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

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

from a consortium of

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

in cooperation with the
Foundation for the Development of Polish Agriculture

July 28, 1993

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

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April 1 - June 30, 1993

I. Executive Summary

Following the introduction of the RAAPS program via forums to the agribusiness communities in Warsaw, Lublin, and Krakow, the consortium concentrated effort on the second and third stages of the program in those communities: workshops and technical assistance interventions. Six months ago, the project refocused activities and created a more clearly defined relationship among the activities. Recognizing that in a rapidly changing economic environment management issues can be very complex and solutions difficult to implement in the short-run, focus has shifted towards a longer-term approach to technical assistance. To ensure that these long-term interventions are successful, the consortium has begun to implement a systematic approach to the monitoring and evaluation of project activities, which incorporate benchmarks and objectively quantifiable outputs. This will provide clear indicators against which to measure the success of the activities in providing long-term, sustainable impact.

Program Activities

The last of three forums was held in Krakow on April 23. Like the previous forums in Poland and Lublin, the forum introduced the RAAPS program to the local agribusiness community. Sparks and Land O'Lakes conducted six 4-day in-country workshops: four on Agribusiness Management and two on Intermediate Marketing. A number of organizations have applied for privatization technical assistance. Of these, three flour milling enterprises were selected and have benefited from the first stage of a long-term technical assistance in which a business plan is formulated and specific business concerns are addressed. More organizations will receive interventions in the upcoming quarter. University of Minnesota professors travelled to Poland to finalize course work first developed in the U.S. in February with the Polish professors.

Program Coordination

The consortium team members worked together closely to ensure a coordinated effort. Land O'Lakes and Sparks Companies planned activities jointly as they modified and implemented the RAAPS program activities. The Foundation for the Development of Polish Agriculture (FDPA) coordinated the forums. The Land O'Lakes Warsaw office provided the in-country logistical support for Land O'Lakes' and Sparks Companies' activities. For the workshops and the technical assistance interventions over the past quarter, they were responsible for recruitment of participants; liaison with the agricultural universities; and arrangements for training facilities, lodging, transportation, and translators. The University of Minnesota worked closely with Land O'Lakes and the Olsztyn University of Agricultural and Technology to set up and conduct their technical assistance interventions for the agricultural universities at Olsztyn, Lublin, and Krakow.

II. Implementation of Activities

A. Forums

The last of three forums was held in Krakow on April 23. Like the previous forums in Poland and Lublin, the forum introduced the RAAPS program to a new region and to new partners. It was organized with the cooperation of local government officials (the voivodship office), the faculty from the Agricultural University at Krakow, and the Foundation for the Development of Polish Agriculture.

William Motes, vice president of Sparks, and Jonathan Coleman, senior economist of Sparks, introduced the 68 participants to the various activities under the RAAPS program, as well as to the participating organizations, and presented short overviews of the two principal workshop courses offered by RAAPS: Agribusiness Management and Agribusiness Marketing.

The forum established a working relationship with the Agricultural University at Krakow, which has now become one of the regional partners for the program. The faculty assists in the recruitment of candidates for both workshops and technical assistance interventions and will provide ongoing monitoring of the technical assistance beneficiaries.

B. Workshops

The consortium moved forward with full implementation of the workshop stage of the RAAPS program. They conducted six 4-day workshops in the past quarter: four on Agribusiness Management and two on Intermediate Marketing.

Intermediate Marketing

Maggie Woodburn taught two Intermediate Marketing courses at the Agricultural University in Lublin June 16-19 and June 21-24.

Participants: Students totaled 43: 23 in the first and 20 in the second. Forty-seven percent (47%) were women. Seminar participants in both classes were primarily processing company employees. Some of them worked only in wholesale businesses, while others were trying to develop direct retail operations. A few of the businesses were new, privately owned enterprises. Several processing businesses were presented: dairy, fruits/vegetables, honey, grain, and meat. Of these, a meat processing business and a major fruit/vegetable processing business sent several students each. The instructor identified one of the fruit/vegetable enterprises for follow-up technical assistance. There were also representatives of several voivodships and an agricultural high school.

Content: Course material consisted of marketing theory supported by U.S. case study examples for class discussion. Topics covered were the role of marketing; marketing mix; the competitive climate; marketing strategy; market segmentation and targeting,

consumer behavior; product, pricing, place, and promotion strategies; new product development.

The instructor tailored the case studies to the needs of the students. Given the large number of fruit processors, the Dole product line was highlighted. For example, the packaging for a head of lettuce was used to show the branding of commodity products. The package from the Dole Chopped Salad Mix illustrated the expansion of lettuce forms and the addition of value through further processing of lettuce. Juice cartons and cans showed the varied forms and varieties of fruit juices, and a Dole Fruit & Juice bar box illustrated the expansion of the fruit concept into new product lines.

Evaluations and Changes for Future: The course was rated consistently by students at the highest rating. Future marketing courses will incorporate a case study developed based upon the real-life concerns of one of the largest fruit/vegetable processors in Poland. As a result of open discussion between the instructor and this company regarding current problems, future marketing courses will present a 4-day case study on that business for the whole of the seminar. The instructor will introduce the situation at the start of the course, and the following four major sections will address various issues corresponding to course topics.

Below is a picture of Maggie Woodburn's intermediate marketing class at the Agricultural University in Lublin. The table displays many examples of U.S. and Polish product packaging that were used in presenting case studies.



Agribusiness Management Workshops

Two Agribusiness Management seminars were held in Lublin April 14-18 and April 19-22 and presented by William Motes and Jonathan Coleman of Sparks Companies and Dr. Szczepan Figiel of the Olsztyn University of Agriculture and Technology. Students totaled 48: 21 in the first and 27 in the second. Of these, 67% were men and 33% were women.

The first seminar in Krakow, June 23-26, was presented by Thomas Scott and Melanie Romine of Sparks Companies and Dr. Szczepan Figiel. The second Krakow seminar, June 28 - July 1, was presented by Melanie Romine and Dr. Janisz Cichon of the Olsztyn University. The first workshop had 20 trainees; the second one had 24. Of the 44, 70% were men and 30% were women.

Polish co-teachers: The inclusion of a Polish instructor in both June courses was aimed at adding a Polish perspective to the presentation, and improved communications and effectiveness of the seminars. As the Polish economy develops, it will become increasingly vital to include examples from the Polish economy in seminars and relate these examples to concepts presented in the seminars. Consequently, the practice of Polish co-teachers will continue in future courses.

Participants: Participants for the Agribusiness Management seminars were primarily business managers and executives who needed instruction in management techniques to help enterprises compete successfully in a market economy. The seminar topics presented stimulated interest on the part of participants to seek technical assistance. There was a high degree of interest amongst the students regarding the formulation and implementation of business plans, for instance. After each course, a number of participants expressed interest in the possibility of receiving technical assistance that would address the specific needs of their company. These requests were forwarded to the Land O'Lakes office in Warsaw for further processing.

Content: The Agribusiness Management seminars presented techniques needed to compete successfully in a market economy. The courses focused on techniques required to help firms shift from public to private management and ownership. Seminar topics included: supply and demand principles; price discovery; price changes and forecasting; government policies and roles; market efficiency; risk, the origins of risk and risk management; cost structure of the firm; organization of the firm; products, markets and marketing; and time value of money. It was made clear to participants that the intent of the seminars is to present frameworks within which specific issues and problems can be addressed. While many company problems can be addressed during question/answer periods in the seminar, complex issues need direct action in the form of technical assistance.

Evaluation and Changes for Future: The ratings for both courses were quite high. In addition to positive comments, some evaluations expressed the need for more emphasis on the Polish market. This need will be addressed by using Polish instructors more in future courses. Quite a few examples specific to the Polish economy have already been incorporated into the course material. For example, the

price forecasting discussion uses price data from the Polish agri-economy provided by the Olsztyn University of Agriculture and Technology. Future courses will expand upon the use of this kind of material.

Participants in recent courses have demonstrated a more thorough understanding of basic market concepts than past participants. To fully utilize this growing aptitude, it is appropriate to present certain sections of the course at a more sophisticated level. In particular, participants could benefit from a more detailed presentation of both the cost structure of a firm and the principles of supply and demand, and consequently, the instructors are revising these sections to better meet course needs.

C. Long-Term Technical Assistance Interventions

As mentioned earlier, the RAAPS program has adopted a unique approach to technical assistance interventions. Recognizing that in a rapidly changing economic environment management issues can be very complex and solutions difficult to implement in the short run, focus has shifted towards a longer-term approach to technical assistance. Instead of the one-time interventions which have been so successful in dealing with technical and production issues, the resolution of management issues will require a more thorough approach with ongoing monitoring, evaluation and assistance for periods of between 12 to 18 months. To ensure that these long-term interventions are successful, the consortium has adopted a consistent and systematic methodology under which each individual intervention will have a workplan, with benchmarks and clear and quantifiable objectives to be monitored throughout the life of the project.

Within this approach, in June, after completing the initial selection process for candidates, the consortium organized a special team to work with three flour milling enterprises in Poland:

1. PZZ/Plonsk
2. PZZ/Radom
3. PZZ/Lukow

Each of these organizations is a regional grain milling/grain handling operation, and the consortium's team was selected on the basis of its expertise in grain:

- Tom Scott, of the Sparks Companies, formerly an Officer with Continental Grain
- Robert Westmoreland, of the Sparks Companies, formerly a Vice President of the Pillsbury Company
- Szczepan Figiel, of Olsztyn University, an expert in Polish milling operations.

Over a period of two weeks, the team met with each of the companies twice and completed the first two steps in the process of defining each firm's problem and a solution.

The first meeting, lasting between a half to a full day, included an initial interview to fully understand the business and its organization, and to develop a list of data and other information required of the company for subsequent meetings. The team met for these initial interviews with each of the companies at its own facility, and made plans to return for the second session, giving the firms time to collect the needed information.

After completing the initial interviews with each of the firms, the team returned for round two. This second set of meetings, each two to three days in length, involved in-depth discussions of the firm's financial situation, its market position and outlook, and its long-term goals and objectives. At the end of these second sessions, the team, along with management, had produced an outline of a basic business plan.

The team returned to the United States in early July and is now in the process of completing a comprehensive business plan for each of the firms. This business plan will focus on four primary areas of management.

1. Revenue Potential - Projected sales by product, with expected prices by major markets.
2. Operating Cost Projections - Projected costs by major categories, including commodity costs, labor costs, material costs, depreciation, etc.
3. Marketing Plan - Projected product distribution, including the potential for developing additional products and markets, the strategies available for each, and the costs associated with them.
4. Capital and Financial Plan - Firm's financial position, including its capital needs for high priority projects and their costs. The identification of possible sources of capital, their costs and likely returns. An evaluation of the firm's tax position. Identification and evaluation of prospective investment projects.

The business plan will be based primarily on information gathered and presented in various tables:

1. Sales volume projections
2. Price projections
3. Final product inventory projections
4. Materials, labor and capacity requirements
5. Operating expenses
6. Capital requirements
7. Manpower and staffing plan
8. Financing plan
9. Revenue projections
10. Production volumes and capacity utilization
11. Annual production costs
12. Inventory, cash, accruals and cash flow
13. Capital investment
14. Profit and loss

Following completion of each business plan, members of the team will return to present the plan and its conclusions and recommendations, and to discuss future action. The plan will include clearly defined benchmarks and objectives and a systematic workplan, including ongoing monitoring and evaluation schedules and procedures. At present, this return trip is planned for the second week of August. At that time, the team, along with management, will evaluate the feasibility of various actions and define a specific approach to the resolution of the existing problems. This may include additional and highly specialized direct technical assistance based on specific needs.

Logistically, grouping firms within an industry to receive technical assistance concurrently provides significant advantages in terms of efficiencies and focus. The consortium expects to continue grouping firms in this way, with groups as big as four or five, to best take advantage of personnel and budget.

Once the first set of business plans and accompanying workplans have been completed, the consortium would like to present them to USAID for comment.

University of Minnesota

In February, the Center for International Food and Agricultural Policy of the University of Minnesota hosted eight Polish University Professors in a program aimed at developing teaching capabilities in the areas of macroeconomics, microeconomics, accounting, and finance. The Polish professors worked in small groups, under the direct supervision of Minnesota faculty, to structure courses, develop curricula, lectures, case studies and textbooks. The materials developed during these seminars were returned to Poland, where, over the past quarter, the individual professors translated and adapted materials to Polish needs, and proceeded to develop a full course curriculum and workplan.

Over a six-week period beginning in mid-May and extending through June, the University of Minnesota undertook the second part of their educational program begun with their four-week seminar in Minneapolis in February. Six professors travelled to Poland to begin to implement the course work developed at the University of Minnesota. Four were funded by the RAAPS program and two by the USAID-funded program called Partners in Economics Management. Coordinating the two programs at the same time saved travel and salary expenses that would otherwise have been duplicated.

Each professor, in his own area of expertise, worked with groups of Polish professors to complete work on the development of curriculum, teaching materials and case studies. The professors presented courses in Olsztyn, Krakow, and Lublin, working with Polish professors who attended the Minneapolis seminar, as well as other invitees from among the six other agricultural universities in Poland. The professors traveling to Poland for the two- to three-week interventions were the following:

<u>Professor</u>	<u>Subject</u>	<u>Locations</u>
Dr. Ward Nefstead	Accounting	Olsztyn
Dr. Glenn Peterson	Finance	Olsztyn, Krakow
Dr. Benjamin Senauer	Microeconomics	Olsztyn, Krakow, Lublin
Dr. Robert King	Microeconomics	Olsztyn, Lublin
Dr. Harald von Witzke	Macroeconomics	Olsztyn
Dr. Jerome Hammond	Macroeconomics	Olsztyn

In years two and three of the RAAPS program, the University of Minnesota will again host Polish professors in February-March to develop curricula and then travel to Poland for follow-up technical assistance. Professors from Poland and from Minnesota met in Poland and selected the three new curriculum topics for 1994: Trade and Trade Policy, European Community Agricultural Policy, and Management.

This portion of the RAAPS program is crucial to the long-term success of the overall program because it prepares local professors in the very same areas of expertise which the agribusiness sector will depend on to become competitive. These same professors have become partners in the RAAPS program, participating directly in workshops as teaching assistants, and more importantly, will soon work on the long-term monitoring of technical assistance candidates.

III. Program Adjustments

The consortium has collaborated with USAID to revise and improve the project's workplan to be more responsive to the changing needs of Polish agribusinesses. To that end, the consortium refocused classroom training from an original nine types of courses to two (Agribusiness Management and Marketing), and worked to focus those two courses towards very usable financial, accounting, and marketing tools. Additionally, the overall program shifted focus towards long-term technical assistance interventions, which have a much stronger and longer-lasting impact. Finally, the consortium made the decision to work with several Polish universities to broaden the impact of the program and to insure that it encouraged new ideas and the means to implement them.

The members of the consortium have structured a program in which the interrelationship between activities provides a coherent and focused approach to privatization. Courses have been designed to avoid the duplication of activities from other programs, and to focus on usable and economic and financial tools, and away from broad policy concerns. The focus of RAAPS goes beyond privatization. Its focus is to promote competition, something not guaranteed simply through privatization. The approach of taking individual enterprises and working with them over the long term provides the best guarantee that they will be successful and competitive.

Refinements

In the process of further refining and optimizing the workshop structure, several changes are planned for the future:

- Inclusion of a case study of a large Polish fruit/vegetable processor in the Intermediate Marketing workshop to increase relevancy to Polish participants.
- Changing content of Agribusiness Management workshop to meet the needs of increasingly more sophisticated and knowledgeable students.
- Addition of Polish professor co-teachers to workshops to provide sustainability.

Further refinements are possible as the consortium management determines for years two and three the number of and percentage split between the two focus subjects of agribusiness management and marketing. The Agribusiness Management course name may be altered to avoid the perception by some potential participants that is aimed only at the highest echelon of managers.

Next year, the University of Minnesota visits to Poland will be timed differently so that more professors from Krakow and Lublin may attend. School year timing prevented some from engaging in this summer's technical assistance interventions.

IV. Impact

The consortium members have begun to compile a data base of macro- and micro-economic benchmarks against which to measure the level of achievement of its objectives. The exercise has served to clarify these objectives and has thereby forced a change in focus to quantifiable outputs rather than input. However, there is a serious lack of economic information throughout the Polish economy, which will hinder the quantifiable measurement of objectives. In particular, this will affect the measurement of the broad objectives of the RAAPS program as a whole.

Technical Assistance Interventions

On the other hand, the objectives of individual technical assistance interventions will be easier to monitor and quantify. As explained previously in greater detail in the Long-Term Technical Assistance section, in place is a consistent and systematic methodology under which each individual intervention has a workplan with benchmarks and clear and quantifiable objectives to be monitored throughout the life of the project. The first enterprises to benefit from this system were three flour milling/grain handling enterprises: PZZ/Plonsk, PZZ/Radom, and PZZ/Lukow.

The University of Minnesota's program is an important first step in developing local expertise to provide long-term sustainability to the RAAPS program. Polish professors, particularly those from RAAPS' partner universities in Olsztyn, Krakow, and Lublin, are forming a Polish teaching corps that is becoming increasingly more involved in the RAAPS workshop training, and, more importantly, in the long-term monitoring of technical assistance participants. At this point in Poland's development process, this is the best means of providing sustainability.

In-Country Workshops

As a part of a monitoring and evaluation system, workshop participants are interviewed three months after completion. The participants are interviewed to discover how they value the training and how they have applied what they learned. Because the major workshop activity began intensively in April, this monitoring procedure is in the beginning stages. The purposes of the follow-up interviews are to determine the training's impact, to incorporate participants' feedback into improving the workshops, and to identify potential technical assistance candidates.

V. Upcoming Activities

A. Program Management

As year one draws to a close, the consortium plans a self-evaluation of the first year's program activities and results. The consortium views this as a great opportunity to assess progress to date, and as a result, provide a tool with which to determine mid-term corrections in program direction.

Incorporating the lessons learned from the outside and internal evaluations, the consortium team will formulate a workplan and budget for fiscal year 1994.

The self-evaluation will satisfy the requirement for evaluation of year one. The year one evaluation was to be augmented by AID-approved outside evaluators; however, because the RAAPS program was already evaluated in May by AID-approved outside evaluators, further evaluation by outside evaluators would duplicate effort.

The internal evaluation results and the year two workplan will be written into the annual report, due in October.

B. In-Country Workshops

For the next quarter, eight 4-day workshops are planned. Land O'Lakes will present six 4-day workshops on Intermediate Marketing--two in Lublin and four in Krakow. Jonathan Coleman of Sparks and Dr. Szczepan Figiel of the Olsztyn University of Agriculture and Technology will co-teach two 4-day Agribusiness Management workshops in Krakow.

As it formulates the training calendar for year 2, the consortium is deciding whether to have the same number of workshops and is determining the percentage split between the two focus subjects of agribusiness management and marketing.

C. Technical Assistance Interventions

Several enterprises have been identified for privatization technical assistance interventions. Continuing with business plan assistance begun in June, Tom Scott of Sparks will return to Poland in August to provide further assistance for PZZ/Plonsk,

PZZ/Radom, and PZZ/Lukow, which are flour millers/grain handlers. In addition, the initial stages of assistance will be conducted for two meat processors, two seed companies, and a fruit and vegetable processor.

Michael Gormley, consortium manager, and William Motes travel to Poland in September to assess more organizations as candidates for long-term technical assistance in privatization. They and others will continue to work directly with individual enterprises in specially designed long-term technical assistance interventions. As mentioned earlier, a systematic process for the ongoing monitoring and evaluation of technical assistance interventions has been implemented. This system allows for better focus on the selection of candidates and development of individual workplans designed to achieve clearly defined objectives for the intervention.

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ATTACHMENTS

A. Financial Report

Restructuring Agriculture in Poland
FINANCIAL REPORT

		Expenditures		
		<u>Actual</u> Grant to Date	<u>Actual</u> 4/1/93 to 6/30/93	<u>Projected</u> 7/1/93 to 9/30/93
1.	Direct Labor	\$62,732	\$19,837	\$36,356
2.	Fringe Benefits	22,029	6,039	8,726
3.	Consultants	25,677	9,272	14,651
4.	Travel/Per Diem	27,226	10,687	23,536
5.	Expend. Supplies/Materials	1,495	1,197	550
6.	Nonexpendable Equipment	20,427	3,427	0
7.	Subcontracts/Subagreements	309,976	98,861	100,953
8.	Other Direct Costs	65,920	10,167	17,010
9.	Evaluations	0	0	0
10.	Indirect Cost	<u>125,372</u>	<u>37,177</u>	<u>56,646</u>
Total		<u>\$660,854</u>	<u>\$196,664</u>	<u>\$258,428</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.

B. Consortium Team Listing

**RAAPS - RESTRUCTURING AGRICULTURE & AGRIBUSINESS:
PRIVATE SECTOR PROGRAM FOR POLAND
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