



## **INSTA PRODUCTS (EPZ) LIMITED**

### **Grant Activity Report**

**16<sup>th</sup> July 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: **15<sup>th</sup> December 2009 – 28<sup>th</sup> February 2010 (extended to 31<sup>st</sup> 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.	Following considerable delays with the machinery supplier, the machines arrived and have been installed. The specifications were incorrect compared with the order and these were completed on-site. Insta will absorb some of these costs as part of its cost share in-line with the revised budget.
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. This is close to being realized with Acumen approving a facility of US\$350k on the 13 <sup>th</sup> July. The factory has taken on a Finance and Administration Manager as at 30/6/2010 to improve the controls over materials, ordering, personnel administration and management of working capital.
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.	Pricing is highly competitive. Lead times are currently longer than desired owing to delays with the machinery and lack of working capital. The machines are now installed and the working capital issues are being worked on. Insta drew down on a Root Capital facility of US\$300k in the quarter and this has assisted in increasing production. As noted above, Acumen has approved a further facility of US\$350k.
Insta sells RUTF to Humanitarian relief organisations 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 airfreighted 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,	Action contra le Faim supply to DRC. Unicef

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through Humanitarian relief organisations 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 Madagascar).	utilize the product for Kenya, Somalia, Eritrea and Southern Sudan. Once MSF is supplied, no doubt this range will be extended. MSF has made Insta an accredited supplier to it of RUTF after a nine month period of consideration. Insta has no shortages of orders.
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.	<b>See separate report and conclusion.</b>
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.
	<b>Insta is now sourcing its milk powder from New KCC, a Kenya based operation. Milk powder is approximately 25% of the product and approximately 50MT has been bought from KCC so far.</b>
Obstacles	<b>The one remaining obstacle is to obtain sufficient working capital. Insta's bankers have approved a working capital facility of US\$600k, and Insta is close to completing the extensive documentation requirements.</b>

Peanut Improvement Project (PIP)  
June Update  
14 July 2010  
Prepared by: Donnie Harris, Insta Products

## Introduction

The month of June was spent developing deeper relationships with key partners in PIP as well as using those contacts to develop a longer term plan for PIP and make the connections needed to launch the Farmer training program.

## Value Chain Participants

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

## Partners

Compete  
Farm Conceren  
Global Cropcare Consultants (GCC)  
Icrisat

## Mechanisms

### *Farmer Training Program-*

GCC turned in a short proposal on how to train peanut farmers. They are now preparing a presentation to be given to Insta management for schedule and budget of training. GCC will train field extension staff from a reputable organization that can then go on training farmers. (Train the trainers) At this time, Insta in association with Compete, is meeting with organizations to determine their capacity to train farmers. Initially, the program will be a single harvest cycle program targeting approximately 600-800 farmers in Western Kenya.

### *Industrial Training Program-*

As Aflatoxin contamination can occur at many stages after the farmer has sold his crop, it is important to consider the industrial handling. GCC will follow up its farmer training presentation with an "Industrial" training program that will target distributors and processors. This important element must occur in tandem with the farmer training. In addition to planning the training process, Insta is also putting together a list potential training participants.

### *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.

## Concerns

Several partners have voiced concern over market value and value return after time and money has been spent in building the capacity of the peanut value chain in East Africa. These concerns will be worked on in July, as some partners feel that without some protection, the value of involvement may not come back to them

## Summary

June brought together the many partners that have highly specialized roles in influencing the success of PIP to decide on areas of responsibility. The next step is to finalize the training program.

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**Updated grant timetable.**

No.	Description of activity	Benchmark / completion date (DD/MM/YY)	Revised timetable	Level of achievement
	<b>Purchase and installation of additional RUTF capacity</b>			
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

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Task 4.2	PMD technician to assist with installation and fine tuning of running	14/12/09	30/4/10	Done
Task 4.2	Payment of 10% being final installment	16/12/09	15/5/10	Pending discussions on local modifications required and costs associated with the delays
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	Under discussion
<b>Benchmark</b>	<b>Production of RUTF increases from 1500 MT to 5000MT, annually.</b>			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	7/3/10	As there was a resource within Insta with experience of assisting peanut farmers in Uganda, an internal resource is being used. As the project develops, we may utilize KS	
Task 6.2	Order the Elisa test equipment	31/10/09	17/4/2010	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	1/5/2010	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		Mr Allison is providing an overview with Rolf Campbell and Paul Wythe providing direction to Donnie Harris	

Task 6.5	Consultants 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	<i>Consultants to work with peanut growers.</i>	See above	See separate section

### Achievement of goals

The installation of the machines has at last been achieved. The delays resulted from the supplier being over stretched and unable to meet the agreed delivery timetable. Furthermore, installing took longer as a result of the supplier not modifying the machinery.

Peanut improvement project is a long term project, which is now reflected in the extension granted by Compete for the project. Other sources of funding are being sort as the process is likely to be a source of cost overrun. Ministry of Agriculture has expressed an interest in the project. Progress is slower than one would wish, but with a limited budget, it is best to explore all the options before investing significant amounts of cash in the process.

PSW  
16/7/2010

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