

Development of Inclusive Markets in Agriculture and Trade (DIMAT)



Background

The United Nations Development Program (UNDP) and the Government of Uganda (GOU) are supporting the Development of Inclusive Markets in Agriculture and Trade (DIMAT) in Uganda. The DIMAT project aims to address most of the challenges cited in Uganda's agriculture Development Strategy Investment Plan (DSIP), through contributing to its Programme 2 "Market Access and Value Addition". By building on inclusive business approaches, the implementation strategy involves adoption of a business linkage approach.

This four year project (2011-2014) will utilize south-south approaches and solutions in implementation of activities. Project interventions will involve analysis and mapping of strategic value chains, linking producer groups with the market, provision of customized business development services, strengthening cooperatives and farmer groups, providing customized agricultural services support, introduction of innovative financing products and appropriate technologies and implementing the Business Call to Action (BCtA) through engaging the corporate private sector to develop and implement sustainable innovative business ideas that profitably involve as many small and medium enterprises as possible in their supply chains. The implementing partner (IP) of DIMAT is Enterprise Uganda (EU) with Kilimo Trust and the Private Sector Development Companies (PSDC) in Uganda, being responsible parties (RPs).

Planned Results

Four results areas are planned for DIMAT.

Result 1: Business Linkages, Established and Operationalized

Based on inclusiveness, potential for creating high income impact, sustainability of the interventions as a result of market demand, potential for up scaling up the interventions and in partnership with key stakeholders, this output aims to establish at least 20 fully functional business linkages between smallholder producers and market leaders. Contracts will be used as indicators to measuring the strength of a linkage. This is as a result of the actual and perceived risks related to the development of joint ventures and market power imbalances. Contract negotiation assistance will be offered to safeguard interests of all parties and to offer the weaker parties alternative market options.

Result 2: Capacity of Smallholder Producer Groups and Business Support Associations', Strengthened

A carefully customized demand-led approach to the provision of business services, marketing, market research, produce bulking, creation and/or strengthening of group governance structures, access to technology, brokering of business deals and development of market linkages will be employed in order to address business and market development needs. Producer Groups and Cooperatives offer an important avenue for achieving increased economies of scale and building capacity through training, extension and dissemination of market information. This will therefore be used as the main outreach method for building the capacity of producers as well as contract negotiation.

Result 3: Innovative Pro-poor Business Concepts, Developed and Operationalized

DIMAT project will engage the corporate private sector to promote innovative pro-poor business models - including those which create mutually beneficial business linkages between micro and small local producers with large local and international enterprises - and will promote advocacy for the use and alignment of Corporate Social Responsibility (CSR) resources in ways that contribute to the development of inclusive markets. This will be a unique platform for private sector corporations to commit themselves to support the acceleration of income generation through inclusive and sustainable core business activities.

Result 4: MSME's Access to Assets for Productive use (Finance, Market Information and Technology), Increased

Products currently on offer in Uganda's financial markets are largely of a short term nature and financial institutions are wary of agriculture sector financing due to the real and perceived risks associated with the sector. Quite apart from the intermediation gaps affecting the whole sector, the project will pilot products that have worked in other countries and sectors in parallel with the technical competencies and management capacities of the user groups. This will ensure business linkage development initiatives are not stymied. Pilot mechanisms to access various products e.g. patient capital, contract financing, subsidy arrangements (e.g. consider replication of the Uganda Saw Log project), guarantee schemes and returnable grants (e.g. consider replication of the Kilimo Trust's 'Empowering Farmers through Innovative Marketing System' technology project), with the objective of facilitating asset acquisition and funding of other agribusiness activities will be pursued.

Results So Far

To access the DIMAT fact sheet for the period July, 2013 - June 2014,

Stakeholders

The DIMAT project is working directly with the following partners:

1. UNDP Uganda: as the source of funds, UNDP Uganda (<http://www.undp.or.ug/>) is an important partner in ensuring success of the project.
2. Small and medium producer groups in rice, beans and cassava: the producer groups are important in the linkage formation for the form the supply side of the value chains.
3. Market off-takers: these include big private companies buying rice, beans and cassava either for processing, trading or exporting.
4. Corporate companies: one of the approaches being used by DIMAT is Business Call to Action (<http://www.businesscalltoaction.org/>). Such companies are important partners for they are willing to invest in concepts that will help meet the objectives of the project.

5. Government of Uganda: Through Enterprise Uganda, which is a public-private partnership organization and is Implementing partner of DIMAT



THE SUCCESS STORY OF MR KIKKU PAUL THROUGH DIMAT PROJECT.

Paul Kikku is a small holder farmer from Kamusenene village, Kitumbi Sub County in Mubende district. Like most farmers in Uganda, Paul has been a subsistence farmer with a family of 16 children, growing crops for home consumption and the surplus for sale, just enough to increase his household income and feed his family.

He owns 15 acres of land on which he owns 3 goats and has been doing farming for a long time with little or no returns. For instance the most he would get from a particular seasons harvest was 100,000-150,000 shillings. This income is barely enough to sustain the basic needs of his family. Due to this low income, he could not afford to take his children to school, let alone afford a dissent home.

Paul's land is big enough to produce 3 times the harvest and 3 times the amount of money he gets per season, but due to lack of knowledge and technology, he was not able to maximize the productivity of his land. Paul attributed his situation to his lack of access to information, training

and guidance. He says his situation would have been much better if only he had received training, information and guidance much earlier.

He remembers attending training with his fellow farmers from Kitumbi that was on encouraging group work for farmers as opposed to individual work. He then mobilized his fellow farmers and formed **Kamusenene group** which later became rural producer organization (RPO). Despite Paul managing to mobilize his fellow farmers, his household income remained the same, if not even reduced further. He decided to continue with growing crops although the productivity continued to be low. This was due inaccessibility to quality seeds, no pesticide or fertilizer application was done on the crops and the bean planting method he used was broadcasting.

After the beans were harvested, Paul was spreading them on bare ground as a drying, and this increased the amount of foreign matter. He sold the beans without sorting and this reduced their quality thus fetching low prices at the market. Paul and his fellow farmers in Kamusenene RPO continued with this situation for a long time.

Paul and the farmers from Kamusenene group were invited to attend training on Good Agricultural Practices for Bean Production (GAPS) under the DIMAT project. Paul says it was breath of fresh air as the facilitation came in at the right time. He was growing beans on a small scale and never knew he could grow them commercially. The project enabled Paul to access quality seeds for the first time because he was planting farmer saved seeds. The project made it possible for Paul to access quality seed when they collectively, as an RPO, purchased bean seed from FICA Seeds Company.

With the DIMAT project Paul also gained skills and knowledge through trainings. He was able to use the skills for bean production and this has enabled Paul to increase productivity and improve the quality of Beans produced. Paul attended the training on; pest and disease management, line planting, monitoring and management of the garden, sorting of beans to ensure quality, good storage, collective bulking and marketing and financial literacy i.e. savings and loan management.

The project has enable Paul to achieve a lot in terms of; 1) **Increased productivity**; the beans production/yields increased from 150Kgs/ acre to 700Kg/ acre and this is because Paul decided to drop the traditional way of farming to adopting good agronomic practiced for instance line

planting, application of fertilizers, pest and disease management, early weed management, early harvesting, and use of quality bean seed.

The project has enabled Paul to increase his profit in the beans production. In one acre he was investing UGX 200,000 but due to the effect of the brokers with poor prices and lack of emphasis on quality and low productivity, he could earn less to what he invested. But since the project intervention, he harvested 11 bags of beans from one acre. Paul invested UGX 400,000 and earned UGX 700,000. He is also using Agro chemicals like DAP and Di-gro to improve on the growth rate of the beans.

With this increasing income Paul managed to invest in

1) House construction; Paul had started constructing the house but due to his inadequate income, put it on hold, but with the sale of the beans through the ACE he managed to finish construction after selling his produce earning good.

2) Purchase of Tarpaulins; before the project intervention, Paul used to spread the beans on the bare ground for drying and this could lower the quality of beans thus low prices. When Paul was trained in the post harvest handling he decided to buy tarpaulins for drying the beans to improve on their quality.