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MID-TERM EVALUATION

LAND O'LAKES

AID-FUNDED PROGRAMS IN CENTRAL AND EASTERN EUROPE
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By

Ted Weihe, Evaluation Team Leader
Helen Nelson, Land O'Lakes

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SUMMARY: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This mid-term evaluation was carried out to review and make recommendations concerning Land O'Lakes project activities in Central and Eastern Europe with a particular focus on its project for Agricultural Cooperative/Business Development and Training in Central and Eastern Europe, also, known as Free Market Cooperative or FMC (EUR-0024-G-00-1072-00). The methodology included (1) on-site visits to Estonia, Bulgaria and Poland, (2) in-depth interviews with participants, (3) interviews with Land O'Lakes headquarters and field staff, (4) a review of project documents and training evaluations, and (5) a regional retreat to consider and implement conclusions and recommendations.

As a highly successfully agricultural cooperative, Land O'Lakes brings a unique perspective, high credibility, and hands-on operational style to overseas programs. Counterpart organizations and agribusinesses in Central and Eastern Europe can draw on the entire integrated system of Land O'Lakes. The evaluation recommends that Land O'Lakes adopt a mission statement to crystallize its increasingly deep commitment to development and clarify the development role from its overseas commercial activities.

Land O'Lakes carried out an appropriate entry strategy for its development efforts in Central and Eastern Europe based on 14 training courses to introduce Western-based agribusiness concepts, management, modern operations and technologies throughout the region. The evaluation recommends that Land O'Lakes move away from generic training to technical assistance, and refocus on a few countries and targeted private agribusinesses. In each country, Land O'Lakes should develop a development strategy, revised implementation plan and results-based performance criteria to measure project success.

The evaluation found the following outstanding examples of project impacts:

■ In Poland, a large regional and member-controlled cooperative dairy, was dramatically helped which resulted in its first advertising efforts, an extensive program of market analysis, creation of an attractive logo and brand name, improved and consumer-friendly packaging, savings through new plant maintenance procedures, and a new corporate structure in which managers and employees work as a team to produce quality market-driven products.

■ As a result of Land O'Lakes training, a private Polish dairy captured the local milk market that was previously controlled by a state dairy plant. Using new skills in marketing, logistics, distribution and packaging, the dairy developed new products with longer shelf life which are now distributed through 20 stores.

■ Land O'Lakes interns have organized a FFA-type young agriculturists organization with eight clubs and about 200 high school boys and girls in the Siedlce region. In conjunction with vocational educational schools and extension services, the program will be extended throughout Poland to bring prestige to village life, strengthen cooperation among future agriculturalists, provide an understanding of the entire agricultural system (not just production) and help reverse the flight of young people to urban centers.

■ A participant at a Land O'Lakes marketing course learned how to frame transaction documents for his private training company to assure high quality supplies (i.e., protein specifications of feeds) from Byelarus for sale to domestic and foreign customers. As a result, he saved \$20,000 on 60 transactions within three months on an annual business volume of \$75,000.

■ The most dramatic impact in Bulgaria is Milk Way dairy plant which is the most modern, recently built private processor of cheeses in the country. Land O'Lakes provided critical technical assistance (and the sole outside foreign expertise) in helping prepare a business marketing plan just prior to the facility coming on line. The manager has closely followed the Land O'Lakes plan (1) to initially capture local markets with branded and superior traditional Bulgarian cheeses (white brine), (2) expand into the Sofia market, (3) develop a specialized cheese for a big splash (processed cheese), and (4) begin exporting (Lebanon).

■ Land O'Lakes helped form a 17 member, extended-family Bulgarian cooperative for processing sunflower seeds and milling wheat. The cooperative turned a 300% increase in profit within one year.

■ A Land O'Lakes technical advisor recommended ways to save one-half of 400 tons in waste water at Estonia's largest dairy plant. An annual savings of \$7,200 in water treatment costs frees up resources to pay ten employees as well as promotes environmental conservation. The dairy manager indicated major savings in improved milk production due to technical assistance. At a second plant, a Land O'Lakes intern saved substantial funds by better analyzing the economics and design of a new evaporator to make powdered milk.

At a strategic retreat on September 12-14 as part of this evaluation, Land O'Lakes decided to focus its project efforts in Poland, Bulgaria, Romania, Albania and Estonia; phase out activities in Hungary, the Czech Republic and Slovak Republic; and revise them in Lithuania and Latvia based on further analysis.

To increase project impact, the evaluation recommends and Land O'Lakes agrees to focus its technical assistance and training programs to specific enterprises. In Poland, Land O'Lakes plans to select at least 20 private dairy and dairy-related enterprises for

intensive assistance based on the receptiveness of senior managers to earlier Land O'Lakes training and technical assistance. Ten firms would be either private dairy companies or cooperatives; and ten companies would be in related feed, seed and private advisory services closely linked to the dairy industry.

The evaluation found that its Restructuring Agriculture and Agribusiness: Private Sector Program for Poland (RAAPS) is on course, and recommends a modification in its log frame to clarify its objectives and distinguish them from the Free Market Cooperative's (FMC) project. The RAAPS project has just completed its first year of activities and a separate mid-term evaluation should be carried out in 1994.

In its subcontract with the Humphrey Institute for market economics and applied management training, the evaluation agrees with the new emphasis on developing a post diploma studies program at Agricultural University at Olsztyn, based on a fee structure and geared to enterprise managers (potential and new managers as well as retraining current managers).

In Bulgaria, the evaluation recommends that Land O'Lakes hire a local trainer to modify its course materials by adding local case studies, and institutionalize its training at the four major agricultural universities and over 80 vocational schools.

Recently, A.I.D. signed an extension to the FMC project in which Land O'Lakes will be carrying out an expanded technical assistance program in Bulgaria and Romania. This extension will focus on specific regions where private agribusiness and dairy formation is taking place. Two full-time U.S. technical advisors are being selected and will soon be in place. The evaluation recommends preparation of implementation plans for each country which should be jointly carried out by Land O'Lakes and A.I.D. field staff. The plan should include: (1) select initial focus regions for year one, (2) work only with one or more private dairies in each region, (3) concentrate on the linkage between such dairies and emerging commercial farmers (including the formation of a producers cooperative), (4) strengthen the plant quality controls, and (5) assist in new packaging, advertising and marketing.

In Estonia with its historical and potentially strong dairy industry, the evaluation found that the major problem is the poor quality of the raw milk supply (on farm production). The evaluation recommends a revised project strategy to focus initially on at least two model private dairy plants, and work to: (1) improve the connection between the plant and the producer for quality production by creating a private extension system; (2) improve sanitation practices in the plants; and (3) develop better marketing capacities based on superior products.

LAND O'LAKES
AID-FUNDED PROGRAMS IN CENTRAL AND EASTERN EUROPE

A MID-TERM EVALUATION

I. Purpose of activities being evaluated

Land O'Lakes is currently carrying out three A.I.D. projects in Central and Eastern Europe: (1) Agricultural Cooperative/Business Development and Training (EUR-0024-G-00-1072-00), also known as Free Market Cooperatives or FMC; (2) A subcontract to the University of Minnesota for Management Training and Economics Education in Poland (EUR-0029-G-00-1051-00); and (3) Restructuring Agriculture and Agribusiness Project: Private Sector Program in Poland (EUR-0024-A-00-2042-00).

The principal focus of this evaluation was the Free Market Cooperative Project (FMC) which is intended to assist in the development of private dairy sectors in Central and Eastern Europe. However, some findings and recommendations are made concerning the other two projects. The purpose of these projects in Poland are to assist in the formation of a regional center of excellence in applied management and economics at the Agricultural University of Olsztyn, and help the restructuring of agribusinesses through focused technical assistance to selected firms.

The FMC project has been amended two times and now totals \$13 million with a termination date of June 1998. Initially approved in 1991 for \$4 million, the project provides for three phases of activities: (1) U.S. observational training for 24 key leaders from four targeted countries in which they will become acquainted with the free market agricultural system, (2) national forums to introduce the project and solicit interest in training courses, and (3) 14 in-country training courses conducted 185 times over three years.

The project was amended in 1992 and increased to \$8 million. The amendment divides the Central and Eastern countries into three categories based on different stages of reform, and emphasizes more tailored interventions appropriate to each country. The amendment calls for the establishment of two regional offices in Warsaw and Sofia to better coordinate and customize the assistance efforts. It provides for an additional 80 in-country courses and 100 technical assistance activities.

The third amendment in 1993 increases project funding by \$5 million and focuses on more extensive technical assistance in Romania and Bulgaria. The amendment provides for the fielding of two technical experts who will work initially in a region in each country to strengthen the private sector dairy sector including the formation or working with existing dairy associations.

II. Methodology

This mid-term evaluation was carried out to review and make recommendations concerning Land O'Lakes project activities in Central and Eastern Europe with a particular focus on its Free Markets Cooperative (FMC) project (EUR-0024-G-00-1072-00).

The methodology includes:

- (1) interviews at Land O'Lakes with the CEO, senior project management and project trainers (August 30-31, 1993).
- (2) on-site visits to Estonia (Sept. 1-4), Bulgaria (Sept. 5-8) and Poland (Sept. 9-11) which focused on field visits to participants, agribusinesses and local institutions.
- (3) in-depth interviews of usually one and a half hours with individuals or groups of participants which cover: the relevance of training, utilization of new skills and their impacts, sharing and interaction of participants, and suggestions for future activities.
- (4) interviews with Land O'Lakes field staff, A.I.D. and collaborating groups.
- (5) review of project documents and training evaluations.
- (6) regional three day strategic retreat for senior headquarters and field staff to consider and implement the evaluation conclusions and recommendations.

III. Highlights of interviews

A. Land O'Lakes headquarters

The evaluator conducted interviews with the Land O'Lakes' President and Chief Executive Officer, senior development and project staff and two groups of Land O'Lakes employees who had carried out training and/or technical assistance in Central and Eastern Europe.

The CEO said Land O'Lakes is committed to international development in order to better understand its cooperative roots, expose staff to the international marketplace and identify potential long-term business opportunities for Land O'Lakes. He indicated strong support from his board of directors and senior staff for the company's development programs. He said that Land O'Lakes partnership with A.I.D. is mutually re-enforcing in providing high quality assistance and helping the company become "one of the best international food and agricultural companies."

Staff in the International Development Division indicated strong support to refocus their programs in Central and Eastern Europe for improved performance impact. As one staff person said, we need to

shift to more technical assistance "to target problem solving" with selected companies. Another project officer said we need to reverse the ratio of training (70%) and technical assistance (30%). Staff agreed that country priorities are Poland, Bulgaria, Romania and Albania, and to phase out of Hungary, and the Czech and Slovak Republics.

Land O'Lakes trainers recommended more local case studies and examples in course materials. They urged more repetitive courses, especially at the higher levels of instruction. Several trainers said that they had to rely on the general knowledge of cooperatives and agriculture, beyond the course topics, to be able to respond to penetrating questions of local agriculturalists. For example, a trainer said that the materials were too broad and that she had to tailor about 80% of her course based on her own training and education. Another said that he developed most of his own materials on farm management and finances. Several commented on the need to improve private extension from processing plants to producers. They noted the broad difference in agricultural knowledge between Albania, Bulgaria and Poland.

The trainers and technical advisors expressed strong personal commitments to the Land O'Lakes development efforts. One said that she found the experience "very humbling" and gained a broader global perspective. After being guided by the local Land O'Lakes representative through 1,000 years of Hungarian history, she came home and decided to learn more about American history. A trainer said that it was the "best experience that I've ever had" and another said it was the "most rewarding experience in my life." She added, "I thought, Wow, I do know things that I can share." Another said, "the world is full of good people" and "you can get close to people over there very fast."

On impacts, a trainer said that "little changes can make big differences." For example, one said that local plants need to make sales calls and minor changes in bulk product mixture can make a major impact. Several commented on the need for participants to understand marketing and consumer preferences. For example, an advisor said that he worked with a \$4 million cheese business which did not make a single call on customers. The trainers and advisors recommended more emphasis on technical assistance compared to training. As one said, "there would be a much bigger impact to consult with selected businesses."

B. Estonia

The evaluator interviewed: (1) the Land O'Lakes local representative, (2) two Land O'Lakes technical advisors in milk collection who were in country, (3) the A.I.D. project officer, (4) a U.S. intern and a key leader who participated in the national forum and heads the Dairy Producers Association. In addition, he interviewed (5) farmers and a journalist who participated in a

production management course, and (6) agriculturalists including a plant manager, an extension agent, university and technical teachers who participated in cooperative and dairy production courses.

The farm participants learned about mastitis and thanks to the trainer, now can use milk with mastitis for feeding calves and beef cattle. They also learned silage production techniques including double cutting and how to use it in small quantities. A journalist indicated that she has published all of the materials from the course in their rural newspaper including interviews with the Land O'Lakes trainers and advisors.

The U.S. intern indicated that he had learned about technical equipment for drying systems in the U.S. which resulted in a better design and selection of their plant's evaporator to make powdered milk. He said that U.S. training had helped him "understand the economics better and how Americans work who are devoted to their job and company which is quite different here because of socialism. It was easy to be a socialist worker - just wait for the foreman to say what to do," he said. But, he added that "economic forces are now making us change our attitudes about work."

Several university professors said that the Land O'Lakes materials were very good for their students and had all been translated and were being used and shared. The Farmers Union extension agent said that the course she took helped her determine cash flows for small farmers she is advising. The plant manager said that technical assistance in collection systems will save substantial money through using less waste water in their cleaning operations.

The A.I.D. project officer said that Land O'Lakes courses had gone well and she received "good feedback." She praised the local Land O'Lakes representative who had good contacts in the Ministry of Agriculture and "is very helpful to A.I.D. when they want information." She indicated support for Land O'Lakes programs which focus on the dairy industry which is a key sector for A.I.D.'s strategy on privatization. She encouraged Land O'Lakes to shift its focus to technical assistance and to emphasize private extension from private dairy plants.

C. Bulgaria

The evaluator interviewed: (1) the local Land O'Lakes representative, two key leaders and a U.S. intern, (2) the executive director of the Bulgarian Dairy Union, (3) the manager of the Karabunar Dairy (which received technical assistance), (4) two agriculturalists, one of whom had formed a cooperative near Nova Zagora, (5) the manager and marketing director of a new modern dairy company ("Milk Way"), (6) a dozen participants in a train-the-trainers and other courses at the University of Stara Zagora and (7) the A.I.D. project officer.

The local Land O'Lakes coordinator said that 30 to 35% of training materials had been changed as a result of feedback from participants. He said that Land O'Lakes training had occurred at "a magic moment" in Bulgaria just as land privatization was taking place and the shift began towards a market-oriented agriculture. The national forum and courses were an opportunity for an exchange of ideas and to consider new directions since "no one likes the past." He said courses encouraged a "free flow of information and knowledge" which was "practical, not intellectual."

Personally, he said he had been taught economics, but that "I never studied what was really economics. It's another way of thinking," he concluded. "Before someone made decisions for us (Turks, Germans, Russians) and we just obeyed. Bulgarians never enjoyed freedom," he said. For example, collectivization was easy in Bulgaria because people had always lived in towns, not on farms.

He said that the greatest impacts have been: (1) to change the way people think, (2) give participants a chance to readjust with some new knowledge to market changes, and (3) to interact and create new linkages among the 800 participants. He said that he thought that 40 to 45 percent of participants continued to stay in contact and support each other, and that eight to nine cooperatives have been formed as a result of Land O'Lakes courses. He also said the courses were helpful because there is no extension service in Bulgaria and no other organization is providing a private model for agricultural development.

Interviews with key leaders and a U.S. intern indicated that democratic and market changes are taking place, but at a slow pace. For example, the universities have changed their curriculum in economics; the Ministry of Agriculture is more receptive to new thinking and younger advisors; and the private sector in agriculture is beginning to emerge such as "my own firm which deals in processing fruits and vegetables." The U.S. intern said that they need to organize an extension service for new small farmers, like in the U.S. He said that he is using lots of the materials he acquired at Land O'Lakes, such as those on quality forage and seeds. The key leader said that he had learned about how to organize a grain exchange while in the U.S. and, later, used the new knowledge to form a grain and raw materials exchange in Russe. The participants recommended: (1) more courses and information on marketing, (2) the formation of an integrated company such as Land O'Lakes, and (3) creation of private extension services to small farmers.

The executive director of the Dairy Union said that his board frequently discusses issues raised by Land O'Lakes courses which helps them adopt new processing technologies and address common problems among large and small processors such as quality of raw milk from new small producers. The union advertises Land O'Lakes courses and helps identify candidates. He said that "the Land

O'Lakes project came at the right time when changes were beginning. The project is very helpful and useful for this stage of our development in milk production." He attended marketing and production courses which helped the union organize its thoughts about marketing. "We learned the answers to the major needs of our members," he said in pointing out that only Land O'Lakes is providing help in the dairy sector among foreign groups.

A manager of a new cheese processing plant discussed his participation in the dairy processing course and technical assistance his company received on marketing. He said that he gained a better understanding of marketing principles which he is now implementing. He said that the technical advisor helped prepare a marketing plan which should assist us in expanding our markets since we have a good product. Unfortunately, he said that "lower prices were driving the market, not quality, given the current economic situation."

A manager of a 17 family-member cooperative had taken courses in marketing, cooperatives and farm management as well as receiving technical assistance. He said the principal lesson he learned was the importance of processing to gain high valued added profits. He found the course on the organization of cooperatives the most useful, and he said he frequently refers to the course materials. As a result, he said his cooperative has tripled its profits within a year in processing wheat flower and sunflower oil for the local market.

His cooperative is now advertising based on the marketing course and has captured the local market for small shops in cooking oil and the bakeries in wheat flour. The cooperative of family members was put together based on the restitution of the family's farm. He expects to be one of the first to gain land title in Bulgaria. A member of the cooperative is currently an intern in the U.S. and expects to form a dairy breeding cooperative when he returns. The local mayor (a former communist who won with 67% of the vote) said that he opposed privatization, but "that is the law." He said that three other small cooperatives had been formed as a result of the Land O'Lakes courses.

A former manager of a professional sports club and now an agricultural businessman participated in a course on farm management. He said that he used the information to study different prices in Sofia and adjust his production to higher value vegetables. Next year, he plans to diversify to fulfill a fuller range of products for his shop customers. The local mayor said the agriculturalist was the most entrepreneurial in his village and the only one who takes risks including obtaining a bank loan which has been repaid.

The manager of the Milk Way dairy plant painted the most striking example of impact in which the Land O'Lakes technical advisor has

laid out an entire marketing plan as the plant was coming on line. The manager gave full credit to the plant's success to the advice he had received. He said that the technical advisor was "sent from heaven" and worked day and night for 15 days preparing the business and marketing plan. The plant is also extensively advertising based on the advice. He said Land O'Lakes is the only foreign organization that is "doing something real here in Bulgaria." He requested additional technical assistance in training their 22-person collection staff to improve milk quality from their 20,000 small producers. The manager said the state bank, which owns the plant, is thinking about converting it into a cooperative owned by the producers.

The evaluator interviewed a group of a dozen professors, instructors and extension staff at the Agricultural University of Stara Zagora which had participated in four courses (two in train the trainers, and one each in agribusiness management and dairy herd health). They all found the courses helpful especially in agribusiness management for working with new private farmers. They were impressed with the interactive techniques which they are now incorporating in their own courses. They indicated that some of the materials were too early and that the transition to a market economy will take another one or two years. They appreciated the new knowledge which is needed for change, in particular, for extension to private farmers. The evaluator found that the professors generally did not fully understand the need to link their research and courses to help the new small private farmer. As the senior professor emeritus said, "they are not real farmers. We are used to dealing with educated managers who tell the farmers what to do."

The A.I.D. project officer is very supportive of Land O'Lakes work in Bulgaria and noted that he received the best communications and timely reports from Land O'Lakes which should be a model for other grantees. He made a number of favorable comments on the evaluation and, in particular, wants to participate in the project design for the expanded Land O'Lakes Bulgarian project.

D. Poland

The evaluator interviewed: (1) participants from two dairy plants, (2) two extension services, (3) participants who just completed a marketing course as well as a participant from an earlier course, (4) senior officials at the Agricultural University of Olsztyn and the Foundation for the Development of Polish Agriculture (counterparts), and (5) a private agriculturalist whose private farm operations had received technical assistance and was about to go to the U.S. for a dairy processing short course. He also discussed the project in detail with Land O'Lakes local staff.

Land O'Lakes courses had a major impact on the Wloclawek dairy cooperative in which the manager and four of his key staff have

participated in six courses. The most dramatic results come from two marketing courses in which the staff has carry out an entire marketing strategy including consumer surveys and analysis, repackaging of yogurt and other products to respond to customer preferences, a new logo and advertising campaign. Before our yogurt was "sad looking" in plain white, the marketing director said. "Now, we have colorful packaging which has greatly enhanced sales by about 20% since April 1993. Before our product was on the back selves, now shop owners put our taller more attractive product in front," she said.

The manager who had taken courses in marketing and dairy processing said that "the goal of cooperatives is to help the little guys" and "to build on the skeleton of the old system." Raw milk quality has declined since 1989 from 90% to 83% in first quality. He said he expected to take it easy at a marketing course but "it was impossible" because of the way the course was organized and it really "opened my eyes." He now understands the value of training especially in dealing with sales and marketing. Before no one here ever analyzed a market, nor understood the importance of advertising and packaging. They created a logo based on the traditional scene in the region and shortened their 30 letter name to a five letter acronym. The manager also said that the courses changed the management structure of the plant with more responsibility given to departments and staff.

The chief plant maintenance person said that he had learned simple facts about the need for detailed documentation. He said he learned that 25% more expensive lubricants will pay off with lower maintenance costs and that immediate savings can be achieved through testing the line before beginning production. The manager and other staff encouraged Land O'Lakes to provide more specialized technical assistance and to help set up a training program within the plant.

At a second plant, the manager and four staff had participated in several courses and received technical assistance. But, the manager expressed unhappiness because the help was not provided to them exclusively to gain a competitive advantage. He wants Land O'Lakes to form a model farm so that his plant does not have to deal with lots of small private farmers. It was obvious to the evaluator that the plant manager was from the old guard who lined up his employees to repeat his criticisms. When they were asked to recall a single idea or anything from the training, the staff only repeated the words of the manager that the training was not useful.

The evaluator interviewed four employees of a regional cooperative service unit which had received training and recruited over 150 participants. They use the Land O'Lakes cooperative training materials in their extension work to 25 member-controlled cooperatives (out of 800 cooperatives). They said that they learned about the importance of market research and packaging in

helping these cooperatives. For example, based on the course, they helped a private dairy to take over the local market within one year using new marketing techniques and the manager is now exploring with the local producers how to form a cooperative to take over the plant.

The evaluator interviewed a trader (formerly a biology teacher) who had participated in a marketing course as well as observed the final day of another marketing course for 25 participants. The small trader was bartering for fish meal, casein and powdered milk from Byelarus through lining up customers in Poland and overseas. He learned how to write specifications into contracts to make sure that the quality meets the terms of the sales contract. As a result, his two person firm had saved \$20,000 in three months on a volume of business of about \$75,000 annually. Four participants of the marketing course commented on the new points of view they now have about the importance of marketing and how to approach a customer. They said the level of instruction was just right.

At a regional extension service, the evaluator interviewed five participants including a key leader who came to the U.S., several extension agents, and a local vocational education instructor who had participated in marketing, management and cooperative courses. The extension service had extensively used Land O'Lakes training materials and recruited 100 participants. They were highly complimentary of the quality of instructors. They were interested in team-teaching and recommended more courses in farm management. Land O'Lakes interns have been working with this extension service and local vocational educational schools to form four young agriculturalist clubs. The clubs help increase the prestige of village kids, expose them to agribusiness principles, and deal with problems such as high teenage alcoholism.

The evaluator discussed in details the Land O'Lakes training programs which have been conducted with the Agricultural Academy of Olsztyn-Kortowo. At this meeting, the new executive director of the Foundation for the Development of Polish Agriculture (FDPA) and his training advisor participated. A major impact of Land O'Lakes courses to the university had been in video training and equipment which the university now uses to earn about \$30,000 a year in providing training and promotional videos for local firms. About 20 firms have benefited from the new video programs including a dairy cooperative (Olsztyn Dairy Plant) where a video helped introduce new products to his shop owners. They also indicated that a meat processing plant (Morliny) had successfully expanded as a result of marketing research they had learned at a course. FDPA expressed its satisfaction with the training courses and encouraged the development of good case studies based on private enterprise successes. The evaluator also discussed with the Olsztyn officials a number of suggested changes in the upcoming set of Land O'Lakes courses which will be organized as a post graduate diploma program, for a fee, to enterprise managers and prospective managers.

Finally, the evaluator met with an agriculturalist who had taken over a large state farm of 800 hectares and now has eight employees. It produces wheat and clover and has 180 head of cattle. The farm had received some technical assistance and the manager is slated soon to leave for U.S. training. He has particular interest in financial training and developing a business plan.

In a separate evaluation by a Land O'Lakes project member, he observed the following impacts from courses provided to the extension service in Radom: (1) they had adopted the farm management course and had been taught to over 200 farmers, (2) the marketing course to 140 farmers and employees of businesses, (3) both courses had been translated into Russian and presented to agricultural leaders in Byelarus for their use, and (4) as a result of a cooperative course, a local cooperative now better supports new private farmers, for example, by purchasing and lending milk coolers to them.

IV. Summary of randomly selected training evaluations

The evaluator found that Land O'Lakes has developed an excellent evaluation form for its training courses which can be quickly filled out. The cumulative results of each course have been computerized. The evaluator reviewed random results from about 175 participants in Poland, Hungary and Albania who had taken courses in the introduction to marketing, advanced marketing, agribusiness management and training of trainers.

Participants said they increased their proficiency in the subjects from a rating of 4.4 before the course to 7.3 afterwards, and indicated a strong increase in learning (4 or "much learning" on a scale of 5). Instructors were rated as well prepared (4.6 out of 5) and very knowledgeable (4.7). They gave strong presentations (4.4) and participants expressed a high degree of satisfaction (4.6). Course materials were considered of high quality (4.4). Overall quality of courses were rated as good (4.1).

Participant comments included: strong support for field work such as visiting local shops to learn about marketing research, practical hands-on topics, concerns about better adapting courses to local circumstances, and better selection of participants at similar levels of knowledge and positions.

V. Results of strategic retreat

On September 12-14, 1993, Land O'Lakes staff with field and U.S.-based responsibilities held a strategic retreat in Warsaw to review and implement the evaluation findings. The participants reviewed project impacts, project goals and objectives, and A.I.D. priorities. As a result of discussions, Land O'Lakes decided to focus on high impact countries of Poland, Bulgaria and Romania and

to phase out of Hungary, and the Czech and Slovak Republics.

The participants refined and prepared new log frames for each of its projects tailoring them to each country. New implementation plans were developed for each country which focus on assistance to targeted private enterprises where high impacts are likely to result. The participants reviewed current project methodologies, including comparative impacts of courses (U.S. & in-country) and technical assistance. They agreed to shift from a concentration on training to technical assistance including a combination of the two. They also devised improved ways to institutionalize their projects, including team-teaching and co-advisors with local counterparts and the formation of associations of participants to help reenforce new attitudes and private sector skills.

In addition, the retreat reviewed various project management issues, including field and home office responsibilities as well as better coordination with other providers and subcontractors. The retreat developed a more extensive, impact-oriented evaluation and monitoring system which will be quickly adopted. Finally, the participants met with the A.I.D. representative (Don Pressley) and key staff in Poland to review evaluation findings, conclusions and recommendations for Land O'Lakes projects in Poland. Pressley strongly encouraged better coordination among U.S. providers of assistance and avoiding overlap. Following the retreat, Land O'Lakes staff held meetings with key local counterpart organizations, ACDI and VOCA for improved collaboration.

VI. Evaluation Findings, Conclusions and Recommendations

A. Project impacts

1. Poland

Land O'Lakes has carried out extensive training courses which have reached over 3,000 Polish participants, brought key leaders and interns for extensive U.S. training, and undertaken targeted technical assistance. Examples of impacts include:

- At a large regional and member-controlled cooperative dairy, Land O'Lakes has provided management and staff with extensive training and technical assistance which has resulted in its first advertising efforts, an extensive program of market analysis, creation of an attractive logo and brand name, improved and consumer-friendly packaging, savings through new plant maintenance procedures, and a new corporate structure in which managers and employees now work as a team to produce quality market-driven products.
- At a regional cooperative center, Land O'Lakes training techniques and materials have been adapted and used for its own training programs including a manual on how to form a

cooperative. Courses using these materials have reached over 300 farmers so far.

- As a result of Land O'Lakes training, a private dairy has captured the local milk market that was previously controlled by a state dairy plant. Using new skills in marketing, logistics, distribution and packaging, the dairy has developed new products with longer shelf life which are now distributed through 20 stores. Now, the owner of the plant wants to turn it over to producers and convert the plant into a cooperative.
- Land O'Lakes interns held a meeting among themselves and decided to organize an FFA-type organization which already includes eight agriculturalists' clubs of about 200 high school boys and girls in Siedlce region. After pilot testing the approach in this region, the 20 interns plan to extend it nationwide in conjunction with vocational educational schools and extension services. The organization would help bring prestige to being a farmer, strengthen cooperation among future farmers, provide an understanding of the entire agricultural system (not just production) and help reverse the flight of young farmers from rural areas.
- A participant in a Land O'Lakes marketing course learned how to frame transaction documents for his private training company to assure high quality supplies (i.e., protein specifications of feeds) from Byelarus for selling to Polish and foreign customers. As a result of the course, he has saved \$20,000 on 60 transactions within three months. This represents a major increase in his profits on an annual business volume of \$75,000.
- Through marketing video training, Land O'Lakes has strengthened the Polish-American Center for Agricultural Marketing and Management. Its staff has used the new techniques for preparing 30 commercials or sales programs, netting the university \$30,000 annually to support its academic programs. About 20 firms are now using video for promotional activities based on the course including a major dairy processor that has introduced new yogurt and ice cream products in which videos have been used to assist its marketing to small shops.

2. Bulgaria

In Bulgaria, the training seminars changed agriculturalists' thinking, gave leaders a change to begin the adjustment to a market economy, and created a cadre of leaders who are beginning to take self-initiative including the formation of private agricultural companies and the idea of providing private extension on the Land O'Lakes model. Examples of project impact include:

- The most dramatic is Milk Way dairy plant which is the most modern and recently built private processor of cheeses. Land O'Lakes provided critical technical assistance (and the sole outside foreign expertise) in helping prepare a business marketing plan just prior to the facility coming on line. The manager has closely followed the Land O'Lakes plan (1) to initially capture local markets with branded and superior traditional Bulgarian cheeses (white brine), (2) expand into the Sofia market, (3) develop a specialized cheese for a big splash (processed cheese), and (4) begin exporting (Lebanon). Thus, the plan was closely followed to establish a quality product first with brand recognition before expanding to other domestic and export markets. The plant has 20,000 small producers, 60 staff (including at milk receiving stations), and produces 50 tons of cheese a day (The maximum capacity of 100 tons will be reached in the Spring). It has the only refrigerated milk trucks in Bulgaria. The processing plant is owned by a Bulgarian bank, and the manager is considering the option of turning ownership over to private farmers through a cooperative.
- At least two additional smaller private processing plants have been assisted and are successfully operating based on training and technical assistance provided by Land O'Lakes.
- Land O'Lakes training resulted in the formation of a 17 member extended family cooperative for processing of sunflower seeds and milling of wheat. The cooperative has turned a 300% profit within one year. The manager frequently refers to Land O'Lakes training materials in the cooperative's management and operations. Currently, an intern from the cooperative is in the U.S. for long-term production training. Two additional family production cooperatives have been formed as a result of the course. The local mayor also participated in training and points to the cooperative as a success even though he opposes the privatization process as a former communist.
- The training courses have strengthened the private Bulgarian Dairy Union which represents 54 state and 40 private dairy processors and through them thousands of new small producers. The union has assisted in the identification of participants and benefited by helping its development at this early stage. The Executive Director said the courses in cooperative principles and practices, and milk assembly were particularly helpful in answering questions raised by members. The union has three employees and is entirely financed from member dues.
- One of the key leaders, who Land O'Lakes sent to the U.S. for an orientation visit, participated in the formation of a grain and building materials exchange in Russe, Bulgaria. He visited a grain exchange in Minnesota and subsequently visited additional exchanges in Frankfurt and Budapest. He uses the

U.S. model which he considered better organized in the pricing of production.

- A private farm entrepreneur took information learned from a farm management course and has expanded a highly successful vegetable farm. He had no previous knowledge of farming, but has an entrepreneurial spirit. He is farming 500 hectares, obtained a bank loan at great risk, and has several large contracts for his vegetable production (5 tons a day). Next year, he plans to diversify his crop and purchase a tractor. The local mayor said he is the only farmer in his village willing to take a high risk.
- Trainers and teachers at the Agricultural University in Stara Zagora and at several research institutes participated in training of trainers courses. All of them are using Land O'Lakes materials in their courses. Several have adopted for the first time interactive adult education techniques which have never been practiced in Bulgaria. Many of them realize that there will need to be a new attitude towards farmers. Previously, they interacted only with professionals at collectives who ordered workers what to do. Now, they are becoming aware of the need and beginning to experiment with extension services directly to private farmers.

3. Estonia

As a small country with a tradition of dairy farming, Land O'Lakes has assisted the dairy sector in Estonia begin to make the transition to a market economy. Examples include:

- A Land O'Lakes technical advisor recommended ways to save one-half of the 350 to 400 tons of waste water dairy in Estonia's largest dairy plant. It represents an annual savings of \$7,200 in treatment costs which frees up resources to pay 10 employees and promotes environmental conservation. A dairy manager indicated major savings from Land O'Lakes technical assistance in improved milk production.
- Training materials from a production management course were widely published (in a series of articles) in a private rural newspaper with 8,000 circulation. The small dairy participants learned how to address mastitis problems, double cut silage and use it in small quantities, and improve feeding and farm management practices.
- A book and training materials on cooperative principles and practices is being used at the major agricultural university, and private extension agents of Farmers Union indicated that Land O'Lakes materials were being used to assist small farmers in cash flow analysis to help them calculate the costs of producing milk.

- A U.S. intern saved substantial funds for a large dairy plant through new skills for analyzing the economics and design in purchasing a new evaporator to make powdered milk.

B. General

1. Commitment to overseas development

As a highly successfully agricultural cooperative committed to international development, Land O'Lakes brings a unique perspective, high credibility, and hands-on operational style to its overseas programs. Counterpart organizations and businesses in Central and Eastern Europe are able to draw on the entirely private Land O'Lakes integrated system which includes farm supply, agronomy services to members, collection and assembly of raw product, high-value processing, distribution and marketing as well as applied agricultural research.

Land O'Lakes development objectives are consistent with the company's mission to become "one of the best agricultural companies in the world." Employees have benefited from their development experiences and come back committed to development objectives and making Land O'Lakes a more international business including support for international investment in Central and Eastern Europe. Development activities are administratively separated from its international business activities though the two are mutually reinforcing.

The evaluation recommends that Land O'Lakes adopt an international development mission statement which should be communicated to senior management, employees, member-owners and A.I.D. The mission statement would help crystalize the increasingly deep commitment which exists throughout the company towards international development programs and clarify the distinction between its international development and commercial activities.

2. Development strategy

Land O'Lakes developed an entry strategy for its development efforts in Central and Eastern Europe which was appropriate for introducing new private agribusiness concepts, management and modern Western-based operations and technologies. The strategy included: (1) a rapid needs assessment, (2) selection of key leaders for U.S. observation and on-going project support, (3) national forums to introduce their programs, (4) specific in-country training courses and technical assistance, and (5) seven-month practical farm internships and three-month agribusiness internships in the U.S. as well as (6) two-week short courses. Local courses have generally been off-the-shelf and taught by Land O'Lakes employees who are directly engaged in the subject matters. These courses have been well received and were conducted at a critical early stage of each country's transition to a market

economy.

The evaluation recommends that Land O'Lakes transition from generic training approaches and refocus its development programs on specific agribusiness problems, concentrate in one or more regions in each country, and rely more heavily on technical assistance. In each country, Land O'Lakes should develop a development strategy, implementation plan and results-based performance criteria for measuring project success.

3. Training courses

Land O'Lakes has developed a series of in-country training courses in agribusiness management, operations, farm supply, processing and dairy-related areas. Courses in marketing and free market cooperatives have been particularly emphasized. These courses are taught for five days for 25 participants, and overwhelmingly use Land O'Lakes line employees as instructors. The courses have been well received by locally selected participants who generally represent a cross-section of agriculturalists in local research, extension, farmer organizations and agribusinesses which are privatized or under privatization. The interactive training approaches and usually diverse audiences have resulted in lively discussions in which Western agribusiness concepts are presented. Instructors have been of high quality and demonstrated an amazing ability to revise courses to participants' levels of knowledge, and to cover broad, unanticipated issues based on their professional backgrounds and current operational responsibilities within the Land O'Lakes system.

The evaluation recommends that Land O'Lakes discontinue generic courses which have successfully laid the groundwork for more tailored training approaches which should rely more on local trainers and training institutions. Training curriculum and course training materials should be modified to be more country specific with case studies and examples which fit the current situation in each country. Where feasible, Land O'Lakes should incorporate its training courses within private agribusinesses through helping create extension services and connections between "decollectivized" smallholder farmers and processing facilities.

4. Technical assistance

Land O'Lakes draws on over 5,000 employees and its 300,000 members as well as collaborating institutions in providing technical assistance overseas. These individuals have strong management and operational skills which are especially relevant to the privatization of agribusinesses in Central and Eastern Europe. The International Development Division within Land O'Lakes acts as a facilitator to link up Land O'Lakes' expertise with counterpart businesses and organizations and fit them to local conditions. In several countries, Land O'Lakes is now placing some of these

employees in long-term technical assistance positions in the field.

The evaluation encourages the International Development Division to reassess its operational and management approaches to shift from training to a more technical assistance model in its development efforts. More support staff and resources may need to be placed in the field to assist Land O'Lakes technical advisors. Technical assistance and training should be carried out in two person teams, one from Land O'Lakes and one local representative, to help institutionalize programs in country. Technical assistance and training should be frequently undertaken together, such as a week-long course and a follow-up week of technical assistance, to provide general course materials and follow-on technical assistance for the application of new learned skills.

5. Internships

Land O'Lakes has effectively used extended U.S. training for interns in the full production cycles (6 months or longer) and in extension, research and agribusiness management (3 months) for 82 key agriculturalists and managers. This program has created a pool of experts who know Land O'Lakes and are key participants in training and technical assistance programs.

The evaluation concludes that agribusiness management internships and training appear to have a more cost effective impact. Further, the evaluation encourages Land O'Lakes to form associations of interns (as key organizers) and training participants to promote interaction and support each other in the use of their new market-oriented skills. Land O'Lakes should host an annual meeting in each major focus country of its participants to discuss agricultural issues and solicit suggestions for future programs. In addition, Land O'Lakes should support the interns' initiative in Poland to create a national FFA-type organization for young agriculturalists and extend such a program to other countries if feasible. Through this program, the upcoming generation will be informed about the variety of opportunities in agribusiness.

6. Evaluation and monitoring systems

Land O'Lakes has an good end-of-course evaluation system and provides strong overall monitoring of its projects with timely and full reports to A.I.D. A senior A.I.D. project officer said that "Land O'Lakes communications are the best. It is a model that other grantees should follow."

The evaluation recommends adoption of an post-training and technical assistance evaluation system. It should require that field staff follow-up technical assistance and training with in-depth one-on-one interviews with a representative number of local participants and partner companies and/or institutions. For each enterprise where Land O'Lakes is providing significant assistance,

a simplified logical framework should be prepared, periodically updated and used to track quantifiable and objective impacts and lessons-learned. This monitoring and evaluation system was discussed and adopted at the regional strategic workshop of senior Land O'Lakes project staff following the evaluation site visits in Estonia, Bulgaria and Poland.

C. Country-specific

1. Focus countries

At the Land O'Lakes strategic retreat on September 12-14 as part of this evaluation, the staff reviewed its country programs towards focusing on few countries. It agreed to terminate existing FMC activities in Hungary, the Czech Republic and Slovak Republic, and to consider revising activities in Lithuania and Latvia pending further review. It decided to focus its programs in Poland, Bulgaria, Romania, Albania and Estonia. The evaluation covers only Poland, Bulgaria and Estonia.

The Albania project has already been revised and is progressing rapidly. An amendment of the grant has been recently extended and increased for Bulgaria and Romania in which full implementation plans will soon be developed.

In Hungary, Land O'Lakes should work closely with ACDI's RAAPS program as it withdraws its own presence; and similarly with VOCA in the Czech and Slovak Republics. At this time, Land O'Lakes should not expand its activities into Macedonia, but offer to assist VOCA and ACDI in goat or sheep cheese processing and, as appropriate provide assistance through its Bulgarian project staff.

In Latvia, Land O'Lakes is considering a revised project approach which would stress dairy policy reform, training in free market economics, collaboration with the Latvian Agricultural Advisory Service and training in family nutrition and community leadership. In Lithuania, Land O'Lakes is reviewing a revised strategy to work with the Geonomics Institute on a three-phase program of customized, hands on training and direct technical assistance leading to a model farm (privatization of a "bendrove") and a pilot free market dairy cooperative of small producers.

2. Poland

Land O'Lakes longest and deepest involvement in Central Europe has been in Poland. Through a grant from the Office of Private Voluntary Cooperation in 1990, Land O'Lakes carried out a successful internship program for 50 Polish agriculturalists (20 for agribusiness and 30 for the entire farm cycle). Land O'Lakes is carrying recently extended grant entitled Free Market Cooperatives to strengthen private agribusiness and dairy-related development in the region with an emphasis in Poland. Through this

program, Land O'Lakes has conducted 111 training courses for 3,000 participants (31 U.S. and 80 in-country) in 14 subjects including agribusiness management, marketing, cooperative development and technical dairy topics such as milk collection and assembly, and plants maintenance.

Land O'Lakes is the lead contractor for the RAAPS program for restructuring the agricultural sector. Through this program, Land O'Lakes has conducted nine technical assistance missions to help privatize and reorganize agribusinesses such as flour mills, meat processors and seed companies, and 16 training courses. In addition, Land O'Lakes is a subcontractor to the University of Minnesota in which it has been strengthen the Olsztyn University of Agriculture and Technology through helping create a center of excellence (Polish-American Center for Agricultural Marketing and Management). Under this project, Land O'Lakes has conducted 16 training courses at the center in Olsztyn.

The evaluation has found that Land O'Lakes has carried out a highly diverse and complex set of training and technical assistance activities to strengthen Polish private agriculture. It has carried out extensive training throughout Poland which has been well received. Given the mandate to move quickly with widespread impact, Land O'Lakes has achieved broad recognition and strong local support for its training and technical assistance. While Land O'Lakes courses have been generic and at the beginning or intermediate level, they have been extremely well received by participants who have used the new skills in a variety of ways from improved extension to new marketing programs. Because these courses have been so widely provided, there have been occasional criticism that the course materials are not appropriate to Poland. The evaluation found this criticism generally comes from old guard managers and staff who are not receptive to free market concepts and expected technical knowledge specifically to their needs. In at least one case, a plant manager complained that the broad training did not provide specific help for the exclusive benefit of his firm and that such training should not be provided to his competitors.

While the evaluation found that all types of Land O'Lakes courses have been effective, the most impact appears to come from courses in agribusiness management and marketing (especially in market research, advertizing and packaging). Further, nearly all participants commented favorably on the interactive and case study approaches rather than more academic, lecture formats common to Polish educational institutions.

The evaluation concluded that Land O'Lakes development staff is fully receptive and in the process of refocusing their efforts in Poland. There is a general consensus to shift from an emphasis on training to technical assistance, and to better tailor programs to specific enterprises. The momentum of this shift was accelerated

at a regional workshop in Warsaw on September 12-14, 1993 at which all key implementation staff participated.

In order to increase project impact, the evaluation recommends that Land O'Lakes focus its FMC technical assistance and training programs to specific enterprises. Land O'Lakes should select at least 20 private and cooperative dairies and dairy-related enterprises for intensive assistance based on the receptiveness of senior managers to earlier Land O'Lakes training and technical assistance. Ten firms would either be private dairy companies or cooperatives, in the later case, those which are member-controlled or in the process of such a shift in governance. The related dairy companies should be in feed, seed and private advisory services which work closely with the dairy industry.

The project strategy should be to work closely with these companies to assist them in privatization and restructuring so that they will become economically sustainable and increase competition in the dairy sector. Increased competition from private firms should result in pressure for further privatization of state firms or those state firms in the process of restructuring. The evaluation found that private firms tend to be more responsive to the marketplace and force state firms, which have made only nominal changes to joint venture companies, to accelerate restructuring and privatization.

While initially, the project should focus on already identified firms, it should remain open to additional private companies which request assistance. In particular, training programs should include participants from these companies in addition to those targeted. However, technical assistance should be limited to a few private companies for greater impact.

The project staff should develop a baseline analysis of technical assistance and staff training needs for each firm. A brief logical framework should be prepared for each targeted enterprise with participation of management and boards of directors. A series of technical assistance interventions should be designed for each plant and grouped by subjects (i.e. dairy collection systems). Then, Land O'Lakes should carry out a linked program of training tailored to common problems among the all enterprises and follow up technical assistance for participants in the course. The goal of this approach is to work through common problems at the targeted enterprises, increase general staff skills through training, and help apply the new skills with technical assistance.

The evaluation recommends that Land O'Lakes carry out future training and technical assistance with local counterparts (co-trainers and co-advisors) to develop private advisory services and to strengthen training skills at various Polish institutions (e.g., ODRs, cooperative centers, universities). The local counterparts will strengthen the activities because of their understanding of

the Polish reality.

The evaluation found that the RAAPS program has a different strategy and approach from FMC. RAAPS focuses on processing in meat, grain, and vegetable and fruits in contrast to FMC which focuses on the dairy sector. While FMC is filling critical gaps with technical assistance and training, RAAPS is providing a more broad-based program which centers on developing a overall business plan, especially in financial management. FMC will continue to rely heavily on training: RAAPS uses initial training programs in marketing and business management for screening and selection of its 30 targeted firms.

The evaluation found that the RAAPS project is on course. It recommends modification of its log frame to clarify its objectives and distinguish them from the FMC project. The RAAPS project has just completed its first year of activities and a separate mid-term evaluation should be carried out in 1994.

In its subcontract with the Humphrey Institute of the University of Minnesota, Land O'Lakes is helping to strengthen a center of excellence in applied agricultural marketing and technology at the Olsztyn University. In discussions with Olsztyn University, the evaluation agrees with the emphasis in developing a post diploma studies program, on a free basis, geared to enterprise managers (potential and new managers as well as retraining current managers). For the coming year, Land O'Lakes is slated to team-teach courses in market research, marketing and corporate planning. Its experienced practitioners can provide nuts-and-bolts training to complement more academic instruction. In these courses, the local trainer should develop relevant Polish examples and case studies to accompany the courses. All courses should logically progress and be complementary throughout the series of courses.

3. Bulgaria

Land O'Lakes initiated its activities in Bulgaria by sending six key agricultural leaders for an observational tour in January, 1992. A local representative was hired full time in January, 1992. A one day national forum took place in February, 1992 for 150 participants. The forum occurred just as land reforms began. It was one of the first major activities of a foreign assistance organization, and gathered leaders from around the country to discuss new agricultural policies just when the new land law was in the process of being passed. The current Prime Minister attended the forum as a participant prior to his election.

The key leaders and participants in the forum played a key role in identifying appropriate in-country courses, institutions and participants for a series of five day courses. These advisors helped the local staff change 30-35 percent of the topics for seminars based on reactions and suggestions raised at the forum.

The initial set of 20 seminars was delayed for three months until the land law passed and took place in the fall of 1992. Seminars were held on marketing, private agribusiness, cooperative principles and operations and several dairy-specific topics. The seminars brought together people at different levels of education and from diverse organizations.

The Land O'Lakes local representative indicated that there had never been such an intensive effort in Bulgaria. It was one of the first "free flows of information and knowledge," and "another way of thinking." Bulgaria had never enjoyed liberty and freedom with occupiers or communist officials telling you want to do and you "just obeyed," he said. During 1993, an additional 14 courses have been taught in topics including the privatization process and training of trainers. Four courses are planned for the remainder of 1993 in dairy plant maintenance and agri-input distribution. So far, the seminars have brought together over 700 participants (about 650 individuals), and are expected to reach 850 participants by the end of the year. In addition, Land O'Lakes has provided U.S. training to eight Bulgarians: three in farm operations and five in agribusiness (three in dairy, one in forage and one in cooperative management). Eight additional Bulgarians will participate in a two week U.S. agricultural inputs and distribution course in October, 1993.

The evaluation notes that the Land O'Lakes training came at a critical time of agricultural transition from collectives to individual farmers. This restructuring is occurring rapidly though the titling process is slow. Many cooperatives have been formed by individual farmers, mostly in grain and dairying. There is evidence that leaders of these cooperatives took the initiative and used information based on the seminars including the formation of a extended family cooperative near Stara Zagora named Land O'Lake ("Kroumovo").

Given the lack of any institutions nor extension services interested or concerned with serving the new private farmer, Land O'Lakes' only alternative was to directly carry out seminars. Land O'Lakes trainers coming from a successful U.S. cooperative provided a credibility not possible from traditional U.S. training providers.

The evaluation recommends that Land O'Lakes begin the process of institutionalizing these seminars through hiring a local trainer. The basic materials are already translated and the information is highly valued by participants. The local trainer should modify the materials to fit the circumstances in Bulgaria and add Bulgarian case studies. These materials should be provided to the four major agricultural universities and over 80 vocational schools including additional training of trainers for their use. The materials also should put into articles for inclusion in rural newspapers and through bulletins of the Union of Dairy Producers.

Recently, A.I.D. signed a five year amendment to the FMC grant in which Land O'Lakes will be carrying out an expanded technical assistance program in Bulgaria and Romania. The project will focus technical assistance to specific regions (i.e., Dobrich-Varne, Pleven-Russe-Lovech and Plovdiv-Haskovo-Stara Zagora) where private agribusiness and dairy formation is taking place. A full-time U.S. technical advisor has been selected and will soon be in place to begin this new approach.

The evaluation recommends that a full implementation plan for the new project should be prepared as soon as possible. The plan should be jointly carried out by Land O'Lakes and the local A.I.D. agricultural officer. It should: (1) select and initially focus on a single region for year one, (2) work only with one or more private dairies, (3) concentrate on the linkage between such dairies and emerging commercial farmers including the formation of a producers' cooperative, (4) strengthen the plant quality controls, and (5) assist in new packaging, advertising and marketing. From the interviews of participants during the evaluations, the major challenge for the new project appears to be the creation of private extension models which would link processors and small farmers to improve raw milk quality and collection systems. The implementation plan should include a detailed baseline assessment and development strategy. Performance indicators, monitoring and evaluation should be integrated into the project design.

4. Estonia

Land O'Lakes began its development activities in Estonia through a rapid needs assessment in December, 1991. This was followed by bringing two key dairy leaders from the Estonian Dairy Association to the U.S. for an observational study tour in June, 1992; and a national dairy forum in March, 1993 for 50 participants. Two dairy interns underwent extensive training at Land O'Lakes plants and on-farm training. In March, 1993, Land O'Lakes hired a part-time representative and begin in-country training workshops in dairy production (May), cooperative principles and practices (June) and procurement and assembly of milk (September). A subcontractor, Geonomics, undertook extensive technical assistance and prepared a policy framework and legislation to establish a uniform transaction and quality control system (March, 1993).

The evaluation found that these activities had established strong relationships between Land O'Lakes and major stakeholders in the Estonian dairy industry. To help focus and concentrate its dairy development effort in Estonia, the evaluation involved intensive interviews with training participants, discussions with key dairy leaders and A.I.D. The evaluation drew on technical advice from two experienced LOL dairy collection experts (Jim Glaeser and Arvid Fristad) who were providing technical assistance and training. The evaluation resulted in the following project strategy.

The evaluation noted that Estonia has strong potential to recapture its previous position in dairy production during the pre-War II independence period. From 1920-1940, milk production was predominate in Estonian agriculture with large farms and producer cooperatives (societies). The country has a strong tradition of dairy husbandry, excellent genetic stock (all cows are registered), cool climate and good forage supply. During the communist period, Estonia was a major dairy producer for the Soviet Union and its collective farm system was considered one of the more successful.

Today, Estonia has a free market-oriented government which has moved rapidly to privatize agriculture including the breakup of state collectives. This has resulted in a major shift in the sourcing of raw milk from large collectives to small farmers. Some of these farmers have achieved commercial size with the average dairy herds at about 10 cows. Yet at one dairy plant, one-half of the 2,000 producers had only one or two cows.

Given budget constraints and its commitment to private enterprise, the government is not subsidizing the agricultural sector including dairies. With the decline in consumer purchasing power, dairy production has dramatically decreased. Most plants are operating considerably below capacity within a smaller market, both domestically and as a result of the loss of its traditional Russian markets. Within the next year or two, restructuring in the dairy industry will occur with a number of plant failures. Several plants have been privatized as cooperatives or joint venture companies (one with Dutch investment). Currently, there are 12 large state plants and 31 smaller cheese and other types of plants. On September 6, 1993, the government decreed that all plants will be privatized. They will be soon be put up for sale to management and producers. If producers are unable to purchase them, the plants will be turned into stock companies for sale to domestic and foreign investors.

The evaluation found that the major problem within the Estonia dairy industry is the poor quality of the raw milk supply (on farm production). This results in an inferior product for consumers and a short shelf life of about two days, compared to an international standard of 10 to 12 days. Even the best dairy collective (now renamed a stock company) has poor on-farm sanitation conditions.

Members of the evaluation team and an in-country advisor visited five farms with 7, 70, 100, 180 and 400 cows, and found poor sanitary practices on all of them. Observed problems included dirty coolers that were not maintained at the proper temperature (e.g., lack of freon and poor quality equipment). On-farm milking equipment was antiquated of Russian origin and generally not properly cleaned. There is no equipment cleaning sanitation program on farms or at processing plants. In addition, there are major antibiotic problems especially with one and two cow herds. Plant equipment and tanks in collection trucks also are dirty with

sediments and milk residues.

Until raw production qualities can be improved, other improvements within the dairy system will have minimal impact. The production quality is exacerbated by the rapid breakup of collectives into smallholders, many of whom have limited dairying experience.

There is practically no extension training or monitoring of milk quality from plants to producers, nor is there a government extension program. However, there is strong interest and a willingness to learn at plants and by producers. Plant managers and small producers recognize the need to build trust. With the break up of collectives, plant managers have a stronger awareness of the importance of strong linkages to small farmers.

Currently, plant collection technicians work in the receiving bay. They monitor and help in cleaning of bulk trucks, and occasionally visit the larger producers to assure that their dairy cows have sanitary certificates (required annually for small farmers; monthly for large herds). They need extensive training and motivation.

Most raw milk comes to plants from former collectives (as high as 80%). Small farmers provide raw product either to plants or to specially designated farmers markets where the milk is health inspected.

After the expected industry shake out, the remaining plants will increasingly depend on small commercial farmers for raw milk supply as most collectives wither away.

In addition to poor quality milk supply, the dairy plants need to improve overall sanitation practices. With better raw product, the remaining plants will begin to compete based on overall quality, consumer satisfaction and improved marketing. A greater product differentiation will take place in the marketplace with higher quality gaining better prices.

The evaluation recommends the adoption of a new project strategy to be entitled "Estonian Dairy Improvement Through Private Extension." It would involve focusing initially on one or more model private dairy plants and working to: (1) improve the connection between the plant and the producer for quality production by creating a private extension system; (2) improve sanitation practices in the plants; and (3) develop better marketing capacities based on a superior products. This strategy is consistent with A.I.D.'s objectives in Estonia to support the shift to a private market economy and, in particular, to support privatization efforts in agriculture and the dairy industry.

To begin to implement the strategy, the project would continue in-country training workshops but shift its emphasis to technical assistance to achieve more measurable and lasting impacts.

The technical assistance and training components would be strengthened by hiring two additional local staff who could be supervised by a project representative. The project would select and train an extension specialist who would have strong technical skills and who would need U.S. practical training in on-farm quality production, collection of milk and plant sanitation. This training would take place at the Denmark plant in Wisconsin with its procurement manager, Jim Glaeser, who is familiar with Estonian dairy practices through his carrying out an in-country workshop in procurement and milk assembly (and who also provided technical assistance in this strategy development). Glaeser will join Arvid Fristad, who recently carried out technical assistance in Estonia on collection systems, to serve as LOL technical advisors for the implementation.

The Land O'Lakes local specialist would be initially assigned to one of the four private plants. The goal of this specialist would be to complete the linkage between the producer and the plant by carrying out various tests of milk quality, and recommend and implement improved sanitation and production techniques.

The project also would hire a local trainer who would work closely with the specialist, the Dairy Association (composed of dairy plants) and the Farmers Union which represents private farmers. The trainer's role would be to train extension agents (collection specialists) at other plants; develop practical on-farm materials to support quality production; carry out an information campaign on improved dairy quality standards and practices; and prepare curriculum for courses and training courses at the Agricultural University and vocational educational institutions. Candidates for this position will participate in and the individual will be selected at the in-country, train-the-trainer courses in October, 1993.

Initially, the project would focus on two the four private plants as models (e.g., the producer-owned cooperative cheese plant at Poltsamaa) and gradually expand to other private plants to implement total quality control programs.

The Land O'Lakes' local extension and training specialists would carry out on-farm and in-the-plant technical assistance and workshops to support the creation of a private extension service, and to address critical quality control issues and, later, marketing needs. The currently-planned workshop on dairy health and nutrition would focus on producers of the private plants with emphasis on mastitis, sanitary practices and other diseases affecting milk quality. A planned train-the-training course would be re-oriented to quality milk production and be tailored to quality control issues for supervisory staff for collection specialists at plants who are assigned to monitor and correct quality control issues. The course would use a case study approach with trainers visiting farms and dairy plants to learn training

techniques for on-site, practical extension.

Future technical assistance and workshops, which would be carried out in conjunction when feasible, would focus on management and technical staff of the model private plants and selected participants from the Agricultural University and state plants undergoing privatization. Land O'Lakes would attempt to use the same technical staff for technical assistance who have already carried out assistance efforts in Estonia.

To accompany the training and technical assistance, the Land O'Lakes in-country staff would develop an information program for wide distribution concerning on-farm quality milk production through agricultural programs on radio and TV and articles in rural newspapers; and curriculum and courses at agricultural vocational schools and the university.

As improvements begin to take place at the farm level, the project would shift its emphasis to the processing plant through providing technical assistance for improved collection and processing. As overall quality of the products increases at the model plants, technical assistance would be provided in marketing of the improved product. These latter phases are likely to require additional A.I.D. funding and different local staff skills beyond the current project time frame of the grant.

The evaluation recommends adoption of this strategy and implementation plan which needs further refinement. The plan also should include performance measurements such as increased milk quality from producers and within plants (standard plate counts below 25,000 and somatic cell counts of less than 250,000); monitoring of quality records; raw milk pricing policies, contracts or other incentives which require meeting high milk standards; improvements in on-farm and plant techniques in quality control; and a broad awareness by plant managers, farmers and producer association leaders and others on the importance of quality control to achieve increased domestic and international markets.

The project would help create private extension services in two model plants which will be administratively and financially supported by management and through on-farm prices of producers. In addition, the project would help establish on-going training programs in milk quality procurement and assembly at dairy plants and promoted by dairy associations and dairy plants. The project would encourage and assist in the development of curriculum and courses at agricultural vocational schools and the university in milk quality issues.

VII. Lessons-learned

A. A.I.D.'s partnership with U.S. agribusinesses

A.I.D. has little experience working with major U.S. agribusinesses in overseas development projects. Land O'Lakes is one of the few companies which has a development division and strong commitment to development goals. There are a number of advantages to tapping Land O'Lakes expertise since it represents a fully integrated company from production to the consumer including private models of extension and applied research. Land O'Lakes staff have proven to be excellent trainers and technical advisors because they are presenting information and skills to foreign participants which they do every day. They have strong credibility and their overseas mission is an exciting opportunity and rewarding experience. On the other hand, there is a limitation on their availability since they are pulled out of line jobs in the company.

Given the increased use of private companies to advance A.I.D.'s agenda for market reforms in Central and Eastern Europe and the Newly Independent States, A.I.D. needs to better understand the advantages and limitations of such private company partners. In particular, A.I.D. should assure itself that there is a strong commitment by such companies, as in the case of Land O'Lakes, for the same development and market reform goals. Development and U.S. investment goals of private companies may conflict. For example, business objectives may strengthen the old guard and large state companies while development goals are to help small and medium sized private companies. Other A.I.D. partner companies should follow the lead of Land O'Lakes in separating the two activities (development and investment) to avoid the appearance of conflicts while recognizing that U.S. investment and economic development are mutually re-enforcing and complimentary.

B. Working with rural change agents

In general, technical assistance and training providers in Central and Eastern Europe and the Newly Independent States seek to locate projects in regions or towns led by reformers. This is an appropriate way to support market changes. However, in most rural areas, there are few reformers. In private agribusiness projects, it may be better to seek locations where there is a high tolerance, and not necessarily full support for reforms. In discussions with former communist (now social workers) leaders in rural areas of Eastern Europe and the Newly Independent States, they often appear to be more receptive to change than one would expect. They may politically oppose privatization, but allow it to proceed because it is the law. These leaders have a desire to strengthen the local economy, and they want their entrepreneurial farm leaders to succeed.