



USAID
FROM THE AMERICAN PEOPLE

QUARTERLY REPORT #10: OCTOBER-DECEMBER 2012

***DEZENVOLVE AGRICULTURA COMUNITÁRIA
(DAC) PROJECT***

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Contents

Quarterly Highlights	3
Activities Year Three.....	5
Activity One: Assist SHA farmers to manage their commercial horticulture activities (PEOPLE)	6
Activity 1A: Continued improvement in the current truck farming operations (managerial)	6
Activity 1B: Assistance to the original three communities during the preparation of a comprehensive long-term business plan	8
Activity 1B: The formation of a legal business entity	8
Activity Two: Assist SHA farmers to improve horticulture technology and practices to meet market demand for product quantity and quality (PRODUCTION)	9
Activity 2A: Continued improvement in the current truck farming operations (technical)..	9
Activity 2B: Environmental Protection and Improvements.....	16
Activity 2C: Identification of more communities interested in a truck farming venture	16
Activity Three: Assist SHA farmers and other value chain actors and stakeholders to develop a strong horticulture value chain that routinely increases sales volume and profits (VALUE)	16
Activity 3A: Horticulture Value Chain Stakeholders Seminar.....	16
Activity 3B: Formation of / Participation in Horticulture Working Group.....	17
Activity 3C: Maintenance of diverse client base and continued improvement in sales volume	17
Activity 3D: Business development support to key actors in value chain.....	18
Activity 3E: Market Research	19
Activity Four USAID/ConocoPhillips GDA Partnership Project Expansion.....	19
Activity 4A: Engagement of at least 5 additional communities with at least 150 new farmers	19
Activity 4B: Assist farmers to manage their commercial horticulture activities (PEOPLE)	20
Activity 4B-1: On-site training and technical assistance (managerial).....	20
Activity 4B-2: Integration of farmers into District Association.....	22
Activity 4C: Assist SHA farmers to improve horticulture technology and practices to meet market demand for product quantity and quality (PRODUCTION).....	22
Activity 4C-1: On-site training and technical assistance (technical)	22
Activity 4C-2: Assisting communities to develop agriculture assets.....	24

Activity 4D: Environmental Protection and Improvements	25
Administrative and Technical Management	Error! Bookmark not defined.
Financial Report	Error! Bookmark not defined.
Personnel	Error! Bookmark not defined.
Long Term Technical Assistance:.....	Error! Bookmark not defined.
Short Term Technical Assistance:	Error! Bookmark not defined.
Significant Events	Error! Bookmark not defined.
Annex 1 DAC New Technologies/Management Practices	26
Annex 2.....	27
Updated Year 3 Workplan Timeline	27

Quarterly Highlights

Farm sales of 56.8 m.t. from the SHAs generated \$41,682 during the quarter: Overall, production increased by 59% and incomes increased by 76% over the last quarter. For the original DAC farmer groups (a consistent number of farmers), production increased by 43% and incomes increased by 60%. In the expansion areas (number of farmers is growing) production increased by 373% and incomes increased by 381%.

Totals of Vegetable Production from all SHAs October - December 2012		
	Kg	US\$
Outdoor Production Original	48,534	35,862.99
Outdoor Production Expansion	8,254	\$5,819.03
Greenhouse	0*	0*
Total	56,788	\$41,682.02

****No greenhouse production payments made in this quarter***

President of the Democratic Republic of Timor Leste, HE Taur Matan Ruak, visited the Liurai SHA: In his speech, the President told the farmers that they were fortunate to have benefitted from the USAID project, which was a “model for agriculture development in Timor Leste”. He encouraged the MAF to send delegations to visit the DAC sites.



Ministry of Agriculture Bobonaro District visits DAC: Following up on the President's request to the Ministry of Agriculture to have other Districts learn from the DAC model, the Bobonaro District MAF office sent two extension staff, three farmers, and a staff member from the NGO Child Fund to visit our sites.

Farmers continue to invest in production: With the assistance of DAC training in the various types of investments, their costs, and the results, additional farmers began purchasing fertilizer and water pumps.

Activities Year Three

This quarterly report follows the Year Three Workplan, describing activities and achievements in DAC's three main activities:

- 1) Assist SHA farmers to establish organizations that can successfully manage their commercial horticulture activities (*PEOPLE*)
- 2) Assist SHA farmers to improve horticulture technology and practices to meet market demand for product quantity and quality (*PRODUCTION*)
- 3) Assist SHA farmers and other value chain actors and stakeholders to develop a strong horticulture value chain that routinely increases sales volume and profits (*VALUE*)

This report also contains an updated Workplan Timeline, and a summary of project finance and administration for the quarter.

Activity One: Assist SHA farmers to manage their commercial horticulture activities (PEOPLE)

DAC's work with PEOPLE focuses on developing sustainable ways for farmers and farming communities to manage the planning, production and sales of vegetables with their commercial buyer partners. This includes assisting farmers to develop the business skills necessary to transition from subsistence agriculture to farming as a business, helping farming communities to create the types of organizations that best meet their needs, and training group members and leaders in the management processes required for transparent and effective operations.

Activity 1A: Continued improvement in the current truck farming operations (managerial)

Improving the farmer groups' ability to manage the planning, production and sales of vegetables is important for individuals and groups. DAC provides specific, proven training and tools that will assist the farmers to master the transparent communication and operations tasks of planning, record keeping, decision making, and conflict resolution that are critical to their individual and group success.

Farming as a Business Training

DAC partner Timor Aid delivered the first four sessions of the Farming as a Business training. The first training was given for all of the group leaders from the eight DAC original farmer groups, and the new group in Fatubossa. Following this pilot, the training was repeated for all farmer group members from three of DAC's Selo communities: Tasonih, Mudanca, and Hakiak Moris. In the next quarter, Timor Aid will deliver the training to 6 other farmer groups.

Farming as a Business technical assistance

No activity this quarter. In the next quarter, DAC Community Mobilization staff will work with individual farmers to assist them to implement the lessons they have learned in the Farming as a Business Training, helping them to make informed decisions about types of crops, size

of land devoted to vegetables vs. staple crops, and investments in irrigation/plastic tunnels/etc.

Business skills training for farmers and farmer groups

Empreza Diak delivered training in group and individual recordkeeping for nine DAC farmer groups, and continued to reinforce the training with Kmanek staff. The Empreza Diak designed recordkeeping system is extremely popular with farmers, and the training methodology was excellent. Immediately after receiving the training, all farmer groups started using the system with almost no difficulty. Empreza Diak provided several monitoring visits to each group, helping to clarify any questions or confusions. During Kmanek pick-up day, the system allows the farmers and Kmanek to ensure that the number of kilos purchased and the payment amount owed are confirmed before the pick-up is completed. The system also provides clear records for each individual farmer – and all farmers were trained to know how to confirm their individual sales and payments. In the next quarter, Empreza Diak will roll out this system to the new (expansion) Kmanek groups and the Dilimart farmer group partners.

Organizational/managerial training – General

DAC Community Mobilization staff assisted Kmanek staff to organize the “all farmer” meeting with Kmanek senior management. Kmanek took the lead in most activities, and financed the entire meeting (venue rental, transportation and lunch for over 250 farmers from 15 farmer groups). Participants from DAC and World Vision supported groups packed the Bombeiros meeting room in Aileu Villa. The main activity was the signing of the Memorandum of Understanding with the new farmer groups under the project expansion. Kmanek Director Clarence Lim and 86 farmers from the groups in Cassa Mou, Fatubossa, Saburia, Tablor, and Dou Dato signed the agreement.

Discussion during the question and answer session focused on:

- Farmers need more tunnels during rainy season
- Kmanek is not providing pesticide quickly enough when farmers need it
- Kmanek individual seed distribution and “categories” creating some confusion
- Kmanek seed distribution is not resulting in the expected production levels



Organizational/managerial training for Associations in Sarin and Liurai

DAC Community Mobilization staff trained farmers to understand clearly the process for Association registration following the drafting and approval of Association by-laws.

Activity 1B: Assistance to the original three communities during the preparation of a comprehensive long-term business plan

Develop business plans for Sarin and Liurai greenhouse associations¹

No activity in this quarter.

Activity 1B: The formation of a legal business entity

Registration of Sarin and Liurai Greenhouse Associations

The greenhouse farmer groups in Sarin and Liurai completed drafting their Articles of Association. These Articles include their Association objectives, democratic election rules, roles and responsibilities of Association elected leader, and clearly described rules for financial management and decision making. DAC staff assisted farmers to complete other required documents such as the Registration Application and Declaration of Participation for elected leaders. DAC staff also helped to collect and notarize copies of all farmers identify cards. In the next quarter, all documents will be submitted to the DAC lawyer for filing with the Ministry of Justice.

Formation of District level horticulture organization

No activity in this quarter.

¹ The third original community, Lequitura, no longer has a functioning greenhouse due to the negligence of the commercial owner. Therefore, a business plan for the community as a whole is not appropriate.

Activity Two: Assist SHA farmers to improve horticulture technology and practices to meet market demand for product quantity and quality (*PRODUCTION*)

DAC's work with PRODUCTION will transfer responsibility for greenhouse and outdoor production to the SHA farmer groups and their commercial buyer partners, as they develop together the structures and procedures for managing planning, production, and sales of vegetables. DAC will also use innovative training methods such as Farmer Field School to solidify agriculture skills and empower farmers to take full responsibility for the success of their small farming businesses.

Production Results

Production continued to improve in outdoor fields, benefitting from Kmanek's improved seed distribution and Dilimart's expanding partnerships. The Sarin greenhouse, which completed harvest in the previous quarter, was cleaned and re-planted. The Liurai greenhouse was in full production throughout the quarter, and results/payments will be reflected in the next quarter. In the expansion communities, harvests continued in Fatubossa (Kmanek) and Boklelo and Remixio (Dilimart).

Overall, production increased by 59% and incomes increased by 76% over the last quarter. For the original DAC farmer groups (a consistent number of farmers), production increased by 43% and incomes increased by 60%. In the expansion areas (number of farmers is growing) production increased by 373% and incomes increased by 381%.

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Activity 2A: Continued improvement in the current truck farming operations (technical)

Sarin and Liurai Greenhouses technical assistance

DAC senior technical staff held regular meetings with the Kmanek Greenhouse Manager to give guidance and oversight of technical and managerial activities. Notes from these meetings, with DAC recommendations for action steps, were sent to Kmanek management.

In the next quarter, these meetings will include members from the farmer group, to ensure that Kmanek is providing the level of service and technical assistance required regularly by the farmers.

Regional Environmental Advisor for Asia & OAPA Andrei Barannik reviewed the Liurai and Sarin greenhouse operations on November 23. DAC staff assisted the farmer groups to review their environmental management practices prior to this visit, correcting small problems as needed (for example, some stock of protective gear had run out). The REO reviewed the farmer groups' management of agricultural chemicals, the use of water, potential erosion, and other environmental impact of the greenhouse operations. He made no recommendations for the greenhouse operations. For the DAC project, the REO recommended that DAC compile documents from the prior project (DSP) that document how project sites were chosen and evaluated for environmental impact and compliance with Regulation 216.

Sarin, Liurai, Seloj & Lequitura Outdoor Production technical assistance

Staff in these areas have been reduced from 8 to 4, reflecting the farmers' improved capacity in production and Kmanek's increasing role in management. This is an important step towards sustainability. DAC completed workplans for the final phases of technical assistance for outdoor production in the original 8 DAC communities. DAC staff worked with farmer group members to identify the most important remaining challenges for farmers, and created plans to deliver training and technical assistance accordingly. A summary of the workplans and DAC activities in this quarter is presented in the chart below.

Outdoor Production Technical Assistance Chart

Challenge	Solution	Activities this quarter
Farmers do not use all improved techniques to maximize production	Demonstration plots to motivate farmers to implement new technologies by showing the measurable improvements in production	Demo plots completed in 3 locations (all farmers will benefit from cross visits) using tunnels, raised beds, nurseries, drip irrigation, and 3 different types of fertilizer
Farmers do not use enough fertilizer	Demo plots to show measurable increase in production	Plots completed with 3 different types of fertilizer (compost, and 2 types of purchased chemical fertilizer (Raboek and Jago Tani) donated by input supply shop)
	Assist farmers to understand the “business case” for this investment	Staff and farmers trained in calculating the returns on investment (cost of various types of fertilizer and resulting improved yields and sales)
	Help farmers to organize to make group purchases	Farmers in Seloï organized to purchase Raboek fertilizer
Pests and diseases	Improve farmer skills in IPM	Pest and disease prevention training created and delivered to DAC staff for transfer to farmers
	Facilitate farmer access to inputs by helping farmers and buyer/input suppliers to create safe storage locations near farmer fields	
	Farmer Field School emphasis on IPM for horticulture	

Farmers don't have easy and sustainable access to best practice information	Best practice manual for cultivating the top ten vegetables	Draft manual completed and under review by consultant Bruno Benavente
Environmental problems may impact future production	Environmental mitigation and enhancement including re-forestation	
Farmers don't use enough water to maximize production	Train farmers on adequate use of water to maximize production	
	Train farmers on use of drip irrigation and assist with investment in irrigation equipment	

Completion of Contract Farming Model

In Year Three, DAC will build the capacity of farmers, farmer groups, and the commercial buyers Kmanek and Dilimart to independently operate the entire contract farming process. This section of the report describes DAC support to Kmanek. DAC support to Dilimart is reported under Activity Four GDA Expansion. The key areas of capacity building and DAC activities in this quarter are described below.

Contract Farming Operation	Challenge or Capacity Building Need	DAC Quarterly Activities
Field Operations Management	<ul style="list-style-type: none"> • Hiring staff with right qualifications, particularly in role of Field Operations Manager • Supervision of Kmanek staff • Quality control and oversight of seed distribution, monitoring, data collection and entry, inventory management 	<ul style="list-style-type: none"> • Assisted Kmanek to identify revised staffing needs, job descriptions, staff qualification requirements, and recruitment needs • Agribusiness Advisor seconded to Kmanek to fulfill role of Field Operations Manager for 3 months • Assisted Kmanek to recruit and train additional field staff
Production Planning	<ul style="list-style-type: none"> • Set appropriate targets • Divide products into categories to simplify production, management and for IPM benefit • Assign categories to production areas 	<ul style="list-style-type: none"> • Recommended crop rotation categories • Assisted Kmanek to explain the category rotation system and its benefits for the farmers (easier to focus on fewer vegetables; reduced pest and disease problems)
Production Planning Database	<ul style="list-style-type: none"> • Revise and improve database as needed • Learning to use database • Entering daily data 	<ul style="list-style-type: none"> • DAC STTA (from DAI IT department) made regular improvements to the database, as problems were identified during the live roll out • DAC trained Kmanek staff to use the database • When Kmanek staff failed to keep data up to date, DAC staff assisted with a massive “catch up” on data entry
Individual Seed Distribution	<ul style="list-style-type: none"> • Visiting each farmer group 2x per month, and distributing seed directly to individual farmers • Distributing seed only to farmers with 	<ul style="list-style-type: none"> • Assisted Kmanek to establish schedule of seed distribution • Explained to farmers that Kmanek would only give seed to farmers with good quality available seed beds, and only if farmers had already planted the seed they were previously given

	<p>good quality available seed beds</p> <ul style="list-style-type: none"> • Distributing seed only to farmers that have already transplanted previous seed given 	<ul style="list-style-type: none"> • Informed Kmanek management that Kmanek field staff were not complying with the agreed upon policies for seed distribution (instead, giving seed to group leader; giving the same amount of seed for all farmers even if they did not have available beds or had not planted previous seed given) • Agreed to have DAC staff accompany Kmanek staff during seed distribution in the next quarter
Production Monitoring (counting seedlings and predicting harvest)	<ul style="list-style-type: none"> • Data must be collected regularly and entered to database 	<ul style="list-style-type: none"> • When Kmanek staff failed to keep data collection and entry up to date, DAC staff assisted with a massive “catch up” in early December
Technical Assistance	<ul style="list-style-type: none"> • Use information from production monitoring to identify problems and help farmers to solve them • Identify pest/disease problems and deliver pesticide/fungicide if needed 	<ul style="list-style-type: none"> • DAC staff continue to play primary technical assistance role – this needs to be turned over to Kmanek during Year Three • DAC IPM Specialist coordinates with Kmanek staff about need for pesticide/fungicide in specific locations
Input Inventory Management	<ul style="list-style-type: none"> • Maintain updated inventory management spreadsheet • Place monthly orders based on inventory management spreadsheet 	<ul style="list-style-type: none"> • When Kmanek failed to keep inventory spreadsheet up to date, DAC staff assisted with an inventory audit and gave Kmanek the required inventory order

Training on Improved Production Planning & Management

In this quarter, Kmanek struggled to implement the production planning and management tools developed with DAC assistance. DAC COP provided business management advice to Kmanek Director Clarence Lim, assisting him to understand the complexity of the current contract farming operation, and to identify the real staffing needs. Identifying an effective manager for the Aileu field operations remains a challenge, but Kmanek has finally committed to recruiting for a skilled and experienced Field Operations Manager.

To fill the gap before the right Operations Manager is hired, DAC signed a memorandum of understanding with Kmanek, allowing for Agribusiness Advisor William Bere Ati to assume the role of field operations manager for 3 months. During this time, he assisted Kmanek to correct mistakes and failures of the Kmanek staff to correctly implement the individual seed distribution system, collect all necessary data for production management, and maintain updated inventory of all inputs. He also recruited one additional field staff member for Kmanek, Santiago Pinto. Mr. Pinto is a farmer from the Selo Tasonih group. This new hire, from among the farmers rather than from DAC project staff, gives Kmanek an opportunity to evaluate the type of employee that will best meet their needs as they scale up.

DAC's Year Three objectives for improved production planning and management focus on helping individual farmers. The correct use of the Production Planning Database is important to give farmers the information about their production history. As planned in the Year Three workplan, in the next quarter, DAC staff will accompany Kmanek field staff as they distribute seed to individual farmers, making sure that the correct data is collected and that Kmanek continues to strengthen its relationship with all farmers.

Farmer Field School for IPM and Horticulture Production

In this quarter, DAC completed the competitive procurement for implementation of Farmer Field School in 6 locations in Aileu Villa subdistrict for Kmanek partner groups. A purchase order was signed with World Education Indonesia. The first training will begin in April 2013.

Short term technical assistance

Bruno Benavente, the former DAC Agribusiness Advisor, conducted a monitoring and assessment visit to make a rapid and comprehensive review of the significant changes to DAC activities undertaken in the last 6 months. He provided targeted technical feedback to the DAC COP and Agribusiness Advisor on implementation of new field operations management structure, new technologies and management practices, modifications to contract farming operations, and pilot expansion to new sites.

Jeff Gucker, a horticulture technical specialist with over 20 years of experience in Indonesia and Timor Leste, began delivering a scope of work to provide international best practice technical assistance in assessing, making recommendations, and training DAC farmer groups and commercial buyer staff on the challenges of maintaining continuous vegetable production, with an emphasis on maintaining soil fertility and pest management. Mr. Gucker completed demonstration plots and training sessions with DAC staff and farmer groups in Fatubossa and Tabor focused on best practice in soil management, outdoor production

facilities (mulch, tunnels), and drip irrigation in the production of broccoli. He will complete this work in the next quarter.

Activity 2B: Environmental Protection and Improvements

As described under Activity 2A, DAC developed a training on preventive approaches to pest and disease management. Prevention is key to enabling farmers to limit the use of agricultural chemicals while still effectively controlling pests and diseases. The training was given by the Agribusiness Advisor and IPM Specialist to DAC staff. DAC staff used the information in their regular technical assistance to farmers. In the next quarter, DAC staff and the IPM Specialist will deliver the training to farmer groups.

Activity 2C: Identification of more communities interested in a truck farming venture²

Continued technical assistance to 5 communities in Seloi
See Activity 2A.

Expansion to additional communities
See Activity Four “USAID/Conoco Phillips GDA Partnership Project Expansion”

Activity Three: Assist SHA farmers and other value chain actors and stakeholders to develop a strong horticulture value chain that routinely increases sales volume and profits (VALUE)

Strong organizations of farmers (Activity One) with strong horticulture production skills (Activity Two) must be integrated into a strong horticulture value chain (Activity Three).

Activity 3A: Horticulture Value Chain Stakeholders Seminar

DAC played a key role in the Horticulture Sector Seminar held by the Ministry of Agriculture and Fisheries in collaboration with the IADE sponsored Food and Beverage Trade Fair. The Seminar was well attended by Ministry of Agriculture District Directors, extension staff, donor and NGO staff, and a few private sector players. The Seminar was held on October 18-20 and included an outdoor expo area with booths for producers, projects, and MAF; a demonstration area showing the use of plastic tunnels, drip irrigation, nurseries, and a simple greenhouse; and two days of presentations.

DAC assisted the Ministry of Agriculture throughout the planning and implementation of the event. Activities included:

² A related Year Three activity “Continued coaching of about two additional communities...” has been completed in Year Two resulting in five communities fully engaged with DAC project and contract farming model

- Participated on the MAF Planning Committee, guiding the agenda setting and determining participants and presentations
- Presented the horticulture value chain analysis
- Presented the results of market research
- Facilitating participation of private sector players including a presentation by input supplier Planet Agriculture
- Facilitating business matchmaking meetings between local traders, NGOs supporting farmer groups, and catering companies
- Constructed demonstration of plastic tunnels and irrigation
- Hosted a booth showing project activities and results

The presentations on Horticulture Value Chain Analysis and Vegetable Market Research were very well received, generating lots of interest and discussion during the session and during breaks. One Director of Agriculture said “Finally someone has really explained what value chain is and what is important about it”. Unfortunately, due to time constraints during the Seminar, DAC was not able to present the “Value Chain Basics” training. We will look for opportunities to deliver this in the future. Regarding DAC market research, the Ministry of Agriculture staff later reported on the presentation to the Minister of Agriculture Sabino, who requested that a more in-depth presentation of the research be delivered at the launch of the Horticulture Working Group.

Activity 3B: Formation of / Participation in Horticulture Working Group

Following up on the Horticulture Sector Seminar, the Ministry of Agriculture plans to call the first Horticulture Working Group meeting in the next quarter. DAC has been asked by the Minister of Agriculture to present the vegetable market research database and results.

Activity 3C: Maintenance of diverse client base and continued improvement in sales volume

Kmanek: Kmanek is now working with 16 farmer groups in Aileu Villa sub-district, with a total of 280 farmers. 3 of these farmer groups receive technical assistance from World Vision, and market linkages through DAC.

Dilimart: Dilimart is now working with 3 farmer groups in Remexio and Laularan subdistricts, with a total of 23 farmers.

Sales volumes: Overall, production increased by 59% and incomes increased by 76% over the last quarter. For the original DAC farmer groups (a consistent number of farmers), production increased by 43% and incomes increased by 60%. In the expansion areas (number of farmers is growing) production increased by 373% and incomes increased by 381%.

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Activity 3D: Business development support to key actors in value chain

Input Supply

In this quarter, input supply suffered a serious setback. Planet Agriculture, the only dedicated agricultural input supply company in Dili, closed the business due to an internal dispute between management and owners. DAC follow up interview with the owners revealed that, while agricultural input supply was a good business, it was outside the core competency of the Planet Group and without a technically skilled manager they did not anticipate continuing in this business.

DAC has regularly been introducing farmer groups to Planet Agriculture as the best option for consistent input supply in Dili. In the next quarter, DAC must identify other potential businesses that can provide reliable, affordable access to inputs for DAC farmers. DAC farmers particularly need a retail source for fertilizer, irrigation equipment, and plastic sheeting for tunnels or much.

Traders/Wholesalers

During the Horticulture Sector Seminar and IADE Food/Beverage Trade Fair, DAC facilitated business matchmaking sessions between the large traders and the institutional buyers identified during our market research. DAC helped the traders to develop company profiles and register with IADE. Two traders met with one catering company and two supermarkets to explore business opportunities. The buyers described their quantity, quality and price range of products required, and requested the traders to prepare price lists in kilos. Following those meetings, one of the traders worked with DAC to convert her normal sales units (bunches, sacs, etc.) to kilos. The resulting prices were far above what the buyers requested. The trader informed DAC that based on the offered prices from the buyers, she was not interested in pursuing any further business negotiations.

This experience provided great insight into the current market dynamics for vegetables. Supply is so far below demand, that traders have no difficulty marketing their entire product. They are receiving high prices in the local markets, and don't have any incentive to pursue large quantity contracts unless prices offered are comparable.

Buyers

As described above, DAC facilitated linkages between three large commercial buyers and two large vegetable traders through the IADE business matchmaking services. The results showed that the prices offered by buyers are not high enough to attract regular contracts with traders. Since several of the large buyers are catering companies with contracts with the government, their prices are limited by their original bids. DAC will work with these catering companies to help them improve their bidding prices to allow them to fulfill their contracts.

The supermarket buyers base their prices on the price of direct local purchases from farmers, or on import prices from low cost sources like China. At this stage of the development of the local produce industry, there may not be a role for traders in supplying supermarkets.

Activity 3E: Market Research

DAC presented the market research results at the MAF Horticulture Sector Seminar. The presentation generated a lot of interest, and the MAF requested that DAC launch the Horticulture Working Group with a more in depth presentation of the results and of the methodology.

We finalized data quality checking and started writing a report on the results. We created a guide for doing additional market surveys, so that other users (government, donors or NGOs) can use the methodology DAC developed to complete similar research in the future and in additional locations. In the next quarter, we will distribute CD's with the market research database, the user's manual, and the survey instructions and tools. We will also work with the MAF to include the market research information on their website and possibly integrate it into their food security data collection and analysis.

Activity Four USAID/ConocoPhillips GDA Partnership Project Expansion

In Year Two, DAC and USAID finalized a contract modification that increased the budget and scope of work to expand to at least five new communities and 150 additional farmers. Funding for this expansion is provided through a Global Development Alliance partnership with Conoco Philips.

Activity 4A: Engagement of at least 5 additional communities with at least 150 new farmers

New communities in sub-district Aileu Villa

DAC and Kmanek Supermarket continued working with 86 farmers in 5 new communities:

- Fatubossa
- Saboria
- Dou Dato
- Tablor
- Cassa Mau (Selo)

One of the communities originally selected, Fahiria, remains a candidate for future expansion.

New communities in sub-districts Remexio and Laularan

DAC and DiliMart actively developed production activities with 23 farmers in three communities:

- Boklelo
- Remexio
- Talitu (Balibar)

Farm sales of 8.3 m.t. from the SHAs generated \$5,819 during the quarter: In these expansion areas production increased by 373% and incomes increased by 381% over the last quarter.

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Activity 4B: Assist farmers to manage their commercial horticulture activities (PEOPLE)

DAC’s work with PEOPLE focuses on developing sustainable ways for farmers and farming communities to manage the planning, production and sales of vegetables with their commercial buyer partners. This includes assisting farmers to develop the business skills necessary to transition from subsistence agriculture to farming as a business, helping farming communities to choose and implement the types of organizations that best meet their needs, and training group members and leaders in the required skills.

Activity 4B-1: On-site training and technical assistance (managerial)

DAC will provide training and technical assistance to help farmers and farmer groups to learn how to manage the planning, production and sales of vegetables. DAC will provide specific, proven training and tools that will assist the farmers to master the transparent communication and operations tasks of planning, record keeping, financial management and decision making that are critical to their success as commercial farmers.

Farming as a Business training

DAC partner Timor Aid delivered the first sessions of the Farming as a Business training, which included the group leaders from the new group in Fatubossa. In the next quarter, Timor Aid will deliver the training to all of the group members.



Farming as a Business technical assistance

No activity this quarter. In the next quarter, DAC Community Mobilization staff will work with individual farmers to assist them to implement the lessons they have learned in the Farming as a Business Training, helping them to make informed decisions about types of crops, size of land devoted to vegetables vs. staple crops, and investments in irrigation/plastic tunnels/etc.

Business skills training for farmers and farmer groups

Empreza Diak delivered training in group and individual recordkeeping for the Fatubossa group, and continued to reinforce the training with Kmanek staff. The Empreza Diak designed recordkeeping system is extremely popular with farmers, and the training methodology was excellent. Immediately after receiving the training, the group started using the system with almost no difficulty. Empreza Diak provided several monitoring visits, helping to clarify any questions or confusions. During Kmanek pick-up day, the system allows the farmers and Kmanek to ensure that the number of kilos purchased and the payment amount owed are confirmed before the pick-up is completed. The system also provides clear records for each individual farmer – and all farmers were trained to know how to confirm their individual sales and payments. In the next quarter, Empreza Diak will roll out this system to the other new (expansion) Kmanek groups and the Dilimart farmer group partners.

Organizational/managerial training – General

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and 86 farmers from the groups in Cassa Mou, Fatubossa, Saburia, Tablor, and Dou Dato signed the agreement.

Discussion during the question and answer session focused on:

- Farmers need more tunnels during rainy season
- Kmanek is not providing pesticide quickly enough when farmers need it
- Kmanek individual seed distribution and “categories” creating some confusion
- Kmanek seed distribution is not resulting in the expected production levels



DAC staff also began working with farmer groups in Dilimart areas Boklelo and Remixio to formalize their group structures, review a draft Memorandum of Understanding, and discuss price negotiations. In the next quarter, DAC will facilitate a meeting between the entire group of farmers and Dilimart owner David Jong to review the MOU, discuss price, and identify and solve other issues.

Activity 4B-2: Integration of farmers into District Association

No activity this quarter.

Activity 4C: Assist SHA farmers to improve horticulture technology and practices to meet market demand for product quantity and quality (PRODUCTION)

DAC’s work with PRODUCTION will identify potential new sites and new farmers, link them to commercial buyers, and provide the technical assistance required for them to produce consistent, year-round, quality and quantity of vegetables according to the buyers requirements. DAC will also use innovative training methods such as Farmer Field School and exposure to international best practices to solidify agriculture skills and empower farmers to take full responsibility for the success of their small farming businesses.

Activity 4C-1: On-site training and technical assistance (technical)

Direct technical assistance

Each new area was assigned a full time DAC Field Technical Assistant, who began introducing the DAC package of new technologies and management practices (see Annex 1). In each new community, the DAC Field Technical Assistant, together with farmer group

members, constructed a demonstration plot that uses the entire package of DAC new technologies and management practices to show clear evidence of the impact on production, and on sales, from the use of these new techniques. The demonstration plots also provide comparisons between different fertilizers (compost and two types of chemical fertilizer) to help farmers make informed decisions in their future purchases of inputs.



Farmer Field School for IPM and Horticulture Production

In this quarter, DAC completed the competitive procurement for implementation of Farmer Field School for multiple locations that will benefit farmer groups funded under the expansion in Aileu Villa subdistrict for Kmanek partner groups and in Remexio/Laularan for Dilimart groups. A purchase order was signed with World Education Indonesia. The first training will begin in April 2013.

International Training

DAC conducted a competitive procurement for training in Indonesia for 40 farmers from the new farmer groups. We received three valid proposals. In the next quarter we will finalize the selection and complete the contract process. The first group of 20 farmers will attend the training in April 2013.

Training on Improved Production Planning

In this quarter, Kmanek struggled to implement the production planning and management tools developed with DAC assistance. DAC COP provided business management advice to Kmanek Director Clarence Lim, assisting him to understand the complexity of the current contract farming operation, and to identify the real staffing needs. Identifying an effective manager for the Aileu field operations remains a challenge, but Kmanek has committed to recruiting for a skilled and experienced Field Operations Manager. To fill the gap before the right Operations Manager is hired, DAC signed a memorandum of understanding with Kmanek, allowing for Agribusiness Advisor William Bere Ati to assume the role of field operations manager for 3 months.

Dilimart, with a much smaller operation, has effectively been using DAC recommended processes to track seed distribution, production and inventory. They have not yet started to track seedlings and predict production. However, they are using the Production Tracking Database. Dilimart also purchased a full inventory of pesticides/fungicides, and is tracking and managing their seed inventory correctly.

DAC's Year Three objectives for improved production planning and management focus on helping individual farmers. The correct use of the Production Planning Database is important to give farmers the information about their production history. In the next quarter, DAC will start training Kmanek and Dilimart to use the database to continuously improve their production results and communication with farmers about targets and results.

Introduction of Contract Farming Model

DAC provided technical advice and support for DiliMart to design their contract farming model. Initial decisions have been made addressing the following key aspects of the model:

- Input supply: Seeds and pesticide/fungicide will be provided at no cash cost to the farmer, but prices paid to the farmers will reflect the costs of the inputs. Dilimart may also provide some equipment such as drip irrigation. Fertilizer will be provided by the farmers.
- Production planning: Dilimart has established a list of targets and prices. To date, given the small number of active farmers, Dilimart has not distributed enough seed to meet the targets. Dilimart has been flexible about purchasing farmers production resulting from their own seed.
- Production management: Dilimart distributes seed to individual farmers, but relies on the groups to organize pick-up and to distribute individual payments
- Sales and payment: Dilimart is conducting regular pick-ups in both communities. In the next quarter, farmer groups and Dilimart will adopt the Empreza Diak recordkeeping system. Dilimart has been paying farmers based on an initial offered price. In the next quarter, farmer groups will meet with Dilimart to negotiate new prices.
- Production Tracking Database: Dilimart staff have been trained and are using the database
- Farmer Group Relations: Dilimart was trained to understand the importance of strong relationships in contract farming arrangements, and the role of mutually agreed upon operating agreements and prices. Dilimart staff worked with DAC Community Mobilization Staff to begin formal organizations with the farmer groups, review a draft MOU, and initiate discussions among farmers about price negotiations.

Activity 4C-2: Assisting communities to develop agriculture assets

DAC will develop cost-sharing plans and partner with communities to construct facilities necessary to meet the market demand for consistent quantity and quality of produce.

Horticulture nursery facilities

Farmers are using nursery facilities, but there is a need to improve the quality to make sure that seedlings are off the ground, have access to sun, and are protected from rain. In the next quarter, DAC will provide more guidance on design and placement of nurseries, and will provide materials as needed to assist farmers to construct better quality nurseries.

Forestry nursery facilities

No activity in this quarter.

Outdoor production facilities

DAC's demonstration plots in each of the new communities show farmers the results of facilities such as plastic tunnels, drip irrigation, screen-houses, plastic mulch, and low cost water storage. In the next quarter, DAC will begin provide materials and technical assistance to allow all new farmers to install outdoor production facilities that meet the requirements for their own fields and production.

Activity 4D: Environmental Protection and Improvements

No activity in this quarter.

Annex 1 DAC New Technologies/Management Practices

Basic Set of New Technologies / Management Practices Introduced by DAC

1. Seedling Nursery
2. Counting Seeds / Estimating Production / Spacing Seeds
3. Improved Planting Media
4. F1 Seeds
5. Raised Beds
6. Drip Irrigation
7. Other Irrigation
8. IPM
9. Organic Fertilizer
10. Tunnels
11. Composting
12. Value Chain Participation
13. Managing Group Nursery
14. Sales in kilos
15. Post Harvest Handling
16. Environmental Management
17. Individual Accounting/Recordkeeping
18. Farming as a Business

Annex 2

Updated Year 3 Workplan Timeline

See next two pages

DAC YEAR THREE WORKPLAN TIMELINE	2012				2013							
	September	October	November	December	January	February	March	April	May	June	July	August
Activity One: Assist SHA farmers to manage commercial horticulture												
<i>Activity 1A: Continued improvement in farming operations (managerial)</i>												
Farming as a Business Training												
Farming as a Business technical assistance												
Business skills training for farmers and farmer groups												
Organizational/managerial training for Associations (Sarin/Liurai)												
Develop business plans for Sarin and Liurai												
<i>Activity 1B: The formation of a legal business entity</i>												
Registration of Sarin and Liurai Greenhouse Associations												
Formation of Aileu District Horticulture Association												
Activity Two: Improve horticulture production to meet market demand												
<i>Activity 2A: Continued improvement in farming operations (technical)</i>												
Sarin and Liurai greenhouses technical assistance												
Sarin, Liurai, Seloi, Lequitura outdoor production technical assistance												
Completion of contract farming model												
Training on improved production planning												
Farmer Field School training of trainers (IPM / horticulture production)												
Farmer Field School training (Aileu Villa)												
<i>Activity 2B: Environmental Protection and Improvement</i>												
<i>Activity 2C: Identification of more communities interested in DAC model</i>												
Continued technical assistance to 5 communities in Seloi												
Expansion to additional communities												
Activity Three: Develop Strong Horticulture Value Chain												
<i>Activity 3A: Value Chain Stakeholders Seminar</i>												
<i>Activity 3B: Horticulture Working Group</i>												
<i>Activity 3C: Diversification of clientele</i>												
<i>Activity 3D: Business development assistance to key actors</i>												

DAC YEAR THREE WORKPLAN TIMELINE	2012				2013							
	September	October	November	December	January	February	March	April	May	June	July	August
Activity Four: USAID/ConocoPhillips GDA Partnership Project Expansion												
<i>Activity 4A: Engage at least 5 additional communities/150 new farmers</i>												
<i>Activity 4B-1: On site training and TA (managerial)</i>												
Farming as a Business Training												
Farming as a Business technical assistance												
Business skills training for farmers and farmer groups												
Introduce contract farming model												
<i>Activity 4B-2: Integrate farmers into District Association</i>												
<i>Activity 4C-1: On site training and TA (technical)</i>												
Direct technical assistance												
Farmer Field School training (Laularan/Remexio)												
International Training												
Training on Improved Production Planning												
Introduction of Contract Farming Model												
<i>Activity 4C-2: Assisting communities to develop agriculture assets</i>												
Horticulture nursery facilities												
Forestry nursery facilities												
Outdoor production facilities												
<i>Activity 4D: Environmental Protection and Improvements</i>												