

AGRA Impact Series



Reorienting business to create sustainable markets for farmers, Twezimbe ACE – Uganda

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

Cooperatives play a critical role linking farmers to markets. However, they often lack the forward linkages to reliable and sustainable markets, and in Uganda, a country with a surplus of agricultural commodities, the national markets are insufficient to drive the economies of scale and to create incentives for farmers to invest in productivity and quality improvements.

In August 2018, when the AGRA-funded Regional East African Community Trade in Staples Phase-II (REACTS-II) project implemented by Kilimo Trust began working with Twezimbe ACE, the organization's 600MT storage facility was empty despite the fact that the trading window was at its peak.

The farmers needed cash for their produce yet the maize mill with an annual processing ca-

capacity of 3520MT per annum was only at 1.4% utilization capacity! The cooperative was heavily indebted and farmers were fast losing interest in its activities.

The first intervention by REACTS-II was to offer training for the cooperative's leaders and board members in business orientation, cooperative governance and management, financial literacy and management. This was followed by training for management staff and Village-based agents on quality management systems and the specific East African Community requirements on standards.

This was followed by steps to increase the operational capacity of the processing line by improving product brands. The latter action improved market penetration as far as Hoima town, and by



December 2020, the annual processing capacity of the maize mill had increased to 6.6%, translating to 233.4MT valued at UGX312,654,180.

The project and the Network of Producers and Exporters Uganda Ltd. (NePEU) committed Kenyan buyers to pre-finance bulking operation at Twezimbe ACE through an on-going business partnership where Kenyan buyers deposit funds equivalent to the value of a truckload of maize, or approximately 28MT, to the NePEU bank account. This is then advanced to Twezimbe to mobilize produce within two to three days after which NePEU secures a truck for the buyer and handles all border clearing processes.

This arrangement enabled Twezimbe to export 196MT of maize to Kenyan buyers in the two-month period from 26th December 2020 to 4th March, 2021. In comparison, only 40MT of maize was traded by the cooperative in the same period the previous year. The commissions earned by the cooperative during this business engage-

ment amounting to UGX5,880,000 was used to pay farmer arrears. To address the challenge of working capital, the cooperative was linked to Soluti Finance East Africa to access a UGX206 million facility.

These interventions are responsible for the renewed confidence of smallholder farmers in their cooperative, more so with the assurance of readily available markets. As a result, more farmers are bulking with the cooperative, and yields have increased from 0.8MT per acre without fertilizer to 2.4MT per acre with the use of blended fertilizer.

The project support to increase access to blended fertilizer has led to an increased demand for the input. The quality of maize has improved as a result of the UGX30 per kilogram markup to farmers for premium quality grain. The spin-off being the improved quality of processed flour and maize grain in both the local and export markets.