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Consultancy Report

Quarterly Report: January - March, 1994

Hungary: Restructuring Agriculture and Agribusiness Private Sector

EUR-0024-A-00-2037-00

Prepared for:

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March 1994

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Agricultural Cooperative Development International

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June 13, 1994

Mr. Steve Szadek
Food Systems Division, EUR/DR/FS
Agency for International Development
320 21st Street N.W., Room 4440 NS
Washington D.C. 20523-0053

SUBJECT: Program Performance Report, January through March 1994 - Restructuring Agriculture and Agribusiness: Private Sector (RAAPS) Hungary GRANT NO. EUR-0024-A-00-2037-00

Dear Steve,

The enclosed report details the activities of ACDI's Restructuring Agriculture and Agribusiness: Private Sector (RAAPS) project in Hungary during the first quarter of 1994. We have been very pleased with the results to date. The project staff has recently been meeting with all of last year's participating executives to determine the overall impact of their participation in the project. A majority of the executives stated that the experience they gained under the RAAPS project was invaluable, and many are implementing changes learned from the project in their companies. In addition, as indicated in Attachment 9, many participating companies are doing or are planning to do business with their matched U.S. companies.

The second round of joint U.S.-Hungarian company matchings is expected to yield greater impact than the first round. Aside from the numerous business deals that have been occurring between the matched companies, most of the participating Hungarian companies have initiated or are initiating internal improvements and restructurings based upon their experiences with the project. Reports will be submitted, as we facilitate and monitor these activities.

Please do not hesitate to contact me if you have any questions or wish any additional information.

Sincerely,

Jason Brown

Jason Brown
Assistant Vice President, Central and Eastern Europe

cc: David Cowles, OAR/H

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RESTRUCTURING AGRICULTURE AND AGRIBUSINESS: PRIVATE SECTOR (RAAPS)

GRANT NO. EUR-0024-A-00-2037-00
PROGRAM PERFORMANCE REPORT
JANUARY - MARCH 1994

ADMINISTRATIVE DATA

Country:	HUNGARY
Implementing Agency:	AGENCY FOR INTERNATIONAL DEVELOPMENT, EUR/DR/FS
Contractor:	AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL 50 F Street, N.W., Suite 900 Washington, D.C. 20001 Phone: (202) 638-4661
Period of This Report:	JANUARY - MARCH 1994
Period of Last Report:	OCTOBER - DECEMBER 1993
AID Project Officer:	DR. JAMES G. SNELL
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Life of Project:	$4,499,447
Employees in Country:	TWO (Rifat Barokas, Maria Kostyal)
Information copy:	David Cowles OAR/H

TABLE OF CONTENTS

I. SUMMARY

II. IMPLEMENTATION METHODOLOGY

III. SITUATION

IV. PROGRESS TOWARD PURPOSE

- A. Round #2: U.S./Hungarian Company Matching Process
- B. Project Workshops
- C. Policy Component Activities
- D. Business Deal Monitoring and Facilitation
- E. Hungarian Company Improvements & Restructuring
- F. Technical Assistance

V. ACTIONS PLANNED FOR NEXT QUARTER

ATTACHMENTS

Celebrating 30 years 1963 - 1993

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I. SUMMARY

During this quarter, the Restructuring Agriculture and Agribusiness: Private Sector (RAAPS) project in Hungary completed its second cycle of matching U.S. and Hungarian companies. In all, the project matched 23 private Hungarian agribusiness companies with 20 U.S. enterprises. As in the first round of company matchings, the second round matchings were based on individual company activities and objectives. Over twenty-five executives from each of the U.S. companies confirmed their participation in the program and planned to travel to Hungary in mid-April; and over forty Hungarian executives participated in RAAPS workshops and planned to travel to the U.S. in early-May for the Executive Development Training Program.

Also during the past quarter, RAAPS project staff continued working on the Project Monitoring System (PMS). The PMS measures the overall impact and results of the first round workshops, company matchings, and Technical Assistance. Early reports of the PMS have revealed very positive results. Most, if not all of last year's Hungarian agribusinesses have either undertaken restructuring and internal improvements based upon their experience with RAAPS and/or are involved in joint business activities with their matched U.S. companies.

To date, the project has met most of its goals relating to economic restructuring, training, technical assistance, and privatization. The project has successfully completed the following activities:

Outputs:

- Continued monitoring potential and on-going business deals such as import, export and joint ventures between the participating Hungarian and U.S. agribusinesses; and, helped facilitate, where possible, the on-going business relationships between these firms;

- Continued implementing the Project Monitoring System to effectively track project benchmarks, impacts and effects on the participating Hungarian agribusinesses;

- Using the results of the Project Monitoring System, project staff identified and analyzed the technical assistance needs of participating Hungarian firms from Round One; this technical assistance will be delivered through PACD;

- Selected 30-40 qualified, Hungarian companies out of a pool of over 125 to participate in the second and third round of joint Hungarian & U.S. company matchings;

- Created detailed company profiles on each participating Hungarian firm to

elicit interest and create matches with U.S. agribusiness companies;

- Matched 23 participating Hungarian agribusiness firms with 20 U.S. companies based on mutual activities and/or business objectives; and,

- Organized and implemented two workshops for the 43 participating Hungarian executives that are traveling under the project to visit their matched U.S. companies. Topics of the workshop sessions included International Commerce Law, Cash Flow Analysis and Financial Management, Total Quality Management, and Business Plan Development.

Impact:

To date, the RAAPS Project has had a key role in the activities listed below. These activities were primarily accomplished by Round One Hungarian agribusinesses. However, by the end of this reporting period, many participating round two Hungarian firms quickly began implementing internal, company-wide improvements as a result of RAAPS technical assistance and workshops; and several firms were very close to establishing business relationships with their matched U.S. companies - *before their trips to the U.S.*

Hungarian Company Improvement in Operations	Number
• Retail Outlet Opened	2
• Strategic and Operational Restructuring	6
• Actively Seeking External Investment Capital	2

Summary of Joint Business Activities	Number
Actual:	
• U.S. Exports to Hungary	5
• Hungarian Exports to U.S.	2
• Technology Transfer (U.S. to Hungary)	3
Negotiations Underway:	
• U.S. Exports to Hungary	9
• Hungarian Exports to U.S.	1
• Joint Venture Agreement	3
• Technology Transfer (U.S. to Hungary)	3
• Technology Transfer (Hungary to U.S.)	1
• Licensing Agreement	1

II. IMPLEMENTATION METHODOLOGY

Agricultural Cooperative Development International (ACDI), in cooperation with the Center for Agricultural and Rural Development (CARD) at Iowa State University and Budapest University of Economic Sciences, leads the consortium which implements the RAAPS program. Tri-Valley Growers and Farmland Industries are also members of the consortium.

The Restructuring Agriculture and Agribusiness: Private Sector (RAAPS) Project in Hungary supports the goals of economic restructuring, privatization, and trade and investment by providing technical assistance and training in agribusiness, marketing, business planning and finance to private and privatizing agribusiness enterprises. RAAPS assists agribusiness firms in the privatization and restructuring process by working to strengthen their organizational, managerial and technical skills. The aim is to increase their productivity, efficiency and ultimately profitability.

The project's methodology matches private or privatizing Hungarian agribusinesses with similar U.S. enterprises. The resulting interaction provides the Hungarian enterprises with practical, hands-on business training and the U.S. enterprises with an in-depth look at trade and investment possibilities with the Hungarian companies.

The main project activities are to:

(1) Identify Hungarian agribusiness enterprises with the potential for business success (particularly in trade and investment), a commitment to privatization and the market system, and strong corporate leadership;

(2) Identify U.S. agribusinesses and related firms with an interest in doing business in Hungary, and skills and experience which can be beneficially transferred to Hungarian companies;

(3) Transfer the business skills needed for successful privatization from U.S. agribusinesses to the Hungarian firms, through an Executive Development Training Program (at the participating U.S. firms), with workshops in Hungary and the U.S.

(4) Conduct follow-up technical assistance to support training;

(5) Analyze the policy environment of Hungarian agriculture and agribusiness; encourage bottom-up policy dialogue through the project's workshops and technical assistance component; and

(6) Support the development of business relationships between participating Hungarian and American enterprises.

III. SITUATION

The Economy

Nearly all sectors of the economy are beginning to show signs of real strength. Recent statistics show that industrial production has begun to increase (4% growth in 1993) and this year's crop is going to surpass last year's production. By the end of the first quarter of 1994, inflation was slightly under 19%, compared with over 25% a year earlier. The indices of producer and consumer prices have been decreasing steadily over the past few months. The rate of privatization has substantially increased. The government has continued on a steady path of economic reform. The Hungarian Forint has been devalued periodically which has improved the competitiveness of the country's exports.

Hungary has also received more foreign investment than any other country in Central and Eastern Europe. The level of foreign direct investment has been growing continuously since 1990. Foreign capital flows into Hungary primarily from the U.S., Germany, Austria, France and Japan. Last year, the U.S. proved to be Hungary's most dynamic trade and investment partner. Two thirds of U.S. investments in Central and Eastern Europe landed in Hungary, while 40% of foreign direct investments in Hungary were of U.S. origin.

Unemployment is also decreasing. Unemployment decreased from 13.6% in early 1993 to 12.1% at the end of the year. The number of those employed in the private sector has been dynamically growing. In 1989, 14% of active earners were employed in the private sector. In 1991 the respective figure rose to 28%, and in 1992 jobs were provided for 36% of employees in the private sector. In 1993 the ratio of those employed at partly or wholly privately owned companies grew to 43%. The employment growth in the private sector is primarily from small and medium-sized enterprises.

Agriculture

Over the past four years, Hungarian agriculture has faced a series of problems: the loss of traditional export markets; loss of subsidies; liquidity crises; other transition difficulties such as the privatization of state-owned enterprises and transformation of cooperatives. In 1993, the agriculture sector experienced many difficulties stemming from a combination of factors, including: low output prices and high input costs; a summer drought; lower yields; a heavy debt burden; and the continued slow pace of privatization. For these reasons, the sector's gross production declined by nearly 10% in 1993.

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As a result, Hungarian agriculture faces both external and internal problems that have hampered agricultural production.

External factors include:

- A severe drought period which considerably reduced production over the past two years. To alleviate this situation, the government compensated Hungarian cereal farmers who lost over half of 1993's crop to the drought. Furthermore, sowing subsidies for the autumn season increased by approximately 50%.

- High inflation, which has kept interest rates between 20% and 30% for a long period. These interest rates make borrowing problematic, because of relatively low return on investment.

- An entrenched bureaucracy and disorganization in the government contributing to a slow progress of privatization in agriculture and food industry. Annual planning and predictions are essential in this sector; the unsettled conditions adversely impact agricultural production.

Internal factors include:

- Reorganization of the structure of Hungarian agriculture: The slow transition from the dominance of large and middle-scale state farms and cooperatives to a more diversified structure resulted in the following problems.

  a) An increase in unemployment - Up to 350,000 agricultural workers have lost their job, pushing unemployment up to 12% (as high as 40% in some regions). Productivity is also rapidly dropping as large-scale agricultural companies continue to use out-of-date machinery and experience financial difficulties.

  b) A decline in the utilization of inputs (fertilizers, pesticides) over the past two years, which stems from a lack of capital due to the insolvency of present agribusinesses.

  c) The structural change in the sector is the primary reason for the large proportion of the country's fallow fields. In 1993, land used for crops declined by 28%.

  d) A decline of over 40% in agricultural exports in 1993 - a decrease of nearly $1 Billion from the previous year.

- Lack of agro-marketing methods such as developed distribution channels, and promotional activities.

Despite the above, Hungarian agriculture does seem to be showing some signs of improvement. This year's cereal harvest is expected to rise 30% to 11 million metric tons as a result of the high level of rainfall. The grain harvest is expected to rise to about 6 million metric tons including a 30% increase in the wheat harvest, which is expected to be 4 million metric tons. Additionally, sales of agricultural equipment rose 70% in the first quarter over the same period last year. In the first quarter of 1994, approximately $11 million worth of equipment was sold. This increase is directly attributed to the government's newly established agricultural development loans.

Restitution and land reform are the most important issues regarding Hungary's agricultural sector. The future of many agribusinesses, especially cooperatives and suppliers to cooperatives, will be greatly affected by the government's decisions on land reform. A comprehensive land law was recently enacted by the Hungarian parliament. This law regulates the marketing, use and protection of arable land and defines the fundamental rules of soil protection. One measure allows individuals to purchase up to 300 hectares of agricultural land. To date, more than 360,000 people have won access to land with government issued compensation coupons. The law bans foreigners from buying farmland. Arable land has been mainly transferred to local residents wishing to carry on individual farming. This may augur the beginning of a land market.

IV. PROGRESS TOWARD PURPOSE

A. Round Two: U.S./Hungarian Company Matching Process

Activities during the January-March 1994 quarter focused primarily on recruitment of Hungarian and U.S. companies for the second round of company matchings. Each Hungarian agribusiness that confirmed participation in the second round, was asked to complete a detailed information form. Project staff then created company profiles using the information forms. The profiles were translated, edited, and cross-checked for accuracy. They were put into a standard format and distributed to potential U.S. agribusiness companies.

U.S. company recruitment activities involved researching and identifying appropriate U.S. agribusinesses with:

a) Established trade or investment activities in comparable regions of the world;

b) Expertise or technology of special relevance to Hungary and its markets;

c) Recognized as industry leaders and innovators; and

d) Expressed commitment to exploring prospective trade or investment in Hungary or the CEE region.

Project staff worked on obtaining additional information relative to Hungarian enterprises requested by U.S. companies; providing U.S. company information to Hungarian companies; providing information to confirmed U.S. companies relative to the Hungarian economy, culture, and commercial activities; and providing industry-specific information to requesting companies. In addition to recruitment and pairing of companies, appropriate agribusinesses located within Iowa were recruited for on-site meetings with selected Hungarian companies to be conducted during the two-day period following the Iowa State University workshop to provide additional opportunities to explore commercial interests.

By the end of the quarter, 20 U.S. companies were matched with 23 Hungarian agribusiness enterprises. Attachment 1 details the final matching list for the second round. During this second round of matching Hungarian companies with U.S. firms, the project deliberately focused on attracting small- to medium-sized U.S. companies to participate. Experience with the first round of matchings showed that both the Hungarian companies and U.S. companies learned more from each other when the firms were closer in size and scope. The executives of a small-sized Hungarian enterprise who are matched with a large U.S. company sometimes feel overwhelmed by the size of their U.S. counterpart. Moreover, large U.S. companies have the resources to explore the Hungarian and Central and Eastern European market on their own - they do not need

financial and/or other assistance from the RAAPS project.

The U.S. firms that have agreed to work with the Hungarian companies in Round 2 include:

- a diversified cheese manufacturer which produces 4.5 million pounds of cheese annually;

- a food service distributor which fabricates a wide selection of custom-cut meat products for use in hotels and restaurants;

- an Original Equipment Manufacturer (OEM) agricultural machinery and equipment manufacture;

- a restaurant development, operation and franchising company with franchises located throughout the mid-West;

- a general construction and design/build firm specializing in designing and constructing freezer buildings, cold storage buildings, and controlled atmosphere facilities;

- a wholesale manufacturer, dedicated to serving both large and small feed dealers; and

- a supplier of high quality boar semen, representing all major breeds in the U.S., which also offers a complete line of artificial inseminating equipment, supplies and consulting services.

B. Project Workshops

a. **Hungary - Pre-departure Workshops**

During the quarter, the project's in-country staff planned, designed and implemented the first of two pre-departure workshops for the participating Hungarian agribusiness executives. The first workshop took place March 16-17 in Dobogoko, Hungary (see Attachment 2). The first day included a brief introduction and general information period followed by three intense sessions on Economics, Financial Management ("How Investors and Creditors View Your Business"), and Business Planning. Attachment 3 gives the topical outlines for the last two sessions.

At the end of the quarter, the project staff planned and designed the second workshop which would take place April 6-7. The sessions of this workshop would focus on Total Quality Management, International Commercial Law, and Business Plan Development. See Attachment 4 for the draft itinerary of this workshop.

b. **United States - Iowa State University Workshop**

The ISU workshop for the Round 2 participants will be held between April 29 through May 2, 1994 at Ames, Iowa. Based on the feedback provided by the Round 1 participants, the format of the ISU workshop was modified to strike a balance between conceptual framework and practical issues in formulating and implementing strategic planning and in developing business relationships. This is to be achieved by combining presentations from academicians from the ISU College of Business Administration and from practitioners of U.S. firms. Thus, several modifications were made to last year's training program.

Workshop planning involved refinement of program format and content, provision of business planning outlines and other information to the project staff in Hungary in an effort to coordinate planning and content of Hungary and Iowa State University workshops; identification and recruitment of private sector and academic speakers to participate in the workshop program; recruitment of agribusinesses in meat processing, swine and beef production, horticulture production, retail and wholesale seed production and processing, farm implement retailing and servicing, and food distribution to participate in tours of their operations during the workshop; development of a workshop survey instrument; arrangements for workshop facilities, participant lodging, and transportation logistics.

By the end of March 1994, the Executive Training Program for the ISU workshop was nearly complete, a copy of which is provided in Attachment 5. The first day of the program was deliberately kept light to handle administrative details such as registration, program introduction, and per-diem payments, to enable participants to recover from their overseas travel, and to allow participants to acclimatize to U.S. conditions and different time zone. Yet, a number of local site visits such as ISU swine research farms, Burke Marketing Company, and ISU horticulture green houses are planned in the afternoon, which should provide useful experience to the participating Hungarian agribusiness executives. The information about these local site visits will be distributed during the second Budapest workshop in early April.

On the second day, after a brief welcome by ISU president Dr. Martin Jischke, the morning session will have two presentations in the area of strategic planning and management issues in restructuring. One of the topics in this session, "Interactions of Strategic and Business Plans with Firm's Decisions", has been modified to include a panel discussion with CEOs of local businesses. In the afternoon session, we plan to have two speakers from U.S. companies to share their experiences and to present case studies in relation to business strategies in international markets. In this connection, Mr. John Brockardt, Vice President of Tone's spice company has agreed to present a topic entitled, "Developing Business Relationships and Strategic Alliances in International Markets". Considerable effort was given to find a suitable presenter for the preceding topic, "Joint ventures and Business Strategies in Emerging Markets" . The following

companies were contacted to present this topic: Heinz Co. (a large multinational food processing company in the United States), Northrup King (a large international seed company), Townsend Inc. (an Iowa based company engaged in agribusiness worldwide) and Pilsbury (a giant food processing and manufacturing company). Although the individuals in each of these well-known companies were interested in participating in the program, previous engagements precluded their formal commitment. We have now invited a guest speaker from Central Soya, a subsidiary of ADM, engaging in a joint venture relationship in Hungary, to present the topic.

Being Sunday, the third day of the program will start after lunch. In the afternoon session, there will be a presentation on U.S. business culture followed by a discussion on a special program entitled "Shaping the Future", coordinated by the Small Business Development Center, College of Business, ISU, and designed to help businesses to formulate and implement strategic planning. The U.S. business culture topic is included in the program in response to the suggestion made by the first round participants.

On the final day, the morning session will focus on issues related to marketing strategies and management. The topics to be covered in this session are "Differentiating and Creating Value" and "Marketing Process and Planning." The former will be presented by a professor from the College of Business, ISU, while the latter will be presented by a representative from ACDI-member Farmland Cooperative. In the afternoon session, Mr. Thomas Fisher, Vice-President-General Counsel and Secretary, Meredith Corporation is scheduled to speak in Hungarian on "American Law for International Business." Following this, Ms. Emily Eide of Iowa Farm Bureau will discuss the role of grassroots organizations in public policy issues and relate Farm Bureau's experience in Hungary. Finally, in the last session, one of the members of CARD policy team will highlight the current state of affairs in Hungarian agricultural economy and bring the participants' attention to the ISU policy study and at the same time, gather participants' view and reactions to the current policy issues confronting the Hungarian food and agricultural sector. The ISU program will culminate with certificate presentation during a banquet on Monday evening.

C. Policy Component Activities

Policy component activities continue to focus on identifying policy constraints and supporting "bottom-up" policy dialogue in Hungary. Policy component activities were significantly revised in Round Two to build on the information obtained in the first policy study and target the constraints identified by Round One *and* Round Two participants.

As indicated in the work plan, the second policy report will compile and analyze responses from the U.S. and Hungarian participants based on policy surveys designed specifically for the purpose of eliciting information about perceptions and judgements on

Hungarian business conditions and government policies and programs. Separate questionnaires are developed for U.S. and Hungarian participants.

a. Policy Survey: U.S. Participants

After some pretesting, the questionnaire for surveying U.S. participants was finalized in February, a copy of which is provided in Attachment 6. This questionnaire was mailed to the 20 participants of the Round 1 RAAPS program. To date, we have received 12 responses, and those participants who have not yet responded will be prompted again through phone and/or fax.

Attachment 7 shows a summary of responses compiled so far from the Round 1 U.S. participants for selected questions of policy survey. Note that the information is based on 12 respondents and should be regarded as preliminary. It should be pointed out that three of the 12 companies have already engaged in some sort of business activity with their Hungarian counterparts as a result of the RAAPS program. Even among those who are not currently engaged in commercial or any business relationships, the potential for the future seems better than average. The mean score for the question related to the potential to develop business or any commercial relationships in the future is 3.57, on a scale of 1 to 6 with 1 being poor and 6 being excellent. An overwhelming majority (11 out of 12) of the companies indicated that their perception about Hungary changed as a result of RAAPS program participation. Based on the assessment of U.S. companies, the Hungarian political economy is fairly stable (mean score is 3.50) and the quality of food products in Hungary is good (mean score is 4.25). It is interesting to note that, on the whole, U.S. companies indicated that the potential for exports from Hungary to the European Union and to Central and Eastern Europe and the Baltics is only average (mean score is 3.08 and 3.5 respectively), whereas they expected better market potential in Hungary (the mean score is 4.00). A more detailed analysis of the policy survey will be provided later.

b. Policy Survey: Hungarian Participants

The questionnaire for the Hungarian participants was aimed at gathering information about the constraints they are facing in their business development and restructuring process as well as their perception and judgements about policies and programs adapted and implemented by the government so far. Given that this policy survey is to be conducted through personal interviews, a questionnaire containing several open-ended questions together with some questions related to the economic transition and government policies requiring numeric responses was developed at the outset. The Project Monitoring Survey will be collecting most of the qualitative information needed for the policy study. Besides, the Project Monitoring Survey also contains policy questions that identify the policy constraints and technical difficulties faced by the Hungarian companies in their business development. Therefore, the policy survey for Hungarian participants was modified to gather mostly numerical responses to the

qualitative characteristics related to policy constraints and judgements about business prospects and government programs. Naturally, this facilitates a quantitative evaluation of latent and qualitative indicators related to the market transition and may even provide a way of monitoring policy awareness and changes in attitude over time. A copy of the final version of policy survey developed for the Hungarian participants is provided in Attachment 8. For logistic purposes and for better integration of information, both the Project Monitoring Survey and policy surveys are scheduled to be conducted together for the Round 1 participants.

In addition to the discussion of results based on policy surveys, the second policy report will cover current information on economic conditions and recent developments in the policy arena. To collect this data and information from Hungarian government agencies and to conduct policy interviews with Round 1 participants, a member of the CARD policy team spent approximately three weeks in Hungary beginning last week of March.

D. Business Deal Monitoring and Facilitation

Since the first round's matching activities began in January 1993, project staff has been tracking over twenty proposed and actual business deals between the participating U.S. and Hungarian companies. By the time the U.S. executives left Hungary, many proposed business ventures were emerging. Attachment 9 details the many actual and proposed business ventures which have resulted from the first round of RAAPS activities.

ACDI experience in Hungary re-enforces the experience of USAID world-wide regarding the sequence and timing involved in developing a business relationship. The typical American business approaches the development of a relationship with a foreign firm with care and caution. Trips to the foreign country and of the foreign firm to the U.S. are both necessary. Often, more than one such trip is required before a business relationship can be established.

The American firm will prefer as a first step to sell a product or service to the foreign firm. It may take samples from the foreign firm's product line and if the samples are acceptable, may place trial orders. After initial buying/selling relationships are well established and usually after additional visits back and forth, the American firm may consider some form of licensing agreement. This seldom occurs less than two years after the relationship is established. If this relationship continues to develop in a satisfactory manner, the American firm may consider a co- or joint venture. This seldom occurs before the fourth or fifth year of the relationship. This has been the general experience of USAID's projects world-wide and is seen as the likely sequence in Hungary.

ACDI has been pleased to find that in some cases involving Round 1 participants, at the moment the sequence seems to be moving faster than the average. In several

cases, after only one year, licensing and contract agreements are being signed. In a few cases, American investment in Hungary is being seriously discussed. However, ACDI cannot expect that this project will exceed the average of USAID's many similar projects around the world.

Project staff constantly monitors the progress of actual business deals and potential business deals resulting from the project's activities. As Round 2 continues, more joint business ventures are expected to occur. ACDI will help facilitate these activities by offering services and technical assistance where possible to participating U.S. and Hungarian companies as they explore the opportunities of doing business in each other's country.

E. Hungarian Company Improvements & Restructuring

In addition to assisting in developing business deals, RAAPS also aids Hungarian agribusinesses as they restructure operations and learn how to improve operations and efficiency in the newly formed market-driven economy.

The list shown in Attachment 10 details many of the internal restructuring activities RAAPS Hungarian participants are completing in order to improve profitability, adjust to the economic transition and better position themselves in an increasingly competitive marketplace.

F. Technical Assistance

Throughout the life of the project, technical assistance will be provided to selected, participating Hungarian agribusinesses. It will focus on improving the viability of their businesses. The project is currently analyzing all of the Round 1 companies' requests for assistance from the Project Monitoring Survey Questionnaire. A detailed needs assessment will be undertaken this summer and a schedule for targeted Technical Assistance (TA) will be made. The expected start date of the TA will be September 1994.

V. ACTIONS PLANNED FOR NEXT QUARTER

RAAPS will continue to:

- Monitor and facilitate on-going business deals between Hungarian and U.S. agribusiness companies;
- Continue analyzing the technical assistance needs of participating Hungarian firms' and continue to deliver assistance;

- Target Hungarian agribusinesses for participation in the final round of project matching activities; and

- Approach potential U.S. agribusinesses for participation in the next round of project matching activities.

ATTACHMENTS

1. Hungarian and U.S. Company Matches
2. ACDI/RAAPS 2 Project Training Workshop (First Session)
3. Topical Outlines - First Session
4. ACDI/RAAPS 2 Project Training Workshop (Second Session)
5. ISU - Executive Training Workshop II
6. Policy Survey for U.S. Executives
7. Policy Survey Summary of U.S. Executives Responses
8. Policy Survey for Hungarian Executives
9. Actual & Proposed Business Ventures
10. Hungarian Company Improvements & Restructurings
11. Expenditures Through December 31, 1993

ATTACHMENT 1

RAAPS SPRING 1994
Hungarian and U.S. Company Matches with Participating Executives

Hungarian Companies	& Executives	Matched U.S Companies	& Executives	Interpreters
AGROFERM	Ms Zsuzsanna Dér Mr Gábor SZELÉNYI	AGBIO DEVELOPMENT *Westminster, CO*	Mr. Jan MENELEY, President*	
ANSER SPEED	Mr Sándor HORVÁTH Ms HORVÁTH	BUCKEYE FEED MILLS, INC. *Dalton, OH*	Mr. Ted STULTS, President Mr. Jim WHITE, VP Nutrition	Katalin Molnar
ARPAD	Mr László KOVÁCS	TELOS ENTERPRISES *Mariposa, CA*	Mr. Jon ZELLHOEFER, CEO Mr. Worth ROUGH, Technical Advisor	
ARVIT	Mr Tibor KÁDÁR Mr Balázs TOTH	GREAT LAKE INTL		
BAKONLAIT	Mr Lajos DAROCZI Katalin GARANE-MAGYAR	MIDAMAR CORP *Cedar Rapids, IA*	Mr. Chuck CHARIPAR, Import Manager	Andrea Hagymasi
BICSKE SAVINGS	Sandor PÉNZES	AGRIBANK *St. Paul, MN*	Mr. Tom POWELL*	Timea Balajczs
BIO-OIL	Mr Mihály TAKÁCS Mr István MOLNÁR	CONSEC CORP *Louisville, KY*	Mr. Charles LONG, President Mr. William CAMPBELL, VP Marketing	Agnes Kalman-Kis
DUDAS	Mr József DUDÁS Ms Irén HÁZI	BUCKEYE FEED MILLS, INC.		Edina Papp
FLORATOM	Mr Mihály KOTOGÁNY Mr Árpád NAGY	GREAT LAKE INTL (w/ Telos) *St. Joseph, MI*	Mr. Pat McRAE, President Mr. Michael DANEN, VP Marketing	Csaba Jansik

Hungarian Companies & Executives			Matched U.S Companies & Executives		Interpreter
9.	GARDEN	Mr Sándor PUSZTAI Ibolya NAGYNE-BOKOR	CLASSIC BEVERAGE *Austin, TX*	Mr. Tom WRIGHT, Owner Mr. John AVERY, Owner	Nora Panyik
1.	HERBARIA	Leonora ZOMBAI-KOVACS Mr Zoltán UJLAKY	PUSKAS & ASSOCS (w/ Beehive Botanicals) *Charlotte, NC*	Mr. Gary GAUSTEN, Technical Advisor	
			BEEHIVE BOTANICALS *Hayward, WI*	Ms. Linda GRAHAM, President Ms. Sally Gagan, Export Manager	
2.	HEVESGEP	Mr Imre SZOMBATI Mr Imre TAJTI	HCC, INC. *Mendota, IL*	Mr. Carl McNAIR, President	Henriett Sepsi
3.	INNO-DROG	Mr Zoltán BERTA Mr János NYERGES	MANNONS FOODS *Tucson, AZ*	Mr. Jerry MANNON, President Ms. Donna MANNON, Treasurer	Zsolt Vantulek
4.	ISV	Mr Endre HORVÁTH Mr László WEKERLE	SWINE GENETICS INTL *Cambridge, IA*	Dr. Harold HODSON, Executive Director	Viktoria Csetneki
5.	KADAR	Mr Károly ZILA Mr Jakab SHUSZTER Mr János CSIPES	CALIFRANCE, INC. *Oakland, CA*	Mr. Peter MOLNAR, Director, European Ops	
6.	LA PRIMA	Miklos SIKET	HAPPY JOE'S PIZZA & ICE CREAM PARLOR, INC. *Bettendorf, IA*	Mr. Larry WHITTY, President	Gergely Muradin
7.	MARCIPAN	Mr Gyula KELÉNYI Mr András GOICS	MANNONS FOODS		Judit Vas

ungarian Companies & Executives		Matched U.S Companies & Executives		Interpreter
. NAGYKUN	János VERES Gábor SEBÖK	WARREN CHEESE *Warren, IL*	Mr. John BUSSMAN	Alica Baculak
. PETOFI	Mr Sándor MOLNÁR Ms Erzsébet SCHEIBER	MD HOTEL SUPPLY CO., INC. *Baltimore, MD*	Mr. Dennis STEELE, VP Marketing	Anita Tolnay
. PUSZTASZABOLCS	Mr Gábor NONIUSZ** Ms SZIEBLER	GOLDEN DOME TRADING, INC. *Wilton, CT*	Mr. Frank JELINEK, Managing Director	Csaba Kiss** Emoke Marsovsky
. SZAB-KER	Mr. Kálmán SZABICS Mr. László ESZENYI	SOUTH SHORE TRADING *League City, TX*	Mr. Ken ROGERS, Owner	Krisztina Kasza
2. SZEGED BAKERY	Etelka FEL FÖLDI Magdolna BOROCZ	HAPPY JOE'S BAKERY *Bettendorf, IA*	Mr. Joe WHITTY, Owner	Sarolta Torok
3. VITAPRESS	Ms Emese BALOGH^^ Mr Jolan SZALMAN^^	CLASSIC BEVERAGE		Tunde Szabo-Krall

Will be traveling to Hungary at a later date to Hungary.
*Traveled to U.S. March 19 - 30.
^Will not be going to Washington DC

TOTAL:
43 Hungarian Executives 27 U.S. Execs (Two traveling to Hungary at a later date)
18 Interpreters
61 Total

ATTACHMENT 2

PROGRAM

ACDI/RAAPS 2 Project Training
(1st session)

Time:	March 16-17, 1994	
Location:	Dobogókő	
	Hotel Manréza	
	Address:	2099 Dobogókő
		Fény utca 1.
	Telephone:	(26) 327-681
	Fax:	(26) 327-633

Registration for the session:

7.00-8.00 pm March 15, 1994
7.30-8.00 am March 16, 1994

March 15, Tuesday

20.00-21.30	Dinner and introduction of participants	

March 16, Wednesday

8.00-9.00	Introduction	Rifat Barokas
	General Information	Mária Kostyál
9.00-12.00	Economics	Mihály Kopányi
10.15-10.35	Coffee Break	
12.00-13.30	Lunch	
13.30-17.30	Financial Management I.	Benjamin Riensche
	(How Investors and Creditors View Your Business)	
15.00-15.30	Coffee break	
18.00-19.00	Dinner	
19.00-20.30	Business Planning I.	Maria Kathryn Kontras

March 17, Thursday

8.00-12.00	Financial Management II.	Benjamin Riensche
10.15-10.35	Coffee Break	
12.00-13.30	Lunch	
13.30-16.30	Business Planning II.	Maria Kathryn Kontras
14.45-15.00	Coffee Break	
16.30-17.00	Closing Comments	Rifat Barokas
		Mária Kostyál

ATTACHMENT 3

Lecture on Economics
March 16, Wednesday

By: Mihaly Kopanyi
Professor of Economics

I. Supply and Demand

II. Cost Analysis
A. Marginal Cost
B. Average Variable Cost
C. Fixed Cost
D. Marginal Revenue

III. Break Even Point

FINANCIAL MANAGEMENT

How Investors and Creditors View Your Business

I. Financial Statement Interpretation & Analysis

A. Introduction & Welcome

B. Accrual vs. Cash Method of Accounting
   a. Cash vs. Accrual vs. Tax Accounting

C. Income Statements - How Profitable is your Business
   1. Statement Organization
   2. Recognizing Revenues
   3. Variable & Overhead Expenses, Trading Profit
   4. Interest Expenses and Pre-tax Profits
   5. Tax Expense
   6. After Tax Profit

D. Balance Sheets - What do Have and Who do You Owe?
   1. Statement Organization
   2. Current Asset Accounts
   3. Invested Assets
   4. Current Liabilities
      a. Trade Liabilities
      b. Notes Payable
      c. Working Capital
   5. Long Term Debt
      a. Subordinated Debt
   6. Equity and Reserves
      a. Book Value vs. Market Value

E. Financial Ratios and Creditworthiness
   1. Profitability Ratios
      a. Common Size Income Statements
      b. Trading Profit Margins
      c. Net Profit Margin
   2. Liquidity Ratios
      a. Current Ratio
      b. Acid Test Ratio
      c. Working Capital
   3. Leverage Ratios
      a. Debt/Assets
      b. Debt/Equity
      c. Long Term Debt/Total Capital
      d. Working Capital Loans and Leverage at Peak Borrowing Periods
   4. Efficiency Measures
      a. Inventory Turnover in Days
      b. Accounts Recievable in Days
      c. Trade Finance in Days
      d. Invested Asset Trunover
      e. Total Asset Turnover
      f. Return on Equity

II. Cashflow Budgeting and Analysis

A. Historical Cashflow Analysis
1. Direct vs. Indirect Method of Cashflow Analysis
a. Cash Generated from Operations
1. Cash Consumed by Business Growth
2. Cash Liberated by Working Capital Mgmt
b. Cash Available after Capital Expenditures
c. Cash Before/After Financing Activities
d. Net Change in Cash

Note: Break for Day II, Day II to start with questions from Day I.

B. Proforma Cashflow Analysis
1. Projecting the Income Statement
a. Sensitivity Analysis, Sales up 10%
b. Sensitivity Analysis, Sales down 10%
c. Sensitivity Analysis, Increased CAPEX
d. Sensitivity Analysis, Working Capital
2. Projecting the Balance Sheet
3. Debt Amortization and Debt Service Coverage
4. Free Cash Flow
5. Cash Flow Ratios

III. Discounting and Compunding (Net Present Value Analysis) for Invested Asset Purchases and Business Valuation

A. Discounting Cash Flows
1. Setting the Discount Rate

B. Analyzing Invested Asset Acquisitions
1. Incremental Working Capital Requirements

C. Business Valuation
1. Discounting Cashflows Before Financing Activities

IV. Foreign Exchange Management
A. Borrowing in Foreign Currency vs. Borrowing in Forints

BUSINESS PLANNING SEMINAR
Topics Covered
March 16 & 17
Maria K. Kontras

* Business Planning vs. The Business Plan

* Strategic Planning
  Covered such topics as:
  Vision, Mission, Managing By Objectives, Participation (involvement of others close to the information and requirements)

  Briefly covered
  SWOT Analysis, Sphere of Influence

  Touched on
  Transition Planning, Organzational change principles, and problemsolving techniques (ie. Force Fields)

* The Business Plan Document
  What is a Business Plan and Types
  Why do a Business Plan (Reasons and Benefits)
  Know Purpose and audience
  No one right way
  What all Plans must cover
  Covered major sections to include
  Cover Page
  Table of Contents
  Executive Summary
  The Company (Background, Current Status, and Future Plans. Also incl. The Management Team)
  The Market
  The Product or Service (including the production, process, costs, supplies, equipment and other requirements,etc) Did not cover, only overview.
  Sales and Promotion
  Finance
  Advantages and Challenges (What is unique, and candid explanations and projections of significant liabilities, credit dificulties, or future market or economic projections that are are not so positive

  Checklist of issues for each section
  Depth of coverage depends on purpose and audience
  Gave tips as to what Bankers and Investors look for

(Cont.)

* Marketing
  - Marketing Strategy
  - Touched on Market Research
  - Touched on Industry Analysis
  - Covered the Market and Customer Analysis
  - Selecting your Target Market
  - Competition Analysis (Gave questionnaire for detailed analysis of competition and prepare competitive objectives
  - Pricing (Briefly touched on)
  - Advertising and Promotion (briefly touched on)

* Writing and Presenting the Plan

ATTACHMENT 4

PROGRAM OUTLINE
draft

ACDI/RAAPS 2 Project Training
(2nd session)

Time: April 6-7, 1994
Location: Dobogoko
Hotel Manreza
Address: 2099 Dobogoko
Feny utca 1.
Telephone: (26) 327-681
Fax: (26) 327-633

Topic's

Morning session April 6, 1994

Total Quality Management (TQM)
Lecture: Ronald H. Hobson
Plattsburgh
State University of New York
Assistant Dean
School of Business and Economics

Afternoon session:

International Commercial Law
Lecture: Maria Flynn
Lawyer with,
Office of International Programs

All day session April, 7:

Small Group Workshops on
Developing Business Planing
(eight groups containing three companies each)

1. Dr. Mihály Vörös
2. Dr. Árpád Endre Kovács
3. Dr. István Huszti
4. Dr. Csaba Székely
5. Dr. András Nábrándi
6. Dr. László Kárpáti
7. Dr. András Csepely-Knorr
8. Dr. Csaba Fargács

The eight group facilitaters

ATTACHMENT 5

Draft Program
March 24, 1994

Executive Training Program II

Restructuring Agriculture and Agribusiness:
A Private Sector Program for Hungary

April 29 - May 2, 1994

Scheman Building
Iowa State University

Day 1 -- Friday, April 29, 1994 (Stage Door)

8:00 a.m.	Breakfast Buffet Ramada Inn
9:15	Departure from hotel
9:30	Registration Stage Door and Room 113, Scheman Building
11:30	Opening Remarks and Introduction *Stanley R. Johnson*, Director, Center for Agricultural and Rural Development (CARD), Iowa State University
12:00 noon	Luncheon Stage Door, Scheman Building
1:00-1:45 p.m.	Driving Tour of ISU Campus
2:00	Site Visits (to be arranged)
5:00	Dinner (Drivers and vans will be available to take participants to restaurants in the Ramada Inn area)

Day 2 -- Saturday, April 30 (Room 260)

7:30	Departure from hotel
8:00	Continental Breakfast (Coffee, rolls, and juice) 260-262 Scheman Building
8:45	Welcome *Martin Jischke*, President, Iowa State University

MORNING SESSION: Strategic Planning and Management Issues in Restructuring
Moderator: *William Meyers*, Executive Director, Midwest Agribusiness Trade Research and Information Center (MATRIC), Iowa State University

9:00	Taxonomy of a Strategic Plan Presenter: *C. Brad Shrader*, Professor, Department of Management, College of Business, Iowa State University
10:30	**BREAK**
10:45	Interaction of Strategic and Business Plans with Firm's Decisions Presenter: *Gary Aitchison*, Associate Professor, and *Merrill Kim Sharp*, Adjunct Assistant Professor, Department of Management, College of Business, Iowa State University
12:30	Luncheon Buffet 250 Scheman Building

AFTERNOON SESSION: Business Strategies for International Markets
Moderator: *C. Brad Shrader*, Professor, Department of Management, College of Business, Iowa State University

1:30	Joint Ventures and Business Strategies for Emerging Markets (To be determined)
2:45	**BREAK**
3:00	Developing Business Relationships and Strategic Alliances in International Markets Presenter: *John Brockardt*, Vice President, Business Development, Tone's
5:00	Dinner (Drivers and vans will be available to take participants to restaurants in the Ramada Inn area)

Names in italic are confirmed presenters

Day 3 -- Sunday, May 1

10:00	Vans and drivers will be available to take participants to church services at St. Thomas Aquinas Catholic Church (2210 Lincoln Way, 10:30-11:30 a.m.) or Memorial Lutheran Church (2228 Lincoln Way, 11:00 a.m.-12:00 noon), if desired.
11:45 a.m.	Departure from hotel (for those not attending church services)
12:15	Luncheon Buffet 250 Scheman Building

AFTERNOON SESSION: A Guide to Business Planning (Room 260)
Moderator: *Lori Dooley*, Program Manager, MATRIC, Iowa State University

1:30	U.S. Business Culture Presenter: *Sanjeev Agarwal*, Associate Professor, Department of Marketing, College of Business, Iowa State University
2:45	**BREAK**
3:00	Business Plan Development: Shaping the Future Presenters: *Steve Carter*, Director, Small Business Development Center, Iowa State University
4:30	Adjourn
5:00	Chuckwagon Barbeque Scheman Building Courtyard

Names in italic are confirmed presenters

Day 4 – Monday, May 2 (Room 260)

8:00 a.m.	Departure from hotel
8:30	Coffee and rolls 260-262 Scheman Building

MORNING SESSION: Marketing Management
Moderator: *T. Kesavan*, Assistant Research Scientist, CARD, Iowa State University

9:00	Differentiating and Creating Value Presenter: *Sridhar N. Ramaswami*, Associate Professor, Department of Management, College of Business, Iowa State University
10:30	**BREAK**
10:45	Marketing Process and Planning for Retail (Cooperative) Customers Presenter: *Joel Ebbertt*, Manager of Training and Placement, Farmland Industries, Inc.
12:00 noon	Luncheon Buffet 250 Scheman Building

AFTERNOON SESSION: Business Law and Policy Institutions
Moderator: *William Meyers*, Executive Director, MATRIC, Iowa State University

1:30 p.m.	American Law for International Business Presenter: *Thomas G. Fisher*, Vice President-General Counsel and Secretary, Meredith Corporation
2:30	**BREAK**
2:45	Grassroot Organizations in Public Policy Presenter: Emily Eide, Iowa Farm Bureau
4:00	Wrap-up: Institutions, Networks, and Policy Making Presenter: *Stanley R. Johnson*, Director, CARD, Iowa State University
5:00	Adjourn/return to hotel
6:00	Departure from hotel for Memorial Union
6:30	Social Hour Sun Room, Memorial Union
7:30	Banquet and Certificate Presentation Sun Room, Memorial Union

Names in italic are confirmed presenters

ATTACHMENT 6

RAAPS: HUNGARY PROGRAM
POLICY SURVEY-ROUND 1 USA PARTICIPANTS

The following questions are designed to gather information about your experience and perception in developing or doing business in Hungary. The information you provide will be used to identify policy and technical constraints, to stimulate policy discussions, and to foster "bottom-up" policy dialogue in Hungary. Please be candid and specific in answering the questions. Your response will be kept confidential.

1. NAME AND ORGANIZATION OF COMPANY

_____

2. TYPE OF BUSINESS

_____

3. AVERAGE SALES OF YOUR COMPANY

_____

4. In which of the following areas you believe that Hungarian companies would benefit by entering into commercial/business relationships with your company

( ) Trade

( ) Developing Marketing Strategies

( ) Transfer of Technology (creating new or differentiated products)

( ) Managerial and Organizational

( ) Financial or Investment

( ) Others (please specify)_____

5. a. Is your firm already engaged in any type of commercial or business relationship in Hungary? ____Yes ____No.

b. If no, how would you rate your firm's potential to engage in a business or commercial relationship in Hungary?

____ 1 Poor
____ 2
____ 3
____ 4
____ 5
____ 6 Excellent
____ Don't Know

6. Please give your assessment on the following (with 1 indicating poor or low and 6 indicating excellent or high, and 9 indicates "Don't Know").

	Poor or Low					Excellent or High	Don't Know
General stability of the political, social and economic conditions in Hungary	1	2	3	4	5	6	9
Hungarian business managers' ability to design and implement a business or restructuring plan successfully for their enterprises	1	2	3	4	5	6	9
Hungarian business managers' capacity to deal or develop commercial ventures and business relationships	1	2	3	4	5	6	9
Skill and knowledge of middle level managers in Hungary to conduct business operations in a market oriented economy	1	2	3	4	5	6	9
Domestic (Hungary) market potential	1	2	3	4	5	6	9
Export potential from Hungary to European Community(EC) market	1	2	3	4	5	6	9
Export market potential from Hungary to eastern and central European countries (including Baltic countries)	1	2	3	4	5	6	9
Market concentration in Hungary	1	2	3	4	5	6	9
Risk of investment in Hungary	1	2	3	4	5	6	9
Cost of writing and enforcing contracts	1	2	3	4	5	6	9
Hungarian government's support to agriculture and agribusiness	1	2	3	4	5	6	9
Quality of raw materials available in Hungary	1	2	3	4	5	6	9
Quality of food products manufactured in Hungary	1	2	3	4	5	6	9

7. Indicate your experience or perception on the following practices and policies in Hungary for private sector development. (Circle your response on a scale of 1 to 6 with 1 indicating poor or low and 6 indicating excellent or high. Failure to mark an answer will be assumed as "Don't Know").

Privatization methods and practices	1	2	3	4	5	6
Government incentives for foreign investment	1	2	3	4	5	6
Attitude of Hungarians towards foreign investors	1	2	3	4	5	6
Banking and credit policies and procedures	1	2	3	4	5	6
Business law and organization	1	2	3	4	5	6
Competition policy	1	2	3	4	5	6
Import measures (subsidies, tariff, quotas, licenses and so on)	1	2	3	4	5	6
Export measures (subsidies, quotas, licenses, etc.)	1	2	3	4	5	6
Labor laws	1	2	3	4	5	6

8. Did your perception about Hungary change as a result of participation in the RAAPS program? ____Yes ____No. If so, why?

_____

_____

_____

9. In developing business in Hungary so far, were there any technical difficulties and/or institutional obstacles that you did not foresee? Please elaborate your answer with suggestions to improve.

_____

_____

_____

_____

_____

_____

_____

10. Please state the areas in which Hungarian business managers may need additional training.

_____

_____

_____

_____

_____

_____

_____

_____

_____

ATTACHMENT 7

Summary of Responses of Round 1 US participants to selected questions in the policy survey

Description	Number of Responses	Mean score
The Hungarian companies would benefit by entering into commerical/business relationships with host company in		
Trade	9	
Developing Marketing Strategies	7	
Transfer of Technology	5	
Management and Organizations	6	
Financial or Investment	2	
Companies already engaged in business in Hungary	3	
Potential to engage in business among companies not already engaged in business in Hungary		3.57
Perception about Hungary changed as a result of RAAPS participation	11	
HUNGARIAN BUSINESS AND ECONOMIC CONDITIONS \a		
Stability of the political, social and economic conditions in Hungary		3.50
Hungarian Market potential		4.00
Export potential from Hungary to EC		3.08
Export potential from Hungary to EEC and Baltics		3.50
Risk of investment in Hungary		3.42
Hungarian government support		2.83
Quality of raw materials		3.92
Quality of food products		4.25

a The business and economic conditions were assessed on a scale of 1 to 6 with 1 being poor or low and 6 being excellent or high.

ATTACHMENT 8

RAAPS: HUNGARY PROGRAM
POLICY SURVEY-ROUND 1 HUNGARIAN PARTICIPANTS

This questionnaire is aimed at gathering information about policy constraints, perceptions, and judgements related to agribusiness development in Hungary. The information will be used to identify policy issues for analysis and will form the basis of policy dialogue to be organized in RAAPS program. Your identity will be kept confidential. Please be sincere and candid in responding to questions.

A. BASIC INFORMATION ABOUT FIRM

NAME AND ORGANIZATION OF COMPANY

_____

TYPE OF BUSINESS ACTIVITY

_____

AVERAGE SALES_____

NUMBER OF EMPLOYEES _____

B. MACROECONOMIC REFORMS

B.1. Please rate government efforts to achieve the following macroeconomic conditions or situations? **Please circle your response on the scale of 1 to 6 with 1 indicating "poor", 6 indicating "excellent", and 9 indicating "Don't Know".**

a. Stable and competitive exchange rate	1	2	3	4	5	6	9
b. Control of inflation	1	2	3	4	5	6	9
c. Limit growth in government spending or expenditure br reducing the role of government	1	2	3	4	5	6	9
d. Establish legal framework to encourage private ownership and economic activity	1	2	3	4	5	6	9
e. Establish or reorganize institutions to support private sector growth and development	1	2	3	4	5	6	9

C. TRANSITION POLICIES RELATED TO FOOD AND AGRICULTURAL SECTOR

C.1. Indicate your feeling on the following statements on a scale of 1 to 6 (with 1 indicating that you strongly agree and 6 being you strongly disagree with the statement).
Please circle the appropriate number. Failure to mark will be assumed as "don't know" or "no answer".

	1 Strongly agree	2	3	4	5	6 Strongly disagree
C.1.1. Overall privatization and industrial policy is conducive to the growth and development of agriculture and agri-business	1	2	3	4	5	6
C.1.2. Methods and procedures adapted by State Property Agency (SPA) for privatizing food enterprises encourage equitable distribution of state assets	1	2	3	4	5	6
C.1.3. Land reforms and compensation policies are fair and reasonable	1	2	3	4	5	6
C.1.4. Privatization and competition laws unduly favor foreign owned enterprises	1	2	3	4	5	6
C.1.5. The new bankruptcy law is sufficient to curb payment arrears and to impose financial discipline among firms	1	2	3	4	5	6
C.1.6. Creditors should have an active role in the reorganization of bankrupt firms	1	2	3	4	5	6
C.1.7. Government should orient their policies and programs towards developing small-scale private agriculture/enterprises	1	2	3	4	5	6

C.2. What is your assessment on the pace of privatization in food and agriculture sector.

1= Too fast 2= Fast 3= Just right 4= Slow 5 = Too Slow 6=Don't Know.

Additional comments or state reasons for your answer. _____

_____

_____

C.3. Please elaborate changes in SPA (or in privatization methods) you like to see in the future?

_____

_____

_____

D. Trade Reforms

D.1. The following statements reflect the scope and nature of trade reforms during transition in Hungary. Please indicate your response on the scale of 1 to 6 with 1 being you strongly agree and 6 being you strongly disagree with the statement.

Please circle appropriate response. Failure to mark will be considered as "don't know" or "no answer".

D.1.1. Trade reforms have been generally responsible for increasing domestic competition in food sector	1	2	3	4	5	6
D.1.2. Export measures (subsidy, licensing, quota, etc.) are indirectly encouraging production of poor quality products	1	2	3	4	5	6
D.1.3. The import measures (quotas, tariffs licensing etc.) are inhibiting the growth and development of agriculture and agri-business	1	2	3	4	5	6

D.2. How would you assess the current procedures/rules for importing goods and supplies?

Simple and Easy ---------- Complex and Difficult

1 2 3 4 5 6 7 8 9 10

E. Institutions and Government Support

E.1. In your opinion, the level of government support (budget allocation) to agriculture is

1. Too high 2. High 3. Just right 4. Low 5. Too Low 6. Don't know.

E.2. Many laws have been enacted to support and guide the process of transformation and privatization. Please indicate your opinion on the adaptation and implementation of policy reforms by the government. Note: (1)=low, (2)=moderate, (3)=high, and (9)=don't know.

	Adaptation	Implementation
	(1)=low, (2)=moderate, (3)=high (9)=don't know.	
E.2.1. Property rights and land compensation	1 2 3 9	1 2 3 9
E.2.2. Privatization methods and rules (SPA)	1 2 3 9	1 2 3 9
E.2.3. Cooperative transformation	1 2 3 9	1 2 3 9
E.2.4. Market information	1 2 3 9	1 2 3 9
E.2.5. Minimum/guaranteed price for agricultural commodities	1 2 3 9	1 2 3 9
E.2.6. Extension services	1 2 3 9	1 2 3 9
E.2.7. Assistance for newly established or private business	1 2 3 9	1 2 3 9
E.2.8. Export promotion/assistance	1 2 3 9	1 2 3 9
E.2.9. Import promotion and domestic competition	1 2 3 9	1 2 3 9
E.2.10. Programs and compensation for unemployed workers	1 2 3 9	1 2 3 9
E.2.11. Agricultural credit/loan services	1 2 3 9	1 2 3 9
E.2.12. Handling of debts owned by state and cooperative enterprises	1 2 3 9	1 2 3 9

E.3. Please give your assessment on the scale of 1 (poor or low) to 6 (excellent or high) of the following.

	Poor or Low 1	2	3	4	5	Excellent or High 6	Don't Know 9
E.3.1. The quality of your product compared to products from EC/US market	1	2	3	4	5	6	9
E.3.2. The quality of raw materials available in Hungary compared to EC/USA	1	2	3	4	5	6	9
E.3.3. Government support or effort to enforce quality and phyto-sanitary conditions	1	2	3	4	5	6	9
E.3.4. Cost of writing and enforcing contract in Hungary compared to EC market	1	2	3	4	5	6	9
E.3.5. Risk of investment in Hungary	1	2	3	4	5	6	9

F. JUDGEMENTS AND EXPECTATIONS

F.1. In your opinion which of the following will most likely occur in the medium term (five years). Mark only one answer.

_____ Transformation of production (and collective) cooperatives into large scale corporate farms

_____ Transformation of production (and collective) cooperatives into small private farms

_____ Co-existence of large-scale private cooperatives and small scale agriculture

F.2. Unless otherwise stated, please circle (1) for "greater", (2) for "no change" or (3) for "lesser" to the following.

Note : If you are a manufacturing or production oriented company, answer F.2.1, F.2.2 and F.2.3. with respect to production. On the other hand, if you are only a marketing and trade company indicate your response for sales.

	1=Greater	2=No change	3=Lesser
F.2.1. Compared to previous quarter, the volume of production/sales is	1	2	3
F.2.2. Compared to the same quarter last year, the volume of production/sales is	1	2	3
F.2.3. Compared to this quarter, the volume of production/sales in the next quarter will be	1	2	3
F.2.4. Compared to this quarter, the (domestic) price of your products in the next quarter will be	1	2	3
F.2.5. Quantity of new orders compared to last quarter	1	2	3
F.2.6. Quantity of new orders compared to same quarter last year	1	2	3
F.2.7. Number of employees now compared to last quarter	1	2	3
F.2.8. Number of employees in the next quarter compared to now	1	2	3
F.2.9. Business prospects for next year {1=better, 2=about the same and 3=worse}	1	2	3

F.3. Please assign probability (between 0% and 100%) for the following events or policy changes.

F.3.1. Hungary will join EC market within next 10 years _____

F.3.2. The import quota and licensing system will be replaced by tariffs _____

F.3.3. Export and import licenses will be auctioned _____

F.3.4. Bad debts of enterprises will be written off by the government _____

F.4. How much are you willing to pay (compensation) for employees, if they have to be laid off?
_____Per cent of annual salary

F.5. How much money are you willing to pay to participate in the RAAPS:Hungary workshop?
_____ Forints

F.6. How much would you pay for matching (foreign) companies and for facilitating international business relations (similar to the activities performed by RAAPS program)?

_____Forints

G. POLICY NETWORK

G.1. Product Council

G.1.1. Are you a member of a product council?
___ Yes ___ No.

G.1.2. How do you rate (on the scale of 1 to 6) the role and performance of product councils in policy formulation?

Poor					Excellent	Don't Know
1	2	3	4	5	6	9

G.2. How do you rate (on the scale of 1 to 6) the role and performance of Agricultural Market Regime (AMR) office in policymaking process?

Poor					Excellent	Don't Know
1	2	3	4	5	6	9

G.3. How satisfied are you with the present system of policy formulation consisting of Interministerial Committee, AMR office and Product Councils?

Not at all satisfied					Extremely satisfied	Don't Know
1	2	3	4	5	6	9

G.4. Please list the names of professional/business organizations or associations to which you belong?

_____
_____
_____
_____
_____
_____

G.5. Please indicate changes you would like to see in the <u>future</u> with respect to policy formulation?

_____
_____
_____
_____
_____

ATTACHMENT 9

Actual & Proposed Business Ventures Between Participating U.S. & Hungarian Agribusinesses

1. Agrofor Sarkoz, Ltd.

Through its matching with the Minnesota Agricultural Equipment Export Consortium (MAEEC) under RAAPS, Agrofor has purchased agricultural equipment including measuring wheels from Meter-Man, Inc. Agrofor is also in the process of ordering livestock tags from Duflex, another MAEEC member.

2. Agrowest, Ltd.

This company is producing seed stock under contract with the Turf-Seed Company of Oregon. Agrowest eventually plans to export this seed to East and West Europe. Agrowest and two other participating Hungarian companies were matched with Turf-Seed.

3. Csopakvin Cooperative

Csopakvin is presently negotiating on the export of one container of wine to Messer Distributing Company in Iowa. Depending on consumer acceptance, Messer plans to begin regular shipments.

4. Duna-Konzerv, Ltd.

One container of pickled Hungarian mushrooms has been exported to the Midamar Corporation. This transaction is valued at nearly $20,000 and consisted of 21,600 bottles of product. Additional mushroom exports are currently in process. Duna-Konzerv is also negotiating with Midamar on jointly developing an improved packaging technology.

5. Extra-Milk, Ltd.

Extra-Milk is currently negotiating a greenfield joint venture agreement with H.P. Hood, Inc. It is proposed that Hood will establish a long shelf-life milk production facility while Extra-Milk will increase its fresh milk and dairy products line.

6. General Planning Services (GPS), Ltd.

GPS exported dried vegetable and fruit powders to Sunfruit of Madeira, California. Sunfruit also signed a Letter of Intent expressing possible investment capital on Sunfruit's part in GPS operations. Since the signing of the letter, Sunfruit has decided not to pursue this possibility. However, RAAPS staff has assisted GPS in finding potential investors. Currently, two U.S. companies are seriously looking to do business with GPS.

7. Hodcsillag Cooperative

Matched U.S. company, American Breeders Service (ABS), is currently looking at business possibilities with Hodcsillag. Through Hodcsillag's involvement with ABS, other U.S. contacts were made. For example, negotiations occurred with both InstaPro concerning the purchase of feed processing equipment, and Sukup Manufacturing Company.

8. Inter-Trade Agro Company, Ltd.

The California Winery Company has imported hand-made wooden wine barrels from their matched Hungarian firm Inter-Trade. The California Winery also plans to assist Inter-Trade in quality control and standardization.

9. Kaposmag, Ltd.

This company is producing seed stock under contract with the Turf-Seed Company of Oregon. Kaposmag and two other participating Hungarian companies were matched with Turf-Seed.

10. Kek Duna Cooperative

While in the U.S. for RAAPS, an executive of Kek Duna met Sakuma Brothers Farms, Inc., a strawberry producer. As a result, Sakuma Brothers will export nearly 5,000 strawberry plants for trial plots to Kek Duna in mid-1994. More shipments are expected to take place in 1995.

11. Linka Sonka Meat Processing and Trading Company, Ltd.

Through their matching activities with the U.S. Meat Export Federation (USMEF), Linka is currently negotiating the purchase of packaging equipment for one of their meat processing lines from a USMEF member.

12. Marcius 21 (Adony) Cooperative

Marcius is currently considering the purchase of embryos and high quality Bull semen from matched U.S. company, Nichols Farms. The owner of Nichols is planning to travel to Hungary to negotiate sales, technology transfer and the possibility of establishing a chain of "steak house" style restaurants, based on the exclusive use of meat cuts from the Black Angus breed.

13. Mezomag, Ltd.

This company is producing seed stock under contract with the Turf-Seed Company of Oregon. Mezomag and two other participating Hungarian companies were matched with Turf-Seed.

14. Naszalytej, Ltd.

Naszalytej is currently discussing the possibility of establishing a Licensing Agreement with Rich Products. The company is also planning to purchase a packaging line from U.S. company, TetraPak, which will produce lactose-free milk.

15. Onert, Ltd.

Onert management, with the assistance of project staff, is aggressively pursuing the import of microwave popcorn from the U.S. One container of product may be ordered in the near future.

16. Zafir, Ltd.

Zafir has imported one container of ready-to-eat food products from matched U.S. company, Sea Watch International of Easton, MD. The products imported included stuffed clams, flounder casino and sole parmigiana. The total value of this initial transaction was $1,800. Zafir is also seeking Sea Watch's assistance in buying microwave packaging technology.

ATTACHMENT 10

Hungarian Company Improvements & Restructuring

1. Agroker Szombathely, Inc.

Using their matched RAAPS company, Mississippi Chemical Corporation as a model, Agroker Szombathely has began restructuring the entire corporation. This new restructuring will allow Agroker Szombathely to provide the necessary inputs (fertilizers, machinery, etc.) to agricultural producers, wholesalers and retailers on a much larger scale.

2. Agrowest, Ltd.

This company was also a participant in ACDI's AIMS project. Based on its RAAPS and AIMS experiences, Agrowest has streamlined operations and is planning to undertake joint business operations with other Hungarian agricultural input companies to economize.

3. General Planning Services (GPS), Ltd.

GPS has refined its business plan, which was created as a result of RAAPS. Using this plan, the company has found a U.S. investment banking firm and is seriously negotiating a loan for the production and distribution of fruit and vegetable powders.

4. Kaposmag, Ltd.

This company was also a participant in ACDI's AIMS project. Based on its RAAPS and AIMS experiences, Kaposmag has streamlined operations and is planning to undertake joint business operations with other Hungarian agricultural input companies to economize.

5. Linka Sonka Meat Processing and Trading Company, Ltd.

Based on their Executive Development Training Program observations and experience, Linka Sonka has opened a retail outlet in the Balaton region of Hungary. They are employing marketing and advertising techniques learned through RAAPS.

6. Mezomag, Ltd.

This company was also a participant in ACDI's Agricultural Input Marketing Support (AIMS) project. Based on its RAAPS and AIMS experiences, Mezomag has streamlined operations and is planning to undertake joint business operations with other Hungarian agricultural input companies to economize.

7. Naszalytej, Kft.

Based on the company's business restructuring plan created during the Executive Development Training Program at Rich Products Corporation in Buffalo, New York, Naszalytej's management has prepared company-wide job descriptions, eliminated employment redundancies and established weekly meetings to plan and measure accomplishments. They have also begun an advertising and promotion campaign, taking a more aggressive stance in the market.

8. Onert, Ltd.

Based on Onert's RAAPS experience and recommendations, the company opened a "steak house" style restaurant in mid-September 1993. The restaurant has surpassed projected sales revenues for the first quarter of operation.

9. Turkeve Agricultural Cooperative

As a result of their matching with Tri-Valley Growers of California, Turkeve has reorganized the cooperative, spinning off many operations, as well as consolidating activities and staff. Many of these activities were detailed in the cooperative's business restructuring plan which was created during the Executive Development Training Program at Tri-Valley's headquarters in San Francisco.

ATTACHMENT 11

Restructuring Agriculture and Agribusiness:
Private Sector

EXPENDITURES THROUGH MARCH 31, 1994

Description	***Actual Cost***
Salaries	161,996.60
Other Payroll Added Costs	37,551.20
Other Travel	203,104.42
Consultant Fees	29,062.53
Participant Training	164,812.77
Equipment/Commodities	25,721.75
Evaluation	.00
Other Direct Costs	162,336.04
Project Advances	1,900.00
Indirect Costs	287,853.63
Subcontractors (ISU)	438,986.57

	1,513,325.51