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ASSESSMENT

of the

Situation of Joint Agricultural Consultative Committees

TRUITT ENTERPRISES. INC.

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EXECUTIVE SUMMARY

Under a contract with the Bureau of Private Enterprise, United States Agency for International Development, a team of three agribusiness consultants, each specialized in his geographic area, went out in January-February, 1986. Their mission was to make an in-country assessment of the present situation of the eleven country committees which have been a part of the trade and investment program sponsored by the Joint Agricultural Consultative Committee of Washington, DC, under a Grant Agreement with AID/W/PRE. Another task which was entrusted to them was to make recommendations regarding future course.

The findings of the assessment team are decidedly positive in their aggregate. Consequently, it is recommended that the Bureau of Private Enterprise provide grant funding over a four-year period for U.S.-based successor operations to the Joint Agricultural Consultative Committee, giving consideration separately to each of the three regions (Caribbean, Asia, Africa).

All eleven country committees which were interviewed expressed their resolve to continue, and argued strongly that they had a critical need for certain support services in the United States. They were very pleased that someone in Washington cared enough to send emissaries to consult them.

The organizational format of the country committees is changing. They rely increasingly on the support of the local Chambers of Commerce and Industry, and are putting much greater emphasis on agroindustry. These adjustments result in part from the loosening of ties with JACC/Washington with its stress on exclusivity. They tend to fit the committees better into USAID country agribusiness programs. As a result, some of the committees are gaining access to ongoing USAID-funded programs. Other committees have been invited for the first time to discuss a grant agreement. Toward that end, the AID/W/PRE cable advising of plans to continue some kind of US-based services was essential. Most committees have some independent income albeit at a very modest level (membership dues, service fees), and often in kind (offices provided by

Chambers of Commerce or Governments, time volunteered by agribusinessmen who sit on the Executive Committees).

The services which are most sought after with regard to US-based support can best be characterized as matchmaking. The need is to bring developing country growers, processors, and exporters together with American agribusiness companies. In the four Asian and two African countries where the internal markets are in the tens of millions of consumers, the greatest felt need is for agroindustrial technology. Obtaining processing know-how by forming partnerships with American companies would lead, in the opinion of the committees, to expanded sales in the country, in the region, and to the traditional markets in the Middle East and Europe, and to some degree the U.S. In the five Caribbean countries where populations are counted in the low millions, the major need is for access to the large and proximate U.S. market. Experience leads everyone to believe that exports of additional products can be achieved only in partnership with agribusiness companies that have a position in the market, and are willing to share the company-specific technologies which are necessary to meet the requirements of the U.S. market.

A separate issue is responding to requests for technical orientation. Some of the committees, particularly the newer ones in the Caribbean, liked the feeling of being able to send almost any inquiry to someone in the U.S., and get a studied response. Unfortunately, servicing a large number of diverse requests for technical information is very expensive. Moreover, some of the requests turn out to be frivolous (as long as making them does not cost anything), and those that are not are in most cases only tenuously connected with a solid business deal somewhere in the future. Accordingly, it is recommended to steer clear of servicing requests for general technical information except when the petitioner pays the full cost, or at least a substantial part of it, and only in so far as such service can be compartmentalized so as not to swamp more critical activities.

It is recommended to concentrate resources on a few priority products in each country. The country reports which are presented as part of this assessment

offer an initial hypothesis of the products which have merit both as regards local comparative advantage and market interest (external and internal). Prior to any attempts at matchmaking, thorough inquiries should be conducted in-country by knowledgeable nationals and external market experts. The resulting rating of product export potentials will focus the matchmaking activities, and the data which will be generated in the process will serve as a means of awakening the buy interest of potential partners. The list of priority products will need to be updated from time to time, of course.

In searching for American partners to agribusiness ventures, high priority should be accorded to processors with a sourcing need. The dismal record of the developing country government-sponsored investment promotion agencies bears witness to the futility of going after American investment capital as such. None of the eleven developing countries with which this report deals are serious competitors to such lures of venture capital as tax-sheltered real estate in Houston, off-shore oil leases, or gambling casinos in Atlantic City. The strategy which has worked is to identify processors who have a need for certain product or raw materials at a certain time and at a certain price. Their interest in trade, once affirmed, usually leads to investment later. Most important, it is the agroindustrial companies, not financiers or brokers, who possess and are accustomed to transferring to their suppliers the technologies which will make the undertaking a success. Also, having an established share of the market, they are in a position to offer firm orders at a fixed price.

An important objective of the Bureau of Private Enterprise is to institutionalize the effort. Activities should continue after the flow of grant funds has ended. In that regard, the assessment is as follows:

> There is a high probability that the activities which are recommended will result in lasting, significant trade and investment by private enterprise. If the focus is on prioritized products which enjoy comparative advantage, and on agroindustry, annual trade increments resulting from the program should be in the tens of millions of dollars.

- > It is not possible to privatize foreign aid. Private enterprise is guided by the prospects of making a profit. To the degree as the program which is contemplated reflects governmental priorities (selection of countries, e.g.), it is likely that matchmaking and other promotional activities will be less than optimally profitable at the end of the grant-funded period.
- > Nevertheless, it is reasonable to expect that the program, as recommended, will continue in terms of promotional activities as well, albeit at a lower level. Some of the relationships which will have been established between agribusiness companies, foreign and American, on one hand, and American consulting companies on the other hand, should endure on the basis of routine self-interest of the parties concerned.

Clearly, the major prospect is to bring about lasting and significant relationships between American and foreign private agribusiness companies. On that basis alone, the recommended program promises to be an exceptionally productive one. It can serve to demonstrate the efficacy of private enterprise as a motor of development.

INTRODUCTION

By arrangement with COOPERS & LYBRAND of Washington, DC the Bureau of Private Enterprise of the UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT contracted with TRUITT ENTERPRISES, INC. of New York to make an assessment of the current situation of the eleven country committees which had been created by the JOINT AGRICULTURAL CONSULTATIVE COMMITTEE of Washington, DC under a grant from AID/W/PRE during 1983-1985, and recommend a course of action.

To do this, George A. Truitt visited Belize, Honduras, Costa Rica, Panama, and the Dominican Republic between January 22 and February 12, 1986. By arrangement with the U.S.-ASEAN Center for Technology Exchange, Paul A. Cunnion went to the Philippines, Indonesia, Thailand, and Sri Lanka between January 18 and February 6. By arrangement with INTERMATRIX and AMEX (London), Eric Windsor traveled to the Ivory Coast and Nigeria between January 28 and February 5.

The country reports which follow give account of their findings. They are preceded by chapters on General Findings and Recommendations which draw overall conclusions from the country reports.

GENERAL FINDINGS

[1] **Desire to Continue.**— Interviews with key members of the eleven JAC Committees showed, without exception, a desire to continue. This interest appears to be based on the realization that agricultural exports currently are in the forefront of national interest; that private enterprise can make a profit by increasing non-traditional agricultural exports; and that the members are well positioned to advance the twin objectives.

[2] **U.S. Support.**— Equally strong were expressions of the need to have some organization in the United States working in tandem with the country committees. In Asia and Africa, Committee members felt the JACC concept promised a rare link with the American agribusiness community, primarily for purposes of obtaining technologies and marketing know-how to produce processed foods jointly for the Asian, Middle Eastern, and European markets. In the Caribbean, the expectation is to get effective help in realizing the promise of the Caribbean Basin Initiative. That means marketing in the United States on a larger scale by forming partnerships with American companies which are positioned in that market, and are willing to transfer the technologies which are necessary to meet the requirements of that market.

In all countries, minority co-investment would be very welcome, but (except in Belize) is not the first priority. Co-investment is viewed more as proof of good faith than the best way to meet capital requirements. Marketing is the foremost objective of the country committees.

A number of interviewees felt that formal backing of the U.S.-based service operation by the United States Government, and also its non-profit status, were important to guard against unfair practices such as favoring one country or businessman over another. In the Caribbean, interviewees expressed repeatedly the desire to be protected — by screening services — from the fly-by-night promoters who have been much in evidence, since AID and other CBI programs are perceived to be flush with money. Reputable matchmaking is high on everyone's list of priorities.

[3] Motivations.— To understand the motivations of the members of the country committees, it is important to realize who they are and how they came to be JACC members. JACC/Washington had contacted existing businessmen's organizations, and told them that if they formed an autonomous JACC services would be forthcoming. In response, leaders of the existing chambers of commerce, exporters' associations, and agricultural gremial organizations formed yet another grouping among themselves, called JACC. In the Caribbean, where the JACCs are only a year or so old, when the news came of the discontinuation of AID/W support for JACC/W, the inclination was to meld back into the pre-existing businessmen's organizations, since there no longer was a justification for maintaining the JACC in addition to the established groups.

In Asia and Africa where the JACCs have been in existence for 2-3 years (longer in the case of Nigeria), separate identities have been established more strongly. However, even there the JAC Committees depend heavily on the administrative and institutional support of established business organizations (in the case of Sri Lanka and Nigeria, the Government).

The people who have been involved are agribusinessmen, mostly prominent owners and executives of agroindustries and their service companies (inputs, shipping, packaging, consulting, legal, insurance). Few growers have participated directly, but there have been some. There is contact, however, with independent farmer organizations in many cases. Processors and growers have adversary as well as shared interests, and tend to cluster accordingly.

[4] Technical Services.— In the Caribbean, and to some degree in Africa, interviewed JACC members expressed appreciation for the many and cost-free technical orientation services that had been provided by JACC/W. They also acknowledged that to-date the technical orientation which has been received has not led to any completed export or investment deals.

In Asia, the country committees, notably in Sri Lanka and Thailand, said they favored the focus on a few priority projects that could be (and have been)

brought to fruition. However, they also stated that the door should not be closed altogether to investigating new, yet unverified ideas.

It appears that the desire to respond to any and all requests for technical orientation has been a major flaw in the JACC operation. Sending a soil drainage expert on TDY to Belize did not solve that important, long term problem. It signalled good will - and dissipated resources. The same could be said of hosting the Nigerian Minister of Agriculture in Washington (just before a coup d'etat). These and the many other such gestures made by JACC/W may have done some good, but no one will ever know for sure.

[5] Coordination.- The JACC operation was not always well integrated into the country assistance programs of USAIDs. In some instances it seemed to engender redundancy and overlapping (Belize, Honduras, Panama, Indonesia). The ensuing refusal of USAIDs to provide local funding was a major concern to the JACC leaders in the Caribbean Basin, and generated some disappointment. In Asia, most country committees have managed an independent, modest existence. In some cases (Dominican Republic, Thailand) the JACCs have played important roles in USAID-funded programs.

Interviewers' stress of agroindustry occasioned some re-thinking on the part of some JACCs, and seemingly opened the door to USAID support. In the Caribbean, such possible support is conditioned on organizational reform which would justify integration into the USAID country program. In February, 1986 country committees had prospects of income as follows:

FINANCING OF COUNTRY COMMITTEES

COUNTRY	IF REFORMED AS	USAID SUPPORT	OTHER SUPPORT
Belize	Agr. Com. C. of C.	B. E. I. P. U.	dues, C. of C.
Honduras	Ag-Ind. Prom. C. (C/C)	grant	dues, fees, C/C
Costa R.	C. A. A. P.	via CINDE	export co., C/A
Panama	Com. 12, C. of C.	grant	dues, fees, C/C
Dom. Rep.	-	grant	dues
Phillipp.	-	none	C. of C.
Indonesia	-	none	fees
Thailand	-	grant	C. of C.
Sri Lanka	-	none	Govt.
Nigeria	-	none	Govt.
Ivory C.	-	grant	dues

[6] Shipping.- In the Caribbean, transport was identified as a major constraint. A vicious circle is in evidence. Low volume leads to high rates and unavailability of shipping capability, and vice versa. An exception is the Dominican Republic which has nearly daily maritime service, non-Conference rates, and two modern seaports with roll-on, roll-off facilities. Some cause of the problem are internal (excessive port charges in Panama and Belize). Over-all, there is a need for remedial action. Shipping usually follows the trade, but at this juncture special incentives might be indicated to break the logjam. Air cargo service is poor everywhere for lack of space (occasioned often by government monopolies, especially in Honduras), unpredictability (mostly combined cargo and passenger service), high rates, and lack of refrigerated facilities at airports.

In Asia, the collection points of Singapore and Hong Kong have served well to rationalize shipping. Conference rates have been broken. In the Phillippines, however, port charges are onerously high.

RECOMMENDATIONS

The Bureau of Private Enterprise has indicated a desire to continue, in a different form, the effort which JACC was intended to make, in the belief that the objectives were sound, but that the management of the project was not. What follows is intended to facilitate the implementation of that decision.

[1] **Product Specificity.**— If dilution of resources is not to be repeated, there must be a strong effort to establish priorities. At the outset of providing U.S.-based assistance to any country, a joint inquiry should be made to determine the priority products. External market specialists should work with national production experts, drawing on studies that have been made already, to find which agricultural products can be produced with some comparative advantage that also encounter keen demand in the markets. In the end, only a few products should be spotlighted. This will engender, of course, protests from interested parties whose product may be left out. It is essential, however, that such protestations should be accommodated only in stages, not all at once.

[2] **Matchmaking.**— Careful identification of competitive products and of their likely markets will lead to the identification of possible business partners. That should be the main business of the U.S. support operation. The greatest need expressed by interviewees was to have an organization in the United States that would promote deals between them and American agribusiness companies. By deals they mean the following:

- > buy and sell agreements
- > transfer of company-specific technologies
- > co-investment.

The success of deal-brokering will depend on the following:

- > quality of supply and demand investigations leading to the establishment of

product priorities for each country

- > availability of trustworthy, precise, complete, and up-to-date data to back up the judgements vis-a-vis the principals
- > sustained and imaginative effort to identify sourcing interest
- > instantaneous and informed communication between the United States and developing country intermediating entities
- > availability of financing in the host countries to carry out supply promotion (organizing farm assembly, verification trials, sample production).
- > above all, the ability to focus on only a few deals at a time.

[3] Focus on Agroindustry.- In a few cases (e.g., the Dominican Republic) there are some manifest opportunities to export fresh fruits and vegetables. By and large, however, the major, long-term openings in both internal and external markets are for processed (frozen, dehydrated, packaged) products. (However, the U.S. market for canned goods has been shrinking.)

This judgement is based on the following considerations:

- > Greater value added enhances the foreign exchange gain.
- > Much of food processing is labor intensive. Realized lower labor costs strengthen the competitiveness of the product.
- > Processed foods are less sensitive to transport coordination breakdowns which are endemic in developing countries.
- > American and other food processors have a position in the market. They are accustomed to co-venturing with their raw material suppliers so as to assure themselves of an ample, consistent, high quality supply. When they decide to source off-shore, they bring this attitude of habitual forward and backward integration with them. While fresh produce brokers only sell on consignment at arm's length, processors will offer firm orders in advance, stipulating quantities to be grown and the purchase price which will be paid. Processors also will transfer the technologies which are critical to meeting the specifications of their label.
- > Processors have know-how to reduce farm gate-to-plant losses which are estimated at some 30% in most developing countries.

[4] Service Subsidies, Charges, and Compartmentalization – To pay decent respect to the opinions of the country committees, any service program in the United States will have to show some flexibility and good will in handling requests for technical orientation. Archives and interviews have indicated (more in the Caribbean and Africa than in Asia) that these requests will range from locating a one-time buyer for a small quantity of cashew nuts to supplying a trial sample of an apple-elongating hormone. Servicing such requests is time-consuming and expensive. Moreover, it does not necessarily lead to any significant export or investment transactions in a demonstrable manner. Nor is it easy to weed out a priori the frivolous requests – those that do not stem from any serious contemplation of doing business, just curiosity. To steer clear, some rules will need to be enforced:

- > Provide free services only in response to requests related to the products which have been mutually accepted as high priority (those enjoying comparative advantage in supply and defined demand).
- > Charge fees at 100% of cost to provide services unrelated to the priority products. Possibly, an intermediate percentage of cost might be charged for services related to intermediate products – products that are mutually agreed upon to be on the waiting list to perhaps become priority products.
- > Have certain persons handle the priority product service, and others the rest, so as to prevent the swamping of priority services by marginal errands.

[5] Promotional Techniques.– The process of bringing together American agribusiness companies and developing country farmers, processors, and exporters is arduous, gradual, and not easily predictable. Success depends above all on internal commercial considerations of the American companies which, as a rule, are a closely guarded secret.

To flush out the sourcing interest, proven techniques should be employed, such as the following:

- > In-country workshops that would bring together potential buyers and sellers.

This will work only if a product-specific agenda and a corresponding invitation list have been thoroughly researched, and if there is a follow-up effort to pin down the leads which have been generated.

- > Programmed visits of sellers to the United States (both above provisos also included).
- > Computer scanning of buy interest in specific products (PRONET, AGNET).
- > Analysis of agroindustry trends reported by USDA and trade journals.
- > Cooperative projects with industry associations which may lead to discovery of sourcing interest.
- > Above all, mobilization of personal contacts in the industry.

In addition, an in-house Workshop should be held in each region at the outset of the program. These Workshops would bring together key representatives of the respective USAIDs, country committees, AID/W, industry executives, and American service providers. These Workshops would make recommendations on how to proceed, and establish a consensus with regard to coordinating with USAID country programs (this idea was offered by a member of USAID/Honduras).

Also, a high-level briefing should be offered in Washington to the owners and top executives of selected American agribusiness companies. The briefers should be the Administrator of AID, the respective Assistant Secretaries of State, and a White House aide. The purpose would be to encourage greater enterprise in the developing countries by American companies (this suggestion was made by a high executive of a major U.S. agribusiness company).

[6] Institutionalization.— The stated intent of the Bureau of Private Enterprise is not forever to fund an agribusiness promotion program, but to spark private enterprise forces which would continue on their own. The expectations which appear realistic in this regard are the following:

- > Emphasis should be not on one-time transactions through brokers, but on building long-term partnerships to produce and market processed products on the basis of an integrated, joint venture. Such projects are likely to continue for many years after AID support has ended. There is substantial

evidence to suggest that the outlook is very positive in this regard.

- > Contingent fees should be charged to sellers, at the level of up to 5% of the first year of full production or of foreign investment, whichever is greater (payable only upon conclusion of such transactions).
- > Service fees should be charged for technical orientation related to non-priority products (a practice already followed by some country committees).
- > Fees and contributions should be obtained from American agribusiness companies in connection with workshops and actions such as those intended to obtain favorable treatment for business transactions.
- > Some country committees (Thailand, Costa Rica) already have expressed a desire to form an export trading company which would derive its income entirely from commissions.
- > Some country committees (Dominican Republic, Thailand, Honduras) also have indicated intent to maintain representatives in the United States after the expiration of AID support for that purpose. To the degree as U.S.-based services will be perceived by the beneficiaries as worthwhile, they will continue with the latter's support, although at a lower level.

It would be a mistake to attempt to codify the means of the institutionalization of the project by means of a thick contract document. An even greater mistake would be to just hope for the best. The recommended approach is to do the following:

- > set clear goals
- > pick the best available people to pursue them
- > give them great leeway
- > monitor them frequently
- > change horses if need be.

In terms of the organization of the program, the best procedure appears to be to make grant agreements with non-profit organizations specialized in the respective regions. Require them to subcontract implementation with commercial consulting firms specialized both in the area and agribusiness, with a record of proven accomplishment. Provide for semi-annual reviews to

compare results with expected progress. Preference should be given to existing organizations. Building new organizations dependent on AID should be avoided.

Expectations of progress should bear in mind the following:

The grant period should be four years. This is based on the typical agribusiness project development sequence which is:

year 1: - identify exportable products and buy interest

- obtain improved seed, conduct verification trials,
produce and analyze samples

year 2: - obtain orders and technology transfer

- pilot production
- pilot plant processing
- promotion of production volume
- installation of processing lines

year 3: - full commercial production.

An additional year is needed in a multi-country program since not all projects can be started on day 1. At least a year is needed to develop the full spectrum of projects.

CARIBBEAN

TRUITT ENTERPRISES, INC.

ASSESSMENT

of

JOINT AGRICULTURAL CONSULTATIVE COMMITTEES

CARIBBEAN REGION

George A. Truitt

SUMMARY

In the Caribbean, the JACCs were little more than a year old when JACC/Washington lost its financial support. Understandably, their solid achievements are few. In Belize and Panama the Committees had not gotten beyond the organizing stage. In Honduras, Costa Rica, and the Dominican Republic they had only just begun working on specific projects. Their interest in continuing is keen, however. Moreover, the potential to develop significant agribusiness projects appears to be outstanding in Honduras and the Dominican Republic, and respectable in Belize, Costa Rica, and Panama.

Consequently, the report which follows gives much of its attention to the potential to develop agroindustries and exports, and deals only in passing with the JAC Committees. However, it must be kept in mind that these Committees were not created from the ground up, but rather by connecting with groups of agribusinessmen within the local Chambers of Commerce and Industry. Because of that, the capability to act is much greater than could be expected of the incipient JACCs. Indeed, four of the Committees are now in the process of redefining their institutional identity to reflect that reality, renewing their ties with pre-existing national business organizations. In the process, they also are improving their chances of obtaining USAID support. The sole exception is the Dominican JACC which already enjoys substantial financial support from USAID.

In the opinion of the committee members who were interviewed, their future depends above all on the availability of support services in the United States. The services which are needed are matchmaking - finding trustworthy partners to access the U.S. market, and to obtain the technologies which would make their products competitive. In some cases, general market information. Their natural focus is on agroindustry. Most committee members are associated with food processing industries in one way or another.

Caribbean breezes have been carrying the smell of money since the announcement of the CBI. Many high-pressure promoters have been trying to exploit the opportunities. Interviewees stressed the need to be shielded from them, and put in touch with responsible partners instead. The perception that the United States Government is eager to provide financial aid in the Caribbean also makes the Committees more dependent on USAID financing than they need to be. There is a need to review the perspectives of self-financing.

BELIZE

[1] JAC Committee

The membership of JACC/Belize (list appended) consists mainly of members of The Chamber of Commerce and Industry who have an interest in agribusiness. In conversations with me (see list of interviews) the leaders demonstrated commitment to development goals, cooperative spirit, and consistent candor.

JACC/Belize has not received any help from USAID. Their expenses have been borne by the Chamber of Commerce. The leaders expressed appreciation of the many services which they have received from JACC/W, ranging from a TDY soil drainage expert to the business opportunity Updates. They knew of no investment or export transactions that came to fruition as a result of these services. I asked about the citrus waste pelletization project (animal feed) which had been reported by JACC/W as signed in September, 1985. One of the principals (the Chairman of JACC/Belize) told me that it had been abandoned as uneconomical (short citrus harvest season, small internal market, transport).

USAID/Belize is developing a very systematic program designed to address the neuralgic points of Belizean agriculture. AID-financed new projects which are closely related to JACC/Belize's purposes include the Belize Agribusiness Company (BABCO), and its companion Commercialization of Alternative Crops Project. The objective is to replace sugarcane farming in the north (Corozal, Orange Walk, Cayo) with non-traditional crops as import substitutes (mainly edible oils), and export products. The Chamber of Commerce receives AID support for its Belize Export and Investment Unit (BEIPU) and Institute of Management Training (IMT). In October, 1985 Belize Enterprise for Sustained Technology (BEST) commenced operations which intend to focus on providing management, financial, production, marketing, and other technical assistance to community-based enterprises in agriculture, fishing, and forestry, with backing from TECHNOSERVE. PADF and VITA are working with the Hummingbird Research Station of Hershey Foods Co. in Belmopan to promote the production of cocoa.

With the USAID program in mind, and after consultations with resident experts on the parameters of Belizean agriculture-based exports (see below), I suggested that JACC/Belize might consider folding its institutional identity back into the Chamber of Commerce and Industry. Specifically, that it might act as the Agriculture Committee of BEIPU. BEIPU has a capable Agriculture Advisor (PDAP, Coopers & Lybrand). The Chairman and Executive Director of JACC/Belize agreed enthusiastically. I have no doubt that these well-placed and dedicated businessmen would be an asset to BEIPU (a judgement endorsed by the Permanent Secretary of the Ministry of Natural Resources, and the Agriculture Advisor of BEIPU).

[2] Exportable Products

While in Belize I heard of a number of public and private projects to export fresh vegetables to the United States during the winter window months. Availability of land, sub-tropical climate, abundant rainfall, and proximity to the U.S. were cited in support. The crops mentioned most frequently were melons, cucumbers, squash, okra, and bell peppers.

There are too many indications that such ventures will not be profitable. Belizean top soils are shallow, infertile, and very variable. Subsoils are mostly calcareous and draining poorly. Rainfall is excessive, particularly in the south. Everywhere, soil-borne diseases abound. In the opinion of long-time resident British experts, Belizean soils are hostile to anything but grasses (led, unfortunately, by sugarcane), and trees. Indeed, two melon ventures in Corozal were wiped out in 1985 by soil diseases which specialists found hard to classify. One American expatriate farmer, committed to Belize by marriage, is making a tenuous go of it by fumigating the soil (at the cost of \$ 100/acre), putting up plastic greenhouses to keep out the rain and ultraviolet light, fertilizing intensively, relying on American farmer friends to help him out, and friends at the New York Hunts Point Terminal Market to sell his zucchini, cucumbers, and okra, after hauling it there by chartered plane.

A list of priority products to investigate further should include the following locally proven crops which enjoy market demand:

- > **Citrus:** In 1984, Belize produced 46,000 TM of oranges, and 18,000 TM of grapefruit. In 1985, Minute Maid (Coca Cola) bought land to plant 25,000 acres in orange groves. Citrus Co. of Belize (Pomona Hill, Stann Creek) is bent on expansion. AID funds, however, may not be used to promote citrus exports to the United States. Fortunately, there are alternate markets in the Caribbean and Europe.

- > **Mango:** Golden Mango Co. has been quite successful exporting its high-quality fruit. In the United States, restrictions on EDB fumigation have been suspended until September, 1988. Meanwhile, irradiation is being approved by FDA. There is a good market for mango in the United Kingdom and continental Europe where Belize enjoys Commonwealth and Lome preferences (and no phytosanitary controls).

- > **Oil Palm:** The experimental planting of the Ministry of Natural Resources in the Toledo District has prospered. Since oil palm grows best at latitudes of up to 16 degrees, the extreme south (Punta Gorda) should be considered. New dwarf varieties can begin to yield in 30 months. The end product (solid shortening) should be exported to Guatemala which has an annual deficit in edible oils of some \$ 25m. This would, of course, require an offset-trading agreement. The Belizean internal market is too small to sustain an economical palm seed processing plant (10TM/hour).

- > **Coconut:** Yields high quality edible oil, and is in demand in fresh form in the United States, Canada, Colombia. Some 10,000 acres already are in production (yielding 3m units).

- > **Avocado:** For export to Europe (cannot compete with California in the U.S.).

- > **Cashew:** Existing scattered production could be improved and expanded.

Consideration should be given to exporting jointly with Panama which just started producing on 1,500 hectares in the ceded zone of the Panama Canal, so as to attain volume.

> **Plantain:** U.S. ethnic markets can absorb substantial quantities. Shipping could be combined with bananas at low rates.

> **Other Crops:** Some of the soils in the south have the right acidity for pineapple. In the north, aloe vera is grown. Cut flowers and ornamental foliage are successfully grown on a small scale (heliconia, leather fern, croton leaves).

> **Seafood:** Lobster tails are produced. The current limit of 270 TM might be raised under conditions of more scientific control and mariculture. Maya Mariculture Co. has been successful in hatching saltwater shrimp P/Ls (*Penaeus vannamei* and *P. smitti*). It exports the seed to Ecuador. Local outgrowing in ponds and export to the United States could be very profitable. Sites with impermeable subsoils abound. Lobster tails and saltwater shrimp enjoy a high margin and a growing demand in the United States and the Caribbean tourist industry. They may be a major opportunity for Belize, if investment can be attracted (at least \$ 10,000/acre is required, and an aquaculture farm should not be smaller than 100 acres).

[3] Processing

Existing processing facilities are very limited. There are two citrus fruit processors - Citrus Co. of Belize and Belize Food Products - which ship some 5,000 TM of orange juice concentrate in drums, and such products as canned grapefruit sections which are exported to Canada and Trinidad. The only freezing facilities are owned by the fishing cooperatives. Due to their location, size, and risk of contamination by odor they are not suitable for other products. Grace Kennedy of Belize only distributes Jamaican products. The internal market is too small to sustain industries oriented towards it. The orientation is to the export markets while processed food is imported.

[4] Credit

There is little capital available from the Belizean business community for investment. Prior to 1981 Belize was a British colony, and the capital which was accumulated in the hey-day of mahogany and sugarcane was expatriated to Great Britain. Credit for agribusiness is equally hard to come by. The Development Finance Corp. of the government is by-and-large out of funds (which had come from CABEL, CDC, CIDA, EDF). DFC is not very likely to be re-financed in the near future. Its operations have been too subject to political pressure, resulting in poor recovery and a portfolio of housing mortgages obtained by government servants which the Government refused to rediscount. Commercial banks - Barclay's, Royal Bank of Canada, Bank of Nova Scotia, Banco Atlantida (Honduras) are not open to loan requests for agriculture (Barclay's was until recently). USAID plans for agricultural credit are only in the idea stage. Consequently, any significant agribusiness investment in Belize in the next year or two will depend heavily on foreign capital.

[5] Business Environment

Cognizant of the existing restraints on internal investment, the Government of Belize has opened the door wide to foreign capital. The investment climate is superior to any other Caribbean country. It permits foreign 100% ownership, purchase of land (at \$ 11/acre in recent transactions; only 15% of Belize's 2 million acres of agricultural land is presently utilized). Under Chapters 40 and 45 of the Laws of Belize (1980), incentives include a 15-year tax holiday, exemption from import duties on machinery and equipment as well as re-exported raw materials, guaranteed repatriation of investment capital and profits, and market access under CARICOM, ECC (Lome III), and CBI. The application process is meant to take 60 days.

The economy of Belize is kept afloat by U.S. and U.K. aid (each about \$ 22m in 1985). Foreign debt is \$ 70m and manageable under the conservative stewardship of Prime Minister Manuel Esquivel.

[6] Marketing Patterns

Historically, Belize's economy rested on timber (mahogany and other tropical hardwoods). At present, sugar accounts for 50% of exports and 20% of GDP, but is in steep decline. Corn-based and artificial sweeteners have displaced cane sugar on the world market, depressing its price to a chronic 5-6 cents/lb range (the cost of producing a pound of sugar from cane in the Caribbean is generally estimated at 12-15 cents/lb). Tate & Lyle recently has closed its refinery in Belize, triggering a drive for diversification out of sugarcane. In 1984, Belize's exports were still led by sugar and molasses (BZ \$ 67.4m, 1m short tons), followed by citrus (BZ \$ 19.5m, 1.5m boxes), fish products (BZ \$ 11.8m), and bananas (BZ \$ 6.1m, .5m boxes). (Note: 2 BZ \$ = 1 US \$.)

A major constraint affecting Belizean exports are inadequate shipping facilities. There is no deep sea port. Belize City has a pier which juts out 762 meters into still shallow waters which permit the docking of vessels not exceeding 18' of draft, requiring re-loading from barges of ships anchored at sea. There is service every 14 days to Miami (Hyde Shipping Co.) and Gulf ports, Central America, and the Caribbean (Florida Reefer). Caribbean Overseas Lines sails every 12 days to European, Caribbean, and Central American ports. Small charter vessels offer competition. There are no refrigerated storage facilities at the ports. Rates are negotiable. Volume cargo obtains the best rates, of course. A 40-lb crate of bananas might be shipped to New York for \$.45, but a 40-lb crate of celery to Miami might cost \$ 4.50.

Air cargo service offered by TACA, TAN/SAHSA, and CHALLENGE INTERNATIONAL airlines is sporadic at best. There are no refrigerated storage facilities at the Belize City airport. There are plans to upgrade the terminal (by UK).

[7] Need for External Services

Interviews indicated that the greatest need is to screen outside investment and trading interest. There seem to be too many shady investment promoters

coming to Belize, and Miami brokers beckoning to receive produce on ill-defined consignment.

United States-based service organizations should offer assistance in identifying the Belizean products which can be produced with some comparative advantage, and at the same time encounter keen demand in external markets. This done, reputable American and European companies should be approached with regard to sourcing from Belize.

Given the business environment of Belize, such interest may tend to take the form of enclave production (a la Minute Maid). Since the need is for more broad-based development, the Agriculture Committee of the Chamber of Commerce and BEIPU may wish to consider the mother-farm model instead. That model call for a self-contained, foreign-run nucleus operation (production and processing), but also subsequent expansion based on contracting for raw material with area outgrowers. The cooperating farmers receive technology from the mother farm where it has been put in place already (cost justified), and are offered an assured market.

The Chamber of Commerce already is receiving adequate agricultural price information by telex from the UN Center in Geneva, and Market Information Service of Canada. With BEIPU's NCR computer and modem it also can obtain such US market information services as PRONET (fresh produce) and AGNET (processed foods).

INTERVIEWS (in chronological order)

Neboysha Brashich, Chief, USAID

Ellen Willmore, Acting Agriculture Officer, USAID (2x)

*Leopold C. Balderamos, Executive Director, Chamber of Commerce (3x)

*Michael W.O. Williams, Mg. Director, EUROCARIBE (3x)

*Douglas Fox, vegetable producer

Kimball M. Kennedy, III, PDAP Advisor (2x)

Hart Tillett, Gen.Mgr., Development Finance Corp. (Belmopan)

Carlos B. Santos, Mg.Director, BEST (Belmopan)

Rodney H. Neal, Permanent Secretary, MNR (Belmopan)

*Eric W. King, Caribbean Tobacco Co.

*Elton Jones, Chmn., BEIPU, BABCO

* denotes JACC membership

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Mike Williams	M. Joseph
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Kent McField	R. Moguel
Elton Jones	Silvano Cruz
Patrick Scott	Victor Cawich
Lacelle B. Bowen	Bonifacio Moh
Euan Griffith	Mary Jane Blondell
William Sutherland	Anselma Christiana
Bertram Enrique	Guadalupe Mai
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HONDURAS

[1] JAC Committee

JACC/Honduras derives its strength from the aggressive business community of Cortes Province (San Pedro Sula). The Committee has no legal standing (although the papers have been prepared). It has not received any financial support from USAID (although expectations have been high based on contacts since mid-1985). All-in-all, this Committee may have the highest relative potential of all the five Committees in the Caribbean Basin, and be only second (after the Dominican Republic) in the absolute terms of what could be achieved.

The 65 businessmen and businesswomen that constitute the membership (list attached) can make a significant contribution to the development of agribusiness in Honduras because, like the rest of the north coast business community clustered around the Chamber of Commerce and Industry in San Pedro Sula, they exhibit an energetically entrepreneurial spirit; a number of them have significant equity capital to invest; seeing few opportunities to invest for the internal market, they are eager to gear up for export by forming partnerships with American companies to gain access to technologies and markets. The 68,000 acres of land around them - the Sula Valley - is a prime agricultural area which can produce efficiently. Many farmers are waiting for an opportunity to get out of sugarcane.

In conversations with the leaders (list of interviews is attached), we reviewed the gap between the potential and the accomplishments since they started a year ago (in terms of ultimate objectives, none). We concluded that the Committee should reform itself as the Agroindustry Promotion Committee of the Chamber of Commerce and Industry of Cortes, locating its office on the latter's premises.

That conclusion was arrived at by taking into account the following:

- > The membership lists of JACC and the CCI overlap.
- > The prime interest of the members is industry and commerce, not agriculture.
- > Promotion of agroindustry by businessmen will fill a discrete gap in the programming matrix of USAID/Honduras.

USAID/Honduras already is funding FEPROEXAH (Federation of Honduran Agricultural Producers and Exporters) in San Pedro Sula to promote the export of fresh produce, with the help of a Luis Berger team; FIDE (Fund for Investment and Business Development) to carry out feasibility studies; FHIA (Honduran Foundation for Agricultural Research to take over agricultural research from the Tela Railroad Co.; and FIAH (Industrial and Agricultural Finance Corp.) to finance investment projects. Also, cocoa promotion under a contract with VITA in cooperation with Hershey Foods Co.

Conversations between USAID/Honduras and the Committee to discuss financing of the re-oriented program were scheduled to begin on February 4, 1986. Also, a growing portion of the financing is to come from annual membership dues, service user fees, and commissions on completed exports and investments.

[2] Exportable Products

With a few exceptions, the agribusiness interest in the Sula Valley is not product-specific. The prevailing motivation is simply to invest excess liquid capital in profitable enterprises, and put available land to better use than the traditional crops which bring limited returns. The soils, available irrigation, and climate also permit a wide range of crops.

Thus, the first step in selecting priority products should be to investigate market demand. Processed products are contemplated. The Honduran investment to produce them will come about only when an assured market has been secured, along with the technologies which are necessary to meet the requirements of that market. From the viewpoint of American processors, supermarket chains, and foodservice distributors, and also taking into account the products which

already are grown in the Sula Valley, an initial list might include the following:

- > dehydrated fruits such as plantain slices and hot peppers
- > tropical fruit juices (including exotics)
- > pickles and baby pickles
- > fruit cocktails in syrup and mango chutney
- > frozen foods: melon balls, strawberries, cauliflower, broccoli (Tela RR research recommendations), snowpeas, okra
- > saltwater shrimp (by marine capture in the Pacific)
- > wood products (windows and doors, parquette, toys).

[3] Processing

Major food processors in Honduras are NUMAR Food Products (United Brands - oil palm), Citrus Development Corp. (Griffin & Brand), Meiores Alimentos, Standard Fruit Co. (Castle & Cooke), Cia. Agricola Rio Tinto, and Gurisa (all five produce citrus concentrate); British-American Tobacco Co. Fabrica Industrial de Alimentos in S.P.Sula exports macerated hot peppers, and manufactures a range of food products in syrups and jars.

Terrain for an industrial park has been readied in Villanueva (15 min. south of S.P.Sula). Its 8 acres have been leveled, drained, and fenced in. It is on a major highway, next to a rail line, 20 truck minutes from the international airport of S.P.Sula, and 2 truck hours from the Puerto Cortes seaport which has roll on-roll off facilities. Power and telephone connections also are available just off-property. On-property there is a 400 gal/min water well (its mineral content, however, requires filtration, according to lab analysis).

There are food processing plants in the area with freezing capacity which could be used for pilot runs.

[4] Credit

Credit is available in Honduras for agroindustry, but at a rate of interest of 19% which, when commissions, fees, and taxes are added, reaches 21-22%. Sources are the commercial banks (Citibank, Bank of America, Lloyd's, Banco Atlantida, and others). Also the AID-financed FIAH (at commercial rates).. The banks are flush with cash - in the face of high interest rates. businessmen either invest equity capital if they can, or wait.

Agricultural production credit is available from BANADESA (National Bank of Agricultural Development). The Inter-American Development Bank extended to it a line of credit of \$ 20 million in late 1984 for basic grains, oil palm, cocoa, and diverse vegetable crops. However, BANADESA has a reputation for red tape.

[5] Business Environment

American businessmen tend to view Honduras as the country between Nicaragua and El Salvador, and expect the worst. Honduran businessmen are upset about that, they feel that their country is democratic, stable, and well protected by the U.S. military presence. Still, significant American private investment will be hard to obtain in the near future. Agroindustrial development will depend very much on Honduran capital.

Investment incentives include a 5-year income tax holiday, exemption from import duties on machinery, equipment, and re-exported inputs for 10 years. OPIC insurance is available.

[6] Marketing Patterns

Agricultural exports represent some 65% of the total. Of the agricultural exports, one-half is accounted for by bananas and coffee in about equal shares. Runners-up are sugar, beef, and lumber. Non-traditional agricultural exports have been growing only very slowly, even though only some 20% of the sugar production can be accommodated by the U.S. quota. The rest is sold on the world market currently at 5-6 cents/lb while its cf cost to Honduras is 17.7

cents/lb.

There are excellent deep-water port facilities at Puerto Cortes and Puerto Castilla (recently improved by the U.S. military). However, shipping availability is limited.

Honduras has two international airports - Teucucualpa and San Pedro Sula. North-bound service is provided by a near-monopoly of the governmental SAHSA/TAN airline, except for CHALLENGE INTERNATIONAL. COPA and other Central American airlines provide isthmus connections. A number of export projects (e.g., melons from Choluteca, cucumbers from Cortes) have failed due to the inability of the governmental airline to provide timely service.

[7] Need for External Services

Interviews indicated that the greatest need is for finding trustworthy partners in the United States who could be relied upon to provide the technologies necessary to compete in the export markets, and who would have a position in those markets. Once the effective demand has been secured, Honduran investment in agroindustry would be forthcoming.

An excellent computerized price information service is available at FEPROEXAH.

INTERVIEWS (listed in chronological order)

- * Hector Guillen, Executive Director, JACC (3x)
- * Felipe Arguello C., Director, VEGESA
- * Jorge E. Jaar, Gen.Mgr., INVERSIONES AGROINDUSTRIALES (2x)
- * Jane de Martel, President, S.P.S. University (2x)
- * Henry Fransen, Jr. Mgr., FABRICA INDUSTRIAL DE ALIMENTOS
- Ilsa Diaz Zelaya, President, FEPROEXAH
- Dr. Hanibal Bocardí, FEPROEXAH
- Juan Ordonez L., FEPROEXAH
- * Mario G. Belot, Gen.Mgr., Empacadora Alus
- Felipe Manteiga, Commercial Agriculture Officer, USAID
- Dr. Frank Bendana, Agribusiness Officer, USAID

* denotes JACC membership

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HONDURAS JACC COMMITTEE

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Chris Mallinsec Fundacion Hondurena de Investigacion Agricola	Felipe Arguello Vegetales SA
Jorge Emilio Jaar Inversiones Agroindustriales	Raul Menjivar Banco Capitalizadora Hondurena SA
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Camilo Rivera Giron Banana Grower	Ramon Larios Contreras Cattleman
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Jacobo Siman Siman Comercial	Hector Diaz Price Waterhouse CPA
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Antonio Zaldivar Cooperativa de Plataneros Independientes	Cristobal Flores Veterinaria Flores
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Jack Kattan Hacienda Tres Marias	Lucila Diaz Pescaderia Moderna
Fabian Fernandez Alimentos Concentrados Fafer	Hector Sabillon Alimentos Concentrados Nacionales

Julio H Garcia
Arrocera Centroamericana SA

Roberto Zacarias
Cerveceria Hondurena SA

Edwin Rosenthal
Cia Azucarera Chumbagua

Leonel Morales
Cia Hulera Sula SA

Jose Andonie
Empacadora Cortes SA

Henry Fransen
Fabrica Industrial de
Alimentos de Honduras

Emin Abufele
Herramientas Manuales
de Centroamerica SA

Jacobo Kattan
Agroindustrialist

Juan Kattan
Molinos de Honduras SA

Juan D. Quiroz
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Andy Cole
Viveros Tropicales SA

Felipe Arguello C.
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Guillermo Maradiaga
Exportadora Mercantil
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Roberto Reyes S.
A R Pineda y Cia

Miguel Angel Alvarado
Servicio Aereo de Honduras

Arnulfo Gutierrez
Banco del Ahorro Hondureno

Roberto Moreira
Boquitas Fiestas SA

Eduardo Aragon
Compania Agricola Rio
Tinto

Charles G. Heyer
Cia Azucarera Hondurena

Miguel Canahuati
Contessa Industrial SA

Maria Cristina Castor
Empacadora de Mariscos SA

Roberto Calderon
Heladora Hondurena SA

Gerardo Vasquez
Implementos y Equipos de
Centroamerica SA

Cesar Lopez
Oliva Tobacco Co.

Jose Rodriguez
Polymer Industrial

John A. Ordman
Tela Railroad Co.

Fuad E. Canahuati
Empresa de Servicios
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Yamal Yibrin
Cadelga SA

Napoleon Larach
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OCTOBER. 1985

COSTA RICA

[1] JAC Committee

The Costa Rican JACC is one of the few to have legal corpus, and to have enjoyed (since a year ago) USAID support (through CINDE (Council for Development Initiatives)). As of December, 1985 this support was to have been channelled through the newly created CAAP (Private Agricultural and Agroindustrial Council) which is a discrete organization also governed by the CINDE board of directors. Just then news was received of the discontinuation of AID/W support to JACC/W. Support to JACC/Costa Rica was terminated also, and the two employees were dismissed.

Most of those interviewed (list appended) felt that CAAP itself is now the logical Costa Rican link with foreign agribusiness. The Chamber of Agriculture and Agroindustry works closely with CAAP. JACC/Costa Rica was originally created by the leaders of that Chamber, and the two shared offices.

Some members of JACC/Costa Rica, led by its Chairman, would like to have the Committee assume the role of an organizing committee to establish an export trading company. The realization of this idea depends on the availability of project development funds from CAAP.

Beginning on February 4, meetings were to be held by the leaders of the abovementioned organizations in an effort to define the best structure of agribusiness promotion efforts in Costa Rica's private sector.

While no investment or export transactions have been brought about by JACC Costa Rica, several of the ideas which were promoted seem to be advanced far enough to merit being included in the hopper of any subsequent efforts. The projects which interviewees mentioned as promising are the following:

- > Flowers (Western Agri-Management of Ft. Collins, CO and FLOREX, S.A.).

- > Vanilla and turmeric (McCormick & Co. of Hunt Valley, MD and farmers to be selected by the Chamber of Agriculture and Agroindustry).
- > Dehydrated fruit (Fruit Snacks of Gaycroft Plains, NJ and Griffith Laboratories of C.A.).
- > Fresh herbs (The Rock Garden of Charlestown, WV and Oscar Rohrmoser).

[2] Exportable Products

Costa Rican farmers are much more middle class than their counterparts in the rest of the Caribbean Basin. They are educated, independent-minded citizens. These are excellent qualifications to sustain Costa Rican democracy, but create some problems for Costa Rican agricultural exports. The harvests of Costa Rican fields are geared to the protected internal market. They tend to be not competitive in the external markets. In the manner of their European forefathers, Costa Rican farmers like to run small family farms growing a number of crops, expect good income, and dislike investing in new technologies. As farmers do in Europe, they look to the political power structure to assure the continuation of this comfortable system. Any export venture focused on non-traditional agricultural products will need to show a great deal of creativity to reduce production costs and assemble the volumes which are required by external markets. Low volume-high margin specialty products might be a possible strategy, if market niches can be found.

With an eye on proven products, such a list might include the following (value of 1984 exports in \$m is stated in parentheses):

shrimp (8.9)

lobster tails & processed crustaceans (1.0)

cut flowers & foliage (4.5)

seed production (...)

fruit pulps and paste (4.6)

frozen cassava (2.8)

processed legumes (1.6)

spices (1.2)

fruit products (.7)

pineapple (4.9)

Mexican pear (1.9)

strawberries (10 ha in production)

raspberries (0)

(Note: The above refers to the Meseta Central where, in addition, the main export crop is coffee (267.3). The coastal lowlands, with an ethnically different population and plantation agriculture, produce bananas (255.4), sugarcane (20.4), oil palm (15.8), cacao (9.2), and plantain (1.9).)

[3] Processing

Recent investigations indicated that only some 30% of the installed food processing capacity is being utilized. Some plants have closed down entirely for lack of raw material (e.g. CASHA, a chocolate factory), most are struggling. GERBER PRODUCTS OF CENTRAL AMERICA in San Jose is doing well exporting mostly frozen banana puree (some \$ 3.5 in 1985). Several partners associated with FOODPRO INTERNATIONAL of San Jose, CA have bought the bankrupt FRIGOTEC freezing plant, and plan to export frozen pineapple chunks and other fruits beginning in March, 1986. NUMAR Processed Foods makes shortening from oil palm seed (including some from Panama) for the internal market.

[4] Credit

The availability of credit improved during the Monge Administration. U.S. aid was increased once the long-delayed colon devaluation took place at the end of the Carazo Administration (as well as for U.S. national security reasons).

Dollar-denominated loans are available at LIBOR+3% (currently 11%), and in colones at 23.5% (real rate of 8.5% after discounting 15% inflation). The

sources of loan funds include commercial banks which can rediscount agricultural production loans at the Central Bank (which has a \$ 90m IBRD-IDB facility). BLADDEX of Panama (not used), Private Investment Corp. (\$20m AID line), COFISA (\$10m AID line), LAAD (currently applying to AID for \$25m for Central America), CABEL (\$50m AID line including \$15m for nonbusiness) Non-traditional crops are given preference. The previous practice of the Central Bank of selling dollars dearly to producers and buying dollars cheaply from exporters has been discontinued (the spread between the buy and sell rates is now only .5%).

[5] Business Environment

Costa Rica enjoys remarkable political stability. It is not at all part of the perceived Central American turmoil, actually or potentially. Its entrepreneurial daring tends to stay within the limits of middle class outlook and resources, although the pressing need to diversify out of coffee and sugarcane has sparked some interest. There is little equity capital available for investment in agroindustry. Investment incentives are available, including tax abatement certificates for exporters.

Another constraint is transport. Maritime service from Pto.Limon is limited, as is air service from the sole international airport of San Jose. The low volume of non-traditional products available for export is the chief problem.

[6] Marketing Patterns

Costa Rica did well in the hey day of the Central American Common Market which provided both an external tariff umbrella and a larger market. With its demise, Costa Rican exports encountered much stiffer competition. Niches have been found in Canada for such products as pineapple chunks in syrup, and fresh mango and melons. Cut flowers and ornamentals have encountered a good market in the United States (and ferns in Europe). On the other hand, frozen cassava exports to Miami have suffered setbacks due to poor quality control (as did Mexican pear exports before them for reasons of oversupply). In the opinion

of some cut flower exporters, that trade is about to encounter similar problems. They are postulating a marketing order type of stabilization.

[7] Need for External Services

Information regarding market opportunities was high on the list of desiderata of the interviewees. This should cover market tendencies, prices, quality standards, packing specifications, and competition.

The Chamber of Agriculture and Agroindustry maintains a computerized data bank to provide production information. Currently seven products are covered (to be expanded to 36). The computer files include information on current production, growing practices (actual and recommended), and production costs.

INTERVIEWS (listed in chronological order)

William H. Barbee, Agribusiness Advisor, USAID (2x)

Vizen A. Schmack, Finance Advisor, USAID

* Eduardo de la Espriella Z., Mgr., CAAP

Spencer Manners, NUMAR Processed Foods Group

* Cesar Garces M., Gen.Mgr., Costa Rican Flowers

* Gaston Peralta, Chairman, JACC

Patricia Vasquez, Dept. of Information, Export and Investment Promotion Center

Elton H. Harter, Gen.Mgr., GERBER PRODUCTS OF C.A.

Jorge Cavallini S., Gen.Mgr., HORTIFRUTI, S.A.

Rafael Rodriguez, Exec.Dir., Chamber of Agriculture and Agroindustry

Aaron Williams, Private Sector Officer, USAID

Joern K. Weber, Director, Oil Palm Operations, United Brands Co.

* denotes membership in JACC

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Eduardo De La Espriella Zeledon	Daniel Pacheco Chinchilla
Juan Rafael Lizano Saenz	Raul Acuna Araya
Rodolfo Cortes Rojas	Rodolfo Salgado Membrenes
Edgar Quiroz Gonzalez	Marco Tulio Hernandez Castro
Thomas Harrington Calvo	Alfredo Robert Polini
Rodrigo Uribe Saenz	Jose Humberto Munoz Fallas
Luigi Sansonetti Tinoco	Jose Antonio Lara Eduarte
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OCTOBER, 1985

PANAMA

[1] JAC Committee

According to its Chairman, JACC/Panama never went beyond the stage of an organizing committee. A major reason for this is that its potential role has been pre-empted by other organizations which have been more successful in securing the support of USAID/Panama. Among these are two autonomous government agencies, CNI (National Investment Council) and IPCE (Panamanian Institute of Foreign Trade). In the private sector, Chamber of Commerce, Industry, and Agriculture, and APEX (Association of Panamanian Exporters).

The conclusion that I have drawn from interviews (see appended list) is that the most logical point of contact in Panama for external services to agribusiness is Committee 12 (Agriculture and Agroindustry) of the Chamber of Commerce, Industry, and Agriculture. This committee already has some 65 members of big and small agribusinessmen, and is growing rapidly. It plans to work with a Growers Union which it is helping to establish in March, 1986. Some of its members participated in the abortive effort to establish a JACC.

[2] Exportable Products

Two thorough assessments have recently been made of Panama's agribusiness potential: "Structural Adjustment in the Agricultural Sector of Panama", J.E.Austin & al., IBRD, April, 1984; and "Assessment of Agribusiness Potential of Panama", G.A.Trutt & al., USAID/Panama, July, 1984. The conclusions drawn by these two independent studies, updated by my interviews, lead to the following recommendation of initial product priorities:

> Shrimp, Scallops, and Red Snapper.- In 1984, Panama's shrimp exports were \$ 46.7m, much below earlier trade forecasts of \$ 72m, but still ranking #2 on the list of the country's exports, after bananas. The reasons for the shortfall include ecological limits on marine capture of gravid females (which account

for 2/3 of the total P/L production), lack of new investment (only 1/4 of the land-lease concessions have been put to use), cost of P/Ls from the AGROMARINA (until recently owned by Ralston-Purina) hatchery, and shortage of suitable feed. If these constraints can be overcome - and they might be - production could be doubled within a few years. Additional gains could be realized by improved processing - sizing, breeding. (As regards scallops and red snapper, see Truitt, op.cit.)

> **Cacao.**- Panamanian production of cocoa beans has been about 1m/lbs/year. The processing plant, Cia. Panamena de Cocoa, could process eight-times that volume for export as cocoa butter and powder (\$7 million more). Its manager has been scouring Central America in search for additional sourcing, with little success (many cacao plantations on the isthmus have been devastated by monilia). A project to grow cacao in Panama has been planned by an American businessman backed by a wealthy Panamanian family, with technical cooperation from Hershey Foods Co.

> **Beef.**- The prolonged dry season, government price and export controls, and slaughterhouse deficiencies have been the main constraints on Panamanian beef exports. When U.S. beef import quotas were in existence, Panama could seldom fill them. Cutting and storing hay could be promoted. Price controls and export quotas on beef have been abolished, and two of the four industrial slaughterhouses (Azuero and Chiriqui) have been certified by USDA. Substantial beef volume could be available for export if chicken feed prices could be brought down. Lower chicken prices would reduce the Panamanian consumption of beef which at 40/lb/year per capita is rivaled only by Argentina and Uruguay. The need is for improved export marketing arrangements which would offer predictability, increased value added (cuts, curing), and technology transfer to improve productivity. Processing of grass-fed, lean beef might be one of the targets.

> **Vegetable Oils.**- Panama has an annual deficit of \$10m in vegetable oils. It imports soybean crude to fill the gap. This deficit could be filled entirely by domestic production of oil palm and coconut oil. A 2,520 ha oil palm

plantation is now in production north of Puerto Armuelles, but the seeds are exported to Costa Rica for lack of a processing plant.

Coconut production could be promoted on the Atlantic coast west and east of Colon. The two existing vegetable oil processing plants resist using oil palm seed as raw material for technical and commercial reasons. They could and would use copra. Coconut also could be exported fresh (as it is, on a minor scale, to Colombia, mostly by contraband traffic).

> Tropical Fruit Juices.- In spite of the favorable climate, at present Panama does not offer much in tropical fruit. The exception is Citricos Chiriqui which produces commercial quantities of orange juice concentrate, pineapple and passion fruit juice, as well as honey, flowers, and naranjilla. The problem is the long and strife-torn history of the plant. It was built by Daniel Ludwig. After he abandoned the venture, a government-run cooperative took possession. Eventually, compensation was paid. Still, a considerable sorting out of responsibilities and expectations would have to take place before labor peace could be expected.

Smaller volumes of pineapple and passion fruit juice are offered by FRUPASA in San Andres. Conservas de Antano in Boquete markets small quantities of soursop and other tropical juices.

[3] Processing.- As described above, processing capacity is available for beef, seafood, cacao, and fruit juices. Vegetable oil processing would require expansion.

[4] Credit.- Some 120 commercial banks are represented in Panama, with assets of \$ 38b (1984). However, they are not oriented toward Panamanian agribusiness. USAID/Panama is moving to fund the Export Finance Company for the agribusiness sector. Special lines of credit are available from the National Bank of Panama (for aquaculture (IDB), cacao (IBRD)).

[5] Business Environment.- Panama is an exception among the developing

countries in that its currency is the U.S.\$.. Its inflation has been about 1% p.a. recently. Capital and profits are free to flow in and out.

In January, 1986 President del Valle summarized the goals of his Administration in agriculture as an increase in productivity, technology transfer, and meat and fruit exports. Also, reduction in price controls.

Still, the dominant feature of Panamanian agriculture is excessive bureaucratic control. The service and commercial sectors of the Panamanian economy are remarkably free of government regulation. Since the Torrijos Administration, however, agriculture and agroindustry have been the favorite targets of government intervention. While there was no extension service until recently, price controls have been a favorite of the politically powerful urban consumer at the expense of agricultural production. During the protracted negotiations for the Canal Treaty, nationalist sentiment burgeoned. It then translated itself into a bloated bureaucracy which has attempted to take charge of everything in the agribusiness sector, from kiosks retailing subsidized food staples in the cities to rice silos to irrigation projects. In spite of the passage of time, disastrous results, and changing Administrations, by and large that still is the status quo. There is some hope, however, that the excessive public debt, need to reduce the public deficit, and prodding by international aid agencies will bring about a change in favor of the private sector.

[6] Marketing Patterns.- The dominant factors of the Panamanian economy are the services: commerce, finance, real estate, oil pipeline and sea canal, and government. They account for 56% of the GDP. Agricultural exports - except for the traditional crops like bananas - are the upstarts. Efforts to start non-traditional agricultural exports are quite disoriented for lack of marketing know-how and adequate technologies. The lucrative new shrimp industry is a suggestive exception.

Strange as it may seem for a country which is one of the world's crossroads, transport available for non-traditional exports is poor. The banana boats

carry nothing but bananas. Panama has good ports on the Atlantic shore (Cristobal and Coco Solo Norte), and in the Pacific (Balboa, Vacamonte, Aguadulce, and Pedregal). However, Canal shipping resists calling at Panamanian ports because of excessive port charges for fuel, steverage, docking services, etc. due to the government's policy of quick amortization of port facility investment, high wage levels, and low productivity. Similarly, availability of air cargo space is only sporadic, rates are high.

Nearly 61% of Panamanian exports went to the United States in 1984 (led by shrimp, sugar, bananas, and coffee - in that order), and 31% of Panamanian imports originated in the U.S.

In 1984, the Ministry of Commerce and Industry experimented with fresh fruit and vegetable exports to Puerto Rico. However, the effort broke down because of transport problems.

[7] Need for External Services

An indication of the need for external services to the Panamanian private agribusiness sector is that USAID/Panama has been considering a proposal from the Ibero-American Chamber of Commerce to finance such services in the United States at the level of \$ 220,000 p.a., with another \$ 280,000 going to the beneficiaries - Chamber of Commerce, IPCE, and APEX (see [1] above) - p.a.

Interviews indicated that indeed strong support is needed. The Panamanian export-oriented private agribusiness sector is in diapers. It needs every support it can get, from price information and market analysis to matchmaking to production technologies.

The World Bank study cited under [2] above passes over the opportunities for import substitution. I respectfully disagree in so far as regards the two crops which clearly enjoy a comparative advantage - edible oil seeds and animal feed grains. External support should focus on those first, for they are the two most significant opportunities for profit and foreign exchange gain.

INTERVIEWS (listed in chronological order)

Jorge Duque, Gen.Mgr., Cia. Panamena de Cocoa

Samuel Starrett, Commercial Attache, U.S. Embassy

Adolfo Arrocha, Secretary General, Social Security Bank

J.J.Vallarino, Jr., Chairman, Coca Cola Bottling Co.

Pedro Vallarino, Mgr., Sourcing Dept., Coca Cola Bottling Co.

Marco A. Fernandez, consultant

Eduardo R. Sollas, Coordinator, National Investment Council

Dr.David Schaer, Chief, Agriculture, USAID

Gary Bayer, Deputy Chief, Agriculture, USAID

Frank Skowronski, Chief, Private Sector, USAID

Allan Broehl, PRE, USAID

William Campbell, PRE, USAID

*Arturo K. Melo K., VP Operations, Melo Group

Pedro A. Gordon S., VP, Melo & Cia.

Ing. Rodrigo R. Marciacq, Gen.Mgr., Horticultural Marketing Cooperative,

Boquete

Ruben D. Ortega V., Dep.Mgr., Foreign Trade Institute

Miguel E. Vallarino C., Product Mgr., Kraft Foods, S.A.

David J. Craft, Mg.Dir., The Borden Co.

Tomas Ugarte, Special Projects Officer, USAID

Rafael Zuniga, Exec.Dir., Chamber of Commerce, Industry, & Agriculture

* denotes JACC membership

DOMINICAN REPUBLIC

[1] JAC Committee

JACC/Dominican Republic was created between February and August, 1985 around the proposition of administering the agribusiness project of USAID/DR. That project will provide \$ 18m for agroindustry through FIDE (Development Investment Fund) of the Central Bank and cooperating commercial banks, among other facilities. The members of the quite active Board of Directors represent the new generation of the business families which have dominated Dominican agroindustry (Bonetti, Barcelo, Crouch, et al.). The committee has agreements with TDP/AID (\$.5m to carry out feasibility studies for U.S. agroindustrial investment); Association of Development Banks (\$.25m for business plans and feasibility studies for Dominican agroindustry); and the Ministry of Agriculture (to improve phytosanitary controls in ports). The total funds (including the above pass-through items) which have been committed by USAID/DR to JACC/DR amount to \$ 2.5m over three years.

On February 11, 1986 the first Executive Director was appointed. The disbursement of USAID funds was to begin, and an office established (so far, administrative services have been provided by the Dominican Community Development Foundation). The organization's name is being changed from Joint Agricultural Consultative Committee to Agribusiness Consulting and Co-Investment Committee (keeping the JACC acronym in Spanish). Project development has not yet begun in earnest.

An issue is how the Committee will coordinate with CIPROIN (Inter-Agency Investment Promotion Council), CIE (Foreign Investment Commission), CEDOPEX (Dominican Export Promotion Center), and ADOEXPO (Dominican Association of Exporters). All of these entities enjoy independent USAID funding, and have overlapping mandates. Turf battles loom on the horizon, although discussions are underway. Inevitably, USAID/DR will serve as the coordinating center.

[2] Exportable Products

Without doubt, the comparative advantage of the Dominican Republic vis-a-vis Central America (and most of the Caribbean Basin) is its proximity to the huge urban markets of the Eastern Seaboard of the United States. Conference tariffs have been broken by keen competition for that attractive transport market, and as a result products can be shipped by sea at 5-6 cents/lb to U.S. Atlantic seaports. That is about one-half of the Central American shipping rate. Frequency of port calls has increased to almost daily sailings, particularly from the modern Puerto Haina where volume is high. Air freight to Miami can be had for 10 cents/lb.

> **Fruit & Vegetables.**- In consequence, the Dominican Republic is now a competitor even to Mexico in supplying winter fresh vegetables to the United States east of the Mississippi. In January, 1986 the Hunts Point Terminal Market in New York quoted mostly Dominican cantaloupes, honeydews, and cucumbers. The influx of Dominican produce has brought the prices down, but even at \$14/crate (as compared with \$28/crate in January, 1985) cantaloupes are quite profitable, based on a cf cost of some \$ 8.50/crate. There are other opportunities in fresh vegetables, including ethnic products (guandul, yautia, yams, ginger, cassava). Pineapple represents a significant opportunity to diversify out of sugarcane, as has been demonstrated in Catarey. In addition, some of the sugarcane lands are available for citrus. Within five years, concentrated orange juice and other citrus products could be exported at the level of \$ 30m annually, particularly to the Caribbean and European markets.

> **Frozen Vegetables.**- Frozen okra already is exported at 10m/lbs/year+. The same could be done with frozen green beans, and frozen melon balls.

> **Cut Flowers and Ornamentals.**- The uplands at Valle Nuevo, Costanza, and Jarabacoa already produce some cutting flowers and ornamental plants. Production could be greatly expanded if infrastructure were improved (access roads, refrigerated storage, air cargo service).

> **Prawn.**— Sweetwater prawn are native to the Dominican Republic, and have been farmed successfully. The European market imports over 100,000 TM of prawn (the Dominican Republic exported 30 TM in 1982).

The potential for third-year annual export increments has been estimated in a recent study (The Dominican Republic: Constraints and Opportunities in Investments and Exports, IBERC/CIE, Washington, June 1985) as follows: fruits & vegetables, \$4m; flowers, \$10m; prawn \$1m.

> **Import Substitution Products.**— The cited study points out that larger opportunities are available in the production and processing of several products for the internal market which can be produced at low cost. Within five years, the domestic market could be supplied with Dominican-produced \$ 31m worth of vegetable oils (oil palm, coconut, and cottonseed), and \$20m of feed grains (corn and sorghum). Currently, vegetable crude oil and feeds are imported at these levels.

Another recent study (Agribusiness Investment Opportunities in the Dominican Republic, ASACI/TDP, August 1985) dismisses the import substitution opportunities as too subject to sudden price control and tax changes. This argument is debatable. First, exports also have been subject to restrictions imposed by the Dominican Government (e.g. meat, plantains). Second, Dominican exports are subject to sudden U.S. regulatory changes (tariffs, quotas, non-tariff barriers), as has happened with citrus, tomatoes, mango, et al. Third, the Dominican Government has an overriding need to improve its balance of payments — a circumstance which will tend to protect domestic purveyors of vegetable oils and feeds who could eliminate 13% of the trade deficit. Fourth, in the D.R. foreign investments may be protected by a Contract with the Nation. Such Contracts are immune to legislative and regulatory changes.

[3] Processing

The Dominican Republic has a viable food processing industry. There are four edible oil processors (currently largely dependent on imported crude oils).

Since the peso:dollar exchange rate was freed from its unrealistic 1:1 level (in February, 1986 it was 2.85:1), these imported raw materials have become much more expensive, and the oil processors are in the forefront of the promoters of oil seed production. There are significant rum distilleries, dairy plants, vegetable canneries. A constraint has been the unavailability of a complete line of packaging materials (particularly glass jars). Recent new investments include citrus processing, cotton ginning, and tomato paste production. Another problem is the high cost of energy (about 20 cents/kWh).

[4] Credit

Agricultural credit is available mainly through FIDE (Central Bank) which has substantial re-flows in addition to new refinancings by AID and IDB. This credit is often extended in the form of "bridge loans" - tripartite project agreements made by growers, processors, and the commercial banks.

A major constraint is that many farmers do not have a clear title to the land which they till. FIDE offers a guaranty program for projects which lack colateral but are export-oriented.

[5] Business Environment

The Dominican Republic is now a favorite pupil of the IMF, having subscribed and implemented, at some political cost, a series of stringent measures intended to right the public finance. Unemployment is still high (over 25%), and living standards have declined appreciably. The underlying weakness of the economy is its historical reliance on traditional commodities which have gone into decline on the world markets. Foremost among these is cane sugar. It is produced at a cost of some 15 cents/lb, but the world price has stagnated at 4-6 cents/lb. The U.S. sugar quota (at 21 cents/lb) has been keeping the industry alive, but currently it absorbs only 1/3 of the production, and has been shrinking. The bauxite glut has shut down the Falconbridge mine. Cacao and tobacco prices also have been eroded.

The recent doubling of the world coffee price, and above all the decline of oil prices have improved the situation (the D.R. imports nearly all of its energy requirement). Also, non-traditional exports have been growing strongly (40% in 1985), and tourism is doing very well (accounting for 43% of FX in 1984).

Several incentive Laws (532, 409, 128, 69) entice the investor by waiving various taxes for 10 to 20 years (depending on location and type of enterprise). Exporters also receive Tax Credit Certificates of 15-25% of the fob or even cif price (if national transport and insurance are used). OPIC has suspended its currency convertibility insurance program in the D.R. due to a dispute arising from the May, 1984 decision of the Government to abandon the 1:1 exchange rate without compensating investors.

[6] Marketing Patterns

The Dominican Republic has been a major supplier of the United States of cane sugar (about 200,000 TM/year), followed by ferronickel, gold, silver, coffee, cacao, and tobacco. Of the \$871m exported in 1984, \$668m went to the United States. Of the \$1,251m worth of imports, \$631m came from the U.S.

[7] Need for External Services

The Board of JACC/DR stressed its desire to receive information on market demand. This ranges from finding partners (particularly screening out the light-weight promoters) to receiving daily information on prices. Their main interest is in agroindustry.

Conversations are underway with CIPROIN and TDP for feasibility studies, and CIE concerning a data bank.

INTERVIEWS (listed in chronological order)

Vincent Morabito, Agrusiness Advisor, USAID (4x)

*Horacio Ornes, Chairman, JACC

Luisa de Windt, President, ADOEXPO

Edmundo Nunez, Gen.Mar., Hispaniola Products, S.A.

Armando Tavera, flower producer

Carlos Henriquez, Manager, Border Development Project

Octavio Moreano M., Advisor, Federation of Cooperatives

Marion Ford, Chief, Agriculture, USAID

Erhardt Ruprecht, Dep.Chief, Agriculture, USAID

Peter Bittner, Chief, Private Sector, USAID

*Board of Directors meeting, JACC

Joseph Thomas, Advisor, CIE (2x)

*J.Robert Velado, Gen.Mar., Southland Dominicana, S.A.

* denotes JACC membership

ASIA

US-ASEAN CENTER FOR TECHNOLOGY EXCHANGE

ASSESSMENT

of

JOINT AGRICULTURAL CONSULTATIVE COMMITTEES

ASIA

Paul A. Cunnion

ASSESSMENT OF JOINT AGRICULTURAL CONSULTATIVE COMMITTEES (JACC)

ASIA

INTRODUCTION

The U.S.-ASEAN Center for Technology Exchange (CTE) was sub-contracted by Truitt Enterprises, Inc. to make a general assessment of the JACC Committees in the Philippines, Indonesia, Thailand and Sri Lanka.

The overall purpose of this appraisal was to determine the productivity of the JACC Committee in each country, its membership, how it functions, what support the Committee has from public and private sectors locally, the potential for realistic agricultural development projects and the resources available for same, and the feasibility of voluntary investment activity to support the future of JACC Committees.

CTE sent its marketing consultant, Paul Cunnion, to visit the four countries and evaluate the JACC Committees from 17th January to 8th February 1986.

His report includes individual country reviews, and general conclusions and recommendations.

PHILIPPINES

Potential Capability of JACC

There is no active JACC Committee in the Philippines. Only two individuals, Mr. Vincente Lim, Jr. of Philippine Packing Corporation (Del Monte) and Mr. Fred Whiting of Sime Darby International have given any productive time to JACC.

Despite the efforts of Mr. James Meenan of USAID to form an active working committee, economic conditions in the Philippines for the past three years and the direct and indirect involvement of the Government in agricultural development projects have inhibited the formation of a JACC Committee.

Yet strong private sector interest was expressed in the JACC concept by a cross section of private sector companies. For example, Crown Fruits Corporation, a successful packer of canned fruits both for domestic and export consumption, are interested in expanding their institutional and retail sales in the U.S. and Europe. They are also seeking a joint venture partner in the U.S. to pack adobo (seasoned meat dishes) in the U.S. for the Philippine and Spanish markets with the objective of introducing these products into U.S. mass market channels. The company has had limited results in identifying a joint venture partner and in improving the distribution of their canned fruits.

The President of Crown Fruits expressed keen interest in working with a group like JACC that could facilitate the Company's marketing and joint venture requirements. He also stated that he knew a number of other small and medium sized companies seeking technical assistance, marketing expertise or partners in the U.S. but were unable to establish these contacts.

Support for an active JACC Committee was expressed by various institutional groups such as the American Chamber of Commerce of the Philippines (AMCHAM), the Philippine Chamber of Food Manufacturers (PCFM), and the Philippine Chamber of Commerce and Industry (PCCI). PCCI has offered to provide secretarial assistance and office space should a JACC be activated.

The Philippine private sector is actively seeking U.S. sources of technology, joint venture investment and joint marketing arrangements. In spite of current political and economic problems, or perhaps because of them, as a means of reducing unemployment, increasing export sales and reducing balance of payments deficits. In addition, with the government encouraging agro-development but reducing its involvement in it, the private sector sees an opportunity to utilize the JACC as a vehicle to promote private agribusiness expansion.

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The Deputy Director of the National Economic and Development Authority (NEDA) was adamant that the private sector take the lead in promoting agro-development projects, since the government has already been overly involved in agriculture and food processing. He stated that the government would encourage efforts such as JACC, but that the private sector must assume the major role in it. This reflects not only his own view, but that of the Minister of Agriculture and others in the government.

Product Specificity

Both the government and the private sector have identified agriculture and the food industry as a priority industry with the greatest potential growth in the coming years. In the 1970s, great emphasis was placed on achieving self-sufficiency in food production, particularly in rice, for domestic markets. This objective was, partially achieved. In the early 1980s, greater stress was placed on developing more value-added processed foods for export and increasing the volume of fresh, semi-processed, and processed foods for domestic consumption.

Traditional Philippine exports include sugar, coconut products, bananas, pineapple products and canned tuna fish. The volume of export and price of nearly all of these products,

particularly sugar and coconut products, has declined precipitously. This is due in part because international competition has diversified the number of sources of these products. In addition, the high degree of Philippine government involvement in the sugar and coconut industries has inhibited replanting, and shrunk private sector initiative. The U.S. is still the major buyer of Philippine food exports, purchasing approximately 15% of all food exports. Japan and the EEC are the second and third most important purchasers.

There has been some substantial private sector development in agriculture notably in pineapple products, coffee, aquaculture and cocoa which is intercropped with coconut. These developments have generally been undertaken by large local or multinational corporations. However, food exports by medium or smaller companies have increased in dehydrated fruits, fruit purees and a variety of ethnic foods. There are opportunities for investment in the Philippines in the following area:

1. Traditional Exports: cocoa
coffee
2. Non-traditional Exports: fruit concentrates
fruit purees
fish products
nutmeats
spices
seeds
vegetables

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Processing Capacity

The food processing industry has been traditionally dominated by several giant corporations, such as San Miguel, and in recent years by the government (Food Terminal, Inc.). Yet, there are numerous small, medium and even relatively large sized processing plants producing food for both domestic and export consumption.

What is lacking in many of these medium and small companies is technical capability in new product development, marketing, quality assurance systems, packaging technology, and modern equipment. This, of course, inhibits the expansion of the industry in the Philippines, and export growth.

Need for External Facilitation

While there is strong private sector support for activating a JACC Committee, the primary need in the Philippines is a counterpart organization in the U.S. that would assist in:

- (1) identifying partners,
- (2) technology and technical assistance, and
- (3) market information and marketing expertise.

It was also indicated that after initial support from the USAID Mission to the Philippines, the Philippine Committee could be self-supporting.

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Credit

Despite the external debt problem of the Philippines, the availability of credit was generally not considered a critical issue in assessing the potential for agricultural development. Presently, high interest rates in the Philippines are seen as a deterrent to investment. However, private banks will lend money particularly if a U.S. partner is involved.

Business Environment

Presently business is adversely affected by the economic and political situation. The Philippine peso has recently devalued, and interest rates have risen to 30% per annum. The blackmarket rate for the peso (frequently used in many business transactions) is currently P22 to US\$1.00 and expected to decline further.

The Philippines has a well-trained and highly educated labor force, good roads and well-developed infrastructure. There continues to be Communist-inspired unrest particularly in the provinces; the New People's Army controls major areas where traditional crops are grown. As of this writing, the political stability of the country is in question, although many in the business community remain optimistic about the future of the country.

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Marketing Systems

Domestic food marketing and distribution channels are patterned after those in the U.S. In the past, the majority of food or agricultural exports (excluding sugar, coconut products and those sold by multinationals) were exported by a small number of large corporations (e.g., San Miguel and Ayala) who would buy from smaller companies, undertake the financing, export documentation and marketing. In the last decade, however, the trend has been for small or medium-sized companies to handle their own domestic and export sales, in some cases with the assistance of external financing or an overseas partner. In part, this change has taken place as a result of demand by overseas buyers to deal directly with the manufacturer. Thus, the government control of exports of major commodities such as sugar and coconut, has been balanced by a growing number of smaller companies exporting non-traditional products in increasing volume.

Conclusions and Recommendations

Despite present political conditions in the Philippines there is strong support from the private sector for the formation of an active JACC Committee. Philippine businessmen see JACC as a means of developing the agricultural resources of the Philippines, the potential of which has not been realized for either domestic or export products.

Private sector institutions, including the Philippine Chamber of Commerce and Industry have expressed interest in supporting an active JACC; PCCI has also indicated a willingness to underwrite a portion of the overheads related to the Committee's programs. Many of the businessmen interviewed for this report indicated that they would become members of JACC.

The private sector expressed the need for a counterpart organization to exist in the U.S. to work with and assist the committee in seeking partners, technological assistance and marketing information. Ideally, the counterpart organization would be non-profit and have the support of and association with the U.S. government. Without a linkage to such U.S. organization, there is no justification to form a Philippine JACC. Initially, it was felt that the Committee would require some funding from USAID in Manila to hire an administrator, cover domestic travel expenses, and miscellaneous overheads. This financing would be on a declining scale over a minimum period of three to five years, until the JACC has completed several projects and they have been publicized. After the development of several (three to five) successful projects, the Committee could be self-sustaining being financed by the Chambers, private sector membership dues and fees.

Both Philippine government officials and businessmen indicated that there should be no direct relationship between the JACC and the Philippine government. Government agencies

would, however, supply the necessary information to complete JACC projects.

There exists strong support for private sector development of the agricultural and food processing potential of the Philippines, and the formation of a JACC Committee would encourage small and medium business to grow and expand.

INDONESIA

JACC Capability

There are nine members of the Indonesian JACC, the most active being the Chairman, Dr. Soedjai Kartasasmita and the Project Director, Mr. Michael Gibson. Current projects include one on spices between P. T. Jaha Utomo Jaya and McCormick-Shilling; a project on rice between the same Indonesian company and Edmundson Management. An abaca project between P. T. Nur Intan Jaya and the Dexter Corporation is in final stages of negotiation. There are a number of projects in search phase on shrimp farming and tuna fish canning. Two projects. one on cattle raising, the other a technology transfer on high fructose corn syrup, need partner identification.

All financial obligations of the JACC have been underwritten privately by committee members and by the Project Director. Membership, publicity, and public relations efforts have not been undertaken because of time constraints of the individual members and lack of a full-time administrator or secretariat.

Committee members believe that the agricultural potential of Indonesia is substantial and see JACC as a mechanism to develop that potential for both domestic consumption and export. U.S. government support for JACC has been extremely important to

its success thus far in Indonesia. Committee members expressed serious concern over the closing of the JACC Washington Office. Without a U.S. JACC counterpart, the Committee is dubious about its future success in Indonesia.

There is limited formal structure or organization to the Indonesian Committee. It meets quarterly, and members regularly review projects for their potential success before referral to Washington. This informal communication keeps members involved, as well as providing regular contact with USAID/Jakarta.

Product Specificity

In the absence of a secretariat, the Committee has not formally researched or specifically identified product areas for either domestic consumption or export. The Indonesian government has placed considerable emphasis on agricultural development and several government agencies have undertaken studies to identify agro-business development projects. In addition to the priority of self-sufficiency in food, the government and the private sector have placed great importance on adding value to both traditional and non-traditional food exports by expanding the food processing industry. Traditional exports are primarily essential oils, spices, coffee and tea. Greater emphasis is

being placed on shellfish (aquaculture), nutmeats and vegetables. Both for domestic consumption and export private investment, opportunities exist in the following areas:

1. Traditional exports

Processed or semi-processed coffee and spices

2. Non-traditional exports

aquaculture - primarily shellfish

marine products

vegetables

processed fruits

As the standard of living improves in Indonesia there are also excellent opportunities for expanded domestic consumption of processed foods.

Processing Capacity

The majority of food marketed in Indonesia is sold fresh, in bulk; and primary exports have traditionally been in raw commodity or semi-processed form. This is rapidly changing as more processing is being done for both domestic consumption and export. Private local investors are seeking to further develop this industry, but presently quality control and packaging technologies are seen to inhibit the export potential of Indonesian agricultural products.

Need for External Facilitation

The Indonesian JACC believes that its continued existence is contingent upon a U.S. organization that can assist in identifying partners, provide avenues to technology, technical assistance, market data and marketing. The Committee did discuss the need for a secretariat to expand and provide structure to its activities. Funding for a secretariat would likely be sought initially from USAID/Jakarta. Members felt that, given several successful projects, the private sector could take over support for the Committee.

Credit

As in other Asian countries credit availability is not a primary concern, despite the recent reduction in oil prices. Indonesian businessmen are not only interested in investing in agro-business projects and food processing, but have access to capital and credit. What they need is market information, technical assistance, and joint venture partners.

Business Environment

While the Indonesian government plays a major role in industry, the government does support and encourage private sector investment in agricultural projects. For example, foreign investors do face certain restrictions on land

ownership, which inhibit certain types of agricultural investments. While there can be considerable red tape, the Indonesian government has placed a high priority on the development of agro-business.

Marketing Systems

EEC is Indonesia's traditional trading partner, and a sizable amount of its exports still go to Europe. The other ASEAN countries, Japan and the U.S. are becoming larger markets for Indonesian food exports; for example, the U.S. is Indonesia's most important market for shrimp.

Conclusions and Recommendations

As indicated previously, the Indonesian JACC is anxious to continue and expand its activities provided a reorganized JACC organization exists in Washington, D.C. In meetings with government and private sector individuals, there was strong support for continuance of the Indonesian JACC.

In Indonesia, however, the institutional linkages, which are strong in the other Asian countries, have been limited in their support for JACC. For example, the Indonesian Chamber of Commerce and Industry (KADIN) has focussed its priorities on a number of strong, sizable initiatives.

To continue the work begun by the JACC in Indonesia the following is suggested:

- (1) Development of a US-based organization that can facilitate and assist in the activities of the JACC.
- (2) The formation of an Indonesian JACC secretariat, which basically would only require hiring an administrator and a secretary to undertake the routine activities of the JACC.
- (3) Seek the support of the appropriate Indonesian government officials to identify an appropriate government agency which would provide office space, secretariat services and other overhead contributions to JACC.
- (4) Petition local USAID for operational funding on a declining scale.
- (5) Until self-sufficiency can be attained - within a three to five year period depending on the completion of a number of successful JACC projects - financing would need to be provided by the local USAID and the Indonesian government.
- (6) Require the JACC Committee to meet, at a minimum, on a bi-monthly basis to review its current projects and report same to local USAID.

(7) Improve communication with a US-based counterpart organization which would provide the Indonesian JACC with market information and periodic general reports on interesting developments in agro-business. Improved communications would reduce the need for frequent visits by US staff.

(8) As more projects are completed, the support of KADIN and the public and private sector organizations could be generated to increase membership in the JACC organization, charging dues and fees for its activities.

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THAILAND

The Thai JACC Committee is very active with a committee of 17 chaired by Dr. Anat Arbhabharama, formerly Minister of Agriculture and currently President of the Thailand Development Research Institute. The Vice Chairman is Mr. Tawat T. Yipintsoi, Director of the Thai Chamber of Commerce (TCC) and Director of the Board of Trade. The Committee is assisted by a Board of Advisors consisting of the Ministers of Agriculture, Industry and Commerce, other key government officials and an executive from the Bank of Bangkok. The Board has eight members.

The Committee holds regular meetings and is well managed by Mr. Apichai Anukularmphai. The Committee is housed with the Thai Chamber of Commerce, has printed an informative brochure, has a newsletter and regular mailings and has received excellent publicity. The Committee has been financed with a US\$75,000 grant and has over \$20,000 still available for future operations.

The objective of the Committee is to develop further Thailand's natural agricultural resources and increase processed food exports to other Asian countries, the Middle East, Europe and the United States. Their most recent successful project is a joint venture between Thai Farm Tech and H. J. Heinz to produce tomato products for the Asian market. Production is beginning this month. Thai Farm Tech and Hawaiian Agronomics

also have a joint venture to grow vegetables. There is an agreement between Bechtel Corp., Crown Properties and Siam Commercial Bank to utilize a plant in northern Thailand for the export of processed foods. Currently the Committee has 16 on-going projects, 13 of which were originated by Thai JACC and 3 by the U.S.

The Committee is concerned about the closing of JACC Washington and the Chairman stated that if a U.S. counterpart is not identified, "they will have to seek another resource or create one themselves".

The Thai JACC is aggressive and has broad support from both the government and the private sector.

Product Specificity

Thailand exports large quantities of tuna fish, canned pineapple, cassava, spices, molasses, and tea to the U.S., Asia, Europe and the Middle East. Some of the canned pineapple is done by multinationals but there are a number of companies which pack and private label pineapple for U.S. wholesalers and supermarkets. The above products would be considered in the traditional category along with rice which is sold primarily to Asia. Non-traditional products include fresh and frozen fish, coffee, beverages, crabmeat and other shellfish, juices and other vegetables. They are good marketers and traders and

believe that all markets are open to them assuming that they are competitive and process a high-quality product.

Processing Capacity

In the last two years, Thailand has surpassed the Philippines as the most productive exporter in Asia of processed foods (excluding Philippine canned pineapple) and expects to continue this trend. Processing facilities are generally modern and attempt to adhere to developed nation standards. However, quality control is a continuing concern and does present some problems for market penetration in the developed world.

Need for External Facilitation

As previously mentioned the Thai JACC requires a U.S. organization to assist in partner identification, project development, market information and technical assistance. To expand and prioritize their activities, the Manager would like a staff analyst to seek out, analyze and develop new projects. The cost for this analyst would be approximately \$15,000 per year. The Committee has the support of the private sector and the government. Private support and participation has been increasing, particularly because of the association of JACC with the Thai Chamber and its 40 sub-chambers, including the Food Chamber. This latter is playing a more important role in the JACC. The Association of Thai Industries and the Thai Bankers

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Association are also becoming more actively involved in JACC activities.

Credit

Of the countries of Southeast Asia, Thailand has one of the best investor credit markets, particularly for agriculture. Private sector funds are readily available; government and Crown-sponsored programs also productively assists in agricultural development. Bangkok Bank, Thai Farmers Bank and the other major banks have aggressively financed agriculture and food processing projects.

Business Environment

The business climate in Thailand is conducive to foreign investment, and to private sector development of agri-business and food processing. The government works closely with the private sector and supports its endeavours, without excessive red tape. The relationship between the public and private sector is constructive and productive rather than competitive or antagonistic.

Marketing Patterns

Not having historical or colonial ties to the West, Thailand has developed its own approach to the marketplace which is patterned on both Western and Asian approaches. Thailand

aggressively approaches international opportunities for both trading and marketing their food exports. They look to the United States for partners, technology and market opportunities and consequently the absence of a U.S. organization is perceived adversely.

Conclusions and Recommendations

The Thai JACC has been productive, currently has a number of interesting projects, and ambitious goals.

To further stimulate this initiative a reorganized, more communicative U.S. organization must exist. The Thailand JACC should retain the services of the analyst they require to speed up projects, reduce paper work, and ultimately cut costs. Half of the analyst's salary could be paid by local USAID and 1/2 by the Thai Chamber, with the Chamber funding more over a period of time.

Since the JACC has strong public, private and institutional support, it can become self-sufficient through membership dues and service fees with financial assistance from the Thai Chamber and its components as well as other private sector groups.

SRI LANKA

Capacity of JACC

The Sri Lankan JACC has been active; its board currently consists of fifteen members as of January 1, 1986. It is under the chairmanship of Mr. Bertie Silva and managed by Dr. Nelson Vithanage, an agricultural specialist who has been assigned by the Ministry of Agriculture to devote his full time to JACC.

The Committee meets once a month and the JACC has 141 subscribing members. The JACC is financed by the Ministry of Agriculture, and by annual dues paid by all subscribing members. Since its inception three years ago SL/JACC has received 47 proposals, of which partners have been found for sixteen.

JACC members believe that the only link they have to the United States is through the U.S. JACC, and consequently are disturbed at the news regarding the closing of JACC Washington. The Committee expressly sees this loss in terms of limitations on access to potential partners, technology and marketing information.

Product Specificity

Traditional products are tea, coconut, spices. The JACC has identified a wide range of potential products including nutmeats, foliage, fruits, cocoa, dairy, soya and lemon grass.

Processing Capacity

There are a number of small, antiquated plants primarily in the South that need new or reconditioned equipment. It is the intention of the government and private sector to expand processing of food for domestic and export use. However, they need American technology and partners to achieve this objective.

Credit

The banks have responded to the government incentives and are interested in supporting agriculture projects and foreign investment. Credit is not perceived by JACC members as inhibiting the expansion of this sector.

Business Environment

The government owns a sizable portion of the available, arable land, and its objective is to privatize this land. Even with the possibility of a change in government in the next two years, it was stressed that this policy would likely be pursued. Both the government and private sector believe that, with government concessions and economic support, the current insurgency problem will be resolved within the next two years.

Transportation and industrial infrastructure have improved under a number of government projects. The currency is

relatively stable and the public and private sector attitude to economic development positive.

Conclusions and Recommendations

The SL/JACC is anxious to complete the projects already in progress. In fact, the Committee has stopped actively seeking new proposals in order to concentrate projects already in the pipeline.

Since SL/JACC is well organized and financed the only recommendation is to ensure that a U.S. organization exists which could provide the necessary links to US sources of marketing, and joint ventures. This linkage to a US organization is critical since both the government and the Committee see JACC as their only commercial tie to American resources and markets.

SUMMARY

The country reports attempt to demonstrate the situation in each country. There are several similarities in the four Asian countries:

- (1) Strong private sector corporate and institutional interest in and support for the JACC
- (2) The need for a U.S. organization to provide them access to American industry and technology
- (3) The ability of the Asian JACC to become self-sustaining.
- (4) Profitable opportunities in a variety of agricultural and food processing ventures; and
- (5) Government emphasis on agro-industry and willingness ensure adequate credit and financing and a policy climate to promote private (local and foreign) investment.

APPOINTMENTS DURING JACC ASSESSMENTPhilippines

Alberto Soriano, President
Crown Fruits Corporation

Dr. Ignacio Pablo, Vice President
Crown Fruits Corporation

James Meenan
USAID

Armando Lazaro, Vice President
Franklin Baker Corporation of Phils., Ltd.

Colin Watson, President
Franklin Baker Corporation of Phils., Ltd.

Hugh Costigan, S.J., Chancellor
Ponape Agricultural and Technical School

Vincente Lim, Vice President
Philippine Packaging Corporation

J. Marsh Thomson, Executive Vice President
American Chamber of Commerce of the Philippines

Jose Palma, President
Philippine Cocoa Company
President and Director
Philippine Chamber of Food Manufacturers

Felix K. Maramba, Jr., President
Liberty Flour Mills, Inc.
President and Director
Philippine Chamber of Commerce & Industry

Dep. Min. Ramon Cardenas
National Economic Development Authority

Fred C. Whiting, President
Sime Darby International, Inc.
President and Director
American Chamber of Commerce of the Philippines

J. R. Carceller, President
Philmanex, Inc.

Philip Gielczyk
Country Director
U.S.-ASEAN Center for Technology Exchange

Indonesia

Desaix Myers III
USAID

Hareon Al-Rasyid, President
PT Caltex Pacific Indonesia

Harvey Goldstein, President
RMI, Inc.
First Vice President and Director
AMCHAM Indonesia

Nick P. Petroff, President
P.T. Seman Cibinong
President and Director
AMCHAM Indonesia

George E. Barnes
Senior Planning Consultant
Mobil Oil Company

Chris Walean
Deputy Secretary-General
Indonesian Chamber of Commerce
and Industry

P. F. C. Siggers, Manager
United Can Co., Ltd.

Soerono Haryanto, President
PT Bina Niagatama Manca Benua

Kurnadi Syarif-Iskandar, President
PT Wiga Guna
JACC Committee

Soedjai Kartasasmita
Executive Secretary
Indonesian Sugar Council
JACC Committee

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Michael Gibson
Valmet Limited
JACC Committee

Bugie Iskandar
Vice Chairman, Dept. of Multifarious Industry
Indonesian Chamber of Commerce & Industry

Ir. Susanto
Ministry of Industry

Ir. Soesanto Sohardyo
Director, Program Development
Ministry of Industry

Ir. Abdul Rackman
Department Perendustrian

Mark A. Conti
Business Advisory Indonesia

James Castle
Country Director
U.S.-ASEAN Center for Technology Exchange

Thailand

Jeff Evans
USAID

Mit Pramuanvorachat
USAID

Dr. Anat Arbhabhirama, President
Thailand Development Research Institute
Chairman, JACC Committee

Twat Yip In Tsoi, Mgr. Director
Yip In Tsoi & Jacks Ltd.
Vice Chairman, JACC Committee

Ajva Taulananda, Group V.P.
Charoen Pokphand Group of Companies
JACC Committee

Prakit Pradipasen, Senior V.P.
The Siam Commercial Bank
JACC Committee

Chusak Himathongkom, V.P.
Bangkok Bank Ltd.
JACC Committee

Apichai Anukularmphai
Manager, JACC Committee

Staporn Kavitanond
Deputy Secretary-General
Board of Investment

Dr. Pongsathorn Siriyodhin, V.P.
Bangkok Bank Ltd.

Pia Nguakaramahawongse
Bangkok Bank Ltd.

Pakorn Thavisin, President
The Thai Danu Bank, Limited

Paiboon Wattanasiritham, Senior V.P.
The Thai Danu Bank, Limited

Anand Ponyarachun, Exec. Chairman
Saha-Union Corp. Ltd.

Pracha Supsomboon, Vice President
Thai Farmers Bank

Pariphan Nunbhakdi, Vice President
Thai Farmers Bank

Piranart Chokwatana, Manager
Management Services International, Ltd.

S. Douglas Sheldon, Gen. Mgr.
Pfizer International Corporation (S.A.)

Anthony M. Zola
Regional Mgr. Asia
Hawaiian Agronomics (Intl.) Ltd.

James P. Rooney, Man. Director
J.P. Rooney & Associates, Ltd.

Duangthip Eamrungsi, V.P.
Premier International Co., Ltd.
Director
International Quality Assurance Laboratory Co., Ltd.

George Hooker
Industrial Market Research Services

Sri Lanka

William Schoux
USAID

Alexander W. Shapleigh
USAID

S. Bertie Silva, Director
Ceylon Shell Flour Ltd.
Chairman, JACC Committee

C. S. De Saram
International Executive Service Corp.
JACC Committee

Dr. Nelson Vithanage
Manager, JACC Committee

C. J. P. Gunawardhana
Director Administration
Agricultural Development Authority

Lt. Col. Ranjan Wijeratne
Chairman
Agricultural Development Authority

D. Wijesinghe, Secretary
Ministry of Coconut Industries

Edwin G. Jewett, V.P.
F.C. Shaffner & Associates, Inc.
US-JACC Partner

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AFRICA

ASSESSMENT OF JOINT AGRICULTURAL CONSULTATIVE COMMITTEES (JACC)

in

WEST AFRICA - IVORY COAST and NIGERIA

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. The need for an agriculturally-focussed, private investor partner-finding service between developed and developing countries is well established and the JACC mechanism is perceived in West Africa as meeting that need.
2. Both West African JACC have achieved some results. In the Ivory Coast, the JACC has just been formed and is now awaiting a decision on JACC Washington's future before launching a membership drive. The Nigerian JACC claims to have brought six projects into production over the four years of its existence. Neither JACC is yet likely to earn enough revenue from the membership fees to be self-financing and independent of public support.
3. The process of implementing private joint venture agricultural projects in West Africa is extremely slow. Quick results must not be expected. Delays can be reduced by using a local commercial agency to screen partners, carry out professional feasibility studies and in progress-chasing project approvals.
4. Such commercial agencies are not a substitute for official support: agricultural development policy in West Africa is closely controlled by government and the US government would be expected to be officially involved in the process of introducing commercial partners to such projects.
5. Both West African countries regard the withdrawal of support from the Washington JACC - the necessary counterpart to local JACC - with dismay. If the Washington JACC is not cost-effective, they believe it should be re-organized and re-directed rather than terminated.

Recommendations

6. We recommend that support by the US government for the JACC initiative should be continued.
7. JACC Washington should either be re-organized under a formula which permits USAID support to be restored or a successor organization should be established on the basis of funding described below.
8. A distinction should be made between the two categories of support functions required. "Official or promotional" functions include promoting the concept and general

opportunities, meetings and visits, policy clearance. "Commercial" functions include search for and vetting of partners, feasibility studies, financing proposals, joint venture agreements, progress-chasing, supply of equipment/technical assistance, project management.

9. Both in Washington and nationally, the "JACC" - responsible for the "official" functions - should be supported by a commercial agency or consultancy - responsible for the "commercial" functions.
10. Funding of the JACC's "official" activities should be from subventions by governments and by general subscriptions from members. Funding of "commercial" activities should ultimately be from fees or commissions paid by the local/US partners receiving services.
11. It is likely that further government funding will be required even for the "commercial" activities in the period before sufficient concrete projects are implemented and partners on either side are willing to pay a commercial rate for the services.
12. A propos the concept that funding could be derived from the trading operations of an export agri-business company, we consider that in West Africa the agricultural development is towards food self-sufficiency and that there is no early prospect of an export company providing adequate revenue for this purpose.

ASSESSMENT OF JOINT AGRICULTURAL CONSULTATIVE COMMITTEES (JACC)

in

WEST AFRICA - IVORY COAST and NIGERIA

INTRODUCTION

Truitt Enterprises Inc was retained by the Bureau of Private Enterprise of the United States Agency for International Development (USAID) to assess the potential of the Joint Agricultural Consultative Committees (JACC) established between 1982 and 1985 in 12 Asian, African and Caribbean countries under a grant from USAID to the JACC head office in Washington. The assessment was also to consider what support mechanisms might be established in the USA and elsewhere to succeed the Washington JACC which - after the end of February 1986 - will no longer receive USAID financial assistance.

The task of assessing the potential of the JAC Committees in West Africa was sub-contracted to INTERMATRIX LIMITED (INTERMATRIX), whose associated marketing consultant (Eric Windsor of AMEX CONSULTANCY LIMITED, London - AMEX) visited the Ivory Coast between January 28th and 31st and Nigeria between February 1st and 5th. Preliminary conclusions from the West African visits were discussed with Mr. Paul Cunnion (President, International Food Development Inc of New York and an associate of Truitt Enterprises Inc) on February 8th in London during the latter's return from visits to JACC in Asia. This report, jointly prepared by Eric Windsor of AMEX and Julian Nicholls of INTERMATRIX, summarises the results of the Ivory Coast and Nigerian JACC visits and makes recommendations on the need for external support services.

Following this introduction, the report comprises three sections:

1. IVORY COAST - COUNTRY REPORT
2. NIGERIA - COUNTRY REPORT
3. GENERAL CONCLUSIONS AND RECOMMENDATIONS - WEST AFRICAN JACC

The section headings in the two country reports follow the discussion points outlined in the Truitt Enterprises Inc document "Guidelines for Field Investigation". The country reports, therefore, cover the consultant's findings on capabilities of the local JACC, product specificity, processing capacity, need for external facilitation, credit, business environment, marketing patterns and makes recommendations on the future of the local JACC, agri-business potential and outside help required.

1. IVORY COAST - COUNTRY REPORT

Country visits took place over three days between January 29th and 31st in Abidjan. Particularly close contact was maintained with US Embassy and USAID personnel (at their request) who were clearly concerned at the implication of withdrawing support from the Washington JACC at a time when the new JAC Committee in Abidjan was on the point of being publicly launched. Meetings were held with the Deputy Chief of Mission, Economic/Protocol Attaché, Commercial Attaché, Agricultural Attaché, Public Relations Counsellor, USAID Deputy Regional Director and the USAID/PRE African Bureau representative. Other meetings were held with the president and the administrative secretary of the local JACC, with directors of commercial banks, international development agencies, importers/exporters and public sector processing companies. At the request of the US Embassy meetings with government respondents and at the request of the JACC president (who had not yet announced the withdrawal of USAID support to the Washington JACC to members of his executive committee) meetings with other JACC members were so far as possible avoided. A list of contacts in the Ivory Coast is set out in Appendix 4.

1.1 Capability of local JACC

Its Development

The Ivory Coast JACC first met in May 1984. On the Ivorian side, the principal initiative has come from an energetic secretariat (based on a commercial consultancy and whose assistant secretary general is a US citizen now domiciled in Abidjan) and a well connected president who has invested much personal prestige in obtaining the necessary political clearances. As a result of their efforts - with full support from the US Embassy and USAID - the JACC (Ivory Coast) passed the extensive police, legal and governmental vetting procedures within one year and was formally gazetted as an approved association "Conseil Consultatif Commun de Cote d'Ivoire pour l'Agriculture (JACC - CI)." by May 16th 1985. The registered aims of the association are translated from the French in Appendix 1.

Funding

From September 1985 for one year USAID/PRE have agreed to provide \$43,000 in grant funds (to be matched by Ivorian contributions) towards the running costs of JACC - CI. The local JACC proposed to raise money from participating members on the basis of:

	<u>Membership Fee</u>	<u>Annual Subscription</u>
Corporate Member	100,000 CFA (\$267)	25,000 CFA (\$67)
Individual Member	18,000 CFA (\$48)	12,000 CFA (\$32)

By late 1985, the local JACC had some 18 members on the executive committee and had contacted some 40 individuals and 50 corporations for potential membership. The next

planned activity would have been to promote membership throughout the country and to launch the JACC in public by means of press conference and other forms of publicity and promotion. Knowing that USAID has withdrawn support from the Washington JACC, all ideas of public promotion have been suspended for the present. It is unlikely that further action will be taken to develop JACC membership in the Ivory Coast until some assurance is forthcoming that alternative support systems are in place to allow the JACC in Washington to play its part as the other half of the "marriage bureau" relationship between Ivorian entrepreneurs and US investors.

Achievements

It is too early to expect significant results from the Ivory Coast JACC. One small project (grain production and processing) was passed to the US JACC but was not yet actively canvassed. One introduction (Pioneer - USA to Gerald Théus - Ivory Coast) was made at the JACC bi-national meeting in 1984 and has subsequently led to an agreement for distribution of improved seeds in the Ivory Coast.

1.2 Product Specificity/Processing Capacity

The Ivorian JACC has not itself specifically identified or researched products which offer a high comparative advantage or which are eminently exportable. A number of studies have been carried out by various Government bodies and agricultural research units and by international agencies to identify suitable agricultural development projects. REPOS - the consultancy which acts as a secretariat for the Ivorian JACC - has carried out some feasibility studies for private or public sector agricultural clients and, as a result of one such study, is itself currently operating a private sugar-packaging operation. The Ivory Coast Government's national priority for agriculture is to encourage food self-sufficiency: first priority goes to increasing food production for the domestic markets. Emphasis is thus given to the increased production storage and processing of food crops (maize, cassava, rice and yams) and to increased production of local meat and fish. The export of traditional agricultural produce (cocoa, coffee, logs and sawn timber, and fruit) in relatively unprocessed form represents the Ivory Coast's principal source of foreign exchange earnings. State corporations play the principal part in this trade and are also largely responsible for the processing of agricultural production (eg. oil palm and sugar). By comparison with other West African countries, agricultural processing capacity and the underlying industrial infrastructure are well developed. Observers believe, however, that there are significant opportunities for private investment in the Ivory Coast with the main areas of interest being:

- a) Domestic food production - foodcrops production, storage, processing
- meat and fish
- b) Private partnership in - oil palm and products, other
traditional export crops oil seeds

previously dominated by - coffee and cocoa processing
parastatal organizations - timber

- c) Non-traditional exports - spices
- exotic fruits
- flowers

1.3 Need for External Facilitation

The Ivory Coast JACC is quite clear about the external support it requires: it is also clear that this support - so far as American partners are concerned - was to have been provided by the JACC in the United States. Its three major needs are set out in the local JACC's statutes and objectives (see Appendix 1). They are (i) the search for and vetting of a suitable partner; (ii) the transfer of technology; and (iii) the acquisition of technical or management expertise. Of these three elements, the first and third - the finding of a suitable partner to provide technical management assistance - are more important than the second - the licensing of technology or provision of advanced equipment. To the extent that improved domestic production was generally of greater and earlier priority than the development of export business in the agricultural projects envisaged, marketing assistance such as the identification of buyer interest, pricing, packaging etc was considered to be of lesser importance than help in ensuring effective production and processing management.

1.4 Credit

Financing for agricultural development in the Ivory Coast is in short supply. The first source of funding (for short and medium term credit) for agricultural projects should be the state owned Banque Nationale du Developpement Agricole (BNDA). This bank incurred major losses in 1984 and has only limited sums available for current lending. The commercial banks represent the alternative source of finance: 90% of commercial loans originate from the four major banks who are the Ivory Coast subsidiaries of large French banks. The remaining 10% of commercial loans is provided by the local affiliates of US (Chase, Citibank etc), British and Asian banks. The commercial banks prefer to lend comparatively large sums (say, over \$300,000) to corporate clients engaged in trading or manufacturing activities. Loans to agriculture are not a large part of commercial banks' portfolio and, if loans are made to this sector, are usually over short term periods (less than one year) for crop or seasonal credit.

The Ivory Coast Government has recently applied for further re-scheduling of its debt repayments. Repayments due in 1984 and 1986 had already been brought forward to 1986 but the recent application seeks to have repayments due in 1986 and the next five years rolled forward over a ten year period 1986 - 1995. This implies that Ivorian banks will be forced to limit any further exposure (even where the Ivory Coast Government is willing to provide guarantees) over this period. Even with the currently proposed \$30 million line

of credit being made available by the World Bank to the Ivorian industrial sector, including agro-industries, local financing (particularly for agricultural development) will continue to be expensive and hard to get. In this context, the advantage of a foreign partner becomes considerably greater. Banks will be more prepared to lend if there is (i) a well prepared project/financing document and (ii) possible recourse - in the case of a foreign bank - against the security of a foreign partner.

1.5 Business Environment

Despite financing limitations, the business environment in the Ivory Coast remains one of the most favourable in Africa for foreign investors. The country has had a long history of political stability and (until the recent setback) continuing economic growth. The transport, commercial and industrial infrastructure is well developed and the labour force is generally adequate. The Ivorian currency is the CFA franc which is pegged to a freely convertible market currency (the French franc). Exchange controls do exist for transfer out of the franc zone but within this zone (ie. within the African members of the CFA monetary system and within France), the CFA franc is freely convertible. Import and export licences are reasonably freely available for trade purposes.

1.6 Marketing Systems

The traditional trade pattern of the Ivory Coast is to import from and export to Europe, particularly to the former colonial power, France. Typically, some two thirds of imports and exports come from or go to Europe and the major communications routes (shipping, airlines and telecommunications) follow the same path. The Ivory Coast has a positive trade balance with the United States with exports (principally of agriculturally based raw materials) exceeding imports from the United States by a factor of two. Even so, exports to the United States represent only about 10 - 12% of the Ivory Coast total export value.

1.7 Conclusions and Recommendations - Ivory Coast

Capability of the JACC

The Ivory Coast JACC is a recent creation. Considerable efforts have been made by the local secretariat and the president to get it established quickly and in a form where it can interact with its counterpart in the USA. With the announcement that USAID is withdrawing support from the Washington JACC, the local JACC executive feels bitterly let down. The local US Embassy is considerably embarrassed since, in a country where USAID has no programme of bilateral assistance, withdrawal of support from the JACC initiative could be seen as having negative political repercussions. The local USAID office would be willing to continue its funding of the Ivory Coast JACC during the necessary launch stages. The local JAC Committee is understandably unwilling to proceed further with promotion of its operations and extension of local membership unless

it has some assurance that the reciprocal support services it needs from Washington will be continued even if through the mechanism of an alternative agency. While it is too early to identify more than the occasional isolated positive achievement by the Ivory Coast JACC, the consultant considers that its constitution - by the use of a commercially oriented private consultancy as its secretariat, by its assembly of a technically competent and politically influential executive committee - gives promise of an effective future JACC operation.

Agri-business Potential

The potential for development of the Ivory Coast's agricultural and agro-industrial sectors is considerable in the short, medium and long term. The need for additional investment by private sector companies - even if a large part of agricultural development will continue to be implemented and controlled by government - is widely accepted and will be positively encouraged. There are thought to be good opportunities in domestic food production and processing, in private participation in traditional export crop processing and in non-traditional exports. The economic, fiscal and political climate is one of the most favourable in Africa.

External Support

If it is accepted that the Ivory Coast JACC does have a future, the first essential is to assure it that the counterpart services - ie, search for, vetting and introduction of suitable technical partners in the USA - will be forthcoming from some similar or successor agency. The need for continued funding assistance by USAID to the local JACC should be considered during its launch phase and over the period while it is building up its membership base and its project capability. Some assistance from existing programmes for funding feasibility studies - which could be carried out jointly by Ivory Coast consultants and external experts - is likely to improve the quality of initial project identification and the selection of serious partners. It is important to realize that - even for so-called private sector operations - the pace of agricultural project development in Africa is slower than that to be expected in the USA and the level of government involvement in control, approval and decision-making very much higher. Evaluation of results achieved should take this into account.

2. NIGERIA - COUNTRY REPORT

In Nigeria, field visits were made over four days between February 1st and 5th in Lagos. Close contact was maintained with the Agricultural Counsellor at the US Embassy and with the local JACC secretariat established within the Federal Ministry of Agriculture. Other meetings were held with respondents in the federal ministries, commercial banks, other national and international development agencies, JACC members, Nigerian and expatriate businessmen. A list of contacts in Nigeria is set out in Appendix 4.

2.1 Capability of JACC

Its Development

The Nigerian JACC was the first such committee to be established. It was set up in 1982 under the auspices of the US Department of Agriculture following a visit by the Vice-President of the United States (then Walter Mondale) in 1982. Following a bi-lateral agreement between the two governments, the Nigerian JACC has, from the start, been accommodated in, serviced by staff from and primarily funded from the budget of the Federal Ministry of Agriculture's Planning Department. Originally, the Nigerian JACC and the US JACC in Washington were direct counterpart agencies specifically concerned with investment by American private sector businesses with Nigerian entrepreneurs. As the concept gained acceptance, more JAC Committees were set up in Asian, Latin American and Caribbean countries and JACC Washington's originally sharp focus of interest on Nigeria became blurred. In turn, the Nigerian Federal Ministry of Agriculture addressed itself to attracting investment from other countries so that the JACC secretariat was absorbed into an "External Investments Bureau" of the Ministry of Agriculture. The secretary of the Nigerian JACC is also the North American Desk officer of this bureau. From 1982, the Nigerian JACC has had the committed support of the Agricultural Counsellor at the US Embassy in introducing US agricultural investors to potential Nigerian partners. The present incumbent completes his tour of duty in March 1986. In the four years of operation the combined efforts of the Nigerian JACC (supported by the US Embassy) and of the Washington JACC have created a high degree of public awareness of the JACC activities in Nigeria. This has been supported at high political level by the influence of the JACC chairman. Following the recent change of government in Nigeria, the position of chairman is currently vacant but it is likely that a new appointment will be made shortly. At present, the JACC secretariat consists of one executive secretary and two clerical staff (all employees of the Federal Ministry of Agriculture).

Funding

There are some 150 firms and individuals in membership of the local JACC. With present government budget restrictions, the Federal Ministry's naira budget for supporting JACC has been reduced and no funds are available for sending potential Nigerian partners overseas. Efforts to increase the funding of the Nigerian JACC from membership

subscriptions have been renewed. In theory, small firms and individuals should pay N250 (\$250) annually with large firms paying N750 (\$750). In practice, it is unlikely that membership fees produce more than N25,000 - N30,000 annually with the government subscribing perhaps a further N70,000 - N15,000 annually.

Achievements

Achievements in the four year period have been slow to materialise. From 1982 to the end of 1985, over 220 projects were accepted by the Nigerian JACC. Of those, it was claimed that 20 projects had reached the stage of a joint venture agreement between August 1983 and September 1985. In the last available progress report (September 1985) 15 projects were said to be in the implementation stage. At the time of the consultant's field visits in February 1986, only eight projects were regarded as being active. Six of them (Agenebole Farms*, Umanson Agricultural Development Co. Ltd, Mokwa Feed Mill*, Kaduna NGB Grain Storage*, Beta Feeds and Capitol Tractors*) were said to have been in production in 1985. It is perhaps significant that of those six, the four starred above with an asterisk do not appear on the JACC progress list and may not necessarily have been initiated through the JACC system. A further two projects (Kupa Farms and Hybrid Seeds) were expected to be in production in the first half of 1986. The revised list of JACC projects said to be "in the implementation phase" either in the JACC progress report or by the US Embassy during our visit is set out in Appendix 2.

Current Situation

It is the view of the US Embassy that, although progress has been slow, the JACC initiative has been reasonably successful overall. The slow progress has been due to the fact that inadequate time or energy has been devoted to tracking and progressing project approvals through the bureaucratic maze. They believe that - despite the present difficult situation with import licences - the progressing of JACC projects has been significantly improved by the recent appointment of an expatriate-managed Nigerian company as local representative of two of the US project partners.

2.2 Product Specificity/Processing Capacity

Products

The secretary of the Nigerian JACC expressly disowns any attempt to recommend specific products as the subject of joint ventures or development projects by the private sector. He says that the choice of product and market must be left to the commercial judgment of the entrepreneur and his partner. We endorse this remark wholeheartedly. The list of projects under negotiation or in implementation illustrates the types of agricultural products which are seen as offering commercial opportunities. They include:

Oil seeds	(including palm oil, groundnuts, cashew nuts)
Fruit and	(including canned vegetables, tomatoes,
Vegetables	mushrooms, gari, root crops, snack foods, exotic fruits)

Poultry
Fish (including seafood, shrimps etc)
Flowers
Spices
Seeds
Dairy products
Beef, sheep & goats
Maize & rice (including storage and processing)

In most cases, the target is the domestic market and the economic justification is to replace food imports rather than to develop non-traditional export markets.

Processing

So far as processing capacity is concerned, the industrial infrastructure around the major urban concentration is well developed and there is a relatively large pool of skilled and semi-skilled labour. There is still scope to improve the installation of food processing facilities directed at the domestic market - eg, in maize processing, grain milling and storage etc. The largest constraints are a) the difficulty in obtaining spare parts which results in protracted break-down of installed machinery and severe under-capacity working and b) the difficulty in obtaining import licences to bring in the necessary equipment, spare parts and technical management.

2.3 Need for External Facilitation

In order to develop commercial agriculture in Nigeria, local entrepreneurs need the assistance of foreign partners to provide technical assistance and management to facilitate the timely importation of the necessary equipment and consumable inputs. Some of the major existing Nigerian corporations already have such links with international trading partners, particularly in Europe. In order to establish a sound joint venture with American partners, Nigerian entrepreneurs need a satisfactory mechanism to introduce, vet and educate in the realities of Nigerian business suitable investors who are prepared to take a long view of business potential. The same requirement operates in reverse: senior Nigerian businessmen admit that many of the earlier Nigerian JACC members were unsatisfactory and financially unsound potential partners for serious American investors. To the extent that the original JACC arrangements were seen as being State-sponsored on both sides, there was an added sense of security that the less reliable partners (whether Nigerian or American) could be screened out during the official selection process. If the American JACC were to be "privatised" and the process of introducing partners handed over to a commercial agency, some Nigerians feel that the quality of potential US investors could deteriorate. The principal requirements, so far as the Nigerian JACC is concerned, is for external assistance in (i) finding, vetting and introducing suitable US investors as partners for established Nigerian private sector entrepreneurs entering or enlarging agricultural operations primarily directed at the Nigerian market; (ii) preparing technically and financially competent investment

proposals and joint venture agreements; and (iii) bringing in technical management who in turn provide access through foreign funds to timely importation of suitable initial equipment and urgent spare parts or consumables. The US Embassy believes that the slow process of obtaining bureaucratic approvals in Nigeria can be accelerated by the intervention of a dedicated locally based expatriate who could ensure inter-Ministerial access at senior levels more effectively than the present Ministry of Agriculture-based JACC secretariat.

2.4 Credit

There is no shortage of local currency for investment. Nigerian banks are obliged by government regulation to lend a minimum proportion (15%) of their portfolio to agriculture and agro-industry. There is, however, a severe lack of foreign exchange funds with resultant rationing and excessive delays in obtaining import licences. This is the principal reason why the JACC projects (as indeed any other new projects) are slow to materialise and why foreign partners - with access to and security for foreign exchange - are so badly needed.

2.5 Business Environment

The present business climate in Nigeria is difficult and does not attract investors looking for early returns. The long term potential for agri-business, however, is solidly based on the need to feed a population of over 100 million people and against the increasingly real acceptance at all levels of Nigerian government and business that agricultural production and domestic processing is the number one economic priority. Until recently, Nigerians paid lip service to this truism: it is now - in the consultant's view - genuinely accepted to the point where government will apply fiscal sanctions to Nigerian corporations which do not devote a certain proportion of their activities to agricultural or agri-business operations.

The past trend in Nigeria has been to move progressively toward majority Nigerian control of enterprises and to restrict the expatriation of earnings from Nigerian companies. Agriculture remains one of the few areas in which foreign investors can retain majority (60%) shareholding. Some steps have been taken to make it more attractive to top foreign investors to operate in Nigeria and the local manufacturers' association is pressing for further concessions.

2.6 Marketing Patterns

As in the case of the Ivory Coast, Nigeria's traditional trade and communications links are with Western Europe. A number of the major trading houses originated in Europe, particularly in the UK, and in these cases find it easier to seek technical assistance from their long established connections. Some American companies - particularly in oil-related fields - have become established in Nigeria. Some,

like Texaco, have broadened their activities into agro-industry. Generally, however, the US penetration of the Nigerian market is small and established American/Nigerian relationships are few and far between. Nigeria, too, is a country where USAID does not operate any programme of agricultural assistance. Any apparent withdrawal from the JACC initiative is likely to reflect adversely in both psychological and political terms on Nigerians' perception of the US commitment to Nigeria's long term development process.

2.7 Conclusions and Recommendations - Nigeria

Achievements of JACC

The JACC initiative in Nigeria has been slow to produce results but it has some genuine achievements to show. These include perhaps five projects which have reached the operational stage after a three year gestation process. In the light of Nigerian conditions in that period and of normal agricultural development progress this is not bad. It emphasises that any evaluation of results achieved from the JACC initiative must take a long term view. In terms of Nigerian interest and awareness, too, the JACC initiative has achieved positive results: the JACC Office - despite recent funding stringencies - receives a consistent flow of project proposals and the initiative has achieved recognition as a token of positive US official interest in private sector development of agriculture. The fact that the Nigerian JACC is established in and operated by the Federal Government's Ministry of Agriculture has helped to achieve official support and recognitions. Such an establishment, however, has not been able to achieve effective inter-ministerial progress-chasing to overcome inevitable bureaucratic delays and it has been found essential to introduce a commercial agency to expedite the processing of specific projects.

Agri-business Potential

Even if the inward investment climate to Nigeria is presently unattractive, we believe that the long term potential for agri-business warrants a continuation of support for the Nigerian JACC both in Washington and locally.

External Support

The nature of this support has been indicated in previous sections. It could include:

Nigerian JACC Introduction of a commercially-oriented, expatriate-staffed consultancy to help vet the propositions and bona fides of prospective Nigerian partners, to assist (from the Nigerian end) in the preparation of feasibility studies, to introduce the prospective partners and to maintain local representation of overseas partners between visits, to track and progress-chase project authorisations/agreements/import licences.

Washington JACC There is a strong body of opinion in Nigeria that the JACC brand image should be retained in Washington

and that so far as possible some form of government sponsorship should be attached to it for purposes of credibility and authority. The need (as perceived in Nigeria) is for more positive search and identification of suitable investors, for closer identification of commercial propositions and for a more consistent and focussed approach in terms of Nigeria's specific interests and of potential investors' interest in Nigeria. Those Nigerians who know the Washington JACC accept that it may have become top-heavy and inadequately directed towards the differing requirements of individual country JACCs: if this is so, they regard it as a case for re-organization, pruning and re-direction rather than for termination.

Nigerian and Washington JACC There is a need for more professional feasibility studies which reflect both the Nigerian position (security and suitability of land, local financing and import licences priorities) and the technical or external situation (ie. technology, equipment requirements, technical management proposals and external financing). These studies would best be carried out by a joint team of local and foreign consultants and could - as is presently done in Nigeria - be funded through such programmes as the US Trade Department Program (TDP).

3. GENERAL CONCLUSIONS AND RECOMMENDATIONS - WEST AFRICAN JACC

3.1 General Conclusions

The preceding country reports seek to reflect the individual and different situations in the Ivory Coast and Nigeria. To the extent that general conclusions can be drawn from the West African visits, we conclude:

- a) Although it is increasingly an objective of current US policy and a major interest of the local country to encourage external investment into agricultural development projects, there are few effective mechanisms for doing so in West Africa. Government missions or state promotion agencies are not adequately focussed, multi-national businesses require considerable encouragement to consider investments in African agriculture and local businessmen often do not know how to search out the technical and management skills they need. In this context the need for an agriculturally-focussed, partner-introducing service between developed and developing countries seems to be well-established.
- b) On the whole, the JACC initiatives appear to be well received in the two countries visited and are perceived locally as a genuine attempt by the US government to introduce private American investors to play a role with local African businessmen in the development of commercial agriculture in those countries. In both cases, agricultural development is regarded as a major economic and political priority of the national government. The JACC initiative has received genuine support from the local US Embassy and (where applicable) the USAID office and, in both cases, further support would be encouraged.
- c) The process of setting up the JACC mechanism, of recruiting and screening suitable members, of identifying potential projects, of obtaining approvals and of implementing operations is very slow and protracted in West Africa. It is not reasonable to expect results or to evaluate success against a timescale which would be realistic in American terms.
- d) Delays can, to some extent, be obviated by involving a commercial agency (such as a consultancy) in the process of screening partners, of assisting in feasibility studies and (above all) in progress-chasing applications through the national and/or regional bureaucratic machine. Commercial agencies of this kind are already engaged in the JACC process in both West African countries and provide a point of contact for any further development considered. Details of the relevant agency are summarised for the two countries in Appendix 3.
- d) Even if such commercial agencies can be involved in the facilitation of the project development process, they should not be regarded as a complete alternative to official support. The policy, pace and direction of any

agricultural developments (whether by public or private sector) in West Africa are closely controlled by government and require continual government authorisation and approval if they are to progress at all, let alone if they are to receive "fast-lane" treatment. In some way, too, the US government needs to be seen to be officially involved in the JACC system and it would be unrealistic to assume that the process of introducing partners and facilitating approvals for selected projects could be left solely to a commercial intermediary.

- f) In West Africa, the principal agricultural policy priority is to increase food self-sufficiency by making fuller use of local production and processing to reduce the volume and cost of imported foods. Priority for development of exports (whether traditional or non-traditional) is secondary to import substitution, even if some potential does exist for the involvement of private sector interests in improving the efficiency of value-added export activities presently carried out by parastatal corporations. Given this priority, we conclude that there is little immediate scope for relying on the trading earnings of potential agri-business export companies as the main revenue substitute for the present methods of funding the JACC.
- g) The main justification for establishing local JAC Committees was that they would collaborate with a counterpart organization in Washington. News that USAID is withdrawing support from the US Washington JACC is regarded with surprise and dismay in both West African countries. African reaction is that, if the US government feels that JACC Washington is not cost-effective, it should apply pressure to change management and re-organize the existing operation so that the necessary support is continued but on a less wasteful basis. In both cases, the local JAC Committee would wish the existing JACC brand image - which already has some international acceptance - to be retained in the case of any alternative arrangement being adopted.
- h) In both cases, the local JAC Committees have made a little progress towards replacing governmental subvention (whether from US or national government) with subscriptions from members. They acknowledge the principle that JACC funding should ultimately derive from payments by members for services rendered but in practical terms they doubt whether this would be sufficient to support the quality of service (eg technical feasibility studies, bi-lateral meetings and visits) needed to continue the development of the present JACC initiative. They generally consider that the Washington JACC should be more selective in the manner in which it seeks payments from members. They envisage - both for the local partners and the US partners - that payment should be more closely related to the amount of work involved at the different stages of project development.

3.2 Recommendations - External Support Services

Based on the individual country findings and the conclusions drawn for West Africa above, the following recommendations are made:

- a) The principle of counterpart inward and outward investment-promotion, partner-introducing, project-identification agencies in the developing target countries and the United States is well received in the West African countries and support by the United States should be continued.
- b) The local JAC Committees cannot work effectively without a counterpart agency, performing reciprocal services to those provided by national JACC. Either the present Washington JACC should be re-organized in a form which will enable USAID support to be restored or a successor organization should be established on a different basis of funding indicated below.
- c) Distinction should be made between the two categories of functions which need to be performed by JAC or successor Committees both in West Africa and the United States. These functions are (i) official or promotional (including promotion of the concept and the general opportunities, bi-lateral meetings and exchange visits, political/policy clearances, initial screening of projects and general search for partners) and (ii) commercial (including focussed search for and vetting of partners, feasibility studies on local, technical and commercial aspects, financing proposals, joint venture agreements, progress-chasing of approvals, delivery/receipt of equipment and technical management, project management and implementation). The distinction between different functions is illustrated in more detail in Appendix 5.
- d) The pattern of local JACC developed in West Africa allows for an official "JAC" Committee to be supported by a local consultancy or commercial agency. We recommend that this pattern be extended to the counterpart agency in the United States so that the official committee, streamlined as necessary, performs the 'official' tasks and the commercial agency th 'commercial' tasks described above.
- e) Funding for the performance of these tasks should reflect the difference between 'official' activities - to be funded from general subscriptions by members and by subventions from local or US government - and 'commercial' activities - ultimately to be funded from activity-related charges, ie fees or commissions, paid by the local/US partners receiving the specific services. Additional funding for feasibility studies could be obtained from the range of programmes supported by the US (eg. Trade Development Programme etc) or other international (eg World Bank, UN etc) development agencies.

- f) It will be a slow progress before concrete project results are obtained and partners on either side are willing to pay a commercial rate for activity-related services. Because of this, it seems inevitable that further support will be required from national and US government during the early stages of developing this initiative.
- g) With regard to the proposal that funding could be derived out of the trading operations of an export company, we believe that, in West Africa, the majority of projects will reflect local priorities towards production and processing for the domestic market and cannot realistically recommend that this method offers immediate prospects as a source of 'commercial' revenue.

APPENDICES

- 1 Statutes and Objectives of JACC - Ivory Coast
- 2 JACC Joint Venture Projects "in implementation" - Nigeria
- 3 Commercial Points of Contact for JACC - West Africa
- 4 Contacts made during field visits - Ivory Coast & Nigeria
- 5 JACC - Functions and possible funding

APPENDIX 1

STATUTES AND OBJECTIVES OF JACC - IVORY COAST

(Translated from French)

Section 1

The Joint Agricultural Consultative Committee of the Ivory Coast (abbreviation JACC - CI) is formed as a non-profit association between individuals and private agricultural and agro-industrial businesses under law number 60-315.....

Section 2 Object

The association has as its principal objective:

- to collaborate with the US JACC with the aim of facilitating access by Ivorian agro-industries to the American private sector for:
 - * search for a partner with a view to joint venture in the areas of finance, technology and management
 - * transfer of technology under licence or by other similar methods
 - * acquisition of technical or management expertise
- to provide assistance to agricultural and agro-industrial businesses in the Ivory Coast in the identification and preparation of proposals and offers made through the US JACC especially in guaranteeing to the US JACC the legitimacy and credibility of local businesses: in organizing bi-annual meetings of JACC Ivory Coast members: in making known to all concerned in agro-industry in the Ivory Coast the services provided by the Committees and offices of the US and Ivory Coast JACC
- to carry out all necessary operations to implement its programme of action and in particular to acquire all real or movable property needed for its purpose except that it should not engage in any profit-directed activity
- to participate in any form in an Ivorian business or corporation (established or to be established) which is capable of achieving the objectives cited above or similar to those objectives by way of subscription or of share purchase...

APPENDIX 2

JACC JOINT VENTURE PROJECTS "IN IMPLEMENTATION" - NIGERIA

Joint Venture Agreement Date	US Partner	Project Name	Value \$ Mio	Comment
N/A	N/A	(Agenebole Farms)	N/A	In production 1985
Apr 84	Prairie Intl	Kupa Farms	4.0	In production 1986
Dec 83	African Mgt Assocs	Ondo State Piggery	6.8	Dead-no money
Aug 83	Offshore Partners Ltd	Hybrid Seeds (Nig)	7.0	In production 1986
Aug 84	Golden Spread Irrign	Umarson Ag Devpt Co	8.0	In production 1985
May 85	Morrow Agro Systems	Echaka Cattle Ranch	2.0	
N/A	N/A	(Mokwa Feed Mill)	N/A	In production 1985
Jan 84	Sunworld Corpn	Borno Grains Proc Co	6.3	Awtg import licences
Jan 84	Sunworld Corpn	Imo Grains Proc Co	7.0	Awtg import licences
N/A	N/A	(Kaduna/NGB Grain Storage)	N/A	In production 1985
Dec 84	Offshore Partners Ltd	Aladja Food Products	3.4	
Dec 84	Carter-Day Intl	Kano Grain Storage Co	2.3	
Feb 83	African Mgt Assocs	Noma (Nig) Ltd	1.2	Dead-too many partners
Nov 84	KC Intl	Kendennis Intl	2.3	
May 85	African Mgt Assocs	Beta Feeds Ltd	2.0	In production 1985
Jul 85	Prairie Intl	Uthoko Farms Ltd	4.0	
Jul 85	Agri-Industrial Svces	Obudu Ranch & Tourism	12.0	
Jul 85	Agri-Industrial Svces	Edor Foods Ltd	18.0	
Sep 85	Agri-Tech	SCOA Tractors Ltd	0.5-5.0	Dead-interest cooled
Jul 85	Agricon	Enwang Foods (Nig)	12.0	
N/A	Ford Motor Co	(Capitol Tractors)	N/A	In production 1985

APPENDIX 3

COMMERCIAL POINTS OF CONTACT FOR JACC - WEST AFRICA

IVORY COAST

REFOS
9, Rue Paris Village
06 BP 388
Abidjan 06
IVORY COAST

Contacts: Ms Suzan Cioffi
M. Agnissan Kouassi

Tel: 32.66.85
Tlx: 23292

This firm is a small consultancy, providing research and feasibility studies, recruitment and project management service and financial advice in the Ivory Coast. The two principals are also assistant secretary-general and secretary-general respectively to the Ivory Coast JACC. Suzan Cioffi is the moving spirit in JACC - CI: she is American by birth and now lives in the Ivory Coast.

NIGERIA

Mr Marc Willard-du Pain
55, Marine Road
Apapa, Lagos
NIGERIA

Contact: Marc Pain

Tel: 873782
876792

Marc Pain is domiciled in Nigeria and runs a consultancy specialising in legal and financial advice to Nigerian and foreign businessmen. He also acts as a representative office for foreign suppliers. He has recently been appointed Vice-President of Offshore Partners Ltd and Regional Manager of African Management Associates - American companies and members of JACC Washington. He has recently been engaged in progress-chasing JACC projects and contacts. His Nigerian associates are capable of carrying out local agricultural feasibility studies.

APPENDIX 4

CONTACTS MADE DURING VISITS

IVORY COAST & NIGERIA

IVORY COAST, Abidjan: - January 29th-31st, 1986

Abidjan: US Embassy	Mr Carl Cundiss Mr Paul Blakeburn Mr Fred Graymar Mr Jim Benson Mr J Morrison Jnr	Deputy Chief of Mission Economic/Protocol Attaché Commercial Attaché Agricultural Attaché Public Relations Officer
Abidjan: USAID/RETSO	Dr Duncan Miller Mr Lucien Stervinou	Deputy Regional Director Regional Private Enterprises Officer
Abidjan: JACC-Ivory Coast	M. Clement Anet Bilé Mlle Suzan Cioffi M. Kouassi Agrussan	President Deputy Secretary General, REFOS Secretary General, REFOS
Abidjan: World Bank, West African Regional Office	Mr John Peberdy M. Marc Blanc	Director, Agriculture Deputy Div Chief, Agriculture
Abidjan: Chase Manhattan Bank	Mr Peter Butler	Marketing & Credit Manager
Abidjan: Barclays Bank International	Mr Chris Duncan	Director
Abidjan: British High Commission	M. Moussa Keita	Commercial Officer, Agriculture
Abidjan: African Development Bank	M. Edouard N'doum	Programmes Officer, Ivory Coast
Abidjan: SODEPALM	M. Krou Koffi	Director General
Abidjan: AFRECO	M. Gombert	General Manager
Abidjan: Bureau d'Etudes et de Programmation (BETPA)	M. Leon Kako	Technical Counsellor
Abidjan: SONACO	M. Emissa Kouao	General Manager

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APPENDIX 4 contd
CONTACTS MADE DURING VISITS
IVORY COAST & NIGERIA

NIGERIA, Lagos: - February 1st-5th, 1986

Lagos:	US Embassy	Mr Chris Goldthwait	Agricultural Counsellor
Lagos:	JACC	Mr Lanre Uwaifo	Executive Secretary
Lagos:	World Bank	Mr Shirat Husain Mr Aly Khan	Resident Representative Agricultural Projects Officer
Apapa:	Offshore Partners Ltd	Mr Marc Pain	Representative of JACC (US) Members
Apapa:	American Management Associates		
Lagos:	British High Commission	Dr Andrew Pocock	First Secretary (Commercial)
Lagos:	African Marketing Services Inc	Mr Sean McCaffrey	President/Nigerian Rep
Apapa:	CAFAD (Corporation for Agriculture, Finance & Development)	Mr Femi Shokinou	General Manager
Apapa:	IBRU Group	Chief Bernard Mafeni	Managing Director
Lagos:	Federal Ministry of Agriculture	Mr A O Sole	Director, Special Duties (External Investments Bureau)
Lagos:	Various other respondents including Texaco (Nigeria), EEC Delegation, Savannah Bank - an associate of Bank America - and agricultural project advisers		

APPENDIX 5
JACC - FUNCTIONS & POSSIBLE FUNDING

	FUNCTION	POSSIBLE FUNDING
<p>NATIONAL JAC COMMITTEE</p> <p>LOCAL CONSULTANCY OR COMMERCIAL AGENCY</p> <p>WASHINGTON "JAC" "COMMITTEE"</p> <p>CONSULTANCY OR COMMERCIAL AGENCY</p>	<ul style="list-style-type: none"> - Promotion of concept and general opportunities - Bi-lateral meetings/visits - Political/policy clearances - Initial screening of projects 	<ul style="list-style-type: none"> a) Membership subscriptions from JACC members b) Subvention from national government c) (Possibly) Subvention from US government local funds
	<ul style="list-style-type: none"> - Search for & vetting of partners in local country - Feasibility studies: <ul style="list-style-type: none"> * local aspects * technical * commercial - Financing proposals/investment - Joint venture agreements - Progress-chasing of approvals - Importation of equipment/technical management - Project management/implementation 	<ul style="list-style-type: none"> a) b) (Possibly) Subvention from local government a) Contribution from national or international funds b) Payment by joint partners involved a) Activity related charges (fees or commission) paid jointly by partners involved in local or foreign currency (see US equivalent below)
	<ul style="list-style-type: none"> - Promotion of concept and general opportunities - Bi-lateral meetings/visits - Political/policy clearances - Initial screening of projects - Search for & vetting of partners in USA - Financing proposals - Joint venture agreements - Sale of equipment etc - Technical management contract - Provision of technical assistance - Licensing of technology etc 	<ul style="list-style-type: none"> a) General membership contributions b) Subvention from US government a) Repayment from members introduced to projects b) Possible subvention from government a) Contributions from members concerned a) From commission on sale of equipment or TA contracts b) Graduated contribution from members concerned

1/15