

Butaleja District National  
Agricultural Advisory  
Services.  
(NAADS)

AGRI-BUSINESS

Final Report on the AGRI-  
BUSINESS contract

By

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## REPORT OUTLINE

1. Executive Summary
2. Methodology and Processes
3. Key findings of the baseline study
4. Interventions on constraints and gaps identified
5. Recommendation and wayforward



Fig.1 Mr.Paul Nyende,FAO Program Specilaist & Rockford Harris Group Taskman.

## **EXECITIVE SUMMARY**

This report highlights activities, processes and outputs of the NAADS Agribusiness contract awarded to Rockford Harris Group, Ltd. The contract was executed between June 2007 and May 2008. The objectives of the assignment were:

1. capacity development of farmer institutions into higher level farmer associations for collective marketing
2. identification of gaps, constraints and possible remedies for developing higher level farmer institutions for collective marketing
3. development of a database of information on production, marketing and Agri-business firms in Butaleja district

The process and methodology involved conducting a baseline study, holding meetings with various stakeholders and training on specific concepts. The results of the baseline study and the work thereafter point to an Agribusiness model that concept of agricultural market brokerage, Warehouse Receipts System and Contract farming. However, for the above concepts to fully function there is need to put in place the building blocks. Activities of this contract focused on putting in place such building blocks and the final desired goal would not be met until work done or foundation built through this contract is taken to another level.

### **It is thus recommended that:**

1. Results and foundation for establishing a WRS for paddy in Doho be further explored. The process stalled due to a conflict of interest by the business community and Doho Rice Farmers Association
2. Sensitization of small scale farmers about the WRS by the politician should be taken forward to avoid miss representation of the WRS scheme as it was with the business men in the area, or else the farmers miss the opportunity

3. Opportunities for contract farming identified with big buyers in Kampala and beyond should be further explored and put into reality.
4. Almost all the farmer groups in place are very weak, not focused, and just exist on paper. Training alone will not improve the cohesiveness of the farmer institutions in the area but rather business opportunities thrown to the farmer groups will attract more farmers to join the groups and even explore more opportunities. The problem therefore is not absence of farmer institutions, or lack of knowledge or sensitization, but a lack of “real” business opportunities through exploitation of existing infrastructures and developing more for farmers with private sector. This can only be achieved through establishing strong private sector linkages.

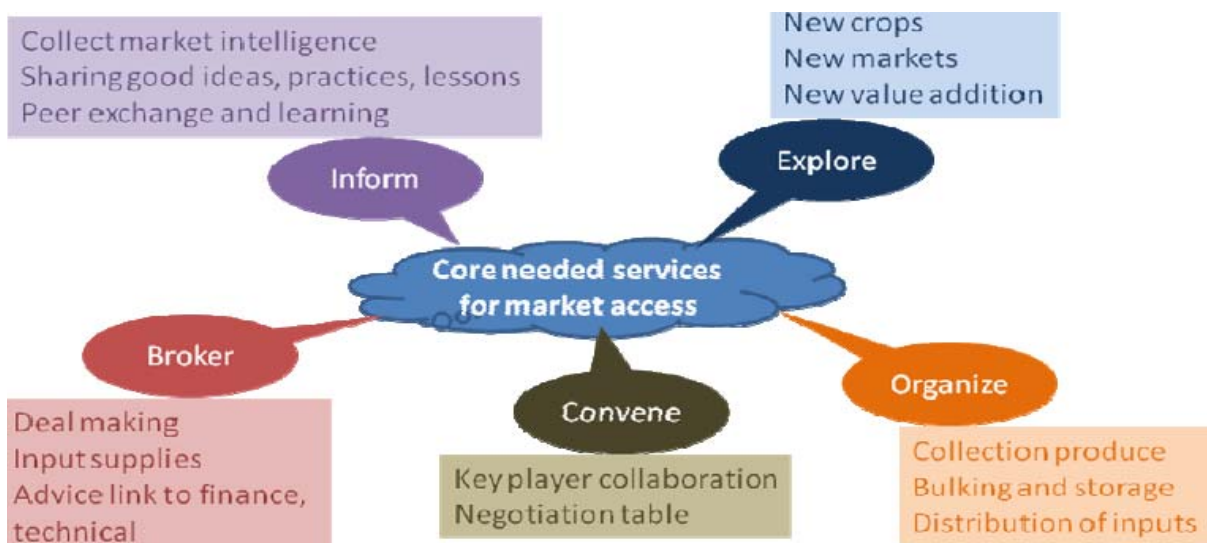


Fig.2. Market Analysis Model.

## **CONSULTACY METHODOLOGY AND PROCESSES:**

Rockford Harris Group, Ltd through its team of consultants held several consultative meetings with farmer groups, district technical (production and NAADS) team, political leadership, private sector, Ministry of Agriculture Animal Industries and Fisheries and NAADS. Meeting with farmer associations focused on sub county association, enterprise associations. Issues discussed included constraints to improving productivity, marketability and profitability of their enterprises.

Meetings with district technical team including district production, NAADS, political leadership and MAAIF official focused on guidance on developing strategy and guiding project activities for ensuring achievement of the objectives and targets.

On the other hand, meetings with private sector were aimed at exploring the business opportunities that will incentives private sector investment.

## **KEY FINDINGS OF THE BASELINE STUDY**

It was found that majority of the farmers in the 3 sub-counties visited (Mazimasa, Kachonga and Busolwe), from season to season produce what they can and try to sell the already produced products which mainly include rice (Kaiso), groundnuts (serenut), maize, beans, poultry and various vegetables and fruits such as water melon.

However, taking an example of Mazimasa sub-county, the available enterprises ready for marketing that required marketing improvement included those listed in table 1 below:

**Table 1: Available enterprises ready for marketing in Mazimisa sub-county**

Crop /variety	No of farmers	Estimated volume/season	Farm gate price
Rice (kaiso)	200	100 tons	800/= /kg
Groundnuts (Serenut 3)	135	10 tons	1000/= /kg
Water melon	90	100 tons	300/= /piece
Maize	120	8 tons	100/= /kg
Cotton	70	5 tons	300/= /kg

Other enterprises ready for marketing that have been promoted by NAADS include Poultry.

The issues surrounding the marketability of these crop and livestock enterprises were:

- The volume of produce available for sale with farmers is still too small and can only be consumed by the local market; it's not worth efforts to look for external market. In most cases, the volumes cannot even be ascertained or planned for – CROP FINANCE IS A KEY IN BOOSTING PRODUCTIVITY, WE HAVE EXPLORED WAREHOUSE RECEIPT SYSTEM WITH UGANDA COMMODITY EXCHANGE TO SOLVE THIS LOW VOLUME PRODUCTION BOTTLE NECK
- Produce sold is of low/poor quality, hence fetching low price e.g. rice is sold unsorted (with stones, some chaff and a big percentage of broken grain). **Action:** *Farmers need to start grading the produce to attract high price. A PRIVATE COMPANY CEREAL AND PULSE EA WAS IDENTIFIED AND INTERESTED TO WORK WITH THE LOCAL PRIVATE MILLERS TO MILL, GRADE, BRAND, BULK,*

*STORE, BROKER MARKET SERVICES WITH BUYER IN UGANDA AND BEYOND*

- Farmers were not organized for collective marketing and so majority of them were selling individually to meet their domestic needs. **Action:** *Farmers need to form commodity/enterprise groups for bulking and collective marketing - FARMERS DO NOT SEE ANY INCETIVE TO JOIN AN ASSOCIANTION, ASSOCIATIONS DO NOT HAVE ATTRACTIVE SERVICES TO THEIR MEMBERS TO KEEP THEM INTERESTED AND INVOLVED IN BEING IN THE ASSOCIATION (This is the case with Doho Rice Farmers Association). DEVELOPMENT OF PRIVATE SECTOR LED PACKAGES WITH SERVICES SUCH AS CROP FINACE, STORAGE AND MARKET BROKERAGE THROUGH THE WRS CAN CHANGE THE SITUATION i.e. starting with rice enterprise and spreading and integrating with other crops.*
- Information on the Cost Benefit Analysis (profitability) of the enterprises was lacking among the farmers e.g. farmers were not sure of what it would cost them to produce a given acreage of rice, maize water melon or groundnuts and the yield expected, selling price and profit margin expected. **Action:** *Sub-county NAADS Coordinator, Enterprise chairpersons and some knowledgeable farmers need to work out the cost of production of each enterprise, break even price, average acreage and production per farmer in a given season. This information is critical for planning and negotiating contracts with potential buyers. – SOME DATA IS AVAILABLE FOR RICE IN DOHO RICE SCHEME, BUT NEEDS UPDATE. FOR OTHER ENTERPRISES, DATA CAN BE OBTAINED FROM OTHER SOURCES*
- Business planning skills also lacked among the farmers hence farming as business was not possible. **Action:** *Farmers (marketing*

*committees) need be trained on several business skills and market dynamics. The trainings should be result oriented training and not the usual training that farmers have received that do not materialize in any thing tangible.*

- The FGD training by NAADS opened the eyes of farmers about the need to come together for collective action especially if they know for whom they are producing and hence assured of the market.
- Their (farmers') produces were mostly sold to the middlemen that dictated the prices the farmers get for these produces. This, to a great extent was attributed to the farmers, low bargaining power and the ignorance of their rights in the market chain. Majority of the buyers are "local business men" and traders from Kampala, Mbale and elsewhere who come with their cash and trucks and take the produce to neighboring districts and sell at higher prices. Some farmers even get loans for production and in return just pass on rice to the business men (many millers) who gave them the loans. These were the biggest challenge experienced by the farmers yet they are the ones that put in a lot of input in the production of the crops yet till to date there were no efforts put in place to address these challenges. **Action:** *Farmer enterprises groups need to set bye laws that protect them against exploitative middlemen, BUT this has to precede forming strong commodity producer associations whose representatives can negotiate with middlemen or other buyers. Also and more important is creation of a another marketing channel that offers farmers store of their produce when prices are low and also offers the cash when they need it using the crop in a secure store as collateral*
- The above challenge was worsened by the farmers' lack of access to market information. They were selling at the prices the middlemen would communicate to them without the knowing that

the different crops could be sold to other areas at better prices (i.e the farmers' main source of market information is the middlemen or traders) Action: *Farmers need identify a service provider dedicated to offering them market intelligence information and other market services on a commission basis. A market information board established in the trading centers and privately operated on a business footing would serve this purpose. Cereal and Pulse EA was identified to offer this service*

- Farmers were not exploiting the various means of accessing market information such as use of **sms** mobile cell phones, radio market information broadcasts, news paper market prices of various commodities. **Action:** *This information was communicated to the farmers to start using them right away.*
- There was also a felt need by the sub county officials that the process would take off well and faster if these farmers are trained in different marketing aspects such as Cost Benefit Analysis of the different selected enterprises and business planning.

**Table 2: Summary of the market challenges from the farmers (producers) and the buyers perspective**

The farmer (producers) <sup>1</sup>	Bulky/big buyers, consumers and processors <sup>2</sup>
<ul style="list-style-type: none"> <li>▪ Low prices</li> </ul>	<ul style="list-style-type: none"> <li>▪ The volume/quantity of produce</li> </ul>

<sup>1</sup> Individual farmers or farmer groups

<sup>2</sup> Include supermarkets, hospitals, schools, processing companies, exporters,

<ul style="list-style-type: none"> <li>▪ Low yields</li> <li>▪ Variety of crops produced in small quantities</li> <li>▪ Do not know where the markets are</li> <li>▪ No reliable market information</li> <li>▪ Poor quality of produce</li> <li>▪ Buyers core comen, do not adhere to contracts</li> </ul>	<p>needed has not been met</p> <ul style="list-style-type: none"> <li>▪ Transaction costs are high because of the produce is not bulked, but scattered in the villages</li> <li>▪ Many groups, circles producing small quantities of several commodities</li> <li>▪ Farmers do not keep or adhere to contracts</li> </ul>
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**How to address the above**

- Farmers getting together and sell collectively
- Formation of stronger producer associations
- Through organizing the market and finding markets for these farmers/explore new markets
- Convene market places and help the farmers know the prices in various places
- Training
- Know what is produced, where, quantity and quality.
- Organize contracts, transport, collecting produce in one place (ware house like old cooperative society) and market intelligent receipts.
- Production of quality produce
- Issuing out contracts to farmers to make it sustainable
- Information brokers or information intelligence to go and find out market opportunities to limit on transport costs when marketing committees move looking for markets and use telephones, sms messages.

*These solutions lead the need to establish a marketing strategy that entails*

## INTERVENTIONS ON CONSTRAINTS AND GAPS IDENTIFIED

Rockford Harris Group Ltd in collaboration with the district production team and NAADS programme undertook the following:

1. **Workshop for sharing baseline study findings:** A stakeholders meeting that included farmer association representatives, Sub County and district councilors, Sub county NAADS coordinators. During the same workshop, recommendations and action points were for taking the process forward were identified as listed above (under the section on key findings of the baseline s

2. **Training and sanitization on farmer institutional development and marketing strategy**

Several training were held with groups in Kachonga, Mazimasa and ... on how marketing services can be developed

3. **Market opportunity identification and linkages with private sector**

Several market opportunities were identified with different produce buyers. Table below provides a summary of some of the market opportunities identified as of 31<sup>st</sup> August 2007.

Outlet/Market	Product needed	Quality aspects	Volume (Minimum qty)	Price/kg	Frequency of delivery	Terms of payment
Uganda grain traders	Maize (any variety)	White, dry (below 14% MC), clean (free from stones, dirt, dust, cobs), packed in 50kg bags, no live	10 MT/contract	320/=	Sign 2 weeks contract during which all the amount should be supplied	Cheque within 72 hours of delivery

Outlet/Market	Product needed	Quality aspects	Volume (Minimum qty)	Price/kg	Frequency of delivery	Terms of payment
		insects				
	Rice	Paddy rice (not threshed)	10 MT/contract	450/=	“	“
NASECO seed company.	G.Nuts	Serenut 3, shelled, dry, sorted and cleaned, no aflatoxins, packed in 100 kg gunny bags	10 tons	1,800-2,000/=	Deliveries are made only on order	Cheque- 2-3 weeks after delivery
St. Peters College “	Maize	Longe 5, white, well sorted and dry	600 bags/term	220-270/=	Once a term	Cash/cheque on delivery
	Rice (kaiso)	Any variety, white, dry	40-45 bags/term	1,000/kg	Once per term	“
Mama Junior Pri. School, Malaba	Beans	Kanyebwa, dry, well sorted, no weevils	35 bags/term	800/kg	Once per term	Cheque on delivery
Mega General Purpose, Ltd, Juba	Maize	white, well sorted and dry	1000MT per 3 moths	negotiable	Once in 3 months	Cash/cheque on delivery
	Rice (kaiso)	Any variety, white, dry	1000MT per 3 moths	negotiable	Once in 3 months	Cash/cheque on delivery
	Beans	Kanyebwa, dry, well sorted, no weevils	500MT per 3 moths	negotiable	Once in 3 months	Cheque on delivery
Agri-Trade Ltd Kenya	Water melons	2kg fruits, with no damages or marks	1000 pieces per week	2000, but negotiable	Once a week	Cash on Delivery

Outlet/Market	Product needed	Quality aspects	Volume (Minimum qty)	Price/kg	Frequency of delivery	Terms of payment
	Rice (kaiso)	Any variety, white, dry	1000MT per 3 moths	negotiable	Once in 3 months	Cash/cheque on delivery
	Beans	Kanyebwa, dry, well sorted, no weevils	300MT per 3 moths	negotiable	Once in 3 months	Cash/Cheque on delivery
Other opportunities	<ul style="list-style-type: none"> <li>❑ Schools e.g. Bukedi College Kachonga, Mbale University and hospitals, for maize, rice, vegetables, meat (goats and chicken),</li> <li>❑ Super markets in Butaleja, Mbale, Tororo, Kampala, and western Kenya etc</li> <li>❑ World Food Programme for Maize, Beans and Rice</li> <li>❑ Animal feed producing companies like Ugachic, Formula Feeds, Hill top, etc for soya bean</li> </ul>					

#### 4. Public Private Partnership for establishment of a Warehouse Receipt for Paddy Rice in Doho Rice Scheme

**Rational for Warehouse Receipt System:** The resulting seasonal floods of crop harvests (e.g. rice and maize) hitting the market always lowers prices, and farmers usually have no other choices but to sell at the prevailing market prices to the local traders. Their need for money arising from the accumulated bills piling up during the growing season, forces them to sell their produce immediately after harvest to village traders to get cash for school fees and food, to pay farm laborers, and to buy inputs for the next crop. Because Uganda's financial sector traditionally has viewed farmers as too high-risk — especially those who rent land and therefore have no land for collateral, borrowing from a bank or other financial institution is not an option. The Warehouse Receipt System allows a farmer to store his crop, use it as collateral for a loan worth 80 percent of its value (at current prices), and sell it later when prices increase. The system helps farmers to overcome two

challenges — the cyclical nature of farm income and lack of access to credit, that keeps many of them operating not far above the subsistence level.

**Progress towards starting the WRS in Doho as a pilot**

- A technical presentation was made to the NAADS district Farmer forum, District NAADS Coordinator and District production officer
- Potential storage facilities were identified in Doho rice scheme, Busolwe Ginnery, and Budumba Railway station.
- A private investor, Cereal and Pulse EA was identified to operate the WRS with partnership and collaboration with NAADS, Doho Rice Scheme Management, Ministry of Agriculture, and Entebbe.
- An official request for the stores in Doho was made to the Permanent Secretary MAAIF in Entebbe and was approved
- Uganda Commodity Exchange (UCE), the government authority mandated to license WRS was contacted and a visit was schedule for inspecting the stores

**Obstacles:** Following the grievances raised by a group of “selfish farmers and local traders “ for fear to lose their business of “exploitation” of small scale farmers, the process towards pursuing the WRS idea was halted pending sorting out the issues by the community, political leaders and the district technical team of production and/NAADS

**5. Progress towards development of data base of information on production, marketing and agribusiness firms in the district:** Attempts were made towards taking an inventory of the value chain actors, starting with rice.

These included over:

- Over 15,000 rice farmers, mostly concentrated around Doho
- Rice millers (a bout 15 active ones)
- Traders (numerous and informal)

Also productivity and production costs for rice were verified the already existing data from Doho rice scheme

6. **Little efforts were made toward promotion of sub county and district farmer associations** in areas of input supply, agro-processing and service provision because the groups were too weak, disorganized and merely on paper. The promotional campaign and linkages with specific market outlets would be useful after establishment of a production contract with a buyer or with a WRS

**Expected key outputs (Deliverables) of this consultancy include:**

- Baseline study report with clear recommendation and action points
- A technical proposal for taking forward the recommendations and action points of the baseline study
- A business idea and road map for developing and piloting a WRS in Doho Rice scheme and scaling it up to other areas through a public private partnership
- Market opportunities and contacts for various commodities that farmers could explore

**RECOMMENDATIONS AND WAY FORWARD**

Breaking through the cyclic market challenges facing small scale farmers is far from being achieved. However, this consultancy has clearly identified the key constraints and gaps with possible remedies through a participatory market chain analysis process. Accordingly, a strategy and road map has been drawn with the following recommendations:

1. Since rice is the number one commercial crop in Butaleja district, there is need to take forward the WRS for paddy rice with the stakeholders identified or else the opportunity is lost.
2. Training alone will not take away marketing challenges facing farmers in this area but rather an engagement of the farmers in the business opportunities already identified. Trainings need to be tailored to the market opportunities identified.
3. NAADS Butaleja and the district authorities may need to consider mobilizing more resources to extend this contract in order to:
  - Continue with the process initiated for piloting a WRS in other potential and interested sub counties such as Budumba and Busolwe
  - Continue the brokerage of market opportunities and linkages already identified and established
  - Provide technical training to farmer associations that is tailored to specific market opportunities identified and brokered.