



COOPERATIVE DEVELOPMENT PROGRAM

USAID CA# FAO-A-00-97-00009-00

SEMI-ANNUAL REPORT

FOR JANUARY – JUNE 2003

Submitted to

**USAID/DCHA/PVC
Washington, D.C. 20523**

Submitted by

**Land O'Lakes, Inc.
P.O. Box 64406
St. Paul, MN 55164-0406**

Cooperative Development Program (CDP)

USAID CA# FAO-A-00-97-00009-00

**Semi-Annual Report
January – June 2003**

Land O'Lakes, Inc.

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PROJECT OVERVIEW

The Land O'Lakes Cooperative Development Program (CDP) develops cooperative business systems in target countries. The current target countries are Bulgaria, Guatemala, and Tanzania for Land O'Lakes and Uganda for HealthPartners, the subgrantee. The goal of the program is to promote economic growth through the development and strengthening of agribusiness cooperatives. The focus of the project is four-fold, to:

1. Identify progressive cooperatives and provide targeted assistance to improve their profitability and member services.
2. Strengthen the cooperative development expertise in the Land O'Lakes International Development Division (IDD) and in targeted overseas cooperatives to enable more efficient and cost-effective response to specific cooperative development needs.
3. Build grassroots support for U.S. international development efforts by sharing the information and successes of this program to a broad audience of U.S. farmers and agribusinesses.
4. Build the capacity of Land O'Lakes to access non-U.S. government funding for future cooperative development programs.

Project Duration: June 1, 1997 – May 31, 2004

Project Contact: Rodrigo Brenes, Senior Project Officer
International Development Division
Land O'Lakes, Inc.
P.O. Box 64406, St. Paul, MN 55164-0406 USA
telephone: 651-634-4285

EXECUTIVE SUMMARY

The Cooperative Development Program (CDP) has continued its efforts to strengthen local cooperatives in all of the countries that Land O'Lakes operates under this program. Land O'Lakes/CDP has focused primarily on dairy production and processing during the extension phase of the project. Through a sub-agreement between Land O'Lakes and HealthPartners, operations continue in Uganda to establish an effective long-term cooperative health system.

Land O'Lakes will continue its operations in Bulgaria until December 2003. Despite many attempts by Land O'Lakes to approach the mission for continued funding, there have been no new monies given to implementers, as the mission is planning on closing in 2006.

In Guatemala, Land O'Lakes has been working diligently to receive additional funds from the mission. Approval of \$425,000 is nearly finalized, and all the funds will be incorporated into current work in Guatemala. The project will increase implementation in the Zona Paz region, and the partnership with CITI will continue to build new relationships with indigenous dairy farmers in this area.

In Tanzania, Land O'Lakes continues its strong performance with women's cooperatives and dairy producer groups. The project has installed five cooling tanks, and this has allowed many cooperatives to increase production and begin processing new dairy products for sale in the local markets. Land O'Lakes hopes to build on the work it has accomplished under CDP and has responded to dairy directive funds for Tanzania. The local mission has agreed to match the funds that Land O'Lakes has proposed.

Finally, in Uganda, HealthPartners is emphasizing ways in which they can implement sustainable health care practices beyond the end of the CDP extension. United Health Cooperatives (UHC) has set up a database to track clients that are using the healthcare systems.

An article in the *Twin Cities Business Monthly/Global Business Quarterly* periodical entitled "USAID: A Two-Way Street" featured Land O'Lakes' Farmer-to-Farmer project and HealthPartners' CDP project in Uganda (see Attachment E).

BULGARIA

I. NATIONAL LEVEL ASSISTANCE

Land O'Lakes, via the CDP project and in collaboration with its partner organization – the Bulgarian National Dairy Association (BNDA) – is working to improve the policy and regulatory environment for the dairy industry in Bulgaria. The CDP project also supports the development of national associations representing the dairy industry in Bulgaria, and it seeks to assist Bulgaria in efforts to integrate with the European Union. To achieve this objective, the CDP project accomplished the following during this reporting period:

A. Support for Agricultural Policy Reform

- Land O'Lakes assisted the Bulgarian National Dairy Association, the Association of Dairy Processors in Bulgaria (ADPB) and the National Association of Dairy Producers (NADP) in their work with the Government of Bulgaria on various issues regarding their participation in the Consultative Council on Milk Issues to the Ministry of Agriculture and Forestry. The Council is comprised of representatives of Ministry of Agriculture (MOA), the Ministry of Economy, the Ministry of Finance, the State Fund Agriculture and the National Veterinary Control Services.
- As a result of the effective work of the three national dairy associations with the Consultative Council on Milk Issues and as an outcome of the Memorandum signed in March 2002 defining the joint actions of the Bulgarian government and BNDA, ADPB and NADP in ensuring efficient conditions for the production, procurement and sales of documented quality milk and dairy products, the Ministry of Agriculture through the State Fund Agriculture granted a total of 5,000,000 Bglv (\$3,030,300 USD) for year 2003.
- Refer to Attachment C for the Bulgaria Policies Impact Table.

Lessons Learned

The successful policy efforts of the national dairy associations made them a reliable partner to government in their work with the MOA Consultative Council on Milk Issues, the EU SAPARD Selection Committee and the different working groups on legislation and dairy issues.

B. Development of National Associations

Effective in their actions to unite and protect the interests of their members and being recognized as reliable counterparts to the Government, BNDA, ADPB and NADP

actively participate in the Commission on Milk Production and in the Commission on Milk Procurement and Processing of the Consultative Council on Milk Issues to the Ministry of Agriculture and Forestry.

Due to this persistent and effective work of BNDA, ADPB and NADP with MOA Consultative Council and as an outcome of the Memorandum between Government and the dairy associations, the 2003 bonus program scheme for the production and procurement of documented quality milk was finalized. Now bonuses are awarded for “extra” grade cow milk of 0.06 Bglv/liter (\approx 0.36 USD/liter), “first” grade cow milk – 0.05 Bglv/liter (\approx 0.03 USD/liter), and buffalo and sheep milk – 0.07 Bglv/liter (0.42 USD/liter). For the region of the Rhodopa mountains, under the MOA the region received an additional 0.01 Bglv/liter. The total bonus amount for 2003 is 5,000,000 Bglv (3,030,300 USD), which is double the amount granted for 2002.

The level of utilization of the MOA State Fund Agriculture bonus amount for documented quality milk for January and February of 2003 only was 26 percent of the total amount. The number of association members applying was 3,056, i.e., twice as much as the first two months of 2002, and the total amount awarded as bonuses is 1,340,820 USD. Farmers have benefited, 32,302,658 liters of documented quality milk were awarded, and the amount granted was 1,293,467 Bglv (\approx 783,920 USD). Of the total documented quality milk produced for January and February, sheep milk was 176,860 liters, buffalo milk was 66,688 liters, and cow milk was 22,059,120 liters. The additional bonus amount for the Rhodopa Region was 9,189 Bglv (\approx 556,900 USD) for 918,880 liters.

Previous efforts of NADP resulted in the Government extending the duration of the program to be applied on an annual basis and thus giving the farmers the stimulus to maintain high quality throughout the year. As of April 2002, the program also included buffalo producers and, as of 2003, sheep and goat milk.

The three national associations, supported by Land O'Lakes, advise the Minister of Agriculture in conducting and implementing the Government policy on production, procurement and sales of milk and dairy products. They participate in the development of the strategy for the dairy sector as well as in the development and implementation of all related regulatory documents and joint programs for improving the quality parameters of raw milk and dairy products.

BNDA and NADP jointly participated in the Agricultural Expo Agra 2003, held in Plovdiv, March 6-10. During the Fair the associations presented to potential members their services.

ADPB participated in the International Trade Fair in Plovdiv (May 5-11, 2003) with 26 dairy processors exhibiting their products. Nine dairy firms were awarded gold medals for high-quality products. ADPB also promoted the new book of Prof. Maria Baltadjieva, LOL U.S. trainee and consultant, *Production of White Brined Cheese*. As a result of the services and advertising, ADPB generated 53,000 Bglv (\approx 31,150 USD).

C. Support for EU Integration

Being recognized as a reliable and resourceful partner to the Government and with the goal to protect the interests of its members, BNDA actively participates in policy working groups at the MOA for all issues related to EU integration.

- BNDA, NADP and ADPB, together with the Ministry of Agriculture, developed legislation for the establishment and functioning of the Bulgarian Dairy Board. The purpose of the Board is to oversee and regulate the dairy sector and gradually replace the National Dairy association. The three associations and MOA Consultative Council jointly prepared the necessary documentation. The Parliament Commission on Agriculture has approved the draft regulation, and it is already presented to Parliament for vote and approval.
- ADPB and NADP participate in the implementation of the EU PHARE project “Improvement of veterinary control and quality of raw milk and dairy products.” The twinning partner on the project is Greek MOA. The Greek partners, together with the National Veterinary Control Services and the Bulgarian national dairy associations, developed sample recommendations for milk quality analysis. A delegation comprising of the three parties conducted visits to 8 dairy farms, 5 dairy processing plants and 14 milk collection sites.
- As part of the EU PHARE Project on quality improvement in the dairy sector, NADP conducted a seminar on milk quality in Veliko Tarnovo with 37 participants.
- ADPB, in its efforts to render quality services to its members and in preparation for EU accession, is working on the EU PHARE project “Assistance in HACCP Implementation and Food Safety Improvement in the Dairy Sector.” The association has organized and conducted 6 seminars with 138 participants.
- With the assistance of Land O’Lakes ADPB has renewed its applications for membership in the International Dairy Board and the European Organization of Dairy Processors.

II. REGIONAL LEVEL ASSISTANCE

In addition to the four national level associations that receive support from Land O’Lakes, the CDP project provides support to regional associations which group together producers and processors in the main dairy producing regions of Bulgaria. Support includes assistance to the leadership of these associations to help them develop and provide services to their members, and direct technical assistance to their membership. Activities undertaken during this reporting period are as follows:

Land O'Lakes, in its ongoing, active support for regional associations, continues the implementation of the development program with the following tasks: formation of milk collection cooperatives and group purchasing. The programs focus on increased income in rural areas through improved quality and bulk purchasing.

During the reported period, Land O'Lakes purchased from the local manufacturer – Nikos Engineering - Dobrich, 6 cooling tanks (5 with 1,000 liter capacity and one with 500 liter capacity) including the auxiliary equipment. The cooling tanks were donated to the Kardjali and Dobrich Dairy Producers Associations and two associations in the Bourgas Region – Sredetz and Ruen. The cooling tanks are already installed at the collection sites built and equipped by the farmer coop members. It is important to note that milk collection sites are currently owned by dairy processors and thus they dictate the price of raw milk. Through the farmer coop ownership of the collection sites, farmers will be able to choose between different processors and pursue higher quality and prices (Attachment D).

The Pleven Dairy Producers Association is already utilizing the funds generated through the collection site for group purchasing. The association bought feed for 2,120 Bglv, alfalfa seed for 3,200 Bglv, pharmaceuticals for 100 Bglv and milking equipment spare parts for 730 Bglv, and generated 6,150 Bglv (\approx 3,620 USD). Land O'Lakes initiated the group purchasing model in 2002 with an initial grant of alfalfa seed worth 500 USD and donated the cooling tank to the association. The association also organizes monthly seminars on milk sanitation, milk reception (handling and testing), administration and management of milk collection sites, animal nutrition, mastitis and farmer assistance programs. The total number of participants for the reported period is 376. MOA officials are invited and usually attend the seminars, as Deputy Minister Boiko Boev and MOA Agriculture Fund Deputy Executive Director Lillo Djambazov. Another important achievement of the association is that the majority of the members receive the bonus for quality milk – 520 farmers out of 590 members (88 percent).

As a result of the successful model initiated by Land O'Lakes through donation of alfalfa seed, corn seed, semen and feed to initiate group purchasing activities with regional producer associations and the donation of cooling tanks for collection sites of farmer coop members, we observe that through the gained experience and realized benefit for both farmer members and associations, these efforts are extended. New group purchasing activities are initiated both at regional and national level. These include contracts made with national level distributors of pharmaceuticals, milking equipment spare parts, feed, seed, etc. Associations are making successful efforts to supply their members with inputs of at least 15 percent discount. These efforts led to increase in membership, confidence and trust in association structures and their role in meeting members' needs.

Land O'Lakes provided a package of technical assistance and training to 32 farmers members of the rural producer groups who have organized themselves into cooperatives, and wish to establish milk collection centers. The seminars focused on three topics: nutrition of heifers and dairy cows during lactation, milk handling sanitation and quality and veterinary aspects of reproduction and mastitis. These groups were again identified

through the regional dairy producer associations that Land O'Lakes has established. There is much greater interest by farmers to form milk collection centers (MCC) based on their increased profitability (higher price and bonuses for the quality milk), guaranteed annual price of milk (via contracts with processors) and thus higher income. The producer groups are also acting as bulking centers for purchasing supplies, equipment spare parts, pharmaceuticals, etc. They see the possibility to expand into farm service centers and further increase their income through decreased cost of inputs. Technical assistance, and supplies and equipment, for these groups is channeled through the associations to strengthen their position with their farmer-members, while establishing new farmer cooperatives at the same time.

Land O'Lakes participated regularly in BNDA BOD and Committee meetings and delivered assistance to the Boards of Directors of ADPB, NDPA and their regional and local structures on different policy issues and services to members.

Lessons Learned

- The Land O'Lakes donation and assistance for group purchasing and establishment of farmer coop collection sites resulted in successful follow-up activities of both regional and national dairy associations. These include contracts with national and regional distributors of pharmaceuticals, dairy equipment, feed, seeds, etc.
- Significant difference in price of inputs (15 percent to 20 percent) moves associations.
- Producer groups should select the right supplier product and season.
- Licensing of collection sites must be done prior to installation.
- Quality improvements are feasible if processors enforce quality standards.
- Processors must be willing to reject milk that does not meet the standards.

III. ACTIVITIES PLANNED FOR THE NEXT SIX MONTHS

Land O'Lakes will work on the national and regional level to support dairy association activities in serving members' needs as well as active policy work with the Government of Bulgaria. Efforts on the regional level will be focused in two main directions:

Milk Collection Co-ops

- Continue surveying farmers' interest in forming producer collection co-ops
- Train farmers on co-op formation
- Assist farmer groups in setting up milk collection sites and milk collection business
- Business plan development and marketing
- Continue training and technical assistance to producer groups in nutrition of heifers and dairy cows during lactation, milk handling sanitation and quality and veterinary aspects of reproduction and mastitis

Group Purchasing

- Continue working with regional dairy producers associations, assisting them in identifying possible input for group purchasing activities.
- Survey sources of supply and assist associations in negotiating contracts.

GUATEMALA

I. INTEGRAL VISION DEVELOPMENT

Based on the established *new vision* of “Integral Development in the Dairy Sector” for Land O’Lakes/CDP in Guatemala, a strategic plan was devised with the endorsement of activities that have produced diversified accomplishments, opening ever-increasing opportunities for the program.

II. WORK PROGRAM IMPLEMENTATION

A. MAGA 10-Year Agreement Set-Back and USAID’s “Life Vest”

During this electoral year in Guatemala, politics is afloat in most governmental institutions and MAGA is not the exception. The minister who had signed the “letter of intention” for a 10-year agreement is now the official party’s vice-presidential candidate and, when time came to honor the agreement with the creation of a bank trust that would derive governmental funds from BanRural’s government stock ownership participation, the final agreement never came to life.

The present Guatemala/CDP activities started in April 2002, and since that time Land O’Lakes has been in close contact with the USAID Mission in Guatemala. They have since been aware of the vision for the creation of an Integral Development Program in the Guatemalan Dairy Sector. As this relationship continued and we kept USAID informed of our plans and events, specific criteria triggered the possibilities of obtaining economic resources to strengthen the work in CDP. USAID/Guatemala had funds that were intended to be used in a Land Titling program. Through analysis and explanation to USAID that the use of those funds would not be as beneficial to the community as using the funds in a program similar to CDP/Guatemala, Land O’Lakes has the possibility of receiving about US\$ 425,000 to be allocated in CDP and to be used between August 2003 and September 2004. The specifics of this program are explained in the following section of this report.

B. Documentation, Data and Action Plan Endorsement

The documentation and data recollected has strengthened the creation of the Integral Development Program that will cover the following work areas:

PRIMARY WORK AREAS:

(1) Organization of producers and artisan processors

1.1 Technification of production and transformation of Guatemalan Dairy Products

- 1.2 Entrepreneurial technification
- 1.3 Support to local, regional, national and Central American organizations
- (2) Creation of demonstrative modules
 - 2.1 Model farms
 - 2.2 Agro-industrial schools and agro-industrial modules
- (3) Marketing
 - 3.1 Raw milk commercialization
 - 3.2 National milk products processing
 - 3.3 Final consumer market

SECONDARY WORK AREAS:

- (4) Investigation and application of appropriate technologies at the production and the industrialization stages
- (5) Development, application, coordination and supervision of program for the improvement of the national dairy industry
- (6) Commercial and academic interchange
 - 6.1 Market Development
 - 6.2 Scholarship's Program
 - 6.3 Internship's Program
 - 6.4 Learning Program
 - 6.5 Research and Development
 - 6.6 Farm Extension
 - 6.7 Interchange of Technologies

The basis and scope of the additional funding will be used for:

- a) Identification and characterization of the milk-producing regions in Guatemala, choosing a minimum of nine (9) to be developed;
- b) Organization of the production chain of the dairy sector in each region of work throughout local cooperatives of milk producers;
- c) Technical and entrepreneurial training in the production chains;
- d) Technology transfer via demonstrative models, qualified personnel formation and technification at all stages of the dairy chain;
- e) Processing and diversification of products and adequate marketing within good quality and hygienic standards, providing the equipment and the proper usage of the cooling chain and other means of milk and milk products conservation;
- f) Strengthening of the orientation of the academic and technological process through the proper training and formation of experts in all stages of the process via education,

hands-on training, technification and capacity-building to reach quality and competitiveness in the world market.

Since there is a natural symbiotic relationship between the USAID's regional program for the Zonapaz area and Land O'Lakes' national program proposal for the Integral Development of the Dairy Sector through reconverting the productive chain, it is necessary to link the regional program with the national program because the Zonapaz regional program alone and isolated is not capable of developing into maturity by itself. This reality substantiates the need for joining the Zonapaz cooperatives with the cooperatives from the other micro regions of the country. The conjunction of work of all cooperatives will deliver synergies and economies of scale that will help offset the natural weaknesses of going into the market alone.

Furthermore, there is total symmetry between the Integral Development Program that Land O'Lakes proposed on a national basis, the regional program that the Guatemalan USAID mission needs to develop, and the new strategy for international cooperation that USAID headquarters has devised and that will be enforced by periods of five years, starting with the period 2005 - 2009.

For the economic reactivation program of the Zonapaz area, four primary micro regions have been identified as basic beneficiaries of the resources and five complementary micro regions that have been identified to be supportive and fundamental for the program's success.

Primary and Complementary Regions: These regions will be the center of the basic work of the program. Nevertheless, to reach an appropriate marketing level, the indispensable incorporation of the complementary regions will allow the strategy to function through strengthening efforts and consolidation of benefits for the primary regions and spreading the benefits to the complementary regions.

Primary regions:

1. Municipio: Dolores, Aldea El Chal (Petenlac – 41 members)
2. Municipio: Sayaxche, Aldea Tierra Blanca (60 producers)
3. Municipio: Coban and neighboring townships (30 producers) + (Veralac - 90 members)?
4. Triangulo Ixil = Municipios: Nebaj, San Juan Cotzal y Chapul (20 producers)

Complementary regions:

5. Municipios: Salcaja, San Carlos Sija, San Marcos, La Maquina (Xelac - 74 members)
6. Municipio: Colomba (30 producers)
7. Municipio: Chimaltenango (20 producers)
8. Municipios: San José Pinula, Mataquescuintla – aldeas circunvecinas (Coopelac – 27 members)
9. Zacapa – Chiquimula (20 producers)



C. Benefits

It is estimated that there will be direct benefits for the 322 families that comprise the cooperative groups (approximately 2,254 persons) and that there will be a generation of 1,055 direct jobs (322 farms = 966, 9 processing plants = 45, 9 MCCs = 18 and marketing = 16).

The consolidated estimated daily volume of milk will be approximately 20,000 liters. This volume should produce about 2,000 kg of aged cheeses (4,400 lb). The estimated market value would be Q 40,150,000 per year (about US\$ 8 million).

As previously explained, for the design of the Integral Development Program for the Rural Areas of the Zonapaz, it has been determined that its success is based on the strengthening of additional micro regions in the country and in conjunction marketing to

access a strong position in the market niche of high-value-added dairy products. The following map indicates the strategic locations of the micro regions that are planned to be developed with cooperatives, forming a constellation of cooperatives that should be able to integrate their productive chains between now and September 2004:

The Veralac case has been included with a question mark because, so far, they have rejected cooperation with Land O'Lakes, and they have expressed that they want to stand alone. Nevertheless, Land O'Lakes agreed with USAID/Guatemala that Veralac will be invited to participate in these extended CDP activities.

D. Parallel Activities to Strengthen the Action Plan

It is necessary to have parallel activities that will strengthen the action plan because they will convey support to the success of the Integral Development Plan. Generally, these parallel activities provide a great deal of benefits at very little or no cost.

The identified areas of parallel activities and the advance in each area are explained as follows:

1. Inter-institutional cooperation
 - MAGA – Land O'Lakes Agreement = in suspense, waiting for new authorities to take office to try to empower the proposed agreement.
2. International cooperation
 - USAID/Guatemala – LOL/Guatemala = good possibility of obtaining additional funding for the CDP.
3. Other social sectors cooperation (media, entrepreneurial organizations, tourism industry, state and private school system, high academic sector, technical education, community organizations, etc.)
 - UNIS (Universidad del Istmo) – Land O'Lakes/Guatemala = proposed cooperation agreement in the areas of marketing, business administration, business design and architectural design for the Cooperatives' Delicatessen Outlet and the Integral Development Program.
 - INTECAP (Institute of Technical Training) = proposed cooperation agreement in the areas of Land O'Lakes staff training and cooperative staff training.
 - CITI – Land O'Lakes/Guatemala = with the funds extension of the CDP, Land O'Lakes will cover areas of influence of the CITI organization and cooperate with them in the pursuit of the well-being of their associates.
 - AGROS – Land O'Lakes/Guatemala = AGROS is an NGO that has been working for a number of years in the Triangulo IXIL area with vegetable and artisans production. Land O'Lakes will jointly endorse activities that will enrich their business-oriented rural production.

- BanRural – Land O’Lakes/Guatemala = there are good possibilities to open lines of credit for member cooperatives once the Integral Development Program has proven success.
- 4. International business linkages (supplies, cattle, insemination, medicines, supplements, equipment, machinery, seeds, technology transfer, etc.)
 - DAIRY LINK = Land O’Lakes/Guatemala will receive a computer from Land O’Lakes/Honduras to make this link an operational tool for the Guatemalan dairy sector, particularly for the cooperatives.

III. UPDATES SINCE LAST REPORT

From an update of the SWOT analysis, the threats sector has increased in presence and dimension. The incremental imports of subsidized powder milk and the possibilities of PARMALAT’s entrance in the Guatemalan market are weakening the possibilities of success for the Guatemalan milk producers. The only way to offset these threats is to strengthen the integration of the productive chain and to produce and market high-quality, value-added dairy products through distribution channels controlled by the cooperatives.

TANZANIA

I. PROJECT DESCRIPTION

The Cooperative Development Program in Tanzania continues to strengthen dairy farmer cooperatives through technical assistance and training on strategic dairy business management and market development. The goal of this activity is to increase dairy sector competitiveness and productivity, which will ensure that producers, processors and distributors increase their incomes and deliver lower-cost, better-quality products to the market.

The current activity utilizes a regionally focused implementation strategy with the following key areas of intervention:

1. Developing producer organizations to attain efficiency and scale.
 - Increase efficiency in milk collection
 - Strengthen the business capacities of producer-groups
 - Improve milk quality
 - Reduce milk losses
2. Value-adding and market development along supply chain.
 - Increase the variety, quality and availability of value-added milk products.
3. Market Chain System Development
 - Increase domestic milk consumption and market linkages (farmer to processor and processor to consumer).

II. DAIRY AND COOPERATIVE DEVELOPMENT HIGHLIGHTS

Highlights during January to June 2003 included the following:

- On-farm milk production increased by 25 percent.
- Processing, marketing and distribution of value-added dairy products increased in the market by 20 percent.
- Processing efficiency and capacity utilization of the processing plants improved by 10 percent.
- Kijimo Dairy Co-operative introduced two (2) new products, Camembert and smoked mozzarella cheese, in the market (Attachment B).
- Kalali Women's Group started processing cultured milk (mala) along with cheese.
- Meru Dairy Farmers Association (MEDAFA) entered into a contract with Mountain Green (cheese maker) to supply 200 liters of raw milk per day.
- Kijimo Women's Group with their new milk-cooling tank supplied Arusha Dairy Processing Plant with about 300 liters/day.
- Arusha plant and New Northern Creameries processed about 2500 liters and 3000 liters per day.

III. PROGRESS TOWARDS PROJECT BENCHMARKS

Expected Impact and Measurement under CDP/Tanzania

Intervention	Achievements /Status through June, 2003	End of Year Two Targets (May 31, 2004)	Remarks
A. Developing producer organizations to attain efficiency and scale			
Increase in volume of milk collected and recorded in the cooperative per household	Milk collection increased by 7%	10% increase	On track Record keeping has improved in collection centers with cooling facilities.
Milk collection centers will be established in two targeted regions	5 centers established	5 milk collection centers established	Met target More cooling tanks are needed to improve the quality of milk, avoid milk spoilage.
	Household cash flow increased by 10%	Increase of member household cash flow by 20%	On track
At least 1,000 producers trained in agribusiness management, cooperative development and dairy farm management	700 farmers/ producers acquired in-class and field training.	1,000 farmers/ producers trained	Ahead of schedule. Increased quality, varieties and availability of value-added product, processing efficiency and capacity utilization.
	32% of trained producers are women	50% of trained producers are women	On track.
	42% of trained producers are women who serve as either board members of a cooperative or fully active with current cooperative responsibilities	50% of trained producers are women who serve as either board members of a cooperative or fully active with current cooperative responsibilities	Ahead of schedule. There is a tremendous increase of women participation in co-operative development.

Intervention	Achievements /Status through June, 2003	End of Year Two Targets (May 31, 2004)	Remarks
At least one training session or seminar for each selected group and follow-up on agribusiness management, financial management, marketing and cooperative development.	3 trainings	6 trainings	Trainings and follow-up on Cash Flow Management and Business/Marketing planning have strengthened business capacities of dairy farmer co-operatives.
	2 follow-ups	6 follow-ups	
B. Value-adding and market development along supply chain			
Increase sales among participating enterprises engaged in value-added processing.	15% increase on sales	Increase sales by 25%	On track Value-added milk products have reduced milk losses and enhanced dairy productivity
Increase in product sales among participating small-scale and large-scale processors.	3 new markets identified: a) Dar-es-Salaam, b) schools in Arusha and Kilimanjaro through milk feeding program and c) new tourist hotel and super markets (shop rites)	At least 3 new value-added products	Met Target Increased domestic dairy consumption and market linkages.
New value-added products developed and introduced into the market.	3 new value-added products developed and are in the market (spiced cheese, butter and flavored yogurt). (See new markets above)	At least 5 new market/sales outlets identified.	On track. Increased revenue by improving value-adding products and product packaging.
C. Market chain system development			
Number of people participating in the dairy promotional activities.	500 participants	Anticipating 1000 participants in the dairy promotional activities.	On track
Number of consumers (includes) school children reached during the dairy days campaigns.	Reached around 3 million people.	At least 5 million people.	On track.
Sales of milk and milk products.	Sales revenue (income) to participating groups amounted to US \$30,000.	At least to generate US\$ 100,000 sales revenue for both domestic and foreign markets.	Increased profit margin for the participating groups/firms.

Intervention	Achievements /Status through June, 2003	End of Year Two Targets (May 31, 2004)	Remarks
New products developed.	3 new dairy products sold during dairy promotion campaigns	At least 5 new dairy products to be sold during the promotion campaign.	On track (see new value-added products above). Foster a market-driven orientation.
Marketing campaigns undertaken and consumption rates.	Conducted market survey/research and identified new markets. Consumption rate has increased by 10%	To undertake intensive dairy market research. Consumption rate to be increased by 15%	On track. Create and strengthen dairy marketing system. Increase consumer-product awareness and stimulate demand

IV. SEMI-ANNUAL ACTIVITIES

This report covers the period January 1, 2003, through June 30, 2003. The most significant events of the period included the following:

A. Developing Producer Organizations to Attain Efficiency

Milk Cooling Centers

- Five (5) milk collection centers have been established and are fully operational.

Volume of milk being collected daily by co-operatives in their new collection centers

Co-op Names	Average Milk collection in liters/day			Price per liter to the farmers		No. of household members delivering milk to the co-op			Market price/liter May 2003	Gross Profit
	<i>Before Cooler (Dec 2002)</i>	<i>Opening day (March, 2003)</i>	<i>Status as of May 2003</i>	<i>Before cooler</i>	<i>After getting cooler</i>	<i>Before cooler (Dec 2002)</i>	<i>Opening day (March 2003)</i>	<i>Status as of May 2003</i>	<i>T.Shs.</i>	<i>T.Shs</i>
Marukeni	300	350	600	170	180	97	120	180	200	12000
Nronga	700	1200	1700	170	180	105	150	325	200	34000
Medafa	150	200	500	180	200	25	45	73	220	10000
Kijimo	120	150	300	180	200	23	32	57	220	6000
Idafaso	100	120	200	180	200	15	27	43	220	4000

- *The region-experienced drought in March and April, thus affecting quantity of milk collection.*
- *U.S. \$1 = Tsh.1000/=*
- *Data collected between mid-March and May 2003*
- Training on milk collection, handling and storage techniques was conducted with 35 co-operative representatives of the five cooperatives with milk cooling tanks.

Pictorial Account: Milk Collection Centers in Full Operation



MILK COOLING TANK AND RECEPTION/DELIVERY VESSELS AT MARUKENI WOMEN DAIRY COOPERATIVE SOCIETY



TESTING MILK BEFORE RECEPTION AT KIJIMO TRAINING IMPACT

Producer Organization and Cooperative Development

Technical assistance and consultation were offered to women participating in agribusiness shows and cooperative development.

Women Participation in Training

Co-operative names	Women attendance (in trainings)	Active women in the co-operatives/ organizations		Active women in co-operative/ organizations	Number of qualified women with fully functioning responsibilities in co-operatives	Number of qualified women with fully functioning responsibilities in co-operatives
		<i>Before LOL Interaction</i>	<i>Status June 2003</i>	<i>Status May 2004</i>	<i>Status May 2003</i>	<i>Status May 2004</i>
	<i>During the period (Jan-June, 2003)</i>					
Marukeni	210	80	180	-	7	-
Nronga	300	105	325	-	10	-
Medafa	57	15	70	-	3	-
Kijimo	63	12	50	-	6	-
Idafaso	45	6	25	-	2	-
Nguni	186	95	180	-	5	-
Kalali	155	75	140	-	6	-
Chemuco	87	25	45	-	4	-
Nkwarungo	73	17	35	-	3	-

B. Value-Adding and Market Development Along Supply Chain

New Product Development

- Nronga Women Dairy Co-operative processed butter and cream.
- Ng'uni Women Dairy Co-operative started to process cultured milk.
- Nkole group (Arusha) is processing cheese.

- CHEMUCO Dairy Co-operatives (Kilimanjaro) is processing different types of cheese.
- Kijimo Dairy Co-operative has diversified their processed products by adding Camembert and cultured milk
- International Dairy Products Ltd (Arusha) an upcoming processing plant is concentrating on yogurt (plain and flavored) production, also processing butter and sliced cheese.

C. Market Chain System Development

- Land O'Lakes, through its dairy consumption campaigns (consumer awareness campaign), anticipates increasing domestic dairy consumption from the current per capita consumption of 28 liters to 40 liters per annum.
- Land O'Lakes participated on the ongoing campaign of school milk feeding (attended sensitization meetings and workshops) to increase knowledge of Tanzanian population on benefits of improved nutrition through dairy products, and increase incomes of rural dairy farmers, as well as to enhance health and performance of school children.

V. **LESSONS LEARNED**

- The creation of community collection centers and producer-owned cooling tanks has improved cost efficiencies through group marketing efforts.
- To ensure long-term sustainability and viability of the collection centers, ongoing technical assistance will be provided to assist the cooperatives' record keepers to understand the flow of debits and credits in the working capital checking account and any other accounts.
- Training the beneficiaries of milk cooling tanks on cash flow forecast and documentations to improve their cash flow management is very important.
- Through a consumer-driven and competitive approach, co-operatives and processors are able develop new and better quality products to the market.

VI. FUTURE PLANS

During the next six months, the Cooperative Development Program in Tanzania will continue working on:

- Effective Milk Collection and Quality Control
 - Conduct training on how to operate and manage the milk collection centers.
- Diversification of Dairy Products
 - Assist diversification of dairy products to compete in the free market economy. This includes new product development, diversification of pack sizes, so as to access different market niches at relatively affordable prices.
- Marketing and Distribution
 - Identify new markets, encourage dairy products exhibition (e.g., Nane show), and strengthen the links among dairy stakeholders.
 - Conduct practical training on marketing and promotion linking the collection centers with the market (a case of TDCU Tanga).

UGANDA (HealthPartners subaward)

Activities

Uganda Health Cooperative (UHC) staff focused primarily on plan growth and expansion through this period. Thirty-eight member groups are currently utilizing UHC prepayment health care at six provider locations throughout Uganda. Other advancements have been made in training, enhancing the UHIS database to increase the use of data and reports, expanding relationships to include mentorship of providers seeking to implement prepayment plans, and compiling information for the comprehensive guide to reproduce the project in Uganda or another country.



Land O'Lakes held an internal audit in the field and in the Minnesota HealthPartners (HP) location. The conclusion presented helpful tips in administration and finance. An accountant/administrator was hired in Uganda to create an additional level of financial security. Land O'Lakes also offered training on USAID rules and regulations, which was helpful for HP financial and administrative staff.

A study was conducted by Commercial Market Strategies (CMS) on the recommended way forward for UHC. Results of this study are listed under the summary of intervention. The current project grant will end June 2004 and Land O'Lakes communicated to HealthPartners that there will be no further subgrant potential with them. As a result, HealthPartners will incorporate CMS recommendations and present UHC successes and opportunities to the Uganda Ministry of Health and other potential partners for future expansion.

Summary of Intervention



Promotion UHC presents drama shows illustrating health plan membership benefits and preventive health care on a regular basis. Group meetings with existing members and cooperative leaders are also held regularly. New brochures have been developed for increased recognition and marketing.

Training Joy Batusa, Director of Uganda Health Cooperative, visited Minnesota for continued training. While visiting, Ms. Batusa met with representatives from HealthPartners marketing, market research, community relations, center for health promotion, pursuing perfection care redesign, health improvement and disease management, provider relations, contracts, member relations and data management. Ms. Batusa also received sales training and accompanied a sales director on a small business sales call. Finally, Ms. Batusa attended the Carlson School of Management health care management training session in order to further develop her management skills.

UHS Dial-up networking is now available for the Uganda Health Information Services (UHS) database system in Bushenyi. This is a test site to determine cost savings with remote data viewing and report processing. Upgrades to the system during the past six months include adding two reports, creating fields for subsidy tracking, and improving income accuracy by adding fields to track actual premium intake as opposed to amount due. These changes have been rolled out in all database locations and are currently being tested.

Dr. Peter Cowley held a forum to determine data entry improvement for health plans. The following solutions were implemented: school groups will create class lists to provide backup documentation for member verification; a separate telephone line should be installed for the system; data entry must always include diagnoses and clinic location.

Consulting A consulting relationship was formed with Savannah Sunrise Clinics (SAS), an established and successful clinic in Kampala, Uganda. In this mentoring relationship, UHC is helping SAS with health plan administration including setting benefits, promoting the plan, setting pricing and contracts and tracking data.

Administration With the growth of the Comboni scheme in Mukono, a part-time administrator, Ameria Namala, was hired. Ameria's salary is paid by the project for sixth months, after which time Comboni hospital will fully employ her services.

HealthPartners corporate office and Uganda field offices were audited by Land O'Lakes. This was a helpful learning experience that led to the development of new policies and procedures. During this time, accounting assistance for the field office was recommended. UHC welcomed Lydia Kiwanuka as the new part-time accountant/administrator.

Comprehensive Manual Work on the comprehensive guide for prepaid health care development is continuing. Compilation of materials takes place primarily in Minnesota, with details supplied via internet and telephone communication from the field office.

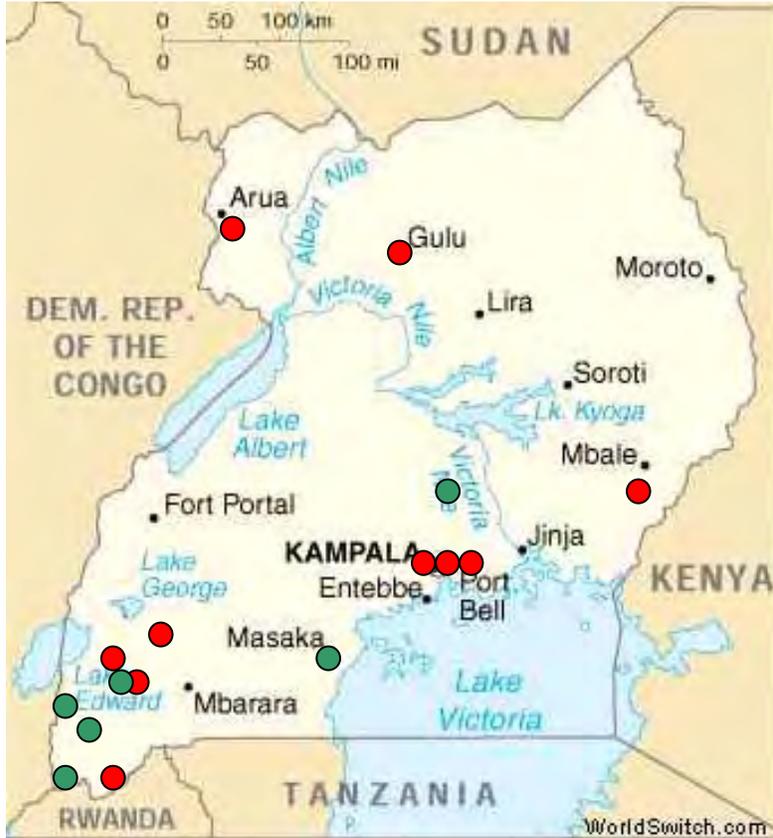
Study results A study was conducted by Rich Feeley, Commercial Market Strategies Senior Technical Advisor on Community Based Health Financing in Uganda. Mr. Feeley's conclusion, based on the following points, is that it is worthwhile continuing support for the CBHF initiatives under the "Systems" project.

- There is no way user fees are going to disappear as a necessary element of health services financing in Uganda. The Government will not have enough money to eliminate them. Anecdotal evidence suggests that, after the abolition of user fees, drug shortages continued or worsened in some Government health facilities. At least some CBHF Plan members, even the poorest, perceived this to happen.
- Social health insurance will only serve the formal sector, and the Harvard study concluded that only 10 percent of the population could be covered now.
- If substantial user fees are inevitable, risk pooling of such fees is better than not risk pooling them.

Study recommendations include:

- Wider enrollment with much larger groups that have potential for premium deduction at the source.
- Change premium collections from a quarterly basis to an annual collection to reduce administrative costs.
- Continue with preventive health care measures.
- Devise a risk sharing plan or social reinsurance.
- Capacity building—train more Ugandans on marketing and organizing health plans.

Impact/Results from Overall Program



- Increased presence throughout Uganda. See map above. Red=UHC locations
Green=UCBHFA (Uganda Cooperative Based Health Finance Association, created through the assistance of HealthPartners.)
- Approximately 5,000 people are receiving health care as a result of the Uganda Health Cooperative.
- UHC works with 38 member groups and 6 providers.
- UHC partnered with PSI/Europe and Commercial Market Strategies (CMS) to distribute insecticide-treated bednets to health plan members. Providers contributed to the cost of the bednets which reduced the cost for members to 8000 Shs (\$4.50 US) each, with a limit of three (3) nets per household. Smartnet successes include improved utilization, decreased incidence of malaria and cost savings for providers. By May 1, 2003, 1,637 nets had been purchased by families.
- UHIS database continues to enjoy wider utilization. Administrators are increasingly able to analyze data through improved reports.



Potential Issues/Hurdles/Results

- Lack of income to fully pay health care premiums is the greatest challenge. Premium payments are set to cover health care received; however, these costs do not cover administrative fees. See suggestions for improvement under Summary of Intervention, study recommendations.
- UHIS challenges continue to arise. Power surges and unclean power can destroy hardware equipment. Grounding is possible but costly for providers with an already low-profit margin. Networking computers is also costly due to environmental and social conditions. This will need to be resolved in order for UHIS to successfully expand beyond the current four sites.

Next Six Months

- Continue training for UHC staff and other health care initiatives/providers in Uganda.
- Change enrollment efforts to focus on very large groups.
- Where possible, change premium collection from a quarterly to an annual basis.
- Present UHIS demonstration to Uganda Ministry of Health, USAID, Providers and other interested parties.
- UHC team leader and database project manager to travel to Uganda in September for continued training, sustainability planning, last phase planning and UHIS presentation.
- Continue to work on comprehensive guide for prepaid health care development.

Promotion of USAID and International Development Efforts

- Scott Aebischer, Senior Vice President Customer Services and Product Innovation, provides presentations on the Uganda Health Cooperative to departments within HealthPartners.
- Joy Batusa, Director of Uganda Health Cooperative, spoke at HealthPartners diversity counsel meeting in March 2003. Ms. Batusa also spoke at the senior officers and board members meeting.
- HealthPartners publication *NewsLink* posted a photograph highlighting the Uganda Health Cooperative.
- Annual *NewsLink* 2002 listed HealthPartners' two-year extension to work on the Uganda Health Cooperative.
- Updates are provided on a quarterly basis through www.HealthPartners.Com, "Who We Are," "HealthPartners in Uganda."
- An article in the *Twin Cities Business Monthly* magazine entitled "USAID: A Two-Way Street" features Land O'Lakes and HealthPartners projects with USAID (see Attachment E).

Appendix A

FINANCIAL REPORT

Appendix B

TANZANIA SUCCESS STORY: KIJIMO WOMEN'S DAIRY GROUP

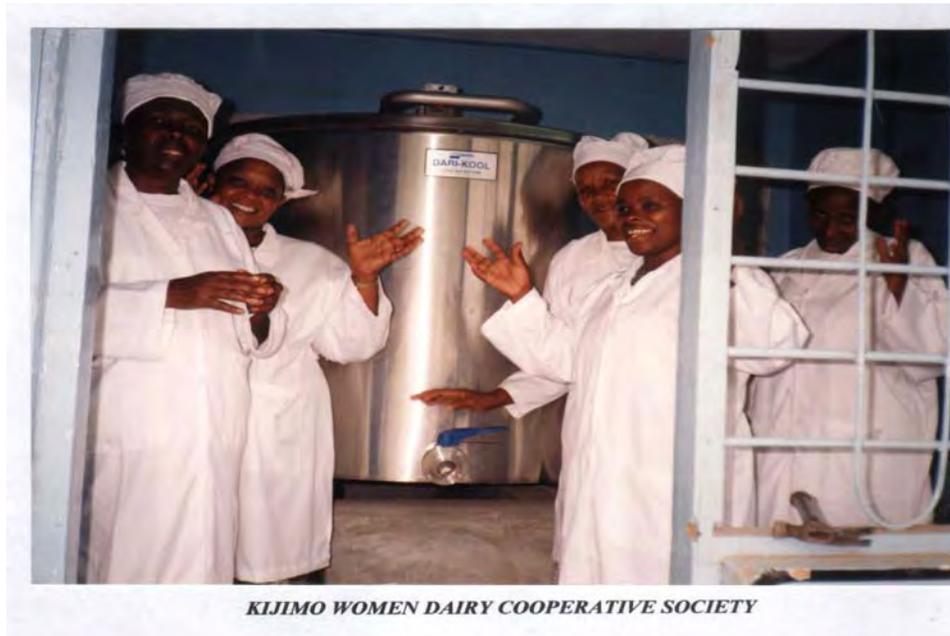
Kijimo Women's Dairy Group Reaps Fruits of Cooperative Marketing

Kijimo Women's Group in Tanzania is one of the cooperative societies that has realized the fruits of cooperative marketing. From a small group of 12 when it began its activities in 1996, the project has grown to 50 active members.

Because of the group's zeal to develop, they secured a plot and put up a permanent building to serve as a cheese house. The group approached Land O'Lakes for technical assistance and training in new product development. The group also approached Land O'Lakes to assist them in procuring a cooling tank.

Through funds awarded by USAID to Land O'Lakes, CDP/Tanzania, five cooling tanks were procured. In February 2003, Kijimo was among the recipient cooperatives to receive a 1500-liter cooling tank.

With a plan to improve milk marketing in the area, the group immediately installed the cooler, and members of the group started marketing milk collectively. On average, 300 liters of milk are collected per day and marketed. Farmers are assured of selling their milk at Tsh 200 (US \$ 0.20) per liter of milk. More progress was made when the group diversified and introduced Camembert and smoked mozzarella cheese into the market. These achievements have allowed the group to think more aggressively about innovative ways of marketing and distributing their processed products to other towns and ultimately to promote community economic growth through dairy cooperative marketing.



Appendix C

BULGARIA POLICY IMPACT

BULGARIA POLICY IMPACT

Association	Submitted to	Description	Date Enacted	Impact
Bulgarian National Dairy Association (BNDA) + Association of Dairy Processors in Bulgaria (ADPB) + National Association of Dairy Producers (NADP)	Ministry of Agriculture and Forestry	Ordinance #3 on the production, procurement and evaluation of raw milk	January 1998	Possibility for association members to apply for bonuses for high quality milk.
ADPB	Council of Ministers of Bulgaria	Strategy for the Development of the Bulgarian Dairy Industry by Year 2001	January 1999	The Council of Experts of the Ministry of Industry approved the Strategy for the Development of the Bulgarian Dairy Industry by Year 2001. Recommendations made were incorporated and the final copy submitted to the Council of Ministers by the end of 1998. This is the first food industry strategy developed through the active participation of business associations. It was given high recognition by the Council of Experts and was recommended to serve as the leading trend in the development of industry-related strategies and policies.
BNDA + ADPB + NADP	Ministry of Agriculture and Forestry	Ordinance #15 on the production of organic agricultural and food products and labelling of those	August 1999	Gives opportunities to association members to produce and export organic products and receive higher incomes
BNDA + ADPB + NADP	Ministry of Agriculture and Forestry	Foods and Goods of General Use Act	September 1999	Harmonization of Bulgarian legislation with EU legislation
BNDA + ADPB	Ministry of Agriculture and Forestry	The drop out of the 2% turnover tax for food industry companies. BNDA & ADPB, together with eight food industry associations formed a coalition to lobby for the amendment of the Law for support of agricultural producers	March 2000	Saves approximately USD 20 million a year to the industry members
BNDA + ADPB + NADP	Ministry of Agriculture and Forestry	Law of Animal Production	June 2000	Harmonization of Bulgarian legislation with EU legislation
BNDA and ADPB	The State Veterinary and Sanitary Control Services	Participation of BNDA and ADPB members in the State Veterinary and Sanitary Control commissions for inspection of dairy processing enterprises and the close-down of the illegally functioning operations that do not meet the sanitary and hygienic regulations and provoke disloyal competition.	Oct-Nov 2000	To this moment with the participation of BNDA and ADPB 596 dairy processing operations and 1,473 milk collection sites have been inspected in 28 regions. 72 of the dairy processing enterprises have been licensed to export their production to countries outside the EU, 4 have been licensed to export to the EU countries, and another 5 are in the process of being licensed to export to EU countries.
BNDA + ADPB + NADP	Ministry of Agriculture and Forestry	Ordinance #30 on the veterinary and sanitary requirements in raw milk production, the construction and exploitation of dairy processing facilities, and the production and trade with milk and dairy products	November 2000	Harmonization of Bulgarian legislation with EU legislation
BNDA and NADP	Ministry of Agriculture and Forestry	Agreement between NADP and ADPB defining the involvement of the Ministry of Agriculture in the system for milk procurement. This program provides bonuses for documented milk purchases meeting high quality standards. The state has started a 10% bonus over the price of quality milk at standard of 3.6% fat content.	April 2001	The total amount of the state financial support for documented quality milk is 2,700,000 Bg leva (1,350,000 USD) for six months, i.e. 450,000 Bg leva (225,000 USD) per month. Taking the average milk production for the whole year, it means that the state is providing financial stimulus for 13% of the milk produced.
BNDA + ADPB + NADP	Ministry of Agriculture and Forestry	Law on Industry Chambers	January 2001	The transfer of licensing procedures from the control of the government institutions to the private sector. This means that less time will be required for processing of the necessary documents.

BNDA + ADPB + NADP	Ministry of Agriculture and Forestry	System for milk procurement through creating bonuses for documented purchases of quality milk		The Ministry of Agriculture through the State Fund Agriculture has granted a total of 2,670,000 Bglv (approx. 1,335,000 USD) as a result of the Agreement signed between the National Association of Dairy Producers (NADP) and the Association of Dairy Processors in Bulgaria (ADPB) which defines the direct involvement of MOA in the system for milk procurement through creating bonuses for documented purchases of quality milk. The efforts of NADP, focused on convincing the Government to extend the period of the program, have resulted in that Government has prolonged the duration of the program on an annual basis and thus given the opportunity of more members to apply and benefit from it. As of April 2002 the program will also include buffalo producers and, as of 2003 sheep and goat milk producers will also be included.
BNDA + ADPB + NADP	MOA, Ministry of Economy, Ministry of Finance, State Fund Agriculture, National Veterinary Control Services	Consultative Council on Milk Issues		Being recognised as reliable counterparts by the Government of Bulgaria, the Bulgarian National Dairy Association (BNDA), ADPB and NADP were included in the Consultative Council on Milk Issues to the Ministry of Agriculture and Forestry. The Council comprises of representatives of MOA, the Ministry of Economy, the Ministry of Finance, the State Fund Agriculture and the National Veterinary Control Services. ? The Ministry of Agriculture through the State Fund Agriculture initially granted a total of 2,200,000 Bglv (approx. USD 1,100,000) for the period April – September 2002, then an additional amount of 170,000 Bglv (approx. USD 85,000) was granted for the period October – November 2002. The amount granted for year 2003 is 4,600,000 Bglv (approx. USD 2,300,000). ? An incentive program for stimulating farmers breeding animals with high genetic potential is being already developed by NADP and the Agency for Control of Livestock Breeding to the Ministry of Agriculture and Forestry. The agreement between BNDA and the Agency was signed back in April, defining BNDA as its counterpart and coordinator in all joint activities related to lives ? MOA State Fund Agriculture has granted a total of 5 million Bglv (approx. USD 2.5 million) for
BNDA + ADPB + NADP	MOA, Ministry of Economy, Ministry of Finance, State Fund Agriculture, National Veterinary Control Services	Consultative Council on Milk Issues	2003	? As a result of the effective work of the three national dairy associations with the Consultative Council on Milk Issues and as an outcome of the Memorandum signed in March 2002, defining the joint actions of the Bulgarian government and BNDA, ADPB and NADP in ensuring efficient conditions for the production, procurement and sales of documented quality milk and dairy products, the Ministry of Agriculture through the State Fund Agriculture granted a total of 5,000,000 Bglv (3,030,300 USD) for year 2003 which is double the amount granted for year 2002.
BNDA + ADPB + NADP	MOA, Bulgarian Parliament	Vote and Approval of Bulgarian dairy Board	May 2003	? BNDA, NADP and ADPB together with the Ministry of Agriculture developed legislation for the establishment and functioning of the Bulgarian Dairy Board. The purpose of the Board is to oversee and regulate the dairy sector and gradually replace the National Dairy association. The three associations and MOA Consultative Council jointly prepared the necessary documentation. The Parliament Commission on Agriculture has approved the draft regulation and it is already presented to Parliament for vote and approval.

Appendix D

BULGARIA MILK COLLECTION GROUPS

BULGARIA MILK COLLECTION GROUPS

	<u>Collection Site</u>	<u>Association</u>	<u>Operation start</u>	<u>Members</u>	<u>Number of cows</u>	<u>Number of sheep/goats</u>	<u>Number of Buffaloes</u>	<u>Cooling tank volume, l</u>	<u>RM Quality</u>	<u>Contract</u>	<u>Other activities</u>
1	Gulyantzi	Pleven RDP Association	Dec'2002	11	53			1000	improved	yes	group purchasing
2	Dryanovec	Plovdiv RDP Association	Jan'2003	7	47			1000	improved	yes	
3	Karapelit	Dobrich RDP Association	Mar'2003	7		350		500	improved	yes	group purchasing
4	Petelovo	Kardjali RDP Association	Mar'2003	7	44			1000	improved	yes	group purchasing
5	Zaychar	Ruen RDP Association, Burgas region	June'2003	9	52	620		1000		yes	
6	Yasenovo	Ruen RDP Association, Burgas region	July'2003	9	49	1180		1000		yes	
7	Topchiysko	Ruen RDP Association, Burgas region	July'2003	9	57	1300	60	1000		yes	
8	Sredets - 1	Sredets RDP Association, Burgas region	July'2003	8	121			1000		yes	group purchasing
9	Sredets - 2	Sredets RDP Association, Burgas region	July'2003	8		960		1000		yes	group purchasing

Attachment E

**MAGAZINE ARTICLE ENTITLED
“USAID: A TWO-WAY STREET”**

in Twin Cities Business Monthly

Twin Cities

BUSINESS MONTHLY

GLOBAL BUSINESS QUARTERLY

**700 More Radissons
in 10 Years:
In Europe, Asia, the
Middle East, and Africa**

**One Route to
Business Overseas:
The U.S. Agency for
International Development**

**La Isla Del Encanto:
Puerto Rico's Allure
for Minnesota Companies**



THE SOURCER

**How Tom Durkin finds
and manages more than
150 overseas vendors
for Midwest of Cannon Falls**

USAID: ?

A Two-Way Street

One executive from General Mills remembers the guns worn by Nicaraguan coffee-bean farmers, fresh on the heels of war between the Sandinistas and Contras. Another, from HealthPartners, remembers a huge room in a Ugandan hospital, stuffed full of high-tech Western equipment that it lacked the resources to use. Yet another, from Easy Automation, a rural Minnesota feed-systems manufacturer, recalls his surprise that an ultramodern feed mill in Thailand still shipped its grain out in gunnysacks, on the backs of farmers.

Overseas work for the United States Agency for International Development isn't always directly or immediately profitable. But Minnesota companies are finding value in it.

By Sara Aase

What do these moments have in common? Each was an invaluable lesson in doing business overseas, courtesy of the U.S. Agency for International Development (USAID).

USAID is an independent agency of the federal government, though it often works in cooperation with the Department of State to further American foreign policy interests—in broad terms, the expansion of democratic government and free markets. The agency traces its roots to the Marshall Plan, but it was established later, in 1961, as a consolidation of post-World War II international aid programs that were being managed by several federal departments.

While the agency operates a network of American Schools and Hospitals overseas, runs judicial training centers, monitors elections, and provides disaster assistance and emergency food supplies, a major thrust of its work is economic development. About 60 percent of USAID's annual budget—which is typically one-half of 1 percent of the federal budget—goes to for-profit businesses. They are companies that have bid on USAID contracts or volunteered their resources to work on projects that improve agriculture, infrastructure, health, technology, and the environment in other countries.

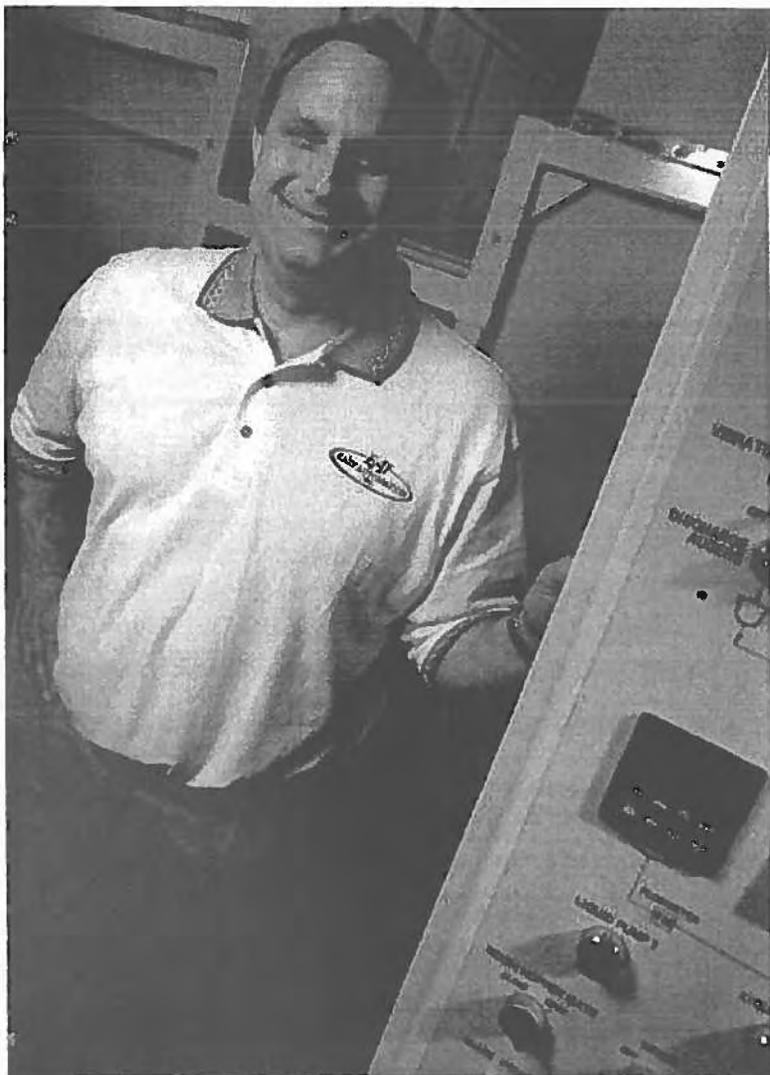
"The main reason [companies get involved with USAID] is if it can be profitable," says G. Edward Schuh, a professor at the University of Minnesota's Hubert H. Humphrey Institute of Public Affairs and former chair of the Board for International Food and Agricultural Development, which advises USAID on development policy. But USAID contractors are also "supporting our foreign policy, which should be worth something to our companies."

Reasons to Go

USAID missions can be a way to lay the groundwork for opening new markets. General Mills Vice Chairman Ray Vi-ault says his company looks at a country's "economy, needs, and what we're capable of doing to see if there's an area where they meet." That's how General Mills wound up participating in a USAID program that provided \$1.5 million in aid and assistance to cashew farmers in Mozambique.



Tom Verdoorn (left), a Land O'Lakes vice president, and Will Bullock, senior project officer for the ag co-op's Farmer-to-Farmer program, see important opportunities for the firm in USAID-sponsored overseas programs—even if the programs don't directly translate into profits.



Mark Gaalswyk, CEO of Easy Automation, a Minnesota ag supplier, found global opportunities for his smaller-sized business through a USAID-sponsored program.

General Mills is one of seven U.S. companies contributing half of the program's funds; the other half comes from USAID. "I'm not sure how much business it will generate, if any," Viault says. "But as their incomes go up and the economy improves, it may open them as a market to our types of products later on."

Local businesspeople say USAID missions also help them better understand the ins and outs of investing in foreign markets and communities. While such experiences don't translate well into raw numbers, they do give managers a valuable new perspectives on their operations.

For instance, Bloomington-based health-care provider HealthPartners is working through USAID and in partnership with Arden Hills-based food and agricultural co-op Land O'Lakes to build what it hopes will be a self-sustaining health cooperative in Uganda. The company does not profit from the mission and contributes its own travel costs. But projects like these, says HealthPartners senior vice president Scott Aebischer, "help companies improve how they work with the growing diverse populations they serve."

Land O'Lakes has more than 20 years of experience in international development, much of it as a participant in USAID agricultural programs. In countries such as Azerbaijan,

Albania, and Kenya, Land O'Lakes trains local farmers to set up their own cooperatives, improve milk quality and production, and link their efforts directly to the markets they want to reach.

"Often in these countries, you see the government try to build a dairy plant or set up a large dairy herd, but they forget about the market," says Tom Verdoorn, vice president of international and dairy proteins for Land O'Lakes. "Our approach is to start with the market, understand the consumer, what they need and can afford, how they buy things, and link that back to producers."

A USAID-sponsored grant for these intensive, in-country development programs typically lasts from two to five years and requires an in-kind contribution from involved companies. "Usually, the matching component we're required to bring in is 25 to 35 percent per year, and it's flexible," says Verdoorn. "It can be through volunteers or resources." Land O'Lakes also sends employees or contractors to countries for two- to four-week training stints under its farmer-to-farmer programs. For example, says Will Bullock, senior project officer for Land O'Lakes, three consultants recently helped an independent Russian farmer start up a bakery in order to get more value from his crops.

Land O'Lakes doesn't reap huge profits from these projects, Verdoorn says. International sales typically represent a little less than 5 percent of the cooperative's net dairy-foods sales, which last year were just under \$3 billion. (Land O'Lakes total net sales last year were \$5.8 billion.) "It's never been a huge part of the business because U.S. dairy prices have tended to be higher than world dairy prices," Verdoorn explains. Most countries don't have the money to buy U.S.-produced butter, cheese, or yogurt. Later on, he adds, "it's more likely that their dairy industries will develop to the extent that they largely meet their own needs."

In fact, last year Land O'Lakes bid farewell to its first USAID roots in Poland by selling its Polish dairy and feed operations to French and Dutch companies. Verdoorn says Land O'Lakes determined it could no longer compete as effectively against rapidly consolidating European industries.

Still, the experience and contacts these projects provide lead to more opportunities for businesses like Land O'Lakes. Seven years ago, Land O'Lakes spun off a company called Advanced Business Concepts International to further pursue international development projects, particularly in countries with fast-growing dairy industries that USAID can't reach, such as China. (That country receives only limited USAID-sponsored assistance because of its differences with the U.S. over political and human-rights issues.)

The spinoff is "a business exploration company that is an indirect result of getting involved with USAID," Verdoorn says. "The skills we've developed over the last 20 years have really helped us evaluate the potential in the dairy industry, even in a country we've never been in before."

Not Just For Big Companies

There are USAID opportunities for smaller firms, too. Mark Gaalswyk, CEO of Easy Automation—a maker of software

and automation systems for the manufacture of animal feed based in Welcome, Minnesota—participated in a Minnesota-Thailand “clean” agricultural production program sponsored by a USAID grant. After the trip, Gaalswyk’s \$6 million, 60-person company sold four feed software systems, worth about \$200,000 each, to Thai companies.

Gaalswyk raves about the help his firm received from Minnesota Technology (an agency that promotes high-tech business development in the state), the Minnesota Trade Office, the U.S. Department of Commerce’s Minneapolis Export Assistance Center (USEAC), a St. Paul-based private consulting company called Global Resource Associates, and various USAID agents and U.S. embassy resources.

“I never realized the level of U.S. help that’s available to help you export,” Gaalswyk says. “Now if I were going to go to Nigeria, for example, I’d look through my Thai list [of contacts], look for their counterparts in Nigeria, and go and do the same thing.”

Joe Fredericks, director of public information for USAID, suggests that small businesses visit one of the agency’s small-business utilization offices, register with the USAID database of small businesses, sign up to be notified by e-mail of new project postings, and look for subcontracting relationships with USAID contractors. Once a firm gains USAID experience, he says, it’s easier to get repeat business.

Minnesotans who’ve been involved with USAID also suggest checking with the Minnesota Trade Office, state and

federal legislators, and other development organizations. “If [smaller companies] can kind of track who’s getting the funds and then either try to become a subcontractor or find a group like Minnesota Technology that’s receiving the funds, it’s probably more realistic than trying to go directly to USAID,” says Sandy Renner, president of Global Resource Associates.

Businesses should be aware that political developments or unforeseen problems can delay or cancel USAID projects. And competition is stiff. Schuh says many Minnesota companies believe, correctly, that USAID and other Washington-based development agencies are heavily influenced by East Coast institutions. So to get involved, Minnesotan firms have “to go out and fight their way into it,” he says. Schuh suggests developing friendships in the agency to find out what’s coming up. “You have to work the line, that’s all,” he says. ■

Sara Aase is a Twin Cities freelance writer.

USAID Resources

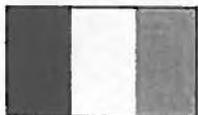
- USAID Fedgrants database: www.fedgrants.gov/Applicants/
- Submit USAID project proposals to: www.fedbizopps.gov
- USAID list of development agencies:
www.usaid.gov/about/resources/
- National Association of Development Organizations:
www.nado.org/



“Tandvärken!”



“Zahnschmerz!”



“Tinneas fiacail!”

(Toothache!)

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