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**RESTRUCTURING
AGRICULTURE AND AGRIBUSINESS:
PRIVATE SECTOR PROGRAM FOR POLAND
USAID GRANT EUR-0024-A-00-2042-00**

**Quarterly Report on Activities
From April 1 to June 30, 1994**

from a consortium of

**Land O'Lakes, Inc.
Sparks Companies, Inc.
The American Trust for Agriculture in Poland
Center for International Food and Agricultural Policy
of the University of Minnesota**

**in cooperation with the
Foundation for the Development of Polish Agriculture**

July 28, 1994

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RESTRUCTURING AGRICULTURE AND AGRIBUSINESS:
PRIVATE SECTOR PROGRAM FOR POLAND (RAAPS)
USAID GRANT EUR-0024-A-00-2042-00

Quarterly Report
April 1 - June 30, 1994

I. EXECUTIVE SUMMARY

The goal of the USAID RAAPS/Poland project is to increase competition efficiency and the productivity of Polish agriculture in a free market economy. The RAAPS/Poland consortium assists firms in the food processing and agricultural input sectors to become efficient, productive, and financially viable. The strategy to implement this is to develop and implement business plans in agribusinesses to strengthen their ability to operate as private competitive enterprises. The consortium has implemented a systematic approach to the monitoring and evaluation of project activities which incorporates benchmarks and objectively quantifiable outputs. This provides clear indicators against which to measure the success of the activities in providing long-term, sustainable impact. The other activities--faculty training and management workshops--serve as a foundation from which long-term technical assistance interventions naturally proceed. The project is unique within Poland in its development of in-depth business plans for the organizations participating in the long-term technical assistance program.

Activity

Land O'Lakes conducted six in-country management workshops in Intermediate Marketing and two in Agribusiness Management. Ten representatives of the Polish fertilizer industry participated in training in Alabama. The objective was to expose the participants to U.S. practices in fertilizer processing and in the formation of dealer networks that act as a private advisory service. Two University of Minnesota professors traveled to the University of Agricultural and Technology at Olsztyn to work with professors there on curriculum development in international trade and agricultural policy, strategic management, and marketing.

The core of the RAAPS project is long-term technical assistance to about thirty agribusinesses in the four targeted agricultural sectors of grain processing, meat processing, fruit and vegetable processing, and agricultural input enterprises. For each candidate, a business plan is formulated and specific business concerns addressed. Technical assistance continued to sixteen previously selected candidates. Another

eight technical assistance beneficiaries were selected for future interventions. Follow-up evaluation interviews with technical assistance beneficiaries garnered success stories.

Program Coordination

The consortium team members work together closely to ensure a coordinated effort. Land O'Lakes and Sparks Companies plan activities jointly to implement the RAAPS program activities. The Land O'Lakes Warsaw office provides in-country support for Land O'Lakes' and Sparks Companies' activities. The Foundation for the Development of Polish Agriculture (FDPA) assists in the long-term technical assistance interventions. The University of Minnesota works closely with Land O'Lakes and the Olsztyn and Krakow agricultural universities to help them prepare for the technical assistance process. Professors at the agricultural universities in Olsztyn and Krakow participate actively in all phases of the long-term technical assistance interventions.

The financial report is Attachment A.

II. PAST QUARTER'S ACTIVITIES

The consortium has structured a program in which the interrelationship between activities provides a coherent and focused approach to privatization. Each activity has been designed to contribute to the others, and ultimately to support the technical assistance process, which is at the core of the project.

A. Management Seminars

In-Country Workshops

Land O'Lakes presented six marketing workshops and two agribusiness management workshops this past quarter, for a total of 128 participants. John Hovanec and Polish co-trainer Piotr Romanowicz taught two 4-day Intermediate Marketing courses: April 20-23 in Krakow to 14 women and 16 men and April 25-28 in Boguchwala for 10 women and 17 men. Cheryl Bann and Piotr Romanowicz taught four Intermediate Marketing courses: May 18-21 to 4 women and 10 men in Krakow; May 23-26 to 9 women and 14 men in Rabka; June 15-18 to 3 women and 10 men in Lowicz; June 20-23 to 2 women and 19 men in Krakow.

The intermediate marketing workshops are designed to aid companies undergoing the transition to privatization in a free market economy. As the economy makes a

transition from one where commodity food products prevail to one in which food processing is more important, companies are eager to develop new food products, new brands, new pricing, distribution and promotional strategies. The marketing efforts are based on something new and unheard of in years past--meeting consumer needs and expectations rather than state directives. Case studies based on Polish conditions have been designed for the workshops. Besides the case study on a fruit and vegetable company, a study representing the meat processing sector will be developed by gathering information for this case study from a previous participant of the U.S.-based training in Memphis. The workshop instruction is structured to go hand in hand with technical assistance interventions.

Training in U.S.

To strengthen the Polish fertilizer industry, ten key representatives of the industry and its distribution system participated in U.S. training April 9-19. The objective was to expose the participants to U.S. practices in fertilizer processing and in the formation of dealer networks that act as a private advisory service. The fertilizer processors are improving their operations in order to compete in the ever-competitive agricultural input marketplace. The U.S. training partner in this effort was the International Fertilizer Development Center based in Muscle Shoals, Alabama.

Aleksander Dargiewicz traveled to the U.S. June 9-17 to learn swine production, processing and marketing. He will apply the techniques learned in his position at FDPA's pork venture.

B. Faculty Training

The Center for International Food and Agricultural Policy of the University of Minnesota provided follow-up technical assistance to professors of the agricultural universities that they had hosted in the U.S. February - March. The program aims to develop teaching capabilities and curriculum in these three areas: 1) International Trade and Agricultural Policy, 2) Strategic and Operations Management, and 3) Marketing and Cooperatives. In April, Professors Ben Senauer and Jerry Hammond conducted teacher workshops in agricultural marketing for 27 professors at the Olsztyn University of Agriculture and Technology. In June, Professor Robert King led teacher workshops in management topics at Krakow and in agribusiness management topics at Olsztyn.

This portion of the RAAPS program is crucial to the long-term success of the overall program because it prepares local professors in the areas of expertise on which the agribusiness sector will depend to become competitive. Past participants of the University of Minnesota training have become partners in the RAAPS program, participating directly in workshops as teaching assistants and as consultants in the long-term technical assistance interventions.

C. Technical Assistance

The strategy of the long-term technical assistance is to develop, implement, and monitor business plans for approximately thirty agribusinesses and thereby strengthen their ability to operate as private, competitive enterprises. To ensure that these long-term interventions are successful, the consortium has adopted a consistent and systematic methodology under which each individual intervention will have a workplan, with benchmarks and clear and quantifiable objectives to be monitored throughout the life of the project. The four targeted agricultural sectors are grain, meat, and fruit and vegetable processing, and agricultural input enterprises. Selection criteria for technical assistance candidates include size, ownership (must be private or in process of privatizing), financial condition, management, resources, and the potential for long-term impact on the organization. The six phases of the long-term technical assistance program are described in detail in the quarterly report for October-December 1993. The implementation of the assistance phases is staggered, rather than concurrent, for the selected companies. Some will be in Phase III while others are in Phases IV, V, and VI.

This quarter, follow-on technical assistance was provided by Sparks to five organizations who have begun implementing the business plans formulated for them--Phase VI. The purpose of the visit to each was to see how the recommendations had been implemented and to talk about changes in assumptions, how they affect the company, and how they should respond to these changes. The successes of the Olsztynek fruit and vegetable processor and the Radom Seed Center are related in the Impact/Success Stories section of this report. The organizations are as follows:

1. PZZ Plonsk, a flour miller
2. Radom Seed Center
3. Olsztynek fruit and vegetable processing plant
4. Sugar Beet Seed Company in Ostrowiec
5. Morliny meat processing operation

Three consultants from Sparks worked closely together with professors from the Olsztyn university in Phase IV visits to gather data for Phase V business plans for the following five companies from the Olsztyn region:

1. Agroma farm machinery dealership in Ilawa, selected by Olsztyn university. Areas to improve: computerize parts inventory, farmer marketing programs to teach use of new products; liquidating the state firm and buying net assets.
2. Mr. Niedzwiecki's Farm in Mortegi by Lubawa, selected by Olsztyn university. Areas to improve: regain financial creditability and to provide guidance for higher capacity utilization.
3. Services and trade enterprise in Dywity, selected by Olsztyn university. Areas to improve: new investments to expand and diversify production facilities; marketing.
4. Bacutil feed mill in Ilowo, selected by Olsztyn university. Areas to improve: complete privatization process; expand equipment and transportation capacity.
5. Brewery in Betrzyn, selected by Olsztyn university. The primary objective will be to establish a niche in the Polish beer market that is distinct from the major brands, in order to charge a premium for its products and increase unit sales.

Skeleton business plans were developed for companies in Phase III:

1. Seed Center in Srem, selected by FDPA. Areas to improve: Needs to reduce debt, develop a more even cash flow by performing year-long activities and increase sales and net profits.
2. Seed Center in Ciechanow, selected by FDPA. Areas to improve: Same problems as the Srem Seed Center.
3. Pabianka meat processing plant near Krakow, selected by Krakow university. Areas to improve: Technological help in fat utilization, distribution network, marketing.
4. HIS meat processing plant, near Krakow, selected by Krakow university. Areas to improve: work organization, marketing, computer system for monitoring sales and stocks.

5. Gorka meat processing plant in Krakow, selected by Krakow university. The business plan will provide financials and new technology for the facility.
6. Austrol meat processing plant, selected by Krakow university. The goal of the business plan is to assess the feasibility to microwave food products.

Another eight have been selected for technical assistance. Data gathering will continue in the next few months for these:

1. Seed Center in Chelmno
2. Fruit and vegetable processing plant in Andrychow
3. Fruit and vegetable packaging and distribution company in Ciechomice
4. Fruit and vegetable processing plant in Tarnow
5. Meat processing plant in Koscierzyna
6. Poultry processing plant in Bozecin
7. Agricultural inputs cooperative in Morag
8. Agricultural production and meat processing plant in Liw

Technical Assistance Coordination

The RAAPS consortium met in June to refine cooperation and to adjust the RAAPS approach to changing customers' needs.

Polish professors in Olsztyn and Krakow and the FDPA employees are deeply involved in all phases of the technical assistance methodology, working in close cooperation with Land O'Lakes and Sparks Companies. This ensures institutionalization of the privatization process. Once the RAAPS/Poland project is completed, these Poles will possess the tools they need to continue as advisors and educators to others.

III. IMPACT / SUCCESS STORIES

A. In-Country Management Workshops

As a part of a monitoring and evaluation system, workshop participants are interviewed after completion to determine how they value the training and how they have applied what they learned. The purposes of the follow-up interviews are to determine the training's impact, to incorporate participants' feedback into improving the workshops, and to identify potential technical assistance candidates. Some of these participants have credited their attendance at the marketing and agribusiness management workshops with contributing to their success. Examples of positive impact/success stories can be found in the past quarterly reports. The external evaluation in July-August should elicit more success stories.

B. Technical Assistance Interventions

To measure the output of the technical assistance, in place is a systematic methodology under which each individual intervention has a workplan with benchmarks and clear and quantifiable objectives. As the technical assistance intervention candidates move through the six phases of the intervention, the RAAPS consortium closely documents their progress and, thereby, the success of the RAAPS program in delivering its outputs. The technical assistance interventions aim to strengthen the candidates' profitability and market share. Specifically, the outputs are a rationalized production and marketing operation for the flour mills, a broader range of products and markets for the food and meat processors, and a stronger distribution and marketing networks for the agricultural input firms. Following are two success stories.

Zpow Olsztynek

Zpow Olsztynek is a food processing company near Olsztynek, Poland. The company has participated in a whole range of activities provided in the RAAPS program: in-country training, technical assistance, and U.S.-based training. The majority of the management staff took part in marketing and management courses provided by RAAPS program as well as in courses on logistics and distribution offered by other USAID programs. The president of the company, Andrzej Romanczuk, participated in workshops in Olsztyn and in the management and privatization course held in Memphis, Tennessee. The company has implemented the business plan provided by the RAAPS consortium. The president stated that this broad spectrum of assistance has been crucial to the transformation of the company from being purely production

oriented to being sensibly marketing oriented. Tangible examples of their successes include:

1. The development of a direct distribution system in the local market led to better use of resources and higher sales and profits, as well as gains in market share. Sales of frozen vegetables and fruits have grown up from 400 metric tons to 1500 metric tons over a year. The majority of this growth results from recommendations delivered by the RAAPS consultants.
2. As recommended in the business plan, the company modernized its approach to the market. They differentiated two market segments--retailers and institutions--and focused their activities accordingly. Two marketing managers have been assigned responsibilities for product configuration, pricing, distribution, and advertising to these markets. It brought new and prospective clients. Olsztynek is a major supplier now of vegetables to Pizza Hut, which is going to open 200 restaurants in Poland. Other institutional clients include schools.
3. A major distributor of food products in Poland also agreed to stock Olsztynek products in very significant quantities.
4. The company adopted a consistent logo for their products and labeled what distinguished their various products and thereby brought serious customers from the East.
5. The business plan recommended new products that are in line with customer tastes. The company implemented this recommendation and started to produce high-pulp juice products as a response to the healthy food trend. The product sells very well and is becoming more and more popular.

RAAPS technical assistance has helped Zpov Olsztynek to be a successful company and provided a stable market for regional agricultural production on a long-term basis.

Radom Seed Center

The Radom Seed Center finalized its privatization in 1994 and formal ownership of the firm was transferred May 15. The ownership of the firm is spread out among 132 workers, with twelve managers and store operators controlling fifty-one percent of the company. After attending training in Memphis, President Kazimierz Markowski became convinced more than ever that privatization is the only way to go for long-term prosperity. He compares the situation before privatization to a junky car and the

situation after privatization to a car after major repair. It is not a brand new "car" but it drives much better than it used to. He states that to get the company close to perfect will require much more than a change of ownership--privatization is also about the way one does business. The RAAPS program assisted the Radom Seed Center with the process of privatization and creation of a new organizational structure, among other issues.

According to the president, one of the biggest problems in this company is the employees' attitude towards work, the company and business overall. Having participated in RAAPS programs and being advised to change the personnel situation, President Markowski sent twelve key employees to RAAPS marketing and management courses. The staff show more initiative and care for the business.

Several changes are under way at the Radom Seed Center in response to recommendations suggested in the business plan developed by the RAAPS consortium. Sales have grown significantly this spring. Radom plans to expand store volume by adding product lines such as feed and feed supplements and other farm supplies so as to smooth out the retail sales peaks that occur in the spring and summer. Considerable progress has been made regarding the centralized control of inventory and order processing.

Attachment B is a letter of thanks from President Kazimierz Markowski for the RAAPS program.

IV. NEXT QUARTER'S ACTIVITIES

For the next quarter, two Intermediate Marketing workshops and four Agribusiness Management workshops are planned.

Technical assistance teams from the U.S. will travel to Poland to assist three or four firms per month. Several new organizations are assisted each month, while assistance for other organizations continue into later stages. Business plans for approximately companies will be prepared and presented to their managers. The cooperating groups in Krakow, Olsztyn, and FDPA will continue to select firms for business plan development and begin assistance.

The RAAPS program will undergo an external evaluation by Paul Prentice July 18 - August 5, The draft report is due August 10 and the final report on August 25.

ATTACHMENT A

Financial Report

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RESTRUCTURING AG IN POLAND
EUR-0024--A-2042-00
FINANCIAL SUMMARY

	Expenditures			
	Actual Grant to Date	Actual 04/01/94 to 06/30/94	Projected 07/01/94 to 09/30/94	Projected 10/1/93 - 9/30/94
1. Direct Labor	\$127,944	\$8,274	\$23,248	\$105,114
2. Fringe Benefits	41,121	2,037	5,579	25,227
3. Consultants	129,213	50,210	32,260	98,799
4. Travel/Per Diem	96,466	11,314	34,403	126,141
5. Expend. Supplies/Materials	15,518	2,054	4,991	16,073
6. Nonexpendable Equipment	20,427	0	0	0
7. Subcontracts/Subagreements	808,905	202,756	123,500	527,653
8. Other Direct Costs	183,938	60,900	70,316	278,048
9. Evaluations	0	0	0	0
10. Indirect Cost	<u>337,959</u>	<u>81,264</u>	<u>73,217</u>	<u>402,300</u>
Total Federal Funds	<u>\$1,761,491</u>	<u>\$418,809</u>	<u>\$367,514</u>	<u>\$1,579,355</u>

This report represents a summary of actual and accrued expenses for the referenced agreement or grant. If accrual expense amounts were not available for activities occurring in the reported quarter, those expenses will be included in the next financial summary.

ATTACHMENT B

Letter from Beneficiary

Seed Center in Radom
ul. Małczyńska 18
26 - 600 Radom

June 23, 1994. Warszawa

Seed Center in Radom is a medium sized company established on March 1, 1994 as a result of state company transformation. Big influence on privatization process and many organizational solutions within company have had many direct contacts with American specialists. Opinions made by Americans during their visits at the company has helped the Seed Center's Management to see certain problems in modern and wide ways.

First our cooperation with Americans have started by participating in courses organized by PDPA and Land O'Lakes.

Since marketing and management issues during courses were presenting in a very interesting way, we decide to use technical assistance as a next step of cooperation.

Particularly, the evaluation of management's decisions with regard to the process of privatization and a new organizational structure creation were very valuable.

The business plan developed by Tom Scott from Sparks Company has showed many details which we not considered before. Recommendation included in the business plan are being implemented and realized in the firm activities.

After analyzing present recommendation and the company's needs we have asked about more detailed analysis and description of organizational structure and marketing department. We are going to receive the above mentioned analyses in the nearest future.

The Radom Seed Center was one of the first seed centers privatized in Poland. From the experiences we have gained during our cooperation with American experts has let us to solve many problems and can be very helpful in the process of transformation of other companies representing the seed sector.

Now we share our knowledge and experience on our organizational structure's solutions.

We would also like to express our gratitude that we were able to train the company's management in marketing and agribusiness management.

The Seed Center in Radom is very appreciative and thankful for all help we have received through USAID programs implemented by Land O'Lakes, Sparks and PDPA.

Best regards,

President

Kazimierz Markowski

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