

**MARD MARKETING
ASSISTANCE
END OF TOUR REPORT**

by

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(Report No. 236)

**MARD PROJECT
PIMBURETTEWA**

MARCH 1995

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EXECUTIVE SUMMARY

The quest for crop diversification and its attendant increase in farmer's incomes has led the marketing specialists to foreign markets, post harvest handling workshops, trade fairs, and export promotions to assess the export market potential for export/high-value crops as well as the traditional chilies, gourds, aubergine, etc.

Simultaneously promotional efforts such as newspaper and television advertising and supermarket promotions were also undertaken to introduce these "hivalue" crops into the local diet while traditional crops found their way to the market through existing traders.

Currently, approximately 500 kilos per week of okra and other local fruits and vegetables are being exported to Europe on what is, apparently, a sustainable basis. Melons, in season, are finding their way to the Maldives and the Mid-East as well as achieving reasonable local demand. Although several efforts have been made to secure a foothold for exports to the Hong Kong and Singapore markets, market forces, air freight rates, and sea freight perils have, thus far, denied access to these markets.

However, these efforts, in general, have met with varying, but limited degrees of success due to the large number of constraints operating in the Mahaweli System 'B' environment. The lack of a source of new and improved seed varieties, poor cultural practices, inappropriate pest controls, poor packaging, lack of quality standards, poor roads, lack of proper transport equipment, lack of proper storage facilities, inadequate communication, security issues, and questionable land use policy can all be summarized in one phrase, "high cost of production". While some may look at many of these as mere "inconveniences", the combined effect of all of them has been sufficient to inhibit the penetration of fruits, vegetables, and other field crops from System 'B' into the marketplace at competitive prices.

There are a number of areas for intervention by MEA/DOA/USAID which can result in reduced costs of production. Much of this work has been done in the past by MEA personnel assisted in various ways by the MARD team in System 'B'. One key area, is the area of extension. Many extensionists trained by MARD have left the area for jobs in more desirable areas of Sri Lanka. After the completion of the MARD technical assistance, the exodus will likely continue, unless MEA is prepared to devote the necessary resources to maintaining an enhanced extension and training staff. Another key area for intervention is the fostering of market linkages between the farmer's organizations and traders/exporters from Colombo, Dambulla, and Kaduruwela and the nurturing of buy-back contracts and other risk reduction schemes.

The establishment of a small processing industry to handle off-grade and excess supplies of product needs to be investigated. Other donor agencies as well as AgEnt can possibly assist the MEA/MASL in this regard.

Attendance at food fairs has been an effective method of introducing System 'B' products to export markets. As many exporters from Colombo attend these on a regular basis, continued dialogue between the Sri Lanka Fresh Fruit and Vegetable Exporters and Processors Association and farmer organizations should be supported.

The extent of diversification and enhanced farm income in System 'B' will depend largely on the farmers' ability to obtain new and emerging technologies in agricultural production. The advent of bio-engineered plants and planting materials will dramatically affect crop production in the future. Sri Lanka farmers will have to maintain competitiveness not only to remain in the export market, but to retain their domestic market. Consumers will demand quality commensurate with price and if not provided by Sri Lankan farmers, the government will be unable to prevent importation for any length of time.

Niche markets such as organic foods, baby vegetables, ethnic foods and exotic or tropical foods can provide farmers of System 'B' with opportunities for export as well as domestic markets. Market assessments and trials from other projects in Sri Lanka as well as other Asian countries can provide insight into what other countries are doing which might provide a window of opportunity for Sri Lankan farmers.

System 'B' farmers producing fruits and vegetables will not be able to compete in export or domestic markets without the availability of cold-chain facilities in the future. Although there may be some "retrenching" in buy-back contracting after the completion of technical assistance by MARD as exporters and marketers gain experience with the System, the likelihood is that usage of the packhouse will continue.

At the moment the key to increasing production and marketing of high-value crops is that of a dynamic private sector, committed to long term development and capable of working closely with farmers in System 'B'. The private sector must play the lead role in the continued development of a system for the production and marketing of high-value crops. MARD technical assistance and funding has set the stage for sustainable production and growth. But only a determined effort by the private sector in co-operation with farmers and farmers' organizations will make the past years' investments pay off.

MARD MARKETING ASSISTANCE

END OF TOUR REPORT

BACKGROUND

The scope of work for MARD II provided for an Agricultural Marketing Specialist who would:

- (1) Analyze market potentials for current and potential products from System 'B';
- (2) Arrange markets for System 'B' produce from settlers, commercial farms, and farmer organizations;
- (3) Advise commercial firms, farmer organizations and project technical staff on post harvest handling requirements for produce for export and domestic markets;
- (4) Advise operators of cold chain and packing house on production and marketing of quality produce;
- (5) Advise commercial farms, commercial firms, and farmer organizations on production planning; and
- (6) Conduct test marketing trials and pilot processing activities for System 'B' produce.

Most of the work provided for in the above scope of work was done in cooperation with the MARD Horticulturist. While market assessments were being undertaken to determine "windows" of opportunity, horticultural and extension personnel were undertaking trials to determine what crops could be successfully produced in System 'B' at competitive prices.

The "Market Assessments" undertaken can be found in Appendix I. Crops having a potential for export markets and capable of being produced in System 'B' were identified as: melons, okra, baby corn, asparagus, mango, and papaya. With the exception of

asparagus, these crops are currently being produced in System 'B' and some of the production is being exported. Mangos are presently produced at settler's homes and sold to local traders. It is not known whether any of these mangos have entered into export channels.

The MARD team has designed a commercial "demonstration" mango orchard consisting of 22.69 hectares which is in the early stages of development at this writing. The Mahaweli Authority of Sri Lanka approved the sale of this orchard upon its completion in late May or early June. However, it will be approximately five years before mangos will be produced in commercial quantities from this farm.

The primary crops produced for the domestic market are onion, chili, ground nut, gourds (snake, bitter, etc.), and aubergine.

CURRENT STATUS

At the current time, TESS Agro (Pvt) Ltd., is purchasing okra on buy back contracts and exporting okra and other vegetables to Europe on a regularly weekly basis. Cantaloupe melon is also being purchased on buy-back contracts but for the most part being sold domestically by both TESS and CIC. CIC is continuing to produce baby corn on their own farm and employing out-growers while developing both a fresh and brined market locally. CIC and TESS both continue to make contacts in the European market for supplying fresh baby corn.

Exports to the Maldives, once an important export market for Sri Lankan fruits and vegetables, have dropped dramatically from approximately 85% of fresh fruit and vegetable imports in 1990 to less than 40% today. This is partially a result of limited cargo space on Air Lanka's current fleet, but also due to the expansive export program of Sri Lanka's primary competitor in the region, India.

Production of other field crops for the local market has been expanding each season, largely through the efforts of MEA personnel in System 'B'. It is evident from the varying degrees of diversification from block to block that the agricultural officers in some blocks are much more successful in their efforts than others.

Market linkages at present consist primarily of a direct one between the farmer/farmer organization and the buy-back contractor in the case of export/high value crops and there is also an indirect linkage between the farmer/farmer organization and the local traders for that portion of the crop which does not meet contract specifications.

The linkages in the case of domestic crops and those destined for Mid-East markets are much less well defined. It appears that the majority of produce is purchased by local traders and later resold in the Dambulla market or shipped directly to the Pettah market where it will be handled by a commission merchant. The exporters then buy from this market and specify grades and sizes. There is no formal gathering depot or packing shed where grading and/or sizing is done on a commercial basis. Surprisingly little produce from System 'B' seems to find its way to the local "pola" market; most of the vegetables come from Dambulla.

CONSTRAINTS

One of the primary goals of the MARD Project was to increase crop diversification in System 'B'. Both demonstration and field trials identified a number of suitable crops described earlier. However, the amount of land which has been diverted from paddy to fruits, vegetables, and other field crops is less than planned. It therefore seems prudent to examine some of the constraints to competitive production and marketing of fresh fruits and vegetables in System 'B', beginning with seed selection and availability and continuing through to the lack of effective competition among the buyers of produce. While none of these constraints by itself is a major impediment to the marketing effort, taken together they have a considerable impact on the ability of System 'B' produce to compete in the market place.

Seed Availability - Very few varieties are available within the system itself and the importation of new varieties into the country is difficult and time consuming. As an example, the importation of 200 kilos of "Pusa Sawani" okra seed from India by the MARD team was initiated in mid-December 1994, and the product was not cleared through customs until February, 1995. This was after 10 or 12 telephone calls and numerous faxes to India. It would have been virtually impossible to complete these phone calls from System 'B' with the present system and it is doubtful that private sector seed suppliers would have the persistence to pursue this activity for a small market. Those private sector companies utilizing buy-back contracts with the farmers and farmer's organization are the only likely source for new and improved varieties and seeds.

Production Methods - The lack of efficient production from ground preparation to harvest is another consideration. The farmers need continuous training in cultural practices, pest control, timely planting, irrigation methods and timing of irrigation to produce a product that has a reasonable chance to reach the market in a salable condition at a cost that is competitive.

Harvesting Techniques - The MARD team has utilized the services of CISIR along with other consultants to train farmers and packhouse personnel in the proper harvesting techniques and post harvest handling of many of the crops introduced into System 'B'. Giant strides have been made in this area, but the lessons learned today risk being forgotten as the production of export crops, especially okra, expands unless exporters demand high standards.

Storage facilities - Proper storage facilities at the farm level as well as at gathering depots are for the most part non-existent. In the case of onion production, on farm storage has been demonstrated to more than double the price the farmer receives from his onions. In Bakamuna, the number of these structures, varying from 4 to 20 ton capacity, increased from 6 to 126 today. In the rest of System 'B', however, this post harvest technology has not yet been widely adopted. Many farmers in System 'B' proper seem to have opted for early planting and harvesting as the price is generally higher early in the new season. MARD continues to encourage the farmers to build more structures and also to plant early so as to have a choice of selling early or placing their crop in storage for later sales.

Grade and Size Standards - There are no grade or size standards for the country which would permit a buyer to know what he is buying without having to personally inspect each lot from each farmer, a laborious time consuming process.

Proper Packaging - Packaging is dependent upon what is at hand, not what will protect the product during shipment or what will display the product to its greatest advantage. Change here needs to be led by the industry and not by the farmers unless the farmers' organizations become traders.

Processing Facilities - There are no "value-added" processing facilities in System 'B' with the possible exception of gherkins which are brined for export. There will always be produce which due to its maturity or condition will not be suitable for either the domestic or export markets, but which would be acceptable as a raw product for further processing. Additionally, there will always be periods of glut when a processing facility, no matter how small, would benefit the producers. Farmers' organizations are beginning to thresh, clean and mill their own rice on a small scale showing that the notion of processing facilities.

Transportation - The area of transportation presents a hodge-podge that inhibits both the export and the domestic marketing effort. Production is widely dispersed so that getting the produce to a gathering depot without it sitting in the hot sun for hours before pick-up does not happen. Once gathered at a central place, the produce is packed in whatever container is

available, loaded into a lorry and sent down the road with the loaders and unloaders sitting on the produce. Data from the Agrarian Research Institute "Factors Influencing Vegetable Prices, 1980" indicates from 19% to 47% of fresh produce in Sri Lanka is lost through wastage from field to market.

Air Cargo Space - There is often insufficient air freight space for produce destined for the export market. Even though space has been reserved ahead of time, the product is often off-loaded at the last minute. The product may sit on the tarmac at the airport for hours prior to loading resulting in further deterioration. Air freight rates are high when compared to subsidized rates offered by the governments of neighboring countries assisting their exporters in developing export markets. This dampens private sector interest in the export of perishable vegetables.

Refrigerated Sea Containers - Sea freight is hindered by a lack of 20' refrigerated containers and controlled atmosphere containers are not available. Delays at the port are numerous and some of the major shipping lines (American President for example) have ceased calling at Colombo.

Communication - Telephone communication between Colombo and System 'B' is difficult at best and nonexistent the rest of the time. Although this may appear to many as an inconvenience rather than a constraint, an examination of the logistics of coordinating harvesting, packing, and transportation with the availability of orders, air cargo space, flight schedules and shipping schedules to understand the problem. The phone System presently available is based on "radio telephone" technology and is often "knocked out" by lightning and has many more subscribers than land lines to the rest of the country resulting in a trying ordeal when attempting to communicate between outstations and headquarters.

Land Policy - It is doubtful that one hectare (in the case of the settler farmers) is an economical production unit as it precludes almost any type of mechanization. The land policy towards the commercial farms also constrains production in that leases have seldom actually been issued vs. promised, which makes it difficult for anyone other than the wealthy to engage in commercial farms because banks will not accept land without a lease as collateral for an operating loan.

Security - Although most people who regularly work in System 'B' are relatively comfortable with the situation, many technicians, traders and others who provide goods and services are not. Trained managers and extensionists, given the option, prefer to work in safer parts of Sri Lanka. This results in a net "outflow" of valuable employees in System 'B'.

Cost of Production - Most of the above are factors in the bottom line which can be summarized as the "cost of production". In general, the cost of production of agriculture products in Sri Lanka is high relative to other Asian countries which puts the producers at a competitive disadvantage when it comes to exporting but also will become a factor in the domestic market as pressure is exerted on government by consumers to import necessary food items when the price is lower than that offered by local producers.

Lack of Competition - There are very few traders and buyers who are willing to drive to System 'D' to purchase their produce requirements. Thus, the farmers are consistently trying to sell into a "buyers" market and suffer the consequences of taking the offered price or not being able to sell their product. There are only limited storage facilities so the farmer cannot "hold" his crop for another day waiting for more buyers.

An additional factor which is closely related to a lack of competition is the situation in which a farmer has become a debtor to a particular trader. The trader will require that the farmer sell to him at his price and produce for him what he wants. How prevalent this situation might be is not known as no recent studies have been undertaken.

KEY AREAS OF INTERVENTION

As we consider this extensive list of constraints, it may seem a monumental undertaking to develop a strategy for minimizing the effects. It must be remembered that diversification is taking place in spite of these constraints and a few interventions in the right place can substantially improve the situation.

Seed Varieties and Supplies - Since the U. S. Food and Drug Administration approved the sale of Calgene's genetically engineered tomato plant last year, there has been a flurry of activity in the development of bio-engineered plants. The U.S. Department of Agriculture has received and is reviewing application for permits for the release of seven genetically engineered plant species. The crops involved are: alfalfa, carrots, sugar beets, and wheat. The development of plants engineered to overcome the more detrimental diseases and viruses will likely bring more changes to agriculture in the next ten years than the world has seen in the last fifty years. These plants along with new varieties from conventional plant breeding methods and development processes should increase yields, reduce the demand for pesticides and in some circumstances permit a crop to grow in an area which climatic conditions previously precluded.

It will be necessary for crop and variety testing to be carried on with appropriate extension work if the farmers in System 'B' are to be competitive. These new varieties, in addition to possessing enhanced disease and pest resistance, often permit harvesting to be done at a more mature state while retaining or extending the shelf life, resulting in better customer acceptance of the product.

Costs of Production - Continuous training and extension work will be necessary to effect the reduction in costs necessary to allow the farmers in System 'B' to realize an increase in their net income from farming endeavors. The MEA currently undertakes the key elements of this work. However, with the departure of the MARD Project personnel who have been assisting in this work, increased resources will be needed in System 'B'. As mentioned earlier, many of the extensionists trained by MARD have left System 'B' for work in less remote and more secure areas of Sri Lanka.

Quality Control - Training in post-harvest handling from farm gate to the consumer's table will need to be continued. The lack of an organized system for gathering and transportation may present an opportunity for intervention by establishing depots, wholesale markets, and/or new markets.

LESSONS LEARNED

Administrative - The MARD Marketing Committee was established in March, 1993 to coordinate the efforts of the MEA, MARD and private sector companies and approve expenditures up to Rs. 100,000. The committee normally met monthly with additional meetings when required. The committee was made up of four MEA personnel, one USAID and two MARD representatives.

In general, the committee worked well and saved a lot of time and effort in getting approvals for trial shipments, product promotions, purchases of small amounts of packaging materials and processing trials. In retrospect, the committee might have been better served to have had a "life of project" budget (or at a minimum an annual budget) within which to prioritize its expenditures.

Contracting - It is essential that a thorough background check be made on potential importers that wish to contract for the purchase of fresh fruits and vegetable on a CIF basis. The lesson in this case was that the Singapore buyer for melons who had entered into a contract with TESS Agro (Pvt), Ltd. for cantaloupe melons reneged on the contract, left Singapore for the United States and left MARD "holding the bag" as TESS had made clear that their contract with the farmers organizations was contingent upon their being a valid export Singapore contract.

On the farmers side, the buy-back contracts between the farmer's organizations and the exporters/traders need to be improved. Since there are no grade standards, the contract must include accurate, detailed descriptions of what quality, shape, size, etc. is acceptable at what prices and in what amounts. It is nearly impossible to write a contract that foresees every eventuality, so there must be an area of trust between the contracting parties. As both parties gain some experience in buy-back contracting, this area of trust will make things easier. The farmers organizations in particular need to have the details of the contract explained to them so that there are a minimum of misunderstandings at harvest time. The experiences here suggest that the buyers often change their ideas of acceptable quality as market conditions change. This inconsistency in the past has resulted in the FO's requesting MARD to intervene with the buyers to get them to accept more product during periods of glut and/or low prices.

Food Fairs and Trade Shows both export and domestic are valuable marketing tools for System 'B' products. The ANUGA Food Fair in Germany and the Agriculture Day at Peradeniya University in 1993 both proved to be valuable platforms for educating the public and the trade on the variety of products available.

Trial shipments, funded by MARD, proved to be a useful tool in introducing System 'B' products to the export markets in Europe and the Mid-East. In general these shipments were approved by the Marketing Committee and consisted of reimbursement for the air freight/sea freight. Okra and melons were successfully exported following trial shipments. The initial efforts with okra were fraught with problems of "blackening" of the pods when quantities of more than two or three kilos were shipped. This problem was eventually solved with the help of CISIR and was a result of poor harvesting techniques and handling. In excess of one hundred 500 kilo shipments of okra and mixed vegetables had been exported to Europe by January, 1995.

A successful trial sea shipment of cantaloupe melon was made to Dubai and an unsuccessful trial was made to Hong Kong. The sea freight connections to Hong Kong put the product very near the end of its shelf life. If sailings are on time and weather is not a factor, the cantaloupe should arrive in sufficient time to allow an orderly marketing of the container. However, typhoons and other natural phenomena can be expected to cause problems in this market.

Processing of System 'B' produce is in its infant stages. However, CISIR assisting CIC has developed "brined baby corn" which has found a fair sized market with ethnic restaurants in Sri Lanka. This market continues to expand as CIC sets up deliveries to the coastal resort areas. Some processing of gherkins by women in System 'B' has also been undertaken and

these have been marketed through TESS Agro as well as local traders and agricultural fairs. The message is that processing is being carried out on a small scale and needs to be nurtured by education, training, and technological innovation.

MARKET DEVELOPMENT FOR THE FUTURE

The key action for opening new markets and expanding old ones is increasing the efficiency of production in System 'B'. Almost without exception, marketing promotion programs for agricultural products do not result in an increase in price, but hopefully will increase volume. The task for MASL/DOA/USAID is to promote increased efficiency with new and improved varieties and farmer training.

Two statements are often overheard in MARD meetings with traders, farmers, and exporters: "vegetables are terribly expensive" and "farmers incomes are very low". The plight of the "poor farmer" is directly related to his efficiency of production. The "free market" or "open market" seeks to ensure that the consumer obtains his/her produce at the cheapest price, but does not make any assurances that the producer will make a profit in the short run. In field trials of various crops in System 'B', it is not unusual to find one or two farmers whose yields are double those of other farmers. Clearly there is a need for training and extension.

Most agricultural products are priced using a "cost of production" pricing strategy particularly in times of oversupply. That is, the price will tend to fall to an "average" cost of production when supplies are heavy. When the price falls below the cost of production, product begins to be withheld from the market. It can readily be seen that this is a disaster for the farmer who is less efficient than the "average".

The development of "niche markets", however, sometimes offers an opportunity for more pricing flexibility in that competition can be somewhat limited. Some niche markets which may be available to farmers in System 'B' are:

- organically produced fruits and vegetables;
- baby vegetables;
- ethnic crops;
- exotic fruits; and
- crops newly introduced to Sri Lanka.

Another area key to expanding market opportunities for farmers in System 'B', is through a continuing effort at assessing markets, both domestic and export. It is recognized that MARD will no longer have a staff for making these assessments and that MASL will be hurting for resources. However, the AgEnt project and other projects funded by other donor nations will, no doubt, be

conducting market assessments and that information should be available to MEA personnel. In addition to projects located in Sri Lanka, other USAID Projects in the Asia region (Indonesia, Thailand, and the Philippines) often issue reports whose findings are applicable to Sri Lanka products.

A continued dialogue with the Fresh Fruit and Vegetable Exporters and Processors Association in the form of seminars, workshops, field tours, etc., will also open up new market opportunities for System 'B' farmers.

CONCLUSION

The likelihood of continued crop diversification and its attendant increase in farmers incomes is tied directly to the efficiency of their production from the selection of varieties to delivery at the farm gate and the efficiency of the traders/exporters in getting the product to the marketplace. The exporters and traders should be the key providers of the extension and training with support from USAID and MEA. The private sector has the advantage of being selective in their training and extension work and possess the skills to manage the programs more efficiently than government agencies.

Increased utilization of existing cold chain facilities and the construction of additional smaller and widely dispersed systems will be required if spoilage is to be minimized. This will require a continuous education effort.

Export/high-value crops will likely play a small but important role in the development of an efficient agriculture system in which there is a continuous search for the "best mix" of crops to maximize farmer incomes. Although it is premature at this time to predict the effects that the inauguration of an "air cargo" service from Hingurakgoda in August, 1995 as proposed by Peace Air, the savings in transport and handling fees would certainly increase the efficiency in getting the product to the market and "mark" the way for a better income picture for the farmers of System 'B'.

TESS Agro (Pvt.) Ltd. - One of three private companies owned and operated by Oliver Fernando and his family. Their presence in System 'B' resulted from their successful bid to construct and equip a "cold chain" packhouse in System 'B' under the terms of a "Cooperative Agreement" with USAID which was completed in 1992. They have been active in buy-back contracting for cantaloupe melons and okra and currently export about one air container a week to Europe.

In August 1994, they concluded a successful private placement stock offering which has provided them with additional capital. They also maintain a "cold chain" facility at the airport and are seeking areas to extend their cold chain expertise.

Contact: Oliver Fernando, Managing Director
Shiran Fernando, Marketing
Dilshan Fernando, Engineering and System B
Operations

Address: 83, New Nuge Road
Kelaniya, Sri Lanka

Telephone: 520859, 520615
Fax: 501841

COMMERCIALIZATION FUND GRANTS

END OF TOUR REPORT

BACKGROUND

The concept of a "commercialization fund grant" funded by USAID to generate economic activity in underdeveloped areas was, to the best of my knowledge, born of the HIAMP Project. This Project was a USAID funded project in the Eastern Caribbean in which DAI was the primary contractor and where Henry Harmon, my predecessor, and myself met.

It is my understanding that Mr. Harmon was instrumental in establishing a similar system within the MARD Project. Part of his enthusiasm for these grant funds was, no doubt, a result of how well they worked in the HIAMP Project. It is important to remember, however, that there are at least two important differences in the projects which has hindered the utilization of these funds in System 'B'. First, these funds were used as "seed" money for a project which would later lead to an "equity investment" by the Agricultural Venture Trust. Second, the funds were USAID funds which precluded the need for any governmental agency approvals which effectively removed political considerations from the decision making process.

The HIAMP Project was primarily an "equity investment" project wherein USAID had established an "Agricultural Venture Trust" to make equity investments in companies which either wanted to start or expand an agricultural production project (including processing, marketing etc.) These investments were direct investments made by purchasing shares in the limited liability company at a negotiated price per share with a concurrent agreement that the company would repurchase its shares at a date certain in the future at a price based upon a negotiated multiple of earnings or other criteria. These negotiations were held between the directors of the company involved and the directors of the trust on a case by case basis. The parameters for these investments were: not more than 50% of the outstanding stock; not more than \$250,000. As there were very few companies in the area involved in agricultural pursuits there was a need for some "seed" money.

This "start-up" money became known as a "commercialization fund grant". They were limited to \$10,000 per recipient. The recipient had to contribute at least 50% to the endeavor - but an important difference between MARD and HIAMP - "sweat equity" was permitted. His 50% could be his labor, or management, land, buildings, or use of his equipment, etc. At the beginning, USAID required that the grant funds be used for consumables, however that was later reverse so that they could only be used for hard assets.

The requests were basically a two page document plus a budget, prepared by the HIAMP "island advisor" for the entrepreneur. The approval process was: first, the chief of party, second and final, the USAID Project Officer. Often after completion and submission of the paper work, the decision was handed down within 24 hours. There were a few of these where I met the entrepreneur one morning, discussed his ideas, went to the field with him that afternoon, wrote the paper that evening, discussed it with him later, faxed it to Barbados, and had an answer within 24 hours. If the answer was affirmative, then the entrepreneur could go buy the materials funded by the grant, bring me an invoice, and receive a check. The approval process was expeditious which, I feel, is a key element in the success of this type of fund.

Conversely, the approval process in the MARD Project is devastatingly slow. The fact that a portion of the funds being used for these grants are MASL funds and therefore MASL must be included in the decision making process. However, it is doubtful that a "committee" approach in which members of the committee always want "more data" will ever result in a decision in an acceptable time frame. Furthermore, it is important that the decision makers personally meet the entrepreneur one on one, listen to his ideas, ask questions, and visit the site in order to make an informed decision on the viability of the project. On those few occasions when the applicant meets with the committee, the atmosphere is more like being "on trial" than an information gathering session.

CURRENT STATUS

There were a number of applications submitted and subsequently approved, but with restrictions which would not or could not be met within six months or perhaps years. In most of these cases it was necessary for the applicant to secure titles or leases to land and/or buildings prior to the grant being issued.

There are at least two recent applications pending for "more information".

Most of the funds earmarked for commercialization fund grants have be used for "revolving seed funds" for farmer organizations. Two were approved and completely funded.

RECOMMENDATIONS

Those applicants who have received approvals but have not yet been funded for whatever reason should be notified as soon as practicable that with the imminent completion of technical assistance under the MARD Project that their project will not be funded.

The use of a commercialization grant scheme as originally envisioned in the MARD Project may have been inappropriate considering that Sri Lankan government agency funds are included as part of the grant.

APPENDIX I

Table of Market Assessment and Related Publications

Penetrating the American Market for Processed Foods	Harmon
The Singapore Market for Fresh Fruits and Vegetables	Harmon
Markets for Selected Agricultural Produce From Sri Lanka into Dubai, UAE and Bahrain	Harmon
Singapore and Dubai Trip Report	Gleason Harmon Fernando
The Republic of the Maldives - The Market For Fresh Fruits & Vegetables	Gleason Harmon
The Kuwait Market for Fruits, Vegetables, and Nuts	Harmon Jayasinghe
Business Plan for the Production & Export of Baby Corn	Reinauer
Report on Sea Shipment of Melons to Hong Kong	Reinauer
ANUGA '95 Revisited	Reinauer
The Republic of Maldives - Update on the Market For Fresh Fruits & Vegetables	Reinauer

APPENDIX II

Biographical Sketches of Private Sector Companies

Operating in System B

Chemical Industries (Colombo), Ltd. - A subsidiary of the multinational conglomerate ICI, CIC's Seed and Agriculture Equipment division has been active in System 'P' since August, 1990. They are cultivating a range of crops including baby corn, gherkins, cantaloupe baby okra and chilies. In addition to about 50 acres of their own, they also conduct an outgrower program involving about 40 farmers at any given time.

Their products are marketed in the leading supermarkets, five-star hotels and Chinese restaurants in Sri Lanka. In cooperation with CISIR, they have produced and are marketing brined baby corn and gherkins and are introducing pickled baby corn and gherkins.

Contacts: Ranjith Bopearatchy, Director
 Ananda Assiriyage, Sales Mgr. (Seeds & Ag)
 Marlon Fernandopulle, Product Executive

Address: CIC House
 199, Kew Road
 P.O. Box 352
 Colombo 2, Sri Lanka

Telephone: 440278-82
Fax: 446922, 440894

Consolidated Business Systems - A private company owned and operated by Shanti Wijesinghe, engaged in the production and exportation of okra from System 'B' utilizing buy-back contracts with farmer's organizations. Their primary markets are in the Mid-East and the company previously maintained an office in Dubai under the name Island Sun Foodstuff Est.

Contact: Shanti Wijesinghe, Owner
Address: 17, S. De S. Jayasinghe Mawatha
 Kochuwela, Nugegoda, Sri Lanka
Telephone: 811248, 811888
Fax: 854648