

**APPENDIX A:  
PROJECT DESCRIPTION**

**PITSANE MILK PRODUCTION AND MARKETING PROJECT**

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

The dairy industry in Botswana is currently underdeveloped with ninety percent of fresh milk imported. The Government's new agricultural policy cites the dairy industry as one of the sectors with the highest potential to realize significant returns, substitute imports, and add value. Individual dairy farmers have been unable to access the market due to small milk quantities, lack of pasteurization facilities, and high marketing and transport costs.

The Ministry of Agriculture established a milk processing plant in Pitsane and leased it to the Grantee, the Pitsane Dairy Marketing Cooperative (PDMC). Currently, PDMC collects raw milk from its farmer members and sells it at low prices to dairy processing companies. The Cooperative could increase its profit margins and expand its market if it acquired the capacity to pasteurize, homogenize and bottle its own member's milk, and put in place appropriate cooling and delivery to customer arrangements.

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 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

B. PDMC Contribution

The PDMC will contribute its existing assets and P3, 904 towards the purchase of office furniture.

C. Other Contributions

The Department of Cooperative Development, the Department of Animal Health and Production, the National Laboratory, the Botswana Food Technology Center and the

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Botswana Bureau of Standards will provide expert advice and training as part of the standard services and oversight provided by these regulatory agencies.

#### IV. Project Goal

The goal of the project is to reduce poverty in rural areas through increased access to sustainable incomes from participation in a vibrant sustainable dairy industry.

#### V. Project Purpose

The purpose of the project is to provide increased access to markets and sustainable incomes for dairy producers in the Southern District of Botswana.

This will be measured by the following.

- A. Producer revenues from milk purchases increase from P 366 802 to:
  - Year (1) 2005/6 P 858,000
  - Year (2) 2006/7 P 1,259, 895
  - Year (3) 2007/8 P 1,543,056
  - Year (4) 2008/9 P 1,725,522.
  
- B. Net profits of the Cooperative before taxes and depreciation change from P5 705,000 to:
  - Year (1) 2005/6 P (114,255)
  - Year (2) 2006/7 P 64,478
  - Year (3) 2007/8 P 166,770
  - Year (4) 2008/9 P 230,988.
  
- C. Total income to farmers increases from P590 039
  - Year (1) 2005/6 P 116,100
  - Year (2) 2006/7 P 148,142
  - Year (3) 2007/8 P 157,771
  - Year (4) 2008/9 P 168,026.

#### VI. Outputs

The major output of the project is the establishment of a profitable enterprise capable of the producing and selling market quality pasteurized milk, as indicated by the following

- A. 97 percent of milk processed passes prescribed laboratory quality tests.
- B. Total quantity of pasteurized milk sales increases from 0 liters to:
  - Year (1) 2005/6 468,000 liters;
  - Year (2) 2006/7 591,500 liters;
  - Year (3) 2007/8 680,226 liters; and

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Year (4) 2008/9 714,236 liters.

- C. Milk revenues increase from P 469,218 to:
- |                 |                  |
|-----------------|------------------|
| Year (1) 2005/6 | P 1,395,800;     |
| Year (2) 2005/7 | P 2,213,762;     |
| Year (3) 2007/8 | P 2,711,305; and |
| Year (4) 2008/9 | P 3 031 917.     |

## VII. Activities

### A. Processing and Delivery of Milk

Under this project, the PDMC will evolve from a distributor of raw milk to a milk processing and distribution enterprise. To this end, the PDMC will upgrade its production and distribution infrastructure and enhance its workforce capability. During the project, the Cooperative will increase plant capacity utilization from 66 to 100 percent.

The PDMC will continue to purchase raw milk from its members. In addition, the Cooperative will purchase milk from non-members when member supplies are not sufficient. The PDMC will install facilities to process the raw milk into homogenized milk. It will establish a laboratory to test the quality of the finished product. The products must pass the quality test before being marketed. The Cooperative will purchase two refrigerated vehicles that are appropriately designed for transporting the processed milk to customers.

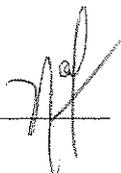
### B. Training and Technical Assistance

PDMC will contract with a supplier to provide training to its staff in milk processing and handling techniques and milk hygiene. The technical assistance provider(s) will also help PDMC establish good production practices and quality assurance procedures. PDMC will further contract technical accounting support to develop accounting systems. Training will be provided in financial management, and project monitoring and evaluation.

### C. Marketing and Administrative Support

PDMC will develop and implement an intensive marketing plan. The marketing and promotional activities will include media advertising, point-of-sale advertising, in-store promotions and collaborative promotions. PDMC will recruit a manager and a book keeper for the oversight of operations and administration.

## VIII. Roles and Responsibilities of the Parties

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The board of PDMC is responsible for establishment of the organization's policies and the overall implementation and monitoring of the Project. It recruits staff to manage activities under the Project.

Action for Economic Empowerment Trust (AEET), ADF's partner, will provide technical and monitoring assistance and advice during the implementation of the Project.

#### IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the PDMC, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will provide the Partner input for the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.

#### X. Other Implementation Issues

The project will provide benefits to the community through direct contribution of 10 percent of their annual profits to a fund for community development. PDMC will work with the Village Development Committee on an annual basis to identify needs, preferably income generating projects.

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