

**Land O'Lakes, Inc.**

International

Development

**RESTRUCTURING AGRICULTURE  
THROUGH AGRIBUSINESS FORMATION:  
PRIVATE SECTOR PROGRAM FOR RUSSIA**

**Cooperative Agreement Number: CCN-0006-A-00-3039-00**

**QUARTERLY REPORT  
April 1, 1993 to June 30, 1993**

**July 28, 1993**

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## **1. EXECUTIVE SUMMARY**

Land O'Lakes International Development Division began implementation of their Restructuring Agriculture through Agribusiness Formation: Private Sector Program for Russia in the last half of first quarter 1993. Although start-up activities progressed slowly, the program is well underway with the hiring of one of two long-term personnel that will be located in Venev, Russia; the fielding of one technical assistance expert volunteer; and the shipping of a forage harvesting system.

Farmers and farming in the region are primed for assistance in farm supply operations such as forage, feed, crop protection, seed and fertilizer, and agribusiness development such as cooperative development and product marketing. With the addition of a second long-term person in Venev, the program should have a high amount of sustainable impact in the area. This model program can then be duplicated to other districts in the Tula area and, perhaps, throughout Russia.

## **2. IMPLEMENTATION OF ACTIVITIES**

### **A. Program Management**

Start-up activities for this program have proceeded slowly but steadily since its beginning in February, 1993. To provide ongoing support to accomplishment of program objectives, the following Land O'Lakes International Development Division personnel were assigned to the program. Kathy Maro, Project Officer, will be responsible for overall management of the program. She will be assisted by the two long-term project leaders, who will be located in Venev, Russia and by a project assistant, Ellen Nodland. Additional in-country overall program management will be provided by Nathaniel Carin, NIS Manager. All administrative aspects of the program will be coordinated by Mary Hotchkiss, Program Specialist.

The program in Venev received kudos by Dr. Bashmachnikov, head of the national AKKOR, at a VOCA conference on agriculture in Saratov in May 1993. USAID/Moscow officials reported that Dr. Bashmachnikov's speech highlighted the Land O'Lakes approach in Venev as the appropriate one for technical assistance in Russia. He stressed the need to concentrate efforts in one specific area to serve as a model to be repeated in other areas.

### **B. Long-term Expatriate Personnel**

John Brannaman was hired as the Project Leader, Farm Supply Operations position during June, 1993. He will be looking for housing in Venev in early July and will begin his position in Venev by mid-July.

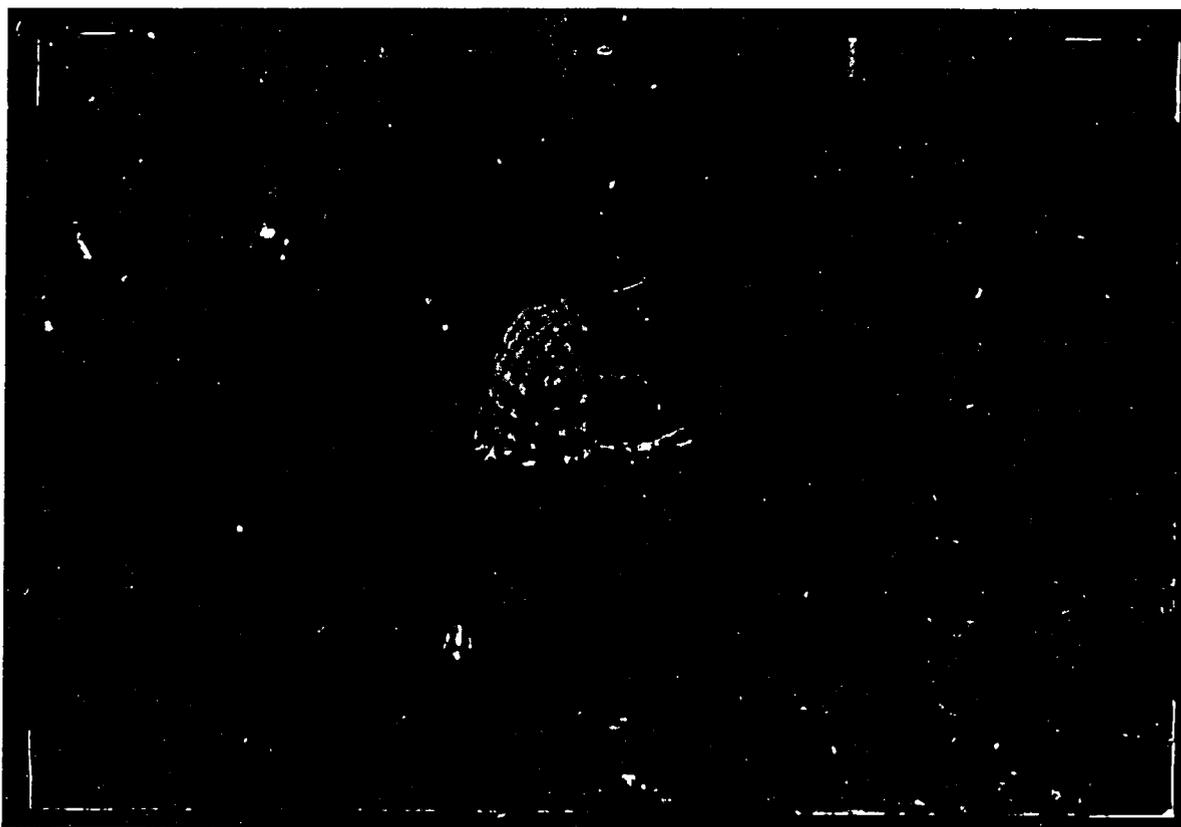
Brannaman previously was co-manager of a project in Ukraine which was funded by Iowa International Development Foundation. In connection with that project, he was responsible for in-country management of a crop production enterprise utilizing American technology and equipment and education seminars conducted by U.S. company representatives and university economists. In addition, Brannaman brings, to the Venev program, extensive experience in agricultural marketing, training and research.

### C. Short-term Technical Assistance

One short-term technical assistance volunteer was fielded during May, 1993. The program will be better served by further volunteers arriving when long-term personnel are in place. This single short-term assignment was necessary during the beginning of forage development season in order to coincide with soil preparation and planting.

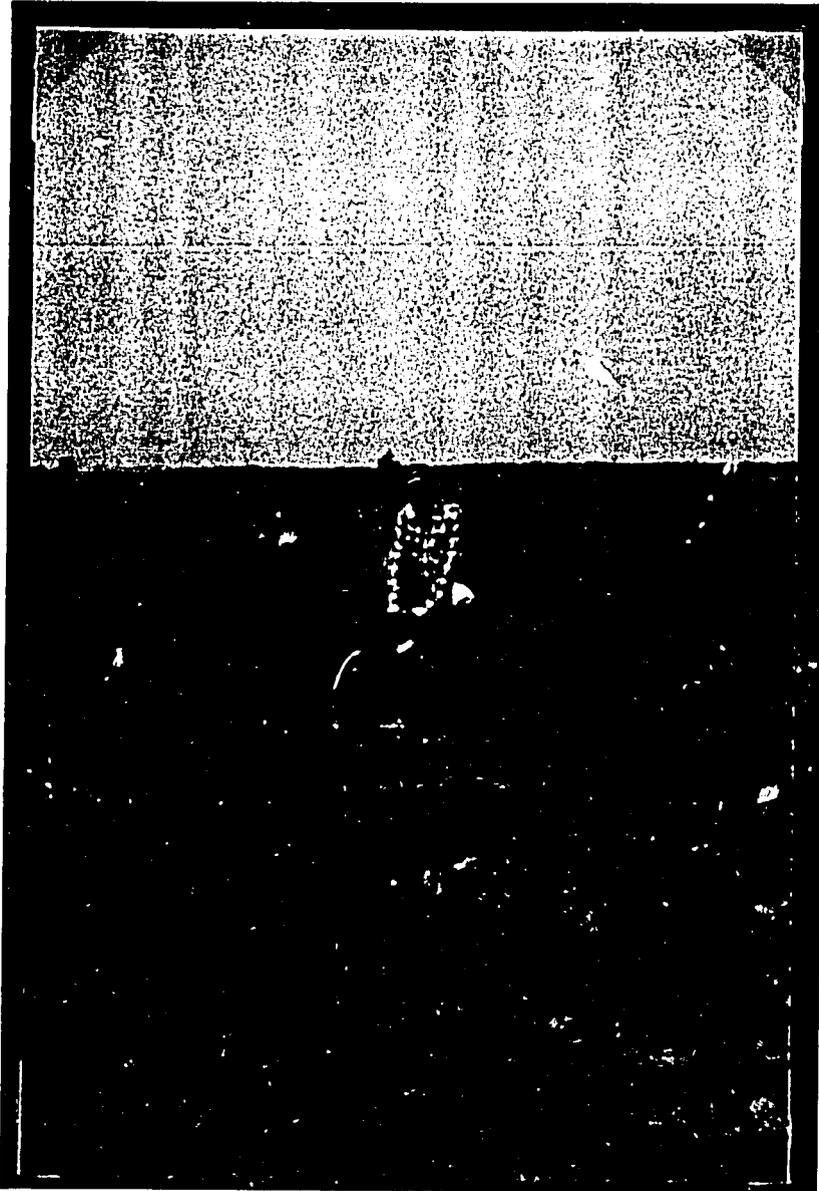
Rick Rominger was assigned to provide short-term technical assistance to the Venev Cooperative in the area of forage production from May 17-28, 1993. He is a Montana rancher with experience in a variety of grains and forages. He has also been an instructor at an agricultural technical college.

During his technical assistance intervention, he helped to establish three demonstration plots on Venev Cooperative members' farms with donated Land O'Lakes seed. The purpose of this was to introduce new and clean stands of forage. Eventually, these plots will be harvested and fed to the members' dairy cows. By doing this, the importance of good fresh forage can be demonstrated through an increase in milk production.



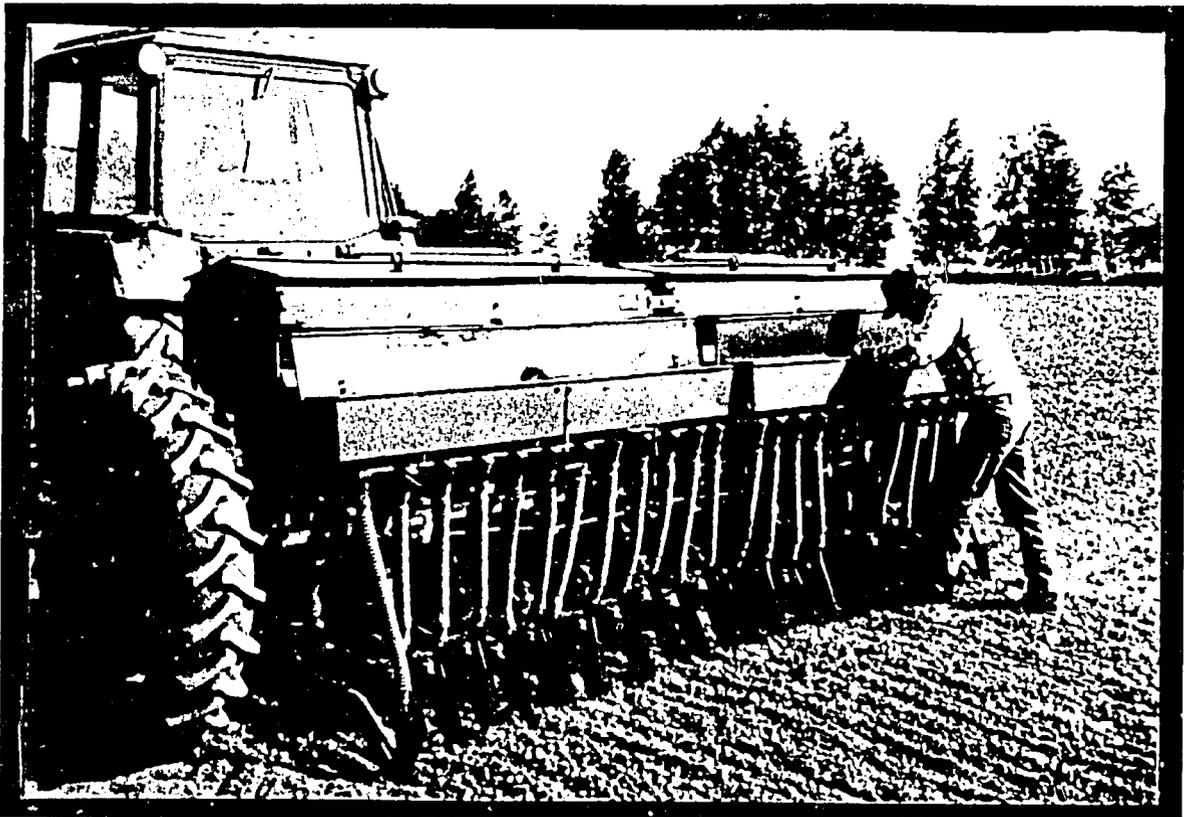
Rick Rominger, forage specialist, analyzes an alfalfa stand typical of those in the Venev area

Rominger also needed to assess local soil conditions while some fields were still unplanted. Understanding how farmers prepare, fertilize and maintain their soil is a key to producing the good stands of forage necessary for quality milk production. Land O'Lakes has been unsuccessful in persuading the Russian government to allow local soil samples to be tested in the United States. It would be desirable to do this in order to determine the accuracy and standards of local Venev soil testing. However, since this does not appear possible, Rominger also began research on the current testing methods at the Venev Agricultural Institute.



Rick Rominger sampling soil for testing at the Venev Agricultural Institute

During the seeding of the demonstration plots, Rominger trained the farmers who owned the fields in: seeding, weed control measures, proper cutting times, storage and fertilization techniques. His observation was that there were not many "clean/pure" stands of forage, whether clover, alfalfa or other types. Fields are often seeded erratically due to poorly maintained or out-of-date equipment. The local farmers also do not get the forage off of the field and ground in a timely manner, which substantially decreases the quality of the forage.



Standard Russian seeding equipment. This equipment is likely to produce forage stands with non-uniform growth.



Russian private farmer Mr. Yakumin stands in his alfalfa field which has been damaged by frost.

Rominger said, of general conditions in Venev:

*"Private farming is off to a good start in the Venev area. The farmers with whom I visited have the basic knowledge, determination, and work ethics to survive as private farmers. The lack of available credits for short and long term needs, as well as having an ineffective, noncompetitive market to sell their produce, appear to be the main obstacles to their further development and ultimate success."*

#### **D. Staff Trips**

Rolf Campbell, Land O'Lakes Director of Operations, spent May 24, 1993, in Venev as part of a trip to various international development sites in Central and Eastern Europe and the NIS. Campbell encountered some dissatisfaction with the length of time that the start-up portion of the program was taking but was able to reassure cooperative board members that they would be seeing more activity in the near future. In addition, Campbell was able to visit a private farmer, Nicoli Smotrov, and discuss in detail with him the future availability of equipment and technical assistance through the cooperative. Smotrov was extremely interested in any technical assistance or information that the Land O'Lakes program could give him. All parties continued to reiterate the need for farmers to have access to capital, either through credit or outright grants.

Campbell also toured the local dairy processing plant. The Venev Cooperative owns a 10% share of this plant and therefore this plant would likely be the focus of some of the dairy processing expertise that will be available through this program. Current products being produced by this plant include a yogurt-like drink, a farmer's cheese, fresh cheese, fluid milk and cream. The major issues facing the dairy processing operation are sanitation, maintenance and extending the shelf-life of their products.

#### **E. Equipment**

A John Deere forage harvester and rotary mower/conditioner were shipped to the Venev Cooperative in April, 1993. The equipment was purchased at Durand Implement in Durand, Wisconsin. It arrived in Venev on July 6, 1993. John Brannaman, Land O'Lakes Project Leader, Farm Supply Operations, and a short-term technical assistance expert will coordinate the assembly, maintenance and usage of the equipment by the cooperative. It is currently planned that the cooperative will rent out the equipment to its approximately 90 members with the rental money going to further development of the cooperative, thereby providing further benefits to its members. An arrangement of this type would be typical at a small U.S. cooperative.

The forage harvesting system will help the farmers in the Venev Cooperative with the quality of their silage. The cutterhead of the system uses rows of short, segmented knives mounted on a solid drum. This design helps cut power usage by moving cut material directly into the cross auger. With this design, the forage cut will be fine and short. This allows the forage to be packed tighter with less air, which in turn yields a better quality and palatable silage. In addition, the system will also improve the drying process of the forage. As the hay is cut, the impeller/conditioner tines pick up the plants and cause them to rub against the conditioning hood and other plants. This rubbing action removes much of the waxy film on the plant stems. Without the waxy coating to seal in moisture, plants dry faster, without sacrificing the leaves. The entire harvesting system will help to improve the value of the forage given to the dairy cattle and contribute to increased milk production.

See Appendix A for copies of U.S. articles about the forage harvesting system.

### **3. PROGRAM ADJUSTMENTS**

During the initial phase of program start-up, no program adjustments were necessary. However, with long-term people in place in Venev, program adjustments may be necessary in future quarters. All program adjustments will be reported as inclusions to monthly reports to the USAID/Washington project office. In addition, any adjustments to or major impacts on the completion of the yearly implementation plan will be coordinated with the USAID project officer.

Delays in hiring long-term expatriate personnel prevented more technical assistance from being provided during the first two quarters of operation. In addition, the forage equipment required special permission from the Russian Humanitarian Commission in order to be unloaded in Venev. Because of this delay, the equipment could not be assembled and tested by the forage specialist volunteer while he was in Venev. Subsequently, the use of the forage equipment will be delayed further until long-term personnel are in residence in Venev. Proper assembly of the equipment and training in the use of it are essential to its performance.

### **4. UPCOMING ACTIVITIES**

A yearly implementation plan will be submitted during July, 1993. This document will contain the input of at least one of the long-term expatriates hired for the in-country positions. Response and subsequent approval from USAID is anticipated.

An additional long-term expatriate employee will be hired for this program during the third quarter of 1993. In conjunction with the placing of these long-term employees in-country, the process of obtaining authorization for the two four-wheel-drive vehicles budgeted under this program will take place. Currently, the option of purchasing U.S.-made jeeps in Russia is being researched.

The current Project Leader will continue to work on obtaining comparison results for soil sample testing. Once this is accomplished, it will be possible to continue to test soil in Venev rather than in the U.S. because the test results will be comparable to the current U.S. standards for fertilizer and crop protection systems.

The following short-term technical assistance interventions are planned for the third quarter of 1993:

- feed marketing, sales, rations balancing and manufacturing
- mid-year business plan and operations assessment and follow-up
- forage production, storage and forage feeding

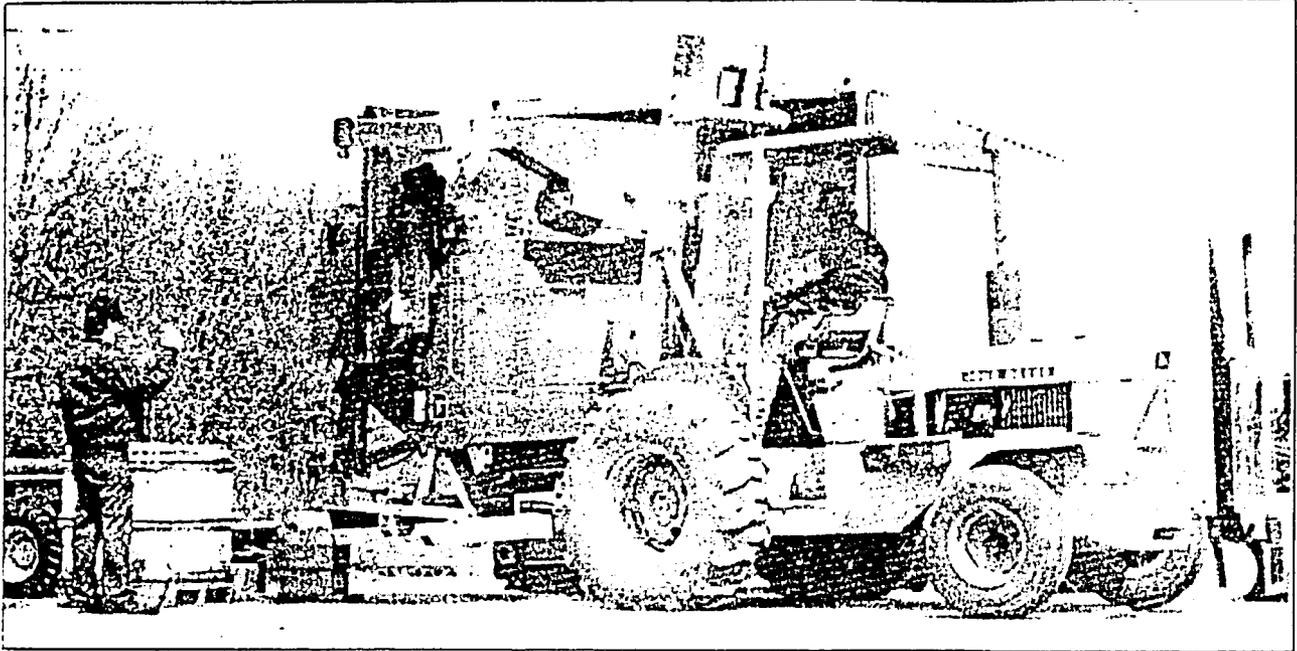
### **5. ATTACHMENTS**

**A. Newspaper Articles**

**B. Quarterly Financial Report**

ATTACHMENT A  
NEWSPAPER ARTICLES

1



Workers at Durand Implement load a forage harvester and disk mower conditioner into the truck for transportation to Russia.

## Durand Implement equipment to make world trek

Two pieces of farm equipment purchased at Durand Implement, a local John Deere dealership, will be taking a long trip. The journey, which started April 22, will end south of Moscow, Russia at the end of May.

A forage harvester and disk mower conditioner was purchased at Durand Implement by Cenex/Land O'Lakes through a grant program called US AID. It has been set up by the government to help private farmers in Russia. Land O'Lakes has started a cooperative in the Tula Region of Russia. In the town of Venev, which is 100 south of Moscow. The equipment will be rented to these new farmers.

Durand Implement got involved after a bid was requested from Land O'Lakes and after it was accepted a

truck arrived for pick-up in Durand Thursday, April 22, according to company representative, Kathy Maro. The equipment was loaded into a special transport tube at Durand and it was set for an April 23 departure on the ship from Port Elizabeth, New Jersey.

It will across the Atlantic, make a stop in Rotterdam, Netherlands, proceed through the North and Baltic seas and then continue on to St. Petersburg, Russia. It will then be taken by truck to Moscow and be in Venev on May 20.

The cooperative started in the Tula Region has 90 members and covers about a 100 miles radius. The first board of directors was elected in January of 1993. Most of these farmers used to work for the government's collective farm, but with

privatization they now have their own land. The average size is 30 Hectors, as one Hector is equivalent to 100 by 100 meters. They present equipment is not only old and outdated, big too big for the smaller farms.

Most of these farmers also cannot afford their own equipment. So with Cenex/Land O'Lakes renting out this equipment and some technical training it is hoped milk production can be increased. A specialist will be sent by Cenex/Land O'Lakes to help the new cooperative. It is hoped the machinery will be ready for the first alfalfa cutting in early June. Anyone interested in learning more about the program, or possibly getting involved in the future can call Kathy Maro at 1-612-481-2345.

## Equipment from state firm is on its way to aid Russian co-op

Durand

Two pieces of farm machinery from lots in Wisconsin, sold by Durand Implement Co., are now on their way to Russia to be used as demonstration equipment by a new Russian Cooperative, according to Tom Weiss of the Durand dealership and Kathy Maro of Land O'Lakes-Cenex's International Development Division.

Mr. Weiss, agricultural sales manager at Durand, said a representative of Land O'Lakes-Cenex

stopped in one day and discussed purchasing a John Deere 3950 Forage Harvester and a John Deere 1360 disc-mower conditioner.

Later, Mr. Weiss received a phone call from Ms. Maro of Land O'Lakes-Cenex about the equipment and its price.

The one restriction, Mr. Weiss said, was that it not be set up. "We had to look around for equipment that was not assembled," he said. They found one piece at the John Deere dealership at Sheldon and a second at Merrill.

"Kathy called back and this spring and said the deal had been approved," Mr. Weiss said that one of the conditions being that it could be shipped out so that it could be in Russia by June 1.

Ms. Maro said Land O'Lakes-Cenex wanted to purchase the equipment from within its trade area and had been looking for equipment that had not been assembled. The funds for the purchase, she said, came from a US-Aid federal grant. However, she emphasized that Land O'Lakes-Cenex is strictly an adviser on the project. "We needed to make

a fast-turn-around and the Durand dealership was able to make the deal," she said.

"We are providing assistance to the Russian cooperative. We have no financial interest in the cooperative or are we doing it as a joint venture," she said. Land O'Lakes-Cenex is also offering technical assistance and has sent volunteers to work with farmers in that region.

The Russians are short of harvesting equipment, she explained, and the two pieces will be used by the cooperative which was formed with about 90 members. They are experiencing their first attempt at individually-owned farms after being involved in government collective-farming for years. The equipment also will be used to demonstrate forage techniques for the Russians, she said.

The cooperative is located in the Tula Region, about 100 kilometers south of Moscow. The Venex Cooperative was formed January 1 of this year.

Mr. Weiss said the shipping company sent a semi-truck with an overseas shipping container to Durand and with the truck driver's instruction, the two pieces

of equipment were packed into the container with proper tie-downs and blocking so that it would not shift around. The power-take-off shaft and the tongue had to be removed on each piece but other than that, it all fit into the container.

"We had to borrow a metal bender from a nearby sawmill but the truck driver knew how it should be packed. It took awhile,— two or three hours, to pack it up but it was to go on the ship just like we packed it," he said.

Ms. Maro said it was being shipped by Matrix International through Port Elizabeth, N.J., on a Sealand Services vessel, a U.S. Flagship. The equipment will go to Rotterdam, Holland, then on to St. Petersburg and on to Moscow to the Tula, Oblasa District, arriving at the cooperative by May 20, where the container will be unpacked.

It is planned, Ms. Maro said, so that the new machinery will be ready in time for the first cutting of hay. Land O'Lakes-Cenex will also be sending a technical adviser to work with the equipment, she said.



Photo by Arne Hoffman

### Checking it out

Tom Weiss of Durand Implement checks out a forage harvester similar to the one that the company shipped to Russia through a sale to Land O'Lakes-Cenex. A similar piece of equipment is now on its way to Russia.

ATTACHMENT B  
QUARTERLY FINANCIAL REPORT

**RESTRUCTURING AGRICULTURE IN RUSSIA  
FINANCIAL REPORT**

	Expenditures		
	<u>Actual</u> Grant to Date	<u>Actual</u> 4/1/93 to 6/30/93	<u>Projected</u> 7/1/93 – 9/30/93
1. Direct Labor	\$29,670	\$29,670	\$56,802
2. Fringe Benefits	9,653	9,653	13,633
3. Consultants	4,273	4,273	424
4. Travel/Per Diem	9,754	9,754	54,515
5. Expend. Supplies/Materials	3,576	3,576	3,275
6. Nonexpendable Equipment	36,982	36,982	58,320
7. Subcontracts/Subagreements	0	0	0
8. Other Direct Costs	2,368	2,368	104,655
9. Evaluations	0	0	0
10. Indirect Cost	<u>38,016</u>	<u>38,016</u>	<u>139,980</u>
Total Federal Funds	\$134,291	\$134,291	\$431,604
Non-Federal Funds	<u>0</u>	<u>0</u>	=
Total	<u>\$134,291</u>	<u>\$134,291</u>	<u>\$431,604</u>

This report represents a summary of actual and accrued expenses for the referenced agreement or grant. If accrual expense amounts were not available for activities occurring in the reported quarter, those expenses will be included in the next quarterly financial summary.

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RESTRUCTURING AGRICULTURE IN RUSSIA  
FINANCIAL REPORT

	Expenditures		
	<u>Actual Grant to Date</u>	<u>Actual 4/1/93 to 6/30/93</u>	<u>Projected 7/1/93 – 9/30/93</u>
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3. Consultants	4,273	4,273	424
4. Travel/Per Diem	9,754	9,754	54,515
5. Expend. Supplies/Materials	3,576	3,576	3,275
6. Nonexpendable Equipment	36,982	36,982	58,320
7. Subcontracts/Subagreements	0	0	0
8. Other Direct Costs	2,368	2,368	104,655
9. Evaluations	0	0	0
10. Indirect Cost	<u>38,016</u>	<u>38,016</u>	<u>139,980</u>
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FINANCIAL REPORT**

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