

**Partnerships for Food Industry Development
A U.S./Ukrainian/Moldovan Partnership**

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In association with

The World Food Logistics Organization,

The World Laboratory, Ukraine Branch, and

The National Institute of Animal Husbandry and Veterinary Medicine of Moldova

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List of Acronyms and Abbreviations

HACCP	Hazard Analysis Critical Control Point
LSU AgCenter	Louisiana State University Agricultural Center
NAUU	National Agricultural University of Ukraine
NIAHVM	National Institute of Animal Husbandry and Veterinary Medicine
OSAR	Odessa State Academy for Refrigeration
PFID	Partnerships for Food Industry Development
SAR	Semi-Annual Report
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WFLO	World Food Logistics Organization
World Lab	World Laboratory, Ukraine Branch

Section I. Introduction and Summary

This is the first Semi-Annual Report (SAR) for the Partnerships for Food Industry Development (PFID), a Leader-with-Associates Agreement between USAID and Louisiana State University's Agricultural Center (LSU AgCenter). The LSU Ag Center has sub-agreements with The World Food Logistics Organization (WFLO), The World Laboratory, Ukraine Branch (World Lab) and The National Institute of Animal Husbandry and Veterinary Medicine of Moldova (NIAHVM), as partners to implement the Project.

This report will be organized in terms of the activities that the Project is to address during the relevant time period (January 15 – June 30, 2001). These activities include Project Startup, Industry Assessment and Management, Monitoring and Evaluation. PFID will address four other objectives - Awareness for Critical Issues, Formulate Support Mechanisms, Create Technical and Educational Capacity and Foster Business Partnerships – after the time period covered in this SAR. For each activity included in the SAR, it will describe the Project's accomplishments. It then will compare the Project's progress relative to its work-plan as well as any implications that might arise if that progress is different from what is initially planned. Unlike future SARs, this document will not list cumulative accomplishments, as that would be redundant in an initial progress report. Likewise, the discussion of the Project's progress relative to its work plan will be rather brief as there has not been much time for deviation.

On the signing of the Cooperative Agreement, LSU AgCenter began preparations for the project. The sub-agreements with the US, Ukrainian and Moldovan partners are now in place. A one-page project summary and country profiles for Ukraine and Moldova were prepared. The Director of International Programs traveled to Ukraine and Moldova to facilitate the Project's initiation. He executed sub-agreements with the European counterparts, introduced the program to key government officials and visited potential stakeholders. PFID has prepared a First Annual Work Plan (Attachment 1) to cover start-up activities, four of the Project's five objectives and general management activities. The work plan describes assessment activities, stakeholders input and a strategy report – as well as the initiation of at least five interventions, the creation of at least five support mechanisms and at least five educational activities. Logistical needs also will be met, dissemination material will be prepared and staff will establish monitoring/evaluation procedures. All project start-up activities have been satisfactorily concluded.

The PFID's Technical Committee collected the necessary information for an Initial Assessment through visits with key stakeholders in May and June 2001. In a report describing this assessment (Attachment 2), team members observed the needs of cold chain methodology and logistics. The status of associations, networks and partnerships also was assessed, followed by an examination of post-harvest technology. The assessment continued with the status of safety, sanitation and standards, followed by economic issues and concluded with a summary of recommendations. The overall assessment process for PFID will continue with a Client Profile and other recommended assessment activities.

The Director of International Programs also assisted in the organizational formation of the European partners. This included hiring of additional staff, location of office space and detailed

program startup discussions. All project staff received implementation and schedules. Future organizational activities include the establishment of a Monitoring and Evaluation plan.

A web page that details many aspects of the PFID project has been developed and should be accessible by July 31st. PFID also has been exploring the possibilities for expanding its activities through Associate Grants.

Section II. Project Startup

A. Negotiation, Dissemination and Initial Execution of Cooperative Agreement and Sub-Agreements

The PFID project documents were officially executed with an agreed start date of the program being January 15 2001. On the signing of the Cooperative Agreement by the Chancellor of the LSU AgCenter (April 3, 2001), International Programs (as the implementing unit of the LSU AgCenter) began preparations for the project. This included the preparation of sub-agreements with the US, Ukrainian and Moldovan partners. All three sub-agreements are now in place. Faculty team members and the PFID Project Coordinator, Dr. Jonathan Hubchen (also hired in April 2001) began research and other work related to the startup activities, as well as preparing for the May/June travel to Ukraine and Moldova. A one-page project summary has been prepared for use in the host countries and the US, and was translated into Russian, Ukrainian, and Rumanian. Profiles for Ukraine and Moldova were prepared for use particularly at the LSU AgCenter to harness interest and support for the PFID program.

In April 2001, the Director of International Programs traveled to Ukraine and Moldova to facilitate the Project's initiation. Specifically, he accomplished the following initiatives:

1. Executed sub-agreements with the European counterparts, namely the Ukrainian Branch of World Laboratory (World Lab) and the National Institute of Animal Husbandry and Veterinary Medicine (NIAHVM) in Moldova;
2. Visited the deputy ministers of agriculture in both countries to introduce the program (the deputy ministers are currently overseeing the food industry activities and it is important that they be informed at the outset);
3. Visited meat and poultry plants, the USAID office in Moldova; other USAID programs in Moldova, cold storage warehouses, and local administrators to further explain the project and request cooperation.

B. Annual Work Plan

PFID has prepared a First Annual Work Plan to cover start-up activities, four of the Project's five objectives (the fifth will commence on Year Two) and general management activities. Start-up activities were mentioned in the previous section. The work plan also describes how project staff will assess the key issues facing the food industry in Moldova and Ukraine as a first step for the design of solution strategies. This was initiated through research and a field study in late May to early June. The findings from these resulted in an analysis report, which will be described later. This information will be presented to the stakeholders and reviewed by the

Technical Committee members, both of which will contribute to the formulation of the solution strategies in a final strategy report. Based on this report, at least five activities will be initiated.

The solution activities will be facilitated by the creation of support mechanisms, at least five of which will be initiated before November. These mechanisms will include networks, collaboration and referrals among stakeholders and those with resources. Capacity building activities also will be conducted so that beneficiaries will develop the skills necessary to improve their food industry operations. A curriculum design will be developed, covering collaborative research, regulatory compliance and effective technologies. At least five educational activities will be conducted.

General activities that cut across the objectives will include the establishment of the teams, communications and reporting procedures. Facility and logistical needs also must be met. Printed and electronic dissemination material will be prepared and staff will establish monitoring/evaluation procedures.

Further information is available in the report of the Annual Work Plan (Attachment 1).

C. Discussion of Progress

The execution of the cooperative agreement in April 2001 resulted in the bulk of the Project's activities beginning some months after the official start date. This delay is reflected in the annual work plan and all project start-up activities have been satisfactorily concluded.

Section III. Objective #1: Industry Assessment

A. Accomplishments – Initial Industry Assessment

The PFID's Technical Committee collected the necessary information for an initial assessment through visits with key stakeholders in May and June 2001.

Team members from WFLO observed that cold chain methodology and logistics were under-developed. They noticed a lesser emphasis placed on improved refrigeration and distribution processes, little or no use of information management systems and a poor transportation pipeline. Most frozen or refrigerated products are exported to Russia. WFLO witnessed challenges facing Ukraine and Moldova similar to those facing other emerging markets, such as: third-country competition, financing problems and unfamiliarity with the demands for quality products.

Compliance with international guidelines would be facilitated through cooperative endeavors within associations. Academic institutions, such as the Odessa State Academy for Refrigeration (OSAR) also have useful links to the processing industry. WFLO suggested that a weak local association could improve by linking with a stronger and more global association. WFLO can conduct training of trainer courses, in collaboration with academic institutions and other development projects in the area, for association development.

In Ukraine, there are more than one thousand small meat plants and approximately thirty plants that produce more than one thousand kilograms per day. In Moldova, there are approximately a dozen meat-processing plants with daily production capacity larger than one thousand kilograms.

Pork is the most highly consumed meat, with little beef or lamb consumption due to livestock supplies. A majority of the production of the large meat plants is shipped to former Soviet Union countries. Most of the meat plants have a combination of older and some newer equipment. In Ukraine, there are about 320 poultry enterprises, with thirty percent currently idle. The poultry plants seemed to have moderate to high capacities, but were limited by the numbers of birds. The Moldovan poultry industry is largely dependent upon small producers.

There are limited natural fishery resources in the Ukraine. However, the Port of Odessa could serve as one of the most important hubs for seafood processing in Eastern Europe by importing raw materials for value-added food processing. It has large facilities but has suffered from neglect over the last ten years. Nearly all facilities visited were operating at only a fraction of their production capabilities. Moldova has aquaculture potential for establishment of freshwater species capable of pond culture. The team recommends identification and promotion of finished seafood products acceptable outside Ukraine and Moldova.

Slaughter equipment was generally less modern than processing equipment, requiring additional care and sanitation practices. In Ukraine, it was indicated that the government has regulatory personnel assigned to each plant. There was considerable indication of a high regard and concern for product sanitation but a need does appear for Hazard Analysis Critical Control Point (HACCP) and sanitation training. Improved temperature controls of products would be warranted to maintain product safety and quality. The bulk of seafood training should be concentrated in Ukraine and focus on sanitation and standards issues. This process would begin with train-the-trainer workshops with cooperators followed by workshops for seafood processors in Ukraine and Moldova.

The economic constraints to food processing in Ukraine and Moldova are linked to weak domestic markets, export markets that are closely tied to the unstable Russian economy and lack of good quality animals for processing. The weak demand can be traced to low incomes relative to food prices and a high inflation rate. The health of the Russian economy has an excessive impact on its neighbors. Most livestock are owned and raised by smaller operators, who have limited capacity to improve the raw product. These factors result in the underutilization of processing and cold storage capacity. Further development of export markets may increase the demand for processing but will require marketing plans supplied to processors. The supply of raw products could be improved with a “model” central livestock market and forward contracts.

These findings and recommendations are described in greater detail in the Initial Assessment Report (Attachment 2).

B. Discussion and Future Assessments

The initial assessment was conducted in compliance with the Annual Work Plan. The overall assessment process for PFID will continue. Activities to be conducted shortly include a Client Profile, which will provide information on processors’ contacts, production, sales and employees. As well as provide useful baseline data, this profile should also form the basis of an Information Support System that will maintain linkages between the Project and its beneficiaries.

Other recommended assessment activities include the following:

- WFLO-provided instruments for cold chain analysis, including technical assessment and production efficiency;
- An in-depth analysis of energy consumption patterns;
- A survey measuring the strength of associations, partnerships and networks;
- Specific information on individual associations visited by the assessment team;
- Chemical, physical, and microbiological analyses regarding sanitary practices;
- Translation of governmental standards for specific chemical, physical, bacteriological, and radiological compounds, including testing frequency; and
- HACCP pre-course preparation activities, which could serve as a final assessment of training needs.

Section IV. Management, Monitoring and Evaluation

A. Team and Office Establishment

1. Accomplishments

When the Director of International Programs facilitated the Project's initiation in Ukraine and Moldova, he also assisted in the organizational formation in those countries. This included the following actions:

1. Interviewed office staff and local specialists in conjunction with the Ukrainian and Moldovan project managers (key staff were hired by May 15 2001);
2. Located office space in Kiev and Chisinau (the office in Kiev, located within the premises of the World Laboratory, is ready to operate while office space at Chisinau has been located at the National Academy of Science building in the heart of that city); and
3. Discussed detailed program startup matters with both project office staff and the managing institutions.

On the completion of the Annual Work Plan, all project staff received implementation schedules.

2. Discussion of Progress and Future Activities

The hire of an economist to work with NIAHVM in Moldova was delayed until after the initial assessment trip. Furthermore, the overall organizational capacity of NIAHVM is an issue that will be addressed throughout the initial stage of the Project. World Lab is more experienced in project implementation than NIAHVM so, to accomplish a smooth startup, selected World Lab staff accompanied the Director to Moldova during his initial trip. They also have agreed to provide startup assistance and training of Moldovan staff in administration, program and financial management. This strategy has helped, in that the Moldovan office is now fully functional, and staff are in place and performing project activities.

Future activities in developing the partner's organizational framework for the project include the establishment of Monitoring and Evaluation procedures and activities.

B. Electronic Dissemination – Web Page

1. Accomplishments

A web page that details many aspects of the PFID project has been developed. These details include: information about the PFID project; detailed profiles of staff members and partner institutions; and links for food safety regulations, trade issues, regional information, capacity building resources, and other International Trade Associations.

2. Discussion and Future Activities

The web page should be accessible from the International Programs Internet Home Page (<http://www.agctr.lsu.edu/Inst/International/index.html>) by July 31st. Future activities include maintenance of the web page with updated information as it becomes available. Such information will include project activities and in-depth examination of critical industry issues as identified by project staff. More links pertaining to other aspects of the project and two-way communication with the USAID, WFLO and other web pages is expected.

C. Associate Grants

PFID has been exploring the possibilities for expanding its activities through Associate Grants. As stated in USAID's Contract Information Bulletin 99-10, if a leader grant (such as PFID) is awarded for a specified worldwide activity, Missions or other offices may fund Associate grants under the Leader grant. Each Associate grant shall contain a separate activity description that fits within the broader program description of the Leader grant, as well as separate budget and reporting requirements, but will otherwise be considered to be covered by the terms and conditions of the Leader grant. The advantages of this mechanism include: (1) no further competition required under the Leader/Associate grant, (2) simplified certification, and (3) direct reporting to the Missions on the use of Mission funds.

PFID management has initiated discussions with USAID/Kiev in the identification of specific activities in processing that could be covered by such an Associate Grant for Ukraine. There are a number of possible areas identified by the World Lab. These areas will be discussed with USAID/Kiev (tentatively in August 2001) to develop a workable plan.

Additional possibilities are being explored in Honduras. Specifically, preliminary investigations have revealed that there is considerable interest on the part of Honduras in the seafood sector (particularly shrimp and tilapia). Discussions have been planned for early July 2001 with USDA and USAID in Tegucigalpa. A suitable qualified local partner, the University of Technology has been identified for a potential associate award activity under PFID in Honduras.