

PD-ABH-622
8/6/93

Quarterly Report
July-September 1993

Support to Romania Agricultural Sector Grant Program
IFDC Grant No. 180-0024-G-00-2227-00

by

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October 1993

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I. Introduction

The IFDC grant for the purchase of the commodity, Grant No. 180-0048-G-00-3604-00, was signed on March 31, 1993. The technical assistance grant, Grant No. 180-0024-G-00-2227-00, was signed on April 9, 1993, retroactive to February 1, 1993. The following quarterly report documents the activities undertaken by IFDC-Romania under these grants for the third quarter of 1993.

During this quarter, the major activities included (1) the followup of deposits into the special Ministry of Agriculture/Ministry of Finance (MOA/MOF) account, (2) completion of unloading of the first ship of feed supplement and delivery to purchasers at the port, (3) completion of specifications for the second shipment including the poultry supplement specification, (4) initial monitoring of first shipment purchasers, (5) conduct of marketing experiment at Curtea de Arges farmers' fair, (6) initiation of arrangements for the marketing test for a portion of the second shipment, (7) scheduling and holding of second round of pre-auction seminars, (8) design and execution of the media campaign for the second series of auctions, (9) scheduling of the second round of auctions, (10) execution of the auction at Cluj-Napoca, (11) continued work on collecting data for the waste management study, and (12) development of a draft proposal for a third shipment of supplement.

II. Program Objectives

Long-Term Objectives

The long-term objectives under this grant arrangement between IFDC and USAID remain the same as those listed in the previous quarterly report but will be repeated here for the sake of continuity:

1. To provide support to the Government of Romania's emergency relief program of importing protein-based animal feed supplement for the private sector swine and poultry producers.
2. To provide exposure to free market procedures by offering the feed supplement for sale at sealed bid tender to private farms in the animal production sector.
3. To provide assistance in the areas of marketing planning for agricultural inputs and management of environmental waste from swine and poultry production facilities.
4. To provide assistance to hasten the issuing of land titles to private land owners through the generation of funds to support local requirements of the cadastral survey and through assistance in programming and administering of these funds.

Short-Term Objectives

All short-term objectives listed in the previous quarterly report were accomplished with the exception of obtaining the official registration for IFDC to do business as a nonprofit organization in Romania. For the third quarter the short-term objectives included the following:

1. Complete unloading of the first shipment of feed supplement and effect delivery to purchasers' transport.
2. Ensure deposit of all auction funds into the special MOA/MOF account.
3. Finalize and issue specifications for swine and poultry specifications for second shipment of supplement.
4. Modify seminar documentation to include poultry supplement specifications and use data.
5. Set in motion the media campaign for publicizing the second series of pre-auction seminars and auctions.
6. Hold seminars at four (4) locations throughout the country.
7. Release second shipment of Invitations for Bids (IFBs) on July 15, 1993.
8. Award tenders to successful bidder on July 31, 1993.
9. Begin monitoring of successful bidders from the first series of auctions.
10. Work with waste management consultant to begin obtaining data for the waste management recommendations.
11. Develop program for marketing of feed supplement and other agricultural inputs.
12. Obtain an official release from the 0.5% customs commission that has been previously demanded by the Customs service.
13. Work with the representatives of the Directorate of the Cadastre to utilize funds deposited into the special account.

III. Accomplishments

Unloading Operations

The ship, *Tampa Bay*, arrived in the Port of Constanta on June 25 and unloading was completed on July 10, 1993. The ship owners' agent, Candia srl, arranged the unloading with the stevedoring company, Phoenix. The IFDC port coordinator, Mr. J. M. Kelly with assistance from T. E. Evers, worked with the IFDC agent, Tomis Shipping, to organize the transport of the material from the port in the buyers' conveyances. A total of 10,459 tons was unloaded with documented losses of 450 kg (18 bags or 0.004%). The cargo was apparently short loaded in the United States by about 140 tons. (Details are contained in the first auction report.)

Deposit of Funds Into Special Account

Funds from the eight auctions, the direct sales from the port, and the proceeds from sales at the farmers' fair in Curtea de Arges were deposited in the special MOA/MOF account in the Banca Agricola. The deposits were monitored by the auditing firm Coopers & Lybrand (C&L) and their report on this account was issued on September 22. The total balance of the account as of September 17, 1993, was 2,470,806,722 lei based on deposits and interest payments as follows:

Type of Deposit	Amount in Lei
Receipts from auctions	2,316,350,000
Sales of reserve quantity	40,641,725
Sales from Farmers' Fair	21,191,600
Interest earned (June, July, August)	92,623,397
Total	2,470,806,722

At the time the bulk of the money was deposited (mid-July), the account was worth the dollar equivalent of US \$3.15 million (at the official exchange rate of 735 lei/\$). At the present 910 lei/\$ exchange rate, the total account has a dollar equivalent value of \$2.72 million.

A copy of the C&L report was sent to USAID with a cover letter indicating that the funds had been deposited and confirmed. Any further audits of the account will be the responsibility of USAID, with the exception of tracking the deposit of funds from the second round of auctions.

Monitoring

The monitoring teams began farm visits at the end of July and have made three visits to every successful bidder (with the exception of the five that are explained under the section on problems encountered). During the first two visits the survey forms were completed and animals were selected for future monitoring. The farms of the 77 successful bidders were divided by area into four groups with one group of farms assigned to each of the four monitoring teams. The teams are visiting farms for approximately two weeks per month and are in the office compiling data from the visits during the remaining 2 weeks.

Results of the first 2 months of monitoring show that the farmers are pleased with the quality of the feed supplement, and improvements in many areas of the swine and poultry operations have been documented. The monitors report the following:

1. A reduction in the mortality rate of young piglets—one farm reports that the mortality of piglets dropped from about 50% to 18%.
2. Increased lactation from sows with a resulting decrease in days to weaning from 42 to 28 days. Piglets at weaning are reported to weigh 7 kg.
3. Daily weight gains have increased from 500 g to over 600 g.
4. Increased layer production from 54% to 78%.
5. Increased weight gain in broilers from 1 kg in 55 days to 1.7-2.2 kg in 55 days.

(Several poultry producers purchased the swine supplement and fed it to their chickens.)

The monitoring will continue through a complete swine cycle following the second series of auctions and a final report on the monitoring results will be prepared at that time. The monitoring of the second shipment should be completed at the end of April 1994.

Cadastral Survey Support

Work in this area was limited to meetings with Mr. Benea, representative of the MOA department of Geodesy, to discuss purchasing requirements for the survey. Several discussions were held with USAID officials to determine the data of these purchases.

Seminars and Auctions

The seminar proceedings were modified to include the poultry supplement that will be coming with the next shipment. Seminars were scheduled in only four locations—Cluj-Napoca, Bucharest, Iasi, and Braila—due to the reduced quantity (6,470 tons) of the second shipment. Attendance at the seminars is shown in the following table:

Attendance at Seminars—Second Series

Location	Date	Farmers	Observers	Total
Cluj-Napoca	Aug. 24	18	3	21
Bucharest	Aug. 27	28	3	31
Iasi	Aug. 30	19	1	20
Braila	Sept. 2	29	6	35
Total		94	13	107

Attendance at this round of seminars was about one-sixth of the attendance at the first round in May 1993. The reasons for the reduction are probably threefold:

1. The end of August and first of September are traditional times for holidays in Romania.
2. Some farmers indicated that the poor state of the Romanian economy and inability to make profits (particularly in the swine production sector) had some effect on attendance.
3. Attendees from the first series of auctions may have felt that attendance at these seminars was not necessary.

Attendance and bidding at the first auction in Cluj on September 28 indicate that items (1) and (3) were the most probable reasons for low seminar attendance.

Several changes were made in the auction procedures for the second round of auctions, all of which were explained in the seminars. The minimum acceptable bid was changed to one-half lot, 5 tons. The requirements for payment were changed such that a bank letter

of guarantee or a certified bank check was required by all bidders, except those buying only the minimum of 5 tons. These were allowed to pay in cash, provided they deposited the cash into the special account on the day of the auction and returned with the deposit papers. Only one auction was held at each location at 10:00. Poultry and swine supplements were auctioned simultaneously. The floor price was recalculated at 210 lei/kg and was essentially the same dollar amount as that used in the first shipment. The floor price was based on 80% of the "import parity" price. The "import parity" price is defined as the price that a private importer could theoretically import without taxes or duties. In this case the import parity price was calculated as \$314/ton which yields a floor price of 210 lei/kg. The floor price was set before the seminars using the lei/\$ exchange rate of 835 which was in effect on August 18, 1993. By the time of the first auction on September 28, the lei exchange rate had fallen against the dollar to 910 lei/\$.

Marie K. Thompson, IFDC Media Expert, visited Romania during July to assist with the preparation of the media campaign for the second series of auctions. She also obtained information for the preparation of news releases and other reports and assisted with the preparation of the first auction report which was completed in September.

The waiver of the 0.5% customs commission was received in a ruling from the Ministry of Justice stating that IFDC is exempt from this payment under the CIGA between the Government of Romania and the U.S. Government.

Auction Results

The first auction of the second series was held in Cluj-Napoca on September 28. The other three auctions are scheduled for October 1, 4, and 7 in Bucharest, Iasi, and Braila, respectively. There were 34 bidders in attendance in Cluj with 23 bidding on the swine supplement and 17 bidding for the poultry supplement (several bid on both). The results of the first auction are shown in the following table:

Item	Swine Supplement	Poultry Supplement
Total number of bidders	23	17
Successful bidders	8	5
Number of tons awarded	1,000	600
Number of tons allocated	1,000	600
Average bid price (lei/kg)	353	370
Maximum bid price (lei/kg)	400	392.5
Market clearing price (lei/kg)	330	351

Results from this first auction reflect the increased demand due to the limited supply and the exceptional results obtained from use of the first shipment. Due to the increase in price in the United States as a result of the Midwest floods, only 6,470 tons of supplement could be purchased with the remaining funds in the commodity account. The shipment was split with 4,000 tons as swine supplement and 2,470 tons as poultry supplement. Prices in U.S. dollar equivalent from the Cluj auction were increased with the average for swine supplement of \$388/ton compared with \$309 from the first round of auctions. The poultry supplement averaged \$406/ton.

Second Shipment

Specifications for the second shipment were developed by IFDC Headquarters and reviewed by IFDC-Romania. The IFBs for both swine and poultry supplement were released on July 15, 1993, in preparation for shipment to Romania in October. The specifications for both types of feed supplement were submitted to the Ministry of Agriculture the first week in June to obtain their concurrence that the material meets Romanian requirements and were approved before the release of the IFBs. Contracts for the feed were awarded to Pillsbury Company, and the shipping contract went to Gulf States Transport. The shipment is scheduled to arrive in Romania on or about October 16, 1993.

Environmental Waste Management

The consultant for environmental waste management, Mr. John George, joined David Rutland and Tommy Evers of IFDC's Outreach Division for a 6-day visit in July to develop the questionnaire for obtaining data for the report to be prepared on the recommendations to the GOR for the environmental management of wastes from swine and poultry production activities. Mr. George and Mr. Rutland returned on September 1 to continue data collection and work on the draft of the waste management report. They visited 65 farms prior to departure on September 30. Dr. Bernie Byrnes of IFDC's Research Division

visited during August and assisted with several farm visits and questionnaires during that time. A draft report was prepared by Mr. George and Mr. Rutland during the visit and will soon be available.

Discussions were held with Mr. George concerning followup activities in the area of waste management. It was decided that a proposal be made to USAID to provide technical assistance to the Romanian Government, specifically the Ministry of Environment, in the following areas:

1. Providing surveys of water quality and compiling of new and existing data.
2. Training of ministry personnel and large farm managers in the proper handling of wastes.
3. Conducting a countrywide seminar to discuss waste management problems and environmental management objectives. This will include dialog between the farmers and the Ministry of Environment.
4. Training visits to the United States to observe waste management practices and application of wastes for crop production.

Market Development and Privatization

A plan was developed to test market a portion of the second shipment of feed supplement through a local dealer network. This marketing test will be conducted in conjunction with a test marketing program for seed corn being undertaken by Pioneer Seed Company through the same dealer. Sibco-Agrovet has agreed to participate in the marketing test and has selected the dealer through which the supplement will be marketed. A memorandum of understanding was drawn up by IFDC and signed by the three parties. A minimum of 100 tons of supplement will be marketed through a private dealer under the terms of the MOU. Sibco has agreed to sell the supplement only to private companies and farmers in quantities of 2 tons or less and will keep records of all transactions.

Lewis Williams of IFDC's Outreach Division is continuing discussions and organizing the test marketing program with representatives from Sibco and Pioneer.

IV. Problems Encountered

IFDC is still operating in Romania without the required registration documents to allow doing business in the country. Our particular problem lies with the requirement to register as a nonprofit organization. Registration as a commercial society under the Romanian law 31/1990 can normally be accomplished within 1 or 2 weeks.

During the initial monitoring visits, it was discovered that the feed that went to five buyers from the village of Casvana had been resold to a state swine operation near the village. Mr. Frederick and Mr. Klein visited this village and discussed the problem with the mayor and three of the five buyers. The state farm was also visited and still had some 12 tons of the original purchase, estimated to be 50 tons. This is the only instance found where material went to state farms. The sale to a state farm was a result of speculation by five buyers who were exploiting the rule that no letter of guarantee was required for the minimum 10-ton purchase. The rule was changed for the second series of auctions requiring that all buyers have a letter of guarantee. This "leak" to the state system represents about 0.4% of the material brought into the country.

V. Future Activities

The following activities will be accomplished during the following quarter:

1. Complete the remaining three auctions at Bucharest, Iasi, and Braila.
2. Arrange for receipt and unloading of the vessel.
3. Deposit proceeds from the auctions and the marketing test into the special MOA/MOF account. Submit a banking report to USAID on the status of the account after all funds are deposited.
4. Prepare the proposal for a third shipment of approximately 12,000 tons for arrival in April/May 1993.
5. Prepare the second auction report.
6. Finalize the draft report on Waste Management and a draft proposal for follow-up activities in the area of waste management.

7. **Develop a joint project with VOCA whereby volunteers will accompany monitors on farm visits and offer advice on farm management, economics, and profitability.**
8. **Prepare the draft report on privatization of the feed supply sector in Romania.**
9. **Prepare the draft report on monitoring activities and results from the first shipment.**