PD-ACA-361

USAID/GOVERNMENT OF MOROCCO

MOROCCO AGRIBUSINESS PROMOTION PROJECT

QUARTERLY REPORT 3

For the period:
July -- September 1993

by

Donald S. Humpal, COP

November 30, 1993

Report MAPP-QR3

MOROCCO AGRIBUSINESS PROMOTION PROJECT

THIRD QUARTERLY REPORT

EXECUTIVE SUMMARY

OVERVIEW

Development Alternatives, Inc. (DAI) and it subcontractors entered its period of full-scale operations in this quarter. AMI (Agribusiness-Marketing-Investment) moved into its permanent quarters enabling us to build a better base for communications and support needed to serve Moroccan and U.S. private sector companies and their clients. Subsector study findings were used by the team and by industries to execute marketing, technology transfer, and investment promotion strategies. Trade promotion efforts moved from buyer and seller identification to weekly publication of export opportunities and structuring of buying trips for the 1993/1994 production seasons. Industry awareness trips were followed by with business-to-business contacts and work with associations on their strategies for development. Technology transfer work moved from trial work to the first joint venture between a Moroccan and a U.S. company. Regulatory, training, and industry audit programs for the processed food industry moved into implementation. AMI provided technical coordination to the initiation of work on plant quarantine, phytosanitary inspection, and pesticide regulation with the DPVCTRF. USAID approved the Promotion and Investment Fund administrative mechanisms. Long-term participant trainee selection continued with provisional acceptance by the University of Minnesota of a candidate for M.S. level training in food technology. Privatization efforts focused on wine property leasing. Discussion with leading banks on establishing financial platforms for agribusiness projects was started. The first steps towards establishing an industrial internship program in biotechnology were supported by AMI.

MAJOR ACCOMPLISHMENTS

Major accomplishments for the period July through September 1993, were:

- The wine subsector study field and market investigations;
- A report on the status of the Moroccan agribusiness sector;
- Completion of the subsector studies on early vegetables and cut flowers;
- Technology transfer activities begun or continued in artichoke varietal introduction, extruded grain legume food products, and modified atmosphere packaging;
- Raw material product quality control assistance to individual plants begun;
- Completion of the second European marketing trip;
- Presentation of the preliminary findings of the transport study;
- Preparation of regional agribusiness workshops for Northeastern Morocco and the Tadla
- Approval of the Promotion and Investment Fund (PIF) administrative mechanisms;
- Finalization of AMI brochures on Morocco, AMI services, and on periods of horticultural crop availability in Morocco;
- Initiation of the detailed work plan for USDA/APHIS and DPVCTRF activities.
- Preparation for the Produce Marketing Association trade show and the Fresh Produce Industry study tour in October;
- Preparation of the draft 1994 Annual Workplan;
- Moving AMI into new offices.

MAJOR ACTIVITIES FOR OCTOBER-DECEMBER 1993

Major activities for the October through December 1994 period will be to:

- Finalize the 1994 work plan with the Steering Committee;
- Develop working procedures with the new MAPP project Co-Manager;
- Produce final drafts of the Olive, Fresh Vegetables, Cut-Flower, and Wine subsector studies following receipt of MARA written commentary;
- Produce the completed draft of the Spice, Essential Oil, and Medicinal Plant subsector study;
- Produce the draft of the Processed Fruit and Vegetable subsector study;
- Complete the Transport Study and develop the short seminar series to diffuse the results;
- Approve the first set of PIF cost sharing awards;
- Establish the pizza and pasta supply platform;
- Establish the buyer liaison function in the AMI office;
- Manage a Morocco stand at the Produce Marketing Association (PMA) meetings:
- Carry out the U.S. Fresh Product Tour with IMCC;
- Develop a long-range collaborative agreement with AMPEXFLEURS;
- Execute the FICOPAM strategic audit;
- Evaluate artichoke trial results;
- Evaluate the commercial test of the modified atmosphere packaging joint venture;
- Execute the regional seminars in Berkane and Beni Mellal;
- Participate as an exhibitor in Maghreb Alimentaria 1993; and
- Install the LAN and develop the electronic communication links to USAID, MARA and other contractors and businesses.

INTRODUCTION

This quarterly report covers the period from July through the end of September 1993. It is divided into five sections:

I. Tasks and Level of Effort. A very brief section showing which of the contract tasks were worked upon, and the percentage allocation of team and individual effort allocated to them.

II. Activities. A recap of the principal activities of the quarter and progress to meeting the outputs, objectives, and goals of MAPP.

III. Problems and Solutions. Identification of problems and suggested solutions.

IV. Activities for the Next Quarter. A brief schedule of major activities for the following period.

V. Financial Report. A summary of expenditures made during the period, and cumulative costs to the last monthly closing of accounts. This section includes any financial issues raised.

JULY-SEPTEMBER 1993: MOVING INTO FULL GEAR

I. Tasks and Level of Effort.

A. Percent LTTA Labor by Task

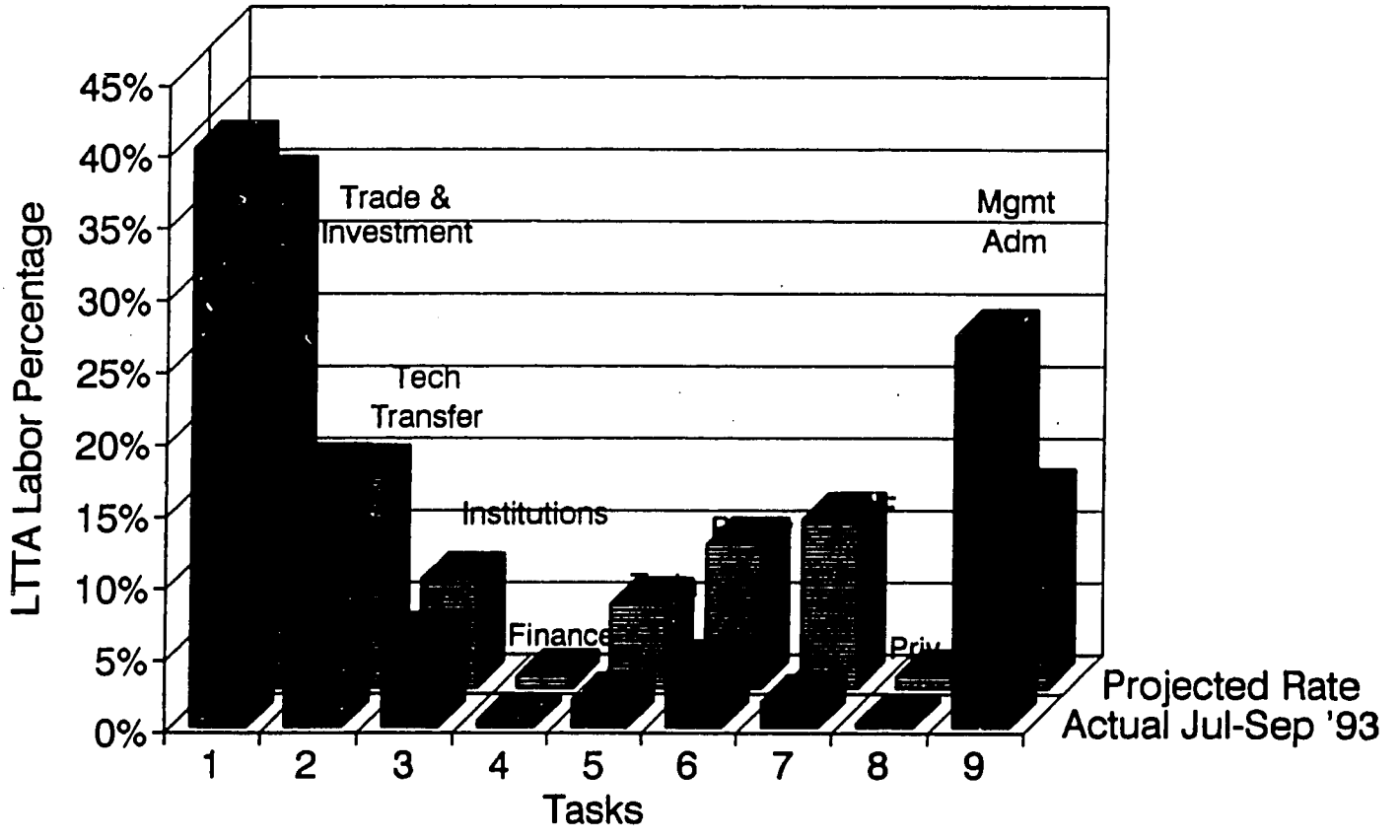
Figure 1. shows actual LTTA labor use during the July through September 1993 quarter and compares it to the average levels projected in our proposal. Compared to the spring and early summer 1993 quarter, this period shows:

- A reduction to about 40% of the overall effort on Trade and Investment, due primarily to the time needed to assess priorities and draft the 1994 Work Plan;
- A similar level of effort on Technology Transfer activities as staff identified initial opportunities;
- Intensive work with Supporting Institutions, notably USFDA and EACCE activities in registration of processed foods for export to the USA, and the DPVCTRF efforts to train their plant protection and quarantine staff and expand the list of products admissable to the USA;
- Management and Administration effort increased to permit the drafting of the 1994 Work Plan;
- Continued effort on The Policy and Regulatory Environment based on the commodity subsector and the transport studies;
- Maintenance level work on the Promotion and Investment Fund pending final approval of the revised cost-sharing agreements and procedures;

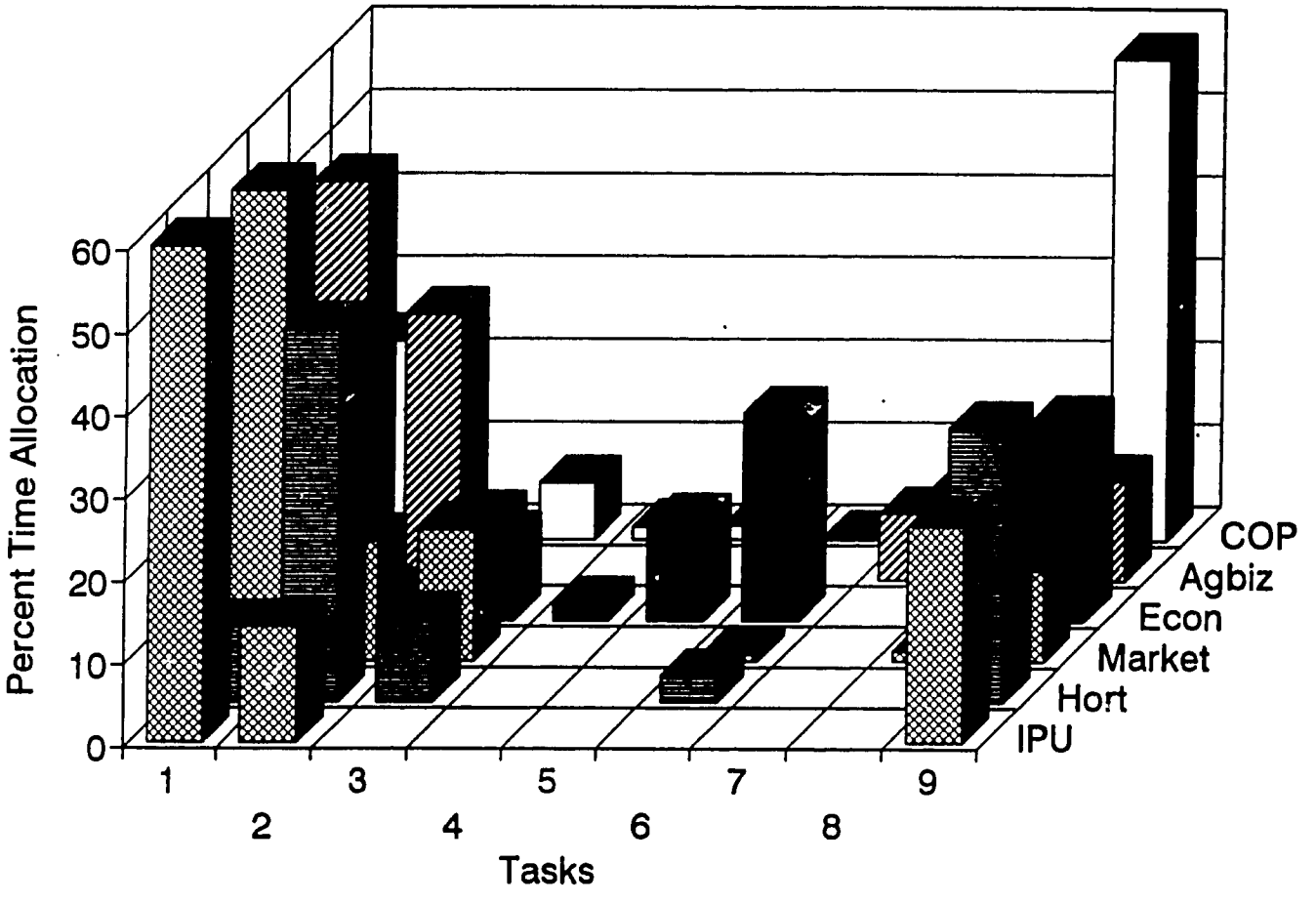
Greater effort would have been devoted to training if the modification of training expenditures had been made by MARA and USAID. The conversion of longer-run programs to short-term training for the private sector requires a Project Implementation Letter (PIL) to modify the formal agreement between MARA and USAID. Work began on presentations to the export-oriented banks to build financial platforms which would permit USA and Moroccan companies to identify potential trade and investment projects, evaluate financial requirements, and start building financial packages. Privatization effort increased because of the discovery made during the wine subsector study that indirect privatization through long-term leasing of vine land and vertical integration was being encouraged by SODEA, SINCOMAR, and the CNCA.

1.Task Allocation Jul-Sep vs. Projected

Morocco Agribusiness Promotion Project



2. LTTA Task Allocation Jul-Sept. 1993
By Team Member



B. Individual Work on Tasks

Figure 2. shows individual allocation of effort of the LTTA team by task. All staff worked on promotional efforts, technology transfer; five staff members worked on policy and regulatory issues; four worked on supporting institutions; and, three individuals worked on the Promotion and Investment Fund. Two staff members worked on privatization and financial services improvements.

During the July-September quarter all nine task areas met the management criterion that at least two LT team members work on each task area.

II. Activities

A. Activities

Figure 3. provides the calendar of major activities during the summer quarter. Four main activities dominated the period: subsector studies and their follow-up with industry groups; processed food product registration for the U.S. marketplace done in cooperation with USFDA and EACCE; investment and trade promotion; and technology transfer. Substantial work was also done on the Promotion and Investment Fund and long-term training programs.

1. Subsector and Issue Studies

Bill Grant (Ag Economist) continued his leadership of the subsector studies. As drafts of reports were reviewed and commented upon by MARA, USAID, and industry personnel, revisions were made and supplemental investigations carried out. Their findings found there way into discussions with individual businessmen, officials, and journalists from the economic press.

The olive study conclusions and recommendations were studied by the journalists of the weekly economics newspaper, "L'Economiste". Don Humpal gave a series of interviews to the reporters who prepared a set of articles on the olive and olive oil industries. Mr. Meziane, Minister of Agriculture, contacted "l'Economiste" to thank them for their presentation of the findings to a broad national readership.

The findings of the early vegetable subsector study have led to continued work with individual producers, packing house operators, professional associations, shippers, and regulators. The problem of infrequent flight rotations to Canada from Morocco has led AMI to investigate the potential of moving fresh products across U.S. territory to Canada using intermodal transport (air-truck, sea-truck). This approach which we are calling a "transit tunnel" will be explored during the 1993-1994 season.

Figure 3. MAPP-Major Contract Activities
July-September 1993

Date/Period	Activity
July 2	Internal review of Fresh Vegetable Sub-Sector Study
July 8 & 15	First publications of "Opportunités d'Exportation" in "l'Economiste" and "Les Nouvelles du Nord"
July 9	Internal review of the Spice Sub-Sector Study
July 14	Transport Study Preliminary Review with USAID/MARA
July	Technical Assistance to Apricot and Tomato drying operations
July -August	Wine Sub-Sector Study field work - Claude Falgon, Patrick Henry
August	AMI Brochure Development with Sigma Technologies
August	French Version of Video "Maroc: Oasis de l'Opportunité" produced
August	Visit by Moroccan processor to USA to identify extruded and expanded grain legume processing equipment and products
September 1	Rich Magnani takes over helm of Investment Promotion Unit at DAI/Bethesda for AMI
September 8-19	Draft 1994 Work Plan sessions
September 9	Promotion and Investment Fund Approved.
September 13	DPVCTRF Detailed Work Plan begun
September 21	Processed Fruit and Vegetable Field Study Begins
September 23	L'Economiste Publishes Findings of Olive Subsector Study
September 20 -October	Europe II Buyer Trip by Patrick Fachot to Frankfurt, Hamburg, Geneva, Brussels, and London with trade show support at ANUGA/Cologne and POLAGRA/Poznan by Carla Henry
September 9	Promotion and Investment Fund Approved
September 21	Presentation to the MARA Secretary General of the MAPP Project
September 23	Modified Atmosphere Packaging JV Signed
September 23-28	Shelby Country - Beni Mellal/Azilal Mission

Bill Grant, Patrick Fachot, and Abdel Aboulkassimi worked with the Investment Promotion Unit of AMI and subcontractor IMCC to put together a Moroccan fresh product study tour to the USA which would coincide with the national PMA meetings in October. The tour became a two part activity. The PMA stand is planned to be a promotional site for the project and Morocco. The study tour is intended to bring regulators, associations, and companies together to jointly look at import requirements and regulations, the functioning of wholesale markets and distribution systems, intensive greenhouse production, research and development, and fresh product packing/shipping operations.

The spice, essential oils and medicinal plants study led to the identification of a potential buy-out opportunity of a herbal tea manufacturer. Bill Grant worked to bring the Moroccan and French partners together with a potential U.S. buyer of the company.

Follow-up of the cutflower subsector study and industry tour to the USA resulted in the identification of controlled environment greenhouse production, frozen flower transport by trucks, and new distribution approaches which will be pursued by AMI with AMPEXFLEURS. Bill Grant worked with the association to identify U.S. industry specialists to make presentations at the EXIFLORE 94 trade show scheduled for mid-January in Marrakesh.

The field work done on transport issues was presented to MARA and USAID in early July by Hassan Benabderrazik of Agro-Concept. Findings were well received. One participant remarked that this type of study would not have been possible to do a few years ago. The study points out how the policy of a national "pavilion" or self-sufficient fleet of nationally-owned transport, monopoly practices in domestic transport, and international bi-lateral traffic agreements have placed Moroccan high value products at a competitive disadvantage despite the country's proximity to Europe. We have been encouraged to take these issues to a broader audience, which we will do during the winter of 1993/94.

Market research and field work for the processed fruit and vegetable study began in this quarter. Key initial issues identified included: raw material supply and quality problems; the lack of a transparent enforcement process for production contracts between producers and processors; insufficient process quality control in plants; frequent problems in plant equipment selection and capacity utilization; and weak processor/exporter business practices. These issues are more important constraints to exports from Morocco than the slow growth in market demand for processed products. In many cases, the demand for products from Morocco outstrips the capacity of Moroccan producers and processors to respond.

2. Processed Food Product Registration

Mr. Tom Bennett, Mr. Humpal, and Mr. Grant worked with USAID/ANR, the MARA/DPV/Cellule de Partenariat, USDA, the Moroccan Export Control and Coordination Authority (EACCE) and the FDA to begin implementation of the 18-month program to transpose US regulations into Moroccan code, to train inspectors, and to help individual firms improve thermal processing controls and container integrity programs. The FDA was unable to identify thermal processing specialists in time to start the training of inspectors and plant operators in July. FDA's failure set the project back with both the EACCE and the private sector, requiring re-scheduling of the first thermal process and container integrity mission to October.

In the course of working with plant owners and equipment suppliers, we found that plant owners and equipment operators have a long way to go to understand FDA regulations. Also, many equipment and container suppliers are not supplying the services which their parent companies provide clients in Europe, the USA, Latin America, and parts of Asia. There has been little industry-wide pressure on suppliers to provide these services

3. Trade and Investment Promotion

In August, AMI released the French version of the video, "Morocco: An Oasis of Opportunity" (Maroc:Oasis de l'Opportunité). We had not anticipated producing a French version, but the quality of the English version, the demand from Moroccan public and private sector viewers, and the need for some video supports in French for Morocco-based trade shows and seminars compelled us to do so. Tom Bennett, Maclain Ramsey, Dino Sebti, Patrick Fachot, and Genevieve Caron worked to adapt the script to a francophone audience.

Patrick Fachot launched the second major campaign in mid-September to link Moroccan exporters with importers and distributors in Switzerland, Belgium, Germany and the UK. A total of 338 contacts were identified, with about 150 direct contacts. Evaluation of offers received from Moroccan producers and exporters showed that there is lot of work to be done to get Moroccan suppliers to listen to the buyers and to improve the completeness and accuracy of their offers and follow-up with buyers. Carla Henry of DAI/Bethesda worked the ANUGA and POLAGRA shows to generate additional contacts and obtain buyer evaluations of Moroccan products. In the remainder of 1993 and in early 1994, Mr. Fachot will intensify his work with a set of buyers and sellers who appear to be able to diversify sales of Moroccan horticultural exports. European buyers began their direct visits with AMI and with suppliers in late September.

Mr. Fachot and Mr. Humpal continued their work on improving wine labels and descriptive and promotional labeling of Moroccan wines. They evaluated an ad campaign produced in France for the English-speaking market and were able to help the winery involved avoid a major marketing mistake in launching a poorly prepared label campaign.

During the quarter, Mr. Fachot worked with the rest of the AMI team to qualify suppliers for the National Pizza and Pasta Association sourcing platform in Morocco. Mr. Fachot worked closely with the selected platform managers in Morocco and the USA to identify high-quality suppliers and set up the visit by the U.S. distributor to Morocco for next quarter. We are confident that we will avoid the problems encountered by the same U.S. distributor when he visited Tunisia and came away with the conclusion that no platform could be established there.

Mr. Humpal met with Mr. Mike Shaw of the International Association of Refrigerated Warehouses (IARW) in the USA. IARW and ANAF in Morocco are studying the feasibility of setting up a holding company to construct and manage cold storage facilities and services.

The Investment Promotion Unit in DAI/Bethesda shifted a major portion of its work this summer to product specific research, sample evaluation with potential U.S. buyers, identification of sources of crop materials and equipment. While this slowed down some of the company contact activities, it helped advance our work in adapting Moroccan products to U.S. market requirements.

4. Technology Transfer

Tom Bennett, Abdel Aboulkassimi, Patrick Fachot and Don Humpal worked with a wide variety of Moroccan firms to develop project profiles, identify product development needs, locate sources of technology, and initiate product diversification activities.

Mr. Aboulkassimi initiated a trial program using a new artichoke variety which can be grown as an annual crop from seed. Trials are being carried out in cooperation with SASMA, IAV Hassan II in Agadir, and the Moulouya ORMVA. Mr. Bennett and Mr. Aboulkassimi worked with exporters and plastics suppliers to set up a commercial testing approach for the Natural Pak modified atmosphere technology introduced to Morocco with AMI/DAI assistance. Successful testing at the single carton level has led to substantial demand among exporters to run pallet-sized pilot tests for the 1993/94 production year.

Mr. Bennett worked with Moroccan producers to identify the harvest practice changes needed to improve the quality of dried and canned apricot products. He found that the most widely grown apricot variety (Canino) has inherently low sugar content, even when fully ripe. Once-over tree harvesting practices, little attention to fruit maturity and poor sorting also lead to a highly variable raw product. This variability is carried through processing and frequently results in a wide spread in product quality within a single product lot.

Mr. Humpal investigated the problem of plant propagation for vegetable and fruit producers. Despite the sophistication of many production technologies in use in Morocco, many growers use plant nurseries or buy nursery plants of mediocre quality, reducing the efficiency of use of subsequent high yield production inputs and practices. Mr. Humpal and the IPU staff are exploring introduction of high-quality transplant production systems with Moroccan producers and U.S. suppliers. Meristematic multiplication of strawberry plants is already established in Morocco, along with micro-tuber propagation for potatoes.

5. The Promotion and Investment Fund

The Promotion and Investment Fund (PIF) was granted final approval by the Regional Contracting Officer of USAID September 9. This permitted AMI staff to move the first group of PIF applications forward. This group includes modified atmosphere packaging distribution system set-up; test shipments of modified atmosphere packaged fruits and vegetables to Europe; fruit dehydration; hydroponic greenhouse production systems; and high volume plant propagation systems introduction.

6. Training

The DPAE candidate for an M.S. in agricultural economics began his intensive economics program over the summer. A DPV employee gained provisional acceptance to a M.S. program in Food Technology pending successful completion of intensive English training and testing in Morocco. Private sector firms are began to propose qualified candidates for short-courses in the USA. The recommendation made by the Steering Committee to turn long-term training into short-term training for the private sector needs to be formalized in PIL signed by USAID and MARA.

B. Progress

The period from July through September has been used to gear up our operations for business. This section describes the status of subcontracting and outputs.

1. Subcontracting

The DAI group consists of DAI and nine subcontractors. Subcontracting has been scheduled in order of anticipated major project expenditure. Subcontracts status at the end of June is summarized below:

- Postharvest Institute for Perishables (PIP) - Subcontract signed and approved by USAID RCO;
- American Manufacturers Export Group (AMEG) - Procurement subcontract negotiated, approved by USAID and signed. Services subcontract negotiated, submitted to USAID RCO, and signed.
- Tri-Valley Growers (TVG) - DAI awaiting TVG signature to permit shipment of the subcontract to USAID;
- University of Minnesota (UMinn) - Subcontract terms modified to meet the upcoming training program shifts to a predominantly short-term training approach;
- Land O'Lakes (LOL) - Final revisions are awaiting signature to permit shipment to USAID;
- Agro-Concept (Agro-C) - Subcontract at DAI/Bethesda for final review;
- ICEA Enterprises - Subcontract terms reviewed to finalize draft;
- IMCC - Subcontract terms reviewed by DAI/Bethesda;
- Purdue University - Draft terms under review by Purdue.

2. Outputs

Figure 4. shows progress against output measures by task up through the July-September quarter. The subsector studies continued at a fast pace. We are approaching the halfway point of subsector study completion. All subsector studies should be completed by the middle of 1994. The summer vacation periods in the USA and Morocco slowed work in contacting and briefing U.S. and other firms. The pace will pick up again in the fall. Technology transfer work made the most progress this quarter. The modified atmosphere packaging joint venture should result in full transfer at the commercial scale by the end of the fresh produce shipping season -- mid-April 1994.

Figure 4. Development Alternatives, Inc. MAPP

PROGRESS TO OUTPUTS PERCENT CONTRACT 23%

TASK	LOP OUTPUT MEASURE	LOC TARGET	PERIOD PROGRESS	AMT	PERCEN ACHIEV
1. AUGMENT FOREIGN INVESTME	Subsector Studies	8	Olives/primeurs/flowers/spices/	3.5	44%
	Prefeasibility Studies	8		0	0%
	Investor Briefings	200		24	12%
	U.S.	150	Briefings at U.S. companies	23	15%
	Other	50	Czech firm	1	2%
2. DIVERSIFY AGBIZ TRADE	U.S. Firms Contacted	1500	Mail+phone with some meetings	237	16%
	U.S. Firms Visiting	150	Several await cost-share	2	1%
	Moroccan Firms to USA	50	Organized meetings/plant visits	8	16%
	Study Observation Tours	30	NASDA Delegation, NRS Trade S AMPEX, MTAPP Trade Associations	4	13%
3. IMPROVED APPLIED TECHNOLO	Production/Pkg/Processing	4	Tomato shrink-wrap, fruit leather,	0	0%
	Firms Adopting	20	Modified atmos. pilot tests 93/94	0	0%
	Product Marketing Strategies	6	Pizza Component Clearing Hous	1	17%
	Firms New Market/Biz Plans	10	5 Begun	0	0%
4. REINFORCE INDUSTRY ORGS AND SUPPORT INSTITUTIONS	Association/Group Plans	6	AMPEXFLEURS, FICOPAM, ANA	0	0%
	Membership Info Services	4	Market Information Key Need	0	0%
	DPAE Industry Info Study	1	Hort'l Mrkt Data Sources ID'ed	0	0%
	DPVCTRF Improved Cert Pla	1	Detailed Workplan Begun	0	0%
	DPV Agbiz Database	1	AMI Data Base Initiated	0	0%
5. IMPROVEMENTS IN FINANCIAL SERVICES	Financial Studies/Consultanc	NYA		0	
	Client Referrals MAPP-NED e	NYA	Client Referrals Made	4	
	Financial Platforms	3	Wafa Group, BCM, BMCE, CNCA, BMCI Targeted		
6. ENHANCING HUMAN RESOURC	LT Degree Programs	4	M.S. Ag Econ Begun, M.S. Food	0	0%
	ST Advanced Training Progra	18	Need GOM/USAID modification/I	0	0%
	ST Industrial Interns	19	One identified in Biotechnology	0	0%
	Moroccans on Study/IA Tour	90	Trade Show IA Show Organizatio	16	18%
	Workshops	20	Kick-Off Conference, 3 FDA, 2 T	9	45%
7. IMPROVING THE POLICY/ REGULATORY ENVIRONMENT	Policy/Regulatory Reports	11	Transport Study Preliminary Rep	0.5	5%
	Dissemination Seminars/Wor	11	Regional Seminar Program Plan	0	0%
8. ADMINISTER THE PROMOTION AND INVESTMENT FUND	Cost Sharing Applications	100	Several companies have project	0	0%
	Acceptable Applications	75		0	0%
	Amount Awarded	2000000		0	0%
	Cost/Services Leveraged	2000000		0	0%
	Pre-Investment Activities	50		0	0%
9. ASSIST PRIVATIZATION	Parastatal Privatizations	5	HOLDAGRO wine acreage lease	0	0%
	U.S.Privatization Partners	5	One potential wine investor	0	0%
10. MANAGEMENT AND ADMINISTRATION	LT Staffing Completed (FTE)	6		6	100%
	Communication Systems	1	Completion awaits LAN in new of	0.5	50%
	Timely Reports				
	Workplans	5		2	40%
	Qtrly Reports	15		1	7%
	Annual Reports	5		0	0%
	Late Reports				
	Workplans	5		0	0%
	Qtrly	15		2	13%
	Annual	5		0	0%

Figure 5. Development Alternatives, Inc. MAPP

PROGRESS TOWARDS OBJECTIVES

	TASKS	TASK1	INVEST	TASK 2	TRADE	TASK 8	PIF			TASK 3	APPLIED TECH		TASK 4	INDUSTRY ORGANIZATION		
		1.1	1.2	2.1	2.2	8.1	8.2	8.3	8.4	3.1	3.2	3.3	4.1	4.2	4.3	4.4
	MEASURE	JOINT	DOLLARS	MARKET	ASSOCIAT	NUMBER	DOLLARS	TRADE	DOLLAR	SALES/	COST/	PROFIT	ASSOCIAT	DUES	BALANCE	DATAB
	PERIOD	VENTURE	INVESTED	PENETRA	PARTNER	INVESTME	INVESTED	LINKAGE	VALUE	COST	UNIT		MEMBERS	COLLECTI	BUDGETS	ACCES
1992	AUG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	SEP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	OCT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	NOV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	DEC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
YEAR TOTAL 1992		0	0	0	0	0	0	0	0	0	0	0	0	0	0	
1993	JAN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	FEB	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	MAR	0	0	1	0	0	0	0	0	0	0	0	0	0	0	
	APR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	MAY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	JUNE	0	0	0	1	0	0	0	0	0	0	0	0	0	0	
	JULY	0	0	0	0	0	0	0	0	0	0	0	0		0	
	AUG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	SEP	1	12000	0	0	0	0	0	0	0	0	0	0	0	0	

The first new product marketing strategy was developed the end of the quarter. It dealt with the establishment of a pizza and pasta component clearing house in Morocco to link with the southeastern importer/distributor for the National Pizza and Pasta Association restaurant members. New marketing or business plans were begun with five companies covering:

- sun-dried tomatoes and apricots;
- an extruded grain legume convenience food start-up plan;
- a Northern and Eastern European marketing strategy for a Moroccan trading company;
- a business strategy for spring potato packing and export;
- a business development strategy for a vertically integrated hydroponic greenhouse start-up in fancy off-season table grape and vegetable. production and export;

Purpose measures (Figure 5.) have been developed to monitor achievement of results. AMI has been able to help AMPEXFLEURS leverage its services against dues collection. Dues payment was a requirement for AMPEXFLEURS members to participate in AMI supported travel to the USA. It provides an example of how identifying a sought after service can improve resource flows to professional associations. The big event of the quarter was the signature of the joint venture agreement between Natural Pak of New Jersey and Avon Val Maroc of Oualidia. This is the first of the 15 partnerships AMI is contracted to help bring about. While it is beginning as a small investment, this investment level should grow rapidly during and after the commercial testing of the modified atmosphere shipping trials this season.

III. Problems and Solutions

Problems and solutions are grouped in four categories:

- Administrative Problems and Solutions
- Personnel Problems and Solutions
- Technical Problems and Solutions

A. Administrative Problems and Solutions

AMI moved into permanent office space in September, resolving the important problem of lack of adequate facilities and communication support.

MARA reorganization again caused personnel shifts during the quarter. A new Secretary General, Mr. Lhafi, was appointed. This move required us to reintroduce the project to Ministry leadership. Mr. Anechoum, MAPP's lead co-manager for MARA, was promoted to Director of the Human Resource Department of MARA. He was replaced at the end of the quarter

by Mr. Guedira, the newly named Director of the Department of Plant Production. The new management team required time to educate itself about MAPP and AMI, which naturally slowed down some project activities. However, it also helped us identify the need to forecast more carefully the contributions from the Government of Morocco in the cost-sharing programs of the project. The solution is to circulate the MAPP work plan and ensure that individual departments make budget requests for the remainder of FY 1993 and the upcoming Moroccan FY 1994.

USAID requests for additional tracking information on the process of project implementation beyond those required in the contract have increased the paperwork load on AMI technical assistance and administrative staff. Staff now prepare a monthly report estimating Government of Morocco contributions to the project. We are also required to file separate information sheets for the Private Sector Management Information System on technical assistance and training provided to companies with which we work. They require diversion of staff time from working to produce outputs to reporting on the flow of inputs. While we do not doubt their utility for USAID management purposes, they do represent unanticipated reporting costs. We may need to increase project support levels to maintain the new records, particularly those of the PTMIS. Alternatively, we will have to continue to divert expensive technical assistance time from their primary tasks to the management and administrative category.

As AID's new administration began to study and seek to redefine its policy and program pillars, USAID asked AMI to provide additional input on a variety of unanticipated issues that might affect the way that AMI works with US or Moroccan companies. One requirement was to review project assistance screens to ensure that 599(c) issues on fair labor practices could be monitored. The U.S. labor attaché confirmed that 599(c) issues were covered as long as Morocco continues to maintain its certification with the International Labor Organization as a signatory to international labor protocols. The Mission also asked AMI to identify ways to respond to the language contained in paragraph 513 of the FY1994 Foreign Assistance Act, which was seen as potentially restricting AMI's promotional work. Review of the legislation, consultation of IPU staff with congressional staffers and AID/Washington personnel required diversion of significant staff time in Bethesda and Morocco. It also required us to restructure the plans for the Morocco stand at the Produce Marketing Association meetings in Washington, D.C.

A protest about MAPP work with the Moroccan table olive industry from the California Olive Association, and a letter of inquiry signed by 15 California congressmen required substantial work by the COP and IPU staffers. The issue is that California-style, oxidized black olives are now officially an import sensitive item as defined by the International Trade Commission. MAPP resources must not support the export of this class of olives to the USA. USAID attempted to get acceptance of work by AMI to provide assistance to Moroccan or U.S.-Moroccan ventures until Moroccan exports hit five percent of the U.S. olive imports. This approach was rejected by the COA. USAID informed DAI verbally not to begin support to this class of Moroccan exports. Our subsector study shows that the best export potential for Morocco lies with Spanish-style green olives. As the quarter closed, it was unclear whether AMI would be permitted to continue work on green olives. IPU staff and the COP worked to identify a win-win situation which would benefit California olive producers and packers.

Finally, the first public proclamations of new policy directions in USAID, specifically a focus on the Newly Independent States, the Gaza/Palestinian territory, with maintenance of the Israel and Egyptian programs, also bore the first signs that existing funding pipelines would be tapped to provide cash in 1993 and 1994 for AID activities. These announcements have had a negative affect on team morale.

B. Personnel Problems and Solutions

During this period, we discovered that AMI Moroccan staff are probably the only local staff who are registered by a USAID project with the CNSS (national social security) and consequently, subject to social security and income tax withholding. We have been informed informally that the U.S. Embassy has a suit before the national tribunal which seeks to show that the U.S.-Morocco bilateral assistance agreement prohibits taxation of U.S. project funds. AMI's Moroccan staff seek equitable treatment with other local hire staff subsequent to the decision of the court case.

At the end of the quarter, AMI's Agribusiness Specialist, announced his intention to resign from the project effective December 31, 1993. The COP informed USAID and DAI headquarters. DAI has accepted the specialist's resignation and has begun a search for his replacement.

C. Technical Problems and Solutions

MAPP's work on food safety continues to encounter problems related to communication of the concepts used in the United States on preventive measures to ensure food safety and commercial sterility of products offered to consumers. Part of the problem is linguistic. French-speaking food scientists use the concept of a quality continuum that includes food safety concerns, but which uses third party post-processing inspection and laboratory testing of products already in the commercial chain or on the marketplace as a control mechanism for commercial quality and consumer appeal, as well as food safety. In the US, food safety practice is based on processor monitoring of risks and management of critical control points which establish in-plant thresholds for food safety to keep unsafe or questionable products out of the marketplace. MAPP has the programs in place to communicate the differences and train people how to work in the U.S. system. It will take time and substantial effort to move these concepts of food safety management into Moroccan industry and regulatory practice. The USDA PASA-supported work by FDA is an important part of solving this problem. However, the greatest changes need to take place in the processing plants, starting with the hiring of plant operators who are trained in food processing and moving through reorganization of lines, general plant sanitation, and modifications in the way that processing is controlled to ensure food safety and consistent commercial quality. The MAPP sponsored courses on food safety, thermal processing, container integrity, and better process controls will be key ingredients in modifying the way that owners and operators manage their plants.

Technology transfer requires the introduction of new materials into Morocco. Our experience with modified atmosphere packaging and with plant material introductions shows us that there are problems in the way that customs and official regulatory agencies classify and handle new product entries. The Natural Pak sachet is a good case in point. Mr. Aboulkassimi contacted Customs, DPVCTRF, and EACCE two months in advance of the arrival of the first container load of Natural Pak materials. He informed them of the composition of Natural Pak material to enable these organizations to classify the material for customs, phytosanitary, and packaging inspection. Despite our advance supply of this information, along with the Standard Industrial Code and Harmonized Customs System codes used in the USA, the DPVCTRF has classified the Natural Pak sachet as a growth regulator, in other words, as an agricultural chemical. However, the Natural Pak sachet is an absorber of gases in cartons of produce, not a chemical applied to the fruit or vegetable being shipped. Mr. Aboulkassimi has also had to negotiate inspection procedures for the Natural Pak packaged fruits and vegetables with the DPVCTRF and EACCE, because they have no established procedures for experimental or trial shipments of produce. The lack of procedures for trials of innovative technologies means that AMI has to work through not only the institutions which regulate food product exports, but also at each point along the transport chain through which the product will transit. The solution will probably be in two steps. The first step will require AMI to detail the steps in gaining entry of new technology and in the export of products prepared or packaged with it. The second step will be to work with DPVCTRF and EACCE in setting up procedures to handle test introductions and exports involving new technologies.

IV. Activities for the Next Period.

Major activities for the period October 1993 through December 1993 will include:

- Finalizing the 1994 work plan with the Steering Committee
- Developing working procedures with the new MAPP project Co-Manager
- Produce final drafts of the Olive, Fresh Vegetables, Cut-Flower, and Wine subsector studies
- Produce the completed draft of the Spice, Essential Oil, and Medicinal Plant subsector study
- Produce the draft of the Processed Fruit and Vegetable subsector study
- Complete the Transport Study and develop the short seminar series to diffuse the results
- Approve the first set of PIF applications
- Establish the pizza and pasta supply platform
- Establish the buyer liaison function in the AMI office
- Manage a Morocco stand at the PMA
- Carry out the U.S. Fresh Product Tour
- Develop a long-range collaborative agreement with AMPEXFLEURS
- Execute the FICOPAM strategic audit
- Evaluate artichoke trial results
- Evaluate the commercial test of the modified atmosphere packaging joint venture
- Execute the regional seminars in Berkane and Beni Mellal
- Participate as an exhibitor in Maghreb Alimentaria 1993
- Install the LAN and develop the electronic communication links to USAID, MARA and other contractors and businesses

V. Financial Report.

Project expenditures recorded from July through September 1993 totaled about $461,300. Cumulative billings to the end of September were approximately $1,779,000. The second figure represents 14 percent of the total contract budget expended over 23 percent of the contract. Figure 6. provides the expended and remaining amounts of the contract budget.

Expenditure on project support through September totaled $185,183 or 31% of the estimated budget. This level of expenditure is consistent with the front end loading of support costs, e.g. the up front costs of the lease on office space, new communication and support systems installation, lease-hold improvement, etc.

Subcontractor billings have been made by all subcontractors except the University of Minnesota and Purdue University. Purdue University has not yet done work under the contract. The University of Minnesota is prohibited by its contracts and grants office from billing DAI until its subcontract with DAI is approved by USAID. The final draft of the subcontract will be returned to the University of Minnesota for signature in the next quarter. Outstanding expenditures not yet billed by the University of Minnesota are estimated at approximately $175,000.

USAID has provided timely payment on all submitted vouchers.

FIGURE 6. FINANCIAL REPORT

NAME OF CONTRACTOR: DEVELOPMENT ALTERNATIVES, INC.
PROJECT NO. 3707
MOROCCO AGRIBUSINESS PROMOTION PROJECT

CONTRACT NO.: 608-0210-C-00-2044

SUBMISSION DATE: 29 October 1993
REPORTING PERIOD: 1-30 September 1993
SUBMISSION NO: 18

CATEGORY	BUDGET AMOUNT	INCEPTION TO LAST REPORTED PERIOD	THIS PERIOD	CUMULATIVE AMOUNT	REMAINING AMOUNT	PERCENT OF BUDGET EXPENDED
SALARIES/WAGES	$1,543,140.00	$358,211.68	$38,763.99	$396,975.67	$1,146,164.33	25.73%
INDIRECT COSTS	$1,395,717.00	$330,409.08	$37,883.87	$368,292.95	$1,027,424.05	26.39%
TRAVEL/TRANSP/PER DIEM	$380,384.00	$106,069.51	$3,701.78	$109,771.29	$270,612.71	28.86%
ALLOWANCES	$477,706.00	$144,948.31	$8,980.16	$153,928.47	$323,777.53	32.22%
PROMOTIONAL TRAVEL	$951,873.00	$86,147.13	$13,637.27	$99,784.40	$852,088.60	10.48%
TRAINING	$130,388.00	$0.00	$0.00	$0.00	$130,388.00	0.00%
WRKSHPS/CONFS/TOURS	$326,289.00	$25,514.57	$173.43	$25,688.00	$300,601.00	7.87%
OTHER DIRECT COSTS	$160,473.00	$32,655.21	$1,986.96	$34,642.17	$125,830.83	21.59%
PROJECT SUPPORT COSTS	$2,599,664.00	$174,363.48	$10,760.35	$185,123.83	$2,414,540.17	7.12%
SUBCONTRACTS	$5,073,830.00	$442,355.12	$14,814.04	$457,169.16	$4,616,660.84	9.01%
SUBTOTAL	$13,039,464.00	$1,700,674.09	$130,701.85	$1,831,375.94	$11,208,088.06	14.04%
FEE	$600,000.00	$78,231.01	$6,012.29	$84,243.29	$515,756.71	14.04%
TOTAL COSTS	$13,639,464.00	$1,778,905.10	$136,714.14	$1,915,619.23	$11,723,844.77	14.04%

ANNEX A1

BIBLIOGRAPHY OF MAPP DOCUMENTS

Major MAPP Reports

MAPP-1 MAPP Annual Work Plan, Casablanca, December 18, 1992. (In English and French)

MAPP-2 (DRAFT) William Grant, Abdel Aboulkassimi, Ed Parker, Tom Birchall, Hassan Benabderrazik, Omar Aloui. "Olive Subsector Study and Recommendations for Project Activities," Casablanca, September, 1992. (In English and French)

MAPP-3 (DRAFT) William Grant, Abdel Aboulkassimi, Mimoun Mokhtari, Len Busch, William Haines. "Cut Flower Subsector Study and Recommendations for Project Activities," Casablanca, July 1993 (French and English)

MAPP-4 (DRAFT) William Grant, Omar Aloui, Bill Sims, Paul Guigou. "Fresh Vegetable Subsector Study and Recommendations for Project Activities," Casablanca, August 1993 (Draft in a mix of French and English Chapters)

MAPP-5 (DRAFT) Claude Falgon, Patrick Henry. Edited by William Grant. "Etude Filière de Raisin de Table et de Vin." Paris and Casablanca, September 1993. (French)

MAPP Quarterly Reports

MAPP-QR1 Donald S. Humpal, "The Morocco Agribusiness Promotion Project: Quarterly Report 1," Casablanca, April, 1993. (In English with French translation pending)

MAPP-QR2 Donald S. Humpal, "The Morocco Agribusiness Promotion Project: Quarterly Report 2," Casablanca, August 1993. (In English with French translation pending)

MAPP-QR3 Donald S. Humpal, "The Morocco Agribusiness Promotion Project: Quarterly Report 3," Casablanca, November 1993. (In English with French translation pending)

MAPP Working Papers

MAPP-WP1 Donald S. Humpal, Thomas A. Bennett, "Promotion and Investment Fund Guide," Casablanca, July, 1993. (In English only)

MAPP-WP2 (DRAFT) William Deckert, edited by Thomas A. Bennett, "US Food and Drug Administration Canned Food Regulations for Moroccan Processors", Casablanca, April, 1993. (In English with French translation pending USFDA review)

MAPP-WP3 William J. Grant, "U.S. Market for Early Season Vegetables and Perspectives for the Future."

MAPP-WP4 Donald S. Humpal, "Note De Présentation du Projet de Promotion de l'Agribusiness au Maroc," Casablanca, June, 1993.

Videos

MAPP-CASS1 Thomas A. Bennett, Executive Producer; Maclain Ramsey, Producer and Narrator; Dino Sebti, Sigma Technologies, Production Services; Video Footage and Technical Assistance from MARA and CNERV-Meknès: "Morocco: Oasis of Opportunity", Casablanca, May 1993 (In English in PAL-SECAM and NTSC)

MAPP-CASS2 Thomas A. Bennett, Executive Producer; Maclain Ramsey, Producer; Dino Sebti, Sigma Technologies, Production Services; Video Footage and Technical Assistance from MARA and CNERV-Meknès; Geneviéve Caron and Patrick Fachot, French Script Translation and Adaptation: "Morocco: Oases d'Opportunité", Casablanca, August, 1993 (En Français PAL-SECAM)