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**LAND O'LAKES/TRI VALLEY GROWERS**  
**COOPERATIVE AGREEMENT NUMBER: FAO-0192-A-00-2081-00**  
**Project Number: 938-1092**

**QUARTERLY REPORT**  
**OCTOBER 1 TO DECEMBER 31, 1993**

**January 25, 1994**

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**LAND O'LAKES/TRI VALLEY GROWERS**  
**COOPERATIVE AGREEMENT NUMBER: FAO-0192-A-00-2081-00**  
**Project Number: 938-1092**

**QUARTERLY REPORT**  
**OCTOBER 1 TO DECEMBER 31, 1993**

I. Activities This Quarter

**Land O'Lakes**

Sally Collins, Controller, Land O'Lakes International Development Division, traveled to Tri Valley Growers International Division headquarters in San Francisco, California, in December, 1993. The purpose of her trip was to perform an informal audit of Tri Valley Growers' accounting and financial management system for USAID funding.

In addition to her own expertise, Ms. Collins also solicited review of her findings and recommendations from Land O'Lakes' Internal Audit Division. Based on her informal review, Ms. Collins concluded that the Tri Valley Growers system is adequate for tracking and reporting grant activities. A copy of her trip report is included as Attachment A.

**Tri Valley Growers**

The quarterly report submitted by Tri Valley Growers is included as Attachment B.

- II. There were no problems/delays/adverse conditions that substantially affected program objectives, time schedules or project work activities.
- III. Consequently, there were no actions taken or contemplated nor any assistance needed to resolve any situations.
- IV. There were no favorable developments or events that enabled time schedules to be met sooner than anticipated or more work activities to be performed than originally projected.

No new USAID funding was received this quarter.

V. Financial Report

- 1) The quarterly financial report is included as Attachment C.

**VI. Attachments**

- A. Sally Collins Trip Report**
- B. Tri Valley Growers Quarterly Report**
- C. Quarterly Financial Report**

**ATTACHMENT A**

**SALLY COLLINS TRIP REPORT**

Trip Report to San Francisco on December 20, 1993  
by Sally Collins

**Purpose of Trip:**

To perform an audit of Tri Valley Growers accounting system as it relates to funding through Cooperative Agreement No. FAO-0192-A-2081-00. The main purpose of this audit was to determine if Tri Valley Growers' has an adequate financial system for tracking A.I.D. project costs.

**Activities:**

1. Gained an understanding of the overall financial system.
2. Reviewed salary allocations and discussed timekeeping procedures.
3. Reviewed rent allocations and discussed other allocations from the base company.
4. Reviewed the chart of accounts and procedures for tracking expenses per funding source. A separate department code is assigned for each grant and country within a grant. Specific account numbers are set up for expenses reimbursed by A.I.D. versus expenses matched by Tri Valley or other sources.
5. Reviewed accounts payable procedures and reviewed internal controls.
6. Reviewed the financial reports.
7. Traced an expense report and an invoice through accounts payable, the general ledger and financial reports.
8. Review procedures for invoicing Land O'Lakes for activity under the Innovative grant (Cooperative Agreement).
9. Discussed the indirect cost rate structure.
10. Discussed future audits by A.I.D. What Tri Valley Growers should expect when audited.

**Technical Observations:**

All development activities are separate from the base company. Separate PC based general ledger and accounts payable systems were established for recording activity. All checks are written on a separate bank account.

The software is an proprietary program called ACCU PAC. Only the general ledger and accounts payable modules were purchased. I reviewed the general ledger, income statement, balance sheet, and accounts payable distribution reports. The reports generated off the system are clear and concise. The reports do not calculate variances to budget, making analysis somewhat more difficult. Because of that, the Senior Accountant re-enters summary data into a Lotus spreadsheet before distributing the reports to the project managers, thus creating a duplication of efforts.

Internal controls are adequate; however, separation of duties are

somewhat limited due to the limited staff. Kirt is the only accountant and there is no clerical staff. The Senior Accountant reviews invoices and attaches A/P Vouchers to the invoice. The Vice President authorizes payment of invoices only after the Senior Accountant has reviewed the expense. The Accounts Payable system is not on the network and the only person with access is the Senior Accountant. The Senior Accountant prints the checks and gives them to the Vice President for signature before distribution. The Project Managers are given monthly reports and have been given instructions on reviewing reports to look for errors or inconsistencies.

A.I.D. handbooks and other informational manuals were available for reference. Staff have attended A.I.D. and PVO Financial Manager workshops.

The base company for Tri Valley Growers pays all payroll and rent costs for the development activities. The base company makes an intercompany entry to the development division for these costs. The Senior Accountant allocates payroll and rent costs based on monthly timekeeping reports. The base company does not allocate corporate staff or interest expense to the development division.

I did not review the indirect cost rate calculation because Tri Valley Growers does not apply the indirect cost rate on the Innovative Grant (Cooperative Agreement FAO-0192-A-00-2081-00). We did discuss Tri-Valley Growers' method of calculating the rate. The Tri-Valley Growers uses the simplified calculation method of total indirect costs divided by total direct costs. Currently, Tri Valley Growers' ICR is between sixteen and nineteen percent. Tri Valley Growers is only being reimbursed seven percent for the ICR on other A.I.D. funds. The indirect cost applied on the Innovative Grant is considered match by Tri Valley Growers.

A.I.D. notified Tri Valley Growers that they would be placed on the list of companies audited by A.I.D. auditors sometime in the future. It has been Land O'Lakes' experience that audits are performed every three years.

**Recommendations:**

1. Develop a written policy for timekeeping. An informal policy already exists. The formal policy should require that time reports be written in ink, signed by the employee and approved by a designated person. All errors on the time report should be crossed out and the new amount be written in beside the old amount. The employee and the designated approving officer must initial the change.
2. Develop a written policy for authorizing travel. Currently, an informal system exists where the Vice President verbally approves travel. The new policy should require written authorization signed by the Vice

President or a designated person. The purpose of the trip, funding source, itinerary and special authorizations should be clearly stated on the authorization.

Attach per diem calculations to the expense reports. Tri Valley Growers is reimbursed actual costs for lodging, meals, and incidentals up to A.I.D. maximum rates as established by the State Department. Maximum reimbursable amounts are regularly calculated for per diem but are not attached to the expense reports. I recommend that the calculations be attached so that all the paperwork is stored in the same location. This should help when Tri Valley Growers is audited by A.I.D. auditors at a later date.

3. Establish a letter of credit account with the Federal Government. Currently Tri Valley Growers sends an invoice to A.I.D. requesting reimbursement of expenses. Tri Valley Growers receives reimbursement sixty to ninety days after the invoice is mailed. The base company bears the expense until they are reimbursed. Since the development area already uses a separate bank account from the base company, advances might also be useful.

Accrue the difference between the estimated final indirect cost rate as applied on direct costs for other grants and the seven percent reimbursed in 1993 to the balance sheet. When A.I.D. audits Tri Valley Growers for accounting year 1993, Tri Valley Growers may request reimbursement for the difference.

4. Negotiate a new provisional indirect cost rate for 1994. Tri Valley Growers is already in the process of negotiating a new rate. The Office of Procurement has a several month back log.

**Overall Observations:**

The scope of the audit was very limited. I concentrated on current procedures.

Based upon my limited review, the Tri Valley Growers' accounting system is adequate for tracking and reporting grant activities.

**Persons visited with:**

Ed Thor, Vice President, Tri Valley Growers  
Kirt Menon, Senior Accountant, Tri Valley Growers  
Yoo Mi Lee, International Development Specialist, Tri Valley Growers  
Russ Scheeline, FSRP Project Manager, Tri Valley Growers  
Betsy Jacobs, FTF Project Manager in Russia, Tri Valley Growers  
Christine Pascual, FTF Volunteer Coordinator, Tri Valley Growers

Derek Brown, FTF Project Manager in U.S., Tri Valley Growers  
Terry Bender, Administrative Assistant, Tri Valley Growers  
Tom Higgins, Representative from the Bulgarian American Enterprise  
Fund

**ATTACHMENT C**

**QUARTERLY FINANCIAL REPORT**

LAND O'LAKES/TRI-VALLEY GROWERS  
 COOP AGREEMENT# FAO-0192-A-00-2081-00  
 PROJECT # 938-0192  
 FINANCIAL REPORT

	Expenditures		
	Actual Grant to Date	Actual 10/1/93 to 12/31/93	Projected 1/1/94 to 3/31/94
1. Direct Labor	2249	191	0
2. Fringe Benefits	935	71	0
3. Consultants	0	0	0
4. Travel/Per Diem	829	790	0
5. Expen. Supplies/Materials	0	0	0
6. Nonexpendable Equipment	0	0	0
7. Subcontracts/Subagreements	124792	53766	60651
8. Other Direct Costs	16	0	0
9. Evaluations	0	0	0
10. Indirect Cost	<u>11908</u>	<u>4710</u>	<u>4956</u>
Total Federal Funds	140729	59528	65607
Non-Federal Funds	<u>36143</u>	<u>1742</u>	—
Total Program	<u><u>176872</u></u>	<u><u>61270</u></u>	<u><u>65607</u></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 financial summary.

**ATTACHMENT B**

**TRI VALLEY GROWERS QUARTERLY REPORT**



**LAND O'LAKES/TRI VALLEY GROWERS  
COOPERATIVE AGREEMENT NUMBER FAO-0192-A-00-2081-00  
Project Number 938-0192**

**QUARTERLY REPORT ON ACTIVITIES  
FROM OCTOBER 1 TO DECEMBER 31, 1993**

This report covers the period from October 1 to December 31, 1993 for Cooperative Agreement FAO-0192-A-00-2081-00 between the US Agency for International Development (USAID) and Land O'Lakes (LOL) and the Subagreement between LOL and Tri Valley Growers (TVG).

The following activities took place during fourth quarter, 1993:

**INTERNSHIP**

Victor Roshca and Vasile Boumacov, Associate Professors from the Agrarian State University in Chisinau, Moldova, completed their training and returned to Moldova on December 12, 1993. The first part of their training program, as described in the previous quarterly report, included an orientation, a formalized course at the University of California at Davis (UC Davis) on the postharvest preservation of vegetable crops, meetings with professors and extension agents, and visits to farms and extension stations. The second part of their program consisted of individualized training at 2 California agribusinesses where Drs. Roshca and Boumacov were given an opportunity to use and extend their knowledge in their respective fields.

Dr. Roshca spent the month of October undergoing training in breeding with four different crop specialists at Petoseed's Woodland Research Center in Woodland, California. He also received training in plant pathology, biotechnology, stockseed, product marketing and farming. In November, Dr. Roshca joined Dr. Boumacov at Johnson Farm Machinery, where they worked with Howard Johnson, President, in the design and manufacture of a transplanter for use in Moldova. Mr. Johnson was able to use the skills of the training participants to design a machine that he does not currently produce. In surveying the surrounding area farmers, Mr. Johnson and Drs. Roshca and Boumacov discovered that farmers are going back to transplanting (from direct seeding) because input prices (particularly those of hybrid seeds) have increased dramatically. While the machine designed by Drs. Roshca and Boumacov

is designed for use in Moldova, it can easily be adapted for domestic use. Dr. Roshca gave planting specifications (plug size, row widths, etc.) as they exist in Moldova, and Dr. Boumacov designed the machine to those specifications. A summarized version of their training program and pictures of the transplanter are attached as Appendix A.

A great deal of cultural and educational exchange took place during the training program. Drs. Roshca and Boumacov were able to share their knowledge of agriculture in Moldova, which included a tasting of Moldovan wines with viticulturalists from UC Davis and California wine industry representatives. They were able to take back with them an understanding of California agriculture and books and materials that are unavailable in Moldova. In Moldova, Dr. Roshca expects to work on collaborative projects with members of the vegetable crops department at UC Davis as well as sending back seed test results to UC Davis and to Petoseed. Dr. Boumacov will pursue the facilitation of farm equipment manufacturing joint ventures between US and Moldovan companies as well as the design and manufacture of farm machinery using the knowledge that he was able to gain in the US.

Drs. Roshca and Boumacov were debriefed upon their return to Moldova by US Embassy representatives David McAuley, Consul and Susan Sutton, Second Secretary, and Terry Cornelison, Tri Valley Growers' Field Director in Moldova for the USAID-funded Food Systems Restructuring Project, on December 21, 1993. They expressed gratitude to TVG and USAID for the opportunity to receive training in the US. That sentiment is echoed in their evaluation of the program, which is attached as Appendix B.

## **TECHNICAL ASSISTANCE**

In November, 1993, Dr. Eric Thor, Director and Professor of the School of Agribusiness and Environmental Resources at Arizona State University, and former President and Chief Executive Officer of the Farm Credit System Assistance Board, completed a technical assistance mission with the Black Earth Farmers' Bank (BEFB) in Voronezh, Russia. Dr. Thor worked with senior management of the BEFB to continue the technical assistance in banking and credit that was started in June and July, 1993, when Dr. Thor served as a volunteer under TVG's Farmer-to-Farmer (FTF) Program. For this assignment, Dr. Thor also gave training sessions in agribusiness management, finance and marketing to BEFB management and staff; members of private farmers' associations; representatives of regional banks; entrepreneurs; and faculty and students of Voronezh State University and Voronezh Agricultural University. Dr. Thor's trip report is attached as Appendix C.

## **WORKSHOP**

Yoo-Mi Lee and Kirt Menon conducted a workshop "What is an Agribusiness?" in Pushchino, Russia in cooperation with the Pushchino Town Council, the Agricollege, and the Russian Academy of Sciences Institute of Biochemistry and Physiology of Microorganisms in November, 1993. The workshop introduced 31 participants, including heads of newly-formed private companies, senior managers of former state and cooperative farms, professors from local agricultural colleges, researchers from Pushchino research institutes and officials from Serpukhov (the district capital), to agribusiness and agribusiness formation in a market economy. Yoo-Mi Lee's trip report on the workshop is attached as Appendix D and includes the workshop agenda and materials, a list of presenters and participants and responses to workshop evaluation forms.

## **PROJECT DEVELOPMENT**

Yoo-Mi Lee and Kirt Menon travelled to New Delhi, Pune and Bombay, India in December, 1993 to explore cooperative development and technical assistance and training opportunities in the state of Maharashtra. They met with USAID representatives from the Office of Technology Development & Enterprise in New Delhi, who were very supportive of TVG technical assistance and training but could not provide Mission funding for projects except through the Agricultural Commercialization and Enterprise (ACE) Project. Ms. Lee and Mr. Menon met with ACE project representatives at the Industrial Credit and Investment Corporation of India Limited (ICICI), implementors of the program, in Bombay and with representatives of the Maharashtra Industrial and Technical Consultancy Organization Limited (MITCON), local technical backstoppers for the ACE project, in Pune. After meeting with farmers, entrepreneurs, cooperative marketing organization members and representatives of cooperative training and development institutes, Ms. Lee and Mr. Menon have concluded that technical assistance and training is needed at the grassroots level in all areas of agribusiness and particularly in marketing, packaging, integrated pest management, food processing technology and standardization. TVG would like to explore the possibility of institutionalizing technical assistance and training at the grass roots level by conducting one or two seminars or technical assistance missions similar to ones that have been conducted under this cooperative agreement. Yoo-Mi Lee's trip report is attached as Appendix E.

Since Ms. Lee and Mr. Menon have returned from India, TVG has received a request for technical assistance with California strawberries from ICICI. We are in the process of identifying the exact nature of the request so that we may best meet their needs.

## **DEVELOPMENT OF CDO CAPABILITY**

Kirt Menon travelled to Washington, DC in October, 1993 to attend a financial reporting seminar organized by the Association of PVO Financial Managers. While there, he met with USAID officials in the Office of Financial Management, with whom he was able to discuss TVG's indirect cost rate and reimbursement issues.

## **FINANCE**

The financial report for fourth quarter 1993 is attached as Appendix F. A total of \$55,507 was spent on program costs during the quarter, of which \$1,742 was contributed as matching funds for this cooperative agreement.

## **UPCOMING ACTIVITIES**

### **WORKSHOP**

A workshop on labor management will be held in Voronezh, Russia in May, 1994.

### **TECHNICAL ASSISTANCE**

Three technical assistance missions are planned for Bulgaria, one in bakery management for a small cooperative and two in cooperative development to organize farmers in the Kjustendil area. Ed Thor will make final arrangements for the missions in February, 1994.

TVG will pursue technical assistance and training activities in India under this cooperative agreement and through the ACE project.

### **INTERNSHIP**

Two women from the Black Earth Farmers' Bank in Voronezh, Russia will take English examinations to determine whether they qualify to receive training in agricultural credit and leasing and mortgages at California financial institutions.

## **CDO COORDINATION**

Yoo-Mi Lee will travel to Washington, DC in February, 1994 to meet with senior officials in the Africa Bureau of USAID, along with members of the US Overseas Cooperative Development Council.

# APPENDIX

## A

## APPENDIX A

### TRAINING SCHEDULE FOR VICTOR ROSHCA, AGRARIAN STATE UNIVERSITY OF MOLDOVA August 15 to December 12, 1993

August 15 - 22

Orientation activities in Sacramento, Davis, San Francisco and Modesto, California.

August 22 - September 3

Short course at the University of California at Davis on the Scientific Concepts and Principles of Postharvest Biology and Technology.

September 7 - 15

Meetings with professors in various faculties at the University of California at Davis.

September 16 - 23

Visit and meet with University of California Cooperative Extension Farm Advisors for Yolo, Salinas, Hollister, Monterey and Stanislaus counties.

September 24 - October 1

Meetings with representatives of Tri Valley Growers International Development department and members of the California Energy Commission.

October 4 - 29

Training in breeding, pathology, biotechnology, stockseed, product marketing and farming at Petoseed's Woodland Research Center, Woodland, California.

November 1 - December 6

Work with Vasile Boumacov at Johnson Farm Machinery, Woodland, California on the design of a transplanter.

December 7 - 12

Follow-up work with faculty at the University of California at Davis.

**TRAINING SCHEDULE FOR VASILE BOUMACOV,  
AGRARIAN STATE UNIVERSITY OF MOLDOVA  
August 15 to December 12, 1993**

August 15 - 22

Orientation activities in Sacramento, Davis, San Francisco and Modesto, California.

August 22 - September 3

Short course at the University of California at Davis on the Scientific Concepts and Principles of Postharvest Biology and Technology.

September 7 - 15

Meetings with professors in various faculties at the University of California at Davis.

September 16 - 23

Visit and meet with University of California Cooperative Extension Farm Advisors for Yolo, Salinas, Hollister, Monterey and Stanislaus counties.

September 24 - October 1

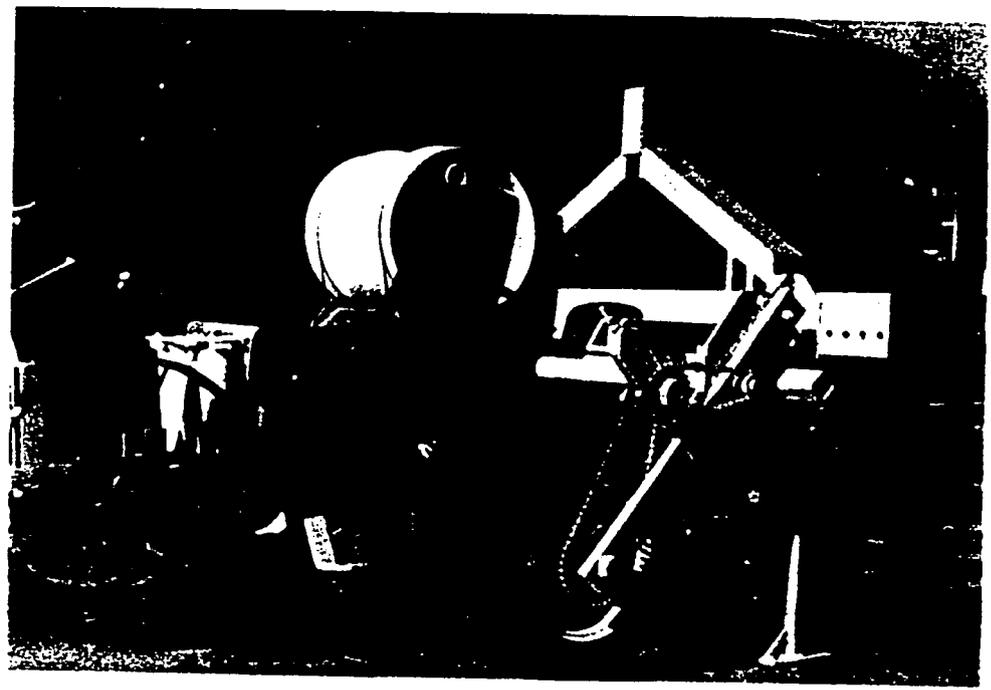
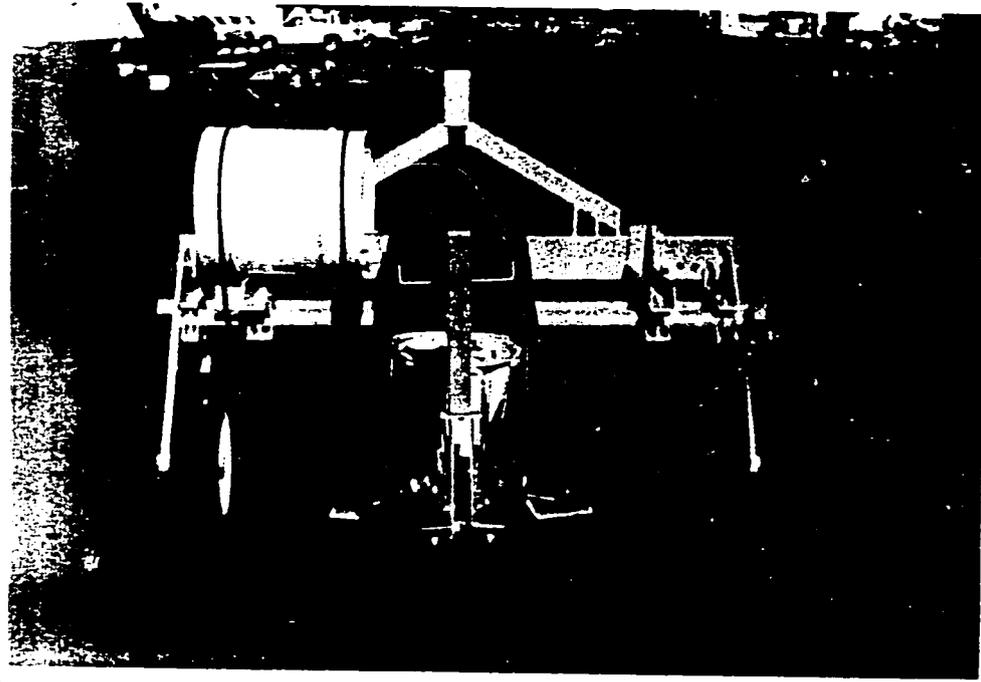
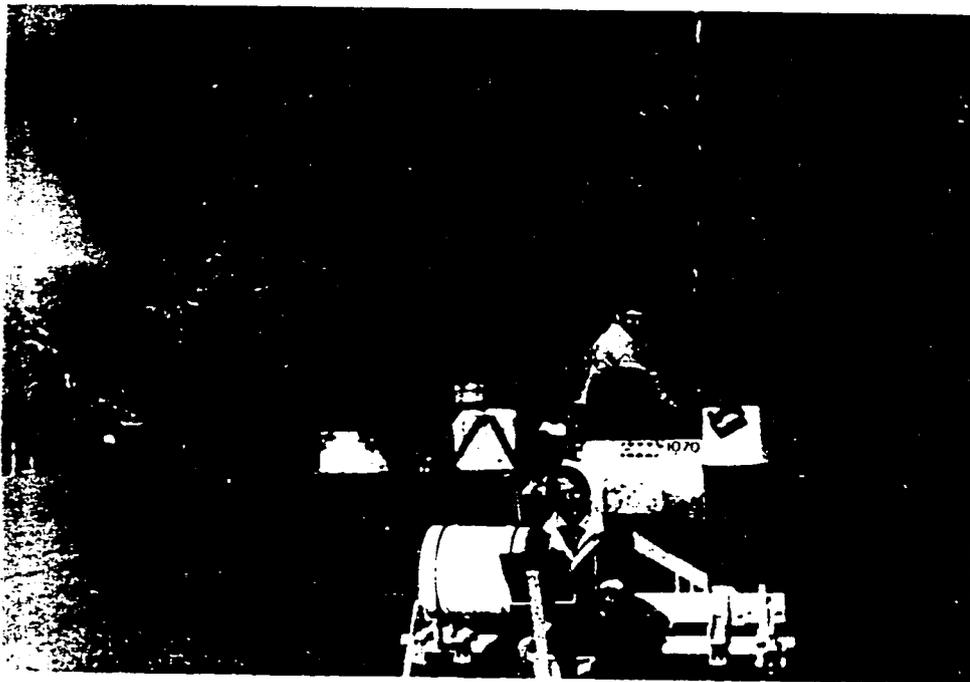
Meetings with representatives of Tri Valley Growers International Development department and members of the California Energy Commission.

October 12 - December 6

Training at Johnson Farm Machinery, Woodland, California on the design and construction of a transplanter.

December 7 - 12

Follow-up work with faculty at the University of California at Davis.



# APPENDIX

## B

**TRAINING PROGRAM EVALUATION  
VASILE BOUMACOV  
AGRICULTURAL STATE UNIVERSITY OF MOLDOVA**

The following questions deal with the Tri Valley Growers training program that was designed for you from August 15 to December 12, 1993. Please take the time to think through the questions before answering. Make your answers frank and honest, as your comments will be taken into account in planning future Tri Valley programs.

- 1) What was the most valuable activity you participated in during the program?

*Just the fact of different programs combination was the most valuable. Each program had its own valuable sight, and helped to built a more real opinion 'more wide'.*

- 2) Did you learn anything new that you will use when you get back to Moldova?

*SURE! Some aspects: of the Postharvest technology; the farmer's experience in planting and transplanting vegetables; management, teaching at the university and from usual life in USA.*

- 3) What predetermined goals do you feel you accomplished during your stay?

*Now I know more about US, US agriculture and machinery. I improved my English. I made a lot of friends, got to know about farmer's experience and problems. I managed to accomplish my slight idea to design, to built and to test at least a simple machine.*

- 4) What can Tri Valley do differently to make this program more successful?

*To choose participants and to make the program following a more or less concrete future goal.*

- 5) Overall, how do you rate your visit here?  
(1 = poor; 10 = excellent)

1   2   3   4   5   6   7   8   **9**   10

Please complete the following evaluation related to the different types of activities in which you participated.

Check the appropriate box to indicate:

- 1) poor, needs improvement;
- 2) good, met my needs;
- 3) excellent.

A) Cultural orientation in Sacramento, Davis, San Francisco and Modesto, California (August 15 - 22).

Poor                       Good                       Excellent

Comments:

B) Short Course at UC Davis: Scientific Concepts and Principles of Postharvest Biology and Technology (August 22 - September 3).

Poor                       Good                       Excellent

Comments: I would have been very glad to attend such course in *my* field.

C) Meetings with professors at UC Davis (September 7 - 15).

Poor                       \* Good                       Excellent

Comments: \* Good or maybe poor at Agricultural Engineering and excellent at the others.

D) Meetings and tours of University of California Cooperative Extension Farm Advisors (September 16 - 23).

Poor                       Good                       Excellent

Comments:

E) Meetings with California Energy Commission (September 24 - October 1).

Poor                       Good                       Excellent

Comments: Three meetings and 0 practical result.

F) Training at Johnson Farm Machinery, Woodland, California  
(October 12 - December 6).

Poor

Good

Excellent

Comments:

G) Follow-up at UC Davis (December 7 - 12).

Poor

Good

Excellent

Comments:

Other Comments: I must thank TVG for their courage to invite specialists from a practically unknown country managing to make the program successful.

I thank all of you for your help and support, for everything. I'm very much obliged personally to Leo Mi Lee and Russell Scheeline.

I wish TVG good business and all the best

Merry Christmas!!!

8.12.93

Sincerely Vasile Bumacov

*Vasile Bumacov*

**TRAINING PROGRAM EVALUATION  
 VICTOR ROSHCA  
 AGRICULTURAL STATE UNIVERSITY OF MOLDOVA**

The following questions deal with the Tri Valley Growers training program that was designed for you from August 15 to December 12, 1993. Please take the time to think through the questions before answering. Make your answers frank and honest, as your comments will be taken into account in planning future Tri Valley programs.

- 1) What was the most valuable activity you participated in during the program? *All the training program was useful for me, but the most valuable I can consider: training at Petoseed' Woodland Research Center and Johnson Farm Machinery. Also meetings with professors of UCD and extension specialists in Salinas. Modesto helped me to get some new knowlege in my working field.*
- 2) Did you learn anything new that you will use when you get back to Moldova? *I've got some new knowledge in breeding and vegetable seed-production, modern transplanting systems, teaching, farming. When I get back in Moldova I'll use the experience with I got in California and I'll do all my best to put in contact farmers and specialists from USA and Moldova for further collaboration.*
- 3) What predetermined goals do you feel you accomplished during your stay? *The Training program met all my needs.*
- 4) What can Tri Valley do differently to make this program more successful? *I consider this program very successful, but some suggestions can improve it:*
  - trained person should be informed about the terms, conditions and the main points of the program at least 1 month before;
  - for training program (in agric. field) should be choosed the best time (spring - summer);
  - trained person should be involved in practice processes to work for some time at a farm, to deliver some lectures to draw etc.
- 5) Overall, how do you rate your visit here? (1 = poor; 10 = excellent)

1    2    3    4    5    6    7    8    **9**    10

Please complete the following evaluation related to the different types of activities in which you participated.

Check the appropriate box to indicate:

- 1) poor, needs improvement;
- 2) good, met my needs;
- 3) excellent.

A) Cultural orientation in Sacramento, Davis, San Francisco and Modesto, California (August 15-22).

<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Poor	Good	Excellent

Comments:

B) Short Course at UC Davis: Scientific Concepts and Principles of Postharvest Biology and Technology (August 22-September 3).

<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Poor	Good	Excellent

Comments:

C) Meetings with professors at UC Davis (September 7-15).

<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Poor	Good	Excellent

Comments:

D) Meetings and tours of University of California Cooperative Extension Farm Advisors (September 16-23).

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Poor	Good	Excellent

Comments:

E) Meetings with California Energy Commission (September 24-October 1).

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poor	Good	Excellent

Comments:

F) Training at Petoseed Woodland Research Center, Woodland, California (October 4 - 29).

Poor

Good

Excellent

Comments:

G) Training at Johnson Farm Machinery, Woodland, California (November 1 - December 6).

Poor

Good

Excellent

Comments:

H) Follow-up at UC Davis (December 7 - 12).

Poor

Good

Excellent

Comments:

Other Comments:

I was pleased to have the opportunity to have known and worked with Tri Valley's specialists. I appreciate your interest in this program and your desire to help me during the training period. I want to express my deep gratitude to you for this unique possibility for training. I am very much obliged personally to Yoo-Mi Lee, Maurice Work - president of Sacramento Chinatown Sister City Program and Morita Cantwell - UC Davis for your great help and well made up schedule and training program. I wish to continued contact with you for the further collaboration

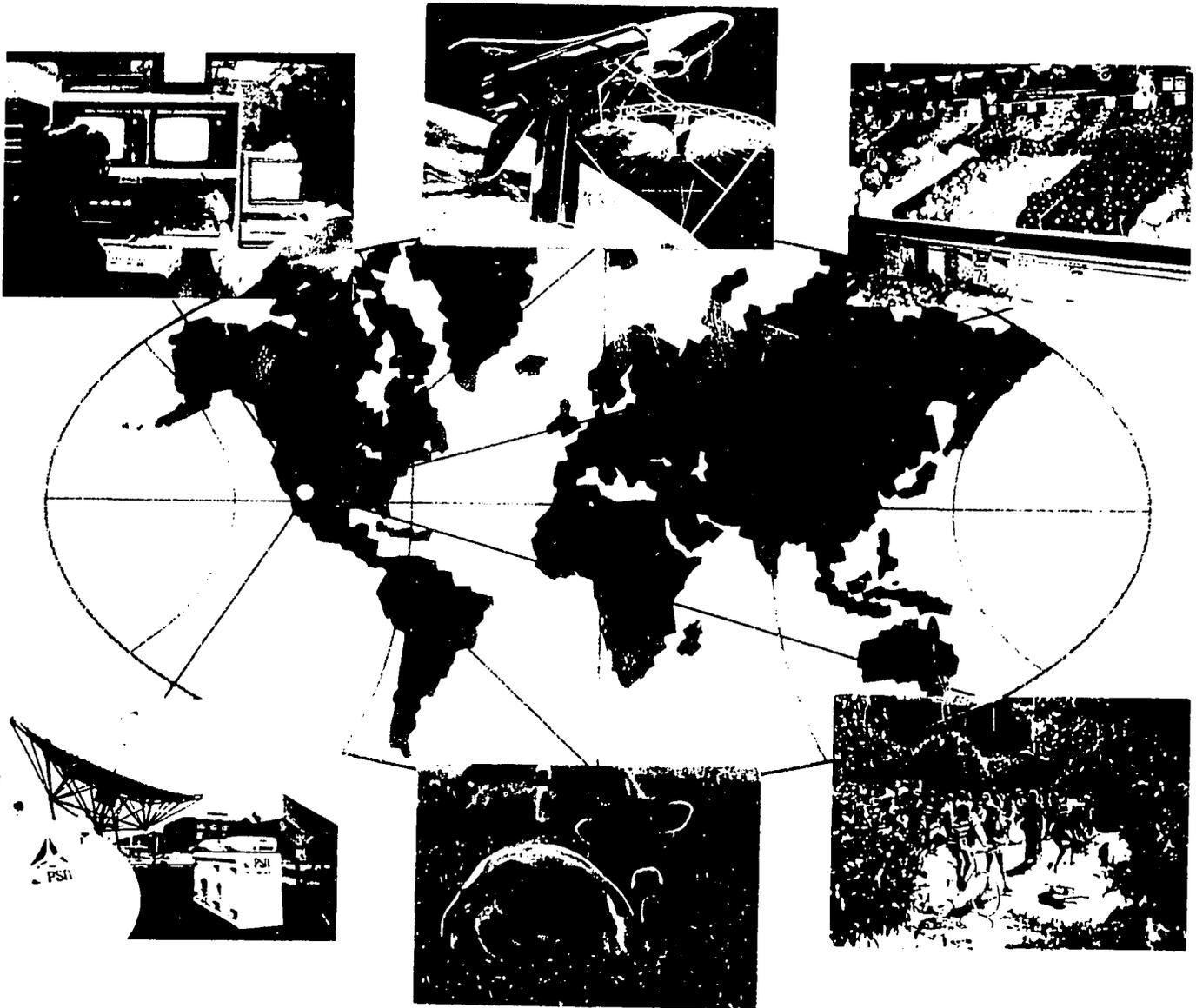
Sincerely,

*[Signature]* - Victor Roshea

# APPENDIX

## C

Workshop on the Role of the  
University Faculty and Students,  
and Entrepreneur Training in Russia



Dr. Eric P. Thor  
School of Agribusiness & Environmental Resources (SABER)

Arizona State University

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November 1997

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# **ARIZONA STATE UNIVERSITY**

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## **Voronezh Update: Private Farmers, University Faculty and Students, and Entrepreneur Training in Russia**

by

Dr. Eric P. Thor

### **1. DESCRIPTION OF ACTIVITIES**

#### **A. Summary**

This report summarizes my specialized and innovative mission to teach several technical training sessions in agribusiness management, finance and marketing areas. This training was sponsored by Tri-Valley Growers and the Black Earth Peoples' Bank (Regional Farmer Land Bank "Fermer Chernozemya"). This assignment was completed November 6th-17th, 1993. The trip was the second in a series focused on the Voronezh Region of Russia.

The technical training included teaching groups from several different organizations and entrepreneurial sectors. Additionally, I worked with the senior management of the Black Earth Private Farmers' Bank (BEFB) to develop a better understanding of agribusiness and agricultural credit, and the fledgling private banking system.

The sessions also used videos on a number of important subjects for the Russian farmers and entrepreneurs. These included:

- **The Integration of the financial, technical, commodity, manufacturing and consumer markets in greater Europe.** The video entitled "Our Europe" is produced by the EC Commission. This video sparked a lively debate on the future of Russia with the European Community. I had to pause many times for questions and comments after showing this video.

- **The future of the European markets for agricultural and industrial products and uses.** The video highlighted some of the changes expected after the policies and practices are implemented in the Europe Common Market. It briefly discusses Russia's future role. The video entitled "Beyond 1992" is also produced by the EC Commission.
- **An overview of the World Food Needs and Opportunities for the next Century.** A futuristic video outline of the technical, financial, and scientific changes expected in the world food markets. Russia's future was highlighted briefly in the global markets discussion. The video was entitled "The Food Equation" and is produced by U.S.D.A.
- **The Agricultural Marketing Challenges in the evolving European markets.** A video review of a country and region seizing a market and expanding its opportunities in Europe and the global marketplace. This film highlights the ability of a small group of highly dedicated individuals expanding the economic well-being of a nation. The video entitled "Holland...Its Flowers" by the EC Commission is a case study on how to focus on expanding and financing quality domestic and international markets.

These videos reemphasized the economic and financial points in my lectures. They were shown several times to both the bank and the general audience. All of the tapes were excellent and could be shown again. These tapes I also use in both my international trade and global finance classes at ASU.

Parallelling the videos, my lectures highlighted the following topics:

- Introduction to Agribusiness and Agricultural Systems
- Business Structure and Management Decision making
- World and U.S. Grain Marketing and Production Systems
- Global and U.S. Livestock and Production and Marketing Systems
- The Roles of Producer Owned Businesses (Cooperatives)
- Services in Agribusinesses
- Finance and Accounting In Agribusiness
- Use of Credit and Financial Analysis

- Food Marketing and Manufacturing in the U.S. and the World.

The lectures were well received. The university faculty and students appreciated the lectures. Without any warning, the students and faculty had a surprise party for me Friday night. They wanted to discuss basic economic and business principles far into the night. Similarly, the senior management hosted me for a special celebration.

This trip expanded the study, training and accomplishments of my assignment this summer in Voronezh. Also, it built upon the efforts of other FOF volunteers including Mr. Brian Wolfe at the Chernozemye Agro-Industrial Exchange. Additionally, this trip report updates my assessments of my June and July Trip to the same regions of Russia. During this trip I noticed considerable improvement in the operations and progress of the bank. Nonetheless, the region and its financial institutions' financial future are blurred by the hyper inflation in Russia. The BEFB bank is currently operating at a profit and has significant customer traffic.

The following report highlights the major objectives of my technical assistance mission. I would rate my program as an important success.

### **B. Technical Training: Focusing on the Challenging Financial Future**

The classes were well attended by approximately 100 individuals from the bank, the agricultural bankers in the region, the commodity trading community, faculty and graduate students from two key Universities including Voronezh University and the Agricultural University of Voronezh, and entrepreneurs.

The classes were given in English and Russian. The overheads were in Russian with a Russian economics and banking interpreter from the University outlining the major points. Approximately one half of the audience understood and spoke English well. The Lecture notes are published separately and a copy can be obtained from my office at a nominal cost.

The classes are based upon material and project materials from Arizona State University, Texas A & M, and material from courses in agribusiness finance, cooperatives, international trade that the author teaches. The author wishes to thank the following individuals for assistance and suggestions including Mr. Alexander Hristov, Mr. Brian Wolfe, Ms. Yoo-Mi Lee, Ms. Betsy Jacobs, and the team at TVG International.

Additionally on this trip, I worked closely with the BEFB senior management including a number of key individuals: Victor Sitnikov, President, Victor Cicilin, Vice President, Ms. Ludmila Komarova, Vice President, Ms. Nina Serofimovna Rubankova, the Chief Credit Official and Director of the bank's Credit Department, Alla Andreevna, Head of the Deposit Department, and Alla Vladimirovna, Head of the Software Department. Ludmila and Nina were formerly with the state-owned commercial banks in Voronezh.

Most recently, they were employed with the Voronezh National Bank, the fifth largest bank in Russia.

The women have excellent basic skills. They have over two decades experience in banking, but have not been trained in any major international credit issues nor Western banking matters. This is in large part because trade finance and foreign exchange are still not legal in this region nor bank. My program provided the bank and the credit department with the basic understanding of agricultural and agribusiness credit and its important function within a financial intermediary. Both women are speaking a little English and are being trained in English by the bank.

Several other of the bank's key employees are learning to speak English, including Ms. Alla Rylkova, Ms. Nina Robankova, Ms. Tatyany Puzakova, and Ms. Elena Episheva. The bank is paying for their English training. Ms. Anna Fedorova, an English speaking interpreter has been recently promoted to Economist and Interpreter. Mr. Vladimir Mandruikin, President of the insurance company, also is speaking some English.

This management team serves many related institutions including the insurance company and the several service companies being set up by the bank. Several individuals in the bank are planning to take the English test in December for possible training assignments in the U.S.

My major task involved technical assistance and training, consulting, teaching and interacting with these individuals. This BEFB team is now providing credit, gathering deposits and making short term loans to a wide variety of individuals and private farmers. I observed considerable customer traffic over the five banking days I was in the bank. The customers seemed to represent a wide cross section of farmers and other customers.

I also met many times with senior management of the bank. I discussed many topics including bank operations, project finance, the credit mechanism, and banking in a global agribusiness market. Since the concepts of western commercial credit are relatively unknown to many Russians, the banking and credit concepts were not understood easily. Most of the trainees and bank personnel had not had courses nor contact with Western financial teachers, analysts or bankers.

I reviewed in outline form the major points of finance, cooperatives and agribusiness for the bank officials. A copy of my Lecture Notes in Russian and English were given to the bank officials and to TVG separately. Most of my assistants will help them operate more effectively. Additional efforts are needed in this area.

Other regions of Russia also have fledgling Private Farmers' Banks. Like U.S. cooperatives and the farm credit system, these banks are owned in part by the farmers.

I was shown a list of approximately 20 other organizations that are private cooperative farmer groups and associated banks.

The BEFB bank has authorized capital of approximately 140 million rubles of which 75 million was contributed by private farmers. We met with two of the founders as they were depositing more of their required capital. They continued to be strongly supportive of the process even though it has had only three months of operations.

The rest of the capital had been contributed by the Association of Cooperatives, key management, and other commercial enterprises. Victor Sitnikov, President, said that he hoped to be able to lend over \$1 Billion rubles. The BEFB is supported and regulated by the Minister of Finance and Central Bank in Moscow. Separate statutes created these organizations serving private farmers. In part, due to this expected increase in capital, Victor continues to need advice in several areas of banking and insurance outlined below.

Mr. Victor Sitnikov, is also President of the Association of all Private Farmers' Banks in Russia. Furthermore, he is working to help privatize the banks and credit. This is very important for rural Russia.

I also spent additional training time with Mr. Vladimir Mandruikin, President of the Insurance Company discussing some of the financial options for the insurance company. Both the insurance company and bank operate in the same new complex of buildings and both serve private farmers and agribusinesses in the region. They have interlocking Directors and senior management. Mr. Sitnikov serves as President of both. It is clear that the insurance company is supporting some employee expenses of the total organization including the bank.

I worked closely with Ms. Rubankova and bank credit personnel to discuss and refine the credit issues and organization of the bank. I was generally impressed with their progress since my last visit. They have credit files up and operating on each borrower. Ms. Rubankova's team operates as an independent unit and does detailed analysis on each borrower. Most of the credit files I observed were for three months loans. She is extremely concerned regarding the lack of government payment of debts for grain to farmers. A separate marketing system does not yet exist in the region for grain. She reported that six to eight months past due were now the normal process. This has delayed repayment of loans by the farmers to the bank. On November 25th, the bank must repay a major loan to the Central bank and she is helping to arrange that currently.

The bank also has a vault and security system that is fully operational. Electronic systems were being installed during my visit, though I noticed little camera aided devices. I met several times with all members of the credit department, and trained and counselled them on various agribusiness and credit issues. They asked many questions

and I tried to answer all of them. Similarly, I provided them an updated overview of the credit and cooperative mechanism in the West-U.S. and BIS standards.

I worked more closely with the President of the bank, Victor Sitnikov on this visit. We continued to discuss the future of the bank and association, and to refine his strategic planning and objectives. He is a forward thinker, but continues to lack the full support of the Central Bank and Russian authorities to meet his organizational and financial objectives. This lack of support continues to have serious negative consequences for BEFB.

Further compounding the situation, his capital base is small compared to other banks in the area--145 million Rubles. This is of some concern to the regional regulators and the Soviet Central Bank. He reported meeting with two members of the World Bank team who were visiting the Voronezh Region to discuss upcoming projects and to seek support and operational relationships with this area.

I also worked with Ms. Ludmila Komarova, Vice President and top female Vice President of the bank. Her principal duties are to assist Victor in running the bank. She is effectively head of personnel, accounting and technical areas. She was trained in economics at the university and will be returning to the faculty this fall. Ms. Komarova, Ms. Rubankova and Mr. Sitnikov are working on refining the bank's goals, and expanding the charter from the Central Bank in Moscow. All three individuals will be important to the success of the bank.

### C. BEFB Regional Strengths and Background

The Black Earth Farmer's Bank (BEFB), the Black Earth Farmer's Insurance Company, and the Black Earth Farmer's Association are technically three separate organizations designed for slightly different purposes. These organizations are purported to serve the farmers and agribusiness leaders in the region. They are all located in a new building.

The new building is a significant improvement over the facilities they operated in the summer. The three organizations all share customers, some management, and directors. They work cooperatively with a number of organizations in the Voronezh region of Russia. The membership consists of private farmers and individuals from six interrelated regions including: Voronezh, Lipetsk, Tambov, Belgorod, Kursk, and Orel. Voronezh and Tambov are the largest towns. There is a total of approximately 10,000 members in the association currently with a much larger potential if the collective farms are truly redirected toward private farming. Total population in the region is over 1,000,000.

The Voronezh region is a rich black earth region which produces a wide variety of crop and livestock products. During the communist rule, this area was organized into large collective farms. Most of these still exist today.

Livestock operations are focused on the collective farms. Large poultry, dairy and hog operations are part of these organizations. Poultry is clearly the weakest of these segments. All of the private farmers reported that the state control of prices in dairy makes it an unprofitable venture for both the private and collective farms. Prices for the consumer are lower than the cost of production. Collective farms are subsidized to keep production from falling. The hog industry has a higher profit potential for private farmers since prices are not formally controlled. All products in this segment must be sold to state distribution companies.

The grain and row crops include fruits and vegetables, sugar beets, wheat and corn. Both grain and sugar processing are important for the economic base of the region. The Black Earth region produce yields are above average for Russia. By U.S. standards, they are approximately one half of our most productive areas.

Collective farms still provide the machine maintenance, and agricultural inputs such as seed and fertilizer for most private farms. To pay for these services, the private farmers must sell part of the their crop back to the collective operation for non- monetary credit.

Dollars and rubles are used as the medium of exchange. Since my previous trip this summer, the ruble has depreciated 20%, and the rate of hyper inflation has gone from over 100 percent to over 200 percent yearly. Another complication, major distortions in monetary and input transfers are being noticed. Furthermore, the oblast is raising taxes to "keep up with inflation", complicating the tasks of private bankers and farmers. Current interest rates being charged at the bank were 230-250 percent with deposits having rates slightly above 200 percent.

Land is largely non-irrigated and rainfall has varied from year to year. Nevertheless, most farmers and analysts feel that the region is one of the most productive in Russia. The rich black soil is considered the major strength of the area.

The Voronezh region has a population of approximately one million people who are diversified in manufacturing, food processing, and a number of other industries including electronics, aerospace, and a number of other state owned industries. Agribusiness still represents close to 40 percent of all activity in the town as beverages, meats, and other food products are packaged and processed for both the local and Moscow market. It is connected by truck, rail, and water to Poland, Moscow and other points south. Turkish and Near East products were observed in many of the markets and shops.

#### D. Computer Aided Decision Making

An area of increasing attention for the BEFB is information and computer aided decision making. Communication and telephone service remain major challenges. E-Mail is operating overseas and is the major means of communication.

Since my last trip, the bank has begun discussions with IBM and the other banks concerning establishing an electronic network and check, credit card processing. IBM and IBM compatible PC's are now operating in the bank for word processing and financial analysis. A separate information department has been created. This is a major improvement since this summer.

In the future, we might want to bring some software training programs to the bank for their use. If a copy of the Stanford Bank Game could be provided cheaply enough, it would be a useful addition to the training efforts in the future.

Ms. Sitnikov, wife of the President, is heading the training and discussions in that area. She was formally trained as a computer programmer and information specialist and teaches at the university.

The credit department has put all of its loans on the computer and begun the sound practices of monitoring loans and their terms and due dates. Each department has a PC. Only two printers were noticed in the bank. This is an area where a volunteer would be greatly appreciated and welcomed.

#### E. Concerns Remain

While there was considerable progress from summer 1993, there remain concerns for the future. Russian private farmers and agribusiness bankers must adapt quickly if they want to fully integrate into the global agribusiness financial community. They face several major hurdles. First, the bureaucracy overseeing agriculture, food processing, commodity sales, and the AG banking community is large. A recent assessment suggests that close to 3,000,000 bureaucrats watch over agriculture.<sup>1</sup> There are more bureaucrats than private farmers.

Second, there is considerable challenge in opening new businesses, restructuring and closing subsidies and inefficient operations in the region. Several people commented that the bureaucracy continues to function with considerable strength following the October dissolving of Parliament.

Third, there are no means for enforcing private contracts or payments. Studies have shown that legal guidelines need to be more fully implemented. Decisions by the bureaucracy cannot be challenged directly, nor is default by one person or organization controllable. Bankruptcy laws are dysfunctional.

A fourth major challenge for the Russian Agricultural Credit system is the "directed credit" system. Similar to the Communist directives, this mechanism still is functioning to some degree. Even though the agricultural banks including **Rosselkhozbank**, are commercial banks, the basic source of all loadable funds continues to be the Central Bank. The Central Bank sets the rate, terms and timing of loans and funds for banks

and key customers. The Central Bank also directs loans to individual customers and state enterprises.

Fifth, the agribusiness credit situation is subject to special subsidies as determined by the legislature. One of the primary consequences of this situation is that the amount of credit and the interest rate to agriculture and agribusiness are subsidized and controlled.

A sixth major challenge is the hyper inflation with very high interest rates. The rates have increased since summer and now are approximately 250 percent for loans. Deposits are 213 percent. The Ruble which is highly controlled has depreciated close to 20 percent in two months. This hyper inflation is due to the massive increase in money supply as a result of the high levels of state budgetary subsidies to agriculture and the agro-industrial complexes. In November, the interest rates have doubled since Summer 1993. The government subsidies for agriculture at 28 percent interest rates are still under discussion and may have been eliminated by the recent decrees. The bank is waiting for clarification.

A seventh challenge is the budget imbalance. As Russia's federal government attempts to reduce the budget massive deficit, they may decrease subsidized credits to farmers and agriculture. Hopefully as a result, interest rates will decline in both real and nominal terms adjusted for inflation.

Credit restrictions and conditions in late 1993 are continuing to create a liquidity problem for many state and collective farms as well as private farmers. One interesting reformation is that the Oblast and regional government are functioning more independently. Currently, there is little direction from Moscow in the financial area.

Privatization results have been mixed. Several of the state owned and run enterprises have been allowed to close including several state beet sugar plants. Other plants make minimal payments to workers, but do not produce products. Workers are furloughed with pay. Prices in others are distorted.

As Russians prepare for the 1994 crop season, many state and collective farms cannot obtain the amount of credit deemed necessary to plant the crops and get inputs such as fertilizer and seed to sustain production levels.

The bank and association must continue to work with these obstacles. The most serious problem facing the bank clearly is the lack of payment by the Government for grain sales to the farmers. This limits repayment by borrowers to the bank.

Some limited progress has been made for BEFB to work with the other banks in the region. This is an area where future strides need to be made.

Complicating BEFB's future, the other Russian banks serving agriculture have many tasks to carry out for the state. This impacts the all private farmers. For example, **Rosselkhozbank**, the country's principal state agricultural bank, also must administer and process the fertilizer subsidies. This involves considerable documentation and payment. This means that the bank must carry out both agricultural policy objectives and agricultural credit decisions. This is a "double jeopardy" for the BEFB credit committee and bank management.

For Victor and BEFB, these trends cause serious cash flow, loan quality and earnings problems. Nevertheless, the producer food store project has already paid off its three month loan in only one month. Clearly the bank is being helped by its partners.

Nonetheless, as Russian farmers and agribusiness banks participate more completely with the global financial community, they need to understand international financial mechanisms more fully. Agribusiness models Russians have adopted in countries such as in Israel, Sweden and Norway, may add insight to the various credit and mechanisms being re-introduced into this diverse country.

#### **F. Future Issues for Private Farmers' Associations**

The private farmers' associations are facing a future where leadership is needed to focus on solving some of the challenges. Mr. Sitnikov feels he needs to have more input and contact on the future of banking from the West. He has particular interested in the American and Swedish systems of banking, computers, and agribusinesses. He is specifically interested in several products and studies and volunteers in the following areas including:

- **Bank and Regional Computer Operations** - The computer systems and efficient functioning of a financial institution is something badly needed. The personnel of the bank are very interested in that concept. The fully functioning of the computers and networks would add considerable strength and productivity to the bank. Furthermore, it could aid the SERIOUS lack of a good telecommunications system. In contrast to most banks in Russia, BEFB has a small staff which is highly motivated. Russian banks tend to have many layers of bureaucracy.

In most banks, this structure is costly and slow to make decisions. Victor was meeting with a group of computer manufacturers from Germany, the U.S. and Japan who want to sell them systems. They met with IBM in Moscow and were very impressed with the possibilities. They have adopted an IBM standard and each department has a fully functional unit. They are PS1's with 3.5 inch floppy and hard drives. This is an area where further progress can be made. We should continue to help them explore options and urge IBM to expand their coverage in this region.

E-Mail is functioning in the region and the bank will be adding it shortly. Representative visits from IBM and other American firms should continue to be encouraged by TVG and others. I will plan to contact IBM and Motorola again upon my return to the states.

- Producer Food Store Distribution and Operations - The BEFB team feels that a system to help market the private farmers' products outside the state system would be the most important project that they could complete. They recently completed a demonstration project which was highly successful. They would be interested in a volunteer to assist in this area IF financing could be forthcoming.
- Franchising - The BEFB team is interested in helping to franchise different products and concepts. For example, a convenience store concept would be of interest to them. I followed up with Stop and Shop on BEFB's behalf.
- Mortgages - Once mortgages for land become legal, this is an area of great interest for the bank. The mortgage system is the final stages of approval supposedly in Moscow. This is also an area where volunteers will be needed.
- Insurance - Victor is interested in the international insurance products including property, casualty, crop and life insurance. Someone from the American Farm Bureau's insurance section would be ideal for a volunteer in this area. This area is fully operational and providing good business opportunities for the family of companies. They have moved into new offices since my last visit.
- Credit Cards - Victor's bank is ideally suited to issue credit cards in Voronezh and the surrounding area. Potentially there are over 300,000 persons in this area who could probably carry credit cards based upon credit assessments. Victor has continued discussions with a number of issuers such as VISA, MASTERCARD, but currently these cards are not legal in the region.
- Letters of Credit, Foreign Exchange, and Export Financing Rapidly increasing trades with Ukraine, Turkey, India, etc. are now based only in cash for the local businesses and consumers. Most Russian businesses do not have the capital nor expertise to participate in these markets and therefore are not able to help this trade nor take advantage of these business opportunities. This is a serious problem for the region's balance of payments and foreign exchange earnings. The students, faculty and bank staff were very interested in the Common Market Concept. One of

the longest discussions we had was concerning the lack of convertibility of the Ruble by certain members of the CIS.

- Project Finance - As major infrastructure, housing, water and telecommunication projects are developed for the rural areas, this bank is ideally located to assist in these efforts. Mortgages for rural homes and farms are an area which BEFB feels they would like to explore. A new area of consideration is the barge business with Ukraine. This might be an area where considerable interest would be focused by the World Bank.
- Leasing - Victor particularly remains interested in the concept of leasing. He would like to lease tractors, automobiles and other capital goods to the farmers and other individuals. An auction of cars this weekend suggested that the population has money to place as a down payment, but may not have the cash for the whole car, tractor or farm implements. We visited with GM's Russian group during our visit and they were potentially interested in assisting the bank and area become more familiar with American products and leasing arrangements. In the future, he might be interested in having a volunteer who would help set up leasing arrangements for machinery, tractors and autos to work at the bank.

As of November 1993, the bank personnel have successfully received a bank charter. They accomplished this in August. Their bank charter is limited to the region and still does not include trade finance and other electronic oriented products.

## 2. MAJOR RECOMMENDATIONS

My major recommendations to the bank are:

- Additional volunteers of the FOF program need to continue to expand the understanding of the computer systems, credit mechanisms and private business in the bank, cooperatives and private farmers in the region. This includes computerization of the bank. Since the summer they have made great progress, but more is needed in the food retailing, leasing and computer areas.**

The concept of a loan or credit versus a "grant" from a bank is not yet fully understood by all staff. This understanding is complicated by the hyper inflation in excess of 200 percent which currently exists in Russia and the influence of the Central Bank. In most "state-run" banks, the credit system is a means of control over the institutions and individuals rather than an input to production, processing or distribution. Few projects will be successful or "pencil out" at these rates.

Conditions have improved slightly for private farmers and food industry in the past twenty four months. Lack of payment is the most serious problem. Most individuals are more optimistic compared to this summer. Many though expressed concerns about the upcoming elections.

Nonetheless, in Voronezh, few farmers and citizens want to go back to the old system. Less than 20 people demonstrated to return to the old communist system during the recent uprisings in Moscow. There were few supporters of the Parliament. Several hundred reported demonstrated support for Yelstin. Many reported the LACK of interest by most Voronezh citizens. Private cooperative and business skills are very actively being sought by many individuals.

There were two new shops open since my last visit. This is an improvement since there were only two Western style Cafes approved on the main street. Both are very crowded and patrons must wait in long lines to get in. Prices are high by Russian standards, but clearly a cafe of choice for the towns people. Recreation options are few. Santa Barbara TV Show (An U.S. Soap Opera) is watched by many Voronezh people. Business competition is controlled carefully. Monopoly is still the major way of doing business. The Kiosks have Western products including cigarettes, MARS candy and liquor. The shops showed considerable traffic and seemed to be full during business hours. Additional private business licenses could take over two years or never be granted.

Also much of the premium or imported products are sold through street vendors and Kiosks. Rumors are they are controlled by key individuals. American food product firms should consider selling through these channels if economic trades can be arranged. Dollars are abundant. One joint venture in the region is rumored to have found an investor with \$3,000,000 dollars to invest. It is in the final stages of closing and getting permission from the local authorities.

**b. Over the next several months, the bank program should consider taking a number of steps to expand their training and understanding of the banking and credit departments.** As recommended before, one possible approach is to invite either Nina Serofimovna Rubankova, Alla Rylova, Ms. Komarova, Victor Sitnikov, Mr. Vladimir Mandruikin or others to participate in bank and agribusiness training in the U.S. This would allow them to see Western credit departments and how they function. ASU has made a proposal to A.I.D. to implement this program. Such a course could be taught in Russian and English.

Another possibility is the Cochran program. At ASU we have the Global Fellows program which could provide an agribusiness banking mentor and internship in the U.S. It would be funded by the Cochran Program, A.I.D. or U.S.I.A. Total cost per participant would be about \$5000.00 for five weeks. Additionally, we are

considering training in Russian with the government sponsorship. This would include all costs.

c. **The bank needs to continue to focus the Credit Committee.** The purpose of this committee is to review loan requests and credit files and documents to help with the credit granting process. I recommended that the President, Director of Credit Department, Director of Deposits, and one member for each of the proposed six branches be included.

d. **Additional work should be done with the bank personnel to develop a consistent set of forms and procedures for the bank.** This is similar to my recommendation this summer. They have made progress, but one department had developed a procedures manual which was known to all employees. To meet this need, the U.S. Federal Reserve, several private and cooperative U.S. banks, a few universities, and other organizations should run a series of training classes for international agribusiness clients and banks. The bank is particularly interested in a new computer system. The BEFB has made important progress since my last trip.

e. **Assist the bank personnel to understand several products and studies including:**

- **Producer Stores and Sales Services** - One area that did not receive much attention is the limited test of marketing directly to the consumer products from the local farmers. These are similar to the COOP Stores in the U.S. upper midwest. These can also be expanded to handle institutional and larger transactions. This would build on work previously on commodity exchanges. For example, the work done on the Chernozemye Agro-Industrial (Commodity) Exchange needs to be enhanced and expanded. It is clear that there are four major problems in the commodity exchange area including (1) legal title, (2) high taxation, (3) relaxation of export restrictions, and (4) default and delivery mechanisms. While each of these is significant, there is a need for additional marketing channels outside the government procurement system. Without this mechanism, neither farmers nor bakers can get grain at reasonable prices in a timely manner. The most consistent complaint I heard was that the government was not paying in a timely manner for goods produced in the 1993 season. Furthermore, they have no alternatives at present.
- **Franchising** - Franchising is an area where there is some interest in the West. I discussed with Victor at great length a convenient store concept to compete with the Kiosks. It was interesting to see the

Russians even late at night buying products when the temperature was below zero. The Kiosk next to the Hotel was always busy.

- Insurance - The Bank is making great progress in this area. The President is interested in the international insurance products including property, casualty, crop and life insurance. Someone from the American Farm Bureau's insurance section would be ideal for a volunteer in this area. TVG should consider if a volunteer would be feasible possibly for the TVG Equipment management area.
- Credit Cards -The bank is ideally suited to issue credit cards in Voronezh and the surrounding area. The electronic systems are not yet up to implementing this immediately, but the potential is great. This could provide both foreign exchange and badly needed earnings. Potentially there are over 300,000 persons in this area who could probably carry credit cards. I spent time helping them to understand the risks of the card.
- Auction and Appraisal Services - The bank and its experts could be the beginnings of an appraisal and auction company to help sell goods to the town and the greater community. Several "foreign" companies were participating in auctions of clothes, autos, livestock, and household items. This could be an area where the bank could charge fees. With over 1,000,000 people in the region, this would be an area where revenues could be earned for the bank.
- Leasing - The Bank President is particularly interested in the concept of leasing. This seems like an idea which could be profitable, if it could be legally accomplished. Also the insurance company might be able to start this program with full bank status. The bank should lease tractors, automobiles and other capital goods to the farmers and other individuals in the six regions he hopes to do business in. An auction of cars the last weekend in June suggests that the population has money to place as a down payment, but may not have the cash for the whole car. Six cars were reportedly sold for between \$30,000 and \$40,000, a tremendous sum for Russians today. Mr. Sitnikov would be interested in having a volunteer who would help set up leasing arrangements for the bank. TVG should consider if a volunteer in this area would make sense.
- Letters of Credit, Foreign Exchange, and Export Financing - Everywhere in Voronezh, open markets are selling products from many countries including the U.S. Rapidly increasing trades with

Poland, Turkey, India, Ukraine, etc are now based only in dollars (cash). Most Russians do not have the capital to participate fully in these markets. The shortage of cash means that they are not able to help this trade nor take business advantage of it. This is a serious problem for the region's balance of payments. An "open market" specialist as a volunteer might make sense.

- The bank needs to continue to look carefully at new business and not be lending money and doing credit assessments based upon "personal relationships" of the owners. This is of highest priority.

f. **Assist the bank set up an Outside Credit Advisory Group including individuals from the U.S.** Since this bank is private, it is not getting the correspondent services nor intelligence from other banks in the area. In fact, the other public banks are trying to block the bank's application for fear of competition.

One fear is that these local banks will conspire to "dump" weak credits into this bank. This would cause serious problems and may cause this bank to fail. With interest rates in excess of 100 percent, the chances of weak credits causing serious problems are greatly increased in this region. They need to set up correspondent relationships and an advisory committee as soon as possible.

### 3. CHALLENGES

a. Little modern training facilities are available. With the bank training done on the 10th floor in an unheated room, the conditions left much to be desired. Nevertheless, the bank personnel and I were able to accomplish much during my relatively brief stay. I suggest that TVG buy a video TV system to aid with training and check out videos to interested parties.

b. The living conditions and hotel location were good. The hotel had spacious rooms. It was in a quiet area of town. My suite of three rooms was large with good lighting, overlooking a square near the center of town. It was cleaned daily, and had no pest problems like in some developing countries I have visited. The Police Station was across the street, so no problems or concerns regarding safety were encountered. Water quality is a problem with sediment and coloration a concern.

In the past this has been problem. The hotel was lacking many modern conveniences, but my room had a telephone line which could be called directly from the U.S.

#### 4. ADDITIONAL CONSIDERATIONS

My additional considerations include:

a. **The bank needs to continue to help the farmers and the private bankers to understand the role of credit, insurance and agribusiness with farmers and agribusiness leaders. See recommendations above. This includes revolving food retailing, franchising, specialized credits, project finance, and export financing. Future cross currency and export credit mechanisms will be important to this bank in the future. Currently, the bank personnel have little understanding of the issues.**

This includes expanding the understanding of the "Credit Mechanism" in the Bank. The concept of credit versus a grant from a bank is not yet fully understood by all parties. This is principally because the concept of a bank under the communist government is quite different.

In most "state-run" banks, the credit was a method to control the organizations, not provide working capital. As privatization occurs this provides major challenges. In the past, the credit amount available was determined by other factors rather than repayment ability. Over the next several months, TVG should take a number of steps to expand the understanding of the credit department and its role in a private agricultural bank.

b. **Key bank personnel should receive technical training in the U.S. under an established training program to see bank departments and how they function. The Federal Reserve, CoBank and other organizations run a series of training classes for international clients.**

c. **Work with the bank to develop an operating and procedures manual which will support credits, and new products. This would include assistance to set up credit files with the regulatory and supervisory group in Moscow to review the kind of information which is needed in every credit file. They need to set up existing files on customers according to the needs of the bank's credit committee and supervising authority. As of November 1993, they are doing credit assessments based upon "personal relationships" of the owners and the Chairman Victor Ivanovich Sitnikov. Currently, no rules nor documentation of lending rules exist within the bank.**

d. **As I recommended before, set up a News Letter in Russian for Agribusiness and Agricultural Credit ideas, prices, and other information for the bank to help farmers understand the market place. An editor with an agribusiness and agriculture background would be most helpful. Like the Doing**

Business in Central Russia<sup>1</sup> book does for business, private farmers and agribusiness persons need better information. A bi-weekly or monthly newsletter could help.

A simple price comparison of wheat, vegetable prices, etc. and market anticipations would be most useful. AMS and ERS of USDA print one for the U.S. which might be useful. Additionally, ASU issues one for the Arizona's Agribusiness Community which is highly regarded and would help with information and format. A mailing list of private agribusiness leaders and farmers could be maintained by the bank. Even a simple review or lectures of basic principles written by volunteers would help with the "information desert" which exists for farmers, business persons and individuals in the region.

**e. Focus more energy to "multiply efforts" of FOF program with other U.S. approaches including U.S.D.A. training, AMS, ERS, and Forest Service Programs.** This could include efforts of A.I.D., USIA, and FAS. For example, USDA Cochran program might want to take some people from this region. In another area, ASU's Women-in-Development program could be expanded into this region to assist the bank personnel (all women) to help their training and development. Ms. Nina Serofimovna and Ms. Ludmila Komarova could benefit from specialized training in this area in the U.S. Both will be leaders in this bank and region for some time to come. We would be happy to work with TVG or others in this area. This would be an excellent area for other U.S. government efforts.

**f. Continue to electronically link up banks and business through Tri-Valley with past volunteers after the volunteers return to the U.S.** Most of the volunteers are linked to INTERNET or BITNET. The universities could help make sure that all persons in California and Arizona are on this system. This would allow for the participating companies to receive advice for sometime to come. Additionally, past volunteers could help them with problems as they arise. For example, once the bank starts operations, the need for advice will be very great. Again, I will look forward to working with you if this makes sense.

**g. Environmental Resource Management Training - Make an environmental sensitive assessment of agribusiness and environmental resources in the area.** The area was once a "pine forest and plain" which Peter the Great had cut down to help the Navy. Environmental challenges exist for the businesses in Voronezh. A joint project to assess the environmental management challenges in the area would be welcomed. The BEFB is located next to the Environmental Quality Agency for the state and may welcome a volunteer to highlight the environmental management challenges and opportunities of agribusiness.

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<sup>1</sup> Doing Business in Central Russia, Voronezh University Press, 1992

**h. Women in Leadership Training** - The BEFB is an ideal organization to receive training for women in leadership roles. All of the workers are women. Ms. Komarova and Ms. Rubankova are ideal candidates to assist the organization and the region in focusing on the challenges in management. The "mini-skirt" mentality needs to be refocused in Voronezh. The President must be delicately approached. Many organizations and universities including ASU are well equipped to assist in this training and technical assistance.

- 1 . From Nyet to Da, Yale Richmond, page 71, 1992.

# APPENDIX

## D



**TRIP REPORT  
Western Russia  
November 4-17, 1993  
Yoo-Mi Lee**

This report provides information on a workshop held in Pushchino, Russia from November 12-15, 1993. I travelled to Moscow a week before the workshop to make final preparations and to brief Elizabeth Smith and Christine Grzesiak, presenters from the Moscow office of Concord, a Colorado-based private company engaged in business activities throughout Russia. Kirt Menon, Finance Manager, Tri Valley Growers (TVG) International Development Department, and primary presenter, joined me in Pushchino on November 11. The original agenda for the workshop and workshop materials, a list of the presenters, a list of participants, workshop evaluation responses and a trip itinerary are included in this report.

## **WORKSHOP**

The workshop, "What is an Agribusiness?", was held in cooperation with the Town Council of Pushchino, the newly formed Agricollege, and the Russian Academy of Sciences Institute of Biochemistry and Physiology of Microorganisms. It was designed to introduce the newly-emerging entrepreneurial sector in the region to agribusiness and agribusiness formation in a market economy.

Approximately 30 people participated in the workshop, including: heads of newly-formed private companies, senior managers of former state and cooperative farms, professors from local agricultural colleges, researchers from Pushchino research institutes and officials from Serpukhov, the raion (district) capital. Their interests ranged from the organization of small and large farms to marketing and sales. Of particular interest was human resource planning, labor management and personnel policies. These personnel issues were covered in a presentation by Elizabeth Smith, Office Manager for Concord's Moscow office, whose staff has grown from six people to 23 over the last year. Christine Grzesiak, a lawyer with Concord, gave a presentation on legal forms of enterprises in Russia. Kirt Menon covered most of the other topics on the agenda. (The agenda and workshop materials are attached as Appendix A.) I moderated and facilitated the workshop, led case study discussions and answered questions brought up by the participants. (A list of presenters, along with a short biography, is attached as Appendix B.) Betsy Jacobs, TVG Farmer-to-Farmer Project Manager, Voronezh and Pushchino, and Paula Colozzi, TVG Food Systems Restructuring Project Field Director, Moscow, participated for parts of the workshop. USAID/Moscow staff were unable to attend due to scheduling conflicts.

Every effort was made to encourage participation and stimulate discussion, including limiting the number of participants. (A list of participants is attached as Appendix C.) Certain issues brought up by the participants and the ensuing lively discussions led us to change the original agenda to accommodate three case studies in the last two days of the workshop. Three participants were selected to present their problems to the group and we, as a group, attempted to advise them. By highlighting existing local problems and offering workable market solutions within the constraints of current Russian conditions, we were able to illustrate strategic and business planning methods that are crucial to agribusiness formation. These cases allowed us to discuss workshop topics in context and gave the participants an opportunity to use the information they had been given. The cases are summarized below.

### **Ecofarm**

Presented by: Anatoly G. Tchigaleytschik, Deputy Director, Science and  
Oleg P. Gorbunov, Director

The founders of this private company are former research scientists who are trying to commercialize a biological preparation for plant protection that is a substitute for chemical pesticides. This preparation can be used in open or closed ground, and for grains and vegetables. Use of this product would alleviate the problems of pesticide residue in food products and soil that result from the use of chemical pesticides. Their competitors are the large US, Western European and Japanese manufacturers of chemical pesticides.

The product is a bacterial solution made with cheap technology. The application technology is the same as for chemical pesticides. In concentrate form, the preparation lasts for about a month under refrigeration. It is easily portable.

Test results against a control area treated with chemical pesticides have shown that the use of this biological preparation increases crop yield and quality (increased protein levels in grains) by 50 to 150%.

The cost per hectare for chemical pesticides is approximately \$12-15. Ecofarm has priced their preparation at \$1 per hectare prepayment, and \$5-10 post payment. The post payment varies with region (central vs. southern Russia) and is tied to increased yields. If the farmers experience the yield increases, they are to pay the post payment.

Stated Problem: How to collect payment. They have difficulty collecting even the \$1/hectare prepayment. This year, farmers have sold grain to the government, but have not received any payment. Also, many farmers will not give true yield results after the crops have been

gathered because they do not want to pay the post payment. In some cases, Ecofarm has given the preparation to farmers on credit. They are not able to make a profit even if they can collect the prepayment because the entire \$1/hectare they receive goes to cover costs. Their costs are broken down as follows:

25% Packaging  
15% Data collection at local institutes  
20% Basic Research  
20% Tests for certification  
10% Bribes  
10% Production  
100%

Also, up until recently, payment has been in wheat, instead of cash because of inflation. With the recent increase in fuel prices, it costs twice the value of the wheat to transport it to market, particularly from the southern areas. The wheat had been used by the local government for animal feed, and Ecofarm got final payment in meat or meat products. Meat is of high value on the market. Ecofarm is trying to devise a way of organizing a meat processing facility to turn their proceeds into cash and to add value to their meat products..

**Real Problem:** Entire marketing strategy, including pricing. If indeed this product is 1) better (increases crop yield and nutritional value), 2) cheaper and 3) ecologically pure, why is the world not beating a path to their door? At the moment, Ecofarm is targeting large former state and collective farms that cannot pay for the higher-priced chemical fertilizers. They have given samples for testing to farmers and agronomists without having any control over testing methods. (In one case, they were locked out of the greenhouses in which tests were being conducted.) They have given demonstrations to research scientists and agronomists, not the farmers themselves.

**Potential Target Markets:** Suggestions from the group included: targeting smaller farmers with appropriately-packaged product; associations of small farmers, who could then advertise the product to their members; and large farms that have the money to pay for chemical pesticides.

Ecofarm has worked with greenhouses and would like to target kitchen gardens, but does not have the money to

package their product in such small packages.

It was also suggested that Ecofarm do field trails and perform extension services to educate the farmers.

- Production and Distribution:** It was suggested that Ecofarm explore tie-ins with producers and distributors of chemical pesticides. With the world emphasis on organic and sustainable farming growing, manufacturers of conventional pesticides will need to look to alternatives. These companies may be willing to test and license the product for initial distribution in more developed countries where organic products continue to command high prices. (In Russia, a carrot is a carrot.)
- Pricing:** Ecofarm's current pricing policy does not encourage full payment for the product. Rather than having a pre and post payment, a single price should be charged that is closer to the cost of chemical pesticides. Ecofarm could then work on incentives and other promotions to encourage trial.
- Product:** It is unclear that the product can do what Ecofarm claims. We saw no evidence of independent testing, and one of the participants in the workshop claimed that she had tested the product and not seen the stated results.

## **Farmaplant**

**Presented by:** Natalia V. Popkova, Director, Rezonans-Farma

Farmaplant put on a very impressive presentation, including a market study, product display and taste-testing. Farmaplant is in the business of producing products for diabetics. In the past, they manufactured fructose from turpinambur (jerusalem artichoke), but energy costs have made it unprofitable. They would now like to produce canned and other processed turpinambur products for the 200,000 diabetics in Moscow. (There are 2 million diabetics in Russia.) We were given a presentation of why fructose was better than glucose for diabetics.

Farmaplant has contracted with farmers to grow the plant in exchange for animal feed. The roots will be used in the process, the tops are used for animal feed. They need a small, simple canning facility to start processing. They have contacts with the diabetics committee at the Ministry of Health. They think that they can get contracts

to supply product to hospitals and schools. They have most of the canning process down, but need some help with preservation and sterilization. They are looking into ways to sterilize the product without losing vitamins in the process. The finished product will look a little like baby food.

**Problem:** Financing and Investment. As a small, private company, Farmaplant is having difficulty obtaining financing. They do not want to work with government agencies or banks because they will get embroiled in bureaucracy. Interest rates are currently 260%. Last year, they took some credits at 23% to buy seeds. They did their best to get that paid off as soon as possible. The day after they paid back the credits, the rates went up to 120%.

In order for Farmaplant to get funding through a Moscow bank, they are required to produce a letter from a consulting firm that has reviewed their proposed plans. Farmaplant asked if TVG could write them such a letter. They know that in order to apply for grants for loans from western donor organizations, they will need to put together a business plan. They feel that the plan they have now is not adequate. They have asked for technical assistance through the FTF program for help in putting together a business plan. We suggested that they look at funding assistance through monetized US humanitarian aid and through international health organizations and look into working with manufacturers of complementary products.

### **Zaoksky Closed Joint Stock Company**

Presented by: Vladimir S. Kutchin, Chief Economist

The situation faced by Zaoksky farm is typical of that faced by all the former state and collective farms in Russia. Zaoksky was started as a state farm in March, 1960. It is the largest farm for vegetables in the Moscow region. It comprises 15 villages (the largest of which is Lipitz) with 2,500 people. 1,400 people are employed full-time. In 1992, it was converted into a joint stock company, losing 1,000 of their 7,000 hectares of land (which was allotted to private farms and garden plots). The following table illustrates what has happened as government funding was cut and cost of production increased (Zaoksky received no government assistance in 1993):

	<u>Last Year</u>	<u>This Year</u>	<u>Next Year</u>
Vegetables	730 ha. 40,000 tons	520 ha. 20,000 tons	600 ha.
Cattle	5,500 head (3,000 cows)	4,500 head (1,800 cows)	1,500 head (300 cows)
Milk	11,000 tons	5,000 tons	
Pigs		250 head	

In 1989, the average cost of cultivating one *centner* (100 kg.) of produce was 5.4 rubles. In 1990, the cost increased to 6.83. In 1991, the cost doubled to 14.32. In 1992, costs increased fifteen fold to 215, and in 1993, reached 5,000 rubles per *centner*. Distribution costs, which used to be about 20-30% of production costs are now 60-70%. Wholesale prices for produce, however, have not gone up at the same rate.

Statistics were presented on the profitability of all the farm's products. As costs and market conditions change, cost analysis is done on a monthly basis to determine profitability; and plantings are done accordingly. Under the command system, Zaoksky had to produce up to 1,000 tons of radishes, even though they had losses on the crop. This year, they only produced 30 tons. Zaoksky experiences an average profit of 232% on vegetables, whose prices are not controlled. Production is being shifted to vegetables that require the least amount of labor. (There is practically no mechanization on the farm.) Cabbages are the most profitable, and take up half the vegetable hectareage. Milk, on the other hand, is unprofitable. Milk prices are dictated by the local dairy, which has a monopoly in the region. Zaoksky currently experiences losses of 24% in milk production. The Chief Economist admits that Zaoksky's cost of milk production is high, however, none of the farms in the region are making any profit on milk. From a purely financial point of view, they would cut out all milk production, but they continue to produce milk for 3 reasons: 1) to keep their employees, 2) for humanitarian reasons - no one will produce milk if they don't, and 3) the hope of some intervention by the government (in the form of subsidies).

This year, Zaoksky started breeding pigs. They have put in a very small sausage processing line and are making good profits. They would also like to start smoking meat. They do not have the money to expand production.

Problems: 1. How to negotiate and maintain prices. Most of the farm's produce is being sold to wholesalers in the Moscow and Serpukhov regions. Zaoksky is competing with producers from Voronezh, whose costs are

1.5 times lower than those in the Moscow region. (Zaoksky is being forced to accept lower-than-negotiated prices at harvest.) Also, they are being required to prepay for all inputs, while they are only getting 50% prepayment from the vegetable bases.

The suggestion was to find markets other than the vegetable storage bases. And in fact, Zaoksky has explored contracts with the army and other institutions. Direct sales is going to be difficult for them. They do not have a sales department. They understand that they need to hire and train sales people and will do so next year.

2. How to organize vegetable storage facilities. Currently, Zaoksky has no storage facilities. In the past, it was not profitable to store vegetables for sale in the winter because prices were fixed. Also, vegetable storage bases provided all the transportation. Now, all that has changed, and they do not have the money to build facilities.

Suggestions included: renting facilities, with payment in vegetables; finding a partner to handle distribution and storage; and forming an association to build a storage facility.

3. One problem that we could not address was a tax issue as it relates to milk production. Milk sales are taxed even while the farm loses money on those sales.

Zaoksky continues to press and hope for government intervention while struggling to adapt to market changes.

## **EVALUATION**

Responses to the workshop were quite enthusiastic. (The evaluation form and responses are attached as Appendix D.) Participants enjoyed learning about and interacting with each other as much as they enjoyed listening to the lecturers. Most of the 21 respondents of the evaluation form viewed the information on strategic and business planning as the most valuable part of the workshop and felt that they needed additional help in the form of seminars and technical assistance. Most of them also felt that the workshop was too short and would attend other workshops and seminars put on by TVG. Information on the organization of TVG and on our policies (such as purchasing, raw product payment, etc.) proved to be enlightening. The one criticism that we received was that the presenters did not know enough about the Russian situation in order to give advice. The intent of the workshop was to educate, not advise, and in most cases, participants wanted us to tell them how to solve problems, such as inflation and taxation, over which they (and we) have no control.

The need for information and education is great in Russia. Workshops and seminars are effective ways to get this information and education to a large number of people in a relatively short period of time, and in a cost effective manner. Introductory workshops such as "What is an Agribusiness?", and workshops and seminars on specific topics (such as agricultural labor management - a seminar that TVG will put on in Voronezh in May, 1994), targeted at specific audiences will be of great value as Russian entrepreneurs and farmers enter the market economy.



## **APPENDIX A**

# **WHAT IS AN AGRIBUSINESS?**

**12-15 November, 1993**

**PUSHCHINO, RUSSIA**

## **AGENDA**

## **WHAT IS AN AGRIBUSINESS?**

### **DAY 1**

**Introduction:** Attendees, Hosts, TVG, Yoo Mi Lee, Kirt Menon

**Workshop Issues:** What is this workshop about?  
What do the participants expect to get out of it?  
What can TVG provide in this workshop?  
Topics  
Current Issues  
Participation  
Case Study  
Evaluation

#### **I. Agribusinesses**

- 1. Type (examples of each):**
  - Production
  - Supply
  - Manufacturing
  - Processing
  - Service
- 2. Ownership structure**
  - Proprietorship
  - Partnership
  - Joint Venture
  - Corporation (Public or Private)

#### **II. Business Resources (discuss sources)**

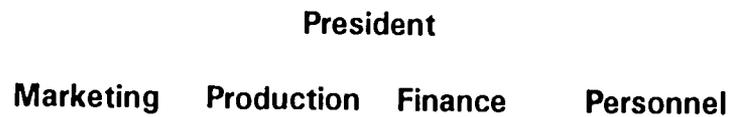
- 1. People**
- 2. Equipment**
- 3. Capital (discuss sources of debt and equity capital)**
- 4. Expertise/Reputation/Differentiated Product or Service/Franchise**

### III. The Management Process

- Planning organizational objectives
- Organizing human and material resources
- Leading the company's personnel
- Controlling the company's performance

### IV. Operating structure of a business

#### 1. Organizational chart (typical) \*



#### 2. Operating cycle \*

Purchase inputs (resources) with cash  
Produce product  
Inventory product  
Market/sell product (on credit)  
Accounts receivable  
Collect accounts receivable and convert to cash

#### 3. The business cycle: flow of activities \*

-General  
invest  
produce  
market/sell  
profit (pay out to owners or reinvest)

-Seasonal supply

-Seasonal demand

#### 4. Vertical integration

#### 5. Horizontal integration

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\* Handout to be provided

## **V. Planning: The process of developing a strategic business plan**

### **1. Purpose**

- Establish a clear direction for management and employees to follow
- Define in measurable terms what is most important for the company
- Anticipate problems and take steps to eliminate them
- Allocate resources (labor, machinery, equipment, buildings and capital)
- Establish basis for evaluating the performance of management and key employees
- Provide a management framework which can be used to facilitate quick response to change conditions unplanned events, and deviations from plans.

### **2. Elements \***

- Define purpose of business
- Establish objectives
- Assess the external environment (identify market threats and opportunities)
- Assess the firm strengths and weaknesses
- Develop and evaluate alternative strategies
- Select a strategy and establish performance goals
- Implement strategy
- Market assessment

### **3. Writing an initial business plan (discuss each element and provide examples of types of information to be included in each)**

## **VI. Monitoring and evaluating operating performance relative to the business plan**

- 1. Cost, efficiency, productivity**
- 2. Quality**
- 3. Service, reliability**
- 4. Profitability**
- 5. Growth in**
  - Sales (quantity vs. price)
  - Revenues (elasticity)
  - Gross profit
  - Net profits

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**\* Handout to be provided**

## **VII. Indicators of Effective Management**

- The company has defined its purpose
- To achieve its purpose, objectives have been determined for the company and for its departments/divisions its
- Strategy and policies are determined and formulated for obtaining these objectives
- plans and targets are set for the achievement of these objectives
- responsibilities and accountability are clearly defined
- progress is monitored, and action taken as necessary, to ensure achievement within defined timeframes and allocated resources

## **VIII. The decision making process within a business**

### **DAY 2**

## **BUSINESS ESSENTIALS**

### **I. The Monetary System \***

- Basics
- Functions
- Establishment

### **II. The Financial System \***

- Basics
- Functions and Mechanism
- Utility
- Analysis

### **III. The Market System \***

- What it is
- How it functions
- Analysis and Manipulation

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**\* Handout to be provided**

#### **IV. The Economic System \***

- What it is
- Other essentials
- Concepts of demand, supply and price.
- Surplus and Shortage

#### **V. How all the above systems work together in a business \***

#### **VI. Organizing for a business: \***

- Market analysis
- Identifying and analyzing needs
- Capabilities assessment
- What can we do to satisfy the needs
- What can we do best to satisfy the needs

#### **VII. The profit motive \***

- Profit maximization.
- The concept of Optimization.
- Profit Maximization v/s Resource Optimization.

### **DAY 3**

#### **RUNNING THE BUSINESS**

##### **I. The Grinding Wheel**

- Day to Day operations
- Organizing, Planning, Directing and Evaluating
- Cash Flow Analysis
- Debt Requirements
- Credit Terms
- Inventory
- Production
- Distribution
- Storage

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\* Handout to be provided

## **II. Organization and Development**

- **Form of organization**
- **Physical facilities**
- **Registering, Licensing, etc.**
- **Printing and Publication**
- **Establishment, Letter Heads, Stationery, Phone, Fax, Cards, etc.**
- **Advertisement and Publicity**
- **Departments**
- **Responsibilities, Authority, Delegation, etc.**

## **III. Planning and Forecasting**

- **What needs to be done today, in the next six months, next year and five years from now?**
- **Where are we now?**
- **Where do we want to be?**
- **Why?**
- **How are we going to get there?**
- **How will we know?**
- **Establish parameters, milestones and benchmark**
- **Obtain goals and objectives from Managers**
- **Evaluate constantly, monitor regularly, make feed back essential**
- **Act upon the feedback**
- **Be challenged, always**

## **IV. Accounting and Finance**

- **Establishing your books of Account**
- **Balance Sheet**
- **Statement of Revenues and Expenses**
- **Statement of Cash Flows and Changes in Financial Position**
- **Budgeting and Forecasting**
- **Monthly evaluations and comparisons to budgets**
- **Financing and investing issues**
- **Subsidiary journals**
- **Purchases**
- **Sales**
- **Accounts Receivable**
- **Accounts Payable**
- **Ownership v/s Debtorship**

- Leverage v/s capitalization
- Tax issues
- Sustaining, growing, wealth building
- Diversification, restructuring, consolidation, divestiture and bankruptcy
- Survivorship and retirement

## **V. Personnel Issues and Human Relations Issues**

**Hiring**

**Firing**

**Promoting,**

**Maintaining, Training and Developing your people**

**Responsibility, Authority, Delegation and Evaluation issues**

## **VI. The Environment**

## **VII. The Government**

## **VIII. Social Responsibilities**

## **IX. Sample Case Study**

## **DAY 4**

## **CONCLUSION**

### **I. Review**

### **II. Case Study**

### **III. Evaluation**

**WORKSHOP**

**MATERIALS**

## Strategic awareness questions

### 1. Situation assessment

- a) What strategies are we pursuing?
- b) What objectives are we seeing to achieve?
- c) What is our fundamental mission as an organization?
- d) Are we implementing the strategies we decided to pursue?
- e) If so, what are we learning?
- f) If not, why not?
- g) How successful is the implementation?
- h) Where are we experiencing difficulties?
- i) What are our levels of success?
- j) How do these compare with our targets or stated objectives?
- k) What are our financial results?
- l) How do these compare
  - 1) with budgets?
  - 2) with last year?
  - 3) with our competitors?
  - 4) with our industry average?
- m) Do we need to change?
- n) What will happen if we carry on as before?

### 2. Situation analysis

- a) What is the nature of our industry?
- b) How good a competitor are we? And why?

### 3A) Where are our strengths and weaknesses, opportunities and threats?

- a) What are our key success factors?
- b) What are our competitors doing? Planning?
- c) What is happening on our supply side?
- d) Should we change any of our previous "make or buy" decisions?
- e) Should we change any of our suppliers?
- f) What is happening in our distribution channels?
- g) Do any general political, social, economic changes provide us with new opportunities, threats etc.?
- h) Basically - are we properly aware of the changes in our environment?
- i) And are we doing enough about it?

**3B) How can we capitalize on our strengths and reduce our weaknesses?**

- a) Marketing management - where are our product in their life cycles?
- b) Operations management
- c) Research and development - innovation
- d) Human resources management
- e) Financial management

**3C) Where is our competitive advantage?**

- a) Are all our product and services sustainable, and appropriate for the future?
- b) If not, what are we doing/should we be doing about it?

**4. Objectives and direction**

- a) What type of organization do we want to be?
- b) How big?
- c) How global?
- d) How diversified?
- e) How fast do we want to change things?
- f) How big a gap exists between where we are and where we want to be?
- g) Are we basically satisfied with minimal change?
- h) Do we face any constraints?
- i) Is time an issue for any reason?

**5. Strategic alternatives**

- a) What opportunities for change exist?
- b) With current products/services?
- c) With new products/services/?
- d) Could/should we divest any businesses?
- e) Could/should we diversify?
- f) Could/should we merge?
- g) How risky are our opportunities?
- h) Have we any previous experiences we can learn from?

6. Strategic choice

- a) Ability
- b) Opportunity
- c) Risk (wisdom of accepting the risks; desire to take risks etc.)
- d) Acceptability to decision makers and stakeholder
- e) Appropriateness (considering resources, competition, time - scales etc.)

7. Strategic implementation

- a) What would be an appropriate structure?
- b) What functional strategies do we need to implement our corporate and competitive strategies?
- c) What do we need to do to ensure that we harness all necessary resources?
- d) How do we ensure commitment and support from all our managers?
- e) What measurement and control systems do we need?

8. Managing change

A) Seven performance objectives need to be considered:

- a) Cost, efficiency, productivity
- b) Delivery leadtimes
- c) Quality
- d) Service, reliability
- e) Flexibility for product change
- f) Flexibility for volume change
- g) The investment required in the production system

B) Good management exist when:

- a) The organization has defined its purpose
- b) In order to achieve its purpose, objectives have been determined for the organization and for its constituent parts
- c) Strategy and policies are determined and formulated for obtaining these objectives
- d) Responsibilities and accountability are clearly defined
- e) Progress is monitored, and action taken as necessary, to ensure achievement within defined timescales and allocated resources

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**Seven performance objectives need to be considered:**

- a) **Cost, efficiency, productivity**
- b) **Delivery leadtimes**
- c) **Quality**
- d) **Service, reliability**
- e) **Flexibility for product change**
- f) **Flexibility for volume change**
- g) **The investment required in the production system**

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- e) **Progress is monitored, and action taken as necessary, to ensure achievement within defined timescales and allocated resources**

## WHAT IS AN AGRIBUSINESS?

### The Monetary System- Basics, Functions, Establishment.

Basics. What is money? The official definition is "medium of exchange". Why money, why not anything else? Convenience, mostly. Especially since what is abundant for one may be scarce or useless for others. Chile would like to use bananas, Columbia would like to use coffee and Japan would like to use rice, but instead they all agree to use gold because you can only do so many things with bananas, coffee and rice and they are not scarce enough.

Functions. The convenience factor plays an important role in deciding what will be used as a medium of exchange, because to date, money is the most convenient form of business settlement. It is also the most developed form. The Former Soviet Union had developed a very effective barter system among the republics which functioned very well for the USSR. Food and other soft goods were bartered for military equipment. But, the system was not sustainable over the long term and crashed with the break up of the Soviet Union. Ultimately, the amount of military equipment a state needs is limited, and there is more pressing need for capital equipment and infrastructure development.

Advantages of the monetary system are that every transaction finally boils down to a set of numbers. It is like a giant common denominator for all activities that take place and makes settlement efficient and effective.

Establishment. Like Law and Order, establishing, maintaining and controlling the monetary system is usually vested in the government. Typically, governments create an independent body- much akin to the judicial system- to control the monetary system. Essential responsibilities of this authority are to control the supply of funds available for settlement, balance of payments and currency issue, valuation and circulation.

This function is inevitably tied to the economic activity in the country as well as its interaction with other countries. Economic activity in turn refers to all the goods and services produced and consumed by a country during a given period.

## WHAT IS AN AGRIBUSINESS?

### The Market System- What is it, How it Functions, Analysis and Manipulation.

What is it? A market is a place where buyers and sellers converge to exchange goods and services for money. Not so long ago, a market used to be a physical term, but with the advent of computers, it will lose its physical element, before long. Your local market downtown is a prime example of a market. The financial market in London is another market. The New York stock exchange is another market. The Chicago commodities exchange is yet another example of a market. Hollywood, is a market, as is the Champs Elysee and the Haute Couture houses in Paris.

How it Functions? Recall that a price decides economic activity. But, where is the price decided. It is in the marketplace where producers and consumers converge that price is decided. That is so because it is only in the markets that both demand and supply can be gauged simultaneously. Only then can the price mechanism be set in motion.

Analysis and Manipulation. Once markets have been established and are functioning reasonably well, it is essential that the businessperson learn how to analyze the workings of the market. This comes from careful observation and study over a long period of time. Why is such an analysis so essential? Ostensibly, once you have learned to analyze the market quite well, you will also have the ability to discern patterns, formations and anomalies in its functioning. Having recognized these movements, the astute businessperson can then predict these movements and manipulate his market offering to take the maximum advantage. The following example will illustrate the concept of analysis and manipulation.

The producer in this market is a gold miner. The market is the bullion market. Study over the years has shown that the price of gold rises sharply just before Christmas when consumers purchase gold jewelry, ornaments and other items as gifts, many with money received from year-end bonuses and profits. Demand for gold goes up again during the middle of the year, just before July 1, when jewelry manufacturers and others who use gold in their products require gold to start production for the upcoming holiday season. The astute producer of gold, with this kind of knowledge, will time his offering to the market just when the prices are rising. This way he will get the best price for his product instead of flooding the market when all other producers are also doing so.

## WHAT IS AN AGRIBUSINESS?

### The Financial System- Basics, Functions, Mechanism, Utility, Analysis.

**Basics.** The financial system is an important unit of the monetary system. If money is the oil that lubricates transactions, then the financial system is the channel or structure through which the oil flows. Important components of the financial systems are:

- the central bank;
- industrial, commercial and retail banks;
- money markets and institutions like brokerage and investment houses;
- oversight agencies;
- credit granting, reporting and monitoring agencies, and
- risk handling and management organizations.

Other essentials of a financial system are standardized rules for valuing, recording and reporting transactions; uniform rules of settlement and discrete intervals for valuation; settlement; recording and reporting. Furthermore, concepts of ownership, trusteeship, debtorship and creditorship should be well defined, established and accepted in day to day practice.

**Functions.** The most important function of the financial system is that of valuation. Fundamentally, the financial system assigns a value to transactions. Appended to this valuation function are the functions of settlement, recording, reporting and periodicity. Most transactions are discrete actions with a beginning and an end and every transaction will run the gamut of being valued, settled, recorded and reported. The concept of timing for all these functions is also important.

**Mechanism.** Typically, the Central Bank (CB) is the main cog in the financial system with all the other institutions working under the direction and supervision of the Central Bank. The CB administers monetary policy through the financial system by controlling the supply of money within the economy. The CB also establishes the rules and regulations under which the financial system will operate.

**Utility.** The ultimate utility of the financial system is the ease with which transactions can be settled. In a highly developed financial system, millions of transactions valued in millions of dollars and of varying complexity can be settled in a matter of seconds. The test is: How easy is it to obtain money, use money, account for the money used and in storage, establish ownership and assign rights and liabilities?

**Analysis.** Analysis refers to the ability to isolate, tabulate, enumerate and categorize the transactions that took place during a certain period. Once a significant database of these transactions is created, it offers specialists the ability to study patterns and discern variations and similarities in their movement. These analyses can then be used to predict future transactions. As this ability to predict improves, the whole efficiency and effectiveness of the financial system can be improved dramatically. This improvement in efficiency and effectiveness further fosters the value, number and complexity of transactions that a financial system can handle.

## WHAT IS AN AGRIBUSINESS?

### The Economic System- What it is, Concepts of Demand, Supply, Price, Surplus and Shortage, Comparative Advantage, and Other Terms

**What is economics?** Economics is the discipline that studies the acquisition, use and disposal of resources. What are resources? Resources are the inputs that are used in any endeavor. They refer to human energy, time, talents, processes, materials, capital, etc.

Economics studies the production of resources, how they are utilized and ultimately how they are disposed off. Economic activity can be neatly coined into the following equation:  $\text{Input} + \text{Process} = \text{Output}$ . Economics will help the businessperson source input materials at the lowest price; process them optimally; and sell them at a price that will maximize profits.

**Concepts of Demand, Supply and Price.** This refers to all economic resources. Demand refers to the requirement of resources in the marketplace. Supply, in turn refers to the availability of those particular resources. Price refers to the value that is placed by the marketplace for that resource.

Price plays a key role in economics. For example, the people who want to buy (demand) a certain resource will have a particular price in mind. Under normal circumstances, they will buy that resource only if the price meets or is below that amount. On the other hand, the producers (supplier) of that product will also have a certain price (typically,  $\text{cost} + \text{profit}$ ) for their product in mind. Usually, they will sell, again under normal circumstances, only if the price they can obtain meets or exceeds that threshold.

Typically, price drives demand and supply in a free market economy. As demand for a product rises, so does its price and with it, profits. Lured by these high profits, more and more producers enter the market. As these producers flood the market with their supplies, the abundant supply starts depressing the price. As the prices fall, and with it, profits, producers start leaving the market and the situation goes around full circle.

**Surplus and Shortage.** In the situation above, a surplus is created when the producers start flooding the market to obtain the high prices. Conversely, a shortage is created when producers exit the market because of depressed prices. Apart from surpluses and shortages created by price activity, other causes like natural disasters, bumper crops etc. also create surpluses and shortages. But that is beyond the realm of economics.

**Comparative Advantage.** This is a concept in economics which deals with the differing abilities of people to do different things. For example, Ivan is an excellent blacksmith, but a terrible baker. Gregory is a wonderful baker, but is no good as a blacksmith, cobbler, farmer or anything else. Boris is a good teacher, but he cannot farm. Anna is good farmer but she cannot bake, cook or teach. Comparative advantage refers to the advantage that Ivan has as a blacksmith compared to Gregory, and the advantage that Gregory has as a baker compared to Ivan. The theory of comparative advantage espouses that greater economic wealth can be created if people specialize in the areas where they have comparative advantage to the exclusion of other areas.

Let's incorporate some numbers into this example to illustrate our theory. Ivan the blacksmith can produce 200 horseshoes a day, but he can only bake 5 loaves of very bad bread. Gregory can bake 500 loaves of very good bread but he can produce only 5 horseshoes of inferior quality. Boris can teach 10 subjects to 50 students in a day but he doesn't know how to bake bread and is afraid of the blacksmith's fire bellows. Anna the farmer can harvest 1 tonne of grain a day but she is a terrible teacher, a poor baker and doesn't know what to do with a hammer. This village needs grain, horseshoes, bread and its kids have to go to school. The theory of comparative advantage holds that the village will be best served if Anna were to do only farming, Ivan produced horseshoes, Gregory did all the baking for the village and Boris attended to the children's learning needs.

**Other Terms.** Besides the concepts mentioned above, you must also familiarize yourself with a few other economic terms. Some of them are briefly defined below.

**Producer.** A person/institution that employs economic resources, or processes inputs to produce goods or services. The factories manufacturing tanks, guns and detergent are all producers. The blacksmith fixing a shoe on your horse is a producer, as is the farmer growing corn, the secretary offering her dictation skills and the computer programmer selling programming expertise. A producer's profits/returns come from value-addition.

**Consumer.** Any person/institution consuming the goods and services produced by producers is a consumer. Both these terms are not independent of each other, for the producer is also a consumer of other products. Indeed, there is a fine line- typically a consumer's purchases are intended for personal consumption, while those of a producer are intended for further processing. A consumer's return is called satisfaction, and that comes from the utility of the item consumed.

**Merchandiser.** This is an intermediary between the producer and the consumer. The intermediary does not add any value to the products that are bought and sold. He/she only acts as a go-between. Often they also break bulk purchases into smaller lots for ease of distribution. A merchandiser's profits are made by marking up the product before selling it to the consumer.

**Monopoly.** A monopoly refers to a situation where there is only one producer who commands all the resources for the production and distribution of certain products.

**Oligopoly.** Refers to the same situation as above, except that there are a handful of producers who command all the resources.

**Free Market.** A free market economy refers to the situation where there are countless numbers of producers with price being the only determinant for the availability of resources.

**Command Economy.** A command economy refers to a situation where goods and services are produced, priced and distributed according to the dictates of a central authority. This authority decides what will be produced, by whom, how it will be distributed (sold), at what price and to whom. Economics does not figure in the input-output equation in this situation. The former Soviet Union and most Socialist/Communist states are fine examples of command economics.

**Demand Economy.** A demand economy refers to the situation where economic activity is purely market driven. Demand for goods and services decides what is produced, and at what price. The US is a good example of the demand economy, although the government does control some products and services like defence, agriculture, postal services and railways. It is difficult to find a better example of a demand economy.

**Time Value of Money.** The concept that a unit of currency today is worth much more than that same unit of currency sometime in the future. The theory behind the concept that cash is king.

**Interest.** The compensation paid for the loss in value of money mentioned above. Or, in more simple terms, the cost for the use of money, or rent paid for the use of money.

**Debt.** The act of borrowing money. The person/institution borrowing money is called the debtor. The person/institution lending the money is called creditor. The debtor pays the creditor interest for the use of the money lent and also returns the money borrowed.

**Capital.** The owner's own funds employed in the business. The source of these funds may be family savings, earnings from another endeavor, inheritance, winnings from games/lotteries, etc. Anything except money borrowed from others.

## **WHAT IS AN AGRIBUSINESS?**

### **How all the above systems work together in a business?**

Having defined and illustrated the various systems, it is important to understand how all of them work together. It will help to draw an analogy. Think of the whole system as a transportation system. The ultimate goal is to move people and goods from one place to the other. That is the economy. The tracks, the airports, and the roads all represent the economic system. The system of setting fares, and then apportioning them to the suppliers who make this transportation system work is the monetary system. The financial system is the system of actually collecting the fares from passengers and users and then passing them on to the suppliers. The markets are the railroad stations, air and sea ports and bus stops, loading docks and warehouses where people gather to board/load the systems of transportation. The producers are the modes of transportation and the people who operate them. The consumers are the people who use this transportation system to move goods and services from one place to another.

As you can see, the transportation system is not a system that can be broken down into stages. It is more of a continuous process with all systems working together in unison toward the same goal. Similarly the economy is one whole system where the ultimate goal is to satisfy the consumers. But in the process of getting goods from the producer to the consumer within an economy the economic system defines what will be produced, how much, when, where and at what price. The monetary system defines how, what and when that transaction will be settled. The market system arranges the logistics for actual delivery of the product to the consumer. The financial system then actually settles, records and reports this transaction.

## WHAT IS AN AGRIBUSINESS?

### Organizing for a business

#### **Market Analysis**

Market analysis is the task of collecting, analyzing, cataloguing, and disseminating market information. This is achieved through market research: surveys, opinion polls, studying competitors and existing products, assessing consumer behavior, consumption patterns, buying habits, spending habits, sources of income, demographics, etc. It is a study of the existing market and consumer behavior. It is also a study of what the market lacks, what the market wants and what the consumer is willing to pay for, how much they will pay for it, in what form, in what quantities, and at what intervals.

Once the information is gathered in raw data form, it must be catalogued. Typical categories are price information, product information, channels of distribution, buying habits, segment information, consumption information, packaging attributes, product elements (size, color, smell, texture, etc.) and producer, packager, distributor and marketer information.

#### **Analyzing Needs**

Having gathered all the information mentioned above and having tabulated, catalogued and categorized the information, it is essential to analyze the information. Look for patterns within the information. Look for similarities, differences, like-product movements, cyclical and seasonal movements, distributions based on demographics, etc. Look for regional, geographic, ethnic and national concentrations, as well as pockets of data that don't fit particular patterns. As you continue this analytical process and process the enormous amounts of data that you have gathered, you will start noticing distinct groups of data clustered around consumption patterns, income levels, buying habits, product, price, place and packaging. You will notice that consumers can be categorized into distinct groups based on their demographic differences. Finally, you will be able to determine what is available in the marketplace today, at what price, in what form, and how it is packaged and distributed. More importantly, you will also find out what the consumer wants that is not available, in what form they want it, how they want it packaged, where they want to buy it from, when and how much they are willing to pay for it.

In advanced economies, analysis of this nature is a constant practice and is done continuously by several firms that are in business only to do market analysis. They are constantly gathering, tabulating, updating and categorizing market data that they then sell to the people who need it. They have developed market analysis and forecasting to such a fine art form that they can meet almost all the needs of marketers.

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### **Identifying Needs**

Having analyzed the wealth of information that you have gathered, you are now in a position to identify what the market needs. You have found out what is available, as well what it is that the market desires, in what form, when, how and at what price. All of your analysis was focused toward this end. You have come to the conclusion that the market is in need of product X, in a particular package, delivered in particular quantities, at defined intervals and that the market will pay Y amount of dollars/rubles for this product. You also know that in its stead, the market is now satisfying itself with competing products, at certain prices. Having come to this conclusion, it is time to assess your strengths and weaknesses.

### **Capabilities and Resource Assessment**

Now that you have identified a market need, it is time to conduct a self assessment of your capabilities and resources. How can you meet the needs of the market? What resources, special talents, capabilities and energies do you have to meet this need. Do you have the capital? Do you possess certain unique manufacturing or processing know-how to produce this product? Do you possess certain distribution and marketing skills to bring this product to market? Having assessed your strengths, it is incumbent upon you to also realize your weaknesses. What is it that you are lacking, or not sufficiently confident about?

In order to succeed in business, you must be able to assess your capabilities and resources, and augment your strengths and overcome your weaknesses. You must also be able to bring all your resources to work toward the same goals.

### **What Can We Do To Satisfy The Needs?**

You have now analyzed the market, identified the need, assessed your capabilities, strengths and weaknesses and have brought together the team that will launch you into the business of satisfying the need. The next stage of development involves getting the business off the ground. This requires planning, organizing, directing and evaluating everything that needs to be done.

We will only cover the first stage of this process, the planning stage, in this workshop. You are required to have the following plans:

- the facilities plan,
- the production plan,
- the marketing and sales plan,
- the distribution plan,
- the pricing and collection plan, and
- the cash flow plan.

**The Facilities Plan:** This refers to the plans that you have for manufacturing your product. It includes the physical layout of your plant, storage, and distribution centers, internal layout and placement of resources like men, materials and machines, process layout showing how materials will move through the manufacturing process, and plans for the storage of finished goods and for their movement into the channels of distribution.

**The Production Plan:** This deals with the actual production process and will include plans for machine set up, downtime and maintenance. Plans and guidelines for actual processing will also be included, addressing such issues as: steps in the manufacturing process, what needs to be done when, material to be used, manpower utilization, supervisory intervention, production cycle times, emergency measures and shop level hierarchy.

**The Marketing and Sales Plan:** This is by far the most important step in the entire planning process. Before any of the other plans are formulated, this plan should be crystallized. At the end of the process of "Identifying Needs" you should have a good idea of what it is that you are going to sell, how much, to whom, where, how and of course, at what price. This plan is the backbone of your entire operation. This plan will also include details of how you are going to promote your product to the consumers by incorporating advertising, promotion and publicity issues. Typical elements of the promotion plan will be the types of promotion contemplated. Will it be through trade shows, by advertising? If it is through advertising, what is the media (newspaper, radio, television) that you will use, or what is the mix that you will use. Other forms of promotion are: free samples and give-aways, cents-off coupons, tie-ins with stores and merchandisers, door to door promotion campaigns, etc.

**The Distribution Plan:** You have the marketing plan which tells you what products are needed, where, by whom and in what quantities. Similarly you have the production plan which details what will be produced, where, in what form, how and when. The distribution plan details how you will move your product from your production facilities into the hands of the consumer. Typical components of a distribution plan are: channels of distribution; modes of storage and transportation; delivery logistics; product movement schedules; transportation networks used; wholesalers, retailers, stores, merchandisers, catalogue shops and stores to be used; direct marketing, etc. You might also consider using distribution intermediaries like warehousemen, jobbers, delivery men, etc. instead of handling your own distribution. In fact, in the US and in most European countries, distribution is almost always handled by companies that specialize in distribution alone.

**The Pricing and Collection Plan:** This refers to your plans to price and collect the price that is paid for your product. Will you be practicing differential pricing, competitive pricing, market pricing, or cost-plus pricing? Differential pricing refers to a pricing technique of using different prices for the same product depending either on forms of distribution, markets, regions or other criteria for differentiation. For example, you might decide to have

one price for the public, another for wholesalers and a third price for retailers. Or you might have different prices depending on geographical proximity of your markets. Competitive pricing refers to a pricing model whereby you price your product based on the pricing of competing products. You might decide to price your product below or above competing products depending on your particular motivations and goals. Market pricing relates to the method of pricing the product based on the market's ability to pay for your product. You analyze the market and decide what you think the market will be willing to pay. If you are right, no problem, but if you are not, you are free to raise or lower the price based on the demand for your product. As its name implies, cost-plus pricing refers to the technique of pricing your product at the price which it cost for you to produce it plus the desired mark-up for profits.

Collection plans refers to your plans for collecting the price that is paid for your product. Will you be offering credit terms? Will you be requiring advance payment or payment on delivery or within a certain period after delivery? This will also include forms of payment such as cash, checks, drafts, electronic funds transfers; their mode, periodicity, settlement terms, discounts, periodic close-outs, etc. It would be a good idea to think about conflict and dispute resolution at this time.

**The Cash Flow plan:** As its name implies, this refers to the flow of cash in your business. Obviously you start with some capital. You use this to purchase plant and equipment and inputs for your business. You also keep aside something for working capital needs and as your sales materialize, you should get into a pattern: you receive cash from sales, you use some of it to purchase inputs, pay labor, meet other working capital needs, pay off debtors, taxes, and dividends and you produce more, sell more and the whole cycle continues.

You will notice that after your sales plan, the cash flow plan is the most important plan that you will require. Cash is the lubricant that keeps your business flowing smoothly and the cash flow plan help you forecast your cash needs and allows you to meet them without creating any problems or requiring you to run to the bank. The more accurate you are with your forecasting, the better you will be able to manage cash.

Cash in hand is a liability. It does not do anything - it is an idle resource that is costing you money (if you are a net borrower) or is depriving you of earnings (if you are a net lender). A good cash flow plan will tell you when you need cash for meeting payroll, accounts payable, dividends, etc. It will also forecast when you can expect to receive payments. You can match your payments to your receipts and manage cash efficiently.

## WHAT IS AN AGRIBUSINESS?

### The Profit Motive

The profit motive is generally the governing principle for all economic activity. Before you embark on any endeavor, you should discipline yourself to ask the question: How will this affect my profits? Profits are the payback for your efforts - it is the difference between your input and output.

Profits can be made in a variety of ways and you must utilize all these methods to increase your profits. Firstly, profits are made because you have a superior product and people are willing to pay a premium price for that product. Secondly profits are made because you have a unique way of producing a product which is less costly than your rivals. Thirdly you can have profits because you are better and more efficient at using your resources than are your competitors. Fourthly, you can have profits because you are better able to manage and manipulate your resources to the changes in the marketplace and respond quickly to those changes.

Remember that profits have two components: Inputs and Outputs. Outputs relate to the price you can get for your product. The higher the price you can obtain, the larger your profits. Unfortunately, you don't have significant amounts of control over this element. On the other hand, prices remaining the same, the lower the cost of your inputs, the higher your profits. Fortunately, input costs are entirely under your control, so make sure that you regulate them.

**Profit maximization.** There are various ways of maximizing your profits. Some of the more routine ways are by producing the best product, having the best and most efficient methods of production, constantly improving the efficiency and effectiveness of your processes, controlling costs effectively and value addition. The concept of value addition is very important. Value addition refers to your production process. The more value that you can add to the inputs that you process, the greater the price that you can command in the market and as a result, the greater your profits. Let's consider an example. You have a huge farm that produces apples. Your input is the seed or seedlings and the growing efforts, which include irrigation, fertilization, pruning, pest control, etc. which ultimately gives you apples. You could box those apples after they are picked and send them to the market. This is normal. Value addition would mean that you sort the apples by size, color, texture, etc. and box them separately and command premium prices for the better varieties of apples. Value addition could also begin at your input stage whereby you use seeds of the more expensive variety of apples and take special care in their growth to ensure that your output is larger. A further step in the value addition process is where you process your output of fresh apples into juice, cider or pulp and then market it.

## WHAT IS AN AGRIBUSINESS?

### Running the business.

**Organization and Development.** This refers to the structure of your business and the map for its day to day operation. It also refers to the program you have in mind for future development.

In its most basic form, organization and development refers to who will do what in the organization. As you can see, there are two components. Organization refers to the map mentioned earlier. It consists of things like Organization Charts, Hierarchical Structures, Division of Responsibility and Authority, Reporting Lines, Rules and Regulations, Monitoring Guidelines and Reporting Guidelines. All these things relate to the day to day operation of your business and specifies such mundane things as work flow, amount of work to be done, by whom and how, order flow, flow of goods, payment flow, personnel flow, emergency measures, inquiry handling, etc.

Development, on the other hand refers to your future operations. It is the plan of how your organization will evolve in the future, what you want to happen, how you intend to make that happen, and what you will do to ensure that happens. Development relates to your organizational mission, goals and objectives. It steps away from the day to day chores and asks that you focus on the macro or big picture items.

**Planning and Forecasting.** Planning is the backbone of your day to day operations. Planning refers to all the plans mentioned in the earlier section and orchestrates them into a master plan for the entire organization. Planning provides direction and goals to your operation. Plans equip you with a specific starting point and points you in a certain direction. It guides you along the way, measures your performance, and allows you to reach your goals in the best possible manner. Planning provides you with the parameters that you need to assess your performance and allows you to check progress periodically. This ensures that you are always going in the right direction and allows you to take corrective measures if you are not. Also, by keeping your plans essentially dynamic, you can alter courses to meet your changing needs and goals.

Forecasting is an applied technique that you develop with historical experience. As you gather data over the years related to performance, sales, costs, demand etc and as you start tabulating, arranging, splitting and reforming the data, you will notice certain patterns, movements, consistencies, diversities and relationships. You can then use this information along with sophisticated mathematical, statistical and econometric models like linear programming, correlation and regression analysis and sensitivity analysis to forecast future

events. The accuracy of this forecasting will permeate all your planning methodology and ultimate results.

**Accounting and Finance.** Accounting and finance boils down the results of all your actions and transactions into one common currency denominator.

**Accounting** relates to the recording and reporting of historical transactions. Common rules and regulations have been agreed upon and accepted by the global community for the treatment of like transactions, for their recording and for their reporting by entities. This provides you with a simple format to understand the result of your operations during a certain time period, the amount of your ownership, its components, form and the extent of your liabilities as of a certain date and a statement showing the changes that took place between two discrete periods of time in history. Considering the extent of standardization in global accounting practices, it becomes relatively easy to assess performance, measure wealth and compare wealth and performance between two organizations.

Some of the formats used for reporting transactions are:

- 1) **The Statement of Revenues and Expenditures** covers a certain period, usually a year. This statement is usually divided into two sections. The revenues sections shows your output and the revenues it generated. The next section shows the inputs that were used to generate the revenues in the form of a cost of goods available for sale statement. The remaining section shows Selling and Administrative expenses netting out into income. Take away taxes from it and it gives you your net income/loss.
- 2) **The Balance Sheet** is a status report at a certain period of time and lists what you own on one side. Typical components are the cash you have, your receivables, investments, plant and machinery, land and buildings and other such items. The other side shows how you paid for the items on the assets side. These are composed of your liabilities and your ownership interest and include amounts you owe others, your debts and your ownership interest.
- 3) **The Statement of Changes in Financial Position** explains the changes in your Balance Sheet between two periods in time using cash as a tool. Typical components are the changes in cash from your operations, financing activities and investing activities. This is also known as a Sources and Uses of Funds statement. Essentially it shows where your funds came from and what you did with it.

The statements mentioned above are financial statements which result from a host of other subsidiary and main books of accounts as explained briefly below:

The Sales Journal records all sales.

The Purchases Journal records all purchases.

The Inventory Journals record all raw materials, work in progress and finished goods on hand.

The Accounts Receivable Journal records amounts to be received.

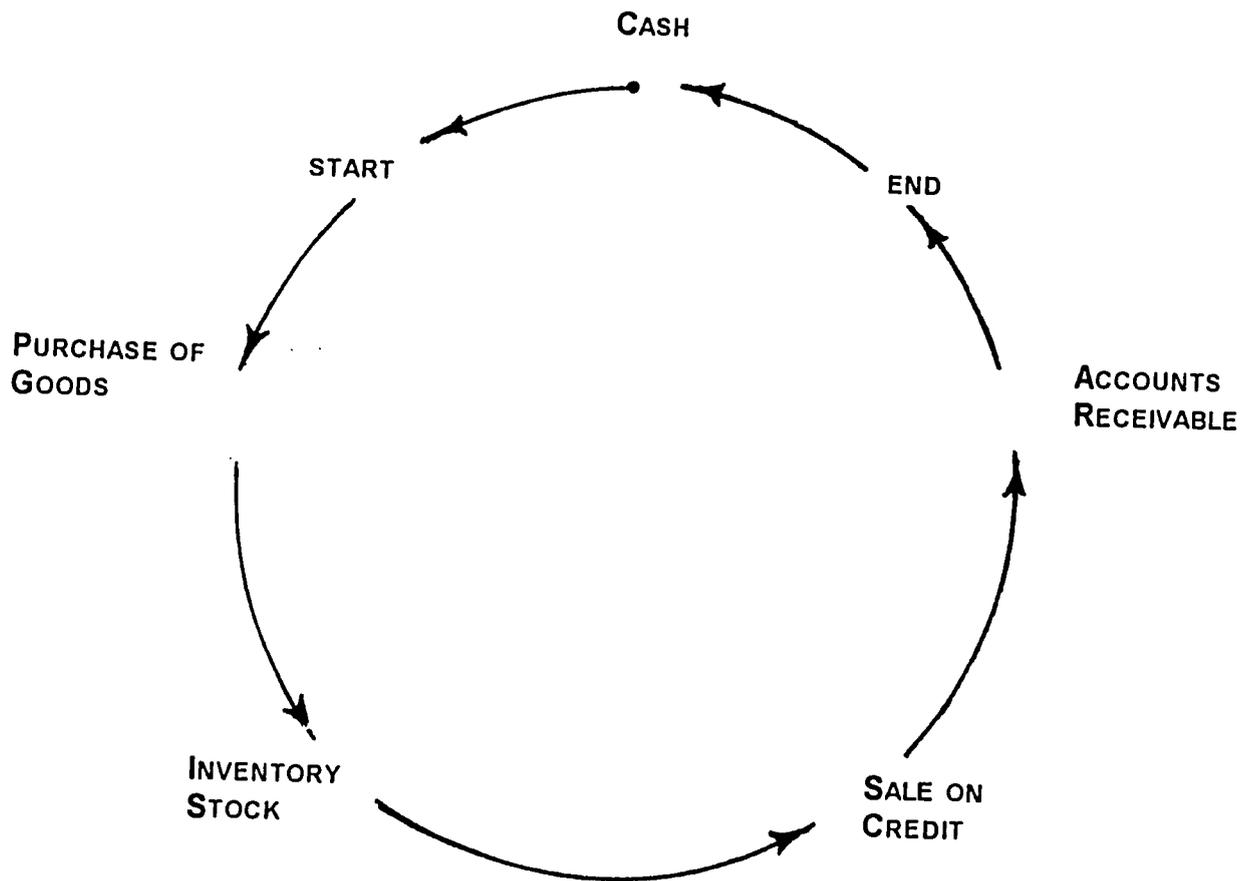


The Accounts Payable Journal records amounts owed others.  
The Cash Receipts Journal records cash received.  
The Cash Disbursements Journal records moneys spent.  
The Payroll Journal records hours worked and wages paid.  
The Taxes Journal records taxes paid and due.

All these are journals of original entry which record transactions as they happen. These get rolled into the general ledger and subsidiary ledgers which then are translated into financial statements.

**Finance** on the other hand is a more dynamic discipline which uses accounting for planning, budgeting, analysis and forecasting. It builds upon the financial statements and develops the relationships therein to help management achieve its goals in a more efficient and effective fashion. Finance relates to budgeting which is essentially a performance monitoring tool. Finance also refers to the various components of the financial statements and their inter-relationships. For example, a typical financial function would be managing the debt/equity position of the company.

# OPERATING CYCLE OF A BUSINESS



c.lwpwnl/srplcycle

**PRESIDENT**

**BOARD OF DIRECTORS**

**MARKETING  
DEPARTMENT**

Develop Markets  
Promote Products  
Warehouse Product  
Distribute Product  
Sell Products

**PRODUCTION  
DEPARTMENT**

Manufacture/Process  
Quality control  
Packaging

**FINANCE  
DEPARTMENT**

Develop budgets  
Account for funds  
Monitor/report on  
financial activities  
Prepare financial  
reports  
Obtain financial  
resources

**PERSONNEL  
DEPARTMENT**

Establish personnel  
policies  
Maintain personnel  
records  
Pay employees  
Implement performance  
evaluations

## LEGAL FORMS OF ENTERPRISES IN RUSSIA

- I. Legal framework - laws that govern enterprises in the Russian Federation - brief overview
- II. Ownership structures
  - A. Legal entities
    - 1. State/Municipal enterprises
    - 2. Individual/family private enterprise
    - 3. Mixed partnership
    - 4. Limited partnership / closed joint stock company
    - 5. Open joint stock company
  - B. Business structures not recognized as legal entities
    - 1. Joint ventures
    - 2. General partnership
    - 3. Production sharing agreements and other contractual arrangements
  - C. Registration requirements
- III. Advantages and disadvantages of different enterprise forms
  - A. Shareholder/participant liability
  - B. Capitalization requirements
  - C. Foreign participation

## LEGAL FORMS OF ENTERPRISES IN RUSSIA

Under the Law of the Russian Federation "On Enterprises and Entrepreneurial Activities in the RSFSR" the "enterprise" is defined as "any subject of business conducting business activities with the employment of hired labour". It may not be a legal entity — e.g. general partnership.

LEGAL FORM	SET UP BY	LIABILITY
State/Municipal enterprise <i>Legal entity</i>	By state authorities of the RF; RF Republics; local Councils of People's Deputies	The state and its bodies are not liable for obligations of enterprises; the enterprise is not liable for obligations of state
Individual/family private enterprise <i>Legal entity</i>	By a citizen - with the right of possession; by members of his/her family - with the right of joint possession	Proprietor is liable for enterprise's obligations within the limits stipulated in the charter
Mixed partnership <i>Legal entity</i>	By several citizens and/or legal entities on a contractual basis. It is composed of full members and member stockholders	Full members bear full joint liability within their entire property. Member stockholders are liable within the limits of their contributions. Partnership is not liable for its member stockholders' obligations
General partnership <i>Is not a legal entity</i>	By several citizens and/or legal entities on a contractual basis	All participants bear unlimited joint liability within their entire property
Limited partnership/ closed joint stock company <i>Legal entity</i>	By citizens and/or legal entities on joint-stock basis	All participants are liable within the limit of their stock. The partnership is not liable for participants' obligations
Open joint-stock company <i>Legal entity</i>	By citizens and/or legal entities on the basis of open subscription	Stockholders are liable within the limit of their stock (blocks of shares). The joint-stock company is not liable for stockholders' obligations

**PERSONNEL AND HUMAN RELATIONS  
ISSUES**

Elizabeth Amidon Smith  
CONCORD  
November 12, 1993

## **TOPICS FOR DISCUSSION**

- I. Hiring**
- II. Firing**
- III. Organization -- Responsibility,  
Authority, Delegation**
- IV.. Maintaining, Training and Devel-  
oping Staff**
- V.. Personnel Evaluation Issues**

# **THE HIRING PROCESS**

- **The Job Description**
- **Finding the "Right Person"**
- **The Interview**

## **STEP ONE -- DEFINING THE JOB**

- **The General Purpose of the Position**
- **The Essential Duties & Responsibilities**
- **Ancillary Duties and Responsibilities**
- **Supervisory Duties (if any)**
- **Job Qualifications**

**Required knowledge, skills**

**Minimum Education Requirements**

**Experience**

## JOB DESCRIPTION

<b>POSITION TITLE:</b> COMMERCIAL REPRESENTATIVE <b>DATE:</b> July 7, 1993	<b>REPORTS TO:</b> R. A. Fillingham <b>DEPARTMENT:</b> PRC
<b>GENERAL PURPOSE:</b> <ul style="list-style-type: none"> <li>• As directed, coordinates Russian-based activities related to commercial ventures by PRC &amp; CTC Foods.</li> <li>• Acts as PRC/CTC representative in Russia.</li> </ul>	
<b>ESSENTIAL DUTIES/RESPONSIBILITIES:</b> <ul style="list-style-type: none"> <li>• Acts as interface between American executives &amp; Russian companies, JV partners and agencies.</li> <li>• As requested, obtains information on Russian standards, regulations or laws related to PRC &amp; CTC Foods activities.</li> <li>• Maintains accounts and/or gathers information as directed.</li> </ul>	
<b>OTHER DUTIES/RESPONSIBILITIES:</b> <ul style="list-style-type: none"> <li>• Advises PRC or CTC personnel of           <ul style="list-style-type: none"> <li>- Perceived results of meetings with Russian counterparts;</li> <li>- Suggested action on subjects he is involved in.</li> </ul> </li> <li>• Assumes total responsibility for all arrangements within Russia for meetings, dates, places, persons and travel.</li> <li>• Breaks through red tape to accomplish assigned tasks.</li> <li>• Communicates status of all PRC/CTC projects as changes occur.</li> </ul>	

<b>POSITION TITLE:</b> General Director
<b>SUPERVISORY DUTIES:</b>  Accounting Banking Word processing Files
<b>JOB QUALIFICATIONS:</b>
<b>KNOWLEDGE, SKILL &amp; ABILITY:</b> <ul style="list-style-type: none"><li>• Speak and write English and Russian.</li><li>• Use of computer, WordPerfect and Lotus 1-2-3.</li><li>• Business math.</li><li>• Make-up of Russian business regulations and what agency is responsible for what area.</li></ul>
<b>EDUCATION OR FORMAL TRAINING</b>  Equivalent of BA in business or accounting or mechanical engineering
<b>EXPERIENCE:</b>  Six years in supervisory or management position in joint ventures, Western business or Russian trading company.
<b>MATERIAL &amp; EQUIPMENT DIRECTLY USED:</b>  Must be able to <ul style="list-style-type: none"><li>• Travel by plane</li><li>• Drive car</li><li>• Travel internally and externally</li></ul>

1/1

## **STEP TWO -- FINDING THE RIGHT PERSON**

### ***OPTIONS***

- **"Networking"**
- **Advertising for the position**
- **Personnel Agencies**

## **STEP THREE -- THE INTERVIEW**

### ***THE FIVE THINGS YOU'RE TRYING TO FIND***

***OUT:\*\****

1. "Why is this person interested in a job with your company or organization?"
2. "What can this person do for the company?"
3. "What kind of person is this?"
4. "What distinguishes this person from 19 other people who can do the same thing?"
5. "Can the company afford to hire this person?"

\*\*\*Adapted from What Color is Your Parachute, by Richard Nelson

Boolles. Ten Speed Press, copyright 1993.

## **FIRING**

*"When The Employee Isn't the Right Person for  
the Job"*

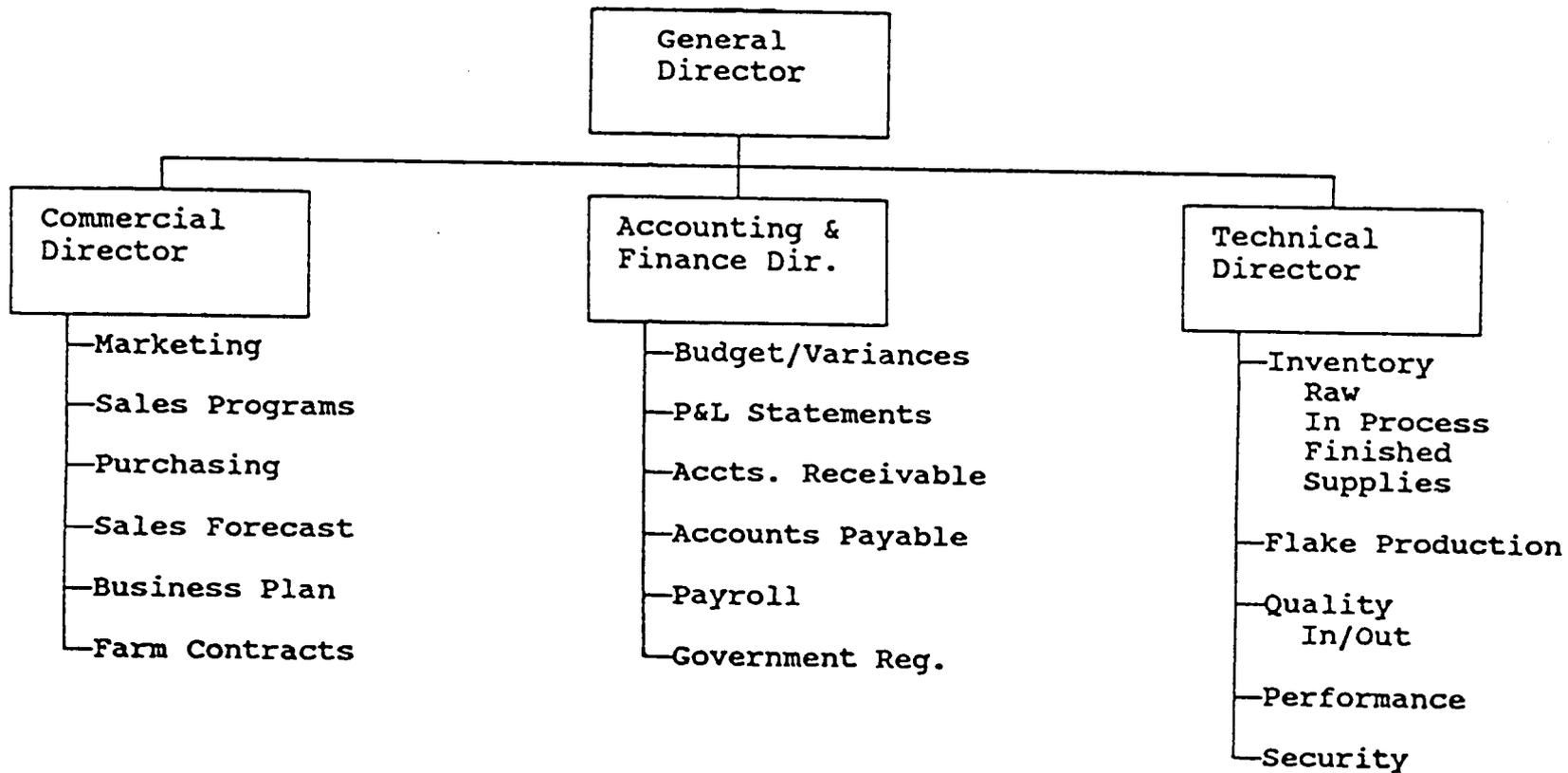
- **Documentation**
- **Disciplinary Action**
- **Grounds for Terminating Employment  
under the Russian Labor Code**
- **Communicating Personnel Changes to  
Staff**

**ORGANIZATIONAL STRUCTURE --  
RESPONSIBILITY, AUTHORITY  
AND DELEGATION**

*Potato Flake Joint Venture as Example*

- **Responsibilities Should Be Well-Defined**
- **Authority or "Who Reports to Whom?"**
- **Delegation of Duties**

# MANAGEMENT & STAFF ORGANIZATIONAL CHART



# JOINT VENTURE

## MANAGEMENT REPOSIBILITIES

The responsibilities of the management group for the potato flake venture are:

### General Director

Reports to the Chairman of the Board.

- Initiate direction provided by the Chairman of the Board.
- Provide supervision to the management group.
- Grow the total business to its full potential using the business plan and budgets as tools.

### Commercial Director

Reports to the General Director.

- Develop initial business plan and updates as required.
- Perform marketing studies to develop full potential of the product.
- Initiate sales programs that achieve targets set in business plan and budgets.
- Provide accurate forecasts of product needs in future periods.
- Develop supplier base that will maintain adequate supply of raw materials.
- Develop "potato supply contracts" and programs defining acceptable quality and terms that assure reaching the needed supply of quality potatoes.

### Accounting & Financial Director

Reports to the General Director.

- Develop annual budget based on approved business plan.

- Provide management reports that indicate progress to budget, profit and loss.

#### Accounting & Financial Director (continued)

- Cover all requirements dictated by local and national governments.
- Manage joint venture's money supply and credit.
- Cover traditional areas of accounting, such as receivables, payables and payroll.
- Highlight to management group all variances to business plan and budget.

#### Technical Director

##### Reports to the General Director.

- Act as receiver and maintainer of all technical information from PRC and disburse to proper persons.
- Maintain inventory of:
  - Raw potatoes based on sales forecast.
  - Finished flakes based on sales forecast.
  - Supplies to operate plant, i.e. repair parts, bags and additives.
- Maintain flake quality level.
- Training for all plant tasks.
- Safety and security of people, equipment and product.
- Quality of potato from suppliers while in storage and in process.
- Maintain contact with suppliers during planting, growing and harvesting period.
- Maintain plant performance at acceptable levels.

**MAINTAINING, TRAINING  
AND DEVELOPING YOUR STAFF**

**The Three Most Important Tools --**

- **Supervision**
- **Mentoring**
- **Training**

## **TOOL #1 -- SUPERVISION**

- **Hierarchical**
- **"Matrix" Model**
- **Cutting Out Middle Management**

## **TOOL #2 -- MENTORING**

- **Definition of a "Mentor"**
- **Standard for Performance**
- **Objective Sounding Board**
- **Daily Presence**

## **TOOL #3 -- TRAINING**

- **Investment in Your Company's Greatest  
Resource**

- **Example -- CONCORD's Secretarial  
Training**

**\*Commitment to Total Quality at Every**

**Level**

**\*Develop new skills, refine old ones**

**\*Reward**

## **PERSONNEL EVALUATIONS**

- **As an On-Going, Day-to-Day Process**
- **Formal Year-End Review**

# **CONCORD'S PERFORMANCE EVALUATION**

Form No. 100

## **I. Performance**

- **Quality**
- **Quantity**
- **Dependability**
- **Initiative**
- **And Other Personal Qualities and Characteristics**

## **II. Development**

- **Specific Goals to Be Achieved**
- **Discussion of Promotion**

## **III. Bonus**

- **Based on Performance/Reward Excellent Performance**
- **Motivational Factor**



# CONCORD

## PERFORMANCE EVALUATION AND DEVELOPMENT PLAN -CONFIDENTIAL-

<u>Name</u>	<u>Last</u>	<u>First</u>	<u>Middle</u>	<u>Social Security Number</u>
<u>Entry</u>	<u>Department</u>			<u>Location</u>
<u>Job title</u>				<u>Date of this Review</u>

An evaluation of an employee's work plays an important part in developing potential and in defining the employee's strengths, areas for improvement, and interests. Both the supervisor and the employee must make an effort to assure a frank and objective discussion.

This Performance Evaluation and Development Plan has three parts. Part I is a rating of the employee's work as it relates to specific job responsibilities and performance factors. The ratings are on a scale of one to five with 1 being best and defined as follows:

1. "Exceptional" - Clearly exceeds performance requirements. Results are the best that can be expected.
2. "Above Expectations" - Consistently meets performance requirements. Often exceeds desired results.
3. "Meeting Expectations" - Generally meets performance requirements. Occasionally exceeds and seldom falls short of desired results.
4. "Below Expectations" - Meets only the minimum performance requirements. Lacks consistency. Often falls short of desired results.
5. "Unsatisfactory" - Rarely achieves even the minimum performance requirements. Consistently falls short of desired results.

The Development Plan makes up Part II and is a joint effort by the supervisor and the employee. It should be used as a tool to discuss areas for improvement and to build on major strong points. This could include: cross-training, outside courses, a change in job responsibilities, or a restatement of performance objectives. Specific goals, timetables and responsibility for completion should be agreed upon and written.

In Part III the employee is encouraged to respond to any part of the plan.

# PART I PERFORMANCE EVALUATION

A. Evaluate the employee's performance in the following areas AS IT RELATES TO THE REQUIREMENTS OF THE POSITION:

<p><b>Quality</b></p> <p>The degree to which the employee accomplishes the objectives of the position in terms of accuracy and completeness.</p>	<p>Comments</p>	<p><input type="checkbox"/> 1</p> <p><input type="checkbox"/> 2</p> <p><input type="checkbox"/> 3</p> <p><input type="checkbox"/> 4</p> <p><input type="checkbox"/> 5</p>
(check one)		
<p><b>Quantity</b></p> <p>The amount of acceptable work in terms of actual output based on job expectations.</p>	<p>Comments</p>	<p><input type="checkbox"/> 1</p> <p><input type="checkbox"/> 2</p> <p><input type="checkbox"/> 3</p> <p><input type="checkbox"/> 4</p> <p><input type="checkbox"/> 5</p>
(check one)		
<p><b>Dependability</b></p> <p>The degree to which the employee is relied upon to meet deadlines without close supervision. Reliable attendance and punctuality.</p>	<p>Comments</p>	<p><input type="checkbox"/> 1</p> <p><input type="checkbox"/> 2</p> <p><input type="checkbox"/> 3</p> <p><input type="checkbox"/> 4</p> <p><input type="checkbox"/> 5</p>
(check one)		
<p><b>Initiative</b></p> <p>The degree to which the employee utilizes time in the most productive manner, offers useful suggestions and implements those suggestions when warranted.</p>	<p>Comments</p>	<p><input type="checkbox"/> 1</p> <p><input type="checkbox"/> 2</p> <p><input type="checkbox"/> 3</p> <p><input type="checkbox"/> 4</p> <p><input type="checkbox"/> 5</p>
(check one)		

(A continued)

<p><b>Employee Development</b> (Supervisors only)</p> <p>The ability to successfully guide, coach, evaluate, and delegate to subordinates to accomplish the unit's function through those subordinates.</p>	<p>Comments</p> <hr/> <hr/> <hr/> <hr/> <hr/>	<input type="checkbox"/> 01 <input type="checkbox"/> 02 <input type="checkbox"/> 03 <input type="checkbox"/> 04 <input type="checkbox"/> 05 <small>(check one)</small>
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**B. Personal Qualities & Characteristics**

	EXCEPTIONAL	ABOVE EXPECTATIONS	MEETING EXPECTATIONS	BELOW EXPECTATIONS	UNSATISFACTORY
Integrity					
Consideration of others					
Appearance					
Judgment					
Maturity					
Frendliness					
Attitude					
Creativity					
Team Player					

**C. Overall Performance Evaluation; Summarize the employee's performance during this reporting period, giving the greatest consideration to actual results achieved:**

**COMMENTS:**

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01  
 02  
 03  
 04

**PART II**  
**DEVELOPMENT PLAN**

A. Mutually plan a strategy which will prepare the employee for greater responsibilities and/or improve the employee's current performance. Please highlight those efforts below and attach sheets outlining details, if necessary.

Activity To Be Completed	Timetable	Follow-up Responsibility

B. If warranted by Company personnel requirements and by the employee's performance and interests, for what positions might the employee be considered?

Position  Title	Location  Division/Department	Readiness		
		Now	Less Than One Year	One-Two Years

**PART III**  
**EMPLOYEE COMMENTS**

The employee may utilize this space to respond to any portion of the Performance Evaluation and Development Plan:

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Employee's Signature \_\_\_\_\_ Date \_\_\_\_\_  
 Supervisor's Signature \_\_\_\_\_ Date \_\_\_\_\_  
 Next Level Manager's Signature \_\_\_\_\_ Date \_\_\_\_\_  
 (To be completed after Part III is completed)



## APPENDIX B

# WHAT IS AN AGRIBUSINESS?

12-15 November, 1993

Pushchino, Russia

## PRESENTERS

**Kirt K. Menon, Finance Manager**  
**Tri Valley Growers**

Kirt Menon is Finance Manager for Tri Valley Growers, responsible for the finance and accounting function of the International Development Department. Prior to joining Tri Valley Growers in February, 1993, Mr. Menon was an Assistant Controller, Corporate Accounting Manager, and Internal Auditor for Hawaiian Insurance Group, and Manager of Consulting and Accounting for Management Consultants, Inc. Mr. Menon's areas of expertise include information management, process management, automation, cost accounting, investment management, cash flow management, and financing mechanisms. Mr. Menon is a Certified Public Accountant and a Certified Management Accountant. He holds a Masters of Business Administration from the University of Hawaii.

Mr. Menon is a member of the American Institute of CPAs and the Institute of Management Accountants. He is the Director of CMA Programs and Director of Education and Student Relations for the San Francisco, California chapter of Management Accountants. He has taught management accounting to graduate and undergraduate students in the College of Business at the University of Hawaii, and has authored articles on insurance accounting and information systems.

Mr. Menon's international experience includes work in the Middle East and Europe for the International Division of CMC Worldwide.

**Yoo-Mi Lee, International Business Development Specialist  
Tri Valley Growers**

Yoo-Mi Lee is International Business Development Specialist for Tri Valley Growers, responsible for both business development and technical assistance and training. Prior to joining Tri Valley Growers, Ms. Lee spent two years trading stocks and bonds for an investment management company and three years analyzing securities for the finance department of an insurance company. Ms. Lee is a candidate for a Masters in Business Administration with an emphasis on Management from Golden Gate University in San Francisco, California and has a Bachelor of Arts in psychology from Cornell University in Ithaca, New York.

Ms. Lee's areas of expertise include business management, planning and evaluation; business acquisition and development; strategic analysis; agribusiness assessment and review; market studies; manufacturing cost analysis; and the design, development, implementation and evaluation of technical assistance and training activities.

Ms. Lee's international experience include business development and technical assistance and training in Egypt, Uganda, Senegal, Barbados, India and Russia.

**Elizabeth A. Smith, Office Manager  
Concord**

Elizabeth Smith graduated from Bates College magna cum laude with a B.A. in Russian Studies in 1987. Ms. Smith worked as a research apprentice at the Tolstoy Foundation and at the Harvard Russian Research Institute. Ms. Smith studied Russian at Leningrad State University in the Philological department. Ms. Smith started employment with Concord in 1991 as a Coordinator for international delegations, mostly Russian. She was transferred to Moscow in the fall of 1992 as Administrative Secretary and has worked as Office Manager for a staff that has grown from six people to 23 in the past year.

**Christine Grzesiak, Attorney  
Concord**



## APPENDIX C

# WHAT IS AN AGRIBUSINESS?

12-15 November, 1993

Pushchino, Russia

## LIST OF PARTICIPANTS

DYNNIK, Vladimir Vladimirovitch  
Dean  
Agricollege  
Pushchino  
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MAYEVSKAYA, Viktoria Leonidovna  
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MAYEVSKI, Yevgeny Il'itch  
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POLETAYEV, Sergei Ivanovitch  
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KATKOV, Yuri Adolfovitch  
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BONDAR, Alexander Timofeevitch  
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POPKOVA, Natalia Viktorovna  
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3-20-74

GORBUNOV, Oleg Pavlovitch  
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TCHIGALEYTCHIK, Anatoly Grigor'evitch  
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KHMYLOV, Genady Mikhailovitch  
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MALTSEV, Vladimir Alexandrovitch  
Engineer  
Design Bureau

SHIBAEV, Nikolai Victorovitch  
Researcher, Chemistry  
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SOKOLOVA, Larisa Alexandrovna  
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Institute of Soil Research and Photosynthesis  
Pushchino

KAZAKOVA, Lidia Vasil'evna  
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GORKOVENKO, Nadezhda Dmitrievna  
Chief State Inspector for Purchasing and Quality Control of Agricultural Production  
Agropromyshlenny Combinat  
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MOROZOVA, Lilia Andreevna  
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ZHDANKIN, Valery Vasil'evitch  
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SIDORYUK, Valentina Grigorievna  
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VOLKOVA, L'ubov Nikolaevna  
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STELMAKH, Galina Vladimirovna  
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Serpukhov  
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KHMYLOVA, Galina Fiodorovna  
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Serpukhov Region  
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KUTCHIN, Vladimir Sergeevitch  
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Serpukhov  
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RYZHOV, Sergei Nikolaevitch  
Deputy Director  
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737-130

KIZENKOV, Vladimir Vasil'evitch  
Deputy Director  
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TIKANOVA, Natalia Ivanova  
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OSIPOV, Alexander Alexandrovitch  
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KABANOV, Nikolai Alexandrovitch  
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TKACHUK, Vladimir Ivanovitch  
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Adventists' Seminary  
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TCHIZHOV, Alexei Genardievitch  
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TCHIZHOV, Pavel Genardievitch  
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## APPENDIX D

# WHAT IS AN AGRIBUSINESS?

12-15 November, 1993

Pushchino, Russia

## EVALUATION FORM

The following questions deal with the seminar that you have just completed. Please take the time to think through the questions before answering. Make your answers honest, and as specific as possible, as your comments will be taken into account in planning future Tri Valley programs.

- 1) What was the most valuable part of the seminar?
  
  
  
  
  
  
  
  
  
  
- 2) What did you learn that will be useful to you?
  
  
  
  
  
  
  
  
  
  
- 3) How will you use it?
  
  
  
  
  
  
  
  
  
  
- 4) Was the seminar too long? Too short?

- 5) On what topics would you like more information?
  
- 6) Would you attend another seminar or workshop on those topics?
  
- 7) Do you feel that individual training or assistance would be useful to you? If so, in what areas?
  
- 8) How can we structure that training or assistance?
  
- 9) Other Comments:

Thank you for your assistance.

## RESPONSE TO WORKSHOP EVALUATION FORM

### Question 1) What was the most valuable part of the workshop?

#### Responses:

1. 1st, 2nd and 3rd days.
2. The part about planning and creating business-plans, discussion of concrete projects.
3. The role of planning in the creation of business-plans, discussion of concrete projects.
4. Human resources management.
5. As an introduction, all parts of the workshop were interesting, especially human resources management, hiring and dismissal processes .
6. For me, the information about Tri Valley Growers business was very valuable and the discussion and analysis of concrete projects.
7. 1st and 2nd days.
8. It is difficult for me to pick the best part of the workshop. Everything was logical and clear.
9. The part which described strategic awareness of business.
10. Analysis and polite criticism of local business-plans by instructors of TVG.
11. The most interesting part of the seminar for me was learning about "ZAOKSKY' Collective Farm, because that concerned information and evaluation of the activities of that Farm.
12. I liked all parts of the workshop.
13. 1st day of the workshop.
14. 1st part, 1st day.
15. Planning and management, diagram of agribusiness.

16. 1st and 3rd days.
17. 1st., 2nd. and 4th days.
18. I liked the 4th day. I missed unfortunately the 2nd day. I think the 3rd one was less interesting; the advertising performances of two Russians (Ecofarm and Farmaplant) were not what I had expected.
19. The discussion of concrete projects, but it should have introduction before. Otherwise, it does not make sense.
20. Everything was useful. Although it was familiar for me, I had the opportunity to get a different point of view. The information on 2nd day was very helpful, especially the questions of planning.
21. Business planning, especially cost calculation.

## RESPONSE TO WORKSHOP EVALUATION FORM

### Question 2) What did you learn that will be useful to you?

#### Responses:

1. I was introduced to the concept of "Agribusiness", with the experience of planning, inventory-making, the way to pursue a goal in America.
2. I think, the most useful was information about the organization of agribusiness by TVG.
3. It was interesting to know about different forms of hiring a labor force, the calculations, percentage ratio of expenses for various positions.
4. How to avoid taxes.
5. I realized that Agribusiness in USA has its laws, but there are some problems with sale and distribution of product. We have other, opposite problems.
6. About work of businessmen of the Serpukhov Region, Pushchino.
7. Information about composing of business-plan, human resources management.
8. It was useful to learn about the business cycle. We received a lot answers to our questions and there were a lot of real examples.
9. That professionalism, responsibility and knowledge are the most important skills in a business.
10. Various possibilities of international investments.
11. Organizational structure of TVG, considering of interests of farmers and their protection. Use of method of indexing.
12. I have been able to get a general idea, to look on it as a whole subject, like seeing a map from a distance. But unfortunately, I did not hear about the small problems, which are numerous in real life.
13. The specific method of planning and diagraming of planning.
14. How to build a system, following which I would be able to work well.

15. There are a lot of ways to solve problems. It is a pleasure to realize that we are not alone; that there are people who want and are able to help.
16. I understood the experience and feelings of foreign professionals, who work in a big corporation.
17. You deepened my knowledge of Agribusiness.
18. In first day, I liked evaluation of business skills and responsibilities in Concord. On the last day, it was useful to know about planning of the vegetable-crop of our farm.
19. It was useful to know about agribusiness in general, to get suggestions for starting a new business.
20. About a working structure of business, process of development of strategy of business, human resources management, human relations.
21. That 85% of problems were predictable, most costs of products are controlled and one of the basic compulsory rules to do business is planning.

## RESPONSE TO WORKSHOP EVALUATION FORM

### Question 3) How will you use it?

#### Responses:

1. I will use it in work.
2. Realizing that Russian conditions in business are completely different from American, I will try optimize the activity of my firm and approach it as TVG approaches its activity.
3. I will change the correlation of direct and indirect expenses.
4. I will use American-style human resources management.
5. We will try to create a joint enterprise.
6. I will use it in lectures for my students.
7. I am planing to study business and to do business in the near future.
8. Basic questions and answers were clearly and professionally defined. All informational documents were composed very well and I will use them in my work.
9. I will use all information that I got for composing a business-plan, for creation of new business contacts.
10. I will correct my business-plan.
11. In composing my business-plan.
12. Everything will be useful in my work with students.
13. I will use it in my work.
14. I will systemize the structure of my work.
15. I will use it in my teaching work.
16. Excellent information material will be added to my business-library and I will use them in analyzing and planning my concrete deals.

17. I am planning to reorganize the work of my department and to re-distribute the responsibilities of employees in my department.
18. Right after 11-20-93, I will model the optimal pattern of my farm and each part of it in computer with the help of economists of the group "NICO" from North Ireland.
19. If I decide to start my own business, I will find the relationship between the real situation and information received. If I work for corporation, I will use this information for my job search and in making my career.
20. Receiving information would be helpful for putting in order all my knowledge.
21. I will plan an activity of my firm more accurately.

## RESPONSE TO WORKSHOP EVALUATION FORM

### Question 4) Was the workshop too long? Too short?

#### Responses:

1. It is a good idea to organize seminar for 3 days.
2. The term is excellent.
3. The seminar was organized and performed very well.
4. The seminar was brief, but in content.
5. The seminar was brief, spontaneous and outspoken. Instructors from USA were fascinating and very inquisitive.
6. I think it is enough time for introduction period with agribusiness.
7. The seminar was brief and rich.
8. OK.
9. Too brief for offered program, although all information was interesting.
10. In my opinion, the best term is 5 days.
11. OK.
12. It should have one more day.
13. Too short.
14. It was OK, but if it would be a little longer, it would be better.
15. The teaching was too short, the discussing was too long.
16. In some cases it was too long, in other cases - too short.
17. Too short.
18. It was short.

19. It was very voluminous and short. The performance of all topics needs at least 6 days, or there should be fewer topics.
20. Too brief.
21. OK.

## RESPONSE TO WORKSHOP EVALUATION FORM

### Question 5) On what topics would you like more information?

#### Responses:

1. How do American farmers reach the high level of producing of meat and milk? I would like to learn about experience and work of joint-stock companies, about methods of work of American farmers in that area.
2. I would like to know about variety of plans of cooperation and interaction between firms which grow agri-product and firms which process agri-product.
3. It might be better if all information would have close relation with Russia, with Russian economic conditions. And then there would be a lot of questions concerning business in Russia.
4. I would like to know about of bio-protection in agribusiness in the USA. How do American scientists evaluate assets and potential possibility in science and practice in Russia.
5. Bio-protecting plants from all kinds of pests in open and closed soil. "ECOFARM" can help organize a seminar on that topic with agribusinessmen of Russia. It is a very important topic for Russian farmers.
6. It is desirable that American instructors who perform agribusiness seminar learn more about possibilities and the specifics of organizing agribusiness in Russia, and compare it with the conditions in the USA.
7. About inventory-making, finance, questions of marketing.
8. N/A
9. Marketing, finance.
10. Examples of evaluations of the experience of private firms, following their activities from start to finish.
11. About specific financial methods of a marketing system and working in condition of inflation.
12. Finance, management of business at the beginning of establishment, analysis of business.

13. More information about growing of vegetables and fruit; purchasing of seeds; market information.
14. Human resources management.
15. Management and finance.
16. Business rules, polices, law, corporate culture, corporate relations.
17. Function of market.
18. Improving of methods of setting salaries; how to benefit employees.
19. On a lot of questions.
20. Marketing system.
21. Marketing, promotion of goods on the market, advertizing.

## RESPONSE TO WORKSHOP EVALUATION FORM

**Question 6) Would you attend another workshop on those topics?**

**Responses:**

1. Yes.
2. If I will have possibility, certainly yes.
3. Certainly yes.
4. Certainly yes.
5. Certainly, if it would be organized in Pushchino or Voronezh.
6. I am not sure.
7. Yes.
8. No.
9. Yes.
10. Yes, with pleasure.
11. Yes, if topics would be deeper.
12. Yes, sure.
13. If it would be in the fall-winter season, yes for sure.
14. Certainly yes.
15. Certainly yes.
16. Yes, sure.
17. If there would be interesting topics on it.
18. Yes.
19. Yes, if there would be describing real examples.



20. Yes, for sure.

21. Yes.

## RESPONSE TO WORKSHOP EVALUATION FORM

**Question 7) Do you feel that individual training or assistance would be useful to you?  
If so, in what areas?**

### Responses:

1. N/A
2. I think it is, especially in management, investment and marketing fields.
3. Certainly yes, in questions of management, investment and marketing, and composing business plans.
4. It depends on the situation.
5. I think individual training would be helpful along with dealing as a joint venture enterprise. To have deal with Russian companies, I think I have enough experience.
6. I don't have any deals in agribusiness for a while.
7. Yes, especially questions of prognosis and finance.
8. N/A
9. Yes, but we have some problems finding out necessary literature.
10. Yes.
11. Yes, it would give opportunity to work out in detail and plan our activity much better.
12. Yes, I would like to know more about planning and developing small enterprises.
13. It would be helpful for creating and developing a small enterprise.
14. Certainly yes, especially in distribution.
15. It would be useful in questions of planning and business relations.

16. Yes, sure. It would be very useful for updating my knowledge and learning more about strategy, planning and management of business.
17. Yes, in questions of composing a business plan.
18. Yes, for learning methods of payroll; how to benefit employees.
19. No. I learn more effectively with a group of people.
20. Yes, I would like to know more about planning and developing small enterprises.
21. Yes, to discuss how to arrange a presentation of a new product or service.

## RESPONSE TO WORKSHOP EVALUATION FORM

### Question 8) How can we structure that training or assistance?

#### Responses:

1. N/A
2. I think through face to face contact with specialists of these questions.
3. Face to face contact or to have the opportunity possibility to visit western agribusiness enterprises or American ones.
4. I would like to receive information about protection facilities for crops, how to organize a joint venture enterprise for producing these facilities.
5. I can give you concrete information about bio-facilities. I think we can organize marketing in the USA regarding that question and discuss it together.
6. N/A
7. Yes, seminar that is fine.
8. N/A
9. It would be helpful if you bring with you subject literature.
10. Consultation would be good.
11. N/A
12. To have meetings separately with each specialist.
13. If we combine our and your opportunity, we can do a good job.
14. N/A
15. We would like to invite specialists in economic planning, storage and processing of vegetable.
16. A brief experience in American agribusiness enterprises.
17. N/A

18. I would like to have skills to organize my business with the assistance of computer.
19. It would be better to organize training of a few Russian citizens and they could constantly act as teachers in Russia.
20. Organize longer seminars, analyzing practical work and how to discuss it.
21. It would be better if the seminar takes more time and a few real businessmen tell us about their problems, hopes, fears.

## RESPONSE TO WORKSHOP EVALUATION FORM

### Question 9) Other comments:

1. Thank you for leading the seminar.
2. It would be helpful if organizers of seminar consider Russian conditions for agribusiness. Totally, I really appreciate the opportunity to receive such interesting and useful information. I would like to wish success to "Tri Valley Growers" in its business and in organizing such seminars.
3. I appreciate the possibility to visit this seminar and to receive new knowledge. I sincerely wish TVG success in future work.
4. N/A
5. Thank you very much for your hard work.
6. I would suggest more examples from real agribusiness.
7. You brought excellent material, which will be very helpful for me.
8. Thank you very much to all instructors who performed seminar and I would really appreciate taking part in future seminars.
9. Thank you very much for the open, even exchange atmosphere and the thoughtful way of teaching us.
10. I felt that your seminar gave me the opportunity to catch the taste of business. Thank you.
11. I realize that the main problem for Russians is to find investment.
12. N/A
13. I really appreciate the big job that you did for us.
14. I appreciate your job and friendliness.
15. It would be very good to introduce us to businessmen; to follow their job up. Thank you very much for your cooperation.
16. I would suggest you try to follow the declared topics of seminar.

17. I would like to learn about American marketing system updated for Russian conditions.
18. I think too much time was taken to advertize material.
19. I think you have done well, performed a lot of material for quite a short time.
20. Your seminar helped to systemize all my knowledge and realize what I know and what I have to study.
21. You successfully did your task. Contacts between participants were very useful. Thank you very much.



## APPENDIX E

### ITINERARY FOR YOO-MI LEE Western Russia November 4 to 17, 1993

#### November 4, 1993

1:50 pm Leave San Francisco - Delta Flight 134.

#### November 5, 1993

9:45 am Arrive Frankfurt.

12:25 pm Leave Frankfurt - Delta Flight 60.

5:25 pm Arrive Moscow.

#### November 6, 1993

Free day.

#### November 7, 1993

12:00 pm Briefing for Eric Thor, Technical Assistance Volunteer.

#### November 8, 1993

1:00 pm Meeting with Elizabeth Smith and Christine Grzesiak, Concord - Seminar Presenters.

3:45 pm Meeting with Ernest Bethe, ACDI

**November 9, 1993**

9:00 am      Contacted:

Cathy Norris, USAID/Moscow  
Terry Myers, NIS/TF

**November 10, 1993**

10:00 am     Leave for Pushchino.

2:00 pm     Meeting with Vladimir Belaev, Director, Volna Cooperative, Serpukhov.

4:30 pm     Meeting with Yuri Mshensky, Deputy Director, IBPM.

5:30 pm     Meeting with Hugh Coulter and Paul Caskie, NI-CO.

**November 11, 1993**

Make logistical arrangements for seminar.

**November 12, 1993**

9:30 am - 4:30 pm      Seminar: "What is an Agribusiness?"

**November 13, 1993**

9:30 am - 4:30 pm      Seminar: "What is an Agribusiness?"

**November 14, 1993**

9:30 am - 3:00 pm      Seminar: "What is an Agribusiness?"

**November 15, 1993**

9:30 am - 2:00 pm      Seminar: "What is an Agribusiness?"

4:30 pm     Leave for Moscow

6:30 pm     Arrive Moscow

**November 16, 1993**

9:40 pm     Debrief Eric Thor.  
                 Seminar Follow-up.

**November 17, 1993**

8:10 am     Leave Moscow - Delta Flight 27.  
9:40 am     Arrive Frankfurt.  
1:50 pm     Leave Frankfurt - Delta Flight 135.  
4:25 pm     Arrive San Francisco.

# APPENDIX

## E



**INDIA**  
**TRIP REPORT**  
**December 2 - 11, 1993**  
**Yoo-Mi Lee**

This report provides information gathered during my trip to New Delhi, Pune and Bombay, India during the period of December 2 to 11, 1993. I was accompanied on the trip by Kirt Menon, Finance Manager, Tri Valley Growers (TVG) International Development Department. Most of our time was spent in Pune and Bombay. We stopped in New Delhi to meet with United States Agency for International Development (USAID) officials and the Commercial and Agricultural Attachés. The purpose of the trip was to explore cooperative development, technical assistance and training needs in the fruit and vegetable sector in the State of Maharashtra.

Outlined below are the highlights of the trip along with general impressions and recommendations on meeting the technical assistance and training needs in the fruit and vegetable sector in Maharashtra. An itinerary and list of contacts is attached to this report.

## **GENERAL INFORMATION**

### **Fruit and Vegetables**

- ◆ India is the second largest fruit (after Brazil) and vegetable (after China) producer in the world, with 8% and 12% of world production, respectively.
- ◆ India's export trade of fresh produce is only 0.35% of world trade, of which fresh fruit is 22% and fresh vegetables is 76%. Maharashtra's share of fresh fruit exports is 4%, primarily through the export of fresh mangoes.
- ◆ India's fruit processing capacity is 1.5% of available fruit, compared with 70% for Brazil, 78% for the Philippines and 93% for Malaysia. Of this capacity, 95% is home, cottage or small sized units. Capacity utilization is approximately 35%.
- ◆ India's export trade of processed fruit is valued at US\$ 14 million. Maharashtra accounts for 70% of that trade through the export of mango pulp and wine.

- ◆ Approximately 30% of fruit is lost in postharvest handling, packaging and transportation.
- ◆ The following fruits are produced in Maharashtra: banana, mango, guava, papaya, ber, chikkoo (sapota), custard apple (safira), orange, lemon, mosambi, grapes, pomegranate and fig.

## Cooperatives

- ◆ Cooperatives in India are governed by state Cooperative Acts. Cooperative sector development is funded entirely through state governments. States not only have a large investment in each cooperative (sometimes up to 90%), they also control the distribution of land, water and power. Because the state has such a large ownership in cooperatives, cooperative leadership is very political. Most cooperatives have been formed on the basis of one strong, charismatic leader with access to political power.

The state of Maharashtra has the largest cooperative sector in India. Even so, there are only 2 private (entirely owned by farmers; no government ownership) cooperatives in Maharashtra.

- ◆ Agribusiness in India is dominated by cooperatives; primarily sugar cooperatives. Sugar cooperatives are the second largest industrial group in India, second only to the Tata group. (The Tata group is the largest privately owned industrial conglomerate in India.) These cooperatives provide all the social services necessary in their areas (like schools and hospitals), and have stopped urban migration. Sugar cooperatives have already diversified into textiles and dairy, and are now looking to get into horticultural products. the sugar cooperatives are a model for other cooperatives.

There are six major cooperatives in western Maharashtra that cultivate cash crops (sugar). Each cooperative has about 15,000 to 20,000 farmers. The factory is managed by the cooperative, which in turn contracts with the farmers for raw product. Crop management is controlled by the individual farmer, but the water and power for irrigation (all cane fields are irrigated) and end product distribution (sugar prices are controlled) are controlled by the state.

The trend in agriculture has been the cooperatization of private industry. Failing private companies are being taken over by cooperatives, and made successful. Private industry cannot enter the sugar or dairy sectors.

- ◆ The National Cooperative Development Center (NCDC), New Delhi, was created by an act of Parliament in 1962 to promote cooperative development in agricultural marketing, processing and distribution. NCDC's primary role is

reimbursement financing to state governments. NCDC also provides technical assistance and training, with assistance from the World Bank, the European Community (EC) and the United States (US). (For example, two experts on oilseeds were sent to India for a period of one year by the Cooperative League of the US.) 18 farmers from 12 societies were trained last year by NCDC. This year, extension work is being done on the marketing of fresh fruit and vegetables.

- ◆ Vaikuntha Mehta National Institute of Cooperative Management is a training institute affiliated with the Agricultural University in Pune, an agricultural center in the state of Maharashtra. The Institute is primarily funded by the state government and the University to train upper level cooperative managers. The Institute has recently broadened its focus to include training of bank credit managers, government administrators and educators. The Institute has worked in the past with the International Cooperative Alliance and the Japan Union of Agricultural Cooperatives on training programs for cooperative management.
  - ◆ Vasantdada Sugar Institute, located outside of Pune, is funded by the sugar cooperatives to provide research, technical assistance and training to members. Funding for the Institute has been capitalized at approximately US\$ 10 million from contributions per tonne of sugar sold by the cooperatives. While the Institute gives instruction on irrigation, farm management, pesticides and harvesting techniques, the bulk of the Institute's efforts is concentrated on the processing of sugar. They have developed training courses in turnkey operations of sugar factories. The Institute has recently been awarded US\$ 1 million by the International Labor Organization for training in labor management.
  - ◆ Cooperatives have access to funding through cooperative banks and credit associations like the Maharashtra State Cooperative Bank (which is funded by the government and cooperatives). Federal and commercial banks will not lend to cooperatives. Cooperatives have enjoyed favorable rates (1-2%) in the past, but, that situation is changing.
  - ◆ Nontraditional horticultural products are not as heavily regulated by the government as cash crops, so many marketing cooperatives have been developed at the village level. (However, production and postharvest technologies have not been developed.) Also, there are no restrictions in horticultural processing, as there are in the processing of sugar, milk and oilseeds.
- Bombay, Pune and Nasik are magnets for fruit and vegetable supplies in the state of Maharashtra.
- ◆ The association of grape growers, MAHAGRAPES, has had some success in the production and marketing of fresh grapes.

MAHAGRAPES is a marketing organization of 29 cooperatives (6,000 farmers) that grew out of an industry that had been devastated by mismanagement and dishonesty on the part of buyers and growers, alike. Maharashtra grape growers had developed internal markets in New Delhi, Himachal Pradesh and Rajasthan by 1975. Buyers from these states came to Maharashtra and established their own farms, undercutting local farmers. By 1987, there was a huge glut of grapes as these farms came into production. MAHAGRAPES started to look for other markets and by-products, and in 1988, developed the production of grape juice concentrate. In 1989, they formed a large cooperative with four divisions for juice processing. (These divisions also process tomato and mango for pulp.). In 1989, they also started the export of fresh grapes to the Middle East. They are now in their third season of export to the United Kingdom.

MAHAGRAPES sought out and received technical assistance in the production and postharvest handling of fresh grapes, as well as in processing for grape juice concentrate from food technologists and equipment manufacturers from the US (California) and Europe. They imported precooling equipment from the US and located units in the growing areas. They currently have 17 facilities in 7 districts. They are looking to increase capacity utilization of these facilities by testing storage of bananas, sweet corn and strawberries. (The grape season is 4-5 months.)

Despite their relative success, they feel that they still need assistance in varietal selection and berry sizing. (There is no root stock available in India.) They would also like to start canning, and have looked at samples from Cypress and Italy.

MAHAGRAPES is the only cooperative organization that we encountered that does any marketing as we know it. Representatives have travelled to Europe, the Middle East, South America and the United States to study the markets and make contacts with brokers. However, representatives of the organization are not confident that what they are doing is right because agricultural marketing is in its infancy in India.

## **USAID**

Several meetings were held with officials in the Office of Technology Development & Enterprise (OTDE).

- ◆ Mission priorities include population control; economic reform and sustainable economic growth; and energy and environment.

- ◆ Agricultural programs are limited to the Agricultural Commercialization and Enterprise (ACE) Project. There is no Mission buy-in money for agricultural and agribusiness projects.
- ◆ Mission personnel from OTDE were in the process of evaluating the ACE Project while we were in India. Our initial observations, which we shared with Mission personnel, were that the Project had not been well publicized. We came across many representatives of agricultural cooperatives and enterprises that were not fully aware of the opportunities available through the Project.
- ◆ Backward linkages to farmers is missing in agroprocessing. Farmers are at the mercy of brokers, who often negotiate contracts pre-harvest. Farmers are often ignorant of market standards and prices.
- ◆ Mission personnel feel that there is a need for training in postharvest processes and technologies, particularly in the areas of postharvest handling, food processing and packaging.

### **ACE Project**

- ◆ The ACE Project is a 7-year, US\$ 20 million project being implemented by the Industrial Credit and Investment Corporation of India Limited (ICICI) to:

Increase private investment in the agribusiness sector,

Improve linkages between horticulture producers, processors and traders,

Increase flow of fresh and processed horticulture products to targeted domestic and export markets, and

Increase rural incomes

through loans, technical assistance and trade and investment tours to the private and cooperative sectors in the state of Maharashtra.

The primary focus of ACE will be on the postharvest handling, packing, transport, cold storage, processing and marketing of fresh and processed fruits and vegetables, flowers and foliage.

- ◆ ICICI is a financial institution set up in 1955 to encourage and assist industrial development and investment in India. ICICI provides project finance, financial services and technology finance to the private sector. (Funds for ICICI's technology finance are provided by USAID and the World Bank.)

- ◆ Chemonics International, Washington, DC, has been contracted to provide technical assistance for the ACE Project. The Maharashtra Industrial and Technical Consultancy Organization Limited (MITCON) has been contracted by Chemonics to provide in-country support and technical backstopping.
- ◆ MITCON, a wholly-owned subsidiary of ICICI, is a professional consulting firm set up in 1983 to provide consultancy services to small and medium sized industries. It is owned by federal and state financial institutions. There is an organization like MITCON in all 18 states in India.

MITCON also works with young entrepreneurs to teach them to start their own businesses. MITCON's goal is to take entrepreneurial development from the survival stage to the growth stage. In 1987, a separate institution was created to train entrepreneurs: the Maharashtra Center for Entrepreneurial Development. To date, 55 people in 30 districts have been trained.

- ◆ The Mahratta Chamber of Commerce and Industries (MCCI), Pune, is responsible for assisting ICICI in promoting the ACE Project. MCCI is also responsible for government policy studies that affect the horticultural sector, and setting up an agribusiness support services information network to monitor market trends, price movements of various commodities, available technologies and potential joint venture participants.
- ◆ The ACE Project was awarded to ICICI a year and a half ago. To date, four projects have been approved; two in fresh fruit export (mangoes) and two in the export of roses. Cooperatives have not participated in the Project. It is the view of the General Manager of ICICI, that cooperatives have not shown an interest in the Project because they are highly politicized and pampered, and have been used to getting something for nothing from the government.

## **CONCLUSIONS AND RECOMMENDATIONS**

Since the liberalization of government policies in 1991, farmers and cooperative associations have intensified their efforts to enter the global market economy. The Government of India has identified the food processing sector and small and medium industrial development as priority areas. However, very few models of private enterprise exist in these areas. The federal and state governments have created institutions to provide technical assistance and training, but these institutions are highly political, and do not reach private entrepreneurs. (In many cases, these institutions are run by career civil servants with little or no background in cooperative or agricultural development.) The cooperative movement is extremely strong, but financed entirely by the government.

Private entrepreneurs are looking to form cooperative associations that do not fall under the state Cooperative Act. Some have organized as Section 25 (no profit/no loss) companies to get away from the Cooperative Act. There is a small movement (that MITCON is trying to encourage) to privatize the cooperative sector. The time seems ripe for action since there will be a leadership vacuum at the top cooperatives in the next decade. Most of these cooperatives were formed after independence, around 1954/55, and the founding leaders are still in power at 70 and 80 years of age. Many of these politically powerful and charismatic leaders do not have apparent successors. Cooperative development assistance is needed at the grassroots level to empower farmers to organize for a common purpose, rather than around a person.

There is also a great need for technical assistance and training at the grassroots level, particularly in the area of non-traditional agriculture. These needs include:

1. **Marketing.** There is virtually no market research or consumer education done by local producers and manufacturers. Most farm organizations that we encouraged to undertake market studies claimed that they did not want to spend the money because it was too risky. Most marketing organizations were only active at the local level (with market yards), and their idea of "marketing" is limited to tracking prices of commodities in other markets. Many local producers wanted us to market their products for them, giving up total control of the most important aspect of their business. Others wanted names of brokers and buyers. These people had very little access to the type of information that we take for granted.
2. **Packaging.** There is a great need for packaging technology for fresh produce, processed products and in shipping and transportation. The cardboard used in boxes for shipping is highly susceptible to water damage.
3. **Standardization.** There is demand for assistance and information on product standards for export.

**Fresh:** There is no grading or sizing done at the farm level; all of it is done by the buyers and brokers near the markets, so farmers have very little information on the quality and size requirements for fresh produce. Growers are also unfamiliar with production techniques that allow them to control these issues. While every crop has a growers association, there is little or no self-regulation.

Not only do most farmers not have access to information on standards, they do not have ready access to varieties that are bred for uniform size and quality. California strawberry varieties are being grown in Maharashtra, but on a very small scale. There are no other varieties available at this time to potential producers. Even a fairly sophisticated organization such as MAHAGRAPES does not have access to more than 3 varieties of grapes.

Processed: Most of the processors we spoke with (members of the Maharashtra Chamber of Commerce and Industries) have difficulty meeting FDA standards.

4. Integrated Pest Management. There is a desire by growers to adapt their production standards to meet western needs. Because there is little backward linkage between the processor and producer, processors have no control over growing practices. This led one tomato processor to ask if there are any technologies to remove pesticide residue in the process, rather than in the field.
5. Food Processing Technology. We received many requests for technical assistance in processing fruits and vegetables, particularly the canning of vegetables (mushrooms, asparagus) and the production of juice and juice concentrates (pomegranate, grape).

Technical assistance and training sponsored by the Government of India and western development organizations are not reaching the small farmers whose needs are greatest. Tri Valley Growers proposes to undertake a few training workshops in the above areas to determine whether technical assistance and training can be institutionalized at the grassroots level. These activities will be funded through Cooperative Agreement Number FAO-0192-A-00-2081-00, Project Number 938-0192, contingent upon Project Officer approval. TVG will work with USAID/New Delhi and local institutions to set up the initial training missions.

**ITINERARY  
TRIP TO INDIA  
Yoo-Mi Lee  
December 2 to December 11, 1993**

**Thursday, December 2**

- 1:35 am Arrive New Delhi
- 10:00 am Meeting at USAID/New Delhi:  
Dick Goldman, Director, Office of Technology Development & Enterprise (OTDE)  
Felipe Manteiga, Private Sector Officer, OTDE  
B.N. Maheshwari, ACE Project Officer, OTDE
- 2:30 pm Meeting with Dan Conable, Agricultural Counselor, American Embassy
- 3:00 pm Meeting with Michael Benefiel, Commercial Attaché, American Embassy

**Friday, December 3**

- 2:45 pm Meeting at National Cooperative Development Center (NCDC):  
A. Ramanathan, Executive Director  
B.C. Mathur, Technical Director  
B.N. Maheshwari, USAID/OTDE  
Felipe Manteiga, USAID/OTDE
- 5:00 pm Indian Airlines Flt. 849 to Pune
- 7:00 pm Arrive Pune

**Saturday, December 4**

- 9:00 am Meeting at Maharashtra Industrial and Technical Consultancy Organization Limited (MITCON):  
S. P. Ranade, Managing Director  
S.R. Salunke, Local Coordinator (ACE Project), USAID - ICICI
- 12:30 pm Meeting at Vaikuntha Mehta National Institute of Cooperative Management:  
K.C. Srivastava, Director  
S. P. Ranade, MITCON  
S.R. Salunke, MITCON

- 3:00 pm Meeting at Mahratta Chamber of Commerce and Industries (MCCI):  
Dr. B.D. Sabade, Director General  
Vidyadhar Vedak, Agricultural Coordinator, ACE Project  
S.R. Salunke, MITCON  
Members of MCCI (See List of Contacts)
- 5:30 pm KISAN '93 Indian Agricultural Trade Fair (1-5 December 1993)
- 8:30 pm Meeting with Dnyanadeo G. Hapase, Director, Vasantdada Sugar Institute (VSI)

**Sunday, December 5**

- 8:00 am Leave for Baramati
- 8:45 am Meeting and tour of fields and cold storage facilities with Soopan Kanchan, Executive Partner, MAHAGRAPES
- 11:50 pm Meeting and tour of education center and demonstration farm with Dr. D.G. Appasaheb Pawar, Chairman, Agricultural Development Trust, Baramati
- 1:00 pm Tour of Baramati Agro Products Limited with Rajendra Pawar, Chairman
- 2:00 pm Lunch with Yedzdi D. Acidwalla, General Manager, Baramati Grape Industries Limited
- 3:45 pm Leave for Pune
- 6:00 pm Arrive Pune

**Monday, December 6**

- 7:30 am Train to Bombay
- 11:30 am Arrive Bombay

**Tuesday, December 7**

- 11:15 am Meeting at U.S. Department of Commerce, U.S. Foreign & Commercial Service:  
John S. Wood, Commercial Consul  
Yogen Parikh, Sr. Business Representative

12:45 pm Meeting at Industiral Credit & Investment Corporation of India Limited (ICICI):  
A.J. Adnani, General Manager  
Dileep N. Londhe, Deputy Manager, ACE Group  
Jaisingh D. Dhuml, ACE Group  
Brahmanand Hedge, ACE Group  
B.N. Maheshwari, USAID/OTDE  
Felipe Manteiga, USAID/OTDE

3:15 pm Meeting with V.G. Pillai, Vice President & Commercial Director, Indian Market Research Bureau

**Wednesday, December 8**

5:30 am Tour of Bombay fruit and vegetable wholesale market

11:30 am Meeting with Kirit C. Karia, Managing Director, Eastern Overseas Limited

1:30 pm Meeting with Bimal R. Thakkar, President, American Dry Fruits Ltd.

**Thursday, December 9**

10:00 am Tour of Bombay food retail outlets

**Friday, December 10**

4:35 pm Leave for San Francisco

**Saturday, December 11**

8:40 am Arrive San Francisco

**LIST OF CONTACTS  
INDIA  
December 2 to 11, 1993**

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# APPENDIX

## F



In Reply, Refer To:  
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**First Quarter Financial Report**  
**Quarter Ended : December 31, 1993.**

**CO-OPERATIVE AGREEMENT # FAO-0192-A-00-2081-00, PROJECT # 938-0192**

Line Items	Quarter Ended 12/31/93		
	AID Funding	TVG Match	Total
Salaries	\$19,407.05	\$875.92	\$20,282.97
Payroll Added Cost	\$8,007.44	\$355.89	\$8,363.33
Travel & Per Diem	\$0.00	\$0.00	\$0.00
Consultants and Staff	\$15,242.76	\$100.00	\$15,342.76
Trainees	\$7,054.57	\$0.00	\$7,054.57
Consultants	\$247.00	\$50.00	\$297.00
Training	\$0.00	\$0.00	\$0.00
Other Direct Items	\$0.00	\$0.00	\$0.00
Office Space	\$2,118.30	\$84.75	\$2,203.05
Communications	\$191.82	\$0.00	\$191.82
Copying, Postage & Delivery	\$853.40	\$200.00	\$1,053.40
Computer Equipment/Supplies	\$643.06	\$75.00	\$718.06
CDO Coordination	\$0.00	\$0.00	\$0.00
<b>Total Subcontract Costs</b>	<b>\$53,765.40</b>	<b>\$1,741.56</b>	<b>\$55,506.96</b>

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