



INSTA PRODUCTS (EPZ) LIMITED

Grant Activity Report

15th October 2010

1. Beneficiary's Name: **Insta Products (EPZ) Limited**
2. Activity Name: **Ready to use therapeutic food expansion**
3. GRANT Tracking No: INS-STA-009-006
4. Advance Period: **15th December 2009 – 28th February 2010 (extended to 31st December 2011).**
5. Total Activity Budget: **US\$242,432**
6. Person reporting – Paul Wythe – Financial Consultant

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Program background

The program intends to increase RUTF productive capacity in Kenya and to increase demand for quality peanuts in the region. The statement of verifiable results is reproduced below.

Deliverables	Accomplishments
Installed capacity of the RUTF plant increases from 1500 MT to 4500 MT within three months of grant disbursement.	Completed. Insta incurred additional costs of US\$42,801 during the installation, excluding costs related to commissioning, such as wastage and labour.
Employment will increase by three people with the expansion. The expansion will safeguard the employment of 20 people, as running the factory at a capacity of 1500 MT is inefficient, and without expansion, it would be necessary to multi task and re-deploy some of the existing staff.	Demand requires that the factory work triple shifts. Employment will increase once working capital is secured to ensure that the factory can be fully utilized. Root provided a facility of US\$300k, which is now being repaid, but is renewable. Acumen facility for US\$100k has been used to produce 3000 cartons of 13.6 kg each. Acumen facility for an additional US\$250k should be signed tomorrow. Unicef has agreed in principle to make an advance payment of US\$100k.
For competitively priced RUTF, lead times for the supply of RUTF reduces from 12 weeks, from Europe, to four weeks from Insta, thus facilitating the efforts of the Humanitarian relief organizations.	On-going. Increases in production volumes are expected to be achieved through more working capital.
Insta sells RUTF to Humanitarian relief organizations at US\$4,300, or less, per metric tonne, thus providing the product at a lower price in Kenya than is currently available. Some relief organizations have reported incurring a landed cost in Kenya of over US\$6,000 per MT, as it is air freighted owing to the urgency of need.	RUTF sells to Unicef at US\$3,634 per MT. Other organizations pay between US\$4,000 and US\$4,300 depending on terms.
Insta becomes a regional supplier of RUTF, through Humanitarian relief organizations who are based in Nairobi, but provide famine relief to a wider East Africa and through marketing into Insta's designated territories (Eritrea, Somalia, Southern Sudan, Kenya, Tanzania, Uganda, Rwanda, Burundi, eastern DRC, and	Action contra le Faim supply to DRC. Unicef utilize the product for Kenya, Somalia, Eritrea and Southern Sudan. MSF has made Insta an accredited supplier to it of RUTF after a nine month period of consideration. Insta has no shortages of orders. MSF will increase the regional presence of the product.

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Madagascar).	
Insta will reinvest cash flow from RUTF to expand production up to 12,000 MT per annum, subject to attracting sufficient demand for the product.	Cash flows remain constrained. All resources are being retained in the business.
There will be an increased demand for peanuts in EA, with benefits to the smallholder sector and manufacturing. At 4,500 MT annual capacity, Insta will require 1,170 MT of peanut paste, an increase of 780 MT. If 12,000 MT production is achieved, then demand for peanut paste will be 3,120 MT per annum. As peanuts are grown by smallholders, this will lead to enhanced income for smallholders.	See separate report and conclusion.
There will be an increased demand for vegetable oil from local suppliers. The increase in capacity from 1500 MT to 4,500 MT will increase the requirement for vegetable oil by 600 MT, to 900MT.	Insta has supplied over 1000 MT of paste so far, which utilizes approximately 200 MT of oil, which is bought locally. This is an increase in local trade. Insta is seeking a supply of local canola oil as well to increase this – this requires some capacity building.
	KCC increased the price of milk powder to US\$7,500 making the use of its product uneconomic. Insta did provide a safety net for the price of milk for a three month period.
Obstacles	Working capital draw down.

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**Peanut Improvement Project (PIP)
September 2010 Update**

Value Chain Participants

Peanut Paste Customers- Insta Products
Peanut Processors/Paste Manufacturers- Jetlak, Healthy Foods
Peanut Distributors
Peanut Farmers

Partners

Compete
Healthy Foods
Farm Concern
Global Cropcare Consultants (GCC)
Icrisat

Mechanisms

Distributors-

The MD has spent time sensitizing suppliers of maize and soya to look for sources of peanut paste in their various districts. These are entrepreneurial individuals who have many contacts in their home districts.

Healthy Foods will take responsibility for managing the value chain from the farmers to the factory. Insta will provide the market place for the final product and ensure that the value chain is adequately rewarded. Insta will provide support to HF as needed.

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Updated grant timetable.

No.	Description of activity	Benchmark / completion date (DD/MM/YY)	Revised timetable	Level of achievement
	Purchase and installation of additional RUTF capacity			
Task 1	Grant application	Done		Done
Task 2.1	Place order for machine with PMD	Done		Done
Task 2.2	Pay 40% of the pro forma invoice	20/10/09		Done
Task 3.1	PMD to manufacture machine	25/11/09		Done
Task 3.2	Trial [and machinery assembly] to be done in Kenya	26/11/09		Done
Task 3.3	Payment of 50% of machine – prior to shipment	27/11/09		Done
Task 3.4	Shipping from South Africa to Nairobi	10/12/09	20/4/10	Done
Task 4.1	Installation of machine	12/12/09	30/4/10	Done
Task 4.2	PMD technician to	14/12/09		Done

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	assist with installation and fine tuning of running		30/4/10	
Task 4.2	Payment of 10% being final installment	16/12/09	15/5/10	An installment of US\$10k was made in the period. Final payment negotiated and will be made shortly
Task 5.1	Commissioning of the packing machine including sanitizing of machine and running machine at commercial speeds	16/12/09	15/5/10	Done
Task 5.2	Staff to be trained on the use of the machine, where the dual headed machine is different from the original machine	16/12/09	N/A	Done
Task 5.3	Test to ensure product meets the appropriate standard	16/12/09	15/5/10	Done
Task 5.4	Make payment to PMD for the cost of the technician and his flights		15/5/10	Agreed as 4.2 above
Benchmark	Production of RUTF increases from 1500 MT to 5000MT, annually.			Production has increased considerably. Measurement of benchmark will be achieved when there is sufficient raw materials for continuous running

Improving the quality of peanut supply in East Africa				
Task 6	Outgrower extension program			
Task 6.1	Sign consultancy agreement with consultants	10/11/09	N/A	As there was a resource within Insta with experience of assisting peanut farmers in Uganda, an internal resource is being used.
Task 6.2	Order the Elisa test equipment	31/10/09	30/11/10	Being assessed to determine if there is field test equipment
Task 6.3	Order a supply of test kits to be used with the test equipment	31/10/09	30/11/10	Waiting delivery of test equipment: Insta has its own supply which it is using for testing when required.
Task 6.4	Program of work to be devised jointly by Stuart Allison and Consultants	See above	N/A	Mr Allison is providing an overview with Rolf Campbell and Paul Wythe providing direction to Donnie Harris

Task 6.5	Karl Smarts to work with both local peanut paste manufacturers and set up testing facilities to assist in identifying unsafe product being supplied by farmers	See above	See separate section
Task 6.6	Consultants to work with peanut growers.	See above	See separate section

Achievement of goals

Machines installed and running. Working capital issues are being resolved, despite many difficulties in terms of managing the company's finances.

Healthy Foods (HF) has been identified as a dynamic technical partner. On the basis of a letter of commitment from Insta, HF has commenced investment in a peanut processing plant. They are committed to identifying clean sources of peanuts up the value chain, and selling to Insta down the value chain. Insta will assist HF by providing an Elisa Reader utilizing the COMPETE grant.

PSW
15/10/2010

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