

AGENCY FOR INTERNATIONAL DEVELOPMENT
PPC/CDIE/DI REPORT PROCESSING FORM

PU-AR6 ~~547~~
02.1

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number 936-5447	2. Contract/Grant Number DHR 5447-2-00-7074	3. Publication Date January 1991
--	--	-------------------------------------

4. Document Title/Translated Title
Report on AMIS Trade and Investment Promotion Activities in Bolivia

5. Author(s)
1. Richard Abbott
2.
3.

6. Contributing Organisation(s)
Postharvest Institute for Perishables
The Agricultural Marketing Improvement Strategies Project (AMIS)

7. Pagination 50	8. Report Number	9. Sponsoring A.I.D. Office S&T/RD
---------------------	------------------	---------------------------------------

10. Abstract (optional - 250 word limit)

11. Subject Keywords (optional)

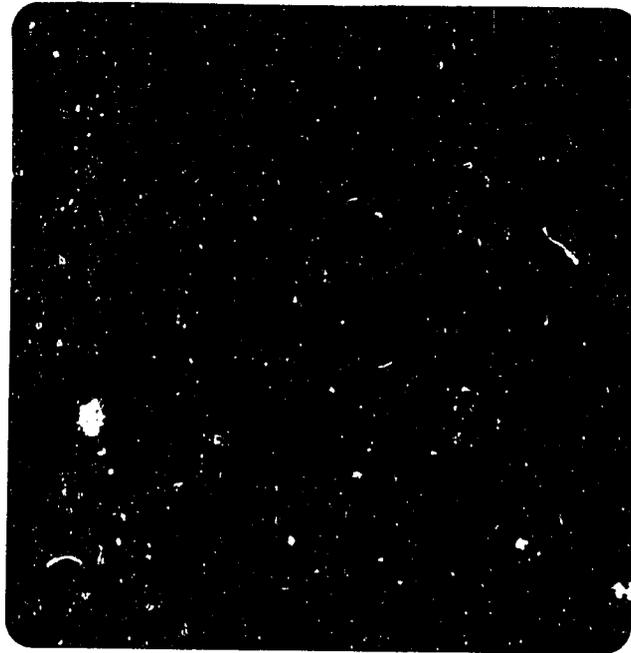
1. Agribusiness	4. Investment Promotion
2. Bolivia	5. Technical Assistance
3. Trade & Investment	6. Trade Missions

12. Supplementary Notes

13. Submitting Official Jerry Martin	14. Telephone Number (301) 913-0500	15. Today's Date February 6, 1991
---	--	--------------------------------------

.....DO NOT write below this line.....

16. DOCID	17. Document Disposition DCCRD [] INV [] DUPLICATE []
-----------	---



AGRICULTURAL MARKETING IMPROVEMENT STRATEGIES PROJECT

Sponsored by the

U.S. Agency for International Development

Assisting AID Missions and Developing Country Governments
to Improve Agricultural Marketing Systems

Prime Contractor: Abt Associates Inc.

Subcontractors: Postharvest Institute for Perishables, University of Idaho,
Deloitte Haskins & Sells,

PN-HBG-621

69956

**REPORT ON AMIS TRADE AND
INVESTMENT PROMOTION ACTIVITIES
IN BOLIVIA**

JANUARY 1991

REPORT ON AMIS TRADE AND INVESTMENT PROMOTION ACTIVITIES IN BOLIVIA

by:

Richard Abbott

Postharvest Institute for Perishables, University of Idaho

THE AGRICULTURAL MARKETING IMPROVEMENT STRATEGIES PROJECT

(AMIS)

Submitted to:

U.S. Agency for International Development

La Paz, Bolivia

January 1991

**REPORT ON TRADE AND INVESTMENT PROMOTION ACTIVITIES IN BOLIVIA:
THE AMIS PROJECT**

	<u>PAGE</u>
1.0 Background	1
2.0 Report on Activities	3
2.1 Recruiting of Senior Agribusiness Consultant	3
2.2 Initial Company Contacts	3
2.3 Washington Briefing	3
2.4 Missions to Bolivia	4
2.4.1 Objectives	4
2.4.2 General Findings	5
2.4.3 Potential Agroindustrial Ventures	5
2.5 Other Agribusiness Company Contacts	8
3.0 Planned Future Activities	11
3.1 Scope of Work	11
3.2 Planned Activities	11
3.3 Coordination with Other Programs	12

APPENDIX

A. Letter from Asst. Secretary of State Aronson	A-1
B. Proceedings of Washington Briefing	B-1
C. Reports of Companies Participating in Missions to Bolivia	C-1
D. List of Contacts	D-1
E. Account of AMIS Agribusiness Company Contacts	E-1

1. BACKGROUND

This report covers the third and last phase of AMIS Project activities under a USAID/Bolivia buy-in of November 1989. It deals with trade and investment promotion activities carried out by AMIS which involved direct contact with a number of U.S. agribusiness companies.

First phase activities under the buy-in consisted of a rapid appraisal of marketing constraints and opportunities for crops being grown, or now being introduced, in the Chapare and Valles Altos regions (the Project Area) of Bolivia as alternatives to coca. This work is reported on in the AMIS study "Bolivia Agroindustrial Marketing Systems Study," dated October 1990.

The second phase of AMIS activities was a study of selected regional and international markets for a list of products available or potentially available in Bolivia -- basically those identified in the first phase work as having the best export prospects. These investigations are reported on in the AMIS study "The Export Market Potential for Selected Bolivian Agroindustrial Products", dated November 1990.

The scope of work for the activities treated in the present report was characterized in contractual documents as "mobilizing U.S. agribusiness support". It called for AMIS to make upper management-level contact with U.S. agribusiness firms to encourage them to become involved in the processing and marketing of crops grown in the Project Area (Chapare and Valles Altos). Involvement could be in the form of:

- * technical assistance to and feasibility studies of new or expanded agro-industrial enterprises aimed at assisting Bolivian enterprises to bring quality of their products up to export standards,
- * commitments to purchase some portion of the output of the Bolivian agro-industrial enterprises being assisted,
- * direct investment in the form of joint ventures with Bolivian entrepreneurs.

Basically, anything which contributed to the marketing of alternative crops would further one of the main objectives of the Chapare Project, which is to induce farmers to cease growing coca in favor of other crops.

The present report covers AMIS activities carried out between April and December 1990, at which time funds provided in the buy-in were virtually exhausted. As of mid-January 1991, USAID/Bolivia is considering an AMIS proposal to continue this trade and investment promotion work through early 1992.

Chapter 2 of this report is an account of AMIS activities on this third phase of the buy-in, including findings of the five U.S. firms which participated in missions to Bolivia, and Chapter 3 outlines planned future activities.

2. REPORT ON ACTIVITIES

2.1 Recruiting of Senior Agribusiness Consultant

AMIS recognized from the outset that Bolivia did not offer U.S. agribusiness an investment climate which could compete with many other developing countries due to its small domestic market, the lack of a seaport and attendant high transportation costs for exports, and an underdeveloped physical and business infrastructure. Nonetheless, it was felt that U.S. firms might respond initially to an appeal based on making a contribution to the reduction of cocaine trafficking -- while at the same time recognizing the benefits of being involved in a country with considerable undeveloped agricultural potential. However, this type of appeal would require an approach at the CEO level. Accordingly, AMIS recruited the recently-retired CEO of Del Monte USA, Fernando Gumucio. Mr. Gumucio, himself a Bolivian by birth, agreed to act as a consultant to AMIS and to make contact at upper management levels with some of the larger food processing companies. Having recently served as President of the National Food Processors Association, he was well acquainted in the industry and indeed his efforts proved quite effective.

2.2 Initial Company Contacts

Mr. Gumucio contacted approximately a dozen leading firms during March and April 1990, both by letter and telephone. Each company also received a copy of a letter to Mr. Gumucio from Assistant Secretary of State Bernard Aronson, pointing out the importance of U.S. industry trade and investment in Bolivia in assisting U.S. anti-drug policy there (see Appendix A). The firms were invited to attend a Washington briefing on the economic and political conditions in Bolivia, and on findings of the AMIS first-phase study of marketing constraints and opportunities.

2.3 Washington Briefing

The briefing was held on May 10, 1990 and was attended by the following companies:

- * Kraft General Foods
- * Nabisco Brands Inc.
- * McCormick and Co.
- * Int'l Flavors and Fragrances
- * H.J. Heinz Co.
- * Tropicana Products Inc.
- * Cargill Inc.

In a morning session at the State Department, participants were briefed on the political and economic situation in Bolivia by U.S. Ambassador Robert Gelbard and representatives of AID, State, and OPIC. An afternoon session was held at Abt Associates where the AMIS team which had prepared a study of marketing constraints and opportunities in the Chapare region gave company representatives a detailed account of its findings and conducted a discussion on the investment potential in the area. A full account of these meetings appears in Appendix B.

2.4 Missions to Bolivia

AMIS organized and led a trade and investment mission to Bolivia from August 15 to 23. Participants, and their areas of interest, were as follows:

1. Don Winters, Del Monte USA (fruit juice concentrates and pulps)
2. Steve Jenkins, Basic American Foods (dehydrated vegetables and spices)
3. Dr. Carol Miller, RJ Reynolds (tobacco)
4. Tony Perez, PPI Del Monte Tropical Fruit (fresh tropical fruit)

Another company participated in a separate trip from October 23 to 30:

5. Tom McGovern, McCormick & Co. (spices)

The AMIS team accompanying the August mission consisted of Fernando Gumucio, Consultant to AMIS and former CEO, Del Monte USA, and Richard Abbott, AMIS Senior Market Analyst. Ney Lopez of USAID/Cochabamba provided most valuable local support by arranging all travel and contacts within Bolivia for both missions. Participating companies covered all costs of the trip; the only cost to AID was local transportation.

2.4.1 Objectives

The objective of these missions was to assess overall business conditions in Bolivia and to examine the potential for the growing, processing, and marketing of:

- tropical fruit,
- fruit concentrates and juices,
- potatoes, garlic, onions,
- spices, essential oils and food colorants,
- tobacco and nuts, and
- other Bolivian products,

as alternatives to coca.

Companies were selected on the basis of their fit to the above list of products, which had been identified as having potential in the AMIS report "Bolivia Agroindustrial Marketing Systems Study" and in associated regional and international market studies performed by AMIS. They were to have the following characteristics:

- * **high in value**, in order to offer attractive margins to farmers and compete with coca,
- * **low in weight**, so as to offset Bolivia's high transportation costs,

- * **labor intensive**, to take advantage of Bolivia's low labor costs, and
- * products that could be **processed in Bolivia** on a sustained basis, to add maximum value locally and provide employment opportunities.

Markets to be considered included the domestic Bolivian market, regional markets in neighboring countries (Argentina, Chile, Brazil), and international markets (North America, Europe, Japan).

2.4.2 General Findings

- * Bolivia is a medium-sized, land-locked country with extremely diverse ecological zones and altitudes ranging from 300 feet to 21,000 feet. Population is about 6 million, but only about 1 million inhabitants are in the market economy.
- * There is a developing infrastructure, but it does not at present meet the needs of the business sector. Deficiencies in physical infrastructure exist in irrigation, roads, electric power, warehousing, and cold storage. In addition, the banking and the food distribution systems need improvement.
- * Due to agrarian reform and colonization measures, most farms are small in size, except in the Santa Cruz area where large farms are common.
- * Bolivia is politically and economically stable, but is very dependent on coca growing and processing, an industry that may bring in as much as \$500 million per year in income to the economy.
- * At present, there are no significant special tax incentives or preferential trade agreements in place to encourage foreign investments and exports.
- * There is a great awareness and willingness to work toward solving the problem of finding alternative sources of income for coca-growing farmers on the part of international agencies, bilateral aid donors, foreign private businesses, and the Bolivian public and private sectors.
- * There is an adequate pool of young, ambitious, and well educated professionals to manage business ventures.
- * However, Bolivia needs both financial and technical assistance from outside the country to realize its full potential.

2.4.3 Potential Agroindustrial Ventures

The group assessed five potential small to medium-scale ventures, which now need professional feasibility studies and technical assistance. A summary of the findings of the participating companies and proposed

follow-on actions follows below. Copies of reports submitted by four of the five companies (no report on tobacco) will be found in Appendix C. Contacts made in the course of these investigations are listed in Appendix D.

Tropical Fruit Juices and Concentrates. Findings from the trip: The Del Monte representative found that the potential exists for development of a tropical fruit juice business, starting with pineapple concentrate and banana and papaya purees. These crops are currently available and the quality of the fresh fruit appears to be good. The quality of yellow passion fruit also appears good and a juice concentrate could be produced from it, although only limited quantities are now grown. Mango and guava purees could also be produced if quantities were sufficient. Longer term development could include starfruit, cherimoya, guanaba/soursop, and naranjilla, though these products are not well known to consumers and market development would be required. Development of a citrus juice export business was not recommended due to the dominant position of Brazil as a low-cost producer. However, limited quantities of orange juice concentrate for soft drinks might be produced for the Bolivian market, and possibly for export to Argentina and Chile. An advantage of this arrangement would be that the processing season would be extended and better use made of a portion of the equipment.

It was also suggested that a tropical fruit juice operation might be set up in conjunction with a fresh fruit business in order to make use of fruit of unsuitable quality for export. The Del Monte representative concluded with a suggestion that the company assist a venture such as that described above by providing technical assistance in planting material selection, cultural practices, harvesting, post-harvest handling extraction, concentration, packaging, and storage and shipment procedures.

Proposed actions: The CEO of Del Monte USA has informed AMIS that the company does not plan any investments in fruit juice processing in Bolivia at this time, but would be willing to help with technical assistance. He said that freeing up somebody to go to Bolivia represented a cost to the company and they would want to be paid for the time and expenses of this person. In return for their participation, Del Monte wants to have first option at purchasing at competitive prices concentrated juice produced by any venture they would assist.

Fresh Garlic. Findings from the trip: The Basic American representative noted deficiencies in both physical infrastructure (roads, electric power, cold storage) and business infrastructure (lack of a broker network, difficulty with customs regulations). He felt, however, that there was a near-term potential for a fresh garlic export business, which would involve drying, brush cleaning, and packing (in cardboard cartons) carried out in a simple shed building. Expert assistance would be needed in growing, harvesting, and packing techniques. Currently there is a world-wide shortage of garlic, and Brazil appears to be a likely market for Bolivian garlic. A simple plant such as this could also handle the drying, cleaning and packing of some kinds of spices.

The proposed plant could later be expanded and equipped to handle dehydration of garlic, a much higher value product. Addition of dehydrated onion and potato could be considered, but this would require introduction of new varieties and (in the Valles Altos) construction of roads to transport the product.

Proposed actions: Although Basic sees short-term potential for fresh garlic drying and exporting, and long term potential for potatoes, onions and garlic dehydration, they state that investment in Bolivia does not fit into their plans at present. They will, however, put us in touch with a former Basic technician who now works as a consultant to provide technical assistance to local investors or producer groups. The fresh garlic venture is in any case a small-scale venture which, with the appropriate technical help, could be handled by local groups.

Tropical Fruit. Findings from the trip: The PPI Del Monte Tropical Fruit Company representative concluded that there was a long-term potential for development of fresh banana and pineapple exports to neighboring countries where Bolivia would have a competitive advantage over current sources, such as Ecuador. Suitable land is available in Bolivia and low-cost labor is abundant. He felt that high transportation costs, lack of infrastructure (roads, agricultural technology, refrigeration facilities), and agrarian reform measures which preclude production on large blocks of land in tropical areas, rule out large-scale production for North American and European markets. Argentina and Chile were suggested as possible regional markets which Bolivia could exploit. A five-year development program for bananas was proposed, beginning with training and transfer of technology in growing, handling and quality control practices, followed by plantings of commercial varieties and construction of "Ecuadorian type" packing plants, then by initial shipments of small quantities of fruit to Bolivian markets, and finally, in the fourth and fifth years, further development of packing houses and export to neighboring countries. The representative felt that it was not unrealistic to target annual shipments of three million boxes (40 lbs. net) of bananas, which would require 2000 hectares of commercial banana production. Pineapple could follow a similar pattern, though it is a much more agriculturally intensive product and technology transfer would be correspondingly more important.

Proposed actions: PPI/Del Monte has offered to make one or two technical personnel available for a symposium on banana production in Bolivia. This might be held at the La Jota Experiment Station and include IBTA Chapare staff and interested farmers. A banana development program would be outlined and plans made for follow-up by project staff.

Tobacco. Findings from the trip: After a visit to the Mairana area (Valles Mesotermicos), where tobacco is now being grown, the RJ Reynolds representative concluded that tobacco could be produced for export competitively in Bolivia. He was prepared to recommend to his company that they consider production in Bolivia of air-cured burley tobacco, currently in short supply on world markets. Initially a 50 x 100 ft. shed would be enough to handle up to 8000 lbs. of tobacco delivered by farmers. Production in the Mairana area might later be increased to two million

pounds, which could be grown by several hundred farmers, each farming two to three hectares. At this level, the operation could no longer rely on farmer delivery, but would need trucks to pick up the tobacco. Farmers could realize very attractive returns from tobacco, especially if it were rotated with corn. Technical assistance by an agronomist would be required to get this operation going. A credit program for farmers would need to be provided, and tractors would be required. It was noted that production might be much larger than two million pounds if other nearby areas not visited on this trip proved to be suitable for tobacco. Also, the representative felt that production and export of nuts such as Brazils, macademias, and even peanuts could be of interest to the Planters operation of RJR Nabisco.

Proposed actions: As a result of the visit to Bolivia, Reynolds plans to set up a small operation in the Mairana area, including trial plots of various tobacco varieties together with drying and curing facilities.

Spices and Colorants. Findings from the trip: The McCormick representative concluded that the arid regions (Valles Altos) appear capable of producing seed spice crops such as anise, cumin, and sesame, and leafy herbs such as oregano, thyme, and rosemary. In the tropical areas, black pepper, turmeric, ginger, cardamom, etc. could be grown. Currently, only small quantities of these spices are being produced for local sale. Samples of some of these spices were obtained and later analyzed in McCormick laboratories in the U.S. Those which met or exceeded McCormick standards included black pepper, cumin seed, anise seed, and coriander.

McCormick points out that the main questions to be addressed are (1) whether or not these spices can be produced at prices which are competitive with other world exporters, and (2) if the prices to growers would make competitive spice production sufficiently remunerative to induce farmers to substitute spice for coca production? McCormick also notes that there is no shortage of spices on world markets and that a new supplier would have to offer advantages to buyers in terms of quality or price.

Proposed Actions: Studies are needed to determine production, processing and transportation costs. Analysis of a broader range of samples from a variety of growing areas should be made. McCormick's interest in pursuing these studies must first be established. Once studies are completed it will be possible to determine McCormick's possible interest in sourcing product.

2.5 Other Agribusiness Company Contacts

In addition to the five companies who have visited Bolivia, AMIS has had the following contacts:

International Flavors and Fragrances Inc. (IFF):

Samples of lemon grass oil, eucalyptus oil, and menthol were obtained by USAID and forwarded to IFF for analysis. The company later reported

that test results on the citral (derived from lemon grass oil) and eucalyptol samples were satisfactory. This was not the case with the menthol. The next step for IFF is to purchase 50 kg. samples of citral and eucalyptol for processing analysis. AMIS and USAID put IFF in touch with Programa Agroquimico, an organization affiliated with the University of San Simon in Cochabamba which currently processes these products. IFF has received a price list from Agroquimico and is currently negotiating a purchase.

Warner-Jenkinson:

This company, a dealer in natural food colorants, was contacted for possible interest in purchasing turmeric and annatto (achiote). The company states that they are interested in developing new sources for these products, plus cochanilla (not produced in the Chapare). Analysis of turmeric by McCormick was not promising and a new variety needs to be introduced. For this reason, AMIS is not pursuing the matter with Warner-Jenkinson at this time. It is planned to investigate the quality and availability of achiote, possibly with the help of McCormick.

Kraft General Foods (KGF):

This company was contacted in the early stages of our work, and attended the May 10 briefing in Washington. They do not process food products abroad, nor do they normally source ingredients directly from foreign suppliers, so establishment of direct trade and investment links in Bolivia was not a consideration. KGF buys from other processors such products as tomato paste, spices and condiments (including turmeric, mustard, onion, garlic, parsley), coffee, cocoa, and some fruit items. KGF indicated a willingness to purchase Bolivian-sourced product through their suppliers, provided quality was acceptable. There might be consideration given to paying higher than market prices, provided this was for a limited time only. McCormick is KGF's "preferred supplier" for spices, so AMIS suggested that once acceptable product was available, KGF might indicate to McCormick a preference for Bolivian spices.

H.J. Heinz:

Heinz also attended the May 10 Washington briefing, and while like KGF they do not process food abroad, they do source a range of spices from suppliers. McCormick is their main supplier. Following the Washington briefing, Heinz forwarded to AMIS a list of their annual requirements for spices, cocoa, and banana puree. Later, at AMIS request, Heinz wrote McCormick (V.P. Clausen) in July 1990 indicating their interest in purchasing "finished" Bolivian spices from McCormick, rather than attempting to buy raw product directly from Bolivia. This initiative should be supported once acceptable quality and availability in Bolivia is established.

International Agro and Food Products, Inc.:

This company is proceeding independently of AMIS to investigate two processing joint ventures in Bolivia:

Ascerola cherry freezing and packing
Citrus juice processing

AMIS has been tracking efforts by IAFP to arrange financing for these projects, and has attended meetings on this matter, but is not directly involved.

Additional Contacts:

Additional contacts which did not elicit interest in participating were made with the following firms:

Quaker Oats
Sun World
International Tropical Fruit Promotions
Great American Farms
Peto Seed
Alza Corporation

Finally, two companies attending the Washington briefing -- Tropicana and Cargill, indicated no further interest in participating. Both are orange juice processors. Cargill has large orange juice operations in Brazil and does not plan to add other operations in South America. Tropicana only sources product abroad, much of it from Cargill, and was not interested in new suppliers.

A brief account of AMIS contacts with all 21 agribusiness firms is included in Appendix E.

3. Planned Future Activities

3.1 Scope of Work

For the balance of calendar year 1991, AMIS proposes to continue efforts to involve US agribusiness companies in Bolivia, concentrating our efforts on the companies and potential agroindustries already identified (see above). These agroindustrial projects, and the Bolivian entrepreneurs involved, all require technical, marketing, and managerial assistance from companies now producing and marketing similar products in world markets. Principal target markets for Bolivian products are Chile, Argentina, Brazil, the U.S. and Europe, so contacts with both U.S. and non-U.S. firms may be appropriate.

It is planned to pilot test this approach on three to five of the promising agricultural processing enterprises already identified. The approach might be seen as a "package of services" made available to each of these ventures, consisting of technical assistance, feasibility analysis, and the matching of US companies and Bolivian entrepreneurs. The identified ventures vary greatly in the type and amount of technical assistance needed and the time required for development.

It is important to note that Bolivia lacks both physical infrastructure (roads, power, communications, storage facilities) and business infrastructure (export financing, broker network, simplified customs procedures, market information services, trained managers), and that improvements in these areas must be made if trade and investment promotion is to be successful over the long term.

In summary, AMIS efforts will be aimed at building Bolivian private sector capacity to produce and export agricultural products. In the case of products which are already available or those which could be available in the near term, we will work with US buyers -- in cooperation with USAID/Cochabamba -- to promote the export of these products, with or without minimal technical assistance. For products requiring longer-term development, we will enlist the help of US firms to provide technical assistance and investment planning. Feasibility studies will be required for most undertakings, but in some cases technical assistance is all that will be needed.

3.2 Planned Activities

AMIS proposes to carry out the following activities in FY 91:

- (1) Arrange for technical assistance and feasibility planning services to selected Bolivian enterprises, investor groups, or producer organizations to plan new or expanded operations and to improve product quality. The services of experts would be obtained from the best available source, wherever possible from the staff of US agribusiness firms.

- (2) Manage the above activities, in coordination with USAID/Bolivia and the CARANA Corporation. Buy-in funds would be used to cover the salaries (or daily consulting fees) of the persons providing the technical assistance, plus all travel and living expenses.
- (3) Arrange for shipment of samples of Bolivian products to interested purchasers in the US and elsewhere, and assist with product purchase as appropriate. In cases where only minimal technical assistance is required to achieve the desired quality, the purchasing firm will be asked to supply this assistance at their own expense.
- (4) Contact additional US companies to promote interest in Bolivia and acting as a source of information on investment or trade opportunities in Bolivia, assisting them in contacting Bolivian businessmen, advising on financial resources available in Bolivia to local and foreign investors, and providing information on the Bolivian investment climate (using our first-phase study, material prepared by CARANA and UNIDO, and the Bolivian Investment Code).
- (5) Provide the services of an experienced person located in Bolivia to coordinate visits of technical experts, collect data to support feasibility analyses, arrange contacts with Bolivian entrepreneurs, advise on the current investment climate, and other duties. This person would work closely with USAID/La Paz and USAID/Cochabamba.

Note: It is suggested that this position be provided for in the budget but no action be taken until justified by the work load, at which time duties and responsibilities of this position can be more clearly defined. No action would be taken without the concurrence of USAID.

- (6) Based on the AMIS Phase One study, and with inputs from technical experts visiting Bolivia for AMIS, compile and convey periodically to USAID and the Bolivian government information on constraints which might impede trade or investment activities by US firms in Bolivia.

3.3 Coordination with Other Programs

CARANA Corp.:

At USAID/Bolivia's request, AMIS has contacted this AID contractor in Washington and in Bolivia (La Paz and Santa Cruz) concerning possible coordination with their export promotion activities. We learned that the CARANA contract may be amended to include an investment promotion program, which appeared to make coordination even more desirable. As of mid-January 1991, no concrete actions have been discussed and AMIS is waiting for guidance from the Mission.

Latin American Agribusiness Development Corp. (LAAD Corp.):

AMIS first contacted this organization in June 1990 on learning of its agribusiness investment activities in Latin America. We understand that its investment funds come partly from AID and partly from private sector sources. We learned that LAAD planned a "modest program" in Peru and Bolivia, and had recently hired a Canadian living in Lima to represent them. More recently we were told that LAAD is to open an office in La Paz.

Contacts with LAAD were renewed in November 1990 at the specific request of Assistant AID Administrator James Michel and Mission Director Carl Leonard. At their suggestion we obtained from LAAD a copy of their "Survey of Agribusiness Investment Projects in Bolivia and Peru". Later we were able to obtain a list of proposed agribusiness projects together with the names of potential local investors. Projects in the agribusiness area include coconuts, tumbo juice, raspberries, cattle feed, achiote, chocolates, coffee, various vegetable oils, Brazil nuts, exotic fruit juices, citric acid, and dehydrated fruits and vegetables.

AMIS has requested a meeting in January with LAAD management in Florida to discuss in more detail how to coordinate AMIS technical assistance and feasibility study work in support of Bolivian enterprises with the financial resources and project analysis capabilities of LAAD.

United Nations Industrial Development Organization (UNIDO):

AMIS has had numerous contacts with UNIDO, as follows:

- * in Cochabamba in December 1989 with staff of the Investment Promotion Project for a discussion of the feasibility studies carried out by this unit.
- * in La Paz in August 1990 with UNIDO staff based there (Carlos Bravo plus Carlos Blacutt of the Santa Cruz office), together with Stephen Holloway of the New York Liaison Office for a mutual update on activities.
- * in the Chapare in August 1990 with the UNFDAC representative, Giovanni Quaglio, to learn about the small-scale industries (tea, manioc, animal feed, lemon grass) which they are promoting together with local farmer groups.
- * in the Washington D.C. office in November and December 1990 with Garrett Boyd and Tony Daza of the Investment Promotion Service, first to learn more about their program, and second to discuss with a representative of International Agro and Food Products Inc. that company's interest in investing in citrus juice and acerola cherry processing in Bolivia.

APPENDIX A



United States Department of State

APPENDIX A

*Assistant Secretary of State
for Inter-American Affairs*

Washington, D.C. 20520

March 22, 1990

Mr. Fernando Gumucio
3745 Meadow Lane
Lafayette, CA 94549

Dear Mr. Gumucio:

I have been briefed on your efforts to help develop interest on the part of U.S. industry in investment in, and trade with Bolivia.

One of the most important elements of the President's counternarcotics strategy is to assist coca-growing farmers to find viable alternative sources of employment and income. The Agency for International Development and other government agencies are engaged in a wide variety of activities which are intended to facilitate and encourage development of alternatives to the coca economy. Nevertheless, it will ultimately be the private sector whose productive investments will create the necessary jobs and industries.

I would like to stress that the U.S. government supports efforts which help create appropriate and viable alternatives to coca production.

I wish you every success in your important initiative.

Sincerely,

Bernard W. Aronson

APPENDIX B

APPENDIX B

REVIEW OF PROCEEDINGS
BRIEFING ON BOLIVIA ALTERNATIVE CROP MARKETING PROJECT
Washington D.C., May 10, 1990

MORNING SESSION: STATE/AID BRIEFING AT THE STATE DEPARTMENT

Opening Remarks and Introductions: Dana Marshall, Office of Regional Economic Policy, Bureau of Inter-American Affairs, Dept. of State

Remarks by Richard Abbott, AMIS Project

AMIS (Agricultural Marketing Improvement Strategies) Project involvement in this project began in the Fall of 1989 with a USAID/Bolivia request to assist in planning the marketing of crops being promoted by AID and the Bolivian government as alternatives to coca. Without assured markets for these crops, it was apparent that crop substitution efforts were likely to fail. Originally conceived of as a series of export market studies, AMIS has expanded its activities to include contact with U.S. food and agribusiness firms -- who could serve as buyers or joint venture partners with Bolivian firms in marketing and processing of crops coming from the coca-growing and adjacent areas of Bolivia.

Address by Robert Gelbard, U.S. Ambassador to Bolivia

At present, the relationship between Bolivia and the United States is particularly close. President Bush and Bolivian President Paz Zamora completed a series of meetings only yesterday (May 9, 1990), in the course of which a new trade agreement was signed with Carla Hills, U.S. Trade Representative, and a new extradition treaty agreed upon.

U.S. goals in Bolivia are three-fold:

1. **Support of the democratic process:** The third consecutive democratic election was held last year, contested by the center-right and center-left parties. The far right was completely excluded from the government, the far left reduced to a few seats. The present government is a coalition of the two center parties.

2. **Economic stabilization:** Following the 1985 elections, the Bolivian administration felt it had a mandate for change and installed a top-flight economic team. An economic stabilization program designed by Harvard University's Jeffrey Sachs was put into place. Since then the annual inflation rate dropped from its previous high of 25,000% to 1.6%, as recorded during the first few months of 1990. Bolivia has almost no commercial debt at present. Assisted by the IMF and the World Bank, many state-owned enterprises are being privatized. Although Bolivia is the second poorest Latin American country after Haiti, and is hurt by the

instability of three inflation-ridden bordering countries (Brazil, Argentina and Peru), all indications are that Bolivia will remain stable and continue to grow.

3. **Anti-narcotics programs:** Bolivia is the second-largest coca producer after Peru. The U.S. has assisted the administration in the development of a three-part anti-narcotic program: interdiction, eradication, and alternative development. Initially, the emphasis was on creating a surplus of the crop by halting the shipments of Bolivian coca paste to processing facilities in Colombia. This has been successful. The price of coca leaves has declined from \$90 per hundredweight (cwt) last August to \$7 to \$15/cwt at present. This is less than the cost of production of coca paste at \$30/cwt.

The present emphasis is on crop substitution, particularly in the prime coca-growing region of the Chapare. Farmers joining the crop substitution program receive \$2000/hectare for eradication and are offered credit and seedlings for planting of alternative crops. When eradication reaches a given level, a community becomes eligible for development aid in roads, electrification, schools, irrigation and agricultural training. The monthly eradication rate doubled from December 1989 to April 1990 (to 1143 ha), and more than 3600 ha. were eradicated in the first four months of 1990. By the end of the year it is hoped that 25% of all plantings will have been eradicated.

The AID program in Bolivia has been running at \$80-85 million during the last couple of years. If the Bolivian government continues a vigorous counter-drug and economic reform programs, U.S. aid could double, reaching \$150 million by 1992-94. Much of this aid is in the form of balance of payment support, covering imports of capital goods and raw materials, and for debt repayment. There is a strong alternative development program in place, including organization of producers, provision of marketing infrastructure, market information, and road building. Bolivia now needs export marketing know-how: what to market, how to market it, and where to market it. To encourage foreign investment, Bolivia has created what is perhaps the most open investment climate in the developing world.

Remarks by James Fox, Chief Economist, Bureau for Latin American and the Caribbean

Bolivia has seen three consecutive open elections during the past decade: in 1982, following which there was a transitional phase when the economy suffered severely; 1985, when courageous moves were made to cut the size of government, replace government regulation by market forces and institute an austerity program; and 1989, by which time all parties had recognized the viability of the current economic program and fully supported it. Currently, Bolivia offers a very attractive investment climate.

Remarks by Robert Queener, Director, Office of South American and Mexican Affairs, LAC Bureau, AID

The Cartagena Agreement, recently signed by the presidents of the U.S., Bolivia, Colombia, and Peru, included a U.S. commitment to facilitate access to U.S. markets for Andean country exports. Through a new Andean Trade Initiative supported by AID policy dialogue and export promotion projects, it is hoped that the U.S. private sector would be encouraged to trade and invest in production and processing of new export crops in the Andean countries. The AID Bolivian portfolio includes projects aimed at non-traditional export promotion, including pre-export financing, medium-term credit for export products, agricultural research on export crops, and government policy reform.

Remarks by Dennis Finnerty, Chief, Trade Division, Bureau of Inter-American Affairs, Dept. of State

The Generalized System of Preferences was devised as a mechanism to provide incentives to export industries of the developing countries. Export products are nominated by countries eligible for the GSP and submitted to a petition review board headed by the U.S. Trade Representative. During public hearings, representatives of the developing countries, U.S. businesses, and other concerned parties are heard. If a product passes through the petition review, it is appended to a list of eligible products. Thereafter, any GSP country may export the product to the U.S. duty-free on a most-favored-nation basis. Of the 129 products from Andean countries presently before the petition review board, 50 are agricultural products. Bolivia has asked that three products be put on the GSP list, all of them sensitive as far as U.S. producers are concerned: cut flowers, soybean oil, and frozen orange juice. Those still interested in presenting a case in this review may do so through the end of May. The results will be announced in July.

Remarks by Alexander (Sandy) Shapleigh, Director, Private Sector Staff, LAC Bureau, AID

Bolivian government economic policy is focusing increasingly on encouraging non-traditional exports. Features of the policy include:

- macro-economic policies favoring exports
- a new foreign investment law (now in the Bolivian Congress)
- establishment of free trade zones, including privately-owned
- privatization of state-owned enterprises
- support of institutions promoting exports and crop diversification
- short and long-term credit programs
- programs to increase efficiency of the commercial banking sector

In addition, a joint U.S.- Bolivian Trade and Investment Council has just been created under the new bilateral trade agreement.

Remarks by David Cralle, Insurance Officer, Overseas Private Investment Corporation

OPIC's programs in support of U.S. investment abroad include:

- insurance against inconvertibility of foreign currency into dollars,

- insurance against expropriation,
- insurance against losses due to war, revolution, civil strife,
- loan guarantees issued to U.S. commercial banks or other lending institutions, and
- direct loans to U.S. small businesses and cooperatives.

OPIC programs are fully operational in Bolivia. Direct loans are available to Bolivian companies which are at least 25% U.S.-owned. An information packet on OPIC was distributed to participants by Mr. Cralle.

Issues addressed during a question and answer session:

1. Investment opportunities in other LAC countries: These will certainly arise, especially in light of the Cartagena agreements. AID's main purpose is to get the less-developed countries to the point where the U.S. private sector will be interested in investment.
2. Concern was expressed regarding duty charged on equipment brought into Bolivia for processing enterprises. It was explained that Bolivia has a tax rebate system paid against exports.
3. A question was asked about the inclusion of tomato paste under the GSP. No answer was immediately available.
4. The IFF representative was interested in lemon grass oil and felt that it should be included in the GSP list for Bolivia.
5. The McCormick representative indicated that the lack of infrastructure would be a significant obstacle to investment.
6. The Kraft General Foods representative stated that the company does not invest abroad, but does purchase products from those who do.
7. The Cargill representative stated that the company's previous experience in Peru was negative and costly. Cargill currently has large operations in orange juice in Brazil.

AFTERNOON SESSION: BRIEFING AT ABT ASSOCIATES, BETHESDA, MD

Remarks by Tom Mehen, AMIS Project Officer, Bureau for Science and Technology, AID

The AID-funded Agricultural Marketing Improvement Strategies (AMIS) Project has been involved in marketing studies in sixteen developing countries, of which Bolivia is one. Three types of activities are undertaken:

- rapid appraisals of marketing systems,
- applied research into selected marketing subsectors,
- pilot innovations to introduce marketing innovations.

The AMIS Project receives a small core budget from AID/Washington, but most of its funding comes from "buy-ins" from AID field missions. The Bolivia project being discussed today was funded in this way.

Remarks by Jerry Martin, Vice President, Abt Associates, AMIS Project Manager

Typical AMIS Project activities were described, including those in Madagascar, Senegal, Cameroon, and Tunisia. Participants were invited to an agribusiness roundtable in Pomona, California on May 31. AMIS assisted AID's Asia/Near East Bureau in organizing the conference, which is intended to promote an exchange of views on how AID can assist U.S. companies in trade and investment activities in countries in this region of the world.

Presentation by Aidan Gulliver, Agricultural Economist, Deloitte Touche (AMIS Subcontractor)

Mr. Gulliver summarized the findings of an AMIS team which recently completed a rapid appraisal of agricultural marketing systems in the Chapare and High Valleys regions of Bolivia for USAID/Bolivia.

Remarks by Michael Fader, Vice President (retired), H.J. Heinz Co.

Mr. Fader participated in a mission to Bolivia in September 1989 sponsored by Project SUSTAIN. Studies done by this project, which is supported by AID's Office of Nutrition, are undertaken by experts provided by U.S. food companies or by recent retirees from these companies. It supplies technical assistance and training to food processing enterprises in developing countries. During the recent mission, Mr. Fader and an official from Kraft General Foods visited the Cochabamba and Santa Cruz areas. They met with 48 companies, confederations and associations and received 79 requests for assistance. They also spoke to a number of cooperatives who requested information on U.S. cooperatives. They also looked at opportunities for installation of aseptic and Modified Atmosphere Packaging equipment. There are many international organizations involved in Bolivia, but most operate in the public sector.

While Mr. Fader was not impressed with the La Paz public market, he found well-preserved and plentiful fruits and vegetables in Santa Cruz and Cochabamba. Since only 1 to 1.5 million out of the 6.5 million population of Bolivia could be considered consumers of processed food products, any new food processing industry would have to be export-oriented. There is something of a Catch 22 situation in agricultural marketing: producers need to be assured of a market before investing in large-scale modern processing facilities, but the international market needs to be assured of large quantities, uniform quality, and competitive prices before investing in Bolivia. There are incentives for investing in Bolivia since the country has some of the largest undeveloped land areas suitable for cropping in the world, AID support is available to defray start-up costs, and credit is available.

Discussion

1. Bolivian investors: Investor groups involving the VASCAL and Dillman firms are very interested in linking up with foreign companies. The main need is for new technology and assured markets. There are many small

family-run and artisanal companies which have difficulty producing a large enough volume to interest overseas companies.

2. Soybean oil milling in the Santa Cruz area is increasing. Emphasizing development of this area could encourage out-migration from the Chapare region. Sesame is one possible crop.

3. A question was asked by the Nabisco Brands Representative about the potential for growing tobacco in the Chapare region. Mr. Abbott said he would try to get some information on this point.

4. Why concentrate only on the Chapare and High Valleys regions? Initially, this was done because the former was the prime coca production zone and the latter was the area from which most of the migration to the Chapare originated. However, more recently U.S. strategy is giving more attention to other high-potential agricultural areas which could attract out-migration from the Chapare. The Santa Cruz area is one example.

Wrap-up Session

Richard Abbott stated that it is hoped that the companies present will be interested in a visit to Bolivia to see the areas discussed today first-hand. The AMIS Project will be available for follow-up as necessary. Mr. Abbott asked each company representative in turn to give their impressions of the briefings, and to indicate their companies' probable response to an invitation to join a mission to Bolivia.

McCormick: The company does have an interest and is impressed with the potential in Bolivia. However they would be interested in alternative sources of supply for spices only if they were of higher quality or lower in price. They would like to see samples of spices before committing to a trip to Bolivia. It is unlikely that concessions would be made on quality or price in the interest of coca crop substitution.

International Flavors and Fragrances: There is some interest in a visit to Bolivia. The IFF representative was given some samples of essential oils recently sent from Bolivia, and plans to analyze these samples before deciding on next steps. He would like to get samples of the remainder of the 15 oils said to be available.

Heinz: The company is always looking for alternative sources of produce. Somebody from Heinz may consider making a trip to Bolivia. They would like to have samples, particularly of spices, before deciding on the trip. Heinz can provide technical specifications for the products they buy.

Kraft General Foods: The company supports the efforts to involve U.S. private enterprise in Bolivia and would consider purchasing products from Bolivia. They might also offer R&D services for testing of products such as spices. It was noted that there could be a strong reaction from U.S. suppliers of similar goods to new imports from Bolivia. Kraft did make some contacts in Bolivia about importing coffee, but with negative results.

Nabisco Brands: Like Kraft, Nabisco buys much of its product from others. However Reynolds Tobacco could be interested if tobacco can be grown in Bolivia. Del Monte, formerly a part of RJR Nabisco, could be interested in tropical fruit. The Nabisco representative said he would contact both operations to determine interest. Other than that, he felt that the best help the company could provide at present would be technical support. It could take six months before a trip could be arranged to Bolivia. The representative noted that there was a risk to a Bolivian partner of a U.S. firm which agreed to subsidize prices on moral grounds (drugs), because policies could change with new management of the U.S. firm.

Tropicana: The company is interested in orange juice and pineapple concentrate. They would want to look at samples and determine volumes available, and would like information on prices of small quantities, either aseptic-packed or frozen. Purchases are always based on samples.

Note: The Cargill representative was unable to attend the afternoon session.

Actions to be taken

1. Copies of the AMIS report on marketing systems, together with notes from today's meetings, would be sent to each company representative. Data sheets on tropical fruit would be sent to firms interested in such products.
2. AMIS to inquire as to availability of samples of products discussed in the meetings and to make samples available to the attending companies.
3. Companies to advise AMIS (Richard Abbott) as to their interest in specific products mentioned in the briefing (and listed in the report).

APPENDIX C

9/1/90

Mr. David Ash
Vice President, Research & Development
Del Monte Foods USA
205 North Wiget Lane
Walnut Creek, CA 94598

Dear David:

Enclosed is my report covering the trip to Bolivia where I participated as the Del Monte Foods representative on the Bolivia Trade and Investment Mission team. My report basically covers our evaluation of the potential for the development of fruit concentrates and fruit purees for exportation by Bolivia. The key element in these evaluations was to find crops, with market value, as alternatives to the growing of coca.

I have not endeavored to cover in detail the many interactions we had with government and industry officials as these will be part of the overall report to be issued by Richard Abbott of Abt Associates.

The report covers the wrap-up discussion we provided to the U.S.AID personnel. These discussions were prefaced the the comments that we were not committing Del Monte Foods, or the other companies involved, to any financial or technical involvement, but were rather stating our findings during the mission visit. Details for further involvement of the participating companies would require specific negotiations when assistance is desired. I would comment, however, that with introductions as representatives from Del Monte there was a recognition of our company as a leader in fruit and juice products.

Thank you for the opportunity to serve in this capacity. I certainly gained a new perspective regarding U.S. involvement in AID. Messrs Abbot and Gumucio made very good team leaders and, thus, I feel the mission will provide some good input for specific actions to be taken in Bolivia.

I have included a copy of the report for you to pass on to Mr. Ewan MacDonald. I will be available to discuss any questions you may have following your review of the report

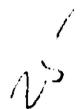
Very best regards to you and to all my Del Monte friends.

Sincerely,



Donald H. Winter

cc: Mr. Richard Abbott, Abt Associates
Mr. Fernando Gumucio, Consultant



TO: Del Monte Foods USA
Richard Abbott, Abt Associates
Fernando Gumucio, Consultant

FROM: Donald Winter *DW*

SUBJECT: Bolivia Trade And Investment Mission Report
August 15-23, 1990

MISSION PURPOSE:

The mission was developed under the direction of Abt Associates in conjunction with U.S. AID to study the potential for developing crops or products which would help the Bolivian economy through exportation and also provide alternatives to coca growing activities. My representation on the team was to evaluate the potential for developing a business in the area of fruit juice concentrates and purees (pulp).

PRODUCT RECOMMENDATIONS:

1. TROPICAL FRUITS: The potential exists in Bolivia for the development of a tropical fruit business. These products could include Pineapple Concentrate, Banana and Papaya Purees on a shorter term basis as some plantings of these crops are currently available. We assessed the quality of their fresh fruit forms and found the flavor and color to be good and, thus, we feel they would be satisfactory for concentration or pulping. Additionally, these concentrates and purees could be developed as a bi-product to a fresh fruit marketed product.

We found the yellow Passionfruit variety to be of good flavor and color quality, thus, allowing the development of a concentrate suitable for use in fruit drinks. Small plantings of Passionfruit currently exist but these would require expansion to provide sufficient product to be a viable export item. Two to three years would be required for commercial cultivation.

Additional product potential exists in Mango and Guava Purees, however, we did not evaluate either of these fruits as to their basic quality. A limited volume is available and these fruits were mentioned only in passing as we discussed the overall availability of tropical fruits.

Some exotic tropical fruits are being grown at the Agricultural Experiment Station, such as Carambola/Starfruit, Cherimoya, Guanabana/Soursop and Naranjilla. These fruits are not well known to general consumers and to become a viable export item would require considerable market development to gain acceptance to their special flavor characteristics. Therefore, these fruits are viewed as long range growth development products.

Our recommendation was to study the feasibility for developing the Tropical Fruit Concentrate/Puree market in conjunction with the development of the fresh fruit market. This would provide an outlet for excess fruit and for fruit not meeting fresh grade standards and are sorted out at packing sheds.

2. CITRUS FRUIT: Plantings of Orange and Mandarin citrus varieties exist in Bolivia. These are reported to be of poor flavor quality and are very low in juice solids. Efforts are underway to introduce improved varieties of these fruits but there still appears to be some uncertainty as to the varieties most suitable for the growing areas.

We recommended that the efforts to develop citrus concentrates for the export market be deemphasized or at least studied thoroughly before proceeding further. This recommendation was based on the costs and time required to become a significant factor in the firmly established citrus business so dominated by Brazil and the U.S. Finding companies guaranteeing to take their production may be very difficult to obtain. Additionally, the probability of the U.S. giving Bolivia a break in the tariffs on citrus concentrate is low.

We recommended the feasibility for developing an internal, Bolivian, citrus concentrate market be evaluated. Such a program would be to convert the locally grown citrus into concentrate to be used in fruit drinks for the Bolivian market and, perhaps, exported to neighboring countries like Argentina and Chili. This would also allow for greater utilization of the concentrate plants by providing a more continuous operation of these facilities.

CURRENT STATUS OF THE TROPICAL FRUIT BUSINESS:

Pineapple, Banana and Papaya are the most developed of the tropical fruit businesses. These crops provide fresh fruit for the local market and are exported to Argentina and Chili. The PPI-Del Monte Tropical Fruit Company representative to this mission will be providing a report regarding the fresh fruit phase of this business. No production facilities exist for the manufacture of concentrate or purees for these fruits. There are some grower associations associated with the growing and marketing of these crops.

The remaining tropical fruits are not well defined as to the quantities under cultivation or as to further expansion plans for acreage addition. The key element to the increased growing of these crops is the assurance of a market into which the products could be sold, particularly in the form of concentrate or puree.

It was reported that several studies have been made into the establishing of concentrate production facilities. All of these have remained as studies with no firm action implemented. We were given copies of production feasibility reports for the processing of citrus, banana, passionfruit and other tropical fruits into concentrates. These reports were prepared under the auspices of the United Nations in conjunction with their program to develop alternatives to coca cultivation. We were requested to review these reports and to make recommendations as to their viability. I indicated we should have an evaluation in about two months. Once again we reiterated the importance of knowing a market exists for the products before investments are made in the erection of manufacturing facilities or in the expansion of growing acreages.

I visited a small fruit drink operation in Santa Cruz, SEASA (Servicios De Envasado Aseptico S.A.). This company, owned by VASCAL

the Bolivian franchisee for Coca Cola, produce a line of natural fruit drinks under the Frut-All brand name. The fruit drinks are packed in 1/4-liter and 1-liter Tetra Brik cartons and include Orange, Apple, Pear, Apricot and Tumbo (a relative of passionfruit) product forms. The Orange concentrate used to produce the drink is imported from Argentina. The Pear, Apple and Apricot concentrates are imported from Chili. SEASA crush their own Tumbo fruit and extract the juice using a finisher installed in their plant. The operation was very clean and has the normal tanks, pasteurization, filling and packaging systems as required for a Tetra Brik aseptic production facility. Currently, the volume of production (20,000 case/month) is low due to a depressed market as less coca money is available within the economy. SEASA and Dillman both responded affirmatively to my question of using locally produced Orange concentrate if it were to be produced in a plant producing other fruit concentrates or purees. During this meeting, Sr. Hugo Pena Rodriguez of Dillman indicated they were re-thinking their position on going into Orange concentrate production as based on our earlier meeting with Dillman at which the issue of Orange concentrate and the Mission teams' concerns and recommendations were discussed.

A milk/cheese/yogurt production plant was also visited. This plant is being financed by Denmark through the United Nations. The plant will be modern in equipment and design when completed. I mention this operation as it could also produce juice products for the local market or exportation to neighboring countries, however, the development of such a market in the volumes required to operate a facility of this size would be a long range project.

We visited Hielo Seco S.A., a company implementing a refrigerated transportation system. This operation will use dry ice to chill product shipped in insulated, 20 foot, container trucks. They expect to have a cold storage chain in operation by 1991 with the potential for expansion as needed. This system would allow the transporting of fruit concentrates and purees under refrigerated conditions.

A key area addressed for all phases of agricultural production was the establishment of the infrastructure (roads, electricity, irrigation, cost of start-up, etc.) required in order to handle the flow of materials. This information will be covered in the Mission's full report.

WHAT IS REQUIRED TO PRODUCE FRUIT CONCENTRATES?

Consideration should be given to developing a multi-purpose facility for the production of fruit concentrates and purees. The concentrates would include Pineapple (60-72 degrees Brix range), Passionfruit (50 degrees Brix) for the export market. Orange (65 degrees Brix) and Mandarin (65 degrees Brix) could also be a possibility for increased plant utilization if local market need would justify the additional equipment required to process these concentrates.

The Purees (Pulps) would include Banana, Papaya, Mango and Guava for exportation. Other tropical fruits could be added as the markets are developed. We recommend these be marketed as single-strength juices rather than attempting to concentrate them. This product form will

retain the better flavor and color quality. Additionally, a separate - evaporator would be required to handle the more viscous, pulpy juices.

While different juice extraction procedures are required to process the various types of fruit, the evaporation, heat treatment and packaging procedures are quite similar. We recommend using an aseptic packaging system which would allow the use of refrigerated storage and ambient temperature shipment. The technology is available to establish such a facility but the Bolivians indicated they would need to have persons with expertise in these areas to assist in the building, equipping and training of operators at all stages of the process.

With respect to the quality control of products, we visited a University in Cochabamba which could be used to monitor production samples of juice products, essential oils, spices and colorants. They are doing applied research particularly as related to the essential oil businesses. Laboratories are equipped to conduct standard wet chemistry analyses (density, RI, acidity, etc.) plus gas chromatographic and spectrophotometric analyses (oils, colors). A microbiological laboratory is also available for microorganism testing.

Several methods for ensuring a supply of fruit for processing were discussed. The most viable method appears to be one in which a sponsoring company would obtain, by purchase or lease, about 50% of the required producing lands and then contract with the Camposinos for the remaining 50% of fruit requirements. This would provide a known quantity of fruit supply which was grown and handled by established procedures. It would also be feasible for the sponsoring company to sell off their share to the local farmers over a period of years, maintaining them under contract, once the operations were firmly entrenched and economically sound.

The many elements involved in establishing an operation in Bolivia, such as financing, government/agency involvement, grower organizations, etc., will be covered in the major report to be issued by Abt Associates.

WHERE WOULD PRODUCTS BE SOLD?

Pineapple concentrate, on basically a world-wide basis, has seen growth as an alternative fruit juice plus usage in juice drink products has increased. These factors have contributed to shortage of supply at times. Thus, it would appear Bolivia could compete on the world market provided the quality is good and the price is competitive.

There is a good market for Passionfruit concentrate of good quality and suitable cost. There is a market for Papaya, Guava and Mango purees but the use volumes are not very high. This could probably be expanded with cost at the right level. Marketing of these juices is usually handled through Brokers with little direct purchase by U.S. companies. Companies who may consider direct involvement might include Del Monte/P&G, Ocean Spray, Tropicana, Dole, TreeTop.

In our discussion of concentrates with Fernando Claure, Consultor Nacional for UNFJNC, he commented that Passi, a Swiss company, indicated they would purchase 1760 Mt. of Passionfruit concentrate if the product were produce according to their specifications for equipment and finished product. The price offered was \$3.00 per kg., CIF Amsterdam. This price equates to \$14.00 per U.S. gal. for 50 degree Brix concentrate which is a very good price for quality Passionfruit concentrate. We (Del Monte) have purchased Passionfruit concentrate marketed by Passi, through Brokers, in the past.

WHERE COULD DEL MONTE ASSIST IN THIS PROJECT?

The major area of involvement could be through technical assistance. Vast experience is available within the company, both active and retired personnel, in the handling of fruit and fruit juices, such as Pineapple, Papaya, Guava and Passionfruit. This includes planting material selection, cultural practices, harvesting, post-harvest handling, extraction, concentration, packaging, and storage and shipment procedures. Expertise is available for the required quality control and microbiological testing procedures training. Such assistance as advisors in the training of Bolivian personnel could be available at a cost. These costs would need to be pre-determined and verified for acceptability through the various governmental agencies.

It may also be possible to work in conjunction with another company. If PPI-Del Monte Tropical Fruit Company were to be interested in the fresh fruit part of the business, Del Monte Foods could provide guidance for the conversion of the excess, non-standard fruit into concentrate.

GENERAL COMMENTS/IMPRESSIONS

I participated in discussions and plant visits as related to spices, essential oils, colorants, tea, yuca and dehydrated products, all of which appear to have good potential as alternative crops to coca. Because of our involvement in the use of colorants and essential oils through years of product development, we provided Abt with names of companies which may have potential interest in these products.

In general, we found the Bolivian agencies and companies very interested in developing export markets as they recognize the limitations of the local market in size, numerically and economically. They also recognize the need for outside assistance to 1) determine where markets exist and their potential size, and 2) to receive the proper technical training in the preparation and handling of the products.

Currently, Bolivia has a stable government and economy, thus, offering good opportunity for investment or joint-venture involvement in alternate crop endeavors.

To me, there appeared to be considerable duplication of effort on the part of the various U.S., U.N., and Bolivian sponsored agencies. Many studies have been made and now is the time to focus attention on the most viable crop opportunities.

The trip certainly broadened my understanding of the importance for U.S. involvement in assistance to these under developed countries. It was a pleasure to work with the members of the Mission team. Additionally, I would like to express my appreciation for the work of Dr. Ney Lopez of U.S. AID who organized the contacts with the many agencies and companies beneficial to our gaining the knowledge required to make our recommendations. He was tireless in his efforts to accomodate our needs.

The next step in this program will be an in-depth feasibility study of selected projects as based on the recommendations of this team and the team scheduled to visit Bolivia in October.



PPI Del Monte Tropical Fruit Company

August 20, 1990

Christine M. Erbacher
Bolivia Mission Coordinator
Project Office
4800 Montgomery Lane
Suite 600
Bethesda, MD 20814

Re: Bolivia Trade and Investment Mission

Dear C. M. Erbacher:

Thank you for coordinating my visit to Bolivia and providing me the opportunity to observe first hand the agricultural conditions there. In general, there is much land suitable for agricultural development and there is apparently plenty of available labor. There are, however, significant drawbacks in Bolivia which, in my opinion, will prevent major volume export of agricultural products in fresh form to the North American and European markets. The principal drawbacks are a lack of basic infrastructure (roads, agricultural technology, refrigeration facilities, etc), expensive transportation costs to seaports, and agrarian reform (prevents efficient scale mass production). On the other hand, there is suitable land to support agricultural development for the Bolivian and adjacent countries' markets, where the above drawbacks are not as significant.

First, I suggest investigating products currently being imported that could be produced locally at a lower cost, examples include apples, citrus, grapes, black pepper, etc. Second, there is the possibility of developing products that are not available or under-developed in the adjacent countries where Bolivia would have a competitive advantage versus the current sources. In this instance, Bolivia would require investment in agricultural technology and for developing the necessary quality practices and facilities to result in "exportable" products. An example of this would be bananas and pineapple for the Argentina and Chile markets. A suggested approach for banana would be:

- Years 1 and 2 - Development of agricultural technology and necessary quality practices.
- Year 3 - Initiate construction of "Ecuadorian" type packing plants and begin shipment of export quality product to Bolivian market.
- Years 4 and 5 - Continue development of packing plants and export to Argentina and Chile.

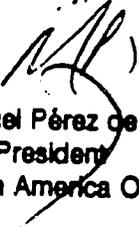
32

Under this program, it is not unrealistic to target an annual three (3) million rate of packed boxes (40 lbs. net). This translates to roughly 60 million kilograms of export quality bananas which implies 2,000 hectares of commercial quality banana production. This may not be significant overall, but it is important to note that currently there is no commercial quality banana production in Bolivia. Representative of the difference is that the per hectare return to the farmers would be a factor of four to five times the current returns. Pineapple would follow a similar program but I would proceed cautiously as it is a more agriculturally intensive product. Citrus, the other product where PPI Del Monte has significant expertise, would not be recommended other than to serve the local market due to the strong competition from Argentina, Brazil, Chile, and Uruguay.

By copy to Gary D. Bratcher, who is responsible for PPI Del Monte's banana and pineapple production in Latin America, I suggest your office contacting him to provide one or two of our technical personnel for a brief tour and symposium in Bolivia. I understand that some of the farmers have visited more advanced operations in Costa Rica but our people can provide a more direct instruction to a greater mass, including the IBTA technical personnel on hand, who can then follow through on an ongoing basis.

I would be interested in returning in another 18-24 months to observe conditions again. In the interim, if you have any questions or comments, please call.

Respectfully,



Manuel Pérez de la Mesa
Vice President
South America Operations

MPM/bh

c: R. D. Abbott
G. D. Bratcher
F. R. Gumucio
R. A. Harrah
B. E. Haycox

BASIC VEGETABLE PRODUCTS

10 October 1990

Mr. Richard Abbott
ABT ASSOCIATES
4800 Montgomery Lane
Bethesda, MD 20814

Dear Richard:

I apologize for the delay in getting back to you. As I mentioned to you last month, squeezing Bolivia into my already busy schedule was difficult: getting a report off to you was even more so.

In my very limited view of Bolivia I came away with some impressions that might be of some benefit to you and your associates in U.S. AID. I will address possible opportunities I identified in areas of agri-business about which I have some knowledge - specifically onion, garlic and potato production, and vegetable seed production.

SHORT TERM:

SEED PRODUCTION

Opportunities may exist for vegetable seed production. Requirements for isolation, low cost labor, low technology and mild climate are readily available in the Vallos Altos and Santa Cruz regions.

I would recommend you contact international seed companies like Ferry Morris, Northrup King, Asgrow etc., to solicit their involvement.

FRESH GARLIC

Opportunities may exist for producing fresh garlic for the export market. Latin American markets, particularly Brazil, consume large amounts of garlic; much of which is imported.

Because of low technology requirements, high labor content and proximity to markets, fresh garlic production and packing would be well-suited for the Vallos Altos, Cochabamba regions. Vallos Altos region has many growers well versed in garlic and onion production techniques. With some post-harvest and marketing assistance, this area might become an important supplier to the Brazilian and other international markets.

34-

(2)

Mr. Richard Abbot
ABT ASSOCIATES

10 October 1990

I would recommend you contact one of a few firms specializing in the international garlic trade. I will provide a list of referrals upon request.

LONG TERM

VEGETABLE DEHYDRATION

Opportunities may exist for an onion, garlic or potato dehydration plant in the Vallos Altos region. This growing area has the necessary grower expertise. Nearly all farmers grow onion, garlic and potatoes currently. Infrastructure within the region (roads, utilities, water, etc.) and skilled workforce is lacking and would need to be developed.

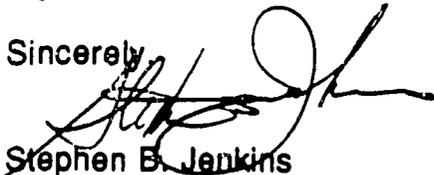
Markets for dehydrated onion, garlic and potato would only be for export because no significant Bolivian markets exist for these products.

Smaller operations like Mario Brock in Cochabamba could be developed into a reasonable commercial exporter with 10-15 years of technical assistance and capital of \$15-20 million.

The aforementioned opportunities were conveyed to the management of Basic Vegetable Products and our affiliate, Basic American, Inc. It was felt that because of the length of time necessary to develop a business in Bolivia, lack of proximity to our markets, and the many other opportunities Basic is pursuing around the world, we could not adequately dedicate the resources necessary to proceed with any of the possible opportunities identified in this report.

Please thank Fernando, Ney and the others who worked so hard to assemble the mission. All involved did an outstanding job putting this comprehensive itinerary together. We covered a lot of ground in a short time.

Sincerely,



Stephen B. Jenkins
Director, Latin American Sales

SBJ:hmk



McCORMICK & COMPANY, INC. 11350 McCORMICK ROAD, HUNT VALLEY MD 21031-1066 USA
TEL (301) 771-7301/TELEX 87-410/CABLE McCORMICK

December 6, 1990

Mr. Richard Abbott
ABT Associates, Inc.
4800 Montgomery Lane, Suite 6000
Bethesda, Maryland 20814

Dear Mr. Abbott:

The following is an account of my findings on the recent trip to Bolivia.

Objective

In the well-known campaign to eliminate coca production examine the possibility of Spice Crops being produced in substitution of coca in Bolivia.

Summary of Findings

Bolivia has the climate and potential to produce several spice crops. The arid regions appear capable of producing the seed spice crops (anise, cumin, sesame) and the leafy herbs (oregano, thyme, rosemary). The humid tropical region is well suited for black pepper, turmeric, ginger, cardamon, etc. Currently some spice crops are being produced in experimental and limited quantities. The quality of some of these is being assessed in our labs.

The big question is not whether the spice crops that McCormick buys can be produced in Bolivia, but can Bolivia produce them at prices competitive with Brazil, Egypt, Indonesia, etc. Also will spice crops give a return to the grower that will dissuade him from producing coca? These answers are needed to seriously decide on Bolivia's potential with spices.

There is a lot of government interest and involvement in the promotion of alternative crops. However, I did not notice private companies getting involved in the promotion, production and marketing of alternative crops such as spices. It is worth noting that virtually all of McCormick's supply channels are with private market-driven entrepreneurs. It is highly unlikely that spice crops will make it without private Bolivian companies taking the lead role.

Mr. Richard Abbott
December 6, 1990
Page Two

McCormick's Position

There currently is not a shortage of spices or spice suppliers world-wide, in fact, some spices are at near record low prices. There is not a deficiency of quality with current suppliers to the degree that new suppliers have to be identified. McCormick operates in a highly competitive marketplace with raw material a major expense. Therefore, new suppliers to McCormick would hopefully have a competitive advantage in cost or quality, etc.

Conclusion

The next step should be to determine the cost of producing these crops and getting them to market. Many spice crops have already been started in Bolivia. Once the production costs, freight and quality are determined a decision can be made on which products have potential.

There appears to be a high level of technical support for the growers with agronomists, etc. They are well on their way to growing many spice crops. It also appears that these growers of alternate crops will be financed through U.S. Aid, etc. to continue to produce for some time. Who will lead the charge to pull together production costs, getting products to markets, etc.?

It is highly improbable that McCormick would be interested in making an investment in Bolivia in the near future. However, we surely would look at any proposals. To put Bolivia's potential as a spice exporter in perspective someone will have to seriously examine costs of getting goods to market vis a vis current world prices.

There will be further dialogue within McCormick concerning Bolivia in the coming weeks. I will keep you posted of any pertinent information.

Best regards,



Tom McGovern

..lm



xc R. Abbott

McCORMICK & COMPANY, INC. 11350 McCORMICK ROAD HUNT VALLEY MD 21031-1066 USA
TEL (301) 771-7301/TELEX 87-410/CABLE 'McCORMICK'

December 4, 1990

TO: Bill Stevinson/PDAR
Ney Lopez/USAID

FROM: Tom McGovern

Greetings,

I have some lab data back on those samples:

- 1) Blk Pepper - Volatile oil 5.68% v. high
Normal is 3.5%
- 2) Turmeric Picada - Curcumin is low
4.12% vs spec of 5-6.6%
Volatile oil good at 3.83%
- 3) Turmeric Quatered - Curcumin is low
4.67% vs spec of 5-6.6%
V. oil okay at 4.67%
- 4) Ground Tumeric - Curcumin and v. oil v. low.
- 5) Cumin Seed - Vol oil high at 4.2%
- 6) Anise Seed - Vol oil okay at 2.24%
- 7) Ginger - Vol oil - low 1.14% vs 1.5% min.
- 8) Coriander - Vol oil good 1.46% vs 0.3% min.

I hope this information is helpful and that everything is going well for you.

Best regards,

Tom



APPENDIX D

APPENDIX D
LIST OF CONTACTS

USAID: Carl Leonard, Mission Director
John Davison, Acting Deputy Director
Darrell McIntyre, ARD
Charles Hash, ARD
Jerry Harrison-Burns, ARD
David Lozano, ARD
Oscar Antezana, Mission Economist
Richard Rosenberg, PS
Ney Lopez, Cochabamba
Tex Ford, Cochabamba

Bolivian Government, La Paz:
Lic. Jorge Quiroga, Undersecretary, Ministry of Planning
Lic. Edgar Schwarz, Undersecretary, Ministry of Finance
Ing. Oswaldo Antezana, Undersecretary, SUBDESAL

UNIDO: Carlos Bravo
Steve Holloway (Washington D.C. office)

UNFDAC/Villa Tunari:
Giovanni Quaglio

CARANA Corp.:
Curtis Sittenfeld (La Paz)
(Santa Cruz)

Regional Alternative Development Project (PDAR):
Project staff

IBTA/Chapare (La Jota):
Station staff

Agroquimico (Sam Simon University), Cochabamba

CORDECRUZ:
Guillermo Serrate, Agricultural Marketing Dept.

Bolivian private sector:
Dillman Co. (fruit juice)
Asohfruit (fresh fruit)
Frigorificos Santa Cruz
Hielo Seco (dry ice, insulated shipping containers)
Camara de Exportadores, Santa Cruz
Bloch Co. (spices)
PROMOSOR (Assoc. of Maize, Sorgum, Garlic and Tobacco Producers)
Small business association, Cochabamba

Other localities visited:

UNFDAC tea, citronella and yucca plants, Chapare

Milk plant, Chimore

Garlic, onion and potato growing areas, Valles Altos

Tobacco growing area, Valles Mesotermicos

APPENDIX E

APPENDIX E

ACCOUNT OF AMIS AGRIBUSINESS COMPANY CONTACTS

1. **Alza Corporation:** A firm involved in herbs, spices, and medicinal plants for homeopathic medicine, Alza was unable to schedule a visit for October. However, there is a possibility of future interest in participating in a mission. AMIS is currently exploring that possibility.
2. **Basic American Foods:** Basic Vegetable Products, an affiliate of Basic American Foods, participated in the August mission. The company was originally interested in seeds, dehydrated vegetables, and some herbs. It found possible opportunities for vegetable seed and fresh garlic production in the near term, with long term possibilities for onion, garlic, and potato dehydration. Basic Vegetable Products does not now plan any investment in Bolivia, but will put us in contact with a technical specialist used by the company.
3. **Cargill Inc.:** A company interested in citrus, they attended the May 10 briefing at State. However, they were not available to make the time commitment for the first mission and felt that although coffee and cocoa might be of interest, Bolivia was not in a position to compete with Brazil in citrus unless duties were reduced considerably in the U.S.
4. **Del Monte USA:** Interested in possibilities for tropical fruit juices and concentrates in Bolivia, Del Monte participated in the August mission. They found a potential for development of a tropical fruit juice business, starting with pineapple concentrate and banana and papaya purees, as well as passion fruit juice if greater quantities were available. Although not interested in investment at this time, Del Monte would be willing to free up an employee to assist in the start up of a tropical fruit juice business, if costs were covered by AID. In return, they would like first option on purchasing the products.
5. **Great American Farms Inc.:** Primarily involved in fresh produce exportation from the U.S. and importation from the Caribbean and Central America, PIP used its pre-existing relationship to feel out interest in a relationship with Bolivia. We are still exploring these possibilities.
6. **Heinz USA:** Heinz USA participated in the May 10 meeting at State. However, they were only interested in participating in a mission if finished products of spices, tomato paste, cocoa, and banana puree were available. As this is not the case, Heinz wrote to McCormick expressing interest in purchasing spices from them which McCormick would process from raw Bolivian spices.
7. **International Flavors & Fragrances (IFF):** Although unable to attend either an August or an October mission, IFF has received samples of several essential oils from Programa Agroquimico, a laboratory in Cochabamba. They have now been put in direct contact with Agroquimico and are purchasing 50

kg. each of citral and eucalyptol for further analysis. There is currently a good market for quality citral.

8. **International Tropical Fruit Promotions, Inc.:** The President of International Tropical Fruit Promotions, Inc. received our material on Bolivia, but at this time sees no arena for cooperation regarding Bolivia.

9. **Kraft General Foods:** Kraft participated in the May 10 briefing at State, but informed AMIS that as a purchaser of final products, there was no benefit in Kraft participating in the missions. The company would, however, support processors in Bolivia through the procurement of finished products, either directly or through suppliers. Products of possible interest are tomato paste, spices, coffee, and fruit items, provided quality meets their standards.

10. **McCormick & Co. Inc.:** McCormick participated in both the May 10 briefing and a mission in October. Although they have not yet filed an official trip report, McCormick's representative was very positive regarding his experience. However, as spice supply is only potential at this point, their future interest in purchasing from Bolivia will depend on quality and availability. McCormick is willing to work with Bolivia on quality standards. At this time, the company is still deciding on the position which it will take and will be submitting a report by late November.

11. **Peto Seed Company:** Peto Seed is interested in hybrid seeds. They are willing to take part in a mission to Bolivia, but not until January when travel schedules will permit. Peto is interested in the possibility of a small test plot, checking quality of labor and farming and sophistication of the work force.

12. **PPI Del Monte Tropical Fruit Co.:** PPI participated in Abt's Western Agribusiness Conference in May and in the August mission. Their focus of interest was in tropical fruits. PPI concluded that there was long-term potential for development of fresh pineapple and banana exports to neighboring countries, but high transportation costs precluded exploitation of North American and European markets. PPI has offered to make one or two personnel available for a symposium on banana production in Bolivia, which could lead to preparation of a five-year production plan. However, due to financial difficulties within the company, contact has been difficult to make with any officers regarding further cooperation.

13. **The Quaker Oats Co.:** Contact was initially made with Quaker purchasing and government relations officers in an attempt to interest them in work in Bolivia. However, the case for potential benefits to the firm was not great enough for these officers to bring the AMIS project as a proposal to upper management.

14. **RJ Reynolds:** A tobacco expert from R.J. Reynolds Tobacco participated in the August mission to Bolivia, examining the black tobacco potential. Reynolds is extremely interested in working in Bolivia and is making plans

to set up a small operation in the Mairana area, including trial plots of various tobacco varieties together with drying and curing facilities.

15. **Sun World International, Inc.:** Sun World is involved in very product-specific produce, such as seedless watermelon and red and yellow bell peppers, seeking specific hybrid varieties or off-season markets to get an edge over the market. They saw no incentive for participation in a mission to Bolivia, given their product-specific market approach.

16. **Tea Cultivation Project:** A tea cooperative has been established under UNIDO auspices but needs technical assistance to increase the scale and level of production. AMIS has been approached by a consultant in tea production, manufacturing, and machinery who could assist in the technical aspects of production of black tea for export. We understand that the consultant's employer, MacNeill & Magor Ltd of India, would not be a potential investor.

17. **Tropicana Products Inc.:** Tropicana works in citrus juices and sees too many difficulties and too great a competition from Brazil to be interested in operating out of Bolivia. The start-up time alone would be prohibitive, as well as transportation costs and U.S. tariff levels. Further, Tropicana has no foreign investment, instead preferring to remain a purchaser of products. Tropicana generally uses Cargill as a broker.

18. **Warner-Jenkins Company:** Warner-Jenkins is interested in natural colors, in particular carmine, annatto, and turmeric. They are particularly seeking new sources of turmeric, as India has a cartel controlling 95% of the turmeric supply. They are waiting to receive properly dried samples for testing of the bixin content and other technical specifications. Warner-Jenkins is interested in purchasing if quality is adequate and is further willing to assist in technical analysis of the colorants.

SUPPORT TO ACTIVITIES NOT INITIATED BY AMIS

19. **Cavaiani Farms:** A nut farmer and processor from California, Mr. Cavaiani is currently planning to establish a nut processing plant in the Chapare region. He is interested in peanuts, macadamia nuts, cashews, and Brazil nuts. He has continued interest in working with the AMIS project in planning his plant and is seeking information on sources of financing.

20. **International Agro & Food Processors:** They have already begun work on the establishment of a joint-venture in citrus processing in Bolivia with the Dillman Company, so participation in a mission was not appropriate. We are, however, maintaining contact.

21. **Ralston Purina International:** Ralston Purina is currently considering a feed plant operation in Bolivia, producing feed for poultry, hogs, and dairy cattle which would involve technical assistance and trademark licensing to a local entrepreneur. Ralston has expressed interest in

working with AMIS, although contact with the Brazilian company representative who is handling the Bolivian contacts has not yet been established. Ralston looks at this plant as a producer for an essentially domestic Bolivian market.