

Format for Quarterly and Final Completion Reports for COMPETE Grants

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P F Tracking Number:	TSA-STA-010-017
Title of Activity:	Scaling Up Kenyan Fair Trade Macadamia Exports
Start Date of Reporting Period:	April 1, 2010
End Date of Report:	June 30, 2010
Date Report Submitted:	July 14, 2010

Narrative reports must contain, as a minimum, the following:

- A comparison of actual accomplishments with the goals and objectives established for the period. Particular achievements and obstacles to the success of the project should be reported in specific terms.

	Goal	Achieved to date
1	Relocate and improve plant equipment to achieve full food grade processing capacity as verified by the Kenyan Bureau of Standards.	Plant relocated and operational at new location. KEBS certification currently under application, as it relates to initial shipment of product scheduled on 16 July
2	Increase plant capacity to allow processing of 100 tons/season (two seasons)	Current plant capacity is approximately 1 metric ton/day. This capacity will be modified with the installation of a new vacuum packer on July16, 2010.
3	Purchase 200 tons of macadamia from Meru and Taita growers associations, at a value of 6 million Ksh (Fair trade minimum price of 30 Ksh/kg).	So far in the 2010 season, we have purchased 27 tons from Taita, and 10 tons from Meru, a total of 37 tons. These purchases were at an average price of 40 Ksh/kg in Taita, and 48 Ksh/kg in Meru. Purchasing continues.
4	Provide 1 million Ksh in social premiums for investment in community projects to the Meru/Chogoria and Taita grower associations (social premium of 5 Ksh/kg)	Social premium payments of 5 Ksh/kg for Taita have been set aside, pending the successful completion of their fair trade audit (first week of July, 2010). This brings a total thus far of 135,000 Ksh in social premium funds for investment into the Taita community (5 Ksh/kg for 27,000 kg). Social Premium payments for the Meru community will be set aside in 2011, as

		they have not started the fair trade audit process yet.
5	Provide 1 million Ksh in fees to the associations for the collection and storage of macadamia on behalf of TSA.	Thus far, a total of Ksh 151,328 has been provided to the Taita grower association for collection and storage of macadamia and capacity building. These payments are ongoing, based on the volumes of nuts collected.
6	Achieve Fair Trade certification (FLO advanced, introductory already obtained) and organic certification for macadamia for the two farmer's associations	The Taita grower association (WAMATTA) was provided with consulting over a 6 month period leading up to the FLO audit which took place July 5-9, 2010. It is our understanding that the audit was successful, though the final answer from the auditors has not been delivered yet. The Organic audit for WAMATTA has also been the subject of preparation for the same length of time and the audit will take place July 12-17, 2010. Both audits for the Meru association (Macadamia Farmer's Self Help Project) will be prepared for from September 2010 to February, 2011, and will be carried out in March or April of 2011.
7	Provide technical assistance to the growers in Meru and Taita that will result in a decrease in rejection rate and an increased yield of (to 25% of finished product as volume of nuts purchased)	Part of the consulting in preparation for the FLO and Organic audits has included technical assistance for the growers. For this year, the focus has been on Taita. However, beginning in September, an agronomist will be employed full time to work with the growers to achieve crop improvements in advance of the 2011 season. At that time the yield improvements will be able to be measured.
8	Provide technical assistance to the grower associations in Meru and Taita that will result in increased ability to manage their association for the benefit of the members.	As well, an integral part of the consulting assistance provided to the WAMATTA group includes organizational capacity building, as it is a part of what is needed to achieve FLO certification. The consultant in this case is Farm to Fork, a Kenyan agricultural product consulting and training firm which focuses on fair trade, organic and agronomy improvements for small holder farmers and grower's associations.
9	Export 50 MT of processed nuts, of which at least 30 tons to the US market. This represents a sales goal of \$240 000 or 17 million Ksh (40 000 kg @ \$6/kg)	The first export from the 2010 harvest will be shipped on July 16, which is 100 cases (1.13 tons) of macadamia to American Nut company in California. In support of this goal, TSA staff participated in the Fancy Food Show in New York at the end of June. During this show they discussed with potential buyers the provision of a potential further 8 containers of macadamia. It is not possible to meet this demand from the 2010 harvest, but these market relationships are resulting in ongoing negotiations toward significant orders for 2011 harvest.
10	Extend the partnership agreement to one additional grower's group, with at least 500 members	Initial discussions have begun with a potential grower group in Murang'a. The goal is to form an association in advance of the 2011 growing season.

11	Create stable employment for at least 35 staff in the Nairobi factory	Currently, the factory has 20 workers, of which 5 are permanent positions, and the rest casual positions.
12	Create a social enterprise which will model corporate social responsibility in Kenya. The TSA board is committed to provide financial and in-kind support to an orphanage in the Kawangware slum in Nairobi.	There has been no progress toward this goal at this time.

- An evaluation or analysis of the degree to which the grant activities are achieving the project objectives. Reasons why established goals were not met if appropriate.

It is our view that the project is making good progress toward meeting its goals. The FLO and organic audit was delayed due to scheduling issues with the auditing agencies. Also, the factory set up was slower than planned, in part due to a long delay on the part of Kenya power to hook up three phase power. The company was also operating under financial constraints in terms of setting up the equipment, and as such needed to cut back on the original plan in terms of the size and capacity of some of the machines (dryer, grader and sorter in particular.) However, none of these delays will have a major impact on our ability to meet the project goals.

- Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

There have been no significant cost overruns as yet. However, it seems that we underestimated the cost of the Fair Trade and Organic audits, and will need to source other funding to be able to complete these in due course. Current estimates are that these audits will cost perhaps twice what was budgeted.

There are two reasons for this: one is that the organic certification body that we contracted with, BCS Oeko, chose to provide an auditor from South Africa as the best able to deal with our requirements (global certification, nut products) and this increased the costs. Also, we had assumed that the farmer audit and the factory audit could take place at the same time, using the same auditor. This is not the case, and the farmer and factory audit will need to be done separately, at increased cost. However, if the product is able to be shipped to schedule, then this will certainly provide one source of revenue to cover these additional costs.

- A minimum of five copies of any publication funded under the grant, including books, brochures, newsletters, bulletins, video cassettes; and single copies of all other products such as newspaper clippings, project announcements, and audited financial statements.

Not applicable for this reporting period