

## AGRA Impact Series



# Engaging SMEs and Farmer Cooperatives in structured cross-border trade despite COVID-19 disruptions – Uganda

March 2021

### THE REGIONAL EAST AFRICAN COMMUNITY TRADE IN STAPLES PHASE-II (REACTS-II)

Although SMEs play a critical role linking farmers to markets, they often lack forward linkages to reliable and sustainable markets.

Funded by AGRA and implemented by Kilimo Trust, the three-year regional flagship Regional East African Community Trade in Staples Phase-II (REACT-II) project, supported smallholder farming households and other value chain actors in Uganda, Rwanda and Kenya from April 2018 to March 2021 to take advantage of the structured national, regional and opportunistic international markets for agricultural products.

Although Uganda produces surplus agricultural commodities, the national markets are insufficient to drive economies of scale and incentivize farmers to invest in productivity and quality improvements. The project interventions in Uganda were on the maize and bean value chains.

In 2019, the project organized 20 Ugandan aggregators, among them members of cooperatives and a few large-scale national grain handlers to visit structured maize markets in Kenya.

However, consultations with Kenya's big industry players revealed a mismatch in capacities between the Ugandan aggregators and the Kenyan big buyers, rendering the business partnerships unsustainable. However, the positive side to this was the realization that Kenya's 10,000 plus small-scale millers who control over 70% of market share, faced the challenge of limited access to adequate and quality volumes of maize in a timely fashion. They were also keen to have more favorable terms of engagement.

This gave rise to the introduction of the Ugandan aggregators to the Agro-Processors Association of Kenya (APAK), a platform of 67 small-scale maize millers, triggering the formation of the Network of Producers and Exporters Uganda Ltd (NePEU) – organizing Ugandan aggregators to meet the required volumes and quality standards. The NePEU platform has since established accountability and traceability mechanisms among its members.

Prior to the global COVID-19 lockdowns in Feb-



ruary 202, a delegation of 34 Kenyan millers travelled on a fact-finding and due-diligence mission to meet Ugandan aggregators. Subsequently, with the imposition of COVID-19 containment measures, a WhatsApp group was established to keep the parties engaged on trade and business information ahead of the formal commencement of trade in June 2020. Since then, NePEU and APAK have signed an MoU for 100,000MT per annum to guide their business operations.

Among the key achievements of these interactions is over 15,000MT of maize and beans worth US\$3.1 million imported by Kenya under the structured arrangements involving over 25 Kenyan small-scale millers. Ugandan suppliers received a price mark up of UGX50-100 per kilogram against prevailing market prices. The trust dividend in the business relationships has paid off, underpinning pre-financing arrangements. These successes gave APAK the confidence to secure a 9,000MT capacity storage facility from Kenya's National Produce and Cereals Board (NCPB) in Nakuru which further reduces transaction time.

As a result of established traceability systems, 70% of produce traded on this platform passed the aflatoxins tests. More importantly, the estab-

lishment of self-regulatory mechanisms and willingness of the partners to grow together means more profitability at the SME level.

Eight women cross-border traders and processors linked to NePEU and APAK are participating in trading activities via WhatsApp platform to make orders, transfer funds and receive cargo without having to travel physically across the Kenya-Uganda border to the source markets. Within a nine-month period from June 2020, the women traders imported 2,000MT of maize and beans worth US\$383,562 from Uganda. Access to timely, accurate information has greatly guided decision-making, reduced the cost of aggregation. They also appreciate the time and cost savings as well as improvement in maize quality.

Another positive spin-off is the growing engagement of youths in the target value chains as village-based agents (VBAs) and equipment operators, providing specialized commercial services and products to smallholder farmers. There is also an increase in the buy-in and engagement of non-traditional partners such as the Uganda Revenue Authority, Logistics Companies, Ministry of East African Affairs and others involved in agricultural trade.