

PROJECT DESCRIPTION

Lilongwe South Feed Production and Marketing

Malawi

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Lilongwe South Smallholder Farmers Association (LLSSFA) currently assists maize and soya farmers in the Lilongwe district of Malawi to improve yield and sell their crops. LLSSFA would like to take advantage of unmet demand for animal feed both from members and from the surrounding area and capitalize on the fact that their membership currently produces more than the primary buyer, NASFAM, can purchase; however, insufficient training in farming practices, inadequate financial management systems, lack of working capital, and weak internal management capability prevent the association from capitalizing on the market demand

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 8 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 4, Section 4.1 of the Agreement.

B. Grantee Contribution

LLSSFA will contribute the time and skills of its staff in the implementation of the Project, as well as land for the construction of the production facility.

IV. Project Goal

The goal of the Project is to improve the standard of living for residents of the Lilongwe region of Malawi.

V. Project Purpose

The purpose of the Project is to increase the income of LLSSFA and its employees and members as follows.

- A. LLSSFA's net income before tax and depreciation will increase from the current baseline of MWK 851,504 and MWK -4,300,000 in Year 1 to:
 - 1. MWK 2,300,000 in Year 2; and
 - 2. MWK 5,000,000 in Year 3.
- B. Total salaries and wages paid to LLSSFA's employees (full time and part time) will increase from the current baseline of MWK 1,381,340 to:
 - 1. MWK 3,150,000 in Year 1;
 - 2. MWK 3,400,000 in Year 2; and
 - 3. MWK 3,700,000 in Year 3.
- C. The value of raw materials purchased from LLSSFA farmer members will increase from the current baseline of MWK 0 to:
 - 1. MWK 8,100,000 in Year 1;
 - 2. MWK 19,600,000 in Year 2; and
 - 3. MWK 27,100,000 in Year 3.

VI. Project Outputs

By the end of the Project period, the capacity of LLSSFA to process and market animal feed will increase as evidenced by the following.

- A. LLSSFA's sales revenue from animal feed will increase from the current baseline of MWK 0 to:
 - 1. MWK 11,700,000 in Year 1;
 - 2. MWK 28,100,000 in Year 2; and
 - 3. MWK 39,000,000 in Year 3.
- B. LLSSFA's membership will increase from the current baseline of 6,022 members to:
 - 1. 6,624 Members in Year 1;
 - 2. 7,280 Members in Year 2; and
 - 3. 8,015 Members in Year 3.

VII. Project Activities

LLSSFA will ensure the following major activities are completed with the assistance of consultants where necessary.

A. Improved Production of Animal Feeds

1. LLSSFA will hire a consultant to train staff and management on best agronomical practices for animal feed production. However, the processing formula used by LLSSFA will require that leucaena leaves constitute less than 30 percent of the calorie content of the animal feed.
2. LLSSFA will construct facilities to store and process the animal feed in accordance with Malawi Bureau of Standards certification requirements.
3. LLSSFA will utilize an association owned truck to improve the efficiency and cost-effectiveness of the transportation of raw materials and finished goods.
4. LLSSFA will hire a construction company to establish a borehole that will provide the association with water.
5. LLSSFA will purchase protective clothing for the production staff to ensure their safety during the production process.
6. LLSSFA will establish a revolving fund for the purchase of raw materials such as soya beans, maize, lime, and premix.

B. Farmer Capacity Building

LLSSFA will provide training to the farmers in improved production techniques and farm management best practices to assist the farmers in improving the return on their investment.

C. Management Improvement

1. LLSSFA key personnel and managers will attend capacity building classes that emphasize attitude and organizational transformation from volume/production driven models to market driven business development models.
2. LLSSFA will work with a consultant to develop a three-year strategic business plan which will incorporate an analysis of LLSSFA, an industry analysis and a marketing strategic plan that will include branding and distribution.
3. LLSSFA will produce updated financial and administrative manuals to improve financial management.

VIII. Roles and Responsibilities of the Parties

ADF's Partner in Malawi will provide the standard ADF training in bookkeeping, monitoring and assessment. LLSSFA is responsible for ensuring the proper management and implementation of the Grant. The ADF Partner in Malawi will provide LLSSFA with technical and management assistance during implementation.

IX. Monitoring and Evaluation

ADF's partner in Malawi will closely monitor the activities of the Association to ensure proper reporting, adherence to the Project implementation plan by the Association and movement towards the achievement of Project objectives. The Partner will continuously assess risks and take remedial action as needed. Monitoring by the Partner will be an important aspect of the on-going coaching and advisory service. The Partner will review quarterly reports to ADF and will submit comments and observations to the management of the Association as part of the on-going performance assessment.