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The Proceedings for the
Agribusiness Leaders Seminar

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U. S. Agency for International Development

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Forward

Sharpened focus on the agribusiness sector is new within the development agenda. The success of the Green Revolution in raising farm productivity has contributed surplus production at the farm gate and made it possible to think about more rapid growth for marketing, processing, storage and transportation. At the same time, weak infrastructure, limited purchasing power and limited education services, to mention a few features of developing countries, pose serious problems for new commercial ventures. An interesting case has been made for collaboration or joint action by business and development assistance agencies in order to accelerate the pace of agribusiness sector growth.

The enthusiastic attendance at the Agribusiness Leaders Seminar, and generous contributions to the discussions, suggest that there is much to be gained by dialogue between the business community and A.I.D.. A major theme of the discussions during the seminar was directed to implementation of the Administrator's Initiative for the Partnership of Business in Development. Other recommendations treating such topics as financing the investments and operations of agribusinesses, training of management and operating personnel, protection of intellectual property rights and holistic or systems planning have constructively broadened the partnership agenda.

Things are happening as a result of the seminar. Business and A.I.D. staff at several levels are getting together to discuss their programs, identify their common interests and set out joint plans of work. Dean Mefford of Ralston Purina will be meeting with the Asia Bureau agricultural and rural development officers during their 1991 meeting; James Dawson, Director, International Market Development, American Breeders Service has been invited to the 1991 Workshop for the Agriculture and Environment Officers for the Bureau for Europe and the Near East; planning for the Center for Trade and Investment will include information services for the agribusiness sector; the draft agribusiness strategy will be reviewed by a similar A.I.D./industry seminar in the near future; regional projects for the bureau's for Europe, Near East and Asia are being planned to expedite the flow of commercial technology for sector development; planning has been started for a joint financing seminar; and several country programs are significantly increasing the dialogue between mission staff and U.S. company representatives.

There is a rich diversity in the U.S. agribusiness sector. There are many reasons to expect the technology of agribusiness to have numerous benefits for development assistance. The Agribusiness Leaders Seminar certainly suggested this potential. The readers comments on these Proceedings and suggestions for the future attention of the business community and A.I.D. would be a welcome contribution to this dialogue.

Executive Summary

The Agribusiness Leaders Seminar was organized to enable U. S. corporate leadership to describe their business operations and plans in countries of interest to A.I.D.. From that background, the Seminar participants began a broad-based discussion of the means and objectives for closer alliance or partnership joining the business community and A.I.D. in assisting the agribusiness sector.

The point of view of agribusiness executives was very ably presented by Dean Mefford, President, Ralston Purina International; Gerald G. Garbacz, Executive Vice President, W. R. Grace & Co and Group Executive, Grace Specialty Businesses; and a team from Pioneer Hi-Bred International headed by Edward T. Shonsey, Senior Vice President. The stimulating and challenging ideas of business leaders were considered and refined in small-group discussion sessions involving industry and development agency technical staff. The Seminar participants represented a broad cross-section of the U.S. agribusiness sector including leading trade organizations, voluntary and other development agencies, the cooperative sector, and Congressional staff. These discussions have been summarized under seven main recommendations which collectively put forward challenging opportunities for the business and development partnership.

Recommendations
1. Strengthen financing and financial institutions
2. Increase the avenues for contribution by business, or partnership, in planning and implementation
3. Develop business-related training; particularly in management, marketing and accounting
4. Raise the priority for animal agriculture in development assistance
5. Clarify the protection of intellectual property rights
6. Additional attention is required for infrastructure development
7. Continue to develop systems-based planning and execution

The most important conclusion from the Agribusiness Leaders Seminar was the confirmation of interest on both the A.I.D. and business sides of the house in "tightening ranks" for more effective economic development. Agency staff are following up at several levels, including more direct consultation in assistance operations and in planning for future seminars to continue, expand and deepen the dialogue with business.

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Agribusiness Leaders Seminar

Proceedings

The Environment for Assistance to the Agribusiness Sector

The Food Systems Strategy is the format for development assistance to the agriculture sector, broadly defined; that is, for farm production plus input supply and services for farm production and for commercial activities in marketing, processing and distribution of agricultural products. This strategy is expected to improve the quality and quantity of the food available to consumers, improve stability in the market outlets for farmers and increase national employment and incomes by enabling growth and expansion of the agriculture sector. There is recognition that factors such as effective consumer demand, regulatory environment, investment and trade facilities are important externalities in implementation of the Food System Strategy.

Development assistance has focused heavily on agricultural production technology in the initial stages of economic development (1950 through 1990) and during this period only tentatively included value-added processing and diversified economic growth. For those countries which are still in the Low-Income Agricultural Stage of economic development, the agribusiness sector is dominated by such enterprises as farm input supply, local flour milling, and roadside marketing of seasonal harvests. Agribusiness activity at this stage is small, rural, part-time work which is often referred to as the informal sector and is largely undocumented. Employment in agribusinesses is about one tenth of employment in the agriculture production sector and value-added by agribusinesses is proportionately small.

Economic development introduces urban industrial enterprises and creates a transitional economic structure. In the Transitional Stage, the agribusiness sector expands to include bulk importing and local packaging of production inputs, some simple farm product processing and convenience packaging for the urban consumer market, and a few installations for export production and branded product processing for the world market. With continued industrial development there is an acceleration of agribusiness sector growth and progressively increased complexity in the enterprises and services provided by the sector. As the stage of development evolves to a condition that can be classified as a Middle-Income Industrializing Economy, the agribusiness sector has grown to a size equal to or larger than the agricultural production sector in terms of contribution to Gross Domestic Product and in terms of employment. In subsequent stages of development the agribusiness sector continues to outpace the production sector and becomes a key sector for the national economy.

In the course of agribusiness sector development, enterprises become more responsive to demand-driving factors. At the Low-Income Agricultural Stage, agriculture or farming enterprises are predominantly structured for production of cereals or starches and consumers may spend up to 60% of their disposable income for purchase of unprocessed foods, often in small quantities. As purchasing power increases there is only modest, if any, increase in per capita

cereals and starch consumption, but there is significant growth in demand for processed items such as flour and bakery goods. Increased purchasing power in the Transitional Economy also supports a demand for fruits, vegetables and livestock products to improve the quality of the diet. The Middle-Income Industrializing Economy will have about 50% of the population in urban areas expecting regular delivery of a wide range of fresh and processed food items, and with purchasing power to realize an increasing portion of these expectations. The following table illustrates the transformation that occurs in retail expenditures for food.

Figure 1 -- Development Status and Per Capita Food Expenditure

Development Status	Per Capita Income(1)	Food Expenditure (%)	Food Expenditure (\$)
Agricultural	161	60	97
Transitional	321	50	160
Industrial	971	40	389

(1) Data from the Food Systems Strategy for Growth in the 1990s, ENE Strategic Planning Series I, ENE/TR/ARD, March 1990

The Partnership for Business and Development, published in December 1990, provides guidance for involvement of the private sector in agribusiness development assistance. The Initiative states that, "The strengthening of the ties to the private sector is one of several supporting strategies and mechanisms to maximize the delivery of American ideas, technology, funds and know-how in the 1990s." "Partnership is a meaningful term. It connotes alliances... cooperation ... mutual interests. It is an appropriate term for almost every endeavor AID undertakes." "By proposing a partnership with the private sector, AID is primarily recognizing the important role this sector can and should play." "...as an economic agency of the U.S. government we have a fundamental interest in building the import capacity of these countries and in ensuring that qualified and efficient American firms successfully compete for the supply of goods and services that complement and support sustainable growth in these economies." "AID proposes to overcome investment constraints by creating a high-quality, one-stop business service to match U.S. and developing country entrepreneurs in ventures that are profitable to both, as well as to the consuming public."

The Strategic Objectives of U.S. Agribusiness

The Mission Statement of U.S. agribusiness may be paraphrased as; a customer-driven enterprise committed to providing optimum value in high quality products and services, thereby enhancing the wealth of the employees, the shareholders and the communities served by the company. In fulfilling this mission, companies try to produce the best products on the market; deal honestly and fairly with their employees, sales representatives, business associates customers and stockholders; advertise and sell their products vigorously, but without misrepresentation; and give helpful management suggestions to their customers to assist them in making the greatest profit from their products.

U. S. agribusiness is dynamic and rapidly changes with new technology, but at the same time has successfully adapted that technology to a broad range of conditions in a world-wide marketplace. Corporate technology combines theoretical, experimental, farm field or feedlot trials, and feedback from farm operations around the world. Research is the key to success, and intellectual property rights is a vital aspect in corporate life. However, a company which invests in research which generates new intellectual property only realizes a return on that research investment if the new technology is commercialized and enables farmers to benefit from new or expanded commercial production.

Many U.S.-based agribusinesses have impressive investments in countries of interest to AID and their track record demonstrates a mutuality of interest in economic development. Examples cited from the Ralston Purina dealership network in Peru and Portugal, the American Breeders Services herd improvement programs in Hungary and Zimbabwe, and the Pioneer seed operations in Hungary and Africa build a strong case for a closer working relationship between such progressive companies and U.S.A.I.D.

Agribusiness executives recognize both problems and potential benefits in a partnership with AID. The generous participation by the three companies invited to make presentations in the seminar speaks eloquently to their interest in partnership. (Each company represented by 3-5 person teams headed by a president or vice president for their international operations) Their thoughtful recommendations are further demonstration that a productive working relationship is possible. Significantly, in spite of a short notice the meeting was well attended. The positive tone in question and discussion sessions suggests that the concept of business and development partnership in the agribusiness sector enjoys a broad base of support.

The Discussion of Issues and Recommendations

The following seven topics were distilled from the Agribusiness Leaders Presentations in the morning session of the seminar and from enthusiastic exchange of comments in the afternoon session. The reader is encouraged to refer to the three company presentations for a fuller treatment of the business point of view on these issues. It is apparent for several, if not all, of these issues that much remains for further dialogue, but that a very favorable attitude exists for continuation of the Business Partnership for Development. Readers comments on the issues and recommendations would be a welcome contribution to this dialogue.

1. Financing and Financial Institutions

While not recommending direct financial aid to new ventures, companies put forward a number of recommendations about financing and financial institutions that can better serve the agribusiness sector. Farmers, feed and seed distributors, livestock breeders, meat and vegetable processing facilities, food distribution businesses, and many more types of enterprises depend upon credit and banking facilities to establish, expand and conduct their regular business. Banks in developing countries usually do not want to lend money to agriculture or agribusiness. Often they don't know how to evaluate and assist agricultural producers and service industries in the sector. When banks do make loans, they are at high interest rates in line with their perceptions of high risks and uncertainty for agricultural sector lending. Rural bankers would like to have U. S. agribusiness companies provide collateral for dealerships and/or customers of agriculture supply and service organization. Companies have resisted this path of business development because it would greatly complicate management of new ventures, stretch investment resources thinly, and force the company beyond its chosen domain of operation. Limited financial resources and minimal institutional capabilities for rural banking are seen by business executives as critical constraints for accelerating the rate of agribusiness sector growth.

Recommendations presented by companies included augmentation of the funds for agribusiness lending in commercial and development banks, training of account managers and loan officers for agribusiness departments of local banks, expansion of Commodity Import Programs as an indirect means of funds expansion, collaboration with rural credit unions in establishing loan programs and management practices for rural business accounts, and special programs for recurrent needs in hard currency for maintenance parts and inputs. Company representatives mentioned several countries and projects where Commodity Import Program and project resources had been a vital part of their successful operations. The discussion of the various approaches recognized overlap with programs such as ExIm and OPIC and suggested that clarification and coordination offers possibilities for improvements in the flow of resources for expansion of agribusiness.

An important issue for U.S. agribusiness is the "competitive advantage" inherent in development assistance programs of other countries for foreign competitors of U.S. companies. There was repeated advocacy of U.S. agribusiness sector assistance that would "level the playing field", such as low-cost, development financing. Other forms of sector and enterprise assistance such as

joint support of staff training, generous terms of support for sector and enterprise feasibility studies, business information services and third party support in the course of developing new ventures were also considered to be useful in this regard. It was generally recognized that there are significant political reservations about the more direct forms of business assistance and this aspect was recommended for further study.

The discussion of financing and credit concluded that A.I.D. should play a larger role in rural banking policy and in training of staff for rural banking departments. The Agency's experience in rural credit and with intermediate financial services can be built upon for strengthening rural financial services. In addition, this discussion recommended that operational experience in the agribusiness sector be brought into the policy dialogue through the involvement of business executives in the dialogue team. Throughout the discussion there was also a theme advocating improved information exchange between the agribusinesses and the development agencies; i.e., early warning of non-viable enterprises, attention to rural banking and infrastructure problems and the use of business operations or commercial reports as an additional source of program impact information.

Recommendation:

Provide additional support for aspects of local agribusiness financing.

Action:

The Working Group agenda for the Partnership for Business and Development can be expanded to give more attention to programs for agribusiness finance and credit. In addition, agribusiness strategy and country development strategies can be reviewed, and revised, to increase rural sector financial resources and services in order to improve performance and growth of the agribusiness sector and market services for farmers. In relation to these policy and program changes, it is appropriate for A.I.D. to support descriptive and analytical studies of financing requirements of agribusiness development and related financial services to identify and support features that influence the competitiveness of U.S. enterprise. In matters of financing and financial institution building, as in the other areas which follow, the experience of the business executive and technician offers a valuable complementary resource which A.I.D. seeks to creatively involve in program planning and execution.

2. Partnership Activities

Recommendations in several forms proposed direct input of U.S. agribusiness executives from the level of Chief Executive Officers through middle level managers in planning and implementation of development assistance. Agribusiness firms, with the experience of their direct farmer delivery systems, can evaluate the extent that development assistance is effectively reaching beneficiaries, and corporate executives are highly trained in estimating potential impacts of

technology change on local economic growth. Along these lines, it was suggested that companies could arrange appraisals of new agribusiness technology by comparative analysis of their existing operations in similar environments. Company resources can also contribute to training, research and extension activities with multiplier and/or leverage benefits from partnership in these areas.

The partnership discussion included forms such as a joint Task Force, an advisory committee, a consultative group and more frequent staff interaction. The brief discussion did not fully explore any of these options nor develop a consensus on the modalities of the partnership. The description of a Working Group found in the Administrator's Initiative regarding the Partnership for Business and Development was frequently mentioned as a constructive step. A theme in the discussion of partnership was the value of flexibility and the ability to adjust to the evolving needs of the agribusiness sector during the course of business and sector growth.

In considering this point it is instructive to reflect on the point of view of a business executive;

"Much of our present frustration lies in interpretation of the various groups, committees, panels, etc., that are working to more closely integrate business and AID. Our strong endorsement of a "One-Stop Service Facility" is made knowing that it is impossible for our small staff to sort through the bewildering maze of governmental programs that might be useful in expanding our business. The AID missions have done an excellent job in attempting to promote programs with our field managers. However, we have a difficult time interpreting for them how other AID programs can be utilized." (An extract from a letter written by William J. Damm, Director of International Treasury, Pioneer Hi-Bred International, July 19, 1991)

Establishment of a "One-Stop Service Facility" for U.S. companies was a frequently recurring theme in the company recommendations and seminar discussions. Suggested services to be provided by such a facility included information on local entrepreneurs with interests that might be developed into joint venture partners or other forms of business alliance; listings of potential agents, partners or investors; information on financing from U.S. government and other sources; information on currency regulations; information describing legal considerations and sources of legal services that understand the needs and interests of U.S. companies; etc. The proposed AID Center for Trade and Investment Services was endorsed with strong recommendation that establishment be given high priority and that information services for the agribusiness sector be expedited in the plan of work for the Center.

Recommendation:

Means should be established, with capability for flexible response to sector and business growth opportunities as they arise, which provide for active participation of senior executives and middle-level managers from U.S. agribusiness in the policy formulation, strategic planning and program implementation for development assistance in the agribusiness sector.

Action:

The Business Advisory Council feature of the Administrator's Initiative for the Business and Development Partnership was endorsed with the recommendation that agribusiness should be well represented in the make-up of the Council. Similarly, the Center for Trade and Investment Services was endorsed. The fact that private sector executives are interested in more direct involvement in development will be disseminated through the distribution of the seminar proceedings and other means. Agency policy in program planning and implementation will be reviewed, and amended as appropriate, to increase the partnership of the private sector.

3. Training

Company executives made strong recommendations for joint action in training of technical managers, marketing staff and accountants. One executive developed this line of recommendation into advocacy of a School for Entrepreneurs to be established and operated with business support, including part-time faculty. Certain categories of professionals are reasonably well supplied in developing economies, but critical deficiencies in other fields such as marketing, management and accounting skills are limiting new ventures and expansion of existing enterprise.

The case for the agribusiness marketing staff as an effective farmer extension service was made in all presentations. Unfortunately, technology transfer and adaptation services are costly, particularly in early stages of establishing a new venture, and business would welcome some assistance in support of the startup of such services. A related recommendation suggested that academic training in the U.S. include sessions on farms and with agribusiness to enable returned participant to have a more complete picture of the workings of the agriculture sector, including agribusiness.

Discussion also included personnel exchanges between A.I.D. and business as a means of improving the effectiveness of the partnership. Several company executives expressed interest in exploring this type of program at an early date.

Recommendations:

Improvements in three types of training were recommended; farmer and agribusiness extension services within commercial marketing programs, schools for entrepreneurs and exchanges between A.I.D. and business.

Action:

In principle, all three recommendations were endorsed for appropriate action by the seminar. The first two recommendations enjoyed broad support and discussion indicated these ideas could be developed into pilot or experimental projects or components in agribusiness sector development. These recommendations can also be forwarded to the Human Resources Development staff for incorporation in new education and training projects. The third recommendation is supportive

of the dialogue on new training programs involving the A.I.D. Personnel Training Staff and agriculture officers. The suggestion to involve company representatives in the planning process for new agribusiness training program for agency staff will be given serious attention.

4. Priority for Animal Agriculture

Ralston Purina and American Breeders Service offer impressive evidence that improvement of animal agriculture can provide significant rural and consumer benefits. Specifically, animal agriculture is directly tied, under strong cultural traditions, to crop agriculture at the farm level and improved livestock husbandry has provided significant gains in farm productivity and incomes. With this information the private sector has made a strong case for A.I.D. reconsideration of the priority assigned to animal agriculture.

Recommendation:

In light of information on commercial benefits contributed by the livestock sub-sector, a reevaluation is in order of the place for livestock in the food systems strategy.

Action:

The agribusiness strategy, food systems strategy, analytical agenda and research plans of work can be amended to strengthen livestock treatment and develop ways and means for integration of the livestock sub-sector in modernization of the food systems. The experience and perspective of progressive livestock organizations such as American Breeders Service, Ralston Purina, Heifer Project International, Winrock International, Holstein Association, Land O'Lakes Inc., to mention a few companies with similar interests, can be drawn into the reformulation of the livestock subsector role.

5. Intellectual Property Rights

U.S. agribusiness places a high value on their intellectual property rights because the returns from intellectual property are required to cover their research and technology adaptation expenses. The U.S. government, including A.I.D., recognizes such rights and is giving a great deal of attention to this subject in the context of GATT and other international negotiations. In defining the working relationships of future joint activities, A.I.D. is committed to protect and/or defend such rights. These commitments in principle, however, must be translated into working agreements and contract clauses which govern in cases of jointly supported development and technology adaptation projects. Currently companies are concerned that joint activities will result in untimely technology disclosure to their competitors and termination of their property rights and related income streams.

Recommendation:

Agribusiness requires a clear statement of support for intellectual property rights by AID and appropriate contractual and grant agreement terms in defining the terms of the business and development partnership. Also, intellectual property rights are defined within local law and regulatory environment consequently A.I.D. should include the matter of intellectual property rights in the policy dialogue.

Action:

The statement on intellectual property rights can be expanded by the Administrator and elaborated in the Agribusiness Strategy and other program guidance of the regional bureaus. The Legal and Procurement Staff can review and amend as appropriate the terms and conditions for protection of property rights in joint support of development activities.

6. Infrastructure development and a Sustainability Review

At several points agribusiness executives recommended that AID give more attention to infrastructure development, such as roads and communications services. At the same time, and in a variety of statements, caveats were proposed that would limit infrastructure planning and investment to facilities of utility to expansion and improvement in the rural sector. There was broad support for this conditioned interest in infrastructure, often acknowledged to be in recognition that previous contributions to infrastructure were of limited utility for the rural economy.

As a part of the recommendations for assistance with infrastructure development, a "sustainability review" was suggested for the planning stage of infrastructure projects. The review would consider the level of technology proposed, maintenance requirements and fee or tax structures for maintenance. Agribusiness executives believe that they can effectively contribute to this review with their experience during the estimation of the use and return factors for new or expanded infrastructure.

Recommendation:

Rural infrastructure requires increased attention in development strategy, but with improved coordination with the private sector during planning and with provisions for user fees and/or taxes to sustain maintenance of new or up-graded facilities.

Action:

Agribusiness input can be increased in shaping the Agency's contributions to infrastructure development. This input may be developed through the staff

offices and/or through consultation with the strategic planners from the private sector.

7. Systems-based or Holistic Strategy

The recommendation that agribusiness development should be formulated within a "holistic strategy" is consistent with the body of work that has drafted the Food Systems Strategy. This perspective enjoys broad support. On the negative side however, are apprehensions about the complexity of planning and management for the holistic concept. The experience with integrated rural development encourages caution in undertaking a loosely-bounded strategy.

Several related features generated substantial support. The recommendation that policy makers should include agribusiness executives was endorsed as an essential foundation for a more holistic strategy. Recommendations regarding multinational research and technology transfer/adaption systems, commercial trade and marketing alliances, public and private sector collaboration and other factors were related to the concept of a holistic strategy. The interdependency of the dealer organization and the banking services also figured in discussion of the strategic perspective. At another level the interdependencies and alliance possibilities for the three companies; i.e., a seed corn company, a livestock feed company and a livestock management services company, were recognized as benefiting within a holistic strategy.

Recommendation:

Developing countries should form a holistic strategy in seeking nutritional improvement and AID policy should support that concept by provisions of theoretical and commercial inputs to strategic planning for agriculture, including agribusiness.

Action:

The review and revision of the Food Systems and Agribusiness Strategies will be undertaken with the objective of clarification and elaboration of the interdependencies in strategic planning.

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Agribusiness Leaders Seminar

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Agribusiness Leaders Seminar

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75.	Srivastava, J.P.	World Bank
76.	Steele, Howard	U. S. Department of Agriculture
77.	Stout, Marrienne	U. S. Department of Commerce
78.	Vaughan, Gary	ENE/TR, AID
79.	Walters, Jake	American Breeders Service
80.	Waters, Jerry	Farmland Industries
81.	Weiss, Kenneth	Chemonics
82.	Wingate, Peter	Chamber of Commerce
83.	Worthington, Linda	International Voluntary Service

Schedule
May 30, 1991

- 7:30 **The President's Breakfast with Administrator Roskens**
- 8:00 **Registration**
- 8:30 **The Morning Session**
 Opening - Robert W. Rickert, Ralston Purina International
 - Carol C. Adelman, Assistant Administrator, ENE
 - Administrator Roskens
 The Business and Development Partnership
 The Food Systems Strategy and Agribusiness
 The Agribusiness Presentations
- 9:15 Dean Mefford, President, Ralston Purina International
- 10:15 Gerald Garbacz, Executive Vice President, W. R. Grace & Co.
- 11:00 Ed Shonsey, Senior Vice President,
 Pioneer Hi-Bred International
 Lynn Engstrand, General Operations Manager, Hungary
 Hari Shukla, Vice President and Regional Operations Director
 (Middle East and Africa)
- 12:00 **A Working Luncheon**
 Remarks on world agribusiness strategy and planning
 Assistant Administrator Richard Bissell
 Science and Technology Bureau
- 2:00 **Introduction of the Afternoon Discussion Sessions**
 John Balis, Agribusiness Officer, ENE/TR/AE
 **Three concurrent discussion/workshop sessions to consider ways and
 means of putting into action the suggestions of the business leaders.**
 Agribusiness Networks
 Technology Transfer: The Power of Advanced Genetics
 Private Sector & Development Agencies: Practical Cooperation
- 4:15 **Workshop Synopsis**
 John Flynn, Director, ENE/TR

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The Introductory Remarks of

Ronald W. Roskens, Administrator
U. S. Agency for International Development

to open the

Agribusiness Leaders Seminar
May 30, 1991
Washington D.C.

I would like to thank Dean Mefford, President of Ralston Purina International, for helping assemble this distinguished group of business leaders for this important exchange with my A.I.D. colleagues.

I look upon this conference as the celebrated "two-fer", that is, today we begin progress on dual fronts. The conference represents the true activation of A.I.D.'s Initiative for a Business and Development Partnership which is dedicated to projecting American business savvy into the developing world. And, your conference is also a solid step forward for our Europe and Near East Bureau's Food Systems Strategy which gives A.I.D. a broader perspective on agriculture programs.

We in this room are aware that over the years the most profound and seemingly intractable problems faced by virtually every developing nation have been in agricultural stability and food security.

Since 1954, the Food for Peace program has delivered 350 million metric tons of food to nearly 2 billion people in more than 100 nations. We are the most prolific food donor in history. Today we provide more food aid than all other nations combined. All of this serves to underscore a painful and tragically clear point: sustainable agriculture production and distribution is the single greatest test in the developing world.

I note that the firms represented here have an impressive record of taking a long-term view of investments in the developing world. That is indeed a wise strategy. American agriculture has prospered in dealings with the developing world. More than half of America's agricultural exports go to the developing world. Each dollar of agricultural exports generates \$2.65 in domestic business activity, which means that developing nations account for more than \$50 billion worth of agriculture and agriculture related items. And of the 50 largest importers of U.S. farm goods, 21 are nations that once received food aid from America.

Expanding these already healthy U.S. business opportunities in the developing world is the thrust of our Business and Development Partnership. Today we invite comments on how we can integrate into the initiative your ideas about U.S. agribusiness in the developing world. And given your expertise in food processing, marketing and trade, we welcome your thoughts regarding implementation of the Food Systems Strategy.

Perhaps from these discussion we can generate specific proposals regarding

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how better to promote our mutual interest: which include the marketing of your products in the nations of the developing world.

More than three decades ago, President Dwight David Eisenhower said, "The peace we seek, founded upon decent trust and cooperative effort among nations, can be fortified by wheat and cotton, by milk and wool, by meat and timber and rice. These are the words that translate into every language on earth. These are the words that challenge this world."

Food, agriculture, agribusiness, these are the words that resonate today in the developing world. Today's meeting sets the foundation for what I trust will be a mutually beneficial partnership.

I value your efforts and look forward to the results.

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Introductory Highlights

presented by

Carol C. Adelman
Assistant Administrator
Bureau for Europe and the Near East

at the opening of the

Agribusiness Leaders Seminar
May 30, 1991

The Agribusiness Leaders Seminar provides an opportunity for agribusiness and development leadership to jointly consider the ways and means of accelerating the growth of employment and incomes for the food and agriculture sector as broadly defined.

The Seminar can contribute to the ways and means for achieving the objectives of the Food Systems Strategy.

- Increase production, employment and incomes in the rural sector
- Improve the quantity, quality and distribution of food supply
- Take full advantage of the agriculture technology base established by past development assistance and by the U.S. agribusiness sector

The Partnership with Business in Development outlines new forms of assistance which are particularly relevant for development of the agribusiness sector.

-- Industry attendance at the Agribusiness Workshops and Roundtables held by the Bureau during the last year and a half have demonstrated the serious interest of U.S. agribusiness in the partnership concept. (More than 200 companies have participated in one or more of these one day meetings.)

-- Dean Mefford (Ralston Purina) made a valuable contribution in suggesting the Agribusiness Leaders Seminar to present in some detail the industry contributions to development and the perspective of senior private sector managers on the development partnership.

-- The interest of Pioneer and American Breeders Service in joining the seminar has given additional insight to the possibilities of the partnership.

-- The general interest of the U.S. agribusiness sector (expressed by the eager response to the invitations to the seminar, the high level of attendance and the rich comments during the discussion) suggests that the partnership with

business is an idea whose time has arrived.

We expect the seminar to help in describing the ways and means of private sector agribusiness development.

-- We would like to refine the suggestions of the U.S. agribusiness executives and improve our understanding of their major points by the end of the day.

-- It is planned to widely distribute the seminar findings and continue, even broaden and deepen, the dialogue with the private sector as future agribusiness activities of the Agency are planned and executed.

-- The seminar findings will be considered as the Bureau staff take up the final draft of the agribusiness strategy in the next three months.

Suggestions for continuing the dialogue with the private sector regarding agribusiness development will be welcome either in the course of the seminar discussions, or in other future communication with the bureau staff.

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Summary of Remarks
Agribusiness Leaders Seminar
May 30, 1991

Richard E. Bissell
Assistant Administrator
Agency for International Development

Thank you very much for allowing me to make some remarks about A.I.D.'s approach to agribusiness to this very distinguished gathering. One of my major points in recent years on this subject has been that we need a stronger dialogue between A.I.D. professionals and market-oriented professionals from the world of agribusiness. We clearly have that gathering today.

Agriculture at the Agency for International Development is going through a major transformation. Anyone you ask, both within and outside the Agency, can testify that this traditional stronghold of A.I.D. technical expertise has been under enormous pressure in recent years. The question that few can answer is what it will look like when we reach a new consensus. Let me give you some outline of what I see as our focus in coming decades.

Our traditional strength, and where A.I.D. has contributed to miraculous improvements in the standard of living in developing countries, is in the productivity of agriculture. Our support of technological innovation, through crop genetic research as well as applied operations research in developing countries, has paid off enormously. We have built institutions abroad; we have helped build pockets of expertise in the U.S., particularly in land-grant universities, that will have a sustained positive impact on productivity abroad. We have trained generations of agricultural expertise in developing countries. Through multilateral mechanisms, such as the Consultative Group on International Agricultural Research, A.I.D. has set in motion a continuing effort to meet the demands of growing populations in coming decades. A.I.D. can be proud of what it has done, and looks forward to supporting productive agriculture in the future.

At the same time, the agricultural sector is pressed to incorporate two revolutions in recent years. One deserves equal time to the other, but I shall not spend time today talking about sustainable agriculture, the merging of natural resource strategies into agriculture in a way that profits both the environment and agriculture. The National Academy of Sciences has contributed much to our understanding of this subject. Suffice it to say that A.I.D. is launching, both in the S&T Office of Agriculture and throughout the Agency, a proactive growth of work in sustainable agriculture that will be marked as a major developmental innovation of the late twentieth century.

The second revolution that I want to talk about today is that of agribusiness. We are not as far along in incorporating this revolution into our programming, but I am convinced that it will be as profound as the attention we are giving to sustainable agriculture. As the Agency goes through its current reorganization, we have an opportunity to focus our efforts on all three aspects of an agricultural strategy: production, natural resources, and agribusiness. Only in that way will we begin to help the developing countries meet their food and nutrition challenges of the next century.

I believe that our work on agribusiness will focus on five "barriers" to successful agricultural development. They are somewhat different in character, but each represents a bottleneck to greater effectiveness.

The first barrier is the farm gate. For too long, we have spent our programming attention on the distance from the field to the farm gate, and not beyond. Agribusiness demands that we develop linkages across the farm gate, so that it becomes a bridge rather than a barrier. To give you one example, it is estimated that 20% of farm production in developing countries is lost in faulty storage and handling. In effect, by dealing with the storage issue, we could raise effective production by 20% without any further burden on the land. We need to develop a full-spectrum approach to agribusiness, so that it incorporates inputs, production, transportation, storage, processing, manufacturing, and marketing.

We need to realize where the potential for added income will be in the next century. In a recent paper presented by Ray Goldberg of the Harvard Business School, he estimated that the increased value in agricultural systems is being massively redistributed. Taking three snapshots in 1950, 2000, and the year 2028, he estimated that the contribution of farm supplies would fall from 18% to 13% to 9%. He then estimated that farming itself would fall from 32% to 15% to 10%. But the value of processing and distribution would rise from 50% to 72% to 81%. In terms of raising farm income, it is essential that A.I.D. keep its eye on the entire spectrum, particularly building up capacity beyond the farm gate.

To do so will require new partnerships. We will have to work better with companies represented in this room. We shall develop new kinds of partnerships that combine technology with marketing. Partners will work from various starting points in the agribusiness system: sometimes from effective demand, sometimes from processing technologies, and sometimes from input and seed opportunities.

The second barrier is a self-imposed barrier that has caused us to focus on one piece of the agribusiness puzzle at a time, rather than being concerned about the whole system. It is in the nature of the way A.I.D. does business that we break issues into "projectized" problems. In agribusiness, we can't afford that

anymore. Only by taking all the micro pieces we have dealt with in the past -- and we should not understate our experience with various pieces of the system -- and integrating them into a systems approach will we give developing countries an accelerated push.

The third barrier is the presence in developing countries of policies and regulations that discourage the emergence of agribusiness. Only through cooperation between the public and private sectors will agribusiness strategies begin to work. I don't have to tell the businessmen in this room what misery can be caused by the recalcitrant minister in country X who won't approve the new seed factory, or even the corrupt customs agent who won't clear essential imports without a bribe. Leaderships in developing countries, if they truly want the growth bang from the agribusiness buck that is possible, must be willing to give a clear signal that the private sector should be helped and not hindered. Government has to both get out of the way (by eliminating parastatals, for instance) and determine ways of creating incentives that link up production and demand. A.I.D. is just beginning to work through these issues, and we undoubtedly need to do more systems research on those policy barriers.

The fourth barrier is the mindset that resists new technologies in agriculture. Oddly enough, it is usually NOT the farmer. If farmers can see a way to produce more crops, they will do so. But they need to know that there will be a processing and distribution system for their innovative crops. Research and development can go together only if they collaborate on the creation of a system. A.I.D., for instance, is working closely with American centers of biotechnology innovation to find ways of moving those breakthrough ideas into developing countries. It requires establishing an acceptability in host governments, training developing countries nationals in our labs to handle such genetic materials, and ensuring that farming systems will utilize the technologies. We have experience in this approach in Indonesia over the last decade, in new rice varieties that required no pesticides to resist brown leaf hopper. Integrated pest management has taken much more than technology in Indonesia to be successful, but all the players have hung together. It is a success story that I would like to present to all of you at another time. Suffice it to say that there are tremendous success stories hanging out there waiting to pick. We are working closely not only with the private sector to make them happen; I believe that my colleagues at USDA can be enormously helpful, and we have collaboration underway to make that come true.

The fifth barrier is that which denies a role to the nutrition and food knowledge in the agribusiness system. Over the last decade, we have determined with growing research the devastating but largely unseen effects of malnutrition. We understand caloric deprivation, and we are dealing with that issue, whether through production or food aid. What we are not taking advantage of is our knowledge of Vitamin A, iron, and iodine deficiencies that demonstrably shorten people's lives or do not allow them normal

development. Iodine deficiency in a billion people, for instance, causes various degrees of cretinism, entirely avoidable if the food chain were to ensure trace amounts in the diet. Iron deficiency causes irreparable damage, particularly to women's lives, throughout the world. Yet a good agribusiness system can incorporate those end-use requirements in its construction, so that the target is not only quantitative, but also qualitative. A.I.D. does not now make good use of our knowledge in nutrition, but will in coming months find ways of breaking the barriers between the producers and consumers of foods. It is, of course, much more than a scientific question. Over time, we must find partners in the processing and manufacturing industries of developing countries to bring this knowledge into remedies that meet the needs of consumers. We know that it can be done.

What I have said to you today has been said before. We simply have to remind ourselves in A.I.D. to rethink our approaches from time to time, in the light of new opportunities. Today, agribusiness is clearly at one of those points of reconsideration. My voice from the past today is that of Peter Drucker, who wrote some 32 years ago:

What is needed in any "growth" country to make economic development realistic, and at the same time produce a vivid demonstration of what economic development can produce, is a marketing system: a system of physical distribution, a financial system to make possible the distribution of goods, a finally actual marketing, that is, an actual system of integrating wants, needs, and purchasing power of the consumer with capacity and resources of production.

That is the spectrum I want reflected in our agribusiness revolution in coming years. As I said, we face some barriers for effectiveness, but there are always challenges in our businesses, just as all of the companies represented here face their own challenges. We do need you as partners. I hope that this forum is the first in a series to bring us together, that allows us both to identify barriers to mutual effectiveness, as well as to share the excitement I feel in this room today. I know what some developing countries sense as exciting potential in agribusiness issues for their future; I hope we'll be a team to turn that potential into a reality.

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