

# Romania Agribusiness Development Project

## ACDI/VOCA's RAD Project Final Report for the Period 1999-2001

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***The United States Agency for  
International Development***

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## **RAD FINAL REPORT – 1999 – 2001**

### **Executive Summary**

**Romania Agribusiness Development Project (RAD)** is a follow-up to the successful **Central and Eastern Europe II (CEE II) project**, a cross-regional program that provided direct technical assistance and focused training programs for private entrepreneurs in select commodity sectors in Romania, Hungary, Macedonia, Bulgaria, Albania, and Slovakia. The primary goal of RAD has been to assist private agribusiness associations, including ongoing support of our long-term partners, Romanian Association of Millers and Bakers (ANAMOB) and Romanian Meat Association (ARC). More attentive assistance was provided to the younger associations, such as the Dambovitza Apple Producers Association, BIOTERRA Organic Farmers' Association, Agricultural Producers Association (APA) in Braila, Hegyalja Micro-Regional Development Association (HMA) and the ARTAME agro-tourism association of Fagaras.

Assistance in past years had been devoted more to institution building measures. Due to the unprecedented strength of our associations, our emphasis in 2001 turned to assistance in executing their respective strategies. For instance, ARC has launched plans to establish a product quality seal and implement international operational standards in accord with EU requirements. ANAMOB is a player in impending grain warehouse receipts system and is preparing to be a leader in the introduction of agribusiness clusters. Meanwhile, BIOTERRA and DAPA plan to establish marketing cooperatives and expand educational services. ACDI/VOCA has provided assistance on each of these measures in 2001.

Ultimately, ACDI/VOCA helped build two of the most influential associations of private business, ANAMOB (millers and bakers) and ARC (meat processors). In addition, ACDI/VOCA spurred the establishment of the Dambovitza Apple Producers Association, ARTAME (rural tourism association of Fagaras) and the National Union of Hog Producers. ACDI/VOCA also made considerable contributions to the strength of BIOTERRA Organic Farmers' Association and Hegyalja Micro-regional Development Association.

### **I. Project Overview**

Since 1996, ACDI/VOCA has worked with agribusiness associations to support farmers and food processors in Romania through two project components: 1) strengthening agribusiness associations, and 2) linking enterprises to financing sources. In conjunction with the Brasov Business Center, RAD produced a comprehensive guide to sources of business financing that was made available to associations and USAID assistance agencies. The first component builds upon past activities under CEE II by developing the institutional capacity of Romanian agribusiness associations to support farmers and food processors. Activities focus on building coalitions through associations, public advocacy, competitive strategies, and understanding of free-market principles and tools.

The success of ANAMOB demonstrates positive impact for the industry. Association members trained by the association have become skilled in management, product development, and

customer-oriented business practices. The association's advocacy efforts resulted in key legal decisions and legislation favorable to its members – including reversal of a government decision regarding wheat supply that threatened private-sector millers and bakers; liberalization of grain farming and processing policies; reduction of the VAT on grain from 19% to 9%; and elimination of discrimination and non-loyal competition between state and private milling and baking companies. ANAMOB successfully shaped the legislation for a planned grain warehouse receipts system in which ANAMOB is poised to take a leading role in implementation; successfully led the fight against price controls on food products; together with ARC, was instrumental in the repeal of a food tax designed to raise funds for the state workers' pension fund; successfully raised private funds to initiate a pilot projects on grain warehouse receipts in 2002; acted as key member of a strategic alliance of business associations that fought for a change in Government Ordinance 92 regarding the deductibility of advertising expenses and tax exemptions on imported equipment; and was instrumental in achieving significant reduction of a revenue tax to fund agricultural disaster relief from 3% to 0.5%.

ARC influenced policies related to the imports and taxation of meat and meat products including reduction of import tariffs on carcasses from 45% to 20% and eradication of the requirement to pay salaries of on-site vet inspectors; was successful lobbying of government to crack down on firms, including many meat processing firms who compete unfairly by unlawfully claiming defavorized zone tax exemptions; partnership established with the American Association of Meat Processors/joint proposal submitted for outside funding for a laboratory to test meat products and for quality training for ARC members; completed a hog sector survey completed with recommendations.

RAD's primary form of assistance was through volunteer consulting assignments to aid the initiatives of our associations or individual members' enterprises. In the three years of RAD, ACDI/VOCA completed 75 such assignments. The total number of companies and organizations assisted by our consultants far exceeds this number, as most assignments catered to two or more clients. Through the time donated by ACDI/VOCA volunteer professionals, our revised matching contribution was met.

Aside from volunteer consulting assignments, ACDI/VOCA sponsored trips abroad for clients to gain valuable first hand exposure to successful business practices in other countries. During RAD, four study tours to the U.S. and six to other Eastern European countries were organized for the benefit of clients. One crop farmer who participated in a U.S. study tour said that a demonstration plot of soy that he planted with Monsanto's Round-up Ready has given him a higher yield than he has ever had before. Irrigation equipment he saw at a farm machinery show in Tulare, California, and later purchased saved his cucumbers during the drought of 2000. A trip to Hungary resulted in various stakeholders in Fagaras joining forces to form ARTAME. ARTAME members have received assistance in proposal writing, event planning, and training in how to attract and accommodate tourists to the region.

In addition, ACDI/VOCA sponsored in-country events (seminars and conferences) as an effective means to facilitate development of our partner associations. These events were successful in drawing the attention of top government officials, broadcast and print media, and the general public in communicating the associations' message.

## **II. Select Volunteer and Consultant Assignments**

### **175035 and 175037 Hog Producers' Seminar**

**Volunteers Involved:** Louis Malkus, David Gerber, and Mihai Visan

**End Date:** 10/24/00

David Gerber and Louis Malkus provided technical assistance to hog farms in Alba, Viisoara, Dej and Sighisoara. They made suggestions regarding building modifications and manure management and nutrition, many of which were implemented on the spot. The volunteers then worked with Suinprod Muntenia, a hog cooperative in Calarasi Judet. This cooperative is comprised of around 30 small hog farmers and was registered as a farmer's association. To cap off the assignment, the volunteers presented a seminar for hog farmers from around the country using their observations as case material for participants. It was at this seminar that the National Hog Farmers' Association (UNCP), was established. Mihai Visan, the Executive Director of ARC, assisted Suincoop Muntenia with veterinary issues, such as vaccinations and other medicinal matters.

### **175045 Agritourism Assoc Dev & Livestock Production**

**Volunteer Involved:** Thomas Wood

**End Date:** 10/27/00

Tom Wood participated in a Fagaras Rural Tourism Association (ARTAME) event intended to raise the profile of the region as a tourist destination, and took part in the annual meetings of ARTAME and the organic farmers association (BIOTERRA). The bulk of his time was spent helping ARTAME and its members to draft a business development strategy that detailed an 18-month plan of action and outlining goals for the next three years. They were as follows:

1. Bring more guests to the region
  - a. Develop a coherent marketing plan;
  - b. Improve existing attractions;
  - c. Improve tourism services; and
  - d. Develop partnership with other tourism organizations and agencies.
2. Provide hospitality training for members and area service workers.
3. Expand upon tourism opportunities each season:
  - a. Develop activities for each season;
  - b. Develop a marketing strategy for each season;
  - c. Provide tourism services for each season.
4. Support, expand and create new festivals
  - a. Expand and support September Horse Festival through better marketing;
  - b. Create festivals for all seasons:
    - i. winter – Christmas season, music, sleigh rides, cross-country ski race;
    - ii. spring – flower show;
    - iii. summer – music festival;
    - iv. fall – horse festival; apple festival; harvest festival.

### **175043 Bioterra Conference and Training**

**Volunteer Involved: Sylvia Ehrhardt      End Date: 10/31/00**

Volunteer Sylvia Ehrhardt presented a speech at BIOTERRA's 2<sup>nd</sup> Conference entitled "Why Organic Agriculture?" and met with BIOTERRA officials to plan future trainings, seminars and workshops. Her recommendations included:

- Establishing a database for access to relevant information about its farmers. ACDI/VOCA's assistance is needed.
- Determining which outside third party will meet the EU standards and have it be the certifying body for the farmers.
- Setting up a five hectare demonstration farm and training and research center.
- Taking study trips to Hungary and the US.
- Integrating organic farming into rural tourism initiative.
- Developing marketing strategies to increase food production and promote agribusiness.
- Conducting PR events and training programs to increase awareness of organic farming.

### **175070 Gevitex Farm Production**

**Volunteer Involved: James Estes      End Date: 08/02/01**

Gevitex farms 3000 hectares, has 75 milking cows and their replacements, and 100 head of feeder cattle. Volunteer James Estes advised Gevitex on various ways to increase farm yields and efficiency. Upon reviewing their techniques he came up with several suggestions, summarized as follows:

- Tillage. Work toward a reduced tillage system and working toward no-tillage to decrease the need for passes, reducing fuel costs and preserving the soil. Planters would need to be modified for the increase in crop residue.
- Fertilizer. Take representative soil samples to determine fertility and pH levels. Adjust fertilizer and pH applications according to soil and crop nutrition demands. Apply fertilizer to the wheat crop in the fall rather than the spring. Introduce legumes and green manure crops into the rotation to add organic matter and fix nitrogen to reduce fertilizer expenses and increase water use efficiency.
- Herbicides. Use Accent or Beacon herbicides to handle Johnson grass. Make sprayer calibrations at the beginning of each cropping cycle and monitor herbicide usage. Monitor weed composition yearly and map and record weed infestations.
- Pesticides. Use integrated pest management practices rather than relying solely on pesticides.
- Seeding. Seeding rates can be reduced from one-half to two-thirds of current levels.
- Feed. Chop silage finer at harvest time for more efficient packing. Cut alfalfa for hay or silage at the bud stage for better quality. Supply free-choice salt to all livestock.
- Equipment. Add water and calcium chloride to tires if increased traction or weight is needed. Prepare and winterize farm machinery for increased longevity and reliability.

### **175069 Eldomir Farm Production**

**Volunteer Involved: Roger Ethier      End Date: 09/14/01**

Volunteer Roger Ethier's consultation focused on how to rehabilitate the 30-year-old irrigation system with recommendations on the development of a preventative maintenance and

replacement plan. Mr. Ethier suggested that no-till cultivation should be used to lower production costs and preserve soil quality.

He outlined a control plan that minimized the use of chemical herbicides to neutralize Johnson grass. He diagrammed low-cost solar drip irrigation systems to use on vegetable farms. He laid out a design for a system that could effectively pump water out of nearby canals, using solar power and storing the water in a 12-ton reservoir. The unit could irrigate 12 hectares of crops and would cost roughly \$17,000. Drip irrigation would enable the production of high value crops, like strawberries, and significantly increase the yield of vegetable crops.

At the Research Station, Mr. Ethier talked about ways to improve soil that is saturated with salt. He suggested that they plant green crops to naturally absorb excess salt and to use no-till technology in order to prevent against soil erosion. Mr. Ethier felt implementing 5-hectare test plots at seven different farms would be an excellent way to demonstrate the benefits of this methodology.

#### **175052 HACCP Training for Meat Processing**

**Volunteer Involved: Dave Dreesen      End Date: 08/18/01**

Volunteer David Dreesen, one of the top U.S. experts on HACCP, provided advisory services to the Romanian Meat Association (ARC) Executive Director and select ARC members. The primary purpose was to assist in developing methods and means to implement HACCP food safety systems. He started the program by training two consultants in the Brasov Business Center with a two-day, 200-slide presentation. He traveled to Cluj to visit a few meat processors to discuss on site how best to implement HACCP.

Mr. Dreesen concedes that implementing HACCP will cost processors more in increased staff, but stressed that when incorporated into production processes it will benefit the manufacturing process and potentially increase sales through better quality and fewer spoilage problems. In addition, having HACCP systems is a condition for EU entry that will be required to be in place as early as 2004. Mr. Dreesen left behind several useful tools including a full training manual complete with presentation, the EU directive on HACCP, a guidebook on standard operating procedures and a USDA Generic HACCP Plan. He also furnished ARC with the USDA code of federal regulations, information on setting up a small bacteriological lab and various other documents.

#### **175071 BIOTERRA Organic Farmers Association/Marketing Cooperative Development**

**Volunteer Involved: Holly Born      End Date: 09/20/01**

Volunteer Holly Born was invited by BIOTERRA to advise on establishing a marketing cooperative. She visited several farms of BIOTERRA members, discussing their needs, problems with marketing and the concept of a marketing cooperative. A meeting was also held with key members in the Oradea Region who plan to launch the cooperative in the near future. Initial questions centered around organizational issues such as policies and decision-making, as well as information on sources of funding. Ms. Born furnished the members with basic information about agricultural marketing cooperatives and a survey to be given to BIOTERRA members as an information collection tool. Results will be used to assess the feasibility of the marketing cooperative and service needs of members.

After visits and discussions, Ms. Born developed a detailed work plan setting guidelines for initiating the marketing cooperative. The work plan focuses on the need to explore feasibility with a thorough marketing analysis and an evaluation of members' capacity. The guidelines were developed with knowledge of the legal environment after having consulted a local lawyer. Finally, Ms. Born made a number of recommendations to BIOTERRA, all of which centered around informational and organizational needs regarding the formation of the cooperative.

#### **175066 Livestock Growers Association Follow-up**

**Volunteer Involved: Peter McNeil      End Date: 09/04/01**

Mr. McNeil, together with association leaders and the mayor of Zetea, identified services and initiatives needed by members that could be provided by the association. Although Mr. McNeil found that the association was slow to attract members and establish services, he worked with the board of directors to identify the following achievable goals:

- Organize a business enterprise that will grow into a marketing and purchasing coop;
- Develop a model livestock farm to demonstrate modern technology in order to promote enhancement of longstanding traditional techniques, which are unproductive.
- Improve pastures by planting legumes to improve growth rates and nutritional quality of forage material;
- Improve breeding techniques for replacement heifers by isolating them and providing them with the best feed to ensure that they grow into strong, productive cows; and
- Practice soil and water conservation measures by plowing across slopes rather than up and down them. Not only does this retain water and prevent erosion, but it is easier for horses and laborers.

#### **175057 Braila Agricultural Producers Association (APA) Training**

**Volunteer Involved: Ernest Bolduc      End Date: 04/13/01**

Volunteer Ernest Bolduc spent a week training and consulting with association management and staff. During this time he met with officers and active members to assess the vision and structure of the association and to identify key players. Mr. Bolduc stressed that at this stage of the association's development the bulk of the work would be done by a few individuals who must take a lead in forging and implementing initiatives.

Mr. Bolduc analyzed the organization's strategy, organizational structure, service provision, membership development and financial management. He left behind a series of comments and recommendations in the final report. Due to the early stage of development and the lack of precedent, the association rated low in many of the categories. However, Mr. Bolduc was very impressed by the involvement of members as demonstrated by the strong turnout and healthy dialogue at the general assembly. In addition, he was heartened by the core of young, progressive leaders that has begun to emerge.

#### **175059 Paneli Cake Production**

**Volunteer Involved: Lucas Gallegos      End Date: 05/09/01**

Volunteer Lucas Gallegos consulted to three bakeries in Craiova, Rimnicu Vilcea and Cluj during his three-week visit. At Paneli Cakes, Mr. Gallegos trained bakery employees on decorating. He noted that they had very little previous experience which slowed the learning



process, but that they were quite receptive to new ideas and very hardworking. According to Mr. Gallegos, obstacles to producing high quality crème are the poor grade fat and powdered sugar that are prevalent throughout Eastern Europe. He was still able to introduce several new mousse roulades and bar cakes.

Recommendations to Paneli concentrated on minor equipment needs to enable production of the new line of products. Mr. Gallegos noted that improvements made to the sales area, which featured a new display case and good lighting, were commendable. He was very complimentary of management and staff. To cap off this visit, he participated in a local radio call-in show and was featured in two newspapers.

The second visit was to Boromir bakery, which Mr. Gallegos has helped extensively over the years. When he first visited the bakery it was mostly a bread and puff pastry shop. With Lucas' assistance, it has added an extensive line of hors d'oeuvres and tortes. On this assignment, Lucas introduced still more cakes, as well as mini éclairs and cream puffs, which complement their party items and party trays. He noted that these items brightened up the display case considerably and were noticed by customers. Mr. Gallegos pointed out, however, that the bakery's weakest point is cake decoration and spent a good portion of his time on this issue.

The third visit was to Kopan bakery, which suffers from lack of a good production facility and an adequate sales area. Currently, sales depend largely on a sidewalk kiosk, which gives limited exposure to the bakery's line of products. Change is imminent because the city is on the verge of outlawing such kiosks, so the bakery will have to relocate into more expensive retail property. Aside from business issues, Mr. Gallegos trained employees on production of several new products.

### **III. Illustrative Training Programs and Conferences**

**Hog Nutrition Seminar – 2001:** ACDI/VOCA Romania organized a hog nutrition seminar based on the content of a newly published manual for a group of small farmers located in the southern city of Slatina. A seminar manual, which was developed by Professor Spadaru Florin of Cluj University, consisted of a theoretical discussion of the hog digestive system, explaining the developmental changes that take place during various stages of a hog's life. The manual also explains the correlation between diet and daily gain in practical terms. Attached to the manual, there are a number of feed recipes for each age of hog development, including variants that use available ingredients. Special attention was given to cost analysis and simple ways to reduce costs and rising feed out times in typical small sized hog farms.

The 32 farmers that attended the three-day seminar asked extensive questions regarding practical implementation of the information presented. An indication of the impact of this presentation on the local hog farmers is demonstrated by the fact that 50 people who did not attend the seminar requested a copy of this manual. This was one of a series of three seminars on nutrition that ACDI/VOCA Romania planned to deliver using local consultants.

**Crop Farmers US Training, October 21-November 4, 1999:** The tour provided an opportunity to observe U.S. agricultural production farming, processing and marketing techniques, as well as the role of agricultural associations. In the Washington, D.C. area, the group toured farms and processing facilities, the Agricultural Research Service and stores that specialize in fresh foods. In New Jersey, the group visited several more farms and greenhouses, the Southern States Cooperative retail outlet and Rutgers University Research Farm. In California, the participants learned U.S. irrigation techniques and spent two days at the Agricultural Marketing Outreach Conference which included farm tours. While in California, the participants visited the Tri Valley Growers cooperative processing plant and the University of California at Davis.

Upon the group's return, volunteer assistance projects have been developed for each of the participants. We received nine volunteer requests for the spring of 2001 for assistance with crop production technology, farm management, vegetable production, pest control, modern technology implementation and livestock production.

**Apple Growers US Training, November 1999:** ACDI/VOCA selected five key members of the newly formed Apple Producers Association who traveled to the U.S. for two weeks in November. The objectives of the study tour included:

- help the newly formed apple producers' association members and its board to understand the principles of teamwork and assisting regional producers;
- observe post harvest operations (storage, grading systems, packing, marketing, processing);
- learn about an active apple producers association, its functions and its strategic planning in serving members; and
- learn about marketing cooperatives and how they need to work together in order to improve quality, enter new markets, and increase profit.

The main focus of the study tour was for participants to meet with and visit a variety of apple and fruit associations. The group also visited several orchards and packing plants and had meetings with credit associations in the Washington D.C. area and in New York State with ACDI/VOCA volunteer Ken Pollard.

Highlights of the program included visits to Milburn Orchards in Maryland, Knouse Foods in Pennsylvania, and Pro-Fac Cooperative in New York, a full day at the New York State Agriculture Experiment Station in Geneva and meetings with several fruit associations, including the US Apple Association, the United Fresh Fruit and Vegetable Association and the New York State Apple Association.

#### **IV. Significant Impact and Results**

##### **Luca SRL, Brasov**

As a manager of the state-owned meat processing plant in Brasov, Ilie Luca tried for years to get directors to modernize the equipment, improve the quality of its products, and make its workforce more efficient. But the kind of improvements he envisioned were not important to the then-centrally planned economy.

When the Communist era ended, Ilie Luca was among the first to embrace private enterprise. He did what he knew how to do best--he set up a meat processing operation in his kitchen. He and his wife used manual equipment to process about 100 kilograms of meat a day. At first they sold from the house, but as demand grew they rented a shop which his wife managed.

From the start, he reinvested his profits back into the business. He opened a second shop a year later as demand for his products increased. When he eventually had sufficient capital to move his production out of his home, he drafted his son and daughter to oversee production and sales, respectively. In 1994, Ilie made his son Dan his business partner.

The father and son team was among those who participated in the first ACDI/VOCA seminars held for privately owned meat-processing companies in Romania in 1995. That led to their requesting assistance from ACDI/VOCA volunteers.

“We were completely new in the business,” Dan noted recently in his office in Brasov, “and there was a lot we didn’t know. A volunteer named Carl Levin taught us some good things about meat processing. But what helped us most were the things he showed us about managing the business. For example, he showed us how to develop monthly management reports, how to evaluate products, and how to keep costs under control.”

Carl Levin also suggested that they consider producing ham. With Mr. Levin’s help, Ilie and Dan studied the market potential, calculated the cost-benefit ratio, determined what kind of equipment would be needed, and ultimately decided to add ham and smoked loins to their line of products. It was a decision that has proven very profitable.

When livestock became hard to find as the old economy crumbled, the Lucases set up their own pig farm where they also raised a few cattle. A larger cattle farm followed three years later. Then in 1997, they bought the controlling shares of a state-owned pig farm that was on the verge of collapse, as it was the only way they could be sure of having the 200 hogs they need every day to meet their customers’ demand.

The farm can accommodate 60,000 pigs. Initially, it was handling only about 40,000 and was poorly managed. Ilie Luca asked ACDI/VOCA for help.

Volunteer Jay Lee Smith, a life-long farmer with extensive expertise in farm management and swine production spent four weeks in 1998 studying the operation. He made some 30 specific recommendations. He pointed out ways of adjusting the feeding program to avoid waste. He

made several suggestions about controlling airflow and temperature in the barns. And he provided some methods for measuring factors like weight gain and feed conversion.

Many of Mr. Smith's suggestions have been implemented. Others will have to wait until the economic situation allows. Nonetheless, long-term planning has been designed around Mr. Smith's recommendations.

In 1995, Mr. Luca was among a group of Romanian meat processors who were invited to participate in a four-week study program of meat processing operations in the United States. It was a highly comprehensive look at nearly every aspect of the meat business in the United States. The group attended the national convention of the American Association of Meat Processors in San Antonio, Texas. They met with manufacturers of equipment. They spent time at the University of Wisconsin seeing how its Meat Sciences Department serves as an important research tool for the private sector.

In visits to Packerland, one of the largest meat processors in the United States, they learned how markets had been developed for every part of the animals slaughtered there. They also learned about a wide range of meat products and ways of cutting fresh meat that were not common in Romania.

Mr. Luca even spent a few days working in a family-owned meat company in Menominee Falls, Wisconsin that was not so different from his own.

Ten years after he started, Ilie Luca has emerged as one of the most successful private entrepreneurs in Romania. With 17 shops, he now sells more than 8,000 tons of meat a year, with about 5,500 tons processed, and another 3,000 tons sold fresh to hotels and other customers. About half of his production is being sold in their own shops in Brasov, with the rest being sold through retailers in other cities. He has been so successful that when he needed an even larger plant, he was in a position to purchase the same state-owned plant where he had once worked. In a sweet irony, one of the first things he did there was to get rid of all the old equipment that he had sought to remove a decade before.

### **Crop Farmer Mihai Petrosu**

"Vegetable production is a passion for me."

Mihai Petrosu is standing at the edge of the 100 hectares he planted this year in fresh vegetables. He is holding up a partially filled basket of green beans. Two dozen field hands work behind him. As soon as they are picked, the beans will be shipped off to one of the canning plants that send their trucks to Mr. Petrosu's farm.

But he grows more than vegetables. He has 620 hectares in grain.

"I went to the (ACDI/VOCA) seminars and learned a lot about wheat. Now I am a wheat farmer, too," he says with a twinkle in his eye. He had actually been growing wheat for several years. But he says he understands much better now how to do it.

Mr. Petrosu, who farms on the rich soil of Braila County in eastern Romania, has participated in both seminars that ACDI/VOCA has held for crop farmers. He has also visited the U.S. on two study tours. One was with a program of the U.S. Department of Agriculture. The other was an ACDI/VOCA project that gave six farmers from Braila County an opportunity to study the latest methods of crop and grain farming.

The exposure to American methods has paid off for him, he says. A demonstration plot of soy that he planted with Monsanto's Round-up Ready has given him a higher yield than he has ever had before. The irrigation equipment he saw at a farm machinery show in Tulare, California, and later purchased saved his cucumbers during the drought of 2000.

His greatest delight, however, is with the machine he saw in Salinas, California, that takes seedlings planted in trays and sets them out in fields several dozen at a time. As soon as he got home, he ordered one of the machines for himself.

Mr. Petrosu is a graduate of the Romanian Horticulture College. He worked for many years for a vegetable research farm. After 1990, when it was possible to start a private enterprise, he wasted no time leasing land and starting a farm of his own. Each year he leased more and more land. He now has assembled one of the largest spreads in Braila County by leasing plots from several friends and relatives.

As with other Romanian farmers, Mr. Petrosu had been inclined to use more seed than was necessary when planting grain crops. He accepted the advice offered at the ACDI/VOCA seminar and planted less than usual. But he confesses, "I did plant about 10% more than the U.S. rate – just to be sure."

Mr. Petrosu had made a point of staying in touch with a Romanian grain and oil seed research institute near Bucharest and maintains that the institute has created one of the finest sunflower hybrids in the world, along with much better wheat than most local farmers use. But, he laments, that information has never been widely distributed. And now most of the staff has emigrated to Germany.

He says he understands why people leave, even though Romania has some of the finest arable land in Europe. He points to a hut in his bean field. He has to have watchmen stay in the fields night and day around harvest time, or his crops will just disappear.

### **Dan Marinoiu, Brasov**

What makes a man like Dan Marinoiu, who was a quality control engineer in a ball bearing factory, quit his job and start a bakery?

"I was tired of eating bread that was not fresh, not white, and not good," he says. "My wife asked me 'What do you know about bread?' I didn't know anything about bread. But I know what it's supposed to be like."

That was in 1993. A year later Mr. Marinoiu was running a bakery in his hometown of Brasov. Unlike the large state-owned bakeries, which were still supplying much of the bread there, Dan offered several types of bread instead of the usual two. Not only that, the quality control engineer in him insisted that his bread be of the highest quality.

The public responded. Within a few weeks, lines were stretching out the door of the cramped retail space at the front of the bakery. The bread was selling nearly as fast as he could bake it. The only problem was that bread prices were too low to make the kind of profit he needed to keep his business going.

He saw that he needed to branch out into pastries, since that would allow a higher margin than bread. Since, as he puts it, “French pastry is the best in the world,” he decided to start making croissants, napoleons, and other French delicacies. But what did he know about making French pastries?

Mr. Marinoiu went to a French company that had an office in Bucharest and asked if they could locate a *pâtisseries* to come from France to come and train his staff. They did, and a few weeks later a French pastry chef arrived in Brasov. Before long, the shelves in his shops were offering a variety of croissants, napoleons, mille feuilles, and other flaky delicacies. Once again, his customers responded. He had to keep his ovens running 24 hours a day to keep up with demand.

Despite the success, Mr. Marinoiu was sure that there were things he did not know. He joined the Romanian millers and bakers association, ANAMOB.

“It’s good to be in an association,” Mr. Marinoiu. “You meet people who have the same problems, such as the quality of wheat, and what they are paying for it. We meet suppliers, go to exhibitions.”

“ANAMOB had a strong policy against the government regarding wheat. If I go to the government myself, they say to me: ‘Who are you?’ If I go as a representative of the association, I have a lot more power.”

Through ANAMOB, he heard about ACDI/VOCA. Shortly after, he requested a volunteer.

Page Busken, who runs a 120-year-old family owned and operated baking shop in Cincinnati, went to Brasov in early January 1998. Mr. Marinoiu told him: “I want you to sit in my chair for two weeks and run my business. And at the end of the two weeks, tell me all the things you think I need to do.”

Mr. Busken did. Two weeks later, he had a long list of recommendations to make. Some were for the long term. For instance, he helped Mr. Marinoiu develop a plan for growing the business over the next three years. Also, he suggested ways in which Mr. Marinoiu could structure his staff so that he could delegate some of his responsibilities. Other recommendations could be implemented immediately. For instance, he made several suggestions for using the space in the small retail shop at the front of the bakery more efficiently, as the shop was frequently crowded

Mr. Busken also suggested some new product lines. One of them was a photo cake, itself a new concept in the United States. Using a computer, it is possible to scan a photograph, and then print it on a special edible rice paper. The rice paper photo can then be incorporated into the decorations on the top of the cake. The equipment was not then available in Europe. But some months later, Mr. Busken was able to send Mr. Marinoiu some equipment that had been used at a trade show in Belgium.

Mr. Marinoiu immediately put the photo cake operation to work. For his first cake, he photographed the front page of that morning's local newspaper. He took the cake to the newspaper's offices. The astonished editors quickly inserted a picture of the photo cake in their new day's editions, earning Mr. Marinoiu exceptional free publicity. He now sells 20 or more photo cakes a week.

A problem that had plagued Dan since he began the bakery was the lack of enough quality flour. The large state-owned mills could not be relied on to produce the kind of flour that he needed. And though a small number of privately owned mills were appearing, Dan found he had to import flour from Hungary.

"It was very, very difficult to get good flour. So I asked myself: 'Why not make my own flour?' If I could produce quality flour, there will be a big market for it."

He bought some equipment from an Italian firm that offered reasonable credit terms and set it up in an old mill a few miles outside Brasov in the village of Risnov. The mill was built in 1876, and had been vacant for 25 years. He had to install electricity, gas and water, as well as shore up the foundations.

Mill began operations in February 1999. At present he uses about 12% of the flour he produces. He sells the rest. Presently he can mill 50 tons in 24 hours. With additional equipment, he will be able to mill 110 tons in 24 hours. But that will wait until he has paid off his present equipment.

As with many successful entrepreneurs in Romania, he has followed a policy of carrying as little debt as possible, given that interest rates can sometimes be as high as 120%.

Once the mill was operating, Mr. Marinoiu realized that he needed some technical assistance. "We have no school for millers in Romania," he noted.

Once again, he approached ACDI/VOCA who sent volunteer Pedro Tavares, an expert in mill production and management. Pedro's 10-day assignment in April 1999, helped him focus on a number issues that needed prompt attention. Mr. Tavares was especially concerned with maintaining proper levels of moisture in the wheat, and offered several short- and long-term approaches that could be followed.

He also offered some very forthright observations on personnel and management issues. After muddling along for a few months, trying to implement Mr. Tavares' technical and management



ideas, Mr. Marinoiu realized that he needed someone with more expertise that he himself could offer.

Once again, he turned to ACDI/VOCA and specifically requested that Page Busken come back to focus exclusively on the management of the mill. Since Mr. Busken's first visit, Dan had visited the United States as part of a trade mission led by Romanian President Emil Constantinescu. Afterwards, Dan traveled to Cincinnati where he spent several days studying Mr. Busken's own operations. He saw how much the success of such a complex business depended on good management.

Mr. Busken returned to Brasov in February 2000. He spent considerable time with each employee at the mill, asking how they saw their jobs in relation to the total operation of the mill. He also asked them what they thought Mr. Marinoiu's expectations of them were. Most of them had never had to answer questions like these before. It gave the employees a new sense of focus, and resulted in very clear plans for managing the mill over the next several years. Already, the operation of the mill is tighter, as employees feel more vested in jobs that they helped define themselves.

The task before Mr. Marinoiu and other Romanian millers and bakers is to stay afloat during the present no-growth economy. Their natural entrepreneurial instincts to try the new and the different perhaps need to be retrained for the short term.

His proudest recent innovation is labels. Most of his bread is sold, in the Romanian tradition, unwrapped from a shelf. But soon, he says, he will be supplying stores. "With the label, everybody will know that it is my bread and that it is the highest quality bread they can buy."

### **Regional Tourism and Agrotourism Association (ARTAME): Fagaras Region**

With creation of the Regional Tourism and Agrotourism Association (ARTAME) of the Fagaras Region, many people in this picturesque area of southern Transylvania are coming forward to offer their homes and farms as quiet escapes for those seeking a retreat from the fast lane. With the assistance of ACDI/VOCA volunteer Tom Wood, they are working together to develop a comprehensive marketing strategy that they hope will draw the attention of the world.

The properties of three of the founding members of ARTAME reflect the rich diversity of tourist experiences that exists in the Fagaras region.

Catalin Stoica's mill complex is located in the heart of the old Romanian village of Ohaba, a few miles south east of the town of Fagaras. It includes an old water-powered grinding mechanism that was built in 1873 and still works. Attached to it is the home of his great grandparents who built the mill. It is filled with the simple objects that were a part of every day life a century ago--a painted wooden chest, oil lamps, and hand-woven blankets on the beds. And, in a separate building, it offers a large two-room suite that has been outfitted to accommodate overnight visitors.

Ten miles away, Ovidiu Bochian has a six-room chalet that he built himself where the land suddenly gets steep above the village of Brezea. The chalet is comfortable, but without frills; it is a place where stories are meant to be told into the night. A mountain stream races by a few feet from the front door. The high peaks of the Transylvanian Alps stand there, ready to challenge experienced mountaineers, or offer rustic escapes for casual trekkers. The hunters, who have been coming regularly since Mr. Bochian opened earlier this year, go looking for the mountain deer, bear and other wildlife that proliferate.

Mariana Mirea offers animals of a different sort. She keeps 10 horses, including a Lippizanner, and two ponies on her complex that extends over 20 hectares. Her “Fantanitsa Craiesei” has attracted riding groups from France, although some hunters have come from Germany. They stay in the lodge she built this year that offers three large suites, and three other smaller rooms, each different from the others in its design and decoration, all filled with fresh flowers. They can fish in one of the well-stocked lakes that cover 10 hectares. If they fail to catch anything, they can head for the traditional Romanian style restaurant where she serves generous portions of excellent food.

All three of these entrepreneurs have invested considerable resources in their properties because they see rural tourism as a way, not only of earning a living, but also of holding together the fabric of life in their region.

“If this area is going to stay alive,” stated Mrs. Mariana, “We have got to find a way to keep our young people here. Otherwise they will go abroad to work, and we will lose all the things that they would otherwise contribute to the community.”

Rural tourism, she believes, is as near to a ready-made solution as they have. She and the others believe that by using what they have, they can put the Fagaras region on the map and draw the attention of the world.

Marius-Pompei Clonda, a director of youth programs in the Ministry of Youth and Sport, echoed her sentiments. Mr. Clonda attended the formal launch of ARTAME in October 2000. He noted that if the young people leave, “a sense of continuity that has existed in this land for centuries will be broken.” Rural tourism, Mr. Clonda added, allows visitors to come to a place and “to get in touch with its spirit.”

Several ARTAME members who had traveled to Hungary on a study tour in September 2000 knew exactly what he was talking about.

“Tourists prefer seeing things as they are,” observed Mr. Bochian. “We don’t have to give them another shape.”

“We were amazed,” recounts Mrs. Mirea, “how so many old things we think of as junk – you know, things from the corners of the barns – were being used as part of the decorations. They said that the visitors loved to see these things.” Several members joked, at a recent gathering of ARTAME, that when they got home, they quickly went digging similar disused items from the past out of their attics for display in their properties.

“We really didn’t know the value of these things,” stated Mr. Stoica, who said that he and his mother, Virginia Popa, and grandfather, Ion Serban, were motivated to revive their old water-powered mill and created a museum out of the miller’s house attached to it when they began to understand that visitors would be willing to pay money to enjoy them.

This is precisely what Fagaras Chamber of Commerce president Gabriel Vaju had in mind when he pushed for the creation of ARTAME. With the faltering of other local industries, he believes tourism can become an important economic factor.

Volunteer Tom Wood agrees, though cautions that tourism is “not something that happens over night. You need to be committed for four, five, or six years.” Speaking at the ARTAME launch, he stated that “it is going to take the talent of the whole community to make it happen: political leadership, people with computer skills, graphic artists. You name it; we need everybody.” The benefits, he added, are new jobs, increased cash flow into the community, and a sense of pride that comes with sharing one’s home with visitors.

Mr. Wood recalled meeting the 12-year-old granddaughter of one of ARTAME’s founding members on his first visit to the region. Her name is Veronica. “What we are doing here,” he said “is securing Veronica’s future. We are here for Veronica.”

### **National Agricultural Consulting Agency (ANCA)**

Each of Romania’s 42 counties has an office of the National Agricultural Consulting Agency (ANCA), the agricultural extension service. In Braila County, where ACDI/VOCA has been providing training to extension agents and farmers for the past year, there are 16 agents, each working from a local center.

Lica Serban is one of those agents. As such, he is the crucial link that connects all of ANCA’s resources with the farmers. From a small office in the village of Viziru, he works with farmers, trying to nudge them to consider ways of farming that are different from what they know.

“Trying to tell a farmer that he ought to do something differently is not easy,” notes Mr. Serban with a smile. “The big farmers with large holdings are willing to put new methods into practice. They have to have money to do so. But smaller farmers are much more traditional. They have no money for tractors, or combines, or modern seeds. They come to see me only because they think I can get them credit.”

Mr. Serban was instrumental, though, in bringing several farmers from Braila County to seminars held by ACDI/VOCA. Those who attended found the experience useful, particularly for the management tools that were offered. Mr. Serban feels that more will come to future seminars, as positive word-of-mouth has been spreading about them.

One area where Mr. Serban feels he has been making some measurable progress has been in encouraging several farmers to plant demonstration plots with seeds from American producers such as Pioneer. He provides information; the companies provide the seeds. With the farmers

and representatives from the seed companies, he analyzed which seeds would be best for that area. About 50% of the farmers around Viziru have agreed to plant Pioneer seeds for wheat, corn and sunflowers.

At the time of the first harvest in 2000, the results have been heartening. A farmer who planted 30 hectares of Pioneer corn seed is expecting a yield of eight tons per hectare, or about 13% more than he would have obtained from Romanian seed. And this, he points out, was in a year of crippling drought when he had no irrigation.

Mr. Serban admits that even he was amazed at such yields. He tells about being stunned at seeing a twelve-inch ear of corn that had 18 rows of kernels and a diameter that was about 60% larger than Romanian varieties.

Another farmer planted 60 hectares in Pioneer sunflower seeds. The average yield of Romanian seeds is 2,700 kilos per hectare. But the farmer was harvesting 3,700 kilos per hectare. A hard rain had damaged half of his crop; without that, he feels he would have harvested closer to 4,000 kilos per hectare. In addition, because the Pioneer seeds are disease resistant, he can plant them in the same fields again next year. Romanian sunflowers are susceptible to the parasite orobanch cumana and have to be rotated every year.

This farmer, said Mr. Serban, is a teacher. He works his land after a day in school. He works 120 hectares that he has assembled through what is known as a family association, where several relatives pool their land to get around present limits on land ownership of 50 hectares per person. Perhaps because he is a teacher, he is more open to new ideas. He does a lot of research on his own. In 2000, he invested about \$150 per hectare. He expects a return of about \$600 per hectare.

That is the kind of success story that Mr. Serban feels will make his job easier. As other farmers see tangible evidence of the new ways of farming, they are more likely to be open to trying them themselves.

Mr. Serban is eagerly looking forward to the model farm that is about to be established by former ACIDI/VOCA volunteers Jay Lee Smith and Norval Dvorak. He believes that it will provide the kind of impetus that the area needs to develop its rich lands.

## V. Lessons Learned

### **A. In implementing a volunteer agribusiness assistance program in a country as large as Romania, it is absolutely essential to focus on a few key sectors, target a core of strong progressive companies, and focus on a limited number of issues to enhance competitiveness.**

During its tenure in Romania, ACDI/VOCA allocated a significant portion of its assistance on meat processing and milling and baking because of their fundamental role in the country's diet and the inherent potential of the sectors due to the natural and technical endowment. Focusing on these sectors had a number of benefits:

- Due to the common use of the products in these sectors, the impact of improvements to business operations was widespread.
- Over time, program staff was able to learn of the key factors inhibiting growth in these sectors and target those for consulting assignments.
- Over time, we were able to single out key players and entrepreneurs as primary candidates for assistance.
- Such companies were targeted for repetitive assistance, which is necessary if meaningful progress is to be made.
- Repetitive assistance also enabled the formation of trade associations, which has been instrumental in beginning the lobbying process in Romania, in disseminating information and generally improving the business environment.

Attempting to scatter volunteers across sectors ranging from 'gladiolas to goldfish' will short-circuit the learning process as well as the resounding effects of repetitive assistance. Instead, concentrating on select products groups for which there is existing expertise, natural potential and strong demand will leave the program to focus on refining business and technical issues. For example, in addition to meat and baking, apples were chosen as a promising sector due to abundant orchard stock, favorable soil and climate and good genetics. Trying to develop a new or niche product is not advisable due to the limited impact and the numerous difficulties of the business environment. However, we stop short of condemning such assistance as our program did dabble in other sectors when an opportunity presented itself.

On a company level, issues are similar across sectors:

- Product quality: sanitation, raw materials, storage and distribution, new products
- Production efficiency: methods, machinery, staff training, operations
- Business techniques: marketing, human resources, financial management

Once a core group of progressive, entrepreneurial companies have been identified in a sector, the program is better able to push key themes and initiatives. For example, the meat processors are in the process of implementing a quality seal to put on members' meat products. They also intend to establish the HACCP food safety program. The association of millers and bakers is playing a role in the implementation a grain warehouse receipts program. These ideas are supported by program assistance and ACDI/VOCA is often the origin of the idea.

In summary, in order to maximize impact in the agribusiness sector, it is essential for a volunteer program to direct activity within a few key sectors, several (15-20) strong companies within those sectors and to spearhead a few crucial issues essential to competitiveness. Only by narrowing the scope to a reasonable degree will the program be able to register meaningful progress. Again, scattering assistance across sectors and companies without any cohesive strategy will ensure futility. It is imperative to concentrate on progressive companies in order to attain notable success. In achieving such success, then publicizing it, the less progressive, more risk averse companies will soon follow.

The process of finding such companies takes time. At the outset of a program, a good deal of time should be spent in the field, visiting businesses, and talking to managers. One should be absolutely clear that the program offers simply information and NOT money. This should weed out a good number of candidates. Though first impressions don't always hold they do tell a lot about a person's approach to business. Those managers who seem unfocused on any one business, seem hopeless and blame their plight on the lack of government help are quite common and should probably be avoided. As should those that seem to know all the answers (narrow-minded) or have succeeded due to connections rather than business acumen. If chosen, the outcome of the first assignment will indicate whether the client is working with any further.

#### **B. Require beneficiary contribution as a condition of participation.**

In marketing our services to local clients, one should take time to explain the nature of our work and the reasons that the U.S. government is sponsoring it. Offering free consulting services is counterintuitive to many people and may make them suspicious. At the same time, be careful to describe the value of this service because free service is often interpreted as low-quality service. On certain occasions, this has resulted in volunteers being treated inappropriately upon arrival.

#### **C. Engage beneficiaries in project design, implementation, and monitoring and evaluation.**

Also crucial to the success of an assignment is the client's involvement in developing the scope of work. Buy-in is essential on the client's part if he is expected to prepare and execute the assignment properly and to implement the recommendations afterward. Ideally this would be done in person at the client site, though time and distance does not always permit this. Take care to focus the subject matter of assignments.

Clients will likely be too ambitious in their scope, so they will need guidance. For instance, writing a business plan is not possible in such a short period. Better to focus on specific technical information, particularly on the first assignment. This is an area in which client and consultant are most likely to find common ground. In the latter part of the assignment or on a second visit, more abstract business concept such as marketing and management may be breached more easily.

**D. Fit consultant time to the assignment and maximize impact with piggyback assignments.**

An informal survey of volunteer consultants has revealed that they rarely need to spend more than a week to ten days with any one client. If an average volunteer assignment lasts three weeks, then a volunteer can consult to 2-3 clients per visit. Therefore, if a program hosts 40 volunteers annually, the program can expect to conduct roughly 100 consulting assignments. Assignments done in addition to the primary assignment are often called piggybacks. They comprise an excellent opportunity to maximize the impact of a volunteer's time and should be figured into program planning at the conceptual level.

**E. Engage local specialists at every opportunity.**

In addition to volunteer assignments, there a number of other activities that can be done to disseminate useful information and promote the business sector. Periodic seminars and conferences can be held using both ACDI/VOCA and Romanian consultants. This is a particularly cost effective means of providing quality information to a larger group of people. Seminars can cost as little as \$500-\$1,000 as local facilities and experts are not expensive. Therefore, it is important to keep a database of competent local experts, which you will surely run across in the field. Though Romanians can be skeptical of taking advice from one another, this prejudice can be quickly overcome by confident, capable professionals. Romanian lecturers are particularly valuable because they can tailor their lectures to local conditions. However, be wary of so-called experts from the old state establishment with inflated credentials. ACDI/VOCA volunteers can augment an agenda by planning seminars to coincide with consulting assignments.

**F. Identify common agendas and build social capital through joint activities.**

Co-sponsoring trade association conferences was frequently done as a means of promoting unity of association members and creating a common lobbying agenda. In addition, co-sponsoring rural agricultural festivals is an effective means of promoting small business and raising community spirit. They were often held in conjunction with a press conference. These events can also be quite economical while providing valuable media exposure to associations, businesses and communities.

**G. Seeing is believing; incorporate international study tours into project design.**

The U.S. and Eastern European Study Tours are also an essential complementary component. The underlying purpose of USAID assistance is to provide valuable information to host country nationals that is not otherwise available. Taking clients abroad to observe successful business practices of counterparts in the West is probably the most profound manner in which to expose them to alternative ways of conducting business. To stimulate ideas, to dissolve old habits and to create new contacts there is simply no substitute for taking people out of their native environment to witness successful practices first hand.

## **H. Industry associations lie at the apex of sector competitiveness; maximize their potential through technical assistance and training.**

As mentioned previously, association development should be a primary component of any business development program. Concentrating assistance on associations has been fruitful for a number of reasons:

- They generally attract the more progressive businesspeople, which are more receptive to our technical assistance, thereby providing a pool of eligible clients for assignments.
- ACDI/VOCA assistance provided to associations and its members has a greater chance to proliferate due to the membership network.
- Repeated assistance to a network of proven clients within an association has a greater chance for impact than sporadic assistance to different clients throughout the country.
- Through assisting associations, projects are serving the multiple purposes of more effectively disseminating technical assistance to individual enterprises, improving the overall business environment and endorsing democratic processes.
- Tracking results of an association and its members is easier because of more open communication channels.
- Strong associations launch their own initiatives, which they ask donors to co-finance. These usually require few resources and are great publicity for ACDI/VOCA. Thriving, independent, local associations that were established through the support of implementing partners such as ACDI/VOCA are the best evidence of donor effectiveness.

## **I. Project approach should incorporate the following themes: leadership, targeted beneficiary selection, appropriate scope, local contribution, realizable objectives and appropriate sequencing of activities.**

- *Leadership.* Important to identify a dynamic leader with a self-starting attitude and to get buy-in from members on his leadership. Too often, someone from the old guard is appointed because of his seniority or because he has nothing better to do. This is a sure indication of failure.
- *Selection.* In choosing associations with which to work, go through a selection process. There will be several existing associations, some more established than others. Don't assume that longevity means effectiveness, particularly in the post-socialist environment. Young associations, or even a group of motivated individuals, may be a better target for assistance because they carry no bad organizational habits and have initiative. In any case, set criteria for association to qualify for assistance and see who meets them. Probably only a minority will do so.
- *Scope.* Set out to provide assistance to a small number of associations, say 2-4 at first. Each will need repeated assistance to achieve success, so program funds do not permit support to a large group. From a logistics perspective as well, it is impossible to be everywhere at once. Resources spread thin won't show results. It is better to create a few successful model associations and to publicize them to encourage replication.
- *Conditions.* Make all assistance conditional. Leaders and members should match our funding and assistance through efforts or financing of their own. We are doing no favors by consistently giving assistance away. They will never become self-sufficient.



- *Focus.* Choose associations in sectors that have growth potential and appeal to USAID.
- *Start small.* At the outset, momentum is key. Set simple, realizable objectives that can be met in the short term. Small successes will galvanize support and foster initiative. Doing the impossible is exactly that. Attempting to do so will only sap enthusiasm.
- *Sequence of objectives.* Though associations often initiate cooperation to approach the government, this is an ambitious prospect not to be entered into lightly. Before this can be done, the organization has to be somewhat established and cohesive. In order to achieve this, they must first establish internal procedures, attract members and collect dues. Several meetings must also be held to determine key issues and proposed solutions. Associations may also need to develop and provide services in order to attract the necessary members to assemble a strong coalition that can effectively lobby.
- *Sequenced assistance.* For each chosen association, map out their strategy for the coming year and then plan program activity around it. For instance, for any one association in a year, a good program mix could be 3 volunteer assignments, one East-to-East trip, two technical seminars, one festival and co-financing of a quarterly informational bulletin. These activities may concentrate on special initiatives such as establishing a quality standard or implementing cooperative marketing. Each activity would be designed to benefit both the association and select individual members.

#### **J. Do not underestimate the importance of public education and public relations.**

Always be attentive to public relations. By virtue of being a U.S. sponsored program the press will pay attention to our events. Use this wisely because it will be of benefit to clients and the country as a whole. Establish relationships with key publications and TV shows and keep them abreast of activity. This is essential to the impact of the program.

Though the best results come from working one-on-one with clients, it is impossible to have a widespread impact in this manner due to lack of funds and the sheer size of the country. The majority of Romanians would not be immediately receptive to advice in the first place. Hence, the importance of concentrating on progressive companies who are willing to do things differently. Publicizing their accomplishments induces others to follow, thereby stoking innovation. This is the best and perhaps only effective way for a program of this scope to stimulate widespread modernization.

In summary:

- Focus on key sectors
- Identify and target progressive companies and entrepreneurs
- Use program activity to support development of trade associations among these companies
- Concentrate and repeat assistance on several issues relating to competitiveness
- Balance the program between volunteers, seminars, conferences, festivals and study trips
- Set out small goals at first and register successes to gain notoriety and momentum.
- Publicize successes
- Don't force anybody to do anything. Just give good advice. Only a few innovators will follow. The rest will get in line once new methods have shown results.

## **VI. Background and Accomplishments**

USAID and the US Embassy in Romania developed a joint set of strategic objectives related to agriculture and agribusiness development to create a framework for the activities of all grantees and contractors. ACDI/VOCA, which has been active in Romania for many years and has a well-developed network of partners and clients adapted its program to fit within these strategic objectives to the extent possible given the provisions of the grant agreement. Our program focused on developing Romanian agribusiness associations and providing support to firms and entrepreneurs within selected agribusiness sectors (livestock & meat processing, grain production & processing, and other key agricultural sectors). The following details how the ACDI/VOCA program supported USAID strategic objectives in Romania.

### **A. Promotion of US Agricultural Exports**

The ACDI/VOCA Program in Romania did not generally target the promotion of US agricultural exports, but it did attempt to include activities that supported this objective on a case-by-case basis. The volunteers that were brought to Romania were good salesmen for US goods and services, sharing their experiences using American products with their Romanian hosts. The consultations acted as effective transferors of American technology that could lead to demand for exports from the US to Romania. For example, recent volunteer projects have discussed the prospect of setting up test plots of field crops using no-till technology as a means to lower fuel costs and lessen the dependence on irrigation. The volunteers stressed the quality of John Deere drills, insisting that they were the best tools for the job. ACDI/VOCA later wrote a concept paper for a research grant on behalf of the Agricultural Producers Association of Braila in which John Deere drills were budgeted.

### **B. Promotion of US Investments in Romania**

ACDI/VOCA organized consulting assignments for farmers who are seriously interested in developing private farming activities in Romania. During the second and third quarters of 2001, ACDI/VOCA continued support of volunteer Jay Lee Smith's efforts in the development of American style commercial farming operations in the Braila county area. Mr. Smith is in the process of purchasing farmland and has identified 300 hectares of land that could be purchased. Through ACDI/VOCA, he uses the services of a local consultant in the Braila area to research the availability of land parcels for purchase. In the third quarter, Mr. Smith finally managed to purchase his first nineteen hectares. In the fourth quarter, his total land area increased to 60 hectares and will soon increase again.

ACDI/VOCA also worked with Norval Dvorak in his efforts to implement a farm project while on a personal visit to Romania. Mr. Dvorak would like to set up a fully integrated model dairy farm complete with waste-processing technology designed by his company, Packerland, of Green Bay, Wisconsin. The idea has been presented to Lawrence Johnson of USAID, who maintains that there may be some funding for the waste-processing aspect of the project. ACDI/VOCA also forwarded a report to Pat O'Brien of the RADA project that actively promotes U.S. investment in the livestock sector.

In the third quarter, in collaboration with the RADA project, ACDI/VOCA fielded Dr. Arthur Kull to explore investment into the food processing market. Dr. Kull has developed a substance derived from potatoes called microcrystalline potato that acts as a high-protein extender for meats and cheeses. After touring the country, visiting several cheese plants, and meeting with the Executive Director of the Romanian Meat Processors Association, he is awaiting further market data before considering marketing his product in Romania.

ACDI/VOCA also put RADA in touch with Csaba Kiss, the Executive Director of Hegyalja Micro-Regional Development Association. Mr. Kiss is interested in finding investors to process timber waste (sawdust) in Harghita Judet. RADA has been in touch with a Texas company that makes construction materials out of sawdust and will pay for a company representative to visit Romania and conduct a feasibility study.

### **C. Access to Credit & Financial Sector Reform**

In 2000, ACDI/VOCA financed the printing of a Credit and Finance Guide produced by the Brasov Business Center. It was distributed to Romanian SMEs via our partner associations and by word of mouth. The guide, which is intended for Romanian SMEs, provides a comprehensive overview of the credit programs available to SMEs in Romania. ACDI/VOCA has also discussed how the guide might be updated and put on the Web. ACDI/VOCA did not have adequate funds to update the guide, but the Center has agreed to take the guide on as its own product and will likely sell the next edition (\$2 to \$3 per copy). This would allow them to re-coupe costs and perhaps profit from the venture in addition to marketing their consulting services.

In addition to the guide, the Brasov Center cooperated with ACDI/VOCA to develop feasibility studies for loan and/or grant proposals for clients. These services were provided on a cost-sharing basis (ACDI/VOCA and the client each covered 50% of the cost). In 2000, the Brasov Center completed four of these assignments. Two were for bank loans and two were proposals for RICOP financing. The first proposal was not successful, the two RICOP proposals are on hold because of delays in implementing the RICOP program, and the fourth (to Ion Tiriuc Bank) was successful. With this proposal, the client (from Brasov) was able to secure a loan of 170,000 Euros for the expansion of his meat-processing business.

### **D. Promotion of Policies Supporting Agriculture**

The ACDI/VOCA program works through our partner associations to influence Romanian government policies. ANAMOB has been repeatedly successful in its lobbying activities, including:

- ANAMOB has been instrumental in shaping the legislation for the upcoming grain warehouse receipts system and will take a leading role in its implementation.
- As far back as 1996, ANAMOB successfully fought against price controls on food.
- In 1997, ANAMOB joined with ARC to repeal a food tax designed to raise funds for the state workers' pension fund. In 2001, ANAMOB managed to significantly reduce a revenue tax to fund agricultural disaster relief from 3% to 0.5%.
- ANAMOB successfully lobbied to reduce the VAT on grain from 19% to 9%.

In addition, ANAMOB participates in the Economic Social Council, where it meets with government and trade unions to consider the ramifications of issues. Government and NGOs not only have increasingly recognize ANAMOB for its representation of the millers and bakers, but for its ability to articulate issues affecting agriculture in general.

We are continuing to support the efforts of ARC to influence policies related to the imports and taxation of meat and meat products. ARC has been successful recently on the following:

- As of October 1st, import tariffs on carcasses will be reduced from 45% to 20%, significantly decreasing the cost of raw materials to processors.
- Due to misuse of defavorized zone tax exemptions, the government will crack down on firms, including many meat processing firms, who compete unfairly by unlawfully claiming these exemptions.
- Starting November 1st, meat processor will no longer have to pay salaries of on-site vet inspectors, which had created a conflict of interest. Instead, processors will pay a much smaller fee to the government to mitigate the conflict and encourage objective inspection.

Currently, ARC is lobbying to reduce VAT rates for food and food products to 11%, in the hopes of bringing them more in line with rates in other European countries. They would also like to reduce import tariffs on other raw materials for meat processing.

The appointment of Mihai Lungu, the former president of ARC, to the position of Secretary of State in the Ministry of Agriculture, has been beneficial to ARC's lobbying efforts, as much of the progress has occurred recently. Secretary Lungu is also actively promoting foreign investment into former state hog breeding facilities and supporting other initiatives designed to stimulate growth in hog production, which will eventually make processors less dependent on imported carcasses.

## **E. Expansion of Agribusiness Associations**

Assistance to agribusiness associations is the primary focus of the Romanian Agribusiness Development Project. ACDI/VOCA supports targeted organizations through volunteer assignments, international study tours and through sponsoring various initiatives. The main objective in assisting associations is to ensure that they have a cohesive strategy, provide useful services to members and work toward representing members' interests to the government.

### **E.1. Primary Associations**

ACDI/VOCA has continued to support initiatives of our two primary partner associations – the Millers & Bakers Association (ANAMOB) and the Romanian Meat Association (ARC). ARC and its members hosted several volunteers in 2001 to establish standardized procedures to ensure product quality and safety, to modernize processing facilities and to improve business techniques. Seminars and consultations using local consultants were also supported. ACDI/VOCA sponsored a joint General Assembly and press conference to launch the Quality Seal program.

As with ARC, ACDI/VOCA continued to support the activities of ANAMOB, but at a lower level than in the early years of the program. ANAMOB has become a well-established, and highly visible, agribusiness association, and it will be a true legacy for the program in Romania. ACDI/VOCA provided two volunteer consultants in 2001 for the milling and baking industry, and one to publicize the need for a grain warehouse receipts system. ACDI/VOCA collaborated with ANAMOB on the Simopan conference in November and sponsored a nationwide farmers' survey on the grain storage situation in Romania.

## **E.2. Other Associations Located and/or Assisted**

Aside from work with longstanding partners ACDI/VOCA helped establish several new associations in 2000 and partnered with other existing associations. ACDI/VOCA was instrumental in the formation of The National Union of Hog Producers (UNCP), a national association of small and medium scale private hog farmers and sponsored UNCP's general assembly in 2000 and 2001. It also provided volunteers to consult to UNCP's members and facilitate greater coordination with ARC.

ACDI/VOCA assisted in the formation of the Association of Agricultural Producers (APA), a farmers association in the Braila area. ACDI/VOCA volunteers helped design association and individual members' strategies and priorities. The association has managed to attract about 80 members. The goal is to provide them with needed technical and business information and help them to minimize government intervention in the market. In the third quarter, APA launched the League of Agricultural Producers of Romania to unite farmers throughout the country to gain representation in government.

ACDI/VOCA volunteers made recommendations to several apple farmers in the Voinesti region that led to the formation of the Dambovitza Apple Growers Association in September 2000. The area is famous for its apple production and is the site of the most prominent apple research center in Romania. Key members of the association went on a study tour to the US in November 2001 and were able to witness farm operations in the US and learn how associations are organized and provide services to members. One of the organization's key developmental goals is to establish the capacity to store, sort, pack and market their produce as a cooperative, so that it may be sold at favorable prices. In 2001, the association hosted two volunteers on strategy and proposal writing and an additional volunteer in the fourth quarter to advise them on establishing the cooperative.

Two volunteer assignments and a trip to Hungary resulted in various stakeholders in Fagaras joining forces to form ARTAME, a rural tourism association. ARTAME members have received assistance in proposal writing, event planning, and training in how to attract and accommodate tourists to the region. Volunteer projects were done in May and September 2001 to assist in the planning of two major festivals and in plotting ARTAME's strategy for the coming years.

ACDI/VOCA identified existing organizations as worthwhile recipients of assistance from RAD in 2001. In the meat sector ACDI/VOCA collaborated with ARC and the Brasov Business Center on a PHARE-financed program to introduce the HACCP food safety system in Romania. The first HACCP expert introduced the concept in July 2001 to the Brasov consultants, the Executive

Director of ARC, and to several of ARC's members. A second volunteer was fielded in October 2001 to implement the HACCP system into two of the most progressive meat processing plants.

In the field of organic agriculture, ACDI/VOCA established a good working relationship with the BIOTERRA organization based in Cluj. ACDI/VOCA assistance to BIOTERRA has focused on strategy development, improving service provision, public relations and cooperative marketing. BIOTERRA hosted a volunteer in May 2001 who worked on public relations and service development. Another volunteer fielded in September advised on establishing a marketing cooperative. ACDI/VOCA also provided proposal writing assistance and co-financed BIOTERRA's third annual conference in October.

Csabo Kiss, the dynamic leader of Hegjalya Micro-regional Development Association (HMA), requested assistance in early 2001 and an active partnership evolved. HMA has received assistance in strategy development, proposal writing, publications production, and tourism development. In 2001, ACDI/VOCA consulted with member farmers in dairy farming and local authorities in developing the tourism infrastructure. In September, ACDI/VOCA co-financed a seminar given by Mr. Kiss for representatives from a micro-region in Botosani who wanted to launch a similar micro-region development organization. ACDI/VOCA has also provided Mr. Kiss with contacts to World Learning and a West Virginia rural development specialist, both of which have led to grants.