

## Partnerships for Food Industry Development (PFID) Concept Paper

The Global Center for Economic Growth and Agricultural Development, Office of Agriculture and Food Security (G/EGAD/AFS), in collaboration with the regional bureaus and field missions, is designing, for start-up in FY 2000, a program whose objective is to help developing and transition economy countries increase food quality and export earnings. Areas of program focus will include:

- Promoting a science-based legal, regulatory and policy framework for international trade in food products and
- Adapting and applying food processing technologies and marketing systems to create value-added products or improve the safety and quality of processed products for domestic and global markets.

Given the nature of the proposed activity, it is expected that universities are the most likely partners to lead the implementation. The program will be implemented through a grant or cooperative agreement to one or more universities. Universities would be expected to mobilize the best combinations of public and private sector partners that can bring their respective talents and resources to bear on the program objectives. These could include other universities, agribusiness enterprises, trade associations and U.S. government regulatory agencies.

It is expected that such partnerships will support U.S. private agribusiness investment in the food industry sector of countries to increase their efficiency, lower production costs, and decrease transaction costs associated with marketing.

This is a particularly urgent need because global trade, now more than ever, looms as a potential choke point for economic growth and market expansion in most of USAID's client countries. The Under World Trade Organization Agreement on Sanitary and Phytosanitary Measures (SPS Agreement), countries will have to adhere to the "rules of the road", including science-based food safety and quality standards, in order to compete in international markets. Currently, the discussions which determine these standards are dominated by consuming countries, setting long-term trade parameters without the optimum, fully-informed, participation of the developing countries that account for much of the raw materials and fresh food exports. Food trade issues are arguably the single most controversial topic in current global trade negotiations. It is in the interest of US and other industrialized country agribusiness, as well as in the interest of USAID's client countries, to "level" this playing field.

**Key program elements:**

The purpose of this activity is to improve the quality of food, and thereby provide sustainable income and employment opportunities, in selected developing and transition economy countries and to prepare countries to participate more fully in world trade. Accomplishing this purpose requires attention to two principal sets of food industry issues, by developing within the PFID partnership, the following areas of excellence:

- (a) **Promoting a science-based legal, regulatory and policy framework for international trade in food products, including:**
- global trade regime enhancements in food safety and quality under the Sanitary-Phytosanitary (SPS) agreement of the World Trade Organization (WTO),
  - improving national food codes and control systems to reflect a science-based approach to ensuring safe food for domestic consumption and for export...

The purpose of this element of PFID would be to help client country governments, industry associations, growers and exporters meet or exceed international and importing country standards and regulations designed either to protect the consumers (food safety) or the farmers (food quality, or phytosanitary, considerations). Collaboration between universities and industry, both in the US and in client countries, can also help inform and enhance global and regional negotiations on food safety and quality trade regulations and standards. The food quality element in the program will also address, of course, the more basic question product quality as a matter of competitiveness with the quality of product buyers can source from other countries.

- (b) **Adapting and applying food processing technologies and marketing systems to create value-added products or to improve their safety and quality for domestic and global markets, by addressing the following sub-industries:**
- Packing, storage and transportation to processors,
  - Processing and packaging of fruits, vegetables, meat, fish, dairy products, specialty foods and beverage products using a variety of technologies, including canning, freezing, refrigeration, dehydration, and aseptic manufacturing, and

- Food business development, including both retail and wholesale marketing.

The purpose of this area of excellence would be to adapt and transfer the various technologies and processes that assure cheaper, higher quality, and safer foods leaving the farm, getting processed into higher-valued products, and being shipped to their retail destinations with a minimum of damage, transit time, and loss.

The PFID approach, and its opportunity for success and impact, hinge critically on the following key features, which are essential criteria that the implementing consortium must meet:

1. The consortium must draw upon the complementary strengths of US universities, industry associations and individual agribusiness firms, and demonstrate that all these partners have a clearly defined vision of how they can cooperate to their mutual benefit, and to the benefit of their counterparts in the USAID client country.
2. The PFID consortium must also consist of strategically selected university, agribusiness association, individual firm, and other partners from the countries or regions where USAID operates, and these partners, too, must have a clear role and vision for their participation in PFID.
3. The PFID consortium will have identified a specific agenda of particular industry or country opportunities or issues that, in their estimation, are particularly promising and particularly amenable to being addressed through PFID and other USAID programs.

#### **The Leader-Associate Assistance Instrument**

This five year mechanism, will consist of one "Leader-Associate" Cooperative Agreement (CA). The Leader Agreement will be signed with one or multiple universities and their consortia or partnerships comprised of agribusiness firms and associations, other universities and research institutions from the US and client countries. The consortium or consortia must be capable and motivated to develop and implement innovative approaches to solving a range of problems affecting technologies, policies or commercial aspects of food industries development. G/EGAD's Agricultural Enterprise and Marketing Division (AEMD) will manage Leader Agreement.

Funding for this five-year activity is expected to consist of approximately \$1 million per year from Global Bureau for the Leader Agreement, with additional funding through an Associate Award Programs. These Associate Award Programs will arise as other USAID offices seek to "buy into" the consortium to conduct any work that falls within the scope of the relevant Leader Agreement. The subsidiary Associate Award Programs could be executed either as grants or cooperative agreements. There will be no formal competition requirement, nor dollar ceiling, on the Associate awards, and each of them will be negotiated and managed by the funding office and its relevant Agreements Office.

### Background and Rationale for the Food Processing, Safety and Quality Partnerships

The globalization of food marketing systems and increased importance of processed food in all markets has created a new environment for food industry development. The integration of agricultural markets on a global basis and the growing influence of regional and global trade agreements have proven to be a powerful combination for change in world food markets.

- The Uruguay Round of the GATT set a new path for trade in agricultural products but, as the agreements go into effect under the WTO, many developing countries lack the expertise to improve policies and strengthen their institutions to capitalize on the opportunities for market access afforded under the agreements.
- To remain competitive, exporting countries will have to meet international quality and safety standards set under the auspices of the WTO Agreement on Sanitary and Phytosanitary Measures by the designated standard-setting bodies (Codex Alimentarius Commission, Organization de International Epizooties, and International Plant Protection Convention). Furthermore, countries will need to be able to certify their production systems in accordance with internationally-recognized standards of quality assurance (including Good Manufacturing Practices, Good Agricultural Practices and Quality Management Systems of the International Standards Organization - ISO) and process control (such as HACCP).

Although international standards are likely to influence trade in food products for the long term, meeting the safety and quality standards of major markets for imported foods are also an immediate concern of those countries intent on accessing those markets with their food products. For example, both in the U.S. and the E.U., heightened consumer concern about food safety is causing change in the regulation and inspection of food products. These changes must be taken into account when developing a plan to export food products into these markets.

Evidence from the U.S. and other countries confirms that as development occurs, the composition of agribusiness changes, and a higher percentage of agricultural commodities are processed rather than consumed directly. As a result, the post-harvest components of food production become increasingly important and can serve as a source of income growth. Post production activities, such as post-harvest handling, storage, processing, preservation, marketing, distribution, and utilization, are rarely part of agricultural development programs, in spite of their potential economic and health benefits. Both on the farm and off, post-production activities play a critical role in the food chain by assuring consumer access and availability of an adequate and diverse supply of high quality, low-cost, and safe food throughout the year.

Furthermore, the industry communities that operate in this agribusiness marketing chain - notably the packers, transporters, processors and packaging manufacturers, and the food marketers/wholesalers/retailers, are increasingly seeing their individual and collective mission as a global one. Consequently, both through their respective associations, and individually as firms, they are articulating vital interests and objectives that coincide or overlap with those of USAID and its client countries. G/EGAD already has a range of innovative strategic partnering arrangements (such as the new sustainable cocoa initiative) and trade and investment undertakings (such as the PRARI alliance involving US and Russian agribusiness and banks, provincial or oblast parliaments and governors, and US funded Russian legal, business and policy experts). These innovative efforts put the Center on the cutting edge of USAID's effort to interact with, and capitalize upon, this encouraging trend.

Low cost technologies for improved food processing are in great demand in developing and transition economy countries. For example:

- in countries where dairy products are in short supply, entrepreneurs are searching for available technology and joint investors to produce soy milk and other soy based food products.
- In Honduras, a group of farmers increased their returns from bean production through improved grading and packaging which allowed them to reach new markets.
- In Cameroon, USAID found a small company looking for advice on low-cost, hygienic packaging for yogurt and helped it find a U.S. supplier which led to a joint venture.

Two activities managed in the office of Agriculture and Food Security, the Regional Agribusiness Project (RAP) and the Collaborative Agribusiness Support Program (CASP), have made significant contributions in the areas of food safety and post-harvest technical support and training. These activities provide background for the initiation of a new activity in food industry development. RAP helped pioneer USAID assistance in the

processed food, organic foods, and other value-added agricultural products. Assistance will include obtaining information and training in market requirements with particular attention to internet-based systems. The latest cost efficient information technologies will be employed to create a virtual information and training system, providing web-based access to the latest technical and market information of interest to agribusinesses. Emerging international food safety standards, such as HACCP-based safety systems, and quality management standards, such as ISO 9000, will be the focus of training and information systems.

An important export market for many developing and transition countries is the U.S., and this project will provide access to U.S. government agencies responsible for establishing and enforcing U.S. Food safety regulations through partnerships with such agencies as the USDA, FDA and EPA.

For universities, this activity will provide an opportunity to extend their ongoing collaborative efforts with U.S. food industries into the international arena. Universities with strong domestic food science and technology programs can increase their international activities in concert with the growing international portfolio of the U.S. food industry. This activity will mean increased collaboration between international agriculture programs and food technology programs at U.S. land grant universities. It will also mean increased multidisciplinary activities as universities seek to bring the best of their experience in international agriculture development together with the best of their expertise in food science and technology to bear on the problems encountered in developing countries. Finally, this activity will be an opportunity for universities to actively engage in downstream postproduction development projects which will translate hard-won advances in international agricultural research into economic growth in developing countries.

For food businesses in the U.S., partnerships for food industry development will provide new opportunities to participate in foreign markets. Many developing countries are in the early stages of establishing standards for trade in food products. The production standards which will be developed during the current era of expanding free trade are likely to have a profound effect on food trade to and from these countries for the foreseeable future. Providing technical assistance, such as the application of good manufacturing practices, is an opportunity for the U.S. food industry to join other developed countries in shaping the future of world standards in food trade.

For food businesses in developing countries, partnerships for food industry development will provide the links to U.S. food industry and universities that are necessary to grow their markets for processed and value-added foods. For example, private sector trade associations, which are essential to establishing and sustaining industry-wide food standards, could be strengthened by forging links with the counterpart U.S. trade associations. Technical assistance and training and adaptation of existing technology by

U.S. universities and food industry partners will facilitate growth in the food processing sector of the economy, both for domestic consumption and for export.

#### Related USAID and USG Programs

Within USAID there are a number of activities, administered through regional bureaus, which provide assistance in the areas of food business development. These include projects in the areas of food safety, improved food grades and standards, postharvest storage and processing, and market development.

The ENI bureau administers an Agribusiness Partner Program which links U.S. agribusinesses with specific food businesses in Moldova and the Ukraine, including dairy and poultry processing. In Eastern Europe ENI is also working with local trade associations, such as millers, meat packers and dairy processors, to upgrade processing practices and improve packaging and marketing of products in their respective industries. The ENI bureau's efforts to improve food business in the region are targeted to the private sector with strong program linkages to U.S. food businesses.

The AFR bureau is in the early planning stages of a new set of activities in the areas of food grades and standards, food safety and agricultural biosafety. These activities will contribute to the strategic objective of promoting regional and international market access and market development for African agricultural exports through increased awareness and capacity to meet market-specific and international quality and safety standards. The activities will be targeted to eastern and southern Africa. An assessment aimed at identifying the important issues in food grades and standards development is under way to lay the foundation for planning the new activities.

Also in the AFR bureau, under the Africa Trade and Investment Program (ATRIP), there is an effort to help African countries move from a more passive role under the GATT toward a more demanding set of activities under WTO. Technical assistance and education aimed at increasing understanding of WTO agreements, including the Agreement on Sanitary and Phytosanitary Measures which covers food safety and quality, has been provided through a series of seminars and workshops in African countries.

In the LAC bureau an activity to promote food safety in the Caribbean is currently underway under the strategic objective of regional economic integration. This activity, called the Caribbean Food Safety Initiative (CFSI), was designed to assist members of the Caribbean Economic Community (CARICOM) in designing and implementing food safety systems to meet international and U.S. standards, so CARICOM members can ensure a safe food supply for both domestic consumption and for export. The issues identification phase of this activity was completed in late 1998 and currently a food safety needs assessment of all CARICOM member countries is being conducted.

Information from the issues identification and needs assessment will be used to design interventions.

The USDA is currently involved in implementation of legislation passed by the 105th congress authorizing a new competitive grants program for international agricultural science and education programs. This proposed \$8 million program, entitled Globalizing Agricultural Science and Education Programs for America (GASEPA), has a broad mandate to assist U.S. universities in globalization of their agriculture programs and has the following five major dimensions: 1) Enhanced global competitiveness of U.S. agriculture through human resource development, 2) Develop and disseminate information on market, trade, and business opportunities, 3) Establish mutually beneficial collaborative global partnerships, 4) Promote trade through global economic development, and 5) Promote global environmental quality and stewardship of natural resources. The partnership for food industry development will complement the goals of the USDA program by increasing international cooperation in the area of food processing/packaging technology development and application. Further, it is anticipated that PFID will extend the benefits of the USDA program as universities seek new ways to leverage funds for expansion of their international agriculture programs.