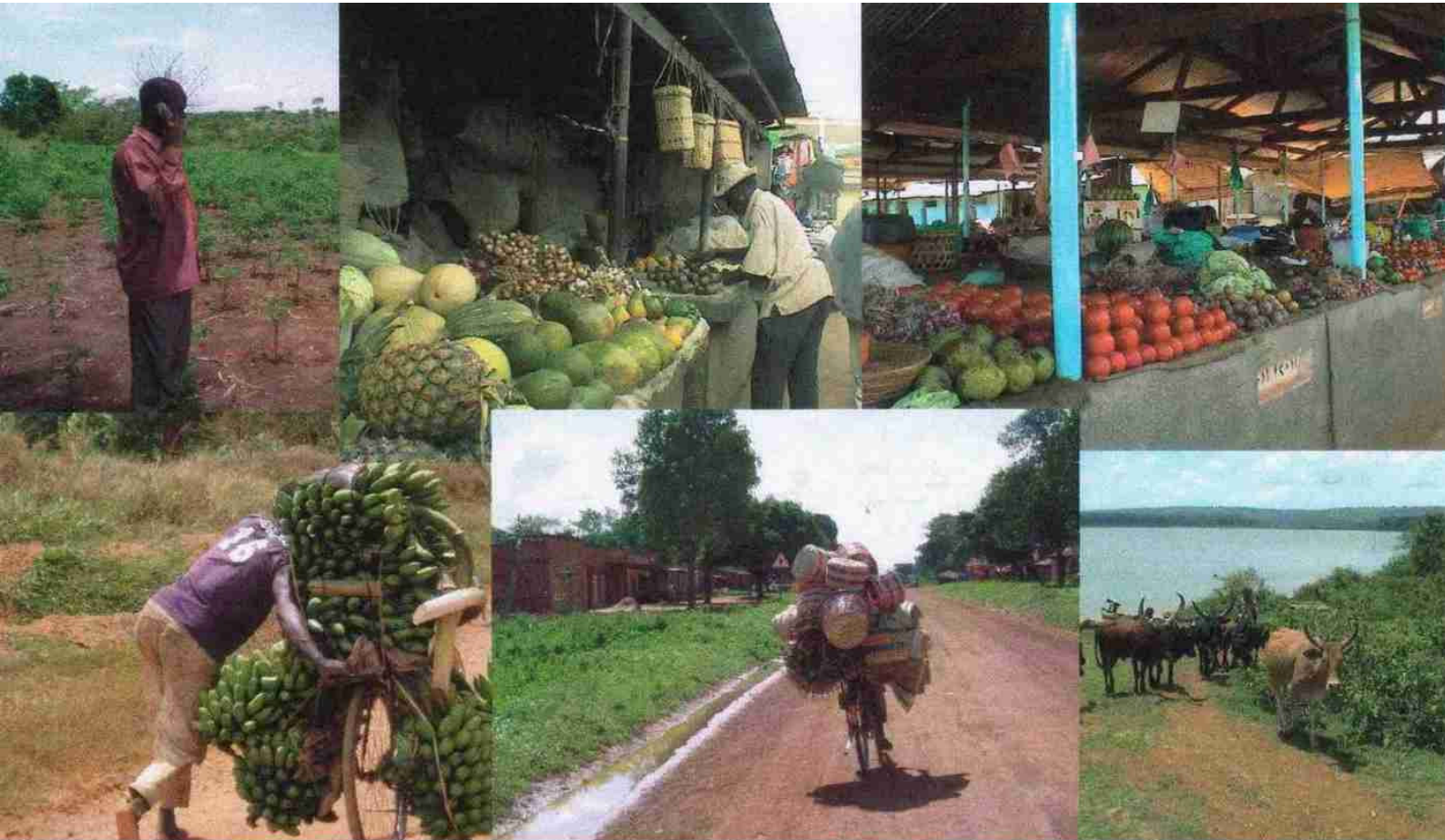


# Identification of partners for development of business to business services

**The Ssemwanga Centre Limited**

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### ***Disclaimer***

The views in this paper are either the authors' or derived from interviews with key informants and stakeholders and are not necessarily endorsed or shared by the International Labour Organisation (ILO) or the British Department For International Development (DFID) as donor.

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## **Executive Summary**

The Business Services Market Development project (BSMD) managed by International Labour Organisation (ILO) whose aim is to develop-based solutions to key business constraints at both micro and sectoral level, contracted The Ssemwanga Centre Ltd. to conduct research in business supply linkages.

The main objective of the study was to identify project partners involved in food processing, marketing, retailers, and whole sellers who have the potential to develop business services in the quest to increase their capacity to meet their market demands. The study focused on the available opportunities, constraints, willingness and ability of the private sector to develop the business supply chain. The products under study included dried fruits, mushrooms, edible oils, grain herbs, honey, spices, as well as animal products like eggs.

Nineteen (19) key informants were interviewed using the interview guide developed by The Ssemwanga Centre Ltd. and BSMD. Information was also obtained from secondary sources and collaborating organizations like UMA, USSIS, UEPB and NOGAMU.

A number of business opportunities that could improve the small business supply chain were identified. These include primary processing and value addition for commodities like vanilla, cocoa, fruits and moringa, full processing for spices, edible oils, and wine making, bulking, transport, distribution services to big outlets and development of out-growers' schemes. The opportunities are however, hampered by low quality standards, inability to fulfil contractual obligations, unstable and ineffective markets, financial and market constraints.

Companies have demonstrated the will to develop their businesses by acquiring better equipment, human resource development, investing in better production systems, providing training and extension services as well as credit facilities to their supplies. Some companies examined to have a high potential to develop their services and supplies in the short run were Mycolex General Enterprises, ESCO, MBS fruit agencies and OUTSPAN

## **ACKNOWLEDGEMENTS**

The Ssemwanga Centre Ltd. together with the BSMD project would like to thank all the key informants for the valuable time and information that contributed to the successful completion of this study. More gratitude is extended to Uganda Small Scale Industries Association, Uganda Manufacturers' and Uganda Grain Traders' Association.

## **ABBREVIATIONS AND ACRONYMS**

AGOA.....	African Growth Opportunity Act
APMTC .....	Asian Pacific Mushroom Training Centre
AT-Uganda....	Appropriate Technology-Uganda
BAT .....	British American Tobacco
BSMD.....	Business Services Market Development
BUPS .....	British Uganda Partnership Scheme
DFCU .....	Development Finance Company of Uganda
DFID.....	Department for International Development
EDF.....	European Development Fund
FAAB .....	Farming as a Business
FON .....	Fruits of the Nile
FOT.....	Free on Truck
ILO .....	International Labour Organization
NARO.....	National Agricultural Research Organization
NAWOU.....	National Women’s Organizations of Uganda
NOGAM.....	National Organic Movement
PPTP.....	Promotion of Private Training Providers
SATNET.....	Sustainable Trainer Network
TEFU .....	Tropical Ecological Foods Uganda
TSC.....	The Ssemwanga Centre Ltd
UEPB.....	Uganda Export Promotion Board
UHBKA.....	Uganda Honey Bee Keeping Association
UIA.....	Uganda Investment Authority
UMA.....	Uganda Manufacturers Association
UNBS .....	Uganda National Bureau Standards
UNFA .....	Uganda National Farmers’ Association
UNIDO .....	United Nations Industrial Development Organization
USSIA.....	Uganda Small Scale Industries Association
WFP.....	World Food Program



# **1 Introduction and background**

## **1.1 Background**

The business services market development project is an umbrella project that is managed by the ILO on behalf of DFID. The project aims to develop market-based solutions to key business constraints at micro and sectoral level. It also aims to address the economic problems of weak linkages and helping to enable the poor within the markets.

## **1.2 Scope of this study**

BSMD project commissioned The Ssemwanga Centre to research in the business supply linkages that promote the provision and use of embedded business-to-business services as a way of enlarging and developing the private sector in Uganda. Uganda being predominantly agricultural and because the current thrust of development issues are pro-poor, business in agriculture, food and allied industries will be targeted. Specifically agro based products like mushroom, edible oil; bee products, medicinal products and spices are priority. The study focuses on those products that have higher market values and locally processed as referred to in the terms of reference attached in the appendix.

## **1.3 Objectives of the study**

The objectives of this study are to:

1. Select private sector partners who are active in food processing, agricultural input distribution, and food marketing and have a supply constraint in their unserved market business
2. Determine their willingness and ability as partners to expand their business through development of enhanced commercially viable business services.
3. Detail the opportunities and constraints of the small business supply chain.

# **2 Methodology**

Two researchers from The Ssemwanga Centre Ltd. (TSC) met with BSMD management to gain more understanding of the project and had to meet him for regular updates.

A number of contacts made with the following organizations were; Uganda Small Scale Industries Association, Uganda Manufacturers' Association, Uganda Export Promotion Board and National Organic Movement. Information was also obtained through desktop research plus information from BSMD and over twenty key informants were selected. These included agro-processors, food marketers, retailers and exporters.

TSC formulated an interview outline, which used in face-to-face interviews in agreement with the client. Twenty respondents were selected from the list provided by BSMD and additional contacts at TSC, all of who are in the agri-business sector. Further, information was sought from the informants via telephone.

Our approach to the subject was from the producers' side through traders, processors, distributors, to the final outlet, which deals the consumers.

Important definitions in the study:

**Buying Agent:** Means a representative of the main buyer who buys on his behalf for a commission.

**Trader:** Also referred to as a middleman means a commodity dealer involved in buying and selling of a commodity at his own risk.

**Processor:** Means a person involved in converting raw food products through an industrial/manufacturing process in order to add value.

**Supplier:** Means a person who supplies a commodity for business transactions. S/he may be a primary producer, processor, distributor or a trader.

### **3 Findings**

The findings are presented in 5 sections. The first section presents findings on opportunities in the small business supply chain. The second section deals with the constraints of the small business supply chain. The third section discusses the willingness of the private sector to develop business services in the relevant selected businesses for the study. Section four looks at the ability of the private sector companies to develop business services. The last section discusses the identified business partners for BSMD project and the criteria through which they were selected.

#### **3.1 Opportunities in the small business supply chain**

##### **3.1.1 Primary processing**

This is any sort of treatment aimed at adding value to a product. For purposes of our study it will include:

##### *Solar Drying:*

There is an increasing demand for solar dried fruits and moringa powder, both of which are required on the international market. Providing drying facilities could develop producers and suppliers. Notable candidates for solar drying include chilies, cocoa, fruits Mushrooms, spices and herbs.

##### *Juice extraction:*

At the moment suppliers of pineapple to winemakers deliver whole fruit from distant areas. The alternative is to extract the juice at or near farm level and deliver the juice to the winery. This would save a big chunk of transport cost for the business at the same time ensuring that the waste remains to serve as manure. This process requires availability of clean water and a high level of hygiene to be observed. Equipping suppliers with juice extraction machinery and training them in farm level extraction would develop them.

### *Cocoa bean processing:*

The quality of cocoa beans could be enhanced if selected suppliers were properly developed to carry out limited processing. Equipping suppliers with large washbasins and wire drying trays could develop them into better and efficient suppliers. These suppliers should have good water sources. There would be need for financial services to be extended to them to enable them pay for the farmer's crop at time of delivery.

### *Curing vanilla*

Curing vanilla is naturally an elaborate process requiring space, material and time. Vanilla is dipped in hot water, wrapped in blankets and stored in darkness. It is regularly turned for about 3 weeks until it dries. This naturally cured vanilla costs three times the artificially dried product. Processors would require extensive training as regards quality assurance and use of appropriate equipment. The investment requirements include blankets, wooden boxes, drying racks, saucepans for boiling water, heat source and an appropriate store.

Vanilla curing must be done with the utmost care it deserves if not it should be left to one central processing unit for quality assurances.

### 3.1.2 Primary value addition

These are small processes done to add value to the product. As markets become more sophisticated to meet the new challenges of consumer demands, there is need for product differentiation. Market outlets like supermarkets normally prefer pre packing services for products like cereals and graded and packaged products like eggs. The opportunities under primary value addition include:

#### *Grading*

Primary value addition could be done with products like eggs by grading them into small, medium and large sizes, which would be sold at different prices. Grading is possible using the visual impression but would rather be slow if large orders were required. Investing in a grading machine line that is faster and efficient would be the most appropriated for large-scale production.

#### *Packaging*

Opportunities do exist for processed products like grains and others products like eggs to offer them as packaged products. Soon or later supermarkets will need pre-packed vegetables like tomatoes, carrots and French beans for their clients. Packaging could also be used as a means of providing protection against damage or contamination during transport Suppliers could be developed with provision of weighing scales, sealing machines and appropriate packaging material.

### 3.1.3 Full processing

This is the processing of the primary or raw product to a final usable product of acceptable standards for consumption. Examples of small business circles include cottage industries for making spices, yoghurt, wines and edible oils.

#### *Spices*

Spices are processed by crashing and mixing various products such as ginger, turmeric, cinnamon and pepper. Locally processed spices in cottage industries require simple equipment like mortar and mixing is done manually. Cottage industries can be improved by providing better crushing and hand driven mixing equipment as well as better drying facilities.

Alternatively the whole process can be mechanized but for purposes of developing a business supply chain, suppliers of ingredients to a spice-making factory could be developed to supply a dried and crushed product instead of the raw product.

#### *Edible oil extraction*

Edible oil processing is more popular in Northern and Eastern regions of Uganda. In addition to existing large and medium oil millers within the regions, small-scale oil processing at household level by a ram press, is promoted by NGO's like AT-Uganda. The product is sold locally and to traders from the neighboring countries of Sudan and Ethiopia. By ensuring that all the supplies from producers have an assured market is one way of maintaining a stable business supply chain.

#### *Wine Making*

Most wine products are made from pineapple and banana although other juices from passion fruits and mangoes can produce good wine as well. Juice extraction, fermentation, bottling and sealing are the major processes involved in wine making. Development of such business would require constant supply and stable prices for the raw material.

### 3.1.4 Bulking and distribution

Many producers in the small business chain produce small volumes, due to low capital investments, which can rarely satisfy an individual market. Business opportunity therefore exists where a supplier bulks a product and later distributes it in the super market. This could be the case if one wanted to supply eggs in all super markets in Kampala. At the moment super markets depend on many suppliers for a single product.

For instance no single person/farmer would supply eggs for Kampala markets at the moment. An opportunity exists where a large supplier would bulk, store and then later distribute the product at short notice. Bulking can also be done where suppliers/producers form an organized marketing group which can bulk and supply to the market.

### 3.1.5 Transporting

Products are transported from production to consumer end user points. Opportunity therefore exists for transporters to move raw materials to processing areas and finished products to consumer points. M/s MBS fruit agencies is an example that uses 20 transporters to move her products to the consumer points. The usual distribution chain starts with the producer through the processor to the distributor and then to the main outlet and finally to the consumer end user.

### 3.1.6 Development of traders into buying agents

Related to bulking and distribution, there is an opportunity for traders to be developed into buying agents or to manage collection centers. Many grain traders use this system. In a few cases where effective leadership, transparency and accountability exist, producers have enjoyed the economies of scale of transporting and marketing as a group.

### 3.1.7 Development of out-growers' schemes

During the study some clients like Roka Ale trading Company, Outspan (U) Ltd and ESCO reported developing out growers' schemes with the aim of ensuring adequate supplies to satisfy their markets. They usually provide farm inputs, like seeds, cash for opening land, and extension services to equip out-growers with adequate knowledge for producing the target product. Further, members are assured of a better price prior to production. Out growers' schemes perform better where growers remain loyal to the client and vice versa or where the client is the sole buyer of the product as it is the case with British American Tobacco (BAT) in Uganda. Loyalty is only guaranteed when the buyers can supply the required quantities at the required time and if the trader offers a suitable price for the commodity.

## 3.2 Constraints of the small business supply chain

During this study a number of constraints of the small business supply chain were identified. They included:

### 3.2.1 Lack of quality standards

This was cited as a major constraint in the honey sector. At the moment the National Bureau of Standards in the country do not have quality standards, which can be used by the honey producing companies. The Uganda honey Bee Keeper's Association and the Uganda Bureau of standards are in the final stages of developing the standards

This is often a pre-requisite for many importers to know the product they are dealing with. Big super markets like Shoprite (U) Ltd reported this issue as one of the factors hindering market development for Uganda's honey because it lacks quality standards a basis required by the supermarkets to serve their well-informed clients.

### 3.2.2 Organic certification

Many European markets are increasingly demanding for organically produced products. They fetch higher prices; usually three times the conventionally produced products in Uganda. Currently, there are a few firms who can carry out organic certification e.g. KRAV of the Sweden and IMO of Germany.

In addition to high costs that range between 5,000-10,000 US dollars and regular monitoring, it takes a period of 1 to 3 years to convert a producer from a conventional farmer to an organic producer before production can start. Although it pays to produce these products due to the high prices offered, it is the initial capital that is the limiting factor to many poor farmers, who would like to go organic.

### 3.2.3 Lack of contractual obligations

Many respondents reported inability to fulfill contractual obligations as a major hindrance to the development of a sustainable small business supply chain. Many small businesses lack the will and enthusiasm to fulfill signed contracts. They are easily swayed off the course by small changes in price in a short term than thinking about the benefits that would accrue from a longer-term business relationship. Many traders have cited this as a big hindrance to developing their own supply linkages.

### 3.2.4 Untrustworthiness

Untrustworthiness has a big bearing on contractual obligations and was reported as one of the reasons for not fulfilling the agreements. Although businesses have tried to develop their supply linkages they have been let down by the very people they had trusted. Respondents reported cases of misappropriation of agency funds by the agents and adulteration of supplies, which is common in the grain and honey sectors.

### 3.2.5 Financial regulations

At the moment Bank of Uganda plus other commercial banks are not willing to provide credit facilities for buying and storage of produce. Banks are only willing to loan money after traders or their companies have received letters of credit from importers. Due to financial constraints traders find it difficult to bulk and store produce as a way of regulating their supply on the market.

### 3.2.6 Production constraints

In many small business supply chains, production of goods is generally low due to some of the following reasons.

#### *High input costs*

Being low producers they usually buy inputs in small quantities, they cannot maximize the economies of production of purchasing them in bulk, thereby increasing their production costs.

### *Packaging materials*

Packaging materials like bottles for wine and honey plus polythene bags are expensive especially when bought in small quantities. At the moment packaging materials for dried products are all imported, and are therefore more expensive which tends to eat away the profit margins of the up-coming businesses.

### *Production*

Production of selected products is mainly seasonal because their primary raw materials are agricultural in nature and depend on natural weather conditions. For example there is little or no production for mushroom during dry conditions and many crops depend on conventional rains for sustainable production.

### *Poor infrastructure*

Poor roads are a major draw back in the movements of raw materials from the rural areas and lack of water and electricity limit the processing of those commodities from where they are grown. Proper packaging could be used to offer protection to goods while in transit, while natural energy sources like wind, solar, could be used to provide alternate energy sources where electricity is not available.

### *Knowledge gap*

Suppliers have knowledge gaps in production techniques and other related information leading to production of inferior goods or lower production per unit area. They are risk averse because they operate on a small scale, they have limited access to credit facilities and lack securities. Expansion of their business is rather slow with occasional set backs due to lack of financial planning and management skills.

### *Poor production technology*

Due to limited capital, production technologies used by many small businesses are slow and time consuming. A good example is the slicing of bananas for drying which is a very slow process, and therefore determines the speed at which the whole process is carried out.

### 3.2.7 Market constraints

Generally, there are no firm market structures in the country mainly because of a weak income base of the consumers. Markets for most agricultural products produced in the country tend to collapse when supply exceeds demand due to lack of in-built mechanism to absorb the excess product on the market. This has been most evident in the grain sector when over production resulted in a disastrous price down fall leaving producers with no incentives to produce more.

The result is that producers are paid low prices, which do not cover production costs. This situation discourages producers and leads to a breakdown in the supply chain. Farmers need to be invigorated from time to time to start up the supply chain.

There are markets, which require continuous production and supply. Suppliers are not able to sustain a supply chain throughout the year mainly due to a small resource base and lack of planning on their part.

Outlets like supermarkets would prefer a continuous supply of items like eggs or chicken. This reduces on time spent negotiating with new people who even do not know the quality requirements of the products to be supplied. Irregular supply does not allow the development of a long-term client -supplier relationship. A client like Shoprite would like to develop a supply chain if the client- supplier relationship has existed for some time.

### 3.2.8 Market liberalization

The opening up of markets for every body to do business especially for export was a good idea, but also came with its disadvantages. It has essentially allowed every person to participate in the export trade without due regard to quality. Many traders in the quest to buy large amounts for bigger turnover have forced farmers to produce poor quality products. Without maintaining good quality it is difficult to sustain markets leave alone good prices. Uganda's vanilla industry has once suffered from this kind of situation.

Similarly in the grain sector foreign buyers in the quest to fulfill their contracts, often offer higher prices in the short run leaving behind excited farmers/ suppliers. Such farmers will not want to sell their product at a lower price, accusing other local buyers who offer lower prices of being cheats. This would lead to holding of supplies sometimes without regard to quality.

### 3.2.9 The market window

Market window refers to the most opportune time a trade can enter into a market. For example many horticulture products from Uganda have a market window in the European market during winter period. Traders must therefore deliver maximum quantities in time for the exporters to capture the market window in importing countries. Roka Ale Trading Company reported that his market window for simsim in Japan was in the month of January to April. After that period other producers come into the market and Uganda's simsim traders would be at a disadvantage. Where producers cannot supply in time due to adverse weather conditions, instability or holding then the supply chain is distorted and the exporters cannot meet their export window. This has serious consequences for contract suppliers.

## 3.3 Willingness of private sector to develop business services

The private sector partners expressed willingness to develop business services through the following:

### 3.3.1 Investing in Equipment and Materials

Most of the informants interviewed had invested in equipment/material to enhance production. Companies like UVAN have invested in modern drying equipment for

vanilla, which uses a boiler system. MBS fruit agencies have invested in a new bottling line for efficient wine production. AMFRI farms have been supplying solar driers to their suppliers and have reaped the benefits through increased supply of solar dried products intended for their export market demands.

### 3.3.2 Investing in Skills Development

In order to improve their efficiency, organizations/ associations have attempted to equip their workers with better skills and knowledge. Such organizations included Uganda Honey Beekeepers Association, ESCO, UVAN and Mycolex General Enterprises. The management of Roka Ale trading company has an extension system of 20 workers who provide extension advice to its producers and suppliers.

### 3.3.3 Investing in New Products

Kitgum Women Beekeepers Association has tested a new product of honey blended with peanut butter at a show in England, which received overwhelming acceptability. The aim is to increase marketability of the product and profits of the producers.

### 3.3.4 Investing in New Production System

Organic system of production is a new system where no inorganic chemicals are used in the production of desired products. The products are on high demand on international markets.

The private sector collaborates with other organizations to develop those products. Such products include organic honey, dried fruits, flesh fruits and moringa. Mycolex General Enterprises is at the final stages of using modern growth chambers for mushroom growing where production will take place throughout the year to meet the increasing market demand challenges.

UVAN has had to change from the slow conventional drying methods to new a drying system with a boiler. So the drying process takes a shorter time from 3 weeks to 4 days. The firm is able to capture his export window in time.

### 3.3.5 Investing in Development of Product Standards

The Uganda Honey Keepers Association is working tirelessly with its close private partners to have honey standards developed and be passed on to UNBS. Without quality standards, Uganda honey is increasingly finding it difficult to be certified by UNBS for export markets as required by trade regulations. This means that Uganda's honey is better sold as a raw product to foreign buyers which fetch less value. The private sector is taking the lead in developing business services for honeybee keepers by ensuring that the honey produced has proper documented standards as required by the market.

### 3.3.6 Provision of Production Loans

Some private sector companies provide agricultural loans to their suppliers to purchase farm inputs, land preparation, weeding and harvesting as well as an assured market.

Such companies include Roka Ale trading company, ESCO, UVAN, and Mycolex General Enterprises.

### **3.4 Ability of the private sector companies to develop business services**

The study revealed that private sector companies have the ability to develop business services in persuasion of economic gains. This ability has been demonstrated in the following areas:

#### **3.4.1 Development of out-growers' schemes**

In order to increase and ensure adequate volumes of supplies some companies have established out-growers' schemes. The schemes have the advantage of planning together and farmers are provided with farm inputs and extension services. The supplier-client relationship is more enhanced and problems of disloyalty are minimized. With out-growers' schemes, the client can easily estimate his production and therefore plan for the targeted market accordingly. Study companies that demonstrated their ability to develop business services through out-growers schemes include Roka Ale Trading Company, Outspan (U) Ltd, ESCO and Green Pasture (U) Ltd.

#### **3.4.2 Provision of Equipment**

Companies under study are involved in the provision of equipment to their suppliers with the aim of getting a uniform and good quality product. ESCO (U) Ltd has developed its suppliers by equipping them with solar driers for their chilies.

The Uganda honey bee keepers' association supplied local and standardized beehives to its members to produce the same quantity of honey as the modern top bar beehives. Airtight buckets for storing honey for a longer duration have also been supplied by UHBKA.

#### **3.4.3 Skills development**

Private sector companies provide training opportunities to their staff to improve on their skills, which result in better performance. Some of the companies like UVAN and MBS Fruit Agencies are members of Uganda Small Scale Association (USSIA) a body that regularly organizes courses for skills development. Government and private organizations also offer some training services to these companies. Mycolex General Enterprises, ESCO, AMFRI farms and all honey producers have excelled in this area.

#### **3.4.4 Establishment of buying centers**

Companies especially those involved in the grain sector have developed their business services by establishing buying centers in the production zones. The process involves building or hiring stores at a fee and maintaining a contact person in the locality. The advantage is that one purchases the supplies at source, bulks and transports to the stores. The ability of the private sector to develop business services is however hampered by limited funds, unstable prices, lack of firm markets and disloyalty as already mentioned in section 3.2.

### **3.5 Partners identified for the BSMD project**

Selection of the business partners was based on the following criteria:

#### *Product market availability and understanding*

The partner should have a good understanding of his market i.e. the way the market operates, factors affecting it, seasonality effects on the market and any other factors affecting market stability. The partner should have unlimited access to the markets for his products which requires production of quality goods. This also includes good access and well-established links to the market and willingness to participate in market development. The partner should have a supply constraint to meet his un-served markets. The partner should also have adequate information about his competitors in the business.

#### *Technical know how*

Management of the enterprise should be technically competent with their line of business, which gives an assurance that the production is based on sound and technically viable methods, and that the product meets the required standards. Technical know how is also the basis for sound improvement in quality and quantity.

#### *Established business links*

Well-established links, which are necessary for good business development, are also required by the business partner to possess. Good relations with other established partners favor successful development. The business links include suppliers' like farmers' organizations traders, and other establishments, which could be government or private based.

#### *Access to resources*

Access to resources like banks, micro finance institutions etc, provides favorable business development. Membership in organizations like UMA, USSIA etc, which provide valuable information to its clients was also found to be very useful in business development.

#### *Entrepreneurial skills*

Partners should have good entrepreneurial skill. They should be willing to invest so as to better their production in terms of quality and quantity. This requires for the management to be open to innovations and have the capacity of implementation of any proposed changes.

#### *Experience*

As the saying goes that experience is the best teacher, partners should possess reasonable experience in their businesses. This means that key management staff

should have business acumen to run the businesses and have therefore acquired the skills and competence that come with the experience.

### *Reaching the poor*

BSMD project aims at reaching the poor in Uganda. Since most poor in Uganda are the farmers, businesses that have or are linked to Agriculture were given priority considerations.

In line with the above characteristics, businesses were carefully examined to identify those that had the highest potential for developing services to their suppliers in the shortest time possible. AMFRI farms, which met our selection criteria, are already working in partnership with BSMD project. The selected partners are:

#### 3.5.1 Mycolex General enterprises (Appendix page 24)

The business is involved in mushroom production with serious supply constraints. The proprietor has shown great desire to increase production by equipping his suppliers with production skills and mushroom seed. He has proper knowledge about his mushroom business and proper contacts for developing the mushroom industry.

It would be advisable for the proprietor to focus on trading business issues than being involved in production so as to be more efficient. Mycolex has the two options to increase production:

- i. To target cooler areas of Kabale and Kabalore where production can be done through out the year.
- ii. To increase the number of out-growers in the warmer areas where production is only in the cool months of March to June and September to December. In this case Mycolex would have to invest in growth rooms where growing conditions are manipulated to enable production take place through out the year.

In both cases, solar drying is necessary to ensure quicker turnout and better quality. Mycolex can develop this as a service where they can provide the driers on credit and supply technical support and training in operating them.

#### 3.5.2 ESCO (Appendix page 49)

ESCO mainly handles vanilla, chilies and cocoa.

Development of supply chain for chilies would entail promoting increasing production and development of the solar drying system. The farmers/suppliers in Rukungiri orphanage and Kidongole Farmer groups could be grouped into smaller groups and each given a solar drying equipment to provide good quality product. When dried without direct sunlight, the fruits maintain their red color, which is required by the market.

### *For Cocoa*

- i. Farmers/suppliers could be developed through better training of the processing procedure.
- ii. Suppliers could be selected from among the farmers and equipped with washing tanks and drying wire trays.
- iii. Also stores would be built to house the flesh, processed and the dried cocoa at the suppliers' premises.
- iv. Suppliers should be equipped with some form of transport to give them mobility to collect the produce.
- v. Loan facilities could be extended to the supplier to enable him buy farmers' produce on cash basis to ensure good volumes.

#### 3.5.3 MBS Fruit Agencies (Appendix page 19)

MBS fruit agencies are the manufacturers of wines from pineapples. In our interview with them they did not mention pineapple supply as constraint in their business. However extracting pineapple juice at source would be good for both the wine factory management and producers.

Producers will retain the pineapple waste to fertilize the fields, while the transport costs for the juice would be lower than transporting truck loads of pineapples fruits. In this arrangement, one of the suppliers can extract juice from the fruit of other farmers and deliver to the factory in 100-liter jerry cans. The juice is either boiled or known chemicals are added to avoid uncontrolled fermentation before it reaches the factory. The quality of water used to wash the fruit before juice extraction must be of good quality.

There are hydraulic press machines or diesel run generators that would be useful for areas like Busi islands, which do not have power, available on order from India or South Africa at a price range of 7,500-10,000 US dollars. Juice processing in areas like Bugerere, which has power, will be easier and the machinery from similar sources has a similar price range.

#### 3.5.4 OUTSPAN Enterprises (Appendix page 22)

OUTSPAN mainly deals in chilies, cocoa and organic simsim products. Development of the supply chain for all the three crops would entail promoting increased production and proper processing of the products. The model to be used would be similar to of ESCO for the similar products they handle. For the organic simsim products farmers could be provided with polythene sheets for drying the grain, and buying agents developed from among the farmers by the OUTSPAN management to make sure they track all the produce to reduce its loss to other competitors.

## Appendix 1: List of key informants

Products	Company/contact	Address/Tel no
Dried fruits	Fruits of the Nile	041-273274, 071-467499
	Mr. Angello Ndyaguma	
	Tropical Ecological Fruits	077-554506
	Mr. Kibirige	
	Green Pasture	077-744413
Edible Oils	Mr. David Clay	
	Amfri Farms	077-506644
	Mr. Amin Shivji	
	Mr. Okwir Guido	077-622069
	Mr. .Kayondo	077-744960
Mushrooms	Ebenezer Oil Mills	077-427545
	Mr. Orieng Patrick	077-590860
	Dr. Olera	New Moroto Millers, Lira
	Mr. .Alex Musoke	077-317398
	Mrs. Nkakyekolera	077-637330
Wines	Mrs. Namuddu Theresa	071-861005
	MBS Fruit Enterprises	041-270919/077-427428
	Theresa Winery	Mukono
	Prok & Family	077-484157
	Hon.Saida Bumba	077-777756
Starch	Mr. Mulindwa	077-454142
	Dr. G Nambatya	077-867510
	Bangi Balisiima	Nateete
	Gwowonya Eggere	Makindye
	Shoprite	031-228100
Medicinal Plant Products	Metro	041505876
	Uchumi	Garden City center
	ESCO	041-254604
	MR. Phillips Betts	075-755066
	UVAN	
Eggs	Mr. Sekalala	071-867831/077-404491
	House of quality	071-416591
	Dhana Jiru	041-532128
	Outspan	
	Mr. Kayondo	077-744960
Spices (Vanilla)	Mr. Okwir Guido	077-622069
	Commodity Trading Inter LTD	
	Mr. Gordon Johnes	071-577234
	Magric (U) Ltd	
	Mr. john Magnay	077-771237
Spices (Others)	Roka Ale Trading Company	077- 341525
	Mr. Aron Ware	077-725514
	RECO Industries	041-232183
	BBC Fort Portal	077-385492
	Mr. Rudy Limmenes	Rudi limens@ yahoo.com
Grains (Simsim)	Kitgum Women Beekeepers	
	Mrs. Rose Ogaba	077-575033
	Uganda Beekeepers Assoc	
	Mr. Ramsey Owot	041-271799
	Bigodi Project	077-558738/077-583428
Honey	United Farmers Mbiko	MbikoTown
Peanut Butter		

## **Appendix 2: Interview outline for BSMD project**

Name of organization, year started, and type of ownership.

**Supply system:** The supply side of your business is very crucial for meeting demand and satisfying your consumers.

- How are your suppliers organized?
- Do you have contracts with your suppliers?
- Do you have seasonal effects on your supplies?
- Have you tried to develop your suppliers and if so how?
- Did you experience any problems with loyalty in the case where you have tried to develop your suppliers?

**Volume of Business:** For successful business transaction, satisfying the customer's needs may need big volumes at specified time.

- What volume of business do you handle?
- How has it changed over the last 3 years?
- Do you satisfy your demand easily or with some difficulty?

**Human resource:** Human resource is a major element in today's successful running of a business.

- How many people do you employ, and in what capacities?
- Describe the Education/ Training opportunities you and your employees have?

**Finance:** Finance is a major component of business development.

- How do you finance your purchases? e.g. producer's credit, bank loans, or own savings.

**Networking:** Many businesses of today need elaborate linkages with others. Which people/business do you associate with in the execution of your business?

**Willingness to invest:** Business can only develop into larger ones if owners are willing to invest in better technologies, systems, human resources and knowledge.

- Are you willing and able to invest more to expand your business?

**Quality of product:** In order to acquire a good name in the market you must supply quality goods.

- Do you have quality standards to be met before paying for your supplies?
- Do you offer different prices according to quality?
- How do you determine the quality of Supplies?

**Price information:** In order to have proper business transactions, you need to know how the market behaves through market intelligence.

- How do you get price information?

**Market:** To have successful business you must have an organized market outlet for your products.

- How is your product distribution organized?
- Are your buyers regular, irregular, or contract buyers?
- What percentage of the market do you satisfy?
- What can be done to increase your share of the market?

**Marketing problems:** Like all other business you might be operating under several marketing constraints.

- Would you like to tell me which ones affect you most? For example:
  - Packaging
  - Transport
  - Quality
  - Payment schedules
  - Marketing costs

**Product outlook:** I understand that adding value to produce your final product may have several constraints.

- What constraints do you have when adding value to get your final product?
- What should be done to overcome them?

**Storage:** Some business needs to store finished products while others do not.

- Do you store your supplies/products?
- What facilities do you have?

**Business outlook:**

- What do you want done to improve on the business?
  - On the buyer's side
  - On supplier's side
  - On your company's side?

## **Appendix 3: Interview briefs**

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## **1. MBS fruit agencies**

Operational: by 2001

Ownership: A limited company with a Managing Director and Director  
Managing Director - Mr. Migadde  
Director Ms. Nabakka Doreen

Supply system:

Organisation of suppliers:

Suppliers were selected from among those who had been supplying them before.

They were selected on the basis of

- i). Being regular suppliers
- ii). Able to transport the fruits
- iii). Able to bring large quantity

We have no written contracts with the 3 selected suppliers

Season effects do not affect quantities but on it's the prices, which go up.

Development supplier:

Management assists the farmers with production loans on case basis especially payment for weeding labour.

Has no problem of loyalty with the suppliers.

Volume of business:

Volume handled has progressively, increased from 100 pineapples to 2000 per delivery. This delivery is for 3 days of processing.

Production per week:

There is increasing demand for our products within Kampala and up country areas. Satisfying customer demand in being hindered by packaging materials mainly bottles and crates.

Human resource:

We have three categories of workers: A permanent staff, which include:

- Management staff
- Managing Director
- Director
- Production Manager
- Accounts staff
- Salesmen
- Semi – permanent
- Task laborers: e.g. those used for unloading suppliers.

Training: As members of UMA we get seminars in specific areas e.g. marketing, management general, accounts and record keeping.

Finance: We finance our business from own savings

Net working: Our key associates include:

- 1). UMA – The give knowledge/skills through farming
- 2). Central Glass Industry (Kenya) supplies bottles
- 3). Crown corks supplies tops
- 4). Nile House of Plastics supplies crates
- 5). Paper box industry/Industrial area supplies paper box
- 6). Printers supplies labels
- 7). Indian Manufacturers supplies production
- 8). Farmers supply pineapple fruits.

**Willingness to invest:**

- We have just imported the new production line (squeezing, filling, capping, labeling units) and its waiting clearance at URA.
- We are also to upgrade our small laboratory to meet international standards, which will enable over product to access international markets.

**Quality of product:**

- Pineapple must be – ripe fruits
- Heavy with juice (check by tapping on the fruit and the size fruits determine the costs.
- Price range Big fruit 400 – 700
- Small fruit 300 – 500
- Our products Romi wine is 12% alcohol and Romi whisky is 40% alcohol} which they strictly maintain using their mini laboratory
- We have an alcoholmeter and glucometer to relate the levels of sugar/alcohol in the product prerequisite for good quality product.

**Price information:**

Our prices for P.A are related to the prevailing market prices. Market research is done in the markets to get the prevailing prices before orders are made. The price for the product is determined at the factory after calculating production costs.

**Market distribution:**

- We have 20 salesmen each entrusted with a route.
- Big buyers are the depot agents of other beer branches
- Our salesmen also sell to retailers.

We compete with other local wine brands on the market.

**Market problems:**

- Bottles are expensive at Shs.500 each.
- Transport: - cost and reliability
- Payment schedules: we operate on give and pay system.

**Marketing costs:**

- Transport hire – 30,000/- Dyna truck (3 tons)  
40,000/- Fuso truck (4-5 tons)
- Promotion of product - Advertisements, Announcements
- Packaging costs include bottles, crates, caps, and boxes.
- Excise duty is too high at 65% for wines and 17% VAT

Storage: We have a store for 2000 crates.

Business outlook:

Buyer's side: Traders should be more concerned about our products. Not to confuse it with others.

They should sell product on our recommended price.

Suppliers' side:

- Should be development minded
- Be more reliable
- Squeeze juice on farmer's fields and preserve it there.

Company's side:

- Fair taxation (65% duty, is too high)
- Electricity cost is high
- Fair import duty, to allow in import inputs to improve on our products.
- We are installing a new production line for processing pineapples, which is expected to be more efficient.
- To develop export markets as the new line in-going to be fixed.



Quality: We produce organic products but lack the 99% purity and minimum oil content is above 50% pricing will be affected by quality.

Outspan: Has been nominated for the new millennium award for its quality products.

Quality is only doubtful for Red bird Chilies

Price information

We get prices from – Internet, Field officers, Supervisors, and IDEA Project

Market: Food Distribution:

- 1) Exports are on orders made by e-mail or fax or phone
- 2) We have regular buyers

For organic simsim we are the main exporters. There is room for more exports. I cannot take on new orders because market share abroad is not easily calculated to know my market share. He exports several buyers and the market is expanding.

Marketing problems: Packaging: presents no problem since we pack in G/bags

Transport presents no problem. Shipping is 3000 USD per container of 18 tones

Quality: Their target is to hit the 99% pure grade by investing in a new and better machine.

Payment schedules: They pay on time

Product outlook: Nothing major except the need to achieve 99% purity.

Storage: We have proper warehouses for our products.

Best outlook: Company's side: Target quality of 99%

Suppliers' side: Increase production/yield

Buyers' side: Quicker payments.

N.B He also deals with cocoa exports

- Buys Cocoa
- Dries Cocoa
- Cleans Cocoa
- Bagging Cocoa
- Shipping Cocoa

### 3. Mycolex General Enterprises (U) Ltd

Contact person                      Mr. Musoke

Started in 1997:                      But was working as an individual

Type of ownership:                  It is a limited liability company by shares.

Organization of suppliers:

Suppliers are organized as farmers' groups

Contracts: Has written contracts for big farmers groups, which are registered at district/sub county level. He uses gentleman's agreement for small groups, which are not registered.

Seasonal effects:

We have seasonal effects especially in the dry season. The dry period is not ideal for M/room production but this is the season when demand is highest.

Loyalty: 70% of the suppliers are loyal.

Volume of business:

The volume is steadily increasing from 50-100kg in 1999 to 150kg in 2000 to 300kg in 2001 and in 2003 our largest is 1 ton for export. The total volume handled so far exceeds 20 tons

Satisfying demand:

There is difficulty in meeting demand because;

1. The supply is on and off due to weather
2. Local technology
3. Limited finance base to invest in better technologies for all my suppliers

Human resource:

Mushroom growing being unique. I have had to train my own extension workers. The Managing Director is trained Mycologist from China. He trains his instructors and the farmers are classified as (a) beginners (b) try mushroom growers (c) commercial growers.

Finance:

He finances his business from the following sources

- (i). Training fees charged from other farmers
- (ii). Own savings
- (iii). Shares
- (iv). I. CON (now called Germany education training programme –(PPTP) helps on training of trainers.

Has trained the management staff  
Has provided computers and accessories

(v) Producers' credit

N.B In the 2<sup>nd</sup> phase funding PPTP will construct classrooms and provide more equipment to the organization.

Networking:

The key people in their network are

- (a) Promotion of private Training Providers (PPTP)
- (b) Farmer's Associations
- (c) International organizations which include:
  - (1) International society for mushroom science in U.K.
  - (2) Asia Pacific M/room training center (APMTC)
  - (3) Fresh R.M.- they organize exhibitions in different countries about m/room. They provide us with information on, market availability and promote my product in this years' exhibition the Managing Director is to meet 6 new companies organized by fresh R.M.
- (d) Mushroom growers
- (e) APMTC for mushroom spawn cultures
- (f) U.K. suppliers e.g. for packaging materials

Willingness to invest:

- He has shown great desire to invest
- He is investing in production new M/room types
- He is investing in research into new varieties
- He has identified 2 local varieties, which have similar qualities to those of export types.
- He is also planning to invest in a modern growth commercial grow rooms which use electricity to control temperature which cost in a range of 8 million Uganda shillings.

Quality of mushrooms:

- The quality of the product is good
- However he lacks certification of organic products
- The present certifying organization he knew did have mushroom stands.
- The major constraint at this certifying process was the 5000 DM, which the German company Eco-Sat, has requested for provision of organic certification. The suppliers have quality standards to be met and once not met the product is rejected there and then.

Price information sources:

- Local sources e.g. farmers and traders of mushrooms
- Internet
- From APMTC.
  - He pays for information from this center
  - The cost is \$165 to information on markets in Europe
  - The cost is \$110 to information on markets in USA
  - The cost is \$ 90 to information on markets in Africa

- APMTC also advises on season to supply so that you on produce on schedule.

#### The Market

Has two types of buyers

- 1) Those who collect the product at source. These are fewer and less regular
- 2) Those whose product is delivered to them. These are regular but no formal contracts have been made because demand far exceeds supply and there is fear for failure to supply market segment: He has 50% of the market in Kampala.

What can be done to increase the market share?

- 1) Invest in training of farmers so as to increase production
- 2) To expand on my own production unit so that I can supply 50% of my market requirement

This can be met with the investment in commercial grow rooms, which he reported can produce about 1 ton of dry mushroom per month. He expects to get this through the leasing facility in DFCU.N.B. The value of mushroom at export market is in the range of 10-20 USD per kg

Marketing problem:

- My buyers want big quantities which I may not be able to supply
- When exporting, he goes through brokers but the market identified is too big for me to supply e.g. Euro trade gave him an order to supply to 30 countries.
- You have to pay membership fee to the brokers' association of 250 USD and a commission of 0.5 % on the yearly total annual sales.
- Certification for organic product is still very expensive.

Marketing costs

- Freight costs range between 1.6 – 3.0 USD/Kg
- Advertising cost. Advertising is very expensive

Storage - has no storage problems

Business outlook: Company's side

- (1) Thinking of tinned mushrooms in the future because they fetch higher rate of returns.
- (2) More crop finance to pay all suppliers in time
- (3) More modern production facilities.
- (4) Make a national mushroom culture bank (To reduce on cost importation. The cost of mushroom culture is 100 USD each sample to last 1-2 years.

Buyers' side: Buyers should give credit (pre finance credit)

Suppliers' side:

- Group information should be encouraged
- Should increase production

- Cool areas of Fort portal, Kabale should be targeted because the wealthier tends to support more production.

#### **4. Fruits of the Nile**

Contact                      Mr. Angello Ndyaguma

Year started:              1993

Ownership:                Registered company by shares

Product:                    Dried fruits

##### The supply system:

Groups of farmers were formed on the initiative of Fruits Of the Nile, and are the one responsible for supplying products as a group member or as individuals.

- No formal contracts are written but we have gentleman's agreements.
- We get seasonal effects but we maximize production during the dry season and the supplies are stored.
- We develop suppliers by
- Training them
- Offer their equipment (solar driers)
- We secure free interest loans for them

Loyalty: disloyalty was high when we had just started. Now you must work with us for some time before we invest in you.

##### Volume of business:

- During peak period we export a 13-15 ton container in 3 weeks and in an average season, they export 1 container in 1 ½ - 2 months.
- His business has progressed from 600kg up to 60tons/year.

Human resource: The Company employs 25-30 people in ratio 3:1 women to men

- The Managing Director is a graduate in business Administration Accountant has a diploma in Accounts and other categories of workers e.g. sorters, packers cleaners have received in service orientation towards their work.
- Solar driers are made by competent technicians.

##### Finance

Networking:                Our key associates include:

- Suppliers from villages
- Shippers – TRANSAMI Uganda Limited
- Donors who assist with training
- Export promotion board, which gives us market information
- Supplier for packaging material who include: Tic plastic, Packaging (U) Ltd. and MAKES, Eco-Lab E.A. (U) Ltd. who supply us with chemicals.

##### Willingness to invest:

We are willing to invest I modern solar or other types of driers, which are more efficient.

Quality of product:

- They have quality standards to be met before buying the dried products.
- Quality is generally measured by visual inspection and how dry the product is.

Price information:

Interestingly the prices of their products do not change over long period since the buyers end to fix theirs too.

Market:

- Product distribution:
- We ship our product to one buyer who does inland distribution on in the U.K.
- He is a contract buyer but he does not know his market share

To increase our increase share

- We are to increase on our potentials suppliers
- Support our suppliers through increased training and provision of equipment.
- We need to invest in modern solar drying equipment.

Marketing problems:

- Packaging - No major problem
- Transport - No major problem
- Quality - No major problem but we need constant training to maintain quality
- Payment - No major problem.
- Marketing costs - No hurting tax, we only pay income tax.

Constraints to adding value:

- The premises we operate in is not a full grade factory.
- Our stores need expansion to accommodate surplus production in the peak period.
- We need more efficient solar drying equipment.

Storage:

We have adequate stores but they get overwhelmed in the peak supply season.

Business outlook:

- Company's side - We need organic certification for our product
- To construct a good grade factory with good equipment.
  - Export promotional board should do more to get buyers who are trusted.

Suppliers' side:

- Suppliers should be more hygienically concerned about the product they produce and store before we receive it; because we deal with low-income earners, of low education hygiene could be a problem.
- We encourage them to form groups, which can be helped to put up decent stores.

## 5. Namuddu Theresa

Contact person        Namuddu Theresa

Year started:        1995

Ownership:        Individual

Product:        Mushroom

Supply system:        Namuddu is a producer of her home grown mushrooms she has no external suppliers of mushrooms.

Volume of business:        Her volume of business has grown by 10 times since 1995 to date.

Human resource:

She is a retired civil servant and has been trained by UNFA in mushroom production techniques.

She has been responsible for training her other workers in mushroom production technologies.

Finance:

She finances her business with her own savings.

Networking:

- Oil mills for supply of cotton seed waste
- Firewood suppliers
- BMK for polyethylene bags
- Retailers e.g. Shop rite for retailing her product.

Willingness to invest:

She is willing to invest to improve on her business as long as the market is willing to buy more mushrooms from the market.

Quality of product

She produces mushroom of good quality. But she lacks a solar dryer for drying mushrooms to better standards.

Price information

Prices are sought from other mushroom growers

Market for product

She mainly does distribution personally to key outlets like supper markets

Marketing problems:

- Packaging This presents no major problems
- Transport No serious problems.

- Payment Payment is not very quick

Storage: They do not have adequate stores especially if bigger quantities of in puts are to be required for larger production.

Business outlook:

- Wants to establish a firm market for the products.
- Wants to increase production.
- Buyers should pay more promptly.

## 6. Mr. Mulindwa Vincent

Year started: 2000

Ownership: Family business

Product: Moringa herbs

Supply system:

- The family is the main supplier. They have 15 acres plus 7 out growers with 13 acres.
- The 7 out growers with contacts to supply their product. There are no seasonal effects so far.
- The proprietor develops his suppliers by
  - i). Training them
  - ii). Giving them seeds.
  - iii). Carrying out soil analysis for them
- There is no problem of loyalty so far

Volume of business:

- In monthly terms today his production is 200kg valued at 12 million Uganda shillings.
- There is too much demand for moringa that the proprietor cannot satisfy.

Human resources:

Mr. Mulindwa is a farmer of experience. He has organization skills for a farmer. He has been involved in production of crops like passion fruits, coffee and Eucalyptus.

Finance:

He uses family finance to finance his investments.

Networking: Key associates include

- i). Moringa seed suppliers from Moringa Development Associations in Kenya and Tanzania
- ii). Makerere University, (Department of Agriculture Engineering for setting/Construction of solar driers and the department of Food science.
- iii). Government chemists at Wandegaya for determining various chemical ingredients..
- iv). Uganda Chemotherapists – for identifying medicinal values.
- v). Kawanda Research station for identifying of the correct Moringa seed.
- vi). Forest department – For advising us on the correct variety of Moringa and on pests/disease control measures
- vii). National Drug Authority.
- viii). Water department: to validate the issue of moringa being a water purifier
- ix). Uganda Small Scale Industry Association – for designing and making of the crusher for the product.
- x). Local artisans – for advice and building of driers
- xi). Distributors: Distribution chains are still being developed including the SDA church.

Willingness to invest:

- The proprietor has invested 40 million in the production of moringa and development of out grower's scheme.
- He is willing to invest more to increase on the number of contract farmers.
- Certification of moringa as an organic product is to be given priority since organic products have a better market on the export side.

Quality of product:

The quality of the product has been tested at various centers like Wandegeya and has been found to be of good quality.

Price information:

Price is related to the cost of production, but at the moment the proprietor is doing promotional work by selling the product at a less price to attract buyers.

Marketing:

- He has 6 regular buyers but not contracted
- He also has 20 non regular buyers
- Satisfying the market is not in a short time because the market for moringa product is growing.

### ***Marketing problems:***

Packaging – No proper packaging material has been identified. At the moment polythene bags are on use.

Transport:

No major problems yet. The product is light and can easily be transported from farmers to the milling plant.

Quality: The quality so far is good and has been tested so far.

Payment Schedules: There is delayed payment from traders.

Product outlook:

- Major constraint when adding value in the correct packaging material.
- There is also need for proper weighing system to enable us pack smaller quantities of 50gm and above.

Storage: The proprietor has a proper quality store in place to store up to 3 tons of the product.

Business out look:

Company's side:

- Certification as organically produced product is very essential for our product to fetch food market.
- Collaboration with other laboratories to test the consistency of the product.
- Converting powder into tablet form to increase value

Suppliers' side:

Suppliers need more assurance and education that Moringa is here to alleviate their poverty and not a crop, which will lose value sooner than later.

Buyers' side:

He had no comment.

## **7. Tropical Ecological Food Uganda Ltd. (TEFU)**

Year started: October 2000

Type of ownership: Limited company by shares

Product: Dried fruits

Supply system:

- The management of TEFU is responsible for collecting supplies from the suppliers who have been identified by KRAV a company, which certifies them as organically produced.
- We have written contracts to buy from them if they meet KRAV conditionalities at the prevailing prices.
- We have seasonal effects on the supply of the products with the peak coming close after rain season. But we still get supplies throughout the year.
- We develop our suppliers by training them on management of the crop organically. We are in the process of giving them inputs like wheelbarrows, coffee husks and production loans.
- The suppliers are loyal to us so far.

Volume of business:

- In 2000 and 2001 we have had trial shipments for export. In 2002 5 tons were exported and 15 tons is projected for 2003.
- In the corporate plan between Danish company (URTEKRAM) and TEFU the maximum output is expected to reach 35 tons of dried fruits

Human Resource:

The workers like the M.D, Factory Attendants and all the 6 other project workers have received training in various fields like:

- Quality management offered by Dought Haurd (Danish)
- Solar drying technology by a team from Kawanda Research
- Food hygiene by a team from Makerere University Food Science Department.

Finance:

- The Resources of funding include members' shares (there are 45 shareholders)
- Donations
- Pre-finance arrangement from the Danish buyers

Networking: Key associated include:

1. UNIDO - They loan us funds.
2. DANIDA They gave us a loan + a vacuum packer
3. UNFA They gave us a solar dryer
4. Urterkram Our product distributor in Denmark

They also provide us packaging material for products  
They have also provided us with 2 technical personnel to  
oversee our organic production activities.

5. RUCID - For training of our farmers.

#### Willingness to Invest:

In the corporate plan with the Danish plan Urterkram they have a plan to:

- a Expand the factory to double its production and storage capacity
- b Staff will be raised from 6 to 20 people.
- c New dryer to be developed to exceed the current one which has a capacity of 15 tm

#### Quality of Product:

- Our suppliers must be organically produced products
- Free from blemishes
- Pest/disease free damages. We ensure quality of supplies since we are involved in their purchase and collection.
- 76% of the product is fit for export quality (pineapples and apple bananas)
- Our target is to get 80% clean product so as to increase on revenue.

#### Price Information:

Price is based on calculations of costs of purchasing the product. This is what is termed fair trade. The price for the supplies will depend on the prevailing market prices.

#### Market:

- The product distribution in the export market is done by Urterkram at an agreed price to contract buyers.
- The organic market is a growing market. It doubles every year. Therefore our market shares will increase as production of quality products also increases.
- To increase the share of the market is highlighted in our corporate plan.

#### Marketing Problems:

Packaging: As of now, the packaging material comes from Denmark.  
So, in the short run we have no problem but in the long run we need to identify partners in Uganda who can make them.

Transport: We need to transport our supplies in a more comfortable way to reduce on bruises, which reflect badly on the product.

Quality: Will be improved if we get in quality supplies transported in a cushioned way at the moment we get 76% of the product fit for export market while the balance is sold locally in retail outlets.

Payments Schedules: Our buyers with importers make pre-payment each month. This actually works like a short-term loan. (This is called the Fair Trade System).

Marketing Costs:

Product Outlook:

Large supplies may be available at peak season yet we cannot handle it at once.

Proposed Solution:

- We intend to improve on the efficiency of the drying equipment.
- To increase on the number of solar driers.
- The only electricity/diesel-powered dryer produces a better product and it would be advisable if we invested in more of these (quantity/time.)

Business Outlook:

Supplies Side: Train farmers to produce all year round.

Company's Side:

- Find out the best/cheapest way to dry the fruits using solar heat.
- Improve machinery for slicing the bananas.

Buyers' Side: -It is doing well so far but further links need to be sought with Urtekram so that they do not leave a vacuum when their corporate plan ends in 2 years to come.

We also need to develop internal market in Uganda

## 8. Ebenezar Oil Mills

Contact person        Mrs. Taliwaku and Mr. Sewava

Year started:         2002

Type of ownership:   Family

Product:                Edible Oil

### Suppliers:

- No formal organization for the suppliers. The suppliers come with sunflower and get paid or may go back with a similar value of the oil.
- Seasonal effects on the business are well pronounced but could be offset if one has enough cash and storage facilities.
- We have not tried to develop over suppliers. We sometimes provide transport of the product to our mills.

### Volume of business:

Business progress has been hindered by the war in the North. In 2002 we started with 200 litres of oil a day and now we produce 6000 litres a day. We have now a new line for processing cottonseeds whose availability is more assured throughout the year.

### Human Resource:

We have trained machine operators, technicians, and cleaners we have 8 women and 5 men.

Finance: We use our own savings to fiancé the business.

### Networking: Our key associates are:

1. Suppliers of cotton seed and flower
2. Nice plastics for Jerry cans
3. Traders (oil buyers, cake buyers)

### Quality:

- We have very good quality oil.
- We use visual inspection plus teeth bites to tell good quality of sunflower. Deformed seeds with no endosperm have no oil.

### Price Information:

We get price information from other processors but the main player in price determination is the Mukwano price.

### Market:

- Product distribution is done by traders who come for it from our mill because of its good quality.
- Some product is given back to the suppliers against their revenues earned.
- Later on, we intend to bulk our product and sell it to better markets e.g. at Sudan borders.

Market satisfaction is low because we use low capital base. What can be done;

- To increase capitalization
- Increase machine capacity; from 1 ton to 4 ton/day
- Increase sunflower stocks

Marketing Problems:

- Packaging – has no problems packaging material is readily available.
- Transport – Our production is about 230-3—jerry cans yet to transport you need bigger volumes to minimize on costs for long distant markets.
- But generally we have a vehicle to transport sunflower from field to factory.
- Payment Schedules – No problems; usually it is cash down.
- Market costs – As of now, we mostly sell at factory gate price

Product Outlook: Our product is good.

Storage: We have enough space for storage

Business Outlook:

Companies' Side: More stores in different locations to trap the supplies.

Suppliers' side: They should provide them with correct seed varieties with good oil content.

Buyers 'side: No problem so far. They should keep the quality of the product intact because adulterating the oil spoils our name.

## 9. Bunyangabo Beekeepers Community (BBC)

Contact person: Mr. Magezi Eliezer Tel: 077-385492

Location: Kabarole District

Operational: 1993

Product Honey

Ownership: BBC is a local organization of beekeepers in Bunyangabo county of Kabarole district Membership is about 200 with 55 members categorized as very active and 120 as active. BBC is an apex body of Beekeepers Village groups in Bunyangabo.

Supply system:

- Beekeepers' village groups are the source of supply for the honey
- Membership is 200 farmers
- Members are very loyal to the organization

Development of suppliers:

- BBC provides protective equipment to its members
- BBC provides Training for beekeepers
- BBC provides market for honey
- BBC has provided a bicycle to each coordinator of the village group.

Volume of business

- The area was affected by rebel activities. This affected beekeeping activities.
- In 2000 there was reduction in rebel activities and we received funding from HIVOS ( a Dutch organization) to revamp beekeeping activities.
- Also another organization OED – Horizon 3000) an Australian based organization funded activities of beekeepers.
- In 2001 production went up from 400kg per season to 1ton/season. There are 2 seasons for beekeepers in a year.
- In 2002 production went up to 3 tons/year.
- In 2003 production is targeted at 4 tons/year.

Finance: We have received funding from these organizations

1. HIVOS – a Dutch organization
2. KRC – Kabarole Research Center – local NGO
3. Horizon 3000 that has built a building housing the factory, office, store and a training center, plus staff quarters and demonstration plot for Apiary.

Networking: Key associates include: -

- Entomology department of MAAIF
- HIVOS
- Kabarole Research Centre (KRC)
- Horizon 3000
- SATNET (Sustainable Agriculture Trainers Network of Rwenzori region.)

- Afro plast which supply packaging containers
- Local suppliers for seal tapes
- NOGAM (National Organic Movement. of Uganda)

Willingness to invest:

- They are willing to expand on production.
- They are willing to invest in increased farmers training.
- They are willing to invest more in the provision of equipment

Quality of products:

- Quality measurement is done by a visual inspection and also use of a refractometer.
- Any honey with more 20% moisture content is rejected out right or can be used for other products like honey vinegar and honey wine.
- N.B BBC won the food & Drink competition with Gusto Rowzer in July 2002.

Pricing: Has 2 grades - i) Semi-processed ii) unprocessed honey  
 Semi-processed honey goes 1700 – 2000/= per kg  
 Un processed honey goes 1400/=  
 The BBC fixes the price it offers to farmers

Market distribution:

Our buyers in Kasese and Fort portal are regular. In Kampala we do not have regular buyers Local monthly sales for honey are shs 675,000, and shs 150,000 for propolis. which is a honey by-product.  
 There is more demand than we can supply.

Storage:

There is need for more capacity to store during peak harvest since the stores becomes full and they resort storing in Jerry cans  
 They have 7 tanks of various sizes with the biggest 2 able to store 600kg.of honey.

Business outlook:

- Increase production to meet local demands.
- Increased training to improve on quality
- Increased desire to become self-sustaining
- To develop new markets in Kampala and elsewhere
- Organic certification will lead us into export market

Buyers: Should pay more promptly

Suppliers: Should:  
 Be more reliable  
 Supply quality honey  
 Increase on investment.

**10. Kitgum Women Beekeepers Association (KWBKA)**

Contact person: Mrs. Margaret Rose Ogabo Tel 077-575033

Title: Chairperson

Product Honey

**Ownership:**

Kitgum Women Bee keepers Association is registered under NAWOU (National Agriculture Women of Uganda) NGO. They have also registered a business wing as a company called Savanna Land Honey Processors and Packers Company Limited.

**Supply system:**

- Organisation is based in Kitgum Districts.
  - The KWBKA has its own activities as a group (group apiaries) They produce the largest quality for their organization.
  - Individual member beekeepers also supply honey to the organization.
- N.B. They have had disruptions to their business due to Northern war insurgency.

**Loyalty:** Sometimes our member farmers may sell to our competitors from rivalry groups, which hike prices.

**Volume of business:**

- o Due to war disruption 1995 – 2000 were bad years. Rehabilitation of the apiaries was done around 2000/2001. In 2002 they produced ½ ton from KWBKA and company bought 2 tons from individuals farmers and suppliers.
  - o Volumes are still low compared to our demands.
- 
- British High Commission through BUPS (British Uganda Partnership Scheme) provide a grant to revamp our processing unit
  - UNDP through World Vision gave us conditional grant
  - Poverty Alleviation Fund provided a loan to our organization
  - British High Commissioner (Edward and Ann Clay) gave them donation

**Net working: Key associates include:**

- World Vision for funding
- ACET (Aid Care Education and Training)- Kitgum for training farmers.
- Action Aid – Kitgum (have given them funds for demonstration plot of apiary).
- BEES (UK firm) who provide information on bee farming.
- UNDP Who funded T.O.T. seminar under the UNDP private development program.
- MAAIF (Entomology Department Kitgum district) who help in training of their farmers.

**Willing to invest:**

- o They have a wider perspective in the bee farming sector
- o Training suppliers in quality production.

- Production loans e.g. in form of protective wear, etc.
- More equipment for the factory e.g. refractometer.
- More air tight buckets for storage of honey
- Construction of more settling tanks which require stainless steel products.

Market distribution:

- They have 3 buyers in Kitgum.
- 2 regular buyers in Kampala
- 1 Jinja show outlet (UNFA show)

Pricing:

- Unprocessed honey is bought at shs 1000 per liter
- Processed and packed honey is sold at shs 4400 per kg wholesale price.

Constraints:

- Packing Bottle costs 400 each
  - Label costs 300 each
  - Seal costs 100 each
- Settling tanks, which must be of stainless steel material.
- Air tight buckets
- Production processing unit has a small capacity

Business outlook:

Company's side

- Organic honey production as a special honey
- Introduce new product, for example to blend honey with peanut butter- This has had a big demand at show in England, where over 1000 people liked it.
- We need a stabilizer for our product to reduce on crystallization of honey.
- Increase our market share in Kampala.

Suppliers Should increase on production of quality honey

Buyers Should make Prompt payments

## 11. Uganda Honey beekeepers' Association (UHBKA)

Contact person: Ramsey Owot Tel 041-271799

Products: Honey and Honey byproducts.

Registered: 1996

The supply system:

- They have 18 established collection centres where honey is collected for onward transmission to the refinery in Kampala (Nalukolongo)
- They have a total number of 769,133 beehives, which realize 3946 tons of honey per season.
- Association has trained 56,000 farmers in the country which it regards as its suppliers.

Volume of production:

UHBKA has a total of 769,133 beehives that produces 3946 tons of honey per season and about 7892 tons per year, which can earn Uganda 86,812 USD per year. Plus reasonable income from the beeswax.

Development of suppliers:

- o They have trained veterans throughout Uganda.
- o They have trained refugees in Arua, Moyo, and Adjumani
- o They have trained beekeepers under ADC/IDEA in Bushenyi Bunyaruguru, Nakasongola, Lira, Kotido, and Abim.
- o They make protective gears and sell them to suppliers. at a reasonable fee

Networking: Our key associates include:

1. International Bee Research (IBRA) U.K
2. Africa Apiculture Association in South Africa
3. University of Hohenheim in Germany
4. USA beekeepers Association
5. International center for Insect physiology and ecology (ICIPE)
6. ADC/IDEA for training farmers
7. UNBS for developing quality standards
8. UEPB for development of export markets
9. UIA for investment information
10. ACDI/VOCA for capacity building
11. EDF Micro-projects for loan
12. Makerere University food science department for development of quality standards

Willing to invest:

- o UHBKA has installed refinery equipment for processing of exportable honey with a capacity of 998 MT and 80 MT of bees wax per season. There is room for upgrading the machinery.
- o UHBKA has completed the 1<sup>st</sup> phase of Uganda honey analysis for standardization and certification

- Final analysis is going on and they hope to hand over results to UNBS for development National Standards which have been lacking in the country
- With assistance from Germany UHBKA has finalized a school. The national Institute for Apiculture development in Nakasongola.
- A fully-fledged secretariat has been established with modern equipment and information system.
- They have standardized the local beehive to produce the same quantity of honey as the top beehive.

Price information:

UHBKA sets the price for buying honey from its suppliers.

Market distribution: They sell the product to

- Kampala traders
- Super markets
- Groceries
- Drug stores
- School canteens

UHBKA has orders to supply the following markets:

-	Norway	-	300MT
-	Kenya		40 MT
-	UK	-	Potential market
-	USA		Potential for AGOA market
-	German	-	1000 MT & potential market for propolis

They have a supply constraint to meet these market demands.

Market problems:

- Air tight buckets for storing unprocessed honey
- Packaging material
- Supply constraints – (They work below capacity)
- Lack of protective wear leads to low quality production
- Labels are expensive

Storage: There is need for more airtight containers for the raw honey storage.

Business outlook:

Buyers' side: Banks should provide prefinancing facilities

Suppliers' side:

- Increase production
- More trained suppliers to keep quality
- Each household to have 5 bee hives.

Company's side:

- To supply the new markets
- Value addition to the product
- There are seven products, which need to be developed from honey
- Production and certification of organic honey for export.

Summary Comments on Honey producers:

1. Honey being a delicate food product; individual handling should stop at harvesting. Further processing should be done at a central processing unit (CPU) by the organization. This CPU is at the moment being financed by external assistance. Individual development of the suppliers can only be limited to equipping the suppliers with protective gears, and other harvesting tools, coupled with training for quality production.
2. Development of collection centers is being done and probably more centers are needed. There is also need to provide airtight buckets for storage of honey and for onward transmission to the respective processing units.

For KWBKA production is still small and markets are not fully developed

## 12. UVAN

Contact person: Mr. Kizito 077-404 491/071-867831

### Type of Ownership

Uvan Ltd Registered in 1990  
Limited company by shares with 3 directors

Product: Vanilla

### The supply system:

- Our suppliers are based on individual farmers
- They have zone leaders in the production villages
- They have 3 coordinators who are specialists in Vanilla production.
- They have no formal contracts with the 3000 suppliers from Mukono, Mpigi, Luweero, Mubende, Masaka, Rakai and Wakiso.districts

### Development of suppliers:

Farmers are trained in the following areas (i) Cultivation, (ii) Harvesting (iii) Pruning  
After picking the vanilla zonal leaders collect the vanilla, bulk it and transport it to the curing factory in Magyigye.

N.B: We have some minor problems of loyalty due to staff competition at buying stage. Zonal leaders also identify good farmers for loans as a way of enticing them and keeping them loyal.

### Volume of business:

Volume of business has steadily grown from 1 ton in 1990 to 20 tons of cured vanilla. This means the volume of green vanilla handled has grown from 5 tons to 100 tons. The value has risen from 73 USD/kg in 2001 to 121 USD/kg in 2002 and the price is likely to rise because Coca-Cola is set to introduce vanilla in its brands.

### Human Resource:

We have well trained staff in the fields of production agronomy, factory processing, packaging and export. They receive relevant on job training.

### Finance:

- We have adequate financing for our product though they need more for expansion
- We have the advantage that our buyers give us letters of credit 6 months in advance. This helps us negotiate with banks quite early for pre-financing.

### Networking: Key associates include:

1. Transami who are the main shippers
2. British air ways who are also our transporters
3. Kawanda research station for quality assurances by issuing phytosanitary certificates.
4. SGS who verify our documents
5. Ministry of Commerce Who issue export permit

6. BMK – for packaging material
7. Uganda Export Promotion Board who advice on importing countries
8. High value Horticulture. Ltd who are our advisors on vanilla curing process.

Willingness to invest:

- a) They have invested in educational programs to train farmers
- b) UVAN is to recruit more vanilla coordinators.
- c) UVAN is constantly upgrading the factory on advise given by UK advisors (high value Horticulture Ltd)
- d) UVAN has invested in a new steam boiler for increased drying efficiency This system is upgraded continuously through a new programme called Vanilla strategic diversification plan.
- e) UVAN has expanded the factory so as to increase the drying capacity and new material and equipment has been bought for more expansion from our UK suppliers.

Quality of product:

- i). UVAN coordinators have sensitized the suppliers about the quality, requirement in our international markets.
- ii). The vanilla beans are now picked at correct stage and cured as soon as possible to preserve its quality
- iii). UVAN vanilla is very competitive with Madagascar because they use natural manure.

Market distribution:

- The biggest buyers are in the USA and have signed buying contracts for the whole year.
- UK and Germany buyers are smaller buyers and have no formal contracts with UVAN.

Market problems: Meeting our demands in the major constraint.

Business out look:

Buyers side: Should continue buying our product

Supplier's side

- Should increase production especially as coffee production is declining
- Should care more about quality production
- Increased understanding of how to produce a quality product.

Company's side:

- Increased capacity to process vanilla
- Transportation should be made faster (sometimes containers delay at shippers site.
- To increase competition with other buyers of vanilla to meet our market demand of 100 Metric tons.
- Increase number of coordinators

Summary comments:

Vanilla is a very delicate product. Development of the supply chain entails; increased production of quality vanilla, bulking it into stores after picking it and quick delivery to the curing plant at Magyigye.

Development of individual suppliers to cure vanilla under natural conditions is possible but the process is rather elaborate and am afraid quality might be comprised. The price paid for the naturally cured vanilla is 3 times the conventional drying methods and takes long to be accomplished. It also requires space and materials.

Development of individuals to cure vanilla using the artificial methods requires bigger investment, which would rather be left to one central processing presently located at Magyigye.

### 13. ESCO ENTEPRISES

Contact person: Simon Tel 075-754 604

Products: Vanilla, chilies, cocoa

Ownership: ESCO is registered company by shares since 1957

Supply system:

- Suppliers are individuals except in chilies where they have a group of farmers namely Rukunguri orphanage with 500 farmers and Kidongole chilies farmers' group with 190 members.
- Of recent with the start of organic cocoa, they have identified farmers to supply.
- They give chilies farmers equipment (i) wheelbarrow (ii) ox-plough (iii) hoes.

Volume of business:

- Cocoa (conventional product) 50 x 14 ton containers were exported 2001, and 200 x 14 ton containers were exported in 2002
- Vanilla – started with small volumes which he preferred not say and volume has increased by 150%
- Chilies – In 2001 they exported 4x7 ton containers

In 2002 they exported 3 x 7 ton containers

In 2003 the projection is 6 x 7 ton containers

- Local price for chilies is 1500 – 2700 per kg while that of export price is 2.75-3.5 USD/kg.
- For cocoa product of 18% moisture content paid 1300 – 1500/= kg

10% moisture content paid 1500 – 2000/=kg

While price for export market (FOB) = 1750 – 2050 USD per ton

Training: Techno-serve is training farmers for chillies production

- ESCO is already sensitizing farmers for organic production of cocoa and vanilla.
- KRAV has been contracted to train and certify organic farmers.
- ESCO management has trained and sensitized their suppliers on production handling techniques, and solar drying.

Finance: We finance our business through own equity and banks

Networking: Key associates include.

1. Transami and British Airways who are their shippers and transporters
2. Kawanda Research Institute for phytosanitary inspection certificate
3. SGS who verify their shipping documents
4. Government chemist who analyses product quality of exports
5. Techno serve who assist in training and sensitizing their farmers.

Willingness to invest:

- a) They have invested in store construction to store the products properly.
- b) They have invested in the training of their farmers in aspects of production and product handling.

- c) They have invested in developing of the markets of the 3 products – vanilla, cocoa, and chilies.

Product quality:

- Cocoa: price paid to our suppliers depends on the quality of product supplied. Quality indicators in cocoa include
  - i). Cleanliness
  - ii). % Broken beans
  - iii). Bean size (100gms for 100 beans)
  - iv). Well fermented beans (chocolate color)
  - v). Moisture content.
  
- Chilies: Quality indicators include:
  - i). Cleanliness
  - ii). Colour
  - iii). Pungency

N.B Our biggest constraint is sorting the chilies manually

Market distribution:

For all the three products the buyers are contracted and the market destination is U.K., USA, France, and Italy. Constraints include:

1. Packaging – EEC requires only hydrogen carbon. free bags
2. Sorting is done manually which slows the process.
3. Storage of cured vanilla requires specialized storage.
4. Transporters do not move our products fast enough even when they reach Mombasa port there is still delay.
5. Demand is high and when they fail to supply on time they are penalized or the contract cancelled and may be required to pay damages.

Business out look:

Buyers' side: They prefer free on truck (FOT) system, which our buyers do not seem to agree on.

Suppliers: Should increase on production.

Should be more sensitive on the product handled.

Should form farmers' groups to facilitate easier training and other services reaching them.

Company' side: Increased production from suppliers.

Better quality product from suppliers.

Increased facilitation to suppliers.

To give incentive loans to our suppliers.

They need better equipment for efficiency e.g. sorters, cleaning equipment, drying equipment etc.

Summary comments

ESCO handles several products, which include vanilla, chilies and cocoa.

Development of supply chain for chilies: This would entail promoting increasing production and development of a solar drying system. The farmers/suppliers in Rukungiri orphanage and Kidongole Farmers groups could be grouped into smaller groups and each given a solar drying equipment to provide good quality product. When dried without direct sunlight the fruits maintain their red colour, which is good for the market.

For Cocoa:

Farmers/suppliers could be developed through better training of the processing procedure

Suppliers could be selected from among the farmers and equipped with washing tanks and drying wire trays.

Also stores would be built to house the flesh, processed and the dried cocoa at the suppliers' premises.

Suppliers should be equipped with some form of transport to give them mobility to collect the produce.

Loan facilities could be extended to the supplier to enable him buy farmers' produce on cash basis to ensure good volumes.

#### **14. African Organic/AMFRI Farms Ltd.**

Contact person: Amin Shivji Tel.077-506644

Ownership: It is a limited company by shares.

Main products: Fresh produce: pineapples, Ginger, passion fruits, okra,  
Dried products: Pineapple, banana, papaws, hot pepper.

The supply system:

- AMFRI has its own farm of 249 acres located in Luweero districts, which produces 10% by volume of the products.
- Has now 82 out growers who produce 90% by volume of the products. They are spread over a wide area of Luweero, Mukono, Iganga, Mpigi, Masaka, Rakai and Mbarara.
- The suppliers are organized as farmers' groups and are certified by institute for market ecology (IMO) of Switzerland as organic producers.

Development of the suppliers.

- Certification by the institute for market ecology (IMO) to process and market organic products in compliance with the EEC regulation.
- Advising and supporting out growers with techniques in organic/sustainable farming.
- Monitor them by extension workers as required by IMO.
- Training them in agronomy of the deserved crops.
- Buy their produce at a premium price and this has kept their loyalty very high.

Volume of business:

Volume of fresh produce handled (Pineapples, banana and ginger is in a range of 300 ton per year while that of dried fruits (pineapple, banana) is in a range of 20-30% of the flesh produce. All products are organic except hot pepper that has been introduced.

Human resource: The company has 4 departments each one headed by well-trained competent personnel. The departments are:

- i). Production (a) organic production (b) Solar drying
- ii). Sales and operations.
- iii). Quality Assurances
- iv). Finance and Administration

Staff receive regular in service training.

Finance: They finance most of the business activities with own equity

Networking: Key associates include:

1. MAKS, Riley, Dodhi – These supply packaging material
2. IMO - Organic certifiers
3. USAID - Contributed to IMO fees
4. TRANSAMI - Transporters.

Willingness to invest:

- i). They have built a new complex to house the packaging, sorting stores premises.
- ii). To invest in better modern solar driers
- iii). To increase on number of solar driers
- iv). They are giving some selected farmers solar driers.
- v). 2 cold trucks and repair and existing one.
- vi). Increasing on the range of products handled that have high export value.

Price information:

- AMFRI farms sets the price of the product based on the highest price the farmer gets in the season.
- The price for the export products is based on the fair trade system.

Market distribution: AMFRI farms exports mainly to

- Switzerland
- Germany
- Holland
- United Kingdom

The market of organic products is so huge and the constraint is supply.

Storage: New stores are in final stages of completion.

Business out look:

Buyers' side: They should make quicker payments

Supplier' side: Should increase production

Be more efficient in handling the product

Be more trained to produce for the market

Company's side:

- a) To increase our capacity to meet our demand.
- b) Warm air drying has been introduced to fasten the drying process
- c) Bank of Uganda should put up an export-financing scheme.
- d) An accelerated IMO certification process
- e) To venture into new products like exporting baby corn, precooked okra etc.
- f) Hasten the transport and shipment process.

Summary comments

AMFRI farms have suppliers spread over in 7 districts with 82 out growers.

The suppliers have been developed into farmers' groups and certified by institute of market ecology as organic producers.

Providing them solar driers so that the drying process is done at selected premises could further develop these suppliers. This would ensure more production but would require more monitoring on behalf of AMFRI for quality products.

## 15. Commodity Trading International Ltd.

Contact person: Mr. Gordon Johnes, TEL 077-577234

Main products: Maize, beans, simsim, and sorghum

Ownership: CTI is owned by Mr. Gordon Johnes

Registered: 1999

Supply system:

- He has tried farmers' groups before but fulfilling contracts has been their problem especially when prices go up.
- Brokers are now the main suppliers.
- Individual traders are minor suppliers

Volume of business:

- 200-300 tons for simsim for export
- He also handles undisclosed amounts of maize and beans for World food project

Networking: Key associates include:

1. World food programme – main buyers for maize, beans
2. Other commodity traders for market intelligence
3. TRANSAMI – transporters
4. Brokers, traders etc. for supplying the product

Willingness to invest:

- a) Was not willing to invest in the supply chain since he cannot guarantee supply from suppliers Traders were not quite loyal
- b) Unstable prices for local market could be disincentive to investment

Price information: Price information is sought from other commodity traders through telephones.

Market distribution:

- They sell most products-maize, beans to WFP
- Maize also is exported to Zambia
- Simsim grains is destined to Japan markets and Middle East and the quantities needed are too big.
- Beans are also destined to Kenya, Angola.

Market problems:

- The market requirement for simsim is very big
- Market prefers white simsim variety for confectionary
- Establishing buying centers is costly
- Transport cost of USD 65 per ton is quite high.

Business outlook:

Buyers' side: Quicker payments

Better terms of payment e.g. Free On Truck (FOT)

Suppliers' side:

- a) There is need for farmers groups, which can supply quality product
- b) There is need for them to be trained to increase awareness on producing for a market (FAB).
- c) They should learn to respect contracts
- d) They should plant correct varieties for the market.
- e) Supplier groups should be equipped with equipment like moisture meters for purposes of supplying quality products.

Company's side:

- a) There is need for contract abiding suppliers
- b) Banks should finance storage to help on price stabilization
- c) More organized farmer's groups who can produce for a market.
- d) NARO should work on providing correct seed varieties and giving the farmers the most optimum conditions for producing it.
- e) Unless markets are streamlined (especially for grains whose prices fluctuates so much) pumping money in the supply chains may not solve the problem.
- f) VAT on polythene bags used as packaging material should be re-imbursed by URA.

## 16. Green pasture Organic Ltd.

Contact person: David Clay, TEL 077-744413

Products: Dried fruits, Moringa powder

Ownership: Green pasture Organic Ltd is a limited company by shares with two directors. Operation started in June 2002

### The Supply System:

- David's farm is the main supplier of the traded products. They have at the moment 5 acres of organic pineapples and acre of moringa.
- He has 4 out growers of pineapples certified as organic producers.
- He has no written contracts with his suppliers but are loyal to him.

### Development of suppliers

- He assists his suppliers with:
- Giving them pineapple planting material
- Regular training in organic production
- He provides extension services to them
- He gives them assurance that products will have a steady market being a white man

### Volume of business:

- Volume is progressively on the increase. He now handles 1000-2000 pineapples per month to produce 100-200 kg each valued at 5 USD per kg. This volume is set to increase as he takes on more organic producers.
- For moving he produces 100kg per month value at 30,000/- per kg.

Finance: David and Rachael are funding the enterprise with their own equity.

- AMFRI farms are supplying them with solar driers
- IMO Germany organization is funding the organic certification

### Networking: Key associates include:

1. AMFRI are their main buyers
2. FIT financed the solar driers in partnership with AMFRI
3. The moringa task force
4. EWI are financing honey production with David and have provided 50 beehives.
5. Standard sign - a printing firm for packaging labels
6. Contracted farmers

### Willing to invest:

- a) To increase on number of out organic growers
- b) To expand on his production
- c) To certify more organic producers in partnership with our financial supporters

### Quality of products:

- i). The pineapples dried in the modern driers are of good quality because they do not receive direct sunlight.
- ii). Our supplier does not travel long distances and so pineapples are blemish free.
- iii). Moringa is also properly dried in our modern driers.

Price information:

- Prices for the products are fixed by AMFRI at 5 USD per kg
- Price information for Moringa is sought from Kampala market forces.

Market distribution:

- Main buyers for dried fruits in AMFRI farms and management delivers to them
- They sell Moringa directly to Kampala traders

Payment schedules: AMFRI makes a standard payment every month.

Storage: They have reasonable storage but have to be enlarged with more production

Business outlook: Buyers' side is Good

Suppliers' side:

- Should increase production
- Increase number of organic suppliers

Company's side:

- Expansion of production at the farm
- To seek foreign markets to increase profit margins
- Increase number of products handled to include honey
- Increase number of out-growers.
- Assist suppliers buy land, equipment and organic certification.

Summary comments

Volumes of products of both dried fruits and Moringa are still very small. Probably because the company is still in its infancy.

Production is not likely to jump very high because conversion from conventional to organic production takes time and certification is expensive, as of now it is being financed by external funds whose sustainability may be questioned.

This supplier is being developed to help AMFRI farms reduce its supply constraint, he has received funding for this cause from AMFRI and FIT and IMO is certifying his organic producers on behalf of AMFRI

## 17. UCHUMI Super Market (U) Ltd

Contact Person: Mr. Kibaru Bernard, Country Manager Tel 031-262300

Products: Dried fruits products, mushrooms, honey, eggs

Ownership: Limited Company

Supply system:

- The supply system is based on individual farmers.
- No contracts yet since they are new and still learning about their suppliers to see who are good.
- They use brokers because many farmers cannot supply the volumes they want in time currently.

Development of suppliers.

- We only assure our suppliers of a guaranteed market if they supply good quality goods.
- We offer them prompt payments.

Volume of business:

- Quantities for dried products traded are still very small. Demand is only growing in Uganda.
- For eggs they use brokers and the volumes traded are on the increase.

Finance: They finance their business with company equity

Networking: They network with many individual business entities e.g.

- i). Packers
- ii). Brokers
- iii). International supplies in S.A., Australia, etc
- iv). Bankers

Willingness to invest:

- a) They are currently expanding business for new products
- b) To invest in the supply of dried products is not in their short term plan because the products dealt with are low volumes and their demand is low to warrant increased investment
- c) For those products like eggs their investment lies in provision of steady market for suppliers.
- d) They do not issue loans but can guarantee suppliers for loans.

Quality of products

They have a reputation to keep in the market and so they have to buy only quality goods.

Market distribution: They have only one outlet, which is a super market that serves Kampala plus surrounding districts.

Storage: They have adequate stores to accommodate all business transaction

Business outlook

Suppliers' side

- Should be trained to produce for business
- Should learn to be contract bound
- Should be trained to produce quality goods fit for human consumption.
- Should form farmers groups since many are farmers

Buyers' side: Should appreciate Uganda's products

Company's side:

- Ugandans should learn to consume more Ugandan made products
- Suppliers to supply only quality products
- Suppliers should learn to honor their contracts
- They need to develop a good distribution system for sustained growth

## 18. Shoprite Super Market (U) Ltd.

Contact person            Marketing Manager Mr. Ian Tel 031-228100

Products:                    Dried fruits products (pineapple, banana) honey eggs and mushrooms

Supply system:

- The suppliers for dry products are companies like– TEFU, AMFRI
- They may also be individual farmers as it is a case of mushrooms and eggs
- Honey is supplied by individuals or farmers' groups
- All deliveries are made after placing orders.

Development of suppliers:

- They teach suppliers about quality requirements for Shoprite
- They do not give loans but could guarantee suppliers for loans if they are steady suppliers
- They provide a steady market for their products

Volumes of business

- Volumes of dried products and honey are still very small but are increasing though slowly
- Volumes for products like eggs, honey are reasonable but still not substantial

Finance: Shoprite (U) Ltd finances its business entity

Networking:

1. Most of the supplies are imports
2. They also associate with local suppliers TEFU, MANAFIA farm etc
3. Packers: They use packers to pack various products for them

Willingness to invest:

- i). They are investing to enlarge their business
- ii). At the moment the only investment for suppliers is to provide a market for their products
- iii). They can to a small extent invest in training suppliers

Problems of local suppliers

- a) Quality assurance
- b) Quantities are small
- c) Delivery schedules are not strictly adhered too.

Business outlook:

Company's side:

- They need suppliers who value quality
- They is need for Improved delivery schedules
- They need contract abiding suppliers
- More customers for local dried products

Suppliers' side:

- Should be more reliable and contract bound
- Should be aware of Shoprite's quality requirements
- Should be organised in groups or companies
- Should invest in better production techniques

Buyers' side: Should appreciate locally made products

Researchers comments

Dried Products: (Pineapples Mangoes Papaws, mushrooms)

The demand for the locally made products is still very low yet suppliers are many; there is therefore no supply constraint to guarantee serious investment in the supply chain by super markets managers.

For honey:

There is no supply constraint at the moment honey is still being standardized and modern super markets are not willing to commit themselves on a foodstuff with no standards. They would rather import the product they consider safe for their customers than taking risk with the partially developed product.

For eggs:

Super markets have no supply constraints as of now to warrant any serious investment in the supply chain. Their main investment is to provide the market for the eggs, which is in place.

However, there is need to develop suppliers who can pack quality eggs for supper markets. Supermarkets need product differentiation (graded eggs (small, medium or big sized/and or packed in varying quantities e.g. ¼ ½ or 1 dozens which is most likely going to be the shopping of the new generation.

## 19. Roka Ale trading Company

Contact person: Mr. Aron Lomunde Ware Tel: 077 341525

Products: Maize, beans and sesame

Ownership: Company owned by Mr. Aron Lomunde and established since 1995

Supply system:

- Most suppliers are individuals with a gentleman's agreement. Honoring contracts in a major problem with suppliers in the event of price changes.
- Out growers scheme has been tried this year for Sesame and expects to get 1900MT

Development of suppliers:

- Management has put up demonstration of 50 acres in Nebbi district to be used as a model for other districts
- Management is providing new varieties of Simsim to its out growers.
- Management through the District Administration in providing extension services to its out growers.
- Management is interested in the out growers working in-group to protect its interest.

Volumes of business: The company is dealing in reasonable volume of business. The volumes declined from 16.000 MT between 1995-1996 to 3300 MT in 2002 for maize No simsim was traded in 2002.

By now the company has traded 1000 MT of simsim because farmers are still holding the product in anticipation for better price but the total projection for this year from out growers alone in 1900 MT tons.

Finance:

- Company finances its own business
- Bank Of Uganda helps through export finance

Networking: Key associates include:

1. IDEA project has helped with provision of seed (maize)
2. TRANSAMI who are our shippers
3. Uganda Grain Traders' Association for policy and regulation
4. Nebbi District Administration for development of the out growers scheme.

Willingness to invest:

- a) They are investing in the development of the suppliers
- b) Management in investing in providing quality seeds for grains.
- c) They are investing in increasing production to reduce on the supply constraint. Done through payment of incentive to 21 district extension workers plus fuel motorcycle maintenance

Quality of products.

Roka Ale Trading Company is the biggest exporter of sesame in Uganda. The Sesame is mixed color variety, which is good for oil processing, and has a bigger market demand compared to white simsim confectionaries.

Market distributions:

- Company sells to Japan, Turkey, Israel and Egypt for the colored variety of sesame. The maize and beans are sold to WFP, and regional market
- They have a supply constraint to the market especially for simsim.

Business outlook:

Suppliers' side:

- i). Development of suppliers groups
- ii). Increased investment into production
- iii). Increased concern for quality production
- iv). Contract it abiding suppliers.

Company's side:

- a) Their vision is to grow bigger with Uganda being the biggest exporters of simsim
- b) To trap the AGOA market (USA need 50,000 MT of simsim and the company can export 2000 – 5000 tons/year.
- c) NARO should continue to improve and release new high yielding varieties.
- d) Expand current processing capacity for the factory from 6 MT/hr to 12 MT/hr
- e) Establish buying center in each of 19 sub-counties of Nebbi district
- f) To have out growers members registered as a farmers' group.

Researcher's remarks

- Development of the supply chain could be through the development of the out growers scheme through the provision of good seed variety, improved crop husbandry skills through improved extension service delivery working through group labour to accomplish tasks on time.
- Development of buying centers within the 20 sub-countries so far where production takes place to be named by one of the one of the farmers.
- Development/equipping suppliers with means to collect the product from within the S/country for on-ward transmission to Kampala.

#### **Appendix 4: Proposed BSMD priority product ranking list**

- 1..**Fruit processing/dried products:** wines, juices, dried pineapple, banana, mangoes
- 2..**Spices:** vanilla, ginger, chillies, tumeric
3. **Edible oil and oil seeds:** sunflower oil, cotton oil, simsim, g/nuts
4. **Medicinal plants products/herbs:** moringa and essential oils
5. **Starch:** cassava starch
6. **Mushrooms:** fresh and dried mushrooms
7. **Animal products:** eggs and sausage
8. **Honey/bee byproducts:** honey, candle wax