

## Facilitating agricultural input distribution in Uganda - Experiences based on activities conducted by AT Uganda Ltd.

J. A. Wandulu

AT Uganda Ltd, P.O. Box 8830 Kampala-Uganda

### Abstract

The political disruptions of the 1971 – 1985 period in Uganda left the agricultural input supply and distribution system undeveloped and fragmented. The decade that followed saw macro-economic reforms where the input supply systems were privatized and liberalized. The input supply market however, suffered a setback as a result of the vacuum created. Farmers in rural areas had difficulty in accessing agricultural inputs. Where inputs were available, the prices were relatively high. Heavy donor involvement in agro-inputs created distortions that negatively affected the input supply system and undermined business. In 1996, AT Uganda Ltd. undertook an input distribution support program geared towards promoting easy access to agro-inputs by farmers through retailer mobilization. AT Uganda Ltd. was vertically integrated, providing training, wholesale of inputs and credit provision directly to identified retailers in Northern and Eastern Uganda. In the interest of long-term sustainability, AT Uganda Ltd. redefined the approach emphasizing a demand driven input market by shifting responsibility for supply and credit functions to the private sector. The project now provides facilitation and linkage services to private sector Business Development Service providers. Public sector interventions to strengthen private sector agricultural input distribution channels are recognized as critical to correcting the market failures. These interventions include a credit guarantee fund, a retail oriented business training, farmer training, promotion, and efforts to develop the rural markets. Such interventions help micro-enterprises in the agro-input sector obtain information and access emerging markets, identify trading partners, negotiate with suppliers, access creative financing alternatives, and undertake promotional activities. The Uganda national Agro-input Dealers Association (UNADA) has been formed with over 165 members organized into 16 branches that have undergone training in business management, product knowledge and marketing. Over 400 demonstration kits were distributed to farmers through the input Stockists. However, the process is slow and takes time. The private sector should play a leading role in the agricultural input supply system by getting involved and set the pace in business to increase profitability and reduce on the risks involved in the process. Creating awareness and letting the entrepreneurs own the system is a key to sustainability of the rural input distribution network in the country.

**Key words:** Farmers, input supply market, retail mobilization, program

### Introduction

Agriculture in Uganda is characterized by low output and productivity due to limited application of improved production technologies. The political disruption of the 1971 – 1985 period in Uganda left the agricultural input supply and distribution system undeveloped and fragmented (IFDC 2003).

The decade that followed saw macro-economic reforms where the input supply systems were privatized and liberalized leading to the withdrawal of Uganda government from interventions in the agricultural input markets. This was intended to improve on the efficiency of the agro input distribution system and increase productivity at farm level by encouraging private sector participation in the market. The input supply market however, suffered a set back as a result of reduced access to agricultural inputs, low demand for agricultural inputs, low volumes of sales, and high costs to farmers resulting in a decline in input use. (Reardon *et al.* 1997, Kelly *et al.* 1999, IFDC 2003). The following

problems are frequently identified with the marketing of agricultural input supplies in less developed countries (NRI 1999), all of which apply to the Ugandan situation; Lack of distribution networks, lack of rural retailers, lack of affordable finance and rural banking sector, lack of product knowledge in the smallholder market, high deposit requirement for letters of credit, shortage of foreign exchange, poor rural infrastructure, poorly organized private sector, low volumes of input sales, and donor programmes interfering with the market.

As a result, input use by small holders in Uganda is among the lowest in the world, far lower even than the African average. It is upon this basis that AT Uganda Ltd. considered undertaking 5 areas of intervention as project activities during the facilitation stage.

1. To enhance management capacity of rural retailers in project areas,
2. Increased demand for agro inputs,
3. Enhance rural retail access to credit on a sustainable commercial basis,

4. Improve farmer access to market information,
5. Reduce donor distortions in the input market

#### ***The Uganda National Agro-input Dealers Association (UNADA)***

In order for AT Uganda Ltd to implement and realize the 5 areas of intervention, it was important to organize the rural retail agro input stockists into solidarity groups which would then help them to address their business problems, and avail appropriate and quality inputs in time at affordable prices to farmers (IFDC 2003). The Uganda National Agro Input Dealers Association (UNADA) was then formed in April 2003, and the first Board of Directors (9 members) elected. The mission of the association was to *strengthen the capacity of its members to serve their customers and to offer fairly priced, high quality agricultural inputs for sale on a sustainable/or profitable commercial basis in the quantity, time and place desired by farmers.*

UNADA is now fully registered with the National Non Government Organizations Board, with its national office based in Soroti. UNADA is made up of 16 branches in 12 project districts located in the Northern, Eastern and Western Uganda (Table 3). The project districts were chosen basing on the varying priorities of the donor agencies. Economic factors where people are poor and disadvantaged were particularly considered. Under the UNADA Strategic Work plan 2004, the association members intend to mobilize other stockists within and outside the project areas (Figure 1) to cover the whole country. Apparently, 15 branches have been formed in 14 project districts with a total membership of 167 stockists (Table 1).

#### ***Enhancement of management capacity of rural retailers***

Training of business entrepreneurs in business planning, management, marketing, technology, and handling inputs safely enables them become equal partners in the agro-input market (Dimithe 1999).

AT Uganda Ltd. facilitates the business development service providers (BDS) to strengthen the commercial viability of rural agro input retailers found in project areas (Table 1). The organization also works with the private sector training providers to develop appropriate curriculum and upgrading the skills of the trainers so that they can provide high quality relevant training to address business information needs of the rural agro input retailers. The prospective retailers pay for their training and it is a prime criterion for inclusion in other project activities. The rural Stockists value the training as it gives them confidence to continue trading and expand their businesses.

The following courses are also facilitated by AT Uganda Ltd.:- safe/effective use and handling of agro-inputs, agricultural marketing and association development. A certificate of attendance is awarded at the end of each course trained. These trainings are sponsored and organized by AT Uganda Ltd, while interested stakeholders are requested to conduct them in the interest of building stronger links

between them. Training in Safe Use for agro inputs is a public good that is essential to environmental and human safety.

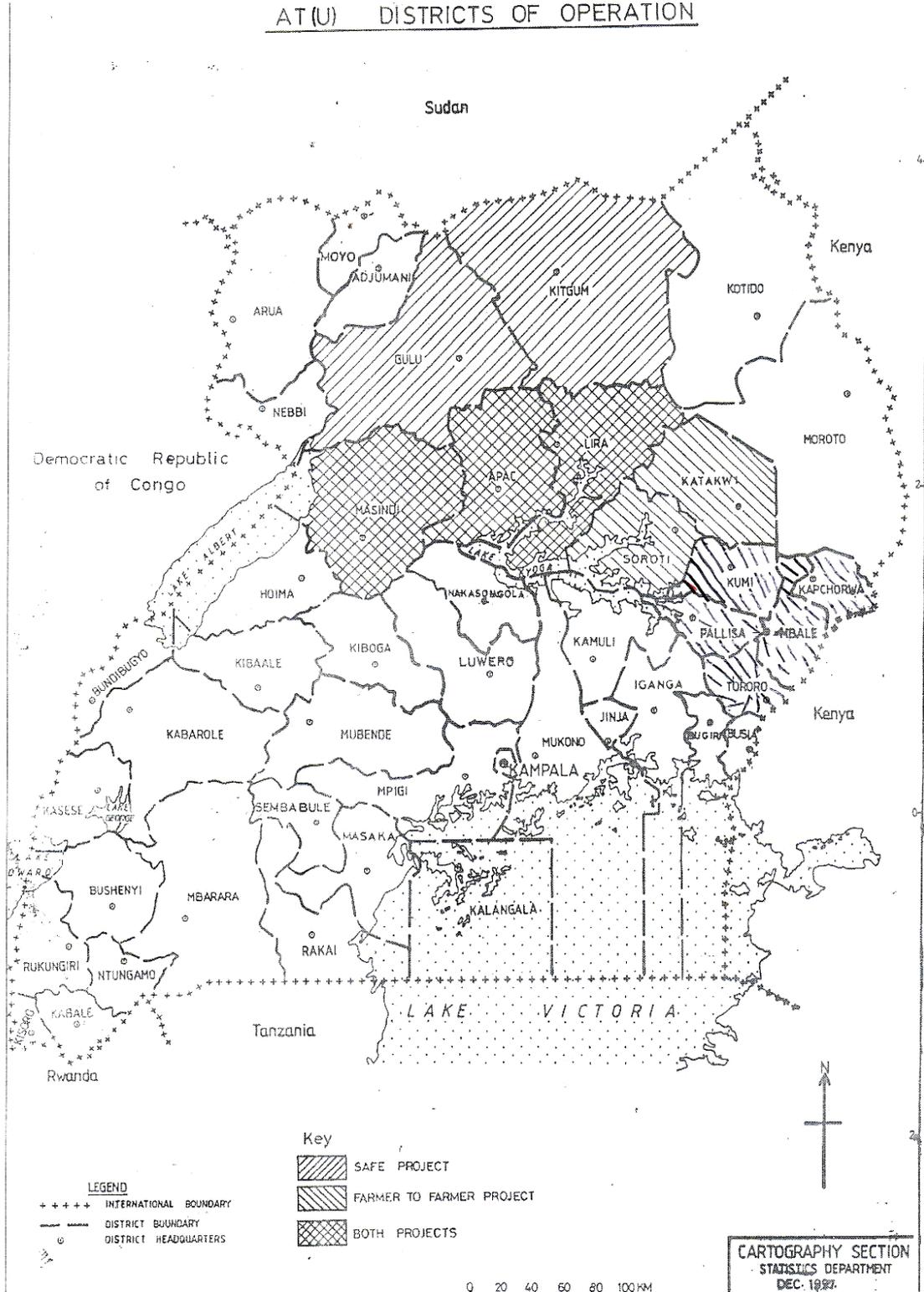
#### ***Increasing rural demand for agricultural inputs in project areas***

The strategy to increase rural demand for agricultural inputs takes a three-pronged approach. The first based on demonstration of inputs by rural retailers with demonstration materials and training in how to organize and conduct effective demonstrations provided by the project (Table 2). Farm level demonstrations are essential to stimulate demand. They provide farmers the best opportunity to learn by seeing the impact of improved technologies used in achieving high yields in crop production (IFDC 2003). Product suppliers are integrally involved in this aspect of the project as they have a direct interest in promoting their specific products and thus the need to provide product specific knowledge to the retailers/farmers. Subsequently, the retailers will sell significant amounts of inputs since the knowledge about high yielding technologies is disseminated in the presence of farmers.

AT Uganda Ltd works closely with other stakeholders to implement this strategy. Stake holders such as the Uganda seed traders association (USTA), CropLife International (U) Ltd., Agricultural productivity enhancement project (APEP), Ministry of Agriculture animal industry and fisheries (MAAIF), major suppliers and local extension staff are all important collaborators in achieving this strategy.

The second approach involves encouraging retailers/farmers to work as a group. Farmers who organize themselves in groups can combine their resources and purchase their inputs in bulk, so reducing transport costs and ensuring timely delivery of inputs (Shepherd 1999; Robbins et al. Unpub.). Working in solidarity groups benefits the rural retailers in that they have stronger bargaining power to purchase/sale in bulk. UNADA Stockists have experienced this arrangement and believe in it. Other benefits are access to purchase discounts, delivery, and credit facilities from suppliers. UNADA stockists are often advised to mobilize farmers through sensitization campaigns early in the season. Linkage with other farmer groups such as the farmer field schools and other farmer forums is being encouraged by AT (Uganda) Ltd. However, lack of agro input shops network in rural areas greatly limits production, and encourages use of substandard products. Stockists who are close to suppliers/distributors enjoy low transaction costs and procure large quantities of inputs compared to their distant counterparts. It is however unfortunate that some distributors/Stockists who have been in business for long have negative attitudes towards becoming members of UNADA. They imagine the association (UNADA) has come to out compete them in business. Others think that UNADA has a hidden agenda whose mission is to extort money from them in form of membership, subscription, and training fees. The third approach is based on mass media promotion of adoption of improved seeds, fertilizers, pesticides and other

Figure 1. Map of Uganda showing AT Uganda Ltd. project districts.



**Table 1: Summary of training courses provided to UNADA members during the first and second rains of 2003 (i.e., season 2003 A and B) and 2004 A.**

	Course Offered	No. Of Courses	Facilitator(s)	UNADA Attendance	Sponsor
1	Business Management (5) days. - Level I - Level II - Level III	12	BDS BDS BDS	74 67 12	Self Self Self
2	Safe Use & Handling (2 days)	3	Agro-Input suppliers & MAAIF	136	ATU & Suppliers
3	Agricultural Marketing & Marketing Information (3 days)	3	CEDO & IITA/Foodnet	128	ATU
4	Association Development (Book keeping; Group Dynamics; Credit & Savings)	5	UCCA	97	ATU

• Note:

- 6 private sector training providers were identified by AT Uganda Ltd.
- The training manuals and handouts were provided to the trainees
- Willingness to pay for training in business management is a prime criterion for inclusion in other project activities.

**Table 2: Demonstration Plots in Seasons 2003 A and B and 2004 A**

Growing Season	Agro-Inputs Supplier	Number of Kits Supplied	Comments
2003 A	<ul style="list-style-type: none"> <li>• NASECO</li> <li>• Harvest Farm Seeds</li> </ul>	98	<ul style="list-style-type: none"> <li>• - Field days held</li> </ul>
	<ul style="list-style-type: none"> <li>• NASECO</li> <li>• Harvest Farm Seed</li> </ul>	116	<ul style="list-style-type: none"> <li>• Field demos conducted</li> <li>• Field days held</li> <li>• Some demos not planted due to insecurity.</li> <li>• Drought affected some demos</li> <li>• Demo competitions conducted and prizes awarded to best performers</li> </ul>
2004 A	<ul style="list-style-type: none"> <li>• NASECO</li> <li>• General &amp; Allied</li> <li>• Monsanto (U) Ltd.</li> </ul>	160	<ul style="list-style-type: none"> <li>• Field days to be held</li> <li>• Some demos not planted due to insecurity.</li> <li>• Demo competitions organized</li> <li>• Drought affected some demos</li> </ul>

- Participating districts: Tororo, Mbale, Sironko, Pallisa, Kapchorwa, Kumi, Soroti, Katakwi, Lira Apac, Masindi, Gulu and Pader.

agricultural inputs. Media such as radio, newsletters, newspapers, and other promotional methods like participating in agricultural trade shows, use of posters, brochures, leaflets, calendars etc. are also employed in creating awareness and sensitizing farmers about the new high yielding technologies (IFDC. 2003, PMA 2003). Radio as talk shows and advertisements have been used by UNADA to communicate to farmers. The first issues of the UNADA Newsletter, and the year planner have been circulated. Local newspaper advertisements about UNADA have been tried. UNADA also participated in the Uganda business-to-business exhibition and conducted the agricultural trade shows in Jinja, Luwero, Masaka and Mbale districts in the year 2003. All these promotional methods have been employed to ensure an extensive publicity of UNADA and create awareness to increase the

demand for agro-inputs. Availability of market information guides the farmers, Stockists, and suppliers/distributors to do profitable business.

***Enhancing Rural Retailer access to Credit on a commercial sustainable basis***

The major barrier to the intensification of agriculture in sub-saharan Africa is the difficulty that poorly capitalized farmers have in obtaining seasonal credit for inputs ( Dimithe *et al.*, 1999, PMA 2000). The strategies to enhance retailer access to sustainable rural credit builds on the existing credit guarantees to suppliers to encourage them offer input credit to rural retailers. With the assistance of AT Uganda Ltd, the Uganda national agro-inputs dealers association (UNADA) secured a grant from the Rockefeller foundation to assist the association start a credit guarantee

Table 3: UNADA Agro-inputs Purchase under the Credit Guarantee Scheme, Season 2004A

District	UNADA branch	Scheme Participants	Agro-inputs Supplier	Value of Inputs supplied (Ushs)	Value of Inputs on Credit (Ushs)	Debt due to Supplier (Ushs)	Fine calculation June 2004	Due Dates	Credit Status
Apac	Apac	6	E.A. Seed	2,679,000	1,506,000	-	-	18 <sup>th</sup> May	Fully Paid
Gulu	Gulu	3		2,570,000	1,285,000	865,200	-	31 <sup>st</sup> July	865,200
	Kwen	8	Mt. Elgon	35,829,000	17,914,500	-	-	Cleared	Fully Paid
Kapchorwa	Kongasis	9	Mt. Elgon	17,995,500	8,997,750	3,865,700	1,159,710	16 <sup>th</sup> May	5,025,410
	Tingei	6	Mt. Elgon	11,992,000	5,996,000	-	-	Cleared	Fully Paid
Kumi	Kumi	5	Naseco	2,408,000	1,013,000	-	-	Cleared	Fully Paid
Lira	Lira Central	0	-	-	-	-	-		
	Lira Coord	0	-	-	-	-	-		
Masindi	Masindi	8	Uganda Seed, E.A. Seed, FICA.	9,042,500	4,519,750	-	-	Cleared	Fully Paid
Mbale	Bamasaba	11	Gen. & Allied Mt. Elgon Victoria E.A. Seed	4,049,700	2,024,850	365,500	150,420	June 6th	515,920
Pader	Pader	0	-	-	-	-	-		
Pallisa	Pallisa	1	Naseco	672,000	336,000	-	-	24 <sup>th</sup> May	Fully Paid
Soroti	Soroti	5	Naseco	6,370,000	1,396,000	-	-	5 <sup>th</sup> May, 30 <sup>th</sup> June	Fully Paid
Sironko	Wagagai	4	Uchumi Naseco	3,278,000	1,639,000	-	-	Cleared	Fully Paid
Tororo	Tororo	6	E.A. Seed Naseco	1,296,500	648,250	308,250	67,650	2 <sup>nd</sup> June	375,900
<b>TOTALS</b>	13 Branches	72 Stockists	8 Suppliers	98,182,700	47,276,600	5,404,650	1,377,780		6,782,430
				<b>PERCENTAGE DEFAULTED</b>		11%			

**Table 4. Agro-inputs Categories Purchased by UNADA During Season 2004A**

	<b>Input Category</b>	<b>Total Value (Ushs)</b>	<b>Percentage</b>
1	Seed	90,590,200	91.7 %
2	Fertilizer	6,029,000	6.14 %
3	Pesticides (insecticides, herbicides, fungicides etc)	1,563,500	1.59 %
4	Tools and Equipment	-	-

scheme with the suppliers. The credit guarantee scheme started in the first season 2004 with rural retailers who are fully paid up with UNADA, have an active agro-inputs shop, and have attained at least level 2 of the business development service (BDS) training in business management.

The credit guarantee fund has thus helped the UNADA stockists to have stronger bargaining power to access agro-inputs on credit. Suppliers with upcountry branches make it cheaper and convenient for nearby stockists to access inputs in any quantity and time they need them. Thus, private businesses are an emerging source of seasonal credit to small-scale farmers/stockists in sub-saharan Africa (Dimithe *et al.* 1999). Likewise, the availability of the credit guarantee fund gave suppliers the confidence to offer input credit to UNADA Stockists. Eight suppliers out of the fourteen suppliers who agreed to participate in the credit scheme were able to supply to twelve UNADA branches with input credit worth Ushs 47,276,600 (forty seven million, two hundred seventy six thousand, six hundred shillings only), while the total value for the inputs purchased in season 2004A was Ushs. 98,182,700 (ninety eight million, one hundred eighty two thousand, seven hundred shillings only). A total of seventy-two UNADA stockists participated in the credit scheme for season 2004 (Table 3).

All the fourteen suppliers were ready to supply demonstration kits for season 2004A to all the 167 stockists registered with UNADA (appendix 1). However, due to foreseen complications associated with managing a large size of demonstration plots by individual stockists, it was decided to have few suppliers contribute the demonstration kits for the season. The remaining suppliers would then supply demonstration kits in the subsequent seasons. UNADA branches from areas closer to suppliers such as Masindi, Mbale, Sironko, and Kapchorwa, had an opportunity to procure a range of inputs in bigger quantities compared to those hailing from far away Tororo, Pallisa, Kumi, Soroti, Lira, Gulu, and Apac (Table 3). It is clear that distant branches may have been limited to purchase more inputs due to associated transaction costs with distance from the suppliers. Other factors such as poor communication and insecurity in some project areas limited the business. The total value of credit defaulted during season 2004A under the credit guarantee scheme is Ushs. 5,404,650 (five million, four hundred and four thousand,

six hundred only) rated at 11 % (Table 3). Stockists who participate in the credit guarantee scheme are required to sign a pledge form with two of the UNADA branch members as guarantors. The three Stockists are responsible for recovering the scheme funds in case of failure to pay the debt within the sixty days. However, despite the shortcomings, a majority of agro-inputs suppliers were willing to continue participating in the credit guarantee scheme.

In general, improved seed worth Ushs. 90, 590,200 (ninety million, five hundred ninety thousand, two hundred only) were sold by UNADA stockists during season 2004A. While fertilizers sold were worth Ushs 6,029,000 (six million, twenty nine thousand only), and pesticides Ushs. 1,563,500 (one million, five hundred sixty three thousand five hundred). Agricultural tools and equipment were not purchased under the credit guarantee scheme. Selling of improved seed accounted for 91.7 % of the total agro-inputs purchased, followed by fertilizers 6.14 %, and pesticides 1.59 % (Table 4). During season 2004A, the basic fertilizers such as Di ammonium phosphate (DAP) for basal application and Urea for top dressing were in short supply thereby causing the increase in prices to Ushs. 50,000 per 50kg bag (US \$ 26 per 50kg bag) of DAP. Demand for insecticides comes from cotton farmers who are currently being catered for by the cotton ginners in their respective areas. Other big pesticide users are estate farm (sugarcane, tea,) owners who rarely purchase from retailers. Thus, much of the pesticides demanded by farmers is used on horticultural crops (vegetables, flowers, fruits, ornamentals), coffee and cereals.

#### ***Improving Farmer access to Market Information/ Opportunities***

Inability of the marketing infrastructure to link poor farmers to profitable internal and export markets is a major challenge in Uganda. Thus, the development of sustainable agricultural input supply system requires signaling (Dimithe *et al.* 1999). With a liberalized market in Uganda today, the need to address the poor farmer's lack of market information is crucial. Semi-subsistence small holder producers in isolated locations, trying to individually market a small quantity of inferior quality produce of various sorts, will inevitably face high transaction costs in trying to capture a high paying market, due to lack of proper market information. The agro-input stockists experience similar problems in the market as well.

Thus, the need for effective market information for improving market access is absolutely important. It is clear that the different types of stakeholders require many different types of information on timely basis in order to make informed decisions for the success of their business operations (PMA, 2000). It is for this reason, therefore, that the current input distribution network should get an opportunity of addressing their market information problem. With the assistance from AT Uganda Ltd., the following interventions were addressed;

1. Training of input retailers on marketing issues. Four marketing courses in agricultural marketing and market information were organized by AT Uganda Ltd., and facilitated by IITA/Foodnet and CEDO. These facilitators are competent organizations well known in the field of agricultural marketing and market information. They have excellent materials on subject and have been able to train one hundred and twenty eight UNADA stockists so far.
2. Stockists are also used to channel market information vital to small farmers. Market information from all major markets in the country is released and disseminated by IITA/Foodnet on a regular basis. The AT Uganda Ltd. staff who are always in close touch with the UNADA stockists in the field then help to deliver the information to them.
3. Stockists have been taught to access market information from the SMS mobile phone messages. Other channels through which the stockists can get market information is the newspapers, radios, local chiefs, and their distributors based in urban areas.
4. Efforts are also being made to link UNADA Stockists to large produce traders to work together and buy produce on their behalf from rural areas. Farmers, stockists and traders will establish one stop centers for inputs/produce for easy access. Subsequently, availability of market information will improve market planning and strategy for the stockists and thereby add pressure for more competitive fair prices in the market (IFDC, 2003).

### **Reducing Market Distortions**

Aid-in-kind from various donors or non government organizations (NGOs) such as commodity grants under the Japanese KR-2 programme and relief seed distribution by NGOs has often been detrimental to the development of a private-sector input delivery system (Dimithe *et al.* 1999). AT Uganda Ltd. is to engage in advocacy with donor/relief efforts on behalf of the business community (UNADA) to avert or control market distortions likely to be caused by the free agro-input supplies in the market.

### **Conclusion**

In summary, it is important that the AT (U) Ltd. areas of intervention to achieving a sustainable agricultural input supply system are put into practice. It should, however, be noted that the process is rather gradual and takes time. Continued facilitation of the input distribution process, in

anticipation for a sustained system is quite uncertain. Thus, Dimithe *et al.* 1999., contends that the agricultural input supply systems must rely on the private sector to play the leading role in a conducive environment that will increase profitability, reduce risks, and encourage non-farm income generating activities if sustainability is to be achieved. Thus, policy support and commitment from government is essential.

Dimithe *et al.* 1999., further contributes that Government has important regulatory and facilitating roles to play in fostering the emergence and development of the private sector and encouraging collective action to provide critical services that individual entrepreneurs are unwilling or unable to provide. Creation of awareness about the importance of developing a strong agro-input network in the long run among the stake holders is a major task that needs to be emphasized. It is hoped that the success of this programme will improve the quality of products and services, and increase competitiveness in the market. A community of informed rural Stockists/retailers will be created as a result of improving the efficiency and effectiveness of the rural distribution network.

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