

EMPOWERING PRODUCERS TO PARTICIPATE AND BECOME COMPETITIVE IN THE OILSEED VALUE CHAIN

CHALLENGE

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Sector: Agriculture (oilseed)

Towards the end of 2008, SNV Uganda signed a partnership agreement with Mukwano group of companies to implement an all inclusive business model for enhanced growth, equity and competitiveness within the oilseed value chain. Initially, the company used to import seed for only farmers it had contracted to work with, but currently imports sunflower planting seeds for all the farmers interested in growing sunflower country wide. In the period up to last year, Mukwano supported an oilseed out grower's scheme of approximately 45,000 individual smallholder farmers in the mid-north region, and has a processing plant located in Lira with capacity to crush 200 metric tones of raw material per day. Due to low domestic sunflower production volumes, the company imports palm oil which it blends with sunflower to produce the vegetable oil marketed country wide; however the company also exports pure sunflower oil to Sudan, Congo, Rwanda and Burundi.

The farmers were mainly returning internally displaced persons who had been living in internal refuge camps for many years and surviving on handouts from relief organizations. Some of the farmers had not been involved in sunflower production and thus not earning any income, however a big number had gotten involved for a bout a season or two. These farmers had no access to other chain services like; inputs, financing and information among others which put them in a very vulnerable position. Mukwano being the largest player in the chain had the monopoly and control over resources which put the individual farmers at an even more disadvantaged position.

The agreement to enter into partnership was reached with the understanding that SNV had been facilitating the development of the oilseed value chain in which Mukwano was the lead firm. However Mukwano had been working with individual contracted farmers as opposed to working with formal groups, which put farmers in a disadvantaged position as far as participating in the chain wide activities, sharing margins equitably, bargaining power, sustainability of supply, collective voice and negotiation abilities were concerned. This relationship would lead to inclusion of more farmers into the value chain activities, they would get more empowered to articulate their needs and negotiate for favorable service terms, participate more in the development and management of the chain, enjoy equitable distribution of margins and other resources within the chain and thus higher social economic returns to farmers. The drive behind this partnership was to strengthen the farmer's competitiveness within the oilseed value chain, which would give them a freedom to choose their partners, service providers, markets, etc. under this arrangement coupled with several engagements during the multi stakeholder processes, Mukwano accepted to drop contracts with farmers, so that they are free to relate with whoever offers them better terms. Mukwano and other players would have to play good and fair partners in order to maintain their farmers or even attract more. This result would enable Mukwano and other actors to have a reliable supply of raw materials, reduced costs of transaction and a meaningful and trustworthy relationship with the farmers. It's because of these mutual benefits that Mukwano agreed to take the lead with SNV to change the situation.

SNV's support to the value chain development had been and is still in areas of producer group formation and strengthening, facilitating multi stake holder processes in which Mukwano was to play a key role, facilitating access to market

intelligence, facilitating service provider clustering and strengthening and creating linkages between chain actors and financial institutions for value chain financing.

It was therefore for these strategic roles played in the sub sector and potential synergies that SNV entered into a partnership with Mukwano industries ltd, to specifically cooperate in areas of producer group strengthening, market intelligence, service provider strengthening and improved skills to facilitate issue based sub sector platforms which would improve the producer's competitiveness with in the value chain.

CLIENTS

Mukwano Industries Limited is a privately owned enterprise registered in Uganda, the value chain leader and a key actor in as far as the production, post harvest handling, processing and marketing of sunflower oil is concerned. The company's key role in the value chain is processing. A total of about 36 processing mills exist within different milling capacity with majority being small millers. Until later this year when Mt. Meru millers (same processing capacity as Mukwano) entered the market, Mukwano enjoyed about 70% market share among processors while the small millers who operate under an umbrella organization called NUOMA (Northern Uganda Oilseed Millers Association) took the 30%. It's not clear at the moment how the market share will be distributed when Mt. Meru Millers becomes fully operational. Mukwano operates a sunflower out growers' scheme in mid northern part of Uganda (Lira, Apac, Dokolo, Oyam, Kaberamaido, Masindi, kitgum and Amolatar) and the only company importing improved hybrid sunflower seeds in the country.

Mukwano was used in this assignment as an implementing partner because he had interest in accessing raw materials from these farmers but also had contacts with them through production activities in the previous seasons. We envisaged that after one year of this partnership, we would support the formed smaller producer groups to federate into a high level farmer organisation (meso-level), with which SNV would sign an MOU and implement capacity development activities directly without having to go through Mukwano. However in the partnership agreement, Mukwano also committed its self to a number of deliverables in supporting to strengthen the position of the farmers such as; dropping contracts with individual farmers, providing market to any farmer at prevailing prices, putting warehouses in different locations near farmers, importing and supplying high quality planting seed, other inputs and extension services, and providing high quality maize planting seed as a furrow crop in between the sunflower seasons to help secure food within the farming community as part of their corporate social responsibility. Overall the target beneficially in this assignment was the individual small holder farmer.

METHOD / SNV INTERVENTION

The Goal of the assignment was to facilitate the growth, equity and competitiveness of producers within the oilseed value chain under the Mukwano out grower's scheme through increased, house hold productivity and incomes. This would be made possible by Strengthening the capacity of producers under the Mukwano out growers scheme to equitably participate in the development and management of the value chain

Its objectives are to:

- Improve Producer Organizations effectiveness in accessing and utilizing extension services and other products to boost production and marketing
- Improve planning and coordination of activities within members of the formed producer organizations in order to reduce production costs and increase productivity,

- Empower producers' to participate in the development and management of the chain but also negotiate for better prices, and other chain services at better terms
- Increase producer's competitiveness and freedom to choose its partners within the oilseed value chain.
- Improved access to inputs, technology, knowledge and know-how

Main activities + time period

During the period January to June 2009, several activities were planned between SNV and the Mukwano out grower's scheme and implemented with support in some of the activities from the local capacity builders. The activities implemented included

1. Facilitating the out grower scheme lead farmers (site coordinators) to acquire individual and group enterprise development, management and negotiation skills
2. Facilitating the out grower scheme lead farmers (site coordinators) to acquire farmer mobilization, producer organization formation and management skills
3. Facilitating the formation of producer groups out of farmers in the out grower's scheme
4. Facilitating formation of leadership structures with clear roles and responsibilities within the formed producer groups and development of action plans for efficient functioning of such groups.
5. Facilitating the producer group's leadership to develop skills in formation of collective marketing systems and structures
6. Facilitating the process of legalizing the formed producer groups
7. Facilitate activities to ensure gender is mainstreamed within the oilseed value chain activities in the Mukwano out grower's scheme.
8. Supporting the Mukwano staff to facilitate and participate in the regional and national oilseed multi stakeholder processes.

OUTCOME

The following are the results so far;

- 55 out grower scheme lead farmers (site coordinators) out of which 20% women, have acquired group formation, and enterprise development skills.
- 231 producer organizations of 25 producers each have been formed by the out grower scheme lead farmers (site coordinators) using the above acquired skills. Each group is composed of 40% of women and youth.
- 480 producer organizations are expected to be legally formed by the end of the year
- The 55 lead farmers have been able to identify farmers' entrepreneurship skills gaps which would enable them operate as strong producer organizations but also empower to manage and control certain segments of the chain activities.
- The producer groups have clear governance and leadership structures in place.
- All formed producer organizations have 30% women in leadership positions. This has helped more women producers to directly have access to inputs, financial services, extension services and enterprise development skills which have helped them to upgrade within the value chain in terms of the use of efficient production systems and superior production technologies like the use of oxen ploughs, among others.
- More women within the groups have now been empowered to be part of the decisions on how to spend the family incomes from oilseed sales in future investments like purchase of inputs and other services. Women have also taken on the use of seed cake for feeding livestock like poultry and animals, which adds more income to the house hold but also more

power to control certain activities and a bigger portion of incomes within the chain.

- The formed producer organizations have been able to procure inputs collectively exploiting the economies of scale associated with bulk purchase; this will eventually reduce on their cost of production and increase net incomes. These organizations have held collective pre-season planning meetings aimed at ensuring that all producers in the entire groups implement timely production operations, this will have an effect on increased efficiency, productivity and margins at producer level.
- It is anticipated that margins will increase by at least 10% per household for the entire number of farmers under the formed producer organizations. The above increment will impact 5,775 households and 34,650 beneficiaries in season one and 12,000 households and 72,000 beneficiaries in season two by end of 2009. Women account for about 40% of the beneficiaries. The above processes will lead to stronger and empowered producer organizations that can negotiate for better terms and are fully integrated in the wide chain initiatives. The 45,000 households under the Mukwano out grower scheme will receive the prevailing market prices at the end of the season as opposed to the previous pre-season prices agreed during the past years when the individual farmers signed contracts with Mukwano. During the recent MSP in Lira, DANIDA ASPS announced that all the formed producer groups with clear leadership and objective oriented action plans were eligible to access the 50% agriculture loan guarantee offered by this donor through Stanbic bank.
- The extension services unit at Mukwano (extension coordinators) have taken on key roles in co-facilitating the national oilseed multi stake holder processors, and are leading the task force committee on issues of bulking and financing mechanisms for producers as policy advocacy issues. These issues were presented to policy makers and received government commitment during the recently concluded Oilseed policy dialogue conference.

SNV advisors worked together with LCBs to achieve the above results. As much as the SNV advisors were responsible for the entire triple A process and implementing the strategic activities with this client, LCBs were used to mobilize and train the lead farmers in group formation and management. They also provided technical back stopping during the actual process of forming the farmer groups.

5. Critical success moments

- Women involvement in group formation activities but also in most activities and decisions of the formed producer groups and their ability to upgrade within the value chain.
- The reduced production costs as a result of economies of scale accruing from collective action
- The ability for the farmer groups to negotiate on a round table with Mukwano for better prices
- The Ability of the formed farmer groups to attract partnerships from various chain actors and chain supporting/facilitating organizations like; financial institutions, donor/development agencies, government programs, etc.
- The overall improved relationship between the farmers and other chain actors especially Mukwano.
- The entry of a new and bigger processor into the oilseed sub sector (Mt. Meru Millers Ltd) pushed Mukwano to join hands with SNV to facilitate producer group formation and strengthening, in a way building its relationship with farmers in order to have a secure and sustainable source of raw materials for its processing plant.

- There is a critical need for oilseed producers in the mid northern region to organize themselves in producer organizations to (a) more effectively manage their own assets; (b) gain access to services, inputs, credit and markets appropriately; (c) and have more input into decisions that affect their lives;(d) capture the interest of private companies wishing to do business with farmers working in organized groups; (e) benefit from the economies of scale and (f) pool their produce and be able to minimize the problem of middle men in order to attract higher prices.
- As SNV, it is very important to deliver what we commit when dealing with the real private sector players, because time is money and every minute spend on activities that can not be seen to their logical conclusions is money and business lost for the private sector players
- Clear understanding of the sub sector dynamics is very crucial when engaging and working with the private sector players
- Strengthening the capacity of producer groups is very key to reducing monopolistic tendencies of large private companies and also improves the chain resilience. In this way, farmers are not exposed to risks of dealing with one particular partner, in case such companies suffer financial loss or any other acts of mismanagement.
- Empowering farmers makes the value chain more pro poor as opposed to the previous situation where the large companies have benefited from activities of the entire chain, with minimal effects of poverty reduction.
- Empowering women within producer organizations improves the efficiency within the group but also strengthens the position of farmers within the value chain.