



Quarterly Report

2nd Quarter 2011

January to March 2011

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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 Representative	Mlotha Damaseke
Date of Last Evaluation/Audit	N/A
Date of Next Evaluation/Audit	N/A

FINANCIAL DATA

Period of Performance	April 1, 2005 to September 30, 2011
Total Estimated Amount	\$22,449,590
Total Federal Funds Authorization	\$22,449,590

PROFIT 2nd QUARTER 2011 PMP INDICATOR TABLES

PROFIT INDICATORS		BASELINE	FY07		FY08		FY09		FY10		Target	FY11		
			TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL		Target	Q1 Total	Q2 '11 Total
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	\$59,250,000	\$57,161,653	\$65,175,000	\$4,736,215	\$4,398,937	
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	\$28,440,000	\$25,126,029	\$1,284,000	\$1,253,975	\$1,596,286	
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	\$30,146,400	\$28,323,122	\$ 33,161,040	\$4,395,488	\$2,333,427	
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	\$150,000	\$650,000	\$150,000	0	0	
5	Value of production per unit disaggregated by commodity sector.	Cotton (ha)	\$163	\$190	\$347	\$205		\$220	\$257	\$240	\$167	\$250	0	0
		Honey (hive)	\$4.44	\$4.90	\$6.08	\$5.14		\$5.40	\$3.70	\$4.20	\$5.00	\$4.80	0	0
		Red meat (animal)	\$116	\$128	\$198.55	\$135		\$141	\$383	\$390	\$345.83	\$400	0	0
		Dairy (animal)						\$865	\$999	\$1,099	\$1,130.91	\$1,154	0	0
		High Value Crop - Pineapple (ha)	\$785	\$865	\$2,500	\$909		\$954	\$2,170	\$1,500	\$0	\$1,500	0	0
6	Value of production per client	Cotton	\$192	\$212	\$840.81	\$222		\$233	\$385	\$424	\$200.00	\$424	0	0
		Honey	\$35	\$39	\$61	\$41		\$43	\$27	\$30	\$50	\$30	0	0
		Red meat	\$94	\$104	\$251.10	\$109		\$114	\$766	\$511	\$345.83	\$451	0	0
		Dairy						\$4,323	\$3,997	\$4,996	\$4,523.64	\$5,496	0	0
		High Value Crop - Pineapple	\$628	\$692	\$1,250	\$727		\$763	\$2,170	dropped	\$0	dropped	0	0
7	Gross Margin per unit	Cotton (ha)	\$10	\$11.03	\$165.70	\$11.58		\$12.16	\$146	\$160.60	\$56.10	\$177	0	0
		Honey (hive)	\$2.44	\$2.69	\$3.74	\$2.82		\$2.97	\$3	\$3.50	\$4.30	\$ 4.10	0	0
		Red meat (animal)	\$7.11	\$8.60	\$191.88	\$9.03		\$9.48	\$343	\$349.00	\$306.33	\$339	0	0
		Dairy (animal)						\$345.00	\$505	\$605.30	\$636.41	\$660	0	0
		High Value Crop - Pineapple (ha)	\$547	\$603	\$1,958.34	\$633		\$665	\$853	dropped	\$0.00	dropped	0	0
8	Volume of produce processed (mt)	Cotton	19,200	24,192	35,200	25,402	28,896	26,672	44,000	50,847	53,290	55,932	0	0
		Honey	347	437	15	459	299	482	280	520	870	675	0	0
		Red meat (mt)	0	255	171	510	235	1,020	982.26	1,031	542	1,083	182	256
		Milk (Lts)				6,222,000	6,300,000	6,615,000	7,024,221	7,333,333	6,028,480	8,066,667	1,500,000	1,900,000
		High Value Crop - Pineapple	0	1,000	109	2,000	26	2,500	50	dropped	0	dropped	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	77,172	97,050	84,889	16,170	0
		Vet contract/herd management	0	1,000	672	2,000	6,297	2,500	4,021	7,886	22,169	9,463	5,864	3,699
		Contract production	37,500	65,000	44,635	75,000	254,254	80,000	106,100	90,000	110,000	120,000	110,000	0
		Improved honey production	0	750	0	1,000	7,246	1,250	4,000	5,500	7,000	6,300	0	0
		Input products and services	10,000	100,000	21,974	150,000	43,447	200,000	55,975	78,365	62,027	109,711	40,400	11,097
10	Area or number of commodities under improved technologies	Conservation farming (ha)	3,200	25,000	43,000	45,000	18,122	63,000	106,000	127,200	48,590	152,640	8,085	0
		Vet contract/herd management (hd)	0	10,000	7,780	20,000	19,546	25,000	23,334	32,668	200,388	45,735	63,204	67,125
		Contract production (ha)	32,000	60,000	43,015	70,000	109,016	75,000	136,050	136,050	120,000	149,655	120,000	0
		Improved honey production (hives/Q.C trainings)	0	1,500	0	2,000	37,725	2,250	32,000	40,000	70,000	44,000	0	0
		Input products and services (ha)	10,000	100,000	21,974	150,000	43,447	200,000	88,055	114,472	62,027	148,813	60,600	16,646
11	Improved technology adoption rate (%)	Conservation farming	10%	15%	15%	18%		20%	44%	25%	61%	25%	10%	0
		Vet contract/herd management	0%	55%	43%	80%		100%	33%	40%	230%	40%	60%	29%
		Contract production		24%	15%	26%		28%	17%	20%	14%	20%	14%	0%
		Improved honey production	0%	10%	0%	15%		20%	13%	15%	23%	15%	0%	0%
		Input products and services	10%	15%	40%	20%		25%	48%	50%	54%	50%	50%	27%
12	Number of hectares under biodiversity conservation.	3,200	25,000	43,000	45,000	18,122	63,000	106,000	90,000	48,590	120,000	8,085	0	
13	Number of hectares under managed natural resource production systems	0	366,000	0	366,000	4,166,000	366,000	4,166,000	Dropped	0	Dropped	0	0	

PROFIT INDICATORS		BASELINE	FY07		FY08		FY09		FY 10		FY 11				
			TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL	Target	Q1 Total	Q2 11 Total		
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	\$2,737,683	\$4,118,723	\$3,285,220	\$3,880,000	\$0		
15	Number of loans by USAID assisted institutions disaggregated by gender	Male		48,000	42,014	56,000	86,912	60,000	84,801	72,012	82,510	96,001	91,300	0	
		Female		12,000	1,028	14,000	21,727	15,000	21,200	18,003	27,500	24,000	18,700	0	
		Total	32,000	60,000	43,042	70,000	108,639	75,000	106,001	90,015	110,010	120,001	110,000	0	
16	Percentage of the number of loans on schedule for repayment	90%	90%	50%	90%		90%	90%	90%	80%	90%	0	0		
17	Value of loans by USAID assisted institutions disaggregated by gender (lenders)?	Male		\$3,200,000	\$1,580,335	\$4,800,000	\$5,553,524	\$6,400,000	\$2,436,623	\$2,192,961	\$3,089,042	\$2,631,553	\$3,220,400	\$0	
		Female		\$800,000	\$32,415	\$1,200,000	\$1,513,346	\$1,600,000	\$605,247	\$544,722	\$1,029,681	\$653,667	\$659,600	\$0	
		Total	\$1,845,045	\$4,000,000	\$1,612,750	\$6,000,000	\$7,066,870	\$8,000,000	\$3,041,870	\$2,737,683	\$4,118,723	\$3,285,220	\$3,880,000	\$0	
18	Percentage of the value of the lending portfolio on schedule for repayment	90%	90%	50%	90%		90%	90%	90%	80%	90%	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	214,402	186,700	257,283	51,827	39,542	
		Female					99,872		69,187	76,932	75,667	92,318	18,919	14,340	
		Total	37,500	100,000	118,979	150,000	376,304	200,000	262,005	291,334	262,367	349,601	70,746	53,882	
		Agribusiness	2	200	234	300	2,032	400	4,067	4,761	3,330	5,714	451	254	
20	Number of farmers reached with extension/outreach services	Male							192,818	214,402	186,700	257,283	51,827	39,542	
		Female							69,187	76,932	75,667	92,318	18,919	14,340	
		Total	37,500	60,000	118,979	80,000	376,304	100,000	262,005	291,334	262,367	349,601	70,746	53,882	
21	Number of people reached with HIV/AIDS A & B outreach programmes	Male	0	187,500	0		1,740		12,574	14,219	3,174	14,219	0	0	
		Female					1,988		13,957	15,781	3,145	15,781	0	0	
		Total				225,000	3,728	262,500	26,529	30,000	6,319	30,000	0	0	
Policy related indicators															
22	Number of policy areas worked on or affected if any	0	0	0	0	4	0	6	3	3	3	2	2		
23	Policy progress milestones – Analysis, debate, submission, approval and	0	0	0	0	4	0	6	3	3	3	2	2		
Training related indicators (disaggregate by gender)															
24	Number of people trained in	Agricultural production													
		Male					162,443		189,818	214,339	186,700	257,206	51,827	39,542	
		Female					102,665		68,187	76,995	75,667	92,394	18,919	14,340	
		Total	32,000	60,000	118,923	80,000	265,108	100,000	258,005	291,334	262,367	349,601	70,746	53,882	
		Private sector growth		40,000	70,000	119160	90,000	375,762	110,000	266,169	297,161	265,697	356,593	71,197	54,136
		Nat. Resource Mgmt & Conservation													
		Male					125,405		28,203	48,132	80,436	52,945	13,051	0	
		Female					69,423		17,016	29,040	41,529	31,944	7,999	0	
		Total	5,500	6,000	11,000	7,000	194,828	8,000	45,219	77,172	121,965	84,889	21,050	0	

PROFIT 2nd QUARTER 2011 OP INDICATOR TABLES

2.2 Trade and Investment Capacity	FY 08 Target	FY 08 Year Total	FY 09 Target	FY 09 Year Total	FY10 Target	FY 10 Total	Year	FY11 Target	FY 11 Q1 Total	FY 11 Q2 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	2,492	2,836	2,666	1,359	452	
2. Number of Capacity_Building Service Providers receiving USG assistance	300	2,032	378	3,527	4761.45	3,330	5713.74	451	254	
3. Number of firms receiving capacity building assistance to export	65,750	152,000	58,800	105,000	90,000	110,000	120,000	110,000	0	
4. Number of USG participants USG supported trade and investment capacity building trainings	150,000	376,304	147,000	208,562	160,000	262,367	220,000	70,746	53,882	
Male		167,932	125,000	152,257	116,805	186,700	160,607	51,827	39,542	
Female		99,872	22,000	56,305	43194.82936	75,667	59392.89036	18,919	14,340	
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	\$40,000,000	\$22,204,167	\$52,000,000	0	0	
3.2 Financial Services										
1. Number of financial sector professionals trained in international standards	71	76	75	143	150	0	150	0	0	
Male	60	47	63	119	125	0	125	0	0	
Female	11	29	12	24	25	0	25	0	0	
2. Number of USG special funds loans issued this year	0	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	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	100,000	110,000	120,000	110,000	0	
2. Number of firms investing in improved technology as a result of USG assistance (SD)	23,000	24,991	23,000	55,703	66,844	62,027	80,212	40,400	11,097	
3. Number of SMEs that successfully accessed bank loans or private equity as a result of USG assistance	59,100	0	0	0	15	0	150	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	68,180	62,027	92,244	40,400	11,097	
3. Number of agriculture-related firms benefiting directly from interventions as a result of USG assistance	300	2,032	378	4,067	4761.45	3,330	5713.74	451	254	
4. Number of individuals who have received short term agriculture sector productivity training with USG assistance	80,000	265,108	100,000	258,005	250,000	262,367	300,000	70,746	53,882	
Male				189,818	183928.606	186,700	220714.3272	51,827	39,542	
Female				68187	66071.39397	75667	79285.67276	18,919	14,340	
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	250,000	262,367	300,000	70,746	53,882	
Number of micro enterprises receiving business development services from USG assisted sources	140,000	152,246	140,000	105,000	150,000	110,000	180,000	110,000	0	
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	65,000	121,965	75,000	13,051	0	
Male		125,405		28,203	40540.3702	65,720	46777.35023	7,999	0	
Female		69,423		32,246	24459.6296	56,245	28222.64977	21,050	0	

Project Highlights for the Quarter – 2nd Quarter 2011

- Over the quarter, **11 agricultural retail firms conducted over 300 promotional events attended by over 41,000 farmers**, in a strong sign that firms are developing a close and on-going relationship with the smallholder market, even in „non-peak’ months
- In a sign of both growing confidence in the agricultural retail agent model and a maturing of the relationship between the firms and the agents, **over 1,500 agents now work under signed contracts**, which is 68% of the total number of agents
- **Over 111,000 individual transactions involving private veterinary services to cattle were conducted over the quarter**, constituting a 250% in volume over the same quarter as last year
- **Two out of the three Acts drafted with PROFIT assistance which contribute to an enabling environment for livestock were passed by Parliament** over the quarter
- In a further indication of PROFIT’s close relationship with the Ministry of Livestock and Fisheries Development, **the first five Livestock Service Centres under the Ministry’s flagship scheme, were under construction by PROFIT** during the quarter
- With a further 27 trained this quarter, **PROFIT has been closely supporting the Ministry in its efforts to train and certify Community Livestock Workers (CLWs)** to ensure a consistent high quality front line veterinary service to smallholders
- **The three major dairy processors saw a 20% average increase in smallholder milk intake over the same period last year**, based on both yield increase and number of smallholder suppliers.
- **PROFIT facilitated a visit by senior staff from the Johannesburg Stock Exchange to develop a strategic relationship with ZAMACE** on the establishment of ground-breaking price risk mitigation products for the agricultural industry
- The agricultural equipment leasing scheme designed by PROFIT started gathering momentum over the quarter with the **selection of another 44 tractor lessees under the Dunavant and the Afgri Scheme** to add to the 25 lessees already providing commercial mechanised services to the smallholder market

Agricultural Retail Market Development: Theme 1

Fostering expanded agent network development and improved firm level management

1. At least 800 new in-community agents and sub-agents actively servicing the smallholder market

- During the quarter, 51 new agents were identified and trained by seven firms. Below is the breakdown of firms according to the number of agents that were trained:

Company	Number of Agents Trained	Region
Cropserve	7	Kabwe
MRI- Agro	15	Kabwe
MRI- Agro	03	Chongwe
Cropserve	12	Mkushi
ATS	05	Mkushi
Pioneer	03	Mkushi
Landserve	06	Mkushi
Total	51	

- The cumulative number of new in community agents for the year stand at 182
- The total number of agents actively servicing the smallholder market has increased from 2,181 at the end of the 1st Quarter to 2,232 by the end of this reporting quarter.

2. At least 14 agricultural retail firms investing in smallholder marketing, sales and distribution strategies

- During the 2nd quarter, 11 companies continued demonstrating an increase in terms of ownership of the agent network as evidenced field demonstrations involving Agents and work in-community agent review meetings and renewal registration. The firms are; Cropserve, MRI Agro, ATS, Pioneer, Plant Agrichem., Zamseed, Pannar, SEEDCO, Croppack, Amiran and Landserve.
- So far 6 firms have continued to recognize agents in their firm strategy by providing identity such as caps, t-shirts, price lists among other items. Namely; MRI Agro, Pannar, Zamseed, Plant Agri Chem, ATS and Cropserve.
- During quarter 2, 2011, 11 firms held a total of 328 promotional events, of which 278 (85%) were conducted without any support from PROFIT

Region	Events Held	Attendees
Southern Province	46	15,680
Chongwe	7	141
Mumbwa	125	3750
Kabwe/Kapiri/Chibombo	43	3,009
Mkushi/Mpongwe	86	2,632
Eastern	21	15,809
Total	328	41,021

- A total of 41,021 smallholders attended promotional events of which 12,041 (29%) were women, giving an increase of 67% over the Q2 10 figure of 24,546 smallholders.
- During this quarter, strategic meetings were held in Chongwe with Plant Agri Chem, Mana Agro Chemicals and MRI Agro to plan for extension, review meetings, agent trainings and hub agent's identification.
- Firms during the quarter continued to expand their agent net works without the support of PROFIT, for example MRI Agro in Chongwe has extended its agent network to 4 new areas namely; Chiyota, Chilyabale, Kampekete and Kanakantapa and subsequently identified 4 potential agents.
- Agents taking a leading role in conducting field days even without the presence of firm representatives. This indicates how much capacity they are building in the agents and therefore creating local community human resource for product knowledge in the smallholder market.



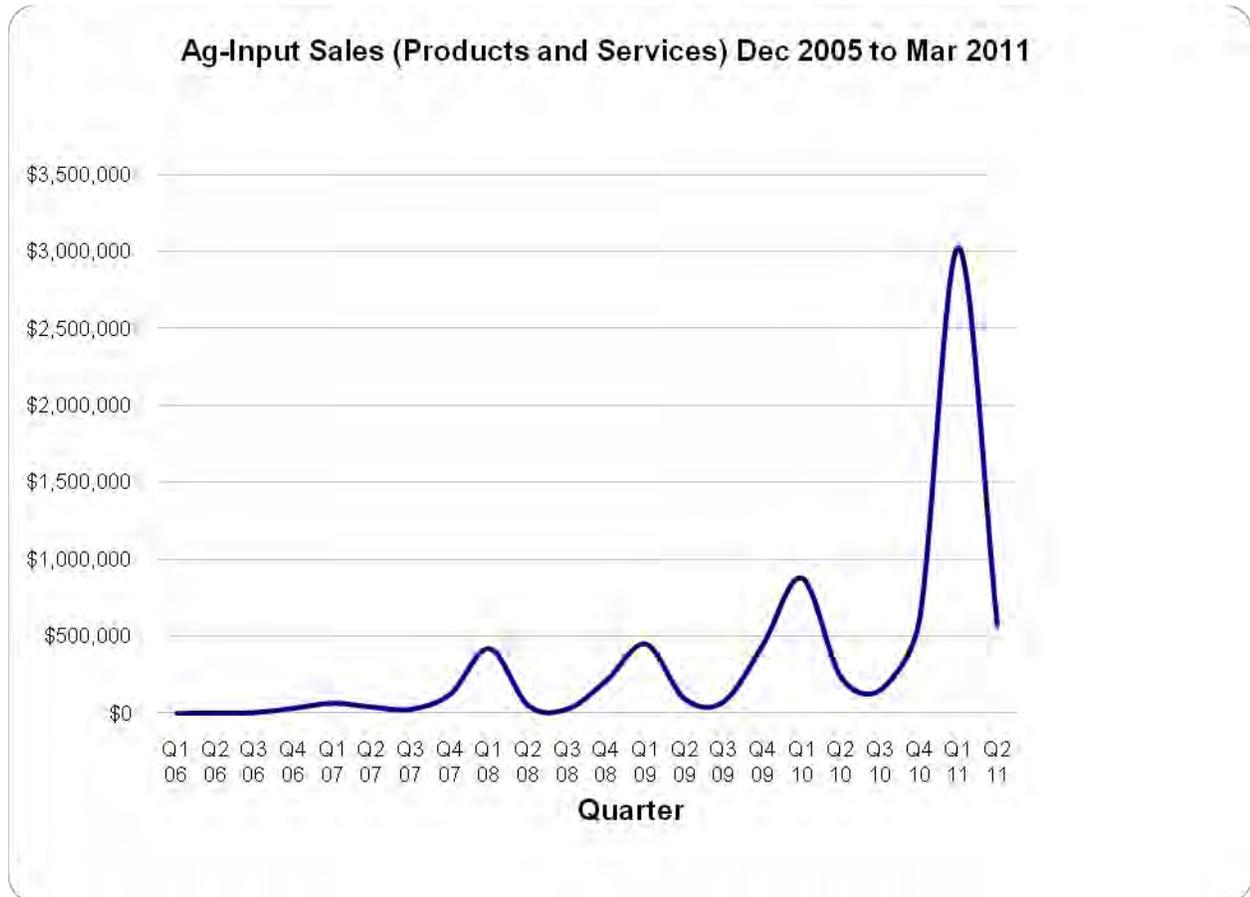
3. At least 100,000 farmers accessing improved input markets through the agent networks

- 41,021 farmers accessed improved input markets during the quarter, bringing the cumulative total to 79,994.
- 7,858 farmers purchased products through the agent networks during the quarter, of which 1,691 (22%) were women.

- Due to the fact that PROFIT is increasingly not present at the promotional and sales events, it is certain that these reported figures are lower than the actual figures.

4. Sales of agricultural products through the agent network exceeding \$3m

- Products valued at \$346,360 were sold through the agent networks during the quarter to over 8,964 farmers.
- Cumulatively during the year, the agents have sold product valued at over \$3.31m
- At an average of 10% commission to the agents, it can be estimated that almost \$34,600 in commissions accrued to the agents working for the firms over the quarter.



5. At least 500 agents in formal contractual arrangements with agricultural retail firms

- During the quarter, 74 new agents signed contracts with retail firms bringing the total number of new agents with formal contracts during the year to 205. Therefore the cumulative total number of both old and new agents with formal contracts is 1,508. This is broken down as follows:

Company	Number of Agents on Formal Contract	Region
San/Twiga	25	Katete
Plantagrichem	46	Chipata
MRI Agro	9	Chipata
Zamseed	9	Chipata
Pannar	9	Chipata
Zamseed	24	Chongwe
Mana Agro	31	Chongwe
Cropserve	304	Northern
ATS	67	Northern
Pioneer	51	Northern
MRI Agro	125	Northern
SEEDCO	40	Northern
MRI Agro	33	Kabwe
Cropserve	30	Kabwe
Pioneer	15	Kabwe
Croppack	14	Kabwe
Cropserve	40	Mumbwa
MRI Agro	70	Mumbwa
Pioneer	55	Mumbwa
Plant-Agri Chem	25	Mumbwa
Croppack	25	Mumbwa
Cropserve	150	Southern
Pannar	81	Southern
Zamseed/Amiran	35	Southern
MRI Agro	120	Southern
ATS/Pannar	35	Southern
Seedco/ATS	40	Southern
Total	1,508	

6. 50 'hub' agents established as focal points for firms to extend distribution networks into the smallholder market

- During the quarter, a total of 9 new hub agents, responsible for bulking orders and products for onward distribution to agents and sub agents in their catchment areas were developed in Mpongwe by Cropserve 4, Vet Haven 1, Plant Agri-Chem 1, Pioneer 1 and Croppack 2.
- Cropserve in Mpongwe has a team of agents that are uniquely working around a hub and in Mkushi 3 hubs are operational.

- Zamseed in Chongwe has continued to work with 2 hub agents bringing the total hubs to 11.

7. At least 500 'household nutrition' input packs distributed through the agricultural retail networks

- During the quarter, no nutrition packs were sold. Despite this over \$4,468 worth of assorted vegetable seeds aimed at improving household nutrition were sold by the retail firms in Southern province..

Additional Achievements

- 2 seed companies and 2 Agro companies namely Pannar, Zamseed, Mannar Agro and Cropserve have expressed interest to acquire collapsible containers on subsidised rates in order for them to boost and develop the Hub agent system.
- During the quarter Zamseed conducted field days on the upland rice crop which the company distributed for trials at the start of the season. Farmers have expressed interest in the crop.



Part of the upland rice distributed to agents in Kabwe for trials. March, 2011 showing signs of maturity

Challenges

- The firms have been pre occupied with activities such as field days in the reporting quarter and pushing for review meetings has been a challenge.
- 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

- Review meetings with the firms and agents
- Establishment of the hubs
- Training of agents/TOTs
- Facilitate formal and renewal of contracts
- Work with firms on the initiative of in-community sales market days

Agricultural Retail Market Development: Theme 2

Fostering inter-firm cooperation to address common crop industry issues

1. CropLife trains and recertifies all industry spray service trainers

- The CropLife Association continued to prepare for the trainer of trainer workshop to be done in the next quarter from the 26th April, 2011 to 29th April, 2011 for the first training and 16th May, 2011 to 19th May, 2011 for the second training. All the member companies have since been informed and are contributing the participation fees.

2. CropLife trains and certifies at least 700 Spray Service Providers

- During the quarter under review the association continued to certify and recertify and a total of 50 SSPs were trained by Cropserve and Dunavant, of which 42 will be tested and receive CropLife certification in the following quarter.

Firm	Region	SSPs
Cropserve	Mkushi	42
Dunavant	Eastern	8
Total		50

- Cumulatively, the total number of SSPs trained and certified by CropLife is 329.
- Notably, CropLife International has expressed interested in the general operates of the SSP/Agent network in Zambia and have since requested to visit the major stakeholders (CropLife Zambia Secretariat, Profit, farmers and the firms) in order to learn how the programme is been implemented with the hope of implementing the same programme with other countries
- Cumulatively since PROFIT began working with CropLife on certifying SSPs, over 1,400 SSPs have been trained and certified as recertification of SSPs is currently going on.

3. CropLife develops and broadcasts at least 10 community radio promotional programmes

- Three community radio promotional programmes on safe use of chemicals were conducted in Southern Province. MRI Agro, Amiran and Cropserve took the lead in the broadcasts.

4. CropLife develops and distributes its own updated version of the SSP Pictorial Manual

- Pictorial manual books which covers herbicides have been developed in this quarter and awaiting distribution in the next quarter.
- Furthermore, CropLife Zambia is in the process of preparing another pictorial manual book which will cover Insecticides and fungicides with materials coming from CropLife International and will be completed in the next quarter.

5. ZASTA trains 50 seed firm inspectors and technical sales personnel

- No progress was made on this activity during the quarter, other than a training strategy developed by ZASTA in conjunction with PROFIT and the Ministry of Agriculture and Cooperatives

6. The Zambian Seed Traders Association broadcasts at least 10 community radio programmes highlighting the risks of fake seed

- During the quarter, no progress was made as Seed firms channelled their efforts to conducting field days.

Additional Achievements

- CropLife has continued to engage the Environmental Council of Zambia (ECZ) to identify areas of industry-wide interest. These include: safe use and handling of chemicals, disposal of used containers and environmental protection. CropLife International engaged with ECZ and agreed to be integrated in the CropLife annual programmes at quarterly intervals.
- CropLife Zambia has been nominated as a permanent member of the Globally Harmonized System (GHS) of classification and labelling of chemicals and is heavily implementing the awareness programmes. GHS is an international institution under the United Nations which aims at promoting the sound management of chemicals. This shows that ECZ values CropLife's contribution to the industry.

Challenges

- Delay by CropLife to issue identity cards to SSPs for community recognition.
- The one year renewal period for SSPs' identity cards is too short

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 to promote CropLife in the eyes of the farmer users to drive membership and use of the certified trainers through publicity programmes.
- Work with Zambia Seed Trade Association to identify targeted people particularly the firm inspectors who have been trained by the SCCI before and develop the anti-piracy policy with relevant stakeholders.
- 7 Radio programmes to be conducted by CropLife

Agricultural Service Market Development: Theme 1

Fostering the development of a spray service platform as a means to greater, safer and more efficient agro-chemical application

1. 800 Spray Service Providers active in the smallholder market

2. 4,000 farmers purchase spray services

3. Smallholders invest over \$50,000 in spray services

- The following is the breakdown of SSP activity during the quarter:

Active SSPs	Region	Value of SSP sales	Number of farmer clients	Ha sprayed
115	Mkushi	\$1,005	29	61
70	Southern	\$14,681	355	1,083
15	Mumbwa	\$5,330	442	644
59	Chongwe	\$596	42	42
25	Kabwe	\$1,681	130	130
353	Eastern	\$2,524	642	364
637	Total	\$25,817	1,640	2,324
2011 Cumulative Total		\$69,556	3,923	6,743

4. At least five agricultural retail firms actively invest in developing spray services as a platform for increased product sales

- During the quarter firms, 4 firms Cropserve, Manna agro, ATS and Landserve continued to invest in the promotion of the service platform through field demonstrations.

5. At least 30 two-man boom sprayers distributed to improve herbicide service delivery

- During the quarter, PROFIT facilitated the final distribution of over 30 subsidized 2 man boom sprayers to the farmers from SARO Agric Equipment Ltd. However, SARO Agric Equipment has manufactured an excess of over 100 units which they have keenly marketed to the smallholder market.

Agricultural Service Market Development: Theme 2

Fostering the development of a mechanised service platform as a means to greater productivity and expanded production in the smallholder market

1. 50 mechanised service providers offering minimum tillage land preparation services

- No activity on this benchmark during this quarter as no ripping can be done around this period

2. 6,000ha of smallholder land prepared by mechanised service providers

- No hectare ripped as this activity is done as a land prep activity which cannot be done in this quarter.

3. Smallholders invest over \$300,000 in mechanised land preparation services

- The following table indicates the level of cumulative mechanised service provision over the year:

Region	Number of MSPs	Ha prepared	Value of Services
Mumbwa	17	3,684	\$152,544
Kabwe	12	680	\$57,389
Chongwe	5	553	\$56,454
Mkushi/Mpongwe	4	627	\$34,565
East	5	469	\$21,659
Southern	8	536	\$43,305
Total	51	6,549	\$365,916

4. 30 new tractors and associated equipment in the smallholder contract service market

- During the quarter, no more tractor borrowers were added to the four that received tractors under the Afgri scheme last quarter.
- 39 potential new candidates to access tractor loans through the Afgri Scheme have already been identified and selected.
- Nine further tractor owners have been selected to receive tractors under the Dunavant/WFP lease scheme

5. 60 tractor owners and operators trained in business, financial and technical skills

- 39 tractor owners and operators were trained by PROFIT, Dunavant and WFP at the end of the quarter, including the nine new tractor owners yet to receive their equipment.

- The trainees were given business and financial management skills by PROFIT, Dunavant and WFP and technical skill development was undertaken by TractorZam, as the supplier of equipment to the Scheme



Tractor Owners are trained in the use of Mahindra equipment by the supplier, TractorZam as part of the PROFIT/Dunavant/WFP/TractorZam capacity building exercise, March 2011

6. A pipeline of at least 60 potential equipment lessees developed and screened

- 39 potential candidates to access tractor loans through the Afgri Scheme have already been identified and selected, along with the nine candidates under the Dunavant/WFP Scheme

7. 600 oxen tillage service providers' active in the smallholder market

- There was no ox-tillage during the quarter but during the last quarter, 680 Ox-TSPs were active.

8. 4,000ha of smallholder land prepared by oxen tillage service providers

- The Ox-TSPs provided services to 5,000 farmers on 4,850ha last quarter. The estimated value of the services is over \$141,000.

Activities planned for next quarter

- To conduct follow-ups on activities done with tillage service providers.
- To influence field days activities.
- To conduct review meetings on tillage and sprayer services.
- To facilitate sourcing of cheaper but reliable mechanized rippers.
- To monitor the shelling businesses conducted by MTSPs

Livestock Services Component: Theme 1

Support to development of policies to the Ministry of Livestock and Fisheries (MLFD) – Livestock Services Component.

Achievements against benchmarks

1. Facilitate and assist MLFD to complete the Para-vet and professional act.

- The Para-vet and Professional Act was passed in Parliament in March, 2011. However key components of the act were either left out or edited during the parliamentary review of the act. One example is allowing community livestock workers (CLWs) to be able to provide services in their communities as legal first level service deliverers. MLFD is in the process of filing an injunction so that the Paravet Act is not enforced giving the Ministry more time to include the key components that were edited out during the parliamentary review.
- Also in March, 2011 the Animal Health Act was passed. MLFD is now working on the regulations that will be part of this act.
- The Animals Identification Act is still in Parliament and is awaiting action by the legislature.

2. Facilitate and assist MOLFD to incorporate the live cattle grading system as a regulation into the Animal Health Act

- A key regulation of the Animal Health Act passed in March 2011 was the Live Cattle grading system. MLFD is in the process of working on this registration. The regulation has already passed through 3 stakeholder meetings with the help of PROFIT.
- PROFIT has engaged a consultant, on behalf of MLFD, to select and take digital photographs of animals; these photographs will be used in the grading manual once the regulation is incorporated.

Activities planned for next quarter

- Continue working with MLFD to raise the injunction so that CLW amendments maybe added to the Paravet Act.
- Work with MLFD to complete the grading Manual booklet.

Livestock Services Component: Theme 2

Scaling up on Vet services and availability of vet products

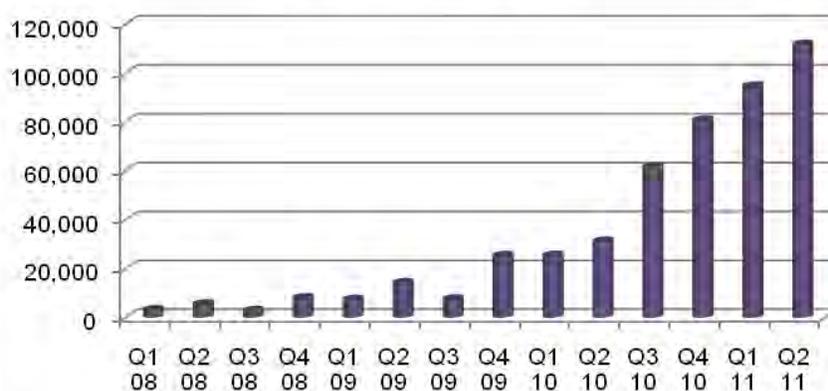
Achievements against benchmarks

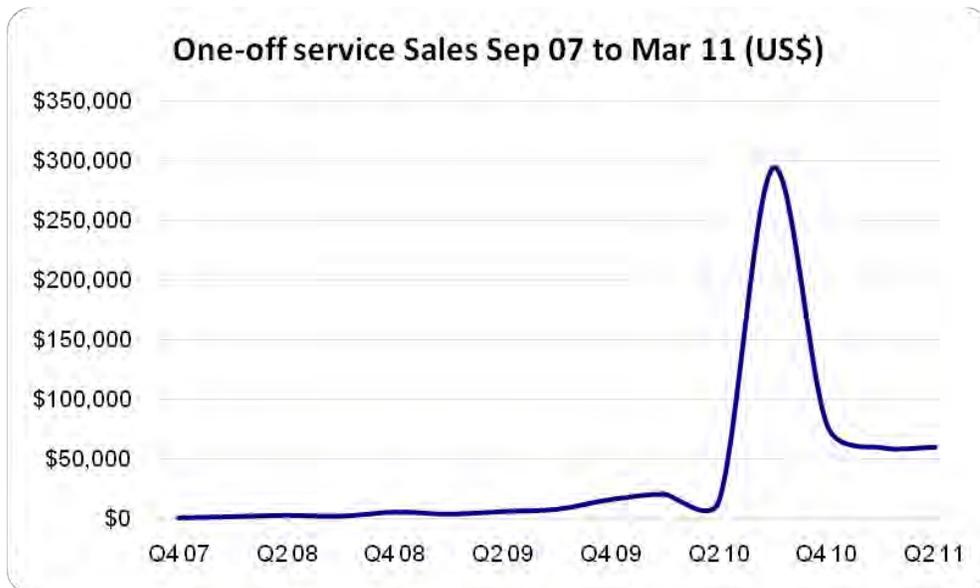
1. 50,000 one off transactions worth \$130,000 done through ICSP and Vet service providers

- Growth in demand for „one off’ services highlights the ability of smallholders to pay for services and products as long as they are accessible. A total of **111,875** transactions were accessed by small holders in the quarter under review with a total value of **\$59,409** compared to 31,304 transactions worth \$14,000. This shows an increase of 257% in one off transactions compared to the same period last year. The increase in value of one off service sales also increased by 324% in comparison with Q2 10 one off sales value.
- The cumulative annual total for 2011 come to 206, 721 one off transactions with a total value of \$118,409. The graphs below show the progression of one off transactions and one off sales from September 2007 to date:

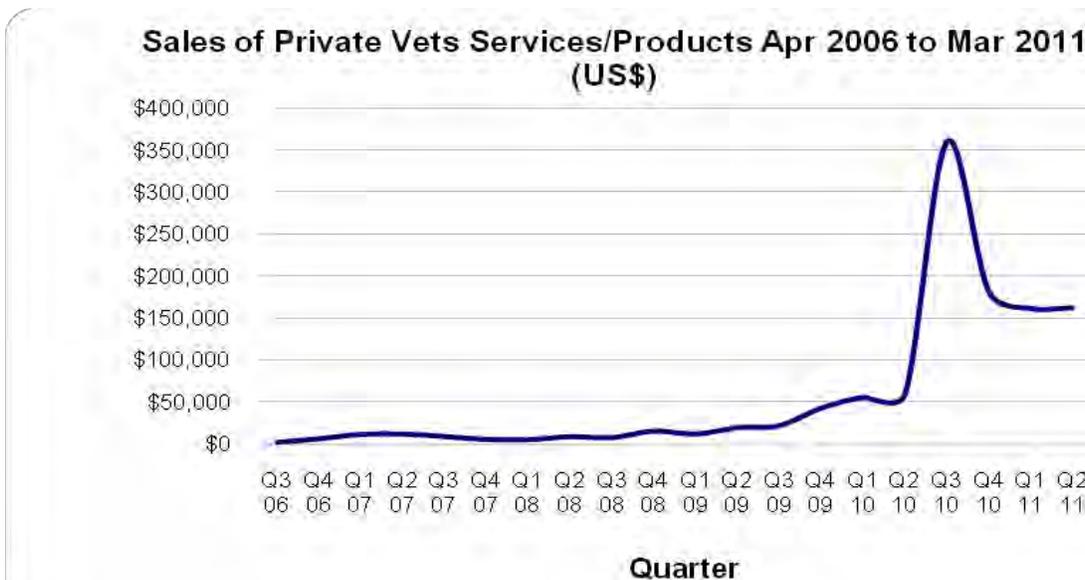
Region	Number of Transactions	Value of Sales (US\$)
Kabwe	26,300	4,213
Chongwe	21409	4,349
Mumbwa	10,230	6,168
Eastern	15,560	14,665
Mkushi/ Copperbelt	3070	1,463
Southern	35,306	28,551
Total	111,875	59,409

**Number of one off transactions
Oct 2007 to Mar 2011**





- Sales of products such as basic antibiotics and sprayer services also were seen to rise during the quarter. The total value of vet drug sales and services in the quarter under review was **\$161,894** compared to **\$58,904** during Q2 10. This is an increase of **175%** over the Q2 10 figure. The graph below shows the quarter to quarter sales for vet drugs and one-off services:





SSP spraying cattle-Chipata Zambia-Mar, 2011

- Sprayer service sales for the quarter under review came to a total value of **\$19,231**. The increased value of sprayer services accessed by the smallholder farmers are due to the fact that there are more aggregation points through the agent network and also that there are multiple extension messages about the importance of dipping being presented by the enhanced extension network of both the public and private sector players. The spray service providers are also using community cattle crush pens as

aggregation points for service provision. In addition, in Eastern Zambia, the SSPs have formed spray teams where 3-4 SSPs come together to spray cattle and hence are able to spray more animals compared to a single SSP.

2. 200 SSP and 200 agents certified by CropLife

- CropLife carried out 4 sessions on safe use training to SSP and farmers handling chemicals via knapsack spraying services and spray races. 58 handlers have been trained of which 13 are CLWs and 45 were farmers are conducting sprayer services. The following table shows the breakdown of the trainings by district:



Safe use of chemicals training in Namwala – Jan. 2011

District	# of farmers trained in Chemical safe use
Namwala	22
Monze	12
Mumbwa	9
Petauke	15
Total	58

3. 50 Community Livestock Workers (CLWs) certified by MLFD as first points of service

- The quarter under review saw 27 more CLWs certified by the MLFD in Chipata. The training was conducted by MLFD from the 21st to the 25th of March 2011. This brings the total number

of CLWs trained and certified by MLFD to 38 during the year. This represents 76% achievement on the benchmarks on community livestock workers.

4. 2 Strategic alliances finalised

- Landserve and Leloisa vet services in Mkushi has merged to form a new company under one management – Landserve Agrivet. This company will supply to both crop and livestock farmers in the Mkushi area. The new company commenced operations in March.

5. Vetlab becomes a resource centre for both Private Sector and MLFD and its role in diagnostic services is recognized by farmers, vets and Ministry of Livestock

- Training in the operation and maintenance of new equipment was carried out during the quarter. Commissioning of all Vetlab equipment supplied under the grant is not yet complete but progress has been made.
- Logistical problems related to the supply of required electricity and water volumes for the spectrometer continued, however these have now been addressed by Vetlab during the quarter.
- Technicians from the South African supplier are due to return to Vetlab in the second week of April to commission the spectrometer. Vetlab is optimistic that the equipment will be operational during the next quarter.

Additional Achievements

- Meetings were held in Lusaka between Afrivet and Vet Haven from Mumbwa in March to explore how closer commercial ties might proceed between the two companies. A preliminary visit to Mumbwa by Afrivet was scheduled for mid March but was postponed to April. Afrivet is keen to establish partnerships with vets outside of Lusaka to improve the rural distribution of their veterinary range of products.

Challenges

- Establishment of partnerships and alliances between Lusaka suppliers/wholesalers and rural vets is slow as rural vets have limited capital and Lusaka suppliers are reluctant to risk extending credit to „new’ clients. Building commercial trust between these differing entities takes time.

Activities planned for next quarter

- 3 CLW training to be conducted in the coming quarter. 2 in Sothern region and 1 in Central region.
- 90 CLWs to be trained; 60 in Sothern Region and 30 in Kabwe.
- 3 Croplife trainings are also planned for this in the coming quarter in Kabwe, Kapiri Mposhi and Chongwe respectively

Livestock Services Pathway Theme 3

Development of Livestock Service Centres as the core of MLFD PPP

Achievements against benchmarks

1. 2,000 head of cattle purchased through centralised buying points

- During the quarter, a total of **1,260** animals were purchased by buyers through centralized buying points including the livestock service centres and sale yards. The total value of the cattle sold through these centralized buying points came to **\$767,243**.
- This brings the total number of cattle sold via centralized buying points to **1,345** animals worth over **\$807,243**. Additionally, 64 animals were sold by smallholders via informal output markets at a total value of **\$20,532**. The money was paid out to the smallholders in the communities of Chongwe, Mumbwa, Kabwe, Eastern and Southern provinces.

2. 20 farmers on contract buying programmes with processors and practicing good management, regular off takes and de worming

- Zambef has commenced talks with the Lukunka farmers in Mumbwa district and are placing 25 farmers on an outgrower programme. Zambef will supply inputs and extension and in return farmers would supply improved quality animals into the new Zambef Mumbwa abattoir.
- Discussions are still in the early stages but it is hoped progress can be made during the next quarter.
- Choice Butchery farmers continue on a simple informal outgrower programme near Mkushi. The number of farmers has now been increased to 10 from the original 6 with the addition of 4 new farmers in a different area. This is still an infant project but initial interest from farmers and Choice Butchery remains high. The 10 farmers on the programme are targeting having their animals finished and ready for slaughter when school fees are due in May, 2011.

3. 4-6 private sector driven/operated Livestock Service Centres conducting regular market/sales days and one off services



Foundation being dug for the Mpongwe LSC – Mar, 2011

- Five LSC's are in varying stages of completion. Mumbwa 95% complete, Kabwe is complete, Masaiti is under construction. Mpongwe and the other Kabwe LSC have been cleared, pegged out and had the initial foundations dug. All three will be scheduled to be finished in late May, 2011. Although the Mumbwa LSC is not quite finished regular sales and one off service delivery days have been held. The Kabwe site will commence regular one off services and market activities in April and the remaining three will commence as soon as they are complete in May, 2011.

- Mumbwa and Kabwe LSCs conducted sales days during the quarter under review.

4. At least two processors engaged in training activities with small holder beef farmers

- Zambeef held preliminary discussions with farmers supplying cattle for sale into Lukunka LSC are the establishment of a regular supply of improved quality beef animals meeting specified carcass criteria. Although this is in still the early stages it is encouraging that Zambeef has begun to take the initiative with emerging beef farmers who could supply improved quality carcasses as a result of Zambeef's extension intervention. Zambeef proposed arranging a visit for 25 farmers to their Chisamba feedlot to familiarize farmers with the preferred carcass type. Zambeef has indicated they may begin to introduce improved husbandry practices i.e. de-worming after this visit takes place in April, 2011.

Additional Achievements

- On the invitation of ZNFU, PROFIT submitted a concept strategy brief on proposed way forward for the beef sector. ZNFU proposes to discuss the brief at their next beef committee general meeting during April. ZNFU intends to devise a medium term strategy using an industry approach to address competitiveness issues that are hindering growth and development of the beef sector.
- Quick Save the largest cattle buyer on the Copperbelt and another prominent cattle buyer, Starbeef have expressed strong interest in becoming actively involved in routine sales activities once LSC's in Central province and on the Copperbelt are completed.
- Key emerging commercial beef farmers in Namwala plan to stage a local 'livestock show' in Namwala district during May. This will be the first such event as shows of this nature are usually organized by the commercial farming sector.

Challenges

- The private sector is remarkably skeptical about the advantages of working directly with the small holder sector. The primary players within the beef sector are very fragmented with little willingness to collaborate on issues that affect the sector as a whole. Finding solutions based on building trust and a willingness to collaborate within the industry takes time. This will not be addressed in the remaining few months of PROFIT.

Activities planned for next quarter

- Introduce private sector service providers to completed LSC's and handover LSC's to Min of Livestock
- Continue to engage with primary private sector stakeholders with a view to establishing the basis of industry dialogue with ZNFU as primary contact point.

Livestock Services Component: Theme 4

Stimulate continued processor support of smallholder dairy producers

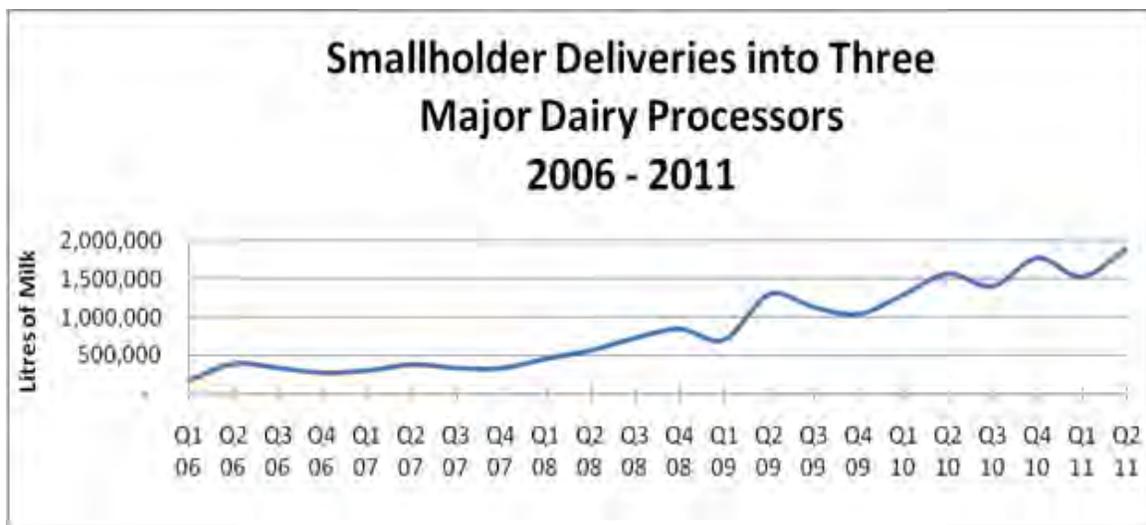
Achievements against benchmarks

1. Successful completion of merchandising training

- This activity has been cancelled due to lack of funds.

2. 10 % increase in raw milk purchased from smallholder farmers over the 2009/2010 volumes from the three targeted processors

- All three processors being tracked have continued to see increased milk volumes collected from smallholder farmers over the same quarter last year. Parmalat increase equates to 21%, Zammilk's to 11% and Dairy King's to 26%. These increases show major strides towards achievement of the 10% benchmark set for this year.



3. A range of technical and promotional activities previously instigated by PROFIT now being implemented by DAZ and or private sector players

- The Milk Collection Centre established by Nice Products on the Copperbelt started to collect milk in January. Initial volumes collected were low, this is to be expected. There has been a month on month increase through the quarter i.e. January 900 litres, February 1,570 litres March 2,600 litres.
- The Milk Collection Centre built by a group of farmers in Silwili near Monze in Southern Province completed modifications necessary and requested by Parmalat so that collection can commence. It is anticipated milk collection will commence during the next quarter.

- A new milk collection centre established by Zammilk in collaboration with a group of farmers near Protea Hotel about 40kms north of Lusaka started receiving milk in February. Zammilk has established a second bulking point / cooling centre in collaboration with GART and is expected to yield approximately 200 liters per day.

Additional Achievements

- Zammilk has been working with the micro finance institution CetZam to put in place a loan facility whereby their small holder suppliers may purchase in calf heifers (Angus x Friesian) from the Zammilks replacement herd. The cost of each animal is \$1,596 (ZMK7.5m). The farmer will obtain a loan from Cetzam, Cetzam will pay Zammilk directly and Zammilk in turn will make repayments from the farmer's milk cheque to the finance company. During March, 2011 Cetzam visited the first 9 farmer applicants and will continue visits through April, 2011. It is anticipated loans will begin to be disbursed to farmers during Q3 11.
- DAZ continues to establish itself as the voice of the dairy sector representing all interested parties in the Zambia dairy community. The two largest milk processors have now begun paying the agreed milk levy, which will go towards supporting the running of DAZ activities. This represents about 75% of milk processed in country and is a considerable achievement. The levy amount is 5 kwacha per litre of milk sold by the farmer plus 5 kwacha for each litre of milk processed representing a total of 10 kwacha per litre of milk produced/processed.
- With the continued success of field extension officers, Parmalat has decided to employ a third dairy extension officer to be based in Monze. This appointment will receive no assistance from PROFIT. Capital funds have already been allocated to purchase a motor bike. Recruitment will start in the next quarter. It is anticipated the candidate will be in place in June.
- Parmalat has opened dialogue with Zambia Sugar Plc to put in place a system to distribute molasses to their milk collection centres in Magoye and Monze. It is hoped this will be in place by the start of the dry season when farmers need to start supplementary feeding to compensate for the lack of pasture.

Activities planned for next quarter

- Next quarter is the final quarter of field activities, activity will predominately revolve ending and closing out on any commitments in place. The dairy field advisors employment contracts will end during the next quarter.

Livestock Services Component Theme 5

Introduce milk into school feeding options

Achievements against benchmarks

1. Functioning pilot programme in place by end of project

- Progress continues to be made and a revised start date for the school feeding programme is mid May, 2011. The delay was due to amendments to the country agreement between World Food Programme (WFP) and Swedish International Development Agency (SIDA) on project implementation. The tender for the procurement of the milk (350,000 litres) has been completed and the tender was awarded to Parmalat on March 31, 2011. The project is to be implemented in Nyimba district of Eastern province.

Additional achievements

- A steering committee to implement and oversee the programme was formed during a two week visit by the Tetrapak representative in February. The chair of the SC is Min of Livestock and co chair is Min of Education. Other members include a representative from Dairy Association of Zambia, National Food and Nutrition Commission and WFP. Support and buy in from government Ministries has been very positive to date.

Activities planned for next quarter

- The schools will be introduced to the programme at district level during the month of April.
- Training will be held by the steering committee in Nyimba district to go through what is expected at school and community level. The steering committee will be assisted in this training and familiarization by representatives at district level of Ministry of Livestock, Ministry of Education and Ministry of Health.
- Milk will start to be distributed to the schools by Parmalat mid May, 2011.
- The school children will start to receive school milk mid May.

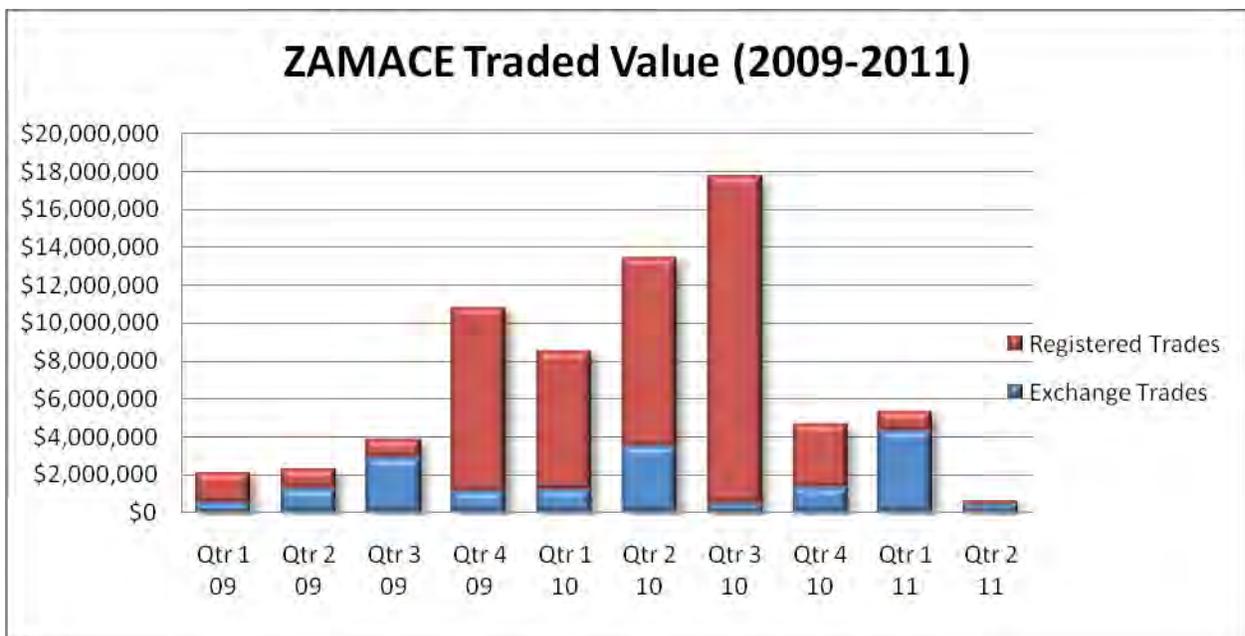
Output Market Development: Theme 1

Assisting ZAMACE to reach financial sustainability through increased trade and industry recognition

Achievements against Benchmarks

1. ZAMACE generating revenue of \$20,000 per month to ensure commercial sustainability of the 'core functions' of the Exchange

- During the quarter, ZAMACE recorded its second lowest quarterly turnover since inception. Only 1,400t of commodity was traded or recorded on the Exchange, valued at \$600,000 and providing a trading income to ZAMACE of only \$2,000.
- Total commercial income including grading for the quarter came to \$15,000, against an average expenditure of \$20,000/month for the commercial operations of the Exchange.
- The primary reason for this drop in activity is the sudden policy turnaround of the Food reserve Agency which, despite its pledge upon membership to place 20,000t of maize on the Exchange per month, returned to a fixed-price mandate that does not allow any price discovery by the market, and does not allow for any negotiated trade. Despite several members and their clients having firm and significant export orders, this policy of the FRA priced Zambian maize exports out of the market



1. Implementation of a settlement guarantee system to add value to trade across ZAMACE

- Two brokers have applied for the settlement guarantee, but no trades have been recorded against it yet.

2. Assisting the Securities and Exchange Commission (SEC) to develop legislation regarding the regulation of ZAMACE by Government

- A Zambian legal consultant was contracted by PROFIT during the quarter, and work began on developing the legislative framework that would allow ZAMACE to be regulated by the Securities and Exchange Commission.
- During the quarter, the consultant conducted a wide-ranging stakeholder consultation aimed at determining what features the market would wish to see incorporated in the legislation
- It is intended that the work is completed by the end of the second quarter to enable the legislation to reach Parliament during 2011

3. The development of a public-private partnership regarding some of the transactions of the Food Reserve Agency (FRA) being conducted across ZAMACE

- During the first quarter of the year, the FRA was admitted as a member of ZAMACE, on the provision that it sells 20,000t a month through the Exchange
- FAR began trading on ZAMACE in October, through an Offer Volume Only mechanism that allows the market to find a price at which to buy FRA maize. 17,000t was traded in the first quarter, and since then, a pricing mechanism was fixed by Government which did not allow for any market-based price determination. Since then, FRA has not utilised the Exchange.
- PROFIT, WFP and ZAMACE have put forward a position paper that presents the utilisation of ZAMACE by FRA as an opportunity to move stock into the market immediately, especially for export, to free up storage space and mitigate the facts that old-season maize prices will be discounted as soon as the harvest starts, and demand from regional markets will also diminish with the new crop.

4. ZAMACE information and publicity outreach increased to include stakeholder meetings, price information dissemination, etc.

- The ZAMACE reference price is widely referenced by the market now, with many financial institutions valuing their crop-based security against it.

Additional Achievements

- PROFIT is facilitating the development of a strategic plan for ZAMACE with a view to determining the future of the Exchange following the end of PROFIT support in March 2011. PROFIT is being assisted by the Michigan State University Food Security Research Project (FSRP), which conducted a series of stakeholder interviews to determine the incentives and disincentives that exist in the market for using ZAMACE, and what ZAMACE might be able to offer that shifts the incentives towards using the Exchange. The research and its incorporation into the strategic plan will be done in the next quarter.
- At the invitation of PROFIT, two executives from the Johannesburg Stock Exchange Agricultural Products Division (SAFEX) visited Zambia to assist in the development of the ZAMACE strategic plan. Negotiations centred on the development of Zambian wheat, soya and maize contracts with Zambian source and delivery points listed in US dollars on SAFEX. Establishing price risk mitigation products in Zambia has long been a vision for PROFIT, and

the recent discussions with SAFEX move this closer to reality. The process needs to start with authorisation from the South African Reserve Bank permitting the listing of US dollar denominated products on JSE, which JSE is currently seeking. While the futures contracts would be listed on SAFEX, it is believed that ZAMACE would benefit by being the local partner of this initiative, the local certifying agency for SAFEX-registered storage and would also benefit by being able to trade the basis (i.e. spot market trades in other locations using the SAFEX storage locations as price references)

Activities planned for next quarter

- In the next quarter, the ZAMACE strategic plan will be finalised
- The outcome of two pieces of PROFIT-originated policy discussion will be known – firstly the lobby by FRA to use ZAMACE to move some of its approximately 800,000t stored crop, and secondly the request for ZAMACE to be delegated the powers of the Warehouse Licensing Authority which is formed under the Agricultural Credits Act of 2010

Output Market Development: Theme 2

Facilitating the outreach of transparent commodity marketing services to the smallholder sector

Achievements against Benchmarks

1. At least ten district warehouses certified by end July 2011

- No warehouses were certified during the period
- ZAMACE, PROFIT and WFP made a strategic change to the District Warehouse initiative over the quarter, focusing away from maize as the crop to move from local aggregation point to district warehouse, and reorienting the initiative towards soya and other oilseeds that will not suffer the same market distortions as maize during the marketing season.

2. At least 20 first-level aggregation points affiliated to ZAMACE certified district warehouses by end July 2011

- No progress was made towards this benchmark this quarter, but smallholder and farmer organisation sensitisation of the new business models related to non-maize crops was started during the quarter.

Output Market Development: Theme 3

Supporting the multi-stakeholder advocacy efforts to improve Zambia's agricultural competitiveness through productivity, efficiency and trade liberalisation

Achievements against Benchmarks

1. Support to Zambia National Farmers Union Annual Congress highlighting issues of agricultural competitiveness

- Achieved during quarter one

2. Finalised Regional Competitiveness Report submitted to ZNFU and policy makers

- Following extensive review by stakeholders, the final regional competitiveness report, authored by PROFIT, was completed and at the end of the quarter was sent for printing. The intention is to present the report to all levels of government and other stakeholders to highlight some of the market, infrastructural and policy constraints to Zambia becoming the regional „bread basket’

3. Support to multi-stakeholder efforts to influence the liberalisation of the agricultural economy

- PROFIT has played a key role, along with ZAMACE and WFP, in efforts to assist Food Reserve Agency to mitigate the crisis it faces of large volumes of maize of variable quality, slow uplift processes and a stagnating pricing policy that effectively renders Zambian maize uncompetitive on the regional market. PROFIT and its partners are promoting the use of ZAMACE as a mechanism whereby FRA can leverage the ability of the private sector to assist in exports in the short term, and innovative storage mechanisms over the longer term
- PROFIT has also been active in assisting ZAMACE to lobby for the powers of the Warehouse Licensing Authority, created under the Agricultural Credits Act of 2010, to be delegated to ZAMACE, which already has the expertise and processes of warehouse certification.
- PROFIT continued in its role as Chair of a committee facilitated by the Agricultural Consultative Forum investigating the experiences of the various players in the electronic voucher schemes undertaken in 2009 and 2010. MACO is represented on the committee and the aim is to inform government on the strengths and weaknesses of the electronic voucher as a tool for the delivery of rural subsidy programmes.

Financial Services Pathway: Theme 1

Facilitating the ability of the financial sector to provide a range of financial services to rural Zambians

Achievements against Benchmarks

1. At least 40 farmers/mechanical service providers obtain commercial leases for agricultural equipment

- Following the 20 Dunavant distributors who received commercial leases from Dunavant for tractors and rippers, PROFIT facilitated a further agreement in the first quarter between WFP P4P and Dunavant for another nine tractors to be leased out. It is intended that these tractors are handed over to Dunavant lessees during the next quarter
- Meanwhile, PROFIT is working in a partnership with Afgri, Conservation Farming Unit and International Finance Corporation to implement a leasing scheme for service providers in the smallholder market. Four tractors were issued on commercial leases during the first quarter, and a further 35 farmers have submitted applications after an identification and screening process undertaken by CFU and PROFIT. The timeline for issuing this equipment to the service providers is June/July following a training process facilitated by PROFIT

2. At least four financial institutions providing new credit-related products to the lower end of the agricultural market

- During the first quarter, Afgri launched its leasing scheme for smallholder mechanisation through service provision.
- PROFIT has assisted CETZAM, a microfinance institution, to roll out a dairy-related loan product for smallholder dairy farmers in the Copperbelt.
- PROFIT is in talks with Rabobank and ZANACO regarding a warehouse receipt financing model for smallholders to be tested during the 2011 marketing season.

3. Efforts are made to address the capacity of the microfinance institutions to better engage the agricultural market

- During the quarter, PROFIT worked with the Development Bank of Zambia on developing a strategy for building the capacity of the five Zambian micro-finance institutions that DBZ supports and that are licensed by the Bank of Zambia as deposit taking institutions, to develop products and services appropriate to the rural and agricultural markets, including savings products.
- During the quarter, PROFIT assisted a consultant working with DBZ undertaking a needs assessment of the microfinance sector in relation to its rural services and product offerings, with a view to developing a toolkit for MFIs to use in developing the skill sets needed to expand into rural markets

4. Progress towards the development of a weather index-based insurance product is made, including the training of the insurance industry in the potential of the market

- During the previous quarter, the preliminary results of the PROFIT-funded investigation into the viability of Zambian weather data as a platform upon which to develop an index for insuring smallholder crops were issued by the Zambia Meteorological Department, which showed a disappointing number of spatial and temporal gaps.
- However, during the quarter, PROFIT hosted a visit by the International Finance Corporation Global Index Insurance Facility, which is investigating the establishment of a feasibility study of the potential of weather index insurance in Zambia, with a view to developing a longer term programme to upgrade the weather infrastructure and management capacity of the Zambia Meteorological Department to collect and maintain sufficient data to allow for the reinsurance of weather index related products

5. The African Carbon Credit Exchange (ACCE) reaches financial sustainability by end-of-programme

- ACCE made a significant move towards financial sustainability at the end of the previous quarter, with a Memorandum of Understanding signed between it and African Export Import Bank that essentially makes ACCE the technical advisory and managerial partner for AfriExIm Bank's carbon project portfolio, and provides a \$25m line of credit to be managed by ACCE for the financing of carbon projects within the ACCE project pipeline. The AfriExIm agreement also provides for a facility to guarantee the delivery of carbon credits. While the income stream from this partnership has not yet begun, this is the first concrete step towards ACCE becoming a commercial entity.
- During the reporting quarter, ACCE secured two sources of funding – between them worth \$5m – to act as leverage for the \$25m credit line from AfriExIm since the ACCE balance sheet alone is not able to act as sufficient security for the bank. This brings the establishment of the line of credit much closer.
- PROFIT facilitated the development of a strategic plan for ACCE during the quarter to systematically identify 2011 projects and business development opportunities. Once identified, the strategy plan is intended to help ACCE – and its non-profit affiliate Green Knowledge Institute (GKI) - management allocate resources to 2011 priority activities to ensure successful delivery
- PROFIT assisted ACCE to host a highly successful sensitisation session for the Designated National Authorities of Southern African in Livingstone, attended by six DNAs and a number of stakeholders including African ExIm Bank executives. The participants were made aware of their responsibilities as DNAs in the ever-changing environment of the carbon markets, and shared their varying experiences in being the custodians of their respective national carbon markets

6. A pilot agroforestry-based carbon project is established

- Over the previous quarter, PROFIT assisted ACCE to train farmers and establish nurseries for *Faidherbia Albida* on Dunavant lead farmers' farms by providing a consultant and vehicle to support the efforts of ACCE and Dunavant in developing the pilot project. A total of 14

trainings were held across Eastern, Southern and Central Provinces during which 491 farmers received training and seeds

- During this quarter, the business plan for the project was finalised and sent to various sources of finance for funding. While several donor institutions are expressing interest, a small amount of seed funding was secured from a foundation in the US to kick-start the monitoring of last season's tree plantings and the training of the farmers earmarked for planting in 2011.

7. At least one other carbon finance-based project benefitting the rural market is developed by ACCE and its partners

- During the quarter there were two main activities in the cook-stove project managed by Three Rocks Zambia Ltd, the joint venture between ACCE and its international carbon finance partner. Firstly, there were a series of stakeholder consultations in the target area of Katete all of which reaffirmed enthusiasm for the stoves, and secondly, the first batch of 20,000 stoves was ordered from China, for a planned distribution exercise starting in May.
- PROFIT also assisted ACCE in identifying and short-listing six household solar lighting manufacturers for further due diligence, pending the development of a solar lighting project

8. Plans are made to double the volume of e-vouchers being transacted through the MTZL platform in the 2011 input marketing season

- Mobile Transactions is in discussions with both Conservation Farming Unit and FAO regarding expanding the e-voucher system for the 2011 input marketing season.
- There are also moves afoot by Dunavant to undertake a pilot project that would present to their cotton farmers the option of being paid partly in vouchers, redeemable in agricultural retail outlets and other agencies such as schools.

9. Multi-stakeholder efforts towards utilising an m-payments platform for social cash transfers (Government to Person transactions) are made

- MTZL has been earmarked as a possible service provider to pilot the delivery of social cash transfer payments as part of an ongoing initiative by UNICEF and DFID

10. At least 200 smallholder and emergent borrowers and potential borrowers of commercial finance are given financial literacy and financial management training.

- While the ZNFU financial literacy training schedule for 2011 has yet to be determined, PROFIT trained 39 owners and operators of existing and new tractor leases from Dunavant in business and financial management in March 2011
- A further 30 smallholder dairy farmers from the Copperbelt were trained in February by PROFIT on financial management issues as they are seeking to borrow from CetZam, a microfinance institution, to upgrade their dairy businesses.

Activities planned for next quarter

- In the next quarter, PROFIT will work with the insurance industry on developing a capacity building programme and product development process applicable to the rural population.

Part of the process will involve exploring further the possibilities for weather index-based insurance.

- Also during the quarter, PROFIT will work with the Development Bank of Zambia to develop a needs assessment and training programme for microfinance institutions that are receiving financial support from DBZ to improve their outreach into rural and agricultural markets
- In conjunction with Afgri and Conservation Farming Unit, PROFIT will embark on a training programme for the 36 potential lessees under the Afgri Leasing Scheme

Administration and Field Team management: Theme 1:

Fostering improved knowledge management within market facilitation field team

Achievements against benchmarks

1. At least 4 Staff management trainings conducted

- During the quarter under review a number of management trainings were conducted in both formal and informal ways.
 - Staff came from CLUSA HQ to work with the team on a closeout strategy as well as provide guidance on the internal impact assessment in preparation for the final report.
 - One staff management meeting was conducted and focused on PROFIT's impact, lessons learned, and close down activities. The staff meeting also laid the framework for conducting the in-progress internal impact assessment. Staff brainstormed on the best way to highlight project impacts at Firm, Agent and Household. Additionally, staff discussed reporting formats and explored gender based market opportunities strategies.
 - The Chief of Party has worked with the Field Operations Manager (formerly the Ag-Input Coordinator) to train him on other technical areas of PROFIT such as the Livestock, Output and Finance sectors. This included field trips and meetings with stakeholders
 - The COP and FOM worked extensively to fully integrate the Deputy Chief of Party (DCOP) into the technical team and brought her up to speed on technical approaches and activities. This included meetings with stakeholders and well as trips into the field to gain more understanding of PROFIT's impact.
 - The DCOP also worked with the COP on administrative and financial issues, building upon the USAID rules and regulations training he underwent late in 2010

2. At least 3 Regional Team meetings conducted

- During the quarter under review, three regional meetings were held in Choma, Mpongwe and Chipata. In the meetings, staff developed closeout plans for technical activities and also visit field sites to monitor on-going activities.

3. Staff Annual evaluation conducted

- Staff Annual evaluation is in progress and to be completed by 31st May, 2011.

4. Staff performance incentives/awards schemes implementation

- During the quarter under review, the staff performance incentives/awards were given by way of non financial incentives and recognitions such as positive feedback and circulating staff achievements among peers.

5. Regular field technical backstopping

- During the quarter, the technical team continued its backstopping of the field staff particularly on developing the closeout plan and monitoring data collection related to the internal assessment, reinforced during regional team meetings where closeout plans were finalized.

6. Staff exchange visits continue to be implemented

- During the quarter under review, an exchange visit was made by the CLUSA project in Zimbabwe. CLUSA Zimbabwe staff came to Zambia to learn about the PROFIT Programme and visited field sites in Southern Province to see activities and interact with agents, farmers, and private sector partners.

7. Conclude auction of obsolete equipment during Q1 FY 11

- A review of project inventory was conducted during the quarter under review and the final disposition plan to be submitted to USAID was prepared. The disposition plan is under review at CLUSA HQ and will soon be submitted to USAID. The project has still not received feedback from USAID on a previous request to auction obsolete vehicles.

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 HQ by 30th April 2011.**
 - Completed and pending formal submission to CLUSA HQ.
- 2. Asset Disposition plan approved by AO by 31st May 2011.**
 - Completed and pending approval from CLUSA HQ before submission to USAID Zambia.
- 3. Field Office close out complete by September 31st 2011.**
 - Work in progress and on course

Administration and Field Team management: Theme 3:

Establishment of a local non-profit entity: Update

- The DFID Business Innovation Facility contract which was signed in July 2010 is underway, implemented by a local consultant hired by Musika for the purpose
- During the quarter, Musika's consultant hired technical assistance to begin developing course material for the rural finance training component of the ACTESA COMRAP project, and a workshop was held to train the insurance industry and other stakeholders in weather index insurance.

Monitoring and Evaluation: Theme 1

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

Achievements against benchmarks

1. 6 Data Quality Assessments conducted

- Two data quality assessments were conducted during quarter 2, 2011. The assessments covered livestock and agriculture inputs. The process for data collection for the quantitative data was assessed.
- A database tool was also shared with the business advisors to collect data from firms on the firm staff they were working with, the areas of operation and the numbers of farmers that each of the in-community service providers were working with. This was meant to improve our database on the actual in-community service providers and farmers that were benefitting from PROFIT interventions.

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

- This was achieved in the first quarter of 2011.

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

- This was achieved during quarter 1, 2011.

4. 15 firms will have adopted learning as part of their business Management Information System

- Firms have continued to make steady progression on the use of learning and information is being used by firms to better their business management. For example, HOVAS, in Chongwe is using the information that is gathered from the various areas to decide how they can make strategies for the different communities. Depending on the demand that is coming from the various communities, the vet plans his activities of conducting one-off services and also looking at where the possibility of more focussed visits will be required.
- Worked with 2 firms on setting up and consolidating their data management. The firms included Mana agrochemicals and Hope vet in Chongwe.
- Worked with 3 firm staff on trying to improve their business management via use of business information from agents and other clients.

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

- One quarterly report done for Q2 11 and has been completed. The quarterly report highlights what has been achieved in relation to the benchmarks that were set in the various sectors. The report also brings out the challenges faced in trying to achieve the benchmarks. The annual report is expected to be done during Q4 11.

Activities planned for next quarter

- Conduct 2 data quality assessments focussing on the data being collected for the vet and agriculture retail indicators
- Facilitate the setting up and consolidation of data management systems with 6 firms
- Work with 8 staff on facilitating the improvement of the business skills via improved information management
- Consolidate data from the various regions to come up with aggregated data for all firms, service providers and farmers

Monitoring and Evaluation: Theme 2

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

Achievements against benchmarks

1. 15 firms to have implemented monitoring and evaluation systems

- Firms are implementing using monitoring and evaluation systems in more robust ways. Firms have continued to conduct review meetings, setting up databases and have continued to train their agents, spray service providers and community livestock workers. A total of 14 review meetings were conducted by the retail firms without PROFIT support.

2. 30 firm staff adopting skills from training to improve their business monitoring and evaluation systems

- During quarter two, 2011, an additional 2 firm staff are applying skills obtained to better their management of their agent networks. This brings the total number of firm staff applying skills from training their business M and E systems. Firm staffs are conducting their own reviews and trainings with little or no PROFIT support. A total of 14 review meetings. Further, firms have cemented their relationships with agents and a total of 1,528 having signed up contracts from over 2500 agents.

Activities planned for next quarter

- Work with at least three firms to encourage the implementation of M and E systems
 - Work with at least one firm in the integration of an electronic platform for agent management
-

Monitoring and Evaluation: Theme 3

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

Achievements against benchmarks

1. At least 1 internal household survey conducted evidencing the impact of the project in changing the livelihoods of the rural households in Zambia

- The draft report for the survey has been done and will be finalized in Q3 11 for dissemination
- The Mini household survey on household incomes and number of beneficiaries per household was completed during the quarter. The following is the summary of the results from the survey:
 - The average number of people in a household was 10 (6 nuclear family members and 4 dependants)
 - 40 households (11%) were headed by widows of which 34 were female and 6 were male. The average number of orphans kept per HH was 4 of which 50% was male and 50% female
 - The average income per HH for the 2007/08 season came to \$896. During the 2008/09 season the average income increased to \$1,271, a 42% increase above the 2007/08 figure. Additionally, during the 2009/10 season the average income per household increased to \$2,146. This was an increase of 69% compared to the 2008/09 income figures.

2. 1 Impact assessment done to determine the end of project position of the PROFIT project

- To be done in Q3 and Q4 11

- 3. 12 BAs to continue improving their knowledge in answering the so what question**
 - The BAs are helping to collect data on specific questions that are aimed at answering the “so what question”. During the quarter, two assessments were conducted on the different types of maize hybrids are planting and the use of herbicides.
- 4. Cost of Production surveys conducted for all the outputs (crops-maize and cotton, cattle-beef and dairy,) in all project districts with project activities**
 - To be conducted in Q4 11
- 5. At least 12 notes from the field produced and disseminated**
 - 5 notes from the field have been done and will be ready for dissemination during Q3 11.
- 6. Project successes and lessons learnt documented and disseminated**
 - The documentation of PROFIT successes and lessons learnt will be done between Q2 and Q4 11. The successes and lessons learnt will then be packaged and disseminated in Q4 11.

Activities planned for next quarter

- Collection of data for notes from the field
- Prepare and disseminate 7 notes from the field