

DAIRY PROJECT

EXECUTIVE SUMMARY

In order to sustain the implementation of a dairy processing plant that meets quality standards, a proposed execution agreement includes the following:

- **PRODUCTIVE DEVELOPMENT:** Increase livestock productivity.
- **VALUE-ADDED IMPLEMENTATION:** Establish a dairy industry.
- **MARKETING:** Set up a commercial network for processed products.
- **TRAINING:** Techniques for collection, transformation, and business management.

The total cost of the project is five million six hundred sixty-one thousand five hundred thirty-seven dollars and seventy-six cents (\$5,661,537.76), which covers the aforementioned points.

JUSTIFICATION

- In Ecuador, approximately 250,000 liters of milk per day are not industrialized.
- Unprocessed milk is considered surplus or overproduction.
- Ecuador has one of the highest milk prices in the world.
- The national consumption per capita is globally, one of the lowest, with 90 liters, compared to the recommended minimum of 160 liters.
- The high price of dairy products makes them among the most expensive in Latin America.
- The area of influence (Central Highlands), one of the most productive regions, is being severely affected, and producers are seeking a solution.

OBJECTIVES

Given the high milk cost, poor household economies, false propaganda by agitators, the inaccuracy of the nutritional traffic light system, etc., consumption has been seriously impacted. Therefore, an integral solution plan is proposed.

It is also important to note that a large portion of the rural and marginalized population in the Central Highlands consumes less than 40 liters of milk per capita annually.

The following objectives are proposed for the execution of this project:

General Objective

Supply the entire country with various dairy products produced from the milk of small livestock farmers in the Central Highlands.

Specific Objectives

- Improve the productivity and competitiveness of livestock farming in the area of influence.
- Increase the income of local livestock farmers.
- Develop, acquire machinery and equipment, and establish a self-owned dairy industry.
- Produce and sell more competitive dairy products.
- Train and raise awareness among small farmers in the Central Highlands on livestock management.

- Purchase and industrialize the milk production from local farmers.
- Manufacture cheeses, yogurts, creams, desserts, and butterscotch cream.
- Provide technical training in production, collection, transformation, and business management.
- Train in marketing, nutritional value, and sales management.
- Equip a distribution center for processed products.
- Minimize the role of intermediaries.
- Sell higher-quality products with longer shelf life at fair prices.

INVESTMENT

The investment required for the physical implementation of the plant includes:

- Studies and Licenses: \$10,000 USD
- Land: \$50,000 USD
- Physical structure: \$85,000 USD
- Basic facilities: \$10,000 USD
- Road - infrastructure: \$15,000 USD
- Waste treatment: \$20,000 USD
- Service structures: \$45,000 USD

Here is the formal and technical translation of the itemized investment section into English:

ITEM	DESCRIPTION	COST
1	INFRASTRUCTURES AND OTHER ASSETS	\$1,244,400
2	EQUIPMENT FOR COLLECTION CENTER	\$76,500
3	PROCESSING EQUIPMENT	\$369,880
4	GENETIC CENTER EQUIPMENT	\$108,400
5	WORKING CAPITAL	\$4,496,305
6	OTHER	\$49,270
TOTAL INVESTMENT	\$6,344,755	

Although the investment is not high, amounting to \$6,345,000 USD (CAPEX), an additional \$2,454,000 USD (OPEX) of working capital is also required, with the possibility of avoiding land costs, which are considered part of the counterpart contribution.

In addition to the proposed plan, if ensuring high-quality supply is desired, a complementary project must be proposed, which involves providing livestock farmers with the most suitable genetics for dairy cattle in the region.

The implementation of adequate Collection Centers requires an additional investment of \$900,000 USD.

BENEFITS

The economic benefits are reflected in the financial projection calculated over 10 years as follows:

- Internal Rate of Return (IRR): 53%
- Net Present Value (NPV): \$20,428,700 USD
- Return on Investment (ROI): 4 years

Additionally, this project will generate at least 80 direct jobs and more than 160 indirect jobs, not including the involvement of at least 400 small livestock farmers, allowing them to maintain their livestock production and improve their standard of living.