

AgLink

USA — EGYPT

"Agribusiness Linkages for Egypt"

A Project funded by the U.S. Agency for International Development
Contract No. 263-0264-G-00-7020-00

SECOND QUARTER REPORT
April - June 2001

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EXECUTIVE SUMMARY

The second quarter of 2001 marks the fourth Annual Impact Survey of AgLink clients and non-client beneficiaries. The project extends over many activities and sectors, including association development, beef and dairy production and processing enhancement, technology transfer, quality control and export and trade facilitation. Therefore the staff was largely consumed with collecting impact data during this period. The survey results surpassed management's expectations and solidified AgLink's reputation as an extremely successful client-oriented development project.

The main achievements for the project to date include:

- **Core Clients' Revenue:** An increase of over US \$70.5 million based on 218,736 metric tons of milk and 7,033 metric tons of meat added to Egypt's domestic supply.
- **Non-Core Clients Revenue:** An increase of over \$189 million based on an estimated 635,740 tons of milk and 16,122 tons of meat added to Egypt's domestic supply.
- **Trade with U.S.:** Over \$26 million in trade with the U.S., and several U.S.-Egyptian partnerships have been established through AgLink facilitation.
- **Processing clients:** An increase of over 35.5% in annual export sales, amounting to over \$7 million.
- **Jobs Created:** 7,306 new jobs created. Estimates based on 256 direct on-farm and 768 off-farm jobs created by core clients,¹ plus an additional 1,570 on-farm jobs and 4,712 off farm jobs added by non-client beneficiaries.
- **Technology Adopted By Core Clients:** Three-quarters of the 3,562 practice and technology recommendations made to AgLink's core clients have been fully adopted, and an additional 21% have been partially adopted or are in process.
- **Technology Adopted by Non-Core Clients:** More than 3,100 non-client farms have adopted an average of 4.5 new farming practices or technologies, based on a survey of non-client participants.

¹ The Agricultural Policy Reform Project's accepted multiplier for off -farm job creation is three (3) for every on-farm job created.

PROJECT OVERVIEW

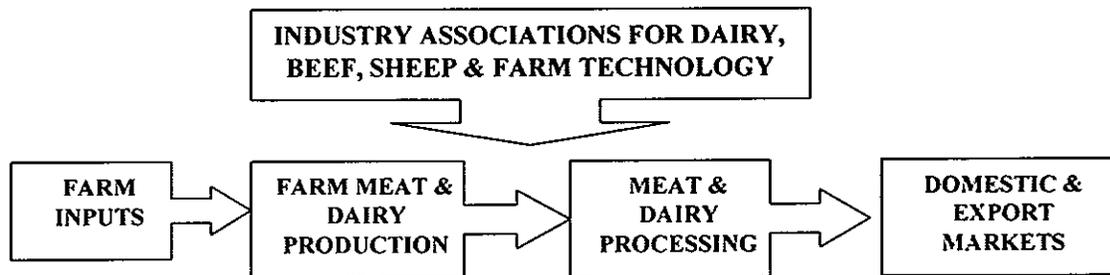
Goals and Strategies

AgLink's goal is to stimulate economic growth through increased private-sector exports and import substitution in the livestock (dairy, beef and sheep) industries. This is accomplished through a holistic approach that addresses the entire production, processing and marketing chain. Specific goals include:

- Increasing quality control and standardization for producers and processors
- Strengthening industry associations across the supply and production chain
- Increasing participation in public policy formulation
- Facilitating new trade relationships for input supplies and machinery
- Increasing the volume and variety of meat and dairy export goods
- Expanding exports to new target markets
- Increasing domestic employment opportunities

Sector-Based Approach

AgLink targets the livestock industry and related sub-sectors to accomplish program goals. The project offers technical assistance to improve production and processing within the dairy and meat sectors. Agribusiness firms, farms, and associations have been selected from each sector to receive direct program support. To reach the widest possible audience, client selection is partially based on the client's ability and willingness to share the transferred technology and expertise provided by the program.



The objectives of the project include:

- Technology transfer to clients
- Strengthening U.S.-Egypt trade links
- Strengthening domestic trade links
- Developing the institutional capacity of associations
- Dissemination of public policy and marketing information through internal/external media

The following impact indicators demonstrate success:

- The number of new technologies and practices adopted
- Changes in client revenues
- Changes in client production
- Changes in client costs of production
- Changes in employment
- Changes in export revenues

Client Selection

Core clients are selected in each sub-sector to receive one year of free technical assistance. Client selection takes place in May and each client "round" lasts from June to the following June. Client selection is based on three primary criteria:

1. The potential for impact
2. The willingness and ability of the client to absorb new technologies and practices
3. The willingness of the client to share new technologies and practices with the industry, the immediate farming community, and with associations

Multiple Interventions

The activities and strategies designed to help clients attain the objectives of the Program include:

- Short Term Technical Assistance (STTA) and consultations
- Seminars and farmers' meetings
- Staff conducted video presentations
- Farm excursions
- Third party training activities in conjunction with the MOALR research institutes and other entities
- Trade linkage development (U.S. and Egypt exchanges, Domestic linkages, and other trade linkages)
- Association building and business development
- Export Facilitation (Target market site visits and trade -show facilitation)

Short Term Technical Assistance (STTA)

AgLink's clients benefit from the combined technical assistance provided by highly skilled and experienced U.S. and local experts. In 1999, with a focus on sustainability, AgLink increased its reliance on local experts with excellent results, and this practice continued in the Second Quarter of 2000. Field Officers and staff also provide a valued resource for technology transfer to clients.

Seminars and Farmers' Meetings

Seminars and farmers' meetings are routinely coordinated in conjunction with STTA assignments of U.S. and local consultants, as well as AgLink staff members. This allows for greater outreach impact.

Staff Conducted Video Presentations

Video presentations are conducted either at a farm site or in AgLink field offices. During the presentations, AgLink field officers orient the visitors to the topic and clarify concepts. Written reference descriptions of the highlights are provided to each participant following the presentation.

Farm Excursions

Farm excursions involve client farms with demonstrated strengths in specific areas of beef or dairy management. AgLink brings less advanced farmers to visit model farms. Participants benefit from direct exposure to new technologies and practices in the field, from mentoring by more experienced farmers, and from the convincing power of seeing alternative (non-traditional) practices and technologies in use. This serves to reinforce the recommendations made to client farms and to create stronger linkages throughout the industry. Farm excursions provide participants with the opportunity to share their experiences, histories, and local knowledge. Such networking opportunities contribute to the ultimate sustainability of these farmers, AgLink staff, and AgLink assisted associations.

Third-Party Conducted Training

Third-party conducted training activities are organized and sponsored by AgLink in collaboration with the Ministry of Agriculture and Land Reclamation (MOALR) with the contributions of U.S. and local experts.

U.S. and Egypt Exchanges

Exchanges between the United States and Egypt form bonds and facilitate networking activities to ensure sustainable technology transfer, access to information and training, and trade partnerships.

Domestic Linkages

AgLink provides opportunities to form domestic linkages for the development of Egyptian agribusiness. These linkages support producers in standardizing as well as increasing the quantity and quality of meat and dairy inputs. This networking activity facilitates the formation of trade links and sharing of new technologies and practices for future sustainability.

Trade Linkages

AgLink's trade promotion efforts provide the opportunities to make improved technologies and management practices from the U.S. available to Egyptian farms and agribusinesses. AgLink connects Egyptian importers with U.S. exporters for sustainable trade links.

Association Development

AgLink assists associations in their formation and development and delivers the support services necessary to ensure the sustainability of these associations within the industry. Associations will help form the matrix for maintaining international and domestic trade links for the future of agribusiness. In quarter two, 2000, AgLink assisted associations to increasingly engage in policy dialog and advocacy activities.

Export Facilitation

AgLink export facilitation activities promote trade links and opportunities with regional (Gulf, COMESA) markets. The establishment of eight sheep growers associations will provide the infrastructure to deliver lamb export readiness when market conditions are more favorable. Having established this readiness, AgLink re-directed its energies to increase dairy processing exports by improving production, efficiencies, and plant capacity, as well as access to export markets.

Monitoring and Evaluation (M&E) Process

The AgLink M&E systems and processes were designed to accommodate the needs and talents of the staff, the donor, and project beneficiaries. They are flexible enough to add new targets and impact indicators and to provide detailed, customized reporting for special purposes on an ad hoc basis. The systems center on the recommendations made to clients, which are recorded by field staff and consultants. The M&E unit then records these recommendations to a database and a unique identification number is assigned to each. The M&E system tracks each recommendation for implementation and issues client reports to the field staff on a monthly basis.

Perhaps one of the most valuable benefits of the AgLink M&E system is the ability to track client impact by source. Because the source of every recommendation is recorded, management can compare the impact created by various consultants or activities. Additionally, field staff may be evaluated, in part, based on the implementation and impact achieved by their clients.

Non-client impact is measured through a two-step process. Non-client attendees at seminars, farm exchanges, conferences and training programs are required to complete an exit survey. This survey is used to gather feedback on training programs, but also to gather the technologies and practices learned by attendees that the attendees intend to implement. During the project's annual impact survey, conducted in June and July, project staff visits a representative sample of non-client participants to check on which technologies and/or practices have been adopted. This adoption rate, which is then extrapolated over the population of non-client attendees, allows the project to estimate its impact for over 3,180 non-client farms.

SECOND QUARTER ACTIVITIES

MATRIX: Second Quarter Activistes

ACTIVITIES	April	May	June	TOTAL
Local Consultants	1	1	0	2
Seminars	3	1	1	5
Video Presentations	1	0	0	1
Third Party Training	0	1	2	3

April 2001: The AgroFood 2001 Exposition in Cairo, 19 -22 April, drew a positive response from attendees and greater exposure for AgLink- assisted nascent associations including the Egyptian Meat and Farm Technology Association (EMFTA) and the Egyptian Milk Producer's Association (EMPA).

Short-Term Technical Assistance (STTA)

Despite the slow-down of AgLink's activities, as depicted in the following matrices, the project fielded two highly qualified experts on technical assistance assignments during Third Quarter 2001 and completed 21 other training activities.

MATRIX: Summary of Consultants

CONSULTANT	STATUS	EXPERTISE	CONSULTATIONS	SEMINARS	PARTICIPANTS	STAFF TRAINING
M. Fayez	Loc. Paid	Pharmacology	17	1	23	2
G. Kamal	Loc. Paid	Association Development	5	2	72	2

Loc. Paid = Local paid consultant

Highlights of AgLink's technical assistance and training activities include:

- A monthly Agricultural Forum was instituted to diffuse technologies and practices among Egyptian producers, and to provide opportunities for experts and industry participants to share success stories, resources etc.
- A monthly Vet Forum was instituted to give veterinarians working on farms the opportunity to meet highly experienced professors and consultants and to gain new knowledge and skills.

Trade and Export Development

- ♦ AgLink's trade promotion efforts provide the opportunities to make improved technologies and management practices from the U.S. available to Egyptian farms and agribusinesses. Through the Third Quarter of 2001 AgLink reinforced; the product improvement and export readiness; idea for the dairy products.

Export Development

In an effort to vertically integrate AgLink in the dairy industry, the project began working intensely with dairy processors in September 1999. The six dairy processors were selected as clients are being offered a variety of services under the project. These services focus on strategic marketing assistance (domestic and international), product improvement, quality control and packaging/labeling TA (to meet market standard and consumer preferences). The overall objective of these efforts is to improve production, efficiencies and plant capacity in an effort to increase exports to the regional markets.

To date, the project can clearly demonstrate that each processing client has experienced a dramatic increase of over 40% in annual export sales, amounting to over \$7 million.

Activity Highlights

During this quarter, a three-day training course on developing sales skills was conducted. This training was introduced for 26 sales agents and supervisors of Siklam Company. This event took place on April 11 - 13, 2001.

On April 21, AgLink in coordination with the "Chamber of Commerce" in Mansoura, organized a one-day seminar on producing clean milk. Dr. Morsi El Soda, the seminar instructor is a retired dairy professor from Alexandria University. Twenty-five small processors from Dakahlia attended that event. This seminar covered the new specifications for cheese production, using the pasteurized milk. It also included the importance of clean atmosphere producing dairy products. At the end of that training day, the attendees showed a great interest to form their own association.

MATRIX: AgLink Dairy Processing Clients Current Export Levels

	Monthly Exports *	Export Markets	Monthly Export Value	Percentage Increase
1. Arab Dairy Company	3.5	KSA, UAE, Jordan, Iran, Oman	\$70,000	18%
2. Farm Cheese	.5	KSA	17,500	14%
3. Katilo Dairy Products Company	2	KSA	\$32,000	50%
4. Middle East Co. for Food Industries (Green Land)	7	KSA, UAE, Libya	\$132,000	60%
6. Prima Foods Inc.	.5	KSA	\$11,500	80%
TOTAL	16.5		\$263,000	35.5% (average)

* Notes: Monthly Exports is in 40' containers of mixed product. An average container net value of \$35,000 (range = \$30,000 - \$40,000 depending on product mix) was used to illustrate Export Value. Percentage Increase is over last eight months. The above information should be treated as confidential.

MATRIX: AgLink Dairy Processing Clients Exported Products

Exported Products
Primary (70%)
White Soft Cheese
Dommiatt Cheese
Feta Cheese
Secondary (30%)
Hard Cheeses: Gruyere, Emmental, etc.

Association Development

Association development is important to AgLink's sustainability strategy. Both the Egyptian Meat and Farm Technology Association (EMFTA) and the Egyptian Milk Producer's Association (EMPA) are expected to be driving forces behind future technology transfers, quality assurance, and export development in the Egyptian livestock industry. These budding associations are already targeting public policy by:

- Requesting membership in national agricultural committees that oversee agriculture legislation
- Reducing tariffs on grains, feed ingredients, and veterinary supplies
- Addressing quarantine, insurance, and tariff issues on imported animals and animal genetics
- Restructuring the system of farm taxation to allow greater flexibility and re-investment credits for farms investing in new technologies

Highlights of the second quarter association development activities include:

- Five regional sheep-growing groups received training on association formation. Topics included the role of associations in community development, the responsibilities and role of the board of directors, membership development, and financial management of associations. The total number of participants in this training was 72 whom are association's establishers and board of directors.

Monitoring & Evaluation Activities

During the second quarter of 2001, the project staff conducted an impact survey of clients and non-clients. All client farms and farms were visited to verify the status of recommended technologies and practices, and to ascertain changes in productivity, employment and exports. In addition, a random sample of non-client beneficiaries (seminar and training program attendees) was surveyed for implementation of practices and technologies learned through AgLink events and for resulting changes in productivity. The sample results were extrapolated over non-client attendee population.

It is important to note that this survey was conducted via a participatory approach that ensured accuracy in the data collection process. To prevent bias, field officers, all of whom have designated clients, were not allowed to participate in the core-client impact assessment. Client interviews were conducted by teams of two staff members, one of which had to be a senior-level manager, but neither of which could be a field officer.

Measuring non-client impact, or spread effect, was more problematic. Exit surveys, administered to non-clients after seminars, training events, farm exchanges, farmers meetings, video presentations and other events were to determine the base population of spread-effect participants. A random sample of 10% of the 4,210 surveys taken was distributed to teams of two field officers each. These teams then went out to non-client farms to gather information on what technologies and/or practices were learned via AgLink activities and how many were implemented.

Because the project does not have baseline information for non-clients, the change in production, capacity, revenues and employment could only be estimated based on the average change associated with a single technology or practice adopted by clients, and then extrapolating that rate over the non-client population.

The results of the Monitoring & Evaluation activities are described in the Second Quarter Impact section of this document.

SECOND QUARTER IMPACT

Technology Transfer Rates

During Second Quarter 2001, AgLink recommended 49 new technologies and practices to clients, bringing the total recommendation made to clients to 3,562. Of these, 74% have been fully adopted, and an additional 21% have been partially adopted or are in process. AgLink expects that implementation will continue through the end of the project.

MATRIX: Technologies and Practices Adopted Second Quarter 2001

Recommendations	Total	Implemented	Partially Implemented	Adoption Rate % of Total
Technologies	12	7	3	83 %
Practices	37	19	12	84 %
TOTAL	49	26	15	83 %

The adoption of new technologies and practices expanded domestic production of milk and meat. The increase in supply helps to: (a) utilize idle production capacity, (b) increase farmer revenues by shifting demand away from powdered milk, and (c) reduce the country's reliance on imported substitutes and, thereby, its import bill.

Core Client Production Impact

The adoption of new technologies and practices has led to increased capacity, efficiency, production, and revenues for AgLink clients. The Annual Impact Survey revealed that AgLink's core clients added 7,032 metric tons of meat and 218,736 metric tons of milk to Egypt's domestic supply. This increase in production caused client revenues to increase by US \$67.3 million. To accommodate the increase in production, 222 direct on-farm and 666 off-farm jobs were created.²

	Annual KG Increase	Market Price (LE)	Annual Rev Increase LE	Annual Rev Increase \$
Cow Milk	215,179,157	0.97	208,723,782	53,518,918
Buffalo Milk	3,557,750	1.2	4,376,033	1,122,059
MILK	218,736,907		68,560	54,640,977
Cow Meat	2,653,864	7.5	19,903,984	5,103,585
Buffalo Meat	4,379,077	6.85	29,709,713	7,617,875
MEAT	7,032,923		49,613,694	12,721,460
TOTAL			262,713,504	\$67,362,437

Non-Client Beneficiary Impact

Non-client participants in seminars, training events, farm exchanges; farmers meetings, video presentations and other events are surveyed to determine what was learned and how the project can improve its events.

Samples of 310 surveys were randomly taken from the population of 3,104. Within the surveyed population, 4.4 new technologies or practices had been adopted and were directly attributed to AgLink activities. The Monitoring & Evaluation Unit then extrapolated the adoption rate over the population of known non-client beneficiaries to estimate production, revenue and employment growth. It is

² According to the Agricultural Policy Reform Project, the accepted multiplier for off-farm job creation is three for every on-farm job created.

estimated that non-clients have added 16,122 tons of meat and 635,740 tons of milk to Egypt's domestic supply while increasing revenues by \$189 million and adding 6,882 jobs.

	Added Meat Production (Metric Tons)	Added Milk Production (Metric Tons)	Increased Revenues (Millions SUS)	Added Jobs
Clients	2,079	82,031	\$24.5	1,033
Non-Clients	16,122	635,740	\$189	6,273
Total	18,201	717,771	\$213.50	7,306

Third Quarter 2001 Planned Activities

Technical Assistance

Three Vet Forum Meetings will be held in July, August, and September in cooperation with animal Reproduction Research institute (ARRI) to cover educational Unit of Udder Health.

Three Ag. Forum Meetings in July, August, and September, will be held to cover the subjects of Dairy Farm management and Udder Health Management.

One-Day seminar on Silage Management in cooperation will be provided in cooperation with Pioneer Company to be held in Alexandria in July 2001.

ADMINISTRATIVE DATA AND BUDGET

Country: EGYPT
Implementing Agency: USAID AGR/MART
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Period of This Report: April - June 2000
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ACDI/VOCA Project Director: Hussein Raafat
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 \$7,200,000 Current Obligated
 \$9,000,000 Total Authorized
 LE 770,000 Current Obligated
 LE 920,000 Authorized

Financial Status Report

Period of this Report 01-April 2001 to 30-June 2001

AgLink <u>USD</u> Quarterly Budget Review					
	Total Program Amount	To March 31, 2001 Cumulative	April-June 2001(2 nd Qtr) Actual	2 nd Qtr 2001 Cumulative	Un-liquidated from Total
Salaries					
Fringe Rates					
Allowances					
Consultants					
Travel & Per Diem					
Training & Seminars					
Commodities / Equipment					
Other Direct Costs (includes Evaluation)					
Volunteer Recruitment					
Total Direct Costs					
Total Indirect Costs					
Total					

AgLink <u>LE</u> Quarterly Budget Review					
	Total Program Amount	Previous Expenses to March 31, 2001	2 nd Qtr 2001 Actual	2 nd Qtr 2001 Cumulative	Un-liquidated from Total
Social Insurance	400,000				
Airfare (EgyptAir)	520,000				
Total	LE 920,000				