

POSTHARVEST INSTITUTE



Postharvest Institute for Perishables

Exploratory Trip to Initiate

Small Farmer Programs in Russia and Ukraine

for

USAID/NIS

Prepared by

Taras Ogiichuk, NIS Country Specialist

April 1994



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I. Executive Summary

This trip by the PIP consultant was to finalize a lot of loose ends in the organization of two assistance programs which are outside of the normal support given to private producers in Russia and Ukraine.

Visits were made to Russia and Ukraine to meet with personnel at Russian Potato Concern and the Ukrainian Institute for Potato Research.

Traditionally, technical agriculture agencies in NIS countries were developed to work with large state and collective farms. These state owned farms produce only 20 percent or less of the potatoes consumed in the two countries with smaller, private growers producing the remaining 80 percent of this important crop.

Both Russian Potato Concern and the Potato Institute in Ukraine have expressed interest in working more with small farmers in their respective countries. Discussions with personnel in these two organizations entailed organizing methods to reach small farmers.

The two organizations have requested that PIP help them train personnel who will be involved with these two programs. Training will entail business techniques, extension methods, marketing and accounting procedures.

Russian Potato Concern, a private organization will operate under its private status in its program in Russia. The Potato Institute in Ukraine proposes to organize a non-profit organization, outside the government bureaucracy, to initiate the program in Ukraine.

II. Russian Potato Concern -- Russia

The first 10 days of the trip was spent in Moscow, Russia, with PIP's Russian counterpart, Russian Potato Concern (RPC). This organization was founded as a private concern about three years ago. From the time of its establishment, RPC personnel have been trying to bring about positive changes in the potato industry in Russia towards a goal of privatization. This organization is headed by Yuri Moiseev and the structure of Russian Potato Concern is shown in Table 1.

The schematic for RPC's Scientific Center is shown in Table 2. The laboratory at the Scientific Center is similar to a laboratory at the University of Idaho. In this lab they conduct organic and nonorganic analysis for pesticides and other chemicals. If there is a problem they will try to determine precisely the nature of the problem.

With preliminary analysis, problems with potatoes in the laboratory can be seen visually, whereas the more precise analysis would be done at the analytical center.

While meeting with personnel at RPC the following questions were discussed:

1. The temporary sources of finances of RPC.
2. Current situation of the wholesale market project: a) current stage of development
b) groups and people involved in the project and their responsibilities, c) sources of finances for the project, d) stages of implementation of the project, and e) possible future development of the project.
3. Present situation of the "Potatoes & Vegetables" magazine and how to solve its financial difficulties.
4. The current needs of RPC and how to resolve them.

Table 1. Structure of RPC

Structure of RPC

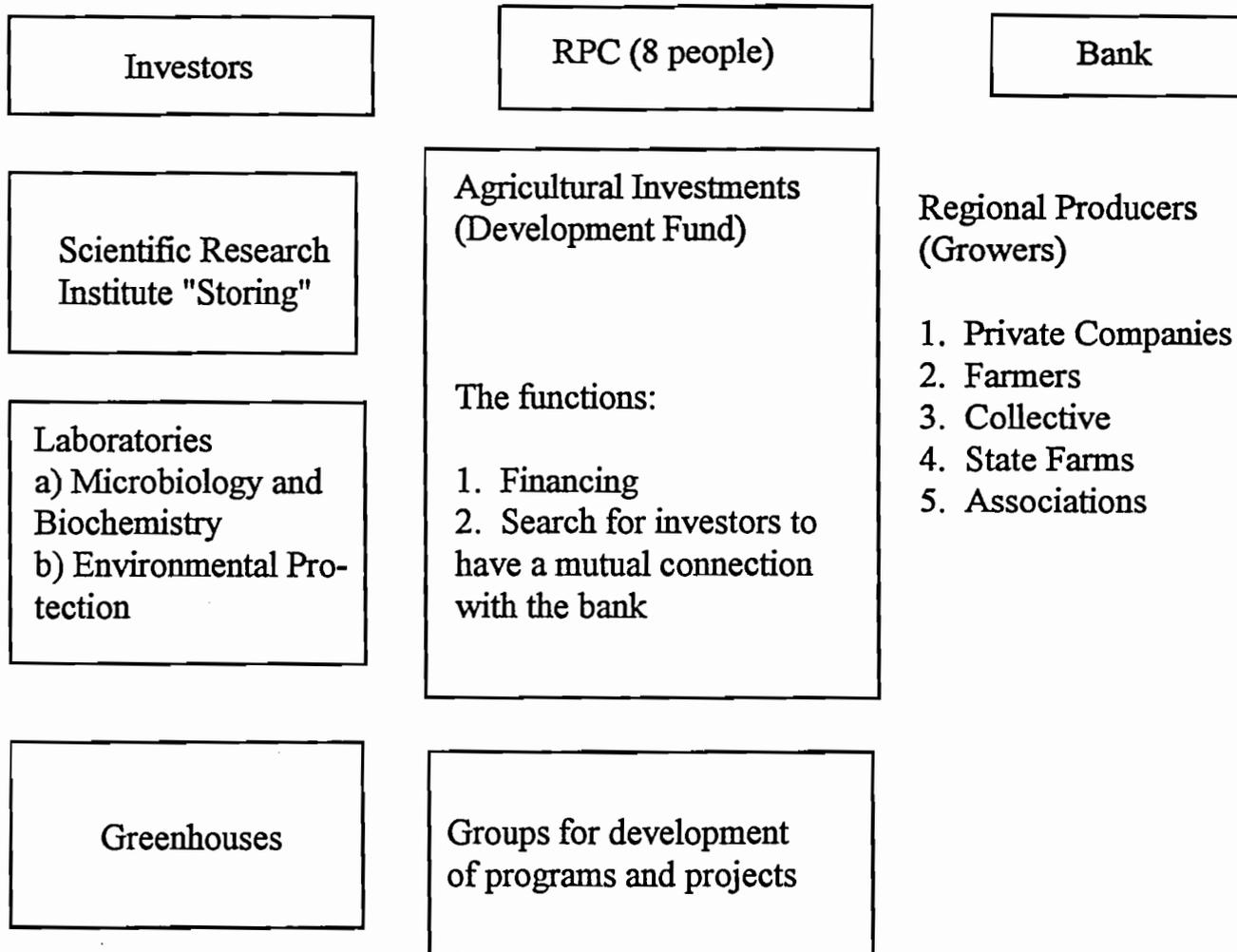
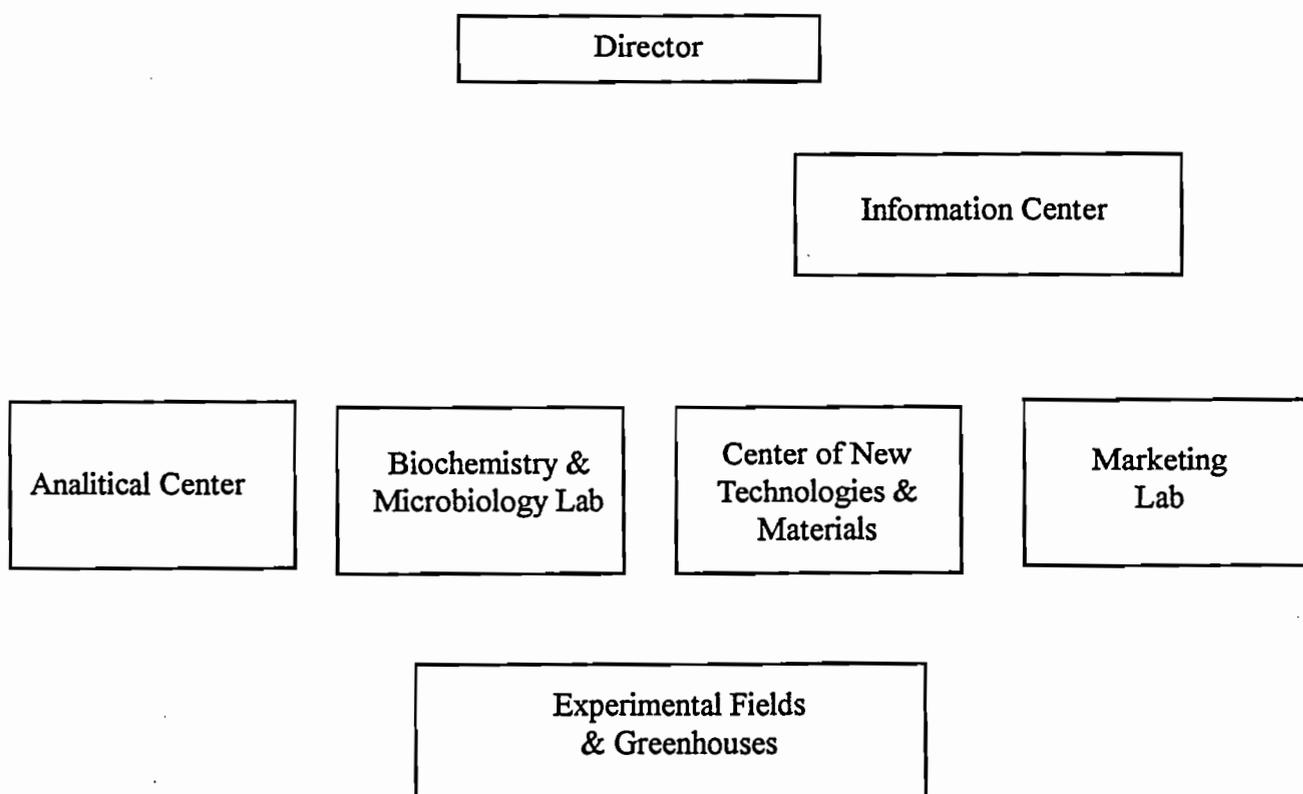


Table 2. Schematic for Scientific Center

Structure of the Scientific Center of the Russian Potato Concern



5. Things to enhance RPC's performance and reduce the workload.
6. Selection of personnel to go to the U.S. for training.
7. Type of knowledge trainees should acquire in the U.S.
8. There was some discussion by Dr. Moiseev on the kind of training RPC personnel would like to receive from Mr. Jerman Rose, who will to come to RPC in April to conduct a short business training course. (Dates, time limit, time of classes, participants, subjects taught etc.)
9. The possibility was discussed of someone coming to RPC from the Ukrainian Potato Institute to learn about RPC and their present activities.
10. Some time was spent to assist Elena Barinova and Olga Tretuakova from RPC to translate some documents they have received from the U.S.

Results of Discussions and Meetings

The question of temporary sources of funding was discussed with Dr. Moiseev, President of Russian Potato Concern, and his assistant, Ms. Nadia Rodina. At present, there are four major sources of funding which are as follows:

1. Consulting agreements in the oblasts (states) where RPC works with collective, state, private and joint stock companies. RPC does consulting work for which it is paid.
2. Loans from a bank. A commercial bank in Moscow provides loans at a reasonable interest rates (considering the very high rates in Russia).

3. RPC is discussing a grant from a reform minded political party--in return RPC will help create "a good political image" for the party with the Russian people.
4. Money received from federal sources for implementing different kinds of projects.

It should be mentioned that even though sources of funding seem to be adequate, some of them do not appear to be very stable. For example, the grant from the political party has not been approved. The party leader has not given the final approval for the grant. There is also the possibility that this year there will not be any funding coming to the RPC from federal sources.

Funding for RPC will realistically have to come from several sources. The commercial Reinbank may make a loan of \$20 million roubles (approx. \$12,121 at an exchange rate of US\$1 to 1,650 roubles). The other source is the grant from the political party.

Initial capital will be obtained from the bank as a loan. In order for the RPC to obtain a loan from a bank they will have to present expense projections so the bank knows the amount of funds to advance to RPC and how the monies are going to be spent.

There is a clause in the previous agreement which stated that if RPC does not repay the loan on time, (because someone does not pay the RPC for their services or products on time) the bank will extend the agreement for up to nine months. The RPC, however, will have to repay the loan, which was initially designed for six months, and pay additional interest charges based on the extra time period.

Some banks charge 216 percent per annum but because this particular bank knows RPC quite well and wishes to help with the project, they can obtain the loan at 150 percent. There are some programs in the bank which makes loans at 5-11 percent per year and there is a chance that RPC can obtain these interest rates. One of the objectives of the bank helps organizations such as RPC, therefore they might get the loan at a very low interest rate. The lower interest rate will also provide lower prices for potato seeds for private growers.

The most recent and most important activity that the RPC is currently involved in is the Small Farmer Center (SFC) program or as RPC calls it, " Wholesale Market Program". The SFC program was initiated jointly by PIP and RPC. It is an established fact that individual private farmers (up to 3 ha) and backyard or "dacha" growers (less than .25 ha) produce approximately 80 percent of all the potatoes consumed in Russia. Out of a total production of 35 million metric tons (mt), individual private farmers on small plots reportedly produce some 30 million mt. Private individual potato growers have neither support nor assistance from the governmental agricultural agencies in Russia. Therefore, RPC decided to take this responsibility upon itself and work with small, private farmers.

During the first year of implementation of the project, personnel at RPC decided to involve large potato seed growing farms from five regions (given later in the report) and to purchase improved potato seeds from these areas. The purchase/sale transaction will be done on the basis of a contract (copy given in Appendix 2 and 3). Potato seeds will then be transported to the state "Farm Orlovsky" which will be the main distribution center for the Moscow region. At Orlovsky, potato seeds will be sorted, checked for diseases and

bruises, packed and marketed to individual, private growers in the Moscow region. Mr. Chanov, a potato disease specialist from RPC, will check potatoes for diseases using the laboratory facilities at RPC. If potato seeds do not meet standards, the shipments from seed growing farmers will be rejected.

Personnel from RPC realize that the first year of implementation of this project is crucial. If they fail to provide quality service to the final users of potato seeds, the project will not be successful.

As was mentioned earlier, the main distribution center for the Moscow region will be Farm Orlovsky. This farm has been selected by RPC on the basis of personal connections. RPC has been dealing with this farm for a number of years.

Farm Orlovsky is located about 15 miles from the city of Moscow. This farm was established by the Minister of Defense of the former U.S.S.R. and the idea of its creation belongs to the first man into space, hero of the Soviet Union, Urey Gagarin. The main purpose of this state farm was production of ecologically clean products for the "astronaut center" (Zvezdney Gorodok), the site where Soviet and now Russian cosmonauts train.

There are 450 people working at Farm Orlovsky. The total area of the farm is 966 hectares of land, with 100 hectares in potatoes. There is adequate potato storage for 1,000 mt. The farm has all the necessary potato handling equipment. It is, however, Russian made and may not meet world standards.

At Orlovsky, seed potatoes will be received from potato seed farmers from five oblasts in Russia. There the seed will be sorted, checked for disease and packed into 5, 10

and 30 kg bags. In each of these there will be an information sheet on the particular variety of potatoes in the bag. (An example of such an information sheet is given in Appendix 4.)

The potatoes will be distributed from Farm Orlovsky to the final consumers, small growers at the following institutions; institutes, universities, factories, orchard-garden cooperatives, etc. At all of these institutions, there are numerous people who have their own plots of land and grow potatoes along with other vegetables. These people desperately need the high quality potato seeds and information on how to plant and grow potatoes. This program should produce a high demand for RPC products. Also, there will be some potato seeds sold through stores. RPC is somewhat reluctant to sell through retail stores because they will add additional charges for the potatoes, making them more expensive for consumers. Payments for RPC potato seed and services will go into a bank account. The bank will handle all financial operations i.e.; payments to seed producers, payments from consumers, etc. (More detailed information on the project is given in Table 3).

Characteristics of Activities

- Development of the systems of supplying small potato growers with seed potatoes.
- Advertising the high quality seed potatoes in magazines, newspapers, ad sheets (flyers) in the institutes, factories, etc. (where there are a significant amount of small growers).
- Production of packages (sacks 5 and 10 kg, bags 30 kg).
- Preparation of information flyers that contain the information on potato seeds, for stores, factories, institutes where the seed will be sold.
- Selling of potato seed at above mentioned places.

**Table 3. Schedule for Preparing and Implementing
Wholesale Market Project
Spring 1994**

Activity	Date	Persons Responsible
Selection of suppliers of seed potatoes	before April 1st	Chanov, G.
Determination of the final consumer (factory, university, etc.)	April 10	Barinova, Elena Chanov, Gemody Halizov, Nikolay
Organization of production of packages - 5 & 10 kg	April 10	Not known at this time.
Preparing storage site for potatoes that will be bought from seed producers	March 15th	Halezov, Nikolay "Orlovsky"
Organizing transportation of potatoes from one place to another	March 15th	Not known at this time.
Preparing project agreement with producers of seed potatoes	March 1st	Rodina, Nadia
Advertisement	March 10th	Rodina, Nadia Barinova, Elena
Developing payment alternatives for sale of seed potatoes	March 10th	Trefyakova, Olga
Training employees to work on the project; packaging of potatoes	April 1st	Chanov, G. Halizov
Organization of sales	May 15th	Chanov, G. Barinova, Elena Halizov, Nikolay
Preparing and printing information sheets	April 1st	Chanov, G.

- Organization of information & technical service. In each bag or sack there will be a flyer containing the required information on how to grow, and harvest that particular variety of potatoes. At the end of each information sheet there will be the phone number of the RPC in case someone has questions. Therefore everyone can call the RPC and talk to specialists.
- Selling, in addition to potato seeds, fertilizer and small farm equipment if there are interested people.

Data on the Project

- Total estimated volume of potato seeds to be marketed 1,000-10,000 mt.
- Sale price (approximately) 400 R/kg.
- Beginning of project - March 1, 1994.
- Data for marketing potato seeds - April-May.
- Cost of packaging - 20 pys/kg.
- Purchase price of potato seed - 200-270 R/kg.
- Transportation cost - 0.035 R/kg km.
- Sales site - Moscow region.

Marketing Potato Seed in the Moscow Region

Need for potato seed

There are 600,000 residential families in the Moscow region which grow potatoes on 1-3 sotka. (One sotka equals 100 sq. meters.) Half or 300,000 of these families use their own seeds and do not purchase from the market. About 150,000 families have had their own seed supplier for many years. The potential buyers of RPC potato seeds then are

150,000 families with an average size garden plot of 100 sq. meters. All the calculations for potential sales of potato seeds have been done on the basis of these consumers.

Price of marketing potato seeds

In the economically developed countries the price for potato seeds of the "Elita" class is purportedly more than twice that of table potatoes. A price of \$450 per ton for the "Elita" class of seed potatoes and \$200 per ton for table potatoes is common. In the Moscow region, in 1992 and 1993, the price of non-certified potato seeds exceeded the price of table potatoes by 25-30 percent.

In April-May of 1994, the price per kg of table potatoes is expected to be 300 roubles/kg in state retail stores and 500 roubles/kg at the farmer markets. There is a big difference in price of potatoes in state stores and at private markets. This has been historical in the former U.S.S.R. because potatoes at privately operated markets come from private growers and the quality is much better than potatoes that come from state and collective farms. Stemming from this phenomenon, RPC personnel decided that the fair price of non-certified potato seeds will be set at 400 rb/kg, which will be approximately 10-20 percent lower than the market price for potato seeds in Russia.

In Tables 6 and 7, transportation expenses of potato seeds and necessary documents are given.

Table 4. Information on Costs of Project

Region	Distance to Moscow km	Cost R/kg				
		Seed Costs	Transport.	Packages	Other	Total
Bryansk (joint stock company "Desatuhy")	600	200	20	20	10	250
Chuvashia (joint stock company "Udernik")	800	200	25	20	10	255
Tver (collective "Farm Krasav Lnovod")	300	250	10	20	10	220
Vladimir (joint stock company "Russia")	300	200	10	20	10	240
Tvla ("Farm Gorky")	300	250	10	20	10	290

**Table 5. Dynamics of Expenses and Revenue
During Implementation Phase
(amount marketed 1,000 tons)**

Activity	Million Roubles					
	March		April		May	
	I	II	I	II	I	II
Expenses						
Advertisement of potato seed material	10	10				
Production of packaging		10	10			
Production of information sheets	5	5				
Obtaining potato seeds			50	150	50	
Transportation			10	30	10	
Packaging			4	12	4	
Obtaining accompanying commodities			2	2	2	2
Total	15	25	76	194	66	2
Revenues						
Marketing potato seed			50	200	100	50
Marketing accompanying products				4	2	2
Total Revenues			50	204	102	52

Table 6. Transportation Expenses for Potato Seeds

Initial Information (truck capacity 12 tons)

Cost of fuel

* usage of fuel for 100 km	35 liters
* cost per liter of fuel	200 roubles
* expenses per 1 ton - km	0.006 rb/kg, km

Drivers salary (approx. 500 km per day)

* wages per day	10,000 roubles
* wage per ton - km	0.002 rb/t, km

Amortization expenses 0.01 rb/kg km

Calculations

General expenses both ways * 2 0.02 rb/kg km

Unexpected expenses 0.01 rb/kg km

Total 0.03 rb/kg km

Table 7. Necessary Documents for Purchase of Potato Seeds

1. Certificate of quality (issued by seed producing farms):
 - Contents of virus
 - Contents of dry matter
 - Cleanliness of variety
 - Information on applying chemicals to seeds

2. Contract with farm supplier
 - Quantity and schedule of delivered products
 - Cost of products
 - How payments will be made

3. Contract with supplier of product
 - Quantity of product sold
 - Cost of marketing
 - Order of payment to bank

The future of the "Potatoes and Vegetables" magazine was discussed with Dr. Moiseev. This magazine was previously published by the Ministry of Agriculture but may close down because of lack of funding. The best alternative solution for this magazine to survive will be to find some foreign agricultural firms which would like to advertise their products in Russian rural areas. The rural audience of this magazine can be quite large. Companies that advertise in this magazine will have the opportunity to convey information about their products to numerous small and large producers which very likely would be their potential consumers.

Personnel of RPC requested that PIP help them on the following areas of the Small Farmer Project:

1. To conduct training for personnel involved in the project. They expressed their desire to emphasize training in the following areas: marketing, business management, extension service techniques, potato storage techniques, communications, management systems, etc.

Also they mentioned that it would be very important to observe potato business operations in the U.S. as much as possible because in this way the information is absorbed much better.

2. RPC requests literature in the following areas: management, catalogues of most common storages, catalogues for potato production in the U.S., and other catalogues that encompass information of the four areas; economics and management, technologies of

growing potatoes, information from U.S. potato grower associations, scientific publications on potatoes and information on growing sugar beets.

3. Assistance to put RPC in contact with the following organizations: a) American sugar beet growers association, b) American potato farmer association, c) International Potato Center in Peru.

4. Determine who RPC should contact in order to finish the potato storage which is being built by Global Steel.

5. Assist RPC to obtain computer software that would help its personnel in accounting work. (Lotus 1-2-3 may work for RPC to begin with, but they will need someone to help them with the software.)

6. Upon hearing that PIP has video tapes from the business course which had been conducted in Idaho in August-September for the 12 Russian business managers, Dr. Moiseev mentioned that he would like a two week video tape course conducted at RPC. He said that it would be important for RPC personnel to get acquainted with the marketing and business principles which are presented on the tapes. He also mentioned that emphasis should be stressed on the food distribution system in the U.S. and how it works. It would be important for RPC personnel to observe the process of how food moves from the producers to final consumers.

Also under discussion was a specialist from PIP to help RPC to learn how to deal with financial and accounting procedures and other business issues. Mr. Jerman Rose was recommended for this assignment. Mr. Rose speaks Russian fluently and has a good business background which enables him to be an excellent candidate for such a project.

It was decided that the best time for the trip would be the second half of April. Dr. Moiseev indicated that he would have 15 people to attend this seminar. The audience for the class will include personnel from RPC, Reinbank, possibly some people from the political party which promised to assist RPC as well as some base storage managers from Moscow.

It was decided that Mr. Rose will stress in the seminar the following points: accounting procedures, marketing agricultural products, PC accounting principles and software used in the U.S., preparing financial proposals and reports (cash flow, balance sheets, etc.), and fundamentals of expense marketing.

The time frame for the seminar will be approximately two weeks with the following time break down:

Elements of financial accounting, 4-5 days,

Preparation of financial statements, 2-3 days,

Fundamentals of marketing, 3-4 days.

Dr. Moiseev promised that he will locate a site for the course with all the necessary items (equipment, black board, overhead projector, TV, VCR, etc.).

Meeting with Mr. Alexander Lelikov Assistant Director of the Joint Stock Commercial Bank for Commerce and Business Support.

Dr. Moiseev suggested that Mr. Lelikov act as liaison between the political party, that was mentioned previously, and RPC. Also, he will be establishing connections between RPC and other organizations which may assist RPC in its work.

During the discussion, Mr. Lelikov mentioned that he previously was involved with the potato distribution industry. He is a proponent of private property ownership and he thinks the key to Russia's development is privatization. His first academic major was in metal processing and he is working on his second major in economics. Mr. Lelikov expressed a desire to participate in the business seminar which will be conducted by Jerman Rose.

Dr. Moiseev recommended Mr. Lelikov as a candidate to go to the U.S. for the business training course.

A meeting was held with Nikolay Melnikov, Administration Chief of Kimer Region, Kirov area, and Victor Sydorov, Head of Joint Stock Company Vyatka.

The representatives from the Kirov area stressed the lack of potato processing and ramifications stemming from this deficiency. The main problem mentioned was that lack of potato processing leads the administrative people in the area to reduce the land planted in potatoes in order to avoid over-production. As a result, farmers in the Kirov Oblast reduced their production of potatoes from 2,000 hectares to 500. If the potato processing

equipment had been in place in the Kirov Oblast, the situation would have been different. They are working on developing the potato processing industry in this oblast.

Dr. Moiseev recommended that in the Kirov area, some farms be involved in the Small Farmer Center project. This project has been discussed with Mr. Melnikov and Mr. Sydorov and they liked it. They said that there is a great need for such activities, and they will do their best to establish a SFC in their oblast. The Kirov area could be considered as a potential pilot area for the project.

A person from this oblast has been recommended by Dr. Moiseev to go to the U.S. for the business training course.

A meeting was held with Mr. Sergey Lupehin, the General Director of the Joint Stock Company Malino that is involved in storing, processing and marketing fruits and vegetables.

Mr. Lupehin was one of the 12 Russian business managers that visited Idaho in August-September 1993. He expressed a desire to meet and talk about the training program in Idaho which he took part in.

This consultant was briefed on the current situation in the food distribution industry in the Moscow area. He mentioned that it is still somewhat controlled by the Moscow authorities but in general, there is much more freedom in the food distribution system than there used to be. Also during the conversation, Mr. Lupehin praised the training program he attended in August-September. He mentioned that subjects he had studied in the U.S. and firms he had visited helped him to change his perception of how a free market system works.

This consultant met with Mr. Krukov, the General Director of the Joint Stock Company Moscvoretscoe.

Mr. Krukov was also one of the base storage managers who visited the U.S. During the meeting, Mr. Krukov talked about the difficulties with which he is faced. Most of these can be divided into three areas: lack of confidence in Russian law to protect businesses, interference of the Moscow government with the food distribution system, and very high interest rates for loans from banks.

Mr. Krukov also expressed his appreciation and gratitude to the Postharvest Institute for giving him the chance to go through the training program in Idaho, which was very helpful to him.

A meeting was held with Mr. Ginin, President of Farm Orlovsky, Mr. Halesov, head agronomist, Mr. Zynakov, President of Cooperative Russia, and Mr. Chanov, a representative of the RPC.

During the meeting, the new RPC project on the Small Farmer Centers was discussed. Mr. Ginin thinks that the project can make a profit for his farm, otherwise, he will not bother to become involved. According to the project, Farm Orlovsky will be the main distribution center in Moscow and in the Moscow area for improved seed potatoes. The seed growing farms from the five regions in Russia will bring potato seed to Orlovsky where the seeds will be stored, sorted and then packed for retail sales.

Mr. Ginin mentioned that due to the inadequate conditions of Russian transportation and nonexistent trucks specifically designed for hauling potatoes, there will be a lot of tuber

damage to potatoes when they arrive at Farm Orlovsky. Therefore, potatoes will be checked for additional damage upon arrival at the site.

Mr. Ginin confirmed that the state farm has enough transportation, people and storage facilities in order to be successfully engaged in the project. The only problem they had at the time of the conversation was lack of packaging.

A meeting with Ms. Cathy Norris, agricultural advisor for USAID/Russia.

During the conversation, Cathy Norris mentioned several times that she was very pleased with the new proposed project and PIP's activities in Russia in general.

She also mentioned that USAID financial auditors were in Moscow to inspect and audit the financial aspects of PIP's activities as well as the activities of Global Steel. They met with personnel from RPC and some of the trainees who were in Idaho for the training course. Everyone seemed to be satisfied with PIP's training activities. Cathy Norris mentioned the importance of the training program with the Russian base storage managers that took place in Idaho. Also, she mentioned that she wanted PIP to help locate the site for the second storage to be finished by USAID.

During this consultant's conversation with Ms. Norris she was apprised of RPC's activities in Russia.

III. Ukraine

This consultant spent 19 days in Ukraine. The purposes for visiting Ukraine was to meet the people in the USAID office and to interact with the Ukrainian Institute for Potato

Research on the Small Farmer Center program in that country. This consultant was invited by the President of Kharkov Agricultural State University to visit this institution and discuss means of cooperation with PIP and USAID. It was more convenient to visit Kharkov first because it is on the way to Kiev.

The first day spent at Kharkov Agricultural State University included a meeting with the President of the University at his request. Dr. Laktiomov mentioned that he had heard about PIP and its activities from some of the participants of the business course that took place in Idaho in August-September 1993 and he was very interested in what PIP was doing. He expressed a desire to cooperate with PIP if possible. Dr. Laktiomov was briefed in more detail about PIP's activities and suggested that a delegation from the University go to Kiev to meet with the AID people.

Meetings at USAID/Ukraine

This consultant met with Mr. David Sprague, associate director of the USAID/Ukraine mission. Discussions were held on the PIP potato project and the agricultural situation in general in Ukraine.

The second meeting with Mr. Sprague was with the group from Kharkov Agricultural University. The group had requested that this consultant introduce them to someone in the USAID mission.

There were two people at the meeting, Vladimir Pusik and Gergery Komienko from Kharkov University. Mr. Pusik is the President's Assistant for Academic Curriculum and Mr. Komienko is the President's Assistant for Research. They briefed Mr. Sprague on the

University's history and current activities and problems. One of the main problems that the University is faced with is the lack of knowledge by faculty about how the free market system works and how to go through the transition period from the communist system to the free market system in agriculture in the student curriculum. The knowledge and literature at Kharkov University is obsolete and cannot be applied to a new, free market system.

In the Kharkov area, there are approximately 500 private farmers. Their farms may vary from 10-90 hectares. The ones who have 90 hectares of land are allowed only 50 percent of their land in cultivation and the other 50 percent has to be used for other agricultural purposes.

The University has a huge audience of students and trainees, including private farmers. In 1993, some 150 private farmers attended the University for a short term business lecture course.

There are some of the faculty at the University who apparently do not want to change as they prefer the old ideology. The majority seem to want changes to move ahead.

The group could not determine precisely what they wanted to do in the future in collaboration with the U.S. but they knew they wanted to do something. They mentioned the possibility of specialists from the U.S. to conduct a short business training course at Kharkov and perhaps send some faculty to the U.S. for a short training course.

Mr. Sprague listened to the request of the delegation and expressed a desire to visit the University, perhaps in June or July.

The third visit with Mr. Sprague was made in order for him to meet with Mr. Kuchko, the Director of the Potato Institute to brief Mr. Sprague on the project. The main

purpose was to find out the stage of completion of the potato storage that was partially built last year at the Institute for Potato Research and whether the Potato Institute was capable of finishing it on their own.

The meeting took place in a warm, friendly atmosphere. Mr. Kuchko asked for some assistance to complete the storage. Mr. Kuchko promised that the storage will be finished soon after the foam insulation arrives. He mentioned that it will take them 3-5 days to finish it when they have the foam insulation. Also Mr. Kuchko asked for a specialist to instruct someone from the Potato Institute how to operate the ventilation equipment.

Mr. Kuchko also said that the wooden ducts that are in the storage facility are inadequate. They will exchange them for metal pipes for the ventilation system. This will be done at the expense of the Potato Institute and they do not need any help with that.

At the end of the meeting, Mr. Kuchko promised that he will get the price of foam insulation to Mr. Sprague as soon as he can and Mr. Sprague indicated that he will ask AID/Washington if it is possible to help the Institute for Potato Research to finish the storage.

Meeting with VOCA

A meeting with Marty Robinson of VOCA took place at the VOCA office in Kiev. Mr. Robinson was briefed on PIP activities in Russia and Ukraine.

He was asked about the possibility of going to the Zhitamir area to meet with the Chief of the Farmer Association as it might be a useful contact for the Small Farmer Project. Mr. Robinson said that he would have some time the following week.

Meeting at National Academy of Agricultural Sciences

A meeting was held with Alexey Solsinov, President of the Ukrainian National Academy of Agricultural Sciences in his office at the Academy of Agricultural Sciences.

Mr. Solsinov was briefed on PIP's activities in Russia and Ukraine with particular attention to the Small Farmer Project (SFC). He indicated that he had heard about the proposed project but he did not know the details. After having heard the general plan of action, Mr. Solsinov said that he liked it and said the project will get the necessary support.

As far as financing of the project, Mr. Solsinov indicated that he will give 50 percent of the cost of implementing the project for the first year. The other 50 percent will have to come from the Institute for Potato Research. Also Mr. Solsinov thought that it would be very important to conduct a training program for the participants of the program.

Ministry of Agriculture

A Meeting was held with Boris Bespaliy, the Chief of the Agricultural Finance Department at the Ministry of Agriculture.

Mr. Bespaliy was briefed on the SFC project and was positive about it. He mentioned the fact that there are a lot of potato seeds they need to sell but they do not know where to market them. On the other hand, he said, there are many people such as private growers who are desperate for potato seeds but they do not know where to buy them. The link between the two is missing and such an organization as the SFC could help to fill this gap.

Mr. Bespaliy also talked about the difficulty of making loans to private farmers because of the extremely high interest rate (it is about 200 percent per year).

Ukrainian Candidates Interviewed for Small Farm Center

At the Potato Institute this consultant also met with several possible candidates to work with the Small Farmer Center project. The first candidate met was Mr. Nikolay Filenenko. After meeting with him several times, it appears that he would make a good director of the Small Farmer Center in the Kiev Oblast. Nikolay is 37 years old. He has a good background in agriculture and economics. He seemed to know how to work with people, was well respected at the Potato Institute, seemed to be an honest person and knows how to get things done. But after suggesting to him that he work as a director of the Center, he decided that he would not be able to take this position.

The second candidate was Mr. Valery Konounchenko. He was recommended by this consultant. Mr. Kuchko seemed to like the idea of Mr. Konounchenko to be a liaison between the Institute for Potato Research and the Small Farmer Center. After getting acquainted with the idea, Mr. Konounchenko liked the plan and he agreed on being the liaison. Mr. Konounchenko currently is the head of the technology department at the Institute for Potato Research. He is a well respected person, honest, has good support from the Academy of Agricultural Sciences and Director of the Institute for Potato Research.

As a liaison, Mr. Konounchenko will have to convey information on how to plant, treat, grow potatoes, etc. from the Potato Institute to the Small Farmer Center. He will also

be a significant connection between the Center and various organizations such as potato seed farmers, small farm equipment factories and SFC.

The third person to be interviewed was Ms. Lilia Cheredinichenko. She just graduated from the Ukrainian Agricultural Academy with a major in economics. Currently she works as a head economist and marketing at the experimental training farm which belongs to the Institute for Potato Research. This candidate was recommended by Mr. Kuchko. She seems to be intelligent, and willing to work with rural people. She expressed a desire to work at the Small Farmer Center as a marketing specialist.

The name of the fourth candidate was Mr. Vasiley Rysantsev. Mr. Kuchko has known the candidate for a number of years and gave good recommendations on his character. He recommended that Mr. Rysantsev be the director at the SFC. At the present time, Mr. Rysantsev is a post-graduate student at the Institute for Potato Research and is about to defend his dissertation.

Anatoly Burko is the other candidate who was recommended by Mr. Kuchko. Mr. Burko presently is an employee at the Institute for Potato Research. He seems to know what Ukrainian agriculture is all about and he also thinks that the key to success in agriculture is privatization.

The last candidate interviewed for a position at the SFC was Mr. Boris Kostenko. At the present time, Mr. Kostenko works as an engineer at a private company. The impression given was that the main incentive for him to work at the SFC was a trip to the U.S. Therefore, it doesn't look like Mr. Kostenko is the right person for the job.

A meeting with Mr. Valentin Temoshenko, Deputy for the Plants and Lands Department, took place at the Ministry of Agriculture.

This meeting was held at the request of Mr. Temoshenko. Mr. Temoshenko was recommended by the Minister of Agriculture, Mr. Karasik, to go to the U.S. for an observation tour. Mr. Temoshenko was briefed on PIP's activities in Russia and Ukraine and on the SFC project. He seemed to like the proposed project and he indicated that PIP can count on support which is in his power.

Discussions on Small Farmers Project

There were five meetings set up to discuss the Small Farmer Center project at the Institute for Potato Research. There were a number of people involved in the discussions. They were: Anatoly Kuchko, Valery Konounshenko, Petro Overchuk, Head of Department of Coordinating and Prioritizing Research with Information, Nikolay Filonenko, Head Assistant for the Department of Economics, Vasily Kutsenko, Deputy Director for Research, Anatoly Burko, and Vasily Pyasantsev.

During these meetings, the following areas were discussed:

1. The SFC project in general
2. The main task of the SFC
3. The candidates to work at the SFC
4. Sources of finance
5. Activities of the SFC
6. Kind of properties the SFC should have

7. Dates of implementation of activities
8. Personnel positions at SFC
9. Pilot areas to begin project
10. Types of training programs SFC should receive in the U.S.
11. SFC office site
12. Small office equipment for SFC.

The results from the discussion are elaborated below.

The main goal of creating the scientific production center (name "Kartena") is to develop and provide a service to the smaller farmer population. In particular, it is to assist individual private farms and cooperative types of property in producing, marketing, and in the future, processing of potatoes. This might also include the production of small farm equipment, development of wholesale and retail operations, development of commercial activities in the regions providing scientific and research information, and conducting scientific research and genetic seed breeding research (research would be implemented by the Potato Institute).

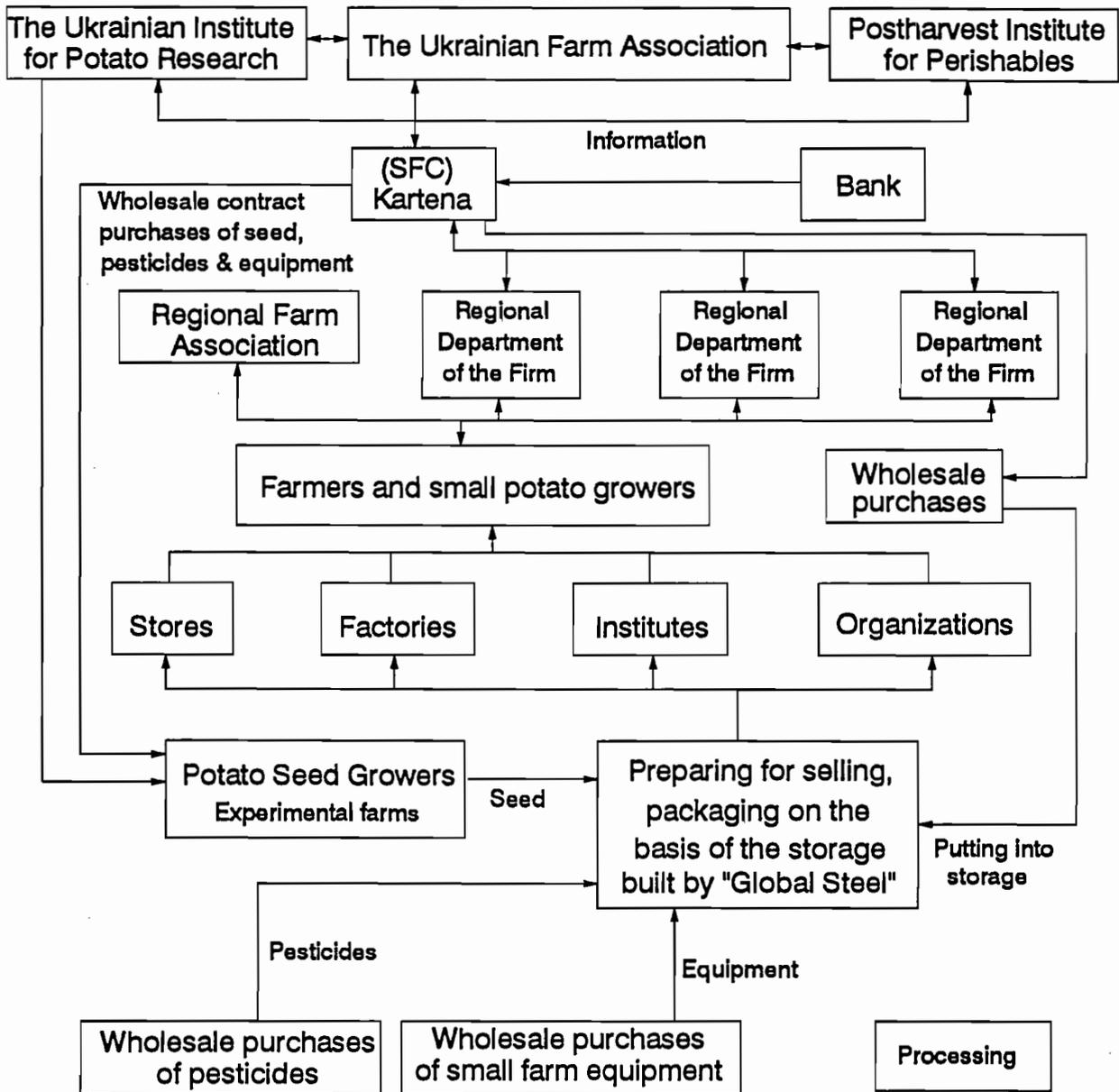
The main direction of the activities of the Center (organization "Kartena") is given below:

1. Scientific research, experimental project, technological works through the Potato Institute
2. Conducting research through the Potato Institute on the selection for breeding of new varieties of agricultural crops, marketing seeds, development and

implementation of new modern technologies for growing agricultural crops, (potatoes in particular), individual (private) farm and cooperative types of property

3. Providing help to small individual growers with high quality seeds, examining soil samples and giving recommendations for improved production of potatoes and other crops
4. Purchase, processing and marketing of agricultural products, berries, mushrooms, in the order of priority
5. Assessment of individual farmer and cooperative forms of agriculture for production and needed services
6. Conducting training courses for the staff of the SFC to study other countries' experience with growing and handling potatoes
7. Production of agricultural seeds and crops
8. Commercial activities including trading
9. Development and production of the means for growing, storing and transporting agricultural products
10. Production of small farm equipment.

Table 8. Organizational Structure of Proposed Small Farmer Center Program



**Table 9. Plan for Organizational Activities for Establishing and Developing Kartena
Small Farmer Center**

Activity	Date
Agreement for developing Small Farmer Center Kartena - Develop program for firm - Paperwork, registration of center, opening account, getting start up	Before April 10, 1994
Approving staff for center including director, accountant, scientific consultant (liaison)	Before April 15, 1994
Contract for conducting scientific research works	Before April 15, 1994
Contract with farmers for purchasing potato seeds	Before April 10, 1994
Prepare advertisement and information sheets	Before April 10, 1994
Approve suppliers, sale of potato seeds, and growing recommendations	Before May 10, 1994
Develop recommendations for disease and insect control for 1994 growing season	May 1994
Providing farms with information and means of protection	Before June 15, 1994
Organize and conduct video tape seminar	Before June 25, 1994
Training course in the U.S.	August-September 1994

Financing for SFC

The main sources of funding for the first year of the Small Farmers Project will be the Ukrainian National Academy of Agricultural Sciences. Mr. Solsinov, the President, gave assurance that he will provide 50 percent of the cost of the project and the other 50 percent will be granted by the Institute for Potato Research. In order to avoid the bureaucratic maze in government, it has been decided that funds will be given on the basis of establishing a separate entity and operate under a grant. Kartena SFC will provide service work for the Agricultural Academy and the Institute for Potato Research. In this way, the Kartena SFC will be independent from the Academy and Institute.

For the first couple of years, Kartena SFC office will be located in the building of the Potato Institute. There will be two offices given to Kartena SFC by the Potato Institute. In two years, the offices will move to a building which is close to the Potato Institute and will be located independently from it.

It has been decided that positions at Kartena SFC will be the following:

1. The director will be responsible for Kartena SFC
2. The liaison person will be the main connection between Kartena SFC and other institutions and organizations
3. Marketing person will be responsible for marketing activities
4. Accountant will be responsible for accounting procedures and secretarial work
5. Two pilot area specialists will be responsible for delivering information on potato seeds to private growers and getting feedback from them.

For the first year of implementing the SFC project, the pilot areas would be the Zhitamir and Chernigov areas. The basis for the selection of the pilot areas is the existence of a large number of private potato growers; importance of potatoes in the area; need for help; willingness to ask for and accept help; closeness to the SFC; and existence of other private organizations that are already working with private farmers in the area.

It has been requested by Mr. Konounchenko that in the first stages of SFC development, the personnel of the Center will need some assistance with small office equipment.

Mr. Konounchenko was given all the documents brought from the RPC in Russia on how to form a private organization and the documents on the "Wholesale Market Project" in Russia. It will help the SFC in Ukraine to speed up their work and give them ideas on the direction they have to work. It was suggested that Mr. Konounchenko go to RPC in Russia for a few days to learn from their experience. He agreed and thought that it would be very beneficial for him.

Citizen's Network

Upon the suggestion of Mr. Robinson, this consultant met with Mr. Nikolay Terasenko, Deputy Assistant to the Country Director for Citizen's Network. We talked about the SFC project. Mr. Tarasenko liked the project but he did not know if he could be of assistance to it. He did indicate that perhaps in the future, Citizen's Network might provide some kind of help or even collaborate with the SFC.

Zhitamir Area Farmers Association

As was mentioned, Zhitamir was selected as one of the pilot areas for the SFC. This area was selected because it is located close to the Potato Institute. The area has a lot of private potato growers and people there need help and are willing and ready to accept assistance. Also, there is a strong organization that deals with private farmers in the Zhitamir area. This consultant met with the Head Assistant of the Private Farmers Association, Leonid Mikhailov. He is the President of the "Agropolus Company". There are eight people working in this company which is engaged in the development of small private farms in the Zhitamir area. The company helps farmers obtain agricultural equipment at reasonable prices, transfers the knowledge and farming experience to new emerging farmers, and sends farmers overseas for training programs. In order to survive economically, Agropolus has to be involved in some kind of trading activities. They buy different kinds of commodities at low prices and then resell at higher prices. The difference is used for development of the company.

Mr. Mikhailov spent several months in Canada at a farm. He said that his Canadian experience helped him to look at things in Ukraine differently. He said that no one would be able to make him live the way he used to under the communist era.

Mr. Mikhailov mentioned that there are almost 300 private farmers in the Zhitamir area. He said that it is very difficult for them to farm. First of all, they are not welcomed by the local authorities, and there are a lot of laws but none of them protect the farmer and his rights 100 percent. It is also virtually impossible for a private farmer to obtain modern agricultural equipment.

Mr. Mikhailov goes quite often to court to defend the financial and political rights of private farmers. He showed some newspaper articles of his determination to assist private farmers to solve their many problems.

Mr. Mikhailov was briefed on the SFC project. He seemed to like it. He indicated that he would really like to be a part of the effort. He also mentioned that the SFC project fits perfectly with his plans and what his organization is doing.

IV. Follow-up Activities

Russia

1. Provide in-country training for Russian Potato Concern personnel as well as its representatives from the bank, on the following subjects: accounting methods, preparation of the financial statements, and fundamentals of marketing.
2. The RPC requests the Postharvest Institute to conduct training for the people involved in the project. They requested emphasis on such issues as: marketing, management, extension service techniques, potato storing techniques, communication, management systems, etc.

Also they mentioned that it would be very important to see first hand as much as possible because in this way the information is absorbed much better. There have been a number of candidates suggested for this training program.

3. Russian Potato Concern requested that PIP help them in obtaining literature on the following subjects: management, catalogues of most common storages, catalogues for potato production in the U.S., and catalogues that encompass items such as; economics and management, technologies of growing potatoes, information from the American growers associations, scientific publications on potatoes, and information on how to grow sugar beets.

4. Dr. Moiseev asked for PIP assistance to put the RPC in contact with a) American sugar beet farmer associations, b) American potato farm associations, c) International Potato Institute in Peru.

5. Dr. Moiseev asked that PIP help RPC find out who they should contact in order to finish the potato storage which was being built by Global Steel.

6. Dr. Moiseev requested PIP to assist RPC obtain computer software that would help their personnel in doing calculations and accounting work. Lotus 1-2-3 will work for RPC to begin with but they need someone to help them with operation of the software.

7. Upon hearing that PIP has video tapes from the business course which had been conducted in August-September for 12 Russian business managers, Dr. Moiseev mentioned that he would like a two week course using these videos. He said that it

would be important for RPC personnel to get acquainted with marketing and business principles which are covered in the tapes. He also mentioned that emphasis has to be stressed on the food distribution system in the U.S. and how it works. It would be important for RPC personnel to observe the process of how food gets from producers to final consumers.

8. A candidate from Farm Orlovsky, which is the main proposed distribution center for the SFC program, has not been included in a list of candidates to come to the U.S. but it is important that one of the persons directly involved in the project come for the training program.

9. The best solution for the "Potatoes & Vegetable" magazine to continue its work is to find some foreign companies that would like to advertise its products in Russia with insertions and ads of their products. Russia at the present time lacks different kinds of Russian produced vegetable seeds and are not satisfied with the seeds coming from the West European countries because of their inferior quality. American seed companies might be interested in advertising their seeds through the vegetable magazine.

Ukraine

1. For the Kharkov Agricultural State University (KASU), Mr. Sprague is contemplating the possibility of assisting KASU with a training project. They must

first determine what type of activities they would like to be involved in, and the type of training program they would like.

Second, they will have to come up with a work plan which should include: the details of the training program; and steps to implement the plan. This plan should be sent to Mr. Sprague for approval.

The President of KASU proposed to invite Mr. Sprague to visit the University and the environment it operates under.

2. The Small Farmer Center could be a very important project. Implementing the project will help to fill the gap that exists between private potato growing farmers and the technical Institute for Potato Research. It would be very useful to provide information on how to plant, treat and grow potatoes to private farmers. It will be the first step in creating a fledgling extension program in Ukraine.

There may be some problems implementing this project through the Institute for Potato Research as it is a government agency under all the rules of government.

3. There should be a person from PIP sent to Ukraine to conduct a video business course and preliminary training for SFC personnel. This will help the instructor to decide how dedicated they are to the project as well as establishing contacts with personnel.

4. By the beginning of June, the Potato Institute should have the following items started in the SFC program:
 1. Selection of staff
 2. Move into its office
 3. Legally registered
 4. Open bank account
 5. Finances will have to start coming from the two major sources, the Ukrainian Academy of Agricultural Sciences 50 percent and the Potato Institute 50 percent
 6. Establish contacts with potato seed farmers and potato producers.

This organization has to be private and non-profit. In the future if it is successful, the SFC might be able to deal in small farm equipment or spare parts for farm machinery or with other agricultural crops.

Appendix 1. Contacts in Russia

Contacts made at Russian Potato Concern:

Dr. Yuri Moiseev, President

Ms. Nadia Rodina, RPC personnel

Mr. Genady Chanov, RPC personnel

Ms. Elena Barinova, RPC personnel

Ms. Olga Tretuakova, RPC personnel

Mr. Nikolay Melnikov, Chief of the Administration of the Kimer region, Kirov Oblast

Mr. Victor Sydorov, head of the joint stock company Vyafke, Kirov oblast

Ms. Tamara Dimenko, sugar beet specialist, RPC personnel

Contacts outside of Russian Potato Concern:

Ms. Cathy Norris, agricultural adviser, project officer USAID

Mr. Alexander Lelikov, Director's Assistant of the Joint-Stock Commercial Bank for
Commerce & Business Support, Moscow

Mr. Sergey Lupehin, General Director, Joint-Stock Company "Malino"

Mr. Uriy Krukov, General Director, Joint-Stock Company "Moskvoretstoe"

Mr. Pavel Fitisov, Director-assistant of Reinbank which deals with the RPC

Mr. Valery Ginin, Director, State Farm Orlovsky

Mr. Nikolay Halezov, Head Agronomist, State Farm Orlovsky

Mr. Alexander Zinyakov, President, Cooperative "Russia", Vladimir area

Mr. Jory Kirillin, General Director, Scientific Research & Project Institute for
Biotechnological Industry, Kirov

Appendix 2. Sample Contract

Subject of the Contract.

The **SUPPLIER** has sold to the **BUYER** qualified potato seeds, which responds to the requirements of G.O.S.T. 7001-66 "Potato seeds, variety and planting qualities". The amount of ___ tons, including the varieties and reproductions.

Price

The price for certified potato seeds will be established by the **SUPPLIER** in accordance with the varieties and reproductions _____

The total sum of the contract is _____ roubles. This price includes the cost of loading potato seeds by the **SUPPLIER** on to trucks. (The cost of packaging is not included.)

(Name of **SUPPLIER**) and (**BUYER**- Russian Potato Concern) enter into a contract for the following services:

Dates and Conditions of Delivery

The **SUPPLIER** is responsible for preparing certified potato seeds for marketing by April 1, 1994. The unloading of the potatoes will be _____.

In all shipments of potato seeds, the **SUPPLIER** will present the necessary documents. The **BUYER** will be receiving potato seeds according to the quantity and quality of each shipment from the **SUPPLIER**.

Payments

Payments for purchases on this contract of certified potato seeds will be made by the **BUYER** _____.

The **BUYER** is responsible to return to the **SUPPLIER** within 10 days all the packages or boxes that were used to deliver the potatoes to the **BUYER**.

Two copies of this contract have to be signed. One is for the **BUYER** and the other for the **SUPPLIER**.

SUPPLIER: _____

(ADDRESS)

Supplier's Name

Date

BUYER: Russian Potato Concern

Moscow, Orlikov per.,3

p/c 467272

Yuri Moiseev, President, Russian Potato Concern

Date

Appendix 3. Information Advertisement Sheet

Russian Potato Concern

Variety of Potatoes: Vesna (Spring) Reproduction

Fast maturing variety (reaches maturity in 50-60 days after planting) average weight of tuber is 100-130 grams, tissue color is white, skin color is light pink and smooth, and contains approximately 18% starch. The average yield of one plant is 800-1030 grams or 320-400 kg per 100 sq. meters. The rate of planting is 400 tubers (20-25 kg) from one sotka (100 sq. meters) with 70 cm between rows and 30 cm between plants.

The variety is resistant to major diseases. The zone of growing is the central part of Russia. Before planting it would be wise to provide some heat in the room where potatoes are stored with temperatures approximately 12-15 C for 30-40 days. Sprouts must be 1-1.5 cm in length, the dates of planting 1-5 of May. If spring weather is early, can be planted 20-25 of April.

On heavy soils it is necessary to plant with the hill approximately 10 cm in height. The depth of planting the tubers must be 6-7 cm from the top part of the tuber. On light soils, it is not necessary to have hills on top of the tubers and the depth of planting would be 7-10 cm. During the vegetation period the soil between the rows should be friable (crumbly).

When the plants are about 15-20 cm tall, it is necessary to prepare the first hilling. Before the first hilling, it is also necessary to spray potatoes with 1% special liquid for phytophthora (late blight) and then to raise the height of the hill in 10-12 days. The period

of the effectiveness of the first treatment is 6-9 days. The second treatment is necessary with polycarbosia and cuprasou. While spraying, one must be very careful.

Selective harvesting to use for food can be done in 40-45 days after planting. Harvesting for storage purposes for the winter has to be done at the end of August. Tubers that are damaged or bruised have to be treated or stored separately.

Phone number to contact is: 204-40-98.

Appendix 4. Contacts in Ukraine

David Sprague, Associate Director, AID/Ukraine

Marty Robinson, VOCA country representative in Ukraine

Alexey Solsinov, President, Ukraine Agricultural Academy

Anatoly Kuchko, Director, Institute for Potato Research

Valery Kononuchenko, Head of Technology Department, Institute for Potato Research

Valentin Temoshenko, Deputy for Department of Plants and Lands, Ministry of Agriculture

Nikolay Tarsenko, Deputy Assistant to the Country Director, Citizens Network

Boris Bespoly, Head of the Agricultural Finance Department, Ministry of Agriculture

Igor Kholodilo, staff member for Citizens Network

Victor Audrievsky, Program Development Specialist, Ukraine USAID

Petro Overchuk, Head of Department of Coordination to Provide Research and Information

Institute for Potato Research

Nikolay Filonenko, Head Assistant for the Department of Economics, Ukrainian Institute

for Potato Research

Vasily Kutsenko, Deputy Director for Research, Institute for Potato Research

Anatoly Burko, Research Assistant, Institute for Potato Research

Vasiley Ruasantsev, graduate student at the Institute for Potato Research

Lilia Cherednickenko, Senior Economist, Experimental Training Farm, Institute for Potato

Research

Vladimir Pusik, Vice President, Kharkov Agricultural State University

Sergey Kornienko, Vice President Science, Kharkov Agricultural State University

Nikolay Laktionov, President, Kharkov Agricultural State University

Boris Kustenka, engineer, candidate to work at the Small Farmer Center

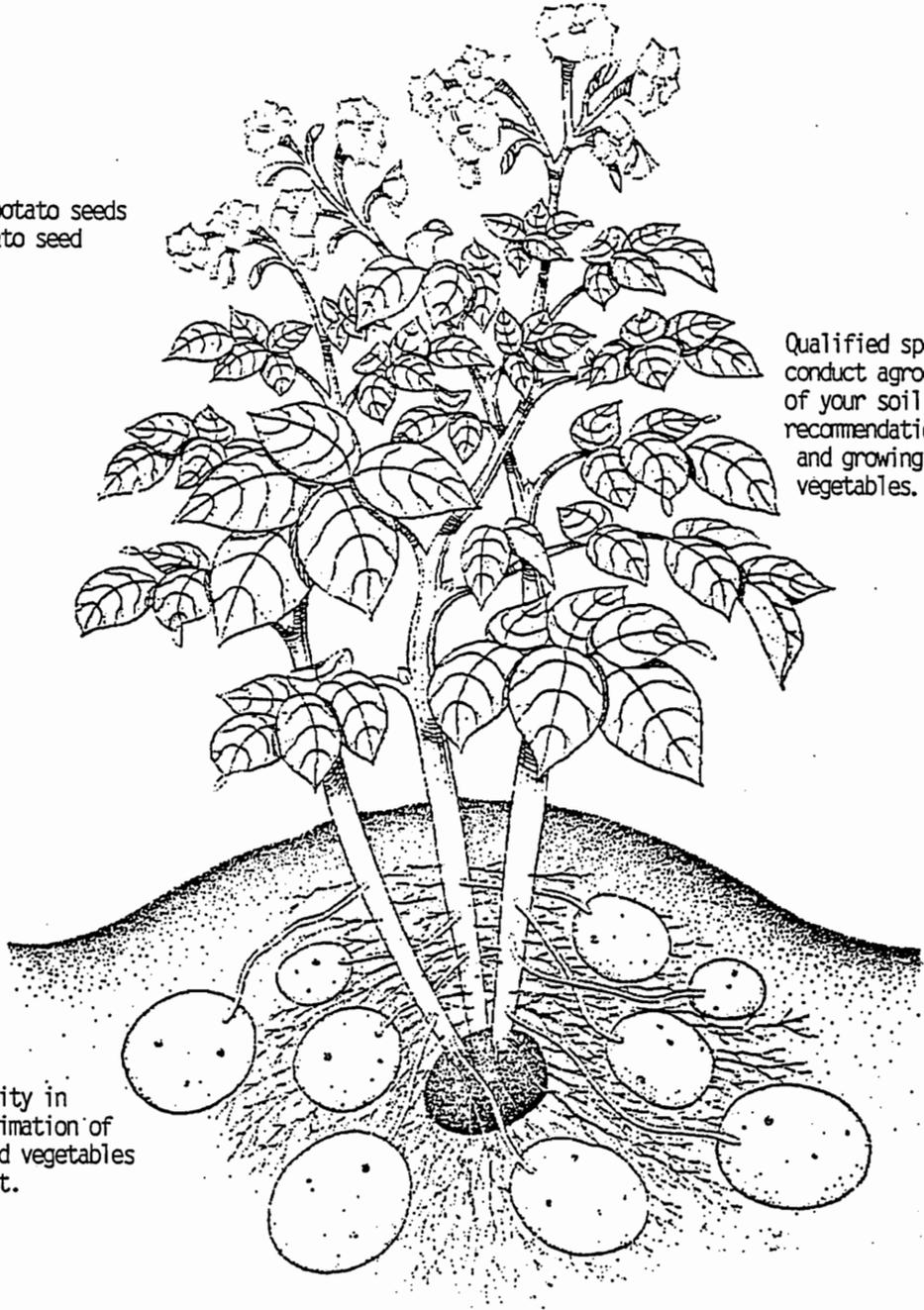
Leonid Mikhailov, Assistant Head of the Private Farmer Association, Zhitamir

Appendix 5. Potato Plant Demonstration

Healthy seeds into the clean soil.

Highly qualified potato seeds from the best potato seed farms in Russia.

Qualified specialist will conduct agrochemical analysis of your soil and give the recommendations on planting and growing potatoes and vegetables.



Quickness and quality in the ecological estimation of the soil, water and vegetables on your garden plot.