

Access to Farmer Friendly Financial Services Realized Through Partnership with BEST-EAC Project in Uganda

Ayella Pe Agro-Services Ltd is the lead firm (market off-taker) for the Northern Uganda Beans Consortium (NUBECO) while Equator Seeds Ltd is the supplier for seed and other inputs. The lead firm, with her sister company Equator Seeds Ltd have been battling with the burden of having to pre-finance farmers with inputs for the production of the market demanded bean varieties. This is usually financially strenuous for the company which had to rely on bank overdrafts and company's savings to pre-finance the farmers hence affecting the company's liquidity.

On the other hand, farmers have to contend with inadequate inputs and/or and late planting due to lack of liquidity. In Eastern Region Beans Consortium which is led by Ocean Group Traders as the lead firm, a number of farmer groups tried to start Village Savings and Loans Associations (VSLA) but with little success. Four main challenges were attributed to the poor performance of the VSLAs:

- i) Little individual contributions,
- ii) Large number of farmers requesting the loan during the same period,
- iii) Short grace period – In some cases one month, and
- iv) Low repayment rate. This has limited the number of farmers who can access finance from these institutions.

The above stories were familiar to most of the consortia that BEST- EAC is working with in Kenya, Rwanda, Tanzania and Uganda. As a result, the BEST- EAC project supported the process of bringing on board financial partners who would understand the financial needs of the partners in each consortium. A number of financial institutions operating in Northern and Eastern Uganda were invited to make presentations during the formative stages of the consortia and subsequent respective consortium consultative meetings. After a thorough scrutiny of what they had to offer, dfcu bank took the trophy for being the most “agri-centric” financial institution. The “Furthering financial inclusion and agri-finance in Uganda” project of dfcu which specifically targets farmers and smaller enterprises in rural areas has the goal of accelerating the transformation of dfcu into a leading bank in Uganda with a clear rural orientation thereby tapping into a new customer segment.

dfcu Bank is a fast growing tier 1 Bank in Uganda offering a wide range of financial solutions to its chosen market segments, among them, the agricultural sector. The bank has 45 physical branches spread across the country and counting.

Customer Focus is one of the key values of dfcu Bank. It proudly assures its customers, “We will anticipate and understand our customers’ needs. We focus on what is achievable and strive to work with a sense of urgency, vigor and commitment knowing that wasted time has a price. Our challenges are opportunities to be seized that allow us to develop, excel and win. (sic)” This, among other core values, positions the bank favorably to tap into the opportunities in the agricultural sector in Uganda.

Availing Financial Services to Actors Along the Agri-business Value Chain

dfcu is actively engaged in availing financial services to players along the agri-business value chain including input suppliers, farmers, agri-processors and traders/exporters. Using their suite of flagship products, dfcu offers loans and working capital facilities for production, the collection of commodities (bulking), warehouse receipt finance and the purchase of equipment and storage facilities. For traders, they offer trade finance solutions including Letters of Credit, Documentary Collections, Invoice Discounting, Bid Bonds and Bank Guarantees. All these are at very competitive rates. Additionally, the bank offers mobile and internet banking solutions.

The Kilimo Trust Consortium Approach to Value Chain Development (KTCA2VCD)

This is an arrangement where, the buyer's guaranteed output market acts as the 'pull factor' for the rest of the value chain actors to invest in the beans value chain. In this case, Ayella Pe Agro -Services Ltd and Ocean Group Traders Ltd who are the lead firms have guaranteed markets for the beans being produced by 15 and 13 farmer cooperatives under the Northern Uganda Beans Consortium (NUBECO) and Eastern Region Beans Consortium (EaRBeCo) respectively. As a result of this market opportunity, other actors such as Equator Seeds Ltd and NASECO Seeds Ltd respectively made a decision to partner with the farmers and the lead firms in ensuring availability of quality bean seeds and other agro-inputs for the farmers which would eventually enable farmers to produce the preferred variety at the right quantities and quality. This makes it a win-win for all the parties with Equator Seeds Ltd accessing a ready market for its inputs for the case of NUBECO. The other partners are the Districts Local Government - Production & Marketing Department (districts of where the FBOs are located) as the extension service providers and DFCU Bank for the provision of financial services to farmers and the other partners.

NUBECO comprises of 15 farmer business organizations (cooperatives) with a gross membership of 3,165 farmers (1,177 males and 1,988 females). Alero Labala Cooperative Society and Cwero Farmers' Cooperative Society are some of the farmer business organizations in the consortium. They, collectively, have a membership of 561 who have already started engaging with DFCU Bank after BEST-EAC (Kilimo Trust) introduced them. Alero Labala cooperative alone has 22 smaller groups that are targeted by the bank for access to financial products. The cooperative which bulked and sold 210MT of beans in August, 2016 aim to increase their production to 500MT by April, 2017.

EaRBeCo on the other hand has 13 farmer business organizations with 538 (394 Males and 144 Females) members who have actually been recruited into the BEST- EAC project. After the establishment and formalization of the Eastern Region Beans Consortium, DFCU bank has embarked to fulfil its role of providing financial services to the consortium members especially the farmers who need affordable working capital for Agricultural inputs. By November 2016, three (3) FBOs - Bushika Integrated Area Cooperative Enterprise Limited, Bukusu Yetana Area Cooperative Enterprise and Taabu Integrated Cooperative Society had approached the bank requesting to start the collaboration as initiated by the BEST- EAC project. DFCU made field

visits to these farmer groups to create awareness on its agricultural products, the requirements to accessing them and also offer financial literacy training to the participants. After the trainings, farmers who were ready and willing were assisted to open bank accounts immediately. A total of 25 farmers (20 males and 5 females) from Bushika attended the training and opened bank accounts. Sixteen (16) smaller groups of Bukusu Yetana ACE have also been mobilized and their members are ready to access the loans for the next planting season while for Taabu Integrated Cooperative Society, only awareness was created and farmers requested time to make decisions.

The unique aspect of this partnership with the bank is that farmer groups can only benefit from its products through a formal recommendation by BEST-EAC project and the lead firm confirming that the market for the farmers' beans is guaranteed.

Other roles of the BEST-EAC project in the consortium include; training of the farmers in business skills - including supporting the farmer cooperatives in developing bankable business plans, good agricultural practices, post-harvest handling, provision of market information and facilitating trade negotiations and dispute resolutions among partners.

Easy to Access

The premier loan product for the farmer groups is "Save-for-Loan". The requirements for its access are so simplified that a group can open an account with DFCU bank and apply for a facility the same day. The group only needs to be registered by the local government, have savings in their account, prove of guaranteed market through a recommendation from Kilimo Trust and the lead firms. With these simple requirements and the satisfaction of other bank's borrowing criteria, a group can access a loan worth more than three times its savings up to a maximum of 50 million Uganda shillings (approximately 14,000USD).

Added Benefits from DFCU Partnership to NUBECO and EaRBeCO Affiliated Farmer Groups and the Community



Mr. Onono Moses, a committee member of Cwero Cooperative explaining their financial needs to Ms. Susan Lakop, dfcu branch manager, Gulu.

The close partnership between the farmers and the bank will ensure increased productivity, production and quality as a result of access to adequate and timely financing for purchase of inputs and payment for farmer operations such as weeding, harvesting and post-harvest handling. In addition, the farmers will be willing to practice collective marketing as there will be funds for payment on delivery.

Taking the financial services to the farmers' doorsteps benefits them by cutting the cost and time it used to take them to travel long distances to reach the banks. As a result of the Bank going down to the villages to meet the farmers, "*it has demystified commercial banks as unreachable and bureaucratic.*" Says Mr. Christopher Kinyera, DFCU bank Regional Manager, North. This is expected to endear other community members into mainstream banking.



DFCU Regional Manager, North, Mr. Christopher Kinyera explaining the Banks' financial products offering to Cwero Cooperative committee members

"We are going to say goodbye to theft of farmers' hard-earned savings" says Michael Okot, Secretary General of Alero Labala Cooperative, referring to the frequent stealing of farmer groups' savings which are usually kept in boxes by the group treasurers.

As the partnership with DFCU bank grows, it is expected that the farmer groups will be able to acquire capital assets such as tractors.

Beans Market Briefs(BMBs) Aailed to Value Chain Actors to Support Cross Border Trade

Bean Enterprises and Structured Trade in the East Africa Community (BEST- EAC) is a project being implemented by Kilimo Trust and supported by FoodTrade Eastern and Southern Africa (ESA) a five-year trade enhancement and promotion programme funded by the UK Government with a focus on staple food crops. The project which aims at structuring bean trade in the EAC, is keen on providing market information to beans value chain actors to support them make informed decisions and trade in beans in an efficient manner. Quarterly bean market briefs will be shared with partners for this purpose.

This first issue of the Beans Market Briefs (BMB) contains information on beans production and harvesting schedules in EA to guide different service providers on business opportunities and allow them make projections, and the factors which affected cross-border trade in beans within EAC for the period of August- September, 2016.

Beans production schedule in East Africa

Country	Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Kenya												
Uganda												
Tanzania												
Rwanda												
Burundi												
S.A. & Zambia												
India												
Key												
			Planting time for the main (Long) rain season									
			Planting time for the secondary (Short)rain season									

- ✓ Companies selling farm input for beans should target the shaded periods in various countries.
- ✓ The planting season provides a business window for financial service providers.
- ✓ Traders are able to make their projections.

Beans harvesting schedule in East Africa, South Africa and India

Country	Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Kenya												
Uganda												
Tanzania												
Rwanda												
Burundi												
S.A. & Zambia												
India												
Key												
			Harvesting period for the main (long) rain season									
			Harvesting period for the secondary (short) rain season									

- ✓ The long rains/main season harvesting period is between the months of May to August while the harvesting of the short rains/minor season is in December to March.
- ✓ Tanzania harvests in May hence has a whole month market window to trade with Rwanda and Uganda before they harvest in June and two months to Kenya before the July harvest.
- ✓ Rwanda and Uganda have one-month opportunity in June to trade with Kenya.
- ✓ Kenya, Rwanda and Uganda have an opportunity to trade with South Africa and Zambia from July.
- ✓ EAC Countries have a longer time period that they can export their beans to India starting from January to August every year

Factors which affected beans trade in EAC within the period of August- September, 2016

1. Unfavorable rainfall which contributed to reduced quantities of beans produced.
2. A 36 % increase in price from last year as a result of low production.
3. Reduced cross-border trade as a result of high prices of beans which were not competitive enough in the world market.

Consortia Under BEST-EAC Trade, Despite the Drought Affecting the EAC

The Northern Province Iron Fortified Bean Seed Multiplication Consortium links six (6) FBOs to Harvest Plus - Rwanda. The seed multiplication certification requires that seed is not grown on the same farm that was used the previous season. Some FBOs don't own enough land to grow and rotate two crops and for this reason, only three (3) FBOs multiplied seed for Harvest Plus i.e. KOABICYA, COMIXIBU and Abishyizehamwe Ruhunde. KOABICYA and COMIXIBU traded thirteen (13.051) MT of bean seed worth US\$9,430 to Harvest Plus in February, 2017 - COMIXIBU traded 6,051 Kg (5,287 Kg of RWV1129 and 764 Kg of RWV3316) worth US\$4,370 and KOABICYA supplied 7,000 Kg of RWV 1129 worth US\$5,060. Unfortunately, Abishyizehamwe Ruhunde fields were attacked by Halo blight and the seed could not be certified by the Rwanda Agriculture Board (RAB). The FBO was assisted to sell the beans as grain to a local trader in the Northern Province. A total of 2,653 Kg of RWV3316 worth US\$ 1,750 were bulked and traded by 19 farmers of this FBO.

Nzeyimana Alexis - a champion and lead farmer from Imbarutso za Karembo Cooperative, an FBO engaged in the Eastern Province Beans Consortium which normally deals in bean grain has made a step ahead and started seed multiplication. Harvest Plus contracts big and medium scale farmer as an individual out growers and multiply seed for the project. The farmer sold about 11MT (10,932) Kg of RWR 2245 bean seed variety worth US\$ 6,900 in the month of February, 2017.



Nzeyimana Alexis' field being monitored for pests and diseases, December 2016

KOAIKWI Inkomezamihigo cooperative sold 50 MT of beans to East Africa Exchange (EAX). The total value of the 50MT sold beans was around US\$ 26,050 making a difference of US\$ 2,100 compared to the price the off-taker was offering. Furthermore, KOREMU cooperative which traded 393MT of beans worth US\$ 203,600 to the Ministry of Agriculture (MINAGRI).

In Uganda, Bukusu Yetana ACE engaged in the Eastern Region Beans Consortium in Uganda was linked to Equator Seeds Ltd and traded 53MT of NABE 15 beans and 108 MT of NABE 17 and 20 to Busia Traders association.

Due to the bad season which affected most areas, FBOs in Busia failed to bulk but the off-taker of the Busia Cross Border Beans Trade Consortium - Cheptarit Star Ltd was introduced to carefully selected aggregators in Busia and bought about 180MT of beans.

Partnering With Lead-Firms/ Buyers To Deliver Market Oriented Extension Services

In a bid to deliver superior results more efficiently and to create ownership of the various consortia management, BEST-EAC took a bold step to partner with the lead firms that already have extension staff for other commodities to also deliver the same to beans producers. Three of the initial lead firms in this arrangement are KPD Plc in Kagera region of Tanzania, Ayella Pe Agro Services Ltd/Equator Seeds Ltd and FACE (U) Ltd both in Northern Uganda. KPD Plc leads the Kagera Beans Consortium (KABECO) while Equator Seeds Ltd/Ayella Pe Agro services Ltd and FACE (U) Ltd lead the Northern Uganda Beans Consortium (NUBECO) and Lira Beans Consortium (LIBECO) respectively. Initially, each of these companies had their extension staff offering extension services for other crops other than beans. Whereas KPD Plc's staff were dealing with coffee, Equator Seeds Ltd/Ayella Pe Agro-Services Ltd and FACE (U) Ltd were dealing with seeds production and cereals respectively.



Ayella Pe Agro services Ltd CEO in a dialogue with farmer representatives



KPD Plc, MD Commissioning Extension Officers volunteered to BEST-EAC

In this cost-sharing partnership arrangement, the lead firms volunteer sufficient number of their extension officers who are thoroughly trained by Kilimo Trust/BEST-EAC on all matters production and marketing of the respective bean varieties each of the lead-firms is dealing in. More emphasis is placed on agribusiness training. The lead firms then continue to support the extension officers in all other facilitation aspects such transport except professional fees which BEST-EAC caters for. This has seen a cost-effective delivery of market-oriented extension messages while enhancing the farmers interface with the buyers of their beans. This is because the extension officers live and work within the farmers' localities hence reducing the travel time and related expenses. Further, it has enabled both the farmers and the lead firms to dialogue on any arising issues on an on-going basis without having to wait for Kilimo Trust to convene meetings.



Equator Seeds Ltd/Ayella Pe Agro services Ltd Staff Training Lead Farmers

Mechanization in Siaya County Beans Consortium(SiCoBeCo) with Great Savings

Farmers in Siaya County cited mechanization as one of the major challenges affecting commercial farming in the county. In most cases, they don't get access to tractor services as there are few tractors in the vicinity. Consequently, the tractor owners charge exorbitant prices due to the high demand. To make the matter worse, even after payment is done in advance, farmers wait for a very long time before the tractors are brought in to plough, which in some cases happen when the period for cultivation is over.

It is due to this problem that Kilimo Trust through its beans project, Beans Enterprises and Structured Trade in East Africa Community (BEST-EAC), linked beans farmers to Ministry of Agriculture, Siaya County. The county has tractors all over the sub-counties. This noble linkage was formalized by signing of an MoU in which the county government agreed to provide tractor services to beans farmers whenever they needed them.

Beans farmers from the county are benefiting from this partnership arrangement as the prices they are charged are lower than the market price. They only pay Kshs 1,850 per acre for ploughing as opposed to the market rate of Kshs 3,500 per acre. Farmers are therefore able to save about 47.1% of the cost of cultivating an acre of land by using the county services.

A total of 103 acres of land have been ploughed by the county tractors in Siaya County Beans Consortium (SiCoBeCo) in the first phase and are ready for beans production during the March long rains season of 2017.



Siaya County tractor ploughing Mr. Zacharia Okongo's farm in Gem Sub-County; Mr. Okongo is a member of Marenyo Cooperative Society, one of the FBOs under SiCoBeCo.

In A Nut Shell: A Champion Farmer Benefiting From Labor Saving Technology Uptake



Mr. Nzeyimana Alexis - Lead farmer for Imbarutso za Karembo Cooperative-Eastern Province, Rwanda

Nzeyimana Alexis, a lead farmer for Imbarutso za Karembo Cooperative, recognized country wide as well, after being convinced that beans can be a cash crop by the BEST EAC project has gone another step. This champion farmer who has been engaged in BEST EAC from its phase 0 in September, 2015 is now growing both grain at a large scale and producing certified seed for the Harvest Plus program on his own. This previous season, he produced about 15 MT of bean grain and supplied 6 MT of certified seed to Harvest Plus. More interestingly, Mr. Nzeyimana has realized the challenge faced by fellow farmers of threshing and sorting beans. A lot of labor time and cost is incurred by almost all farmers as far as these activities are concerned.

Mr. Nzeyimana decided to take this challenge as a business opportunity and bought a thresher to provide the above mentioned service to the farmers while making profit. The

grain thresher which costs around USD 2,000 uses 1L of fuel (USD 1.14) to thresh 700Kg of beans meaning 1kg is threshed for USD 0.0016. Mr. Nzeyimana charges his fellow farmers USD 0.012 as the cost of threshing and sorting 1Kg. This lead farmer then makes a profit of about 10.4USD/MT threshed. This cost is very fair as it is nearly equal to the price of carrying the same activity manually. Hence, farmers who use this technology benefit from the better bean quality obtained, less grain loss compared to the beating method of threshing, reduced time and labor cost (especially women who can now save time from threshing and sorting to concentrate on other home activities).

In addition, the lead farmer benefits from making animal feeds from the chaff obtained after threshing which is in most cases wasted by many farmers.