



USAID
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Quarterly Report

3rd Quarter 2010

April to June 2010

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TABLE OF CONTENTS	
ADMINISTRATIVE AND FINANCIAL DATA	2
INDICATOR TABLES	3
PROFIT PMP INDICATOR TABLE	3
USAID OP INDICATOR TABLE	5
PROJECT HIGHLIGHTS FOR THE QUARTER	6
SECTOR SUMMARIES	7
AGRICULTURAL INPUT MARKET DEVELOPMENT	7
COTTON MARKET DEVELOPMENT	21
AGRICULTURAL OUTPUT MARKET DEVELOPMENT	24
VETERINARY AND BEEF MARKET DEVELOPMENT	28
DAIRY MARKET DEVELOPMENT	34
FINANCIAL MARKET DEVELOPMENT	42
ADMINISTRATION AND FIELD TEAM MANAGEMENT	46
MONITORING AND EVALUATION	48

ADMINISTRATIVE DATA

Country	Zambia
Project Title	Production, Finance and Technology (PROFIT)
Cooperative Agreement No	690-A-00-05-00077-00
Implementing Agency	NCBA/CLUSA
USAID Agreement Officer Technical Rep.	Mlotha Damaseke
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	\$ 19,499,830
Total Federal Funds Authorization	\$ 19,499,830
Appropriation	72 – 19X1030
BPC	GGAX-05-21611-1G13

PROFIT 3rd QUARTER 2010 PMP INDICATOR TABLES

PROFIT INDICATORS		BASELINE	FY07		FY08		FY 09		FY 10			FY 10 TOTAL	
			TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	Q 1 10	Q 2 10	Q 3 10		
Trade/Exports related indicators													
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	\$55,273,006	\$658,310	\$7,779,617	\$1,323,793	\$9,761,720	
Production/Sales/Value Addition related indicators													
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	\$25,740,405	\$658,310	\$2,030,192	\$1,323,793	\$4,012,295	
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	\$27,201,856	\$1,597,646	\$2,987,709	\$1,838,374	\$6,423,729	
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	\$152,016	\$0	\$650,000	\$0	\$650,000	
5	Value of production per unit disaggregated by commodity sector.	Cotton (ha)	\$163	\$190	\$347	\$205	\$220	\$257	\$0	\$0	\$0	\$0	
		Honey (hive)	\$4.44	\$4.90	\$6.08	\$5.14	\$5.40	\$3.70	\$0	\$0	\$0	\$0	
		Red meat (animal)	\$116	\$128	\$198.55	\$135	\$141	\$383	\$0	\$0	\$0	\$0	
		Dairy (animal)						\$865	\$999	\$0	\$0	\$0	\$0
		High Value Crop - Pineapple (ha)	\$785	\$865	\$2,500	\$909	\$954	\$2,170	\$0	\$0	\$0	\$0	\$0
6	Value of production per client	Cotton	\$192	\$212	\$640.81	\$222	\$233	\$385	\$0	\$0	\$0	\$0	
		Honey	\$39	\$39	\$61	\$41	\$43	\$271	\$0	\$0	\$0	\$0	
		Red meat	\$94	\$104	\$251.10	\$109	\$114	\$766	\$0	\$0	\$0	\$0	
		Dairy					\$4,323	\$3,997	\$0	\$0	\$0	\$0	
		High Value Crop - Pineapple	\$628	\$692	\$1,250	\$727	\$763	\$2,170	\$0	\$0	\$0	\$0	
7	Gross Margin per unit	Cotton (ha)	\$10	\$11.03	\$165.70	\$11.58	\$12	\$146	\$0	\$0	\$0	\$0	
		Honey (hive)	\$2.44	\$2.69	\$3.74	\$2.82	\$3	\$3	\$0	\$0	\$0	\$0	
		Red meat (animal)	\$7.11	\$8.60	\$191.88	\$9.03	\$9	\$343	\$0	\$0	\$0	\$0	
		Dairy (animal)						\$345	\$505	\$0	\$0	\$0	
		High Value Crop - Pineapple (ha)	\$547	\$603	\$1,958.34	\$633	\$665	\$853	\$0	\$0	\$0	\$0	
8	Volume of produce processed (mt)	Cotton	19,200	24,192	35,200	25,402	28,896	26,672	44,000	0	0	0	0
		Honey	347	437	15	459	299	482	280	0	870	0	870
		Red meat	0	255	171	510	235	1020	982.26	0	0	355	0
		Milk (Lts)	0	0	0	6,222,000	6,300,000	6,615,000	7,024,221	1,289,191	1,566,980	1,397,910	4,254,081
		High Value Crop - Pineapple	0	1,000	109	2,000	26	2500	50	0	0	0	0
Technologies related indicators													
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	70,156	19,844	3,600	22	23,466
		Vet contract/herd management	0	1,000	672	2,000	6,297	2,500	4,021	1,393	1,294	5,575	8,262
		Contract production	37,500	65,000	44,635	75,000	254,254	80,000	106,100	110,000	0	0	110,000
		Improved honey production	0	750	0	1,000	7,246	1,250	4,000	0	0	0	0
		Input products and services	10,000	100,000	21,974	150,000	43,447	200,000	55,703	22,263	6,980	11,230	40,473
10	Area or number of commodities under improved technologies	Conservation farming (ha)	3,200	25,000	43000	45,000	18,122	63,000	106,000	4,961	900	38	5,899
		Vet contract/herd management (hd)	0	10,000	7,780	20,000	19,546	25,000	57,597	25,620	31,433	61,979	119,032
		Contract production (ha)	32,000	60,000	43,015	70,000	110,175	75,000	136,050	120,000	0	0	120,000
		Improved honey production (hives/Q.C trainings)	0	1,500	0	2,000	37,725	2,250	32,000	0	0	0	0
		Input products and services (ha)	10,000	100,000	21,974	150,000	43,447	200,000	55,703	22,263	6,980	11,230	40,473
11	Improved technology adoption rate (%)	Conservation farming	10%	15%	15%	18%		20%	44%	22%	4%	0%	4%
		Vet contract/herd management	0%	55%	43%	80%		100%	33%	12%	29%	72%	29%
		Contract production	25%	24%	15%	26%		28%	17%	14%	0%	0%	14%
		Improved honey production	0%	10%	0%	15%		20%	13%	0%	0%	0%	0%
		Input products and services	10%	15%	40%	20%		25%	48%	153%	28%	28%	26%
12	Number of hectares under biodiversity conservation.	3,200	25,000	43,000	45,000	18,122	63,000	106,000	4,961	900	38	5,899	
13	Number of hectares under managed natural resource production systems	0	366,000	0	366,000	4,166,000	366,000	0	0	0	0	0	

PROFIT INDICATORS		BASELINE	FY07		FY08		FY 09		FY 09		FY 10		FY 10 TOTAL	
			TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	Q1 10	Q2 10	Q3 10			
Finance related indicators														
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	\$3,041,870	\$4,118,723	0	\$0.00	4,118,723		
15	Number of loans by USAID assisted institutions disaggregated by gender	Male		42,014		86,912		84,801	82,510	0	0	82,510		
		Female		1,028		21,727		21,200	27,500	0	0	27,500		
		Total	32,000	60,000	43,042	70,000	108,639	75,000	106,001	110,010	0	0	110,010	
16	Percentage of the number of loans on schedule for repayment	90%	90%	50%	90%		90%	90%	0%	0%	0%	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		\$2,436,623	\$3,089,042	\$0	\$0	3,089,042	
		Female			\$32,415		\$1,513,346		\$605,247	\$1,029,681	\$0	\$0	1,029,681	
		Total			\$1,612,750	\$6,000,000	\$7,066,870	\$8,000,000	\$3,041,870	\$4,118,723	\$0	\$0	4,118,723	
18	Percentage of the value of the lending portfolio on schedule for repayment	90%	90%	50%	90%		90%	90%	0%	0%	0%	0%		
BDS related indicators														
19	Number of clients/entrepreneurs receiving BDS disaggregated by category e.g smallholder farmers, agribusiness firms	Small holder												
		Male				167,932		192,818	48,529	21,676	37,018	107,223		
		Female				99,872		69,187	14,466	8,068	12,217	34,751		
		Total	37,500	100,000	118,979	150,000	376,304	200,000	262,005	62,995	29,744	49,235	141,974	
	Agribusiness	2	200	234	300	2,032	400	4,067	947	889	726	2,562		
20	Number of farmers reached with extension/outreach services	Male				167,932		192,818	48,529	21,676	37,018	107,223		
		Female				99,872		69,187	14,466	8,068	12,217	34,751		
		Total	37,500	60,000	118,979	80,000	376,304	100,000	262,005	62,995	29,744	49,235	141,974	
21	Number of people reached with HIV/AIDS A & B outreach programmes	Male	0	187,500	0		1,740		12,574	1,761	1,413	0	3,174	
		Female					1,988		13,957	1,794	1,351	0	3,145	
		Total				225,000	3,728	262,500	26,531	3,555	2,764	0	6,319	
Policy related indicators														
22	Number of policy areas worked on or affected if any	0	0	0	0	4	0	6	3	3	3	3		
23	Policy progress milestones – Analysis, debate, submission, approval and implementation	0	0	0	0	4	0	6	3	3	3	3		
Training related indicators (disaggregate by gender)														
24	Number of people trained in	Agricultural production												
		Male				162,443		189,818	48,529	21,676	37,018	107,223		
		Female				102,665		68,187	14,466	8,068	12,217	34,751		
		Total	32,000	60,000	118,923	80,000	265,108	100,000	258,005	62,995	29,744	49,235	141,974	
		Private sector growth	40,000	70,000	119,160	90,000	375,762	110,000	266,169	63,942	30,633	49,961	144,536	
		Nat. Resource Mgmt & Conservation												
		Male				125,405		28,203		33,586	2,700	0	36,286	
Female				69,423		17,016		11,195	900	0	12,095			
Total	5,500	6,000	11,000	7,000	194,828	8,000	45,219	44,781	3,600	0	48,381			

PROFIT 3rd QUARTER 2010 OP INDICATOR TABLES

2.2 Trade and Investment Capacity	FY 08 Target	FY 08 Year Total	FY 09 Target	FY 09 Year Total	FY 10 Q1 Actual	FY 10 Q2 Actual	FY 10 Q3 Actual	FY 10 Year Total
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	2,329	752	620	673	2,045
2. Number of Capacity_Building Service Providers receiving USG assistance	300	2,032	378	3,527	947	889	726	2,562
3. Number of firms receiving capacity building assistance to export	65,750	152,000	58,800	105,000	0	0	0	0
4. Number of USG participants USG supported trade and investment capacity building trainings	150,000	376,304	147,000	208,562	62,995	29,744	49,235	141,974
Male		167,932	125,000	152,257	48,529	21,676	37,018	107,223
Female		99,872	22,000	56,305	14,466	8,068	12,217	34,751
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	\$47,112,000	\$0	\$0	\$0	\$0
3.2 Financial Services								
1. Number of financial sector professionals trained in international standards	71	76	75	143	0	0	0	0
Male	60	47	63	119	0	0	0	0
Female	11	29	12	24	0	0	0	0
2. Number of USG special funds loans issued this year	0	0	0	0	0	0	0	0
3. Value of USG special funds loans issued this year	0	0	0	0	0	0	0	0
5.2 Private Sector Productivity								
1. Number of firms with improved management practices as a result of USG assistance	46,600	110,175	75,000	136,050	110,000	0	0	110,000
2. Number of firms investing in improved technology as a result of USG assistance (SD)	23,000	24,991	23,000	55,703	22,263	6,980	11,230	40,473
3. Number of SMEs that successfully accessed bank loans or private equity as a result of USG assistance	0	0	59,100	0	0	0	0	0
6.2 Agricultural Sector Productivity								
1. Number of additional hectares under improved technologies or management practices as a result of USG assistance	23,000	24,991	23,000	55,703	22,263	6,980	11,230	40,473
3. Number of agriculture-related firms benefiting directly from interventions as a result of USG assistance	300	2,032	378	4,067	947	889	726	2,562
4. Number of individuals who have received short term agriculture sector productivity training with USG assistance	80,000	265,108	100,000	258,005	62,995	29,744	49,235	141,974
Male				189,818	48,529	21,676	37,018	107,223
Female				68,187	14,466	8,068	12,217	34,751
7.3 Strengthen Micro-Enterprise Productivity								
1. Number of micro enterprises participating in USG assisted value chains	100,000	152,111	100,000	258,005	62,995	29,744	49,235	141,974
2. Number of micro enterprises receiving business development services from USG assisted sources	140,000	152,246	140,000	105,000	110,000	0	0	110,000
8.1 Natural Resources and Biodiversity								
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	45,219	44,781	3,600	0	48,381
Male		125,405		28,203	33,586	2,700	0	36,286
Female		69,423		32,246	11,195	900	0	12,095

Project Highlights for the Quarter – 3rd Quarter 2010

- Over the quarter, **the agent network across the country generated \$156,000 worth of new sales**, representing a doubling of sales over the same quarter last year, demonstrating that increasingly, buying patterns are changing and smallholders are making investments when they have liquidity after harvest.
- **All major seed and agro-chemical retailers in Zambia have now adopted the 'PROFIT' agent model** in some form as part of their wider business model
- PROFIT's market stimulation efforts have led to **significant investments by smallholders and service providers in improved technologies** such as hand-held boom sprayers and mechanical shellers
- Interest by financial institutions in **leasing agricultural equipment to smallholder and emergent farming service providers continues to increase**, and ripping services are now 'mainstreamed' into agricultural development issues
- Drafted with PROFIT assistance **three pieces of livestock legislation designed to clarify the enabling environment for livestock** - all three have been presented to Parliament
- **PROFIT is now closely involved with the Ministry of Livestock in the development of its core Livestock Service Centre model**
- **\$750,000 of cattle sales were recorded through PROFIT-initiated community buying centres** in Southern Province during the quarter, indicating a move towards greater transparency in smallholder cattle marketing
- **Smallholder investment in disease control jumped from \$21,000 to \$300,000 over the quarter**, largely due to increased investments in dipping
- **5,500 head of cattle a week are now being dipped through the PROFIT-initiated mobile spray races**, following very strong private sector interest in the business model
- **Four new processor-driven milk collection centres were opened**, indicating continued private sector investment in securing smallholder dairy production
- **ZAMACE recorded its highest ever quarterly trading figures**, with almost \$18m of transactions being recorded, signifying a significant move towards financial sustainability and industry recognition.
- **The m-payments system facilitated by PROFIT is now carrying 80,000 transactions per month** by the unbanked population, with over \$400,000 in money transfers and \$450,000 in electronic voucher transactions.
- PROFIT is closely engaged in **the development of a world-first carbon project involving agroforestry systems on Zambian smallholder lands**

Input Market Pathway: Theme 1

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

Achievements against benchmarks

1. Improved Sprayer Service Providers Training Manual developed to meet the challenges identified during 2008/9.

- During the quarter, work on the preparations and improvement of the manual books to include the needs of the service providers continued. 2,000 manual books will be printed for the service providers next quarter as the companies continue conducting Safe Use trainings, adding to the current 1,700 in circulation.

2. At least 400 trained and certified Sprayer Service Providers actively servicing over 9,000ha during the peak season.

- During the quarter, 38 new SSPs were selected, trained and certified bringing the total to 845 SSPs actively servicing approximately 500ha, and generating sales worth over \$5,000 this quarter, bringing the total sales over the year to date to \$24,000.
- During the quarter 309 new SSPs were selected, trained and certified, bringing the total number of SSPs trained to 1,154. Cropserve trained 188 SSPs, Minelands trained 76 and Mana Agro Chemicals trained 45. The retail firms also identified and selected a total of 159 (60 from Mumbwa and 99 from Chongwe) SSPs to be trained, tested and certified in the next quarter
- Many SSPs were active even in a period of relatively low agricultural activity. In Mkushi for example, SSPs generated \$1,759 in sales, largely through horticultural spraying, bringing the total value of annual sales to \$25,820.



SSPs doing a practical session during a Cropserve training in Mumbwa

A spray team at work in a tomato field Mkushi, June, 2010

- 3. Industry Standard of Accreditation and Identification of SSPs developed by CropLife.**
 - During the quarter, CropLife Zambia continued working to simplify the SSPs identification process to make it practical and sustainable.
 - Additionally, CropLife organised 10 cameras to be used in the regions to facilitate the capture of identity cards just after training the SSPs.

- 4. 14 firms develop In-Community Promotional Marketing Strategies and actively investing in the SSPs capacity to operate in the Smallholder Market**
 - During the quarter, five firms (Cropserve, Mana, Minelands, Croppack, and Landserve) have continued to invest in the service platform as part of their business strategies with the smallholder market.
 - Firms continued to market the service platform through the agriculture block shows, demos, field days and promotional meetings. Cropserve in Mkushi set up eight herbicide promotional demos to use as platforms for 2010/2011 season sales .The demos are being used as weekly field promotions to indicate every stage of weed control to the farmers.

- 5. Improved simple pictorial message guides for SSP, in-community agents and farmer developed and disseminated**
 - The pictorial manual books have been completed, printed and ready for distribution. Further improvements were done on the manual book to make its usage much simpler.

- 6. At least 4 Firms engage SSPs by formal contract**
 - During the quarter, two firms, Cropserve and Mana Agrochemicals, signed formal contracts with 69 SSPs compared to 62 last quarter, bringing the total number of SSPs contracted between the two firms to 136.The contracts have helped the firms to provide to the SSPs some commitment to contribute to the firm's business outside the sales of products only.

Additional Achievements

- In an innovative approach to the service platform, Cropserve in Mkushi and Mumbwa developed programmes of costing and spraying regimes on the common vegetable crops (tomatoes, cabbages).This allowed the service providers to sell the service in small packages depending on the size of field of farmers without the need for farmers to purchase unnecessary large quantities of pesticides.
- Four firms set up 34 demo sites on the use of herbicides as marketing strategies for their products
- Over 100 basic Personal Protective Equipment (PPE) kits were distributed to the sprayer's service providers to promote safe use of chemicals.
- During the quarter, PROFIT facilitated the distribution by SARO of the innovative two-man boom sprayer at a promotional price throughout the various districts where PROFIT has interventions. A total of 26 boom sprayers were bought by service providers (15 in Kabwe, 6 in Southern Province, 2 in Mkushi and 3 in Mumbwa) where

they are adding value in terms of marketing the service platform and products. Firms have taken advantage of the two man boom sprayer to use it as a tool through which to sell their products and have therefore invested time in teaching SSPs how to use the equipment.



Boom sprayer being demonstrated by Craig Dunlop (ATS) during an agent training in Choma June 2010

- Designing and printing of the 2010 SSPs Personal Protective Equipment (PPE) has been completed and ready for distribution this next quarter.

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.
- Slower than desired progress has been made on defining the certification process of the spray service providers.
- Firms remain reluctant to service the distant areas regardless of demand for products by farmers.

Activities planned for next quarter

- Continue rolling out the basic protective clothing kit to successfully trained and certified spray service providers with CropLife taking lead.
- Continue with the review meeting to analyze the challenges and successes for the last season and lessons learnt and come up with the way forward.
- Continue working with firms and CropLife to facilitate the trainings of SSP to offer quality and safe services
- Continue pushing the service providers to purchase the two-man boom sprayer as this will add significant value to the spraying service business.

Input Market Pathway: Theme 2

Fostering expanded agent network development and improved firm level management

Achievements against benchmarks

1. ICSP management training manual upgraded and distributed to all firms

- During the quarter, work continued on improving the training manual based on feedback from the firms and additional inputs. Additional data from the CropLife consultant on management of agents, forecasting, and time management were added to the manual book.



Amiran sales agronomist gives product knowledge to agent during training in Choma

2. At least 600 new Community Agents and Sub-agents trained and actively servicing the Smallholder market

- During the quarter, 306 agents were trained by seven firms and are now servicing a smallholder client base of over 12,000

Company	Number of Agents Trained	Region
Cropserve	41	Kabwe
Pannar/Zamseed	40	Eastern Province
Amiran/Zamseed, ATS/Seedco	50	Southern Province
Mana-Agro and Minelands	53	Chongwe

- The total number of agents actively servicing the smallholder market is now is 2,050 with total of 618 new agents recruited in 2010 to date.

3. At least 14 Agricultural input firms integrating ICSP's into their business model

- During the quarter, thirteen agricultural retail companies continued to integrate In-Community Service Providers (ICSPs) in their business models indicated by the level of investment in their agent trainings and monitoring conducted with or without the help of PROFIT.

- 25 in-community agent trainings were done by the firms to prepare the agents for the marketing season.
 - 13 review meetings were conducted during the quarter to draw lessons learnt from their business in the communities. Furthermore, the retail firms use the review meetings as an opportunity to give more product knowledge to the ICSP.
 - Companies continued to expand the agent model. Cropserve for example conducted trainings in Southern, Central and the Copperbelt without the support of PROFIT indicating how much the firm is now adopting the agent model as a its main business strategy.
 - A new firm, Plant Agri-chemicals started its first agent network in Mumbwa with 30 agents and has already indicated interest in expand to Eastern Province and Chongwe District, in which selection of agents has already been done.
 - Pioneer Seed also did its first training of 12 agents in Mkushi and has since expanded its presence in Eastern and Southern Provinces and Mumbwa, and the trainings will be done in the next quarter.
 - The entrance of a number of new firms indicates how much by-in the private sector has in the agent-based business model as a business strategy.
- 4. At least 1,000 new In-Community Service Providers (ICSP) recruited by all firms serving at least 100,000 Smallholders (800 on limited budget)**
- During the quarter, 615 ICSPs were recruited and consequently trained by the firms bringing the total recruited in 2010 to date to 1,177. This quarter 12,025 farmers were serviced by the ICSP. The cumulative number of ICSPs recruited is 3,215. In Southern Province for example, 273 ICSPs were trained and retrained by firms..
- 5. At Least 14 Firms taking on increased ownership of the agent network development and management as measured by investment in trainings, monitoring and incentives (11 on limited budget)**
- During the quarter, 11 companies demonstrated an increase in terms of ownership of the agent network. This was evidenced by the level of investment in conducting agent training with most of them fully funded by the retail firms.
 - 25 in-community agent trainings were done by the firms to prepare the agents for the marketing season and 13 review meetings were done by firms with the agents to review and draw lessons from the previous season and use it as an opportunity to provide updated product information to the agents. Cropserve for example sponsored all of their 15 trainings without the help of PROFIT in the regions.
- 6. At least 10 firms engage in formal relationships with contracts to 80% of the agents**
- Cropserve Kabwe and Mkushi signed 59 contracts with agents this quarter, bringing the annual total to 242 making the cumulative total of agents with formal contracts to 688. So far this year, six firms have engaged in formal relationships with their agents.

7. At least 14 Firms consistently holding promotional events at key times of harvest, growing, cultural festivals, planting.

- During the quarter, 11 firms held promotional meetings and a total of 329 promotional events were conducted as compared to 239 during last quarter. The total number of promotional events held without the support of PROFIT during the reporting period was 209, compared to 120 with PROFIT support.
- A total of 40,738 people last quarter attended the promotional events conducted by the firms and their agents, as compared to 24,546 the previous quarter, bringing the annual total to 79,799.



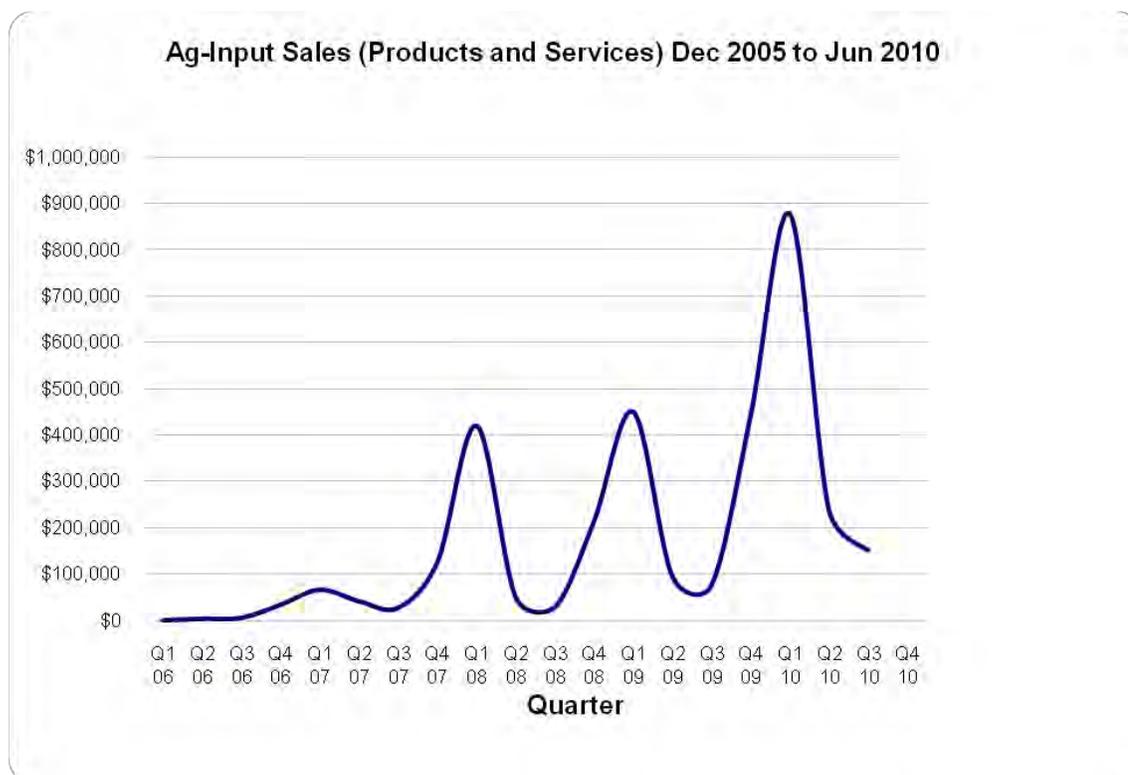
Cropserve staff explains one of the firm's products to the Central Province Minister during an agricultural show in Serenje

Region	Events Held	Attendees
Southern Province	83	27,600
Chongwe	15	520
Mumbwa	74	4,000
Kabwe/Chibombo	33	1,810
Mpongwe/Kapiri	106	3,520
Eastern Province	26	3,260

- During the quarter, the promotional events generated sales of different products and services amounting to over \$40,000 - a 44% increase on last quarter and bringing the annual total to just over \$70,024.
- In Kapiri, Chibombo, Mkushi, Serenje and Kabwe, agricultural retail firms participated in about 15 block and district agricultural shows in which the agents took active roles in marketing themselves and the company products .In all the regions, most of the firms participated in the agriculture shows, adding significant value to the shows. As a direct result, the firms have noticed a higher traffic of farmers interacting with the firms' community agents and visiting their town shops to buys products.
- During the quarter, total sales of agricultural inputs products and services came to \$156,000 compared to \$81,000 for the same reporting period last year representing a 92% increase over the same period last year.
- Among the many reasons for this is that farmers are now buying inputs such as insecticides, fungicides and herbicides early in the season at a time when their cash

flow is good. In terms of chemicals, fungicides and insecticides for gardens were bought by farmers. Additionally post harvest handling chemicals such as grain protectant sales were on the increase during Q3 10 compared to Q3 09.

- Further, farmers purchased agricultural equipment such as boom sprayers, shellers and small tractors via promotions by the firms such as SARO and CAMCO.
- The table below indicate the in-community promotional sales and sales through village agent trends since 2006 to date. Of interest is the doubling of Q3 sales quarter on quarter as this indicates more early sales and an expansion of the productive season for ICSP's.



8. At least 5 Firms establish the initiative of community sales days at peak periods

- During the quarter, five firms (Pannar, Cropserve, Zamseed, Croppack and ATS) set sales days in preparation for the peak period. Pannar Seed in Eastern Province, for example, has established regular sales days in specific areas.
- In Mkushi, Cropserve and ATS already conducted 8 community sales market days with 3,000 farmer attending and buying products, bringing the annual total of community sales days to 91. The continuation of the sales day initiative by the firms and the communities this quarter indicates the importance and of clear set times of sales by firms to the farming communities.

9. Input message guides for herbicides, insecticides and fertilizers developed for all agricultural input product groups being used by all ICSP's across the platform

- Work on the developing of manuals on the use of insecticides, and fertilizers will continue in the next quarter.

10. At least 100 ICSP integrate into the output markets during the marketing peak period

- During the quarter, the process of identifying agents and output market players continued and in the next quarter, meetings will start with the agents and the service providers to prepare for the marketing season.
- For example Export Trading Company (ETC) in Kalomo has started the process of identifying the potential agents that will be able to trade with the farmers in the next quarter.
- Work continued during the quarter to explore the possibility of identifying agents and output market players to sell through the agents, or use them to help influence farmers to sell through ZAMACE-related mechanisms. The very poor prices prevailing in the market, however, deterred most buyers from extending their networks into more remote areas.
- In Kalomo, Export Trading Company has continued to use the agents to sell both basal dress and top dressing fertiliser. The firm is further exploring the possibility of engaging the agents in the maize buying business, and in Katete the same company purchased groundnuts from smallholders as a result of interaction through input sales events.

11. At least 2 firms establish 5 hub agents to deepen their community reach

- During the quarter, several firms have been exploring the options of investing into hub agents who will act as critical distribution points for other agents. Examples of such interventions are beginning to surface: in Mkushi, three hub agents now operate under Cropserve and five firms have established five hub agents in Mumbwa. The firms will continue to explore the lowest-risk methods of using the hub agents.

12. At least 2,000 tons of fertiliser sold directly through the agent network.

- Export Trading reported small sales of fertiliser (\$4,000) through their agent network.

Additional Achievements

- PROFIT facilitated the work of a consultant from CropLife Namibia to conduct a training and interview process for 17 MRI-Agro staff positions related to an aggressive expansion market expansion programme.
- New entrants such as Afrivet, Seedco, Pioneer and Plant Agrichem are all making strong moves to engage the smallholder market providing a competitive environment.



*Left: Plant Agrichem agents after training and contract signing in Chibombo.
Right: Staff from Pioneer gives product knowledge at training in Mkushi*

- There appears to be a shift in smallholder buying patterns towards early purchases when money from crop sales is available. In Mkushi, for example, the agent network generated over \$30,000 of sales of products and services.
- One Cropserve agent in Choma organised pre-paid orders worth over \$2,000, making a commission of \$213 in one month.

Challenges

- A lack of agent management and monitoring systems within the firms remain, creating gaps in the management of the networks.

Activities planned for next quarter

- Work with firms on the initiative of hub agents
- Work with firms on the training and compensation strategies for the sub agents
- Work with firms to create the monitoring and evaluation systems of the ICSP
- Work with firms on the initiative of in-community sales market days
- Work with firms on the strategies of knowledge transfers to the sub agents and farmers

Input Market Pathway: Theme 3

Fostering inter-firm cooperation to address common crop industry issues

Achievements against benchmarks

1. Industry certifies/re-certifies all the current trained SSPs

- 309 SSPs were trained and certified this quarter (the first quarter of the agrochemical “year”) compared to 38 during last quarter. This brings total to 1,154 SSPs certified but awaiting IDs.

2. Industry Standard Certification process clearly defined and accepted by all CropLife members

- During the quarter, CropLife continued to refine the process of certification and recertification. The association bought 10 cameras for all the regions to ensure the identity of all the SSPs are captured during training.

3. Retraining and recertification of at least 80% of the industry trainers

- During the quarter, CropLife Zambia conducted trainings to the industry training of trainers (TOT) both new and old trainers. The trainers were trained in the safe use of chemicals, principles of business, forecasting and agent management. A total of 20 trainers were trained which indicated a 100% achievement.

4. CropLife secretariat take up active role and operational of SSP in trainings, certification, recertification and identification process (at least 1,000 IDs developed for SSPs).

- During the quarter, CropLife continued to take up increased responsibility of the process, as 309 SSPs were trained by the industry trainers. The CropLife Zambia coordinator took time to backstop the work of the trained trainers and offer on-the-job training support.
- Both the old and new SSPs will be issued with new annual identity cards (IDs) for the 2010/2011 season.
- The process for the recertification and issuance of IDs has since will started continue in the next quarter.

5. CropLife develops at least 10 local radio promotional strategies to upgrade the service platform.

- During the quarter, CropLife Zambia made contacts with several radio stations with a view of using the stations to send out promotional messages relating to the safe use of chemicals. Radio Explorer in Petauke is ready to start working with CropLife in disseminating the safe chemical use messages in the next quarter.

6. Work with the Zambian Seed Traders Association to promote hybrid seed and fake seed messages

- During the quarter, work continued to capture and analyse feedback on farmers' reaction to recycled seed and hybrid seed issues, in a process driven by Pannar, MRI and Zamseed.

7. At least 10 local radio stations air hybrid seed promotion messages

- Preparations for the message on fake seed to be started next quarter. The radio stations in the areas targeted have been approached and ready to start.

Additional Achievements

- CropLife Association has continued to engage the Environmental Council of Zambia to identify areas of interest to operate on moving the industry wide based issues. The association met with the Director of ECZ and agreed on further meetings moving forward.
- CropLife continue working with the Zambia Bureau of Standards to try to develop industry standards of agricultural chemical composition. During the quarter and with the facilitation of PROFIT, the association purchased equipment and engaged a consultant to train the staff of Zambia Bureau of Standards in the use of their Gas Chromatography Equipment in order to provide testing services for Crop Life members.
- The association conducted trainings to the members on various issues, agent managements, association building, forecasting and a re-training to the old and new industry trainers. The new executive was privileged to be trained on association building and management and this gave the executive a lot of insight on going forward with CropLife Zambia.

Challenges

- Most firms seem not to be able to distinguish between firm and industry challenges and hence there is a tendency of individualism even when it comes to issues affecting the whole industry.
- Defining a clearly developed testing, certification, and identification process.

Activities planned for next quarter

- Work with CropLife Zambia to further develop the enforcement process which is necessary to police the standards set and give credibility to the standards and their application.
- Continue working with the new CropLife staff to develop capacity and to market CropLife Zambia to members and the public.
- Continue to promote CropLife in the eyes of the farmer users to drive membership and use of the certified trainers through publicity programmes.

Input Market Pathway: Theme 4

Stimulation of mechanized tillage service provision – a critical productivity constraint

Achievements against benchmarks

1) Improved business skills among 40 Mechanised Tillage Service Providers (M-TSPs) to pro-actively deal with early land preparations as measured by number of commercial tillage contracts.

- In May, 19 tractor owners and 20 tractor operators from Central, Southern and Eastern Provinces and falling under the Dunavant/WFP Tractor Lease Scheme were trained and certified in basic tractor operation and maintenance at Natural Resources Development College's School of Engineering in Lusaka in a programme supported by PROFIT and WFP



**39 successful graduates of the basic tractor operations and maintenance course display their certificates at NRDC
Lusaka, May**

- In order to facilitate the transition of the Dunavant equipment lease portfolio to a commercial financial institution, PROFIT assisted the 21 farmers involved to develop cash flow projections and business plans around both their tractor-based and wider farm businesses.

- Two events during the quarter demonstrated that the mechanised service provision model developed by PROFIT is entering the „mainstream’ of smallholder development. A well-attended and high profile CFU field day based on ripper demonstration and modelling was held in Chisamba in June and an official „launch’ of the WFP/Dunavant Tractor Lease Scheme was held in Lusaka in May, attended by Hon Machila, Minister for Livestock and Fisheries, Pablo Ricalde, the Country Director for WFP and the USAID Mission Director, Melissa Williams.



Left: Rippers under trial at the CFU Ripping Field Day in Chibombo.

Right: USAID Mission Director speaking at the official launch of the WFP/Dunavant Tractor Lease Scheme

2) Contract models developed and in use along with prepayment concepts for TSPs

- Only 38ha of ripping was undertaken during the quarter as TSPs focused on cotton haulage contracts
- One TSP in Chongwe has signed contracts with clients for 120ha of ripping services to commence in the next quarter.
- M-TSPs from across the country promoted their services at district and block shows in order to generate business in the coming quarter.

3) At least 20 new two tine rippers purchased by TSPs

- There were ten new rippers purchased and distributed during the quarter as part of the WFP/Dunavant Tractor Lease Scheme, bringing the total number of rippers available to TSPs to 34.

4) At least one tractor Service Company supporting tractor operators providing commercial services and equipment.

- As well as managing the maintenance contracts for the 20 tractors under the Dunavant Tractor Lease Scheme, Tractorzam has continued to maintain



*A female TSP, Angela Malambo, receives a tractor under the Dunavant/WFP Tractor Lease Scheme in a ceremony graced by the Choma District Commissioner.
Choma, June*

strong support to the development of the mechanised service provision model.

- Saro Engineering has also shown a strong interest and, together with Tractorzam, supported the Tractor Operators Course in Lusaka in May.

5) Improved business skills among at least 400 Draft D-TSPs to pro-actively deal with early land preparations as measured by number of commercial tillage contracts.

- In this quarter under review, no significant amount of tillage services in form of ripping were provided by the M-TSPs and no ripping services provided by Ox-TSPs as farmers are occupied by maize harvesting, transportation and output marketing issues.
- Only 38ha have so far been ripped this quarter with 22 farmer clients receiving the service and to-date, a cumulative total of 4,946ha has been ripped. This area has been serviced by 1,030 ox-TSPs and 26 M-TSPs under early land preparation ripping service contracts in both cotton and non-cotton sectors. From the tillage services, currently TSPs have made sales worth US\$159,645 including US\$1,700 for this quarter.

Tillage Service Provision Indicator	Total
Number of Ox TSPs	1,030
Number of Tractor TSPs	45
Hectares ripped by Ox TSPs	2,291
Hectares ripped by Tractor TSPs	2,655
Approximate Value of Tillage Services	\$159,645

6) At least 1000 new Magoye rippers sold through Commercial channels

- 45 rippers were sold bringing the total to over 1,400 sold this year.

Challenges

- In most areas of operation ripping services has not started yet because farmers are still looking for market of their produce to raise money for paying for the service
- Levels of financial literacy and record keeping are generally very low making application of commercial finance difficult.

Activities planned for next quarter

- To monitor those M-TSPs that have acquired tractor leases both on farmer impact and loan management view points.
- To organize cash flow projections and financial information for 10 potential M-TSPs identified by CFU under an initiative funded by WFP, and also for the 12 potential TSPs seeking to access commercial equipment leases from Afgri in an initiative facilitated by PROFIT, IFC and CFU.
- To organize cash flow projections and financial information for 26 Ox-TSPs that obtained oxen on loan from Dunavant.

Cotton Industry Development pathway: Theme 1

Fostering professional supply chain management in the cotton sector

Achievements against benchmarks

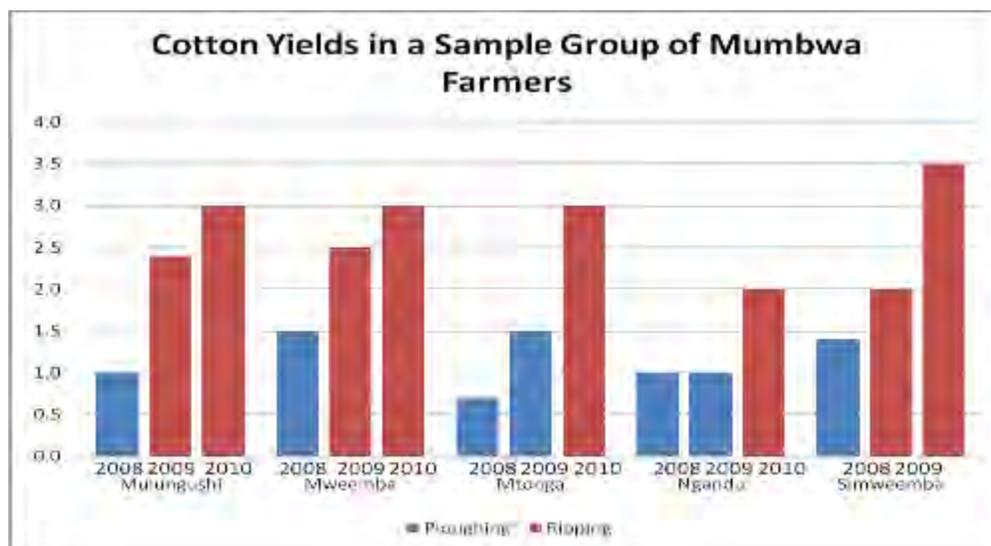
- 1. At least 1,000 qualified and active spray service providers serving the cotton industry**
 - No contracted spraying took place over the reporting period and no further spray service providers were recruited.
 - The total number of spray service providers active during the year was 861, with a client base of over 4,000 farmers and a similar number of hectares.
 - While the spray service platform is fully incorporated into the Dunavant YIELD extension programme, Cargill is seeking to establish greater contracting activity prior to the start of the 2010-2011 season, and the Chipata Cotton Company has also approached PROFIT with a view to developing spray service capacity within its own production network.
 - In Eastern Province, a number of the more pro-active cotton SSPs have started diversifying their activities to include cattle spraying, vet drug sales and horticultural chemical application.

- 2. At least 400 trained and active tillage service providers serving the industry**
 - During the first quarter of the year, there were almost 700 ox-based tillage service providers and 19 tractor-based service providers active in the cotton sector.
 - No further ox-based TSPs have been recruited during the reporting quarter, but Dunavant and Cargill are both looking at increasing the number during the next quarter and Cargill has already started identifying potential TSPs for training by PROFIT and CFU during the next quarter.
 - Ten more tractors were issued on lease by Dunavant to leading distributors during the quarter, but with pressure to provide haulage services to Dunavant during this busy cotton marketing period, recorded area ripped in 2010 has been very limited.

- 3. Access by at least 10 tractor owning farmers affiliated to cotton companies to appropriate ripping equipment for the contracting of minimum tillage services**
 - Dunavant provided access to mechanical rippers by six service providers with existing tractors during the first quarter, and have since issued 20 tractors and rippers out to distributors to bring the total number of mechanised rippers in the cotton sector to 26
 - Many of the tractor owners were active during the quarter promoting their services at the range of block and district shows held around the various provinces.

4. At least 5,000 ha of early minimum tillage land preparation for cotton production undertaken prior to the start of the 2010 agricultural season

- It is estimated that only 30ha of cotton lands were ripped during the reporting quarter, bringing the total of lands ripped during this year to approximately 1,900ha
- The graph below shows, within a group of Mumbwa farmers with a record of ripping, the yield improvements that ripping can bring to a cotton crop in relation to conventional ploughing:



5. Access by at least five farmers affiliated to cotton companies to financed tractors for the facilitation of ripping and haulage services

- During the first quarter of the year, Dunavant issued ten 45hp tractor units and rippers to selected distributors in Eastern, Southern and Central Provinces on a loan basis, from the company's own balance sheet.
- A further ten distributors from the same regions were issued with tractors and rippers during the reporting quarter, in conjunction with the World Food Programme Purchase for Progress (P4P) Programme, which is providing the funding to Dunavant as part of an innovative partnership between the two organisations brokered by PROFIT.
- Four financial institutions are now interested in financing the existing tractor lease portfolio and expanding it within the Dunavant network, representing a major breakthrough in financial access by emergent farmers.
- In May, WFP and Dunavant held a high-profile public launch, officiated by the Minister of Livestock Hon Machila, during which a tractor was handed over to one of the two female service providers.

6. Roll-out of some form of electronic payment system for cotton farmers

- During the quarter, Mobile Transactions, PROFIT and Dunavant piloted an electronic cotton payment system in Eastern Province. The pilot took two different forms, the first one being the recruitment of farmers for direct payment into a „1-Account' held on their

personal mobile phone. 200 farmers volunteered to trial this form of payment, and by the end of the quarter, payments had been made, and farmers were being encouraged to transact from this „wallet’ with some of the schools and agricultural retail outlets engaged by Mobile Transactions.

- On a larger scale, efforts were made to pay farmers through Dunavant buyers actually being Mobile Transactions agents, able to electronically capture crop receipt information in the field and pay out from the Mobile Transactions system. Unfortunately, the system only allowed payment 24 hours after crop receipt information had been submitted, which was deemed an unacceptable delay considering the extreme competitive nature of the cotton marketing in the area and at the end of the reporting period the pilot had been shelved.
- Despite this set-back, the initiative made some good headway. The Katete and Chipata Mobile Transactions agent network was expanded to include six independent pay-points –including agricultural retail outlets - at which farmers could receive their cotton payments and also „bank’ money and also many of the Dunavant sheds became agencies.

Additional Achievements

- PROFIT continues to assist Dunavant explore ways of utilising the production network to take advantage of carbon market initiatives, and currently two schemes involving integrating agro-forestry systems using Faidherbia Acacia and a mass roll-out of a wood-based low-energy cookstove project are under review.

Challenges

- An issue under review by Dunavant and PROFIT is the low level of adoption of the spray service platform despite its cost-effectiveness and yield benefits. One possible constraint is the lack of protective clothing for spray service providers making them unwilling to extend the services.
- Competition for a limited volume of cotton (forecasted at 70,000t) among the various industry players is intense, despite the installation of the Cotton Board with apparent powers to regulate the industry and punish pirate buyers. Again this danger limits the willingness of companies to invest in services to their production base.

Activities planned for next quarter

- PROFIT will assist cotton companies to ramp up minimum tillage service provision through both ox and tractor TSPs and assist the TSPs themselves to promote their services
- PROFIT will provide technical assistance to the Dunavant tractor lessees as they begin implementing the service business plans that they developed in conjunction with PROFIT during the reporting quarter.

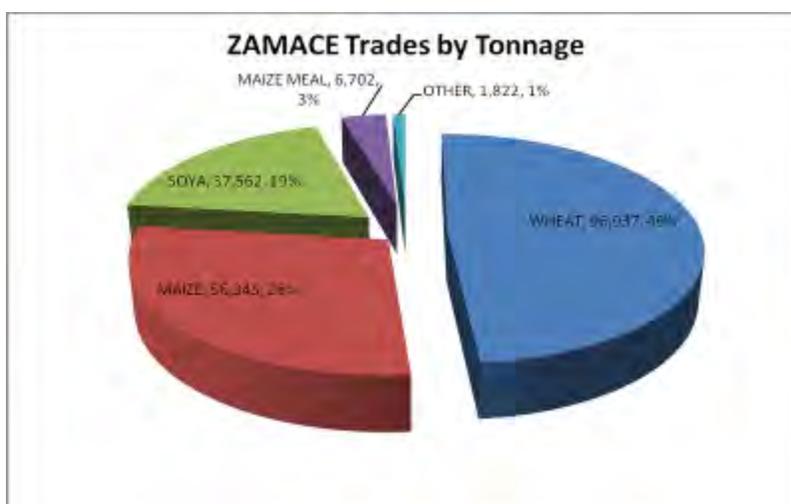
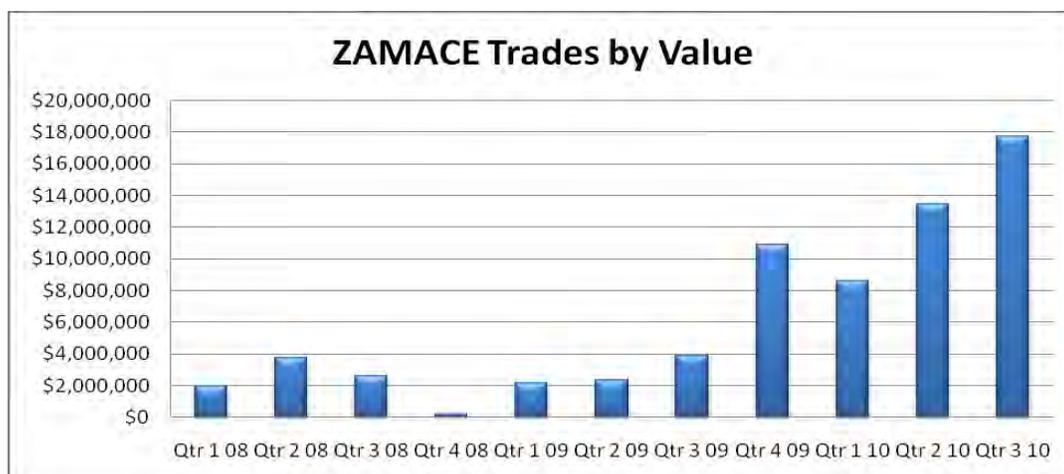
Output market pathway: Theme 1

Supporting ZAMACE to maturity by enhancing its position in the agricultural commodities market

Achievements against benchmarks

1. At least \$50m of trades completed on ZAMACE, effecting a significant move towards self-sustainability

- During the quarter, 58 trades in 54,000t of commodities worth \$17.8m were recorded across the Exchange. This represents a 350% increase on Q3 sales in 2009 and a 32% increase on the previous quarter. The cumulative total of traded value in 2010 stands at almost \$40m.
- The revenue generated from trading activity alone during the quarter was \$36,000, and as a result, the core functions of ZAMACE, i.e. the trading platform and laboratory, are now operating at a breakeven level.



2. Establishment of an active clearing and settlement mechanism enhancing the integrity of the Exchange completed

- During the quarter, negotiations proceeded between Standard Chartered Bank and African Trade Insurance towards the design of an insurance-backed trade guarantee facility. It is hoped that the product will be available for launch within July 2010.

3. A comprehensive and fully compatible set of Rules and Regulations, approved by the Securities and Exchange Commission developed.

- This process was completed during the first quarter of the year.

4. Progress made towards regulation of ZAMACE by the Securities and Exchange Commission as evidenced by engagement of SEC in the process

- The terms of reference for a PROFIT consultant to engage in this process were finalised at the beginning of the quarter, and an international consultant selected. However, due to the cost of the exercise, PROFIT is awaiting details of the proposed cost-share with SEC before formally engaging the consultant.

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

- Due to the size of the 2010 harvest (estimated at 2.8m tons of maize), international marketing constraints and the low likelihood of an upswing in prices towards the end of the year, there are few incentives for traders to finance and store crop. Therefore, despite an increased interest in commodity financing by the major banks, it is unlikely that any warehouse receipt financing will take place this season.
- ZAMACE is working with a small Italian micro-finance institution (CELIMI) with EU funding interested in discounting stock in small certified warehouses in Southern Province during the marketing season.

Additional Achievements

- PROFIT is brokering a strategic partnership between ZAMACE and BADEX, a new bonds and derivatives Exchange being established in Zambia, to enable the development and trade in agricultural derivative products.

Challenges

- There were very few actual trades on ZAMACE during the quarter, with the vast majority of trade activity being through *registration of contracts* by brokers trading off-exchange. While trade registration (whereby brokers record deals done off the Exchange and pay a registration fee) is beneficial from an income-generating angle, registered trades are not made through the price discovery and transparency that on-exchange trading permits and the disproportionate level of registered trade is an area of weakness.
- The establishment of a guaranteed settlement process, that it is hoped will stimulate the placement of bids and offers on the Exchange, is taking longer than anticipated.

- A high profile arbitration case, lodged in April, was still pending by the end of the quarter, and needs swift and decisive resolution in order to demonstrate ZAMACE's market advantage in the case of contract default.
- Regulation of ZAMACE by SEC is deemed important by the commercial banking sector as a prerequisite for greater involvement in the Exchange, and yet the pace at which SEC is moving on legislation to accommodate regulation is slow.

Activities planned for next quarter

- ZAMACE will undertake a brainstorming exercise with its members to discuss issues of utilisation and sustainability, particularly given the low level of utilisation during June 2010, in order to determine a way forwards that does not involve PROFIT funding.
- Engagement of a consultant to assist the Securities and Exchange Commission to draft a Commodities Act
- Completion of the settlement bank and guarantee system will be followed by an intensive marketing drive to commercial farmers and major buyers to promote the value-addition to the services of the Exchange

Output market pathway: Theme 2

Broadening and deepening the benefits of ZAMACE by fostering the engagement of the smallholder sector

Achievements against benchmarks

- 1. At least five district-level warehouses offering ZAMACE-based aggregation and sale services certified by ZAMACE**
 - During the quarter, Afgri completed its application for four ZAMACE-certified public warehouses (Lusaka, Mkushi, Choma and Kabwe), and two warehouses, operated by Moomba Enterprises in Kalomo and Monze, have been certified. COMACO, with warehouses in Lundazi and Nyimba, have also applied for certification which should be completed early in the next quarter. This brings warehouses certified to 6 year to date.
- 2. At least 5,000 tons of smallholder crop transacted across the ZAMACE trading floor with measureable benefits reaching the original seller**
 - There was no smallholder crop marketed across ZAMACE during the quarter
 - However, ZAMACE and its partners (PROFIT and WFP) were active during the quarter sensitising farming communities on the benefits of using ZAMACE, or at least ZAMACE certified warehouse facilities to obtain a quality and quantity certification. It is presumed that, in a year of significant commodity over-supply and thus a strong buyers' market, a premium will be attracted to an aggregated, accessible and quality/quantity-assured smallholder product.

- In Southern Province, the ZAMACE team has identified over ten field-level aggregation points [FLA's] (NGO groups, MACO cooperatives and other farmer groups) which will serve as points for onward transmission of cleaned, bagged and weighed product to the ZAMACE district warehouses. The farmers have been trained in quality assurance, and are in the process of obtaining the appropriate cleaning and weighing equipment.
- Some of these groups are among the participants in a trial programme, facilitated by PROFIT, financed by WFP and managed by ZAMACE, of putting mechanical shellers out into the smallholder production areas to test the business model attached to commercial shelling service provision. Mechanical shelling costs approximately the same as hand shelling, but is significantly faster and produces a much cleaner, less broken product. Approximately 10,000 kg of maize can be processed in a day, generating a net daily income of \$64 per unit.



**A mechanised sheller at work in Mkushi
June 2010**

Challenges

- The major threat to smallholder participation in ZAMACE-related marketing mechanisms is the activity of the Food Reserve Agency. While the agency has proposed a purchase of 300,000t this season, this represents only around a third of the estimated smallholder crop available for marketing. However, the Agency has offered a price of K65,000 a bag (roughly 30% over Lusaka „market price’ by the end of the quarter and significantly more in the districts) which will deter smallholders from entering marketing channels that pay less. The level of market distortion and its impact has yet to be determined.

Activities planned for next quarter

- ZAMACE and its partners will continue to work with all levels in the chain – the district warehouses, lower level aggregation points and farmers to stimulate a flow of quality product into the district warehouses.

Vet Services and Beef Industry Pathway: Theme 1

Improving participatory government oversight as a key to Private Vet services provision

Achievements against Benchmarks

1. At least 3 stakeholder meetings held

- Five stakeholder meetings had been held in the first two quarters, and a further two were held this quarter:
 - In May, there was a meeting at the Livestock Provincial Veterinary Office in Lusaka to present the finalized reviewed Acts to the stakeholders, including getting their final comments from them to broaden its content. To date a total of 3 legislative review meetings have been conducted.
 - In June, in Choma there was a meeting to brainstorm and agree on the location and the business model of the Livestock Service Centres in Kalomo and Namwala districts of Southern Province. In addition, the meeting provided the platform to promote the commercialization of the service centres among the local Ministry of Livestock and Fisheries officials, cattle buyers, farmers and business people

2. Three Acts/Amendments completed and submissions made to stakeholders and ministry personnel.

- This quarter saw the final revision and submission of the three Acts (the Animal Health Act, the Para-vet and Professional Act and the Brand and Identification Act) to Ministry of Justice and subsequently to first reading in Parliament. PROFIT facilitated the legislative process by providing resources to hire expert legal staff to help and guide the Ministry in the drafting of the three acts and contribution toward stakeholders meeting logistics.

3. Clear cattle movement requirements established and implemented

- During the previous quarter, clear cattle movement requirements were established and implemented by the Ministry of Livestock.
- Apart from the identification of potential sites there has been little progress on the establishment of the livestock service centres (LSCs). The slow progress was partly as a result of the Ministry of Livestock and Fisheries not giving clear guidelines on the business model to be adopted for the ownership of the LSCs. Additionally, some of the locations for the LSCs have not yet been agreed upon, hence not possible for work to get started in those areas. However, PROFIT has started the procurement of building

materials for the first pilot centre in Mumbwa (from the six centres to be funded as pilot projects by PROFIT) and construction should start in the next month

Challenges

- The development of LSCs is being constrained while the issues of ownership are finalised.

Activities planned for next quarter

- Procure materials for the livestock service centres that are being piloted by PROFIT
- Facilitate the construction of livestock service centres in the designated sites
- Conduct business trainings to the potential owners of the livestock service centres
- Facilitate the holding of livestock centre stakeholder meetings

Vet Services and Beef Industry Pathway: Theme 2

Fostering Market Output linkages

Achievements against benchmarks

1) At least ZK1billion worth of cattle bought through centralized community buying centres:

- The model of centralised in-community buying is slowly beginning to gather momentum in Southern Province. Smallholder farmers are now getting greater and more transparent value for their animals through the in community buying centres managed by buyers' agents.
- During the quarter under review, a total of 2,838 cattle worth \$750,000 were bought by Dayow Beef and Kalomo Abattoir in Southern Province through a network of seven agents to organise and aggregate sales in selected communities, for which the agents are paid \$10/head commission. The total commission paid out to agents equates to \$28,000
- In Chongwe a total of 10 animals worth \$3,200 were bought by Best Beef, through centralised community buying centres.
- The total of quarterly sales is therefore approximately \$753,200 or *K3.8bn*

2) At least 6 community sale yards established

- There has been little progress in the establishment of the community sale yards that will be located at the livestock service centres, apart from the identification of sites that was completed in the previous quarter.. The identified sites are as follows Kapandwe and Muyama in Kabwe, Nalubanda and Shibuyunji in Mumbwa and Maala and Kalomo in Southern Province. Procurement of building materials has since begun.
- Nine sale yards have thus been identified.

3) At least 50 farmers improving their cattle management by either accessing feeding, A.I services or buying improved bulls for herd improvement.

- Last quarter, ten cattle farmers accessed AI services, with no further reports of such purchases this quarter.
- A total of 50 farmers in Central Province have participated in the making of silage with a total of 5 tons of silage made. In Kabwe, Mpima Dairy Cooperative has even gone a step further by procuring their own chopping machine for hay and silage making



***A Kabwe farmer at his silage pit
June 10***

4) At least 4 buyers actively buying cattle from Smallholder community sale yards

- During the quarter under review work has continued to work with 6 cattle output market firms (Majoru, Luscold, Zamzam, Best Beef, Dayow and Kalomo Abattoir) to facilitate the formal integration of the smallholder cattle marketing and producer trainings.
- Kalomo Abattoir and Dayow Beef managed to buy cattle from Farmers through the community centralised buying point and are training and providing information to the cattle farmers by incorporating the Abattoir Association of Zambia

Challenges

- Centralised cattle buying is still a very difficult concept to sell as the buyer thrive on the non- availability of transparent market mechanisms such as scales, quality standards and asymmetric market information.

Activities planned for next quarter

- Scale up centralised cattle buying in Southern Province where the concept seems to be gaining ground by working with the firms to roll out trainings and market awareness.

Vet Services and Beef Industry Pathway: Theme 3

Scaling up of vet service provision

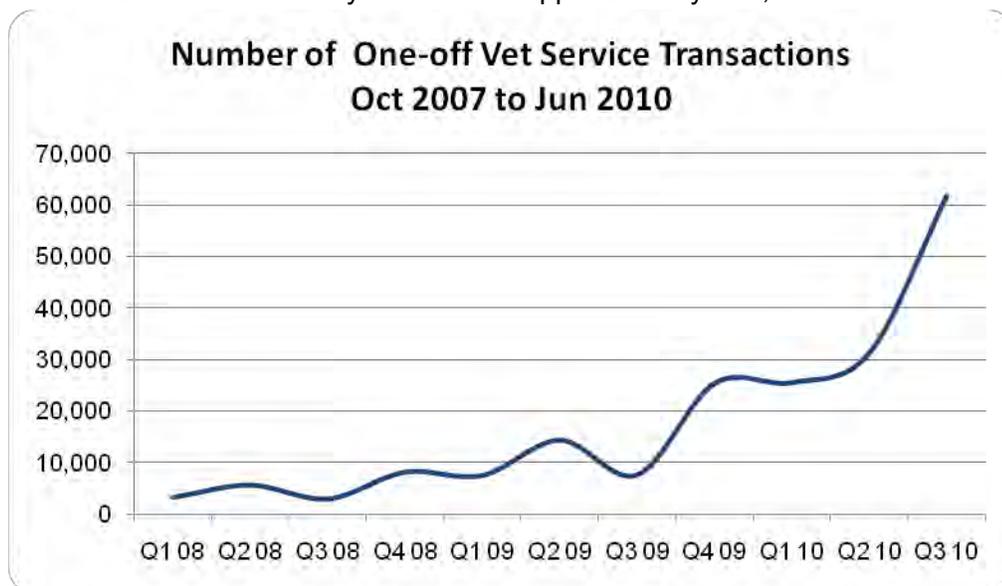
Achievements against benchmarks

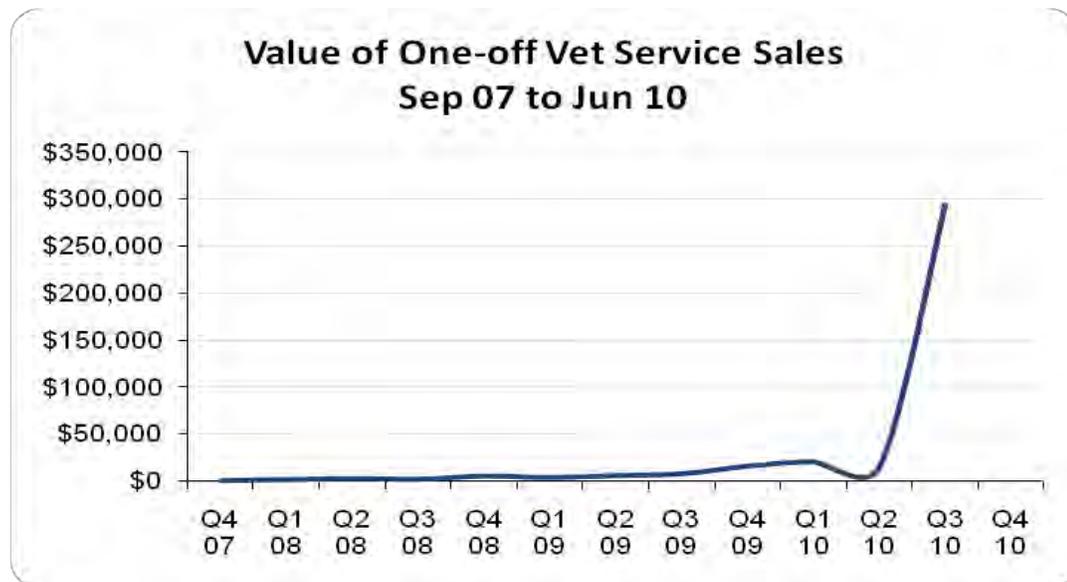
1) At least 25 HHP contracts with a total of 8,000 head of cattle signed.

- Four contracts covering just over 1,100 cattle have been completed this year.
- There is a strong shift in market behaviour towards one-off transactions

2) At least 50,000 livestock transactions of one off services take place

- This quarter a total of 61,770 one-off transactions, including vaccinations, de-worming and dipping services, were accessed by farmers with a total value of almost \$300,000
- Cumulative transactions for the year stand at approximately 119,000.





- The significant improvement in sales can be attributed to better data capture and the active engagement of new partners, such as the abattoirs in service provision.
- During the quarter there has been an increase in the value of drug sales to cattle communities. A total sale value of \$66,000 was made by both vet service and agricultural retail firms over the quarter.
- Of this value, about 10% of it was paid to agents by different service providers as commission.
- The growth in the sale of drugs can be attributed to an increase of access points through the increase of agents and also service points such as spray races and also the introduction of an abattoir working in Kalomo and Choma which requires that all farmers selling their animals to the abattoir should ensure their animals access basic animal health services.

Mobile Spray Races: A Rapid Success Story

Zambia has the highest cattle disease prevalence in the Southern African region, with the majority of mortality caused by tick borne diseases resulting from a poor tick control regime. In an initiative to compensate for the chronic lack of dipping infrastructure in Zambia's main cattle areas, in 2008 PROFIT designed a spray race capable of being easily dismantled and moved between cattle aggregation points by a veterinary service provider.

The prototype mobile spray race was built in 2009 by a local fabricator, and is capable of being dismantled in 15 minutes and portable on a pickup. PROFIT commissioned five spray races to place in strategic areas to test the business model around the equipment.

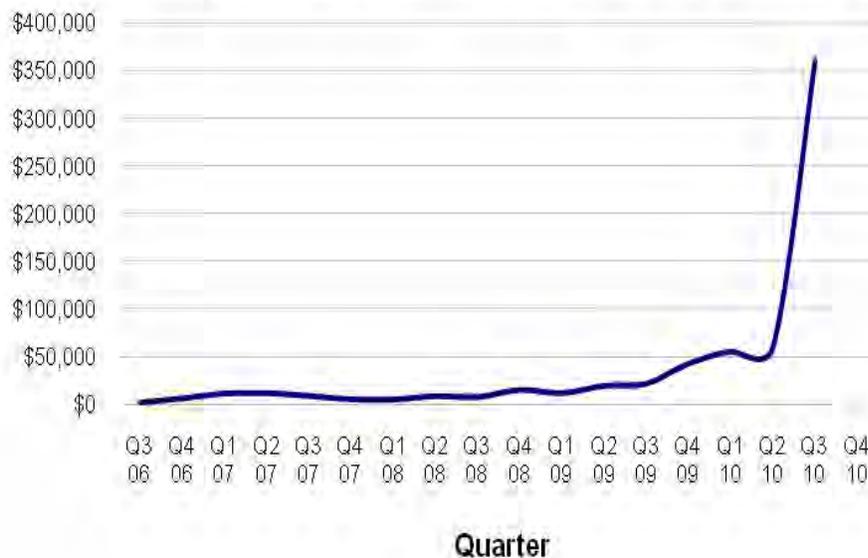
The prototype model was „launched' in Namwala in the second quarter of 2009, and the event was immediately followed by two private purchases and a government donation.

More interestingly, within weeks, local fabricators in Southern Province had replicated the design and by the end of the third quarter, another seven spray races had been built, commissioned and utilised for private herd dipping and commercial spray services

Currently over 5,500 cattle per week are being run through the races, with many more expected once full commissioning takes place, representing a dramatic increase in disease prevention through commercial means.

- In addition, the farmers are getting more vet products as a result of the increase in promotional activities by vet retail firms and agents.
- The total vet products and services sales during the quarter were worth \$360,000 compared to \$21,000 worth of sales during the same quarter of last year.

Sales of Private Vets Services/Products Apr 2006 to Jun 2010 (US\$)



3) At least 200 Agents and 200 SSP trained in vet service applications

- A total of 20 agents and 20 SSPs were trained during the quarter in Katete and Chipata, bringing the annual total to 65 agents and 55 SSPs trained in livestock spraying.

4) At least 2 new vet service providers identified

- Afrivet, a large commercial veterinary supplier based in Lusaka has now changed its business model to focus on the smallholder market and is making substantial investments in developing a retail and service network in Southern Province.
- The cumulative annual total is now three firms.

5) At least 2 new strategic alliances finalized

- No further progress was made in terms of strategic alliances this quarter but two alliances were established in the first quarter

Challenges

- The financial and business capacity of the vet firms still remains a big challenge in terms of scaling up service provision

Activities planned for next quarter

- Focus on helping vet firms to take ownership of the agent network
- Implementation of the mobile spray race initiative

Dairy Industry Pathway: Theme 1

Improving Inter-firm cooperation – strengthening commercial relationships

Achievements against benchmarks

1. At least 4 new formal or informal alliances/ partnerships between private sector companies established

- The three alliances active in the first quarter (Hygrotech and processing partners, Olympic Milling and Fishenge milk collection centre and Olympic and Parmalat) were all still active during the quarter.
- In a new development, PROFIT is emphasising to financial institutions providing loans to dairy farmers, the importance of ongoing collaboration with vets and processors when approving these loans, especially as this is first time that such loans are being processed. The key objective for the bank should be risk management through tighter a client relationship which can facilitated by professional input from the veterinarian.
- The completion over the quarter of four new private sector/ processor-initiated MCC's on the Copperbelt (Nice Products – Misundu in Southern Province, Parmalat – Silwili in Central Province, Zammilk – Lateta in Chibombo and Kaposhi – Kanakantapa in Chongwe) will provide additional opportunities for inter firm cooperation as each processor has indicated a willingness to engage other service providers to work with farmers supplying these centres to increase output and productivity. As these centres begin to receive milk in the next quarter, PROFIT will encourage dialogue between interested parties with the objective of creating informal alliances conducive to increased milk production.
- Olympic Milling in Ndola has agreed to a monthly contribution towards the salary of the Parmalat Copperbelt extension officer. In return the extension officer will promote the benefits of Olympic milling feed to Parmalat's dairy clients that he visits on a routine basis.



*The new Zambeef MCC in Lateta, Chibombo
June 10*

2. A new loans facility for dairy farmers in place by end of fiscal year. This facility will be for either capital or production loans.

- FINCA disbursed its first loans to dairy farmers during the last quarter. A total of 5 farmers received loans to a total value of \$7,000 for the purpose of procuring dairy animals. This is still a pilot programme and access to finance is seen as a limitation to growth for dairy farmers.
- Seven other dairy farmer loan applications are in advanced stages of assessment and will most likely be approved in the next quarter.
- Development Bank of Zambia is hoping to release funds from its agricultural lending programme to up to three financial institutions in the next quarter which will specifically target lending to the dairy farmers.
- ZANACO continues to promote its Emergent Farmer Facility to dairy farmers and is collaborating with the ZNFU to identify suitable loan candidates. In June of the last quarter ZANACO initiated a monitoring and evaluation programme, whereby a vet was contracted by ZNFU to make farm visits of loan recipients to ensure best husbandry practises are being followed. Early identification by a veterinary professional of potential management shortfalls is hoped will help minimise problems that could affect ability of the farmer to repay the loan on time. In addition to making the farm visit the vet carried basic one day training sessions in the Lusaka area. This program will be extended to cover other parts of the country during the next quarter and will include beef farmers who have received loans.



***Palabana dairy farmers being trained by a commercial vet as part of ZANACO/ZNFU's Emergent Farmer Programme
June 10***

3. At least 10 collaborative promotional private sector organized events

- Hygrotech held its quarterly field based promotional activity in Southern Province in June. This consisted of a series of seminars aimed at promoting the benefits of improved pastures to commercial and emerging beef and dairy farmers along the line of rail from Livingstone to Mazabuka. Hygrotech actively involves industry partners in these events; primarily Parmalat and Zambia Fertilisers. This is third such promotional event organised by Hygrotech. It was also an opportunity for the company to promote its mobile chaff cutter which was purchased with PROFIT support. Hygrotech regards as key the ability of commercial livestock and dairy farmers to process forage for the long dry season.

The machine is being used to stimulate/promote demand for pasture seed in the planting season later this year. Farmers purchasing Hygrotech seed will in return have access to the chopping machine to process their pasture crop into forage.



A Hygrotech-sponsored fodder crop trial plot at Magoye MCC Mazabuka, April 10

- Fens Investments continued to display its spray races at public events such as Mkushi District Show and Ndola Trade Fair in the month of June, attracting interest from commercial farmers and the Ministry of Livestock.
- The cumulative number of collaborative promotional events now stands at nine.

Challenges

- Alliances are based on trust and building these trust based relationships in the commercial sector takes time.

Activities planned for next quarter

- PROFIT will continue to promote dialogue and strengthen commercial linkages between companies working in the dairy sector.

Dairy Industry Pathway: Theme 2

Stimulate the development of industry-critical support markets

Achievements against benchmarks

- 1. An increase in productivity per small holder dairy cow of at least 5 % over 2008/09 levels**
 - PROFIT M&E carried out an annual survey in Q3 to establish progress under this benchmark for reporting at the end of the year
- 2. An increase in profitability per small holder dairy cow of at least 5 % over 2008/09 levels**
 - PROFIT M&E carried out an annual survey in Q3 to establish progress under this benchmark for reporting at the end of the year

3. At least 1,800 dairy animals accessing dairy herd health programs

- 604 animals are still registered on advance payment HHP programmes
- Although HHP is a difficult product to „sell’ dairy farmers do continue to access one-off services from service providers in the form of routine vaccinations, spray races or routine pay-as-you-go visits from individuals providing vet or VA services.
- In the last quarter the Mapepe, Kayuni and Ngwezi spray races had over 8,000 animals sprayed, for a fee of K1,000 kwacha per animal sprayed.

4. At least 2,000 farmers continuing to be trained in dairy herd health and productivity

- In the quarter 780 farmers (457 men and 323 women) attended various training sessions covering a wide variety of topics including dairy herd health, pasture management and good dairy hygiene practises. The majority of these training sessions were organised by private sector service providers
- This brings the annual total to 2,322 farmers trained.

5. At least 90 farmer training sessions organized by private sector input/service providers

- In the quarter numerous training sessions were organized by private sector service providers including sessions organised on an ongoing basis by the processor’s extension officers (in excess of 20 separate training activities) The majority of these sessions now occur without any specific involvement or input from PROFIT staff.
- The recorded number of training sessions now stands at over 80

Additional Achievements

- All four dairy extension officers initially sponsored by PROFIT have continued to be employed without direct financial support by PROFIT. The presence of these employees continues to facilitate direct engagement between the processors and their emerging commercial farmer clients. The Zammilk officer has continued to be very active in the establishment of Zammilk’s second MCC 40 kms north of Lusaka.
- Despite early commercial challenges, Leliosa will continue to support its vet on the Copperbelt. Business and numbers of new enquiries for consultations are growing and it is hoped that there will be a sufficient volume of business to cover costs by the end of the next quarter.
- Two vets actively involved in the herd health programme for dairy clients in Southern province have received and commenced building of mobile spray race units. It is anticipated that both of these units will be operational early in the next quarter. Both vets are confident that the spray race units offer an excellent platform for delivery of regular vet services.
- Mapepe MCC spray race, 25 kms south of Lusaka, continues to operate successfully with approximately 100 animals dipped weekly at a charge of K1,000 per head.
- The spray race managed by the Kaiuni dairy group near Monze - made up of 29 women dairy farmers members- continues to operate well with approximately 200 -300 animals per week at a charge of K1,000 per head.

Activities planned for next quarter

- Promote dry stover feeding as a source of roughage in the dry months
- Open silage pits and promote this as a critical for productivity enhancement during dry months
- Promote spray races as aggregation points for vet services
- Continue to encourage processor field extension officers to liaise with input suppliers to provide productivity enhancing goods and services

Dairy Industry Pathway: Theme 3

Improving output markets by developing and enforcing process standards

Achievements against benchmarks

1. At least 4 of the existing processors will continue to engage in improving and /or value added processing and production of dairy products.

- A study tour to South Africa was conducted with six members of the Zambian dairy industry, visiting five small to medium sized processors, one industry input supplier and one independent laboratory. The purpose of the tour was to allow the various processors to gain an understanding of where they currently sit with regard to international standards and what is required by them to raise their level of quality within the Zambian market.
- Dairy King successfully launched its new drinking yogurt product which has been well received in the market place and daily sales currently exceed 350 litres. Its new shrunk wrap label gives it a distinctive imported look which has helped open doors to new markets.



*The new Dairy King yoghurt product
on the shelves
June 10*

2. At least 50 technical staff trained in GMP in the processing plants

- ZABS conducted a follow up training at Galaunia Farms milk processing plant. 10 process workers attended the training which focused on procedures and documentation
- The cumulative total number of staff trained is now 75

3. One independent laboratory commissions dairy testing service

- Vetlab received the first consignment of milk testing equipment and is now awaiting the completion of the new premises prior to installation and commissioning.
- The feed analyses equipment has been procured with the support of the Danish Embassy sponsored Business to Business programme which comes with training, mentoring and business development skills.

4. 10 merchandisers trained in more effective merchandising

- There has been no development in this area due to the merchandising trainer falling ill

5. At least 10 MCC/farmer organisations receiving raw milk hygiene and quality trainings from ZABS.

- During the month of June, Food Safety Training was conducted at six Milk Collection Centres in the Copperbelt and Southern Province. Fisenge, Kwashama, Mutende, Magoye, Choma and Kalomo MCCs were involved with approx 120 farmers attending the training.

6. At least 2 processors engaged in developing HACCP training programs.

- After much deliberation it has been decided that rather than waiting for the various institutions to assist processors in the training and implementation of HACCP, it would be faster to bring in an independent lecturer to train and work with the processors in their respective plants next quarter.

7. At least one milk product /package promoted using private sector sponsorship

- This initiative continues to gain momentum with the proposed introduction of a pilot school milk program. Funding may now be available from SIDA to supply school milk to up 15,000 primary school children for an initial trial period of one school year commencing January 2011. Discussions on logistics are ongoing but will be completed by September this year. Several players are involved in the implementation of this program including WFP, Tetrapak Ministry of Livestock, Ministry of Health, Ministry of Education and local milk processors)
- Additional sponsorship for the programme is still being sought which will allow an extended project time frame or additional children to join the programme.
- The potential to sell advertising space with information messages on the cartons panels as a source of revenue could be of interest to NGOs and donor agencies

Additional Achievements

- ZDPA continued its amalgamation with the Dairy Association of ZNFU. The amalgamation of these two bodies will now form the Dairy Association of Zambia and shall encompass all players within the dairy sector - producers, processors and input suppliers. The transition should be finalised in the next quarter.

- Six people from the Zambian dairy sector attended the 2010 ESADA conference in Kigali in May.

Challenges

- Long distances and remote locations hamper the progress of new innovations.
- ZESCOs rural electrification scheme is astonishingly slow causing delays in the simplest of projects.
- Agritrace failed to bring the correct parts for 50% of the analyzers. They will return during the next quarter to complete the task.

Activities planned for next quarter

- Continued support in the integration of the two industry associations into DAZ.
- Assess the feasibility and possible promotion of a milk marketing bureau.
- Assess the feasibility of establishing a new raw milk recording system, using an electronic weighing system that is linked to a milk analyzer. This unit then downloads the information onto a smart credit card that will become a debit card system for the farmer.

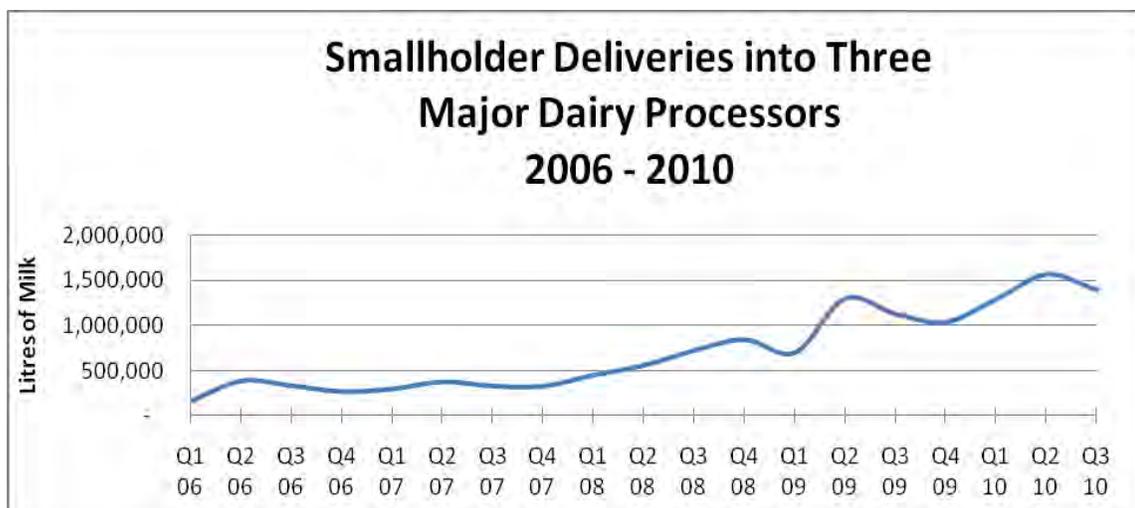
Dairy Industry Pathway: Theme 4

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 150,000 litres over 2008/09 annual levels.

- 1,397,900 litres of milk have been collected from smallholders this quarter compared to 1,129,000 litres for the same time last year.
- Although a continued increase in supply is being seen month upon month, the local market demand is reaching saturation point. Parmalat has instituted a quota system for its commercial and smallholder producers that provides for a 50% reduction in price for any milk delivered over the quota.



- **Increase the proportion of raw milk sourced from smallholders by targeted processors by at least 5 % over 2008/9 levels.**
 - Zammilk’s smallholder contribution slipped back over this quarter to 5% due to the fact that supply from the commercial herd increased. However, the company is committed to establishing a new MCC in Chibombo during the next few months which should see the smallholder contribution percentage increase again.
 - Dairy King experienced a 15% rise in raw milk collection from smallholders compared to the same period in 2009. It has been a record quarter for Dairy King with almost 200,000 litres processed over the 78 processing days. This equates to just over 2,500 litres per day which is well on the way to the targeted 3,000 litres per day.

- **At least \$100,000 of finance /capital granted to processing sector by PROFIT Dairy Industry Development Fund in support of smallholder integration**
 - A further \$155,000 was accessed by Vetlab to assist in buying new feed analyses equipment. With this equipment, Vetlab will move into a role of a reference laboratory, covering a wide range of analytical services which will assist feed mills and both small and large scale farmers.

Additional Achievements

- Three of the four milk collection centres established under PROFIT are now ZESCO connected and ready to receive milk from farmers. The fourth is due for completion within the next quarter.
- Discussions have begun to establish the first centralised co-operative management system in Zambia within the Liteta area. This initiative will allow farmers within the area to house, manage and milk their animals collectively. It is envisaged that with this system in place, a small milking parlour can then be established which will again assist in increasing the milk yields and provide a better quality of raw milk.

Activities planned for next quarter

- Continued support in establishing a centralised farming system at Liteta.

Achievements against benchmarks

- 1. Dialogue started between the agricultural and financial sectors to address agricultural financing constraints as a result of PROFIT awareness building.**
 - The first three months of the calendar year saw several banks actively engaging the commercial farming and commodity trading sectors, taking a more aggressive stance in terms of client capture, product offerings and service delivery. It is widely recognised that in part, this new initiative is due to the high profile given by PROFIT and ZNFU to the dysfunction of the agricultural financing sector.

- 2. One or more banks making significant efforts to engage the agricultural and SME markets, and investing in staff capacity to operate in these markets**
 - ZANACO, Standard Chartered and Stanbic Banks are all making efforts to engage the agricultural sector, and are investing in greater staff capacity in order to capture market share.

- 3. One or more financial institutions developing non-traditional lending models that do not rely on land-based collateral.**
 - Last quarter, at least one major bank offered seasonal facilities to commercial farmers using an off-take agreement from one of the major traders as security. This represents a „first' for Zambian banks and should be the catalyst for greater competition in terms of non-land based lending.
 - Four banks (ZANACO, Stanbic, Standard Chartered and Development Bank of Zambia through its micro-finance partners) had offered proposals to Dunavant for purchasing the lease book managed by Dunavant of 20 tractor and ripper units. Early in the next quarter, Dunavant will offload its portfolio to the bank that offers the best terms.
 - PROFIT is working with DBZ to develop a micro-lease product for smaller agricultural equipment (shellers, boom sprayers, rippers, trailers, etc) that will be offered by CETZAM, one of DBZ's micro-finance partners.

- 4. Training of at least 100 emergent farmers in financial literacy conducted and the development of an ongoing, post-PROFIT financial literacy training facility for farmers begun.**
 - Following the successful training of ten ZNFU trainers during the first quarter, there has been no subsequent training of farmers by the ZNFU, although a training programme has been drawn up for the next quarter.

- However, as part of its training of potential borrowers of commercial finance in relation to tractor leasing, PROFIT itself trained forty farmers in both business and financial management over the quarter.

5. The African Carbon Credit Exchange (ACCE), providing carbon market-building activities in Zambia and to the region is established.

- ACCE continues to promote itself on the international stage and develop its position in the market:
 - ACCE CEO Sabera Khan was invited to be a keynote speaker on the "Building a Green Zambia" panel at the Earth Day Green Technology Conference and Exhibition in Lusaka in April. This event was sponsored by the United States Embassy in partnership with the Environmental Council of Zambia, and involved over 400 participants from the private and public sectors.
 - In May, ACCE Chairman Professor Lloyd Chingambo was invited to the Carbon Expo in Cologne, Germany to be a speaker on "Catalyzing Carbon and Climate Finance for Least Developed Countries". With many key market participants in attendance, the event stimulated the development of strategic links with carbon brokers operating in other African regions
 - In June, ACCE presented a highly successful carbon market training event for members of the Zambian Designated National Authority (the entity that regulated and oversees compliance market projects) and has been asked by the Ministry of Tourism, Environment and Natural Resources to conduct the same training to DNA members from the SADC region
- Also during the quarter, ACCE began transitioning to actual project implementation which is a critical phase in its maturation, and is currently engaged in the development of a rural low energy cook stove project, an urban charcoal-to-biomass cook stove project, an agroforestry project and a number of alternative energy projects in Zambia.

6. Progress made towards developing one or more carbon finance-based products accessible to smallholders and rural Zambians

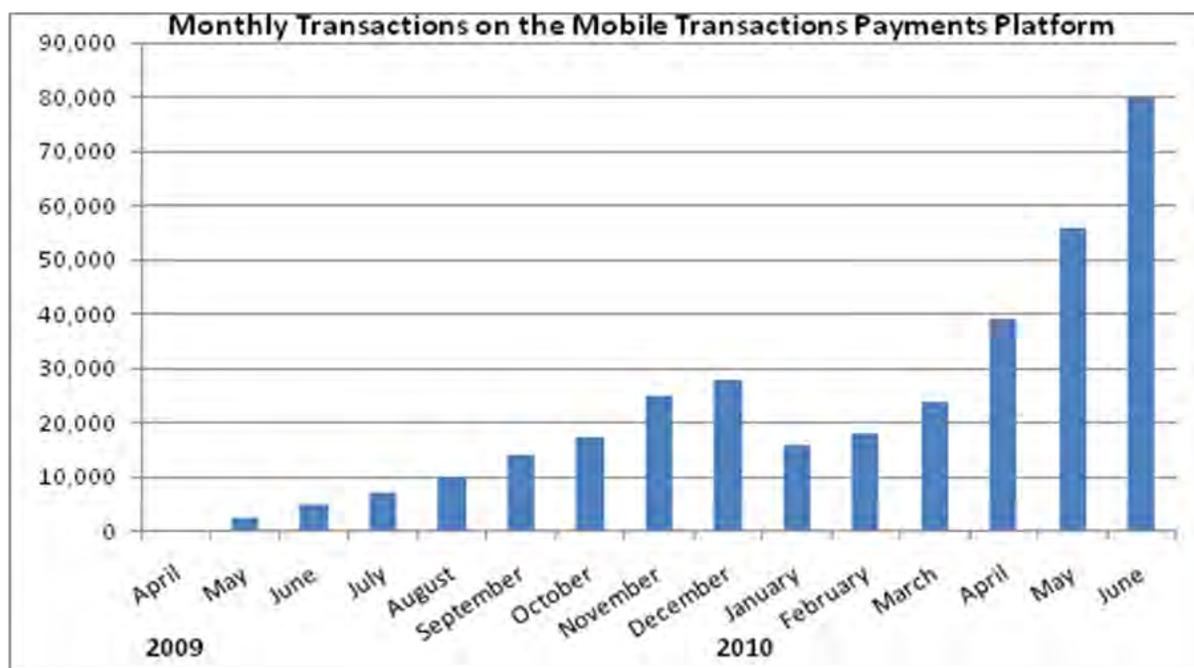
- PROFIT continues to work with ACCE and Dunavant to design an agroforestry programme based on the *Faedherbia Albida* species and managed initially through the Dunavant farming network planted on smallholder agricultural lands in Zambia. Plans are underway for the first trees to be planted among the key distributors in the YIELD programme at the start of the 2010-2011 rainy season, albeit on a pilot basis.
- The current difficulties in selling „forward’ credits for an approach without global precedent in the voluntary markets means that such a project requires the injection of significant donor funds to sustain the project before the carbon asset has been fully developed to a saleable level (in approximately ten years) and PROFIT is assisting in sourcing such funds.

7. The expansion of MTZL’s e-transactions platform to provide basic financial and information transfer services to the agricultural retail industry

- Initial scoping work was completed during the quarter on developing an information and payment system suitable for the agricultural retail industry with the intention of moving forwards with system design and testing during the next quarter, once future PROFIT funding issues have been resolved.

8. The expansion of MTZL’s platform to incorporate the delivery of other basic financial services (micro-insurance, micro-credit, etc)

- MTZL is currently working with two micro-finance institutions to provide a solution for the disbursement of loans and collection of repayments via an individual customer or any MTZ agent.
- Currently the town transfer and payments system engages 120 active small business agents earning \$14,000 additional margin monthly
- Between initiation of the system in April 2009 and the end of the reporting quarter, 47,286 individuals had transacted \$ 2,833,267 and in June 2010 alone, \$450,000 was transacted in agent-to-agent consumer money transfer, a figure which is currently growing at 20% month-on-month
- The e-voucher system developed by PROFIT and Mobile Transactions is developing fast as a core business for the company, with new software making the transaction process faster and more efficient, programmes are being scaled up (the WFP food programme now redeems 25,000 vouchers a month worth over \$400,000) and new clients being signed up. The MACO/FAO inputs support programme, with a 20,000 voucher requirement, is a significant new client with political significance.



9. Three ZAMACE warehouse receipts issued and financing secured against them.

- Not achieved

Additional Achievements

- On the back of considerable interest demonstrated by the insurance industry, PROFIT has contracted the Department of Meteorology to determine the extent of available weather records in a pilot area of Southern Province for the potential establishment of a weather index based micro-insurance products in Zambia

Activities planned for next quarter

- PROFIT will continue to lobby for the inclusion of financial institutions in the development of equipment leasing products for the emergent farming market.
- PROFIT will be assisting Mobile Transactions and Cropserve to develop a workable information and payment system for testing during the 2010 input procurement season.
- PROFIT will continue to work with ACCE and interested donors in developing a pioneering carbon asset from agro-forestry initiatives

Administration and field team management: Theme 1

Fostering improved knowledge management within market facilitation field team

Achievements against benchmarks

1. At least 2 Staff management trainings conducted

- During the quarter, 2 Staff training management meetings were conducted. The April training focused on the lessons learnt, successes and challenges in the last five years and the way forwards to answer the “what can we do better” question, to challenge the market systems in view of stepping up the project interventions or impact. The June training focused on the livestock sector in terms of streamlining the activities to implement in the remaining project time.

2. 4 Regional Team meetings conducted

- During the quarter, no formal regional team meetings were conducted due to the Staff management trainings that also acted as de facto regional meeting.

Staff annual evaluation conducted

- Achieved in the first quarter and the process are on-going in readiness for the next staff evaluation to be concluded in September, 2010

Staff performance incentives/awards schemes implementation

- During the quarter, a staff performance incentives/awards scheme based on contribution to the project was implemented as a way to incorporating non-monetary incentives into the system.

Regular field technical backstopping

- Progressing well.

Staff exchange visits continue to be implemented

- During the quarter, No formal staff exchange visit was conducted. However, a number of exchange visit have been lined up in the next quarter.

Activities planned for next quarter

- Staff management training meeting planned for September, 2010.
- 3 Regional Team meetings
- Staff performance incentives/awards schemes implementation
- Field Technical Backstopping
- Staff/farmer exchange visit

Administration and field team management: Theme 2

Project Close-out completed

Achievements against benchmarks

- 1. Project close out plan out associated documentation in place and approved by HO by 30th April 2010.**
 - Redundant, as the project is being extended to end in September, 2011.
- 2. Asset Disposition plan approved by AO by 31st May 2010.**
 - Redundant, as the project is being extended to end in September, 2011.
- 3. Field Office close out complete by September 31st 2010.**
 - Temporarily put on hold, as we wait for the outcome of the project extension to September, 2011.

Challenges

- Staff motivation to remain focused given the pending project extension

Activities planned for next quarter

- Project close out plan out associated documentation in place and approved by HO by 30th September, 2010 failing project extension
- Asset Disposition plan approved by AO by 31st October, 2010 failing project extension
- Field Office closes out complete by September 30th, 2010 failing project extension

Monitoring and Evaluation: Theme 1

Fostering the culture of learning within PROFIT and encourage utilization of learning by the firms

1. At least 4 data quality assessment reports done

- This benchmark has already been achieved. Notwithstanding, data quality assessments will still be conducted on a regular basis in the various program districts. During the next quarter, Lusaka, Chongwe, Katete and Chipata will be assessed.

2. Quantitative tool continually revised and ready to be used to gather the monthly reporting data

- This benchmark has already been achieved. The business advisors are given monthly feedback on how they are reporting to ensure that data collected using this tool is of the highest quality and well validated. The improvement in the use of the tool among BAs is quite good.

3. Qualitative tool continually revised and abridged taking into account the need for continued analysis bearing in mind the pathway

- This benchmark has been achieved. The business advisors continue to be given feedback and asked to provide feedback on the effectiveness of this tool for their monthly reporting purposes. So far, the BAs are getting stronger at using this tool to show the progress of the various industries in relation to the industry pathways.

4. At least 10 firms will have adopted learning as part of their business Management Information System

- During the reporting period, four more firms integrated learning into their business management systems. The firms include Gemini, Twiga, Mana Agrochemicals and Vet Haven.
- Facilitation and encouraging firms to adopt learning is expected to continue into Q4 10.
- Cropserv Kabwe was assisted in coming up with templates for use in the daily as well as monthly assessment of their sales.
- A volunteer was seconded to PANNAR Seed to assist set up an M and E system for business management.

5. 4 quarterly reports including 1 end of project report completed

- One quarterly report done for Q3 10 highlighting the progress of the project during the period April to June 2010 has been completed.

- 6. One video documentary completed highlighting PROFIT methodology and outcomes.**
- The data collection for the production of the video was completed and finalizing of the video is on course. The video will be ready for circulation during Q4 10.

Activities planned for next quarter

- Conduct at least 2 data quality assessments
 - Continue encouraging firms to adopt learning as part of their business management information systems
 - Work with at least 4 firms to encourage adoption of learning as a business management system
-

Monitoring and Evaluation: Theme 2

Improving private sectors firms' ability to monitor and evaluate their own agent networks

Achievements against benchmarks

- 1. At least 10 firms to have implemented monitoring and evaluation systems**
 - During the quarter, four firms were implementing monitoring and evaluation systems. The firms included Mana Agrochemicals, Vethaven, and ATS.
- 2. Adoption of skills from the training by firm staff and utilizing the skills to better their M & E systems (behaviour change)**
 - On-the-job training was conducted with staff from MRI, Pannar, Croppack, Minelands and Cropserve on the importance of utilizing M & E in their business management. For those with computers including MRI, Pannar, Croppack and Cropserve, some basic skills on the use of Microsoft Excel were shared. Some firms including Pannar, MRI and Zamseed have developed databases to be used for monitoring their village agent networks.
- 3. At least one firm integrates electronic platform in agent management**
 - This benchmark is progressing well and work with the firms in this area is continuing into Q4 10.

Challenges

- Despite the appreciation by firms in using M & E, computer skills are quite low among many firm staff.

Activities planned for next quarter

- Work with at least 3 firms to encourage the implementation of M & E systems
-

Monitoring and Evaluation: Theme 3

Intensify internal evaluation of impact as measured by results of behaviour change

Achievements against benchmarks

- 1. At least two surveys done showing the impact the project has in changing the livelihoods of the rural households in Zambia**
 - At least 2 surveys will be done during Q4 10 to show the impact of the PROFIT work.
- 2. At least two reports on the household surveys done on the impact of the project at smallholder household level**
 - 2 survey reports will be produced during Q4 10.
- 3. At least one impact assessment done determine the end of project position of the PROFIT project.**
 - An impact assessment is expected to be completed in Q4 10. The impact assessment will bring out the changes resulting from the interventions that PROFIT has made in the various industries
- 4. 12 BAs to continue improving their knowledge in answering the ‘so what?’ question**
 - The data for 100 focus group discussions was entered and analysed. However, there is some information which is missing on the yields that were achieved by the farmers who were interviewed during the focus group meetings. This was due to the fact that the first round of focus group meetings was conducted during the input season. The remaining information is expected to be collected between August and September, 2010.
 - Data on the dairy cost of production entered, analysed and information disseminated to other stakeholders. The results for the dairy cost of production will be used to answer some of the “so what?” questions relating to the PROFIT dairy interventions.
- 5. At least 10 notes from the field produced and disseminated**
 - Six notes from the field were produced and disseminated during Q3 10. The Notes from the field were shared with USAID and also with the head office and field staff.

Activities planned for next quarter

- Conduct two surveys to assess the impact of the PROFIT project
- Conduct impact assessment of the PROFIT project interventions on its beneficiaries
- Conduct 100 focus group discussions on the cost of production and return on maize and cotton investment covering the output side.
- Produce at least four Notes from the field and disseminate them.