



COOPERATIVE DEVELOPMENT PROGRAM

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

**SEMI-ANNUAL REPORT
FOR JULY - DECEMBER 2003**

Submitted to

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Submitted by

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Cooperative Development Program (CDP)
USAID CA# FAO-A-00-97-00009-00

Semi-Annual Report
July - December 2003

Land O'Lakes, Inc.

TABLE OF CONTENTS

Project Overview	1
Executive Summary	2
Focus Countries:	
Bulgaria.....	3
Guatemala	11
Tanzania.....	16
Subgrant to HealthPartners: Uganda.....	29

Attachments:

- Attachment A: Financial Report
- Attachment B: Bulgaria Policy Impact
- Attachment C: Bulgaria Milk Collection Groups
- Attachment D: Tanzania Product Exhibition

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PROJECT OVERVIEW

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

Estimated Federal Funding: \$5,100,039

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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

EXECUTIVE SUMMARY

The Cooperative Development Program (CDP) of Land O'Lakes in Bulgaria, Guatemala, and Tanzania has continued toward its primary goals of improving dairy production and processing. Through a sub-agreement between Land O'Lakes and HealthPartners, progress also continues on building an effective, long-term cooperative health system in Uganda.

After ten years of strengthening the Bulgarian dairy sector, Land O'Lakes closed its Bulgaria office on December 31, 2003. As the Land O'Lakes Country Director in Bulgaria noted, Land O'Lakes contributed to the expansion of private dairy companies, thousands of innovative and hard-working farmers, the recognition of industry associations, the availability of high-quality dairy products, the recapture of export markets and an increase in foreign investment. The CDP has ended in Bulgaria, but its impact remains.

In Guatemala, the mission approved US\$ 425,000 in continued local USAID mission funding through September 30, 2004. The CDP in Guatemala has positioned itself to expand beyond improving dairy production and processing to assisting cooperatives with adding value and marketing their own products.

The CDP in Tanzania continues to strengthen dairy farmer cooperatives through technical assistance and training on strategic dairy business management and market development. Among its highlights, the Tanzania project reported a 60 percent increase in income for 25 villages with approximately 500 households from 2002 to 2003. The income increase is linked to the average production per cow increasing from two to three liters per day to five to six liters a day after the installation of milk cooling tanks.

Similar to Land O'Lakes, HealthPartners in Uganda has experienced immense progress in its cooperative health program. The number of health plan groups increased by 72 percent and individual members increased by 65 percent between April and December 2003. Also of note is a limited partnership with Case Western University on an HIV/AIDS testing project. The university sent counselors and trainers to certain areas to provide free, confidential HIV/AIDS testing for plan members.

As the extension to CDP nears its end, Land O'Lakes is focusing on incorporating cooperative development lessons learned into its activities and planning. Land O'Lakes has shared lessons in its semi-annual reports as well as sought expanded knowledge from cooperatives outside its projects. In 2003, Land O'Lakes conducted a technical case study on lessons learned from the Tadu Dairy Cooperative of Cameroon. Land O'Lakes is actively building its international cooperative development expertise and anticipates continuing its successful application to improve lives.

BULGARIA

I. PROJECT DESCRIPTION

Due to Land O'Lakes repositioning its Cooperative Development Program and the USAID Bulgarian Mission office closing, the Land O'Lakes CDP in Bulgaria closed its office in December 2003. The mission in Bulgaria is planning on closing in 2006. The mission has initiated a scaling back of programs and so has not been able to support continuing our efforts in Bulgaria.

Land O'Lakes, via the CDP project and in collaboration with our 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 (EU).

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. Our support includes assistance to the leadership of these associations to help them develop services to their members and direct technical assistance to their membership.

II. COOPERATIVE DEVELOPMENT HIGHLIGHTS

- With the goal to improve the established efficient conditions for the production, procurement and sales of documented quality milk and dairy products, the three national dairy associations continued their effective work with the Ministry of Agriculture (MOA) Consultative Council on Milk Issues. As a result of these intensive actions on behalf of the associations, MOA through the State Fund Agriculture granted another 1,000,000 Bglv (\approx 606,060 USD) in August, which made a total of 6,000,000 Bglv (\approx 3,636,364 USD) for year 2003.
- Due to active lobbying efforts of the National Association of Dairy Producers (NADP), the Government of Bulgaria increased the import duty of powder milk products, which led to the decreased volumes of illegal import of dry milk and rise of farm-gate raw milk prices. Combined with the seasonality, the rise of farm-gate raw milk prices was nearly 70 percent.
- Association of Dairy Processors (ADPB), with the ongoing lobbying assistance of Land O'Lakes, has participated in the development and implementation of all sector-related regulatory documents for improving the quality parameters of raw milk and dairy products and labeling of products. Namely, these are: the Food and Labeling Law, the Law for Public Health, the Law for Veterinary and Medical Activity, the

Law for the Protection of Plants, the Law for Forages and all other related decrees and regulatory documents.

- During the period July - December 2003, three training courses in Technological Requirements for the Production of Kashkaval; Training in Organoleptic Analysis of Dairy Products; Physical, Chemical and Microbiological Control of Milk and Dairy Products, were rendered to ADPB.

III. PROGRESS TOWARD BENCHMARKS IN BULGARIA

Impact and Measurement under CDP/Bulgaria

National Level Intervention	Achievements	Remarks
A. Support Agricultural Policy Reform		
Policy reform	5 regulatory reform laws passed with involvement of ADPB with Land O'Lakes assistance during July to December 2003 (see Appendix B).	Policy reform work continues in 2004.
B. Develop National Dairy Associations		
Value of bonuses paid	US\$3,636,364 bonuses paid in 2003.	The value of bonuses paid increased 2.5 times from the value granted in 2002.
Farmers receiving bonuses	5,754 association members applied for the bonus in 2003.	The number of association members receiving bonuses doubled between 2002 and 2003.
Milk marketing campaign started	<ul style="list-style-type: none"> • Initiated media campaign against illegal import of powder milk in July 2003 which resulted in fewer illegal imports. • Bulgarian National Dairy Association (BNDA) signed an Agreement for Cooperation with the Bulgarian Red Cross Organization for developing and implementing joint regional programs for dairy promotion and market information and generating incomes. The Agreement is for a three-year period. 	
C. Support EU Integration		
Participate in national EU integration activities	<ul style="list-style-type: none"> • BNDA successfully developed PHARE Project (2001-2003): Improvement of the quality control, hygiene and food safety of Bulgarian raw milk and dairy products to meet EU standards which was approved by the European Commission. • The implementation of the EU SAPARD "MILK Quality" pilot project, relying exclusively on associations assisted by Land O'Lakes, has started in the Dobrich Region. • Regular and active participation continues by BNDA, ADPB and NADP in policy working groups. 	Participation continues in 2004.

Regional Level Intervention	Achievements	Remarks
A. Support Rural Producer Associations		
Group purchasing activities started/expanded	<ul style="list-style-type: none"> Group purchasing averaging 15% discount on inputs that associations supply members in 2003 (see Appendix C). Group purchasing continues to generate returns to farmers, i.e., one association generated US\$ 1,446 with a group purchase in 2003. 	NDPA plans to use donation of semen by Worldwide Sires to fund future group purchase.
Value of association sales	Establishment of Milk Collection Centers in 2003 resulted in 30% increase in milk price between July and December 2003.	
Collection group operations started	<ul style="list-style-type: none"> 8 milk collection groups started between July and December 2003. 13 total milk collection groups started since 2002. 	
Milk collection tanks delivered	7 cooling tanks donated to cooperatives between July and December 2003.	
B. Training for Farmer Collection Cooperatives and Members		
Training and technical assistance provided	<ul style="list-style-type: none"> 3 trainings to ADPB between July and December 2003. Trained 23 farmers in July 2003 in Dryanovo village who organized own cooperative. 	

IV. SEMI-ANNUAL ACTIVITIES PROGRESS AT NATIONAL AND REGIONAL LEVELS

National Level Assistance

To achieve the national level objectives of supporting agricultural assistance, developing national associations and supporting EU integration, 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 comprises of representatives of MOA, the Ministry of Economy, the Ministry of Finance, the State Fund Agriculture, the National Veterinary Control Services, the Federation of Consumers and the Animal Research Institute.
- With the goal to improve the established efficient conditions for the production, procurement and sales of documented quality milk and dairy products, the three national dairy associations continued their effective work with MOA Consultative Council on Milk Issues. As a result of these intensive actions on behalf of the associations, the Ministry of Agriculture through the State Fund Agriculture granted another 1,000,000 Bglv (\approx 606,060 USD) in August, which made a total of 6,000,000 Bglv (\approx 3,636,364 USD) for year 2003.

- Due to active lobbying efforts of the National Association of Dairy Producers, the Government of Bulgaria increased the import duty of powder milk products, which led to the decreased volumes of illegal import of dry milk and rise of farm-gate raw milk prices. Combined with the seasonality, the rise of farm-gate raw milk prices was by nearly 70 percent.
- ADPB, with the ongoing support and assistance of Land O'Lakes and as a result of its effective lobbying efforts, has participated in the development and implementation of all sector-related regulatory documents for improving the quality parameters of raw milk and dairy products and labeling of products. Namely, these are the Food and Labeling Law, the Law for Public Health, the Law for Veterinary and Medical Activity, the Law for the Protection of Plants, the Law for Forages, and all other related decrees and regulatory documents.

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. Land O'Lakes provided focused assistance to address critical issues of interest to members of dairy associations.

- 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 is functioning successfully. The total bonus amount for 2003 is at the value of 6,000,000 Bglv (\approx 3,636,364 USD) which is 2.5 times more than the amount granted for 2002.

By the end of July the bonus amount for documented quality milk of 5,000,000 Bglv, initially granted for 2003 by MOA State Fund Agriculture, was fully utilized. Therefore the State Fund granted another 1,000,000 Bglv (\approx 606,060 USD). The total number of association members applying was 5,754, i.e., twice as much as in 2002. Farmers have benefited immensely, since 80,000,000 liters were considered and awarded as documented quality milk.

Previous efforts of NADP resulted in that Government extended 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. For the region of the Rhodopa mountains under the MOA Rhodopa program, an additional 0.01 Bglv/liter is added.

- Land O'Lakes assisted the National Association of Dairy Producers to conduct an analysis of the conditions that led to the low farm-gate raw milk prices, using the information supplied by sources such as MOA, the Statistical Institute and the customs authorities. The association also initiated a media campaign against the enormous illegal import of powder milk (12,000 metric tons per year). As a result of the active lobbying efforts of NADP, the Government of Bulgaria increased the import duty of powder milk products, which led to the decreased volumes of illegally imported milk and rise of farm-gate raw milk prices.

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.

Land O'Lakes assisted the second General Assembly of the National Association of Dairy Producers, held on September 26, 2003, in Sofia. After hearing the reports of the Board of Directors and Controlling Council, the General Assembly voted a new Board of Directors. The new BOD comprises of fifteen members (increased by two more members), representatives for all regions in Bulgaria.

C. Support for EU Integration

Being recognized as reliable and resourceful partner of 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.

- The EU PHARE project "Improvement of Veterinary Control and Quality of Raw Milk and Dairy Products" has concluded. The Association of Dairy Processors in Bulgaria and the National Association of Dairy Producers participated in its implementation. The winning partner on the project was the 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.
- The National Association of Dairy Producers participates in the implementation of another EU PHARE project where the twinning partner is the MOA of Holland. The aim of the project is to prepare an analysis on the system for artificial insemination in Bulgaria in order that NADP controls this activity.
- ADPB and NADP participate in another two EU PHARE projects: "Services, Organizational and Technological Charts for SMEs" and "Highly Technological Business Incubators," both of which commenced in July. The first project aims at increasing the competitiveness of SMEs, and the second project allows small enterprises develop high technologies. It also envisages the establishment of six highly technological business incubators.

- ADPB, in its efforts to render quality services to its members and in preparation for EU accession, concluded its work on the EU PHARE project “Assistance in HACCP Implementation and Food Safety Improvement in the Dairy Sector.” During the previous reporting period, the association organized and conducted six seminars with 138 participants. As a result of the discussions at the seminars, a Roundtable was held on September 29 in Sofia. The following topics were discussed:
 - to accelerate the adoption of the Law on Animal Production, which should define the establishment of a National Dairy Board as an interprofessional organization of producers, processors and distributors and retailers of milk and dairy products;
 - the Ministry of Agriculture and Forestry, through the EU funds, to establish and incentive program to either cover a defined part of the expenses of companies that implement the HACCP system or to introduce preferential credits for that;
 - the Food Safety National Council to the Council of Ministers to synchronize the responsibilities and requirements on food and beverage safety over the whole farm-to-market chain;
 - to stimulate the process of optimal enlargement of farms in order to achieve higher quality of raw milk;
 - all state institutions to improve the process of effective GMP control in dairy processing plants as a prerequisite for the introduction of the HACCP system, etc.
- Land O’Lakes assisted ADPB to organize a national conference called “Bulgarian Yogurt and the European Markets.” Prominent Bulgarian scientists and experts in the dairy sector rendered reports on the different technology aspects, research results concerning starter cultures, quality specifics, the prophylactic and health aspects and the uniqueness of Bulgarian yogurt. There were 150 participants present.

Regional Level Assistance

Activities undertaken during this reporting period to achieve the objectives of supporting regional associations and training associations and members are as follows:

A. Support for Regional Associations

Land O’Lakes, in its ongoing active support for regional associations, continued the implementation of the development program with the following tasks: formation of milk collection cooperatives and group purchasing. The programs focused 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, 7 cooling tanks (6 with 1,000-liter capacity and one with 1,500-liter capacity) including the auxiliary equipment. The cooling tanks were donated to the Dobrich, Plovdiv, Pleven and Lovech Dairy Producers Associations. The two cooling tanks in the Lovech region (Kozlovetz and Obnova villages) were donated to a farmer milk collection cooperative. The farmers have set up several collection sites in neighboring villages and act as an independent organization, thus achieving 30 percent higher price on raw milk. 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 (Appendix C).

The Sredetz Dairy Producers Association is already utilizing the funds generated through the collection site for group purchasing. The association bought feed for 2,730 Bglv, pharmaceuticals for 170 Bglv and milking equipment spare parts for 930 Bglv and generated 2,349 Bglv (\approx 1,466 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 National Dairy Producers Association was donated 10,000 doses of semen by the U.S. company WorldWide Sires. The association is in the process of designing a scheme for the sales of the semen to its members and the utilization of the generated amount for other group purchasing activities.

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 respect for meeting members' needs.

Land O'Lakes provided a package of technical assistance and training to 23 farmer members of the rural producer groups in Dryanovo village, Zashtita Regional Dairy Producers Association – Plovdiv, who have organized themselves into a cooperative, and have established a milk collection center. The seminar focused on milk handling, sanitation and quality. 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, 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.

With the assistance of Land O'Lakes and NADP, one new dairy producers association was established by 48 farmers in the Targovishte Region in October.

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.

B. Training for Associations and Members

- During the period July - December, 2003, three training courses in Technological Requirements for the Production of Kashkaval; Training in Organoleptic Analysis of Dairy Products; Physical, Chemical and Microbiological Control of Milk and Dairy Products, were rendered to ADPB.

V. **LESSONS LEARNED ON IMPORTANCE OF ASSISTANCE AND QUALITY**

- 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% – 20%) 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.

GUATEMALA

I. PROJECT DESCRIPTION

The Cooperative Development Program in Guatemala concentrates on dairy cooperative development issues in the northern and western regions of the country. Land O'Lakes has taken the lead in forming strategic alliances with local and national organizations to further its work in strengthening dairy cooperatives, and the CDP counterpart of Land O'Lakes, the International Indian Treaty Council, Central American Office (CITI), leads the program's work in the development and growth of indigenous groups' cooperatives.

The program's approach is to create a practical, cost-effective and efficient operational framework for a fully integrated production chain in the Guatemalan dairy sector by forging alliances between the private, government, and academic sectors. Fundamental to this task is the formation of functional cooperative organizations within the most important links of the dairy chain, which are production, transportation, processing, and marketing of milk and milk by-products.

II. DAIRY COOPERATIVE DEVELOPMENT HIGHLIGHTS

Highlights during July to December 2003 include:

- Mission approved additional US \$425,000 through September 30, 2004, for the Integral Community Development Program, which will build on the work begun under the CDP in Guatemala.
- Solved processor's quality concerns through quality education and herd health improvements provided by Land O'Lakes staff.
- Strengthened relationship with cooperatives through resolving disputes, weekly communications, and acts of trust-building.
- Led change in governmental regulations to expedite approval time for cooperative registration through talks with the Guatemalan government.

III. PROGRESS TOWARD BENCHMARKS

Expected Impact and Measurement under CDP-Guatemala

Intervention	Achievements / Status Through December 2003	Remarks
A. Strengthen Cooperative Enterprise		
Establish 10 cooperatives with legal registration	<ul style="list-style-type: none"> • Forced modification of government's cooperative registration regulations to expedite process to 30 days. • Registered COOPELAC cooperative in 2002. • In process of registering 6 cooperatives. 	
Establish 5 Milk Collection Centers	Installed 3 tanks for Milk Collection Centers.	2 tanks to be installed at XELAC cooperative in January 2004.
20 Micro-credit loans for member producers	Planned for 2004.	Hired financial analyst in January 2004 to do credit needs and cost analysis.
3 Cooperative agricultural loans for registered cooperatives/associations	Planned for 2004.	
Production Phase trainings and assistance	<ul style="list-style-type: none"> • Agronomist made 2-4 visits per month each producer group since May 2003. • Veterinarian made 2-4 visits per month to each producer group and began monitoring program since October 2003. 	Actively assisted 3 cooperatives (XELAC, PETENLAC, COOPELAC) with production operations. Continuing through September 2004.
Processing Phase trainings and assistance	Processing Expert made 2-4 visits per month to dairy producers and processors since April 2004.	<ul style="list-style-type: none"> • Assisted 2 producer organizations (Normandia, La Palma) serving cooperatives. Continuing through September 2004. • Plan to develop artisan cheese plants in 2004.

Intervention	Achievements / Status Through December 2003	Remarks
B. Establishing cooperative marketing plans		
Increased marketing capacity	October 2003 began to develop and implement market research study.	Plan in 2004 to develop, implement and evaluate marketing plans for cooperatives.
Enter 5 new retail markets	Planned in 2004.	Will assist cooperatives in establishing retail outlet to feature products and brands.
Improved cooperative brand recognition		

IV. SEMI -ANNUAL ACTIVITIES STRENGTHEN COOPERATIVE ENTERPRISE

Work has focused on strengthening cooperatives' operations, knowledge base and communities through coordinated efforts at the local and national level. The CDP program has been solidifying relationships with local cooperatives, dairy processors and government organizations to position it to rapidly implement a new operational plan, the Integral Community Development Program. At the end of 2003, Land O'Lakes began its detailed plan for coordinating, executing and evaluating the newly funded Integral Community Development Program. The USAID Mission in Guatemala approved funding for work through September 30, 2004, to build on the work started under CDP.

To strengthen cooperative enterprise in Guatemala, Land O'Lakes brought quality improvements to cooperatives through education and resolving herd health issues. A production expert trained cooperatives on proper collection techniques, which improved the quality of milk produced, and a program-sponsored agronomist and veterinarian identified and resolved health issues in producers' herds, which improved milk quality. The veterinarian has also instituted a rigorous monitoring program to track animal health to ensure the high quality of milk is maintained.

In addition to quality improvements, Land O'Lakes strengthened cooperatives through timely interventions and regular communication. For example, Land O'Lakes resolved disputes between a cooperative and a processor as well as provided a processor legal assistance – all of which allowed the cooperatives involved to continue their operations. Land O'Lakes' representatives also visited local producers and cooperatives on a weekly basis to improve relations. The trust built by the ongoing presence of Land O'Lakes is illustrated by one cooperative, XELAC, finally accepting the installation of two milk collection tanks, which before they had not wanted due to uncertainty of Land O'Lakes' involvement.

Land O'Lakes also strengthened cooperatives through working with the Guatemalan government to clarify and modify regulations for registering cooperatives. Now the governmental organization registering cooperatives must complete the approval within 30 days of the application's submission.

CITI has focused its work on small coffee producers and fomenting the exchange of ideas and resources between cooperatives, other indigenous assistance organizations, and agricultural organizations, such as AGEXPRONT, an agricultural export association. During July through December 2004, the areas in which they assist producers have experienced economic and environmental problems from the generally low coffee prices and minor volcanic activity.

V. LESSONS LEARNED HIGHLIGHT EDUCATION AND COMMUNITY

The primary lesson learned, which was anticipated before the program and now is confirmed, is that the weakness to developing cooperatives and the dairy sector in Guatemala is the lack of knowledge. Also learned through the CDP work is that developing a community is an important part of developing cooperatives. The need for education and improving the community welfare are key parts of the work for CDP in Guatemala and the new Integral Community Development Program.

VI. FUTURE PLANS FOCUS ON INTEGRAL COMMUNITY DEVELOPMENT

The CDP in Guatemala will expand in 2004 into the Integral Community Development Program, which was approved by the USAID Mission in December 2004. Under this proposed project, Land O'Lakes will assist dairy groups and cooperatives in select micro-regions of the Zona Paz to improve their financial viability through expanding the services – productivity (forage/feed production, livestock health, and breeding), milk collection and value-adding, marketing, and cooperative strengthening – they can provide to their members. The Integral Community Development Program's vision and mission comes from the following six-part assessment of Guatemala's rural areas:

- 1) With the **awareness** that the main factors that inhibit productive development in the Guatemalan rural areas are:
 - ❖ Degradation of natural resources
 - ❖ Poverty and discrimination
 - ❖ Incipient processes of institutional integration
 - ❖ Lack of participation and community organization
 - ❖ Lack of opportunities for small producers
 - ❖ Limited participation in diversified markets
 - ❖ Insufficient technology for production to reach competitive levels
 - ❖ Limited access to financial markets

- ❖ Subutilization of labor force, high migration rates and lack of work opportunities
 - ❖ Poor entrepreneurial abilities
 - ❖ Unawareness of the market forces in a globalized free market environment
 - ❖ Improvisation of development schemes
 - ❖ Dairy products' market distorted by agricultural subsidies
- 2) **Convinced** that the best path to obtain sustainable development is the real participation of community inhabitants in their own development;
 - 3) **Having** an urgency to develop immediate tasks to start providing real solutions to the most urgent needs of the community members;
 - 4) **Recognizing** that it is necessary to work in harmony and with efficiency;
 - 5) **Expecting** to obtain measurable benefits and reachable in short, medium and long ranges; and
 - 6) **Persuaded** by the need to create, implement and supervise an Integral Community Development Program, the steps for program development are the following:

a) Rural Priorities	g) Sustainability
b) Concept Development	h) Simplification
c) Utilization of Focused Integration Tools	i) Program Development
d) Adaptability Study	j) Financing
e) Product Diversification	k) Promotion and Execution
f) Tools for Rural Area Development	l) Investigation and Evaluation
	m) Conclusions
	n) Follow-up

The assessment for developing Guatemalan rural areas leads to the creation and implementation of an operational model, or work plan, which will emphasize:

- Market Orientation
- Sustainable Usage of Natural Resources
- Job Generation Focused on Gender and Family Involvement
- Micro-regional Development
- Value-added Production Chains in the Micro Region
- Technological Development
- Community Participation

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

- Of significance, about 25 villages with approximately 500 households increased their income by 60 percent. The average production per cow before acquiring cooling facilities was 2 to 3 liters/day; now with availability of cooling tanks, there is increase of milk flow 5 to 6 liters/day.
- Reliable market opportunities for milk sales has also stimulated farmers to concentrate more on feeding practice for more milk production to meet the demand.
- Communities with milk collection centers/cooling tanks such as Medafa, Marukeni, Nguni, and Nronga Dairy Co-operatives have been upgrading their roads to gravel to ease accessibility and marketability of their products.
- Three new products were introduced to the market, namely goat cheese, Caciota and feta cheese.

- Sales revenue (income) for participating groups, processors and collection centers, increase by 60 percent.

III. PROGRESS TOWARD PROJECT BENCHMARKS

Expected Impact and Measurement under CDP-Tanzania

Intervention	Baseline figure Status May 2002	Achievements /Status through June 2003	Achievements /Status July-Dec. 2003	End of Year Two Targets (May 31, 2004)	Remarks
A. Developing producer organizations to attain efficiency and scale					
<i>Milk collection centers will be established in two targeted regions</i>	2 centers were existing <ul style="list-style-type: none"> ▪ Nronga Juu ▪ Marukeni 	5 new centers established <ol style="list-style-type: none"> 1) Nronga 2) Kijimo 3) Medafa 4) Idafaso 5) Marukeni 	5 new centers established; 2 old centers have improved the quality of milk collected	10 ** milk collection centers established and improved	4 new collection tank centers are established and are sustainable* 2 already existing collection centers are sustainable* 1 collection tank center is not viable*
Member cash flow	T.shs 800 (\$0.8) per day per household. (4lts/day/house hold)	Household cash flow increased by 10% (T.Shs. 880/= per 4ltrs) (See table 1)	Household cash flow increased by 50% (now 6 ltrs- @ T.Shs. 220/=per ltr) 6*220=1320 see table 1.	Increase of member household cash flow by 20%**	Exceeded target
Volume of milk collected and recorded in the cooperative per household	4 liters per day per household	Milk collection increased by 7%	Milk collection increased by 8.5%	10% increase	On track Increase in volume of milk collected and recorded in the cooperative per household. Record keeping has improved in collection centers with cooling facilities.

Intervention	Baseline figure Status May 2002	Achievements /Status through June 2003	Achievements /Status July-Dec. 2003	End of Year Two Targets (May 31, 2004)	Remarks
Number of new collection sites	2 collection centers were in operation <ul style="list-style-type: none"> ▪ Nronga Juu ▪ Marukeni 	5 new collection centers <ol style="list-style-type: none"> 1) Nronga 2) Kijimo 3) Medafa 4) Idafaso 5) Marukeni 	4 new collection centers were functioning accordingly <ol style="list-style-type: none"> 1) Nronga 2) Kijimo 3) Medafa 4) Marukeni 		
Household and cooperative revenues earned	T.shs 800 (\$0.8) per day per household.	5 ltrs per day per household 5x220=Tsh 1,100 per day	6 ltrs per day per household 6x230/=Tsh 1,380/= per day		
Number of registered women attending all required cooperative development training sessions	447 (women) Farmers/producers acquired in-class training. <ul style="list-style-type: none"> ▪ Kijimo 12 ▪ Idafaso 50 ▪ Nronga 75 ▪ Medafa 12 ▪ Marukeni 100 ▪ Chemuco 12 ▪ Nguni 186 	1,176 farmers/producers acquired in-class and field training.	300 more farmers/producers acquired in-class and field training. (220 were women) Total through this period=1,476	1,000 women producers trained	Exceeded target. Increased demand on training in quality, varieties and availability of value-added product, processing efficiency and capacity utilization.
Number of women members who are active participants in the cooperative	430 women are active participants	1,050 women are active participants	1,100 women are active participants (Increased by 50 participants this period).	1,000 women	Exceeded target
Number of qualified women board members with fully functioning with current cooperative responsibilities	40 women served as either board members of a cooperative or fully active in cooperative responsibilities	46 (10%) women serve as either board members of a cooperative or fully active with current cooperative responsibilities	61 (33%) women serve as either board members of a cooperative or fully active with current cooperative responsibilities	50% of trained and active producers to serve as either board members of a cooperative or fully active with current cooperative responsibilities	There is a tremendous increase of women participation in co-operative development
<i>B. Value adding and market development along supply chain</i>					
Increase in product sales among participating small scale and large scale	2,720 liters I liter of Milk =Tsh170 2720*170=	15% increase on sales	Increased sales by 34.9% Average sales per month per group have	Increase sales by 25%**	Exceeded target Value-added milk products have reduced milk losses and

Intervention	Baseline figure Status May 2002	Achievements /Status through June 2003	Achievements /Status July-Dec. 2003	End of Year Two Targets (May 31, 2004)	Remarks
processors	Tsh 462,400		increased to 10717.64ltrs. I liter of milk=Tsh 220 10717.64*220 Tsh.23,578,808		enhanced dairy productivity
Percentage increase in production efficiency	10-15%	30-45%	50-60%		
Value of product sold	<ul style="list-style-type: none"> ▪ Raw milk - (2720X220) =598,400 per day for all cooperatives. ▪ Nane Nane exhibition year 2001- Morogoro= T.shs 5,350,000(5,350) June Dairy week-Arusha= T.shs 1,751,425/=(\$ 1,751) June Dairy week Arusha 2002 =T.shs 2,038,950 (\$2039) 	<ul style="list-style-type: none"> ▪ Raw Milk - (3128X220)=688,160/= per day for all cooperatives. ▪ Nane Nane exhibition year 2002- Morogoro= T.shs 12,525,000 June Dairy week-Iringa= T.shs 2,060,500 <p>*I US \$ =1000Tsh.</p>	<ul style="list-style-type: none"> ▪ Raw Milk to the five dairy farmer co-operative with cooling facilities; (321,529 ltrs x 230price)=T.shs. 73,951,670/= (refer to sales performance table in the report) ▪ Nane Nane year 2003- Mbeya =Tshs 2,265,500 ▪ East Africa Nguvu Kazi/Jua Kali Exhibition T.Shs. 2,834,500/= <p>*I US \$ =1035Ts</p>	Sales of dairy product to increase by 20%	

Intervention	Baseline figure Status May 2002	Achievements /Status through June 2003	Achievements /Status July-Dec. 2003	End of Year Two Targets (May 31, 2004)	Remarks
Number of supply contracts developed between cooperatives and processors	1 contract existed between 2 cooperatives (Nronga & Kalali) with New Northern Creameries Company (NNC).	4 contracts 1)MEDAFA and Manna Processors 2)KIJIMO and Arusha Dairy Company 3)NRONGA and Royal Dairies MEDAFA and Mountain Green Processing Plant	4 more contracts: 1. Medafa and Ndosu Cheese Center. 2. Kijimo and International Dairy Product +New Northern Creameries. 3. Kalali and Mount Meru Hotel. Total through this period =8		
Volume of milk collected in the processing plant	30,000 liters per month worth 6,600,000/= (\$6,600), but eventually NNC dishonored the contract (non-payment).	417,600 liters (July 1, 2002-June 2003) in four processing plants, namely: 1) Mountain Green =72,000lts 2)Mana Group = 54,000 lts 3) Arusha Dairy =90,000 lts 4) Royal Dairies=201,600lts.	Information will be captured in the next reporting period. This information is captured yearly after the fiscal year.		
Number of processing plants improved their production efficiency	1 processor Arusha Dairy Co. Ltd.	4 processors: 1) Arusha Dairy 2) Mountain Green 3) Mana Group 4) Makau HP	2 more processors: 1. International Dairy Product. 2. New Northern Creameries. Total through this period =6		
Number of enterprises engaged in value adding processing	5 ▪ Kalali ▪ Kijimo ▪ Mountain Green ▪ Agape ▪ Arusha Dairy Co. ltd	8 ▪ Kalali ▪ Kijimo ▪ Mountain Green ▪ Agape ▪ Arusha Dairy Co. ltd ▪ Manna group ▪ Chemuco ▪ Ng'uni	1 more processor: ▪ Ndosu Cheese Center		

Intervention	Baseline figure Status May 2002	Achievements /Status through June 2003	Achievements /Status July-Dec. 2003	End of Year Two Targets (May 31, 2004)	Remarks
Employment opportunities	<ul style="list-style-type: none"> ▪ Marukeni – 2 ▪ Nronga – 3 ▪ Medafa – Nil ▪ Kijimo - 1 	<ul style="list-style-type: none"> ▪ Marukeni – 4 ▪ Nronga – 5 ▪ Medafa – 1 ▪ Kijimo – 2 	<ul style="list-style-type: none"> ▪ Marukeni –7 ▪ Nronga – 9 ▪ Medafa – 5 ▪ Kijimo – 5 <p>(see Table 3)</p>	Employment accountability to be increased by 50%	Improved democratic control among members.
Number of new products introduced into the market.	1 product existed; Cultured milk	3 new value-added products developed and are in the market (<i>spiced cheese, butter and flavored yoghurt</i>). (See new markets above)	3 more new value added products: goat cheese, Caciota cheese and feta Cheese.	At least 5 new market/sales outlets identified.	Exceeded target 3 new markets identified: a) <i>Dar-es-salaam</i> , b) <i>schools in Arusha and Kilimanjaro through milk feeding program</i> , and c) <i>new tourist hotel and super markets (Shop Rites)</i> Increased revenue by improving value-adding products and product packaging.
C. Market chain system development					
Number of people (includes school children reached during the dairy days campaigns).	About 1.2 million consumers reached.	Reached around 3 million people.	Reached around 1 million people. <i>Total through this period = 4 million</i>	More than 5 million people. **	On track
Cross boarder business linkages for services and input supplies	Sales revenue (income) to participating groups amounted to US \$ 17,000.	Sales revenue (income) to participating groups amounted to US \$ 30,000.	Sales revenue (income) to participating groups amounted to US \$ 50,000.	At least to generate \$US100,000** sales revenue for both domestic and foreign markets.	On track Increased profit margin for the participating groups/firms.
Sales of milk and milk products	\$20,834.15	\$ 58,334.50	\$ 76,378.43 (for the 5 dairy co-operatives equipped with cooling facilities) (see Table 2 and		

Intervention	Baseline figure Status May 2002	Achievements /Status through June 2003	Achievements /Status July-Dec. 2003	End of Year Two Targets (May 31, 2004)	Remarks
			<i>Graph).</i>		
Number of people participating in the dairy promotional activities.	350 participants	500 participants	670 participants	Anticipating 1,000 participants in the dairy promotional activities.	On track
New products developed.	1 product: cultured milk	3 new dairy products sold during dairy promotion campaigns	3 more new value added products: goat cheese, Caciota cheese and feta	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.	2 marketing campaigns; June dairy week and Nane Nane agri-business shows. Consumption rates stood at 25.2 lts per capita per year.	Conducted market survey/research and identified new markets. Consumption rate has increased by 10%	2 marketing campaigns: Nane Nane agri-business shows and East Africa Nguvu Kazi/Jua Kali Exhibition. Consumption rates - maintained.	Consumption rate to increase by 15%	On track. Create and strengthen dairy marketing system. Increase consumer-product awareness and stimulate demand
Documenting and Incorporating Learning into Land O'Lakes/IDD					
Quarterly meetings of LOL with local partners to analyze progress and correct implementation		<ul style="list-style-type: none"> ▪ Government cooperative department ▪ Training institutions, e.g., Sokoine University of Agriculture, Tengeru Livestock Training Institute, etc. 	<ul style="list-style-type: none"> ▪ Government cooperative department and Ministry of Water and Livestock Development. ▪ Training institutions, e.g., Sokoine university of agriculture, Tengeru livestock training institute, etc. ▪ NGO coordination meeting to discuss dairy 	Successful implementation of the program	

Intervention	Baseline figure Status May 2002	Achievements /Status through June 2003	Achievements /Status July-Dec. 2003	End of Year Two Targets (May 31, 2004)	Remarks
			industry development.		
Best practices incorporated into LOL projects		<ul style="list-style-type: none"> ▪ Value-adding & new product development ▪ Record keeping & cash flow documentation ▪ Dairy Business Management Practices 	2 more practices incorporated: <ul style="list-style-type: none"> ▪ Co-operative Financial Management. ▪ Dairy Cattle Feeding Management practices. 	Best practices used	
White paper for Tanzania capturing lessons learned and best practices		Baseline survey on dairy development activities in the northern milk shed.	<ul style="list-style-type: none"> ▪ Tanzania Dairy Enterprise Initiative. 	White paper developed	
“Cooperative Development Lessons Learned- A Tanzania case study” finalized		<ul style="list-style-type: none"> ▪ Ineffective milk collection and marketing systems ▪ Low per capita milk consumption 	<ul style="list-style-type: none"> ▪ Poor feeding management and ineffective dairy feeds storage contributes to low milk production. 	Case study developed	
“Cooperative Development Lessons Learned-A Tanzania case study” disseminated		<ul style="list-style-type: none"> ▪ Establishment of milk collection centers ▪ Initiation of milk/dairy consumption campaigns and agri-business shows 	<ul style="list-style-type: none"> ▪ Training manuals in Swahili language on animal husbandry and dissemination of information through study tours, extension programs, booklets/hand-outs notes, leaflets and other promotional materials. 	Case study disseminated	

** Shows where a specific number is given in the work plan.

IV. SEMI-ANNUAL ACTIVITIES

This report covers the period July 1, 2003, through December 31, 2003. The most significant events of the period included:

A. Developing Producer Organizations to Attain Efficiency

Milk Collection Centers

The five established milk collection centers in the Northern Milkshed, Kilimanjaro and Arusha have considerably fostered the increase of milk supply from farmers to collection centers. This initiative has also improved the quality of milk and subsequently broadened new product development (value-added products).

Table 1: Average milk collection and member cash flow per day

Co-op Names	Average milk collection in liters/day per household			Price per liter to the farmers		No. of household members delivering milk to the co-op			Market price/ltr July-Dec 2003	Member cash flow Gross Income/day	
	<i>Before Cooler (Dec 2002)</i>	<i>Status as of May 2003</i>	<i>Status as of Dec, 2003</i>	<i>Dec., 2002</i>	<i>Dec., 2003</i>	<i>Status (Dec 2002)</i>	<i>Status May 03</i>	<i>Status Dec., 03</i>	<i>T.Shs.</i>	<i>T.Shs Dec 02</i>	<i>Tsh Dec 03</i>
Marukeni	3	3	6	170	220	97	120	180	220	510	1320
Nronga	2	4	6	170	220	105	150	325	220	680	1320
Medafa	2	3	6	180	200	25	45	73	220	540	1320
Kijimo	2	3	6	180	200	23	32	57	220	540	1320
Idafaso**	2	3	-	180	200	15	27	-	-	-	-

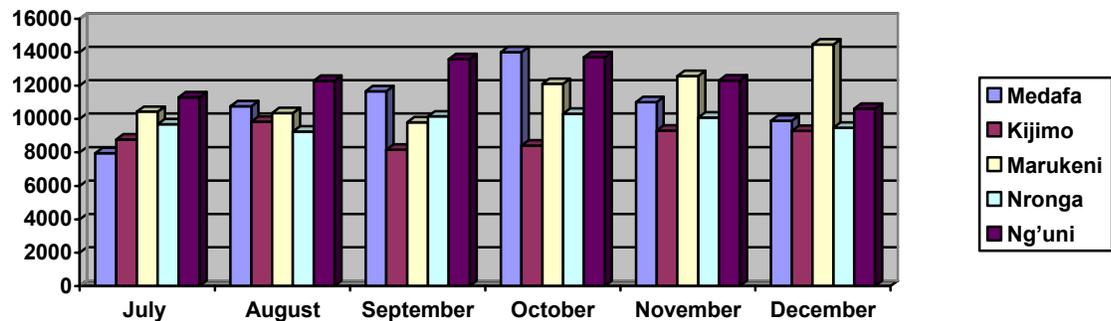
• *US. \$1 = Tsh.1035/=*

• *Data collected between mid-July and December 2003*

***Idafaso collection center was not operational during the period*

Table 2 and Graph: Milk sales performance by month of dairy co-operatives with milk cooling tanks during July to December 2003

Co-op Name	July	August	September	October	November	December
Medafa	7954.5	10759.5	11667.5	13998.5	11013	9898.5
Kijimo	8773	9837	8155	8407.5	9312	9289.5
Marukeni	10434.5	10350	9794.5	12108.8	12581	14465.5
Nronga	9688.5	9248	10149.5	10315.5	10074.5	9481.5
Ng'uni	11304	12287	13576.5	13689	12300	10615.5



1. Sales in U.S. dollars
2. **Hint:** Milk in liters
3. **Source:** Cash flow statements
4. **Comment:** Though Tanzania experienced severe drought this year (2003), particularly July-December, still dairy farmer co-operatives struggled to maintain their sales volume.

Table 3: New employment opportunities

Co-op. names	Marukeni		Nronga		Medafa		Kijimo	
	Before cooler	After cooler						
Marketing Dept	1	2	1	2	nil	1	nil	1
Accounting Dept	1	2	1	2	nil	1	nil	1
Managers	1	1	1	1	1	1	1	1
Operators and milk recorder/collectors	1	2	2	4	nil	2	1	2
Total	4	7	5	9	1	5	2	5

Strengthen Producer Groups

Eleven (11) dairy farmer group attended training in Arusha and Kilimanjaro regions. Three hundred (300) farmers participated in the training sessions.

Quality Control

Two training seminars were held on milk handling, transportation and marketing. Attendants were milk hawkers, dairy farmers and processors.

B. Value Adding and Market Development along Supply Chain

The following groups have established good business relations with processors:

- (i) Meru Dairy Farmers Association (MEDAFA) is selling to **Mountain Green** (Cheese processor) about 600 liters per week (200 liters after every 2 days). Ndosi Cheese Center is as well buying from **Medafa** about 50 liters per day (5 days).
- (ii) Kijimo Women Group is selling to International Dairy Products Ltd. (a mini-processing plant in Arusha) about 300 liters per day.
- (iii) Nronga Women Dairy Co-operative is selling to Royal Dairy Products Ltd. (a processing plant in Dar-es-Salaam) about 1400 liters a week (twice a week).
- (iv) Kalali Women Group is current selling 50 kg a week to Mount Meru Hotel, apart from 100 kg having been sold monthly to other outlets.

C. Market Chain Systems Development

- Over 5,000 people attended the National Dairy Promotion campaigns and exhibits.
- One million people heard the dairy promotion messages through media production and advertisements.
- Facilitated various cooperative partners to enter into value-added exhibits and competition events with the intent of having a market exposure to expand their market. (Appendix D indicates the ten processors who participated in the exhibition and the products sold.)

Land O'Lakes/Tanzania is continuing to participate in dialogues aiming at reviewing the dairy industry policy to suit the liberalized marketing environment. So far there have been several projects co-coordinating meetings and two National Dairy conferences. Regionally, there have been "Regional Marketing" and "Milk and Dairy Products; Post Harvest Losses and Food Safety" Workshops. Improve TBS standards and enforcement; importance of rationalizing between large and small – scale processor (clients); get them involved and avoidance of any inconveniencies and unnecessary bureaucracy.

V. LESSONS LEARNED AND EMERGING ISSUES

- Continuous quality control training and awareness will improve efficiency and reliable market links from household farms to processing plants.
- Training and technical assistance are proving to be vital awareness tools to participants.
- In November 2003, the Government of Tanzania through the Ministry of Water and Livestock Development announced that small-scale processors will be required to obtain TBS stamps. Subsequently, a 20 percent import duty has been imposed on all imported dairy products to protect the local dairy processors.
- The collapse of Tanzania Dairy Ltd (TDL), the government-controlled dairy processing, marketing and distribution entity, culminated into a drop down in the milk-drinking culture in Tanzania, as there was no instrument to sensitize, promote and distribute dairy products in Tanzania.

Other Cross-Cutting Issues

Gender Issues

Gender mainstreaming is enhanced in all initiatives pertaining to SMEs development. Traditionally in Tanzania, revenue collected from dairy products belongs to a woman, who is a caretaker of dairy cows. This women's program is significantly stimulating economic growth. Women's groups like Marukeni, Nguni, Nronga, Kalali and Kijimo, are active participants in co-operative development, business management strategy, marketing plans and product diversification.

Health and Nutrition

Data collected from the Netherlands-funded project PAMOJA (Kilimanjaro Joint Action project), revealed that, despite the availability of surplus milk in the Northern region, school students are still malnourished, with low HB, problematic with eyesight, and have bone, teeth and skin problems. Research conducted with 24 primary schools with total of 5,383 children showed that 6 percent of them had problems with teeth, 4 percent had eye problems, 5 percent have skin problems, 1 percent have ear-related problems, 4 percent have problems with stomach, and 36 percent had HB below 70 percent.

The report concluded that school children are not getting high-quality food, particularly milk for their body protection and immunity. Along with recommendations and proposals from health officers (e.g., every school child to drink 200 milliliters per day), Cooperative Development Program intends to increase its support to the ongoing school milk program in the Northern milk shed and Dar-es-Salaam, believing that *dietary habits established in childhood persist into adult life*; thus, children who drink milk and consume dairy products regularly will continue to do so as adults.

Policy Reform

The National Dairy Stakeholders submitted to the Minister for Water and Livestock Development a draft establishing the Tanzania Dairy Development Board. Land O'Lakes was involved in the preliminary stages of drafting the bill under the co-ordination of the National Dairy Development Board Task Force. The Parliamentary session of February 2004 shall deliberate and probably pass the bill aiming at nullifying the National Dairy Industry Act 1965 that has been inactive for the past 35 years.

VI. FUTURE PLANS

During the next five months, the Cooperative Development Program will continue to provide training and technical assistance to the farmers and stakeholders and improve their economic well-being. The program will serve to inform Tanzania consumers of the nutritional benefits of consuming dairy products, and create a positive image of dairy in the hearts and minds of the consumer. Concurrently, to effectively meet existing and growing demand, the project will work with the processors, farmers and other participants in the sector to more effectively link their interests commercially, and empower them to join together as a force to advocate appropriate policy reform.

UGANDA (HealthPartners subaward)

I. PROJECT DESCRIPTION

HealthPartner's goal is to facilitate and train leaders to build health care plans and a prepaid system to improve the health of the community in Uganda and to replicate the HealthPartners corporate model by developing and disseminating information on its methodology.

II. HIGHLIGHTS

- As of October 2003, there were 53 Health Plan Groups up from 38 groups in April 2003. Membership in October 2003 was 5,775, up from 3,755 in April 2003.
- Scott Aebischer, Senior Vice President Customer Services and Product Innovation for HealthPartners, presented report to USAID October 8, 2003, in Kampala, Uganda.
- UHC partnered with Case Western University on an HIV/AIDS testing project. The university sent counselors and trainers to Bushenyi Medical Center and Buwehju to provide free confidential HIV/AIDS testing for UHC plan members. Pregnant UHC members at Ishaka and Comboni Hospitals are also tested for free. This is a limited time partnership but a helpful service for UHC members.
- "HealthPartners Uganda Health Cooperative: A Guide to Prepaid Health Care" has been completed and will soon be accessible on HealthPartners website, www.healthpartners.com, under "Who We Are," "Serving Our Community," "Uganda Health Cooperative."

III. PROGRESS TOWARD PROJECT BENCHMARKS

Intervention /Measurement	Achievements / Status through June 2003
Number of Health Plan Groups	53 Health Plan Groups as of October 2003, which is an increase from 38 groups in April 2003.
Membership	Membership increased to 5,775 in October 2003 from 3,755 in April 2003.

IV. SEMI-ANNUAL ACTIVITIES

Promotion. Drama shows and word of mouth continue to be the best vehicles for expansion of the health plans. Now that a core membership exists in north, south, east, west and central Uganda, growth is less time-consuming. Members increasingly

participate in community events talking about how the health plan has impacted their lives. This is helpful for plan growth.

A marketing structure is in place with promoters in each general area contributing to education of the community. One important lesson learned in this regard is that it is less expensive to hire a local promoter from the community and train them to represent the plan than it is to send a health plan employee to that location. Part of the reason for this cost effectiveness is that the community tends to trust their own people, and when a member of the community represents the plan, that person is around at all times for leaders or members to approach with questions when they arise.



UHC public health nurse, community promoter and Comboni physician.

Prevention. Preventive care initiatives continue to be well received and to improve the health of UHC communities. Two health plan groups have even pooled their money to buy materials for rain water tanks to supply relatively clean water to the community. Women from several communities were trained to build the tanks through donations from HealthPartners Board of Directors and Scott Aebischer. This is just one example of how, even without direct UHC funding, benefits from UHC preventive care programs are spreading through Ugandan communities.

Training. Scott Aebischer, Senior Vice President Customer Service and Product Innovation, and Jennifer Wenborg, Uganda Health Cooperative Coordinator, traveled to Uganda for continued training. Mr. Aebischer's focus was USAID meetings and securing continued funding. Additionally he worked individually with staff members on health plan issues and preparing for project conclusion in May 2004. Ms. Wenborg focused on administrative and database issues, traveling to Bushenyi and Ishaka Hospitals to review database setup and to meet with staff. Issues on reports and missing data were raised. Meetings were also held with Buwehju health plan leaders and Comboni hospital staff on the way forward for these plans. The relationship with Computer Facilities was evaluated and a health plan launch with Land O'Lakes took place in Mbale.





HealthPartners and Land O'Lakes demonstrate how to use an insecticide-treated bed net at Mbale health plan launch in October 2003.

UHS. Lacor and Ishaka servers have repeatedly crashed. This situation was evaluated and scripts were written to streamline all systems. Updates with changes on the income and loss and subsidized income and loss reports were written. New scripts and updates are being installed at this time on all systems. Income and Loss reports do not calculate per member per month columns because data entry staff do not track member termination dates for the health plans. Solutions to troubleshoot this challenge were discussed, but these changes cannot be executed at this time due to financial constraints.

Consulting. Several providers who are not currently contracting with UHC health plans have requested a consulting relationship with UHC in order to improve their services and grow their client base. UHC put together a training plan and fee schedule for these providers based on the material created for the Uganda Health Cooperative manual. Negotiations and details of these relationships are being discussed.

Administration. Great strides have been made in accounting with the addition of an accountant in the Kampala office.

Group Leaders. Meetings of all the leaders of health plans continue to be held in order to give them an opportunity to learn from each other.



Partnerships. UHC partnered with Case Western University on an HIV/AIDS testing project. The university sent counselors and trainers to Bushenyi Medical Center and Buwehju to provide free confidential HIV/AIDS testing for UHC plan members. Pregnant UHC members at Ishaka and Comboni Hospitals are also tested for free. This is a limited time partnership but a helpful service for UHC members.

Comprehensive Manual. HealthPartners Uganda Health Cooperative: A Guide to Prepaid Health Care has been completed and will soon be accessible on HealthPartners website, www.healthpartners.com, under "Who We Are," "Serving Our Community,"

“Uganda Health Cooperative.” The manual includes step by step explanations of everything from developing management structure to setting premiums and benefit coverage. Detailed accounts of financial set-up, managing provider relations and marketing and sensitization are included as well.

Potential Issues/Hurdles/Results

Consulting. Expanding UHC in a consulting role was an interesting challenge. UHC promotes competition because it contributes to the goal of improving health care for all people in Uganda. Where choices exist, providers must offer lower prices and competitive services.

How to train providers on health plan delivery was another issue. “HealthPartners Uganda Health Cooperative: A Guide to Prepaid Health Care” proved to be a valuable asset in this challenge. The manual was designed in a structure that makes it readily accessible and easy to break down into training sessions. Fees to cover the cost of UHC materials and trainer time are being negotiated. Additionally, UHC staff may accompany providers on sales calls as training opportunities. For cooperatives that join as a result of these calls, the provider would pay a percentage of the group’s premiums to UHC.

Transportation. Health Plan members and leaders continue to find transportation limitations difficult. Members cannot afford premiums high enough to cover the cost of transportation, thus meetings are often missed and some needed care is not available.

Over-Utilization. Some health plans, usually new plans, have challenges with over-utilization of provider services. In response to this, UHC meets with members or membership leaders and the provider to develop a plan. Sometimes premiums are raised; sometimes a nurse is appointed onsite once a week or once a month to assist with screening. UHC representatives may visit the group more often to answer questions and train members on how over-utilization hurts the group. In all cases, charts are created and posted at the provider location to illustrate group size and utilization beside health plan goals. These approaches have been helpful; over-utilization is usually reduced within one or two months.



Promotion of USAID and International Development Efforts

- Scott Aebischer, Senior Vice President Customer Services and Product Innovation, presented report to USAID October 8, 2003, in Kampala, Uganda.
- Joy Batusa, Director UHC, presented “Community Based Health Finance” report at African Health Summit on November 3, 2003, in Victoria Island, Nigeria.

- Joy Batusa, Director UHC, presented “Community Based Health Finance” at the CMS End of Project Conference on December 9, 2003, in Washington, D.C.
- Updates are provided on a quarterly basis through www.HealthPartners.Com, “Who We Are,” “HealthPartners in Uganda.”

V. FUTURE PLANS

Next quarter is the final period for the Uganda Health Cooperative sub-grant extension. Studies will be conducted and plans will be implemented for the continuation of the health plans supported by the communities, partnerships and structures that have been built.

Attachment A

FINANCIAL REPORT

Attachment B

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 labeling 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	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.

Association	Submitted to	Description	Date Enacted	Impact
BNDA + ADPB + NADP	Ministry of Agriculture and Forestry	disloyal competition. 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 recognized 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. Ø 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). Ø An incentive program for stimulating farmers breeding animals

Association	Submitted to	Description	Date Enacted	Impact
				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 livestock breeding control, selection and reproduction. Through the State Fund Agriculture a total of 2,900,000 Bglv (approx. USD 1,450,000) was granted in support of animal selection and reproduction. Ø MOA State Fund Agriculture has granted a total of 5 million Bglv (approx. USD 2.5 million) for investment projects for year 2002. These investment projects include: purchase of selected breeds with high genetic potential, purchase of machinery and equipment, construction of farm buildings, reconstruction of existing ones.
BNDA + ADPB + NADP	MOA, Ministry of Economy, Ministry of Finance, State Fund Agriculture, National Veterinary Control Services	Consultative Council on Milk Issues	2003	Ø 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	Ø 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.
BNDA, NADP	MOA, Bulgarian Parliament	Increased the import duty of powder milk products	Sept 2003	Ø Due to active lobbying efforts of the National Association of Dairy Producers, the Government of Bulgaria increased the import duty of powder milk products, which led to the decreased volumes of illegal import of dry milk and rise of farm-gate raw milk prices. Combined with the seasonality, the rise of farm-gate raw milk prices was by nearly 70%.
BNDA, ADPB	MOA, Bulgarian Parliament		Jul - Dec 2003	Ø ADPB, with the on-going support and assistance of Land O'Lakes and as a result of its effective lobbying efforts, has participated in the development and implementation of all sector related regulatory documents for improving the quality parameters of raw milk and dairy products and labeling of products. Namely these are: the Food and Labeling Law, the Law for Public Health, the Law for Veterinary and Medical Activity, the Law for the Protection of Plants, the Law for Forages and all other related decrees and regulatory documents.

Appendix C

BULGARIA MILK COLLECTION GROUPS

BULGARIA MILK COLLECTION GROUPS

Group	Association	Operation start	Members	Number of cows	Number of sheep/ goats	Number of Buffalo	Cooling tank volume, l	Raw Milk Quality	Other activities
Gulyantzi	Pleven RDP Association	Dec'2002	11	53			1000	improved	group purchasing
Dryanovo	Plovdiv RDP Association	Jan'2003	7	47			1000	improved	
Karapelit	Dobrich RDP Association	Mar'2003	7		350		500	improved	group purchasing
Petelovo	Kardjali RDP Association	Mar'2003	7	44			1000	improved	group purchasing
Zaychar moved to v. Dyankovo, Dobrich region	Dobrich RDP Association	Dec'03	7	52			1000		
Yasenovo, moved to v. Kozlovec, Lovech region	NDPA	Dec'03	8	49	1180		1000	improved	
Topchiysko, moved to v. Onova, Pleven region	NDPA	Dec'03	8	57	1300	60	1000	improved	
Sredets - 1	Sredets RDP Association, Burgas region	July'2003	8	121			1000	improved	group purchasing
Sredets - 2	Sredets RDP Association, Burgas region	July'2003	8		960		1000	improved	group purchasing
Bregare	Pleven RDP Association	Sep'03	11	44			1000	improved	
Staroselci	Pleven RDP Association	Sep'03	12	52			1000	improved	
Dolni Lukovit	Pleven RDP Association	Sep'03	27	46			1500	improved	
Banya	Plovdiv RDP Association	Nov'03	7				1000		

Appendix D

TANZANIA PRODUCT EXHIBITION

**TANZANIA PRODUCT EXHIBITION:
Products exhibited and sold by the small-scale milk processors
from Northern milk shed**

SN	PROCESSOR	PRODUCTS	QNTY	UNIT	UNIT PRICE	TOTAL (T.Shs)
1	Kijimo Women Dairy Coop	1. Tilster Cheese	55	Kgs	4,000.00	220,000.00
		2. Smoked Mozzarella	15	Pcs	3,500.00	52,500.00
		3. Camembert	15	Pcs	2,500.00	37,500.00
		Total				310,000.00
2	Meru Dairy Farmers Association/Mountain Green	1.Gouda Cheese	28	Kgs	4,000.00	112,000.00
		2. Fresh Mozzarella	10	Kgs	5,000.00	50,000.00
		3. Ghee	12	Ltrs	4,000.00	48,000.00
		4. Natural Honey	5	Ltrs	10,000.00	50,000.00
		Total				260,000.00
3	Agape Women Group	1. Cheddar	12	Kgs	5,000.00	60,000.00
		2. Fresh Mozzarella	10	Kgs	5,000.00	50,000.00
		3. Gouda	22	Kgs	4,000.00	88,000.00
		4. Ghee	10	Ltrs	4,000.00	40,000.00
		Total				238,000.00
4	Ikunda Dairy Farmers Association	1. Cheddar	16	Kgs	5,000.00	80,000.00
		2. Fresh Mozzarella	13	Kgs	5,000.00	65,000.00
		3. Gouda	14	Kgs	4,000.00	56,000.00
		4. Ghee	20	Ltrs	4,000.00	80,000.00
		Total				281,000.00
5	Kalali Women Group	1. Gouda Cheese	7	Kgs	5,000.00	35,000.00
		2. Mozzarella Cheese	11	Kgs	5,000.00	55,000.00
		3. Cheddar Cheese	10	Kgs	5,000.00	50,000.00
		4. Caciota Cheese	7	Kgs	5,000.00	35,000.00
		5. Ghee	12	Ltrs	4,000.00	48,000.00
		6. Cultured milk	50	Ltrs	150.00	7,500.00
		7. Pasteurized milk	50	Ltrs	150.00	7,500.00
		8. Double Cream	10	Kgs	4,000.00	40,000.00
		9. Butter salted, unsalted	10	Kgs	4,000.00	40,000.00
		Total				318,000.00
6	Nronga Women Dairy Coop Society	1.Cultured Milk	300	Ltrs	200.00	60,000.00
		2.Gouda cheese	20	Kgs	4,500.00	90,000.00
		3.Butter salted& unsalted)	15	Kgs	4,000.00	60,000.00
		4.Cheeddar Cheese	15	Kgs	4,500.00	67,500.00
		6.Ghee	12	Ltrs	4,000.00	48,000.00
		7.Yoghurt	30	Ltrs	500.00	15,000.00
		Total				340,500.00
7	Upendo West Kilimanjaro	1. Gouda cheese	15	Kgs	5,000.00	75,000.00
		2. Mozzarella cheese	15	Kgs	4,000.00	60,000.00
		3. Feta Cheese	4	Kgs	5,000.00	20,000.00
		5. Cheddar	10	Kgs	4,500.00	45,000.00
		6. Ghee	12	Ltrs	4,000.00	48,000.00
		7. Natural Honey	13.5	Ltrs	10,000.00	135,000.00
		Total				383,000.00
8	Manna Group	1. Gouda cheese	10	Kgs	4,000.00	40,000.00
		2. Mozzarella	7	Kgs	4,000.00	28,000.00
		3. Feta cheese	8	Kgs	5,000.00	40,000.00

SN	PROCESSOR	PRODUCTS	QNTY	UNIT	UNIT PRICE	TOTAL (T.Shs)
		4. Cheddar cheese	10	Kgs	5,000.00	50,000.00
		5. Ghee	9	Ltrs	4,000.00	36,000.00
		6. Smoked cheese	14	Kgs	5,000.00	70,000.00
		Total		Kgs		264,000.00
9	CHEMUCO	1. Salted Butter	3	Kgs	4,000.00	12,000.00
		2. Unsalted Butter	2	Kgs	4,000.00	8,000.00
		3. Gouda cheese	22	Kgs	4,000.00	88,000.00
		4. Cheddar Cheese	4	Kgs	5,000.00	20,000.00
		5. Ghee	8	Ltrs	4,000.00	32,000.00
		Total				160,000.00
10	Makau HP Group	1. Cheddar Cheese	26	Kgs	4,000.00	104,000.00
		2. Gouda Cheese	14	Kgs	4,000.00	56,000.00
		3. Natural Honey	12	Ltrs	10,000.00	120,000.00
		Total				280,000.00
		Grand Total				2,834,500.00

- *Compiled by marketing/promotion staff*
- *US \$. 1.00 = T.Shs. 1035*