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# Quarterly Report

## 1<sup>st</sup> Quarter FY 2009

October – December 2008

6, Tukuluh Road,  
Private Bag 307X  
Lusaka, Longacres  
Tel: 01 251371  
Fax: 01 255502  
[profit@profit.org.zm](mailto:profit@profit.org.zm)

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## ADMINISTRATIVE DATA

Country	Zambia
Project Title	Production, Finance and Technology (PROFIT)
Cooperative Agreement No	690-A-00-03-00172-00
Implementing Agency	NCBA/CLUSA
USAID Technical Office	SO5/Dann Griffiths
Date of Last Evaluation/Audit	N/A
Date of Next Evaluation/Audit	N/A

## FINANCIAL DATA

Date of Authorization	April 1, 2005
MAARD Number	6110005.01-3-04073
Total Estimated Amount	\$ 17,549,830
Total Federal Funds Authorization	\$ 14,667,415
Appropriation	72 – 19X1030
BPC	GGAX-05-21611-1G13

## PROFIT 1<sup>ST</sup> QUARTER 2009 PMP INDICATOR TABLES

PROFIT INDICATORS		BASELINE	FY07		FY08		FY 09		
			TARGET	ACTUAL	TARGET	Year Total	Target	Q1	
<b>Trade/Exports related indicators</b>									
1	Value of purchases from smallholders of targeted commodities (domestic agricultural trade)	\$46,870,313	\$51,674,520	\$25,737,563	\$54,258,246	\$41,637,131	\$56,971,159	\$1,253,573	
<b>Production/Sales/Value Addition related indicators</b>									
2	Value of Food and non Food Agricultural production by USAID supported groups.	\$5,523,455	\$7,001,270	\$10,352,500	\$7,341,334	\$29,929,001	\$7,698,400	\$551,603	
3	Value of sales of all goods and services	\$5,397,833	\$6,902,500	\$11,735,880	\$7,410,350	\$30,501,720	\$7,820,432	\$1,033,852	
4	Value of resources derived from sustainable natural resources or conservation initiatives.	\$714,978	\$865,123	\$4,564,154	\$951,635	\$435,492	\$1,046,799	\$7,016	
5	Value of production per unit disaggregated by commodity sector.	Cotton (ha)	\$163	\$190	\$347	\$205		\$220	
		Honey (hive)	\$4.44	\$4.90	\$6.08	\$5.14		\$5.40	
		Red meat (animal)	\$116	\$128	\$198.55	\$135		\$141	
		Dairy (animal)						\$865	
		High Value Crop - Pineapple (ha)	\$785	\$865	\$2,500	\$909		\$954	
6	Value of production per client	Cotton	\$192	\$212	\$640.81	\$222		\$233	
		Honey	\$35	\$39	\$61	\$41		\$43	
		Red meat	\$94	\$104	\$251.10	\$109		\$114	
		Dairy						\$4,323	
		High Value Crop - Pineapple	\$628	\$692	\$1,250	\$727		\$763	
7	Gross Margin per unit	Cotton (ha)	\$10	\$11.03	\$165.70	\$11.58		\$12	
		Honey (hive)	\$2.44	\$2.69	\$3.74	\$2.82		\$3	
		Red meat (animal)	\$7.11	\$8.60	\$191.88	\$9.03		\$9	
		Dairy (animal)						\$345	
		High Value Crop - Pineapple (ha)	\$547	\$603	\$1,958.34	\$633		\$665	
8	Volume of produce processed (mt)	Cotton	19,200	24,192	35,200	25,402	28,896	26,672	0
		Honey	347	437	15	459	299	482	280
		Red meat	0	255	171	510	235	1020	0
		Milk (Lts)				6,222,000	6,300,000	6,615,000	975,701
		High Value Crop - Pineapple	0	1,000	109	2,000	26	2500	50
<b>Technologies related indicators</b>									
9	Number of clients engaged in improved and/or value added processing and production disaggregated by technology type.	Conservation farming	3,200	25,000	43,000	45,000	32,924	63,000	3,144
		Vet contract/herd management	0	1,000	672	2,000	6,297	2,500	799
		Contract production	37,500	65,000	44,635	75,000	254,254	80,000	106,100
		Improved honey production	0	750	0	1,000	7,246	1,250	4,000
		Input products and services	10,000	100,000	21,974	150,000	43,447	200,000	15,541
10	Area or number of commodities under improved technologies	Conservation farming (ha)	3,200	25,000	43,000	45,000	18,122	63,000	4,981
		Vet contract/herd management (hd)	0	10,000	7,780	20,000	19,546	25,000	8,973
		Contract production (ha)	32,000	60,000	43,015	70,000	109,016	75,000	136,050
		Improved honey production (hives/Q.C trainings)	0	1,500	0	2,000	37,725	2,250	32,000
		Input products and services (ha)	10,000	100,000	21,974	150,000	43,447	200,000	15,541
11	Improved technology adoption rate (%)	Conservation farming	10%	15%	15%	18%		20%	
		Vet contract/herd management	0%	55%	43%	80%		100%	40%
		Contract production	25%	24%	15%	26%		28%	17%
		Improved honey production	0%	10%	0%	15%		20%	13%
		Input products and services	10%	15%	40%	20%		25%	98%
12	Number of hectares under biodiversity conservation.	3,200	25,000	43,000	45,000	18,122	63,000	4,981	
13	Number of hectares under managed natural resource production systems	0	366,000	0	366,000	4,166,000	366,000	0	

PROFIT INDICATORS		BASELINE	FY07		FY08		FY 09		
			TARGET	ACTUAL	TARGET	Year Total	Target	Q1	
<b>Finance related Indicators</b>									
14	Value of finance/capital accessed by USAID assisted groups (borrowers)?	\$1,845,045	\$4,000,000	\$1,612,750	\$6,000,000	\$7,066,870	\$8,000,000	\$3,026,236	
15	Number of loans by USAID assisted institutions disaggregated by gender	Male		42,014		86,912		84,800	
		Female		1,028		21,727		21,200	
		Total	32,000	60,000	43,042	70,000	108,639	75,000	106,000
16	Percentage of the number of loans on schedule for repayment	90%	90%	50%	90%		90%	0%	
17	Value of loans by USAID assisted institutions disaggregated by gender (lenders)?	Male	\$1,845,045	\$4,000,000	\$1,580,335	\$5,553,524		\$2,420,989	
		Female			\$32,415	\$1,513,346		\$605,247	
		Total			\$1,612,750	\$6,000,000	\$7,066,870	\$8,000,000	\$3,026,236
18	Percentage of the value of the lending portfolio on schedule for repayment	90%	90%	50%	90%		90%	0%	
<b>BDS related indicators</b>									
19	Number of clients/entrepreneurs receiving BDS disaggregated by category e.g smallholder farmers, agribusiness firms	Small holder							
		Male				167,932		99,666	
		Female				99,872		32,491	
		Total	37,500	100,000	118,979	150,000	376,304	200,000	132,157
20	Number of farmers reached with extension/outreach services	Agribusiness	2	200	234	300	2,032	400	1,988
		Male				167,932		99,666	
21	Number of people reached with HIWAIDS A & B outreach programmes	Female				99,872		32,491	
		Total	37,500	60,000	118,979	80,000	376,304	100,000	132,157
		Male	0	187,500	0	1,740		1,212	
		Female				1,988		1,396	
		Total				225,000	3,728	262,500	2,608
<b>Policy related indicators</b>									
22	Number of policy areas worked on or affected if any	0	0	0	0	4	0	4	
23	Policy progress milestones – Analysis, debate, submission, approval and implementation	0	0	0	0	4	0	2	
<b>Training related indicators (disaggregate by gender)</b>									
24	Number of people trained in	Aggricultural production							
		Male				162,443		96,666	
		Female				102,665		31,491	
		Total	32,000	60,000	118,923	80,000	265,108	100,000	128,157
		Private sector growth	40,000	70,000	119,160	90,000	375,762	110,000	134,145
		Nat. Resource Mgmt & Conservation							
		Male				125,405		5,358	
		Female				69,423		1,786	
Total	5,500	6,000	11,000	7,000	194,828	8,000	7,144		

<b>USAID OPERATING PLAN INDICATORS</b>					
<b>2.2 Trade and Investment Capacity</b>	<b>FY 08 Target</b>	<b>FY 08 Year Total</b>	<b>FY 09 Target</b>	<b>FY 09 Q1 Actual</b>	<b>FY 09 Year Total</b>
1. Number of events held that provided training on topics related to improving the trade and investment capacity building	2,000	2,041	2,100	628	628
2. Number of Capacity_Building Service Providers receiving USG assistance	300	2,032	378	1,988	1,988
3. Number of firms receiving capacity building assistance to export	65,750	152,000	58,800	140,000	140,000
4. Number of USG participants USG supported trade and investment capacity building trainings	150,000	376,304	147,000	132,157	132,157
Male		167,932	125,000	99,666	99,666
Female		99,872	22,000	32,491	32,491
5. Total value of exports in targeted sectors in which firms are receiving USG assistance to increase their exports	\$10,000,000	\$44,854,983	\$45,000,000	\$112,000	\$112,000
<b>3.2 Financial Services</b>					
1. Number of financial sector professionals trained in international standards	71	76	75	143	143
Male	60	47	63	119	119
Female	11	29	12	24	24
2. Number of firms investing in improved technology as a result of USG assistance (SD)	23,000	24,991	23,000	15,541	15,541
3. Number of SMEs that successfully accessed bank loans or private equity as a result of USG assistance	59,100	0	59,100	0	0
<b>6.2 Agricultural Sector Productivity</b>					
1. Number of additional hectares under improved technologies or management practices as a result of USG assistance	23,000	24,991	23,000	15,541	15,541
3. Number of agriculture-related firms benefiting directly from interventions as a result of USG assistance	300	2,032	378	1,988	1,988
4. Number of individuals who have received short term agriculture sector productivity training with USG assistance	80,000	265,108	100,000	128,157	128,157
Male				96,666	96,666
Female				31,491	31,491
<b>7.3 Strengthen Micro-Enterprise Productivity</b>					
1. Number of micro enterprises participating in USG assisted value chains	100,000	152,111	100,000	128,157	128,157
Number of micro enterprises receiving business development services from USG assisted sources	140,000	152,246	140,000	140,000	140,000
<b>8.1 Natural Resources and Biodiversity</b>					
1. Number of people trained in natural resources management and/or biodiversity conservation as a result of USG assistance	56,700	195,294	56,700	7,144	7,144
Male		125,405		5,358	5,358
Female		69,423		1,786	1,786

## Project Highlights for the Quarter

- There is strong proof that the agricultural retail industry now perceives smallholder demand as a viable market. Investment by firms in agent and spray service provider recruitment, training and management increased significantly over 2008, and the results are clear - **seed and chemical sales into the smallholder market through the growing agent network over the quarter were \$450,000**, which represents a 140% increase on sales in the same period.
- Over **1,700 In-community Service Providers have now been engaged by commercial retail firms**, with 300 being recruited during the reporting quarter
- There has been a strong response from the agro-chemical industry to Croplife International and PROFIT's initiative to develop and enforce standards of safe use of chemicals in the smallholder sector, and during the quarter, the previously dormant industry organization, **Croplife Zambia, decided to recruit an individual to run a self-funded a Secretariat** to promote these standards.
- There was a **sharp increase in the adoption of early land preparation technologies** through the tillage service platform, with over 4,000ha ripped by service providers on behalf of over 3,000 farmers prior to the planting season
- **Over 1,200 magoye rippers were sold during the quarter**, as their distribution and promotion became embedded in the agricultural retail agent network, signaling a gradual acceptance of early land preparation by farmers as critical to improved yields.
- After nine months of preparation, the **Dunavant 'Gold Club' was established** as a system by which preferred suppliers to the company can be rewarded through a variety of incentives
- Despite the contracts being signed too late in the quarter to have measurable commercial impact, the **establishment of sales agreements between two agricultural retail companies and Dunavant** demonstrate an 'opening up' of the cotton supply chain to new sources of technology and information
- Although trading volumes were low over the quarter for a variety of reasons, **ZAMACE embarked on a series of improvements to the trading system to ensure a 'guaranteed settlement'** and began initiatives to reach out to the smallholder commodity marketing sector.
- The PROFIT dairy industry development component registered **very strong improvements in the engagement of smallholders by the commercial dairy processors**, with volumes of smallholder milk entering commercial markets increasing by 134% on last year's volumes to almost a million litres over the quarter

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## Input Market Pathway: Theme 1

### Fostering a sustainable and growing spray service delivery platform increasing smallholder productivity

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#### **Achievements against benchmarks**

##### **1) *Sprayer service providers training manual developed***

- A comprehensive sprayer service training manual focusing on the key area of Safe Use of Chemicals was developed and published over the quarter by PROFIT and Croplife Zambia, and approved by the wider agro-chemical industry. Over 850 copies were distributed to the service providers within the agro-chemical industry.

##### **2) *Clearly developed certification, recertification and testing regime developed and adopted by CROPLIFE members***

- Work has begun on this process, and will be greatly facilitated by the engagement, by the end of the next quarter, of a full-time Croplife Secretariat funded entirely from contributions by the agro-chemical companies themselves.
- Once the regime is completed, all SSPs will be subjected to industry based standardised training, that will form the basis against which the SSPs will be tested, certified and licensed to offer the sprayer service to the smallholders over one year period. The SSP will later have an opportunity to renew the practicing license upon payment of a fee and re-testing.

##### **3) *600 trained and certified Sprayer Service Providers actively servicing over 9,000ha during the peak season. (400 on limited budget)***

- Over the quarter, 197 SSPs (Spray Service Providers) were selected and trained by 6 companies.
- 118 SSPs were tested and consequently certified to Croplife standards over the quarter.
- PROFIT recorded activity of the spray service providers on 350 hectares, mainly in Southern Province and Mpongwe District and mainly spraying herbicides. However, it is acknowledged that, due to the difficulty in verifying the activities of each individual service provider, that the actual number of hectares under contract is significantly higher.
- Recorded earned income to the spray service providers over the quarter was \$3,500

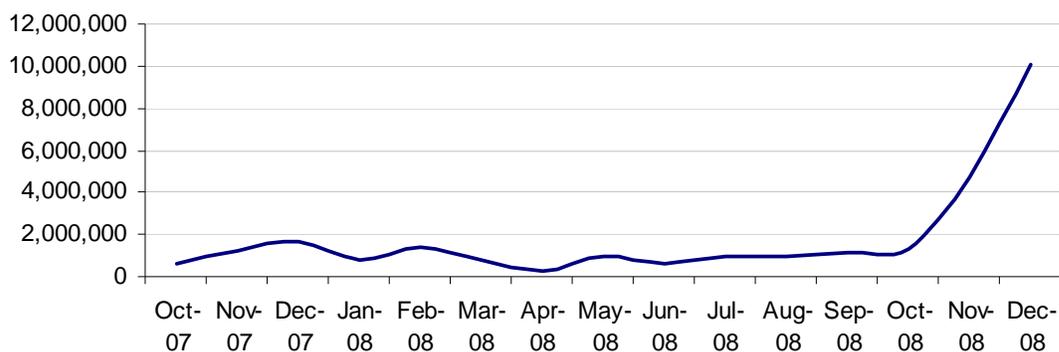
##### **4) *Industry Accreditation/Identification process of SSPs internal to a firm developed***

- The process of accreditation and identification of SSPs through Croplife has started with the development of the Identity Cards and certification.
- Additionally, the SSP will receive as part of his certification, personal protective equipment branded as Crop Life for the year of certification.

**5) All firms develop in-community promotional marketing strategies and actively investing in the spray service providers' capacity to operate in the smallholder market**

- The process of selection, testing and certification of service providers is, in many cases, now fully internal to the agricultural retail company. Cropserve, for instance, has been active in this field, engaging and training 95 service providers in Southern, Central and Copperbelt Provinces with 40 service providers having been trained and certified without assistance from PROFIT. The other companies that have trained and tested SSPs are Mana-agro, testing 18 SSPs in Chongwe and Minelands training and testing 24 SSPs, also in Chongwe.
- The process of review meetings, to check the quality of service delivery and to upgrade the capacity of the spray service providers has been demonstrated by many firms this quarter.
- 21 demonstration plots, promoting herbicide use and the benefits of spray service provision had been established without PROFIT assistance by three firms by the end of the quarter.
- ZMK16,146,000 worth of sprayer services sales were purchased by over 235 smallholders during the quarter under review. (since this activity is not directly supported by the project, reported data under-reads the field position)

**SPRAY SERVICE SALES (ZMK)**



**6) Develop clear and simple pictorial message guides for service providers, in-community agents and farmers.**

- PROFIT started to work with Croplife on the development of pictorial messages as more accessible, simpler knowledge transfer tools to the spray service providers and farmers. This work will continue for inclusion in refresher courses starting May 2009.

**Additional Achievements**

- Aware of the prohibitive cost of conventional forms of protective clothing, over the quarter PROFIT facilitated the design of an 'appropriate technology' work-suit that the programme will distribute to all Croplife certified spray service providers and which is easily and very cheaply replicated at company or household level. Croplife branding is seen as a significant step towards a national certification process.

- PROFIT and Croplife began work on an identity card for certified spray service providers for use as a marketing tool

### **Challenges**

- Firms continue to focus more on the process of training agents than on the service platform, suggesting that they are not convinced of the importance of the spray service as a platform for sales. However, since the aim is to increase sales of productivity-enhancing agro-chemicals, if farmers are purchasing and applying chemicals effectively and safely without resorting to buying a spray service and as a result of the extension efforts of the retail firms, then potentially the spray service is a transitional phenomenon.
- Where there have been spray service providers trained, there is still a poor monitoring system of the service platform by the firms.
- No contracts have been signed between firms and spray service providers, thus keeping it an 'informal' relationship.
- Slow than desired progress has been made on defining the certification process of the spray service providers.
- Numbers of service providers are not increasing at the same rate as the demand and uptake of the products for example herbicides by the farmers.
- The promotion of the 'bundled service' with the product and service combined into one sales package still remains a challenge. This will be reflected in strategic focus for the 2009 season.

### **Activities planned for next quarter**

- Continue facilitating the development of the sprayer service trainings with appropriate and 'user-friendly' training.
- Continue fostering industry players to come up with testing, certification and recertification regimes including:
  - a clear and strong public relations effort to establish value in the smallholder market
  - encouragement of spray service providers and input firms paying for certification and recertification
  - assist sprayers and input firms evolve internal training that complies with certification requirements
- Roll out the basic protective clothing kit to successfully trained and certified spray service providers.
- Continue working with the service providers in promoting the sprayer service platform. Farmers will need to build trust in the service providers and hence multiple strategies toward marketing the service will be important.
- Continue working with the firms in the scaling up of strategies for the service providers.
- Continue to stimulate firm-firm strategic alliances as the mechanism to offer bundled services.
- Continue with the review meeting to analyse the challenges and successes for the last season and lessons learnt and come up with the way forward.

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## Input Market Pathway: Theme 2

### Fostering expanded agent network development and improved firm level management

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#### **Achievements against Benchmarks**

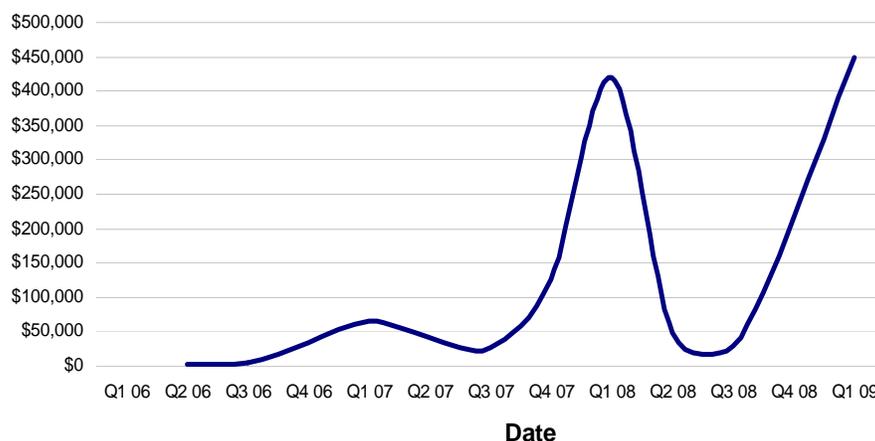
##### **1) In-community Service Provider (ICSP) management training manual developed and distributed to all firms**

- The training guide for the management of agents has been compiled by PROFIT and representatives of the agricultural retail industry, and will be produced in booklet form over the next quarter for use by agent management staff within firms.

##### **2) At least 1,000 Community Agents and Sub-agents trained and actively servicing the Smallholder market (600 on limited budget)**

- Over the quarter, 102 new agents and sub-agents were recruited, bringing the overall number of active agents to 1,231.
- While it is difficult to quantify exactly how many farmers are accessed by such a network, a study conducted in Southern Province estimated that 160 agents reached 16,450 farmers with sales and product information over the quarter. This extrapolates to 126,000 farmers served by the current agent network.
- 15,669 farmers attended in-community promotions during the quarter, of which 12,228 (77%) were men and 3,606 (23%) were women.
- Over the quarter, the agent network across the country generated \$448,078 worth of new sales, comprising mainly maize seed and herbicide. The escalating demand for herbicide is proof that the agent network is able to successfully drive the adoption of new productivity-enhancing technologies as herbicide is seen as a key indicator of commercial production systems – rather than either seed or pesticides.

**Ag-Input Sales (Products and Services)**



- The first village agent networks were initiated in Western Province during the quarter, with Pannar engaging seven agents and Seedco three agents.

**3) 14 Input firms integrating ICSP's into their business model (11 on limited budget)**

- Currently 13 firms have incorporated the ICSP into their business models. These includes Minelands, ATS, Twiga, Cropserve, Croppack, Mana-agro, PANNAR, MRI, Zamseed, Pioneer, Landserve, Prime Agri and AFGRI.

**4) At least 600 new In-Community Service Providers (ICSP) recruited by all firms targeting over 100, 000 Smallholders**

- 299 ICSP's (including spray service providers, agents and sub-agents) were recruited, trained and actively servicing the smallholder farmers during the quarter. Farmers serviced estimated at an additional 32,000.

**5) 14 Firms taking on increased ownership of the agent network development and management as measured by investment in trainings and incentives (11 on limited budget)**

- Five firms have now shifted towards serious 'ownership' of the agent network. Cropserve, Zamseed, Minelands, Pannar and MRI have all dedicated management resources, conducted trainings, initiated agent selection and training processes without PROFIT assistance.
- 4 Firms have conducted annual agent network review meetings during the quarter to analyze the successes and challenges, including forecasting for the year 2009 of this new form of business model. The firms include MRI, Minelands, Zamseed and Cropserve
- MRI and Minelands each developed an incentive structure based on sales turnover for their most active agents.
- Over the quarter, more than 420 demonstration plots were established by the agricultural input companies without any assistance from PROFIT. The companies include MRI (100), Pioneer (60), Prime Agri (20), Zamseed (56), Cropserve (50), Seedco (6), and Pannar (124).

**6) 14 Firms investing in agent network capacity building to consistently hold promotional events at key points of time harvest, growing, cultural festivals, planting, and other times when opportunities arise. (11 on limited budget)**

- Seven firms developed innovative marketing strategies that focused on opportunistic events at which numbers of farmers and potential clients are gathered together. Such as rural music festivals, cultural events and religious gatherings.



**Zamseed exhibiting at SDA Church Dorcas Rally - Magoye, Mazabuka**



**Zamseed exhibiting at Chibwela Kumushi ceremony Chongwe**



**Pannar marketing their products at Shimunenga traditional ceremony, Namwala**

**7) Simple pictorial input information guides developed for all agricultural input product groups being used by all ICSP's across the platform.**

- This activity is planned for the next quarter

**Additional Achievements**

- Demand appears to be growing among the agricultural retail firms for a round of PROFIT-facilitated strategic planning meetings with senior and middle management to improve on the management of the agent network
- This quarter has seen increased levels of cooperation among the different firms with several informal strategic alliances forming, such as those between Pannar and Cropserve, Zamseed and Mana-agro and Pannar and ATS.

**Challenges**

- A critical problem over this quarter – the main input sales period – has been the problem of low supply of product due to undeveloped forecasting systems and poor supply chain management by firms – hampered by financial constraints internal and external to the sector.
- Only four firms have moved towards formal contract signing with their agents, resulting in a lack of transparency in the relationship between the two entities.
- Despite some firms dedicating management to the agent network, a failure to equip the staff with the necessary logistical resources has meant that this initiative has not had the positive impact that was expected of it.
- There is still considerable work to be done to improve the ordering and delivery systems that are critical to the success and expansion of the agent sales process.
- Delayed selection and training of agents by some firms resulted in low sales during the peak sales season.
- Only one fertiliser transaction was completed through the agent network this quarter due to the strong influence of the GRZ Fertiliser Support Programme, which had major weaknesses in terms of timing of supply.

### **Activities planned for next quarter**

- Develop with the firms a specific ICSP management handbook suitable for industry-wide application, standardising agent and firm roles and responsibilities. The booklet will establish, among other issues guidelines for:
  - Training and upgrading responsibilities
  - Ordering procedures
  - The sales and delivery process
  - The establishment and responsibilities of a dedicated internal resource to manage the agents
  - Service platform opportunities
  - Review meetings and the subjects that require coverage
  - Promotional procedures
  - Performance-based incentive structures
- Continue mentoring firms to further consolidate their market presence through company-specific innovation
- Continue promoting sub-agent initiatives as the scale-up strategy for the firms
- Continue working with firms to develop and implement and enhance their performance based incentive schemes to reward high performing agents/ICSP's, encouraging innovation.

### **Achievements against Benchmarks**

#### **1) Industry certifies 100% the current trained and active spray service providers**

- 272 additional spray service providers were trained and tested by the firms over the quarter which is an increase of 99% over the last quarter's figure of 273 SSPs

#### **2) Certification process clearly defined and accepted by all Croplife members**

- PROFIT started working with Croplife on this initiative, which will be completed in the next two quarters

#### **3) Retraining and re-certification of at least 80% of the industry trainers**

- The re-certification process will start for the Croplife accredited trainers in the final quarter of the year
- Croplife International conducted a visit in November to follow up on the certifier training that was completed in August 2008 and to review progress. The Croplife staff focused on the field activities with the firms both at management and field levels and reviewed the process of knowledge transfer by the trainers to the spray service providers and farmers. He visited over 20 spray service providers and nine firms and met with the Croplife Zambia committee and worked on plan for the secretariat to start in January. Results of the visit indicate that knowledge transfers have been effective to date.

### **Challenges**

- The process of developing a clear certification process has been slower than expected
- Some of the accredited trainers of trainers have contributed very little to the industry in terms of the trainings offered to farmers and spray service providers. The challenge remains to ensure that all input suppliers have in house trainers.

### **Activities planned for next quarter**

- Work with Croplife Zambia to come up with the enforcement process which is necessary to police the standards set by the organisation
- Continue to work with Croplife on the retraining and recertification process of trainers and certifiers to be finalized by August 2009.
- Use the Croplife collaborative platform to seek opportunities for additional commercial strategic alliance formation.

**Achievements against benchmarks**

***1) Improved business skills developed among Tillage Service Providers (TSPs) to proactively provide early land preparation service as measured by number of commercial tillage contracts***

- Over the quarter, 774 tillage service providers completed tillage services to 3,144 smallholder farmers generating sales worth \$85,000 with a total of 4,181 ha tilled. This additional hectareage under commercial conservation agriculture produced additional revenues for grower estimated at 25% over base yield – this year an additional farmer income value of \$500,000
- 500 ha was prepared by mechanized tillage service providers, mainly in Mumbwa District

***2) Contract models developed and in use along with prepayment concepts for TSP's***

- Only a limited number of farmers utilised written contracts for mechanized during the quarter (possibly 25%)
- Since the majority of mechanized tillage services were conducted immediately pre-rains, prepayment was not an issue and most services were paid by spot cash. The key will be to encourage farmers to invest in tillage services for the 2009 planting season when they have cash in the crop marketing season.

***3) At least 20 new two tine ripper purchased by TSP's***

- 3 farmers purchased tractor drawn rippers to provide tillage service to the communities in Mumbwa, following promotions conducted by CFU, Farmnet, Tractorzam and PROFIT.

***4) At least one tractor Service Company supporting tractor operators providing commercial tillage services.***

- Tractorzam has embarked an exercise to provide tractor technical services and spares back up to farmers in respective 4 zones in Mumbwa

**Additional Achievements**

- PROFIT facilitated the company registration for the small-scale manufacturer of rippers which allows the manufacturer to access finance to expand his business and service capabilities
- A reputable supplier source for ripper shanks complete with shoes has been evaluated.

- Farmnet conducted a demonstration of small tractors (22hp) in Mumbwa in association with Dunavant and as a result are now working towards marketing a package of small tractor, a two tine ripper and a trailer.

### **Challenges**

- The small scale manufacturer of rippers was not proactive in marketing his products.
- There is a lack of adequate spares back up for the rippers already in the regions with farmers.
- There is a lack of firms to manufacture and market appropriate mechanized implements for the smaller, 20 – 25hp range of tractors.

### **Activities planned for next quarter**

- Identification and capacity building of current tractor owners and tillage service providers will continue in all regions.
- PROFIT, in association with CFU and the cotton companies, will facilitate field days as promotional events for mechanized conservation farming.

## **Input Market Pathway: Theme 5:**

### **Stimulation of draft power tillage service provision – a critical productivity constraint**

#### **Achievements against benchmarks**

##### ***1) Improved business skills among TSPs to pro-actively deal with early land preparations as measured by the signing of over 1,000 tillage service contracts.***

- Over the quarter, more than 2,000 farmers benefited from ox-drawn tillage service provision in all the regions
- Ripping adoption has increased by at least 50% for ripping services in Southern & Mumbwa regions over last year's figure of 1,000ha,

##### ***2) Contract models developed and in use along with prepayment concepts for TSP's.***

- 90% of the farmers who have hired ripping services have used pre-paid mechanisms throughout the country

##### ***3) At least 1000 new Magoye rippers sold through commercial channels by September, 2009. This gives an increase of 147% compared to last year's figure of 680 rippers sold.***

- 1,212 rippers were sold during the quarter under review as indicative in the table below:

<b>Region</b>	<b>Number of rippers sold</b>	<b>Service Provider</b>
Mumbwa	500	Minelands & Croppack
Northern region	302	Cropserve & Minelands
Southern region	380	Cropserve
Chongwe	30	Minelands
<b>Total</b>	<b>1,212</b>	

### **Additional Achievements**

- In Eastern Province, 206 tillage service providers were trained by a combination of CFU, PROFIT and the cotton companies.

### **Challenges**

- For a number of reasons, mainly related to cultural land preparation techniques and the inability to source and apply herbicides, the adoption of ripping as a land preparation technique is still slow, compounded by a lack of demonstration
- CFU lack documentation to ascertain number of farmers and hectares under agriculture conservation tillage, so the exact extent of adoption is difficult to ascertain.
- There has been a lack of promotional/strategic methods by the retailers of attracting farmers' attention to buy the rippers.
- Confusion over the role of CFU in the retail supply chain has hindered private sector investment
- Some of the agents are not present at CFU's trainings, which provide very good marketing fora for the agents to the farmers.
- Lack of availability of herbicides and sometimes lack of product knowledge on the use of herbicides by the farmers.
- There is no procedure manual across the smallholder sector for all service providers (CFU, retailers, cotton companies) to use in educating farmers on the importance of herbicides and their application in relation to the promotion of ripping

### **Activities planned for next quarter**

- Continue working with CFU on the promotion of ripping, training of TSP and marketing of rippers
- Make available rippers and other tools to the farmers through extending the supply chain through the agent network.

**Achievements against Benchmarks**

**1) At least two cotton companies adopting more professional management strategies involving a rationalization of their production base to exclude non-contributing farmers and rewarding of the most productive farmers.**

- Over the quarter, PROFIT narrowed its client base within the cotton industry to three – namely Birchand in the north of Eastern Province, Cargill in Eastern Province and Dunavant in Eastern and Central Provinces. While Cargill and Birchand are still exploring ways of improving farmer selection, Dunavant launched its ‘Gold Club’ in October, which provides a range of incentives to higher yielding, more productive farmers. The primary incentive is based on a series of discounts on the cotton input pack.
- The Dunavant ‘cotton scheme’, the outgrower management information system designed with PROFIT support, has also been implemented, allowing the historical performance of each grower to be used as a selection criterion.
- Such schemes are more critical this year, when Cargill has seen seed sales fall by 20% and Dunavant by almost 30%. Fewer growers provide an opportunity for the companies to focus their investment efforts, though it remains to be seen whether the better, more commercially minded growers have opted out of cotton this year having determined they could make higher margins from other cash crops, or whether they are the growers remaining in the industry due to the fact that they manage to grow cotton profitably.

**2) 800 qualified and active spray service providers in the cotton industry (600 on limited budget)**

- Due to the fact that all three cotton clients have begun to internalise the process of selecting and training spray service providers, there was a dramatic increase in the number of potential service providers trained by the companies, with reduced PROFIT support:
  - Birchand trained 406 new service providers
  - Cargill trained 239 new service providers
  - Dunavant trained 711 new service providers
  - **Total trained over the quarter: 1,356**
- Many of the trainings conducted by the cotton companies, particularly in the case of Dunavant, were complimented by technical training in product use by two agricultural retail companies, namely ATS and Syngenta.
- While 1,356 potential service providers were trained, not all have been tested and not all will be commercially active. Furthermore, not all Cargill spray service providers have been provided with the ULVA sprayer that is an essential prerequisite for the provision of

this service in the cotton sector. Data on these qualifications will be available during the next quarter, and the Cargill ULVA sprayers are planned to arrive early in the next quarter.

**3) 400 trained and active tillage service providers (250 on limited budget)**

- The development of the commercial tillage service based on ripping was slower than anticipated during the quarter.
- Dunavant and Cargill trained a total of 170 tillage service providers, from an approximate total of 320 oxen owners who expressed interest. It is estimated, though, that only 60 service providers were actually active within the cotton sector.
- The Magoye rippers were sourced from either the agricultural retail networks (mainly in the case of Central Province where such networks are more established) or through the Dunavant sheds (in the case of Eastern Province). Cargill issued a limited number of rippers through their credit system.
- Reasons given by potential service providers and clients for low uptake of the business opportunity and the service respectively are:
  - The late supply of rippers into the cotton company sheds
  - The expectation of credit terms for rippers (in the case of Dunavant)
  - Persistent reservations about the benefits of ripping among farmers who fear having to repeat land preparation done early in the dry season and fear the additional weed burden that ripping entails.
  - Cultural reasons, mainly in Eastern Province where ridging is the prevalent form of land preparation
  - Limited 'demonstrations' of crop that has been planted using ripping, especially in Eastern Province

**4) At least 10,000 ha of early land preparation carried out prior to 2009 planting season**

- It is estimated that approximately 800ha of cotton was planted in land that had been ripped prior to the beginning of the 2008 planting season. The majority of this was in Mumbwa District where ripping is becoming more of a norm, with negligible area ripped in Eastern Province.

- Five farmers affiliated to Dunavant in Mumbwa utilised tractor-drawn rippers to provide a service to eighty farmers. While one farmer constructed his own ripper, the others used rippers that had been placed in Mumbwa by PROFIT for demonstration purposes. The benefits of mechanically ripped land preparation have been visually dramatic, and this has led to a very strong demand for such services for next year. See picture:



*An impressive field of cotton planted early into ripped lands in Mumbwa*

**5) At least five farmers affiliated to cotton companies receive finance for tractors for the facilitation of ripping and haulage services**

- To date, efforts by PROFIT to facilitate the integration of commercial equipment leasing facilities into the cotton sector have not yielded any success, despite the commitment by Dunavant to support some of their stronger distributors with forms of guarantee. For reasons behind this, see the Financial Services Themes.
- However, PROFIT facilitated one deal whereby a top Dunavant distributor in Mumbwa was provided with a new 65hp tractor in October through a loan system, as a demonstration on the viability of a ripping and haulage service-based business model.

**6) Achieve full implementation of the Dunavant preferred supplier programme**

- While the Dunavant 'Gold Club' was launched during the quarter and received a very positive response from farmers, the final 'membership' list has yet to be finalized and some of the incentives have yet to be agreed upon. It is fully intended that this will have taken place within the next two quarters.

**7) Involvement of at least two agricultural retail companies in at least two cotton production networks, either in agency agreements with the companies or directly with the farmers and spray service providers**

- PROFIT had been negotiating various forms of agricultural retail integration into Dunavant and Birchand over the course of 2008.
- Due to various management issues, Birchand ultimately failed to respond positively to plans to facilitate fertiliser and seed sales through their network.
- However in October, Dunavant finally agreed agency contracts with Seedco, ATS and Twiga to stock seed and chemicals in selected Dunavant sheds in Central and Eastern Provinces, whereby Dunavant received a commission on sales and the retail companies provided some technical training on their products. Sales by ATS were \$10,322 over the quarter, Twiga sold \$2,150 of chemical and Seedco sold \$9,776. At these levels, sales were considerably lower than expected, possibly due to the following factors:
  - Agency agreements were only signed in October and stock reached the sheds in November, too late for many farmers in terms of cash availability
  - A national shortage of herbicide created shortages at shed level and demand was not met
  - The concept of paying cash for inputs at a Dunavant shed proved a difficult transition for cotton farmers who have traditionally associated the company with credit facilities.

With better planning, timelier stocking and a greater marketing effort, however, it is expected that next year's sales will be significantly higher.

**Additional Achievements**

- In a similar fashion to the pre-planting season of 2007, PROFIT assisted ZCOPA to publicise the dangers and illegality of planting uncertified cotton seed through a series of posters and radio campaigns.

**Challenges**

- With farmers still leaving the sector, and international cotton prices down 40% from last year, the industry is still in a serious crisis. While the 30% depreciation of the kwacha will have partially righted the balance, the major firms will continue to post losses in 2009.
- Due to the difficult local operating conditions and the global credit crisis, several of the new entrants in the industry over the last three years are reducing their pre-harvest investment in input credit and extension, leading to fears that pirate buying will increase in 2009. An interim Cotton Board (a precursor to the official Board to be established once the Cotton Act is passed) is now in place, but doubts remain whether it will have the enforcement 'muscle' to curtail the practice.
- Even with a major crisis within the industry which requires an equally robust and dramatic response, strategic decision making within the industry remains slow.

### **Activities planned for next quarter**

- Monitor and mentor the activities of the spray service providers, ensuring maximum uptake of the service
- Early in the quarter, PROFIT will work with Dunavant, Cargill and Birchard to train and certify the active spray service providers to the standards of Safe Use of Chemicals as agreed by Croplife and the agro-chemicals industry. PROFIT will then provide certified service providers with a basic Personal Protective Clothing kit.
- In a bid to bolster the Dunavant 'Gold Club', PROFIT will assist the company to design a basic business training module that will be given to all Gold Club distributors and service providers later in the year.
- PROFIT will work with the cotton companies and agricultural retail companies to ensure that early in the cotton marketing season, non-cotton inputs are accessible to farmers at a time when they have liquidity. This includes fostering a process of integrating fertiliser distribution into the cotton networks.

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## Output Market Pathway: Theme 1

### Supporting ZAMACE to maturity by fostering inclusion of smallholder producers

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#### **Achievements against benchmarks**

#### **1) At least \$50m of cumulative trades completed on ZAMACE, affecting a significant move towards self-sustainability**

- Over the quarter, only \$580,000 of transactions (for 1,270t of commodity) were recorded over the Exchange floor. Various factors are to blame for the sluggish activity, but primarily the availability of subsidized maize through the Food Reserve Agency has discouraged millers and other end-users from buying 'expensive' commercial maize. Therefore commercial maize transactions, both on and off the exchange have been limited over the quarter.
- Similarly, wheat trade has been suppressed due to the dramatic drop in import parity prices due to global commodity price and a weakening rand. Many commercial farmers have rather stored their wheat crop on-farm than sell it at prices deemed to be sub-economic.

#### **2) 5 mid-level traders offering ZAMACE-based pricing in their aggregation of crop, and offering a variety of value-enhancing services to smallholders and small traders in the districts**

- Currently no mid-level traders have been engaged, but an extensive 'road-show' is to be undertaken in the second quarter to identify potential warehouse operators and traders and determine the requirements needed to encourage them to participate in more transparent smallholder maize aggregation for the benefit of both the trader and the farmer.

#### **3) 5,000 tons of smallholder crop transacted across the ZAMACE trading floor with measureable benefits reaching the producer (300mt on limited budget)**

- No direct smallholder maize was transacted across the exchange in the quarter, but two milestones setting the foundations of smallholder participation on ZAMACE were completed:
  - In an initiative with a Japanese development programme, PAVIDIA, ZAMACE was invited to Chongwe District to determine the viability of using community sheds in the area as small aggregation points for smallholder crop to then be marketed through the Exchange. Over 30 sheds were assessed, with 18 being provisionally approved for ZAMACE 'certification'. The sheds are formally managed by elected shed committees with responsible office bearers in place, and the communities see the potential benefits of acting through the sheds and ZAMACE as:

- Determined quality and quantity and aggregation would mean communities would be able to sell further down the marketing chain, and their bargaining position would also be strengthened as a result of their ability to defer sale through efficient use of the storage sheds
- In contrast to current marketing arrangements, ZAMACE will ensure farmers are paid promptly as agreed in the contract of sale.
- With storage best practise occurring in well-run storage sheds, their post-harvest losses will be reduced, thereby increasing the income of farm households.
- The World Food Programme, with PROFIT assistance, has defined its smallholder procurement programme under its Purchase for Progress (P4P) initiative. The initiative will involve the selection and ZAMACE 'accreditation' of aggregation points in targeted districts and the purchase of the crop across the exchange floor for maximum transparency.

#### ***4) An automated or semi-automated trading platform established***

- The development of an online solution to ZAMACE's current manual trading process was completed during the quarter. While the new process does not match and complete trades, it allows the submission of bids and offers in a standardized format into a database from which trading information sheets are derived, trades monitored and matched, and SMS and email price information disseminated. During the design phase it was felt that a fully-automated trading system was unnecessary and counter-productive at this stage of the development of ZAMACE when human oversight is critical in the establishment of integrity in the trading process.
- The development of the ZAMACE website, integrated into the above online process, reached its final stages and will be launched during the next quarter.

#### ***5) The inclusion of two major banks in ZAMACE-related finance activities (warehouse receipting and other forms of commodity finance)***

- No banks have yet engaged fully with ZAMACE in financing activities.
- However, during the quarter, ZAMACE and Stanbic Bank finalized a deal whereby Stanbic would support ZAMACE with a Settlement Bank facility whereby, upon signing of a standard ZAMACE contract, payment for the parcel would be received into a ZAMACE holding account prior to delivery. Upon confirmation of satisfactory delivery, the payment will then be transferred to the Seller's broker by ZAMACE. The process is designed to mitigate the risk of default or delayed payment by the Buyer and thus add to the 'secure transaction' that the Exchange offers.

#### **Additional Achievements**

- The process of developing an insurance package that effectively covers the brokers against client default and ensures their ability to complete a honour a completed contract was initiated during the reporting period and it is expected that it will be finalized in the

next quarter. With this and the settlement bank function in place, ZAMACE can effectively 'guarantee' settlement of a contract.

### **Challenges**

- In the confused grain market environment that dominated the reporting period, two critical constraints to Exchange activity existed:
  - Volumes of commercial grain trades were suppressed by government-subsidised maize and low wheat prices
  - The incentives for high-margin trade by the brokers, maximizing income from low turnover and taking advantage of unclear market signals, were too great, and therefore the majority of grain trades recorded during the quarter was off-exchange.
- As yet, no trades have been completed through the settlement bank process so that has not been an opportunity to prove its worth
- The insurance company investigating the professional indemnity insurance for ZAMACE has been slow in sourcing a package. Initial quotes were unreasonably expensive and require further negotiation.

### **Activities planned for next quarter**

- The ZAMACE website and SMS/Coretalk semi-automated trading system and information dissemination system will be in place and 'field tested' during the next quarter.
- A trip around the key grain producing districts by ZAMACE and the Grain Traders Association of Zambia in February will identify small and medium traders to target for the ZAMACE smallholder inclusion programme
- Efforts will be ramped up to bring the two major commercial farming associations in Chisamba and Mkushi onto the exchange as full brokers in an effort to force end users and traders (including, unfortunately the existing ZAMACE brokers) to participate by bringing a large proportion of Zambia's commercial grain supply across the platform. Both associations have been made very aware over the last marketing season of the price of non-transparency in the market and are, on the face of it, keen on using ZAMACE to ensure a role for the Seller in price determination.
- Work with WFP to finalise their smallholder and local procurement plans
- Test the settlement bank process
- Finalise the ZAMACE professional indemnity insurance package
- Hold a major 'launch' event that invites senior government, private sector and donor representatives to ensure a high public profile for ZAMACE before the onset of the marketing season

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## Output Market Pathway: Theme 2

### Increasing smallholder participation in and benefit from the commodity output markets

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#### **Achievements against benchmarks**

##### **1) At least 10,000 farmers engaged in either contracted or guaranteed off-take production with a non-cotton lead firm (2,000 on limited budget)**

- 2,500 have been engaged over the quarter by Forest Fruits in North Western Province for the production of honey, which has purchased over 260t of raw product with an approximate farm gate value of \$145,000 for both export of raw product and value addition through retail pack production for domestic and regional sale
- 400 farmers were engaged by Freshpikt for the production of pineapples in North Western Province for canning and export to fulfill a large order to South Africa. PROFIT provided logistical support to the company in order to assist in the aggregation of produce and development of an efficient supply chain. However, cash flow problems meant the farmers were unpaid for three months with serious negative consequences for the development of trust in the relationship. As a result, the supply chain has broken down and PROFIT has withdrawn support.
- PROFIT provided limited support to Lyunda Enterprises, a small honey processing company in Kaoma with a supply contract into two major Zambian supermarket chains.

##### **2) Five lead firms operating some form of out-grower scheme engaging farmers for specific production needs.**

- Forest Fruits, Lyunda and Freshpikt were three firms that specifically engaged small producers during the quarter
- PROFIT made significant progress over the quarter with designing 'outgrower' schemes for two oil-seed buyers based on product aggregation through contracted top-performing agricultural retail agents. Both Zamanita and Ndyabaluba started meeting prospective agents prior to the planting season, but both eventually failed to finalise production contracts, although Zamanita did supply sunflower seed of unknown parentage on 100% to up to 10,000 farmers on open agreement to purchase at harvest.

##### **3) Initial limited commercial trails of upland rice initiated with SCCI and producers**

- Delays in the importation of the commercial trial rice seed meant that no planting was undertaken during the quarter. However, the import permits were arranged by Zamseed, and planting will take place over the next quarter under irrigation to ensure adequate end of season moisture.

### **Additional Achievements**

- Forest Fruits, with PROFIT support, has begun the process of collecting propolis from its producers and processing it for sale into high value cosmetic export markets. The company has begun a process of product characterization of its propolis.
- Significant progress was made on the Chanyanya Smallholder Project over the quarter, with the formation of the smallholder cooperative, the signing of the lease of their land to the commercial farming entity, the development of an operational plan for the smallholder-managed lands and the planting of the first maize crop.

### **Challenges**

- Cash flow problems and transparency issues have made re-establishing trust between Freshpikt and pineapple growers in North Western Province very difficult.
- Limited financial strength means that the prospects of Lyunda establishing itself as a player in the honey market are low
- Unwillingness on the part of Zamanita to develop transparent relationships with smallholder farmers and agents meant that the initiative to establish a low-risk efficient and productive sunflower supply chain failed.

### **Activities planned for next quarter**

- PROFIT will support Forest Fruits to investigate methods of expanding its production base across the country for supply into the regional retail pack market
- The first trials of upland rice will start on commercial farming plots.
- Efforts to show Zamanita the opportunity for agent aggregation will continue as harvest nears even though they failed to adopt the agent linkage for season-long effect.

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## Vet Services and Beef Industry Pathway:

### Theme 1: Improving participatory government oversight as a key to private vet services provision

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#### **Achievements against benchmarks**

**1) A pilot process implemented in a selected trial area of the 'critical' services and functions including the private and public sectors operating in their roles as defined by the Livestock Development Plan.**

- No pilot process has been implemented yet
- However, as a way of integrating private vets in oversight and regulation as well as disease control, government has asked HHP implementing vets to participate in the IFAD-funded Small Livestock Investment Programme (SLIP)

**2) At least 4 Vet Network working group workshops conducted, establishing clear oversight and regulatory framework/ roles for the public sector (2 on limited budget)**

- No private vet network meetings were held with the government over the quarter

**3) Pharmaceutical Act reviewed in support of the Vet Industry**

- Over the quarter, the Act was reviewed by a lawyer funded by PROFIT to assist the veterinary sector to strengthen its case against the Act, and proposed revisions have been presented to the Ministry of Justice.

**4) Clear Cattle Movement Requirements agreed upon and implemented**

- No progress was made on this during the quarter

**5) Awareness of MACO Oversight & Regulatory Roles increased by publicity campaign**

- No progress was made on this during the quarter

#### **Additional Achievements**

- In a move that will strengthen the influence of the private sector in the veterinary industry, the Veterinary Association voted two private vets in as Chairman and Vice-Chairman

#### **Challenges**

- The process of revising the Pharmaceutical Regulation Authority legislation is slow - the Ministry of Justice will only meet in May to hear review cases, which means that the implementation of the law is still a big threat and currently the vets operate in an environment of legal uncertainty
- MACO participation in regulation and oversight improvement has suffered a major setback with the evolution of the Department of Disease Control into a Ministry. Many structural changes in both in personnel and functions will mean much institutional

memory of PROFIT's intervention to change the role of the public sector will have been lost

### **Activities planned for next quarter**

- Start working with the Ministry of Livestock on Clear Cattle Movement Requirements
- Investigate the opportunity for established VA's to provide "agent linkage" functions to either commercial or public vets to increase coverage.
- Investigate the opportunity for newly graduated VA's to operate under supervision of private vets to increase coverage, emphasizing the one off and low level HHP (dipping service as aggregation function)

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## **Vet Services and Beef Industry Pathway:**

### **Theme 2: Fostering market output linkages as a key to private vet service expansion**

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### **Achievements against benchmarks**

#### **1) At least 2 commercial buyers buying from small holders through centralised off take markets (1 on limited budget)**

- Due to movement restrictions imposed by the Government, there was no buying activity by commercial buyers through centralized off-take markets over the quarter.

#### **2) At least 5 emerging farmers start to improve their herds through proper management including purchase of commercial bulls.**

- Eleven emerging farmers from Mumbwa and Western Province purchased purebred Boran bulls from a commercial breeder in Chongwe during the quarter, at a market value of \$18,000



*Boran bulls waiting to be loaded onto truck before departure from Chongwe*

#### **3) MACO supporting cattle sales and movement in HHP herds**

- Due to movement restrictions and a consequent lack of sales, there was no engagement of MACO in supporting off-take from proactively managed herds.

### **Challenges**

- It is difficult to utilise the cattle sale yard in Mumbwa as the cattle movement ban has only been partially lifted. Movement is permitted for cattle going to abattoirs for slaughter purposes only, whereas the sale yard was built around a commercial buyer for fattening.

- Lengthy and costly vet requirements for purchase and movement of breeding stock can be stumbling blocks preventing farmers participating in the commercialization of their herds

#### **Activities planned for next quarter**

- Continue to work with MACO on the implementation of the cattle sale yard in Mumbwa
- Work on establishing relationships between Zambeef and smallholders to improve their access to commercial markets
- Since the output market is still very weak, from a development perspective it is important for PROFIT to continue to facilitate the transition from social to commercial management of the cattle in rural Zambia by engaging commercial markets wherever possible with proactively managed herds.

### **Vet Services and Beef Industry Pathway:**

#### **Theme 3: Integrating vet service provision through Ag-input firms**

#### **Achievements against benchmarks**

##### **1) At least 3 Ag input firms employ vets**

- Currently, only Minelands has directly employed a vet to assist in driving the sale of vet services and products

##### **2) At least 5 strategic alliances between vets and input firms established**

- Over the quarter, Gemini Vet Services in Monze agreed to work with Agrivet in a strategic alliance
- Agrivet are working with Hygrotech towards the introduction of pastures in line with farmers supplementing their animals in winter with improved pasture. A total of 37 farmers have accessed this technology in Kabwe (Mpima) and Ndola
- Talks have commenced between Twiga and Dr Siame and Dr Bbalo to establish a strategic alliance in Southern Province

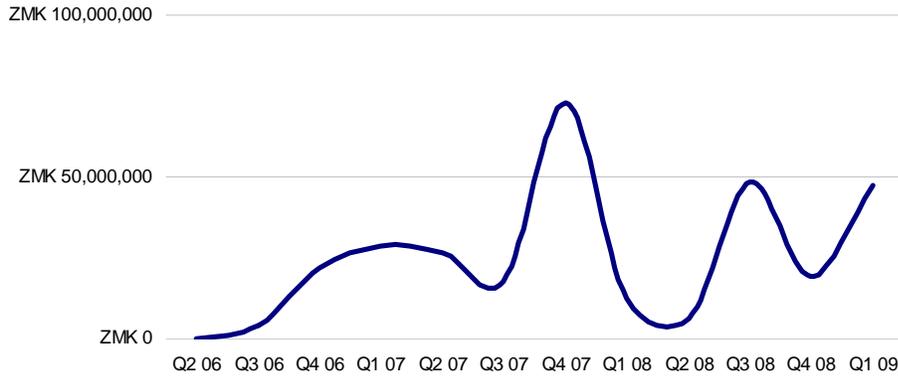
##### **3) At least 400 agricultural retail agents providing basic vet services and cattle sprayer services**

- Currently seven agents engaged by Landserve Agri-services and Leloisa Vet Clinic are providing basic vet services, including cattle spraying, in Mkushi District

#### **Additional Achievements**

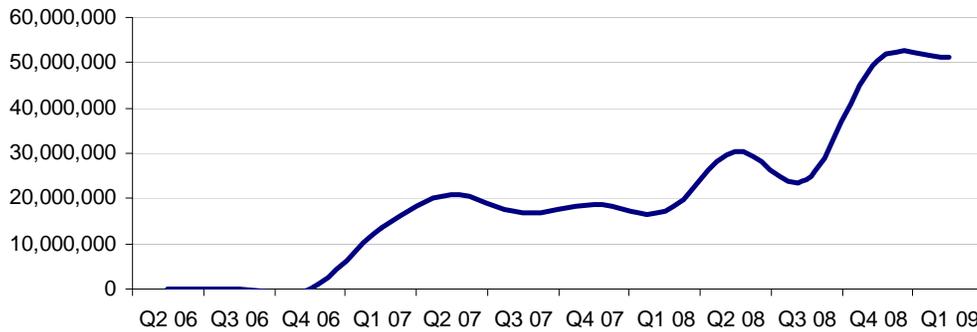
- Madison Insurance are now interested in promoting their livestock insurance cover to smallholders with first promotional meeting planned for last week of January
- During the quarter, approximately \$9,500 was generated by the sale of herd health contracts, which represented a 150% increase on the previous quarter:

### Sales from HHP Contracts (ZMK)



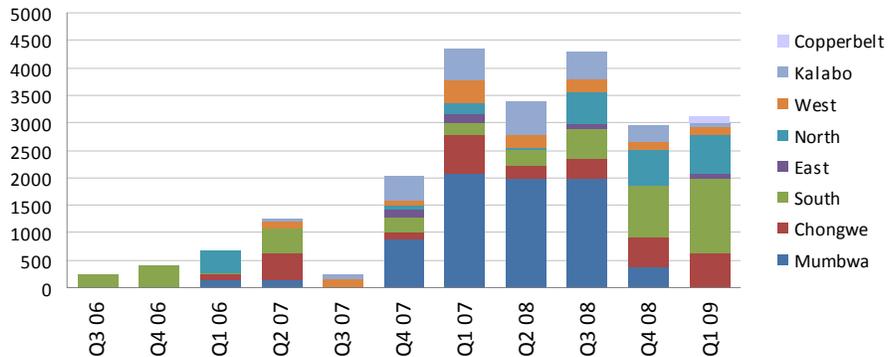
- The sale of all drugs and services amounted \$10,100 over the quarter.

### Sales of Private Vet One off services and Products (ZMK)



- The number of animals on vet contracts as at the end of the quarter was 3,123, with 1,212 dairy and dairy type animals and 1,911 beef animals on contract. Note that for the first time, one off sales value exceeded the value of HHP contract sales, emphasizing the need to establish more “calendarised” one off services, aggregating around service points such as dip tanks.

### Number of Animals on contract by region



- 4 vet firms tried out innovations over the quarter to meet the changing market demands. These included Leloisa, Agrivet, Fremag-Kalabo and Minelands.
- 2,008 farmers attended in-community livestock-orientated promotional events over the quarter of which 1,692 (84%) were men and 316 (16%) were women.
- A total number of 107 in-community events were done during the quarter under review, of which 52 (49%) were without PROFIT support.
- Of the total number of 59 Community Livestock Workers (CLWs) that are working with the private vets, 48 (81%) were on contract during the quarter.
- 5 livestock communities made investments in infrastructure development, largely associated with the rehabilitation of crush pens and dip tanks.
- There were 8 CLW reviews conducted during the quarter to assess the performance of the community livestock workers.

#### **Challenges**

- Agricultural retail firms still don't recognize the livestock sector as a big market for their products so they are not willing to invest a lot of resources e.g. Minelands still not providing the vet with enough resources to market livestock products
- As a result, retail companies are reluctant to invest in training cattle sprayer service providers.

#### **Activities planned for next quarter**

- Continue to work with agricultural retail agents to promote and provide basic vet services and cattle sprayer services
- Continue promoting strategic alliances between agricultural retail firms and vets

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## Dairy Industry Pathway: Theme 1

### Improving Inter-firm cooperation – strengthening commercial relationships

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#### **Achievements against benchmarks**

##### ***1) At least 4 alliances/ partnerships between private sector companies established***

- A partnership has been formed between Agrivet (a veterinary supply company) and Dairy King (a dairy processor) to jointly employ a dairy extension officer covering the greater Lusaka area. The objective of the partnership is to increase both milk production and quality through the adoption of improved dairy management practices.

#### **Additional Achievements**

- Continued dialogue between the various dairy industry stakeholders with a view to facilitating other industry alliances.

#### **Challenges**

- As dialogue that can lead to commercial strategies between industry stakeholders is a relatively new concept, formalising alliances between these stakeholders is a slow process.

#### **Activities planned for next quarter**

- The Agrivet – Dairy King Extension officer will commence field activities.
- The programme will continue to promote the concept of an alliance between Zammilk and Agrivet to jointly employ a dairy extension office in the Zammilk milk catchment area in Chibombo and Kabwe.
- PROFIT will broker an agreement between Parmalat and Leloisa Vet Services to facilitate an advanced payment option for the provision of Herd Health Services.
- PROFIT will continue to guide Parmalat and National Milling in their discussions with regard to the direct payment by the processor for dairy feed supplied by National Milling to its producers.

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## Dairy Industry Pathway: Theme 2

### Stimulate the development of industry-critical support markets

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#### **Achievements against benchmarks**

**1) An increase in productivity per small holder dairy cow of at least 10 % over base line levels**

- Progress against this indicator will be established during the annual PROFIT on-farm survey in Q4 09

**2) An increase in profitability per small holder dairy cow of at least 10% over base line levels**

- Progress against this indicator will be established during the annual PROFIT on-farm survey in Q4 09

**3) An increased volume and value of productivity enhancing inputs sold to dairy farmers by at least 10% over base line levels**

- Progress against this indicator will be established during the annual PROFIT on-farm survey in Q4 09

**4) At least 1,000 dairy type animals accessing dairy herd health services**

- During the quarter, 106 farmers purchased herd health services worth ZMK 19,449,200 (\$4,300) for 783 dairy type animals bringing the current total of animals on herd health contracts to 1,212.

**5) At least 2,000 farmers trained in dairy herd health and productivity management**

- Total farmers trained this quarter in herd and productivity management - 761

**6) At least 90 farmer training sessions organized by private sector input/service providers**

- During the quarter, 761 farmers, 493 men (73%) and 178 women (27%) accessed some form of training in 4 separate events by private sector service providers related to improved productivity. Since the quarter entailed the onset of the rainy season, PROFIT and its agricultural retail clients made a focused effort to expand the area cultivated by dairy farmers for forage production. Examples of such activities include;
  - 70 demonstration plots featuring improved pastures for forage (Kowkandy) have been established by Hygrotech in 4 separate locations.
  - Pioneer Seed have established maize silage demonstration plots in both the Lusaka South and Chisamba area with small and medium scale commercial dairy farmers.

- 120 farmers have received Banna and Star grass for establishing their own nurseries. These nurseries will provide a platform for improved pasture management which can be promoted by interested private sector service providers, such as vets, processors and supplementary feed companies.
  - Parmalat via their dairy extension officer have established regular dairy discussion groups in the Lusaka and Kabwe depots.
  - Zammilk is distributing Star grass nursery packs to its Small Holder milk suppliers.
- The modular training manual developed by PROFIT, various input suppliers and the Dairy Processors Association was finalized during the quarter and will be distributed by the processors and ZDPA, and paid for by the dairy farmers during the next quarter.

### **Additional Achievements**

- Agrivet, Pioneer Seed and Tiger Feeds are collaborating in establishing a commercial small holder dairy model farm in Mapepe, south of Lusaka. This location will be used to promote good dairy management practices by these organizations to prospective dairy farmer clients.



*A demonstration plot of improved 'Kowkandy' pasture planted by Hygrotech in Mapepe, Lusaka*

### **Challenges**

- Lack of practical know-how within the dairy sector provides a serious impediment to private sector-driven promotion of improved farming practices.

### **Activities planned for next quarter**

- The continuation of the above activities.
- Continued expansion of numbers of animals under herd health contracts and participating vets.
- The introduction of appropriate mechanization to process demonstration plot forage into silage in collaboration with two agricultural equipment vendors, SARO and CAMCO.
- The distribution of the Basic Guide to Dairy Farming training modules and the launch of the complementary radio campaign will begin during the next quarter.

**Achievements against benchmarks**

**1) At least 6 processors engaged in improving and /or value added processing and production of dairy products.**

- During the quarter, ongoing technical support was given to three processors in improving product quality and looking at alternative products to complement existing product lines. One processor is engaged in changing its complete product label range moving away from the traditional paper label to a plastic shrink label, aiming to produce a superior looking product in this competitive market.

**2) At least four processors adopting improved process technologies.**

- Three processors have adopted new processing technologies over the quarter:
  - Dairy King with the assistance of the PROFIT Dairy Industry Development Fund, has procured a multi-functional bottling line which will increase its processing ability and improve product quality
  - Diamondale continues to modify its processing plant to obtain a better quality product
  - Nice Products continue to add new equipment, extending their range of products.

**3) At least four processors will have functional in-house laboratories.**

- To date three processors Dairy King, Diamondale and Zammilk have established in-house laboratories, completed the associated trainings and are now carrying out regular tests on their products.

**4) One independent laboratory commissioning a dairy testing service.**

- The procurement of equipment by Vet lab to provide an independent dairy testing service will be undertaken during the following quarter

**Additional Achievements**

- A consultancy was carried out in collaboration with Zambia Dairy Processors Association members, to produce a road map for the dairy processing sector based on tackling key industry issues.
- Zambia Bureau of Standards held two food safety training session over this quarter training 19 processing workers, bringing the total number of workers trained to date to 34

**Challenges**

- Despite a growing dairy market, processors are still reluctant or slow to invest the required capital in product upgrading and safety processes

- Poor regulatory practices reduce the incentives for processors to improve products quality.

**Activities planned for next quarter**

- Continued disbursements of DIDF funding in support of this activity where appropriate.
- ZDPA’s road map will be presented to the dairy processors and a strategy established on the future of the association.
- Following on from this initiative, work will start with ZDPA to promote it a recognised collective voice for the dairy industry.

**Dairy Industry Pathway: Theme 4**

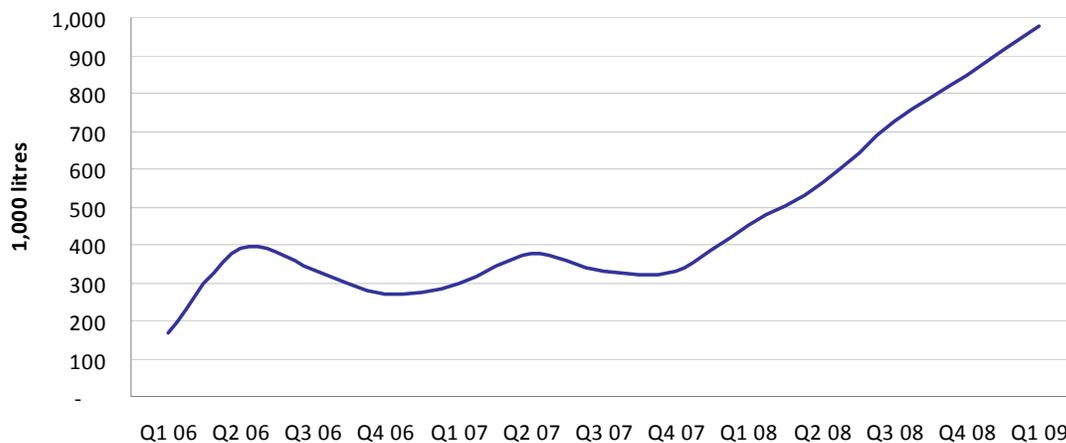
**Increasing the contribution of smallholder suppliers to the formal milk market**

**Achievements against benchmarks**

***1) Increase the volume of milk collected by processors from small scale dairy farmers by at least 250,000 litres***

- During the quarter, 975,701litres of milk was collected from smallholders by three commercial processors. This includes Parmalat, Dairy King and Zammilk who bought 689,882, 171,234 and 114,585 litres respectively. This represents a growth figure of 134% over the same reporting period last year.

**Smallholder Milk Purchases by Parmalat, Dairy King and Zammilk 2006-2008**



- Dairy King continues to improve its supply of smallholder origin milk with a constant increase of over 6,000 litres per month over the last year
- Parmalat has established a new depot in Kabwe which is collecting in excess of 120,000 litres per month

**2) Increase the proportion of raw milk sourced from smallholder by targeted processors by at least 12%.**

- 10 % of all Zammilk's processed dairy output in December 2008 was from smallholder suppliers.

**3) At least \$200,000 of finance /capital granted to processing sector by PROFIT Dairy Industry Development Fund in support of smallholder integration**

- To date \$140,000 USD has been granted to the processing sector for activities ranging from new innovative, milk collection centers and milk transportation routes. New grants awarded during the quarter include:
  - Dairy King \$25,000
  - Nice Products \$35,000
  - Zammilk \$30,000

**Additional Achievements**

- To ensure that raw milk is available as new product lines are introduced, Nice Products with the assistance of the DIDF fund are in the process of establishing their own milk collection center in the Misundu area of Ndola District.

**Activities planned for next quarter**

- Ongoing collaboration with the private sector to establish their own milk collection systems in strategic rural locations
- Continued collaboration with the private sector to increase milk collection and transport logistics.
- Facilitate and support the training of a refrigeration technician to service and maintain Southern Province refrigerated bulking centers in collaboration with Parmalat.

**Achievements against benchmarks**

**1) One or more banks making significant efforts to engage the agricultural and SME markets, and investing in staff capacity to operate in these markets**

- During December, ABC Banking Corporation requested PROFIT assistance to develop a short course in business planning and strategic management for their potential SME clients in their national expansion for retail and SME products. 109 SME clients were successfully trained by ABC and PROFIT staff in Chingola, Solwezi and Mazabuka with very positive feedback.
- PROFIT made progress in the quarter towards developing a major agricultural finance staff training programme with ZANACO as part of their rural banking roll out programme for 2009

**2) Two leasing vendor agreements in operation with at least 10 deals completed with emergent farmers seeking to develop a service-based revenue stream.**

- One leasing vendor agreement is in place (between Farmnet and ICC), but currently no emergent farmers have accessed finance through the agreement during the quarter.

**3) At least one alternative financing model developed through which smaller businesses can access longer term developmental financing**

- PROFIT began working with a small financial company on the development of a Special Purpose Vehicle for the issuance of a bond for longer term financing. However, due to excessive costs associated with the project, three potential 'shareholders' seeking finance through the SPV pulled out, making further effort to pursue this option unviable.
- PROFIT is assessing three private investment fund opportunities through Lloyds Financials for possible intervention opportunities during the next quarter.

**4) At least one outgrower scheme is completing the majority of its transactions with smallholders across the m-banking platform.**

- Dunavant is working towards the payment of the members of its 'Gold Club' of producers through e-payment during the next cotton marketing season. The system is fully tested and all preferred suppliers will receive payments electronically this output marketing season.

**5) At least 3 ZAMACE warehouse receipts issued and financing secured against them**

- Due to the continued intransigence of the banking sector and the disincentives for commodity storage over the past three months of volatile market activity and lack of stock, no ZAMACE warehouse receipts were issued.

### **Additional Achievements**

- The Bank of Zambia finally approved the e-payment system designed by MTZL with PROFIT support, paving the way for the comprehensive commercial roll-out of the product
- PROFIT provided a legal expert to assist the Bank of Zambia's Financial Sector Development Programme to develop legislation that supports the expansion of the leasing sector. The consultant spent a week in November meeting stakeholders in the sector and presented a draft legislation proposal to the Bank of Zambia that will be finalised with a further visit during the next quarter.

### **Challenges**

- Poor financial literacy among potential lessees seeking equipment finance in the emergent farming sector is a major constraint to successful lease transactions
- A major recapitalisation of ICC over the quarter hindered the company's ability to make decisions on potential lease agreements in the agricultural sector over the quarter.

### **Activities planned for next quarter**

- The PROFIT leasing legislation consultant will complete the process of formulating enabling legislation around leasing with the Bank of Zambia
- The ZANACO training programme for the agricultural staff associated with the rural banking initiative will be undertaken
- PROFIT will investigate opportunities to assist in the development of an African Carbon Exchange

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## Administration and Field Team management: Theme 1:

### Fostering improved knowledge management within market facilitation field team

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#### **Achievements against benchmarks**

##### **1) At least 2 Staff management trainings conducted**

- **The first staff management training of the year will be conducted in January 2009** and will be combined with the PROFIT regional review and planning meeting as a way of targeting the project resources to achieve increased impact of scale in the remaining time frame

##### **2) At least 16 Regional Team meetings conducted**

- None conducted during the quarter but will be integrated into the wider management training in January 2009

##### **3) Staff Annual evaluation conducted**

- The Annual Staff evaluation exercise was successfully conducted in December, 2008 and incentives to reward the project staff based on their performance in the year were given.

##### **4) Staff performance incentives/awards schemes implementation**

- The Staff performance incentives/awards schemes is progressing well and during the quarter under review were as below:

<b>Staff</b>	<b>Award</b>	<b>Description</b>
Mainacey Hampeyo	Missed the Net Award	Ripping Rice in the Liuwa Plain
Enock Siankwilimba	Innovation of the Months Award	Opportunistic Promotional Events
Enock Siankwilimba	Most Communicating Award	Knowledge sharing/Feedback & Red Flagging
Chilangwa Chisanza	Most Communicating Award	Knowledge sharing/Feedback & Red Flagging

##### **5) Conduct regular field technical backstopping**

- The technical team has intensified its back stopping with the field staffs as a way of providing both technical and supervisory role.

##### **6) Staff exchange visits continue to be implemented**

- Staff exchange visits continue to be implemented

##### **7) All component managers maintain effective performance and budget management practice**

- Entire staff now more aware of budget and budgetary constraints. Each staff member has a budget attached to the workplan output targets and are more actively involved in ensuring that resources are handled effectively.

**8) Full accounting and budget MIS developed and implemented as standard field practice**

- Achieved while still working to speed up full budget monitor reports to more fully report budget actual on a timely basis.

**9) Monthly accounts files submitted by 5<sup>th</sup> of each month with hard copy transmission by 15<sup>th</sup>**

- Achieved

**10) Continued implementation of ODC cost management systems complimenting monthly MIS reporting**

- Achieved

**11) Conclude auction of obsolete equipment during Q1 FY 09**

Awaiting ZRA approval of the auction process

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## Monitoring and Evaluation: Theme 1

### Fostering the culture of learning at every stage of the pathway

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#### **Achievements against benchmarks**

##### ***1) Data quality assessment reports concluded which will identify data collection gaps and data collection training needs.***

- Data collection and analysis preliminary training done as part of the process of ensuring that staff appreciate the value of data collection and facilitate a reduction of gaps in data collection.
- Monthly communications and feedback done with all BAs as a way of regular checking and verification of monthly data submitted to head office

##### ***2) Quantitative tool revised and in use***

- Revision of the routine quantitative tool was carried out to reflect the remaining observations to cover all the stages of the pathway. Further, observations for which we were not getting good information were removed from the tool and will be gathered separately using sector heads. The revised tool is already in use.

##### ***3) Qualitative tool revised abridged and in use***

- Qualitative tool revised, abridged and in use. The new tool will be used to capture and give more details for the quantitative data. Among the questions that the BAs are asked include the constraints they are facing and also the ideas that they are trying out to militate against the constraints. This is to make sure BAs are taking steps to address constraints. This will enhance learning.

##### ***4) At least one formal assessment of how BA's are utilizing the skills and knowledge to facilitate the development of the private sector***

- This will be done at the end of the second quarter

##### ***5) Quarterly and annual reports concluded on time***

- One quarterly report concluded for the first quarter of 2009

#### **Additional Achievements**

- The project further improved team report aggregation to foster team learning and analysis of industry and market developments in the regions to come up with shared problem solving.

#### **Challenges**

- Improving the data capturing and analysis through BAs
- Ensuring that the tools being used for data capture are fully utilized by BAs. There seems to be information gaps between that being submitted on a monthly basis and what is actually prevailing on the ground.

- Enhancement of team cohesion and appreciation of the value of teams by BAs

### **Activities planned for next quarter**

- Conduct data quality assessments (To be done in all regions)
  - Importance of Data collection and analysis training for all regions
  - Significance of Report writing training
  - Continue to provide and circulate monthly feedback on reports
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## **Monitoring and Evaluation: Theme 2**

### **Improving private sector firms' ability to monitor and evaluate their own agent networks**

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#### **Achievements against benchmarks**

##### ***1) At least 20 firms will have implemented internal monitoring and evaluation systems***

- Had meetings with 2 firms (MRI and Pannar) and discussed the internalization of agent monitoring by these firms. The firms have begun developing monitoring mechanisms for their agent networks.

##### ***2) Complete the firm agent network management manual***

- Materials to be used for firm M and E to be included in the agent network manual developed. The administrative requirements (records) for effective agent monitoring were developed and incorporated in the agent training manual.

##### ***3) Integration of firm Monitoring and Evaluation section into the agent network manual***

- Integrating firm M and E section in agent network manual finalized.

#### **Additional Achievements**

- Public vets and veterinary assistants in Western region introduced to the improved business model of vet services.
- Record keeping at all levels followed including indirect activities gathered and reported back, [reporting mechanism in place] in Western region
- Value and importance of record keeping training done in western region

#### **Challenges**

- How to ensure that the firms are following the agent management systems that they come up with – in other words to value the system and internalise its use.
- Inadequate monitoring of the agent and CLW networks by ag-input firms and vets

### **Activities planned for next quarter**

- 10 firms to have developed Firm M and E Systems
- Training firm staff in basic monitoring and evaluation and use of the agent management handbook and Contribute towards finalization of agent network manual.

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## Monitoring and Evaluation: Theme 3

**Intensify internal evaluation of impact as measured by results of behaviour change and develop improved methods of knowledge dissemination**

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### **Achievements against benchmarks**

#### **1) Four household surveys completed**

- One household survey conducted for the dairy sector

#### **2) One detailed report on the household surveys compiled – feeding into the documentary process**

- Dairy survey findings report done and circulated

#### **3) Increased knowledge among BAs and firms staff in answering the “so-what” question**

- Development of one page impact surveys to be used to help in assessing the impact of the project
- BAs given preliminary training on how to use one page impact assessment surveys
- 98 individual ag-input and 73 individual vet surveys done during the quarter.

#### **4) At least one digital video documentary produced highlighting PROFIT intervention method and results**

- The firm to do the documentary was selected and has begun initial interviews. Final contracting expected early in Q2.

#### **5) At least 20 notes from the field produced and disseminated**

- 2 notes from the field produced

### **Challenges**

- Ensuring that an accurate picture reflecting the impact of the project is presented especially focusing on the impact that private sector has on the

### **Activities planned for next quarter**

- Report on the individual surveys to be done and circulated
- Compile impact report for the one page surveys to input into the main impact assessment report
- Video production team to continue capturing field scenarios to input into the final video
- Produce and disseminate 6 notes from the field

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## HIV and AIDS support development: Theme 1

### Increasing Community Awareness about HIV and AIDS – Implementation of a peer education program

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#### **Achievements against benchmarks**

***1) At least 10,000 people will be reached through the peer education programme in each district by the end of the project period – cumulative at least 30,000***

District	Males reached	Females reached	Total reached
Mumbwa	160	137	<b>297</b>
Mkushi	108	165	<b>273</b>
Chama	887	1,151	<b>2,038</b>
<b>Total</b>	<b>1,155</b>	<b>1,453</b>	<b>2,608</b>

#### **Additional Achievements**

- Plans were made to introduce an HIV/AIDS awareness component into the PROFIT dairy programme

#### **Challenges**

- The financial constraints being faced by Birchand Cotton in Chama meant that the logistical support provided by the company was reduced
- There is need for IEC materials to reinforce the messages disseminated by the peer educators.
- There is need to ensure condoms are distributed to the districts as part of the programme.

#### **Activities planned for next quarter**

- Training dairy farmers in peer education from Chibombo, Kabwe and Kapiri
- Submission of activities and budget to integrate HIV/AIDS awareness at traditional ceremonies in the PROFIT programme for the year 2009
- Meeting to discuss methods of data collection and transmission

**Achievements against benchmarks**

**1) *At least five supervisory visits in Chama, four visits in Mkushi and four visits in Mumbwa***

- In December, the Community Coordinator conducted a supervisory visit in Chama District, where the peer educators were found to be performing well. Two notable case studies were:
  - Two young girls who had completed grade 12 last year have reached in-school and out-of-school youths with messages of abstinence and dangers of engaging in sex before marriage. The girls have also reached out to the youths that frequent two popular drinking places within Chama town.
  - One peer educator in Kapalakonje has formed a drama group that is reaching out to other villages. The villagers are so prepared that they are even requesting for a mobile VCT.
- While in the district, the Community Coordinator visited the DHMT and the 16 rural health centers to which peer educators refer their clients. The staff at the centers mentioned that they are working well with the peer educators and that most of the clients that they refer from their communities are getting to the health centers.
- Printing of T-shirts was finalized during the last quarter and distribution was done in Chama during the supervisory visit.

**2) *Ongoing technical support provided to 123 peer educators***

- Achieved

**Activities planned for next quarter**

- Supervisory visits and data collection for Mkushi, Mumbwa and Chama