afro-Kai Limited

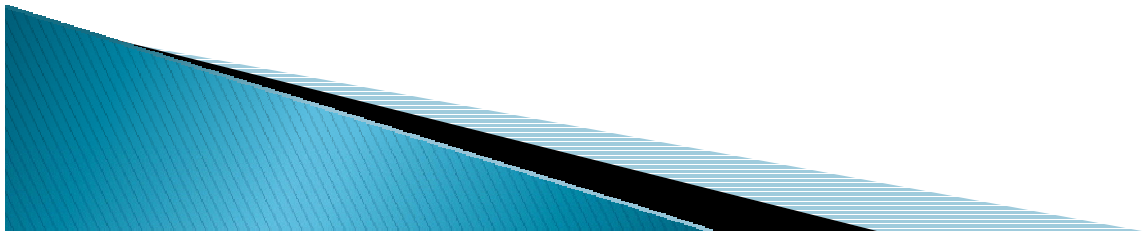
The heart of the grain

Supporting Smallholder Farmers to Grow in Uganda: The Story of Eagle Lager

By
Chris Balya
General Manager

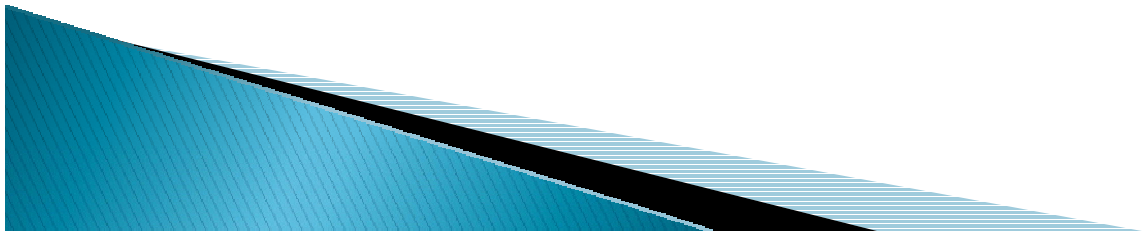
Agenda

- About Uganda
- About agriculture in Uganda
- About Afro Kai Ltd
- About Nile Breweries & Afro Kai partnership
- Operations under the Epuripur Partnership
- Results
- Challenges & Experiences
- Conclusion



About Uganda

- Total Land area: 197,095 sq km
- Cultivatable land:16.7 million hectares
- Area under cultivation: 5.2 million hectares
- Average size of land holding: 2.5 hectares.

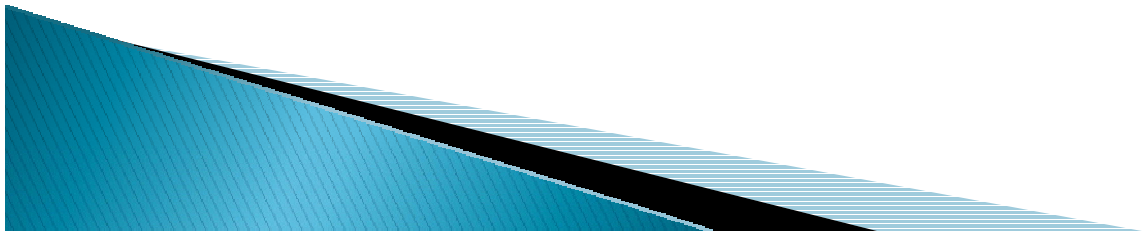


About Uganda Agriculture

- Agriculture is the backbone of Uganda's economy;
- 85% of the population is rural, farming on small farms for food and cash income.
- 85% of those involved in agriculture are small-scale farmers (less than 5 acres)
- 12 % are medium-scale farmers (5-15 acres)
- 3 percent are large-scale farmers (more than 15 acres).

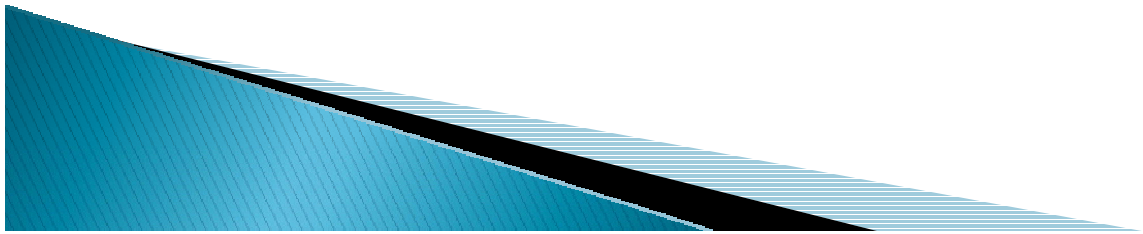
About Uganda Agriculture

- Employs more than 80% of the total labor force
- Provides over half of the total income for the bottom three-quarters of the population (source: FAO,2003).
- Contributes over 40% to the Gross Domestic Product (GDP).
- Increasing Agricultural Productivity is fundamental in improving livelihoods in Uganda.



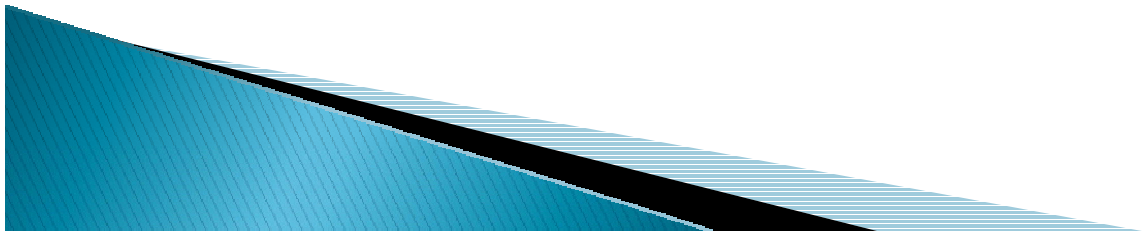
About Uganda Agriculture

- Is naturally gifted by nature.
- Sits on the equatorial line.
- Does not experience serious cold winters.
- Most regions receive two rainy seasons in one year.
- Food is relatively easy to grow.



About Afro Kai Ltd

- An indigenous private limited company incorporated in Uganda in 1984.
- In agricultural commodity trade business
- Traditionally purchasing unprocessed produce from dealers and processing it for supply mainly to the relief market dominated by UN Aid Agencies, Relief Agencies and NGOs.
- About 4 years ago, opted to concentrate on specific commodities…..



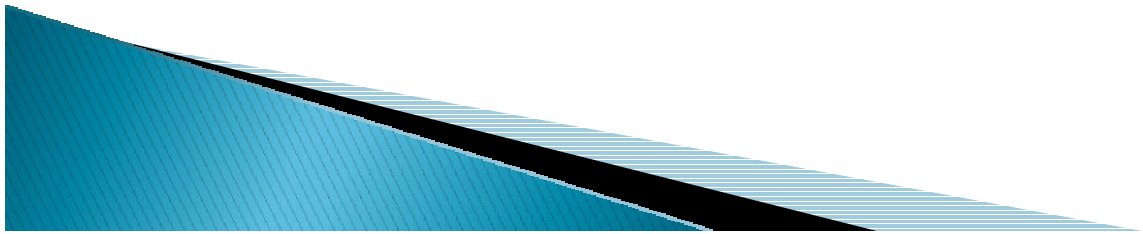
About Afro Kai Ltd

- **Mission** ..is to provide variety, quality and branded grain products through partnership with primary producers through application of modern technologies.
- Directors and staff of Afro Kai of quality cereals Limited are committed to production, processing and supply
- This is done through maintenance of an effective formal work processes targeted at satisfying the expectations and needs of our customers



About Afro Kai Ltd – Facilities

- Owns cereal storage facilities in Kampala, Kayunga, Kabarole and Masindi districts.
- Owns cereal grain cleaning facilities with a combined processing capacity of 300Mt of grain per day
- Storage facilities serve as collection centres for cereal grains before processing
- Runs a chain of smaller stores that are rented seasonally during crop harvests



Afro Kai – NBL Partnership

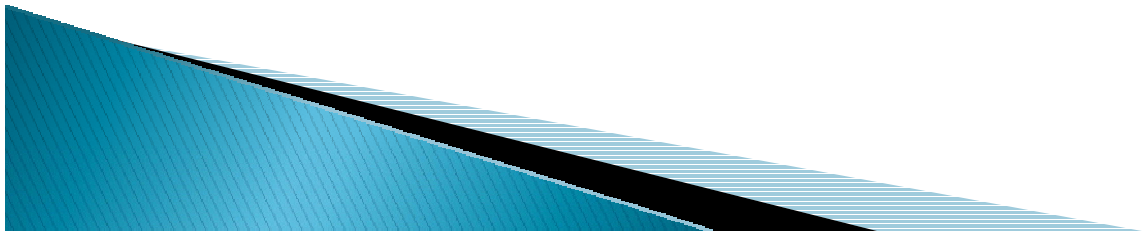
- Afro Kai has a partnership with Nile Breweries to supply Epuripur Sorghum
- The partnership started in 2003
- By then, Nile Breweries had already started using this Sorghum in beer brewing
- However, Nile Breweries had challenges regarding mobilization of supplies of sorghum and the logistics involved.

The Epuripur Story …

- Is a Sorghum Variety bred in Uganda by NARO in 1994
- Is sweet and white with low tannin and good starch content
- Is fairly high yielding
- Is relatively early maturing in 110 days.
- Is quite resistant to drought and pests.

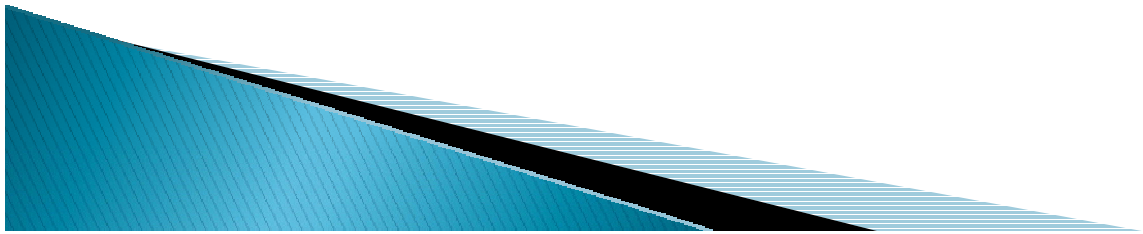
The Epuripur Story …

- However, it is highly palatable for birds, and therefore represents a risk to farmers.
- According to tests done brewers, the sorghum is reported to possess excellent brewing qualities
- Produces high-quality, clear beer.



Eagle Beers …

- Nile Breweries embarked on Epuripur production in 2002
- Attention to quality, combined with an attractive price has resulted in an overwhelming consumer response to Eagle Beers.
- After the first year, procurement of Epuripur sorghum was contracted to Afro-Kai Ltd.



Eagle Beers …

- One of the characteristics of our consumers in Africa is that many live on less than a dollar a day.
- Commercial mainstream alcohol therefore is often beyond their means.
- Worryingly, many opt instead for illicit and unhealthy homemade brews.
- Such informal economies suffer a number of obvious drawbacks.

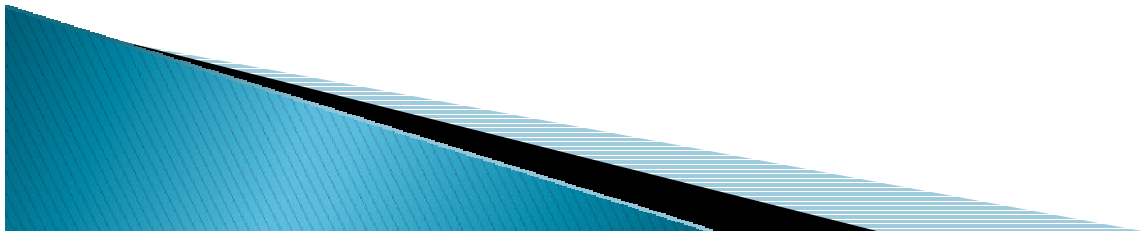


Eagle Beers …

- The business challenge in these circumstances is to find a way of making products affordable, accessible and attractive.
- Nile Breweries developed a solution to this problem through a bottom-of-the-pyramid product called Eagle Lager, tailored precisely to the needs of the local market.
- It is made from locally grown sorghum, rather than imported barley.
- Since the beer is made from local materials, the Uganda government gives tax exemptions. This, in turn, enables the beer to be sold at a lower price.

Eagle Beers …

- Afro-Kai now works with over 8,000 farmers from 26 districts with harvests in excess of 6,000 metric tonnes of Epuripur sorghum.
- This translates into an injection of over US $2.0million into the rural economy each year.
- The project has been such a great success

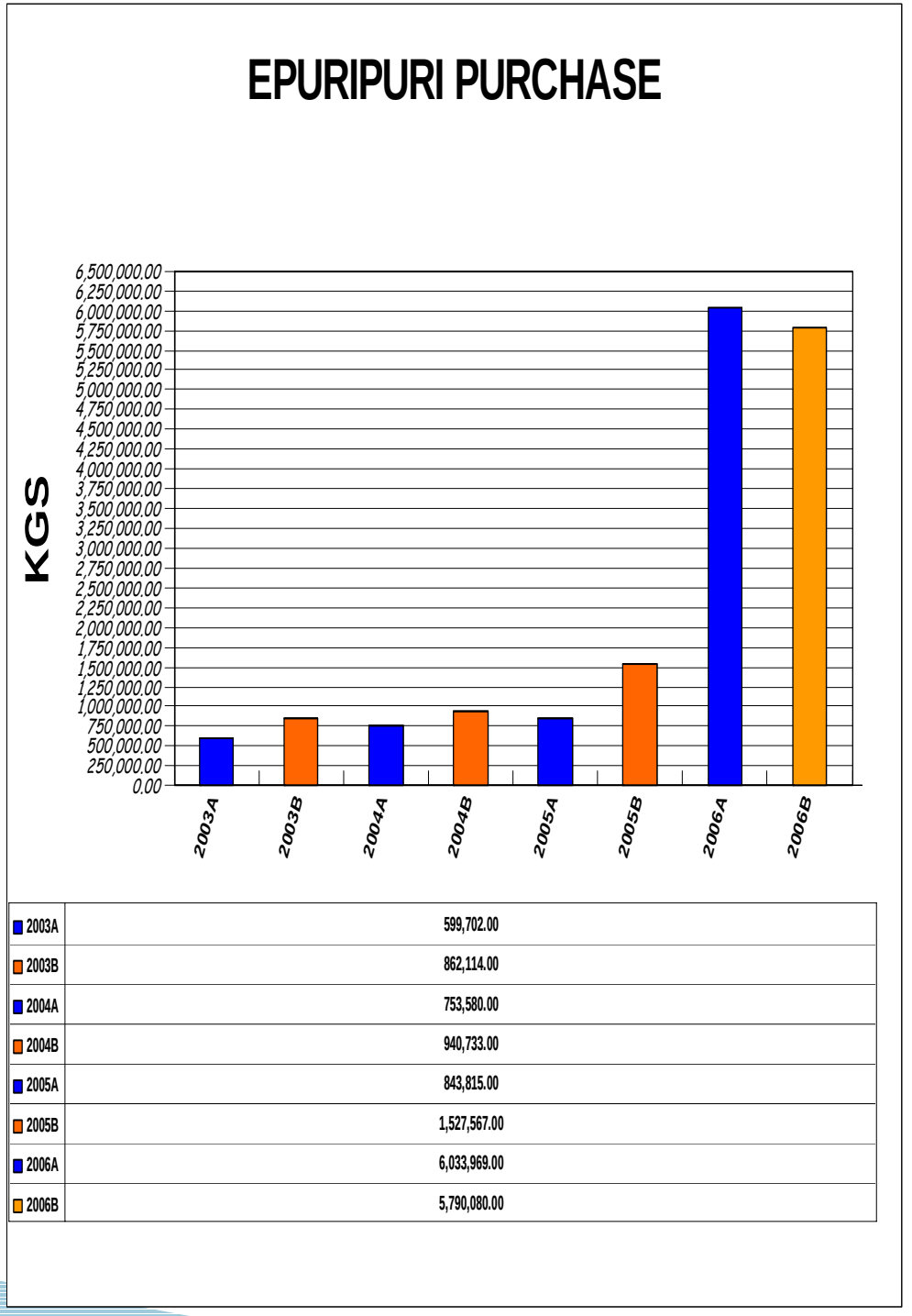


Eagle Beers …

- This project has been on for 4 years (8 seasons) and the experiences gained are very impressive.
- Farmers involved in the production of the Sorghum have steady income and can predict their income potentials in any growing season.

Challenges

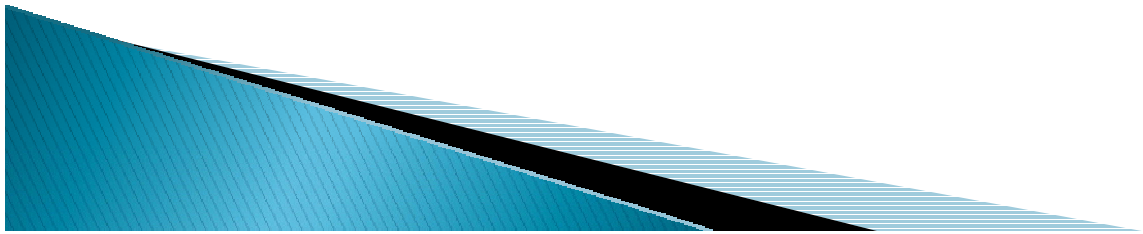
- Limitation of finances for farmers;
- Strenuous contract performance monitoring;
- Unpredictable weather;



2003A	599,702.00
2003B	862,114.00
2004A	753,580.00
2004B	940,733.00
2005A	843,815.00
2005B	1,527,567.00
2006A	6,033,969.00
2006B	5,790,080.00

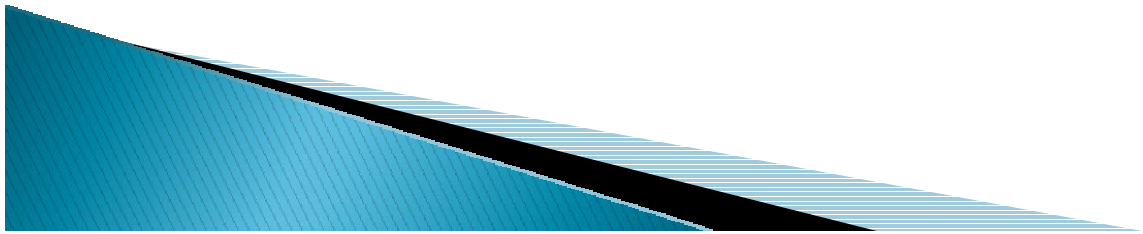
Benefits:

- Developed commercial farmers;
- Prices stable;
- Farmers trained and confident;
- Financial institutions more confident to support farmers;
- Improved incomes for farmers



Activities

- Growing
- Mobilization of farmers
- Provision of seeds to farmers
- Farmer visits.

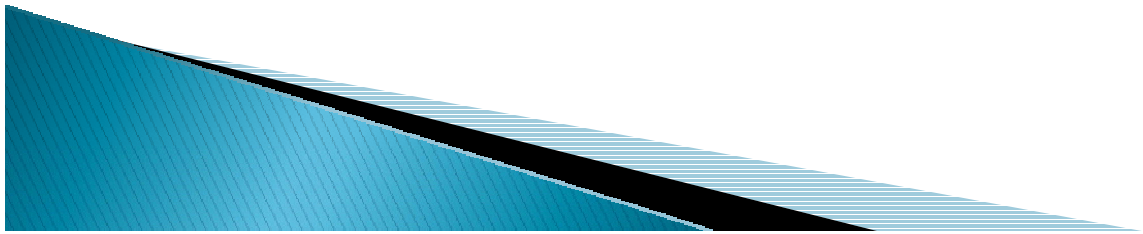


Activities

- Setting up of District stores and adhoc sub-stores.
- Farmer mobilization
- Bag distribution
- Quality sensitization
- Bulk consolidation
- Transport to cleaning plant

Activities …

- Cleaning
- Drying
- Cleaning
- Re-bagging
- Fumigation



Challenges & Experiences

- Sustainable long-term operations at risk since production is in the hands of smallholder growers
- Social and cultural constraints which often affect farmers' ability to continue producing [family issues]
- Farmers are protected from the market forces [often leads to discontent]
- Persuading farmers to take part in such an arrangement is still largely a matter of **financial incentives**

Challenges & Experiences

- One of the principal motives for smallholders consent to participate in contract farming is the promise of a steady and increased income from the **sale of their crops.**

- To convince farmers that contract farming is a profitable venture, providing **empirical evidence is crucial.**

Challenges & Experiences

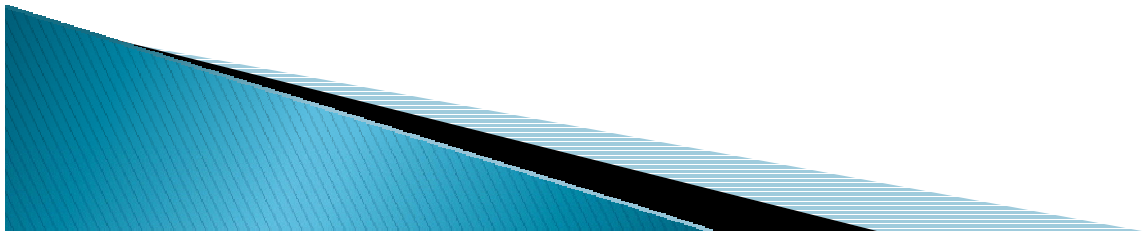
Coordinating production requires advance…

- Identification of areas that are suitable for production and provide easy access for transport and other support
- Selection of farmers.
- Formation of working groups.
- Arrangements for the ordering and supply of inputs and provision for farmer credit
- Planning of logistical support for input delivery and product transport
- Arrangements for purchasing the product in accordance, in particular to ensure that farmers can verify weights and qualities



Challenges & Experiences

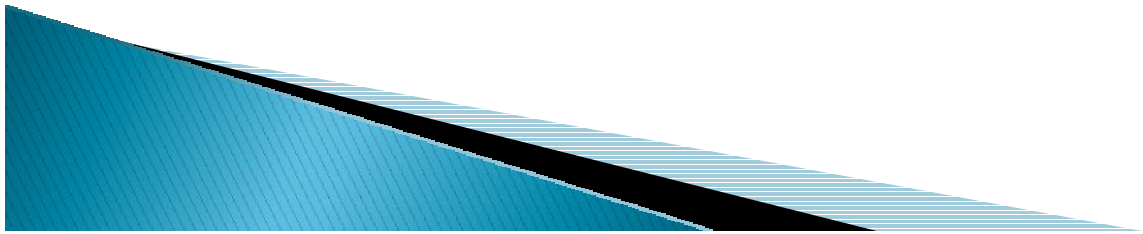
- Farmer-management relations ...
  - Farmer-management forums, which link management and farmers or their representatives for purposes of interaction and negotiation and can avoid many of the problems caused by lack of communication
  - Male-female relationships, which can be adversely affected by contract farming through ...
    - Payments to men for work largely carried out by women
    - Conflict between contract requirements and women's priorities with regard to subsistence farming



Challenges & Experiences

- Participation in community affairs, which helps to create a positive atmosphere of partnership.

- This can include both participation in social events and provision by the sponsor of small-scale local infrastructure



Challenges & Experiences

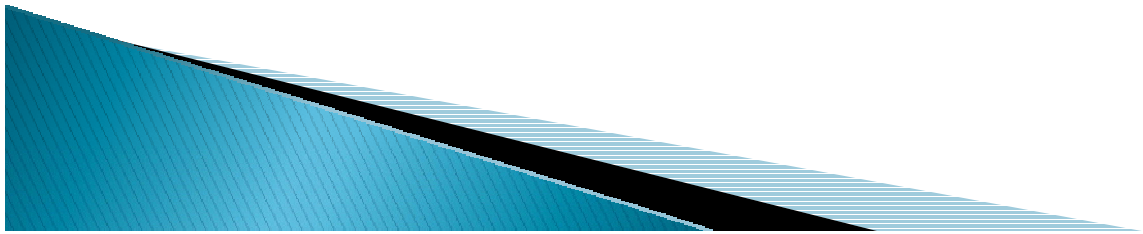
Managing the agronomy involves …

- Field extension services. Staff must be fully familiar with the product involved and, preferably, have local knowledge
- Transfer of technology, with an awareness of adaptation problems that smallholders could face
- The use of cropping schedules to ensure the correct timing and sequencing of all contractual activities
- Training for farmers into post-harvest handling

Challenges & Experiences

Monitoring quality and yields

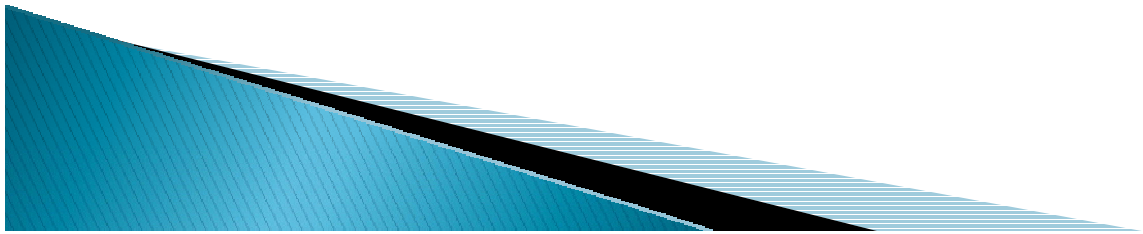
- Quality controls should be carried out before, during and immediately after harvest
- Sale by contracted farmers of extra-contractual production from other farmers must be avoided
- Techniques for estimating yields need to be in place



Challenges & Experiences

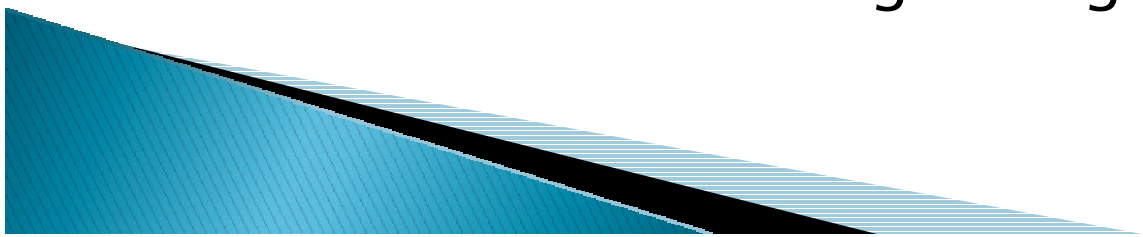
- While management is usually interested in just one crop, it must recognize farmers' concern to protect their entire farming system

- There must be a willingness on the part of agents to learn from local experience



Conclusion

- The Eagle Lager product in Uganda has created both a market for, and the increased production of, sorghum in Uganda.
- It illustrates clearly how a business operating in developing markets is able both to stimulate the development of small and medium sized businesses, thus creating jobs, and ultimately generate economic growth.
- The best way of significantly improving the quality of the lives of the 315 million people who live on less than a dollar a day is by creating jobs in economies which are growing.



Conclusion

- Experience on the ground graphically bears out this assertion.
- Small-scale farmers in Uganda who grow sorghum for Nile Breweries say that the biggest impact Eagle Lager has had on their lives is that they now have regular and predictable income.
- This has enabled them to send their children to school and to buy food and medical care.
- Some of them have bought more land and oxen, or taken on more workers to help with planting, so their productivity and output has increased.
- We are proud of the part which we play in fostering this, and look forward to continuing to do so.

At Afro Kai Limited……

We believe that systems only make things possible. It is people to make them happen!!!!

