



Making a World of Difference

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# **Agricultural Cooperative Development International**

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## **RESTRUCTURING AGRICULTURE AND AGRIBUSINESS: PRIVATE SECTOR (RAAPS)**

GRANT NO. EUR-0024-A-00-2037-00

PROGRAM PERFORMANCE REPORT  
JANUARY-MARCH 1996

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## **I. SUMMARY**

Much of the first quarter of 1996 was spent on business trade and investment activities. The project began to assist Agroker Szombathely, Inc. in designing its long term strategy, where the main focus is to restructure the company into a new cooperative system based on the U.S. model. ACDI member company, Southern States Cooperative, Inc., of Richmond, Virginia provided Agroker technical assistance to begin this development. The project assisted U.S. company Montana Flour & Grain of Montana to ship several thousand pounds of Kamut wheat seed to Hungary. The project identified over ten Hungarian producers willing to grow the wheat on contract. The project also identified egg-powder producers in Europe for Hungarian RAAPS participant, Pronto, Ltd.

The Project Monitoring and Evaluation System (PMES) report for the second cycle of RAAPS company matchings was completed during the first quarter of 1996. As the quarter ended, the project staff began interviewing the third cycle Hungarian companies for the next project monitoring and evaluation report.

The outreach component of the project went into full gear during this reporting period. The project worked closely with the Hungarian National Television to air short programs that describe the project, USAID and several of the more successful RAAPS companies. In all, nine RAAPS companies were interviewed for these programs which will be aired throughout April.

The project continues to offer training in business English. This is a joint activity between the RAAPS project and the U.S. Information Service in Budapest. To date, nearly ten RAAPS SMEs have enrolled in these courses.

## **II. CURRENT ACTIVITIES**

### **A. BUSINESS DEVELOPMENT**

#### **1. Agroker Szombathely**

Following a trip to the Southern States Cooperative in Richmond, Virginia, Agroker Szombathely began, with the help of RAAPS, preparing an improved cooperative model. Gyula Teller, a cooperative specialist, was hired by the project to provide technical assistance in cooperative formation to Agroker Szombathely. Mr. Teller will analyze the benefits and ramifications of a cooperative-type integration of Agroker Szombathely and its customers. This will hopefully become a replicable model that other producers, input suppliers and agricultural and business organizations can implement throughout Hungary.

Activities resulting from the signed business agreement between Southern States and Agroker Sombathely have been postponed. Initially, Southern States agreed to ship several agricultural machines and other related products to Hungary in early 1996. Agroker Szombathely planned to display these products at an annual trade show. Unfortunately the trade show was canceled due to the management restructuring activity at AGROKER Szombathely and the two companies are now exploring other avenues for joint business deals.

#### **2. Kamut**

Throughout the quarter, the project worked extensively with the Montana Flour and Grain Company and the Kamut Association of North America (KANA), in an attempt to grow Kamut wheat in Hungary. Kamut is an organically grown grain which has been gaining popularity in the U.S. and western Europe in bread, cereal and pasta products. Although the yield of Kamut wheat is 10-15% lower than traditional durum wheats, the average per bushel price is nearly 20-25% higher.

The project identified ten Hungarian companies that have agreed to grow test plots of Kamut. An "Experimental Growing Agreement" has been drafted for all interested parties to sign. If the harvested Kamut is within the technical specifications of KANA, then longer term production contracts will be signed for the next year.

Currently, all Kamut is produced in, and exported from, North America. If the growing conditions are suitable, Hungary will be the first country in all of Europe to commercially produce this variety of wheat.

At the end of the quarter, a shipment of Kamut arrived in Legau, Germany. Montana Flour and Grain set-aside two pallets (2,000 pounds or 910 kgs.) of Kamut for the ten

Hungarian producers. The project staff contacted Hungarian customs and other agencies to begin the bureaucratic process of importing the product into Hungary. An import license for Kamut from the Hungarian Agricultural Seed Quality Control Committee has recently been obtained. Hopefully, the wheat will arrive in Hungary in time for the Spring planting season. If it arrives after Spring planting, several companies have agreed to store the wheat until next year.

### **3. Awassi Centrum, Ltd./Elite Genetics, Inc.**

With a possible joint venture in the near future between Hungarian-based Awassi Centrum, Ltd., and Elite Genetics, Inc., of Waukon, Iowa, a visit was arranged for a representative from Awassi to be hosted by Elite Genetics. The project will be cost-sharing this expense. This meeting foreshadows a possible visit by several people in the coming months.

### **4. Pronto**

Pronto is currently seeking new egg powder suppliers, and the project identified several producers in European markets.

## **B. PROJECT MONITORING AND EVALUATION SYSTEM (PMES)**

The PMES report for the second cycle of matching RAAPS companies with American companies was completed in the first quarter of 1996. The evaluation for the third cycle of company matches began during this reporting period as well. PMES interviews were conducted with 16 RAAPS companies from the third cycle over a period of 12 days. A new model is being developed for these individual company evaluations. The project has also decided to modify the PMES for the third and final evaluation report. For the cycle three participants, the project will interview the American companies as well, to obtain their perspective on the overall RAAPS experience. During this time, the project translated several evaluation interviews into English.

## **C. ADDITIONAL ACTIVITIES**

### **1. Outreach**

The project spent much of the first quarter preparing and organizing T.V. interviews with nine RAAPS companies including Agroker Szombathely, Arpad Cooperative, Bakonlait, Bio-Oil, Budapesti Kadar, Marcipan, Szegedi Sutodek, Pronto, and Traden. The interviews will be broadcast on national television, in a program called *Gazda TV (Farmer's TV)* as a series 2 or 3 times per week in the month of April. The show

mentions both the RAAPS project and USAID. "Lessons learned" type of comments follow each individual report. In these remarks, the importance of business planning, integration, quality control, marketing, optimum portfolio management and human resources management are addressed.

## **2. Investment**

The project continues to contact venture capital companies and other financial institutions with the purpose of soliciting investment into several RAAPS companies. To date there are four companies which have completed comprehensive business plans which are used to elicit external financing. These four companies are GPS, Pronto, Nagykun, and GYR.

## **3. Policy Activities**

The Hungarian Agricultural Policy Delegation that came to the U.S. in November, continues to work on the Farm legislation, despite a few set-backs. Peter Szerdahelyi, the Administrative State Secretary of the Ministry of Agriculture (MINAG) and the President of the Bill Preparatory Committee were asked to resign. Fortunately, the rest of the Bill Preparatory Team continues to work through the legislation.

MATRIC, of CARD/ISU organized a six-day program on Iowa swine production for one of the Managing Directors of the Babolna Corporation, Hungary. The Babolna Corporation is one of the largest agribusiness operations in Hungary and it is involved in pork, poultry, sheep, and horse production; poultry, pork, and beef processing; crop production; feed processing; equipment manufacturing; construction; veterinary services; trading; and several other activities. The program focused on meetings with specialists at Iowa State University and Iowa-based companies. Negotiations were initiated between Babolna Corporation and Iowa companies. Planning has begun on a follow-up visit to Iowa in June 1996 by Babolna Corporation officers and investors.

## **4. Other Business Technical Assistance**

- The project translated technical brochures for U.S. company Agro-Util, Inc. and identified potential buyers for Agro-Util tractors.
- RAAPS performed translations and negotiations for Awassi and Elite Genetics. The project also prepared for the visit of the Awassi Financial Director to Elite Genetics.
- The project provided translation services for Frank Jelinek, CEO of Golden Dome Trading, on his recent visit to Budapest. Mr. Jelinek visited

his joint venture partner Pusztaszabolcs Cooperative to discuss next steps in the popcorn production and processing joint venture.

- The project assisted Arvit Frozen Foods, Inc. to improve the company's business plan.

## **5. Training**

- The project continued conducting business English courses for several RAAPS SMEs. This is a joint activity in cooperation with the USIS EFL Fellowship.
- The project recruited RAAPS companies for an advanced marketing seminar organized by Land O' Lakes, Inc., an ACDI member company.
- The project prepared course material in the field of Business Ethics and Etiquette for future RAAPS training. A trial training for a small group of 6 people was organized for Shell Gas/Hungary.

## **D. PROJECT EXTENSION PROPOSAL**

After much collaboration with Volunteer in Overseas Cooperative Assistance (VOCA) and several drafts; the final project extension proposal was submitted to USAID Budapest. Several visits were made to the potential locations for the regional development project. The proposal's aim was to announce the upcoming consolidation of ACDI and VOCA and to present the combined potential of the ACDI/VOCA programs in Hungary in focusing current and future core activities. The goal is to improve the operation of Small and Medium Size Enterprises (SME) in Hungary within the results framework developed in USAID's re-engineering exercise for Improved Operations of Small and Medium Size Enterprises.

The proposal, submitted to USAID/Budapest and USAID/Washington in February, focused on presenting a common ACDI/VOCA strategy within the overall framework of the Strategic Objective area of Improved Operations of Small and Medium Size Enterprises and the capabilities of ACDI/VOCA to provide a cost-effective approach to improved operations of rural SMEs in Hungary.

### **III. ACTIONS PLANNED FOR THE SECOND QUARTER OF 1996**

There are seven main priorities for the second quarter of 1996.

1. Continue preparing business plans for selected RAAPS companies.
2. Continue seeking out potential investors using the business plans.
3. Continue to assist RAAPS SMEs to improve operational efficiencies, and attract new business.
4. Continue preparing proposals and negotiations for an extension of RAAPS.
5. Continue PMES interviews with RAAPS companies.
6. Continue word processing, translating and evaluating the PMES company reports and collecting follow up information from the first and second cycle Hungarian companies.
7. Compile an evaluation/summary report on RAAPS 1992-1995.

ATTACHMENT 1

**Restructuring Agriculture and Agribusiness:  
Private Sector**

**ADMINISTRATIVE DATA AND  
EXPENDITURES THROUGH MARCH 31, 1996**

| <b>Line Item</b>          | <b>Budget</b>         | <b>Actual<br/>to Date</b> | <b>Unliquidated</b> |
|---------------------------|-----------------------|---------------------------|---------------------|
| Salaries                  | \$540,510.00          | \$433,628.39              | \$106,881.61        |
| Other Payroll Added Costs | \$160,936.00          | \$116,220.42              | \$44,715.58         |
| Travel/Per Diem           | \$738,033.00          | \$728,032.13              | \$10,000.87         |
| Consultant Fees           | \$190,578.00          | \$163,411.81              | \$27,166.19         |
| Participant Training      | \$266,209.00          | \$275,588.98              | (\$9,379.98)        |
| Equipment/Commodities     | \$29,945.00           | \$25,721.75               | \$4,223.25          |
| Evaluation                | \$0.00                | \$0.00                    | \$0.00              |
| Other Direct Costs        | \$432,716.00          | \$369,883.18              | \$62,832.82         |
| Project Advances          | \$0.00                | \$0.00                    | \$0.00              |
| Indirect Costs            | \$863,367.00          | \$773,170.13              | \$90,196.87         |
| Subcontractors (ISU)      | \$1,277,153.00        | \$1,062,534.40            | \$214,618.60        |
| <b>Total</b>              | <b>\$4,499,447.00</b> | <b>\$3,948,191.19</b>     | <b>\$551,255.81</b> |

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 Office: EUR/DR/FS  
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