

PD-ABG-762
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United States Agency for International Development
Farmer-to-Farmer Program

Tri Valley Growers

Second Quarterly Report

January 1, 1993 - March 31, 1993

implemented under

Cooperative Agreement Number:
FAO-0705-A-00-2096-00

I. Activities This Quarter

1. The Russian Far East Project Office in Vladivostok was opened by Richard Klein. Mr. Klein travelled to the RFE in January, opened up the TVG Farmer-to-Farmer office in Vladivostok, conducted program outreach and project identification in the Sakhalin Oblast, Primorskii Krai and Khabarovskii Krai. Two bi-lingual Russian staff members were hired, Konstatin Nasonov and Galena Malakova during this period.
2. Betsy Jacobs continued to coordinate Farmer-to-Farmer activities in Western Russia, building a base of operations in both the Voronezh and Moscow regions. In Voronezh a secure office space was leased for the FTF program, and a local coordinator hired. Communications links were established through subscription to the Russian Relcom electronic mail system, which is linked to Internet in the United States.
3. Michael Schaeffer, a TVG Senior Business Analyst, travelled to Western Russia from January 21 to February 13, 1993 to conduct a Food Systems Review of the Voronezh area, reviewing the macro and micro-economic climate and assessing the infrastructure and capabilities of the regional food system. His report entitled "Agribusiness in Voronezh" was previously submitted.
4. Dr. Edward Thor, TVG Vice President, and Derek Brown, Farmer-to-Farmer Program Manager, travelled to the Russian Far East on March 24 to begin a two week program management mission. The trip included exploration and discussion with Richard Klein and Yoo Mi Lee (TVG Senior Business Analyst) and Russian agricultural organizations of Farmer-to-Farmer linkages with the USAID funded Food Systems Restructuring Project (50% of Dr. Thor's time was charged to the FSRP Cooperative Agreement). The report from this trip is attached.
5. Program outreach activities in the United States continued. Dr. Edward Thor discussed the program with a gathering of agribusiness professionals at Arizona State University. Promotion of the project continued within the Tri Valley system through written communications and presentations. Copies of earlier articles appearing in the first quarter are also enclosed in this report.

II. Analysis of Activities

Program activities in the second quarter laid the groundwork for the arrival of FTF volunteers in the Spring and Summer. The major logistical challenges of securing a base of operations and support in the local economies were met during this period, allowing project identification to proceed at a heightened pace. The project managers in the field brought the Farmer-to-Farmer program concept to numerous privatized and privatizing Russian agribusinesses. While technical assistance is a novel conception to most Russians, many farm and enterprise managers understood and reacted favorably to the resources which the Farmer-to-Farmer program has to offer. Most of the requests for technical assistance however, ask for volunteers during the summer growing season.

III. Attachments

1. Russian Far East Trip Report
2. Farmer-to-Farmer Program Publicity
3. Quarterly Financial Report

United States Agency for International Development
Farmer-to-Farmer Program

Russian Far East Trip Report

March 21 - April 4, 1993

Participants:
Dr. Edward Thor
Derek Brown

implemented by
Tri Valley Growers

under Cooperative Agreement FAO-0705-A-00-2096-00

Purpose

The purpose of Dr. Edward Thor and Derek Brown's trip was to provide management direction to the Farmer-to-Farmer program in the Russian Far East. In addition, Dr. Thor devoted approximately 1/2 his time to the Food Systems Restructuring Project. The complementary activities of the two programs will necessitate coordination of the two programs to leverage their respective resources for a broader impact on the food system in the Russian Far East.

The trip included extensive discussions with the Farmer-to-Farmer project manager in the field, Mr. Richard Klein. The itinerary included meetings with local government officials, farmers and private sector enterprises in Khabarovskii Krai, Primorskii Krai and the Sakhalin Oblast (See appendix 1). Cities visited included Khabarovsk, Yuzhno-Sakhalinsk, Vladivostok, Nakhodka, in addition to a number of smaller towns and settlements.

Technical Observations

The timing of the trip was from March 21 - April 4, 1993. Snow was quickly melting from the streets of Khabarovsk and temperatures were "mild," ranging between 20-40 degrees Fahrenheit. Sakhalin island was considerably colder with snow covering the entire island. The supply of food available in the marketplace however reflected the time of year and the severe difficulties Russia continues to face ensuring adequate and varied food supplies for its population in the winter months.

Inflation - both domestic price inflation and currency exchange rates - continues as major stumbling block to food availability. Prices in the "free markets" in all the Russian cities we visited were high, often equal or greater than Western market prices for similar items. The selection of meats and produce was varied, a distinct change from one year ago according to our hosts and those who had visited the area in 1992. Produce and other dry goods are imported from China, Korea and other regions in the NIS.

State-run and newly privatized joint stock stores had a smaller selection of goods, but were nonetheless well-stocked with supplies of basic food items. While state stores were very crowded with anxious customers, the only long lines we observed were at the government liquor store in Khabarovsk and at a state-run meat store which was distributing donated food commodities from Japan. Despite the higher prices of the free markets, which are prohibitively expensive to many Russian consumers, particularly those on a fixed salary or pension, these markets were uniformly busy with shoppers and traders.

Privatization continues apace. State enterprises, state farms and collective farms are rapidly being turned into private hands. Additionally, farm land is being parcelled out to private citizens and ex-military service people under several special programs of

the Yeltsin administration and local governments. Many of the new private farmers are joining farmer's associations, despite the stigma associated with "collective" activities. While some of these associations are affiliated with AKKOR, many of these associations appear to be resentful of AKKOR, which is identified with central government control.

State farms still dominate the landscape, though they are becoming less and less of a major agricultural force. In Khabarovskii Krai, the local Agricultural Representative reported that "private" farmers produce eight times more potatoes than state enterprises in the region. Regional government officials in both the Sakhalin Oblast and Primorskiĭ Krai dismissed the state farms as inefficient. These officials were much more interested in channeling support for privatized farms, in the form of credit and technical assistance. Near Nakhodka we were informed that a family farm employing 6 family members and five Chinese workers outproduces a nearby state farm several times its size and with hundreds of employees.

The privatization process that has occurred with some state farms has not in all cases yielded significantly different forms of ownership or management. A state farm which we visited had distributed shares to its individual members who thereupon immediately turned them into a central pool, forming a joint stock company under the same management. It was too difficult to what degree the farm's operations had changed. The director did comment that he could no longer make decisions by personal decree. Today, he must report to a 25 member board of directors! The most significant anticipated change is the decline in state support. The farm no longer has a clear and unfettered source of inputs via the government. While support from the government hasn't ceased, it has already begun to diminish. Most newly privatized state farm managers recognize that they will soon have to stand alone soon, but are uncertain of how to proceed. In the long run the prospects for these large collective enterprises are mixed. At the former state farm we visited, management spoke of a labor shortage, low crop yields, and lack of access to agricultural inputs - all legacies of Soviet agriculture. However in the same valley, private farmer's are making a go of it, producing more food per hectare than has been witnessed in the region in years.

While individual farmers are taking advantage of agricultural production opportunities brought on by economic reform, enterprises engaged in post-harvest activities have been slower to adapt to the changing political environment and evolving marketplace. Many enterprise managers with whom we met have only recently begun scrambling to find new markets, improve operations and prepare for the competitive conditions which they will face. Many of these same managers acknowledged that the quality of processed food products in the Russian Far East is generally poor, and identified overall quality control and improved packaging as areas in which significant improvement was needed. However, the large size and number of individuals dependent upon the institutions for their livelihood of many of these quasi- state bureaucracies makes it much more difficult for the reform process to proceed. Many

of these state enterprises continue to receive state subsidies, and have yet to make the difficult adjustments necessary to operate in a more competitive environment. Huge drops in production have occurred as domestic markets have collapsed and inputs become harder to obtain. At one can-making factory we visited, the director of the facility hoped that the production drop would stabilize at around 60% of normal operations. Despite these significant declines, it appeared that few, if any, efforts had been made to reduce workforce sizes.

The regional economy of the Russian Far East is in for tremendous adjustments when food commodities and state enterprises are no longer subsidized by the state. Agriculture and food processing should benefit from these changes in the long run. The agricultural sector may be able to absorb many of the dislocated workers who will be severed from the larger industrial enterprises in the region. These enterprises still maintain large unproductive workforces. When state subsidies cease, and competitive pressures force these enterprises to streamline their operations, increased unemployment is sure to result.

Suggestions and Recommendations

- The need for technical assistance by newly privatized Russian enterprises is great, though not always recognized by Russian managers. In determining which organizations and individuals will benefit the most from a FTF volunteer, we want to look for individual managers with entrepreneurial spirit and enterprises that are privatized or privatizing with clear separation from bureaucratic control. Once these criteria are met, the project manager must then make a preliminary assessment of the prospects for the particular agricultural activity. Generally organizations fitting these criteria will be wholly-owned private enterprises and not barely restructured state enterprises. Smaller private enterprises, many of which we observed, appear to have the greatest success in operating within the newly liberalized economy, and are more receptive to outside technical assistance. The large state enterprises have been less receptive to outside assistance, and appear less flexible in adapting to the market economy.

- As anticipated, many Russians with whom we spoke pointed to the need for capital equipment, American investment and access to foreign markets in order for their newly privatized business establishments to survive. Few, if any of these institutions would be good candidates for immediate American investment. However, from among this larger pool and organizations who are not actively looking for foreign partners, we expect that there will be enterprises who are good candidates for potential joint ventures. These companies may also prove to be good prospects for FTF volunteers. In such cases, we may want to link the FTF and FSRP projects by identifying volunteer candidates from among American companies who have or are likely to have a long term interest in establishing links with Russian businesses. The determining factor in selecting these assignments must be the possibility for providing technical

assistance within the mission, not merely the evaluation of a specific business opportunity. The Russian host organization and volunteer(s) should engage in a technical dialogue, whether or not business opportunities continue to be explored.

- The geographic range of our activities in the Russian Far East should include the Primorskii and Khabarovskii Krai and the Sakhalin Oblast. Additionally, we may want to consider potential work in Biro-Bidjan (the Jewish Autonomous Region), due to its active and prosperous agricultural community. In the first year however, given the broad expanse these areas cover, we will want to focus our activities in the Sakhalin Oblast and in Primorskii Krai. Assignments further afield should be a lesser priority.

- Several of the organizations we visited were interested in volunteers to assist them in a number of areas. Where the quality of the assignments warrant, we will want to work with the same organizations repeatedly. Sending multiple volunteers to one host site over the course of the Farmer-to-Farmer program should boost the impact of each successive volunteer - both by allowing volunteers to be more prepared for their work by benefiting from the knowledge and experience of previous volunteers, and by providing both follow-up in both technical areas and general business principles. Utilizing volunteers with previous in Russia (including those who have completed FTF assignments successfully) should also be encouraged as their familiarity with the Russian economic and cultural climate should reduce the amount of time required to orient themselves on future assignments.

Logistics:

- There were no American automobiles seen in the Russian Far East, nor companies knowledgeable in their repair. Japanese cars are omnipresent and auto theft, particularly of foreign cars, is a serious problem. To prevent theft, car owners either own or rent garages. Given these conditions, and the current state of Russian roads, it would be wise to lease or rent a Russian car and driver rather than to dry and import an American vehicle.

- The Russian Far East is witnessing a considerable boost in international travel and business. The result is that a parallel dollar economy is developing making it more difficult for foreigners to obtain Russian rates for local travel and transportation. Volunteers should carry visas which clearly state the humanitarian purpose of their trip to assist in obtaining ruble rates for the overnight local stays on the way to their assignments.

- To facilitate visas and the program, the Farmer-to-Farmer program office should establish relations with the local government, the most likely candidate will be the Krai Agricultural Department. Viktor Tumanov of the Territorial Administration's Office of Foreign Affairs has been referred to us as the best contact..

- Until we are requested to do so by a local government entity, we will not want to officially register until policies governing USAID contractors and other humanitarian organizations are clearly established.

*Appendix 1 - Itinerary*Sunday, March 21

Depart San Francisco, 11:30 am, United Airlines Flight 1629.

Monday, March 22

Travel. Arrive Khabarovsk 11:00 pm.

Tuesday, March 23:

1. Meeting with Alexander N. Sokolov - Chairman, Khabarovsk City Soviet of People's Deputies and Valery Kobets, External Economic Affairs Department Chief of the Administration of Khabarovsk

Wednesday, March 24:

2. Meeting with Yuri E. Dremin, General Director of the State- Cooperative Association of Food Industry - "Khabarovskpishcheprom" (10:00 am)

3. Meeting with Oleg A. Kuzenkov of the Khabarovsk Administration's Trade & Public Catering Department

Thursday, March 25:

4. Meeting with Lev G. Siminov, Superior, Agricultural Management of the Khabarovsk Territorial Administration

5. Meeting with Mark P. Jones, Catholic Relief Services Representative

Friday, March 26

Travel to Yuzhno-Sakhalinsk, Sakhalin Oblast

1. Meeting with Valentina N. Vanzhula, Deputy head of the Department of Social Defence of the Residents - Sakhalin Region Administration.

2. Meeting with Pavel N. Alfyorov and Mikhail Mikhailenko of VITAS (4:30 pm)

Saturday, March 27:

3. Meeting with Vicior Lobenko (private farmer) and Vladimir Victorovich Zaitsev, Deputy of the Regional Committee of People's Deputies.

*Itinerary(cont.)*Sunday, March 28:

4. *Meeting with Vladimir Bragin, Director of Ambrion Salmon & Tour of Cannery 28*

Monday, March 29

Travel to Vladivostok.

Tuesday, March 30

1. *Meeting with Valeriy Ilyich Nakonechny of Agrotex and Victor Nickolaevich Potapeyko, Director of Dalnevostchny, sponsors of the Returning Military Personnel - Farm Program*
2. *Meeting with David Ackerman, Consul, Consulate of the United States*
3. *Meeting with Melody Schramm & Allegra Harris of Catholic Relief Services (Tuesday and Wednesday, March 30 and 31).*

Wednesday, March 31

Travel to Nakhodka

Thursday, April 1

1. *Meeting at the former state farm Vostok with Alexander Shpilievski*

Friday, April 2

2. *Meeting with Harriman Vorobyov - Director of Nakhodka Can Making Factory*
4. *Meeting with Igor Gavelich Ustinov - Chairman of the Administrative Committee of the Nakhodka Free Economic Zone and trip to area orchards led by Gennadiy Ogolenko, Agricultural Director for the Committee..*
5. *Meeting with Victor S. Gnezdilov, Mayor, City of Nakhodka*

Saturday, April 3

Tour of regional orchards with Gennadiy Ogolenko

Overnight train to Khabarovsk

Sunday, April 4

Day in Khabarovsk free. Depart for airport at 3:00 pm.



NEW INDEPENDENT STATES (NIS) UPDATE

The NIS is a virgin market for U.S. firms with tremendous potential, but not for the naive. The opportunities are vast and especially good in the areas of agriculture, energy/environment, and defense conversion, but the business climate is something like the "wild west frontier." Banks operate like those of Chicago in the 1920s. There are no checking accounts; people are paid in cash. The inflation problem has devalued the ruble to 320/\$1 and transaction costs of converting dollars to rubles are 9%.

These and other challenges of doing business in the NIS were outlined by David Hatcher, special assistant to Ambassador Richard Armitage, Department of State; Ralph Blackman, assistant administrator of USAID's Bureau for Private Enterprise (PRE); John Wilkinson, deputy assistant administrator/PRE; and Jim Schill, director, USAID Business Outreach, in the third series of executive briefings on U.S. assistance to the New Independent States (NIS) of the former Soviet Union held in Des Moines (Oct. 26), Chicago (Oct. 27), Minneapolis/St. Paul (Oct. 28), and Milwaukee (Oct. 29). The speakers encouraged American companies pursuing business opportunities in the NIS to take advantage of U.S. government-sponsored information services, facilities and technical assistance projects.

U.S. business programs in the NIS are designed to provide accurate, up-to-date trade information and reduce the risk of investing. Although U.S. policy efforts are directed toward "leveling the playing field" in some countries, in the former Soviet Union, the playing field still needs to be built. In addition to humanitarian aid, U.S. assistance to the NIS supports the development of a business infrastructure and legal and monetary reforms. For example, the American Bar Association received a

grant from USAID to provide technical assistance in drafting constitutions and new legislation for NIS governments and to help revise legal and judicial procedures.

Various technical assistance projects are underway to encourage private sector development and open channels for U.S. exports. Two consortia, the Food Processing Machinery and Supplies Association of Alexandria, Virginia, and the Telecommunications Association of Washington, D.C. have received matching grants of \$500,000 each through the Consortia of American Business Program funded by USAID and administered by the U.S. Department of Commerce. The Iowa International Development Foundation also received a grant to support the agribusiness centers in Russia and Ukraine.

On investment matters, OPIC has announced that it is organizing a conference in Washington, D.C., December 10-11, on "Health Sector Industry Investment Opportunities in the Caucasus and Central Asia." Government and industry representatives are expected from Armenia, Georgia, Moldova, Kazakhstan, Kyrgyzstan, and Uzbekistan. OPIC is planning a follow-up health sector industry investment mission to Central Asia in May 1993.

U.S. assistance to the NIS is a multi-agency effort coordinated by Ambassador Richard Armitage, who reports to Acting Secretary of State Lawrence Eagleberger, coordinator of U.S. Assistance Policy for the New Republics of the former Soviet Union. For more information on policy or technical assistance programs and points of contact in cooperating agencies, contact David Hatcher at (202) 647-2626.

Inside: Registration for Private Voluntary Organizations, Farmer-to-Farmer Program

REGISTRATION FOR PRIVATE AND VOLUNTARY ORGANIZATIONS (PVOs)

PVOs are defined by USAID as tax-exempt non-profit organizations that receive some portion of their annual revenue from the private sector (demonstrating their private nature) and receive voluntary contributions of money, staff time or in-kind support from the general public (a demonstration of their voluntary nature).

Registration is one of several steps toward eligibility for certain USAID resources. Additional requirements may vary for different grants and subventions but usually include a proposal, a budget, a program and budget review conducted by USAID program staff, and a pre-grant award audit, if appropriate.

Organizations seeking USAID assistance for the first time, that are uncertain about the resources and funding instruments most appropriate for a proposed project or program, are encouraged to first contact the Office of Private and Voluntary Cooperation (PVC) to explore the proposed idea, how it fits with USAID priorities, suitable funding mechanisms, etc. PVC serves as USAID's focal point for the Agency's relationship with PVOs and assists PVOs and USAID Missions in developing PVO programs and suggesting new and innovative approaches.

All potentially eligible recipients who approach USAID should provide a short (one to two page) concept paper as a basis for discussion. Having some idea of the proposed program or project facilitates USAID's ability to respond and identify avenues of support.

To receive a registration packet or more information, contact:

Mary Lee McIntyre, Registration Officer
Office of Private and Voluntary Cooperation
Bureau for Food & Humanitarian Assistance
Agency for International Development
Washington, D.C. 20523
tel. (703) 351-0207

VOLUNTEERS NEEDED FOR FARMER TO FARMER PROGRAM IN RUSSIA

Tri Valley Growers (TVG) and the University of California Division of Agricultural and Natural Resources have been awarded a cooperative agreement by the U.S. Agency for International Development (USAID) to implement a Farmer-to-Farmer Special Initiative program in Russia.

TVG is seeking volunteers to provide both short-term (3-4 weeks) and longer-term (up to six months) technical assistance, with specific emphasis on post-harvest preservation, processing, packaging, storage, marketing and distribution of fruits and vegetables. Other sectors such as poultry and dairy also may be included.

Technical assistance needs may range from helping state farms convert to private businesses to helping organize trucking companies and public warehouses. Besides the technical knowledge that volunteers will bring to their assignments, they will provide a commonsense understanding of how to run a business that will be invaluable to their host organizations.

TVG will field a total of 110 volunteers over the course of the 3-year program. TVG will have offices in Voronezh and Puschino in Western Russia and an office in Vladivostok in the Russian Far East.

The Farmer-to-Farmer Program will pay for travel expenses and coordinate logistics in Russia. The Russian host organization will provide in-country lodging, meals, transportation and interpreter service. Volunteers who will be in Russia for over three months will be given two weeks of intensive language training before being placed in the field.

For more information contact:
Yoo Mi Lee, Acting Program Manager
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P.O. Box 7114
San Francisco, CA 94120-7114
tel. (415) 445-1658

TRI VALLEY GROWERS

Farmer-to-Farmer Program

Cooperative Agreement #:
FAO-0705-A-00-2096-00

Summary of Expenditures (January 1 - March 31, 1993)

| | <u>Sept.-Dec. '93</u> | <u>Jan-Mar, '93</u> | <u>TOTAL</u> |
|--|-----------------------|---------------------|--------------|
| Salaries & Fringe | \$42,757.08 | \$70,749.82 | \$113,506.90 |
| Travel & Per Diem | \$13,725.25 | \$6,872.11 | \$20,597.36 |
| Evaluation | \$0.00 | \$0.00 | \$0.00 |
| Other Direct Costs | \$8,110.93 | \$33,995.08 | \$42,106.01 |
| Indirect Costs | \$6,187.50 | \$7,854.17 | \$14,041.67 |
| | | | |
| Total AID Costs | \$70,780.76 | \$119,471.17 | \$190,251.93 |
| | | | |
| Recipient/Other contributions (Non Federal) | \$16.70 | \$11,170.71 | \$11,187.41 |
| | | | |
| TOTAL PROGRAM COSTS | \$70,797.46 | \$130,641.88 | \$201,439.34 |