

## **AGRICULTURAL MARKETING IMPROVEMENT STRATEGIES PROJECT**

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**PROMOTING AGRIBUSINESS  
IN ASIA, EASTERN EUROPE, THE  
NEAR EAST, NORTH AFRICA AND THE SOUTH  
PACIFIC:  
A STRATEGY FOR A.I.D.'S AID MISSIONS**

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**January, 1990**

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Summarizes eight priority areas in a strategy for the Asia Near East Bureau of the Agency for International Development to foster agribusiness development. The Strategy focuses on four areas: 1) reforming policy to support a healthy business climate; 2) providing agribusiness with a clear source of information and support in Washington and at the A.I.D. country mission level; 3) developing agribusiness management skills and capacity within A.I.D. and the countries in which it works; and 4) identifying country and product specific opportunities and constraints. In addition, four areas in which A.I.D. will play a facilitating role are discussed: technology development and transfer; financing; infrastructure development and maintenance; and contributing to assured availability of machinery, raw materials and supplies. The report concludes with a review of ongoing and planned A.I.D. actions to implement the strategy and issues for discussion by A.I.D. and agribusiness.

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**Promoting Agribusiness In Asia, Eastern Europe, the Near East,  
North Africa and the South Pacific:**

**A Strategy for A.I.D.'s ANE Missions**

**Asia Near East Bureau  
Agency for International Development**

**January, 1990**

# Promoting Agribusiness In Asia, Eastern Europe, the Near East, North Africa and the South Pacific:

## A Strategy for A.I.D.'s ANE Missions

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This document is the final product of the first phase of the "Asia Near East Agribusiness - Food System Strategy Study" conducted by Abt Associates Inc. and its subcontractors in the Agricultural Marketing Improvement Strategies Project (AMIS), the Postharvest Institute for Perishables of the University of Idaho and Deloitte Haskins and Sells. Funding is from the Asia Near East (ANE) Bureau Office of Technical Resources (TR), Agriculture and Rural Development (ARD) Division.

Expanding upon the July report, "Agribusiness Development in ANE: Strategic Issues and a Plan for Action" this report incorporates results of the first ANE Agribusiness Roundtable held in July 1989, the first ANE Agribusiness Working Group meeting held in September and interviews conducted with agribusiness executives in the U.S. and abroad. Previous AMIS reports summarize and document A.I.D. country experience with agribusiness-related projects and programs.

# **Promoting Agribusiness In Asia, Eastern Europe, the Near East, North Africa and the South Pacific:**

## **A Strategy for A.I.D.'s ANE Missions**

### **Executive Summary**

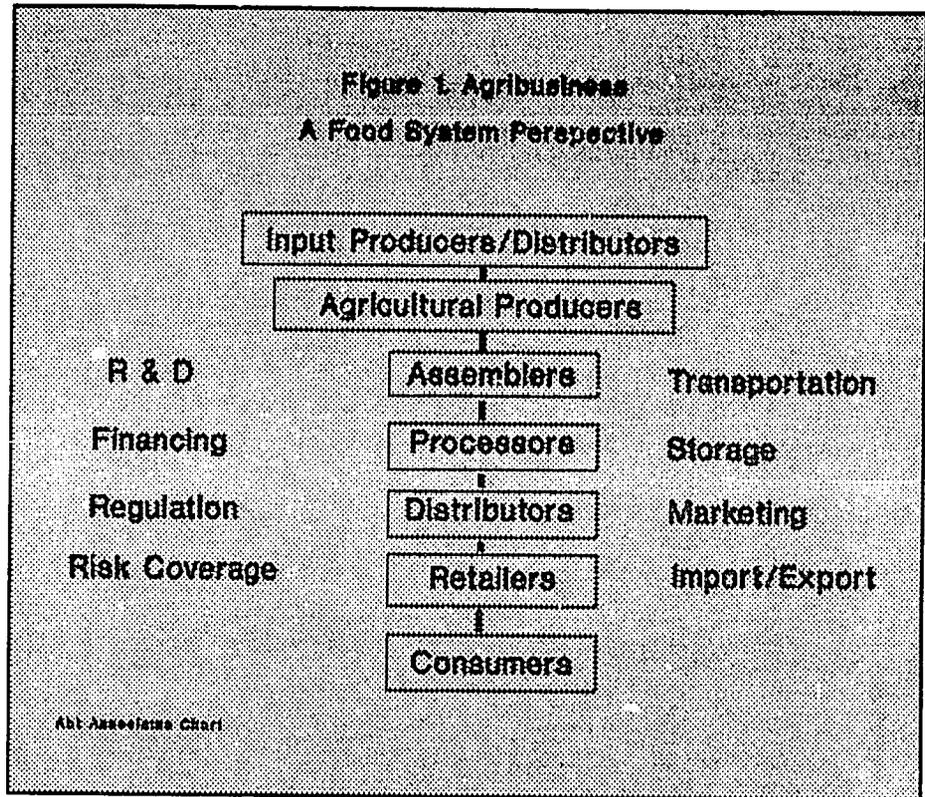
*The Asia Near East Bureau of the Agency for International Development is attempting to work more closely with agribusiness to promote investments, joint ventures, licensing arrangements and imports and exports that will contribute to rural employment and income growth in 20 countries of Asia, Eastern Europe, the Near East, North Africa and the South Pacific. This report summarizes eight priority areas in a strategy directed at agribusiness development. A.I.D. will focus on four areas: 1) reforming policy to support a healthy business climate; 2) providing agribusiness with a clear source of information and support in Washington and at the A.I.D. country mission level; 3) developing agribusiness management skills and capacity within A.I.D. and the countries in which it works; and 4) identifying country and product specific opportunities and constraints. In addition, four essential areas in which A.I.D. will play a facilitating role are discussed: technology development and transfer; financing; infrastructure development and maintenance; and contributing to assured availability of machinery, raw materials and supplies. The report concludes with a review of ongoing and planned A.I.D. actions to implement the strategy and issues for discussion by A.I.D. and agribusiness.*

### **Introduction**

After several decades of development assistance that has focused on production agriculture and food self-sufficiency, the need has become clear for a broader-based strategy aimed at activities that promote rural income growth. Policy makers are recognizing that neither food security nor broader access to improved standards of living can be achieved through policies and programs that focus exclusively on local agricultural production. Emphasis is shifting to strategies that increase agricultural production as well as develop other sources of revenue permitting individuals and nations to buy food and a range of goods and services associated with economic development.

An examination of the development process around the world indicates that production agriculture generally occupies a declining percentage of national labor forces as incomes grow. At the same time, agribusiness, the food and agricultural supply, assembly, and processing and distribution industries, generally grow rapidly. In the U.S., for example, value added in the food marketing system is about triple the farm value of agricultural products. Furthermore, labor income in the food marketing system is about one-third greater than the total farm value of food products.

Agribusiness as discussed here involves the channels from input producers and farm suppliers through producers, assemblers, processors, wholesalers, brokers, importers, exporters, retailers and institutional distributors to consumers. It also involves such functions as research and development, transportation, packaging, storage, marketing and promotion, risk management, financial services and a variety of government



activities including regulation (see figure 1). While agricultural production can be an agribusiness activity, the primary focus in this analysis is on activities "outside the farm gate."

### **Why Focus on Agribusiness?**

As part of the "Open Markets - Open Societies" strategy that A.I.D. is proposing for the ANE region<sup>1</sup>, agribusiness development has several strong attractions:

- o Agribusiness lends itself to decentralization,--a shift of jobs and other income generating opportunities toward rural areas. It can slow the massive migration to urban areas and ease the resulting growth pressure. Where decentralization does not lead directly to rural growth, it can encourage the development of smaller urban centers, where the costs of providing public services are often lower.
- o While production agriculture's share of employment and GNP may shrink as countries grow, the importance of related input supply, assembly of

<sup>1</sup> "Meeting the Challenge: A Food Systems Strategy for Growth in the 1990's" November, 1989. The Asia Near East Bureau of AID supports agriculture-related programs in Thailand, Philippines, Indonesia, Pakistan, Sri Lanka, India, Bangladesh, Tunisia, Egypt, Morocco, Jordan, Yemen, Oman, Afghanistan, Nepal, the Pacific Islands, Poland and Hungary.

agricultural products, processing and distribution industry, that is, the components of agribusiness, is likely to increase.

As incomes rise and demand for better quality and more processed food products increases, agribusiness will play a greater role throughout the region. This process is evident as one scans marketing system development in low-income agriculture-based economies, transitional economies, and middle-income industrializing economies of the ANE region.

Agro-processing industries can provide import substituting products while creating jobs and other economic benefits. At the same time, growth in product processing for domestic and export markets can fuel demand and improve the ability to pay for imports. For example, Tunisia is exporting more olive oil and importing lower cost soy and other vegetable oils. In India and Pakistan options are under study that will permit processing of local fruits and nuts in combination with packaging of a range of imported products. At one time, U.S. feedgrain producers were concerned about competition from increased corn and cassava exports from Thailand. Now, however, Thailand's growth in meat production and processing is expected to lead the country to shift from being a net exporter to an importer of corn in the coming decade.

- o Linkages between specific projects and the rest of the local economy can lead to important multiplier effects on the growth of a country. For example, growth in processing is likely to stimulate demand for a variety of related services including packaging, transportation and distribution, some of which will lead to development of additional small, medium and large scale enterprises.

A.I.D. has supported development of an input-output model for Pakistan to estimate the magnitude of some of these effects. Recent estimates for the U.S. indicate that every dollar of agricultural exports generates an additional \$1.51 in other sectors and every dollar of import-substituting agricultural production generates an additional \$1.64 in supporting economic activity. While the fact that ANE countries have less developed marketing systems may mean that multipliers are initially smaller, evidence around the world indicates that the importance of services related to food and agriculture grows as countries move up the income ladder, so that larger multipliers can be expected.

## **The Foundation for an Agribusiness Promotion Strategy**

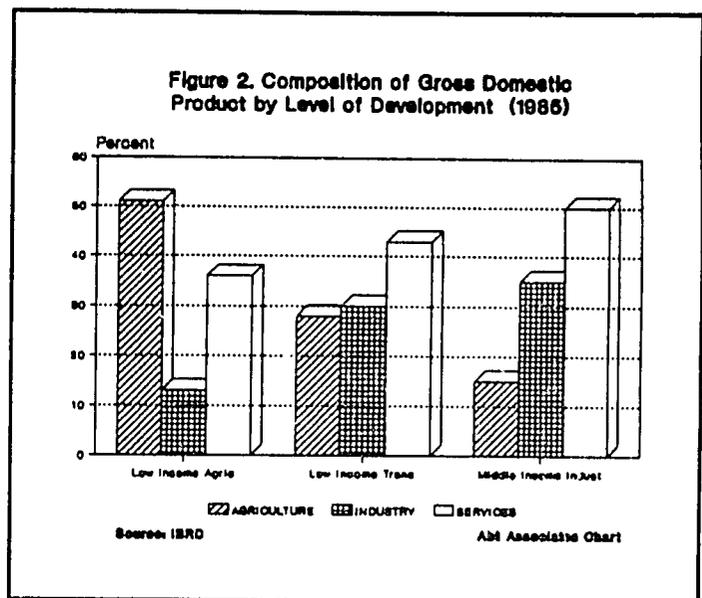
Many requirements for an agribusiness development and promotion strategy build on ongoing A.I.D. mission activities. A.I.D. has considerable experience in such activities as promoting policy reform and human resource development, investing in infrastructure, financing projects (see Table 1).

Agribusiness representatives interviewed in preparing this strategy were generally surprised at the range of activities in which A.I.D. is involved. Considerable interest was expressed in exploring how agribusiness can participate, along with considerable frustration at past efforts to even communicate with many A.I.D. country missions. It is clear that A.I.D. public information and liaison activities have not focused on the U.S. agribusiness community.

However, providing an environment and resources to encourage private sector agribusiness growth has not been an A.I.D. goal. A.I.D. has devoted considerable resources to private sector oriented activities over the last decade, but those activities have often remained essentially separate from the technical resources focused on agriculture and rural development, A.I.D.'s traditional strength in many countries in the ANE region. New skills, knowledge, and networks of contacts will be essential to A.I.D. in launching a successful agribusiness promotion strategy.

Many previous A.I.D. initiatives related to agribusiness have been directed at projects or programs implemented by public agencies or parastatals (marketing boards, and government run processing facilities, for example) in client countries. Thus, A.I.D. missions have gained the necessary skills to work with these organizations to design and implement fundable initiatives that respond to host government and A.I.D. requirements. For example, public research system improvements have been supported in a number of countries, market facilities and storage warehouses built, and commodities procured through private supply sources. Policy reform efforts have been directed at loosening government regulations that inhibit trade and investment and facilitating imports of inputs, commodities and equipment.

Encouraging private businesses to make investments involves considerably more than a shift from bilateral contracts to contracts between A.I.D. and private business. A.I.D.'s flexibility in contracting directly with businesses is



limited by a host of public procurement regulations. There are also differences in standard operating procedures for decision-making and action between A.I.D.'s traditional public sector clientele and its potential private partners.

Discussions at the first ANE Agribusiness Roundtable, held in Washington in July 1989, and additional corporate interviews indicate that this difference may have to do with private businesses' ability to make decisions more rapidly than public agencies. Further, government agencies are perceived as process oriented, while business is more concerned with results. Regardless of the validity of these perceptions, it is clear that there are important differences in the way government and private business make project choices, in terms of both evaluation criteria and decision making processes.

Where government agencies have sector specific responsibilities that constrain the range of projects they can consider, private entrepreneurs often can offer sectoral expertise, along with the ability to consider a wide range of opportunities. Capital that is not invested in rural agro-processing in one country or region may be invested in similar projects elsewhere, or in seemingly unrelated alternatives that offer higher returns, urban industry or rental housing, for example.

Agricultural processing industries require access to roads, electricity, water supplies, waste disposal facilities, transportation, communications, health care and educational facilities. Entrepreneurs must evaluate costs associated with securing such facilities and services, as well as risks associated with uncertain supplies or quality.

Countries around the world sometimes offset the disadvantages of inadequate infrastructure with easy financing, advantageous tax treatment of earnings and investment, favorable tariff treatment of imported inputs and exports, and a variety of other mechanisms.

A.I.D. initiatives can have a major impact on both the choices entrepreneurs make and the impact of their investments on development:

- o Helping to create a policy environment conducive to investment;
- o Preparing countries to identify and respond to new demands on human skills, financial capacity, technology and infrastructure that influence the economic interest of entrepreneurs in a given project or region;
- o Helping governments learn how to structure incentives and regulatory mechanisms, and in some cases provide for public programs that contribute to broad distribution of the benefits of investment and growth; and
- o Helping governments and business get together to identify their mutual self-interest in specific agribusiness projects, and to design and use sources of public and private support to lead to growth promoting investments, joint ventures, licensing and franchising arrangements, exports and imports.

## **Table 1. Examples of USAID Experience Relevant to Agribusiness Development**

### **Policy Reform**

- o Throughout the region: policy dialogue to reduce barriers to imports, improve the investment climate and encourage private business development

### **Investment Promotion**

- o Egypt, Jordan, Sri Lanka, Thailand, Tunisia: support for business promotion services, business associations, chambers of commerce

### **Development of Analytical Capacity**

- o Throughout the region: support for analysis of agricultural and economic policies, sometimes with a focus on price policies, export competitiveness, trade barriers and incentives to investment

### **Infrastructure**

- o Throughout the region: support for roads, markets, water systems, health systems, and educational and research facilities

### **Development of Capital Markets**

- o Philippines, Sri Lanka, Tunisia: support for securities market development and regulation
- o Egypt, Indonesia: improvements in the financial services sector
- o Jordan, Philippines: support for venture capital development

### **Commodity Imports**

- o Bangladesh: bulk fertilizer imports
- o Egypt: broad Commodity Import Program
- o Nepal, Pakistan: support for private fertilizer imports, distribution

### **Privatization of State-Run Enterprises**

- o Jordan: possible sale of two modern fruit and vegetable processing plants
  - o Morocco: capital participation in privatization of three fisheries and four sugar companies
  - o Philippines: plans for privatization of National Food Authority
  - o Oman: public offering for Oman flour and a fisheries company
-

## ***An Eight-Part Strategy to Promote Agribusiness Development***

Over the last several decades A.I.D. project assistance has addressed a number of specific components of the package required for fostering agribusiness development, sometimes without explicitly recognizing it as a target. An agribusiness strategy for the 1990s can build on A.I.D.'s experience, while recognizing that working directly with agribusiness firms is both essential to a successful strategy and in many cases a major departure from A.I.D. experience.

This section suggests a range of concrete actions that A.I.D. can undertake in a strategy to promote agribusiness development. The focus is on activities that will lead to employment and income generation in the countries concerned, while simultaneously advancing U.S. self-interest by promoting U.S. exports and economic growth conducive to longer-term market development.

The major emphasis of ANE's programs is on four components: 1) reforming policy to support a healthy business climate; 2) providing agribusiness with a clear source of information and support in Washington and at the A.I.D. country mission level; 3) developing capacity within A.I.D. and the countries in which it works; and 4) appraising country-level opportunities, capabilities and constraints.

Additionally, A.I.D. can play an important facilitating role in helping private business, national governments and other donors and financial institutions to identify and undertake high priority initiatives that respond to needs for technology, financing, infrastructure, and ways to assure availability of machinery, supplies and raw materials, all essential to successful agribusiness development.

### ***1. Policy Reform Initiatives to Support a Healthy Investment Climate***

Governments around the world are increasingly accepting the importance of their policies to successful development of business-government partnerships for development. A.I.D. is supporting policy reform initiatives in almost every country in the ANE region, often in conjunction with structural adjustment programs of multilateral financial institutions. Where government has traditionally viewed business with a skeptical eye, and vice versa, the importance of government as a regulator that can achieve social objectives through incentives to private investors is attracting growing interest. One task discussed below is to identify priority constraints to agribusiness development that can be addressed through policy analysis and reform.

A.I.D.'s ability to influence policy in countries in which it operates often exceeds the actual resources it has to devote to policy reform, making this a high payoff area in which to operate. At the national level, key areas should be identified for emphasis on the policy reform agenda. A.I.D. can contribute to an attractive climate for agribusiness development through attention to such areas as tax policy, investment codes, labor laws, pricing policies, grades, standards and related regulations, contract law and enforcement, arbitration procedures, macroeconomic policy, exchange rates, tariff and nontariff treatment

of imports and exports.

Without contact with the business community, it is difficult for individual A.I.D. missions to know which regulations are perceived as critical constraints and whether proposed changes would be sufficient to encourage investments, joint ventures and other efforts. A.I.D. is already working with business groups in some countries in the region. In conjunction with initiatives such as U.S. based dialogue with agribusiness and commodity groups, such team efforts can be useful in targeting high priority policy constraints.

### **Investment Policy Reform in Tunisia**

Businesses considering investment overseas often face major problems including approval of the use of foreign technical expertise, costs of imported inputs, tax provisions, exchange rates, and repatriation of earnings. A.I.D. in Tunisia has worked with the government to revise its investment code, increasing its attractiveness for investment. In support of Tunisia's economic reform program, A.I.D. is also funding studies to identify key factors affecting competitiveness for a variety of export products. Policy dialogue with the government is also directed at easing restrictions on imports of agricultural machinery, processing equipment and packaging materials.

## ***2. Providing Agribusiness with a Clear Source of Information and Support at the A.I.D. Country Mission Level***

Agribusiness executives interviewed in the course of this study were virtually unanimous in indicating that they have had difficulties figuring out how to work with A.I.D. country missions. A number of corporate representatives said that they spent years stationed in ANE countries with almost no sign that A.I.D. was interested in working with them. Representatives of the Departments of Agriculture and Commerce get higher marks, although they generally operate with substantially fewer resources than A.I.D.. In large part, this is because the task of these agencies is direct assistance to U.S. business.

A.I.D.'s agribusiness strategy will provide substantial opportunities for U.S. and local business to contribute to their own profitability while supporting country development goals. This broad assignment means that some office at the A.I.D. mission level needs to have lead responsibility for agribusiness development activities and be aware of the range of resources available to support agribusiness, either through U.S. government programs or local programs. Under the second phase of the Abt/AMIS Agribusiness Promotion Strategy Study, resource materials will be developed to support country missions in identifying

available resources.

On the U.S. side, the ANE Bureau Offices of Technical Resources and Private Sector Development are already taking the lead in notifying U.S. agribusiness of A.I.D.'s new focus on working with business. After an initial Roundtable held in July 1989 an informal advisory working group was convened in September, and regional conferences with agribusiness leaders are planned for the Midwest and West Coast during 1990 as part of the follow-up to this study.

A.I.D.'s country missions are moving toward this priority at varying speeds. Thus, while agribusiness leaders will find a sharp improvement in the ease with which they can work with A.I.D. in some countries, patience will be required in others as staffing and programs are adjusted to the new emphasis on agribusiness.

### **Arbor Acres - Poultry Exports and Joint Ventures**

Arbor Acres supplies poultry breeding stock to markets around the world. Poultry breeders generally buy day-old chicks from Arbor Acres and produce their own chicks, which are sold to farmers. In most cases, the company sets up franchised dealers in a country who purchase the original stock from Arbor Acres, receive technical assistance and training from them and use the company name. Arbor Acres has no investments in most of the countries in which it works; chicks and services are paid for on a letter of credit basis, so that risk to the company is minimal. In Thailand, Arbor Acres and Charoon Pokphand Group have a joint venture that company officials report is operating satisfactorily. A business climate attractive to investment is cited as a major inducement for the venture. Arbor Acres has pulled out of investment in a country where government policies and the business climate were not conducive to operations. A.I.D.'s policy reform programs can work successfully for the countries involved and for local agribusinesses seeking international partners and foreign investors. Communication between agribusiness and A.I.D. can help to focus efforts on the most important areas for policy reform.

### **3. Support for Agribusiness Management Training and Labor Force Development**

#### **3.1 Strengthening ANE Bureau's in-house agribusiness skills**

Launching an agribusiness strategy will require sufficient in-house A.I.D. agribusiness management capacity to manage the initiative effectively, even if hiring limitations and agency priorities dictate substantial reliance on external expertise. Among the recommendations made by the ANE region's agriculture and rural development officers at their 1989 Rabat conference was the need for trained staff in their offices who understand the needs and concerns of agribusiness sufficiently to work with local and international agribusiness representatives and private sector offices. A mix of short term training, targeted recruiting and some longer term training will be required to accomplish this.

As A.I.D. country missions move from rapid appraisals of country and product specific opportunities and constraints that facilitate design of broad strategy to feasibility studies for specific initiatives and implementation of projects requiring specialized industry expertise, they will need to examine options for selection and use of consultants, in terms of both management and costs.

The ANE Bureau has assembled information on a number of short-term training and internship programs that may usefully contribute to training for A.I.D. staff. Institutions providing these programs as well as those with longer term degree programs are potential sources of agribusiness training and might also be targeted for A.I.D. recruiting.

#### **Strengthening A.I.D.'s Agribusiness Skills**

"If our company tried to sell peas with the kind of sales efforts that our Government has taken to promote private sector development in developing areas, we would be broke today; as broke as past government efforts after spending millions of dollars on misdirected programs carried out by inadequately trained people." -Chairman of a U.S. Food Company

"A.I.D. staff must upgrade their agribusiness skills if private agribusiness is to positively view A.I.D. initiatives. A.I.D. ... needs targeted training in agribusiness management, marketing and finance. Finally, A.I.D. must place emphasis on problems and opportunities facing agribusiness in the U.S., global marketplace, and developing countries." Robert Armstrong, A.I.D. Staff Training in Agribusiness, 1989.

### **3.2 Building Management Capacity and Labor Skills Abroad**

A.I.D. has traditionally provided support for a range of training activities from vocational training, often administered through private voluntary organizations, to advanced degree training at U.S. universities.

Where national educational systems do not provide the vocational and management training that businesses need, U.S.-based training of trainers may be useful.

Training directed at support for agribusiness is a new agenda item for A.I.D. Even in the U.S., the unique requirements of agribusiness have led to a White House conference and a National Commission on Agribusiness Education, whose report was released in June 1989. A.I.D.'s Entrepreneurs International Program can provide insights into on-the-job training for ANE entrepreneurs and potential U.S. clients and suppliers.

More formal training opportunities should also be provided. In some cases, business schools in the ANE region already have substantial numbers of faculty members who have trained abroad. Assistance in linking faculty members with international professional networks and agribusiness can help to make training more responsive to the requirements of agribusiness development. In other cases, major reinforcement of in-country and regional training capacity will be required.

In addition to training to improve ANE country management capacity, attention to labor force training and retraining will be critical to successful agribusiness development. In a number of countries, public and parastatal agencies are burdened with large staffs and major productivity problems. Efforts to modernize or privatize often run up against the issue of what to do with current employees. Private entrepreneurs see improved worker skills, elimination of unnecessary labor and increased productivity as keys to profitability. Policy makers fear repercussions from increased unemployment. A.I.D. and other donors can contribute to solving these problems.

Training will not be a panacea, however. In a number of countries, labor laws that eliminate employer flexibility and ability to influence employee performance require study as part of the policy reform agenda in order to assure that the system protects labor interests without making investment unattractive.

## **4. *Identifying Country and Product Specific Opportunities and Constraints***

A preliminary requirement in designing a country level strategy for agribusiness development and promotion is a snapshot of the current situation with respect to country and product specific opportunities and constraints. In many countries, a wealth of information can be drawn upon to identify priority areas for assistance, but it may not be available in a form that is useful for A.I.D. programming or agribusiness investment.

An understanding of government priorities, existing capacity, competitive

position, ownership patterns, current markets and opportunities, and constraints to agribusiness achievement of its potential is essential to the design of the action plan to support agribusiness development.

**A Rapid Appraisal of Agribusiness: Capabilities, Opportunities and Constraints** should be considered an important first step to identifying five to ten priority subsectors with the highest potential. A number of sources can be drawn upon for this process:

The AMIS Project has pioneered in developing methodologies for rapid appraisal of constraints to marketing/agribusiness system operations and performance that should serve as a useful foundation for such analysis. AMIS Project team members have a network of offices in ANE countries and country-specific expertise that can contribute to cost-effective appraisals. AMIS has already conducted a number of rapid appraisals and commodity and product feasibility studies that can serve as the foundation for the design of country and product specific agribusiness initiatives in the Philippines, Nepal and Tunisia.

Additionally, the U.S. Trade and Development Program (TDP) has funded a number of Reconnaissance Surveys of Agribusiness Investment Opportunities that provide important insights into an approach that will provide opportunities for U.S. business to identify joint venture partners. The ANE Bureau has recently provided a grant to the American Society of Agricultural Consultants (ASACI) to build on this experience by supporting similar activities in ANE countries.

To date, A.I.D. has initiated analyses from a number of different sources that examine the agribusiness environment in Indonesia, Nepal, Pakistan, Philippines, Poland and Tunisia. Other sources of useful information are the US Department of Agriculture and OPIC Trade Mission reports.

In each case, a critical element that will differentiate successful Rapid Appraisals for A.I.D.-sponsored agribusiness initiatives will be their ability to clearly identify opportunities, capabilities and constraints that are important to both the policy makers in the countries involved and the local and international entrepreneurs who are potential investors or participants in implementing the agribusiness strategy. While A.I.D. has often been criticized for failing to recognize that business involvement will be predicated on self-interest, host countries often fault U.S. business missions for the same short sightedness with respect to country development objectives. Successful rapid appraisals will address both potential pitfalls.

## ***5. Support for Technology Development and Transfer***

U.S. firms have considerable expertise and a catalogue of exportable products that can contribute to the development of technology appropriate to the needs of ANE agribusiness. The products range from computer hardware and programs for least cost feed rations, to inputs and equipment for integrated poultry production, to bulk handling equipment for local and imported grain, to

processing and packaging machinery. In some cases, this resource may be tapped for partnerships between U.S. and ANE firms through scientific exchanges, joint ventures, licensing or franchising arrangements and direct sales.

A.I.D.'s Entrepreneurs International Program, sponsored by the Office of International Training, has led to useful experience with U.S. business and a few sales and business arrangements. As countries move up the economic ladder, it is likely that exposure to developed country practices and approaches will become increasingly relevant, even though adaptation to local conditions will still be required.

## **6. Contributions to Facilitating Agribusiness Financing**

Studies of formal and informal credit markets in ANE countries may help to identify real financial constraints to agribusiness development. Monetary policy, exchange rates and convertibility all influence decisions to invest. Some of these issues can be addressed as part of A.I.D. policy dialogue with host countries.

Although A.I.D. is not a financial institution, it can facilitate financing in a number of ways. Options to increase available financing for agribusiness development include assistance in identifying sources of direct financing, to credit guarantees for loans and venture capital funds, to use of Commodity Import Programs (CIP) to facilitate imports of equipment and supplies that can then be paid for in local currency, to setting up revolving funds for agribusiness development. Capital market development in some countries may yield a source of funds for agribusiness. Potential joint ventures and ownership arrangements can also lead to direct investment of private capital in ANE agribusiness.

It is essential to bear in mind that inadequate financing is often a bona fide problem but sometimes for reasons related to management rather than the

### **MISR Pioneer Seed Company in Egypt**

On September 8, 1988, Egyptian President Hosni Mubarak officially opened the MISR Pioneer seed conditioning plant, the most modern facility of its kind in the Middle East, stating, "We are extremely proud of USAID's involvement in the establishment of MISR - Pioneer Seed Company. The plant is a fine example of private sector management, American technology and a combination of American and Egyptian capital working together to increase agricultural productivity and farmer income in Egypt."

Under the Egyptian joint venture in which Pioneer Hi-Bred, the leading producer of hybrid seed in the U.S., owns 60 percent, farmers grow the seed under contract. Pioneer maintains full ownership of the research portion of the operation. Pioneer currently has research and production facilities in Thailand, the Philippines and India and is exploring a venture in Pakistan.

financial system. A.I.D. support for capacity building can contribute to local agribusiness' ability to prepare projects that will receive financing from commercial sources. While a number of U.S. government programs provide financial support for feasibility studies, A.I.D. will want to consider support that helps governments, and local and international entrepreneurs identify and design projects that mesh development objectives and profit opportunities. Numerous business leaders interviewed pointed to examples of the problem of inadequate industry knowledge in government attempts to design programs, contract and investment terms that protect national interests while encouraging private business. Where specialized terms fail to reflect the realities of international markets, countries may find that few businesses are interested in working with them. The absence of competition may exacerbate their situation.

## **7. Identifying Priorities for Infrastructure Development and Maintenance of Infrastructure**

The condition of roads, bridges, public utilities such as power, water and sewage treatment, market infrastructure, ports, communications and information systems and educational systems all influence private sector investment decisions. Although A.I.D.'s priorities may focus less on direct financing of infrastructure and maintenance than previously, A.I.D. can still facilitate infrastructure development by working with governments and other donor and funding agencies to identify priorities and pursue innovative approaches to financing them. The use of U.S. commodities in food for work programs merits further analysis at one extreme. At another, where capital markets exist or are being developed, public debt offerings can be explored. A.I.D. has worked with a private agribusiness in the Philippines to encourage investments in water management infrastructure that benefitted both the country and the company. A.I.D. has also financed a range of infrastructure projects that made use of U.S. business expertise, material and equipment in their design.

### **Dole in the Philippines**

Dole's primary business in the Philippines is pineapple. The company has recently expanded into shrimp production, with growout ponds on a joint venture with a local firm. The local firm has 60 percent ownership in the ponds. Dole owns the hatching and processing facilities. Dole and AID have been exploring a project to improve water quality and pond management by small farmers through an extension program using Dole's technical expertise. In the past, AID and Dole have worked together on projects aimed at erosion control.

## **& Contributing to Innovations that will Assure Availability of Equipment, Supplies and Raw Materials**

Assured and timely availability of the required quantity and quality of raw materials, including agricultural products, production inputs and packaging materials is critical to agribusiness investment decisions. Plants built without attention to supply stand idle throughout the developing world.

Some U.S. and multinational firms address this problem through vertical integration. A variety of opportunities to develop contracting arrangements that protect the interests of both agricultural producers and agribusinesses can be addressed with A.I.D. support. A number of these are currently being inventoried as part of the AMIS project.

On the input side, policy reform may also be required. Tariffs and quotas on imported containers, packaging equipment and materials may prevent locally processed products from competing with imported goods, or developing export markets.

### **Hunt-Wesson in the Philippines**

Hunt-Wesson Foods has investments and joint ventures in food processing operations in a number of countries around the globe. In the Philippines, Hunt-Wesson has had a successful joint venture for processing pork and beans. The plant has been a major user of imported pea beans. Hunt-Wesson worked with A.I.D. a number of years ago to conduct trials for local production of beans, and while they found that production was possible, company representatives report that local supplies never materialized. While it is still profitable to use imported raw materials, changes in the Philippines and a number of other countries make further attention to a mix of local and imported raw materials desirable. Agribusinesses can work with A.I.D. funded projects aimed at marketing system improvements and policy reform to help develop the conditions that will contribute to assured products for processors and incomes for farmers and rural populations.

### **Ongoing and Planned Activities to Support the ANE Agribusiness Initiative**

A.I.D. officials have taken or initiated a number of important steps to contribute to an on-going business-government dialogue in support of agribusiness development in the ANE region. These include:

1. First phase ANE Agribusiness Strategy Study was conducted by Abt Associates, Postharvest Institute for Perishables and Deloitte, Haskins and Sells through the AMIS Project.

2. Agribusiness strategy was the subject of a presentation and discussion with agriculture and rural development officers in Rabat, Morocco in February 1989.
3. Washington Agribusiness Roundtable, held July 1989, brought together leaders of agribusiness and A.I.D. for discussion of mutual interests and experiences in agribusiness development in the region.
4. Agribusiness Working Group, September 1989, brought together a limited group of agribusiness representatives to serve as an informal sounding board for proposed agribusiness support initiatives.
5. Strengthening grant to ASACI to provide reconnaissance expertise in identifying agribusiness opportunities.
6. Pilot, country-level Rapid Appraisals of agribusiness, aimed at identifying agribusiness capabilities, constraints and opportunities including existing capacity, competitive position, comparative advantage and market opportunities. Pilot activities have begun in Tunisia, Indonesia, Pakistan and Sri Lanka.
7. Presentation and discussion of Agribusiness Strategy at November 1989 conference of A.I.D.'s Country Mission Directors.
8. Presentation on "Transforming Third World Economies: The Agency for International Development Takes a New Look at Agribusiness in the Asia/Near East Region" to International Agribusiness Forum by James Lowenthal.
9. Second phase contract with Abt Associates through AMIS for Agribusiness Promotion Strategy support, including:
  - a. Regional agribusiness conferences in the Midwest and Western States, directed at providing information about A.I.D. support activities to U.S. agribusiness and further opportunity for interaction among

"Transition to a new strategic approach is not without costs. AID agriculturalists have to learn the language of agribusiness... We are...designing a state of the art training program... We are designing information packages which will facilitate U.S. agribusiness investment overseas. We are working with governments to provide policy environments which are conducive to private sector involvement. Increasingly we will attempt to broker U.S. government assistance from a wide variety of agencies in support of private investments in ANE countries. Increasingly we will attempt to operate from our comparative advantage in local knowledge, local contacts and policy leverage and thereby create institutional frameworks for deal-making which support private actors doing what they know best - profit making."

James Lowenthal Chief for Agriculture and Rural Development, Asia Near East Bureau, A.I.D.

A.I.D. officials and agribusiness interests. The first is planned for Chicago, February 6, 1990, in collaboration with the Mid-America Committee for Business Government Cooperation.

- b. An in-depth survey of U.S. agribusiness interests and experience in investments, joint ventures, licensing, exports, imports, in countries of the ANE region and priorities for working with A.I.D..
  - c. Preparation of briefing materials to help agribusiness work with A.I.D. and other government support programs.
10. Agribusiness training for A.I.D. agriculture and rural development staff as a first step toward a role in coordinating Mission agribusiness activities.

### ***Issues for A.I.D. and Agribusiness to Address***

A.I.D. has announced a serious new commitment to working with agribusiness internationally and in the countries of Asia, Eastern Europe, the Near East and North Africa. After almost a decade of discussion of the role of the private sector in international development, A.I.D. is at a critical juncture with its new Asia Near East Agribusiness Strategy. If this strategy is to lead to concrete actions that contribute to business profitability and national development, a number of issues must be addressed in discussions within A.I.D. and with private agribusiness including the following:

"Talk is cheap... I take results very seriously; I want to show you how seriously I take them by putting the U.S. taxpayer's money where my mouth is..."

Carol Adelman, Assistant Administrator for Asia and the Near East, A.I.D.

1. Ways that A.I.D. can rapidly prepare its staff to work with agribusiness through a mix of training, hiring and contracting to reinforce country mission and Washington-based skills.
2. Designing a unique A.I.D. role among government agencies to support local and U.S. agribusiness development directed at profitable contributions to growth and employment.
  - a. This requires attention to coordination among parts of A.I.D. as well as among other agencies.
  - b. A critical role for the rapid appraisals of country and product specific opportunities and constraints should be on placing A.I.D.'s role in perspective.

3. Standard business practices and A.I.D. regulations do not always coincide. Many in business perceive A.I.D. contracting procedures as difficult to understand. The interpretation of the integrity in procurement regulations may lead A.I.D. employees to insist on sharing the cost of lunches or to refuse hospitality that others would consider a normal part of doing business. The government approval process may make individual A.I.D. employees seem somewhat evasive in response to proposals or offers of analysis. A.I.D. needs to develop ways to increase flexibility, while businesses may need patience, which is critical to success in the developing world in any event.
4. Many U.S. agribusiness firms are already involved in activities in the countries in which A.I.D. works without government assistance. Why should they contribute to and take advantage of government programs? In some cases government to government negotiations can be more effective than those of an individual firm, and contributing to development can be good business. With \$4.25 billion in projects and programs in Asia and the Near East and \$900 million available for programs in Eastern Europe, substantial taxpayer resources are at stake. The potential payoffs from working together are extremely high for all involved.

The purpose of the planned Midwest and West Coast Agribusiness Conferences is to bring together business and government representatives to further develop the process of dialogue and cooperation that A.I.D.'s Asia Near East Bureau has initiated over the past year.

## **Appendix 1. Selected U.S. Agribusinesses and Commodity / Trade Associations Contacted during Agribusiness Strategy Study**

Agricultural Cooperative Development International  
Alliance Foods  
American Soybean Association  
Arbor Acres Inc.  
Archer Daniels Midland Co.  
Ball Corp.  
Bank of America  
Beatrice International  
Blue Anchor, Inc.  
Blue Diamond Growers  
Buhler-Miag  
Butler Manufacturing Co.  
California Cling Peach Advisory Board  
Cargill  
Castle & Cooke, Inc.  
ConAgra  
Continental  
CPC International  
Deere & Co.  
Dekalb Genetics Corp.  
Del Monte Foods  
Dole Packaged Foods, Inc.  
Du Pont  
FMC Corp.  
Food & AgroSystems, Inc.  
Fresh Produce Council  
W.R. Grace  
General Foods  
H.J. Heinz  
Hunt Wesson Foods International, Inc.  
IMC Fertilizer  
International Tropical Fruit Promotions, Inc.  
Kraft - General Foods  
Land O'Lakes, Inc.  
Louis Dreyfus  
Monarch International (S & W Fine Foods)  
North American Grain Export Assn.  
PepsiCo, Inc.  
Philip Morris  
Pioneer Hi-Bred  
Quaker Oats  
RJR - Nabisco, Inc.  
Safco Corp.  
Sun Diamond Growers of California  
Sun World  
Sunkist  
Tri Valley Growers

Tyson Foods  
U.S. Chamber of Commerce  
U.S. Feed Grains Council  
U.S. Wheat Associates  
York Manufacturing Company

**Selected ANE contacts:**

Bangladesh/United States Business Council  
Embassy of Arab Republic of Egypt  
Embassy of Burma  
Embassy of India  
Embassy of Indonesia  
Embassy of Jordan  
Embassy of Kingdom of Morocco  
Embassy of Nepal  
Embassy of Pakistan  
Embassy of Philippines  
Embassy of Sri Lanka  
Embassy of Thailand  
Embassy of Tunisia  
Embassy of Yemen Arab Republic  
Oman Chamber of Commerce & Industry  
Tunisia/ U.S. Business Council

**Selected Academic Institution Contacts:**

Agribusiness Education Development Project Conference  
(included representatives from most U.S. academic institutions with  
agribusiness programs)  
California Polytechnic University (Pomona), Department of Agribusiness Management  
IGIAA, Cergy-Pontoise, France  
Laval University, Quebec, Canada  
Michigan State University  
Purdue University  
University of Santa Clara, Institute for Agribusiness  
University of California, Davis  
University of Montpellier, France

**Selected Government Contacts (outside A.I.D.):**

California Department of Food & Agriculture  
California State World Trade Commission  
OPIC  
U.S. Department of Agriculture  
U.S. Trade and Development Program