



AGRIBUSINESS PARTNERSHIP II PROGRAM

ANNUAL REPORT

(SEPTEMBER 6, 1996 - SEPTEMBER 30, 1997)

October, 1997

CNFA-Kyiv

THE CITIZENS NETWORK FOR FOREIGN AFFAIRS
AGRIBUSINESS PARTNERSHIP II PROGRAM

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1. EXECUTIVE SUMMARY

The Agribusiness Partnership Program (AP-2) in Ukraine during its first year of existence built a solid foundation and is now positioned to successfully attain its goals during the remaining years of operation. Experienced staff consisting of local and expatriate experts in management, agribusiness and policy reform were hired. New offices quarters were also arranged to house the responsibilities assigned to the AP-2 Program. And, importantly, based upon experiences garnered from the Food Systems Restructuring Program (AP-1) in Russia and Ukraine, a Partnership process was designed and implemented that effectively leverages the resources of USAID in fostering development of a private agricultural sector in Ukraine.

The Chart on page two provides a glimpse of the magnitude of the activity undertaken to develop and prepare Partnership development sub-contracts. (Note: The majority of this activity took place within the last six months, after the new team was in place.)

The amount of interest by U.S. companies is indicative of the potential offered by the Ukrainian agriculture sector. The global news media has frequently described the difficulty of "doing business" in Ukraine. However, even in a difficult and continuously changing business climate, the AP-2 Program has generated significant interest from U.S. businesses who wish to participate in development activities that support establishment of a sustainable private agricultural sector in Ukraine.

The AP-2 Program has also undertaken a concerted program of policy reform activities to support the efforts of US companies with long term interests in Ukraine. These policy reform efforts have, of necessity, been reactive to successive changes in the Ukrainian Government's approach to management of its agricultural sector.

Major AP-2 policy efforts contributed significantly to: the agenda of two sessions of the U.S.-Ukraine Joint Commission on Trade and Investment (Gore-Kuchma talks); monitoring, tracking and analyzing interference in grain movement during 1997; supporting institutions speaking on behalf of the Ukrainian private agricultural community (League of Entrepreneurs of Agroindustrial Complex); participating in activities within government directed at reforming Ukrainian agriculture (Inter-Ministerial Commission); and, preparation of a commercially based export-import financing proposal.

The AP-2 Program also has launched the opening of an Agribusiness Service Center. The Center will provide a boost to U.S. agribusinesses by serving as an information clearing house that provides and interprets current information pertinent to the Ukrainian agricultural situation, serves to identify appropriate contacts within the Ukrainian agribusiness community, and has the capability to assist the private agricultural community with training and technical assistance.

The following report outlines specific activities and impacts from Year 1 activities.

2. AGRIBUSINESS PARTNERSHIPS

A. Introduction

During the first year of the Agribusiness Partnerships II (AP-2) Program, CNFA successfully negotiated and signed nine development contracts and launched a tenth project through the AP Project Development Fund. Five of these agribusiness partnerships are funded through an extension of the Food System Restructuring Project (FSRP) known as Agribusiness Partnerships I (AP-1) and five are funded solely from AP-2. We are currently working closely with five companies to assist them with the completion of their AP-2 applications which should be ready to submit for USAID approval during the first Quarter of FY 98. In addition, there are approximately seven companies with rough drafts of AP-2 applications which we anticipate finalizing before the end of second Quarter of FY 98 and also submit to USAID for approval.

AP Program: Development Contract Activities Summary Sheet*	
100	US agribusiness companies contacted by CNFA in order to discuss the AP-2 Program and to encourage the development of a "Concept Paper" or proposal. (Multiple meetings have been held with most of the companies.)
42	"Concept Papers" developed by companies.
12	"Concept Papers" withdrawn by companies.
30	Draft AP-2 proposals submitted by companies to CNFA for approval.
5	AP-2 proposals withdrawn by companies.
4	AP-2 proposals rejected by CNFA.
9	AP-2 proposals approved by CNFA and USAID; with development contracts signed between the US agribusiness and CNFA.**
5	AP-2 proposals in the process of final approval by CNFA and being prepared for submission to USAID for approval.
7	AP-2 draft proposals in process of completion for submission to CNFA and USAID for approval.
NOTES: * AP Program Summary includes activities funded by AP-1, as of September 30, 1997. ** STIMUL, the 10 th AP project, is funded through the Project Development Fund, but because there is no US agribusiness partner, there is no development contract.	

The process of assisting US agribusinesses with their AP-2 application is often a long and complex one. (See Annex 1 for a description of "The Process to Finalize an Agribusiness Partnership Development Contract.") Many factors influence the pace and result of the development of an AP-2 proposal by US companies. Local representatives of US agribusiness must first secure corporate headquarters approval to initiate an AP-2 proposal and they must have the human and financial resources to develop and implement the proposal. US based multi-nationally oriented agribusinesses have many countries from which to choose in making their investment decisions and the influence of the Ukrainian policy and regulatory business climate on those corporate decisions cannot be underestimated. During the process of CNFA working with companies to complete AP-2 applications, some firms may cancel their investment plans and withdraw their AP-2 applications. During this past year, 17 companies either withdrew their application or cancelled plans to make an investment and AP-2 application in Ukraine. (See Annex 2, the "CNFA Ukraine Agribusiness Partnerships Tracking Sheet," for details regarding the status of all current AP-2 applications, including proposals rejected or withdrawn.)

Sometimes, despite the best intentions of US agribusiness companies or private investors, a proposal will be developed which does not meet fully the AP-2 Guidelines. In those cases, CNFA staff will work closely with the applicant, offering advice and assistance to modify or improve the AP-2 application, so that the proposed activity meets the agribusiness partnerships criteria. Occasionally, however, even these intensive efforts do not succeed. During the past year, CNFA rejected four AP-2 applications because they did not meet all the AP-2 criteria.

As CNFA assists our agribusiness partners in the finalization of their AP-2 applications, we also must prepare an Initial Environmental Examination (IEE) of the project. In most cases an Environmental Assessment (EA) is also required for the projects, which involves more in-depth analysis leading to suggestions for mitigative measures to solve any environmental problems which have been identified. USAID funds are being made available for implementing some of these mitigative measures on the AP-2 projects. All EAs are reviewed by CNFA technical staff and then passed to our agribusiness partners for review and comment, especially because we want to bring the recommended mitigative measures contained in the EAs to our partners' attention before requesting USAID approval. After we receive agribusiness partner approval, we forward the complete EA to USAID-Kyiv for review and approval.

Since filling the Environmental Advisor position in March, 1997, six IEEs have been written and submitted to USAID for approval for six AP-2 projects (Ukraine and Moldova). Four EAs and one EA supplement have been conducted and the results submitted to USAID for approval covering both AP-1 and AP-2 projects. Two EAs which were submitted to USAID are still pending approval (Kiev Atlantic Ukraine submitted on June 23rd and Cargill Fertilizer submitted on July 30th). In addition, five EAs are in the process of being completed for submission to USAID during the next reporting period.

The analysis required for the IEE involves at least one visit to the project site and several meetings with the US agribusiness and their development contract partners. Then the IEE can be drafted and submitted to USAID for approval with the AP-2 application. The analysis required for EAs is time-consuming and requires multiple site visits for each development contract. Since March, 1997, 25 field trips to 26 project sites in Ukraine and Moldova were completed by the CNFA Environmental Unit. In addition, several baseline studies analyzing the environmental status of a site - such as soil, water, waste disposal, energy use and pollution - have been carried out and others are being planned for AP-2 applications now under review. At present, the Environmental Unit is working on 26 environmental activities (IEEs or EAs), for AP-1 and AP-2 development contracts, as well as prospective AP-2 applicants. Section C., below, which reports on the AP-1 and AP-2 projects, includes an environmental (IEE or EA) up-date for each development contract.

B. AP-2 Program Performance Indicators

CNFA is responsible for three Performance Indicators under the USAID-Kyiv Country Strategic Framework. These are:

- * **Number of new Agribusiness Partnerships;**
- * **Dollar volume of sales of Agribusiness Partnerships; and**
- * **Land Area Using New Technology.**

In addition, USAID-Kyiv suggested, and CNFA agreed to, monitor and report on:

- * **Increases in yields from the New Technology.**

Both the CNFA and USAID anticipated that the AP-2 Program would be approved and a Cooperative Grant Agreement signed in time for the CNFA to have an impact during calendar year 1996. Unfortunately, there were delays in securing approval of the AP-2 Program and in negotiating and signing the AP-2 Cooperative Grant Agreement which effectively prevented CNFA from soliciting and approving any new agribusiness partnerships until after September 1996. In addition, the decision to extend the FSRP activity funding through January 1998 was slow to be finalized. Consequently, the CNFA was unable to realize the 1996 targets or results initially identified by USAID-Kyiv for the AP-2 Program. Nevertheless, the table on page five presents the 1995 baseline statistics, 1996 targets, 1997 targets and 1997 actuals for the Performance Indicators noted above.

New Agribusiness Partnerships: This includes both Farm Supply and Marketing Enterprises and Agro-Processing Enterprises, the two categories under this result indicator.

CNFA's portfolio of **Farm Supply and Marketing Enterprises** projects has grown from a baseline of four in 1995 (Cargill Seed in Donetsk, Monsanto - Agrodon in Donetsk, Freedom Farm in Kherson, and Kiev Atlantic Ukraine in Myronivka) to nine as of September 30, 1997, with the additional five being: Cargill Fertilizer - Donetsk, Monsanto - Dniprolan in Dnipropetrovsk, Global Agricultural Management Enterprises (GAME) in

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CNFA AP-2 Performance Indicators					
Indicator	Definition	Baseline (1995)	1996 Targets*	1997 Targets	1997 Actuals
Number of new Agribusiness Partnerships	Farm Supply & Marketing Enterprises (FSMEs) and Agro-Processing Enterprises	FSMEs: 4 Agro-Processing: 0	FSMEs: 7 Agro-Processing: 5	FSMEs: 10 Agro-Processing: 10	FSMEs: 9 Agro-Processing: 3
Dollar volume of sales for Agribusiness Partnerships	Sales Increase above base-line year (prior to AP-2 contract)	No baseline data is available	\$42.9 million 4 partnerships	\$100 million 10 partnerships	\$19.1 million 10 partnerships
Land Area Using New Technology	Percent of sown area using no till cultivation; new seed varieties; and modern cultivators or harvesters	No-till: 5% Seeds: 2% Cultivators or Harvesters: 1%	No-till: 7% Seeds: 5% Cultivators or Harvesters: 5%	10% 10% 7%	4.56% 4.56% 3.64%
Increased Yields from New Technology	Key crops such as sunflower, corn, wheat and soy (tons per hectare)	Sunflower: 1.4 Corn: 2.9 Wheat: 2.9 Soy: .9	No targets	Sunflower: 1.7 Corn: 3.0 Wheat: 3.0 Soy: 1.5	Sunflower: 2.0-2.6 Corn: N/A Wheat: N/A Soy: 2.5

* 1996 Targets are presented here only as indicative of what was anticipated if AP-2 had started earlier.

N/A: 1997 Actuals for Corn and Wheat were not available at the time of this report as harvests were not complete yet.

Sumy oblast, American Cyanamid with several partners and sites throughout Ukraine, Moldova and Belarus, and Progressive Genetics in Kherson.

When the AP-2 Program began, there were no **Agro-Processing Partnerships**. As of September 30, 1997, there are three: Commodities International Limited (CIL) poultry production, processing and marketing operation, STIMUL, a women-owned community-based processing and canning facility, and Pure Sunshine orange juice processing and marketing project.

Dollar Volume of Sales of Agribusiness Partnerships: There was no baseline data collected in 1995 from the CNFA agribusiness partners for dollar volumes of sales. Hence, tracking an increase in sales would be difficult. We believe that it is also important to note that the business and investment climate in Ukraine will influence the sales of AP development contractors. This is in evidence when looking at the table on the preceding page. CNFA collected data for dollar volume of sales from the four existing AP development contractors in 1996 (Freedom Farms, Monsanto-Agrodon, KAU and Cargill Seed) and the grand total was \$42.9 million. (See Annex 3 for the individual company sales.)

CNFA anticipated that the Ukraine Agricultural Development Company (UADC) would be operational some time during calendar 1997 so that the 1997 target was estimated at \$100 million in sales. Unfortunately, the UADC did not become operational and our AP development contractors had to rely on their own sources of financing during FY 1997.

In addition, after the "grain embargo" of 1996, during which many agribusiness companies involved in supplying agricultural inputs and buying grains (especially wheat) had difficulty in collecting the funds or crop owed to them, these firms became very reluctant to take new risks in extending credit in 1997. The best example of the deleterious effect the "grain embargo" had on some of our agribusiness partners is with KAU. In 1996, Kiev Atlantic Ukraine had agricultural sales of almost \$12.5 million, for which almost 50% was from agricultural inputs. In 1997, KAU made the deliberate decision not to become involved in supplying agricultural inputs or custom services to farmers, thereby effectively cutting in half their sales.

Because the agricultural season was not complete at the time of this report, we can only estimate what sales reported to date have been. As more information becomes available, we will up-date it in the first quarterly report of FY 1998. But, as of October 1st, the total amount of sales made by the eight firms filing reports was \$19.1 million.

Land Area Using New Technology: CNFA is working with its development contractors to gather the information required. While we have estimates of hectareage under new technology, we do not have a clear idea of the percent of sown land which is using no-till or minimum till farming techniques, new seeds or new cultivators and/or harvesters alone or in combination with one or the other. Based on the quarterly reports submitted to date and our conversations with our agribusiness partners, we estimate that 1.53 million hectares or 4.56% of the sown area in Ukraine (33.5 million hectares) is being farmed using the new technologies involving "no-till" and new seeds, given the existing partnerships and collaborative relationships among Monsanto, Cargill and the equipment companies involved

with them in conservation tillage farming methods. However, we estimate that a slightly lower percentage of the sown land, about 3.64 percent (1.22 million hectares), is being farmed using modern cultivators or combines/harvesters, because of the tardy entry of many of our agribusiness partners into the market in 1997 in Ukraine.

Increased Yields from New Technology: Based on reports from our agribusiness partners, and using official statistics from the Ministry of Agriculture of Ukraine, CNFA has estimated the baseline average yield for four major crops in 1995. There were no targets established for 1996, because CNFA's AP Program was in a low activity phase as the extension of AP-1 was being finalized and the start-up of AP-2 did not occur until the autumn of 1996.

However, we have established targets in the table on page 6 for 1996. From data supplied by Cargill and Progressive Genetics, there has been a 40-50% increase in sunflower yields, rising from an average of 1.4 tons per hectare (ha.) to between 2.0 and 2.6 tons per ha; for soy, there has been an increased in yields by 100-150%, raising productivity from less than 1.0 ton per ha. to 2.0 - 2.5 tons per ha. The implications of this are that if these modern farming methods can be disseminated more widely through trained farm managers and private farmers, the agricultural productivity of Ukraine could increase dramatically.

Wheat and corn harvests for 1997 were not complete as of October 1st and so data is not available. This will be reported in the first quarterly report for FY 1998.

C. Active Projects

Project development and implementation is an intensive effort, requiring a serious commitment from the agribusiness applicant and from the CNFA. During the past year, working with our agribusiness partners, we have approved and implemented ten AP projects. The section below summarizes the results of these projects to date. Tables below each project indicate the time involved between submission of the AP application, CNFA review of the application and - when required - assistance to revise the application before CNFA approval of the proposal, USAID final approval, and the signing of the development contract which signals the actual start of the project. In addition, in those projects where our agribusiness partners are collaborating with one another, we make note of the nature and extent of their cooperation. When the CNFA Agribusiness Volunteer Program (AVP) complements and reinforces our agribusiness development contracts, this is also noted. Finally, each project section ends with an up-date on the status of the environmental analysis for that project.



AP-1:

1. Commodities International Limited (CIL):

Poultry production and **agro-processing** project (Zhytomyr oblast).

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
Oct. 15, 1996	Dec. 5, 1996	Dec. 13, 1996	Jan. 14, 1997

CIL's local agribusiness development partners are: Zhovtneve Poultry Farm (Popilnia district of Zhytomyr oblast) and Zhytomyr Poultry Facility. These are new and different partners than those named in the AP-1 application and development contract between the CNFA and CIL. These new partners had to be found and new agreements negotiated with CIL because the original Ukrainian partners dropped out of their partnership with CIL in early 1997.

CIL has sourced some of the inputs for its poultry feed from CNFA partners, specifically soy from Progressive Genetics, and barley and wheat from Kiev Atlantic Ukraine. CIL is also working with an AP-2 applicant, Odessa Foods International and its Ukrainian subsidiary, Hilmac, a food processing business in southern Ukraine, to distribute its poultry products to a broader base of consumers. In return, CIL will assist with marketing of Hilmac meat products in the Kiev and northern Ukraine markets.

Since the signing of the development contract, the following results have been achieved:

* Despite the refusal of the original Ukrainian partners to honor their original agreements with CIL, this small, family-owned American food company was able to choose two new, suitably qualified, Ukrainian partners for both the raising of poultry and the slaughter - packaging of the poultry product. During this reporting period, in spite of the delays created by the Ukrainian partnership problems, two full 45-day production cycles and complementary processing and marketing cycles were completed by CIL and its new partners.

* CIL and its Ukrainian partner produced - in May - one cycle of about 24,000 birds using only the newly refitted (Roxell equipment) barn at Zhovtneve which were then processed and marketed in Ukraine and - in August - a second cycle of 24,000 birds in the newly refitted barn while simultaneously raising 26,000 birds in the old Soviet style barn using cages and conveyor belts for feed and water, for data comparative purposes.

* During the first production cycle, CIL successfully lowered the feed conversion ratio from the Ukraine poultry industry standard of 4.0 - 5.0 kgs. of feed to grow 1 kg. of live-weight bird to a rate of 2.25 kgs. to grow one kg. of live-weight chicken; during the second production cycle at the newly fitted barn the feed conversion ratio was slightly improved, being 2.1 kg. of feed to grow one kg. of bird.

* In the CIL-Zhytomyr Poultry Factory processing operation, the yield on dressed to live bird was 63%, slightly below the expected yield of 65%.

* CIL developed a new name to capture the new concept in marketing: "Kuritsa Broiler," to distinguish the young, tender CIL broiler bird from the old, egg-laying hens that are usually sold as "kuritsa" (chicken) in the Ukrainian market.

* CIL's product was being marketed in 50 supermarkets, 25 gastronomes, 100 restaurants and to over 500 customers by a direct delivery sales force by the end of May 1997.

* CIL's processing and marketing operations were seriously disrupted when the parent company, Western Foods, was the subject of harassment by the Kyiv-Dniprovsky district tax police starting on May 20, 1997. The final retail processing and storage facilities were closed,

CIL processing, packaging and labeling equipment were seized by the tax police and, on a second tax police raid, all CIL financial records were taken on July 2, 1997.

After several months, during which time CIL could not market its product nor get complete and free access to its bank accounts, it became evident that there was a scheme to drive CIL and its parent company (Western Foods) out of business. New poultry products came on the market using the same label as CIL had designed (indicating that the new company now possessed the CIL processing, packaging and labeling equipment) under the name "Agroservice Poltava." This new firm was even brazen enough to contact the list of customers formerly served by the CIL direct sales force, indicating that a new company was "taking over" the business.

Consequently, CIL's parent company (Western Foods) has had to re-organize and re-start its activities under the name of "New West" company. The tax, legal and marketing problems created by "Agroservice Poltava," have been a drain on the scarce financial and human resources which CIL has fielded to implement its AP-1 project.

Environmental up-date: The Environmental Assessment (EA) is nearly complete. The poultry production facility has been visited twice and mitigative measures recommended by our advisor have already been put into place, including burning and burying bottles and vials which had contained antibiotics medicines used for the chickens. A visit to the processing facility was completed in late August.

2. Monsanto:

Farm Supply and Marketing Enterprise in Dnipropetrovsk (Dnipropetrovsk oblast).

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
Nov. 13, 1996	Dec. 6, 1996	Dec. 13, 1996	Jan. 16, 1997

Monsanto's local partner is Dniprolan Ltd, a private company founded as Dniprolan Association in 1992, but re-organized into a private company in 1997. Monsanto and Dniprolan Ltd., have created a joint venture known as LanInvest which has received equity financing from the WestNIS fund. At the end of this project, Monsanto will also be taking an equity position in the joint venture partner, LanInvest.

Monsanto is cooperating with Cargill at their (FSRP) Beshevsky farm site in Donetsk. Cargill is providing maize and sunflower seeds for Monsanto-Beshevsky projects and, in return, Monsanto is providing agrichemicals for Cargill plots. In Dnipropetrovsk, at the AP-1 Monsanto - Dniprolan project site, Cargill is providing the seeds for demonstration plots and their partner, Dniprolan is a distributor for AGCO (Massey Ferguson). Monsanto is using

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Great Plains seed drills and DeKalb corn seeds in their no-till and minimum-till demonstration plots and training seminars.

Since the signing of the development contract, the following results have been achieved:

* Monsanto and its partner, Dniprolan, have more than **200,000 hectares of farmland** under cultivation using soil-conserving minimum till and no-till technology. This far **exceeds the target of 20,000 ha.**

* Monsanto and Dniprolan have achieved **increases in corn production of an estimated 40-140% on demonstration and trail plots and on private farms.** (Exact figures are not available at the time this report is being drafted but these statistics will be reported later, most likely in December when all data analysis is complete.)

* Monsanto has trained 1500 farmers in modern crop production techniques, including training on modern farm machinery and equipment, and introduced and demonstrated modern conservation tillage practices. **This exceeds the development contract target of 1000 farmers trained by a full 50%.**

* Monsanto has extended **\$4.8 million in credit** to more than 250 farms in Ukraine for their package of modern agricultural inputs, especially agrichemicals. Impacts on production and income will be calculated as harvests are complete and such information is more readily available for analysis, probably in December 1997.

Environmental up-date: The CNFA Environmental Advisor is "closing out" the EA required for the original Monsanto FSRP Project in Donetsk; all that remains is to report on the results of interviews with Monsanto and Agrodon staff on 25 September. The EA for the Dnepropetrovsk AP-1 project will be initiated with a site visit the second week of October, 1997.

3. Global Agricultural Management Enterprises (GAME):

Farm Supply and Marketing Enterprise with the local agribusiness partners being the Sumy Private Farmers' Association (Sumy oblast).

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
Oct. 16, 1996	Dec. 12, 1996	Jan. 16, 1997	Feb. 6, 1997

CNFA agreed to use the Agribusiness Volunteer Program (AVP) to provide complementary technical assistance and training to the Sumy Private Farmers' Association

(PFA) in order to increase the institutional strengthening activities of the Global partnership. Hence, from July through September, 1997, AVP advisor Mr. Stephan Ladanaj provided legal advice to the Sumy PFA on three important activities:

- a. Drafting a petition to file with the appropriate rayon and oblast officials so that the Sumy PFA members could lease additional farmland in Sumy oblast;
- b. Assist Ms. Lila Farafonova with the drafting of the Sumy PFA credit union charter, which was legally registered on August 1, 1997; and
- c. Assist Alexander Odinson, head of the Sumy raion PFA, with a legal appeal to the Sumy oblast authorities over the alleged improper seizure of land from the members of the Sumy PFA. As of the end of this reporting period, resolution of the case is pending.

Mr. Ladanaj also held six seminars with private farmer representatives from all 18 rayons in Sumy oblast at which he discussed the legal rights of private farmers to own and lease land. About 25 farmers participated in each meeting, making a total of 150 private farmers from Sumy oblast who were briefed on their legal rights to land by Mr. Ladanaj.

The Global project is working with Progressive Genetics, an AP-2 development contractor. Global is buying soybean seed from Progressive Genetics for planting. Global is also using equipment purchased from other AP-2 applicants, including Case-International Harvester (three 140 hp tractors and a tractor-mounted sprayer); Fiat (Ford) New Holland (two 360 hp tractors); and Iowa Export-Import (two Kinze 8-row planters).

Since the signing of the development contract, the following results have been achieved:

* Global's core business is to lease and farm land in both Sumy and Kirovograd oblasts. As of September 30th, Global had leased a total of 7045 hectares (ha.) in Sumy and 1400 ha. in Kirovograd oblasts, for a grand total of 8445 ha., working towards their goal of having 10,000 ha. under lease by the time of Spring 1998 plantings. Almost all land is leased from village councils and individual land certificate holders of collective agricultural enterprises (CAEs), although three private farmers in Sumy have also agreed to lease their complete holdings to Global.

* In Sumy oblast, Global contracted to farm 4230 hectares of summer crops (primarily barley, sunflower and corn.) Harvesting operations on barley have recently been completed but full results are not yet available and the corn and sunflowers are not yet harvested.

* Global contracted to farm 3200 hectares in fall and winter crops in Sumy and Kirovograd oblasts, and most of that area was seeded by the end of this reporting period.

* Global's use of no-till and minimum tillage conservation farming methods, new varieties of seeds and modern equipment, such as seed drills and harvesters, should have promising results but until all crops are harvested, full results will not be known.

* The Global Farm Service Center at Stepanovka is being moved to the new base at Viry elevator and Viry Farms in Bilopilia Raion, Sumy oblast.

* Global is supporting technical assistance and training of the Sumy Private Farmers' Association (PFA) in order to assist the PFA become financially independent. During this past year, this has involved legal advice on forming a credit union and technical assistance in privatizing a grain storage site at Golovashivka, Sumy oblast.

* Global is working with both Price Waterhouse and the International Finance Group (IFC), who hold USAID mass privatization and land privatization contracts, respectively, to achieve their grain elevator privatization objective on behalf of the Sumy PFA.

* Through Global technical assistance, the Sumy PFA established their own credit union called the **Samopomich Credit Union (SCU)**, which was legally established and registered as such on August 1, 1997. Lydia Drozdenko is the Executive Director of the SCU with the President of the Sumy PFA, Mr. Ivan Budko acting as the President of the SCU.

* Global sponsored a Virginia Tech designed training course on "Pest and Pesticide Management," at which 42 private farmers were certified for pesticide application. (In Ukraine, one who is not so certified is not eligible to buy, apply or store agri-chemicals.)

* Global field days this past season attracted more than 500 farmers and farm managers from CAEs with an additional 60 private farmers coming to learn about the new production methods available from Global and its partners.

* Global is also acting as an intermediary between the Sumy PFA and equipment supply companies, such as AGCO (Massey Ferguson), in order to find creative ways to structure equipment marketing deals with Sumy private farmers.

Environmental up-date: Global has taken mitigative measures to install a berm around a fuel storage tank and post warnings at its Farm Service Center about pesticide storage and use. The Environmental Assessment (EA) has been completed and is being reviewed by Global management; once cleared by Global, it will be submitted to USAID-Kyiv for approval.

4. Cargill Seed:

Farm Supply and Marketing Enterprise: Maize and sunflower seed production and dissemination (Donetsk, Dnipropetrovsk, Kirovograd and Cherkasy oblasts).

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
Nov. 25, 1996	Dec. 31, 1996	Feb. 20, 1997	July 14, 1997

Cargill's local partner is the Donetsk Joint Venture which it has established with the Agrarian Research Institute and Cargill Dnipro Joint Stock Company with the Institute of Grain Farming (Ukraine) in Dnipropetrovsk. Cargill also distributes their products through private firms such as Maize.

As noted above, Cargill Seed is cooperating with Monsanto at both the Monsanto Donetsk (Bashevsky Farm) site and Monsanto Dnipropetrovsk site, by providing sunflower and maize seed in exchange for Monsanto assistance with agrichemicals for its seed trial plots. Indeed, Cargill has located its seed processing plant at Beshevsky Farm.

Since the extension of this FSRP activity under the AP-1 Program, Cargill has achieved the following results:

SEED RESEARCH:

** Four new varieties of sunflower seed and four new varieties of maize seed were successfully registered.

** 15 sunflower and five corn hybrids are being tested in the Ukraine state trials program this year. Standard testing, including disease resistant testing, will be carried out.

** Screening is continuing on 135 sunflower and 72 corn hybrid varieties on 16 demonstration sites located in 10 different regions of Ukraine. **This is more than twice the amount of screening which was done last year, an acceleration in development activities which is being partially funded by the AP-1 Program.**

** Screening was also initiated on rapeseed in several locations. Rapeseed has the potential to be an alternative to sunflowers as a source of vegetable oil and a base for animal feed as well. Harvests are on-going and as soon as results are know, the information will be reported.



Cargill Seed Beshevsky Farm Sunflower Seed Production

SEED PRODUCTION:

** Nine sunflower and two maize hybrid seed varieties were produced on 20 farms in Donetsk, Kirovograd and Cherkassy oblasts with a total of 1400 ha. under cultivation.

** Average grower returns on seed production are estimated to be 40% higher than commercial sunflower seed production because of the high price realized from the sale of the seed to farmers. Once harvests are complete, results will be reported during the next reporting period.

** Cargill extended credit to their contract growers in the amount of \$600,000 for parent seed, herbicides, fuel, planters, cultivators, fertilizers and sprayers.

SEED PROCESSING:

** Cargill spent \$300,000 to expand its seed processing facility. New warehousing facilities were built; parent seed refrigeration facilities and drying facilities were added on.

SEED MARKETING:

** Cargill made a total of about \$6.0 million in sales of its seed products in this current year, both directly to farms and to distributors.

** Cargill extended about \$5.0 million in credit, in-kind, to its 500 customers for

sunflower and corn seed, planters and sprayers. Of this amount, about \$4.84 million went to CAEs and \$156,000 went to private farmers. **This exceeds the AP-1 target of \$3.5 million by a full \$1.5 million, 42% over the AP-1 target.**

** 33 of Cargill's customers are known to be private farmers.

** Commercial corn and sunflower production is done on about 148,000 total ha. in 13 oblasts: of which commercial sunflower production is 128,000 ha. (with 123,000 ha. under cultivation at CAEs and 5,000 ha. under private farmer cultivation); and 20,000 ha. of commercial corn production (all on CAEs).

PARTNERSHIP TRAINING:

** Three Ukrainian staff are on long-term training in the US.

** All sales and marketing staff had three-day training workshops in June and July.

** Cargill organized 14 field days in Donetsk and Dnipropetrovsk as well as other sites for which more than 1500 farm managers, chief agronomists, local officials, private farmers, and CNFA and USAID staff participated. Sunflower and corn plots were used for illustrating modern technology and farming methods, such as minimum tillage, with farm equipment from Case-International Harvester, Kinze, and European manufacturers.

** Cargill has selected and trained **13 new distributors of its hybrid seed products, exceeding its AP-1 development contract target** by one distributor.

Environmental up-date: USAID approved the new CNFA Initial Environmental Examination (IEE) on May 7, 1997. (The EA submitted in 1994 for this FSRP project had been rejected by USAID January 25, 1995.) A new EA Supplement is being drafted and should be complete for submission to USAID during the first quarter of FY 1998.

5. STIMUL:

Agro-Processing: Women's Community Canning Center in Velkyi Luchki (Uzhgorod oblast).

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
Nov. 15, 1996	Dec. 1, 1996	Dec. 20, 1997	Jan. 13, 1997

This project is funded by the CNFA AP-1 Project Development Fund as an example of a community-based, women-owned and managed agribusiness. STIMUL has received

technical assistance from the CNFA Agribusiness Volunteer Program (AVP) as well as financial contributions from the Women's Committee of the American Farm Bureau Federation (AFBF). These funds are being used to provide equipment (including computers and printers and a food processing-canning line), materials and supplies (including jars, lids and labels for food processing and packaging), and technical assistance and training to STIMUL management and staff.

AVP Technical Assistance	Dates	Scope of Work and Results
Mr. Paul Irwin	Mar. 16 - Apr. 10, 1997	Business Plan: helped to develop an advertising campaign, established a first year marketing time-table and assisted in food product label design.
Mr. Len Heuer	Apr. 20 - May 16, 1997	Plant Configuration: advised on rehabilitation of processing facility for water, gas and electricity connections; advised on UPC code for food labels.
Ms. Joan Silver	May 3 - 30, 1997	Accounting: conducted computer accounting training sessions and started the process for obtaining a UPC code bar for food jar labels.
Ms. Teresa Brown	June 12 - July 7, 1997	Team Building and Goal Setting: helped the women establish short and long-term goals.
Mr. Joel Jackson	Aug. 9 - 24, 1997	Equipment Installation: assisted with initial installation and calibration of canning equipment.
Mr. Larry Mullaney	Aug. 19 - Oct. 30, 1997	Processing Operations: assist with the start-up of operations to process and sell food products.

As of September 30, 1997, the women had re-located the site of their processing facility in order to have better access to a source for clean water and utility lines. AVP advisor, Mr. Larry Mullaney is on site to ensure that the food processing equipment line is fully operational and that processing operations commence this season with test marketing of the product in the surrounding area.

Environmental up-date: An IEE was submitted to USAID for approval on May 7th, 1997. Because the women have moved the agro-processing facility site and dug a new well at the facility, a new IEE has been initiated. Once the results of water tests on the new well have been submitted by STIMUL, CNFA can complete the new IEE.

AP-2:

1. American Cyanamid:

Farm Supply and marketing Enterprises: strengthening the private network of NIS distributors and managing demonstration "model farms" in Ukraine (for example, Crimea, Ternopil and Lviv oblasts), Moldova and Belarus.

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
Nov. 12, 1996	Feb. 1, 1997	Feb. 20, 1997	May 20, 1997

Since the signing of the development contract, the following results have been achieved:

* American Cyanamid completed negotiations and signed contracts with 15 agribusiness partners: 13 in Ukraine, one in Moldova and one in Belarus. These firms are the recipients of the technical assistance and training efforts of American Cyanamid under their AP-2 development contract. Nine of these firms are completely private enterprises while six are joint stock companies with the state holding some shares of the joint stock companies. Among American Cyanamid's Ukrainian private sector agribusiness partners are: UkrAgribusiness, RiseInvest, Maize (also a Cargill seed distributor) and Freedom Farm, a CNFA FSRP development contract partner.

* American Cyanamid has sold an estimated \$6.13 million worth of its products through these 15 distributors, of which \$5.48 million was sold in Ukraine, \$514,000 was sold in Moldova and the remaining \$127,000 in Belarus.

* American Cyanamid has extended \$5.67 million in credit, of which 59% has gone directly through the distributors to farmers, the end-users. A total of \$3.6 million in credit was extended to farmers during this past year.

* American Cyanamid added 3 employees because of the expansion in business, which **meets its AP-2 development contract target.**

* As a result of the increased sales, WestNIS partners have added 26 new employees, **more than double the development contract target number of 10 new employees** in year one of this two year AP-2 project.

* American Cyanamid's distributors have extended credit to about 3600 farms, which is **more than 10 times their AP-2 development contract target** of 300. 3500 of those farms are CAEs and 100 are private farmers.

* American Cyanamid exceeded their AP-2 development contract target of holding 15 in-country based training sessions by convening 19 seminars throughout the three countries with more than 1000 people trained. Of the people trained, 140 were private farmers or individual members of private companies. Among the subjects covered were integrated pest management; pesticide use, transport and storage; product knowledge; and best business practices.

* American Cyanamid has exceeded their AP-2 development contract target for establishing 15 demonstration trails in the WestNIS countries by actually establishing 18 demonstration trial sites where training and field days for farmers and distributors are convened. To date an estimated 1000 people have participated in these training sessions.

* American Cyanamid was unable to initiate equipment demonstration training during the 1997 farming season because of the late start of their AP-2 project activities and difficulties in finding US-source agrichemical sprayers. The equipment has been ordered and will be delivered in time for training demonstrations at the start of the 1998 season.

* An estimated 180,000 ha. of land is cultivated using the improved technology available through American Cyanamid and its AP-2 partner distributors. About 7,000 ha., or 3.8 percent, is privately-owned land with the remaining 173,000 ha. owned by CAEs.

Environmental up-date: Because American Cyanamid is working with 15 distributors in three countries, site visits will take some time for the Environmental Advisor and his staff to complete. Three site visits have been achieved to date: Moldova, Donetsk and Vinnitsia. Reports from American Cyanamid and their distributors are expected in early October which will describe and analyze existing warehouse facilities. Based on this data, an EA will be drafted for submission to USAID-Kyiv during the first quarter of FY 1998.

2. Cargill Fertilizer:

Farm Supply and Marketing Enterprise: Fertilizer blending facility and marketing (Donetsk oblast):

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
Oct. 22, 1996	Jan. 31, 1997	Feb. 3, 1997	May 23, 1997

Cargill fertilizer's local agribusiness partner is RaiAgroChim, the Donetsk oblast agrichemical distributor. In return for making their warehouse facilities and fleet of trucks and local depots available, Cargill provides them with technical assistance and training to improve their management, accounting and marketing practices.



Cargill Fertilizer Bagging Facility, Donetsk

Since the signing of the development contract, the following results have been achieved by Cargill:

* The fertilizer blending line and equipment were imported and installed at the facility in Donetsk (see photo above with bag for marketing in Ukraine).

* Two large demonstration plots, using Cargill corn and sunflower seed with Cargill blended fertilizer, have been established. **Training** and field days have been conducted at these demonstration plots in August, involving 97 farmers, of whom **seven were private farmers**.

* Cargill has extended **farm credit in the amount of \$715,231** to date, for 62 farms to purchase fertilizer, of which **seven are private farms** and 55 are CAEs.

* A total of **217,000 hectares of farmland** has been planted by the 62 farms using Cargill fertilizers and complementary technology, such as Cargill seeds and Monsanto agri-chemicals.

* Cargill estimates that farmers using their fertilizer product who have paid about \$3 per hectare for fertilizer, will receive over **\$180 per hectare in additional income from the increased yields and quality of wheat harvested**. Indeed, according to Cargill, the primary impediment to Ukraine producing good quality 3rd class wheat this past season has been the lack of a balanced fertilization program for the autumn season application.

* Results from joint Cargill seed and fertilizer plots indicates that **sunflower yields increased by 14%**, which at an average price of \$180 per ton for sunflowers would provide

an additional \$25.40 in profits per hectare for farmers using the appropriate fertilizer and seed program. A second plot yielded even more remarkable returns of **35% increase in yields** which translates into a **\$85.00 increase in profits** for such applications.

Environmental up-date: An EA was submitted to USAID for approval on July 30th. USAID approval of the EA is expected imminently.

3. Progressive Genetics:

Farm Supply and Marketing Enterprise: Soybean Production and Training using improved seeds and technologies (Kherson oblast):

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
Jan. 15, 1997	April 21, 1997	May 8, 1997	July 11, 1997

The Progressive Genetics local agribusiness partners are the CAEs and seven private farmers with whom they are working on transfer of new technology in Khahovkha raion, Kherson oblast.

Progressive Genetics is working with three other CNFA agribusiness partners:

- a. Marketing soybean to CIL for use on the mixing and blending of poultry feed for their AP-1 funded poultry production project;
- b. Marketing soybean seed to Global, an AP-1 funded project, for planting on land being leased by the GAME project; and
- c. Marketing soybean to Thegra International (Theuwees Holding Co., an AP-2 applicant) for export.

Since the signing of the development contract, the following results have been achieved:

* Progressive Genetics is linked with **5 private farms** (versus a target of 8) which are using new technology on about 370 ha.; and 14 CAEs (versus a target of 13) which have 4130 ha. under production using improved technology. **This exceeds the development contract target of 3000 hectares by a full 50%.**

* Progressive Genetics helped the CAEs and private farmers adopt the improved soy seed by extending lines of credit of \$155,000 to the CAEs and \$35,000 to the private farmers, for a total of \$190,000 in credit during this production season.

* Progressive Genetics estimate that these farms have realized an average increase in production of about 1 ton or 1000 kg. per ha., which brings farm revenue of \$325 per ha.,

using the improved farming methods. Thus, **5 private farmers realized a total gain in revenue of \$120,250, or an average increase of \$24,050 per farmer.**

* The 14 CAEs which used the new farming technology realized an total increase in revenue of \$1,342,250; an average of \$95,875 per CAE which would be shared among the 700 workers and managers on the average CAE in Kherson oblast.

Environmental up-date: An IEE was approved by USAID in June, 1997. Repeated attempts to schedule follow-up environmental site visits to complete the EA have been unsuccessful because of the demands of the core business. We have scheduled the environmental site visit for late October after which the EA will be completed and submitted to USAID for approval.

4. Pure Sunshine:

Agro-Processing and Retail Marketing: Processing and training of dairy product management staff at Kiev Milk Plant #3, the Ukrainian agribusiness partner under the AP-2 development contract. Staff from at least eight other milk plants throughout Ukraine will also be trained by Pure Sunshine.

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
Dec. 1, 1996	April 24, 1997	May 12, 1997	July 14, 1997

Since the signing of the development contract, the following results have been achieved:

* **Ten full time employees have been added to Pure Sunshine**, which is 62.5% of the target of 16 full-time employees before the end of year one.

* The project has been slow in starting and to date only **10,460 liters** of Florida Orange Juice has been processed and marketed from imported concentrate, with a value of **\$11,715.20**, against a target of 100,000 liters, valued at about \$111,000.00, which is only slightly more than **10 percent of the development contract target.**

* To date 80 distributors have been involved in the project whereas the target number under the development contract is 800.

* Pure Sunshine has initiated its marketing campaign through the television, radio and other forms of mass media to inform and educate consumers on the nutritional benefits of fresh orange juice.

* The Pure Sunshine partner, **Kiev Milk Plant #3**, has received the following benefits during this reporting period:

** **Profits of \$1464.40** from sales of product;

** **A new computer control system** and modern computer network at the plant for a installed cost of \$15,000. **Use of this new system by the plant has enabled them to cut the time in tracking and collecting debts owed from 12 months to only two months.**

** The plant's **Marketing Department was completely re-organized**. Indeed, the name of the department was changed from the "Selling Dept." to the "Marketing Dept.," indicating the change in outlook which Pure Sunshine is trying to implement through its AP-2 funded training program.

* Contacts have been initiated with **other dairy plants - in Kharkov, Donetsk and Odessa** - to process, package and market the orange juice. These plants will be the recipients of future training if contracts can be negotiated successfully.

* The Pure Sunshine training center has been opened in Kyiv and a training room established at Kyiv Milk Plant #3.

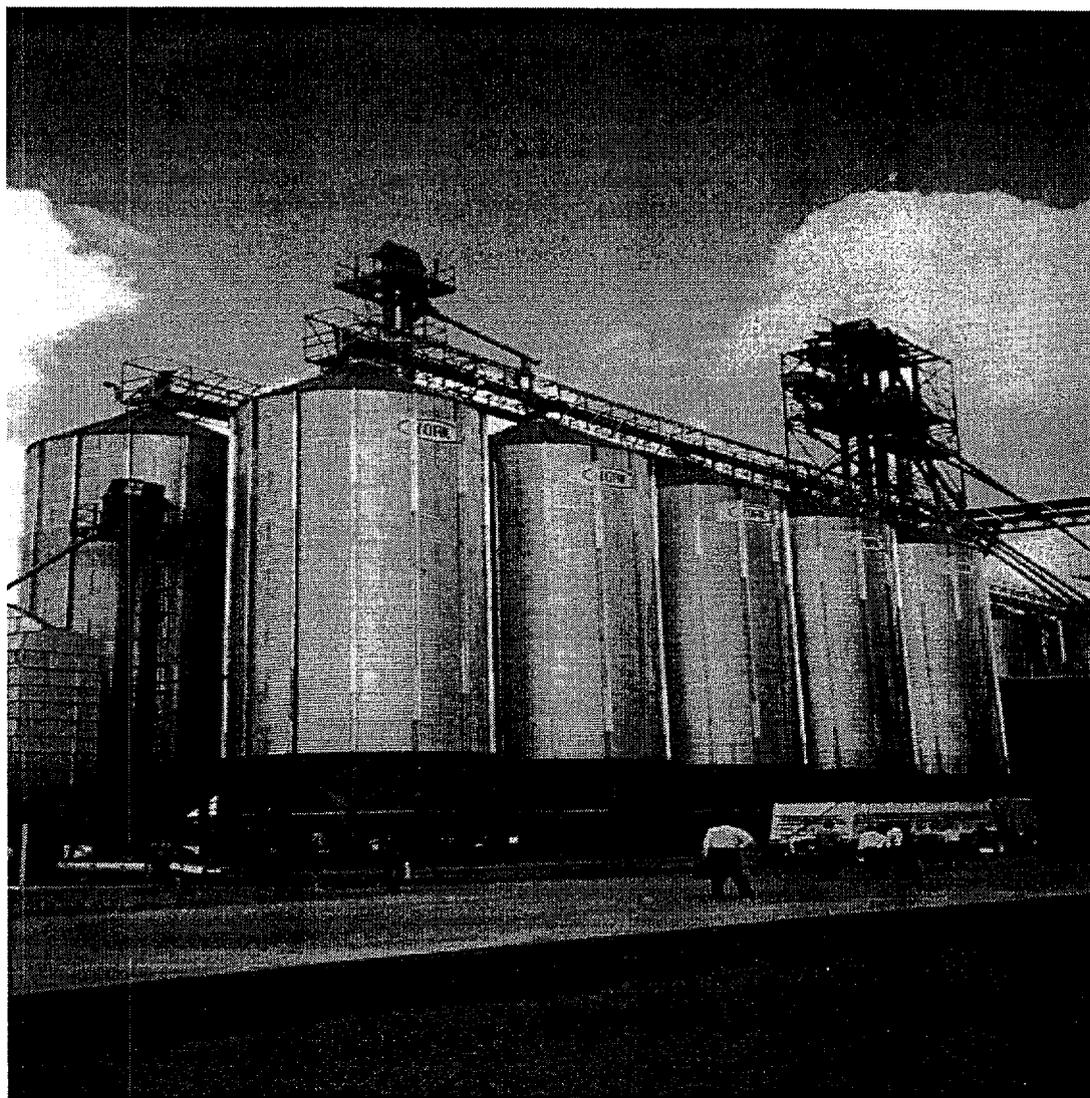
Environmental up-date: An EA was submitted to USAID. Additional information on the Mass Flow Balance was requested and submitted September 9th - final approval by USAID is pending.

5. Kiev Atlantic Ukraine (KAU):

Agro-Processing: Processing oil seeds into crude vegetable oil (Myronivka, Kiev oblast).

Proposal Submitted	CNFA Approval	USAID Approval	Development Contract signed
April 2, 1997	July 7, 1997	July 17, 1997	July 22, 1997

Kiev Atlantic Ukraine (KAU) agribusiness partners are the CAEs and private farmers with whom they have supplier-buyer relationships. KAU has contracted with private and CAE farms to supply inputs and buy outputs and KAU also offers, from its farm service center at Myronivka, grain marketing services to "walk-in" customers.



Kiev Atlantic Ukraine Grain Elevators at Myronivka

KAU is working with another CNFA agribusiness partner and USDA:

- a. CIL: selling wheat and barley as a base for the CIL poultry feed blending and mixing operation for their AP-1 poultry production and processing project; and
- b. USDA: accepting delivery of 5000 tons of soybeans under the Food for Progress Program for processing at the new KAU vegetable oil processing center.

Since the signing of the development contract, the following results have been achieved:

* August 1, 1997: Dedication and opening of the Kiev Atlantic Ukraine Farm Service Center, the first privately owned grain elevator in Ukraine.

* Crude vegetable seed crushing facility: the crushing equipment was ordered and

installed and the plant, with a capacity of 50,000 tons per annum, is scheduled to become operational during the next reporting period, on or about October 15, 1997.

* KAU has purchased about 8,800 metric tons of oil seed crops (5000 tons of soybeans, 770 tons of canola seeds and 3030 tons of other crops, including rapeseed) and is prepared to start extracting oil as soon as the plant becomes fully operational during the next reporting period. The oil will be used for further processing into vegetable oil for human consumption with the protein meal used in manufacturing animal feed. Of the crops purchased, 8700 tons came from the USDA and CAEs whereas 100 tons came from private farmers.

* **KAU is currently providing grain marketing services to 36 farmers: 28 of which are CAEs and eight of which are private farmers.** This is below the AP-2 target of 150 CAEs and 50 private farms. Among the private farmers for whom KAU has provided an alternative market, seven are in Kyiv oblast and one is in Poltava oblast. KAU has purchased 79.5 tons of peas, 27.3 tons of barley and 14.5 tons of mixed grains from these eight private farmers.

Environmental up-date: The complete EA was submitted to USAID for approval on June 23rd. In addition, the Environmental Unit, with strong cooperation from KAU management, conducted a baseline survey of 15 farm sites from which KAU sources raw materials, checking for radioactivity fallout. Preliminary results show Cesium 137 contamination above acceptable standards in three field sites. Plans are being made to design and assist KAU with the implementation of a monitoring system to check the radioactive levels of inputs which they may use in the processing center.

D. AP-2 Proposal Development

CNFA continues to work with companies on new applications. At the end of the FY 1997 reporting period, there were 13 companies working closely with our agribusiness advisors to develop their proposals into complete and final AP-2 applications. These are:

1. AGCO - Massey Ferguson (Farm Service Center): a \$500,000 development contract proposal with a \$2.0 million matching contribution for training and technical assistance based near Kyiv but being nationwide in scope, for distributors and operators of equipment, including farmers. Among the potential Ukrainian partners are RiseInvest (also an American Cyanamid, AgrEvo and a DuPont partner), AgroSula (a subsidiary of Ukraine Development Corp., LLC, a company established by George Chopivsky), AgroIncon and the Monsanto Odessa-based Agribusiness Center.

2. Agro-Evo (Farm Service Center): a \$480,000 development contract proposal with a matching contribution of about \$3.75 million for training and technical assistance to be based in Poltava oblast. RiseInvest is one of the potential Ukrainian agribusiness partners.

3. Alfa Laval Agri (Farm Service Center): a \$500,000 development contract proposal with a matching contribution of about \$2.5 million for training and technical assistance to dairy farmers working with a dairy in Cherkassy oblast.

4. DTR (Agro-Processing and Marketing): a \$500,000 development contract proposal with a matching contribution of \$6.29 million for up-grading and strengthening the capacity of a dairy processing facility in Uman oblast, adding new products and improving retail marketing and providing technical assistance and training to dairy farmers who supply the processing facility.

5. DuPont (Strengthening private input distribution network): a \$500,000 development contract proposal with a matching contribution of \$1.93 million to strengthen the capacity of RiseInvest, a leading private company with a national network of dealers involved in the agricultural input business, to manage and expand their business and reach more private farmers. A Management Information Systems, technical assistance and training will be implemented. RiseInvest is also a distributor for American Cyanamid, AgroEvo and AGCO (Massey Ferguson), the latter two being AP-2 applicants.

6. Kemin Industries (Animal Feed Processing and Marketing): a \$500,000 project with a matching contribution of about \$1.5 million to develop a micro-nutrient package for use in the animal feed business, involving technical assistance and training of local staff and end users.

7. Monsanto: (Farm Service Center): a \$500,000 development contract proposal with a matching contribution of \$4.0 million to establish a joint venture Agribusiness Training Center in Odessa oblast, in conjunction with Dalgetty (a UK-based animal feed company), Cargill Technical Services, and AGCO (Massey Ferguson) for equipment supply, in order to provide technical assistance and training to private farmers and to work directly with four rayons in which USDA and CNFA are trying to strengthen private farmer associations.

8. Norsk-Hydro/Hydro-Agri (Strengthen private fertilizer distributor network): a \$500,000 development contract proposal with a matching contribution of \$2.62 million to provide technical assistance and training to five major private sector input suppliers in four oblasts in Ukraine.

9. Odessa Foods International/Hilmac (Agro-Processing): a \$500,000 development contract proposal with a matching contribution of \$5.50 million for technical assistance and training of existing and new staff, to be hired as part of the project, as well as of the farmers who supply cattle to this meat and pasta processing facility in Odessa oblast. Odessa Foods is already cooperating with AP-1 development contractor CIL on the marketing of poultry and meat products in Ukraine.

10. Rhone Poulenc (Farm Service Center): a \$500,000 development contract proposal with a matching contribution of \$2.35 million to establish an animal health and nutrition

center at the Kiev Atlantic Ukraine site. Technical assistance and training would be provided to farmers buying and using the animal health and nutrition products available at the site.

11. Thegra Continental/Theeuwes Holding (Storage and Transport Project): a \$400,000 development contract proposal with a matching contribution of about \$1.0 million in order to establish a privately-owned and operated grain elevator site and river transport rehabilitation project along the Dnipro River, south of Kyiv. Technical assistance and training to the operators of the grain elevator, the farmers using it and the companies seeking access to the river transport site. Thegra is already marketing soybean from Progressive Genetics, an AP-2 development contractor.

12. UkrAgroSystems LLC (Farm Service Center): a development contract proposal for \$500,000 from Ukrainian Development Company LLC, with a matching contribution of about \$2.0 million in order to establish a training and technical assistance center with AgroSula, a Ukrainian subsidiary company, in conjunction with AGCO (Massey Ferguson) in Poltava oblast.

13. Ukra-Tech Railen/Agr. Products Inc. (Farm Service Center and Grain Storage): a \$400,000 development contract proposal with a \$1.0 million matching contribution to establish a combination plant protection farm service center and a grain elevator facility. Technical assistance and training would be offered to farmers and to companies handling and shipping grain.

CNFA is also monitoring another 23 companies who could develop AP-2 proposals. Our staff are following their plans for Ukraine closely and we are ready to work with these companies on an AP-2 application once they finalize their investment and business plans accordingly.

E. The Ukraine Agricultural Development Company (UADC)

During FY 1997, this project has received intensive efforts by CNFA and agribusiness partner staff. The CNFA proposal for UADC was submitted to USAID-Kyiv in January 1997. After receiving the USAID response to the proposal in April, 1997, CNFA staff began a new, more intensive effort to solidify the banking agreement which was needed to initiate this important agricultural finance activity.

In June, the UADC Board decided to terminate negotiations with the German bank, WestLB, and began intense discussions with the French multi-national bank, Societe Generale. The UADC Board decided to approach the Societe Generale because this multi-national bank recently opened an office in Kyiv and they are financing agricultural operations for Ukrainian companies as well as an innovative truck leasing scheme in Ukraine. (UADC Board members include representatives from: CNFA, Monsanto, DuPont, Case Corporation, DowElanco, FMC Corporation, AGCO Corporation [Massey Ferguson], Iowa Export-Import,

Rhone Poulenc and the Ukrainian Development Company, LLC.)

CNFA began revising the UADC proposal and in July, submitted a new proposal, requesting UADC financing for technical assistance and training in the amount of \$3.5 million. Based upon discussions between the CNFA and USAID, a decision was reached whereby UADC will be funded as an AP-2 development contract activity and project.

E. Morgan Williams was named CEO of the UADC in September, 1997. Financial history reviews were completed by KPMG for 22 potential Ukrainian distributors eligible for inclusion on the UADC approved list of partners. In September, 1997, USAID approved the UADC project pending the fulfilment of several conditions, including submission of the signed Societe Generale-UADC financing agreement, a UADC Workplan and a UADC budget with staffing pattern.

Successful implementation of UADC will result in significant impacts to reform of the Ukrainian agricultural sector and benefits to the agricultural community. Among the expected impacts will be:

- approximately 750 private farmers will purchase inputs on credit supplied by UADC in 1998; this number will increase to approximately 1,500 private farmers in 1999;
- availability of short term credit: for the 1998 crop year, \$ 50 million will be supplied through approximately 60 individual Lines of Credit (LOCs); for the 1999 crop year, \$ 100 million will be supplied through 120 LOCs;
- provision of mid-term leasing credit: approximately \$ 30 million, written in 60 transactions, will be provided during 1998; in 1999 there will be \$ 60 million in 120 transactions written for mid-term credits;
- a demonstrated and significant increase will be shown in the financial strength of participant distributors, including increases in net assets, profits, sales and turnover (financial strength and sales growth are indicators of private sector growth); and,
- 250 individuals will receive hands on training in business and financial planing in each year of the subcontract; 50 distributors (3 individuals from each firm) and 100 agricultural producers (targeted toward private farms) will be involved.

UADC will work with CNFA, Ronco and other USAID contractors to the maximum extent possible. On a regular basis, UADC will provide Ronco with a list of those farms that have been deemed financially viable through the credit assessment process.

3. THE PRIVATE FARM COMMERCIALIZATION (PFC) Project

During this past year, CNFA did not complete the drafting and implementation of the "small farm commercialization strategy and project" as was anticipated in the first annual workplan. Instead, in response to a request from USAID-Kyiv, the CNFA devoted its staff to working closely with USAID and other AID-funded agricultural grantees and contractors, on the design of a potential US-Ukraine Government effort which became known as the "45 Pilot Project" activity. This was being designed as part of the Gore-Kuchma Commission effort to support pilot farms on which land ownership would be privatized, modern agricultural inputs and technology would be made available, higher yields would be attained and the crops harvested, especially grains, would be marketed through the commodity exchanges and, finally, private farmers in the surrounding area would receive the technical assistance and training needed to become fully integrated into the commercial marketing system.

Unfortunately, despite many months of effort by USAID, CNFA and other partners (RONCO, USDA, Chemonics, Land O'Lakes), the joint effort faltered and finally fell apart when the Government of Ukraine was unable to meet its commitments to designing and implementing effectively a joint US-Ukraine effort.

In August, CNFA submitted a draft "Private Farm Commercialization Strategy" document to USAID-Kyiv for comment. Based on the comments received from USAID in September, the CNFA is currently revising this strategy. CNFA has re-named this component of the AP-2 Program the "private" farm activity, as opposed to "small farm" activity because CNFA believes that all private farmers, whether they own or lease 25 hectares or 1000 hectares, should be eligible for inclusion in this component of the AP-2 program.

4. PROJECT DEVELOPMENT FUND

During this past fiscal year the following activities have been funded with support from the PDF:

A. A grant to the STIMUL Project, a women-owned, community based agro-processing business based in western Ukraine. (Please see discussion under Partnerships.)

B. Support for the First International Congress convened by the Ukrainian League of Entrepreneurs of the AgroIndustrial Complex (ULEAC) in Kyiv during April, 1997.

C. CNFA fielded a micro-credit team in July, 1997, in order to make a quick assessment of existing micro-credit activities in Ukraine and to understand the potential for such activities as part of the Private Farm Commercialization project. Their report was submitted in late August, 1997 and is under analysis as a part of developing the Private Farm Commercialization effort.

D. CNFA sub-contracted with the International Fertilizer Development Center (IFDC) to conduct an assessment of the fertilizer sub-sector in Ukraine. The team conducted their assessment in September, 1997, and gave a final de-briefing at CNFA-Kyiv before returning to the USA. A final report is expected in October.

5. POLICY ACTIVITIES

Objective

The CNFA AP-2 Policy Unit was created to provide information and analytical support to the Ukrainian government and private sector for the development of a Ukrainian agricultural policy, legislative, and regulatory environment which would permit and encourage private enterprise, free market development and economic reform abetting substantial new agricultural investment and capital inflows.

Staffing

The AP-2 Policy Unit, initially intended to be operational in late 1996, actually commenced operations in April, 1997 when personnel became available. The Senior Policy Coordinator and an assistant were hired at that time. In August 1997, two additional policy assistants were employed, one as a staff advisor to the Ukrainian League of Entrepreneurs and the other as a participant in the formation and establishment of an Ukrainian Agriculture Inter-Ministerial / Inter-Agency Commission and Secretariate composed of Ukrainian and foreign donor specialists.

Indicators of Activity and Effort

Despite the commencement of operations only in April, 1997, an intensive program of activities firmly entrenched the Policy Unit's role in agricultural policy development and formulation in Ukraine. Below are a list of entities with whom the Policy Unit has established and developed relationships and communications channels to promote policy initiative and a listing of the activities undertaken.

a) Government Authorities:

- i) President's Administration - Messrs. Haydutsky and Shepa (senior advisors and administrators responsible for Agricultural policies).
- ii) Parliament - Mr. Danylenko (Chairman of the Agricultural Commission in Parliament), other members of parliament and their staffs.
- iii) Cabinet of Ministers - Former Vice Premier Zubets, agricultural advisory staff and deputy ministers in Vice Premier Tihipko's office and Minister Karasyk's office.
- iv) Interministerial Committee - staff advisors and secretariate.
- v) Institute of Agrarian Economy, National Agrarian University and other Ukrainian agrarian academic institutions - Former Vice Premier Sabluk, various professors and deans of other agrarian academic institutions.
- vi) Ukrainian National Agency for Reconstruction and Development - Deputy Ministerial and Department Head Levels.

b) Supranational Agencies, Sovereign Agencies, Bilateral Donors and USAID subcontractors:

- i) International Monetary Fund - Kyiv and Washington offices.
- ii) World Bank - Kyiv and Washington offices
- iii) TACIS (European Union)
- iv) British Know How Fund
- v) German Advisory Economic Group
- vi) Soros Economic Advisory Group
- vii) Institute for Policy Research (also Soros funded)
- viii) Harvard Institute for International Development - Kyiv and Massachusetts offices.
- ix) Iowa State University - Center for Policy and Economic Research in Kyiv
- x) United States Department of Agriculture
- xi) Chemonics
- xii) RONCO
- xiii) PADCO

c) Corporate Sector:

- i) Approximately two dozen joint ventures, members of AP 1 and AP 2 projects and potential applicants,
- ii) Approximately a dozen representatives of Ukrainian Agro-Businesses and distributorships,
- iii) Ukrainian League of Entrepreneurs of the AgroIndustrial Complex
 - Provided specially dedicated staff member to act as an institutional advisor to the Ukrainian League of Entrepreneurs of the AgroIndustrial Complex and assist in the development of the industry association.

d) Policy Conferences

Participated in, delivered papers and/or sponsored conferences on Ukrainian Agricultural Policy at the following.

- i) Annual Citizens Network Agro Business Conference - Vienna - November, 1996
- ii) Yale University - mid April, 1997 (also sponsored travel and accommodation costs to the United States of eight senior Ukrainian government officials, academics and speakers).
- iii) Ukrainian League of Entrepreneurs of the AgroIndustrial Complex - late April, 1997 (first National Conference in Kyiv).
- iv) Extraordinary meeting of two dozen senior agro business corporate representatives with Vice Premier Zubets in Washington in mid May during the Gore Kuchma sessions.
- v) AP 1 and AP 2 Corporate Policy Seminar - June, 1997 in Kyiv.
- vi) National Association of Regional Commodities Exchanges - July, 1997 (National Conference in Kyiv).

e) Financing and Loan Efforts

Participated in the development of new alternative financing vehicles and mechanisms.

- i) Initiated and assisted in the development of proposals to provide \$250 million US Exim Bank financing through Ukrainian commercial banks rather than through the existing, extremely bureaucratic Ukrainian government monopolized system.
- ii) Assisted in the establishment and initial operations of Ukrainian Agricultural Development Corporation (UADC). Provided advice to UADC on efforts to provide \$50 million in short term crop financing and \$40 million in medium term lease financing for the 1998 harvest season.
- iii) Provided advice to Ukrainian government officials in the development of new legislation on credit union regulation resulting in improvement in legislation enacted.
- iv) Advised micro credit lending team reviewing feasibility of establishing micro credit lending activities for selected locations in Ukraine.

Impact

- Participated in Washington pre briefings of US government officials for May Gore Kuchma Meetings. Provided recommendations for US government officials defining US agricultural policy agenda in Ukraine for 1997, 1998 and future years. Recommendations were incorporated in U.S. policy formulations.
- Suggested affirmative policy actions to Ukrainian authorities prior to May, 1997 Gore Kuchma Meetings (appropriate action on some of the recommendations was evident from Ukrainian government responses to CNFA and other US government complaints - e.g. repatriation of state confiscated grain belonging to joint ventures operating in Ukraine; offers to privatize Bread Ukraine, a large proportion of grain elevators, and other para statals such as UkrAgrotechservice and UkrAgrochem; the cessation of efforts to establish Agrotechnology; and agreements to limit the State order system in 1997 and 1998).
- Participated in the development of U.S. Benchmarks measuring Ukrainian agrarian reform activities as a result of agreements reached during the Gore Kuchma Meetings in May, 1997. Benchmarks formed the basis of discussions for Gore Kuchma talks in October, 1997 in Kyiv.
- Briefed senior Ukrainian government officials in the Ukrainian President's Administration and the Cabinet of Ministers on expectations and results of Gore Kuchma Meetings (from an American perspective). Briefings increased Ukrainian government awareness of American and international concerns and dissatisfaction with lack of specific actions undertaken by Ukrainian government to fulfill May, 1997 Gore Kuchma initiatives. Briefings assisted Ukrainian government officials in responding to United States concerns by implementing late actions in the fall of 1997 that demonstrated "goodwill" prior to the October, 1997 Gore Kuchma talks.

- Documented examples of interdictions of grain and other food products and preferential status granted state owned institutions vis a vis private sector enterprises operating in the agricultural sector. Provided documentary evidence to senior US government officials in support of official indications of concern and protests (expressed by Ambassadors Miller and Morningstar, and Senator McConnell) of preferential treatment to state sector, and discrimination against the private sector, by the Ukrainian government.
- Actively tracked confiscations, blockages of movement by the Ukrainian government and other forms of interdictions of grain and other food products contracted by private sector enterprises during the summer. Protested transgressions to senior Ukrainian government officials. Twenty six documents demonstrating transgressions, collected by CNFA, were forwarded to the Ukrainian government by USAID and the World Bank. The evidence caused Vice Premier Tihpko to issue new instructions to Ukrainian government officials to remedy problems created by government interference.
- Contacted Ukrainian President's Administrative offices in April, 1997 to protest retroactive cancellation of five year tax holiday moratorium previously provided to foreign firms investing in Ukraine. Maintained constant lobbying effort to support repeal of cancellation of moratorium.
- Briefed International Monetary Fund and World Bank on Ukrainian government interference in private sector agro business transactions. Provided documentary evidence that helped convince both institutions that agricultural reform in Ukraine was not proceeding sufficiently rapidly, and in many cases was regressing. As a result of CNFA actions and that of other donors and advisors, funding for projects in Ukraine by both institutions was explicitly made more dependent upon reform performance benchmarks being maintained by the Ukrainian government (i.e. release of funding was tied more effectively to positive progress on economic reform).
- Coordinated policy initiatives with representatives of USAID, USDA, Iowa State University, Chemonics, RONCO, PADCO, British Know How Fund, TACIS (European Union), World Bank and IMF. Eliminated some overlap of efforts and identified areas of agricultural reform that have not been properly addressed in Ukraine.
- Represented agro business concerns at American Chamber of Commerce meetings, briefed visiting United States government delegations (e.g. Trade and Commerce), briefed sundry US government sponsored and supranational feasibility study groups (e.g., micro lending, fertilizer industry, etc.).
- Sponsored activities of Professor Vitaly Zinovchuk on Cooperative development activities (e.g., drafting of Cooperative legislation, lecturing on merits of Cooperatives at academic and regional conferences, preparing guide book on 'How to set up Cooperatives in Ukraine', assisting in the organization of pilot Cooperatives). Professor Zinovchuk's advice greatly improved the legislation on Cooperatives. Professor Zinovchuk also contracted to provide advice and assist in the organization of seven new cooperatives in four regions

of Ukraine and to prepare draft guide book by year end 1997 for publication in early 1998. The guide book and the advisory services related to the organization of cooperatives are expected to significantly accelerate the establishment of cooperatives in 1998.

- Participated in the preliminary efforts to develop an independent private sector dominated Grain Association in Ukraine (primarily through the efforts of staff advisor contributed by CNFA to the Ukrainian League of Entrepreneurs of the AgroIndustrial Complex). The private sector association appears to be developing into a viable alternative to the government dominated monopoly oriented grain union.

6. AGRIBUSINESS SERVICE CENTER

Within the CNFA office in Kyiv, an Agribusiness Service Center has been established to complement and re-enforce the activities of the CNFA and its partner operations. The Center services as a clearinghouse of data and information about agribusinesses in Ukraine and maintains information about US agribusiness, as well. Principal activities of the Center include:

- collection and interpretation of agricultural, trade, and investment information pertinent to doing business in Ukraine for the support of current and potential AP-2 partners, and including:
 - outreach efforts to inform US and Ukrainian businesses on recent developments and to obtain feedback from the AP-2 partners on issues needing to be addressed;
 - publication of materials to support the outreach efforts;
 - ready reference services to assist local businesses and private farmers;
- maintenance of a repository of English, Ukrainian and Russian language newspapers and periodicals;
 - reviews, translates and circulates, on a daily basis, news items relating to agribusiness activities in Ukraine;
- making available reference material such as directories, publications, and background information on Ukrainian and US companies to enhance the creation of linkages between companies; and,
- supporting US businessman coming to Ukraine with business services including: visa assistance, computing, telecommunications, e-mail and Internet access.

This past year the Agribusiness Service Center has focused its efforts on developing its range of services. During the upcoming months, these services will be refined and the Center's data bases will become more complete, providing the US agribusiness community a direct link to information necessary to successfully operate in Ukraine's agricultural sector.

ANNEX 1

The Process to Finalize an Agribusiness Partnership Development Contract

1. Initial contact made between CNFA and US agribusiness company.
 - AP-2 program is explained to company Ukraine (or U.S.) representative.
2. Company representative checks with corporate headquarters to explain AP-2 and to secure approval to proceed with development of an AP-2 "Concept Paper."
3. Company requests clarification of AP-2 guidelines.
 - CNFA responds and provides guidance to development of their ideas.
4. Company requests assistance in drafting the "Concept Paper."
 - CNFA responds with technical assistance and advice.
5. Company submits "Concept Paper" to CNFA for review.
6. CNFA completes review of "Concept Paper" and provides suggestions to company for developing a full AP-2 proposal.
7. Company takes "Concept Paper" and CNFA suggestions and begins drafting full AP-2 proposal.
 - CNFA provides advice and guidance to company during proposal writing.
8. CNFA starts Initial Environmental Examination (IEE) for prospective AP-2 dev. project.
9. Company submits draft AP-2 proposal to CNFA for review.
10. CNFA reviews draft proposal and provides suggestions to company for revisions, especially in budget and in meeting specific AP-2 guidelines.
11. If review of draft proposal is favorable, CNFA schedules a site visit to verify information presented in proposal regarding the US agribusiness, the site and the Ukrainian agribusiness partner and CNFA starts process to verify corporate financial capability through review of corporate financial statements, annual reports, or tax returns.
12. Company submits final, revised version of AP-2 proposal with complete budget, per AP-2 Guidelines to CNFA for final review and approval.

13. CNFA approves proposal and sends to USAID for approval.
 - CNFA completes and submits IEE to USAID for approval with AP-2 application.
14. USAID approves US agribusiness AP-2 proposal and notifies CNFA of approval.
15. CNFA starts negotiations with company for AP-2 development contract.
16. CNFA completes negotiations with company and signs development contract.
17. Company starts AP-2 Program activities.
18. CNFA initiates and completes an Environmental Analysis (EA) and submits to USAID for approval (in those cases where the IEE indicates that there could be negative impacts on the environment as a result of any aspect of AP-2 project activities).

Steps 1 through 18:

From our experience to date, steps 1 through 5, that is to work with companies who are not fully familiar with our program and get them to develop a "Concept Paper," can take anywhere from 2 to 10 months. (Several US agribusiness companies have known about AP-2 since November, 1996, have expressed a concrete interest in "doing something" under AP-2 but have not yet developed a "Concept Paper" for CNFA.)

Once a company gets to the point of submitting a "Concept Paper", the process can accelerate. Nevertheless, our experience is that steps 6 through 9 can take from 2 to 4 months.

Steps 10 through 16 can take as little as 2 and as many as 8 months. The total process, from initial contact (#1) to the signing of the development contract and initiation of AP-2 Program activities (#17) has taken as little as 6 months and as long as one year (12 months) or more.

Company responses to AP-2 and CNFA assistance:

Companies operating in Ukraine usually require headquarters concurrence to go forward with an AP-2 proposal. Potential AP-2 activities become factored into the companies' business plan agenda which drives the timing of applying for an AP-2 development contract.

US agribusinesses operating in Ukraine usually do not have the local staff needed to concentrate on developing an AP-2 proposal. Company staff also lack experience in proposal writing.

US agribusinesses are not familiar with US development programs and require a significant amount of advice and reassurances regarding confidentiality of their business plans

and financial information as they proceed through the application and development contracting process.

US company core agribusiness activities always take precedence over the additional activity of developing an AP-2 proposal for CNFA and USAID approval.

Initial Environmental Examinations (IEEs) and Environmental Assessments (EA) require a significant amount of staff time from CNFA and the US company applicant in the field and in writing up the results to secure USAID approval.

ANNEX 2

CNFA Ukraine Agribusiness Partnership Tracking Sheet

The attached tracking sheet contains confidential information for use by CNFA only.

Please do not share or distribute this information.

The tracking sheet contains information on Agribusiness Partnerships, as of **October 1, 1997**, according to the following categories:

1. AP-1 Approved Projects;
2. AP-2 Approved Projects;
3. AP-2 Draft Proposals (CNFA has received a draft "Concept Paper or "AP-2 Proposal," but completion of the final application is pending);
4. AP-2 Potential Projects (CNFA has had several discussions with these firms about developing an AP-2 application but no concept paper or proposal has been received to date);
5. AP-2 Contacts (CNFA has had contact with the company but they have not yet indicated a firm commitment to work with us on the agribusiness partnership program);
6. AP-2 targets (CNFA targets of opportunity for the agribusiness partnership program); and
7. AP Proposals Rejected, Canceled or Withdrawn.

CNFA Ukraine Country Tracking Sheet AP1 & AP2

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Contact	Project Description	U.S. Co.	USAID	Prop. Rec'd	to USAID	USAID approval	Aid Cond. Met	Dev. Contr. Signed	CNFA Contact	Notes	
AP I Approved Projects											
Note: These are projects approved by USAID											
CIL	Gour Saraff	Poultry Proc., Pkg. and Mkt. Vinittsa, Kiev Oblasts	2,351,390	486,150	10/15/96	12/6/96	approved 12/13/96	12/23/96	1/14/97	Phil B., Sasha	Meet with Gour Sept. 25th to get up-date on business and request for budget modification - CNFA considering budget modification. EA to be done in late Sept. or early Oct.
Monsanto	Maria Osyka, Fathi Tlatli	Contract Farm Services, Dnepropetrovsk Oblast	5,416,620	991,884	11/13/96	12/6/96	approved 12/13/96	12/23/96	1/16/97	Bill R., Andriy V.	Need to do EA - Wayne site visit Oct 4th. Fathi Tlatli to revise budget and submit to CNFA-Kyiv.
GAME	Roger Wolfe, Charlie Mitchell	Farm Service Center, Sumy Oblast	3,528,961	499,120	10/16/96	12/6/96 1/8/97	approved 1/16/97	1/16/97	2/6/97	Ray D., Andrey A.	Leased grain elevator and site for farm service center. Sumy PFA privatization silo pending. Ray + Andrey site visit Oct. 1-2nd. EA is complete - awaiting C. Mitchell comments before submitting to USAID.
Cargill Seed	Pat Bracken, Rasmus Juhl Jay Bjerke	Seed Production, Dnepropetrovsk	4,583,567	785,000	11/25/96	1/2/97 2/10/97	approved 2/20/97	5/20/97	7/14/97	Bill R., Andriy V.	Site visits Aug 14-15 Dnipropetrovsk and Aug 22 Donetsk. EA is being completed. Qtr. report received for 9/30 period.
Stimul	Lisa Voloshina	Canning Operation, Velyki Luchki, Uzhgorod Oblast		150,000 (\$ 30,000 Women's ABFB)	N/A	N/A	N/A	N/A	1/13/97	Phil B., Sasha	Larry Mullaney 19 Aug, arrival. Phil working on jars + lid procurement; EA being drafted for new site. Canning Equipment is at the new site; (Potential new donation \$ 7000 from ABFB.) Phill Betts site visit Sept. 24th.
TOTAL FUNDING			15,880,538	2,762,154							

CNFA Ukraine Country Tracking Sheet AP1 & AP2

Contact	Project Description	U.S. Co.	USAID	Prop. Rec'd	to USAID	USAID approval	Aid Cond. Met	Dev. Contr. Signed	CNFA Contact	Notes	
AP II Approved Projects	Note: These are projects approved by USAID										
Cargill Fertilizer	Pat Bracken, Brent Shonka	Fertilizer Blending Services, Donetsk Oblast	3,128,875	466,550	10/22/96	1/10/97	approved 2/3/97	2/3/97	5/23/97	Ray D., Andrey A	EA submitted to USAID-Kiev 7/30. Meeting with Ton Schurink (Cargill Europe) on Sept. 25th.
American Cyanamid	Boris Timofeev, Rich Lombardi	Farm Service Center, (Marketing, Distribution and Model Farms, Crimea, Lviv, Ternopil)	4,783,912	499,120	11/12/96	2/6/97	approved 2/20/97	2/20/97	5/20/97	Ray D., Andrey A	Wayne W. letter with Env recs sent Aug 22 for sites visited but more sites remain to complete EA. R. Lombardi is in USA with 18 Ukrainians in training sessions. Qtr. report for 9/30 submitted.
Kiev-Atlantic Ukraine	David Sweere, Dan Sweere	Oil Seed Processing, Kiev Oblast	4,550,000	500,000	4/2/97 5/26/97	7/9/97	approved 7/17/97	7/17/97	7/22/97	Ray D., Andrey A	EA submitted to USAID June 23rd. Env. Monitoring plan to be developed for KAU. Veg. Oil plant should begin operation on October 1st. Training Plan is due to be submitted to CNFA-Kyiv.
Progressive Genetics	Brad Campbell, Bruce Campbell	Soybean Service Center, Kherson Oblast	714,165	260,655	01/15/97	4/23/97	approved 5/8/97	7/11/97	7/11/97	Bill R., Andriy V.	EA to be done. Wayne W. site visit Sept. 22nd postponed by the Campbells. 2 farmers in US for training.
Pure Sunshine	Vlad Gribovsky, George Butsan	Orange Juice Processing, Kiev Oblast	1,430,000	497,905	4/10/97	4/25/97	approved 5/12/97	7/14/97	7/14/97	Phil B., Sasha	USAID-W approved EA August 8th.
TOTAL FUNDING:			14,606,952	2,224,230							

CNFA Ukraine Country Tracking Sheet AP1 & AP2

Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
AP-2 Draft Proposals	Note: These are projects for which we have received a draft proposal or significant Concept Paper, which we believe will be submitted to USAID for approval.					
AGCO (Massey Ferguson)	Gordon Graham, Roman Shapoval	Farm Service Center, Ukraine	2,000,000	500,000	3/24/97 9/11/97	Bill R., Andriy V. Proposal review by CNFA-Kyiv on Sept.18th; Bill Riley met with AGCO. Revised proposal will be reviewed Weds., Oct. 1st @ CNFA-Kyiv.
Agro-Evo	Dr. Dirk Rackow, Sergey Kharin, Natalia Shermatchkova	Farm Service Center (Poltava)	3,750,000	480,000	5/21/97	Bill R., Andriy V. Wayne made site visit, IEE pending. Proposal will be finalized for submission to CNFA in October. Berlin staff will review proposal and budget October 13th. before submission to CNFA-Kyiv.
Alfa Laval Agri	Paolo Sacchi, Andrew Kovalenko	Dairy Farmers Training, Cherkassy, Ukraine	2,500,000	500,000	4/1/97	Bill R., Andriy V. Proposal being drafted (Need IEE check). Based on CNFA meetings with WestNIS and Alfa Laval, proposal will be submitted for AP-2 and WestNIS \$ 1m dairy fund.
DTR	John Hupp (President)	Dairy Processing (Uman) Ukraine	6,286,517	500,000	8/28/97 9/15/97	Bill R., Andriy V. Submitted a proposal, site south of Kiev on road to Odessa. IEE to be done. Review Sept 9th in Kyiv. Fax sent to J. Hupp with suggestions for revisions; proposal re-submitted, review in Kyiv Sept. 22nd. Bill + Cretia to finalize Technical Evaluation memo for CNFA-W approval of proposal. Hupp visits Kyiv Oct. 9th.
DuPont /Rise Invest	John Shmorhun, Tony Borth	Ag Crop Protection, Cntr Ukraine	3,500,000	500,000	5/27/97 9/12/97	Ray D., Andrey A (DuPont is a member of UADC). Proposal revised and re-submitted, review @ CNFA-Kyiv on Sept. 19th. Ray + Tom H. met with Tony Borth - revised proposal will be submitted by Sept 26th. Review @ CNFA-Kyiv Sept. 30th.
Hilmac/Odessa Foods Int. Inc.	Max Hilpert	Meat & Pasta Processing, Odessa	3,000,000	499,000	5/14/97 8/28/97	Ray D., Andrey A Phil B., Sasha IEE completed; an EA will need to be done. CNFA-Kiev review Sept 3rd is favorable. Revisions done and proposal sent to CNFA-W for their concurrence before submitting to USAID. IEE will be included in proposal to USAID.
Kemin Industries Inc.	R. W. Nelson, Chris Nelson	Animal feed production	1,500,000	500,000	5/12/97	John B. David T. Tom H. fax response on June 12 with brief AP-2 Guidelines. David T. telecon with R.W. Nelson indicates a draft will be submitted in Sept. Micronutrient package for animal feed.

CNFA Ukraine Country Tracking Sheet AP1 & AP2 25

	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
Monsanto	Fathi Tlatli, Rafael Lozoev, Julia Romanova, Klaus Riffart	Training Centers, Ukraine (Odessa)	4,070,000	500,000	9/2/97	Bill R., Andriy V.	Proposal for Odessa Agribusiness Center received from Monsanto-Brussels, Sept 2nd. Review in Kyiv Sept 12th. Bill Riley and Tom R. discussed with Fathi Tlatli in Odessa. Revisions expected by Sept. 30th.
Norsk Hydro Hydro Agri	Kjell Johnson Andriy Rovenskiy	Fertilizer Distribution, Ukraine	3,850,000	490,000	6/2/97 8/28/97	Ray D., Andrey A	CNFA-Kyiv review of revised proposal Sept. 5th is favorable. IEE to be done, and an EA will also be required eventually. Tom H. + David T. met Kjell on Sept 9th - he will do revisions re-submit by Oct. 1st.
Rhone-Poulenc	Natalia Hisssetska (Ukr), Gino Odorico, Michael Kubaile (VP-Animal Nutrition), Art Quinn	Animal Health & Nutrition Center Livestock Feed Business at KAU	2,350,000	500,000	5/14/97	John B. David T.	Animal feed (amino acids as additives fo soymeal + improve protein). Concept Paper is being prepared for CNFA by Art Quinn. (RP is a member of UADC). Meeting @ CNFA-Kyiv on Sept 17th. Draft budget presented by Dave Sweere and Art Quinn based on Rhone-Poulenc meetings. Letter of Intent from RP is needed, (Mike Kubaile) before proposal will be completed and submitted for review.
Thegra Continental	Victor Theeuwes	Grain Elevator Lviv, Cherkassy, Kherson	1,000,000	400,000	5/23/97	Phil B., Sasha	Concept paper Farm Service Center;- proposal to be developed by Victor. Phil Betts call Sept. 26th and full proposal will be submitted mid-October.
Ukr. Devel. Company, LLC (UkrAgroSystems LLC.)	George Chopivsky, Michael Dotsenko, Ken Peoples	Farm Service Center Harvester-Combines (MF) (Poltava oblast)	2,000,000	500,000	2/26/97 9/8/97	Phil B., Sahsa, John B.	Ken Peoples submitted a "Concept Paper" on Sept. 8th to CNFA-Kyiv (G. Chopivsky is a member of the UADC). CNFA review informally on Sept. 17th and comments to Ken P. + George C. on Sept. 24th. Revised proposal expected late October in Kyiv.
Ukra-Tech-Railen (Agr. Products Inc.)	Yaroslav Bardina, Peter Chukaliuk	Plant Protection Farm Service Center and Port Elevator (Grain)	1,000,000	400,000	6/25/97	Ray D., Andrey A Bill R., Andriy V. John B.	Andriy V. met June 5. Concept Paper received. John B. to follow up in USA with revised "Concept Paper" based on Riley + Diamond issues/questions.
POTENTIAL SUBTOTAL			12,850,000	1,989,000			

CNFA Ukraine Country Tracking Sheet AP1 & AP2

	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
AP II Potential Projects	Note: The companies are interested in AP2 but have not yet developed a Concept Paper or draft proposal. We will continue to encourage development of an AP2 proposal.						
Ag.-Pro Int'l	Pavel Kuzminsky	Farm Service Center, Kotovsk				J. Balis	Meetings @ CNFA-Kiev and Washington - he may have found a US partner and will call us.
BASF	Werner Besch, Victor Sedov	Farm Service Center (Victoria Enterprises)			Pending	Phil B., Sasha	Concept Paper expected in September. J. Balis e-mail of Aug 21 confirms they are drafting a Concept Paper, perhaps for October.
Case Corp.	Jim Bueling, Tom Davies (CASE), Phil Kaykor (Chementor + Nova-Agro)	Farm Service Centers, Ukraine			Pending	Ray D., Andrey A Tom H.	Meeting May 21 @ CNFA-Kiev regarding distributors for \$78 m Ex-Im equipment deal ; 400 harvester/combines in 1997; (Ukraine Agrarian Mercantile Exchange, Chairman Bogdan Gubsky); (CASE is a member of UADC). Herlehy meeting with Tom Davies (CASE) and Ukrainian partner - left Guidelines - (Aug 18th). Telecon Sept.5th, CASE European Vice-President is reviewing Guidelines and will notify us of CASE interest.
Cargill	Pat Bracken, Brent Shonka, Ton Schurink (VP Treasurer based in Geneva)	Farm Service Center (Private Farm demonstration of production techniques)				Tom H.	Meeting @ CNFA-Kyiv on Sept. 25th, 1997 at which Pat Bracken explained concept of leasing farmland for production. Potential AP-2 or Private Farm pilot effort.
Caterpillar Co.	Gregg H. Appel, Zdenek Gregoriades, Beat Ammann (CIS-Geneva), Ronald Colgan (IntMkt-Washington)	Farm Service Center				Bill R., Andriy V. John B.	June 26 conference in CNFA-W with CAT - exploring market strategy for Ukraine, maybe "Concept Paper" in September. They are completing Ukraine business plan with Caterpillar US funds matching AP-2 monies.
Continental Grain/ Finagrain S.A.	Igor Lagoida, Cons. Ivanov	Sunflower Mill, Ukraine	2,500,000	500,000		Phil B., Sasha	Concept paper under develop.as of 4/11, expected by end July. Training Center.
DowElanco	Penny Parkin	Farm Service Center				Bill R., Andriy V.	E. Morgan Williams meeting in Vienna (August 11th); company will develop a proposal by Sept-Oct for Ukraine.

CNFA Ukraine Country Tracking Sheet AP1 & AP2

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	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
Fairview Int'l	Sergei Gusovsky, Brent Burgess	Wholesale/retail operat., Kiev				Tom H.	Morgan met w/ Gusovsky 2/27, They are still searching for partners for financing before developing proposal.
Fiat-New Holland (UkrAgribusiness)	Nataly Bondar, John Pitchford, Paul Cherry	Farm Equipment Cntr of combines, Kherson Oblast	1,250,000	500,000	Pending	Ray D., Andrey A Tom H.	Tom H. met John Pitchford (May 29) Pitchford is keen to develop a "Concept Paper" to build on their US Govn't approved \$ 11m Ex-Im deal with Ukraine. Paul Cherry meeting with Tom H. Sept. 23rd. Proposal will be developed after Amsterdam CNA meeting November.
FMC	Oleg Dolitiy, Stefan Frey	Packaging & Food Processing, Ukraine	1,000,000	400,000	Pending	Phil B., Sasha	(FMC is a UADC member) Tom H. fax Brussels + London in May - no Concept Paper yet. FMC e-mail 30 May indicates they are analyzing situation first.
Iowa Exp.-Import	Anne Barnes, Craig Winters, Brad Golightly	No-till Equipm. Supply Kiev, Donetsk	1,050,881	430,243	1/10/97	Ray D., Andrey A Phil B., Sasha, John B.	Craig Winters asking help for "Concept Paper"; John Balis memo (May 27) lays out suggestions for proposal. Balis will follow up with C. Winters. They may not develop an AP-2 Ukraine application but focus on Russia operations.
IVM	Mich. Chaikivs	Food Labels, Ukraine				Phil B., Sasha	Concept Paper expected in July if their marketing scheme for labels "takes off". They are having some marketing problems right now.
Integrated Food Technologies Corp. (IFT)	Dennis L. Payette	AquaSystem Production Plant (Fish) with Siemens Corp.	5,000,000	500,000		John B.	Request "feasibility" study in fax to USAID-W dated July 14th 1997. J. Balis to discuss with IFT cost-sharing study.
KARE	Oleg Vorobyov	Farm Service Centers (Agri-chemical distribution + training)				Bill R., Andriy V.	Meeting @ CNFA-Kyiv between Bill Riley, Andrew Vorobyov and KARE - an agrichemical company based in Houston, Texas, with manufacturing facilities in Russia. Discussed AP-2 Guidelines - potential interest (9/25/97 meeting).
Nature's Extra (Braswell Milling Co)	Robert Pike, Mike Modich	Egg Production Project or Feed Mill				John B. David T.	Company is working with Am. Soybean Association on identifying potential project site in Ukr., will submit concept paper in Sept-October. Possibly one or two projects based on outcome of ongoing studies. Met Mike Modich @ CNFA-Kyiv Sept 4th; Potential Concept Paper

CNFA Ukraine Country Tracking Sheet AP1 & AP2

	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
Nature Mark	Pamela Graves-Moore Brent Williams, Jennifer Morris, Robert Paterson, Jessica Adelman	Potato Genetics, Farm Service Center	1,000,000	400,000	Pending	Bill R., Andriy V.	Nature Mark is an independent company set by Monsanto, working on biotechnology with Prince Edward Island as site for growing improved potatoes. Andrew V. went to field day July 16th and discussed proposal. (Monsanto-Moscow is finalizing proposal.) John Balis meeting with Brent Williams in Washington (August 7th) indicates we may not get a proposal until 1998. They are finalizing their Ukraine business plan and strategy first.
Netafim	Ronen Kedar, Udi Zur	Irrigation Equipment, Kyiv (Sales Odessa/Crimea) Potential partner with SVS/PetoSeed.				Phil B., Sasha	Equipment being used by SVS/Peto Seed in Odessa. Company meeting with CNFA-Kyiv on Sept 9th. Site visit Sept 16th. Meeting on Sept. 18th - gave Guidelines, company may develop a joint proposal with SVS for Crimea or Odessa in vegetables or vineyards or Uman.
New Centuries Holding Advisors, Inc.	Roberta Feldman, Meran Husni	Sugar Beet Factory, Poltava (Orekhovsky Sugar Factory)	4,500,000	500,000		John B.	See fax of Aug 29th to John Balis. NCH Company is based in Russia.
New England Poly Bags	Tom Sowden	Bag Plant, Ukraine			Pending	J. Balis	Info on buyers sent to Sowden by Balis, market research planned for July-August. Balis to follow up in USA.
OmniLub (OmniSphere)	Roman Fedorovych	Fars Service Center (Western Ukraine, Ternopil Oblast)				Tom H.	Meeting @ CNFA-Kyiv Sept. 26th with Tom Rulland and Tom Herlehy regarding AP-2. Cleveland-based company supplies lubricants which OmniLub sells in Ukraine. He may work with Dick Shriver (CIME) to develop a "Concept Paper".
Pioneer Hi-Bred International	Jack Watson, Brian Foster					Phil B., Sasha, Bill R., Andriy V.	Meeting CNFA-Kiev 30 July. Proposal to be developed Oct. Brian Foster meeting Sept. 26th in Kyiv, may develop proposal.
Tetra Pak	Manferd Reich	Dairy Plant Improvements, Cherkassy	2,000,000	500,000	Pending	Bill R., Andriy V.	Company indicates they are experiencing some difficulties with Cherkassy dairy plant partner. They want to postpone their proposal until January, 1998.
WPI Capital Group (Capital Asset Management Ltd.)	Shareen Anderson	Sausage Factory (Kyiv)				Tom H.	Tom faxed WPI on 4/19; Tom H. faxed WPI on Sept. 2nd. Meeting in Kyiv with S. Anderson Sept. 4th. Discussed sausage factory opening in Kyiv and plans for supermarket and poultry business. No firms plan yet for AP-2.

CNFA Ukraine Country Tracking Sheet AP1 & AP2

	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
AP2 Contacts	Note: CNFA has contacted these companies but we are not sure that they will develop a Concept Paper of Proposal. We are unsure of company commitment to AP2.						
Amity Technology	Howard Dahl, Tom Persson	No-till Man., Input Supply				Tom H.	Morgan telecon w/ Dahl 12/29 (Jim Bueling -Concord Drills). AP-2 Guidelines sent by Evelina 4/15/97.
Bayer	Michael Rjasanowski, Dr. Bruggen, Igor Polishvaiko					Tom H.	Tom H. to call soon
B&S Consultants	Brian Clarke					John B.	Guidelines sent 1/23, Follow up Washington
Choice Int'l Trading	Oleg Vydra	Meat & Dairy Pack., Dnipropetrovsk Oblast				John B.	Per Evelina's phone call, guidel. sent 1/15
DeKalb	Yuri Bran, Paul Christiansen	Corn Seed Plant, Poltava (with Monsanto?)				Ray D., Andrey A	Guidelines sent 1/15
Hubbard Farms	John Gascoyne	Poultry Production and Marketing (Donetsk)				John B.	Evelina sent AP-2 guidelines. They want to set up an investment in Donetsk.
Int'l Projects Group	Earl McClure	Farm Service Center				Phil B., Sasha, John B.	Office Visit 2/11/97 with Tom H.- potential
John Deere SAICO	Dean Dort, Mitchell Kreps, Noel Pearce					Phil B., Sasha	Guidelines provided; \$173 m Ex-Im deal Gou on June 2, 1997. They will work through state-owned UkrAgro Tech Service for 1997 funds of \$76.2 m part of deal. Min. of Agr. must make repayment through supply or sales of agr commodities.
Lisnik Foods Co.	Nickolas Fursik					John B.	Guidelines sent 12/16
McDonalds [McDonald supply companies]	Karl Fritz	Retail marketing Food supply				Tom H.	Sent fax, request meeting 4/15 Maybe May. See Morgan W. e-mail 6/01/97 for list of suppliers, Tom H. faxed Vienna 6/10/97

CNFA Ukraine Country Tracking Sheet AP1 & AP2

	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
MFS-York-Stormor (Global Industries)	Virgil Einhusen, Peter D. Carter	Grain Storage Facility				Tom H.	Meeting in CNFA-Kyiv with Virgil Eihusen and Peter D. Carter regarding potential partnership and investment in grain storage. Week long visit to Ukraine includes Poltava (G. Chopivsky) Sept. 23rd, 1997.
Ralston Purina Eur.	Franco Sarti	Animal feeds				John B. Phil B., Sasha	John B. to follow up. Company is developing their Russian investment and business right now. Company Vice President may visit Ukraine in Sept-Oct.
Sanofi Trading Eur.	Alexander Nizheradze (Kyiv)	Marketing Corn + Sunflower Seed, Pesticide and Equipment					Fax to JHC Aug 20th; reply by David Cohen Sept 8th, 1997. Ukrainian importer. Who are their partners?
SeaLand	Jim Gallagher, Richard Nicholson (Moscow)	Transport				John B.	Office Visit 1/28, Guidelines sent. David T. telecon with Gallagher, company is interested in oa AP-2 proposal but staff are too busy with company re-organization, maybe after September. (Aug 20, 1997)
Selentec	Michael Dunn	Water Purification				John B.	Guidelines sent 2/12/97
Sunward Ukraine						Phil B., Sasha	
Toepfer International	Bjorn Stendel	German Trading Company					
UkrAgriBusiness	L. Kozachenko	Farmer Supply Center				Tom H. Ray D., Andrey A	Potential New Holland partner
WJ Export-Import	Josef Vays, Nicholai Kompanesh, Ludmila Vitally David Holpert	Cereal + Sunflower Export Business, Cherkassy, Donetsk				Tom H.	Morgan Williams arranged meeting for Tom H. and Tom R. on May 20, Kiev, Guidelines given for AP-2 and discussed. David Holpert will draft a "Concept Paper" for CNFA.
York Ukraine	Pavlo Zhirni, Mark Stanga					Ray D., Andrey A	

CNFA Ukraine Country Tracking Sheet AP1 & AP2 ²⁰

	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
AP2 Targets	Note: CNFA following these companies to discuss their business plans and AP2.						
Agri-Enterprise	Hubert Christopher	Poultry Production and Processing				John Balis	H. Christopher seemed interested in AP2 & asked to send Guidelines, Evelina sent Guidelines on June 4. This company is investing in Almaty, Kazakstan.
Agromac	Joe Schon						
Arbor Acres	Costa Hanegaff	Poultry				John B.	
ADM	Grain +Food Company						
Boehringer	A.Woestman						
Chief Industries	Robert Eihusen	Grain Storage				Morgan	Per Morgan
FATA/Hunter	Piero Bugnone	Packaging Company, Dnepropetrovsk					
Gilbro	Don Novotny, Frank Gleeson	Trading and Farm Input				John Balis	Evelina sent Guidelines on May 27.
Good Nature Prod.							
GrainPro Inc.	Carl Harris,	Portable Grain Storage				John Balis	August 21 follow-up by Balis indicates the company is busy with African deals right now. May do a proposal in 1998. Needs partners in Ukraine.
Group 7	Terri Bell	Vegetable Processing Ternopil				John B.	This recent AVP volunteer would like to help develop a privatized veg. processing plant. Washington to follow up.
Ibberson Modular Mills	David Breg (President)	Feed Mills Grain Storage				John B.	They are a sub-contractor to Iowa Import-Export for a feed mill in Ukraine to be built (in part) by US Exim Bank financing. If grain silo privatization goes forward - they would be interested.
Johnson Controls	Giuseppe Matissi						

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	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
Johnson Machinery	Howard Johnson						
Kerem	Rustem Ibragimov	Crimean Tatars Association				Ray D. Andrey A	Barley farming operation in Crimea seeking investors - potential grain elevator partnership. See Ray Diamond and Andrey Andryushko field visit memo of Sept. 29th, 1997.
Lockwood Corp.							
LDC	Francis Blum						
Melroe Ingersoll-Rand	Wim Vervoort						
Merck							
Pepe International	Roman Macur					John B.	Gave AP-2 Guidelines September 1996.
Percheron	Jay H. Newman						
Perdue	Carlos Ayala	Poultry Processing (Salisbury, MD)				John B.	Evelina called May 16, sent AP-2 Guidelines. They are starting a project in Ukraine.
Rustica Prograin	Imre Bogdan						
Savits Research	Jeffrey Savits						
Teepak	Ulia Olenik						Kiev-based
Insta Pro (Triple F Feeds)		Feed Prdct., animal nutr., Donetsk Oblast				John B.	Per Morgan, not feasible
T-Systems Europe	Ralph George						
Unilever Export	Victoriya Tsoma					Phil B., Sasha	Kiev-based
Uniroyal Chemical	Joseph Fekete					Ray D., Andrey A	Kiev-based

CNFA Ukraine Country Tracking Sheet AP1 & AP2

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	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
Proposals Rejected, Canceled, Withdrawn							
Am. Ag-Tec	Perry L. Brown	Commercial sales + distribution.			N/A	Phil B., Sasha	per 4/8 e-mail from R.Britt, Guidelines sent by Wash. Evelina telephoned June 11 - they are not interested in making investments in Ukraine.
Cambridge Ukraine Dev. Co.	Phil Colgan	Farm Service Center	2,325,000	475,500	3/14/97	Phil B., Sasha	Meeting in Kiev 4/1/97, Rvsd proposal postponed - perhaps in 1997-98 cycle. Withdrew proposal May 20,97 because of alleged fraud by Gordon Seilring, their Ukraine-based American managing partner. (See Eastern Economist May 21)
Chalice Investment	Richard Davison	Vineyard Prod., Proc. Crimea and Odesa Obl.			N/A	John B.	Guidelines sent 1/17 Evelina phone call 1/17, Evelina's telecon/R. Davidson 5/6: don't plan to submit proposal in 1997. They want to focus on their "core" business only and not invest in Ukraine or the WNIS right now.
Dow Elanco	Mykolai Babjak, Penny Parkin	Agribusiness Training with 4 Agr. Universities		137,142	6/6/97	Bill R., Andriy V.	CNFA-Kiev reviewed "Concept Paper" on June 10 and decided to advise Dow Elanco not to develop a full proposal because this is a curriculum reform and institution building project. Refer to Iowa State Univetsity project at Agrarian Institute.
Ilta (Euro Mill)	Sergiy Mishenko				N/A	Bill R., Andriy V.	No response to repeated follow up.
Koch	Rod Beason	Meat Processing Facilities	3,000,000	500,000	11/15/96	Tom H.	In a CNFA meeting (Kiev) May 1997, Rod Beason formally withdrew his AP-2 proposal (Dec'96) because of onerous demands made by WesNIS and Ukrainian partners. Koch will sell meat processing equipment but not invest in a facility improvement, technical assistance, training in 1997.
Kraft Foods, Inc.	George Logush	Distributorship Training, Sumi Oblast	4,850,000	500,000	N/A	Ray D., Andrey A Tom H.	Proposal for distributors training and technical assistance in marketing. George needs to convince corporate HQ that it would be worthwhile to develop a proposal because HQ is resisting the idea. Telecon with Tom H. on Sept. 18th indicates Kraft will not invest nor do an AP-2 Proposal because of disincentives created by repeal of investor tax holiday in July 1997 by Ukrainian Parliament.

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	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
Luba Group	Bohdan Huzar Wasył Chuba	Small Scale Meat Plant, Ternopil Oblast	380,000	125,000	3/31/97 8/1/97	Ray D., Andrey A	Proposal rejected per fax of May 27; CNFA-Kiev to meet Bohdan Huzar on his visit to Kiev June 6, to offer support via WesNIS or CIME (Lviv). See also J. Swartwood and J. Balis e-mail of June 20 indicating reasons for rejection. Ray Diamond e-mail of August reiterates reasons for rejection.
Monsanto	Fathi Tlalli (Monsanto)	Centers of Excellence (Ukraine)	2,000,000	500,000	3/16/97	Bill Riley, Andriy V. Tom H.	Proposal from Monsanto to create a nation-wide network of "Centers of Excellence" for training small and medium sized entrepreneurs and farmers. Proposal rejected in May 1997 as not being an agribusiness partnership, for being too much focused on training and creation of a credit line with USAID funding.
MasterFoods (Mars)	Nich. Tarassenko				N/A	Bill R. Andriy V.	Bill+Andriy met & company will NOT submit a proposal - family owned business does not want to work with USGov'n't or AID organisation because of confidential nature of business financial records.
PetoSeed - SVS (Royal Sluis)	Carl Rentes (Vienna), Vlad. Angel, Alois Suter, Mike Pigott	Vegetable Service Center, Odesa Oblast	500,000	200,000	3/15/97 6/4/97	Ray D., Andrey A J. Balis David T.	Potential partners for Crimean Private Farmers Association(PFA). Fax from Mike Piggot (Sept 7th, '97) withdrawing AP-2 application because of low level of SVS investment in Ukraine; too high rate for company match; and the perceived heavy administ. and reg. burden a contract would bring.
Pfizer (Bionta)	Igor Gomeniuk	Manufacture veterinary medicine in Ukraine			N/A	Bill R. Andriy V.	Company decided to invest in Uzbekistan in manuf. facility. They will re-analyze investment climate in September with US home office (August 1997.) Proposal withdrawn.
Redex	Marta Farion, Rostislav Yakobluk	Baby Food Processing + Marketing Lviv + Kiev oblast.			11/96	John B.	Letter from company - they decided not to invest in Ukraine because of business climate and distance from US, instead will invest in Mexico - letter dated 12/27/96.
Tradigrain / Farmland Industries	Dimitri Power, Tatiana Sazonova	Grain Elevator (Nikolaiv)				Bill R., Andriy V.	They are primarily buying and selling grain. Maybe during 1997 they will invest in a Farm Service Center with grain storage as a primary service. Awaiting Farmland Ind. investment decision. Balis telecon Aug 21 - uncertainties in the Ukraine grain market make it doubtful that they will do a proposal.

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	Contact	Project Description	U.S. Co.	USAID	Draft Proposal Rec'd	CNFA Contact	Notes
Ukr-Agra Ltd.	Robert Kramarczuk, Igor Vasiunyk	Farm Service Center, Lviv, Kiev and Kherson	545,887	175,000	1/24/97 5/8/97	Bill R., Andriy V. Phil B., Sasha	Grain & Sugar Marketing Cooperative in Lviv Oblast, proposal being revised to reflect new partner but questions still remain about who is behind the Ukrainian Agr Cooperative. Project status in doubt because of personal and professional disagreements. Ref Bill R. e--mail and meeting with Roger G. on June 3, 1997. Note - R. Gebhard quit Ukr-Agra to go to work for Kiev-Atlantic Ukraine. Canceled Aug 1997.
Ukraine Investments Ltd.	Joe Dehner, Herbert Kaatz, Mickey Mullay	Furniture Production, Ukraine	2,966,900	500,000	6/9/97 8/29/97	Bill R. Andriy V.	Serious concerns about forestry management and Env. issues. Fax to UIL with suggestion to adopt a forestry management plan to ensure sustainability. CNFA-Kyiv (Sept. 22nd) decision to reject proposal as not being food systems based.
UK Vegetable Consort.		Fruit+Vegetavle Marketing, Crimea			N/A	Tom H.	Will not develop proposal under AP-2. They are too busy with their core business activities.
Valmont Industries	Vladimir Harminc, Rich. Berkland, Vladimir Kanashenkov	Irrigation Equipm. Supply, Ukraine, AgroComplex (Donetsk)			N/A	Tom H.	Guidelines sent 1/23. Fax response Feb 97 indicates they will not develop a proposal in 1997 because they want to focus on core business - sale of irrigation equipment. Fax of May 22, requests help securing sales finance. Forward to E. Morgan (UADC). Tom H. fax to Vladimir, Aug 29th regarding AP-2 and UADC.
Westway Trading	Denn. McMahan	Feed Process. Beet Pulp, Mykolaiv	2,000,000	500,000	1/10/97	Phil B., Sasha	Decided not to make proposal, because of investments in new molasses business, May 1997.
Worldwide Cargo	Yury Langer	Transportation, Ukraine			N/A	Bill R. Andriy V.	Bill R. met 4/11 Decided not to apply for a development contract because of investment regulations of Gov. of Ukraine and perceived negative investment climate, esp. import taxes and tax holiday legislation.
Zeneca (Advanta)	Igor Kowal, Chris Godley, Chris Nicholls, (Roger Hart)	Sugar Beet Input, Supply Sumy, Poltava, Kiev, Ternopil			N/A	Ray D., Andrey A Phil B., Sasha	Guidelines sent; Chris Godley (UK) is developing a "Concept Paper" based on guidelines and call of May 6. Tom H. sent fax on June 12, offering assistance. C. Godley fax reply of June 17 indicates they decided not to apply under the program. No reason given.

ANNEX 3

Performance Indicators by AP Development Contractors

CNFA Agribusiness Partners Sales (Dollar Amounts)		
Agribusiness (Project)	1996	1997
Monsanto-Agrodon (FSRP)	\$25.6 million	Not Available
Cargill-Gorky Farm	\$ 4.2 million (FSRP)	\$ 6.0 million (AP-1)
Kiev Atlantic Ukraine (FSRP)	\$12.5 million	Not Available
Freedom Farm (FSRP)	\$.5 million	Not Available
Commodities Int. Ltd. (AP-1)	N/A	\$ 1.0 million
Monsanto-Dniprolan	N/A	\$ 4.8 million
Global/GAME (AP-1)	N/A	\$ 166,000
STIMUL	N/A	Not Yet Operational
Cargill Fertilizer (AP-2)	N/A	\$ 876,000
American Cyanamid (AP-2)	N/A	\$ 6.1 million
Progressive Genetics (AP-2)	N/A	\$ 190,000
Pure Sunshine (AP-2)	N/A	\$ 11,715
TOTALS	\$42.9 million	\$19.1 million

* N/A: Not Applicable for the year given because the firm was not yet an AP contractor.
 Not Available: Company accounts are not yet closed for the fiscal year/reporting period.

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CNFA Agribusiness Partners: Land Area Under New Technology		
Agribusiness (Project)	1996	1997
Monsanto-Agrodon (FSRP)	420,000 ha.	Not Available
Cargill-Gorky Farm	120,000 ha. (FSRP)	128,000 ha. (AP-1)
Kiev Atlantic Ukraine (FSRP)	300,000 ha.	0
Freedom Farm (FSRP)	10,000 ha.	Not Available
Monsanto-Dniprolan	N/A	240,000 ha.
Global/GAME (AP-1)	N/A	7,430 ha.
Cargill Fertilizer (AP-2)	N/A	217,000 ha.
American Cyanamid (AP-2)	N/A	180,000 ha.
Progressive Genetics (AP-2)	N/A	4,130 ha.
TOTALS	850,000 ha.	776,560 ha.

* N/A: Not Applicable for the year given because the firm was not yet an AP contractor.
Not Available: Company information has either not been collected nor reported yet.

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Subcontract Analysis for P/E 9/30/97

	AID/CNFA Contribution			Company Contribution			% Match
	Budgeted	Actual	Actual / Budgeted	Budgeted	Actual	Actual / Budgeted	Company/ AID
Commodities International							
Direct Labor	\$272,400.00	\$59,898.68	21.989%	\$235,200.00	\$96,390.00	40.982%	1.61 : 1
Fringe Benefits	\$0.00	\$0.00	100.000%	\$60,912.00	\$17,700.00	29.058%	. : 1
Supplies/Equip	\$123,975.00	\$27,307.67	22.027%	\$1,811,525.00	\$98,541.00	5.440%	3.61 : 1
Travel/Per Diem	\$69,150.00	\$36,175.27	52.314%	\$0.00	\$14,980.00	0.000%	.41 : 1
Other Direct	\$0.00	\$9,524.03	100.000%	\$0.00	\$32,745.00	0.000%	3.44 : 1
Indirect	\$20,625.00	\$0.00	0.000%	\$118,325.00	\$199,518.00	168.619%	. : 1
Totals	\$486,150.00	\$132,905.65	27.338%	\$2,225,962.00	\$459,874.00	20.660%	3.46 : 1
Cargill Seed							
Direct Labor	\$1,256,225.00	\$945,075.31	75.231%	\$833,848.00	\$450,496.15	54.026%	.48 : 1
Fringe Benefits	\$14,737.00	\$3,419.35	23.202%	\$379,993.00	\$262,122.50	68.981%	76.66 : 1
Supplies/Equip	\$149,606.00	\$141,411.67	94.523%	\$2,774,398.00	\$3,269,410.91	117.842%	23.12 : 1
Travel/Per Diem	\$417,412.00	\$291,905.83	69.932%	\$464,685.00	\$562,643.95	121.081%	1.93 : 1
Other Direct	\$850,329.00	\$651,980.70	76.674%	\$2,924,183.00	\$2,251,291.70	76.989%	3.45 : 1
Indirect	\$0.00	\$20.00	0.000%	\$0.00	\$0.00	0.000%	. : 1
Totals	\$2,688,309.00	\$2,033,812.86	75.654%	\$7,377,107.00	\$6,795,965.21	92.122%	3.34 : 1
Monsanto							
Direct Labor	\$470,000.00	\$96,567.24	20.546%	\$435,000.00	\$160,395.00	36.872%	1.66 : 1
Fringe Benefits	\$34,480.00	\$16,413.00	47.602%	\$129,520.00	\$60,360.00	46.603%	3.68 : 1
Supplies/Equip	\$139,200.00	\$55,461.00	39.843%	\$4,791,400.00	\$122,243.00	2.551%	. : 1
Travel/Per Diem	\$216,942.00	\$37,298.00	17.193%	\$0.00	\$0.00	100.000%	. : 1
Other Direct	\$131,610.00	\$18,590.00	14.125%	\$10,000.00	\$0.00	0.000%	. : 1
Indirect	\$0.00	\$0.00	100.000%	\$0.00	\$0.00	100.000%	. : 1
Totals	\$992,232.00	\$224,329.24	22.609%	\$5,365,920.00	\$342,998.00	6.392%	1.53 : 1
Game							
Direct Labor	\$235,280.00	\$124,180.81	52.780%	\$403,267.00	\$70,327.00	17.439%	.57 : 1
Fringe Benefits	\$74,940.00	\$20,852.35	27.825%	\$174,580.00	\$7,287.00	4.174%	.35 : 1
Supplies/Equip	\$36,020.00	\$25,580.94	71.019%	\$2,859,100.00	\$1,263,727.00	44.200%	49.4 : 1
Travel/Per Diem	\$33,600.00	\$12,206.04	36.328%	\$34,800.00	\$17,515.00	50.330%	1.43 : 1
Other Direct	\$119,280.00	\$45,081.94	37.795%	\$68,880.00	\$370,614.00	538.057%	8.22 : 1
Indirect	\$0.00	\$3,908.80	0.000%	\$0.00	\$0.00	100.000%	. : 1
Totals	\$499,120.00	\$231,810.88	46.444%	\$3,540,627.00	\$1,729,470.00	48.846%	7.46 : 1
DTR * MOLDOVA *							
Direct Labor	\$107,500.00	\$38,595.84	35.903%	\$184,200.00	\$117,944.41	64.031%	3.06 : 1
Fringe Benefits	\$21,500.00	\$7,719.17	35.903%	\$69,384.00	\$43,406.00	62.559%	5.62 : 1
Supplies/Equip	\$133,876.00	\$116,592.47	87.090%	\$2,295,035.00	\$376,350.29	16.398%	3.23 : 1
Travel/Per Diem	\$69,750.00	\$26,005.64	37.284%	\$69,750.00	\$31,652.89	45.380%	1.22 : 1
Other Direct	\$91,000.00	\$4,530.34	4.978%	\$68,290.00	\$162,937.82	238.597%	35.97 : 1
Indirect	\$33,000.00	\$0.00	0.000%	\$91,894.00	\$108,378.24	117.938%	108378240. : 1
Totals	\$456,626.00	\$193,443.46	42.364%	\$2,778,553.00	\$840,669.65	30.256%	4.35 : 1
API Subtotals	\$5,122,437.00	\$2,816,302.09	54.980%	\$21,288,169.00	\$10,168,976.86	47.768%	3.61 : 1

	AID/CNFA Contribution			Company Contribution			% Match
	Budgeted	Actual	Actual / Budgeted	Budgeted	Actual	Actual / Budgeted	Company/ AID
Cyanamid							
Direct Labor	\$102,952.00	\$11,487.00	11.158%	\$1,134,506.00	\$59,689.00	5.261%	5.2 : 1
Fringe Benefits	\$42,210.00	\$4,700.67	11.136%	\$204,426.00	\$24,472.49	11.971%	5.21 : 1
Supplies/Equip	\$48,000.00	\$3,000.81	6.252%	\$79,000.00	\$5,239.00	6.632%	1.75 : 1
Travel/Per Diem	\$60,000.00	\$2,747.37	4.579%	\$420,000.00	\$31,016.00	7.385%	11.29 : 1
Other Direct	\$246,000.00	\$18,354.13	7.461%	\$2,944,980.00	\$115,514.85	3.922%	6.29 : 1
Indirect	\$0.00	\$0.00	100.000%	\$0.00	\$0.00	100.000%	: 1
Totals	\$499,162.00	\$40,289.98	8.072%	\$4,782,912.00	\$235,931.34	4.933%	5.86 : 1
Pure Sunshine							
Direct Labor	\$197,000.00	\$5,067.46	2.572%	\$408,000.00	\$201,301.00	49.338%	39.72 : 1
Fringe Benefits	\$42,393.00	\$342.05	0.807%	\$87,958.00	\$25,997.00	29.556%	76 : 1
Supplies/Equip	\$0.00	\$0.00	0.000%	\$30,000.00	\$1,211.00	4.037%	: 1
Travel/Per Diem	\$125,000.00	\$0.00	0.000%	\$80,000.00	\$1,248.00	1.560%	: 1
Other Direct	\$114,750.00	\$8,553.83	7.454%	\$2,809,441.00	\$271,062.00	9.648%	31.69 : 1
Indirect	\$0.00	\$0.00	0.000%	\$0.00	\$0.00	0.000%	: 1
Totals	\$479,143.00	\$13,963.34	2.914%	\$3,415,399.00	\$500,819.00	14.664%	35.87 : 1
Kiev - Atlantic							
Direct Labor	\$150,000.00	\$57,708.68	38.472%	\$247,518.00	\$87,707.26	35.435%	1.52 : 1
Fringe Benefits	\$0.00	\$0.00	0.000%	\$105,574.00	\$29,169.36	27.629%	: 1
Supplies/Equip	\$100,000.00	\$68,564.00	68.564%	\$4,108,680.00	\$80,290.97	1.954%	1.17 : 1
Travel/Per Diem	\$0.00	\$0.00	0.000%	\$150,200.00	\$31,248.50	20.805%	: 1
Other Direct	\$250,000.00	\$219,530.40	87.812%	\$338,400.00	\$357,659.07	105.691%	1.63 : 1
Indirect	\$0.00	\$0.00	0.000%	\$0.00	\$0.00	0.000%	: 1
Totals	\$500,000.00	\$345,803.08	69.161%	\$4,950,372.00	\$586,075.16	11.839%	1.69 : 1
Progressive Genetics							
Direct Labor	\$99,375.00	\$0.00	0.000%	\$91,375.00	\$0.00	0.000%	: 1
Fringe Benefits	\$10,200.00	\$0.00	0.000%	\$1,200.00	\$0.00	0.000%	: 1
Supplies/Equip	\$44,000.00	\$3.04	0.007%	\$508,650.00	\$19,748.17	3.882%	6496.11 : 1
Travel/Per Diem	\$70,860.00	\$5,473.00	7.724%	\$15,240.00	\$1,174.25	7.705%	.21 : 1
Other Direct	\$36,220.00	\$24.34	0.067%	\$97,700.00	\$318.13	0.326%	13.07 : 1
Indirect	\$0.00	\$0.00	0.000%	\$0.00	\$0.00	0.000%	: 1
Totals	\$260,655.00	\$5,500.38	2.110%	\$714,165.00	\$21,240.55	2.974%	3.86 : 1
Cargill Enterprises							
Direct Labor	\$171,000.00	\$0.00	0.000%	\$246,250.00	\$0.00	0.000%	: 1
Fringe Benefits	\$0.00	\$0.00	100.000%	\$39,375.00	\$0.00	0.000%	: 1
Supplies/Equip	\$55,000.00	\$0.00	0.000%	\$766,250.00	\$0.00	0.000%	: 1
Travel/Per Diem	\$113,050.00	\$0.00	0.000%	\$0.00	\$0.00	100.000%	: 1
Other Direct	\$127,500.00	\$0.00	0.000%	\$2,077,000.00	\$0.00	0.000%	: 1
Indirect	\$0.00	\$0.00	100.000%	\$0.00	\$0.00	100.000%	: 1
Totals	\$466,550.00	\$0.00	0.000%	\$3,128,875.00	\$0.00	0.000%	: 1
APII Subtotals	\$2,205,510.00	\$405,556.78	18.39%	\$16,991,723.00	\$1,344,066.05	7.91%	3.31 : 1
Grand Totals	\$7,327,947.00	\$3,221,858.87	43.967%	\$38,279,892.00	\$11,513,042.91	30%	3.57 : 1

SB