



THE
HUMPTY DUMPTY INSTITUTE
PUTTING THE PIECES BACK TOGETHER

MUSHROOMS WITH A MISSION

2nd Quarter Report – Year 1

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Introduction:

As per the Memorandum of Understanding signed on August 6, 2009, between the Humpty Dumpty Institute (HDI) and the Ministry of Foreign Affairs, Republic of China (Taiwan), below please find the second narrative and financial report covering the period December 1, 2009, to February 28, 2010, for the “Mushrooms with a Mission” (MwM) project in Quang Tri Province, Vietnam.

Over the past three months, HDI has focused its efforts on the following tasks.

1. Purchase from the program’s families a large and successful crop of mushrooms just after the Tet holiday, providing income for the program’s families and securing the stock of mushrooms needed to begin the marketing plan
2. Identify and secure a processing plant for the drying and packaging of the program’s mushrooms
3. Negotiate and sign contracts with the mushroom farmers demonstrating mutual commitment and trust

Mushroom Harvest

Between the end of March and the middle of April, HDI purchased approximately 835 kg of dried mushrooms from the program families. This resulted in an additional 2,000,000 VND (about \$103 USD) per family for the growing season. This income for each family is tremendously valuable in Quang Tri, where the average annual income is less than 4,000,000 VND and 50% of the population lives below Vietnamese poverty levels. It is very important to note that because mushroom farming is not labor-intensive, the families were still able to engage in their normal occupations, thus the income from the mushroom farming supplemented their income rather than replacing it.

Following the Tet holidays, dried mushroom prices were at their annual high of approximately 85,000-95,000 VND per kilo. Thus it was very important that HDI was able to negotiate a price of 60,000-65,000 VND per kilo of dried mushrooms. This purchase price delivered a significant amount of income for the families, but also ensured that the MwM program will be able to profit from the sale of these mushrooms during next year’s Tet holidays. The MwM program will rely on these profits to eventually fund the removal of unexploded ordinance (UXO).

Processing Facilities

After researching several processing facilities for quality of equipment, convenient location, and reasonable pricing, a contract was signed with the Vietnamese government’s Center for Applied Science and Technology (CAST) during the first week of March. The CAST facility in Cam Lo will be leased at a price of \$132 USD/month, and includes the right to use the mushroom dryer on site, although another dryer may need to be purchased if this used dryer malfunctions. The facility did require some repairs and upgrades and that work was completed by the end of March (see photographs in Appendix I).

In addition to the dryer, HDI and Northwest Mycological Consultants did identify several other pieces of equipment, including a hand-held heat sealer, a standing heat sealer, a date-print machine, a constant heat sealer, and numerous plastic containers that are required for the processing facility to be fully operable. The procurement of that equipment will be completed by the end of April (see Appendix II for a list of needed materials). While there is funding in the budget to purchase these items at full price, HDI is making every effort to obtain donated equipment or equipment at the lowest possible purchase/lease price.

Contract with Farmers

Work contracts for all of the mushroom growers for this first harvest were developed and signed between HDI and the program's participating families just before the Tet holiday (see Appendix III). This contract establishes a microfinance system that allows farmers to purchase subsidized substrate blocks as a lien against the sale of their mushroom crops. The need to identify prices that were profitable for the families and the MWM program was essential, since future participation of the program's families and profits for the program are both required to achieve the program's dual goals of alleviating poverty and eliminating the threat of UXO. Thus it was with great satisfaction that, at the end of this first harvest, the participating families are very happy with the additional income they have earned through the program and the program itself stands to make a significant profit during next year's Tet holidays.

As HDI prepares for the next growing season, the contract will be examined for ways to improve the results for both the participating families and for the MWM program.

Taiwan Mushroom Expert

The Taiwan mushroom experts involved with the program are Shih-Shiung Chen, President of the Association of Taiwan Organic Agriculture Promotion, and Professor Wen-Jinn Liang, Vice President of National Pingtung University of Science and Technology.

Professor Liang has been invited to join our American mushroom expert, John Donoghue, on a visit to Quang Tri and the project area in the middle of June, 2010. Together, the two mushroom experts will examine the project and jointly decide on the best ways to improve effectiveness and efficiencies.

Professor Liang and Mr. Chen also supplied HDI with a sample contract used between Taiwanese mushroom farmers and wholesale purchasers. This sample contract was very helpful in the drafting of the eventual contract used in Vietnam.

Financial Report

To date, the program is well within the annual budget. In the first six months, HDI has spent \$19,225 USD on programmatic activities, \$10,000 on the American mushroom expert's annual fee, and \$7,025 on the December 2009 trip to Quang Tri. The second installment for programmatic activities was wired to Vietnam last week. The following table represents all expenditures in USD:

Date	Description	\$ Amount
9/1/2009	Initial Grant Payment from Taiwan	\$ 100,000
11/20/2009	First installment for programmatic expenses in Vietnam	\$ (20,000)
1/7/2010	HDI December 2009 Asia trip expenses	\$ (7,025)
1/19/2010	Northwest Mycological Consultant annual Fee	\$ (10,000)
3/15/2010	HDI administrative costs	\$ (195)
4/9/2010	Second installment for programmatic expenses in Vietnam	\$ (21,500)
	Total Remaining for Year 1	\$ 41,280

Going Forward

The next mushroom season begins in August in Vietnam. Between now and August, HDI will be focused on three very important activities: recruiting more families for the program, getting the processing facility fully ready for the next harvest, and the marketing and advertising of the MwM brand.

We believe that our success over the last three months has created a very positive environment for additional families to join our program. Already, families in Quang Tri are talking to each other and promoting the program through word of mouth. Our participating families of course appreciate the ability to increase their family's annual income by 25% or more, but they also appreciate that the eventual goal of the program is to eliminate the threat of UXO around their homes, schools, and farmlands.

The equipment for the processing facility needs to be secured and tested to make sure it is ready for the next harvest. HDI will also need to train facility staff to properly process mushrooms so that MwM can earn and maintain "Certified Organic" designation. The MwM brand needs to be certifiably organic as we broaden the reach and impact of the project.

Developing an effective MwM brand will be essential for the long-term success of the program. To this end, HDI has begun working with Vietnamese marketing and advertising professionals to develop a package, logo, and narrative that will resonate with the primary market: Vietnamese consumers, supermarkets, and restaurants.

Once the MwM brand is established in Vietnam we can begin to broaden our reach to other large Asian metropolises such as Taipei, Bangkok, Hong Kong, and Seoul. Finally, once the brand is established in Asia, the brand can begin to extend to America and Europe.

APPENDIX I: PHOTOGRAPHS

The Crop



Program participant and UXO survivor Do Thien Dang



Wood Ear mushrooms



Family participation at harvest time



Mushrooms being air-dried before being delivered to the processing facility

The Harvest



Mushrooms being weighed



UXO survivor selling his crop



Program participant signing contract with HDI



Crop on the way to processing facility

CAST Processing Facility in Cam Lo



Exterior before repairs



Exterior after repairs



Walkway before repairs



Walkway after repairs



Interior after repairs

APPENDIX II: Required Equipment for CAST Processing Facility

APPENDIX III: Contract Between Farmers and HDI