



Inxu Agricultural Co-operative Development Project

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A Thina Sinako, local LED funded Project
Contract No. LCF / PT / 04-06-009

6 Month's interim report for the period:

01 September 2007 – 26 February 2008



PROGRESS REPORT

01 September 2007 to 26 February 2008

PROJECT PARTNERS

The partners involved are:

- Umnga Farmers Training Group (Section 21) and,
- Inxu Agricultural Co-operative Ltd.

OVERALL OBJECTIVE

The overall objective is to obtain capital required by Inxu Agricultural Co-operative in order to start with sustainable production in all enterprises for which infrastructure is already available.

SPECIFIC OBJECTIVES

- The partners to agree upon a TOR for implementation.
- Identification of role players as contract producers.
- Ensure capacity building to all Directors and participants.
- Project implementation and production.
- Contract deliveries to the co-operative for value added services and marketing.
- All activities to be assessed and an after care programme be available to the co-operative.
- Final handover and withdrawal.

The following projects to be implemented:

1. BROILER CHICKEN PRODUCTION

The current infrastructure consists of 3 x 1000 broiler houses, equipped with:

- 60 round chick trays,
- 60 tube feeders,
- 60 x 4lt water founts,
- 60 x 10lt water founts,
- 3 x 1000 SK1 gas brooders
- 3 x 48kg gas cylinders.

Initially the infrastructure seemed in a good condition but on implementation the concrete floor had to be repaired due to no maintenance and water flooding. The corrugated iron was rusted on the foundation level. Equipment also had to be replaced due to theft as follows:

- 44 x round chick trays,
- 50 x 4lt water founts,
- 11 x 10lt water founts bottoms (lids),
- 60 x 10lt water bottoms (buckets) and
- 3 x 48kg gas cylinders.

a) **APPROVED BUDGET VS EXPENDITURE FROM 1ST SEPTEMBER 2007 TO 26 FEBRUARY 2008**

Broiler Livestock Project				
Qty	Description	Budget	Spent	% Spent
9000	Day old Broiler Chickens	40,500.00	14,736.84	36.39%
10	Tons Broiler Starter Feed	32,000.00	27,214.58	85.05%
10	Tons Broiler Growth Feed	32,000.00	24,330.00	76.03%
10	Tons Broiler Finisher Feed	32,000.00	34,896.00	109.05%
9	48kg Gas	4,950.00	1,454.81	29.39%
12	Medicine kits	8,550.00	8,106.90	94.82%
Total		150,000.00	110,739.13	73.83%

b) **THE EXPECTED PRODUCTION SCOPE AND FINANCIAL EXPECTATIONS**

During the 18-month implementation period, 12 x 6 week production cycle is possible. The 1st cycle can produce 3000 chicks, 9000 chicks will be supplied from the budget as a starter over a 3-month cycle therefore 27,000 chicks will be supplied from own funding.

The financial expectation of 36,000 chicks at an average weight of 1.2kg can be produced allowing a 10% mortality rate. Marketable chicks of 32,400 producing 41,040kg meat at a rate of R14.00 bringing a gross profit of R816,480.00 giving a net income of R163,296.00 to the co-operative. Contract producers are paid R1.50 per kg of live mass equaling R87,480.00 therefore a person will receive R450.00 per week or R1,800.00 per month.

c) **CURRENT PRODUCTION ACHIEVED**

Currently have received R95,438.85 from the first 3000 chicks. There are 1000 one-week-old chicks currently in production and every 14 days 1000 chicks are being delivered.

d) **EMPLOYMENT STATUS**

Whilst preparing the infrastructure, 10 people are employed for a period of 1 month. Six full time contract producers have also been employed.

2. **EGG PRODUCTION**

The current infrastructure consists of 1 fully equipped layer house for 1200 laying hens. Application was made for an additional layer house and equipment for a further 1200 laying hens to be installed.

a) **APPROVED BUDGET VS EXPENDITURE FROM 1ST SEPTEMBER 2007 TO 26 FEBRUARY 2008**

Egg Production Project				
Qty	Description	Budget	Spent	% Spent
Egg Production Project Infrastructure				
	Layer House Complete	157,000.00	57,845.11	36.84%
	Building Tools		5,345.59	3.40%
	RA Cartage Bricks		4,210.53	2.68%
	Rhino Steelhouses		75,067.06	47.81%
	Burmeisters - Whirly Fans		4,122.59	2.63%
Total		157,000.00	146,590.88	93.37%
Egg Production Project Running Cost				
2400	Laying Hens	108,000.00	54,000.00	50.00%
30	Ton Layer Mash	72,000.00	28,696.42	39.86%
4	Medicine Kits	2,850.00	455.70	15.99%
1	Packaging	7,650.00	-	0.00%
1	Labels	2,500.00	2,500.00	100.00%
Total		193,000.00	85,652.12	44.38%

b) **EXPECTED PRODUCTION SCOPE AND FINANCIAL EXPECTATIONS**

From 2400 layers we can expect 83% production and 5146 dozen eggs per month. The monthly gross turnover will be R51,460.00 per month projecting a net income of R24,700.00 per month.

c) **CURRENT PRODUCTION ACHIEVED**

On the 28th January 2008 the 1st batch of layers were delivered and this morning (26th February 2008) 70 dozen eggs were delivered to the Co-Op. The production scope is to achieve an 83% production level within 90-days. The next 1200 layers are being delivered on the 30th March 2008. To achieve 83% production it normally takes 90 days, and this production will be achieved by the 15th May 2008.

d) **EMPLOYMENT STATUS**

Whilst preparing the layer house, 12 staff members were employed for 4 weeks. Six contract producers were employed at the egg project and paid a rate of R1.20 per dozen averaging R1,440.00 to date of this report.

3. **IRRIGATION CROP PRODUCTION**

On application, the current infrastructure consisted of a 20ha-fenced garden, equipped with an irrigation system for 10ha and a shed for fertilizers and equipment. An irrigation pump and fertilizers, seeds, chemicals, etc was to be supplied by the application for funding.

a) **APPROVED BUDGET VS EXPENDITURE FROM 1ST SEPTEMBER 2007 TO 26 FEBRUARY 2008**

Irrigation Project			
Description	Budget	Spent	% Spent
Irrigation Project Infrastructure			
Water Pump & Diesel Engine	65,000.00	65,000.00	100.00%
Total	65,000.00	65,000.00	100.00%
Irrigation Project Running Capital			
Cabbage Seedlings	60,000.00	24,520.00	40.87%
Fertiliser 3.3.4 (25)	49,400.00	-	0.00%
LAN fertilizer	9,600.00	-	0.00%
Crop spraying programme	25,000.00	-	0.00%
Packaging	24,000.00	-	0.00%
Labour cost	15,000.00	-	0.00%
Ploughing contractor	20,000.00	-	0.00%
Total	203,000.00	24,520.00	12.08%

b) **EXPECTED PRODUCTION SCOPE AND FINANCIAL EXPECTATIONS**

On 10ha, at total of 400,000 seedlings to be planted, allowing a 5% less loss, producing 380,000 heads of cabbage at R1.50 expecting a gross income of R570,000.00 less production cost of R203,000.00. A net income of R367, 000.00 is projected for the Co-operative per season. All projections are subject to market price and weather conditions.

c) **CURRENT PRODUCTION ACHIEVED**

Production will start on the 29th February 2008.

d) **EMPLOYMENT STATUS**

No employment status as production will start on the 29th February 2008.

4. **ABATTOIR**

The abattoir building was previously used as an abattoir and there were minor equipment such as:

- An electronic scale,
- cold room,
- meat processor,
- bag sealer etc.

The abattoir required a diesel generator, scalding tank, drum plucker, transport trailer, transport line, drip and cool trolley to be supplied through the funding application. There were basic renovations to be done and the Co-operative needed production capital to start the project.

a) **APPROVED BUDGET VS EXPENDITURE FROM 1ST SEPTEMBER 2007 TO 26 FEBRUARY 2008**

Abattoir Project				
Abattoir Project Infrastructure				
Qty	Description	Budget	Spent	% Spent
	Scalding tank 200 Lt	4,500.00	4,500.00	100.00%
	Drum plucker	6,200.00	6,200.00	100.00%
	Transport trailer with cages	7,500.00	2,187.02	29.16%
	Drip and cool trolley	2,200.00	2,200.00	100.00%
	Transporting line with shackles	7,200.00	7,200.00	100.00%
	Renovation, plastic coating & paint	12,000.00	11,706.47	97.55%
	220V generator diesel Lister	65,000.00	65,000.00	100.00%
Total		104,600.00	98,993.49	94.64%
Abattoir Project Running Cost				
	Production capital for purchase broilers	10,000.00	10,000.00	100.00%
Total		10,000.00	10,000.00	100.00%

b) **EXPECTED PRODUCTION SCOPE AND FINANCIAL EXPECTATIONS**

Per day 100 chickens are to be slaughtered therefore production is **2000** units per month. It is however our aim to double the projected slaughter rate, to 200 chickens per day, due to the new drum plucker that has been installed. The projected financial expectations are 100 chickens per day @ 1.2kg x R18.50 each = **R22.20** gross profit. The production costs for a chicken is R14.00 / unit, minus R1.80 for the contract producers and R1.00 for slaughtering = **R16.80** per chicken, therefore the net profit is **R5.40 x 2000 = R10,800.00** net profit per month.

c) **CURRENT PRODUCTION ACHIEVED**

The current batch will be ready for slaughtering on the 10th March 2008.

d) **EMPLOYMENT STATUS**

For 2 months, 12 people have been employed to do maintenance on the abattoir building.

5. **TANNERY**

Currently the micro tannery is fully equipped. Application was made to supply chemicals, a fleshing table, fleshing beams, hides and skins (raw material).

a) **APPROVED BUDGET VS EXPENDITURE FROM 1ST SEPTEMBER 2007 TO 26 FEBRUARY 2008**

Leather Tannery Project				
Qty	Description	Budget	Spent	% Spent
Leather Tannery Project Training				
1	Training	86,500.00		0.00%
Total		86,500.00	-	0.00%
Leather Tannery Project running Cost				
100	Cattle Hides	15,000.00	-	0.00%
1	Chemical Kit	25,000.00	-	0.00%
1	Fleshing Table	4,000.00	-	0.00%
4	Fleshing Beams	6,000.00	-	0.00%
Total		50,000.00	-	0.00%

b) **EXPECTED PRODUCTION SCOPE AND FINANCIAL EXPECTATIONS**

The expected production levels per month are:

- 100 game skins per month, and
- 20 cattle hides to be converted into leather ropes.

Raw skins are purchased @ R25.00 each and the end product (tanned skins) to be sold @ R150.00 each. This projects a **R6,500.00** net profit per month.

Cattle hides are purchased @ R120.00 each and the end product (ropes) sold @ R700.00 per hide. This projects a net profit of **R9,200.00** per month.

Projected total monthly net profit: **R15, 700.00.**

c) **CURRENT PRODUCTION ACHIEVED**

Implementation will start after receiving the second trans payment.

d) **EMPLOYMENT STATUS**

None.

6. **BUDGET RECONCILIATION**

BUDGET RECONCILIATION							
01 September 2007 to 26 February 2008							
Description	Total	Minus 30%	EU Contribution	Spent EU	Own Contribution	Total Expenditure	% Spent
Human Resources	1,224,000	367,200	856,800	306,600	131,400	438,000	36%
Travel	36,000	-	-	-	22,000	22,000	63%
Equipment and supplies	1,019,100	305,730	713,370	541,496	104,500	541,495	53%
Local office	36,000	-	-	-	12,000	12,000	33%
Other costs, services	78,500	6,000	14,000	-	19,500	19,500	25%
Other	-	-	-	-	-	-	0%
Subtotal	2,393,600	678,930	1,584,170	848,096	289,400	1,032,995	
Contingency	119,680	-	119,680	89,982	-	89,982	75%
Admin 7%	175,929	-	175,929	30,452	-	30,452	17%
TOTAL	2,689,209	678,930	1,879,779	968,529	289,400	1,153,429	43%

7. **EXPENDITURE SUMMARY**

First Tranche Payment	1,264,359.94	
Direct Spending	968,529.00	
Percentage	77%	
Own Contributions in Kind	131,400.00	(13.6%)
Own Contributions in Cash	158,000.00	(16.3%)
Percentage own contributions	30%	

8. **FUTURE IMPLEMENTATION SCHEDULE**

- Broiler Project Continue with production
- Egg Project Fit equipment and supply 1200 layers – 30 March 2008
- Abattoir Project Start slaughtering on Monday, 10 March 2008
- Garden Project Start planting cabbage seedlings on Monday, 3 March 2008
- Tannery Project Implementation to start after 2nd tranche payment
- Final Closure 28 February 2009

Please refer to the detailed income statement attached for this report period, 01 September 2007 – 26 February 2008.