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ATMIDAH VILLAGE FEED MILL PROJECT
Dakahliya Governorate, Arab Republic of Egypt

LDF CASE STUDY

LOCAL DEVELOPMENT FUND (LDF)

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FOREWORD

The following case study is an example of one of the most successful projects financed by the Local Development Fund (LDF), which is administered by the Organization for Reconstruction and Development of the Egyptian Village (ORDEV).

The LDF makes loans for productive village projects to the Popular Councils in the 22 non-urban governorates in the Arab Republic of Egypt. The LDF is financed by the United States Agency for International Development (USAID), and has provided loans for over 400 projects in our villages since the first loans were made in March 1980.

The LDF loans play an important role in our villages. The projects they finance generate income, and this income is used to repay the loans. Once the loans have been repaid, the projects are self generating. The profits remain in each village and become part of the village's Service and Development Fund, devoted to village improvements. Many beneficial community projects have been financed through these funds.

Over the past three years, LDF has provided financing for the following important projects in Egyptian villages: poultry raising; egg production; animal production; aquaculture; agriculture; agricultural equipment; food processing; transportation; and other small industries. LDF continuously accepts loan applications for village projects.

We are especially interested in lending for "joint venture" projects. These are projects in which village residents are involved as co-owners with the Local Units. We feel that these types of projects can have the most beneficial long-term impact on the economies of our villages. They foster the development of the entrepreneurial ability of our people, and ensure that the profits are distributed among the village households. In this way, they help to raise the standard of living in our villages.

Minister Mohamed Ahmed Labib
Chairman of ORDEV

PREFACE

This is one of several case studies written to document the workings of the Local Development Fund (LDF). It is directed both at potential borrowers and agencies supporting LDF, and will also be used as a training tool. Case studies are available in both Arabic and English.

The Local Development Fund (LDF) is a development-lending institution which makes income-producing project loans to the popularly-elected village councils in the 20 non-urban governorates of the Arab Republic of Egypt. It is a semi-autonomous institution under the aegis of the Organization for the Reconstruction and Development of the Egyptian Village (ORDEV).

The fund is capitalized with a grant from the Government of the United States of America through the Agency for International Development (AID). The LDF is governed by an Egyptian Board of Directors, and its loan operations are overseen by a Loan Committee. Technical assistance to the LDF has been provided since its inception by Checchi Company.

The LDF seeks to assist villages in the development of financial viability and administrative capability by making loans for productive projects which increase village revenues. Income generated by the projects repay the LDF loans. Profits become a part of each village's Service and Development Fund, which is devoted to village improvement.

LDF loans have provided financing for the following types of projects in Egyptian villages: poultry, including egg production; animal production; aquaculture, apiculture, agricultural equipment; food processing; transportation, and small scale industry. LDF continually accepts applications for these and other types of village projects.

These case studies represent examples of successful LDF-financed projects, particularly those in which private individuals are involved as co-owners with the village councils. The joint venture projects have potentially the most beneficial long-term impact on village economies. They ensure direct distribution of project profits among participating village households, and therefore raise the residents' standard of living. In addition, they foster development of existing entrepreneurial ability in Egyptian villages, thus strengthening the role of the private sector within the villages.

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ATMIDAH VILLAGE LDF FEED MILL
PROJECT

Project Description

The village of Atmidah Local Unit in Dakahlyia Governorate has organized an innovative, small-scale agricultural based enterprise aimed at improving the village economy with the use of LDF, Local Unit, and householders' resources.

The local unit has established a corporation, the Atmidah Company for Investment in Local Development, which is operating a successful poultry feed mill project financed in part by an LDF Loan of LE 56,000. Popular participation by village residents, in the form of purchased shares in the corporation, totals approximately LE 96,000. The feed mill was built on land owned by the Local Unit and valued at LE 30,000.

Local labour and initiative have contributed to the project's success. Seventy-two persons are employed at the feed mill; they manufacture three types of feed for laying and broiling chickens. Their average wage is LE 49.4 per month. In addition, workers are paid incentives by the Local Unit from the monthly profits. The mill

operates from 7 a.m. to 3 p.m., producing 5 tons of feed each hour from corn, soybeans, and a protein/vitamin concentrate, using an Italian-made milling machine. One of the mill's employees has built a second feed mill machine based on the same design. When the second mill begins operation, production capacity will double to 10 tons per hour. A third machine, which blends the ground feed components, was made locally. It is semi-automated to fill the 50 kilo plastic bags in which the product is packaged. The total fixed investment in machinery is approximately LE 90,700.

Raw materials are imported from the United States and Europe, and obtained either through the Egyptian Government or directly by Atmidah Company. Corn, the major feed component, originates in the United States and is obtained through the Ministry of Agriculture. Soybeans from Spain are imported directly by the Company, as is the Italian protein/vitamin concentrate. The Company imports more concentrate and soybeans than it uses on a monthly basis, and sells the excess

to other area factories and feed mill manufacturers at a profit. The company imports 700 tons of soybeans monthly, and uses 300 tons in feed manufacture; 400 tons of protein/vitamin concentrate are imported and 150 tons are used in production. Atmidah imports and uses 1000 tons

of corn per month.

The company produces three types of layer/broiler feed, based on the changing protein needs of chickens at various stages of growth: 1-30 days; 31-40 days; and 40 + days. The cost of feed varies according to the cost of raw materials needed to produce each type. Buyers pay in cash or on a contract which is payable in full in two months. Atmidah offers a discount per ton of LE 5 for cash payments. The company has a market for its total output each month, within Atmidah and in ten surrounding governorates.

Project accounting is done by an accountant working at the Local Unit. Financial reports are given regularly to the Local Council.

In its first year of operation, the feed mill has realized a profit of L.E. 150,000. Profits are distributed as return on shares purchased by households and the Local Unit. The remaining profits are used to sponsor services to the village, as worker incentives at the mill, as investments in treasury bills, and as legal reserves.

Economic Benefits

The feed mill is directly stimulating new economic acti-

vity in the village through its production linkages with other sectors of the economy. For example, the Company rents 15 local warehouses for private households and owners are receiving a total estimated additional income of LE 3,333 annually, or LE 18.5 per warehouse per month. Also, twenty trucks are engaged in transporting the raw materials and final products of the mill. These employ an estimated 40 people.

Because of the new availability of feed in the village, poultry raising by households has begun by an estimated 150 families, producing an estimated 150,000 chickens a year. In addition, nine new poultry farms were constructed and are currently producing 180,000 birds a year.

Indirect economic benefits to the village are also expected due to the extra income flowing into households from the project and its supporting and complementary activities.

Community Benefits

The Atmidah Company has sponsored a number of community improvement projects with profits from the feed mill. One such project, a minibus transportation service, promises to become a profit-making venture. The company purchased three minibuses which carry passengers between Atmidah

and Mansoura, via Midran. The fare to Midran is PT 10; the fare to Mansoura is PT 40. One bus also offers a route to Cairo with one-way fare of LE 1,-. In one month and a half the minibuses have carried 60-70,000 persons.

Other benefits to the community include: a landscaping project, in which students from the village are hired during the summer for tree planting; annual youth soccer tournaments with nearby villages; upgrading the main road into Atmidah; maintenance of the village water network; and assistance in maintenance of the village electrical network.

Background and History

Atmidah Village

Atmidah village in Dakahlyia Governorate is an agricultural village of 25,000 people on 2,600 feddans of land. Farm land is used mainly for cultivating traditional food crops & berseem. The population: land ratio is 9.7:1; due to this high ratio many residents have turned to non-traditional activities such as handicraft production and commerce for their livelihood. There has been considerable migration of Atmidah skilled labor to Cairo, with the majority of workers entering the textile industry in Shubra El Kheima and Mehalla El Kubra districts.

Formation of the Atmidah Company

The Atmidah Local Council first became aware of the availability of LDF loans and the Development Decentralization I project through the ORDEV office for Dakahlyia Governorate.

Because the LDF application forms emphasized the importance of popular participation, the Local Unit decided to conduct a preliminary study on alternative methods for stimulating the involvement of village residents in a development project. Mr. Gamal Taman, the Executive Head of the Local Unit, invited members of the elected and appointed councils, representatives of political parties, and other public leaders, to attend a meeting to discuss the method of popular participation.

There was a positive response to the idea of popular participation. The main concern expressed by the community leaders was that a proper legal entity be formed which would ensure a fair return of any profits to village residents. With this in mind, Mr. Taman proposed that a development corporation be formed, and that shares should be sold only to village natives. The response to this proposal was very positive, and 10,000 shares in the corporation were sold at that meeting. Within 15 days, the village had collected a total of LE 75,000 from residents, and the Atmidah Company for Investment

in Local Development was incorporated.

The purposes and authorized activities of the Corporation are:

- To implement local development and food security projects.
- To establish agricultural and industrial investment projects;
- To encourage Atmidah villagers to invest their savings in the Corporation's projects;
- To provide local people with feasibility studies for potential investment projects;
- To take out loans to finance its projects;
- To import machinery and equipment needed for project implementation.

The corporation is established for 25 years from 1981-2006. The corporation, founded as a mechanism for local development, possesses an innovative structure for majority popular participation.

The total capital of LE 300,000 is divided into 60,000 shares at a cost of LE 5 per share. Public participation in the project totals approximately LE 96,000, representing 43,620 shares sold at a reduced price of LE 2,20 each. There are 416 investors. Residents are committed to pay the difference between the reduced price and LE 5 once profits are returned. The shares of public participation represent well over 50 % of the total shares in the company. The Local Unit holds 16,380 shares.

The financial investments in the company are split as follows:

L.E. 56,000	- LDF Loan
L.E. 97,000	- Popular participation
L.E. 30,000	- Land value provided by the Local Unit

Formulation and Operation of the Feed Mill Project

Prior to the development of the feed mill project, an economic analysis of various alternative projects was conducted by the Executive Head of the Local Unit. The poultry feed mill project was chosen by the village on the basis of local needs for feed supply by village farmers who were raising chickens. Also, agricultural projects have been given priority emphasis within regional and national economic development plans, and this was taken into account when the village chose the project. The project was seen as a way to strengthen the local economy by retaining feed mill profits within the village.

The LDF loan was awarded to Atmidah in July of 1982. Throughout the start-up and management of the project there is evidence of economical use of resources by the village. For example, the feed mill was constructed with local labor rather than by an outside contractor, at a considerable cost savings.

One problem encountered by Atmidah Company during the start-up of the product was that of obtaining corn, the major feed component. This was solved by Mr. Taman by meeting with representatives from the Ministry of Agriculture to explain the feed Mill project and the need for a regular supply. The Ministry agreed to supply Atmidah Company with 1000 tons of corn per month.

One reason for the success of the project is the commitment of Mr. Taman, the Executive Head, to economic development in the village. He was born in the village and has been involved in village improvement projects since his student days, when he was employed in a village program to erect electrical poles. After his graduation, he worked for four years at the Egypt Maritime Company in Alexandria. He was employed for a year with the International Cairo Fair. He has been head of the Local Unit since July 3, 1976. Much of his effectiveness as head of the local unit is due to his rapport with the villagers, combined with business expertise, planning ability, and a strong commitment to Atmidah's prosperity.

Future Plans and Directions

Feed Mill Project

In the feed mill project, plans are underway to automate

the milling machines and expand the storage capacity of the silo. In addition, a crumb pellet feed machine has been ordered and production will be expanded to crumb pellets in the near future.

New Projects

Atmidah Company is also planning other industrial projects to be financed with the feed mill's profits. For example, the company is in the process of building a semi-automatic bakery on local unit property. Bread will be supplied to the village, which now purchases bread from a bakery nearby Midran.

Another project planned by Atmidah Company is the establishment of an egg layer project in conjunction with the Local Unit. Plans include the production of 7.5 million eggs per year. Preliminary studies for this project have been completed. Once the project is approved at the governorate level, the Company plans to apply to LDF for partial financing.

Atmidah Company is also investigating the possibility of a joint venture with an English company, for milk production in the Sahiya Desert, Ismailia, on 1000 feddans of land purchased by the Local Unit with popular participation.

It is obvious that the formation of a local company for village investment has provided the village of Atmidah with a valuable tool for economic development. This approach, which ensures popular participation, could be replicated by other villages wishing to stimulate local economic activity via productive projects.

LDF CASE STUDIES

GLOSSARY

- LDF** Local Development Fund, a development-lending institution created to make income-producing loans to elected village councils in Egypt for the operation of village projects. Profits generated by LDF-financed projects may be retained by the village. Funds for LDF were provided by USAID under Development Decentralization I (DDI), an AID project agreement signed May 29, 1978. LDF is administered by ORDEV.
- ORDEV** Organization for the Reconstruction and Development of the Egyptian Village.
ORDEV was established in 1973 to implement the Egyptian government's program of economic and social development of rural villages. It is charged with collaboration with ministries, governorates, local governmental units and all agencies concerned with Egyptian villages.
- USAID** United States Agency for International Development.
US Government Agency which administers U.S. foreign aid. The LDF project is a key element of AID's program to assist the Government of Egypt in its decentralization effort.
- Markaz** Governmental administrative district located in secondary cities in each governorate, with jurisdiction over the surrounding villages.

Local Unit The governmental organization in each mother village which administers village programs. The Local Unit Executive Head is appointed and is the Chief administrative officer in the Local Unit.

Local Councils

Popular Council

The Local Governmental Body elected by the people in each Local Unit. The Council proposes LDF project ideas and reviews applications before submission to LDF. The Executive Head of the Local Unit acts as a consultant to the Popular Council.

Executive Council

The appointed Local Unit Village Council made up of representatives from ministries and other governmental organizations concerned with the Local Unit. The Executive Council reviews loan project application before submission to LDF. The Executive Head of the Local Unit is the Chairman of the Executive Council.

Village Bank Local branch of the district bank for Development of Agriculture Credit, which is under the auspices of the Principal Bank for Development and Agriculture (created in 1976).

Joint Venture In the LDF Loan program, investment in a specific project by the Local Council (with LDF financing and Local Unit Resources) in conjunction with village residents.

Popular Participation Funds, either from Local Unit resources or contributed by village residents, to be used toward LDF-financed economic development projects in the village.

Incentives Payment to Local Unit LDF project employees for work in addition to their normal work load, which may include longer hours of work, or work of greater difficulty.

LE Egyptian Pound

PT Egyptian piastre; 100 piastres equal one Egyptian Pound.