

## APPENDIX A

### PROJECT DESCRIPTION

#### Mshikamano Farmers Group Integrated Coffee Market Development 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 shall be construed to be an amendment of any of the definitions, conditions or terms of the Agreement.

##### II. Background

Mshikamano Farmers Group (MFG), an association of small scale coffee farmers in Mbozi District in the southern highlands of Tanzania, almost doubled in size between 2000 and 2003. This rapid growth in membership offers MFG an opportunity to further its mission of becoming a catalyst for better standards of service within Tanzania's coffee industry. However, MFG lacks the financial resources to provide its' members with the full range of services they need.

##### III. Funding

###### A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 (Budget) to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are 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 1 of the Agreement.

###### B. Grantee Contribution

MFG will contribute its existing farm equipment and other infrastructure, its experienced staff and local and international market linkages, administrative support services and warehouse facilities

##### IV. Project Goal

The Project's goal is to increase the standard of living for small holder coffee farmers in Itaka Ward in Mbozi District.

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*E.M.*

*E.W.*

*D.M.*

## V. Project Purpose

The purpose of this Project is to increase the net income of MFG and its members as measured by the following:

- increase total MFG coffee sales from TSh 271.92 million in year 2002/03 to TSh 1,010 millions in year 2008; and
- increase the number of members benefiting from MFG marketing services from the baseline of 300 to 500 members.

## VI. Project Outputs

A. Mshikamano's capacity to provide services to its members will increase as indicated by the following:

- MFG farmers' average coffee yield per acre increased from the 2002/03 baseline of 250 kilograms per acre to 407 kilograms per acre in 2008;
- quantity of dried coffee produced and sold by MFG increased from the 2002/03 baseline of 180,000 metric tons per year to 488,000 metric tons per year in 2008; and
- the number of farmers benefiting from MFG's services increased from the 2002/03 baseline of 300 persons to 500 persons in 2008.

B. MFG's capacity to manage its operations will improve as indicated by the following:

- MFG institutes a crop monitoring and forecasting system within twelve months after first disbursement of funds under this agreement; and
- management plans to insure timely curing of members' coffee beans developed and in place by twelve months after first disbursement of funds under this agreement.

## VII. Major Activities


A. Coffee Farming

MFG's member farmers in the Mbozi district of Tanzania will plant and harvest mild Arabica varieties of coffee. Coffee farming will involve the following processes: (a) preparing land to divert it from use for food crop to use for coffee cultivation, where farmers plan to cultivate new trees and seed bed; (b) transplanting trees, weeding, and planting new seedlings; (c) spraying against fungal diseases; and (d) harvesting, pulping, fermenting, drying, and grading the coffee berries.

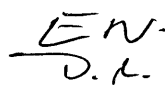
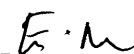
At the beginning of each season, MFG will provide the farmers written standards and specifications for the coffee it will accept. MFG will only accept 100 percent clean parchment coffee that is free from all visually defective beans.

During the first three months of the Project, MFG, in conjunction with village representatives, village agricultural extension agents, and the Uyo Research Institute,

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will conduct a coffee production farming system analysis. The analysis will guide the development of the following: (a) a problem-centered training program for farmers; (b) farm management, monitoring, and remedial tools; and (c) a production plan that quantifies the inputs each farmer requires based on the farmer's acreage, number of trees, and condition of plants.

MFG will inspect each member's farm to assess the ownership and quality of the processing facilities, i.e., pulping machines, drying trays and stations, coffee fermentation tanks, and water for coffee processing. Based on the inspection, MFG will advise farmers on whether they need to acquire new facilities.

MFG will visit the farms to forecast output, inspect pulping machines and fermenting tanks, and provide advice on how to harvest, pulp, dry and grade. MFG will supervise and monitor all post harvest activities and intervene with farmers as needed to minimize post-harvest quality deterioration.

MFG will establish a production inputs revolving fund. Farmers may take out cash and in-kind loans ranging from twelve to twenty-four months for the following: (a) production inputs such as fertilizers, pesticides, and copper; (b) labor for pruning, weeding, spraying, pulping, turnovers, washing, and drying;; and (c) processing facilities and equipment such as pulping machines, fermentation tanks, drying trays, spraying pumps, bicycles, and solar systems.

#### B. Purchase and Delivery of Coffee for Curing

Farmers will take their coffee beans to MFG's collection site. At the site, MFG will provide facilities for additional drying and hand picking to remove off-quality beans, when these services are needed.

MFG will establish a coffee purchase revolving fund that it will use to advance farmers a fixed amount for each kilogram of beans they sell to the Association. MFG will be responsible for delivering the beans to a curing plant. To ensure timely delivery, i.e., between August and December when auction prices are highest, MFG will enter into pre-delivery arrangements with curing plants to secure a space for processing its members' beans.

#### C. Marketing Coffee

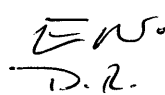
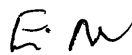
MFG will build on existing relations it has with national and international buyers and establish new ones. It will make offers to prospective buyers early in June, provide samples by August, and follow up aggressively by telephone, facsimile, and e-mail.

MFG will undertake various activities to promote its products, including personal sales visits to potential buyers, development and dissemination of promotional materials such as brochures and posters, and participation in trade shows. MFC in collaboration with

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Higher Ground and Up-Country will update and improve the design and management of its internet-based marketing and sales strategy.

**D. Training and Technical Assistance**

MFG will hire local experts in Management Information Systems (MIS) and computers. Four (4) members of the management staff will be trained in the essentials of management information systems, data base management, and use of computers in managing MFG production operations, finance management and reporting.

MFG's members, staff and Executive Committee members will receive training in finance and marketing. MFG will arrange training in leadership, quality control, the proper use of agro-chemicals and best farming practices for its members.

The ADF Country Partner will provide the following:

- leadership training in aspects of group dynamics, leadership and good governance;
- training in best farming practices and quality control;
- basic finance to three designated executive committee members;
- essentials of marketing to 8 staff members;
- ADF accounting system, best practices in financial management and project performance assessment; and
- HIV/AIDS preventive training to MFG members.

**VIII. Roles and Responsibilities of the Parties**

MFG is responsible for proper management and implementation of the Project. MFG will hire a Project Manager who will be responsible for the day to day management of the organization and the project.

The ADF Country Partner, Center for Sustainable Development Initiatives, will provide technical and management assistance to MFG during the implementation of the project.

**IX. Monitoring and Evaluation**

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's membership. The committee will provide input for the project monitoring plan, which will include the establishment of annual targets for the performance indicators. In addition, during the implementation stage, 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.

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