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AGENCY FOR INTERNATIONAL DEVELOPMENT
ADVICE OF PROGRAM CHANGE

Date:

Country	: Guatemala
Project Title	: Guatemala Dairy Development
Project Number	: 520-0355
FY 1986 CP Reference	: None
Appropriation Category	: Agriculture, Rural Development, and Nutrition (ARDN)
Life-of-Project Funding	: $1,200,000 (G)
Intended FY 1986 Obligation	: $1,200,000 (G)

This is to advise that A.I.D. intends to obligate $1,200,000 in FY 1986 for this project. This is a new project, not included in the FY 1986 Congressional Presentation.

The purpose of this project is to raise milk production and incomes among small farmers, increase milk availability and consumption in Guatemala, and increase the nutritional welfare of low-income consumers by making milk and other dairy products available at reasonable prices.

Annex: Activity Data Sheet

AGENCY FOR INTERNATIONAL DEVELOPMENT
ACTIVITY DATA SHEET

PROGRAM: GUATEMALA

CP 81-05' (4-85)

TITLE	FUNDING SOURCE	PROPOSED OBLIGATION (In thousands of dollars)	
Guatemala Dairy Development	Agriculture, Rural Development, and Nutrition (ARDN)	FY 86 1,200	LIFE OF PROJECT (Auth) 1,200
NUMBER 520-0355	PRIOR REFERENCE	INITIAL OBLIGATION FY 1986	ESTIMATED FINAL OBLIGATION FY 1986
GRANT ☒ LOAN ☐ NEW ☒ CONTINUING ☐	None		ESTIMATED COMPLETION DATE OF PROJECT FY 1989

Project Purpose: To raise milk production and incomes among small farmers, increase the availability of milk in Guatemala, boost milk and dairy product consumption, and increase the nutritional welfare of low-income consumers by making milk and other dairy products available at reasonable prices.

Background: Guatemala is a net importer of milk even though it has a large underutilized milk production potential. The primary problem is the lack of an adequate year-round feeding regime for dairy cows due to seasonal droughts and inefficient management practices. Problems also exist with inefficient dairy processing operations and the Government of Guatemala's intervention and controls in the dairy sector.

Project Description: The project will: (A) assess the dairy industry in Guatemala, analyzing milk production, collection, processing, and marketing in the context of competition from imports of non-fat dry milk; (B) improve two dairy processing and marketing operations through improved management techniques; (C) provide technical assistance and training for small farmers in dairy livestock management, nutrition and milk production, and for processors in milk handling, transportation, processing and marketing; (D) determine potential demand for donated dairy commodities which would be sold to finance other dairy assistance such as extension services and credit; and (E) promote policy dialogue with the GOG on the elimination of price controls and the privatization of a government-owned processing plant.

The foregoing activities are designed to encourage the GOG to move from a policy of state regulation of dairy production and prices to a free market system. Expected increases in milk availability will help create a more efficient and stable market, to the advantage of both consumers and producers, and will stimulate milk and dairy product consumption.

Relationship of Project to A.I.D. Country Strategy: This activity supports the A.I.D. strategy of increasing rural incomes and productivity. DA funds and surplus dairy commodities will be utilized to strengthen private sector cooperatives, and engage in policy dialogue with the GOG to encourage private sector investment in dairy production, processing, and marketing. This increased emphasis on private sector production is in keeping with the major goals for Central America set by the National Bipartisan Commission on Central America (NBCCA).

Host Country and Other Donors: The two participating dairy operations will provide labor and materials as an in-kind contribution to the project of up to $400,000.

Beneficiaries: Target beneficiaries include 1,000 small farmers who will receive technical assistance in production and/or will be able to sell increased volumes of milk at more remunerative prices, as well as consumers in predominantly urban markets who will have increased access at reasonable prices to milk and other dairy products.

Illustrative Outputs:

- Guatemala's dairy sub-sector evaluated X
- Dairies strengthened technically and managerially 2
- Policy dialogue promoted with the GOG on dairy pricing, imports and related policies X
- Small farmers assisted to increase milk production through improved on-farm management 1,000

A.I.D. Financed Inputs:	Life-of-Project ($000)
Technical Assistance	1,200

U.S. FINANCING (In thousands of dollars)	Obligations	Expenditures	Unliquidated
Through September 30			
Estimated Fiscal Year			
Estimated Through September 30			
		Future Year Obligations	Estimated Total Cost
Proposed Fiscal Year 1986	1,200	-	1,200

PRINCIPAL CONTRACTORS OR AGENCIES
- The National Cooperative Business Association (NCBA) and
- Land O' Lakes, Inc. (LOL)

2