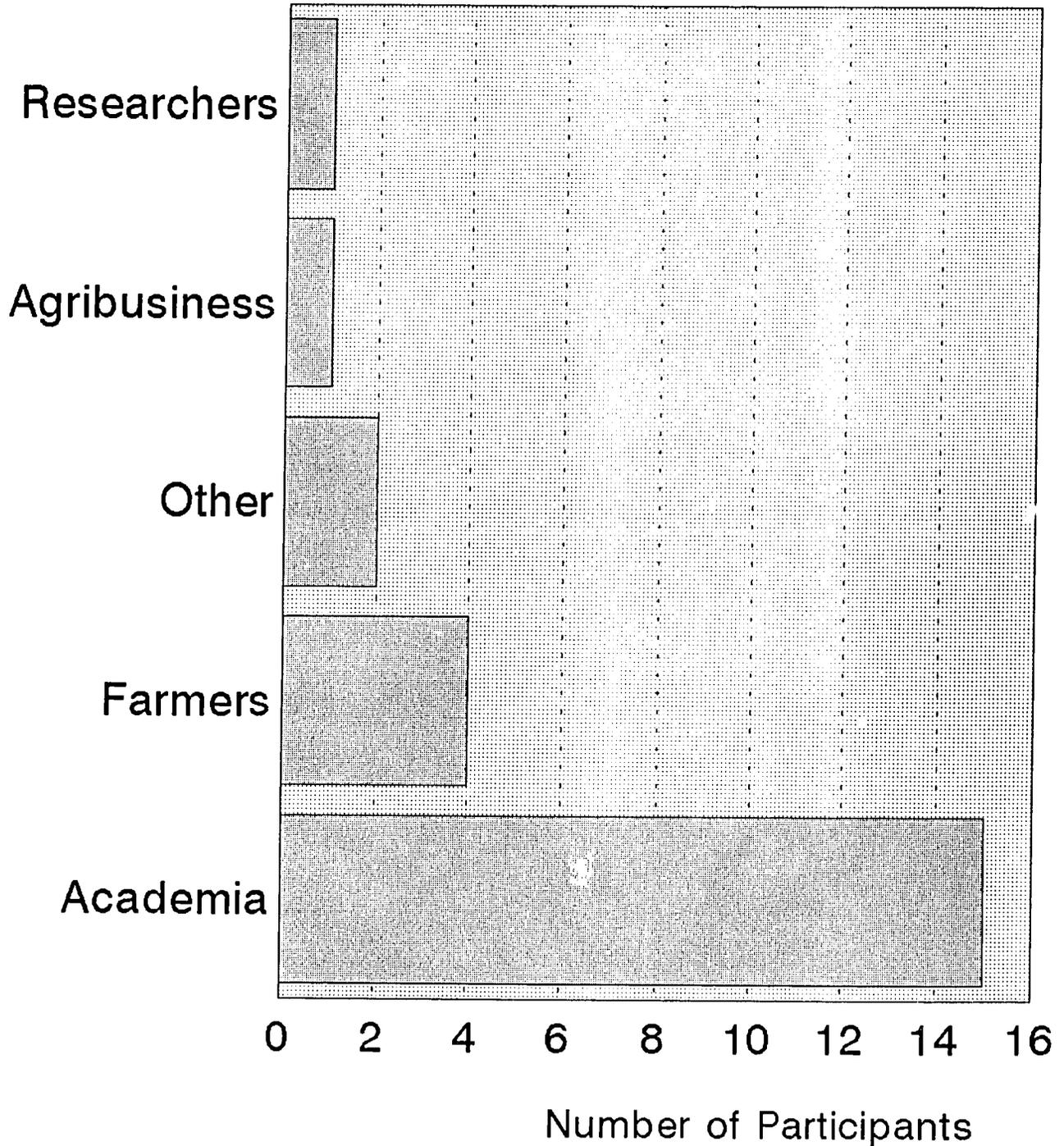


# LATVIA

## Professional Affiliation

In-Country Training, 2nd Quarter, 1993

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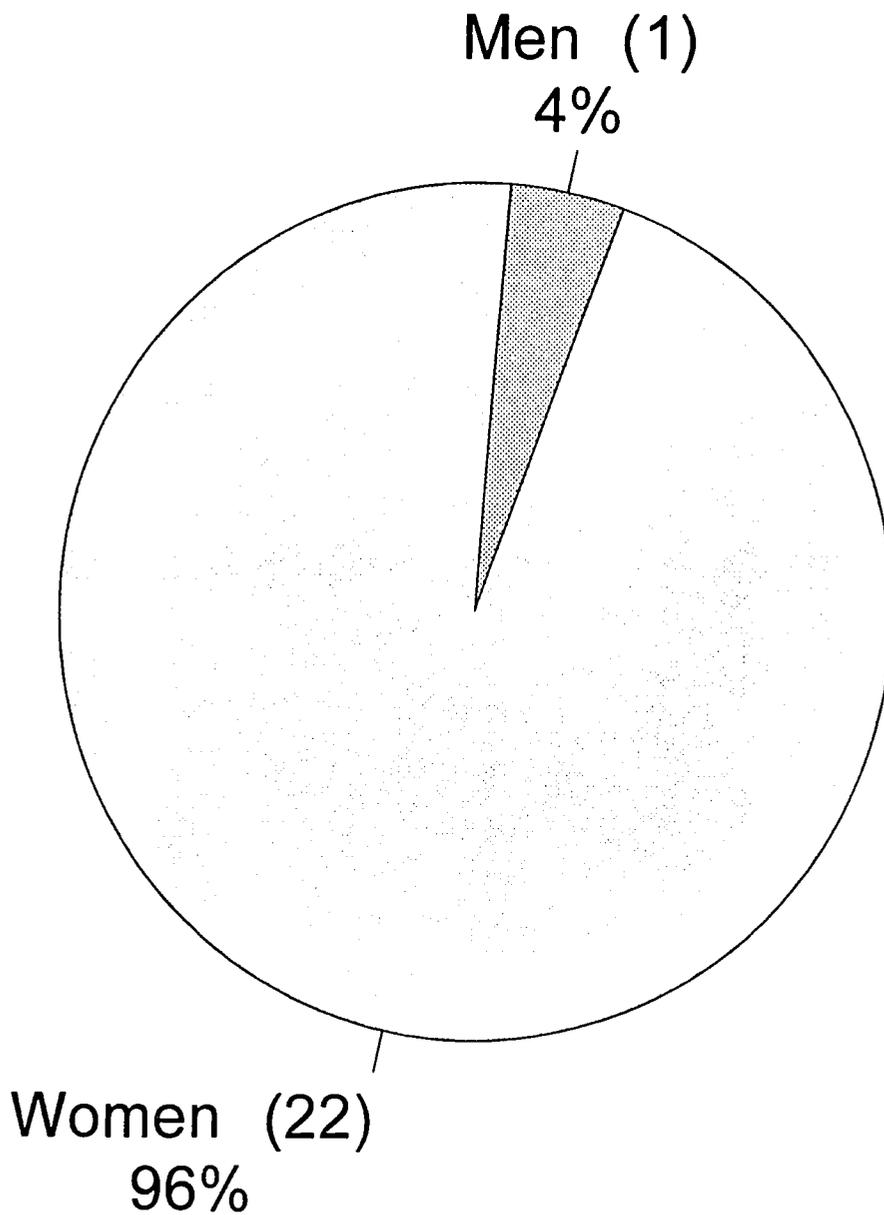


# LATVIA

## Gender Profile

In-Country Training, 2nd Quarter, 1993

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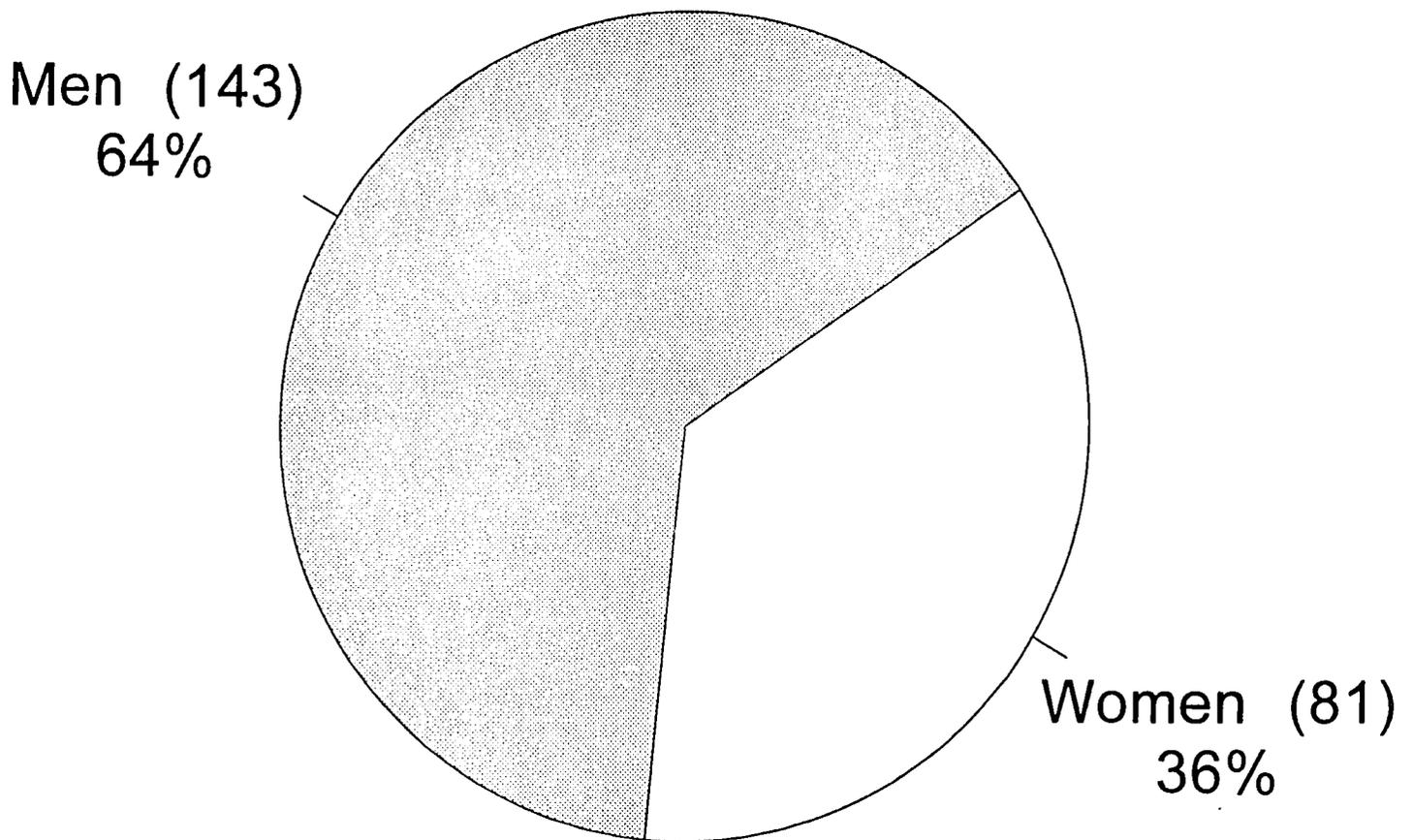


# POLAND

## Gender Profile

In-Country Training, 2nd Quarter, 1993

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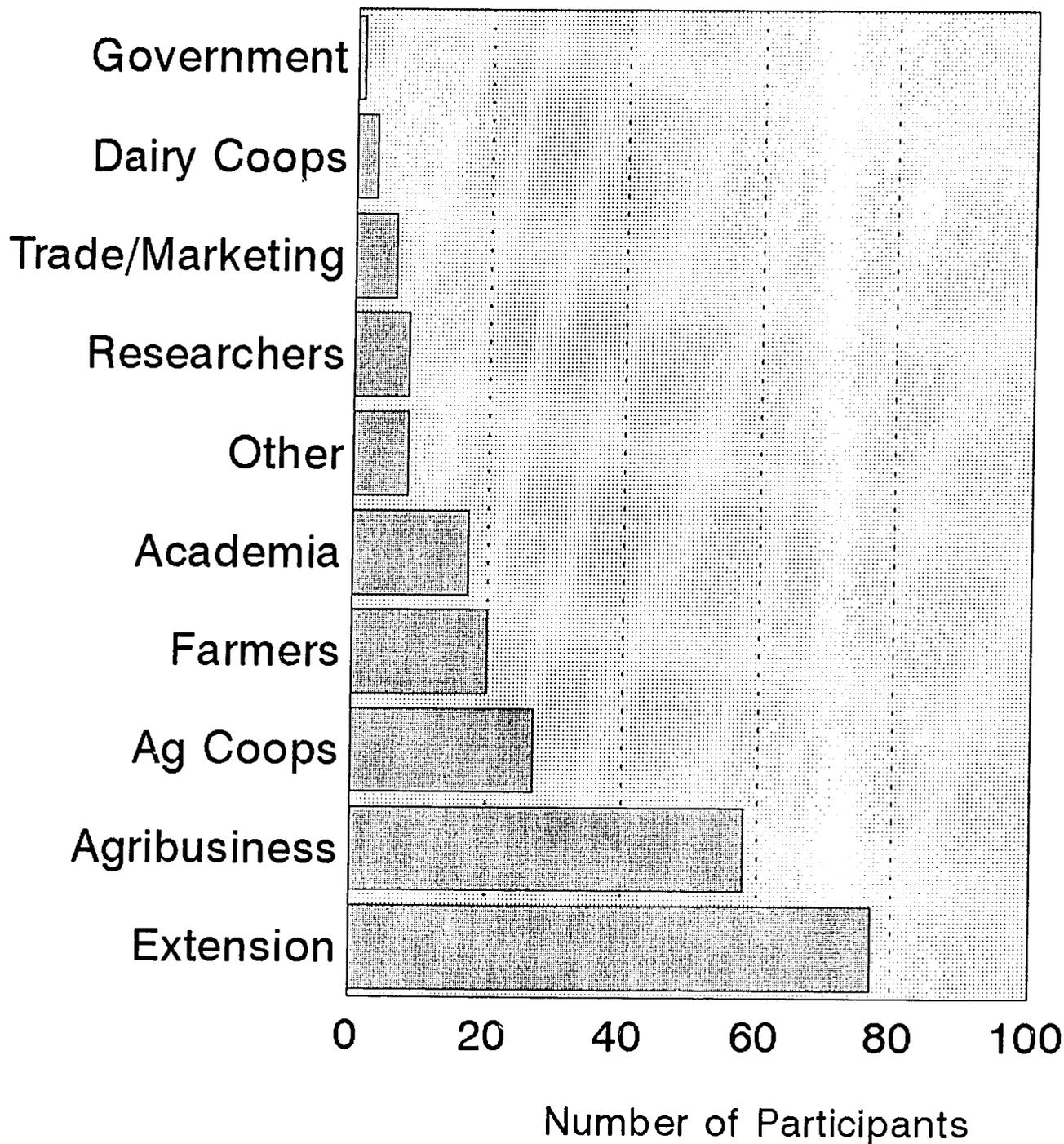


# POLAND

## Professional Affiliation

In-Country Training, 2nd Quarter, 1993

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Number of Courses - 10

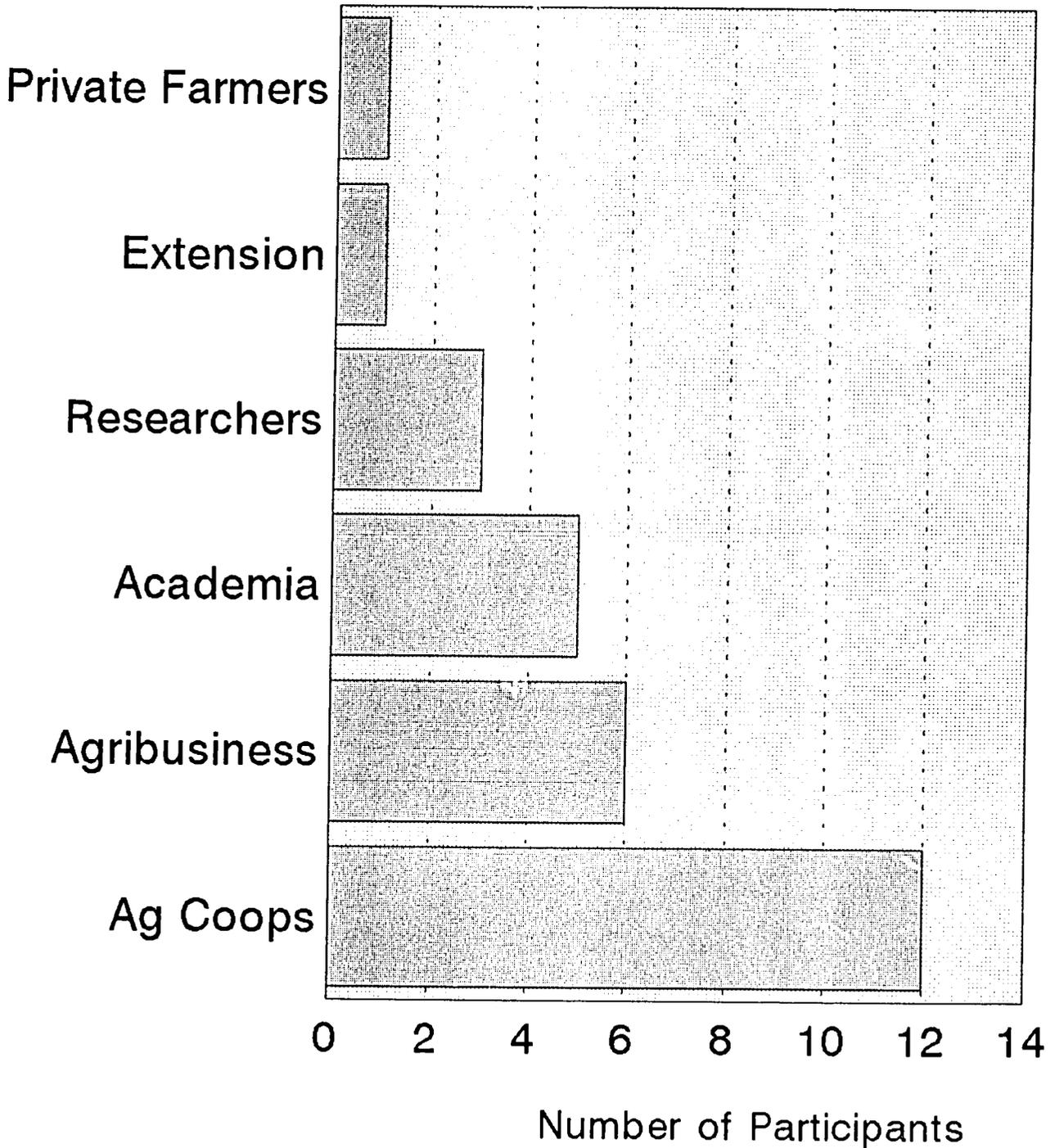
Land O'Lakes, Inc.

# SLOVAKIA

## Professional Affiliation

In-Country Training, 2nd Quarter, 1993

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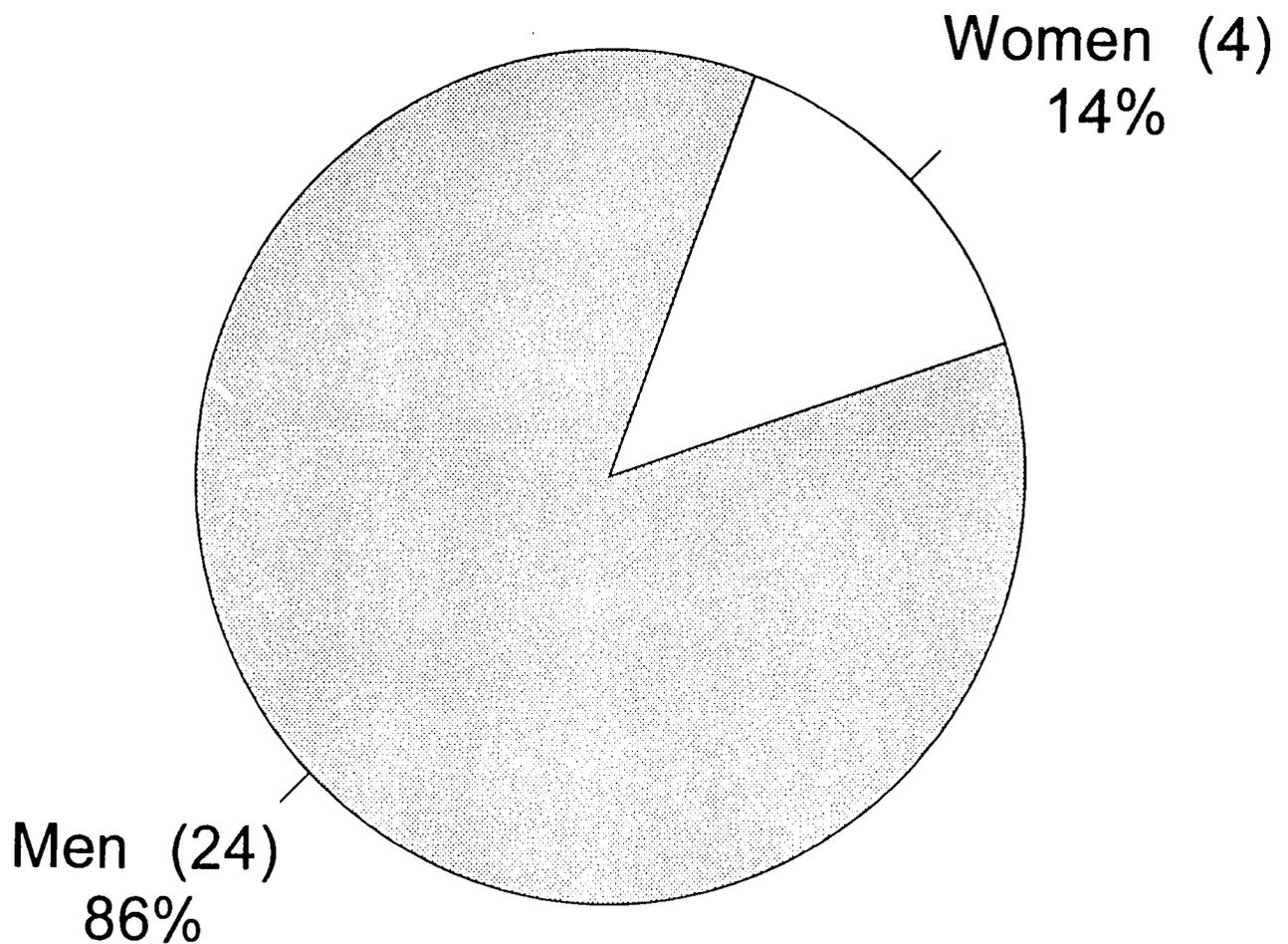


# SLOVAKIA

## Gender Profile

In-Country Training, 2nd Quarter, 1993

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# ATTACHMENT I

## LITHUANIA

The fact that the Lithuanian Parliament is made up of an approximate 55% Communist Party majority is a significant factor that will slow the rate of reform in Lithuania. There are more than a dozen parties in the opposition making even a minority coalition very difficult to organize. Their parliamentary members were elected for five years in 1992 making any near term significant change in the make up of the parliament unlikely. Consequently, much of the forum discussion was political in nature.

The agricultural economic situation in Lithuania appeared to be even more chaotic than that of Latvia because of the uncertain government policies and the lack of a true cooperative law. Thus, farmers have lost confidence in the dairy processing plants (who, as in Latvia, have not paid the farmers for 5 to 6 months) and many were bypassing the system and selling fluid milk and homemade dairy products directly to consumers. As a result, the dairy industries processing capacity is being utilized at only 40 to 50%. The current annual interest rate on loans is 80% per annum. Ms. Laimute Zalimiene, a social worker with the Lithuanian Institute of Agrarian Economics, gave this summary of a recent survey of the opinions and configuration of the existing and newly emerging private Lithuanian farmers. They are farming on average, a generalized 9-10 ha farm with little mechanization and buildings comprised of a house, barn and shed. Only 15% have telephones. They are 45 years of age, on average. Twenty five percent of them have graduated from a university and 37% have finished specialized secondary training of some type. Approximately 50% of them live in communities while farming land outside the communal limits, but would prefer a home on their individual farmstead. I understood that 57% of the arable land in Lithuania was already in private hands in 1986. In spite of the hardships the idea of farming is very popular now. The main concern stressed by the private farmers seems to be the inability to get supplies and services because of what they referred to as the "monopolistic position of present state suppliers".

Private farmer Ms. Liliija Sermuksniene summarized her comments by saying the following steps were essential.

- \* Ownership of processing supply and service facilities must be restituted to private owners.
- \* Farmers must overcome the psychological barrier to forming true cooperatives.
- \* True modern, western style cooperatives must be formed.

Mr. Alvydas Mikelionis chief of the Farmer's Activities Coordination Department of the Lithuanian Ministry of Agriculture seemed to agree with Ms. Sermuksniene. He stated that true cooperation among farmers was very important now and stated a fundamental first step was the need to pass legislation allowing the registration of true cooperative. Mr. Mikelionis is a country leader who has been to Land O' Lakes and is quite reform minded. His comments brought about many questions and much, somewhat heated, discussion. It was obvious that not everyone in attendance was in agreement on the pace and direction the new economic reform should take.

With the current situation in the Lithuanian Parliament it would be my recommendation that IDD programs target the grass roots level and selected reform minded leaders. This could help stimulate the ground swell movement necessary to promote change.

I believe the Forum was quite successful inspite of the current political situation. There was much debate, we received good input and had several requests for technical assistance immediately after the forum.

ATTACHMENT J

LATVIA

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The Latvian Forum was attended by approximately 40 participants. The dairy industry was well represented with participants from production, processing, trade associations and the government, representing its interests. The Latvian government has chose to begin the industry privatization process with the dairy sector. Farmers had the option of forming cooperative associations and then, applying for, and receiving free, the assets of any one of the 30 or 40 smaller dairy plants in Latvia. The largest 10 or 12 dairy plants will be privatized by a method which would allow some ownership by employees, member dairy plants (the small ones mentioned earlier that sell milk or dairy products to them), farmer members and perhaps some other ownership.

There are excessive product inventories in the dairy industry presently, as Latvia has traditionally produced 40% more dairy products than the domestic demand consumed. All of the excess was absorbed by the former Comecon trade association countries. These countries (primarily Russia) are not purchasing the same quantities they once did, and until Latvia manufacturers product which meets world standards, it will be difficult to develop western markets. Some farmers have not been paid for their milk deliveries to state dairy plants for up to five months now.

The concept of training the junior instructors of dairy courses at the Latvian University in Riga, as well as government and industry organization leaders, was mentioned several times. With the limited numbers of courses Land O' Lakes can offer in 1993, and the chaotic state of agriculture at the grass roots level, this approach may be the most effective method of providing the general policy guidance needed for the authorization and encouragement of cooperative formation as a means of privatization. I am not sure what the evaluation forms will suggest for course topics and T.A., but the majority of discussion at the Forum dealt with privatization and cooperative formation.

Assistance in developing a means for implementing and regulating world class quality control standards in the dairy industry is absolutely essential for Latvia to regain its net export position in dairy products.

Although the Forum debate and discussion started out slowly, it increased significantly during the last hour or so of the Forum. I believe, it accomplished the mission of informing some of the countries agricultural leadership about Land O' Lakes and its training capabilities as well as receiving valuable input about Latvia's needs.