

**INDIA AGRICULTURAL COMMERCIALIZATION AND
ENTERPRISE PROJECT**

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INDIA-U.S AGRIBUSINESS LINKAGES

**Prepared for
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**With
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EXECUTIVE SUMMARY

The time is right to provide support for Indian agribusiness development. The recent visit to India of the high-level US trade delegation led by Secretary of Commerce Ron Brown demonstrated the readiness of Indian and US businesses to establish linkages to take advantage of new opportunities in the emerging Indian market and worldwide. Interviews conducted with more than thirty US and Indian agribusinesses and organizations, many of them joint venture partners, echoed the enthusiasm reported by Secretary Brown's mission. The recently concluded International Workshop on Horticultural Development, held in Bombay and New Delhi, reflected the same strong and widespread interest, attracting almost double the anticipated number of participants from all over India.

In spite of the need to continue work on reducing remaining policy and regulatory obstacles, the newly liberalized business environment, has ignited interest in development of high value horticulture exports and in the processed food sector, particularly its packaging, distribution, research, quality control, and raw material supply components.

The primary impediments to development of these sectors, as expressed by the Indian agribusiness business community, center on lack of knowledge about business opportunities, particularly concerning global markets and appropriate technologies.

Although the ACE Project has focused on financing to achieve its mandate of increasing agribusiness investment, it could even more effectively address the constraints identified by adjusting its menu of services to be able to also aggressively promote market and technology linkages and opportunities. Information and technical assistance should be provided whether or not the benefiting firms are candidates for financing. In this manner, ACE could build substantially upon the emerging successes of its lending program and have an impact upon a much larger number of firms.

It is recommended that the ACE Project collect and provide basic information about promising markets, technologies and potential venture partners and that it aggressively promote its services with a particular focus on key agribusiness sub-sectors. The approach should emphasize leveraging resources and networks of key Indian and US business associations by working closely with them to sponsor events which provide exchange of practical information and promote business opportunities. In addition, utilizing minor project resources, ACE could also serve effectively as a source of information to support policy reform through Indian business associations and the newly formed Working Group on Agribusiness.

SECTION I
BACKGROUND - INDO-US AGRIBUSINESS LINKAGES

A. The Agribusiness Sector

The agribusiness sector in India -- including production agriculture -- is a large and critical part of the economy. In 1992/93, the value of agricultural output including the livestock sector represented some 26.2 percent of India's GDP. Production agriculture has averaged 3.8 percent annual growth since 1981 (See Annex A, Table A.1)

It is somewhat more difficult to determine the share of the rest of the agribusiness sector in the Indian economy. One way to understand the importance of the agribusiness sector is to look at employment in the sector. Exhibit I.1 shows that there are some 5.3 million people employed in activities allied to agriculture, which does not include an estimate of the employment in the agribusiness area of transport, storage, trade, commerce, and other service sectors. If we assumed conservatively that 10 percent of the employment in these other sectors was related to agribusiness, one could estimate at least another 7 million people employed in agribusiness, bringing the total employment in agribusiness including production agriculture to an estimated 200 million people, or almost 72 percent of total employment.

Exhibit I.1
Employment by Sector in India - 1991

	Persons (Mil)	% Share
Agriculture & Allied Activities	186.2	68.8
Cultivators	107.1	41.6
Agricultural Workers	73.8	24.9
Others in Allied Activities	5.3	2.3
Manufacturing & Repair	28.4	11.3
Mining and Construction	7.1	2.2
Services	57.2	17.7
Transport, storage, communication	7.9	2.7
Trade & Commerce	20.8	6.2
Other Services	28.5	8.8
TOTAL	278.9	100.0

Source: Centre for Monitoring Indian Economy, Basic Statistics, India, August 1994, Table 9.5

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Agribusiness is the single largest sector in the manufacturing sector. Food products, beverages, and tobacco products accounted for some 15.3 percent of the total average daily employment in India in 1991 (See Annex A, Table A 2). Additionally, employment in the textile manufacturing sector alone accounted for 21.2 percent of the jobs in industry. While jobs in the food products sector grew at 2.4 percent per annum between 1961-1991, applications filed with the government since liberalization proposed an increase of direct employment of almost 500,000 new jobs.

B. India's Agriculture in an International Perspective

Despite the size and importance of the agribusiness sector in India, the importance of international trade and modern food processing in the sector is relatively low. For example, India is the second largest producer of fruits and vegetables in the world according to FAO statistics. However, India's share of the world fruit and vegetable trade in 1991 was less than one percent (See Annex A, Table A 3). The Ministry of Food Processing Industries estimates that **some one percent of the fruits and vegetables produced in India are used by the food processing industry** (MFPI, Food Processing Industries in India, 1994/1995, p. 42). This same percentage in Thailand is 30 percent and in the Philippines is 78 percent.

There are many reasons for the lack of international trade in food items and a relatively undeveloped food processing sector in India over the last forty years. These include:

- 1) Trade regime that encouraged self-sufficiency rather than participation in international markets
- 2) Investment policy that discouraged foreign involvement and foreign technology in the food sector, either for domestic consumption or international trade
- 3) Taxation structure that treated processed foods as luxury items and levied domestic excise taxes on processed foods
- 4) Tariff structure that heavily taxed imports needed to modernize the sector including seeds, agricultural and food processing equipment, packaging materials, and other agricultural technologies
- 5) Non-tariff barriers to international trade and investment such as outdated phyto-sanitary regulation and laws governing food additives, lack of national market integration, laws banning the import of consumer items, laws reserving certain sectors for small companies, land laws that increase the cost of production, bureaucratic complexities and inertia that make it difficult for foreign investors to work in India, difficulties in test marketing new products, etc.

While this list is not exhaustive, it gives an indication of the type of policies that have resulted in today's agribusiness sector in India. The food sector in India is relatively small compared to its potential. The national market is not integrated and links with international markets in agribusiness products are relatively few. Information about the Indian food sector has not been made fully available to the international community, nor do Indian entrepreneurs - especially from small and medium companies -- fully know what opportunities are available with outside partners.

Since liberalization, attitudes towards the agribusiness sector have changed. The Government has taken a much more bullish attitude towards international trade, foreign investment, and the food sector in general. Tariffs have been lowered, excise duties on processing foods have been lowered or eliminated, and foreign investment and technology are encouraged. While much remains to be done, the Government is taking steps to creating a modern, competitive agribusiness sector.

At the same time, Indian entrepreneurs are trying to learn about the opportunities in international markets. They are working on structuring deals that will be attractive to themselves and foreign partners. They are successfully entering foreign markets with new food products. Finally, they are creating new business structures to meet the international challenge and to modernize the food industry in India.

Creating a modern agribusiness sector will not be done overnight. India has many advantages - a diversified climate, low labor costs, a large domestic market, a stable and democratic government, the wide-spread use of English in the country, a strong legal system, growing capital markets, a well-educated group of managers, and an organized and dynamic private sector. Yet, there is much to do. One writer put it as follows:

"India must do a lot more than play host to business delegations from various countries. We need to accelerate the pace of our economic reforms. We need to throw open insurance to foreign companies and deepen financial sector reform. We need to privatise infrastructure services like road and public transportation. We need to de-bureaucratise procedures for clearing foreign investment proposals. India is still one of the world's most difficult countries to do business in. A fundamental change in attitude is necessary, among both politicians and bureaucrats, if that wholly deserved reputation is to be erased. Indian businessmen too need a dose of self-reform. For 40 years, they produced inferior goods, sold them at high prices to a captive market and brazenly evaded tax. Now they will have to compete with the best in the world and follow international standards of reliability, quality and integrity." Minhaz Merchant in *The Asian Age*, 22 Feb 1995

(Chairman of an Publishing and Investment Group)

SECTION II
SCOPE OF WORK

The purpose of this study is to recommend actions to increase US-Indian agribusiness linkages and to develop an explicit strategy for the allocation of Agricultural Commercialization and Enterprise Project (ACE) resources to improve Indo-US business agribusiness linkages, particularly in the horticulture and food processing sectors

Annex B contains the complete terms of reference for this assignment

SECTION III METHODOLOGY

The recommendations made in this report are based upon information collected in interviews, a review of relevant documents, and the authors' knowledge of and experience with international agribusiness and USAID-funded business development projects worldwide

More than thirty US and Indian firms and organizations were interviewed during the course of this study. In India, interviews were conducted in the Delhi, Bombay, and Pune areas. In the United States, telephone interviews were conducted by Chemonics agribusiness specialists, with firms and organizations throughout the country. Representatives of USAID, the GOI, ICICI, and the US government (USDA and DOC) were also interviewed. Annex C contains a list of individuals contacted.

A considerable volume of relevant agribusiness program related documents were collected during the course of this study. Annex D provides a list of reference documents collected.

Chemonics and its two primary report authors, Messrs Bremer and Scott, received considerable support in India from the Chemonics subcontractor MITCOM. Two other ACE subcontractors, FINTRAC and GIC contributed to the interview process in the US and generally supported the Chemonics home office specialists assigned to the study.

SECTION IV
OVERVIEW OF US-INDIAN AGRIBUSINESS LINKAGES

The team interviewed more than 30 companies and business associations in India and the United States as the basis for this study. In Annex E, the interviews are summarized by organization and the impediments, solutions, and recommendations for ACE by each group. More complete profiles for selected interviews are provided in Annex F.

A. Summary of Organizations Interviewed

Exhibit IV-1 provides a summary of the types of linkages between the U S and India found among the firms and organizations interviewed. Some firms had several types of linkages, therefore the total number adds up to more than the number of organizations surveyed.

EXHIBIT IV-1	
TYPES OF LINKAGE MECHANISMS	
<u>No of Cases</u>	<u>TYPES OF LINKAGE</u>
5	US business association (some Indian members)
5	Indian business association
1	GOI export authority
16	Joint venture for processing, finance, buy-back, research, and/or technical assistance
5	Potential joint venture
3	Sourcing arrangements
1	US sales into Indian market
3	US company with Indian subsidiary
3	Indian company with foreign ownership
3	Indian importer
7	Indian exporter
1	Franchising
3	Contract manufacturing

Source Annex F

The number of joint ventures is high because we sought out Indian and U S firms that had this type of arrangement so that we could interview both sides of the joint venture.

Exhibit IV-2 summarizes the type of business activities that were being undertaken by the groups surveyed. A broad range of companies in the agribusiness sector are represented. The size

of the firms is also quite varied, from small to some the largest in India and the United States. The associations interviewed had a membership ranging from several hundred to over five thousand individual firms and other professional associations. Most of the organizations were in the private sector, although several organizations were either representatives of or owned by the Government of India.

**EXHIBIT IV-2
TYPES OF BUSINESS ACTIVITIES**

<u>No of Cases</u>	<u>TYPES OF BUSINESS ACTIVITY</u>
5	US Business/Trade Association
5	Indian Business/Trade Association
1	GOI export development authority
1	US Seed research, production, and marketing
1	India Seed research, production, and marketing
1	US spice processing and merchandising
1	US cooling equipment sales
1	US corn products processor and distributor
2	Indian corn products processor and distributor
1	US manufacturer and distributor of breakfast cereals
1	Indian designer, manufacturer, and installer of drip irrigation systems
1	Indian government bread bakery and pineapple processor
3	Indian fruit/vegetables processor/distributor
3	Indian fruit/vegetables processor/exporter
1	Indian freeze-dried and canned mushrooms
1	Indian bottler/processor and fast food retailer
1	Indian agrichemicals and biotechnology research and development
1	Indian grain and feed importing and exporting
1	Indian commodity broker
1	Indian manufacturer and distributor of ice cream and frozen foods
2	Indian group of related companies importing, exporting and manufacturing and distributing diverse products and services animal feed, agricultural chemicals, growth regulators, vegetable oils, fresh and processed fruit and vegetables, tissue culture seeds, cut flowers, and research services
1	Processing and export sales of dried flowers

Source Annex F

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B. Major Constraints and Solutions

The impediments and solutions to Indian agribusiness discussed in the following text are those which have been suggested by businesses and organizations interviewed during our study. Solutions have not been suggested for all of the constraints and not all of the solutions are actionable under the ACE Project. The recommendations for the ACE Project are discussed in Section VI.

Exhibits IV-3 and IV-4, found on the following pages, provide summaries of the impediments and solutions to agribusiness linkages.

BI. Markets and Technology

Almost all persons interviewed considered lack of knowledge about markets and suitable technologies to be a major impediment. Market information is thought to be insufficient, by both Indian and US firms regarding the Indian market, and by Indian firms regarding the US market. Basic information about how a particular market is segmented and structured, what the most important price and quality factors are, demand and supply facts and likely trends are, for example, the kinds of important market information which are needed.

Regarding technological information, Indian firms are looking for an overview of the available technologies in many different areas of agribusiness from food processing and packaging to pre-cooling and grading as a first step and prior to the process of selecting a technology which is appropriate for them and/or a US partner that can supply it.

Greater information about global markets and contact with the segments of US agribusiness which correspond to the Indian business interests are thought to be important solutions to the problem. The most practical methodology to accomplish this information exchange is considered to be participation in trade conventions and events which are sponsored by targeted and specialized organizations, both US and Indian. Participation in carefully selected business association led events is felt to be a very helpful means of supplying much of the basic information which is lacking about particular types of agribusinesses. Readily available trade and technical data should be collected to supplement the interactive learning about markets and technology.

One of many examples of the effectiveness of this kind of information exchange is that of the Pune, India based dried flower exporter which was recognized at the International Workshop on Horticultural Development (Bombay 3/95) for their pioneering in this field. They got the initial and basic market and technological information and ideas through attendance at an

**EXHIBIT IV-3
MAJOR IMPEDIMENTS TO AGRIBUSINESS LINKAGES**

<p>MARKETS AND TECHNOLOGY</p>	<ul style="list-style-type: none"> - Lack of knowledge of markets and opportunities for both Indian and U S entrepreneurs - Lack of access to potential foreign partners for markets and technology - Lack of Indian raw material production - Low productivity in Indian production agriculture - High post-harvest losses - Relatively small Indian processed food industry
<p>POLICY</p>	<ul style="list-style-type: none"> - Government policies that increase the cost of production of agricultural products - Bureaucratic inefficiencies and inconsistencies - Non-tariff barriers to trade and investment - Protection of intellectual property rights on technology transferred.
<p>FINANCE</p>	<ul style="list-style-type: none"> - High production costs make it difficult to be internationally competitive, including interest charges on money borrowed domestically - Difficulty in obtaining capital for small and medium-sized companies
<p>INFRASTRUCTURE</p>	<ul style="list-style-type: none"> - Shortages in the supply of power, water, and transportation sector increase costs - Lack of post-harvest infrastructure - refrigerated trucks, cold storage, packaging, etc leads to spoilage losses and lowers competitiveness.

**EXHIBIT IV-4
KEY SOLUTIONS TO FACILITATE AGRIBUSINESS LINKAGES**

MARKETS AND TECHNOLOGY	<ul style="list-style-type: none"> - Provide information about US and Indian markets and technological strengths - Matchmaking Identify and assess potential partners for accessing US, Indian, and third country markets - Promote business linkages and goodwill between US and India - Assess and recommend key market opportunities and priority technologies and policies - Utilize IESC and consultants for studies and training - Provide training for association staff to conduct linkage events
POLICY	<ul style="list-style-type: none"> - Work with business associations and the Working Group on Agribusiness to examine government policies that increase production costs unnecessarily and propose modifications - Educate business leaders & policy makers in international standards and policies to assure India's ability to compete internationally - Work with business associations and the Working Group on Agribusiness to identify non-tariff barriers to trade and investment, working for their removal - Strengthen protection of intellectual property rights
FINANCE	<ul style="list-style-type: none"> - Continue funding for agribusiness under the ACE Program through ICICI
INFRASTRUCTURE	<ul style="list-style-type: none"> - Support privatization of infrastructure where appropriate - Target post-harvest infrastructure for joint ventures, information activities, and technology transfer

Israeli trade exposition and by establishing contact with an Israeli group at that event

A closely related and also significant impediment is the lack of access to potential foreign partners for markets and technology. This constraint comes into play after a firm has focused on the market and/or technology it wishes to engage and wishes to strike an alliance with a foreign firm to access market and/or technology. The larger and more well established firms have often used their own networks and contacts, developed over the years, to search for and develop business alliances and partnerships. This is a much more difficult process for smaller and newly established firms and they can benefit greatly from assistance.

The matchmaking process can be effectively catalyzed and made more efficient by utilizing intermediaries who have the applicable industry networks and can assist with the matching of interests and provide some assurances regarding credentials and track records of the potential partners. It is not suggested that the intermediary get involved in the transaction or deal-making but generally speaking should serve to provide introductions between firms that appear to share mutual interests. A measure of the very high level of level of interest in matchmaking is provided through the evaluation of the recently held International Conference on Horticultural Development where an amazing 84% of the responding participants said they were interested in receiving ACE assistance with business linkages.

The current underdevelopment of key sectors of agribusiness were discussed repeatedly as both problems and targets of opportunity. The sectors most frequently cited were food packaging and distribution equipment and systems including the related cold chain for perishables and the post harvest handling systems for fresh fruits and vegetables.

Many commented on the deficiencies related to the raw material supply. This problem is attributed to low productivity in Indian production agriculture, high post harvest losses, and a poor distribution system among other factors. The raw material situation in turn impedes the growth of the relatively small Indian processed food industry. Although some of the raw material problems stem from restrictive policies such as ceilings on land holdings and processing plant sizes, it is felt that raw material supplies can be improved, for example, through introduction of new seed stock and production methods and, very importantly, by improving post harvest handling.

A series of infrastructure constraints including, for example, transportation, power and telecommunications were also mentioned as impediments to agribusiness development. Solutions to the infrastructure problems will require time, substantial

resources, and strong government commitment

B2. Policy

Liberalization has begun the process of creating a modern economy in India. But old habits die hard and there remain many policies which hold back entrepreneurs in unnecessary ways. It will take some time to change the protectionist habits of earlier governments but we heard many instances where government policies could be changed with relative ease with a relatively large positive impact on the economy. For example, a number of policies increase the cost of production of goods, making it difficult to compete in international markets.

One policy that is a constraint to a modern food sector and foreign investment is a tariff on imported inputs, or even outright restrictions. For example, Baskin-Robbins was forced to have 31 people carry in 1,000 dollars worth of flavorings for ice cream in their personal luggage because the company could not get permission to commercially import these flavors. Other tariffs on imported inputs for agricultural goods, even if relatively modest in the Indian context, make it difficult to compete internationally. Duty draw-back schemes could help this situation, but are cumbersome and expensive for the entire economy.

Overly stringent phyto-sanitary restrictions on the import of genetic materials slow the process of getting improved seeds to farmers who very much need to improve their productivity. Excise duties on processed foods in the domestic economy hinder the development of the processed food sector. The lack of an integrated national market, the lack of grades and standards domestically, bans on the import of consumer goods, underdeveloped retail and wholesale markets, limits on the size of processing plants reserved for the "small-scale" sector, and ceilings on the amount of land that can be owned are all constraints to the development of a modern agribusiness sector.

The Government must carefully examine policies that hinder competitiveness and domestic economic growth. The revenues generated by tariffs and excise duties would potentially be far less than the employment (and taxes) generated by increased economic growth. A modern agribusiness sector is a large generator of well-paying jobs and higher multiplier effects.

Business associations in India are very well aware of these types of issues. Working with these organizations, the ACE project could serve through its educational and demonstration effects to reinforce the points already being made to the Government by Indian business.

The ACE project might also serve to find examples in the

United States and elsewhere where improved bureaucratic functioning and processes can be very worthwhile in terms of increased economic activity. One entrepreneur interviewed by the team said it took as long as 4-5 months to obtain an export license. This time delay is terribly costly to the export revenues of India, when multiplied across the economy. As in many countries, there are too many bureaucrats who must approve of economic activity, with the predictable stifling effect on entrepreneurs - domestic and foreign.

Yet, the most successful economies in Asia and elsewhere have recognized the great importance of an open economy and trade with other countries. So has India, but it will take great discipline to create a bureaucratic efficiency to match the new openness. There are many activities that ACE can undertake to expose Indian business leaders and Government officials to more efficient and effective ways of doing things. Naturally, no system can be transferred exactly from one country back to India. However, observation of the ways other people do something can stimulate thinking and potentially change in the ways things are done in India.

B3. Finance

A number of entrepreneurs complained that the cost of capital was too high, and would like to see it decreased. This is an issue beyond the ACE project, however, we would generally recommend that, in keeping with the other policy reforms, agribusinesses be expected to pay market rates for their financing.

B4 Infrastructure

Entrepreneurs often noted the problems with infrastructure in India - power generation, transportation, and water. Again, these are generally beyond the scope of ACE. However, ACE can stay focused on the post-harvest infrastructure by undertaking training and information awareness programs on the realistic possibilities in this sector.

SECTION V
OVERVIEW OF THE ACE PROJECT

A. Introduction

The Agricultural Commercialization and Enterprise project (ACE) has been in operation for the past two and a half years, half of the projected five year length of the project

The ACE project originally concentrated its energies in the State of Maharashtra. It assisted companies to set up units to export fresh produce exports and flowers, especially those which had technical and marketing tie up with firms in Europe. Only equipment made in India or imported from the United States was eligible for project financing.

However upon review on the first one and half year progress, it was decided to expand the scope of ACE project to include all of India, based on a study conducted in June 1993.

The ACE project received a number of enquiries from other states in India, but very few of these projects have been financed under ACE. Twelve projects have received financial assistance. The total amount that has been disbursed is Rs 170 million (\$5.7 million). The ACE project has also 4 more projects awaiting sanction, worth some Rs 30 million (\$1 million).

The list of projects sanctioned so far with their location, value and type is shown in Exhibit V-1. Exhibit V-2 shows the projects have been appraised and are awaiting sanction.

The promotion of the ACE project has been done by Maharashtra Chambers of Commerce and Industries (MCCI), which has members all over Maharashtra. MCCI was chosen in 1992 to promote the ACE project in the state of Maharashtra. MCCI held three conferences and co-sponsored an exhibition in Bombay in order to promote the ACE project.

MCCI was also contracted to setup a databank on horticultural commodity prices, technology, markets, etc. and disseminate information to prospective clients. The data is to be given to the entrepreneurs on fee basis. Chemonics, along with MITCON, assisted MCCI to design the data bank center and identified the sources to obtain and subscribe to the information and technical literature. Some information is being disseminated through correspondence, during seminars, and word-of-mouth publicity.

EXHIBIT V-1
LIST OF UNITS FINANCED UNDER ACE PROJECT

Sr Loan No	Name of the Unit	Location	Product	ACE RS. MIL
1	Freshtrop Pvt Ltd	Nashik	Grape	8
2	Eurofruit Pvt Ltd	Nashik	Grape	15
3	Triton Agro Exports Ltd	Sangli	Grape	6
4.	Deccan Flowerbase	Mulshi	Roses	35
5	Essar Floritech	Mulshi	Roses	40
6	Zuari Agro Ltd.	Goa	Mushrooms	17
7.	Radhakrishna Carriers	Satara	Cold Storage	12
8	Hi Rel Floritech	Pune	Dried Flowers	7
9	T. M. Tools Ltd	----		14
10.	Trans Agro Pvt Ltd	Nashik	Grapes	11
11	Chordia Food Products Ltd	Pune	Curry Paste	8
			Chutneys	8
12.	Freshtrop Pvt Ltd		Expansion	<u>8</u>
		Total ---->		174

EXHIBIT V-2
LIST OF UNITS CONSIDERED FOR FINANCE

No	Name of the Unit	Location	Product	ACE Loan Rs Mil
1	Warna Agro Processors Coop	Kolhapur	Conc Paste	30
2	Agro Expo Ltd	-----	----	15
3	Papain Products (I) Ltd	Coimbatore	Papain	<u>15</u>
		Total ----->		60

Technical assistance was to be provided to clients in India based on the acceptance of their request by ICICI. The requests of two clients were approved by ICICI. The clients which received were

- Manak Citrus, Jalgaon to upgrade its pectin quality through improvements in processing
- Chordia Food Products Ltd Pune to identify market niches, improve processing, and investigate norms for testing products and labeling requirements for products to be exported

Under the trade and investment tours, two events were accomplished. One trade and investment tour was arranged on October, 1993, for 16 entrepreneurs. The second training program was custom designed for 25 participants to update their knowledge of post-harvest handling of tropical fruits.

Additional assistance was provided for identifying technologies in fresh tropical fruit storage, freeze drying, vacuum drying, super-critical extraction of flavors and oleoresin, etc. Several studies were initiated to plan new training programs in the coming year.

B. Major Accomplishments

The major accomplishments under the ACE project through February, 1995 are as follows:

ACE provided technical assistance to two established agribusiness firms:

- Manak Citrus: ACE fielded a pectin specialist, Dr Philip Crandall, for a two week TDY to Manak Citrus. Dr Crandall provided recommendations on improvements in technology and processing to assist Manak in producing improved quality pectin.
- Chordia Food Products Limited: ACE provided support to CPEL to hire a food technologist, Mr Subodh Amin, to conduct laboratory testing and make recommendations on expanding its existing product line and making adjustments in flavor and texture for possible export to foreign markets.

In order to enhance the capabilities of MCCI to acquire information and set up a databank, recommendations were made and a Commodity Price Data Base was established using software developed by Chemonics under PROEXAG in Central America.

In response to specific needs of private sector, Chemonics and MITCON jointly identified technologies and sources of information about innovative ideas. These consisted of super-critical extraction of oleoresin and flavors by the carbon dioxide method, vacuum dry using ohmic/microwave drying methods, strawberry production systems and export development market, etc

The project accomplished two types of tours to the United States. The first was a trade and investment tour from India conducted in October 1993. The group consisted of sixteen industry representative looking at a broad spectrum of technologies ranging from greenhouses to farm equipment. The participants attended two conventions and visited more than twenty different companies.

The second tour conducted was intended to update the knowledge of twenty-five professionals from institutions, government promotional agencies, consulting firms, and private industry representatives in the area of post-harvest techniques. The training program was custom-designed conducted from August 20th to September 19th 1994 in Davis, California.

In addition, market and technology studies were conducted in United States and Europe. Market survey reports were prepared for selected fresh fruits, vegetables and flowers, processed fruit products. These documents were handed over to MCCI for distribution on a low-cost basis to industry and various public and private agencies.

Additional documents prepared include

- A study of production costs of different types of food processing, such as dehydrating and canning, along with list of machinery and their suppliers
- An analysis, "Success Story of Chilean Grape Exports" was also compiled to give an insight to Government officials in India and entrepreneurs how success in export can be achieved through strategic planning

C. Unfulfilled Potential

The number of areas to study were identified during the course of the project. However, for a variety of reasons, these studies were never undertaken.

- The cold chain in India was to be reviewed and strategies were to be recommended to overcome the constraints. The study was shelved based on idea that such documentation was available. However, after long drawn enquiries with various agencies, it has been difficult to determine the whereabouts of this information.

A plan to develop promotional material for distribution in USA. The Technical Coordinator and Local Coordinator chalked out plan to develop ACE promotional material along with photographs of companies such as Kirloskar, Chordia Food Products, ARCO, etc. However, a decision by ICICI led to the shelving of this plan.

MCCI, one of the promoting agency for ACE project, has yet to get permission to promote ACE project on a broader basis. MCCI has also yet to get the green light to fully set up a databank in order to serve the ACE clientele. The reason for lack of action was the question "Would there be any purchasers for the data stored in the databank and how well is the present facility on Internet being used?"

Lastly there has been only one trade investment tour from the Indian side. A group of industrialists might also visit India with a view to enhance Indo-US relationship.

D. Other Key Organizations

In India, there are three apex bodies consisting of members such as the different Chambers of Commerce, Industries (both public, private and government-owned) and Associations. These are Associated Chambers of Commerce and Industries (ASSOCHAM), New Delhi, the Federation of Indian Chambers of Commerce and Industries (FICCI), New Delhi, and the Confederation of Indian Industry, New Delhi (See Exhibit V-3).

These apex bodies make presentation to the concerned ministries and government departments about the key issues raised by their members about the policy matters. All these groups have different committees which discuss different subject areas such as exports, infrastructure, taxation, finance, etc.

D1 Associated Chamber of Commerce and Industries - New Delhi

The members consist of industries, chambers of commerce such as the Indian Merchants Chamber, Mahratta Chamber of Commerce, Indo-American Chamber of Commerce, etc. This organization used to look after the interests of foreign companies in its early years. Now, it represents interests of all companies nationally. They have 2,000 members spread throughout India and 21 sub-committees looking after various subjects.

**EXHIBIT V-3
INDIAN APEX BUSINESS ORGANIZATIONS**

	ASSOCHAM	FICCI	CII
Location	N Delhi	N Delhi	N Delhi
Primary objective	Foreign investment companies	Indian Companies	Companies with Eng & Hi-tech Products
Members majority by sequence	1 Companies with foreign investment followed by Indian Co	1 Indian companies	1 Associations eng products
	2 Foreign Chambers (Indo-American, etc)	2 State Chambers of Commerce (PHD Chamber, Federation of Karnataka Chamber, etc)	2 Industries both with Indian & Foreign Investment
	3 Indian Chambers (IMC, BCC, etc)	3 Associations	
Foreign Offices	Member foreign chambers have tie-ups with overseas counter parts like US Chamber of Commerce, etc	----	Five overseas offices opening shortly (one in Washington, DC)
Approximate no of members	@ 2000	2246	3044

D2 Federation of Indian Chambers of Commerce and Industries (FICCI), New Delhi

Their members consist of industries and chambers of commerce (mostly from various states such as the PHD Chambers of Commerce, Federation of Karnataka Chamber of Commerce, etc) This organization primarily looks after the interests of the Indian companies They have 2,246 members throughout India

D3. Confederation of Indian Industry (CII), New Delhi

This organization was earlier called as Confederation of Engineering Industry (CEI) and used to look after interests of the engineering products manufacturing companies Since 1992, they have become Confederation of Indian Industry (CII) and represent all industry

They have about 3,000 corporate members and 44 industry association members They have network of 21 offices in India and four office abroad -- London, Zurich, Tashkent and Singapore The 5th office in Washington D C is expected to be in operation in May, 1995

Their interest in agribusiness is relatively recent They organized "AGRITECH 94" at Chandigarh in December, 1994 During this exhibition six seminars were held on various subjects like technology, market, etc A similar exhibition was held in February, 1995, at Hyderabad

Their overseas offices pass on the information about the Indian industry to the overseas companies and also help to locate technology suppliers to the Indian companies Generally, they believe in working in cooperation with the counterpart organizations in other countries to have better representation and information They have about 150 members related to the agribusiness sector

D4. Agricultural and Processed Food Products Export Development Authority (APEDA), New Delhi

APEDA was set up in 1986 to develop and export agricultural commodities and exports APEDA helps to identify the new markets, providing better support system to Indian exporters and manufacturers and introducing new products to the international market APEDA undertakes various development programs and implements various financial assistance schemes for the benefit of agricultural exporters

D5. Indian Merchants Chamber (IMC), Bombay

Established in 1907, the IMC has on its list more than 2,300 members including 200 trade and industry associations, public and private limited companies and entrepreneurs. About 50 to 60 delegations from abroad are received every year. Their services include trade information to the members, support for match making etc. They have about 18 expert committees.

D6. Bombay Chamber of Commerce and Industry, Bombay

The chamber has about 1,300 members who contribute to about 40 percent production by value in India. It also has various sub-committees. They also receive business delegations from overseas and assist members on policy matters.

D7. Confederation of Indian Food Trade and Industry (CIFTI), New Delhi

CIFTI is an organization devoted to promote the development of food processing industries in the country. It was set-up by FICCI in 1985. It works with Government for to create a suitable industrial policy framework, assists in the modification of food laws, provides assistance for exports and technology transfer. CIFTI has chapters in four States. It has a technical cell and five expert committees for different issues. Its members are industries, chambers of commerce and trade association. It has about 200 members.

D8 Indo-American Chamber of Commerce, Bombay

The chamber has network of 12 offices across the country and employs about 60 people. They have about 3000 members. They have about 7 to 8 sub-committees which look after various interests of their members.

The strengths of the chamber in descending order are as follows

- 1 Hi-Tech Products
- 2 Services Sector
- 3 Agribusiness

The Chamber is associated with US Chamber of Commerce and American Chambers of Commerce.

SECTION VI
POTENTIAL ROLE OF THE ACE PROJECT

A. Recommendations for the ACE Project

This section makes recommendations and proposes specific interventions that should be carried out in the future by the ACE Project to address the constraints and assist reaching the solutions discussed in the previous section of this report. These recommendations are drawn from ideas and suggestions originating from various sources including 1) interviews with more than thirty US Indian and US agribusinesses and related associations, 2) review of project documentation on the current lending program of ICICI, and 3) substantial team experience working with a wide range of agribusiness development programs worldwide. The proposed interventions are not controversial nor complex. In fact, they have been selected because they are relatively simple and achievable. They have proven their worth in many other countries as effective means to achieve business linkages and business development goals.

It is important to note that our recommendations carry several common themes or cross-cutting characteristics. These include

- Ability to leverage other resources such as the systematic utilization of the networks, activities, and resources of various US and Indian business and trade associations, and accessing other relevant donor sponsored programs such as USAID RAP and TEST to maximize project outreach and impact
- Establishment of proven, service delivery systems to operate an efficient, proactive outreach program effectively reaching as many firms as possible
- Allocation of substantial project resources on developing businesses within key agribusiness sub-sectors that represent both major bottlenecks and opportunities for development - such as food packaging, post-harvest handling, and cold chain development

Key points of these recommendations are discussed under the categories of market and technology, policy, finance, infrastructure and project administration. The recommendations have been summarized in the following Exhibit VI-1. Exhibit VI-2, which follows in Section B, provides an illustrative schedule for carrying out the proposed actions.

**EXHIBIT VI-1
KEY RECOMMENDATIONS FOR ACE PROJECT**

MARKETS AND TECHNOLOGY	<ul style="list-style-type: none"> - Provide information about a range of appropriate US technology and targeted Indian and other markets - Match making Identify and help assess potential partners for accessing US, technologies and Indian, US, and third country markets - Develop and utilize promotional packages to encourage business linkages between US and Indian firms and to extend ACE services - Focus on key sectors for market development and technological opportunities
POLICY	<ul style="list-style-type: none"> - Help groups and associations examine and advocate government policy and practices - Educate business leaders and policy makers in international standards and policies in agribusiness - Provide referrals, information and limited technical assistance about policy and regulatory issues related to agribusiness
FINANCE	<ul style="list-style-type: none"> - Continue funding for agribusiness under the ACE Program through ICICI
INFRASTRUCTURE	<ul style="list-style-type: none"> - Promote investment in infrastructure
PROJECT ADMINISTRATION	<ul style="list-style-type: none"> - Establish full-time technical coordinator - Establish ACE office in India

A1. Markets and Technology

A basic set of services of the ACE Project should be to help Indian agribusinesses improve their access to markets and technology. This should be accomplished through the following four interrelated and mutually supportive approaches:

A1a Provide Information About US and Indian Markets and Technologies

By a large margin, the most frequently repeated constraint expressed by US and Indian firms and organizations interviewed was the lack of awareness of opportunities. Individuals interviewed frequently stated the logical point of view that they wanted to learn much more about the nature of the market and/or the range of appropriate technology for a particular product line before they were prepared to pursue linkage arrangements.

ACE can perform a valuable service by helping to educate US and Indian firms about opportunities. Information about US, Indian, and third country markets is insufficient as is an understanding of the kinds of technologies, equipment, supplies, and services that are required and could be supplied to serve these market opportunities.

As one means to accomplish information dissemination, ACE should become much more involved in various aspects of organizing, facilitating, promoting, and participating in trade shows, conventions, conferences, seminars, trade missions, observational tours and related events. This type of service is a very effective first step to facilitating business linkages. By working closely with US and Indian business and trade associations on these types of events, ACE can effectively and efficiently spread information about business opportunities for Indian and US firms. Working with and through associations is an excellent way for the ACE Project to leverage other networks and resources.

In India, organizations at the national level and from selected priority states should be targeted according to informal assessment of their capability and willingness to work with ACE to get the word out about agribusiness opportunities. ACE should work with various organizations simultaneously, both at the state and national levels. For example, events being sponsored by local Chamber's of Commerce and Industry, the Indo-American Chamber of Commerce, and the Confederation of Indian Food Trade and Industry should be promoted by ACE. These organizations are enthusiastic about incorporating ACE project activities into their programs and feel that their membership is eager for the kind of information on markets and technology that could be made available through active direct working relationships with the ACE Project.

In the United States, associations interviewed for this report including the Snack Food Association, the United Fresh Fruit and Vegetable Association, and the Produce Marketing Association have expressed their willingness to become more involved with the ACE Project by receiving Indian delegations, conducting seminars on technologies and opportunities, linking to special activities with Indian associations, publishing articles about Indian opportunities in their newsletters, and even possibly featuring India as an emerging market on an annual international trade program

The principal market and technology information services to be provided under this category are

- **Identify and organize participation in US and Indian business organization events**
- **Provide information to US and Indian organizations for publication.**

Alb. Match making: Identify and Assess Potential Partners for Accessing US, Indian, and Third Country Markets and Technologies

As logical sequel to providing information about US and Indian markets and technologies, ACE can help Indian and US firms to identify specific, potential firm to firm linkages

Many of the Indian firms interviewed expressed the need for assistance with the process of identifying and assessing potential business partners as well as suppliers and buyers of goods and services. The following types of linkages are examples, mentioned by the firms and organizations interviewed, as those which are frequently sought and which would benefit from ACE help

joint ventures (technical, financial, production, manufacturing, and marketing)

strategic alliances (for exchange of product and market information)

- franchising
- contract manufacturing
- service agreements for research and testing
- procurement arrangements for equipment, supplies, and services

After helping firms to identify specific markets and technology sources, the ACE Project can also assist with the process of assessing or evaluating potential business partners. ACE can assist with basic reference and credit checks on prospective partners and operate under a system that provides basic screening of at least several potential partners for any given purpose.

The principal match making services to be provided under this category are

- **Identify potential joint venture partners in collaboration with US and Indian business associations.**
- **Assess qualifications of potential partners.**

Alc. Promotion of ACE Project Activities

This recommendation is intended to address more general needs for promotion of the agribusiness development agenda and ACE Project services.

Concerns about the perception of doing business in India and lack of understanding of what can motivate US firms to link with Indian firms have been raised by various parties, both Indian and US, during the interview process. Two examples of differing concerns raised are

- The perception of India as a place to do business, is often inaccurate and is felt by many US-based companies to be unfavorable.
- Certain types of linkage arrangements - such as buy-backs or joint ventures sought by India-based groups who are not already in business - are usually felt by US-based interviewees to be unrealistic and appear to represent a lack of understanding of how US agribusiness is structured and, therefore, what will and will not attract business to India.

The ACE project can help constructively to educate both Indian and US agribusiness about each other's realities and sometimes inaccurate perceptions. These activities should be directed to and through Indian and US trade and business associations in order to utilize existing networks and have a multiplier effect for reaching agribusiness leadership in both countries. This promotional work is also beneficial because it provides a more realistic understanding of what linkage arrangements the ACE project can realistically facilitate while simultaneously promoting the growth of Indian agribusiness and Indo-US trade.

The principal promotional services to be provided under this

category are

- **Develop materials to promote Indian agribusiness**
- **Promote Indian agribusinesses through presentations.**

Ald. Create and Implement Key Sector Development Plan

This recommendation addresses the need to thoroughly understand and focus on a few priority sectors of agribusiness development in order to get the greatest results from ACE Project efforts

Certain industry sectors such as food packaging, post harvest handling of fruits and vegetables, and cold chain infrastructure are seen as underdeveloped and bottlenecks to rapid development of Indian agribusiness. At the same time, they represent the areas with the greatest potential for business development. The ACE Project should concentrate a portion of its efforts on these or other sub-sectors considered to require highest priority attention.

To accomplish this, information about the needs of these sectors should be collected, practical assessments should be conducted, and recommendations should be made and acted upon. A strategy and action plan to promote and support key business linkages within these priority sub-sectors should be developed and receive strong project support. The ACE Project service delivery systems should be biased to favor activities involving the sectors determined to be of the highest demand by agribusinesses seeking assistance.

The principal services to be provided under the key sector development category are

- **Identify and assess key sector needs**
- **Create a promotional strategy to support key sectors**

A2. Policy

The reform of certain policy issues and regulations in India remains an important part of the process of globalization and liberalization in the country. There are many of these issues that are of concern to companies in both the Indian and the American private sectors. We believe that ACE can support the process of policy reforms by working with Indian and American business associations to make it clear to the Indian government why and how some policies and regulations could be changed to increase economic growth.

A2a Support Policy Reforms Through Business Associations

Indian businesses have formed many associations to exchange information and work with the Government to make sure that their interests are represented. For example, the Confederation of Indian Food Trade and Industry (CIFTI) works with the government on industrial policy, recommends modification in food laws, and analyzes the tax policies - direct and indirect - to recommend changes necessary for the orderly growth of food industry and trade.

While there is no single organization that represents "agribusiness" in India, many of the organizations have organized committees that deal with agribusiness issues. We recommend that the ACE Project would establish an information exchange with the business associations that deal the most actively with policy issues that concern agribusiness. Issues could be discussed over the life of the project. Certain issues might warrant the organization of seminars or conferences.

It might also be possible for ACE to provide technical assistance on specific issues that are of interest to these business associations. This might be in the form of a joint analysis conducted by Indian and American consultants. Or it might be an information exchange with a U S organization or business association that has a special expertise in a given area. The presentation of these policy issues to the Government would be left largely to the associations themselves in a forum of their choosing.

On the U S side of the equation, the ACE project could work with U S associations to acquire information about questions that would be of concern to Indian entrepreneurs trying to get into the American market or work with U S companies. For example, labeling requirements, grades and standards, and technical information related to requirements to pass U S inspections could be subjects of inquiry.

In addition, the ACE project could provide some support to the activities of the Working Group on Agribusiness, a policy forum for Indian and American companies founded after the recent visit of Secretary of Commerce Ron Brown. While the exact protocol for ACE to work with this group would need to be established, the project could assist the group in looking at specific policy problems in conjunction with Indian business associations. ACE should play only a minor role with this group.

We believe that the work proposed under ACE will increase the economic activities of both Indian and American firms in such a way that will not contravene the Bumpers amendment. Many of the joint ventures activities would lead to increased economic activities for U S firms selling into the domestic market in

India The project should also generate increased sales of American equipment to India The horticultural exports generated from India are largely off-season fruits and vegetables which would not compete directly with U S agricultural exports (See Annex G - U S Trade Development Restrictions)

The principal activities in support of policy reforms through business associations are

- **Exchange policy information with Indian and U S. business associations.**
- **Support activities of organizations such as the Working Group on Agribusiness.**

A2b. Educate Business Leaders and Policy Makers

There are some issues where a visit or study tour for key business people and policymakers can make all the difference in understanding how and why a new policy might make sense Often business people and governments in other countries have gone through the same types of policy changes as their agribusiness sectors have grown For example, a trip emphasizing the food retailing sector in the United States, with side trips to the USDA and FDA, might facilitate some new thinking about the way food laws work in India Or, a trip to terminal markets and port inspection facilities in cities around the United States and Europe would help officials understand international marketing structures

The ACE project would first work to identify the types of policy areas where a first-hand educational approach would be useful Then, working with business associations and key Government officials, ACE could coordinate with associations, businesses, and government officials in the United States and elsewhere to organize educational study tours

The principal activities to educate business leaders and policy makers would be

- **Identify areas where education would be useful**
- **Organize educational events and tours**

A2c. Provide Limited Technical Assistance for US and Indian Firms

The ACE project would be in a position to provide limited technical assistance and information to U S and Indian firms about the policies and regulations governing agribusiness in the

United States and India The project would establish rules governing this type of activity, including the limits to the amount of technical help that could be provided without charge Generally, the companies obtain assistance working with a business association that would make information available to all of its members, providing a greater multiplier effect of ACE resources ACE should establish partnership arrangements with key organizations to share in the costs and benefits of providing this information

Much of ACE technical assistance would be to refer companies to the right information sources in the United States and India, including the appropriate business associations and governmental agencies A small library of reference materials would be kept at the ACE office

The provision of limited technical assistance for U S and Indian firms would be undertaken as follows

- **Identify and organize relevant policy information.**
- **Implement limited technical assistance program working through partnership arrangements with business associations.**

A3 Finance

The major strength of the ACE project to date has been in the finance sector We would recommend that the ICICI continue its financing activities under ACE, augmented by the type of promotional and developmental activities that we are proposing in this paper

A3a. Continue Funding for Indian Agribusiness under ICICI

The ACE project should definitely continue its program of funding under ICICI while the project augments its market and technology access services

A3b. Refer Firms to ICICI for Possible Funding

While working with business associations and US and Indian firms, the ACE project staff will identify some groups that would be good candidates for ICICI loans These companies would be referred to the appropriate officers at ICICI or other institutions such as venture capital organizations

A3c. Mobilize Additional Resources from the Private and Public Sectors

The ACE project, in general, should leverage its limited funds into a large multiplier effect by encouraging the greatest

number of U S and Indian firms to become educated about the potential for joint activities within the private sector. Given the great potential, there may be opportunities where ACE can serve as a catalyst to involve other programs of the U S government such as OPIC, USDA, TDA, and other projects of USAID such as the Regional Agribusiness Project (RAP). Project managers should be alert to potential additional sources that will improve the performance of the ACE project.

At the same time, there may be a role for ACE to help mobilize funding available from the private sector to encourage the activities of ACE, including donations of educational and training programs from U S and Indian business associations and companies. ACE might also work to educate American and Indian investors and fund managers as to some of the possibilities of investing in these Indo-American joint ventures.

A4. Infrastructure

While there are other USAID activities dealing more directly with infrastructure issues (such as power generation), we recommend that the ACE project promote infrastructure development as part of its overall promotional program.

A5 Project Administration

The type of activities emphasized in this report would require an additional administrative resources to implement the proposed activities. The administrative structure at ICICI has allowed the project to successfully undertake its lending structure. However, the increased level of technical assistance, training, and promotional activities that we are proposing for ACE would require someone who is not only familiar with India, but also a person who is highly knowledgeable about the agribusiness sector in the United States and globally. The person will need to be able to work effectively with both business associations and private companies. A much higher level of activity, continuity, and efficiency will be necessary if the desired results of the project are to be produced by the scheduled end of project.

A5a Full-time Technical Coordinator in India

We believe that the promotional and informational activities proposed for ACE in this paper would require the presence of a full-time technical coordinator. Working with business associations in India and the United States, coordinating training activities, understanding policy and regulatory issues, and managing the US based technical support team demands full-time attention to the project in-country.

In addition, there would need to be a reasonable staff of

Indians to support these additional ACE activities

Once a decision has been taken to hire a full-time technical coordinator, a scope of work and job qualifications should be drawn up. This would then be circulated and the candidate(s) submitted to USAID for final approval. Then, housing and moving arrangements would be made for the chosen candidate and that person would move to India to open a new ACE office.

The following steps are needed to establish a full-time technical coordinator in India are

- **Identify and hire the technical coordinator.**
- **Make housing and moving arrangement for TC**

A5b Establish ACE office in India

The ACE project is now national in scope. The project office should be located in a place with the greatest national reach. It would be important to travel with some regularity to the important business centers of India to work with regional associations and businesses.

Once a location is decided upon, it would be necessary to secure office space and obtain office equipment. Consideration should be given to sharing facilities with a business association to reduce costs and leverage other resources. It would also be necessary to hire local staff to assist with the new work of ACE. The staffing would be decided upon when the work plan, which will determine the staffing needs, is approved.

To establish an ACE office in India, the following steps would take place

- **Arrange for office space and obtain office equipment**
- **Hire local staff**

A5c. Establish Project Management Protocol

As the proposed full-time Technical Coordinator (TC) takes over management of the ACE technical assistance program under the Chemonics USAID contract, the functional and decision making lines of authority will need to be revised to fit the new requirements. As the chief Chemonics representative in the field, the ACE TC would, with the assistance of the Chemonics home office, need to establish working relationships with the various organizations involved with ACE including, of course, USAID, the ICICI, the various subcontractors to Chemonics - MITCOM, FINTRAC, and GIC, and the Chemonics home office technical support personnel. The project would need to set

criteria for assistance to firms and organizations, establish appropriate monitoring systems and develop the annual training and work plans

The ACE project office in India would

- **Revise functional and decision-making lines of authority.**
- **Establish technical and administrative support systems with the Chemonics office in the United States**
- **Develop monitoring and reporting system.**
- **Set criteria for assistance to firms and other participants.**
- **Develop and administer annual training plan**

B. Proposed Plan of Action for ACE Project

The following Exhibit VI-2 provides an illustrative schedule for carrying out specific interventions proposed for the ACE Project. This proposed plan of action is a preliminary step towards development of a detailed work plan which will give precise consideration to the technical assistance contract budget and level of effort. The principal actions proposed in the attached work schedule are not intended to be all inclusive but, rather, represent the most important actions to be undertaken by the project.

When the recommendations proposed in this report have been discussed and agreed upon, Chemonics should, together with its subcontractors and, ideally also with the designated Technical Coordinator, and ICICI representatives, develop a detailed work plan which takes advantage of the strengths and experience of all of the resources available to the project. The planning should take place as soon as possible so as not to lose the momentum and enthusiasm generated by Secretary Brown's mission, the convening of the Agribusiness Working Group, and by the International Conference on Horticultural Development.

Some points to bear in mind for planning the new interventions and activities include, for example, recommendations made by the participants to the horticultural conference. Some of the important recommendations discussed regarding holding future seminars, conferences, and/or workshops were

- **Include successful Indian entrepreneurs/experts among the panelists and presenters**

EXHIBIT VI-2
ILLUSTRATIVE PRINCIPAL TASKS FOR ACE PROJECT

	1995			1996				1997		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
I MARKETS AND TECHNOLOGY										
A Information										
1 Identify/organize US & Indian Agribusiness Events			xxx	x	x	x	x	x	x	x
2 Provide information to US & India organizations			xxx							
a) Conventions/Trade Shows						x	x			x
b) Conferences					x				x	
c) Seminars				x		x		x		
d) Trade Missions							x			x
B Matchmaking										
1 Identify Joint Venture Candidates	xx	xxx		xxx	xxx	xxx	xxx	xxx	xxx	xxx
2 Assess qualifications of potential partners			xxx	x	x	x	x	x	x	x
C Promotion of ACE Activities										
1 Develop materials to promote Indian agribusiness	x	xx		x				x		
2 Present promotion materials				x	x	x	x	x	x	x
D Create & Implement Key Sector Development Plan										
1 Identify and assess key sector needs			xxx	x				x		
2 Create promotional strategy to support key sectors					x				x	
II POLICY										
A Support Policy Reforms Through Business Associations										
1 Exchange policy information with Indian/US Associations	x	xxx		xxx	xxx	xxx	xxx	xxx	xxx	xxx
2 Support activities of Working Group on Agribusiness		x		x	x	x	x	x	x	x
B Educate Business Leaders & Policy Makers										
1 Identify areas where education would be useful		x		x		x		x		
2 Organize educational events/tours					x		x		x	
C Provide Limited Technical Assistance for US/Indian Firms										
1 Identify and organize relevant policy information	xx	xxx								
2 Implement program				xxx	xxx	xxx	xxx	xxx	xxx	xxx
III FINANCE										
A Continue funding for Indian agribusiness under ICICI	xxx	xxx		xxx	xxx	xxx	xxx	xxx	xxx	xxx
B Refer firms to ICICI for possible funding	xxx	xxx		xxx	xxx	xxx	xxx	xxx	xxx	xxx
C Mobilize Additional Resources from Private/Public Sectors	xxx	xxx		xxx	xxx	xxx	xxx	xxx	xxx	xxx
IV INFRASTRUCTURE										
A Focus support on post-harvest infrastructure sector	See Section I D Key Sector Development Plan									
V PROJECT ADMINISTRATION										
A Establish full-time Technical Coordinator in India										
1 Identify and hire technical coordinator	x									
2 Make housing and moving arrangements	xx									
B Establish ACE office in India										
1 Rent office space and obtain office equipment	x									
2 Hire Local Staff	x	xx								
C Establish Project Management Protocol										
1 Revise functional & decision making lines of authority	xx									
2 Establish technical/admin support systems with US office	xx									
3 Develop monitoring and reporting system	xx									
4 Set criteria for assistance to firms & other participants	x	x								
5 Develop & administer annual training plan	x			x					x	

- Encourage attendance of GOI policy makers to attend these functions as observers

Provide an orientation to India (statistical and product/market information) for the foreign participants early in the program so that they can apply and direct their expertise more effectively
This could include some field site visits

- Have a specific sectoral and technical focus for each event
- Try to allow for time after each event for the presenters to confer with the participants, providing advice and/or exploring mutual business opportunities.
- Develop programs that can be easily repeated in various locations over a short period of time taking greatest advantage of world class expertise

Regarding the potential for ACE to form strategic alliances and partnerships, it is important to note that several Indian and US business organizations have expressed strong interest in working more closely with the ACE Project in the future. These include for example, the Agricultural and Processed Food Products Export Development Authority (APEDA) in Delhi, the Indo-American Chamber of Commerce in Bombay, the Mahratta Chamber of Commerce and Industries (MCCI) in Pune, and the Produce Marketing Association (PMA) and National Food Processors Association (NFPA), in the US. These organizations represent good platforms from which the ACE Project can launch its outreach program. Specific plans for information exchange and co-sponsorship of a series of events should be made as soon as possible.

The next step, therefore, is to prepare and present a detailed work plan and budget which incorporates the interventions proposed in Exhibit VI-2. Such a work plan will include projections for Allocation of level of effort, timing and schedules of major activities, and budget utilization. The plan should rationally and realistically lay out at least the next twelve months of work for Chemonics and its subcontractors according to the revised set of project activities.

ANNEX A
INDIAN AGRICULTURE AND INDUSTRY STATISTICS

TABLE A-1

Gross Value Added from Agriculture and Allied Activities, 1950-51 to 1992-93

	At current prices						(Rs crore)			
	Value of output			Inputs	Gross value added	As % of GDP	At 1980-81 prices			% Change
	Agriculture	Live-stock	Total				Value of output	Inputs	Gross value added	
1950-51					4,690	50.1	26,790	5,975	20,815	
1955-56					4,289	41.8	31,012	6,686	24,326	-1.49
1960-61	6,903	1,476	8,379	1,850	6,529	40.3	36,761	7,914	28,847	7.52
1961-62	7,149	1,507	8,656	1,940	6,717	39.1	37,101	8,049	29,052	0.71
1962-63	7,328	1,588	8,916	2,062	6,854	37.1	36,602	8,287	28,315	-2.53
1963-64	8,577	1,700	10,277	2,176	8,101	38.1	37,324	8,294	29,030	2.53
1964-65	10,572	1,857	12,429	2,461	9,969	40.3	40,310	8,620	31,690	9.16
1965-66	10,384	2,039	12,423	2,566	9,858	37.7	35,477	8,424	27,053	-14.63
1966-67	12,223	2,244	14,467	3,038	11,429	38.7	35,395	8,837	26,558	-1.83
1967-68	15,362	2,648	18,010	3,459	14,551	42.0	40,991	9,865	31,127	17.20
1968-69	15,622	2,827	18,449	3,506	14,943	40.7	41,399	9,894	31,505	1.22
1969-70	17,332	3,039	20,371	3,964	16,407	40.6	43,613	10,047	33,567	6.54
1970-71	17,306	3,197	20,503	4,089	16,415	38.0	46,645	10,555	36,090	7.52
1971-72	17,843	3,351	21,194	4,524	16,670	36.0	46,803	11,078	35,725	-1.01
1972-73	19,597	3,807	23,404	5,070	18,335	35.9	44,310	11,011	33,299	-6.79
1973-74	26,115	4,600	30,715	6,316	24,399	39.3	47,368	11,439	35,929	7.90
1974-75	28,746	5,549	34,295	7,960	26,335	36.0	46,765	11,734	35,031	-2.50
1975-76	27,289	6,147	33,436	7,839	25,596	32.5	51,962	12,392	39,570	12.96
1976-77	27,876	6,612	34,488	8,518	25,971	30.6	49,721	12,601	37,119	-6.19
1977-78	32,658	7,196	39,854	9,286	30,568	31.8	54,932	13,524	41,408	11.55
1978-79	32,873	7,864	40,737	9,767	30,970	29.7	56,889	13,983	42,905	3.62
1979-80	34,636	8,486	43,122	11,688	31,434	27.5	51,326	14,478	36,848	-14.12
1980-81	46,278	10,597	56,875	15,247	41,628	30.6	56,875	15,247	41,628	12.97
1981-82	50,880	12,808	63,688	16,892	46,796	29.3	60,163	15,885	44,278	6.37
1982-83	52,575	14,360	66,935	17,500	49,435	27.8	59,777	16,113	43,664	-1.39
1983-84	63,355	16,659	80,014	19,936	60,078	28.9	65,375	16,564	48,811	11.79
1984-85	65,443	19,582	85,025	21,345	63,680	27.5	65,915	17,173	48,742	-0.14
1985-86	69,368	21,920	91,288	23,125	68,163	26.0	66,428	17,548	48,880	0.28
1986-87	72,990	24,552	97,542	25,283	72,259	24.7	66,041	18,036	48,005	-1.79
1987-88	80,932	27,970	108,902	27,744	81,158	24.4	65,768	17,618	48,150	0.30
1988-89	100,774	32,165	132,939	31,876	101,063	25.5	76,316	19,734	56,582	17.51
1989-90	108,441	37,685	146,126	34,036	112,090	24.7	77,441	20,171	57,270	1.22
1990-91	129,015	43,659	172,674	38,713	133,961	25.2	80,887	20,666	60,221	5.15
1991-92					162,317	26.4			59,322	-1.49
1992-93					184,536	26.2			62,440	5.26
CARG (%)										
1951-65					5.5				3.0	
1970-81	9.3	12.0	9.8	13.0	8.8		2.4	3.9	2.0	
1981-91	10.8	15.2	11.7	9.8	12.4		3.6	3.1	3.8	
1969-91	10.0	13.5	10.7	11.5	10.5		3.0	3.5	2.8	

Gross Value Added covered above does not include income from operation of irrigation system

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Industry-by-Industry Average Employment
(June-end)

Industry	Average daily employment ('000 Persons)															CARG (%)		
	1961	1966	1971	1976	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1961-1981	1981-1991	1961-1991
Food products	557	601	676	885	1 000	993	1 028	1 029	1 056	1 043	1 082	1 081	1,184	1 147	1 140	3 0	1 3	2 4
Beverages & tobacco products	182	22	146	152	197	220	223	159	167	179	148	142	138	130	133	0 4	-3 9	-1 0
Textiles	1,206	1 261	1 425	1 618	1 787	1,705	1 776	1 732	1 738	1 713	1,762	1 677	1 728	1 710	1 766	2 0	-0 1	1 3
Wood & cork, furniture	69	96	98	130	130	139	154	153	162	183	168	169	152	156	161	3 2	2 2	2 9
Paper & paper products	42	59	208	249	317	321	327	331	336	340	340	348	354	364	378	10 6	1 8	7 6
Leather (except footwear)	20	26	44	49	55	56	60	63	64	67	69	79	79	81	97	5 2	5 9	5 4
Rubber, plastics & petroleum products	57	78	107	137	175	188	204	203	211	221	231	260	301	346	266	5 8	4 3	5 3
Chemical & chemicals products	146	206	269	360	460	470	500	480	502	512	541	555	533	499	609	5 9	2 8	4 9
Non-metallic minerals	193	235	272	321	363	379	411	454	455	480	516	520	544	561	564	3 2	4 5	3 6
Basic metals	178	264	325	430	503	532	555	552	557	579	580	608	601	631	624	5 3	2 2	4 3
Metal products	135	201	185	210	257	270	274	280	305	282	285	287	295	300	347	3 3	3 0	3 2
Non-elec and elec mach.	302	504	580	689	854	862	890	860	878	882	886	929	927	928	948	5 3	1 0	3 9
Non electrical mach.	215	345	370	428	503	519	541	515	515	510	510	527	531			4 3		
Electrical machinery	87	159	210	261	351	343	349	345	363	372	376	402	396			7 2		
Transport equipment	358	452	302	380	417	447	462	461	480	476	463	487	488	480	472	0 8	1 3	0 9
Miscellaneous industries	130	166	56	62	72	73	72	73	74	81	78	99	88	90	99	-2 9	3 3	-0 9
Electricity, gas & steams	44	54	58	74	99	101	102	115	121	114	122	138	147	151	151	4 1	4 3	4 2
Others	285				425	437	453	445	459	478	478	496	494	531	562	2 0	2 8	2 3
All Industries	3,904	4,225	4 751	5 746	7 111	7,193	7 491	7 390	7 565	7,630	7,749	7,875	8,053	8 105	8 318	3 0	1 6	2 6

TABLE A-2

TABLE A-3

India's Share in the World Exports of Principal Commodities, 1970, 1980 and 1991

(US\$ Million)

	World			Indian Exports			India's share (%)		
	1970	1980	1991	1970	1980	1991	1970	1980	1991
Meat and meat preparations	3 584	17 832	36 214	4	67	94	0.11	0.40	0.26
Fish crustaceans and molluscs & its prep		12 258	39 704		242	579		2.00	1.46
Cereals and cereal preparations	6 775	41 989	43 712	9	201	391	0.13	0.50	0.89
Rice	925	4 355	4 021	6	160	307	0.65	3.70	7.63
Vegetables and fruits	1 471	24 018	54 393	17	259	370	1.20	1.10	0.68
Sugar sugar preparations and honey	2 711	16 183	14 795	26	46	0	1.00	0.30	0.00
Coffee and coffee substitutes	3 205	12 979	8 473	31	271	135	1.00	2.10	1.59
Tea and mate	587	1 631	2 614	196	452	486	33.40	27.70	18.59
Spices	255	1 072	1 395	52	156	121	20.50	14.50	8.67
Feeding stuff for animals		10 322	16 501		164	376		1.60	2.28
Tobacco unmanufactured tobacco refuse	1 058	3 423	5 813	42	151	128	4.00	4.40	2.20
Tobacco manufacture	655		13 339	1		26	0.20		0.19
Oilseed and oleaginous fruit		9 487	10 188		30	46		0.30	0.45
Metaliferous ores and metal scrap	7 357	30 239	34 981	193	465	714	2.60	1.50	2.04
Iron ore and concentrates	2 373	6 515	9 932	158	411	583	6.70	6.30	5.87
Organic chemicals	6 648	31 841	73 832	9	17	306	0.10	0.10	0.41
Inorganic chemicals		15 491	27 855		26	33		0.20	0.12
Dyeing tanning and colouring materials	1 615	7 986	20 456	8	65	258	0.50	0.80	1.26
Medicinal and pharmaceutical products	2 687	13 918	41 275	11	109	483	0.40	0.80	1.17
Essential oils and perfume materials toilets polishing and cleaning preparations	916	7 647	21 831	10	86	257	1.10	1.10	1.18
Explosives and pyrotechnic products		630	1 044		1	3		0.10	0.29
Artificial resins plastic materials cellulose esters & others		27 223	69 376		3	14			0.02
Chemical materials and products n e s		15 960	35 152		8	103			0.29
Leather leather mfrs n e c	1 047	5 967	13 984	95	405	651	9.10	6.80	4.66
Leather	701	3 415	9 376	94	342	296	13.40	10.00	3.16
Mfrs of leather or of composition leath	132	975	3 559	1	62	355	0.60	6.30	9.97
Furskins tanned or dressed etc	214	1 577	1 050		1	0		0.10	0.00
Textiles yarn fabrics made up articles and related products	11 371	48 884	116 501	461	1 145	2 343	4.10	2.30	2.01
Cotton fabrics woven	1 436	6 632	16 317	98	351	623	6.80	5.30	3.82
Fabrics woven of man made fibres	3 967	9 325	25 401	189	44	202	4.80	0.50	0.80
Textile fabrics woven other than of cotton or man made fibres	270	3 188	8 505	2	204	209	0.80		2.46
Pearls precious and semi-precious stones	2 431	18 563	31 501	53	579	2 460	2.20	3.10	7.81
Iron and steel	14 540	68 231	108 626	132	87	351	0.90	0.10	0.32
Manufactures of metals n e c	4 328	36 840	72 221	27	221	330	0.60	0.60	0.46
Power generating machinery & equipment	20 884	35 722	83 456	25	88	127	0.10	0.20	0.15
Machinery specialised for particular inds	10 670	58 495	116 501	17	65	184	0.20	0.10	0.16
Metal working machinery		15 671	30 248		32	47		0.20	0.16
General industrial machinery & equipment n e c & machine parts thereof		59 443	135 715		67	117		0.10	0.09
Office machinery and ADP equipment		24 750	142 856		2	66		0.00	0.05
Telecommunication and sound recording and reproducing apparatus and equipment		26 799	114 563		11	38		0.00	0.03
Electrical machinery apparatus and appliances n e s		60 947	216 535		114	257		0.20	0.12
Road vehicles (including air cushion vehicles)		127 347	168 610		208	448		0.20	0.27
Other transport equipment		41 291	119 068		32	45		0.10	0.04
Articles of apparel and clothing accessories	109	32 365	121 053		590	2 531		1.80	2.09
Total exports (including others)	313 706	1 989 867	3 179 309	2 026	8 387	17 383	0.60	0.40	0.55

ANNEX B
TERMS OF REFERENCE

IMPEDIMENTS TO INDO-US AGRIBUSINESS LINKAGES

Terms of Reference

February 6, 1995

INDIA AGRICULTURAL COMMERCIALIZATION AND ENTERPRISE PROJECT

Contract No 386-0521-C-00-2166-00

Background

In recent years, India has made considerable progress in the process of economic reform, and particularly the reduction of barriers to foreign trade and investment. In 1993, U S exports to India rose by 44% to an all time high of \$2.8 billion. India has attracted the interest of multinational enterprises in both Europe and the Pacific Rim as a base for production as well as a market for consumer products. The ACE project aims to increase the level of investment and introduce new technologies in the horticultural sector (as stated in the Project Paper and the PRISM document). Enhancing the Indo-U S agribusiness linkages is also part of the overall objective of the Indo-U S Commercial Alliance recently signed by the U S Commerce Secretary Ronald H. Brown and Commerce Minister Pawar on January 16, 1995 in New Delhi. The signing coincided with the recent trade mission of some 25 U S corporate executives led by Secretary Brown. Although the delegation was largely comprised of sectors other than agribusiness, e.g., telecommunications, there are many lessons to be drawn from this linkage which might be applied to furthering agribusiness ventures. The mission also represents an important event in furthering trade relations between our two countries.

Scope of Work

Building on the framework provided by the Indo-U S Commercial Alliance, the USAID-financed Agriculture Commercialization Project (ACE) will undertake a study whose purpose is to recommend actions which will increase the agribusiness market linkages between the U S and India. The study will provide USAID and other key participants with a review of current policies and/or practices by public and private sectors and business associations that encourage, or hinder (i.e., impediments to) commercial relationships between Indian and American agribusiness concerns. Finally, the study will recommend an explicit strategy for the allocation of ACE resources to improve U S -Indo market linkages in the horticulture and food processing sectors.

Methodology

In the spirit of cost-effectiveness and producing a quality, timely analysis Chemonics proposes to take an approach which relies on the strengths/accessibility/contacts of our respective subcontractors -- MITCON, GIC, and FINTRAC. In the preliminary data-gathering phase, we will utilize in-house data where appropriate, (e.g., GIC has a listing of joint ventures registered in India through December 1994, and secondary data sources such

as donor studies), and we will complete the data where there are obvious gaps that directly impact on the task at hand utilizing MITCON for gathering information that can be obtained more readily in India

The study will center around a series of case studies involving U S -Indo agribusiness linkages, and emphasis will be placed on the nature of the business linkage, and its facilitating (or hindering) factors. We will use the local Indian firm MITCON to help identify potential case studies and linkages by conducting some of the initial telephone interviews with Indian firms in New Delhi, Bombay, and other areas where a concentration of targeted enterprises are located. A series of standard guidelines for interviews will be developed for obtaining information that can be readily synthesized. Similar telephone interviews will simultaneously be conducted with U S firms to provide a complete picture of how the linkage occurred from various perspectives, and what linkage helped the venture to come together (or not).

Followup interviews will then be conducted with some of the Indian partners of the firms identified during the telephone surveys. MITCON will once again participate in facilitating these meetings and where appropriate participate in them. At the same time, MITCON will help to identify and set up meetings with some of the key private and public sector actors which play some role in effecting agribusiness linkages. We envision two representatives from MITCON playing an important role in not only initial organizational meetings, but as the two-expatriate team splits up to cover different firms and organizations, we would team a MITCON representative with each.

Findings from the interviews (joint ventures, other actors and intermediaries) will be synthesized. Specific recommendations regarding minimizing constraints to US-Indo linkages will be made. What seemed to work will be cited and finally, a strategy for allocating ACE resources to fit with the administration's strategy to strengthen US-Indo alliances will be recommended.

Estimated Time and Proposed Schedule

We are prepared to begin work on this study as soon as we receive USAID's approval. For purposes of planning and budgeting, we are prepared to begin work on February 9 and would expect to have a draft report prepared for submission to USAID on Friday, March 10. An initial workplan follows.

February 9-10: Preliminary information gathering taking place in the U S and India (Chemonics, GIC, FINTRAC, MITCON, Mssrs Bremer and Scott)

February 12-18

- Mssrs Bremer and Scott travel to New Delhi and meetings are held with USAID to discuss scope of work, itinerary, present draft interview instrument for gathering/recording of data, draft outline of final report

March 6-10 Preparation of draft report incorporating responses from USAID and additional data gathered during convention (Messrs Bremer and Scott)

Anticipated Deliverables

Chemonics will produce a report which will:

- Include a brief description of present Indo-US linkages and the mechanisms/organizations supporting them. (note These would be summaries of some 8-10 linkage case studies annexed following a standardized format)
- Analyze
 - selected joint ventures
 - failed attempts
 - current advantages and barriers
 - key organizations interested in improving Indo-US agribusiness linkage (profile of interested parties or organizations) both in India and the U S ,
- Select broad potential areas (e g technology(production/processing), policy framework, regulatory, marketing, infrastructure,) where efforts to improve Indo-US linkages should be directed,
- Provide recommendations focused in two time frames short run (2 years), and medium (3-5 years) and should include "what" to do as well as "how" to put them into practice,
- Indicate expected support to the Indo-US business agenda from recommendations,
- Define ACE's potential role in providing these linkages

Personnel

Chemonics proposes a personnel strategy that will result in a quality study that is both timely and cost-effective. Our team will be led by Mr Gordon Bremer, senior agribusiness and trade development manager for Chemonics. Mr Bremer has many years of worldwide experience in both leading and participating in with study teams of the kind proposed under these terms of reference. His experience working with the private sector and thorough understanding of business and development consulting projects will be especially helpful in carrying out this study. Mr Bremer will be joined by an agribusiness expert, Mr William Scott, currently vice-president of Agland in California. As an agriculture economist, Mr Scott has participated in both private sector and donor funded teams in Asia and elsewhere around the world.

This study will also rely on the local business acumen and participation from MITCON, one of our subcontractors under the ACE project. Situated in Pune, India, MITCON's role will be help to assure a quality and cost-effective product. Specifically,

MITCON will be responsible for helping to gather information and connect Mr Bremer and Mr Scott with key players in India's agribusiness sector. At the same time, we will rely on MITCON to help with writing of some of the case studies (the information-gathering phase), facilitate in-person interviews (the validation phase), and assist where necessary with logistics associated with the smooth operation of the study.

Finally, we plan to utilize the home-office talent of Chemonics and its two U S subcontractors Fintrac and GIC to help with U S contacts. Their role will be to provide preliminary information to the team on linkages to date involving Indian agribusinesses, and to assist the team in India in completing the linkage case studies as requested. They will do so by interacting directly via telephone or in person with U S agribusinesses, trade associations and organizations which have been involved or prospectively could play a key role in enhancing agribusiness market linkages. The work in the U S will be coordinated by Pamela Michel, the interim technical coordinator.

Resumes for the Messrs Bremer and Scott as well as their biographies are attached. Resumes and biographies for home-office personnel for MITCON, GIC, FINTRAC, and Chemonics are currently on file with USAID.

Budget

The proposed budget is attached.

- USAID, the Foreign Commercial Service and Ag Counselor provide comprehensive set of documents regarding liberalization process, foreign investments, and the agribusiness sector as well as discuss relevant aspects of the US-Indo Alliance. Additional background documents and key contacts for other relevant USAID projects are provided.
- Messrs Bremer and Scott hold organizational meetings with MITCON representatives in New Delhi.
- MITCON, GIC, and FINTRAC representatives continue information gathering in U S.

February 16-22

- Telephone interviews with Indian partners of joint ventures are conducted with firms primarily in the New Delhi and Bombay areas. Discussion of the initial findings (output, and process) is on-going to reaffirm methodology and change as appropriate (MITCON, G Bremer, and B Scott).
- Telephone interviews with U S partners of linkages. Communication of findings via fax to team in India (GIC, Chemonics).

February 22-24

- In-person interviews with selected Indian firms to further validate the initial telephone information or complete profiles. Interviews with key stakeholders from private and public sector, e.g., ICICI, AID contractors from PACT project, Indian agribusiness leaders (MITCON, G Bremer, and B Scott).
- Telephone interviews with U S partners of linkages, and in-person interviews with some trade organizations/associations, intermediaries, and additional contacts as requested by team in India. Communication of findings via fax/modem to team in India (GIC, Fintrac, Chemonics).

February 25-28 Synthesize findings (analysis of case studies, role of intermediaries, market linkages that have worked/failed and reasons why (policy constraints, etc.)) Formulation of strategy that will enhance U S -Indo agribusiness linkages, and suggested allocation of ACE resources toward that objective (MITCOM, Messrs Bremer and Scott)

March 1 Oral presentation of initial findings to USAID. Solicit input to conclusions and recommendations for incorporation into final draft (Messrs Bremer and Scott)

March 2-4 Participation in the International Horticulture Convention in Bombay and New Delhi. Additional data gathering as appropriate (Messrs Bremer and Scott)

March 5 Departure from India for the U S

ANNEX C
LIST OF CONTACTS MADE

ANNEX C
LIST OF CONTACTS MADE

Sr No	Name and Address	Phone/Fax
1	Mr Dick Goldman Office of Environment, Energy & Enterprise, United Agency For International Development B-28 Institutional Area, New Delhi - 110 016	11 686 5301 11 686 8594
2	Mr Ronald Somers India Private Power Initiative United Agency For International Development B-28 Institutional Area, New Delhi - 110 016	11 686 5301 11 686 8594
3	Mr. Felipe Mantelga Project Officer United Agency For International Development B-28 Institutional Area New Delhi - 110 016	11 686 5301 11 686 8594
4	Ms Prerna Tandon Agribusiness Program Chief U S A I D. B-28 Institutional Area New Delhi 110 016	11 686 5301 11 686 8594
5	Mr Thomas Pomeroy Agricultural Counselor American Embassy Shanti Path Chanyakya Puri New Delhi - 110 021	11 611 3003 11 688 5606
6	Ms Ngoc Minh Le Business Advisor U S A I D Centre for Trade and Investment Services, Room # 100 SA - 2 Washington DC 20523 0229 USA	202 663 2669 202 663 2670
7	Mr D. H. Pai Panadiker Hon Advisor Confederation of Indian Food Industry Federation House, Tansen Marg, New Delhi - 110 001	11 331 6076 11 332 0714

8	Ms Padmaparna DasGupta Confederation of Food Trade and Industry Federation House Tansen Marg New Delhi - 110 001	11 331 9251 11 332 0714
9	Ms Rekha Sinha Confederation of Food Trade and Industry Federation House Tansen Marg New Delhi - 110 001	11 331 9251 11 332 0714
10	Mr Gokul Patnaik Agricultural and Processed Food Products Export Development Authority 3rd Floor, Ansal Chambers II Bhikaji Cama Place New Delhi 110 066	11 611 4350 11 687 5016
11	Dr H A B. Parpia Advisor and Director Kejriwal Enterprises 312 World Trade Centre Barakhamba Lane New Delhi - 110 001	11 331 5029 11 332 2884
12	Mr N M Kejriwal	11 331 5029
	A) Chairman and Director Kejriwal Enterprises 312 World Trade Centre Barakhamba Lane New Delhi - 110 011	11 331 2884
	B) Chairman, Golden Jubilee Celebration Committee All India Food Preservers Association, 206 Aurobindo Marg, Hauz Khas New Delhi - 110 016	11 660 860 11 660 860
13	Mr Jagmohan Singh Raju IAS Director Agricultural and Processed Food Products 3rd Floor Ansal Chambers II Bhikaji Cama Place New Delhi - 110 066	11 668 1512 11 687

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| 18 | Prof. Pyarelal Arya
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| 19. | Mr.T.K.Chakrabarty
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22 262 5444 |
| 24 | Mr P N.Mogre
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22 204 8505 |
| 25 | Mr Damindra Dias
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22 283 4444 |
| 26. | Mr V Rangaraj
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22 204 6141 |
| 27 | Mr S R Kumar
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28	Mr Nadir B Godrej Chairman Pirojshanagar Eastern Express Highway Vikhroli Bombay - 400 079	22 5171 861 22 5172 455
29.	Mr. Desaix Myers Deputy Director United States Agency for International Development American Embassy New Delhi - 110 016	11 6113051 11 6868533
30.	Mr. L A D'souza Secretary Bombay Chamber of Commerce and Industry Mackinnon Mackenzie Bldg 4, Shoorji Vallabhdas Marg Ballard Estate Bombay - 400 038	22 261 4681 22 262 1213
31	Mr K Bhatia Chief Manager Ministry of Food Processing Government of India Panchsheel Bhavan Khel Gaon Marg New Delhi - 110 049	11 649 2864 11 649 3228
32.	Mr. B R. Jain Chairman Bhilai Engg Corp Ltd 31, Maker Chambers III 3rd floor, Nariman Point Bombay - 400 021	22 283 1724 22 287 3789
33	Dr M M Krishna Chairman Modern Food Industries Palika Bhawan, R K Puram Ring Road New Delhi - 110 066	11 688 5452 11 687 2773
34.	Mr. K K. Malviya BEC Foods 13, Masjid Moth DDA Commercial Complex New Delhi - 110 048	11 644 5815 11 644 5819

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35	Mr S N Dua Chief Executive Bharat Starch Industries Ltd N-75, Connaught Circus New Delhi - 110 001	11 371 6148 11 332 5289
36	Mr S N. Borkar Commercial Manager Continental Grain (I) Pvt Ltd 43, Nariman Bhavan, Nariman Point Bombay - 400 021	22 202 6205 22 202 2382
37	Mr A C. Govindan Dy Gen Manager Ralls India Limited 21 D Sukhadvala Marg Bombay - 400 001	22 204 8221 22 204 7755

ANNEX D
REFERENCE DOCUMENTS

ANNEX D
REFERENCE DOCUMENTS

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ANNEX E
CASE STUDY SUMMARIES

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I COMPANY DESCRIPTION

A COMPANY OR ASSOCIATION

Companies

(India) Kalyani Agro Corporation Pvt Ltd
(India) Orient Vegetexpo Ltd
(India) Pepsi Foods Limited
(India) Flex Foods, Ltd
(US) Bioseed Genetics International
(India) Bioseed Genetics International
(US) McCormick, Inc
(US) Pressure Cool
(US) CPC International
(India) CPC (India) Ltd
(India) Kellogg India Limited
(US) NTB Bowsmith Irrigation Co Ltd
(India) Bharat Starch Industries, Ltd
(India) Modern Food Industries
(India) BEC Foods, Ltd
(India) Tropical Fruits International Inc
(India) Agro-Foods Punjab Limited
(India) Rallis India Limited
(India) Continental Grain (India) Ltd
(India) Wens Agro Food Ltd
(India) Kwality Frozen Foods Ltd
(India) Godrej Group of Companies
(India) Chordia Food Products Ltd
(India) Hi-Rel Agri-Tech (India) PVT LTD

Associations

(US) Snack Food Association
(India) All India Food Preservers' Association (AIFPA)
(India) Confederation of Indian Food Trade and Industry
(CIFTI)
(India) Agricultural and Processed Food Products Export
Development Authority (APEDA)
(India) Indo-American Chamber of Commerce
(India) Bombay Chamber of Commerce
(US) Food Processing Machinery & Suppliers Association
(FPM&SA)
(US) Produce Marketing Association (PMA)
(US) National Food Processors Association
(US) United Fresh Fruit and Vegetable Association
(UFFVA)
(India) Indian Merchant's Chamber (IMC)
(India) Confederation of Indian Industries

B TYPE OF BUSINESS

<u>No of Cases</u>	<u>Type of Business</u>
5	US Business/Trade Associations
5	Indian Business/Trade Associations
1	GOI export development authority
1	US Seed research, production, and marketing
1	India Seed research, production, and marketing
1	US spice processing and merchandising
1	US cooling equipment sales
1	US corn products processor and distributor
2	Indian corn products processor and distributor
1	US manufacturer and distributor of breakfast cereals
1	Indian designer, manufacturer, and installer of drip irrigation systems
1	Indian government bread bakery and pineapple processor
3	Indian fruit/vegetables processor/distributor
3	Indian fruit/vegetables processor/exporter
1	Indian freeze-dried and canned mushrooms
1	Indian bottler/processor and fast food retailer
1	Indian agrochemicals and biotechnology research and development
1	Indian grain and feed importing and exporting
1	Indian commodity broker
1	Indian manufacturer and distributor of ice cream and frozen foods
2	Indian group of related companies importing, exporting and manufacturing and distributing diverse products and services animal feed, agricultural chemicals, growth regulators, vegetable oils, fresh and processed fruit and vegetables, tissue culture, seeds, cut flowers, and research services
1	Processing and export sales of dried flowers

C TYPE OF LINKAGE

<u>No of Cases</u>	<u>Type of Linkage</u>
5	US business association (some Indian members)
5	Indian business association
1	GOI export authority
16	Joint venture for processing, finance, buy-back, research, and/or technical assistance
5	Potential joint venture
3	Sourcing arrangements
1	US sales into Indian market
3	US company with Indian subsidiary
3	Indian company with foreign ownership
3	Indian importer
7	Indian exporter
1	Franchising
3	Contract manufacturing



II IMPEDIMENTS

A MARKET

<u>No of Cases</u>	<u>Type of Impediment</u>
2	Lack of proactiveness from US firms
13	Lack of awareness of opportunities <ul style="list-style-type: none">- lack of ACE collaboration and flexibility- inaccurate market projections- lack of partners with export market "tie ups"- lack of contacts- India as a production base
1	Poor foreign image of Indian market
1	Lack of raw materials
1	Unrealistic business expectations
1	US market is not best for Indian fresh products
1	Very small food processing industry (1 - 1.5%)
1	Trading mentality inhibits consistent supply
3	Lack of awareness of potential foreign technology/partners
1	Third company competition
1	Has US domestic market focus

B TECHNOLOGY

<u>No of Cases</u>	<u>Type of Impediment</u>
10	Lack of awareness of potential foreign technology/partners <ul style="list-style-type: none">- lack of ACE collaboration and flexibility- lack of IQF partners
7	High production costs <ul style="list-style-type: none">- low productivity- lack of improved seeds- low yields
2	Post-harvest losses
1	Very small food processing industry (1 - 1.5%)
1	Exploding population
2	US has had focus on product versus technology sales
1	Lack of information about seed production technology availability
1	Need ISO 9000 help (QUALITY CONTROL)
1	Lack a private sector common use laboratory

C POLICY

<u>No of Cases</u>	<u>Type of Impediment</u>
7	Indian government bureaucracy/regulatory complexity e g export licenses take 4-5 months
2	Indian government's unresponsiveness to US business needs - can't have 100% equity now
6	High production costs - land ceilings make for small production units - contracting for production is necessary
2	Price instability of raw materials in India
4	Indian government non-cooperation/corruption
3	Policies and regulations vary and conflict between states
5	Restrictive licensing system - grain trade restrictions - imports of raw materials - test marketing - imports of seed
1	High tariff schedules for consumer goods
1	Production area restrictions (land)
1	Too many authorities involved in food processing
1	Difficult to test market new products
1	Grades and standards lacking
1	Input sourcing is difficult
1	Tax structure and duties on food processing
1	Political instability

D FINANCE

<u>No of Cases</u>	<u>Type of Impediment</u>
5	High production costs
2	Lack of budget/competition
2	Capital is scarce

E INFRASTRUCTURE

<u>No of Cases</u>	<u>Type of Impediment</u>
5	High production costs - low productivity - drastic weather conditions flood, drought
1	Lack of raw material
1	Exploding population
1	Land (environmental) degradation
3	Infrastructure is underdeveloped electricity, cold chain, packaging industry, (refrigerated containers), quality water supply, etc
1	High transportation costs

III SOLUTIONS

A MARKET

<u>No of Cases</u>	<u>Type of Solution</u>
11	Educate US and Indian firms about opportunities with ACE assistance - develop customer directories - profile agents and distributors - get Indian membership in US associations and vice versa
6	Participate in annual conventions/trade shows/fairs, training/workshops
2	Utilize trade associations for leverage
1	Develop linkages between US and Indian associations
1	Low research costs
1	Low production costs
1	Good Indian maintenance capability
1	Good Indian trainability
2	Good Indian technical skills engineering and scientific
1	Expanding markets in region
2	Promote backward integration with US businesses
1	Set up equipment manufacturing in India for domestic and eastern markets
5	Matchmaking through associations
2	Do market research (both Indian and US)
1	Access US inputs
1	Use ACE/RAP for studies of export markets
1	Train Indian assoc to organize trade fairs
1	Prepare US companies for aggressive marketing campaigns

B TECHNOLOGY

<u>No of Cases</u>	<u>Type of Solution</u>
4	Participate in annual conventions/trade shows/fairs/workshops
2	Utilize trade associations for leverage
1	Low research costs
1	Use Indian managers
1	Low production costs
1	Good Indian maintenance capability
1	Good Indian trainability
4	Good Indian technical skills engineering and scientific and research
2	Good growing conditions and skills levels
1	Use contract farming
4	Access US/foreign technology
1	Post-harvest technology transfer
2	Backward integration with US businesses
5	Matchmaking
1	Develop private extension service
1	Develop new seed varieties
1	Use ACE/RAP for studies of technology
2	Provide technical training for Indian workers
1	Study and report seed production technology availability
1	Conduct Indian product development research
1	Use IESC volunteers
1	Food processing and cold chain sector devt
1	Develop quality control (ISO9000)

C POLICY

<u>No of Cases</u>	<u>Type of Solution</u>
2	Land leasing/contract farming
2	Utilize trade associations for leverage to educate policy makers
1	Better protection than China
8	Improve policy and regulatory conditions inc more flexible trade regime & privatization
1	Develop commodities exchange
2	Dependable legal system
1	Have 100% US equity to make your own decisions
2	Reform tax structure
1	Improved phyto sanitary regulation implementation
1	Patent protection
1	Protect intellectual property rights
1	US companies need to promote good will

D FINANCE

<u>No of Cases</u>	<u>Type of Solution</u>
1	ICICI financing

E INFRASTRUCTURE

<u>No of Cases</u>	<u>Type of Solution</u>
1	Develop production through contract farming

IV RECOMMENDATIONS

A MARKET

<u>No of Cases</u>	<u>Recommendations</u>
16	Raise level of awareness about opportunities - organize a conference - query association membership - have ACE help - involve US and Indian associations - CII is recommended
3	Provide information about Indian and US companies
1	Provide information to US business about Indian cultural differences
1	Assist US companies to evaluate partners
5	Organize, facilitate, participate in annual conventions/trade/shows/conferences/seminars/trade missions
1	Send/receive an Indian delegation to/in US
2	Research Indian market
2	Educate Indian companies about US market opportunities (market assistance)
2	Educate US companies about market opportunities (market assistance)
2	Facilitate attendance at trade shows and trade missions- to develop business linkages
1	Target US equipment suppliers
2	Facilitate joint ventures - source US markets, - source Indian markets,
7	Match making
1	Promote sales of US equipment

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KALYCASE GB

CASE STUDY SUMMARIES

I. COMPANY DESCRIPTION

A COMPANY Kalyani Agro Corporation Pvt Ltd
Dr G D Pimprikar- President - Operations
Dr V S Khuspe

B TYPE OF BUSINESS

Kalyani House of Industries Conglomerate of 11 companies based on the steel forging industry also with interests in electronics and agrobusiness US \$300,000,000 and 5500 employees

Agribusiness: Kalyani Agro Corporation LTD - fruit exports, seeds, agro consultancy (high quality seeds, processed foods, floriculture, mushroom, bio technology/tissue culture)

seeds multiply, process and retail
grapes - export

THE BUSINESS THAT IS BEING STUDIED IS specialized potato seed production for sales as certified seed to be used for chips and fries Seed production is from true potato seed from the US

C TYPE OF LINKAGE

Technical JV with ESCA of San Carlos California (through the PACT project) ESCA gets paid for the G1 seed and gets a royalty ESCA does preliminary breeding and provides TA in India (John Duke)

II IMPEDIMENTS

Where to access information about companies that could be partners to supply technology Kalyani would have wanted to shop around (learn what/who was available) before deciding on a partner

Wanted to know more about the sub-sector technology

It was difficult to get permission to bring in the potato seed It took the GOI 8 months to test and grant permission (thought of as a potential source of disease)

Many US companies offer to buy back but really just want to sell equipment.

III SOLUTIONS

IV RECOMMENDATIONS

Need to be able to check reputations of US companies in their industries

ACE should help to identify

- equipment suppliers
- sources of appropriate technology
- information about markets

ACE should help Indian companies sell their services domestically and internationally

KALYCASE GB

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IV. RECOMMENDATIONS

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- equipment suppliers
- sources of appropriate technology
- information about markets

ACE should help Indian companies sell their services domestically and internationally

I COMPANY DESCRIPTION

A COMPANY - Flex Foods, Ltd.

B TYPE OF BUSINESS - Freeze-dried and canned mushrooms

C TYPE OF LINKAGE - Sell into European and U S markets
Working with agent in United States to sell canned
mushrooms Recently obtained US FDA approval for their
canning operation Dicing equipment from the US
Freeze-drying equipment from Denmark Received
technical assistance from Danish government. Went to
food fairs to make contact with U S and European
buyers. Shipping weekly to New York and Oakland

II IMPEDIMENTS

A Want to expand markets and do new products

III SOLUTIONS

A Like matchmaking functions

IV RECOMMENDATIONS

A Want to see matching to diversify product line

biocase gb

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY

BIOSEED GENETICS INTERNATIONAL

Ken Mishra (50% owner-in US) (India origin - US naturalized)
GP Group of Companies, Bangkok - 50% owner

SHRIAM BIOSEED - Indian company with 49% equity in JV

B TYPE OF BUSINESS

Bioseed has 100% of a research facility
Shriam responsible for marketing of seeds
Bioseed responsible for seed production
Distribution is shared responsibility

C TYPE OF LINKAGE

II IMPEDIMENTS

-Indian bureaucracy- approvals for export licenses take 4-5 months

-
-

III SOLUTIONS

-low research costs
-low production costs
-nearby growing markets
more IPR protection than China
-respected, dependable, and uniform legal system

IV RECOMMENDATIONS

-US companies should maintain a global overview but hire local management
-financing needs to be linked to US equipment
-more information about prospective Indian companies for partnerships and joint ventures would be helpful

-assist US companies to evaluate partners

I COMPANY DESCRIPTION

A COMPANY - Bioseed Genetics, International

B TYPE OF BUSINESS - Seeds/Biotech

C TYPE OF LINKAGE - Joint Venture with a Thai company

II. IMPEDIMENTS

A. Indian bureaucracy slows things down Approval for export licenses is at least 4-5 months

III SOLUTIONS

A Using Indian management locally is important India has low costs of research

B Protection of intellectual property rights in India, while there is room for improvement, are better than some other places like China

IV. RECOMMENDATIONS

A. Need U.S. companies here with international outlook

B Information services between U S and India could be improved

MCCOCASE GB

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY

McCormick, Inc. AV Thomas, Madras (India)
Bob Dradshaw/Benjamin Kaestner
(see contact list)

B TYPE OF BUSINESS

Largest spice processing and merchandising company in world
Been in India for 40 years

C TYPE OF LINKAGE

A new 50/50 Joint Venture with AVThomas, a large scale plantation grower, of primarily tea and rubber is in the works. Plant will be 50% owned by each. McCormick has two other plants, the status of which is unknown.

For big volumes (chilies) McCormick enters deals with integrated companies having both growing and processing. For smaller volume product, they work with dealers (wholesalers/brokers/suppliers).

II IMPEDIMENTS

Rules vary from state to state conflicting

III SOLUTIONS

A great range of product. Good growing conditions and skills levels.
McCormick keeps track of State regulations.

Regulatory environment is improving. Shorter time for import and export permits. Dollar accounts liberalized.

India is an efficient grower.

IV RECOMMENDATIONS

Although McCormick uses commercial financing, they see EXIM and OPIC operations helpful to American business.

nbd PRESCASE GB

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY

PRESSURE COOL (US partner is EUROFRUITS)
Douglas York, President
(see contact list)

B TYPE OF BUSINESS

Sales of equipment (for pre cooling grapes) to Eurofruit on an as needed basis

C TYPE OF LINKAGE

Sales of equipment
Pressure cool did a report in the 1970s

II IMPEDIMENTS

- Indian officials behaving in an arrogant and condesending fashion
- LC stipulations were absurdly unrealistic and an obstacle
- unfavorable and unrealistic import regulations
- over involvement of Indian officials in all aspects of business

III SOLUTIONS

- Indian companies can perform maintenance successfully
- Willingness to train clients
- Products will help India succeed

IV RECOMMENDATIONS

Clean up corruption
Explain cultural differences to would be partners
USG should

- do technical training of Indian workers\companies
- educate India to export opportunities (market assistance)
- facilitate more trade shows for more business to business interface and development of personal ties

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY
CPC, International
US
(see contact list)

B TYPE OF BUSINESS
Processed corn products fortune 300 company with plants in 52
countries (Knorr soups, Skippy peanut butter, Hellmann,s
mayonnaise, Best Foods (exporter))

C TYPE OF LINKAGE

II IMPEDIMENTS

— offshore subsidiaries

-licensing system
-high tariff schedules

III SOLUTIONS

-promising reforms

IV RECOMMENDATIONS

Watch changes closely Keep informed
Prepare for a more aggressive marketing campaign

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY

Corn Products Co. (India) Ltd. (Indian firm)
Tapan K Chakrabarty
Chairman and Managing Director
(see contact list)

B TYPE OF BUSINESS

51% US owned subsidiary of US multinational 49% is publically held on Bombay exchange as of 2&1/2 yrs

Manufacture and distribute (to retail level of Indian domestic market) a range of food products including custard powder, jelly crystals, jams, baking powder, 45% dextrose, caramel color, etc

C TYPE OF LINKAGE

Indian firm founded as an importing company in Calcutta many years ago Now 51% US owned subsidiary of US multinational 49% is publically held on Bombay exchange as of 2&1/2 yrs ago Was 40% until the policy reforms made India more attractive

II IMPEDIMENTS

-Introduction of new products is difficult New products cannot be test marketed if they fall into the negative list The policies could and should be changed

Systems of grades and standards are lacking

-Underdeveloped processed food industry makes sourcing products/inputs difficult
General impediments are

- 1 Infrastructure electricity, cold chain, quality water supply
- 2 Regulatory environment complexity too many steps and players, creates a "breadline" and difficulties for sourcing and importing ingredients and other necessary inputs
3. Corruption A particular problem for US companies which adhere to rules of Foreign Corrupt Practices Act and

ethics/standards of US business community making it difficult to do business in India Unfair competition is created

4 There is a tremendous trading mentality which needs to be changed Causes firms not to honor their supply commitments when prices change

5. India needs to produce more cost effectively before it can export widely successfully The interviewee disagrees with view expressed at APEDA that export business will lead domestic agribusiness development He thinks domestic market will come first. He is also unsure where the export markets are, potentially, for India

III SOLUTIONS

-It is a disadvantage to be 51% foreign owned It would be better to be 100% foreign owned because Less responsible to local owners with different philosophy, would have a longer time horizon, and, in general, fewer partners would mean fewer problems.

As, perhaps, for other processors, CPC has markets for its processed products and would be willing to make long term market guarantees to new producers who could supply CPC

Processing technology exists in India and, furthermore, CPC can access worldwide technology Engineering skills are quite good but this is limited to the "technical technology"

-Engineering and scientific skills/knowledge are locally available

IV RECOMMENDATIONS

(CPC belongs to the CIFTI and see them more as a technical information supplier than as a policy/regulatory lobby) Other organizations need to be developed to address the policy issues for the industry

- facilitate entry (import of products)
 - continue to improve the policy and regulatory environment
 - simplify the system for registering/selling new products
- develop a futures market

- develop infrastructure (cold storage,
- develop systems of grades and standards Use private associations to do the quality standards work to issue something like a "quality seal of good housekeeping"

The match making for supplying technology and products could be facilitated by associations and organizations

Private associations or organizations need to be developed to provide policy advocacy for individual firms and to work on regulatory bottlenecks on behalf of individual firms He said firms don't have time and resources to do this efficiently for themselves Examples of issues/agendas to work on would be developing systems for introduction of new products and systems of grades and standards

KELLCASE GB

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY

Kellogg India Limited

Ms Damindra Dias, Managing Director (see contact list)

B TYPE OF BUSINESS

Manufacturer and distributor of breakfast cereals for Indian market
Might export to Bangladesh and Nepal in two years
Started in September 1994

C TYPE OF LINKAGE

100% US owned subsidiary of Kelloggs US She said this will be no more - as of three weeks ago only 80% max

II IMPEDIMENTS

Many Indian on the street believe that the economic liberalization in India is an economic take-over by the US

-political instability

-drastic weather conditions rains, drought, humidity

-getting permission for 100% equity (but would have gone with 51%)

-bureaucratic negligence people below a certain level haven't bought into reforms

It is a very heterogeneous country Many differences between states

EOUs require too many pre-conditions (have to release strategy and projections) Kelloggs doesn't want to release information

III SOLUTIONS

HAVING 100% equity allows you to live with your own decisions
You take the long term view and support your management Need to have deep pockets.

Don't use consultants to promise things to bureaucrats Set your standards

India has a good legal system

IV RECOMMENDATIONS

A priority should be placed on the processing and energy sectors

Kelloggs and other US companies need to promote their good will to avoid backlash. Companies must have a social service mentality

Trade missions and trade shows are good. The Brown mission was well done - they used consulates, chambers, and the media in a well targeted way

Help with ISO 9000 is good (quality control is becoming more important)

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A. COMPANY

NTB BOWSMITH IRRIGATION LTD (see contact list)
Vimal K Kacholia, Managing Director (see contact list)

B TYPE OF BUSINESS

NTB is comprised of several businesses, most of which are related to mechanical engineering expertise These include

-power transmission and conveyer belt and equipment design, manufacture, and distribution (in collaboration with Siegling of Germany)

-technical ceramics for power, paper, textile, electronics, etc applications (was in collaboration with Lambertville Ceramics of US)

-Joint Venture with **Bowsmith Irrigation** of San Carlos, California to design, manufacture, and install drip irrigation systems in India US company has 33% of company and provides finance and technical assistance and receives royalties as payment This venture has 150 employees and \$3,000,000 capital investment It will go public soon They will represent Bowman in other Far East markets in the future

-Company is also importing and selling strawberry and mango plants and providing accompanying packages of technology to growers

C TYPE OF LINKAGE

-Joint Venture with **Bowsmith Irrigation** of San Carlos, California to design, manufacture, and install drip irrigation systems in India. US company has 33% of company and provides finance and technical assistance and receives royalties as payment

II IMPEDIMENTS

Land ceilings are still a barrier for agricultural production

Needed to use their family member in Los Angeles to search for JV partner candidates

US company has to go to Delhi to collect royalty payments

-Israeli technology is less expensive

-Indian companies don't know where to access US technology

III SOLUTIONS

Indian climate and labor are positive factors for growth of irrigation business

Import of drippers and filters is not a problem because irrigation is a priority product

GOI policies are opening up

Educate US companies to think about long term relationships versus short term gains

Belong to chambers of commerce and attend trade shows (Thane Manufacturers)

IV RECOMMENDATIONS

Project should be able to help Indian companies identify suitable US partners

US companies need to know to be flexible

The US needs to publicize and promote its trade shows like the Germans do Use local tour operators to publicize shows

I COMPANY DESCRIPTION

- A COMPANY - Bharat Starch Industries, Ltd.
- B TYPE OF BUSINESS - Corning Milling and Starch Products for Both the Food Industry and Industrial Applications
- C TYPE OF LINKAGE - Working with Cargill Seed Company (Bangalore) and Pioneer Seed on the Import of Hybrid Corn Seed. Also work the Indian Maize Development Association based in Delhi

II. IMPEDIMENTS

- A Need for higher productivity in growing of corn to be internationally competitive
- B Lack of raw materials for corn milling operations
- C Prices of corn not stable Large domestic price fluctuations.

III SOLUTIONS

- A Work with seed companies to import hybrid and allow the development of local seed companies
- B Increase production of corn and allow the import of corn when necessary
- C Import raw materials and create a commodities futures exchange in India
- D Find greater uses of corn products for food sector, as well as paper and textiles industries

IV RECOMMENDATIONS

- A Matchmaking between U S and Indian firms
- B Relax rules on import of hybrid seed
- C. More research by U S and Indian companies to find the right hybrid seeds for India
- D Expand research on by-products of other grains including wheat, rice, potatoes, and cassava

I COMPANY DESCRIPTION

- A COMPANY - **Modern Food Industries (India) Ltd**
(A Govt of India Enterprise)
- B TYPE OF BUSINESS - Large bread-baking company (14 facilities) Also, owns a pineapple processing plant
- C TYPE OF LINKAGE - Interested in foreign partner to help diversify their product line They have written to a number of American companies including Sara Lee and Pepperidge Farms about joint ventures into cookies for the Indian market Apparently, they got no response Also, they talked to Dole Foods about the pineapple plant

II. IMPEDIMENTS

- A Would like to diversify, but have a difficult time identifying partners (Note- their public sector ownership may be making them an unattractive partner-WES)
- B Have a modern pineapple factory but it is being run below capacity Productivity of local pineapple growers is low

III SOLUTIONS

- A Need partner to help diversify into other products
Need for market studies to examine possibilities
- B Need backward integration with pineapple producers and improved varieties of pineapple

IV RECOMMENDATIONS

- A Would like matchmaking help for both bakery products and pineapple.
- B. Would like consultant to help improve productivity of pineapple operations

I COMPANY DESCRIPTION

- A COMPANY - BEC Foods, Ltd.
- B TYPE OF BUSINESS - Food Processing Company, processing a variety of concentrates, pulps, and pastes of mango, guava, papaya, and tomatoes. In addition, they process a number of other items including essential oils and extracts, as well as some natural pesticides.
- C TYPE OF LINKAGE - BEC Foods is linked to a number of foreign equipment manufacturers, mostly European. They also have a link to Westbridge Company of San Diego, California for their natural pesticides operation.

II. IMPEDIMENTS

- A Need better seeds and equipment in India
- B Felt that policy constraints should generally be worked out at the state level in India by the Indian partner
- C Looking for partners. Hard to find the right ones.

III SOLUTIONS

- A Need to do what it takes to get right seed and equipment
- B Indian companies should work on policy issues
- C Like the idea of matchmaking

IV. RECOMMENDATIONS

- A Want help in matchmaking and looking for markets
- B Prefer to work with medium-sized companies

I COMPANY DESCRIPTION

- A COMPANY - Tropical Fruits International Ltd.
(Kejriwal Enterprises)
- B TYPE OF BUSINESS - Processed fruit purees, packed in 200 kg aseptic containers Uses some U S equipment Exports to Russia, but looking to diversify markets
- C TYPE OF LINKAGE - Looking for small or medium partners for joint ventures Wants "buy-back" arrangements

II IMPEDIMENTS

- A Need for matchmaking services
- B Infrastructure (power, telephone, transportation) can be a problem for some potential partners
- C Need to get information to both sides of the equation Mentioned the good job the German government is doing in getting delegations down from Germany

III SOLUTIONS

- A Do matchmaking
- B Get the private sector involved
- C Put resources into ^{obtaining} information for U S and Indian firms

IV RECOMMENDATIONS

- A Likes the idea of matchmaking and information services for entrepreneurs.

I COMPANY DESCRIPTION

A COMPANY - Agro-Foods Punjab Limited

B TYPE OF BUSINESS - Food Processing Company

C TYPE OF LINKAGE - Linked to Pepsi However, they are trying to sell the juice processing factory

II. IMPEDIMENTS

A Demand for fruit juices did not turn out as projected

III SOLUTIONS

A Sell plant

IV RECOMMENDATIONS

A Can ACE help them to find a buyer for the plant

I COMPANY DESCRIPTION

A COMPANY - Rallis India Limited

B TYPE OF BUSINESS - Agrochemicals Company and Biotechnology

C TYPE OF LINKAGE - In joint venture with Cargill and American Cyanamid, among others

II IMPEDIMENTS

A Looking for new joint venture partners in Research and Development

III SOLUTIONS

A. Matchmaking is good idea

IV RECOMMENDATIONS

(What criteria do we use to pick the people to help)

I COMPANY DESCRIPTION

- A COMPANY - Continental Grain (India) Pvt. Ltd.
- B TYPE OF BUSINESS - Grain and Feed Trading - Import and Export
- C TYPE OF LINKAGE - Owned by Continental Grain, Hong Kong which is connected to Continental Grain, New York

II. IMPEDIMENTS

- A Trading operations easier since liberalization. However, many grains still have trading restrictions by GOI, so you have to know situation both in India and the rest of the world
- B. Looking to invest in other areas of the economy Already have a crushing plant and a packaging materials plant in Goa
- C They hedge in world commodities markets, but this is not available for many medium sized firms in India

III SOLUTIONS

- A Continue to liberalize trading
- C Get commodities market in India

IV RECOMMENDATIONS

I COMPANY DESCRIPTION

A COMPANY - Wens Agro Food Ltd

B TYPE OF BUSINESS - Commodity Broker

C TYPE OF LINKAGE - Product sales

II. IMPEDIMENTS

A High price of transportation - Miami to New Delhi made it difficult for transaction to take place

III SOLUTIONS

A. Closer contact with Indian firms

IV RECOMMENDATIONS

None

KWALCASE GB

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY

(see contact list)
N K Seth
Executive Director
Kwality Frozen Foods Ltd
Bombay

B TYPE OF BUSINESS

Manufacturer and distributor of ice cream and frozen foods

C. TYPE OF LINKAGE

They will soon have three joint ventures with well known US companies The JVs are for technical and financial cooperation

KWALBASK INT (one of three - This is for Baskin Robbins and main interview report. Others are for Dunkin Donuts (KWALDUNK INT) and Rich Products (KWALRICH INT)

BASKIN ROBBINS jv

Started 12/93 This was one of the first JVs for "trading"
Did two joint ventures with Baskin Robbins One is 60 Kwality /40 Baskins Other is 50/50 They are for technical and financial cooperation Baskins put in \$200,000 and know how for their retailing systems Kwality put in \$100,000 and manufactures the product Baskins gets the right to be in India and open stores with out getting into manufacturing facilities because Kwality can produce to Baskin specifications with their own facilities

Baskins formed a new US company with Indians residing in the US to take advantage of GOI provisions permitting of innvestment of up to 40% of the capital in Indian ice cream manufacturing (a type of manufacturing that is (was?) restricted to foreign investors

Kwality said that they prefer to have 55/50 JVs They have 12 separate agreements making up their Baskin Robbins JV They are very pleased with Baskins and their deal

DUNKIN DONUTS

In this case, they will work with Royal Industry of Thailand,

Dunkin Donuts largest franchise, to operationalize the Indian franchise Royal will be a lone third partner and less expensive to access for technical assistance and training

RICH PRODUCTS

This is a Buffalo New York company producing non-dairy toppings and frozen foods

II IMPEDIMENTS

Lack of availability of proper packaging materials and restrictions on importing it

Unavailability and restrictions on importing flavors/flavorings that are needed to comply with Baskins specifications

Kwality says 90% of their raw materials cannot be imported They have been forced to go through innovative and cumbersome approached to satisfy certain key raw material requirements like having 36 different foreigners each legally bring in (import) \$1,000 worth of key raw material The alternative was for the American partner to change the labeling on their product

The new products can't normally be test marketed before the investment is made to manufacture them locally It is restricted by the Ministry of Food Processing

Ice cream and fast food packaging and ice cream "dipping" cabinets are not available locally and can not be imported (65% duty)

The image of India has been a problem Kwality pursued Rich Products since 1980

III SOLUTIONS

Learn who are the fast food packaging suppliers in the US

Get the word out about opportunities to make money in a liberalized India.

Entry of new products for test marketing was facilitated with the Ministry of Food Processing by having the US company successfully lobby with the Indian Embassy in Washington, DC

Kwality has a unique competitive position to manufacture ice cream, a product on the list of those that are restricted regarding the permitted size or output of the manufacturing

facilities They existed before the restrictions took effect and therefore are exempted

It used to be helpful to venture with Non-Resident Indian (NRI) owned foreign firms because they could have a larger equity share in an Indian company (up to 40%) but those foreign ownership restrictions no longer exist [Theoretically]

IV RECOMMENDATIONS

Mr. Seth attended the Agribusiness Working Group meeting (see notes of the group)

They want comprehensive help with development of the food packaging industry and cold chain industries in India

Help get the word out about opportunities to make money in a liberalized India

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY **GODREJ** (group of companies) Agribusiness related companies include Godrej Agrovvet, Godrej Foods LTD , and Godrej Plant Biotech Ltd

Nadir B. Godrej, Managing Director

B TYPE OF BUSINESS A group of companies manufacturing and distributing soap, animal feed, agricultural chemicals, growth regulators, vegetable oils, fruit juices, tissue culture, plalm oil cultivation, etc (30% public) They have strategic alliances with US and foreign companies including, Proctor & Gamble, and GE and are negotiating with Pillsbury [British] They are Blue Diamond's exclusive almond importer Developed a high glycerin licorice product They will often contract manufacture for a recognized brand name for distribution in the domestic market but are also looking to increase exports

C TYPE OF LINKAGE

II IMPEDIMENTS

He believes foreign firms can't use India for an export base except for software and shoes (not apparel)

Consumer items were not allowed to be imported except equivalent of up to 1% of the value of what they export under a "tradable license" with an additional duty of 13 - 15% over the maximum tariff of 65%

III SOLUTIONS

Maharashtra is relaxing land ceiling laws Can form public companies managing shareholders land

Inexpensive labor is a factor for agriculture but the markets are the eastern ones

Should set up equipment manufacturing in India to sell to domestic and third markets

They get approached by foreign firms in their overseas offices as in London by Pillsbury

He notes that the difficulties of doing business in India are not an important factor when selling to local markets

Could do labor intensive research and testing in India

All parties are accepting liberalization There will be a market economy

IV RECOMMENDATIONS

Says there are lots of opportunities

To facilitate indo-American business transactions, organize and sponsor delegations, conferences, and use consultants to zero in

CIFTI is small and focused

He recommends the CII as an intermediary organization to work with because "they deliver" They have become strong at regional and national level Have clout with the GOI

chorcase gb

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

- A COMPANY Chordia Food Products Ltd (see contact list) Pradeep H Chordia
- B TYPE OF BUSINESS Processing and distribution of (bottled, canned, boxed, dried, etc) foods [relishes sauces, ketchup] , snacks, and spices in domestic export markets Went public in 1994 - 500 employees
- C TYPE OF LINKAGE Various
- 1 Manufacturing for Nestles (contract manufacturing under Maggi brand - Nestles does the marketing)
 - 2 Looking for a US partner for the ethnic, and natural food market
 3. They have no US equity partners at this time
 - 4 ICICI has an 8% equity position
 - 5 Have US importers for spices

II IMPEDIMENTS

The ACE project is "holding on" to some of their money that wasn't used on a previous RFS They want to use it to buy some market information software but "ACE" is blocking that They had to write ten letters to ICICI and Chemonics to use the balance of money in the account

They had but solved a production bottleneck Their demand was higher than their supply They also contract farm tomatoes now Land ceilings and restricted size of manufacturing plants are problems.

They need to get up and stay up with health and quality standards/requirements (Need ISO 9000)

The government is not doing practical research and testing for the food processors They are doing their own micro-bio analysis now They wanted to have a common use lab

Bureacracy is a problem taking to long to process necessary

paperwork

III SOLUTIONS

- They went to FMI food show and got some sales
- No 10% sales tax when manufacturing in rural area
- They also contract farm tomatoes now
- They see bureaucracy and policy improving

IV RECOMMENDATIONS

- They would like marketing assistance from ACE They have set aside \$100,000 for launching the marketing of their ethnic/natural foods in the US market (10% of anticipated annual sales)
- They made effective use of an IESC volunteer - ex Gerbers to stay up with health and quality standards/requirements
- Fund an NGO to set up and run a "common use" lab for the food processors Promote an NGO for research and technology transfer A lab could be a commercial operation
- There is a need to know what is good technology for India
- Give some incentives to bureaucracy to help it to be more responsive
- Fix the process problems of the ACE project

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

- A COMPANY HI-REL AGRI-TECH (India) PVT LTD (see contact list)
- B TYPE OF BUSINESS processing and export sales of dried flowers
- C TYPE OF LINKAGE Export Sales to US distributor through LC

II IMPEDIMENTS

-Needed to learn about foreign markets that they could aspire to produce for

-Indian technology is not likely to be the most suitable - need to identify and acquire appropriate technology

- Needed to acquire capital

-Needed to arrange for production of quantities of raw material meeting new specifications while not producing themselves (contract)

III SOLUTIONS

-Went to trade show to get business ideas

-Got RAP to do market study and link to a buyer

-Got MOU from buyer to leverage ICICI loan

-Got ICICI loan

-Got technology from a would be partner (Israeli)

-Used contract farming for raw materials

IV. RECOMMENDATIONS

-Have ACE help them get more technology to become more efficient and to diversify

-Get more market information as needed

snaccase gb

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY

SNACK FOOD ASSOCIATION

Stan Barrett, Membership Director
(see contact list)

B TYPE OF BUSINESS

The leading trade association for producers of snacks, manufacturers of machinery, and other suppliers for snack foods

C TYPE OF LINKAGE

About 1,000 members including 10-15 Indian firms

II. IMPEDIMENTS

- Lack of awareness of opportunities
- Lack of proactiveness on US side
- Lack of budget to be involved in every opportunity (competition)

III SOLUTIONS

They do annual convention (trade show) and are interested in international markets

They publish a buyer's guide

IV. RECOMMENDATIONS

Raise level of awareness about opportunities

- Have India delegation come to show and get on the program
- Do a consumer study about India
- Do information about regulatory and labeling environment (for US and India)
- Target the equipment suppliers
- Receive an Indian delegation

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY

All India Food Preservers' Association (AIFPA)

H A B Parpia - Advisor -

N M Kejriwal - Chairman

(SEE CONTACT LIST)

B TYPE OF BUSINESS

A Trade Association.

-800 members with 4000 food processing licenses

-roughly 50% of their production is exported

-budget is based on membership dues

Goal is to stimulate development of food processing industry by

- Creation of joint ventures between medium and small INDO and US companies

- by location US technology and management systems

for the following sectors

-fruit and vegetables (canned , frozen and dehydrated)

-cereal technology

-fish and meat

-by-product utilization

C TYPE OF LINKAGE

II. IMPEDIMENTS

-Only 1&1/2% of food produced is exported.

-land ceiling policies (plantation crops are excepted)

-There are a number of authorities involved. Ministry of Food Processing Industries (created six years ago), meat is under Agriculture, fish is elsewhere, food and drug regulation is under Min of Health, and standards are under Central Committee for Standards. (there are food products "orders")

-capital and financing system

-population growth, land degradation, lack of resources, losing animal industry, corruption

III SOLUTIONS

processed?

Examples of institutes are National Food Processors and Institute of Food Technology in US

-land leasing with 99 year leases and do contract farming

-financing is available foreign investor can get a project 60% financed - 20% local, 20% foreign, 60% Indian Bank (ICICI)

IV RECOMMENDATIONS

- Create joint ventures between small and medium US and Indian companies The US companies can provide markets, technology, and financing/capital The Indian companies provide labor and research capability/institutes.

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

- A COMPANY - Confederation of Indian Food Trade and Industry
- B TYPE OF BUSINESS - Industry association with the goal of promotion the development of the food processing industry and interaction with Government for evolving a suitable policy framework, focusing on modifications required in food laws Set up by the Federation of Indian Chambers of Commerce and Industry (FICCI).
- C TYPE OF LINKAGE
- 1) Policy body for the food processing industry
 - 2) Promotion of Indian exports and interaction with foreign counterparts including investment and technology transfer
 - 3) Laboratory for Quality Control

II. IMPEDIMENTS

- A Why is processed food relatively expensive in India?
- 1) Import duties on inputs (25-60%) and another is excise duties on domestic production
 - 2) Second, large post-harvest losses and lack of proper post-harvest procedures
 - 3) Third, low yields due to lack of improved seeds

III. SOLUTIONS

- 1) Taxation structure - policy changes needed to keep food prices low and create employment in food processing sector
- 2) Post-harvest technology transfer through conferences, training, education, and joint ventures
- 3) Improved phyto-sanitary regulation implementation, patent protection for foreign genetic material

IV RECOMMENDATIONS

- 1) Can help organize conferences and do other international trade investment and promotion

I COMPANY DESCRIPTION

- A COMPANY - APEDA- Agricultural and Processed Food Products Export Development Authority (Ministry of Commerce)
- B TYPE OF BUSINESS - Semi-autonomous governmental export authority with 6,000 members Must be registered with APEDA to export Financed with a cess on all exports.
- C. TYPE OF LINKAGE - Information services to members, participation in international trade fairs, organization of buyer/seller meetings, and newsletter

II IMPEDIMENTS

- A. Post-harvest losses - 30-40 percent of production are a major problem
- B Still adjusting from the closed economy - Example- difficulty in getting in improved planting material
- C People expecting returns in too short a period One should think about a 10-year period, not 3 years

III. SOLUTIONS

- A Participation in trade and equipment fairs
- B. Education of Indian entrepreneurs and revision of policies and policy implementation
- C Involvement and backwards integration- Pepsi story

IV. RECOMMENDATIONS

- 1) Need for Training of Indian entrepreneurs and technicians.
- 2) Matchmaking activities between U S and Indian firms.
- 2) Information Gap for both U S and Indian entrepreneurs
- 3) Identify profiles of companies interested in joint ventures and other forms of working with U.S companies.
- 4) Do seminars and investment fairs
- 5) Use consultants to examine specific areas and issues

I. COMPANY DESCRIPTION

- A COMPANY - Indo-American Chamber of Commerce
- B TYPE OF BUSINESS - Association Indian businesses with interests in USA 3,000 members (maybe 25 in agri-business). 12 offices country-wide, 60 employees with an honorary consulat in U S Affiliated with the U.S. Chamber of Commerce
- C TYPE OF LINKAGE - Started in 1968 by Indians and Americans. They get involved in policy issues and also host delegations from the United States

II IMPEDIMENTS

- A Other countries are very active in sending delegations and receiving them Example - Israel

III. SOLUTIONS

- A They are ready to do matchmaking

IV RECOMMENDATIONS

I COMPANY DESCRIPTION

A COMPANY - Bombay Chamber of Commerce

B TYPE OF BUSINESS - Association of 1,300 companies in the Bombay region Many are large and medium companies. Bombay accounts for 40% of country's manufacturing output.

C TYPE OF LINKAGE - Interested in globalization of Indian industry including horticulture ICICI made a presentation about this project in 1993, but nothing much happened

II IMPEDIMENTS

A. ACE has done nothing to collaborate with the Chamber.

III SOLUTIONS

A Would like to collaborate

IV RECOMMENDATIONS

A Would be willing to do questionnaire of membership or help to organize a conference

I. COMPANY DESCRIPTION

- A. COMPANY - Food Processing Machinery & Suppliers Association (FPM & SA)
- B. TYPE OF BUSINESS - U S Business Association with 525 members, mostly manufacturers of machinery for the food processing industry or suppliers to the industry
- C. TYPE OF LINKAGE - They are doing a study of possibilities in India. Occasionally do trade missions, but not high on the agenda. They have an annual convention, customer directories, and an agent/Distributor program to link firms with foreign agents (no one in India right now). Also have a database. Give your equipment specifications and they will identify suppliers.

II. IMPEDIMENTS

- A. Lack of funding and time.
- B. Lack of local Indian contacts

III SOLUTIONS

- A. Take part in their programs
 - Customer directories for India, linking more Indian groups that can provide local names and contacts
 - Agents/distributors - if profiles could be distributed in India, the association is willing to publish names and contact information of interested parties in the newsletter
 - Annual show - more Indians might come to the show

IV. RECOMMENDATIONS

- A. Members of not interested in joint ventures, they are interested in sales of equipment and supplies
- B. Some members are worried about reverse engineering of equipment sales

I COMPANY DESCRIPTION

- A COMPANY - Produce Marketing Association
- B TYPE OF BUSINESS - U S Business Association with 2,500 members in retail, foodservice, and floral sectors
- C TYPE OF LINKAGE - They have a large annual conventions that includes an international trade conference and an international visitors center for match making Also do trade missions occasionally.

II IMPEDIMENTS

- A Few U S fresh products in India or Indian fresh products into the U S Distance between markets is a problem. Asian markets are more "natural" for India.
- B U.S. companies may not have perceived that India could be a production are products destined for Asia (although they may also be more concerned about selling U.S. products directly from U.S in India and other Asian markets that in linking up)

III SOLUTIONS

- A U S. inputs - Agricultural machinery, seeds, technology
- B Information and contact between U S and India - International Trade Program at PMA convention, newsletter articles, PMA convention PMA training programs - example- Indian learning about US supermarkets
- C. Working with U S companies that do desire an entree to Indian or Asian markets

IV. RECOMMENDATIONS

- A Get more Indians to PMA convention
- B Trade mission to India?
- C Organizational development and training of Indian counterparts, such as for AGRITRADE in Central America

I. COMPANY DESCRIPTION

- A COMPANY - National Food Processors Association
- B TYPE OF BUSINESS - U S Business Association for 500 members that are processed and prepared food companies and suppliers to the food industry
- C. TYPE OF LINKAGE - Currently they provide assistance to foreign members on technical, regulatory information on U.S. markets They can do the same for US companies interested in foreign markets Can also do nutrition testing in three different laboratories.

II. IMPEDIMENTS

- A. Association members may lack knowledge about India and its opportunities.
- B. The NFPA has mainly had a domestic focus, specializing in regulatory/scientific issues However, this is changing somewhat
- C. Present interests of most members is more in favor of products sales than joint venture agreements

III. SOLUTIONS

- A. Provide information about India to NFPA members
- B Get information out about NFPA to potential Indian members

IV. RECOMMENDATIONS

- A Newly-hired international specialist quite interested in India as prospective new area for NFPA activities

I COMPANY DESCRIPTION

- A COMPANY - United Fresh Fruit and Vegetable Association
- B TYPE OF BUSINESS - U S Business Association with 1,800 members who are growers, shippers, brokers, foodservice operators, and industry suppliers
- C TYPE OF LINKAGE - While largely oriented to providing lobbying, education and training domestically, they are interested in networking and provide a forum for business opportunities.

II IMPEDIMENTS

- A Lack of information about India
- B. Assurances for U S companies that something is in it for them and not just giving their ideas and technologies

III. SOLUTIONS

- A Attend annual convention or possibly have trade missions.
- B. Could provide access for Indian producers to U S buyers in retail, foodservice, and fresh-cut industries. Also could provide Indian producers and buyers clear understanding of food industry in U S
- C Workshop/International Trade Program - This new program will provide information for U S companies on foreign markets/regions (like India) and information for foreign companies on the U S market (packaging, sizing, market preferences, labeling, etc.)

IV RECOMMENDATIONS

- A Participate in above activities
- B Organize other educational activities or trade missions

IMCCASE GB

CASE STUDY SUMMARIES

I COMPANY DESCRIPTION

A COMPANY

Indian Merchant's Chamber (IMC) (see contact list)

P N Mogre, Secretary General

S R Kumar - Dep Mgr., and V K Swamy, Sr Consultant -

Biotech Consortium India Ltd, (working with Chamber under TEST Project))

B TYPE OF BUSINESS Affiliated with the ASSOCHAM, they are the apex body in Western region Have 2600 members (185 are trade associations)

Provides information on GOI policy, opportunities in other countries, and passes problems to GOI

C TYPE OF LINKAGE

II. IMPEDIMENTS

III SOLUTIONS

Receive 50-60 delegations/yr

Known best for their policy and promotion roles

IV RECOMMENDATIONS

Looking for a linkage with a leading chamber in the US

ANNEX F
SELECTED CASE STUDY PROFILES

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ORGANIZATIONAL INTERVIEW GUIDELINES

Note This guideline has been developed for organizations that could be involved in support of the ACE project

BACKGROUND INFORMATION

Contact Information.

Name of Organization Food Processing Machinery & Suppliers Association (FPM & SA)

Individual Ms Lynn Christensen

Title Director, International Programs

Address 200 Dangerfield Road
Alexandria, VA 22314-2800

Tel (703) 684-1080

Fax (703) 548-6563

1 What is the purpose of your organization?

FPM & SA's mission is to help its members in marketing their products in ways that could be more economical than if they were to do so individually

2 Describe the membership (type, number, budget)

- FPM & SA is a non-profit organization Its budget is about \$US 3 million
- 525 members (90% U S , 10% foreign, mainly European)
- Members are manufacturers of machinery for the food processing industry, suppliers to the food processing industry, e g , packaging or films, and some are service organizations, e g , trade publications There are no organizational members The National Food Processors Association (NFPA) is a sister organization, the two entities work together on the annual convention

3 Describe the principal services offered (relevant to develop linkages)

- **Market Study** -- Commissioned \$20,000 study by KB Associates for members re food processing industry in China (what food products, existing sources of supplies, case studies, doing business in China) Sold 100 studies to members and non-members Currently working with GIC to conduct same for India Every June, the organization surveys its members, the international marketing council reviews programs/directions, and decision is taken to do one study per year (usually on perceived emerging market)

Trade missions have not been a big program for FPM & SA The association did one in 1994 and the last one before this was in the 1980s Ms Christiansen commented that they are very labor intensive, and that their members prefer to act individually vs have an organized delegation

- **Annual Convention** -- Next one to be held in November 1995 in Chicago Usually attract some 8,000 visitors NFPA has conference sessions to coincide with exposition of food machinery/supplies Foreign visitors pay their own way to come to the show FPM & SA has an International Business Center and works with foreign buyers Advertise show/promote same through international magazines, single language brochures, and the US Dept of Commerce's Foreign Commercial Service (latter is mailing to all field offices and based on assistance from those that respond) Opportunity for more Indians to see wide range of equipment, make contacts in single locations Equipment is new, not used
- **Customer Directories** -- Produced in hard-copy, not a database These have been produced for Mexico under association funds and for Russia and Poland with grants from the DOC Provide information on products, prospective customers for U S companies (manufacturers of equipment or supplies for the food processing industry) Very much depends on linking with local entities with their own directories and building data based on what is available
- **Agent/Distributor Program** -- Lists potential foreign agents/distributors in 42 countries FPM & SA asks foreign entity to complete a form, unrated profiles are published in monthly newsletter for members Note none currently shown for India, i e , this could be a possible link for Indian firms to represent U S companies who wish to sell their products in India
- **Database** -- If a foreign entity is seeking to buy new equipment, they can provide their specifications (detailed) to the FPM & SA, and these specifications will be communicated to those members which would be appropriate to the inquiry Service is for new equipment purchases Application under ACE -- if an Indian firm wanted to purchase a specific piece of potato processing equipment for the purpose of producing frozen french fries, the size/specs of equipment could be sent to the association and same would be transmitted to possible suppliers of equipment

4 What services would help Indo and/or US businesses to do more business together?

- Market study on India -- they have already commissioned this (GIC)
- Customer directories for India -- would like to link with more local Indian entities that could provide local names/contacts for content
- Agents/distributors -- if profiles (form) could be distributed in India, the association is willing to publish names/contact info of interested parties in their newsletter
- Annual show -- if more Indians came to the show, likelihood of sales would increase

5 What are the main impediments?

- funding and time (the latter is function of funding)
- lack of local Indian contacts

6 What are the main opportunities?

- Members are much more export-minded than 5 years ago. Maybe only 10% of members exported five years ago, today more than 60-70% do. More open-minded and economic circumstances have caused firms to look beyond domestic market
- Refer to #4 above

7 Other comments

- FPM & SA members are not interested in joint ventures, they are interested in sales of equipment and supplies. Ms Christiansen said that if she had a dime for every letter they have received from foreign companies stating that they would supply land/labor in return for technology, joint venture she could have retired by now. This comment seems relevant to ACE as many RFS's received are requesting buy-back arrangements and tech transfer. Because many of FPM & SA's members are small to medium-sized companies, they don't have the resources or long-term view to do JVs -- hence, they prefer to sell
- Are intellectual property rights a factor? Certainly a concern for many members and this has led some companies to stay clear of certain countries. India has not been singled out as such, but is something that members are indeed concerned with, e.g., reverse technology of equipment sales

ORGANIZATIONAL INTERVIEW GUIDELINES

Note This guideline has been developed for organizations that could/have been involved in support of the ACE project

BACKGROUND INFORMATION

Contact Information.

Name of Organization	Food Marketing Institute (FMI)
Individual	John W Farquhar
Title	Vice President, Scientific and Technical Services
Address	800 Connecticut Avenue, N W Washington, D C 20006-2701
Tel	(202) 452-8444
Fax	(202) 429-4519

1 What is the purpose of your organization/membership?

The Food Marketing Institute (FMI) is a nonprofit association conducting programs in research, education, industry relations and public affairs on behalf of its 1,500 members including their subsidiaries -- food retailers and wholesalers and their customers in the U S. and around the world. FMI's domestic member companies operate approximately 21,000 retail food stores with a combined annual sales volume of \$220 billion -- more than half of all grocery store sales in the United States. FMI's retail membership is composed of large multi-chains, small regional firms and independent supermarkets. Its international membership includes 200 members from 60 countries.

2 Describe the principal services offered (relevant to develop linkages)

- Trade missions -- have taken U S retailers (supermarket chains) to Chile that were interested in sourcing Chilean products (wine -- went well, seafood -- some progress, and fruit-- went well) Worked with PROCHILE, some industry services personnel at

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the U S embassy (not DOC), and the Chilean embassy in Washington Hired Jorge Isaguirre as local consultant/liason (note none to Asia to date)

- Participation in the annual FMI convention/exhibition -- Made visit to India (grant in conjunction with Hamit Shah and Federation of Indian Chamber of Commerce -- later served as catalyst and fully funded the visit Farquhar identified 6-7 viable export products, e g , spices, teas, high-quality rice, cut flowers, seafood Received Indian delegation that visited the show, made introductions Returned to India and made full presentation to group of Indian companies re the show (orientation/preparation for exhibiting) -- cost-shared with GOI and FMI Reconnected at the show (Indians exhibited at the show), key contacts from India were Daves and Capur (from FMI were Eddie Cambrill and John Farquhar) Good exhibit (about 10 companies), good contacts -- at least 30 companies Also FMI developed matrix of state agricultural purchasing agents around the U S Not much followup from Indians on leads from show. Apparent difficulty in quoting landed costs, communication with prospective buyers, some lack of understanding re international business transactions Indians will again be exhibiting at FMI's May convention in Chicago (note John will forward names of key Indian contacts for ACE followup)
- One-on-one assistance -- provision of assistance with business plan through reputable consultants They would take commission (%) of final deal No followup to date from Indians (note this has worked for Argentina and Chile)

3 *What services would help Indo and/or US businesses to do more business together?*

refer to #5 below

4 *What are the main impediments?*

Indians -- lack of knowledge re U S market, international business transactions Culturally, very cautious, hesitant, and regimented (note latter may be influence from British, John commented about bureaucrats not operating outside of their specific job description) GOI "leads companies to the trough" but that's it, i e , lots of work between A and B -- not just a list of companies and that's it, or partially subsidizing a trip There needs to be more hands-on assistance This would be greatly helped by having an ex-pat in-country to help expedite, give advice, work with the Indians on followup and learning business in international marketplace

Americans -- lack of information about India and opportunities

5 *What are the main opportunities/ideas for ACE?*

- Hands-on work with the FMI's convention this May to assure more followup

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- Preparation work for convention (and in general to educate FMI membership re opportunities) factsheet on India, series of articles in monthly newsletter or special mailings, or column in Supermarket News and other publications on business opportunities in India
- Specific product export opportunities 1) high-quality rice for U S market (John knows of interested buyers), 2) seafood (some problems with contamination but Holland is irradiating product entering Canada); 3) tea (some retailers would like blended teas; role for "diverting" some product and doing special label, 4) flowers (John does not know this industry, but has been told by the Dutch that this industry is a sleeping giant in India Need to check market windows against current suppliers to U S market, e g , Colombia)
- Having an ex-pat in-country help with stimulating linkages -- helping to pre-select companies so that favoritism is less an issue (some companies have been "denied" market access simply because they weren't friends or insiders to decision-makers),
- Outbound U S retailers mission to India -- FMI could organize a group of buyers who are interested in meeting with current producers of fresh/processed products (note not interested in meeting with wishful thinkers, have to be currently in the business)

Note A U S supermarket retailer, Marsh, Inc , headed by Don E Marsh, tel 317-594-2100, fax 317-594-2704 is in process of building supermarkets in India John thinks this may be a cooperative agreement with a British firm Preliminary calculations are that niche is for 300 million Indians (of total population) The distribution/handling look to be real challenges (we will followup to get more specifics) In contrast, a huge Dutch company decided not to touch India for now, considered to be "too complex " Latter owns 4-5 U S retailers

- In sum, many good opportunities, FMI is interested is working with us to create more business linkages

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ORGANIZATIONAL INTERVIEW GUIDELINES

Note This guideline has been developed for organizations that could be involved in support of the ACE project

BACKGROUND INFORMATION

Contact Information.

Name of Organization National Food Processors Association (NFPA)

Individuals/Title Ned Endler, Membership Coordinator
Rhona Applebaum, PhD , VP of International and Regulatory Affairs

Address 1401 NY Avenue, NW
Washington, D C 20005

Tel (202) 639-5900

Fax (202) 637-8068

1 What is the purpose of your organization?

To represent scientific, government and public affairs of 500 processed and prepared food companies and suppliers to the industry

2 Describe the membership (type, number, budget)

- Membership includes processors (small, medium, large), suppliers to food processing industry, associate/service organizations, international affiliates, and foreign companies (processors) that sell to the U S (There are about 15 foreign members currently which include processors, suppliers) The board of directors includes representation from different parts of the industry, well-known companies like Ocean Spray and Campbell's are on the board
- Membership overlaps with other associations, e g , FPM & SA Suppliers to the industry, e g , packaging companies Some of these would also belong to the IOPP FPMA and SA's members would typically produce the machinery for NFPA's members The work together on an annual convention/exposition

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3 Describe the principal services offered (relevant to develop linkages)

- Regulatory -- liaise directly with USDA/FDA/EPA on issues impacting the processed food industry Foreign companies that are interested in U S markets (and that are members) could obtain information, i e , a) label review, b) spoilage problem For other issues, e g , nutrition testing there would be a fee NFPA uses its labs in DC, CA, and WA for testing Similarly, NFPA might help provide a U S company with the regulatory information related to a foreign market (note presently information is more regulatory in nature, and less on consumer statistics/trends)
- Lobbying -- less impact related to linkages, has more to do with domestic issues on the Hill
- Research -- NFPA can do research in its labs related to consumer claims at reduced cost to members Example alleged claim by consumer that product contains "x" product (something illegal, not approved, etc) NFPA can test the product and provide a legal opinion (known as third party testing) This can be of tremendous use to members in crisis management, cost less than finding a lab for first-time use, etc The lab can also be used to test new products
- Newsletter -- form of communication with members

4 What services would help Indo and/or US businesses to do more business together?

- Could NFPA members access MPP monies?
- more information on India and opportunities, beginning with something that Rhona Applebaum could take to her International committee to see if they are interested in India and pursuing opportunities

5 What are the main impediments?

- lack of knowledge (information) about India and opportunities
- present interest may favor sales of products, vs joint production agreements
- until recently, focus was mainly domestic, and mainly on regulatory/scientific issues, i e , less on "going global" and helping members to realize market opportunities This may be changing with hiring of Ms Applebaum

6 What are the main opportunities?

- Provide information to NFPA re opportunities Sector information as well as particulars For example, it's interesting to learn that India has a population of 900 million people, many of whom consume yogurt, and that a consumer pack yogurt is

not readily available in the country, i e , points to possible opportunity BUT they also need to know re state of refrigeration, etc

- Ms Applebaum seems quite interested in India as prospective new area for NFPA activities She needs information to be able to "sell" her international committee She asks for more info to communicate to them at their March 7 meeting (we should at least provide some highlights from the report and followup later as food processing looks to be key to agbiz development for India)

ORGANIZATIONAL INTERVIEW GUIDELINES

Note This guideline has been developed for organizations that could/have been involved in support of the ACE project

Contact Information.

Name of Organization	Produce Marketing Association (PMA)
Individual	Mrs Nancy Tucker
Title	Vice President, International Trade and Development
Address	1500 Casho Mill Road P O Box 6036 Newark, DE 19714-6036
Tel	302-738-7100
Fax	302-731-2409

1 What is the purpose of your organization?

PMA, established in 1949, is the largest trade association in the U S representing the fresh produce and mass-market floral industries PMA has 47 staff members, "x" are certified association executives (CAE), including Nancy Tucker

2 Describe the membership (type, number, budget) (note this section may be updated further by PMA's membership director, info will be forwarded accordingly)

- PMA revenues in 1994 totaled close to \$7 million
- PMA currently has 2,497 members
- PMA membership breakdown foodservice operators 58, international buyers 28, individuals 74, international suppliers 19, brokers 156, supermarkets 222, wholesale 677, grower/shippers 780, suppliers 372, promotional organizations 111
- PMA has three divisions retail (1,809 members), foodservice (905 members), floral (616 members) Members belonging to more than one division retail/floral 256, retail/foodservice 561, floral/foodservice 106, retail/floral/foodservice 87

3 *Describe the principal services offered (relevant to develop linkages)*

- PMA Convention and Exposition -- this annual event is the largest trade show in the fresh produce industry. It typically draws 9,000 visitors and has more than 420 exhibiting companies (equates to more than 1,000 booths). Seminars on industry topics are held in the mornings, the exposition in the afternoon.
- PMA International Trade Conference -- held in conjunction with the PMA annual convention and exposition. Attracts several hundred people, good meeting place for networking, educational workshops.
- International Visitors Center/match-making -- Featured at the annual convention. Meeting place for international-U S participants. On-site database available to conduct searches for products/services by business type, geographic region.
- PMA Information Center-- information requests/searches, e g , product information, news articles.
- Membership directories for the Floral Marketing Association and the Produce Marketing Association -- cross-referenced information by state, company, business type, commodities, key contacts, products, services.
- Freshline monthly newsletter and separate division newsletters.
- Regional training programs -- several regional training programs every year for foodservice, retail, and other sector.
- Trade missions to other countries -- Planning to do a retail operations tour to Mexico to acquaint U S companies with supermarkets, wholesale markets and distribution systems in Mexico as target market for their fruits and vegetables. Although no formal brochure or announcement as yet, mission is already oversubscribed. Will likely become an annual event, i e , return to Mexico or visit another foreign market.
- Organizational development/training of foreign counterparts, e g , received Central Americans that were planning their regional AGRITRADE horticultural conference. Provided in-country assistance to counterparts in Central America.

note The "Doing Business Internationally" country series has been discontinued. Members weren't buying the books, the information updates were costly and time-consuming for outside consultant.

4 *What services would help Indo and/or US businesses to do more business together?*

the services described in #3 above

5 *What are the main impediments?*

- currently no U S fresh products entering India (note impression rec'd from USDA/FAS). Nancy is not sure if this is actual case, and if so, why, i e , if due to high import duties -- ?? policy constraints.

- distance to market -- U S products to India or Indian products to U S , i e , transportation may be possible comparative disadvantage for India vs other countries (however as technologies change for fresh product, this may be less of any issue)
- Asia markets may be closer and more "natural" markets rather than U S
- U S companies may not have perceived that India could be production area for products destined for Asia (they may also be more concerned about selling U S products directly from U S into India and other Asian markets than in linking up)

6 *What are the main opportunities/ideas for ACE?*

- U S inputs -- Ag machinery, seeds, technology
- U S companies that do desire partners, i.e , suppliers/producers as entree to Indian market or Asian market
- International Trade Program (during the Oct '95 Trade Program) -- PMA has not yet decided which emerging markets will be discussed, but India might be a possibility
- Newsletter articles -- Japan has been featured in the monthly newsletter Indian could be a possible topic, too
- PMA training programs -- supermarket owners in India (learn about proper storing, handling, labeling) techniques as used in the U S
- PMA convention -- getting more Indian buyers to the program in Oct '95 (San Diego)

ORGANIZATIONAL INTERVIEW GUIDELINES

Note This guideline has been developed for organizations that could be involved in support of the ACE project

BACKGROUND INFORMATION

Contact Information.

Name of Organization Snack Food Association

Individual Stan Barrett

Title Membership director

Address 1711 King St , Suite 1, Alexandria, VA 22314

Tel (703) 836-4500

Fax (703) 836-8262

1 What is the purpose of your organization?

The Snack Food Association is the leading trade association for producers of snacks manufacturers of machinery and other suppliers for snack foods

2 Describe the membership (type, number, budget)

- Budget is about US \$5 million
- Manufacturing members of snacks (e g , potato chips, pretzels, corn chips, processed nuts, meat snacks and fruitsnacks)
- Associate members (suppliers of ingredients, flavor, seasonings, fats and oils, packaging supplies and machinery)
- About 1000 members Some international including 10-15 Indian firms

3 Describe the principal services offered (relevant to develop linkages)

- Government relations with DOC and USTA (regularly send information for their shows, obtain some regulatory info)

- Trade Shows -- the association's own annual convention ('95 convention was in San Diego, CA) is good networking opportunity Association aims to promote cooperation between companies Two keynote speakers at recent convention -- Pepsico's CEO and from Keebler spoke on international markets Also there is an international reception

Other trade shows (less activity at present, currently making information available at the shows, have members that want to exhibit at more foreign trade shows, and the Association "trades" booth space with its European counterpart at their respective annual trade shows

- Trade Magazine -- some articles on opportunities, features on new markets, e g , Japan
- Individual response to foreign companies -- Example can provide names of U S equipment/inputs suppliers for production of certain snack foods These companies may also provide some expertise The association lets them make contact with each other
- Buyers' Guide
- Committees on production, technology, marketing
- Technical and education programs, and potato and corn hybrid research

4 *What services would help Indo and/or US businesses to do more business together?*

- Raise level of awareness about opportunities
- Indian delegation to come to Snack Food Association's show, get on program and talk about India as market and place to do business
- Consumer study about India
- Information about regulatory/labeling environment (U S and India)
- Equipment suppliers are very interested in overseas shows

5 *What are the main impediments?*

- Lack of awareness of opportunity by U S companies
- Lack of action by U S companies (current market demands may be sufficient)
Tendency to wait until opportunity presents itself rather than proactively seeking the market
- Large U S market demand (vs going global)
- Sufficient funds/expertise -- had wanted to participate in Asian snack food show but couldn't pull it together

6 *What are the main opportunities?*
(refer to #4)

7 *Other comments* Very willing to receive any Indian delegations, discuss opportunities, discuss Snack Food Association's organization/roles/programs, etc

ORGANIZATIONAL INTERVIEW GUIDELINES

Note This guideline has been developed for organizations that could be involved in support of the ACE project

BACKGROUND INFORMATION

Contact Information.

Name of Organization	United Fresh Fruit and Vegetable Association (UFFVA)
Individual	Ms Sheena Kuruvilla (note Ms Kuruvilla is originally from Indore, Madya Pradesh state, India)
Title	International Trade Manager
Address	727 North Washington St Alexandria, VA 22314
Tel	703-836-3410
Fax	703-836-2049

1 What is the purpose of your organization?

(note this is being faxed to Chemonics Mission statement is somewhat long)

2 Describe the membership (type, number, budget)

- Operating budget of about \$US 4 million
- 1800 members Representing produce industry -- growers, shippers, brokers, wholesalers, retailers, exporters, importers, distributors, fresh-cut processors, foodservice operators, industry suppliers (cartons, etc) Of these the largest segment is grower/shippers, and the fastest growing is foodservice operators

3 Describe the principal services offered (relevant to develop linkages)

- Annual convention (February) in U S -- learn about how the U S produce industry works, see in one place many of the providers/players in industry
- Trade missions (note planning for a sourcing mission to Costa Rica, and considering trade missions to other countries to coincide with large trade shows, e g , Japan's

Foodex, where UFFVA's members could make contacts to sell their products and in some cases, source products

- Bi-monthly magazine and bi-weekly newsletter -- provides tips to international trading, articles on overseas markets, consumer info (U S and foreign), and current technologies/processes key to industry, e g , electronic bar coding, articles on the cold chain, Hazard Analysis Critical Point (HACCP) for fresh-cut processors
- For India producers -- access to U S buyers in retails, foodservice, and fresh-cut processing industry
- For Indian producers and buyers -- gain clear understanding of food industry in U S -- what consumers want/buy, consumer surveys
- Education regarding the U S promotional program -- "5-A-Day"
- Workshop/International Trade program -- new, this program will have two facets info for U S companies on foreign markets/regions, and info for foreign companies on the U S market (packaging sizing market preferences labeling)

4 What services would help Indo and/or US businesses to do more business together?

- Educational seminars (bar-coding, HACCP, doing business in the U S)
- More 1 on 1 counseling
- Serving as source of information for suppliers/buyers on overseas opportunities, e g , India
- Market information on India (consumer trends, distribution system)

5 What are the main impediments?

- lack of information
- limited extent but because Sheena is originally from India, perception might be one of favoritism toward India vs other countries
- assurances for U S companies that something is in it for them (and not just to give their ideas, technologies)

6 What are the main opportunities?

- Fresh-cut processing industry -- possibly to conduct seminar for Indians on technologies and opportunities and as well the important points of HACCP)
- Consumer information on how market works (seminars)
- Links with local associations in India (lists of entities that want to do business)

Linkage Profile

Date of Calls: February 20, 1995 (not answering)
 Call Back: February 22, 1995 (Sec. 771-5158)

Contact: Bob Bradshaw/ Benjamin Kaestner
 Tel 410-771-5033

India: AV Thomas, Madras (no name was volunteered)

Date of Interview: February 23, 1995

Name of Company: McCormick, Inc.

Questionnaire Response

Note: McCormick is old, mature multinational enterprise. It is the largest spice processing and merchandising company in the world. The spice industry, itself, is a traditional industry where India has had a historic role as a grower and supplier of foreign markets. Unlike other industries, there is a long track-record of association between Indian companies and US as well as other foreign country counterparts

1) Business Arrangement:

McCormick has a 50-50 joint venture with AV Thomas, Madras. The latter is a large scale plantation grower, primarily of tea and rubber. It appears to be diversifying into some spice production, but McCormick was interested in this joint venture for reasons having to do with AVT's overall production capability, business influence in the state of Tamil Nadu, financial standing and abilities to run a processing facility such as the one now under construction. The plant will be 50-50 owned by McCormick and AVT.

McCormick has 2 other plants, the status of which was not addressed in this interview.

2) How came about?

McCormick has been operating in India for the last 40 years. According to ~~Bordelon~~ ~~report~~ ~~on~~ ~~India~~ ~~business~~ ~~of~~ ~~US~~ ~~company's~~ ~~advantages~~ as an efficient grower. It has developed a variety of operating profiles in India which undoubtedly have more to do with sourcing requirements and varying state regulations within India than anything else.

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GIC GROUP

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McCormick uses 10-12,000 metric tons of Indian product annually. It buys and processes 5-6,000 tons of chilis per year. For the large volume products such as chilis, McCormick has entered into relationships with integrated companies with growing and processing capabilities. For smaller volume product, McCormick has relationships with Indian companies which are "dealers," which in India is a cross between wholesalers and brokers or supplier agents.

3) Impediments/ problems

The biggest problems for McCormick, according to Bradshaw, are the conflicting laws and regulations between state and central governments. McCormick is accustomed to the level of regulations, having operated in India for so long, but despite its experience, it still loses time and money from the patchwork of state vs. central government measures.

4) Advantages

In the case of the spice business, the biggest advantages in operating in India are the range of spices, the ideal growing conditions, and skill levels as concerns these products.

Bradshaw noted certain initiatives over the last two years which have been helpful to his company. Import and export approvals are now obtained in about 1/3 the time it used to take. Dollar accounts for import-export businesses have also been liberalized within the last year. This measure has been equally advantageous to McCormick's operations.

5-6) Recommendations:

McCormick is, by Bradshaw's own description, an eager buyer in India. Hence, they are willing to put up with more than other types of companies. They also do not use Ex-Im financing because all their operations in India are commercially financed. Nonetheless, Bradshaw sees this program, along with OPIC (McCormick doesn't use this window either.) as very useful to American business.

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Pressure Cool

Date of Call February 22, 1995

Contact Douglas York
President

Date of Interview: February 22, 1995

Business Arrangement:

Pressure Cool has a technical collaboration agreement with its' Indian partner (Euro Fruits), and the market board of the state of Maharashtra. Pressure Cool sells equipment to Euro Fruits on an as needed basis to facilitate the export of pre-cooled grapes.

Start of Linkage:

Government of India contacted Pressure Cool directly in the 1970s regarding conducting a feasibility study on reducing post-harvest losses. 12 years later (1988?) Indian government placed the first order Pressure Cool's products. Order came about as a direct result of someone in the Maharashtra government going back and digging up Pressure Cool's original report.

Impediments:

1. Primary impediment is cultural mindset of Indian banks, businesses, and government. Feels that most Indians do not conduct business in a "western" fashion. York is bothered arrogance of officials, and condescension toward western businesses as being inferior to Indian businesses.
2. L.C. methods of banking. Requirements for L.C. for first Indian order filled a stack of paper 42" high. Stipulations were either absurd. first order was specified to be shipped containerized, but below deck. Stups are not designed to ship in that fashion. No Banks will pay T C until last possible day. Banks manage to find discrepancies at all possible cases to use to their advantage.
3. Cumbersome import regulations. Though this is getting better, Indian Parliament originally wanted a 200% import duty on first shipment of coolers, despite the potential increase of 5 to 20 times in value-added exports.
4. The desire of Indian officials to be every tune in order to do business. Including simply taking bags through customs.

Advantages:

1. Pressure Cool has state-of-the-art equipment: Indian technicians, however, can still usually perform the maintenance tasks, even if they can not produce replacement parts locally.
2. Pressure Cool's advantage lies in superior product, and their willingness to educate their clients on a continuing basis in the field, and in the U.S. as well.
3. Those Indian growers that are willing to adapt to new methods almost inevitably succeed

Smoothing Linkages

Clean up corruption, and make sure that both Indian and U.S. businesses understand the cultural differences of both countries.

Government Role.

1. U.S. government could do more in actual technical training of Indian workers/companies. Rather than simply giving money to India for this, U.S. govt should run programs themselves to avoid waste and/or corruption.
2. U.S. gov't programs to educate Indians toward export opportunities, as most Indian businesses are still aimed only at domestic market.
3. More trade shows where businessmen can actually speak to businessmen with less government involvement. Both here and in India. Personal ties are still the most important aspect of doing business in India.

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Linkage Profile. CPC

Note: This profile was drawn from existing reference sources and personal knowledge of the company's operations.

Background Note: CPC has relatively little activity in India at this time. Regarding its India operations, the best source we are told would be Tapan K. Chakrabarty

India contact: Tapan K. Chakrabarty, Chairman & Managing Director
Corn Products Co (India) Ltd.
Shree Niwas House, H. Somani Marg
Bombay 400-001
Tel. 204321-22/ Fax 2046180

Summary Profile:

CPC, India is a small corn oil refinery facility. It has a negligible share of the Bombay market. Its overall market strategy allows for some related additive and food products but at present it is strictly an oil refinery facility and is 100% owned by CPC, US.

CPC, as a Fortune 300 company, is a well heeled multinational corporation (mnc). It has plant locations in 52 countries. The India facility is one of the smallest. The company's strategy in India has been go slow because of all the reputed road blocks to operating within India.

For some of the flagship CPC products like the Knorr soup line, Skippy peanut butter, Hellmann's mayonnaise, the company is relying on its export unit, Best Foods Exports. At present Best Foods has not made any significant sales in India but is reviewing opportunities at this time.

Company spokespeople have indicated that the reforms are promising, although they have not yet trickled down in favor of exporters of consumer food products. The current licensing system and high tariff schedules, according to CPC sources, make them wary of committing too much time, energy, and marketing budget to India at this time. On the other hand, the company is following changes closely to prepare for a more aggressive marketing campaign.

LINKAGE PROFILES

Name of partners

U S Consolidated International Broker Service (CIBS)

Indian Wens Agro Foods Ltd

Contact U.S. (tel/fax/individual/title/address)

CIBS
Donna Piago, Secretary
9001 NW 97th Terrace
Miami, Florida 33178
Tel 305/889-1105
Fax 305/884-4887

Contact India (tel/fax/individual/title/address)

Pending details from Donna Piago at CIBS She will check her files and get back to DB

Agribusiness (check one or more categories and specify actual product(s)/country)

- fresh fruits and vegetables
- flowers (fresh or dried)
- processed product (baked, dried/dehydrated, canned, frozen, aseptic, beverage, other)
- grains or legumes (processed, cleaned)
- dairy
- seeds or biotechnology
- livestock/related businesses (chicken, feed, beef)
- machinery/machinery supplies
- other agribusiness-related suppliers (packaging, post-harvest handling, transportation)

Additional notes

CIBS is a general commodity broker They will locate, procure and ship any commodity their client wants

INDIVIDUAL FIRM INTERVIEW GUIDELINES

1 Describe the business arrangement that you have with the foreign firm

No business transaction ever took place

2 How did this come about, i e , linkage/catalyst (trade mission, tip from a friend, banker's reference, etc), and a description of what happened

Around September 94 contact was made by an Indian firm seeking quotes for specific commodities. The Indian firm got CIBS contact information from another U S broker

3 Identify impediments which could be described as

a) particular to your type of business (information, institutional, operational, policy/regulatory, financial, technology, local supplym e g , lack of or improper varieties improper packing/packaging, postharvest handling, transportation, etc)

Business transaction never took place because of high transportation cost quoted. Commodities were quoted from Miami FOB New Delhi (Donna Piago of CIBS will call DB back with more details on specific commodities)

b) specific to the business linkage you are involved in, i e , technology transfer, licensing arrangement, franchising, joint venture, sale of product(s), local product for domestic or export market, foreign marketing/distribution of product, foreign buyback of Indian production)

If the transaction would have occurred the business linkage would have been a sale of product

c) characteristic to doing business in India

N/A

4 Identify advantages which could be described as

a) particular to your type of business (information, institutional, operational, policy/regulatory, financial, technology, local supply (lack of or improper varieties), improper packing/packaging, postharvest handling, transportation, etc)

N/A

b) specific to the business linkage you are involved in, i e , technology transfer, licensing arrangement, franchising, joint venture, sale of product(s), local product for domestic or export market, foreign marketing/distribution of product, foreign buyback of Indian production)

N/A

c) characteristic to doing business in India

N/A

5 Please share any recommendations you have regarding how U S -Indo business transactions could be effected more quickly or more smoothly

N/A

6 What role could government and private organizations play in facilitating increased U S -Indo business linkages? (trade missions, utilization of trade associations, trade shows, trade promotion events, training, internships, others)

N/A

CPCBOMBY INT 2/20

LINKAGE PROFILE

Name of partners **Corn Products Co. (India) Ltd** (Indian firm)
CPC International Inc. (U S firm)

Contact U S (tel/fax/individual/title/address)

P O Box 8000
Englewood Cliffs, NJ 07632
(see contact list)

Contact India. (tel/fax/individual/title/address)

Mr Tapan K. Chakrabarty
Chairman & Managing Director
Bombay India
(see contact list)

Agribusiness (check one or more categories and specify actual product(s)/country)

- fresh fruits and vegetables
- flowers (fresh or dried)
- XX-** processed product (baked, dried/dehydrated, canned, frozen, aseptic, beverage, other)
- grains or legumes (processed, cleaned)
- dairy
- seeds or biotechnology
- livestock/related businesses (chicken, feed, beef)
- machinery/machinery supplies
- other agribusiness-related suppliers (packaging, post-harvest handling, transportation)

Additional notes

Manufacture and distribute (to retail level of Indian domestic market) a range of food products including custard powder, jelly crystals, jams, baking powder, 45% dextrose, caramel color, etc

CRITERIA FOR INCLUSION AS PROSPECTIVE LINKAGE CASE

Special request by USAID or embassy

- to include in study
- to not include in study

XX- rationale - Major US multinational with Indian subsidiary operating in Indian market

- Size of Indian firm/organization = Indian definition (sales/employees)
 - small
 - XX** medium sales \$9,000,000 USD, less than 300 employees and shrinking
 - large
- Size of U S firm/organization = U S definition
 - small
 - medium
 - XX** large **XX** - sales over ----- million US
- Location in India
 - New Delhi
 - XX** Bombay
 - Other
- Type of Business Arrangement (deals/transactions)
 - technology transfer
 - licensing arrangement
 - franchising
 - joint venture
 - sale of U.S. product(s)
 - XX** local production for domestic market
 - local production for export market
 - local production for domestic and export market
 - U S. marketing/distribution of product
 - foreign buyback of Indian production

Note. 51% US owned subsidiary of US multinational 49% is publically held on Bombay exchange as of 2&1/2 yrs.

- Business Arrangement Outcome
 - XX**- positive
 - negative
 - in process
 - XX**- business arrangement completed

INDIVIDUAL FIRM INTERVIEW GUIDELINES

1 Describe the business arrangement that you have with the foreign firm

Indian firm founded as an importing company in Calcutta many years ago Now 51% US owned subsidiary of US multinational 49% is publically held on Bombay exchange as of 2&1/2 yrs ago Was 40% until the policy reforms made India more attractive.

Manufacture and distribute (to retail level of Indian domestic market) a range of food products including. custard powder, jelly crystals, jams, baking powder, 45% dextrose, caramel color, etc

CPC India can draw upon the know how (recipes, technology, systems, of any of the affiliates of CPC worldwide

2. How did this come about, i e , linkage/catalyst (trade mission, tip from a friend, banker's reference, etc), and a description of what happened

Policy reforms beginning in 1991 raised interest of parent to take a larger stake in India business anticipating bigger opportunity to sell into domestic market. They do an annual strategic planning exercise and have long range plans

3 Identify impediments which could be described as:

a) particular to your type of business (information, institutional, operational, policy/regulatory, financial, technology, local supplym e g , lack of or improper varieties, improper packing/packaging, postharvest handling, transportation, etc)

-Introduction of new products is difficult. (Example Hellmans Mayonaise) It is very expensive because new products cannot be test marketèd if they fall into the negative list The policies could and should be changed There is no Bombay based organization that could help them with policy advocacy of this nature

-Processing technology exists in India and, furthermore, CPC can access worldwide technology Engineering skills are quite good but this is limited to the "technical technology" Systems of grades and standards are lacking

-Underdeveloped processed food industry makes sourcing products/inputs difficult CPC is not interested in developing backward linkages and there is no real processed supply capability. (CPC belongs to the CIFTI and see them more as a technical information supplier than as a policy/regulatory lobby.) Other organizations need to be developed to address the policy issues for the industry

b) specific to the business linkage you are involved in, i e , technology transfer, licensing arrangement, franchising, joint venture, sale of product(s), local product for domestic or export market, foreign marketing/distribution of product, foreign buyback of Indian production)

-It is a disadvantage to be 51% foreign owned It would be better to be 100% foreign owned because Less responsible to local owners with different philosophy, would have a longer time horizon, and, in general, fewer partners would mean fewer problems

c) characteristic to doing business in India

1 Infrastructure electricity, cold chain, quality water supply

2 Regulatory environment complexity too many steps and players, creates a "breadline" and difficulties for sourcing and importing ingredients and other necessary inputs.

3 Corruption: A particular problem for US companies which adhere to rules of Foreign Corrupt Practices Act and ethics/standards of US business community making it difficult to do business in India. Unfair competition is created

4 There is a tremendous trading mentality which needs to be changed Causes firms not to honor their supply commitments when prices change

5 India needs to produce more cost effectively before it can export widely successfully The interviewee disagrees with view expressed at APEDA that export business will lead domestic agribusiness development He thinks domestic market will come first. He is also unsure where the export markets are, potentially, for India

4. Identify advantages which could be described as:

a) particular to your type of business (information, institutional, operational, policy/regulatory, financial, technology, local supply (lack of or improper varieties), improper packing/packaging, postharvest handling, transportation, etc.)

The Indian market is gradually opening to the foreign multinationals They can efficiently and effectively distribute across a wide area.

As, perhaps, for other processors, CPC has markets for its processed products and would be willing to make long term market guarantees to new producers who could supply CPC

b) specific to the business linkage you are involved in, i e , technology transfer, licensing arrangement, franchising, joint venture, sale of product(s), local product for domestic or export market, foreign marketing/distribution of product, foreign buyback of Indian production)

-Processing technology exists in India and, furthermore, CPC can access worldwide technology. Engineering skills are quite good but this is limited to the "technical technology"

c) characteristic to doing business in India

-Kelloggs is focusing geographically in Indian domestic market but this is not good strategy for CPC with their particular cost structuring (I think meaning relatively thin but spread market)

-Engineering and scientific skills/knowledge are locally available

5 Please share any recommendations you have regarding how U S -Indo business transactions could be effected more quickly or more smoothly

- facilitate entry (import of products) CPC will not do backward linkages, has no processed supply capability, and would guarantee market to local suppliers
- continue to improve the policy and regulatory environment
- simplify the system for registering/selling new products

6 What role could government and private organizations play in facilitating increased U S -Indo business linkages? (trade missions, utilization of trade associations, trade shows, trade promotion events, training, internships, others)

- develop a futures market
- develop infrastructure (cold storage,
 - develop systems of grades and standards Use private associations to do the quality standards work to issue something like a "quality seal of good housekeeping"
 - Processing technology exists in India and, furthermore, CPC can access worldwide technology. Engineering skills are quite good but this is limited to the "technical technology" Nevertheless, access to foreign technology is critical examples, flavor profiles, seeds, and flaking techniques. The match making for supplying technology and products could be facilitated by associations and organizations
 - Private associations or organizations need to be developed to provide policy advocacy for individual firms and to work on regulatory bottlenecks on behalf of individual firms. He said firms don't have time and resources to do this efficiently for themselves Examples of issues/agendas to work on would be developing systems for introduction of new products and systems of grades and standards.

AIFPA INT 2/18

ORGANIZATION INTERVIEW

Contact Information (tel/fax/individual/title/address)

All India Food Preservers' Association (AIFPA)

206, Aurobindo Place Market

Aurobindo Marg

Hauz Khas, New Delhi - 110016

Phone 660860, FAX 011-660860

H A B Parpia - Advisor - Suryakanti, Hinkal, Mysore -570
017 India tel 0821 - 511144

N.M Kejriwal - Chairman - Office 312 World Trade Centre,
Barakhamba Lane, New Delhi 1, tel
3322880

Executive Secretary K P Sarin
Journal Editor K L Ardhakrishnan

Purpose of Organization

Founded in 1946 or 1966 ?

Goal is to stimulate development of food processing industry by

- Creation of joint ventures between medium and small INDO and US companies
- by location US technology and management systems

for the following sectors

- fruit and vegetables (canned , frozen and dehydrated)
- cereal technology
- fish and meat
- by-product utilization

Membership (type, number, budget)

Members include CIFTI, Snack Food Association, Dehydrated Food Association, UPI? , CII? , etc

- 800 members with 4000 food processing licenses
- roughly 50% of their production is exported
- budget is based on membership dues

Principal Services Offered (Relevant to Develop Linkages)

- Put members in touch with technical information
- committee to create joint ventures

- Library
- Journal "Indian Food Packer" (monthly)

-AIFPA participates on a Committee to remove policy impediments (Part of Development Council for Food Processing Industry) with 25-30 members and 6 panels taxes, consumer protection, raw materials, R&D, etc)

What services would help Indo and/or US businesses to do more business together?

-attract investors by using an improved profile system requiring "matching" profiles

-Felipe Manteiga suggests a series a "modules" fora network to develop "bankable" propositions

-What are the main impediments

-Only 1&1/2% of food produced is exported

-land ceiling policies (plantation crops are excepted)

-There are a number of authorities involved Ministry of Food Processing Industries (created six years ago), meat is under Agriculture, fish is elsewhere, food and drug regulation is under Min of Health, and standards are under Central Committee for Standards (there are food products "orders")

-they are lessening

-capital and financing system

-population growth, land degradation, lack of resources, losing animal industry, corruption

-What are the main opportunities

- Create joint ventures between small and medium US and Indian companies The US companies can provide markets, technology, and financing/capital The Indian companies provide labor and research capability/institutes Examples of institutes are National Food Processors and Institute of Food Technology in US.

-land leasing with 99 year leases and do contract farming

-financing is available foreign investor can get a project 60% financed - 20% local, 20% foreign, 60% Indian Bank (ICICI)

LINKAGE PROFILE

Name of partners

(Indian)
Ravindra Disa
Director and Ms Vidya Iyer
Hi-Rel **AGRI-TECH** (India) Pvt Ttd

Contact U S (tel/fax/individual/title/address)

(U S)
none - only have a distributor

Contact India (tel/fax/individual/title/address)

(see contact list)

Agribusiness (check one or more categories and specify actual product(s)/country)

- fresh fruits and vegetables
- XX** flowers (fresh or dried)
- processed product (baked, dried/dehydrated, canned, frozen, aseptic, beverage, other)
- grains or legumes (processed, cleaned)
- dairy
- seeds or biotechnology
- livestock/related businesses (chicken, feed, beef)
- machinery/machinery supplies
- other agribusiness-related suppliers (packaging, post-harvest handling, transportation)

Additional notes

CRITERIA FOR INCLUSION AS PROSPECTIVE LINKAGE CASE

- Special request by USAID or embassy
 - to include in study
 - to not include in study
 - rationale

- Size of Indian firm/organization = Indian definition (sales/employees)
 - XX** small
 - medium
 - large

- Size of U S firm/organization = U S definition
 - small
 - medium no US partner
 - large

- Location in India
 - New Delhi
 - Bombay
 - XX** Other - Pune

- Type of Business Arrangement (deals/transactions)
 - technology transfer
 - licensing arrangement
 - franchising
 - joint venture
 - sale of U S product(s)
 - local production for domestic market
 - XX** local production for export market (through a distributor)
 - local production for domestic and export market
 - U S marketing/distribution of product
 - foreign buyback of Indian production

- Business Arrangement Outcome
 - X** positive
 - negative
 - in process
 - X** business arrangement completed

INDIVIDUAL FIRM INTERVIEW GUIDELINES

1 Describe the business arrangement that you have with the foreign firm

They are in sales to US market through a US distributor
They have a buyer who receives their product in bulk Buyer tells them what he wants and when

2 How did this come about, i e , linkage/catalyst (trade mission, tip from a friend, banker's reference, etc), and a description of what happened

They got the dried flower business idea from going to the Agritech '93 in Israel MCCI advertised the fair They got ideas from an Israeli company but couldn't (or didn't) partner with them

RAP Project (Joe Pietrus) helped them to locate the buyer and studied the dried flower market for them

3 Identify impediments which could be described as

a) particular to your type of business (information, institutional, operational, policy/regulatory, financial, technology, local supply e g , lack of or improper varieties, improper packing/packaging, postharvest handling, transportation, etc)

Sourcing raw materials in large scale

Capital Capital is difficult to get You need to have a market "garantee" such as an MOU with a buyer Think loans should be at lower rate. Said ICICI repayment terms are harsh (too short) But they got their money in thirty days

They think the Indian business environment is now very open and free. They think the 60% duty on imported machinery (non-agri use) is not bad

They contract farm so they don't think land ceilings are a problem

b) specific to the business linkage you are involved in, i e , technology transfer, licensing arrangement, franchising, joint venture, sale of product(s), local product for domestic or export market, foreign marketing/distribution of product, foreign buyback of Indian production)

They only have Indian drying technology and want help making their drying more efficient

c) characteristic to doing business in India

4 Identify advantages which could be described as

a) particular to your type of business (information, institutional, operational, policy/regulatory, financial, technology, local supply (lack of or improper varieties), improper packing/packaging, postharvest handling, transportation, etc)

b) specific to the business linkage you are involved in, i e , technology transfer, licensing arrangement, franchising, joint venture, sale of product(s), local product for domestic or export market, foreign marketing/distribution of product, foreign buyback of Indian production)

c) characteristic to doing business in India

5 Please share any recommendations you have regarding how U S - Indo business transactions could be effected more quickly or more smoothly

6 What role could government and private organizations play in facilitating increased U S -Indo business linkages? (trade missions, utilization of trade associations, trade shows, trade promotion events, training, internships, others)

Think ACE should be able to show them new markets

They want to learn about other markets and technologies that they could diversify into such as freeze dried roses

They would like ACE to be more involved in the production (farming) assistance side

They feel they can go to RAP for their marketing and technology needs

Linkage Profile

Date of Calls. February 20, 1995
Call back: 2/21

Contact Bob Slings—recommended appropriate contact would be his boss, Ken Mishra who will be in tomorrow, 2/21. Tel. 1-800-531-1207

India. Salil Kumar Pandey, Bangalore 91-80-2204188

Agribusiness: Seeds/biotech

Additional Notes: Bioseed is 50% owned and managed by Ken Mishra; the other 50% is owned by GP Group of Companies, Bangkok. The latter is a conglomerate with its biggest activities in agricultural trading

Date of Interview: February 20, 1995

Name of Company: Bioseed Genetics, International

Questionnaire: Bioseed

1. Business arrangement

Bioseed has 100% of its research facility. It has a joint venture with Shriram Bioseed in which Shriram holds 49% equity. In the joint venture Shriram is responsible for the marketing of Bioseed seeds and Bioseed retains responsibility for production. Responsibility for distribution is shared.

2. How arrangement came about:

Mishra is an Indian, naturalized US citizen. He first joined Pioneer seed in 1971 in India and went on to set up their international operations. He spent 10 years in the Philippines. After 20 years with Pioneer, he established his own company. Knowing the ropes through experience allowed him to short circuit the learning time to establish a seed company

3. Impediments/problems:

Although Mishra finds things easier now than as little as 5 years ago, his main problem remains the Indian bureaucracy. He noted that India has a trade policy

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designed to encourage exports and yet regulations and bureaucratic management tie up approvals for export licenses a minimum of 4-5 months. This time period is about as short as he can get it and that's because Bioseed has people in high places.

4. Advantages

a) Cost of research is very low in seed industry--Bioseed pays approximately \$400,000 annually for its research operations. It would pay \$2-3 million in equivalent research in Brazil and 1/3 again as much in the U.S., according to Mishra.

b) The cost of production is extremely low, notwithstanding the additional transaction costs of bureaucratic intervention.

c) India is a good location in terms of research and production. The nearby access to important, growing markets is very helpful.

d) Although there can be improvements, India offers more IPR protection than China for example. One strength in this regard which India offers is that it has a respected, dependable, and uniform legal system by contrast to current conditions in China.

5. Recommendations

American companies with international marketing strategies should maintain a global overview, according to Mishra, but hire local management. The latter is extremely important since US management styles do not fit local cultural conditions in India.

Becoming an Indian company in management as well as operations is essential to success in operation in India.

6. Role of government and private organizations as facilitators in US-Indo linkages

Financing from US government is helpful but not essential; what is important in high tech industries is to have financing which is linked to imported US product/equipment.

US informational services could be improved upon by offering more information on prospective companies in India interested in partnerships & joint ventures with US companies. It is difficult for US companies to evaluate partners and they could use assistance from information obtained on the ground.

ANNEX G
US TRADE RESTRICTIONS

TO Chemonics Field Offices
FROM Allen Eisendrath, Regional Director, Asia
RE Legislations restricting foreign assistance
DATE August 26, 1992

The Bumpers amendment and the Lautenberg amendment are among the most frequently cited pieces of legislation which restrict A I D development assistance. These legislations prohibit USAID assistance in production of agricultural commodities and certain manufactured goods which are in surplus or direct competition with U S agricultural goods, when that assistance would have a significant negative impact on U S exports.

The Bumpers amendment to the 1979 Foreign Assistance Act The Bumpers amendment stipulates that no development assistance funds can be made available for agricultural development activities in connection with the production of an agricultural commodity for export from a foreign country which would compete with U S exports, except

- o where designed to increase food security and
- o where such activities cannot reasonably be expected to cause a "significant impact" on U S exports and
- o where activities are not specifically and principally designed to increase agricultural exports

or except where production for export will not lead to direct competition for U S agricultural exports,
or also except where research activities are primarily to benefit American producers

To comply with the Bumpers amendment, A I D set up a policy implementation process in Policy Determination 15 (PD-15), establishing rules for consideration of programs and projects. PD-15 requires the examination of prospective projects to determine if they will increase the production of a commodity for export and can reasonably be expected to have a significant impact on U S exports. AID cites five factors for missions to consider when assessing proposed projects:

1. export potential of the commodity in question,
2. magnitude of production likely to result from the project,
3. likely export markets;
4. volume of U S. exports of the commodity in question and similar commodities, and
5. U S. share of the world or regional market that could reasonably be expected to be affected by increased exports of the commodity

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These factors are considered when evaluating New Project Descriptions (NPDs) included in the Mission Action Plans. If at that stage no determination can be made regarding the legality of the project under the Bumpers amendment, a Project Identification Document (PID) may be developed. If any doubt remains about Bumpers amendment compliance, AID/Washington must more closely review it for Bumpers legality.

In AID's determination of projects, the Agency has set one percent as the indicator of "substantial injury". For example, in the case of a Pakistan project, funding was requested to produce mandarin oranges which were to be used as a color enhancer for a product which would then be exported. AID determined that even if some displacement of the exported product occurred, the displacement would amount to less than 1 percent, and therefore, the project remained consistent with PD-15.

Preceding PD-15, AID took initiatives to restrict uses of foreign assistance in Policy Determination 71. PD-71 requires that "proposed projects involving production, processing or marketing of sugar, palm oil, or citrus for export" undergo reviews to examine the "potential injury" to U S producers. PD -71 represents AID's attempt to address congressional concerns at an early stage to head off further restrictions.

The Lautenberg amendment. The Lautenberg amendment extends protection as well to U S "import sensitive" manufactured goods and processed agricultural products, such as leather goods and textiles/apparel. This restriction applies to both direct assistance and to economic support funds. There has been no specific AID Policy Determination in response to the amendment. Rather, review has been on a case by case basis with AID bearing the burden of proof for possible damage before approving a loan or assistance to a particular project. However, contractors should also be aware of and responsible for possible breach in the amendment in the course of implementation, design or loan making.

Bilateral/Multilateral Restrictions. Bumpers and similar trade related restrictions apply not only to USAID, but to all trade-related U S Government-supported programs with direct assistance or funding, such as the Export-Import Bank and the Overseas Private Investment Corporation (OPIC). Multilateral restrictions instruct U S representatives to multinational development banks, such as the World Bank, to oppose any assistance by those institutions from using any appropriated funds for the production of commodities or minerals for export, if the commodity is in surplus on world markets and if assistance would cause substantial injury to U S producers of the same, similar, or competing commodity or mineral.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ramon Magsaysay Center
690 Roxas Boulevard
Ermita 1000, Manila
Philippines



Fax No 632 621 5241
Tel No 632 621 7116

November 6, 1992

Mr. Allen Eisendrath
Regional Director - Asia
Chemonics International Consulting Div.
2000 M Street, N.W. Suite 200
Washington, D. C. 20036

Subject: AID 492-0445-C-00-2121-00

Dear Sir:

The purpose of this letter is to advise you of an important change in law governing the U.S. foreign assistance program. Section 599 of the 1993 foreign assistance appropriations act prohibits the use of A.I.D. funds for activities that are likely to cause a loss of jobs in the United States. The new law also prohibits the use of A.I.D. funds for activities that would contribute to the violation of internationally recognized workers rights.

Congress has instructed A.I.D. to rigorously enforce the prohibition. As an initial step, A.I.D. is applying the new law to all activities, even if funded in earlier years. A.I.D. missions are currently reviewing their portfolios to determine which activities may contravene the law. In the meantime, A.I.D. is suspending all activities that appear to be inconsistent with the purpose of the new law until we have further guidance.

Section 599 reads as follows:

"None of the funds appropriated by this Act may be obligated or expended to provide -

(a) any financial incentive to a business enterprise currently located in the United States for the purpose of inducing such an enterprise to relocate outside the United States if such incentive or inducement is likely to reduce the number of employees of such business enterprise in the United States because United States production is being replaced by such enterprise outside the United States;

(b) assistance for the purpose of establishing or developing in a foreign country any export processing zone or designated area in which the tax, tariff, labor,

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environment, and safety laws of that country do not apply, in part or in whole, to activities carried out within that zone or area, unless the President determined and certifies that such assistance is not likely to cause a loss of jobs within the United States, or

(c) assistance for any project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the trade Act of 1974, of workers in the recipient country, including any designated zone or area in that country "

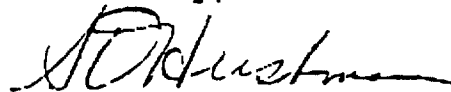
Section 502(a)(4) of the Trade Act of 1974, as amended, defines internationally recognized workers rights as follows:

'internationally recognized worker rights' includes -

- (A) the right of association,
- (B) the right to organize and bargain collectively,
- (C) a prohibition on the use of any form of forced compulsory labor;
- (D) a minimum age for the employment of children, and
- (E) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health."

Please contact me as soon as possible if you are engaged in or planning any activities that might be inconsistent with the new law. If you believe it is necessary to modify your contract in light of the new prohibitions, please let me know.

Sincerely,



S. D. Heishman
Contracting Officer

cc.: Ms. Guia Minguéz
Chief of Party
3rd Floor Zeta Bldg.
191 Salcedo St., Legaspi Village
Makati, Metro Manila

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