

**DM 2005 Project Implementation
FIRST PROGRESS REPORT**

[07/20/2006]

I. Background Information

DM Project Number and Title	#4572 - Healthy & Profitable Small Farms in NE Brazil.
Report Author's Name (if different from Team Leader)	Aurelio Souza
Total Award	US\$ 105,110.20
Amount Disbursed to Date	US\$ 57,810.61 (55 % of the Total Award)

II. Progress Against Milestones

i) List the milestone objectives in the first column as expressed in the Project Agreement. The second column should indicate the current status of each milestone objective. In the third column, please provide quantitative data and qualitative information describing the status of the project against that particular milestone.

Milestone Objectives (Copy from the Agreement)	Status (Completed/ In Progress)	Descriptive Information on the Status
<p>Milestone 0:</p> <p><input checked="" type="checkbox"/> Agreement on the milestone objectives with the Project Liaison</p>	Completed	<ul style="list-style-type: none"> • Project signed and agreed with project liaison
<p>Milestone 1:</p> <p><input checked="" type="checkbox"/> Market Specialist hired and Market Study and Commercialization Strategy completed.</p> <p><input checked="" type="checkbox"/> Three Mandalla demonstration organic agriculture projects and solar dehydrators installed at three schools.</p>	Completed Completed	<ul style="list-style-type: none"> • Market specialist was hired and working on the commercialization of organic agriculture produce. • Mandallas implemented and solar dehydrators placed at three schools.
<p>Milestone 2:</p> <p><input checked="" type="checkbox"/> Two additional Agriculture Plots demonstration organic agriculture projects and solar dehydrators installed at two additional schools.</p> <p><input checked="" type="checkbox"/> Commercialization strategy implemented</p> <p><input checked="" type="checkbox"/> Five environmentally-sustainable agriculture and solar drying practices training courses provided to over 100 small farmers (Coopervida Associates)</p>	Completed Completed	<ul style="list-style-type: none"> • Two additional Mandallas are under implementation and should be completed in a couple of weeks. • The commercialization strategy has been implemented gradually as the project development matures. Coopervida is already selling small amounts of organic and dehydrated produce to local customers and taking advantage of daily local fairs. • The training courses were carried out immediately after and during the 5 agriculture plots preparation. During the construction of the agriculture plots best practices for an environmentally-

<p>and over 150 students at the five schools.</p> <p><input type="checkbox"/> 50 farmers visited by the organic certifier for inspection and classification according to the certification process.</p>	<p>(except for the 50 farmers visited)</p>	<p>sustainable agriculture have been passed on to project beneficiaries through hands on training.</p> <ul style="list-style-type: none"> • 30 Farmers have been visited by organic certifier for initial discussion about the certification process. This milestone will not be fully achieved since the initial predicted number (50) of farmers did not join the certification process yet. This milestone needs to be revised.
<p>Milestone 3:</p> <p><input type="checkbox"/> At least two Regional Seminars held for information dissemination and experience exchange among project partners, stakeholders and farmers.</p> <p><input type="checkbox"/> Accumulated sales volume for organic produce at 10 tons.</p> <p><input type="checkbox"/> At least 50% of the trained Coopervida Associates classified as organic or in-transition to organic certification.</p>	<p>In Progress</p>	<ul style="list-style-type: none"> • First Regional Seminar happened in end of March (30th and 31st) in Juazeiro Municipality. There were sixty six attendees from the 5 selected municipalities. Second regional Seminar scheduled for August. • Coopervida already selling organic produce. Comercialization strategy being implemented to achieve the sales volume for organic produce. Up to date, 6 tons of organic agriculture and dried fruit (mostly Mango) have been commercialized. • Certification awareness and farmers in progress.

ii) If you did not achieve some of your stated milestone objectives, please explain the reasons.

Some of the expected results for milestone 2, the 50 farmers visited by the organic certifier for inspection and classification according to the certification process might not happen within the one year time frame. The main reason is that there weren't 50 farmers fully interested in the certification process at this initial stage and it may take longer than expected to bring these farmers to the join the certification effort. Another issue was the certified agent agenda that did not accommodate visiting over 30 farmers within this period. Therefore, we solicit this milestone to be reviewed. This revision will not impact overall project success.

iii) Has your project's overall accomplishments to date exceeded the original plan?

Yes No

If Yes, describe your achievements:

Volume of sales have reached 60% of the total volume agreed for milestone #3. Coopervida is commercializing organic produce to local markets and to street market and it is discussing a contract of 100 tons per year with import company (IPEX) for USA market. Also, under discussion, a monthly sales of 4 tons to HORTART, a company based in São Paulo (biggest city in South America). The commercialization efforts have been successful.

III. Overall Project Progress

i) What have been the main challenges of your project to date? What, if any, adjustments have you made to your original business plan in order to overcome the challenges and meet your objectives?

Challenges (CUMULATIVE):	Adjustments:
<p>Period of the year that the initial activities were concentrated was not the ideal (in part to anticipated vacation on school calendar and municipal education secretary).</p> <p>Meet project original budget and expenses in the same level as requested to DM early this year - there were a significant lost of resources with reduction in dollar exchange rate compared to Brazilian currency (R\$ - Real) in this period.</p> <p>Difficulty to engage local small farmers in a new financing for organic agriculture. Most of the small farmers already have on-going debt with bank and limited to finance new projects.</p>	<p>We postponed the activities initially planed for late 2005 until 2006 and these activities were undertaken once the seasonal break was finished.</p> <p>Leverage additional resources with other donors to overcome exchange rate issues and to be able to scale up project outcomes.</p> <p>Discussed with bank to review small farmers' previous debts and re-finance it along the new investments in the agriculture plot project. Bank is discussing with all COOPERVIDA farmers (individually) and it is willing to facilitate new financing.</p>

ii) Have any of your objectives changed or have you added new objectives since you signed your Project Agreement? If Yes, explain the changes.

Yes No

As mentioned in the item II-ii (milestones not achieved), the numbers of farmers visited by certification entity will not reach the initial number (50 farmers). This indicator should reduce to 30 farmers visited and engaged in the certification process. Over the following months, the certification process will continue and additional members will join this effort.

iii) Do you have any concerns about meeting your next milestone objectives?

Yes No

If Yes, what are the concerns and how do you plan on addressing those challenges?

Even though the answer is NO, we are proposing that Milestones II, item related to number of farmers engaged in the certification process, should be reviewed to 30 and not 50 as initially projected (see item above for further reference). As far as the other indicators in the milestones (volumes of sales, percentage of Producers engaged and additional seminar) that will not be a problem. The plan in this case is to increase the effort in the certification front to include as much Producers as possible. Nevertheless, local cooperatives have engaged the certification process seriously and it is only a question of time to implement these actions.

iii) Although this is an interim report, are there any development outcomes or results of your activities to date that you would like to call attention to?

The comments below are cumulative from the beginning of the project.

First Report

Project has moved forward in other fronts besides the Agriculture plot implementation (milestone 2) and has already mobilized several entities (representatives from ONGs, Public and Private sector that are or will be engaged with the project implementation, such as banks, small agrobusiness, farmers, municipal government, community associations, etc).

Discussions with Federal Development Bank (Banco do Nordeste – Northeast Bank) regarding micro-credit for small farmers were also initiated as part of the replicability and scaling up strategy of this project. Bank representative was present at the kickoff meeting and has assured this type of project is high priority for them. Meeting with BN superintendence at the state level and with regional manager guaranteed a line of credit to Coopervida members to finance organic agriculture coupled with a technical package, including solar dryers and biodigestors to produce both gas and biofertilizer. Bank is now meeting with project beneficiaries to start financing projects. Final objective is to provide micro-credit to farmers engaged in this project.

Important to mention that IRPPA and Coopervida will be able to elaborate the agro-technical project for financing directly with the bank, not needing to hire a third party to elaborate it. This is a great achievement because it minimizes the transactions and final project costs.

Besides the kickoff meeting in Juazeiro municipality, there were two other meetings with stakeholders from two neighbor municipalities (Curaça / Rodelas) to discuss project implementation in their areas as well. The municipal authorities are very interested in this project and further development in this front will be reported in next quarter. As mentioned, Juazeiro municipality has already approved project expansion to add 6 agriculture plots to original ones to be installed in this municipality. Terms are under negotiation right now.

Second Report

The volume of sales has been above expectations for this phase of project. Project is getting special by local authorities that have shown interest in the replication for other areas. COOPERVIDA, the beneficiary cooperative, has been strengthened and it is increasing its participation in the local organic market.

Additional resources have been leverage to overcome dollar exchange rate drop to continue implement projects and also increase participation of organic produce in the region.

iv) Reminder: In accordance with Paragraph 3.1.1 of the Project Agreement, each project team is required to submit a statement of account showing the use of the funds within three months after the last disbursement. As a part of periodical expenditure review exercise, please provide an annex with un-audited summary of expenses during this reporting period.

IV. Ancillary Achievements

i) Have you or has your organization received any awards/recognitions or media attention as a result of your DM-funded project during this period?

Yes No

If Yes, please specify the sources and identify the names.

Award /Recognition	Media e.g. <input type="checkbox"/> International: BBC News on Dec. 3-4, 2003
<input type="checkbox"/> Local: <input type="checkbox"/> National: <input type="checkbox"/> International:	<input checked="" type="checkbox"/> Local: Newsletter / Website / Newspaper <input checked="" type="checkbox"/> National: Newsletter / Website <input checked="" type="checkbox"/> International: Newsletter / Website

Explain the Award/Recognition or the Media content:

Newspaper article about the experience, released on April 17th, 2006. - JORNAL ATARDE (ATARDE NEWSPAPER) – Biggest newspaper in North-Northeast Brazil

Attach web links/news clips, if available:

Website note at <http://www.winrock.org.br> – look for DM link.
 Productive Energy Program Annual Report from Winrock International Brazil –PDF file attached to the first report
 Newspaper Article at www.atarde.com.br (issue of April 17th, 2006)

ii) Has your organization made any new partnerships as a result of this project during this reporting period?

Yes No

If Yes, specify type of the organization from the list below and describe nature of the partnership:

<input type="checkbox"/> Local Government: <input type="checkbox"/> National Government: <input type="checkbox"/> NGO: <input type="checkbox"/> Bilateral Development Agency:	<input type="checkbox"/> Multilateral Development Agency: <input checked="" type="checkbox"/> Private Corporations: COELBA (Electricity Utility) <input type="checkbox"/> Other: NORTHEAST BANK (financial partnership)
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iii) Sustainability and scalability after completion of the DM fund are top of the DM Team’s priorities. Has your organization leveraged new funding or secured future funding during this reporting period?

Yes No

If Yes, provide the following information.

Funding Sources: COELBA – Energy Utility

Amounts Committed: US\$ 12,000

Northeast Bank line of credit opens to COOPERVIDA and IRPAA to finance organic agriculture coupled with a technical package (Agriculture plots, solar dryers and biodigestors) – Credits are under analysis but it is already available to those formers that have re-negotiated their previous debts.

V. Requests to the DM

i) Do you have any comments on the overall process and support provided by the DM Team or Project Liaison?

ii) If your contact information has changed, please provide us with the new information.

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Annex I. Project Expenses for this Reporting Period

Items	Sub-Totals (USD)
1 Personnel	23,694.65
2 Materials and Equipment	4,143.86
3 Training	
4 Travel	2,025.57
5 Evaluation/Information Dissemination	
6 General Administration/Overhead	2,986.40
7 Other	
Total Expenses	32,850.48

This information will be forwarded later on along with payment solicitation.