INVENTORY

Volume XIII

A Study by Business International Corporation
for the
Bureau for Private Enterprise
Agency for International Development

Key to Types of Enterprises and Their Involvement with Farmers Which are Included in the Inventory

Page

1. Nuclear Estates - enterprises with a core processing plant; plus a farm or plantation operated by the plant to produce part of the raw material requirement; plus a system of obtaining additional raw material by means of contracting exclusively with small-scale farmers:

2. Modified Nuclear Estates - enterprises essentially similar to those classified under Item 1, above, but with the difference that contract farms are a mixture of both small-scale and larger, more commercial operations:

3. Central Processing - Contract Farming - enterprises with 100 percent of raw material obtained through a system of contract farming, using small-scale operations primarily, but which may include larger-scale, commercial farms, as well:

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11. Financial Institutions - enterprises primarily concerned to bring about the establishment of agro-industrial ventures, sometimes with loans, sometimes with investment, sometimes with very soft credit lines, and even grants; in some cases participating in actual enterprise management. In all cases, these enterprises have a strong corporate policy directing their resources to ventures which contribute to agricultural and rural development:

12. Development Methodology - enterprises which create the bases for establishing improved agricultural and rural development in the mode of self-sufficiency, sound businss practice and human development. These enterprises tend to emphasize the participation by small-scale farmers and serve as models for agro-industrial enterprises which may choose to become deeply involved in rural development outreach programs:

Commonwealth Development Corporation (CDC)
33 Hill Street
London W1A 3AR

Worldwide

The Commonwealth Development Corporation is generally considered to be one of the pioneers of the "nucleus estate" design of agro-industry, and with investments in fifty nations, CDC is undoubtedly the largest repository of experience relevant to agro-industry involvement with small-scale farmers to be found in the world. Four examples of CDC investments are cited in this report: two as detailed case descriptions...the Mumias Sugar Company in Kenya and the Vuvulane Irrigated Farms in Swaziland; two in this inventory...the Kenya Tea Development Authority in Kenya, and the Higuturu Oil Palm/Processing enterprise in Papua, New Guinea. There are over 100 more cases waiting for description and analysis.

CDC's constitution and powers are laid down by Acts of Parliament which charges the Corporation with the task of assisting overseas countries in the development of their economies. It does so by investing its funds in development projects which not only help to increase the wealth of those countries but also yield a reasonable return on the money invested. Its area of operations covers Commonwealth countries which have achieved independence since 1948, the remaining territories dependent upon Britain, and, with Ministerial approval, any other developing country. CDC operates on broadly commercial lines. It does not make grants but offers investment in the development of resources.

According to the 1982 Year End Report and Accounts, CDC is authorized to borrow £750 million on long and medium term, and up to £20 million on short term. Of the £750 million, up to £700 million may be borrowed from U.K. Exchequer funds. The Minister may, by order with the consent of the Treasury, increase borrowing up to £850 million, £800million of which may be from Exchequer funds. The 1982 report notes that there are 250 or so CDC projects in 50 countries, with combined long-term capital resources amounting to an estimated £2,500 million, of which CDC has provided £500 million.

Gulf + Western Americas Corporation (GW)
La Romana

Caribbean Basin
Dominican Republic

In 1967, Gulf + Western acquired the South Puerto Rico Sugar Company (incorporated in New Jersey in 1900) which consisted of property and sugar mills in Florida, Puerto Rico, and the Dominican Republic (DR). In the DR, what was purchased included 275,000 acres, of which 12,000 were used for sugar cane cultivation and 130,000 acres were used for livestock pasture. There was also a sugar mill, a furfural plant, a railroad system, and other related facilities. The purchase was made six years after the assassination of General Trujillo, and during this time, as the country experienced 11 governments and total turmoil (including a civil war which broke out in 1965 and which was quelled by a mixed army from the U.S. and other members of the Organization of American States), the area under GW suffered from total neglect and seethed with social and political unrest.

Development Opportunity

GW decided first to completely modernize the sugar mill and the plantation, in order to bring the property into a competitive and profitable enterprise. It then removed expatriate staff and initiated a long range plan to diversify the agricultural base of the operation. It also was decided to develop tourism in LaRomana, as a profitable and quick means of generating employment for local people and earning foreign exchange for the D.R.

There was so much to be done to enliven and enrich the social and economic conditions of the essentially rural people in eastern D.R. Both to diffuse an image of GW's intentions and policies and to help concentrate attention on these developmental issues, GW created the GW Dominican Foundation in 1973, to provide a channel for financial support of projects in health, education, recreation, community development, and cultural affairs. Over $10 million has been granted to citizens' groups and non-profit organizations since the Foundation began its work. An agricultural school was established in El Seibo; a classroom building was built at the Central University of the East in San Pedro Macoris; over $2 million has been granted to public and private schools in La Romana, enabling the city to achieve the highest levels of education in the D.R.

In 1976, GW created the Agricultural Company of Central Romana Employees and Workers. GW donated 33,000 acres of arable land to this worker-owned and managed enterprise which produces vegetables and sugar cane.

Higaturu Oil Palms Pty., Ltd. (HOP)
and Higaturu Processing Pty., Ltd. (HP)

South Pacific Ocean
Papua, New Guinea

HOP and HP were incorporated in 1976 as a 50-50 joint venture of the Commonwealth Development Corporation (CDC) and the Government of Papua, New Guinea (total investment U.S.$ 17 plus million at exchange rates effective over the past years; the investment figure is thus approximate). In 1982, CDC subscribed an additional U.S.$ 2.2 million, roughly, as equity. Various loans have been made by CDC, the European Investment Bank, and the German Finance Company for Investments in Developing Countries. The oil palm estate, at the end of 1982, was 11,157 acres; smallholder (settlers) production was harvested from 11,353 acres. The oil mill has a capacity of 60 metric tons/hour. Some 1,800 persons are employed at the mill and on the estate; 1,400 smallholders are dependent on the project (about 10,000 people directly impacted).

Development Opportunity

CDC's responsibility includes general management of HOP and HP. The former plants and manages the estate; provides administrative and accountancy services to HP; provides technical assistance to smallholders; and, supplies seedlings at the cost of production. HP, in turn, purchases, processes, and markets all fruit; the Government sets the price on fruit. HP also provides technical services to a government-owned transport company for the integrated enterprise. The Government's responsibility for the outgrowers is carried out through the Smallholder Management Organization (SMO), which operates under the direction of the Department of Primary Industries. SMO has particular charge of land clearing, plot layout, settler selection. It also provides infrastructure, technical assistance, credit, and bulk purchase and transport of all inputs. SMO organizes the harvest and sets quality standards. It is important to note that SMO, not CDC, has the responsibility of dealing with the day-to-day problems of the smallholders.

It is thought that cash income of the smallholders will stabilize at about $1,750/year (based on currency values of several years ago), roughly 3x what might be expected from basic food crops, if cultivated in the area. The full developmental implications of this oil palm/settlement scheme are far from clear. Whether or not SMO has both the mandate and the capability of building on HP/HOP as a center of wealth production, to create socio-economic development beyond anything to be expected of the impact of one enterprise, was not clear from the literature relating to Higaturu or from discussions held in London at CDC headquarters. However, as with all CDC projects, the investment has established an infrastructure for development.

Kenya Seed Company Ltd. (KSC)
Kitale, Kenya

East Africa
Kenya

KSC was formed in 1956, as a private company, by a group of farmers, in response to demand for seed of improved grass and legume varieties developed by the Grasslands Research Station at Kitale (now the National Agricultural Research Station). Since then, as crop research has grown and diversified, KSC produces and markets the seed of sunflower, maize, wheat, barley, and most recently horticultural seeds. The Company receives new cultivars from Government breeding programs, and organizes multiplication to certified seed with contract growers around Kitale. KSC operates its own seed drying, cleaning, testing, and packaging plant; it provides a management service to farmers under contract which provides machinery, inputs and credit enabling these farmers, usually with extensive land holdings, to produce large quantities of seed. A wholly-owned subsidiary manufacturers and markets seed driers. Finally, KSC leases 3,500 acres from the Agricultural Development Corporation, for research and production purposes. Current value of the Company is about U.S.$ 10 million. In 1981, gross turnover was about U.S.$ 23 million. The Company's development has for the most part been financed from profits, but equity holding has altered until the Kenya Government, through the Agricultural Development Corporation, is the majority shareholder.

Development Opportunity

Without doubt, KSC has played the major role in the commercialization of crop research in Kenya. There is no practical way to measure the economic return to farmers of all scales, and to the nation. The main reason for its remarkable impact, other than because of the quality of its product, has been the nationwide marketing system worked out with the Kenya Farmers' Association (cooperative), Ltd. (KFA), in which thousands of agricultural input distributors, cooperative unions, and individual storekeepers in even the most remote parts of the country could draw supplies from KFA depots. These depots, in turn, were located so that no "stockist," as they are called, was beyond a source reasonably distant from the outlet. A country-wide price for seed was established. The marketing system placed ultimate responsibility on local people who knew the farmers and were known as people of confidence. Local stockists best understood the quantities needed and the timing of demand. The KSC marketing system and the history of its evolution are famous the world over. The problems faced, the difficulties overcome, and the lessons learned are likely to be instructive to any enterprise, anywhere in the Third World, facing a widely-scattered market, with a very large number of buyers of small quantity.

Mumias Sugar Company (MSC)
Mumias, Kenya

East Africa
Kenya

This case is presented in detail as a separate part of this study. In brief summary:

MSC is a joint venture of the Government of Kenya (70.76 percent share); the Commonwealth Development Corporation (17.18 percent); Booker Agricultural International, Managing Directors (4.42 percent); Kenya Commercial Finance Corporation (5.00 percent); and, the East African Development Bank (2.64 percent). There are three components of the enterprise, namely: a sugar mill; a plantation of 8,500 acres operated by MSC and providing roughly 12 percent of cane requirements; and, an outgrower program involving 23,000 small-scale, freeholder farmers under contract, who supply MSC with 88 percent of cane requirements. The outgrowers are organized into the Mumias Outgrowers Company, which represents farmer interests before both the Government of Kenya and MSC, as well as being the administrator of a complex and extensive credit system. All sugar produced by MSC is consumed in the Kenya market; the mill supplies the internal market with roughly 50 percent of demand. The Government of Kenya sets the price on cane delivered by outgrowers, and on sugar sold by MSC; the Government also markets the sugar to the public.

Development Opportunity

Sugar production at MSC began in 1973. In ten years, the enterprise literally transformed the agricultural pattern of the area and converted a large, poor, sub-subsistence region into a productive system, with 5,000 people fully employed; 9,000 people with seasonal employment; and 23,000 farm families the recipients of a large cash flow. Clearly, the achievements of the project took every bit of energy which could be focused on the job. However, the dynamic changes which have been wrought in the economic and social conditions of the hundreds of thousands of rural people whose lives have been impacted by MSC, clearly present both problems and opportunities for the future.

Tennaco Sahara Agricultural Venture
Khartoum (AKKad Plain)

Northeast Africa
Republic of the Sudan

According to a publication of Tennaco, Inc. "Farming the Sands of Sudan," in 1978 the Corporation formed a joint venture with Sahara Engineering Company of Khartoum to establish a "model farm of the future," essentially a core demonstration (yet of commercial size) unit which, after becoming established and successful, would work with neighboring agricultural societies to help modernize their practices and diffuse the benefits of the enterprise. By 1981, a modern 320 acre farm had indeed been established. The first wheat crop was harvested; a small grape vineyard was in place; peanuts and sorghum had replaced the poor wheat which had been in place, at the wrong site. The farm operation includes buildings, fencing, water wells, and an overhead linear irrigation system. This has stimulated local farmers, who could not afford to buy pumps, to form agricultural societies to bring water from the Nile through common irrigation canals. The plan is to bring all the land possible which now lies uncultivated but in the hands of these societies, to commercial levels of productivity.

Texaco Agro-Industrial (Nigeria) Ltd. (Texagri)
Lagos, Nigeria

West Africa
Nigeria

Texagri was incorporated in October, 1975, to convert cassava to gari, a basic staple in the West African diet. An estate of roughly 6,000 acres (somewhat less than 2,000 planned for cassava production and, eventually, some 600 to 1,300 acres planned for corn) was put together with the help of local chiefs and the collaboration of 141 small-scale farmers who leased their farms (except 4 acres kept for subsistence farming) to the company. Texaco, Inc. holds 60 percent interest in the company; 15 percent was given to the farmers; the balance is owned by other Nigerians. Plant capacity, at maximum, is 7 metric tons of gari per day. Texaco has invested nearly $4 million, in the form of equity and medium term loans; it expects that further significant loans will be necessary to complete the project and place it on a fully economic basis.

Development Opportunity

Texaco has developed Texagri as a commercial model for replication by others throughout West Africa. While it hopes to recover its capital in the long run, Texaco perceives itself and other corporations operating in the area as having a responsibility in helping to solve the food problem. It has established the Texagri estate on a poor site and is demonstrating a problem-solving technique to the Nigerians. Texagri, from the outset, is also emphasizing the need to involve farmers both in improved farming practice and in ownership vertically through processing, of productive capital. Finally, Texagri is working closely with scientists at the International Institute of Tropical Agriculture, Ibadan, and the University of Ife, in developing systems of control for weeds and insects, in turn contributing to a speed-up in the process of applying research findings on farm.

Swaziland Irrigation Scheme (SIS)
Mhlume Sugar Company (MSC)
Vuvulane Irrigated Farms (VIF)
c/o Commonwealth Development Corporation (CDC)
Post Office Box 133
Mbabane, Swaziland

South Africa
Swaziland

This case is presented in detail as a separate part of this study. In brief summary:

The three enterprises named form an inter-related agro-industrial complex created by CDC (U.K.) with an equity investment of roughly $40 million. SIS is a large estate producing sugar cane, citrus, and beef cattle for both domestic and foreign markets, utilizing 76,000 acres. SIS also manages an irrigation scheme which serves the entire complex. MSC is a large sugar mill, supplied in part by SIS, in part by its own plantation of 12,000 acres, and in part from VIF, an outgrower project which operates as a separate entity controlled as of 1984 by the Swazi Nation. MSC is jointly owned by CDC and the Swazi Nation and, as of 1984, SIS will be converted to a joint venture of a similar nature.

Development Opportunity

The entire operation goes back to 1950, when CDC acquired all the land occupied by the three ventures. In agricultural and rural development terms, CDC converted a wasteland into a fruitful agricultural area, now employing between 4,000 and 5,000 people (depending upon the season), and, with the creation of the VIF in 1962, integrated small-scale farmers into the complex. By 1984, VIF included 263 families resettled from other parts of the country, with access to about 4,000 acres of the best land in the overall enterprise.

Leche y Derivados, S.A. (Leyde)
La Ceiba

Central America
Honduras

According to a report in Agribusiness Worldwide (July-August, 1983), "Leyde is an example of how small dairy operations can succeed in spite of government controls and an uncertain supply system...Leyde currently supplies a major share of Honduras' milk production and is serving as a development model for other Central American countries." Since 1976, Leyde has received strong financial support from the Latin American Agribusiness Corporation (see Inventory).

Development Inventory

Leyde was organized in 1972 by two Honduran dairy farmers, even in the face of two national government-owned dairies and price controls on pasteurized milk (in Honduras there is no requirement to sell only pasteurized milk at retail). Leyde produces about 10 percent of its needs on its own farms. The remainder of raw milk needs is procured from some 350 farmers: about 46 percent are small-scale operators (10-25 cows, with up to 50 acres of land); 31 percent milk 25 to 50 cows and farm up to 100 acres; 21 percent milk 50-100 cows and farm up to 200 acres; and 2 percent are larger and more commercial in all aspects. All milking is by hand and, because of capital and technical capability limitations, milking by hand is expected to be the common mode for a few more years.

Leyde sales increased five fold during the first two years of operation and continue to grow as more modern systems of milk handling and production are introduced and as the product line expands into pasteurized natural and skim milk, butter, flavored milk, sour milk, and cheese. The next big developmental step for Leyde is to establish a technical assistance program which takes advantage of the new high levels of income flowing to the farms and up-grades the genetic quality of stock, improves animal protection and health, encourages better animal nutrition, and (although not mentioned in the Agribusiness Worldwide report) gives consideration to a diffusion of ownership more widely among the dairymen upon whom the company depends.

Productos Del Monte, S.A. de C.V.
Irapuato, Mexico

Middle America
Mexico

This case is presented in detail as a separate part of this study. In brief summary:

Productos Del Monte (PDM) is a wholly-owned subsidiary of the Del Monte Corporation, in turn a Division of the Food and Beverage Group of R. J. Reynolds Industries, Inc. PDM cans and bottles vegetables and fruits, the latter in the form of jams, only. With the exception of canned white asparagus which is exported to Europe, the entire product line is marketed in Mexico. Since its inception in the early 1950s, investment in PDM has totaled approximately $40 million. PDM employs 237 salaried workers and up to 1,700 seasonal laborers.

Development Opportunity

Roughly 80 percent of raw material requirements comes from contract farmers within a 30 mile radius of the cannery. In 1983, 140 farmers were under contract, ranging in farm size from several acres to several hundred. In addition to purchases made in the open market, PDM also receives asparagus from a wholly-owned subsidiary, Frutas y Verduras Selectos, S.A., which farms 6 ranches, 4 of which are leased, and 2 of which are owned. In a special sense, Frutas y Verduras operates as a "nucleus estate," which now yields 25 percent of asparagus requirements; plans are to supply the cannery 50 percent in the years ahead.

PDM maintains an Agricultural Department, currently with nine agronomists who develop contracted sources of supply and offer a variety of technical assistance services which ensure follow-through on recommended practices. While PDM encourages farmers to use private and public banks for crop practice financing, the company does extend credit in kind under special conditions of need, if recommended by Agricultural Department staff.

Over the years, PDM has pioneered the introduction of new crops and improved practices, which, taken together with the impact of its payroll and local purchases, has markedly improved the economic conditions of the area. However, because of a tendency both to contract with larger, commercial farms and to farm directly, the potential benefits of the investment may not have reached as many small-scale farmers as might be thought possible.

Alimentos Congelados S.A. (ALCOSA)
a subsidiary of
Hanover Brands, Inc.
Hanover, Pennsylvania

Central America
Guatemala

This is a bulk freezing plant, processing okra, broccoli, cauliflower, and brussel sprouts, primarily, for export and repackaging in the U.S. There are plans to expand into the export of fresh vegetable products. ALCOSA is a wholly-owned subsidiary of Hanover Brands, Inc. Hanover purchased ALCOSA in 1975, with some financing from the Latin American Agribusiness Development Corporation (USA); processing capacity was expanded in 1981, with financing from the Overseas Private Investment Corporation (USA). ALCOSA employs up to 400, depending upon the season; roughly half this number can depend on steady employment at the factory.

Development Opportunity

ALCOSA contracts production with about 2,400 small-scale farmers in Central Guatemala and despite some historic problems in company-farmer relationships, management estimates that many thousands of additional farmers are willing and able to contract if ALCOSA could handle the produce. Of great interest to potential investors in agro-industry is the experience of ALCOSA in sourcing its supply of raw farm product. At first, the company farmed on its own and decided after several years that this was both costly and inappropriate. In a second stage, which also only lasted for several years, contracts were entered into with commercially-sized farms, many with absentee owners using hired labor, and, in most instances, with no prior experience in vegetable growing. It became apparent that the small-scale highland farmer, the majority with intensive farming experience, would be the most effective and efficient source of supply. As of 1984, highland smallholders produce all raw material frozen by ALCOSA except for okra, which is grown in a different climatic zone.

ALCOSA has had a sweeping impact on the highland villages to which it relates. The ups and downs of socio-economic relationships between the company, its professional staff which deals directly with the farmers, and the farmers have been the subject of several detailed studies.

Cadbury (Nigeria) Ltd.
Zaria

West Africa
Nigeria

Cadbury, Ltd. was drawn into an investment in tomato paste production, located in Zaria, in the North Central State of Nigeria, in late 1971. For some years prior to that time, Cadbury had been importing paste from Spain, packaging it in several mixes, and marketing to the retail trade and to the military. In 1969, the Government levied a 100 percent import tax, to encourage the development of a domestic enterprise, located in the North Central State and based on a tomato supply to be expanded among the small-scale farmers of the area. Cadbury was invited to enter into a joint venture with the State Government and with some reluctance accepted. The Food and Agricultural Organization (FAO) of the United Nations, at Cadbury insistence, agreed to participate by providing a technical expert in tomato cultivation.

Development Opportunity

The project area is normally dry and barren, so that the tomato growing area had to be in the river basin. This was surveyed by FAO and the State Ministry of Agriculture and when suitable sites were identified, village chiefs were then approached, the project explained, and each was requested to organize groups of 24 farmers to cultivate 8 acres of tomatoes in separate but contiguous plots. Three groups were formed the first year; these grew to 40 in the following years. It has not proven possible, under the conditions of project administration, to attain to a production level adequate to the needs of the Cadbury factory. There are plans under consideration to create one large commercial farm to serve as a core plantation and, in combination with the small-scale farmers who stay in the scheme, to meet factory raw material requirements.

Campbell's de Mexico, S.A. de C.V. (Campbells)
Celaya, Guanajuato

Middle America
Mexico

Campbell's de Mexico, S.A. de C.V. started production in Celaya, in central Mexico about 180 miles north-northeast of Mexico City, in 1962. Production was focused on a line of canned soups and vegetable juices, for the domestic market. Most of the vegetables required had to be introduced for the first time to local farmers so before plant start-up, Campbells spent three years experimenting with seed selection and practices best suited to the area. It is interesting to note that the experimental work was not only prudent from the standpoint of ensuring lowest cost-highest quality dependable supplies, but was required to meet the terms of agreement between Campbell's and the Government of Mexico to "Mexicanize" vegetable growing and eliminate imports of any kind in a reasonable time. The Celaya operation flourished, although it was heard that the sale of canned goods was dropping due to the financial crisis which has plagued Mexico since 1982. Several years ago, Campbell's invested in a modern new tomato paste factory in Los Mochis, Sinaloa, in northwest Mexico, for bulk export to Campbells' U.S. operations.

Development Opportunity

In the case of the Celaya operation, practically all raw material is supplied by a relatively small number of contract farmers, a mixture of farm owners (pequeño proprietarios) and farmers who do not own the land but operate almost as free agents under the "ejidal" land tenure system (see the Productos Del Monte case for a further description). Farmers do not receive credit, but are credit-worthy in the eyes of the banks if they have a Campbell's contract. Practices are specified and supervised by Campbell's staff. Quality standards and amounts to be bought under guaranteed prices are clearly specified. If there are surpluses of fresh produce, Campbell's agronomists try to help with marketing. When this enterprise began, it shared a common experience worldwide, namely: at first, production was contracted with larger, more commercial, farms, This very quickly proved troublesome (again, see the Productos Del Monte for more on this subject) and gradually the switch was made to smaller-scale units where the kind of intensive farming practice demanded was acceptable.

When Campbell's developed its paste plant at Los Mochis, it avoided privately-owned farms entirely and now obtains its entire tomato requirement from a group of nearby ejidos where the relationship is said to be welcomed and the results most satisfactory.

Cigarette Company of Jamaica
Kingston, Jamaica

Caribbean Basin
Jamaica

The Cigarette Company of Jamaica is an affiliate of Carreras Group, Ltd., which is, in turn, affiliated with Carreras Rothman Ltd., of England. The Cigarette Company is the contractor for almost all Virginia-type tobacco grown in Jamaica; the company is also the sole cigarette manufacturer in the country.

Development Opportunity

All of the tobacco processed by the company is grown under contract to farmers who own land or to tenants or sub-tenants on eight large tracts, either owned or leased by the manufacturer. The average sized plot devoted to tobacco, per farmer, is two acres. Every contract farmer is trained to grow the crop and receives supervision from the technical staff of the Cigarette Company. The contractor selects and provides seed; advances funds needed during production, harvesting, and curing; provides all production inputs; and, at harvest, deducts the cost of services and supplies from the value of the crop delivered.

During the off-season for tobacco, growers are restricted from planting certain designated crops which might transmit or incubate insect or disease infestations damaging to tobacco. But other crops may be raised for home or market consumption. A small charge is made by the company for the off-season use of its land.

The company encourages the formation of growers' committees elected at each farming site, and works with them in training programs, administration, and consultations on technical and operating problems. Both management and growers seem to agree that the committees are a positive and constructive feature of the system.

Coop Montecillos, r.l. (CM)
Post Office Box 290
Alajuela, Costa Rica

Central America
Costa Rica

CM (La Cooperativa Matadero Nacional de Montecillos), is one of the largest organizations of its kind in Central America, 100 percent owned by more than 1,000 members, 800 of whom are employed in six industrial subsidiaries and 200 plus cattlemen who supply animals for slaughter. In addition to the six wholly-owned enterprises (abbatoir, meat packing, meat processing, tanning, export sales, and retail sales), CM holds equity positions in several other businesses, including a gelatir plant, a printing company, and an export shipping line. While CM offers no services to its cattlemen members of a technical nature and is not organized to contribute directly to rural development, its history, organization of ownership, and incentives to members to work hard and loyally to ensure success are valuable sources of guidance to potential investors in agro-industry in Costa Rica and elsewhere.

Development Opportunity

Organized in 1964, CM was on the verge of bankruptcy in 1977. In a joint effort to save the organization, 500 members of CM and 283 employees (out of a force of 800) entered into an agreement with a consortium of banks to borrow the money needed. Cattlemen pledged their land and cattle; workers pledged 5 percent of their salaries for 7 years, should the cooperative default. In exchange for worker support, the cattlemen agreed that all present and future employees could voluntarily become coop members and share in profits. Through negotiation, all agreed that yearly profits would be divided, 78 percent to the cattlemen, each share based on cattle delivered; and 22 percent to workers, each share based on salary levels. As of 1983, membership was comprised of 1,042 cattlemen and 780 employees, the latter holding 20 percent of total shares.

CM has no union. The membership is divided into groups of 10, each of which elects representatives to the General Assembly. Each enterprise in CM has a labor arbitration committee of workers and managers; and each enterprise has an elected Board, made up also of workers and managers, which deals with overall planning and policy. Many benefits flow to members of CM, including free medical and dental services, nutritional guidance to all families, health insurance, recreational facilities, interest-free loans to workers who wish further schooling, among others. Obviously, to bear these costs and still remain competitive, everyone must remain highly productive and the production system must operate at maximum efficiency. The current success of CM speaks well for its management, its internal cohesion and its philosophical focus, the latter stemming from the Costa Rica Solidarity Union movement. The Union holds that owners, managers, and workers must assist one another in the efficient operation of any business and, more important, should also jointly share in the risks and benefits of the venture.

Gigante Verde, S.A. (Green Giant)
Irapuato, Guanajuato

Middle America
Mexico

Gigante Verde, S.A. is a wholly-owned subsidiary of Green Giant, in turn a subsidiary of the Pillsbury Company. The Gigante plant is a new (brought into operation in 1983), state-of-the-art facility, freezing selected vegetables for bulk shipping to the U.S. for repackaging and marketing by the parent company. All raw material requirements are procured through contract farming. In 1983-84, roughly 1,000 acres or 30 farmers are involved, with plans for a steady expansion during the next several years, with a target of 140 to 150 farmers.

Development Opportunity

Green Giant has entered into an area with long experience with contract farming and has started its procurement program in the basic form of other multinationals in Central Mexico, e.g. Del Monte (see the Productos Del Monte case), Birdseye, and Campbell (see Inventory). Farmers under contract receive a practice, technical assistance, financial assistance in the form of credit for seed, and a boost with banks by virtue of their marketing agreements with the company.

Despite the general experience in the area which suggests that the larger, more commercial farms turn out to be troublesome, unreliable sources of supply in very few years, Green Giant has initiated its procurement program with just such farms. The justification is that despite the risk, it greatly simplifies getting started and ensuring adequate supplies.

Haggar Ltd.
Juba/Khartoum

Northeast Africa
Republic of Sudan

This case is presented in detail as a separate part of this studv. In brief summary:

Haggar, Ltd. is a conglomerate of 11 companies with a combined annual turnover of roughly $100 million. Two of the companies are agro-industries: the Sudan Tea and Coffee Plantation Company Ltd. (STCP); and the Haggar Cigarette and Tobacco Factory Ltd.

Development Opportunity

The cigarette enterprise works with a network of 2,343 small-scale farmers who have been taught to grow tobacco, in addition to their food crops. Haggar maintains a staff of 60 extension agents for the cultivation of tobacco, including 40 crop supervisors who live in the villages. The company provides all inputs at cost plus transportation; finances the wages of the farmers' work force; and cleans, processes, packs, and transports the leaf, at cost. In the instances of coffee and tea, the company supplies all inputs at cost, and, in addition, finances at subsidized rates of interest the costs of labor during the years from planting to first harvest. At the end of 1983, 102 family farms were associated with STCP, mainly growing coffee. The domestic market for coffee and tea is sufficiently large and served essentially by imports that there is a great expansion potential for farmers and company alike over the next decade.

The outreach of the agribusiness activities of Haggar Ltd. is considerable but quite traditional in most ways. Transfer of technology and financial support for crop practices have been noted above and the system of relationships between company and farmers has succeeded in creating a lot of good will and a willingness on the part of the farmers to try new things when suggested by Haggar people. There are also some social benefits extended, such as the operation of non-profit stores and canteens, building of village schools, contributions to dispensaries, and the extension of personal loans within carefully circumscribed limits. The fact that the Haggar enterprises are located in southern Sudan and that part of the country is historically neglected and classically disadvantaged, means that impact is relatively very important, as is clearly revealed in the complete case report referred to above.

Hindustani Lever, Ltd. (HLL)
Etah, Uttar Pradesh

Southern Asia
India

This case is presented in detail as a separate part of this study. In brief summary:

HLL is part of the Unilever group of companies. Unilever equity in HLL is 51 percent. The remaining equity is owned by some 90,000 shareholders, among them all of HLL's 10,000 employees, whose stock purchases were financed by the company. Early in the 70s, HLL decided to place a milk processing facility in Uttar Pradesh. It had immediate supply problems. The plant operated at less than 50 percent of capacity. In 1973, the company was ready to close the plant. However, both its own employees and the Governor of the State mounted a campaign to have HLL change its mind. The company agreed to stay and for the next two years streamlined factory operations and concentrated on increasing milk supplies. This experience led to the organization in 1976 of an integrated rural development program (IRDP), in recognition of the fact that the supply of milk could only be assured in the context of overall socio-economic development.

Development Opportunity

IRDP began with the assignment of six supervisors from the factory to a careful, basic study of the area. They were asked to collect such information as: population, land holdings, irrigation infrastructure and use, cropping patterns, cattle numbers, farmer attitudes and felt needs, and, in general, ideas as to how HLL might best work with farmers and their communities to improve agricultural output and the quality of life, without the company having to subsidize the IRDP in all its aspects. In response to the results of the inquiry, HLL structured a four-part program:

1. emphasized improved agricultural practices and a support system to ensure the availability of the necessary technical assistance and inputs... Phase 1 also includes a land reclamation project to put back into production land lost because of salting out;

2. cross-breeding and up-grading cows, tied to veterinary and nutritional guidance and improvement of buffalo breeds;

3. community projects such as a village health program, repairs to schools and wells, among many others; and,

4. special projects such as the formation of dairy cooperatives, development of bullock-powered pumps, and the propagation of bio-gas plants, using animal and plant wastes.

Throughout, a carefully structured plan of participation between HLL staff, villagers, and public officials was put into effect.

Starting with 6 villages in 1976, the IRDP covered 50 villages in 1983, impacting roughly 100,000 people. Farm income doubled over a cultivated area of 125,000 acres. The Program continues to grow and diversify. The details of this rather unique and comprehensive rural development program may be found in the full case report referred to above.

Jamaica Broilers (JB)

Caribbean Basin
Jamaica

Jamaica Broilers was founded in 1958 by three men involved in the import of iced broilers. It is now the largest local producer of broilers in the country; it produces its own chicks; it controls grow-out through a system of contract production; it runs the largest feed mill in Central America and the Caribbean Basin; it operates processing plants and a fleet of refrigerated trucks for distribution; and is starting to produce some of its own feed ingredients. Uniquely in Jamaica, the company introduced a stock ownership plan (ESOP), under which the employees own 25 percent of the shares, and all contractors hold 30 percent, the entire stock held in an Employees Trust until the stock is paid for out of dividends.

Development Opportunity

Management considers the contract farming system and the ESOP as two vital elements of success, along with continuing re-investment of so much of the profit into diversification and vertical integration of the entire system from chick to market. In mid-1981, JB had 260 contract growers, each with an average of 14,000 birds. At the time the system was introduced, everyone else felt that it would not succeed with Jamaican small-scale farmers...but it has despite conventional wisdom. Contract growers must build to the specifications of JB and, thereafter, provide labor, utilities, and management. In turn, they receive free the chicks, feed, veterinary services, nutritional guidance, and continuing technical assistance from an eight person field team. In addition to these 260 farmers, JB employs 36 truckers and 450 workers. The entire staff, as well as the owners, are Jamaican. The enterprise appears to have been profitable and beneficial in a broader sense to all involved.

For the future, JB management expresses the belief that poultry consumption in Jamaica cannot be expected to continue its growth at the high rate of the past decade. Nor can the country export competitively so long as it must import feed ingredients. Therefore, the center of corporate growth and the further development opportunity for the people of Jamaica lies, <u>first</u>, in developing agricultural raw material for the feed mill, even while expanding the mill to balance crop yields with production capacity; <u>second</u>, build export markets; and, <u>third</u>, extend animal production to include freshwater shrimp, fish, and dairy cattle.

Kenya Tea Development Authority (KTDA)
Nairobi, Kenya

East Africa
Kenya

KTDA is a public monopoly and is placed in this inventory because it is generally considered to be one of the largest and most successful smallholder agricultural development projects in the world. While a public corporation, it is intended to generate a profit and in structure is as free of bureaucratic interference as might ever be expected. Careful study of the history, organization, and operating results of KTDA may be of great value to any enterprise in the Third World which becomes deeply involved with large numbers of small-scale farmers as source of supply.

Development Opportunity

As of late 1983, KTDA related to 137,832 smallholders, producing tea, on the average, on one acre each. The remainder of farmland, it was hoped, would be devoted to subsistence agriculture and/or other cash crops. Farmers have the opportunity to own shares in 34 tea factories (5 more planned), each of which is a joint venture with KTDA and is run as a separate profit center (at one time, a number of the tea factories were joint ventures with CDC or British tea growers who had pioneered tea production in Kenya; all such shareholding has been or is being phased out and replaced by farmer participation). Equity investment at mid-1982 exceeded Kenya Shillings 270 million (U.S.$ 36 million at the exchange rate current late in 1983). The Government of Kenya has supplied 20 percent of all financing, other than from retained earnings. The remainder has derived from loans from the Commonwealth Development Corporation, the World Bank, the European Investment Bank, OPEC, and the West German Government.

Nestlé
Mexico City

Middle America
Mexico

The three cases of milkshed development in Mexico, with Nestlé as a joint venture partner with the Government of Mexico, which are cited below, are presented in full detail under the titles, "The Chontalpa Plan," "Chiapa de Corzo," and "Guichivere," in material prepared for the Mohonk Conference of April, 1981. The cases may be available from the Fund for Multinational Education, 684 Park Avenue, New York, New York 10021. The cases are representative of Nestlé's worldwide experience in attempts to develop milksheds which are in their earliest stages, located in remote rural areas, and hold the promise of being able to justify an investment in a milk processing plant.

Development Opportunity

To quote from the author of the cases:

"Nestlé's principal business is as a processor of fresh milk into a line of powdered and condensed milk products. To assure a supply of raw material which is vital to the commercial interests of the company, Nestlé has developed support systems to local farmers by providing trained technicians on demonstration farms who teach methods for the general care of stock. The company provides financial assistance, ...it sometimes imports purebred stock at its own expense and gives it to promising local producers...it sometimes operates a feed mill...and sells medicines, fencing wire, seed, and other materials, all at cost or below, if the situation warrants it. Apart from land upon which the milk processing factory and the demonstration farm stand, Nestlé owns no land or stock from which it could develop its own supply of fresh milk. Therefore, farmers have a guaranteed market...and realize the company is dependent upon them for its supply of raw milk.

"In Nestlé's corporate philosophy, milkshed development is in both the company's long-term commercial interest, as well as part of its social obligation...and the company has been willing to collaborate in government schemes...even when the company itself does not benefit directly from the increased supply of milk."

Pinar
Izmir, Turkey

Middle East
Turkey

This case is presented in detail as a separate part of this study. In brief summary:

Pinar is a member company of Yasar Holding, which began as an industrial organization, mainly in chemicals, and moved into agro-industries early in the 1970s. Pinar itself, a milk processing and marketing enterprise, was launched in 1974 as the first private sector venture of its kind in Turkey. Currently, there are 36 government-owned and operated milk plants, with a total capacity of 270 million liters a year, utilizing about 30 percent of the capacity, and generally operating at a loss which is subsidized. Pinar, in 1983, had a capacity of 70 million liters per year, operated at close to 100 percent of capacity, and made a good profit. Pinar has 900 shareholders: 40 percent is owned by Yasar Holding; 20 percent is in the hands of a bank and another holding company; and 40 percent is spread among both small-scale and large-scale farmers who supply milk (a "small-scale" farmer in Turkey averages 2.5 to 25 acres; "large-scale" farms range from 200 to 500 acres).

Development Opportunity

At start-up in 1975, Pinar operations involved 9,000 families in 150 villages, 7 cooperatives, and 50 big farms. In 1983, the company was working with 21,000 farmers, in 296 villages, with 68 percent of the milk supply from small-scale operators, 18 percent from cooperatives, and the remainder from 155 large farms. Pinar works with farmers through a three tiered administration. First, and in daily contact with producers, are "collectors," who are private businessmen from the area in which they work and who use their own vehicles to collect milk, deliver it to a refrigerated collector, receive payment and disburse proceeds to farmers. Second, also in direct contact with farmers, but with less frequency, are "field representatives" who supervise the collectors, resolve conflicts, and provide key extension services. Third, are the "inspectors," who fan out from headquarters and do whatever is necessary to see that the system works smoothly. The methodology of selection, training, and actual interaction at the farm level is obviously critical to the success of Pinar. Pinar also works to upgrade animal quality, ensure health care of the animals, and increase yield; the company also encourages diversification of farm practices. To date, after 10 years of experience, the Pinar operations have been beneficial in many ways, as perceived by farmers interviewed. Net farm income has increased. Herd size and performance is up. Field representatives have taken on an important, very personal extension role; marketing milk to Pinar has not only provided a sense of security to the farmers, but, as well, has facilitated the flow of credit from banks.

Southland Frozen Foods, Inc. (Southland)
Great Neck, New York

Caribbean Basin
Dominican Republic

Southland Frozen Foods, Inc. produces frozen okra for export to the United States, for marketing by the parent company. Raw material is obtained under agreements with some 2,500 individual farmers, on over 7,200 acres, in all the country's major growing areas. Until 1970, Southland got all its okra from Georgia and Alabama. However, by that time, there was virtually no one to pick okra and one of the company's best sellers was threatened. By 1973, Southland was obtaining okra from a few offshore sources in a haphazard and unprofitable manner. It then heard of a small freezing plant in Santo Domingo and contracted 500,000 pounds of frozen product; one-half the order was received and the Dominican company went bankrupt. Southland bought the local company with an investment of $200,000. Over 10 years, $1.5 million has been added, with plans for further investment. The Latin American Agribusiness Development Corporation (see Inventory) has provided the bulk of the financing required.

Development Opportunity

When Southland began operations in the Dominican Republic in 1973, okra was not widely known and it was necessary to transfer the full agricultural technology. For the first few years, the procurement problem was severe and Southland indicates that it lost money continuously, until 1982 when for the first time the full requirement of the plant was packed. Southland management emphasized that "...the corporate commitment to a long term development project was essential to our success." Essential, as well, were the incentives received from the Government: granting a Class A Free Zone Status, allowing for the import of machinery duty free; a tax holiday for 20 years; and exemption from a requirement to return to the Central Bank dollars earned from exports. Southland employs about 65 full-time people and 500 hourly workers at the plant and in the management of its procurement system.

British-American Tobacco (Kenya) Ltd. (BAT)
Nairobi, Kenya

East Africa
Kenya

BAT (Kenya) was started in 1965, after the voluntary liquidation of the East African Tobacco Company, an operating company of the BAT group. The Government of Kenya has a 20 percent share in BAT (Kenya); the Kenya public (no details provided) owns 20 percent; and 60 percent is owned by the BAT group. Before 1975, the bulk of tobacco leaf processed in Kenya came from Uganda and Tanzania. In 1975, BAT (Kenya), building on 10 prior years of research, embarked on an accelerated program to expand Kenyan production. By 1982, production had increased from 334 metric tons/year in 1975 to 5,211 metric tons.

Development Opportunity

BAT policy worldwide is to promote tobacco growing using small-scale farmers. Presently, 10,000 Kenyan farmers are registered suppliers. On the average, each farmer has 1.25 acres of land under tobacco. In 1982, 11,500 acres were planted, scattered throughout the country. In this year, farmers earned $3.4 million, net the cost of inputs.

BAT has established a network of centers in its development program, each of which provide the infrastructure for provision of inputs, extension services, and for purchasing cured leaf. Two hundred extension workers are employed. In 1982, roughly $2 million had been invested in these centers. In order for a farmer to be accepted into the program, he must have free land upon which to construct a curing barn (BAT will provide a loan for this); his land must be located near water; and, the farmer must agree to plant trees to meet his fuel requirements for cured leaf. BAT has set up 11 tree nurseries to provide seedlings at nominal cost (the seedlings were once provided free, but farmers sold them or refused to look after them). Food crops are grown on a rotational basis with tobacco; in effect, food production increases as a consequence.

Ceylon Tobacco Company, Limited (CT)
Colombo

Southern Asia
Sri Lanka

Ceylon Tobacco Company is a subsidiary of the British American Tobacco Company. A brief note was obtained about two projects, one in tobacco growing and one in the cultivation of orchids, both with outgrower programs involving large numbers of producers. Both enterprises will require investigation on-site to extract the details of the methods used and the pay-off to all concerned. From the report, the tobacco project has been quite profitable to both farmer and company, in no small way due to the policies of the Sri Lanka Tobacco Monopoly which permit rapid adjustments upward of both prices paid to growers and cigarettes sold in the local markets. Further details remain to be obtained.

It will be noted that the inventory contains several references to projects which have tobacco as the basic crop. In point of fact, practically all major tobacco companies follow similar, if not identical, practices in the less-developed countries and there is no way of telling, without much more investigation, how many places in the world the British-American Tobacco Company, Philip Morris, R. J. Reynolds, and others have applied contract farming systems to large numbers of small-scale farmers. A comprehensive analysis of the overall impact of spreading tobacco cultivation might be of great value to the governments of less-developed countries and to the development agencies.

Charoen Pokphand Group of Companies (CP)
Bangkok, Thailand

Southeast Asia
Thailand

This case is presented in detail as a separate part of this study. In brief summary:

CP is the largest agro-industrial firm in Southeast Asia. Started in 1921 to sell vegetables, the Group has proliferated into a wide range of agri-businesses including fertilizer, agricultural chemicals, pesticides, machinery, animal feed, animal husbandry, crop production, and others. The company employs 10,000 worldwide; 6,000 in Thailand. CP is still privately held, with majority equity in the hands of founding family and key executives. However, the company expects to go public within the decade.

Development Opportunity

After World War II, Thailand invested heavily in rural infrastructure. While this did succeed in integrating rural people more than ever before into the total economy and did increase their standard of living, it soon became apparent that the aspirations of rural people could not be sustained by traditional production methods. Recognizing both a need and an opportunity, CP, in 1977, launched a plan of agricultural and rural development, namely, to introduce a modernized version of pig production, mixed with improvements in and diversification of crop cultivation. Between 1977 and 1981, four experimental villages were established, all based on one system of animal husbandry, but each different in location and in certain aspects of crop production and land tenure.

These core elements characterize the four projects: one, farmers are settled on 10 acres, 2 of which are devoted to pig-raising and 8 may be farmed freely; two, farm families receive a house, training, physical facilities for the pigs, and enough case to live on until pig sales begin; three, if a family lives up to its responsibilities for 7 years, the land and facilities are turned over to its ownership; and, four, CP provides a project manager who is a management trainee on a career track, who lives in the village for 2 to 4 years. Each village enterprise is intended to be profitable to both farmers and CP; to date, although results have varied, all four projects have met their R.O.I. demand. CP has invested $3 million in the program since 1977.

East Africa Industries, Ltd. (Unilever)
Commercial Street
Nairobi, Kenya

East Africa
Kenya

East Africa Industries, Ltd., is a major food processor and distributor in Kenya. For many years, the company had imported all of its vegetable oil requirements. Several years ago, it began a program to stimulate local production primarily of sunflower seed, and, to a much lesser extent, of rapeseed, by means of contract farming. Corporate policy dictated that East Africa Industries would neither farm itself, nor enter the crushing business. Oil, therefore, would be obtained by having seed produced under contract and bought by the company and crushed on commission by existing millers.

Development Opportunity

The first phase of the program involved rather large farms of 125 to 250 acres, largely owned by absentee landlords. Operation of these farms, based on Unilever systems, was contracted to private farm management companies. In 1981, under the direction of the extension staff of East Africa Industries, an outreach to s all-scale farmers was begun which by now has involved 1,500 to 2,000 farms, each contracting 1 to 2 acres for sunflower cultivation (rapeseed remains strictly the province of quite large-scale, mechanized units). Inputs are provided on credit. East Africa Industries guarantees to buy the crop. The farmer and his family do the work, following directions from a technical staff. During the season, each farm is visited at least once each week. Unilever research calls for rape to be rotated with barley, and sunflower to be rotated with corn. In addition to disease and other forms of pest control of benefit to the oilseed crops, the grains flourish as the result of a synergistic effect not wholly understood.

Without questioning the benefit to Kenya of reducing vegetable oil imports, the management of East Africa Industries had some question as to the cost/benefit relationships to the company. They were finding the capital cost of contract farming very high, e.g. staff cost; financing credit-in-kind; financing infrastructure maintenance and machinery services; among other items of cost. It was apparently too early in the program for any decision to be reached as to the future of the outreach program.

Brooke Bond Group Plc. (BB)
Leon House, High Street
Croyden CR9 1JQ, England

Multi-Country
India, Kenya, Malawi, Tanzania

The Brooke Bond Group has strong interests in agriculture and agro-industry in India, Kenya, Malawi, and Tanzania. There is no indication that BB, in its plantation activities (tea and coffee primarily; in Kenya BB has gone into carnations, sisal, and cinchona, as well) utilizes any form of outgrower supply system, so that its rural impact is more directed toward employment, purchase of local services, provision of social services on the estates, and infrastructure development.

Development Opportunity

Clearly, the impact of many millions of pounds sterling invested in a diverse system of plantation production, raw material processing and other industries in these four countries, has had a marked effect on both rural and national development. Brooke Bond in India, where Brooke Bond India started 70 years ago as a marketing company, now has a 2,000-strong sales team and is 60 percent locally-owned. The BB literature notes that the capital realized from the share of stock, plus retained profits, has been used to maintain the efficiency of its roughly 15,000 acre tea estates and tea processing facilities, and to invest in other industries, e.g.: in a designated "backward area" east of Bombay, BB created a corned beef plant, entirely for export, which draws on India's vast buffalo herds. A finished leather plant has been built alongside the corned-beef plant to make full use of the buffalo hides. BB also has a paper mill at Bilaspur, another "backward area," and has three instant coffee plants with a large export commitment. It is to be noted that the BB plantation companies are 26 percent owned by Indian investors; in Kenya, 12 percent equity is held by local people.

Dole Philippines, Inc. (Dolefil)
Mindanao/South Cotabato Province

Southeast Asia
The Philippines

Dolefil is a wholly-owned subsidiary of Castle and Cooke, Inc. (Honolulu), which set up operations on the island of Mindanao in 1963, and in the ensuing 21 years is said to have become one of the largest pineapple plantation-cannery-export operations in the world. Adjacent to the cannery, Dolefil operates a modern manufacturing plant to produce cans from imported tinplate. Fresh fruit is exported to Japan; canned fruit goes to the U.S., European, and other markets. Shipping is done from its own dock at Calumpang Wharf, jointly used by another Castle and Cooke subsidiary, Stanfilco, which produces bananas nearby. The Castle and Cooke operations in this area of Mindanao are clearly the dominant force for economic growth, and lie at the core of social progress and social controversy.

Development Opportunity

The developmental impact of Dolefil derives from employment of roughly 9,000 people, the training they have received, the eddy effect of payroll and purchases of local services and supplies, and expenditures on community services, welfare, and other development projects, e.g. improving potable water sources of supply (an outlay over the years of about $1 million). Dolefil does not have an outgrower program. It leases 20,000 acres from the National Development Corporation, for 25 years, subject to renegotiation; and, it has farm management contracts covering another 5,000 acres, whereby, by paying a set annual rent and an annual premium based on the amount of pineapple harvested, Dolefil does the farming for individual land owners. Both of these land use mechanisms have been subject to considerable controversy, both as to legality and as to the benefits accruing to the people under the acts of land reform. There can be no question of the enormous economic impact of Castle and Cooke investments in South Cotabato Province; there are, however, a great many questions which have arisen relative to the cost/benefit relationships between Dolefil and rural development...in the areas of housing, health, land erosion, flooding, chemical pollution, among others. As these issues have arisen over the years of Dolefil growth and the large increase in population through immigration which has been engendered, the range of conflict and the methods used for their resolution provide a most instructive case history for potential investors in agro-business, sited in rural areas.

East Africa Tannin Extract Company (EATEC) Ltd.
Post Office Box 190
Eldoret, Kenya

East Africa
Kenya

EATEC is a wholly-owned subsidiary of Lonrho PLC (U.K.). Lonrho and its subsidiaries are the largest food producers in Africa, ranching and farming over 1.5 million acres, divided into large estates, with and without involvement with outgrowers. These operations are to be found in Kenya, Malawi, Nigeria, Swaziland, and Zimbabwe. Clearly, the total experience of Lonrho in agricultural and rural development is deserving of detailed investigation.

Development Opportunity

EATEC operates a 46,000 acre diversified farming and manufacturing facility, employing about 2,500 people. Twenty thousand acres are devoted to wattle, a species of Acacia used to extract tannin from the bark. Three thousand acres are in corn; 2,000 acres are in wheat; there are 5,000 head of cattle and the company is starting a dairy. As well, a plantation of eucalyptus trees is being developed to supply poles for treatment with preservatives and sale to the Government of Kenya for telephone and electricity distribution systems. EATEC, utilizing a variety of its agricultural wastes, also produces mushrooms for both domestic and export markets, mostly canned.

Wattle has always been basic to the EATEC operation, since Lonrho purchased the farm in 1968. Originally, it had been hoped that outgrowers would provide 40 to 60 percent of factory requirements. The company offered free, pretreated (for accelerated germination) seed; instruction in silvicultural practice and bark removal; instruction in converting the wood into charcoal for home use and sale; and, free transport of bark from tree lot to factory. The program did not succeed. The market for tannin declined. Labor was said to be scarce and costly. Very little bark arrives at the factory from outgrowers, none of whom are under contract. Yet, management feels keenly that a tree lot is a highly desirable addition to the farms of the region and would likely cooperate with any agency from the outside which would take on the cost and responsibility of organizing a reliable and adequate outgrower system. This is particularly intriguing since EATEC is undertaking the development of its own diversified agricultural research program and intends to focus not only on higher yielding monocultures, but, as well, on profitable systems of multiculture which might be highly adaptable to small-scale agriculture where tree and crop culture could be integrated.

Egyptian-American Agricultural Company, S.A.E.
220 el Horreya Street
Ibrahimia, Alexandria, Egypt

North Africa
Egypt

The Company is a creation of EMCON International (2555 Post Road, Darien, Connecticut 06820), located on roughly 2,000 acres of irrigated land adjacent to the Desert Road between Cairo and Alexandria. It is a joint venture with the Nile Agricultural Development Company, a private organization, which holds a 40 percent share in return for contributing their lease of the land and water rights; 60 percent is held by a group of some 60 individual investors through a Limited Partnership. Simultaneously with the formation of the Company in Egypt, late in 1980, a marketing company, "Four Seasons," was organized and headquartered in Switzerland. The entire project was planned for capitalization at roughly $16 million. The enterprise is totally private in ownership and control.

Development Opportunity

At present, the Company produces tomatoes, for sale fresh, 80 percent for export. Lettuce plantings have begun and plans are to include melons, broccoli, asparagus, and other crops as they are tested and adapted to the site. The farm, packing house, and associated activities employ up to 2,000 regular and seasonal workers. No outgrower program is either in operation or currently in the planning stage. All labor is recruited in the area, some from villages within the boundaries of the Nile Delta, as far away as 35 to 50 miles. As is custom in Egypt, labor is supplied through a system of contractors and subcontractors. This method does deliver labor; it also raises serious questions about corporate responsibility for labor relations, especially since the majority of field workers are girls and boys in their minority years.

The estate has the potential of being expanded to almost three times its present size, leading at least to the vision of a resettlement/rural development scheme, if financial and administrative assistance were forthcoming from development agencies. Management was intrigued by this long range possibility but felt it would not be feasible for some years to come for the Company to undertake such a project and support it from its own limited resources.

Kenya Canners, Ltd. (KC)
Thika, Kenya

East Africa
Kenya

This case is presented in detail as a separate part of this study. In brief summary:

Kenya Canners is a subsidiary of the Del Monte Corporation, in turn a Division of the Food and Beverage Group of R. J. Reynolds Industries, Inc. Del Monte owns 95 percent of KC; the Development Corporation of Kenya owns 2 percent; 3 percent is owned by 24 individuals: 1 Englishman and 23 Kenyans. Del Monte has invested $36 million in the enterprise. KC processes pineapple grown on its own plantation; all canned goods are exported to and through Del Monte International into European, Middle Eastern, and other foreign markets. Nothing is sold to the United States. A very small quantity of fresh fruit is sold to the Government Horticultural Crops Authority, for air-freighting into European markets. KC employs 6,000 people in the cannery and on the estate, during peak season; 5,500 are regularly at work.

Development Opportunity

The KC estate is an area of 22,000 acres, leased long term from the Government of Kenya. Essentially, the land was aggregated by means of the purchase by the Government of four estates created before independence. In taking the land for KC use, no people were displaced. In effect, non-productive land was reconverted to intensive agriculture. As of 1984, 10,000 acres are under pineapple cultivation; 1,000 acres grow coffee; 2,000 head of cattle are fed out and a small breeding herd is maintained; and, on land not suitable for cropping, KC is developing a reforestation program, to source a supply of charcoal and lumber for employees and to control erosion.

There is but one outgrower in the pineapple growing area. Yet, KC is now giving serious consideration to expanding its supply beyond the plantation capacity, in the face of many difficulties caused by the topography of the area and a scarcity of land suitable for efficient pineapple production. This search for an opportunity to develop an outgrower system of contract farming provides KC with a basis for planning the development both as a sourcing device and as a stimulant to long-range rural development. The detailed case report referred to above describes at some length how KC might extend the benefits of its presence in the Thika area, even while building a profitable expansion of its commercial enterprise.

La Perla y Anexos, S.A. (La Perla)
la - Avenida 13-64, Zona 10
Guatemala City

Central America
Guatemala

La Perla is a coffee estate of 8,645 acres in northwestern Guatemala, a remote mountainous area near the Mexican border. Ownership since 1942 has been in the hands of one Guatemalan family. The site is in the zone of El Quiché, one of the places where insurgents have long compaigned to gain the support of the indigenous people, with dubious success.

Recognizing that the thrust of agrarian reform and the search for social order had to be joined by the large landowners, the family decided in the late 70s on a bold experiment which, while not yet fully implemented, has the following character.

Development Opportunity

1. A multimillion dollar loan has been essentially approved but not yet actually funded by the Interamerican Development Bank, for two purposes:

   first, to finance the purchase of 40 percent of the common voting stock in the name of all the rural workers at La Perla, to be placed in a trust until paid for from dividends (this is a modified version of the Employee Stock Ownership Plan (ESOP) now widely adopted in the U.S.); and,

   second, to improve the infrastructure, including road access, of La Perla, and to diversify the agriculture to include other high value export crops such as cardamon and macademia nuts.

2. Eleven hundred acres have been set aside in an irrevocable trust, for use by employees and their families for homes, community development to include all basic services, and subsistence farming. In 1983, two employee associations, representing all 350 employees, were created legally, whose representatives are working with management in the evolution of the entire scheme. Further, in 1983, an Employee Civil Defense Force was established to protect the estate.

The bottleneck to further comprehensive action at La Perla is the funding capability of the Interamerican Development Bank and the complex process of final evaluation of the loan application which, though approved as noted in principle, has yet to be acted upon after at least three years of negotiation. The project has caught the attention of the Republic of China (Taiwan) which, early in 1982, offered a technical assistance program to La Perla, directed to teaching the workers how to plant vegetables and other crops, raise poultry and pigs, and engage in fishpond culture. This possibility is being explored.

San Miguel Corporation (SMC)
Manila, the Philippines

Southeast Asia
The Philippines

This case is presented in detail as a separate part of this study. In brief summary:

SMC is a conglomerate engaged primarily in various aspects of agro-industry serving both domestic and export markets. Among its many operations, SMC is a major producer of broiler chicks, broiler breeders, and dressed chicken; as well, SMC, by the end of 1984, will be the largest single source of improved hybrid corn seed, in a system where the company is also a major buyer of corn for the manufacture of animal feeds, some of which are consumed internally by corporate chicken enterprises. SMC employs just under 18,000 people; in 1982, sales were P. 5.61 billion (U.S. $660 million, at the exchange rate in existence at that time).

Development Opportunity

In 1977, after an earlier attempt to enter the field of hybrid corn seed production and marketing (1950), SMC started a breeding program to create corn hybrids suitable to the Philippines. After five years and an expenditure of roughly U.S. $6 million, the company was ready to commercialize its experimental results. A production center was established in South Cotabato, on the island of Mindanao, consisting of an estate of 1,250 acres, with a modern processing plant to dry, shell, husk, size, treat seed, and package seed. Depending upon the stability of the peso, SMC expects to be at a break-even point by 1985 and to attain to a return on investment of 20 percent, which includes amortization of research and development activities.

SMC uses a four-pronged distribution technique:

1. It organizes classes for farmers, in cooperatition with leaders of farmers' associations;

2. It sets up practical demonstrations on farms and invites neighbors to observe the entire practice through the weighing of the harvest;

3. It organizes harvest festivals in cooperation with farmers who have demonstration areas;

4. It uses a sales force of young men who were trained to double as extension workers.

Results of the first two years have been impressive. Yields have increased 3x to 5x and more; net return from corn has doubled and tripled. The hope is that on a country-wide basis, corn yield will increase dramatically, with a beneficial impact on family diet, direct from corn and indirectly by decreasing the cost of meat. Involved farmer associations are starting to invest in such capital goods as corn driers, and there have been marked improvements in life style, e.g., better homes, better sanitation, and clothing, among other indicators.

CPC Industrial Products (Kenya) Ltd.
Eldoret, Kenya

East Africa
Kenya

This is a corn wet milling plant whose primary products are starch and dextrose. It has a throughput of 7,000 to 10,000 M.T. of corn per year. Start-up was in late 1976. The plant equipment is a combination of used machinery brought to Kenya from CPC plants in other parts of the world. CPC owns 51 percent of equity; there is no estate nor are there outgrower programs. The plant employs about 150, three of whom are expatriates.

Development Opportunity

CPC started operations based on an eight-year purchasing agreement with the Kenya Cereals Board, setting a fixed price on delivered grain. After several years, the Cereals Board broke the contract and raised the price by 107 percent. While CPC International subsidized the plant, difficult negotiations finally granted the plant the right to buy corn directly from farmers--the first and only such exception in the country. The plant proceeded to contract large quantities from large-scale producers, including one commercial operation run by a public sector company. Management would like to facilitate an outgrower program (CPC does not wish to farm itself) but cannot...nor necessarily believes it should...undertake to develop such a program with its own resources. The door may be open here to enter into a joint venture, using aid agency capital for the evolution of a smallholder credit/technical assistance/marketing organization.

Livestock Feeds, Limited (LF)
1 Henry Carr Street
Ikeja

West Africa
Nigeria

Livestock Feeds Limited was established in 1963, with an 80 percent shareholding by Pfizer, Inc. Following the Indigenisation Decree of 1977, Pfizer reduced its equity to 60 percent; the remaining 40 percent is held by 1,910 Nigerian stockholders. As of the end of 1982, total share capital in the enterprise was ₦5.5 million, roughly. LF is the largest animal feed miller in the country, with a 50 percent share of the market (there are about 60 feed millers in Nigeria).

Development Opportunity

When Pfizer first entered Nigeria, its only relationship with the animal industry was through the sale of animal health products. Since the market was small, the company did everything it could to encourage an increase in poultry production, particularly. Along with other efforts, strongly supported at that time by USAID, the net effect was indeed a marked growth, soon introducing a shortage of feed which became a bottleneck to further progress. It was at this moment that Pfizer organized LF. During the intervening years LF has become the largest Pfizer subsidiary in Nigeria. LF operates 4 mills and has licensing agreements with 34 other millers who buy LF concentrates, mix according to LF formulations, and sell under the LF label. These franchise millers are scattered widely over the country in 14 states.

In every way, LF has had a clear and significant impact on the successful and dynamic growth of the poultry industry. Recently, serious problems relative to imports of critical raw materials have begun to emerge and are not fully resolved yet. All millers depend upon the import of two key ingredients, corn and fishmeal. When imports were cut-off in 1982, the Government promised to release enough grain from internal supplies to meet the needs of the industry...unfortunately, there were no such supplies. As of October, 1983, when this problem was discussed at the Africa/Middle East Management Centre of Pfizer, in Nairobi, Kenya, LF has but a three month supply of corn left. Naturally, LF was trying to find sources, but as was said, "...Pfizer has no intention of investing in direct corn farming or in an outgrower/contract farming program." Contracts, it is believed, would not be worth the paper written on. Since the poultry industry is now so large and vital in Nigeria, Pfizer feels that it should depend upon the outcome of industry negotiations with Government to free up the necessary foreign exchange and import permits to eliminate the shortage.

Adams International (AI)
Bangkok, Thailand

Southeast Asia
Thailand

This case is presented in detail as a separate part of this study. In brief summary:

AI is a joint venture of a Thai-Chinese family company and the W. A. Adams Company, Inc., of Durham, North Carolina, formed in 1969. In 1974, AI entered into a marketing agreement with Philip Morris, Inc., which provided for the sale of Thailand's oriental-type tobacco, provided that AI could meet price, quantity, and quality requirements. This agreement has led to a major growth of the company, involving, as well, an outreach program to more than 40,000 farmers in three different parts of the country by the end of 1982. AI began in 1969 with four employees and now has 700, with plans for further expansion. Since the entry of Philip Morris into the scene, AI has invested about $3 million in new facilities; 20 percent of this investment is directly related to the growth of the extension program.

Development Opportunity

The company's production area is spread over three regions, in total area about the size of North Carolina. Administratively, the AI Agricultural Manager is in charge of tobacco procurement. Under him, there are two Field Managers, each supported by a Regional Manager responsible for a network of buying stations, as well as for the work of a Station Manager who supervises warehousing, cleaning, and packing facilities. Reporting to the Station Manager are Head Inspectors who are responsible for relations with the farmers in five to seven villages. The vital last link in the managerial chain is the Village Inspector who deals with farmers on a daily basis. Depending on the size of the villages, an Inspector is charged with one to three communities. Village Inspectors are selected from among the farmers and trained for the job. In 1983, there were 600 Village Inspectors.

All agricultural materials necessary to produce tobacco are supplied by credit, free of interest and repaid at harvest time. AI has also carried on the necessary research and extension work to introduce rotational crops, e.g. peanuts and sunflower, vital to the maintenance of soil quality. The accounts of all 40,000 participating farmers are handled by a computer system invented by one of the Field Managers, a U.S. citizen, former Peace Corps volunteer... The computer itself has become a sales item in the AI line and is sold all over the world by an affiliate.

Agro-Inversiones C. por A. (AI)
Calle Sergio Vilchez
Ciudad Azua, Provincia de Azua
Republica Dominicana

Caribbean Basin
Dominican Republic

This case is presented in detail as a separate part of this study. In brief summary:

AI, organized in 1982, is a joint venture between R. D. Vegetable Products, Inc., which holds 70 percent of the equity, and private Dominican investors holding 30 percent. R. D. Vegetable Products, in turn, is a holding company created by the Caribbean Basin Investment Corporation (CBI) of Florida, for all CBI ventures in the Dominican Republic. CBI also created the CBI Agribusiness Group, Inc., designed to function as a management and technical assistance company for agribusiness enterprises in the Caribbean area. Investment in AI is estimated at $1.5 to 2.0 million. At the end of 1983, the entire emphasis of production was on melons to be exported to the U.S. where CBI sells 100 percent of the melons to Corky Foods Corporation. Corky, in turn, sells to supermarket chains and food wholesalers throughout the U.S. and Canada.

Development Opportunity

The Azua Valley, where AI production and packing house activities are centered, is considered by some as a showcase of the beneficial results of agrarian reform in the Dominican Republic. Between 1978 and 1982, close to $1 billion was invested in rehabilitating the Valley, once a forested land and later a semi-desert due to excessive cutting. Under agrarian reform, settlers or "parceleros" do not get title to land, but do get a life-long lease which can be extended to the next generation. AI contracts melon production with 85 to 110 "parceleros." Seed is provided at cost; technical assistance is offered free; the company provides all inputs on credit which is paid for at the time the fruit is delivered to the packing plant. Meanwhile, AI is experimenting with other crops, as part of a diversification program, e.g. eggplant, cucumbers, bell peppers, and squash, which it hopes to introduce into the Azua Valley soon. The field manager of AI is an agronomist from the U.S. with long experience in tropical agriculture; he has a field staff of five agronomists, all Dominicans.

McIlhenny Company
Avery Island, Louisiana 70513

Central America
Honduras

McIlhenny Company, for almost 120 years, has used a special variety of pepper for processing its internationally marketed TABASCO brand pepper sauce. The fruit requires hand picking, and in recent years, as labor costs have increased and farm labor supplies have decreased, the Company has gradually moved to Latin America for its aw material. In Mexico and Venezuela, TABASCO is produced by a licensed manufacturer. Growing peppers is done by contract farmers in both countries. In Mexico, the manufacturer cultivates peppers on its own farm, as well. These two countries, however, supply only a modest amount of pepper to the main plant in Louisiana

Development Opportunity

Honduras has become the most important source of raw material for the U.S. operation, with roughly 50 percent of requirements met in 1983. McIlhenny has only two employees in Honduras, but they contract almost exclusively with some 300 small-scale farmers whose plantings range from 2 to 3 acres (with a few producing on 20 to 30 acres). The principal growing area is on the North Coast, stretching from Santa Rosa de Copan to La Ceiba. It is interesting to note that in 1976, McIlhenny contracted directly with a Jesuit institution called "La Fragua," which successfully sub-contracted production. About three years ago, La Fragua phased out of pepper production, but many farmers stayed in the program.

The Company provides gorwers with seed and as much technical assistance "...as we can physically supply." There is a guarantee to buy a minimum amount (established by contract in pounds of red pepper), but traditionally McIlhenny has bought all the pepper harvested. Land is rented on which to build storage sheds, and for installing small hammer-mills for grinding. Empty white-oak barrels are sent from the U.S. and, once they are filled with the mash, can be stored indefinitely while awaiting export. The sheds, hammer-mills, and other small items constitute the only investment made by the Company in Honduras. However, as the Agricultural Manager of McIlhenny says, "We have, however, invested immeasureable time and effort educating and training farmers..., and many times over the years have shared expenses where producers have had crop failures due to diseases or other natural disasters."

Press (Holdings) Limited (Press)
Post Office Box 1227
Blantyre

East Africa
Malawi

The origins of Press (Holdings) Ltd. extend back to 1960 when President Banda of Malawi formed the Malawi Press, as a private company, for the primary purpose of publishing the Malawi News, the main publicity arm of the Malawi Congress Party. During the next two plus decades, Press developed into the largest commercial, industrial, and agricultural organization in the country, with a total of 17 subsidiaries, 11 wholly owned (the data available to the writers are several years old--there may have been additional companies formed since then).

Development Opportunity

In agribusiness, the first company formed was the General Farming Company, Ltd., which by 1978 was growing tobacco on approximately 9,200 acres and accounting for 25 percent of national production. At that time, plans were being activated to establish two estates to be used for training tenant farmers and for research; to establish a Land Planning and Forestry Department to concentrate on the production of fuel wood; and a crop diversification program to expand corn and other cash crop cultivation both to feed the labor force and to sell. In 1978, roughly 1,500 people constituted the work force.

Also in 1969, Press (Farming) Ltd. was organized, which now produces 33 percent of national tobacco production on 7,000 to 8,000 acres. In this scheme, there are 4,700 to 5,000 tenant farmers. Tenants are provided with communal holding barns and grading sheds.

In 1976, Press (Ranching) Ltd., a wholly-owned subsidiary of General Farming, was established on 64,000 acres secured in the Liwonde District. High quality breeding stock was imported to help up-grade the local Malawi Zebu types. As a cash crop, Burley Tobacco is being introduced. Finally, this enterprise includes the only commercial production of pasture seed.

Obviously, the fact that President-for-Life Banda is the Founder and Chairman of Press (Holdings) has made life much simpler for this enterprise. Nonetheless, the form of the company is indicative of a private enterprise way of thinking which, if still true in 1984, might encourage foreign investors to look more closely at Malawi.

Standard Fruit Company (Standard)
and the Guanchis Agricultural and
Livestock Cooperative (Guanchis)
Santa Rita/San Pedro Sula
Honduras

Central America
Honduras

This case is a classic example of how the coincidence of a grass roots, self-development project and the presence of a multinational agro-industrial corporation became mutually supportive, with significant impact one upon the other. It is also a case which raises a fundamental question for those concerned to maximize the self-help aspect of rural development...or, put another way, what are the factors which limit the success of rural development when local leadership enter into successive stages of the process of change, over the years? For a much more complete description of this complex, subtle, and instructive case, see the "Case of Guanchis," presented at the Mohonk Conference in 1981 and kept on file at the Fund for Multinational Management Education, 684 Park Avenue, New York, New York 10021.

Development Opportunity

Guanchis is a cooperative which arose out of the closing down of the United Fruit Company (now Standard Brands, Inc.) banana plantations in Honduras, in the San Pedro Sula area. Workers were out of jobs; the land which they hoped to farm was taken over by cattlemen and others, by use of force, leaving these people in a desperate condition. Under the leadership of two determined men, a small group entered into a period of a decade of dramatic struggle against violence, bureaucratic obstacles, hunger, and poverty, clearly depicted in the "Case of Guanchis." Over the years from 1961 to 1968, Guanchis gradually prospered. It was legally recognized; it began to have access to the public credit system; it acquired a substantial amount of land for banana production.

While Guanchis was passing through its tormented early struggles, the Standard Fruit Company (now a subsidiary of Castle and Cooke, Inc.) was slowly arriving at a conclusion that the times dictated a shift from production on its own plantations to sourcing bananas from independent producers. In 1968, Standard and Guanchis entered into a buy-sell contract which was so successful that it fundamentally influenced Standard to accelerate the application of this practice in all Latin American countries in which it had banana operations. Included in this system was (and is) the extension of technical assistance to producers.

The Sudanese Gezira Board (GB)
Barakat, Sudan

Northeast Africa
Republic of Sudan

The Gezira Scheme is probably the largest unified irrigated farming enterprise in the world, spread out over more than 2 million acres lying between the Blue and White Niles to the south of Khartoum. The Gezira Board is a government corporation which controls the farming activities of roughly 100,000 tenant farmers, whose land ranges in size from less than 15 acres to 40 acres. Between 1925 and 1950, the Gezira Scheme was a private enterprise jointly directed by two British companies, the Sudan Plantations Syndicate and the Kassala Cotton Company, and conceived by the British Cotton Growing Association in the years before World War I.

Development Opportunity

The Scheme constitutes 12 percent of the total area cultivated in the Sudan, although new areas to the south are being developed for agriculture by several large-scale projects. It remains true, however, that the farmers at Gezira produce most of Sudan's long staple cotton, in turn constituting 30 to 50 percent of world production; and the Scheme probably accounts for 50 to 60 percent of the commercial farm output of the country. While cotton is the dominant crop, in recent years durra (a sorghum, the staple food of the people), wheat, peanuts, lubia (for fodder), vegetables, and Phillipesera (for fodder) have become significant in the 6 or 7 year crop rotation now normal to local practice. The Gezira Board employs 50,000 to 60,000 people and has lost much of its plantation character. Although control over the cropping pattern is retained, supervisory powers over cotton production have been lessened and the Board exercises virtually no control over other crops. Tenants now have a considerable say in the management of the scheme, through intermediary organizations with considerable political power. However, the Board provides farm inputs on credit, arranges contract spraying, provides interest-free credit for needs beyond inputs (also sold interest-free), offers technical extension services.

United Brands Company
New York, New York

Central **America**

United Brands Company is one of the largest agro-industrial enterprises in Central America, and historically the Company and its predecessors in the region have been responsible for converting many hundreds of thousands of acres of unused land in remote areas into productive use. Best known in the area for banana cultivation, United was also the pioneer in Costa Rica in establishing African Palms and building a vegetable oil industry on the base of this raw material.

Until the development of its "associate or independent producer" program went into effect some years ago, in which large areas were returned to the ownership of small-scale producers, the Company was not well regarded locally in terms of either social or economic benefits to the rural people. This has changed and independent producers not only have gotten land and markets, but receive technical assistance and other services from United. Indeed, United has created a separate company in Costa Rica, Compania Bananera Atlantico, exclusively to furnish technical and marketing assistance to independent banana farmers.

MISR/American Agricultural Systems Company (MAASCO)
Wadia S. Girgis Edible Oil Project
c/o MISR Iran Development Bank
8 Adly Street
Cairo, Egypt

North Africa
Egypt

The primary purpose of MAASCO is the initial development and subsequent management of farming and animal science projects and agro-industrial enterprises, primarily but not exclusively in Egypt. The three partners in MAASCO are: the Management Services Division of the Ball Corporation (U.S.); the Misr Iran Development Bank; and, Sabbour Associates, the latter two centered in Cairo. MAASCO does not itself invest. An early project of MAASCO, in service to a group of Sudanese businessmen headed by Mr. Wadia S. Girgis, is the development of newly opened land of some 5,000 to 6,000 acres, ultimately to produce potatoes, onions, and possible other vegetables, together with peanuts for the production of animal feed and vegetable oil. Financing is in the order of magnitude of $11 to $15 million.

Development Opportunity

The project site is actually leased by the Ministry of Agriculture. The terms of the lease require the government to provide a road-irrigation infrastructure sufficient to serve each 320 acres, which management recognizes is insufficient but to which reality it is trying to adapt. The first year will be used for a green fodder-cattle feeding operation, to begin preparing the land for a cropping pattern. A second crop (the first will likely be Sudan grass or a grass/sorghum hybrid) of Berseen clover will follow, and, thereafter peanuts, potatoes, and onions will be introduced.

It is hoped that by year 6 or 7, the estate will be mature and will employ some 50 people on a regular basis and perhaps as many on a seasonal basis. Labor will be drawn from the region, to be obtained through the traditional labor contractor. There are no plans for a smallholder, resettlement scheme, at the moment. Since the project is starting with about 2,600 acres, with a vision of almost doubling in size, it might be possible to persuade the investors to consider a deeper and more enduring involvement with the rural people, if financial support for a rural development program could be found among the foreign development assistance agencies which abound in Egypt.

Hummingbird Hershey, Ltd.
Mile 18, Hummingbird Highway
Post Office Box 17
Belmopan, Belize

Central America
Belize

Hummingbird Hershey, Ltd., created in 1977, is a wholly owned subsidiary of the Hershey Foods Corporation, located in central Belize and created largely to demonstrate, under commercial conditions, that cocoa growing could be sharply improved using existing technology and good farm practices. The intent of Hershey is to encourage small-scale producers, the dominant source of supply throughout the world, to stay in...or to enter into...cocoa cultivation by presenting both a practice and hard data on profitability. The concern of the Corporation is that unless the trend toward decreased production can be reversed, all manufacturers of chocolate products will face a serious raw material shortage in the future. While it is intended that the Hummingbird Hershey venture be profitable, the major thrust of the enterprise is to share knowledge and help in all ways to stimulate cocoa production wherever it is applicable and beneficial to small-scale farmers.

Development Opportunity

The estate in Belize is 1,800 acres, with roughly 600 acres in or nearing cocoa production. The plan is to have 1,200 acres in cocoa and 200 acres in citrus when development is complete. Project cost by mid-1983 was $5 million. Eighty-five people are employed. Citrus, when ready, is expected to be sold to a nearby juicing plant. Additionally, the company is developing an animal feeding system utilizing cocoa pods in the ration. In every way possible, the goal is to illustrate the value of cocoa cultivation as a useful cash crop in a diversified program for the small-scale farmer and one which is competitive in its return to the farmer to any other alternative.

Hershey is already providing technical and marketing support in several other countries in the region, e.g.: in the Dominican Republic, with both government and private sector leadership; in Haiti, in collaboration with the Mennonite Economic Development Associates, who, in turn, are receiving assistance from U.S.A.I.D. Technical help is extended to all who inquire.

Ciba-Geigy Limited
Basle, Switzerland

Worldwide

Ciba-Geigy Ltd. has no direct investment in agro-industry, except in the sense of manufacturing and marketing insecticides, herbicides, and fungicides, and, to a lesser extent, products for animal health. Correspondence with Ciba-Geigy notes that it is often necessary to take what is called a "comprehensive project approach," which means that in building sales in an area where farmers may need both technical and financial help to apply superior practices (including company products), both credit and technical supervision are offered. The customer(s) may be advised as to the best seed stock, the appropriate pesticides, methods of application (Ciba-Geigy personnel may actually teach by applying the chemicals themselves, at first). The company has found this to be a very successful way of demonstrating the net profit on the cost of chemical pest control, even while assuring the re-payment of expenses and material costs which were advanced. Clearly, the work of this company would have to be examined in great detail to appreciate its developmental impact and to extract any methodology which might be generally applicable.

Development Opportunity

As with so many leads to the activities of individual agricultural chemical companies (see also Monsanto-Kenya and Pfizer-Nigeria, in the inventory), it is clear that practically every major company is multi-national, and all carry out sales programs with a technical service mode which can be very helpful.

Monsanto Central Africa, Inc.
Post Office Box 47686
Nairobi, Kenya

East Africa
Kenya and other

Monsanto, in this case, is a distributor of agricultural chemicals. It neither farms nor processes agricultural raw materials. For the past several years, Monsanto Central Africa, operating out of Kenya, has spent roughly $100,000 per year on the extension of what it calls "The Minimum Tillage Program." This program emphasizes the economic importance to small-scale farmers of using a biodegradable chemical weed control system (based on Roundup, a Monsanto product). The belief behind this program is that the future of African agriculture lies in bettering the performance of small-holders and, in so doing, lay the economic foundation for a growing market for agricultural chemicals. An example in point is that the total Kenyan market for all chemicals is running at $25 million; 75 percent goes to the largest farms and most of this goes to 250 to 300 large-scale units.

Development Opportunity

The base of the Minimum Tillage Program is the extensive distribution network Monsanto builds in African countries. In Kenya, for example, there are some 560 villages in which a private, small-scale, retail outlet exists, serviced by salesmen (Kenyan) who work for distributors (not Monsanto owned). Salesmen are trained to demonstrate the Tillage Program. A local farmer-customer of the shopkeeper is first brought into the program. Then, field days are used to encourage replication. What works is the clear proof that weed control, a very difficult task, can be exercised in several hours of back-pack spraying, saving literally hundreds of hours of scarce labor, thus overcoming labor shortages, erosion, evaporative loss of water, competition from weeds, and decreased productivity. In Kenya alone, in the first six months of 1983, some 8,000 farmers tried the chemical and changed their practices, with very impressive results. The Program has been utilized for corn/vegetables farms, tea plantation start-up, canal clean-out in the Republic of Sudan, among other applications, and is a most promising addition to techniques employed among small-scale, traditional, low-yield farmers.

Purina, S.A. de C.V.
Mexico City

Middle America
Mexico

Purina, S.A. de C.V. has operated in Mexico for many years. It is the largest agro-industry in the country. The company employs 4,000 people, the majority of whom, by company policy, spend considerable time in the field. It is a matter of pride that between company staff and a network of 900 dealers and their employees (all independent enterprises), the system represents the single largest extension service in Mexico. Purina has a large investment in Mexico (no data given) but by policy which it considers basic to success, the company does not enter into production at the farm level, by means of contracts, nucleus estates, or any other way; all raw material is purchased in the free market or from government sources. Since 75 percent of what is bought derives from crop allocations by government, where prices are fixed and sometimes at levels higher than the price of consumer products can bear, this is causing a serious problem for the company, especially in these years of high inflation and constant devaluation of the peso.

Development Opportunity

The outreach program of Purina, which over the past several decades has had a profound impact on the growth of the animal industry, emphasizes instruction and certain kinds of financial assistance to the chicken farmer, piggery operators, dairymen, cattlemen, and dealers. This constant, nationwide program, led by a large staff of Ralston technicians and technical salesmen, facilitates getting started in the business and/or operating at increased efficiency. Ralston has long held in Mexico the belief that it is vital to itself and the country to give full attention to the start-up of large numbers of small-scale producers. To this end, the company has developed a wide variety of "family packages" which, with credit help, can put in place a profitable venture with a built-in capability to grow. For example, via a dealer, a family is provided (as a loan or sometimes free if the demonstrating value is envisioned as adequate) 12 to 14 cages, 1 to 3 laying hens which have been nurtured by the dealer and are soon ready to lay, and sufficient feed to proceed to first sales. The package is almost ready at the time of assembly to yield a profit. The dealer and his staff remain as the local source of technical assistance. This kind of a package also exists for goats, milk cows, and pigs.

Ralston also operates a scholarship program for graduates of agricultural technical schools (40 per year) which pays a salary for an eight week practical experience on a farm, leading to a job opportunity. Finally, the company maintains the country's most extensive, intensive, and accurate daily data gathering system covering animal sales, prices of raw materials, availability of grain, and other critical information. These data, as well as all research data relevant to the industry, are made available to the government, which ses them without acknowledgment.

Shell-BP, Nigeria
Uboma

West Africa
Nigeria

For many years, different Shell companies around the world have engaged in a variety of rural technical assistance programs, ranging from the now famous rehabilitation of the Borgo a Mozzana commune project in Tuscany, Italy, dating back to 1956, to the very recent program called "Train the Trainers" where, in regional seminars, officials who themselves are engaged in agricultural extension training receive roughly two weeks of intensive instruction in farm management and the safe use of agricultural chemicals. Perhaps the most extensive, long range rural development program of all has been going on in Nigeria since the early 1960s. The basic structure of the projects in Nigeria arose out of the Borgo experience, and the model being used for replication is located in Uboma, about 50 miles north of Port Harcourt, in what is called the "Oil Palm Belt" of southeastern Nigeria. As in all Shell projects, the objectives of the Uboma project were: to improve yields of major food crops; to improve diet with an emphasis on protein intake; to increase earnings; to improve the quality of social services and infrastructure in the area.

Development Opportunity

The project was sponsored by Shell-BP and the Ministry of Agriculture. After an intensive socio-economic study, project implementation began in 1964. One Shell agronomist (a Nigerian) and several assistants were the resident team. The land area of the project was 25 square miles, with six villages. In 1964, there were some 34,000 people, an increase of 14,000 in ten years. Per capita income was at least 15 percent below the national average. Farmers were busy six months and essentially idle six months. There was no off-farm employment. Infrastructure was very poor. Ten years later, even though hampered by the civil war of 1967-1970, Uboma was described by agricultural economists from the Universities of Ibadan and Nsukka as "...a revitalized and rapidly developing rural community." Where rice had never grown, there were 1,600 acres in production, with two stationary and one mobile rice mills; 864 acres of improved oil palms where only wild trees had been harvested; 29 acres of fish ponds were productive; 70,000 pineapple stands planted; 88 acres of irrigated vegetables were under cultivation; 15 small poultry and 10 small piggery farms had been created; and there were 17 farmer cooperatives, joined in the Uboma Farmers Cooperative Union...and, most farmers were busy year-round. In 1978, the project was formally handed over to the local community and Shell concentrated on two other projects, one in Bondel State, started in 1971, and one in Rivers State which had been started in 1965 and reactivated in 1971.

Tate and Lyle Technical Services (TL)
Bromley, Kent, England

Worldwide

Tate and Lyle Technical Services is a classic example of a profitable consulting and management services enterprise growing out of an agro-industrial corporation and then gradually expanding its expertise to permit the sale of services in areas beyond the historic limits of the operations of the parent. In its earliest days, TL concentrated in the development and management of large scale sugarcane plantations and associated sugar mills; this it still does, worldwide. Later, TL began to take on other kinds of large-scale agricultur-ally related projects, e.g. irrigation schemes. And, most recently, TL has joined forces with two other development specialists in England: Masdar, with experience in smallholder agriculture, training, and management systems for integrated rural development projects; and Mander, Raickes and Marshall, a well-established ex-pert in water resource development, infrastructure design, and construction supervision. The three have formed a formidable consortium called Rural Development Indonesia, with expectations of applying themselves worldwide. This type of service organization, of course, has grown out of a number of multinational enterprises in years past, e.g. Hawaiian Agronomics (Castle and Cooke), Booker Agricultural International (IBEC, former Booker-McConnell), Tenneco, Pillsbury, Ball Management Services (formerly Ball Agricultural Systems Division), among others.

Development Opportunity

Generally the development impact of TL and its peers is less through direct investment (although this may occur) than in ensuring to a project (more often than not a public sector venture) that in its design and on-going management it is receiving high quality inputs not otherwise available. A case in point is the position of Booker in the Mumias Sugar Company, Kenya, as described in a complete case description attached to this overall report. TL played and still plays the same role in the Royal Swaziland Sugar Corporation, otherwise known as the "Sum nye Estate." TL had the development contract, covering the plantation and the sugar mill. It facilitated putting the financial package together. It has the management contract. TL, in all, has created a top notch operation, including attractive communities where none existed before.

Adela Investment Company, S.A. (Adela)
880 Third Avenue
New York, New York 10022

Latin America

Adela Investment Company, S.A. is a private investment company constituted in 1964 as a Luxembourg corporation, and for many years with its operating headquarters in Lima, Peru. As of the end of 1982, there were 222 shareholders from 23 countries. It has invested, loaned, and leveraged over $2 billion over the years, in creating or assisting in the establishment of over 190 ventures, including several smaller-scale national development organizations with private sector sponsorship. Adela has usually invested as a minority partner, with the intent to divest its shares to local people as enterprises demonstrated their viability. For many years, Adela stood ready to provide management and technical services, and, as well, operated a well-recognized consulting arm known as Adelatec.

Development Opportunity

Adela has always stated its purpose this way: "...to foster socio-economic progress in Latin America by stimulating private enterprise through providing development services, technology, and financing, including equity as a minority investor, to viable new projects and for the expansion of existing enterprises."

In many ways, Adela in its original form and statement was a private sector version of a development institution for Latin America in the image of the role of the Commonwealth Development Corporation (see Inventory) in the countries of the former Commonwealth. When it was announced as a pioneering venture, with support from private enterprise all over the world, in 1964, and during the next decade of growth, Adela roused an enormous amount of excitement and attention. Its influence and intervention became pervasive. Then, for reasons unknown to the writer, but surely not wholly imbedded in the economic turbulence of the 80s, Adela entered into a troubled time. Currently, Adela persists. Its portfolio is large. The inspiration for Adela, as for LAAD, PICA, CDC, and any other investors in development, lies vibrant in the worldwide needs of Third World countries and their deprived people. Yet, for the moment, it seems that Adela is in a holding rather than an active pattern.

Barclays Bank International, Ltd.
International Development Fund (BIDF)
54 Lombard
London EC3P-3AH

Western Europe
England

BIDF was established in 1970, with the intention "...of filling a gap in the provision of assistance to projects which fall between the categories of 'pure aid' and 'commercial finance.' There are two main classes of projects that qualify for support; practical development projects and research studies. Some projects have a mix of development and research objectives." The Fund has been built-up over the years by an allocation from after-tax profits of the parent bank, and funds have been allocated in amounts varying between £50 and £50,000. A mixture of financial methods can be used to service a project, namely:

1. Equity participation, which provides risk capital for entrepreneurs who may later buy out BIDF equity at a reasonable rate;
2. Interest-bearing loans, for varying lengths of time and varying interest;
3. Interest free loans, for varying times; and,
4. Grants.

Development Opportunity

Throughout the Third World, indeed even the so-called "developed [illegible] there are innumerable situations where the incipient stages of commerc[illegible] of agriculture, industry, and commerce are constrained from further de[illegible] by a lack of tangible security to facilitate borrowing or by a judgm[illegible] risk is too high. Yet, until the bottlenecks to risk capital are [illegible] underpinning of the economy at specific sites cannot be strengthened, buil[illegible] upon, and become attractive to more and larger inputs of capital. Banks have always played a key role in sourcing investment financing, but rarel[illegible] risked its own money, derived from the profit of the organization [illegible] the early stages of growth in the productive sector of less devel[illegible] as Barclays is doing. As a model, BIDF would seem to be an intrigu[illegible] for replication, not only by banks, but, as well, by private sector commerce.

Chase Manhattan Bank (Chase)
535 Fifth Avenue
New York, New York 10017

Central America
Panama

The case of Chase Manhattan Bank's entry into Panama in 1950, for the purpose of establishing a cattle credit program, is instructive in that at the time it was a pioneering venture for the bank and very quickly caused Chase to change its credit policy, with a return to what many might call "old-fashioned" methods of determining whether or not a loan was to be made, e.g. based on the personal merits of the borrower, his apparent managerial ability, the productive capacity of his operation, and the purpose of the loan. Further, the necessity to adapt its traditional collateral demands to the realities of ranching in rural Panama forced Chase to employ a technical intermediary, a staff member who knew cattle, who could speak English and Spanish, and who was well trained in banking procedures and financial management. The early problems of Chase and a detailed description of how they were solved may be found in Agribusiness Worldwide, August-September, 1980; and, in the Case of the Chase Manhattan Bank in Panama, on file at the Fund for Multinational Management Education, 684 Park Avenue, New York, New York.

Development Opportunity

This is clearly a case where a decision by one enterprise, Chase, literally revolutionized the cattle industry and rural areas where it is concentrated, over a period of 35 years. During this time, Chase has loaned cattlemen roughly $200 million and has only written off about $115,000. Panama switched in this time from being a net importer of beef and beef animals to becoming a major exporter. The number of animals held by Chase clients has increased by a factor of four. Chase itself has grown from its original branch in David to a total of six branches in the region; 16 other banks have become involved. The regional economy in total, it is said, displays a healthy vigor, even to the point where some claim that people who left the rural area years ago are beginning to return.

The Chase Panama experience is one of a number of instances around the world where a private bank was the first to perceive a long range need, a way to meet it, and the pioneering role that a financial institution can play in creating a market for its own services within the context of basic rural development.

Latin American Agribusiness Development Corporation (LAAD)
255 Alhambra Circle
Coral Gables, Florida 33134

Latin America
Emphasis on Central America

The Latin American Agricultural Development Corporation is a private investment and development enterprise, established early in 1970. Sixteen corporations, including five banks and the Adela Investment Company (see Inventory), share an equity of roughly $5 million. The financial capability of LAAD is supported by a loan of $20 million from the Agency for International Development (USAID) which, in 1984, is expected to increase to about $24 million. Currently, LAAD has a role in 200 plus enterprises, largely in Central America and the Caribbean Basin.

Development Opportunity

LAAD does not relate directly to the producers (farmers, fishermen, or others) or to rural development. However, in light of size and staff capability, LAAD feels that it can and does fulfill its development responsibility by working to expand and strengthen existing agribusinesses which, in turn, do interact with rural people. Indeed, increasingly in recent years, LAAD includes in its project approval process an emphasis on enterprises which expand and make more secure the marketing of produce from small-scale farmers. Examples of such financing choices, which are briefly described in this inventory are: ALCOSA in Guatemala; Leche y Derivados, S.A. in Honduras; and Southland Frozen Foods in the Dominican Republic. Most of LAAD's participation is by means of loans. When LAAD does take an equity position, in general it does so for reasons which have long-range growth and management implications and it is not planned to divest equity, although this is not prohibited as a matter of policy.

The Private Investment Company for Asia (PICA)
UIC Building - 5 Shenton Way
Singapore 0106

Southeast Asia

During the course of this brief examination of private sector investment in agribusiness and the impact of this investment on rural development, it has not been possible to carefully study the role of PICA. This will be remedied in th future.

Very briefly, PICA is a development finance and banking institution, concentrating its attention primarily on Southeast Asia. Equity participation by a group of Japanese, European, and United States investors is in the order of magnitude of $30 million. PICA provides financial assistance for the establishment of new enterprises and for the expansion and diversification of existing companies. Financing may include both equity and loan capital. PICA also provides advisory and consulting services. Unlike the Latin American Agribusiness Development Corporation, PICA intervention includes but is not restricted to agribusiness.

Alpart Farms (Jamaica) Ltd.
Nain

Caribbean Basin
Jamaica

Alpart is a joint venture of Anaconda Jamaica, Inc., Kaiser Jamaica Corporation, and Reynolds Jamaica Alumina Ltd., for the extraction of alumina from bauxite. Alpart Farms is a subsidiary which carries out five projects:

1. Land rehabilitation, in which mined-out land is brought back to its former or to a higher level of agricultural productivity.

2. Land resettlement, wherein residents who sell their land to Alpart for mining are moved to what is usually better quality land, several times larger than that they formerly owned, and which is provided with a house of approximately the same size and of superior construction to the one left behind. These farmers are provided with technical assistance by Alpart Farms staff.

3. Cattle feedlot at Nain.

4. Cattle feedlot at Friendship.

5. Dairy farm at Pepper.

6. Research particularly as it relates to the use of local agricultural by-products for livestock feeds.

Development Opportunity

The Alpart venture was put together in 1966; start-up of operations began in 1969. The available literature does not analyze the impact of the outreach program outlined in the five steps noted above. As with the LAMCO case described briefly in the inventory, Alpart and other mining and hydroelectric projects, and often an industrial complex associated with one or the other, create unique and rich opportunities for agricultural and rural development to take place around the peripheries of the enterprises. Since many such ventures, e.g. LAMCO, are sited in remote areas, often with no pre-existing infrastructure and little population concentration, the core wealth producing activity becomes the center of development responsibility, whether or not this responsibility is expressed functionally in the corporate structure.

Consultores Del Campo, A.C. (Consultores)
Pátzcuaro, Michoacán

Middle America
Mexico

Consultores Del Campo, A.C. is a non-profit subsidiary of Farm Center International, Inc., a non-profit rural development enterprise based in San Francisco, California. This project is included in this inventory, despite its non-profit status, because it can so vividly illustrate the profit inherent in financing simple, practical, on-farm improvements among traditional farmers, using low-cost, face-to-face methods, and, in so doing, lay the groundwork for more rapid development in a free-enterprise, self-sufficient mode. In the long run, investment in programs such as Consultores and Coordinación Rural, A.C. (see Inventory) will be one of the important precursors of new, large-scale agro-industrial investment opportunities, the world over.

Development Opportunity

Consultores began activities in 1977, as an outgrowth of lessons learned by Farm Centers International during another rural development program in an area not far from Pátzcuaro, which ran from 1964 to 1976. The first program was successful but depended "too much on outsiders." Consultores works directly with the farmers, using as a base other farmers who have been trained to be technicians and local extentionists. The staff of Consultores are the trainers; the local technicians are the heart of the day-to-day operations. Activities are directed at existing, known problems of direct concern to income results. For example, in the course of a single year, technicians work on field mouse control (these animals are the dominant source of crop loss in the area), grafting of fruit trees, pest control in the corn fields, disinfecting attics, and rat control before corn storage, requeening of bee hives, fertilization of corn, canning of fruit, among a host of other inter-related activities.

Between 1977 and 1981, the total value of added crop production of over 4,000 farmers was over U.S.$ 3 million, from field mice, rodent, and insect control on corn, beans, and lentils...at a project cost of U.S.$ 136,000. While the farmers are not yet being asked to pay for the program out of new earnings, they are certainly being placed in the position to do so, just from this one phase of the Consultores program. To this may be added the data reflecting an average increase in net return from 10 acres of corn, when new practices (including pest control) are followed...U.S.$ 2,420!

Coordinacion Rural, A.C. (CRAC)
a subsidiary of
Ingenieros Civiles Asociados, S.A. (ICA)
Mexico City, Mexico

Middle America
Mexico

CRAC is a non-profit subsidiary of ICA, a diversified, wholly Mexican-owned civil engineering and manufacturing corporation. CRAC was organized in 1969 to create a national rural development program. Since start-up, ICA has invested over $6 million in the evolution of the CRAC methodology, now being applied at four sites in different parts of the country.

Development Opportunity

CRAC methodology is based on four interconnected and vital processes: organization, training, and participation of local people; increasing net income from agricultural practices; investment in new local businesses and broadening the base of local ownership in this productive capital; and focusing newly created economic gain on the enhancement of personal, family, and community life. These processes flow together to generate economic self-sufficiency, even as they encourage change to occur in harmony with local needs and values. Based on principles of broad capital ownership, the methodology has proven to be flexible and adaptable to a wide variety of environments.

CRAC operates under conditions of national policy and land tenure which do not encourage a direct adaptation of the "nucleus estate" methodology widely used in Africa and Asia, but which do permit the physical and human resources of small-scale farmers to be aggregated under management into competitive, diversified, profit-making productive systems. CRAC itself, as a non-profit enterprise, cannot invest under Mexican law. It therefore creates local (site specific), for-profit, stock corporations, legally constituted and separate from CRAC, to be responsible for the implementation of the rural development process. The capital structure of these local corporations is built upon original equity investment attracted from any source in the national and international capital market. ICA always participates in equity and sometimes with loans, but has no policy which fixes the percentage of its holdings.

Fundación Chile
Santiago, Chile

South America
Chile

The Fundación Chile is a unique joint venture between ITT and the Government of Chile. The investment made by ITT resulted from an agreement reached in 1974 between the Corporation and the Government, regarding settlement of property expropriated by a previous regime. The Fundación is a non-profit organization providing technical assistance to private industries and government agencies in the food sector.

Development Opportunity

It is to be hoped that the circumstances under which ITT decided to help create Fundación Chile will not often be repeated. Nonetheless, what took place satisfied a need rarely met in the structure and management of industrial development institutions around the world, namely: that of bringing private enterprise and the public sector together in the promotion of profit-making agro-industries which are soundly conceived and which meet both investor and national objectives. The work of Fundación Chile needs to be evaluated very carefully. If the pay-off is as great as might be anticipated, then the Fundación might well serve as a model for private investors everywhere, and as a stimulant to seek for the means of attracting joint venture capital acceptable to both partners.

The Fundación leans heavily on a variety of Advisory Boards comprised of local businessmen, their customers, and members of government agencies who meet with Fundación staff. In terms of its mandate to concentrate on the food sector of the economy, the technology departments of the Fundación are organized by conventional sectors of the industry, e.g. fruits and vegetables, grains, dairy products, and marine resources, and all departments bring expertise together, with private sector participation, in engineering, manufacturing, marketing, and business development.

ITT/Institute of Cultural Affairs
Ijede, Nigeria

West Africa
Nigeria

In 1978, ITT provided a three-year $600,000 grant to the Institute of Cultural Affairs, based in Chicago but with a network of rural development projects all over the Third World, to help fund two rural, human development projects, one in Nigeria, the other in Korea. When the grant was announced, ITT noted:

> "ITT believes a new form of corporate responsibility is called for to improve the quality and meaning of peoples' lives around the world. The adoption of the villages will provide assistance for their own self-development effort."

As part of the overall plan, ITT personnel volunteered in assisting villagers in their economic and social reconstruction programs.

Development Opportunity

This case of corporate involvement in rural development is included in this preliminary inventory of private sector action because it is one of several references to the vital importance of building a structure of thought, values, and activities in backward societies which will support the growth of a system of free, private enterprise. As reported in Enterprise and Development, a publication of the U.S. Council of the International Chamber of Commerce (Vol. 1, No. 4, October, 1981), in Nigeria the results may be summarized as follows:

> Four industries have been created in Ijede: a sewing factory, a motorized fishing fleet, a poultry industry, and a community farm. New construction included 17 community buildings and 123 private residences; 533 people have been involved in 26 training programs. Five pre-schools have 112 three to five-year olds enrolled. Nineteen healthcare workers have been trained to combat dehydration, diarrhea, malaria, and malnutrition, as well as to immunize for measles, tetanus, polio, and small-pox.

Lamco-American-Swedish Minerals Company (Lamco)
Yekepa, Liberia
and, Partnership for Productivity (PfP)
Washington, D.C.

West Africa
Liberia

Lamco is a joint venture of several Swedish industrial enterprises, Bethlehem Steel Corporation, and the Liberian Government. It was created in 1955 after the discovery of iron ore; open-pit mining began in 1963. When operations began, the community nearest the mine consisted of five thatched huts. Lamco created "Yeke's Town" or Yekepa, named after one of the original inhabitants. The natives were subsistence farmers. There was no cash economy. Over the next decade, Lamco invested millions of dollars in the mine and the infrastructure to support it, including a 167-mile railroad to Buchanan, where it also built a new deep-water harbor, and a pelletizing plant. During this time, Yekepa grew into the third largest city in Liberia, with a population of 18,000...it had also become a classical "company town," with total dependency on Lamco.

Development Opportunity

In 1970, Lamco decided that it must transfer responsibility for the social and economic affairs of Yekepa to the people, and, at the same time, initiate a program to ensure that Yekepa would continue as a viable community after the iron ore was depleted early in the 21st Century. The company tried for three years, by providing capital, loans, and technical assistance, to transfer ownership and management control of a group of service industries. This did not work. Lamco then reached out for a development organization with the necessary skills to take on the task of integrated development and chose Partnership for Productivity, a Washington-based, non-profit enterprise.

During the ten years of its association with Lamco and Yekepa, PfP has demonstrated remarkable success. During this time, PfP has created 55 new enterprises and 750 non-mining jobs, including a local transportation system, a woodworking company, a forestry and sawmilling enterprise, a hotel and restaurant, a poultry farm, a tailoring shop, among many others which are gradually fitting into a dynamic, interactive socio-economic growth pattern. PfP has created an appropriate technology development center, and, most importantly it has set up a demonstration and training farm seeking to diversify and expand the sources of primary wealth of critical importance to the future. Forty-five percent of PfP's total effort in Yekepa is now devoted to helping this primarily agricultural economy to move toward becoming the strong base upon which to build for the future. Lamco has made many contributions in support of PfP's work in Yekepa, including $580,000; PfP, in turn, has attracted an additional $5 million to its enterprise.

Massey-Ferguson, Limited

Worldwide

Massey-Ferguson, Limited supports the "Developing Countries Farm Radio Network" to help solve the world food problem. The program provides to communicators throughout the Third World packages of farm broadcast materials, e.g. scripts, cassettes, reel-to-reel tapes, aimed at helping grass-roots level farmers increase food supplies and achieve self-sufficiency. This activity links about 300 farm broadcast programs in over 80 countries, reaching an audience of an estimated 100 million people.

Technoserve, Inc.
Norwalk, Connecticut

Worldwide
Concentration in Africa and Latin America

Technoserve, Inc. was established in 1968 as a non-profit development enterprise. It is included in this inventory because of its purpose and the manner of its work. To quote from a corporate release:

> "It is the purpose...to promote in the developing areas of the world, the establishment of viable commercial and industrial enterprises which will most directly meet the needs of low income groups for economic well-being and an improved standard of living...to encourage and respond to local initiative...to provide technical and managerial training...and, to function as a catalyst in bringing together the necessary...financial support essential to the development of small enterprises, not excluding those of a high risk nature..."

Development Opportunity

Technoserve refers to its methodology as "self-help enterprise." It reacts to requests by local entrepreneurs or local development agencies, public or private...no cash grants or gifts are made. Every business assisted is expected to reimburse the cost of help provided, out of future profit. Technoserve provides experienced managers during start-up and helps train their replacements. Rarely is Technoserve able to offer direct financial assistance but it does help to find capital. More than most enterprises in the category of "private voluntary organizations," Technoserve has led the way in demonstrating to governments the validity of private, profit-making, well managed business (in corporate or cooperative structures) in accelerating development all along the food chain.

In 1982, Technoserve assisted over 100 projects, in which some 60,000 low income people participated. Annual gross revenues of these enterprises during this year exceeded $5 million. The Corporation maintains offices outside of the U.S. in El Salvador, Ghana, Kenya, Nicaragua, Panama, Peru, and Zaire. It maintains a staff of over 100, most of whom are stationed in these countries and the majority are nationals of the country in which they work. Funding for Technoserve derives from the following sources, as reported at the end of 1982: USAID, 59 percent; churches, 10 percent; host country institutions, 10 percent; project fees, 11 percent; corporations and individuals, 6 percent; foundations, 2 percent; and, 2 percent from a variety of other donors.