

Beans Cross-Border Trade Linkage Initiated Between Consortium Lead Firms From Kenya And Tanzania

Cheptarit Star Ltd, a women company based in Eldoret- Kenya is the lead firm for Busia Cross Border Beans Trade Consortium (BCB-BTC) based in Busia-Uganda under the initiative of the Beans Enterprise and Structured Trade in East Africa Community (BEST EAC) project.

As a result of drought which hit hard most of the East African Countries, the company could not get enough beans from the Farmer Business Organizations (FBO) engaged in the BCB-BTC to supply to their clients who had since increased due to their credibility in fulfilling the contracts. They had to quickly look for alternative sources of beans which with the assistance from BEST EAC project, they were connected to Kaderes Peasants Development (KPD) PLC in Karagwe, Tanzania, the lead firm for the Kagera Beans Consortium (KABECO).

This connection opened a new field with a lot of lessons to learn by the Cheptarit Star women since they

were going to handle cross border trade with a Tanzanian company for the first time. Their concern ranged from logistics issues such as which border to use – either Mutukula or Sirari, what means of transport to use – road or water, who the actors were in the entire chain to enable their beans leave Karagwe to Eldoret at a cost which would allow them to maximize the profits. In all these processes of deciding, Kilimo Trust through BEST EAC project team supported the Cheptarit Star Ltd representatives to make the right decisions. The project organized a learning visit for Cheptarit Star Ltd from Eldoret to KPD Plc premises in Karagwe between 23 -25 April 2017. During the visit, prior to undertaking trade

On 25th April, 2017 Cheptarit and KPD representatives held a meeting that was moderated by BEST EAC staff at KPD offices in Karagwe. The meeting centered on establishing a long term trade arrangement with a win-win situation for both parties.

To kick start the trade deal and show commitment, the two parties signed a contract to trade 20MT of mixed beans. The delivery of this consignment was scheduled for 2nd May, 2017 which was done as agreed. It was very important that this consignment reach in time since Cheptarit had signed supply contracts with schools in Eldoret which were opening for second term in that same week.



Ms Irene, the chairlady of Cheptarit Star Ltd signs trade contract as representatives from KPD PLC and Kilimo Trust watch.

negotiations, Cheptarit Star Ltd learnt of the bean varieties and other commodities traded by KPD Plc, how the latter works with farmer organizations, as well as the storage capacity and the methods used by KPD Plc to store beans.



Beans packed in a bag of 90kgs ready for dispatch at Cheptarit Star Ltd Premise

The consignment was transported from Karagwe via Mutukulu border and crossed to Kenya through Busia Border. The team agreed on this route since the seller had vast knowledge on handling cargo through Mutukulu border into Uganda while the buyer had experience in handling cargo from Busia border to Kenya; these were good information believed to reduce the cost of this transaction.

Cost of logistics of moving beans from Tanzania to Eldoret-Kenya came to 11.2% of the cost of buying beans in Tanzania. All in all, the beans reached its destination at a price which was lower than what Cheptarit Star could get around Eldoret, thus it was a worthwhile venture to take.

This trade being the first for Cheptarit to engage in with a firm from Tanzania, there were lessons worth sharing such as; When engaging in an international trade in which money is being exchanged to other foreign currencies; you need to be on the lookout on the exchange rates offered by the exchanging agent. Cheptarit lost a lot of money to the bank as they transferred the first installment of Kshs 500,000 through Baclays bank. The bank offered a rate of 18.3 instead of the market rate of about 22. Since the women had been advised by Kilimo Trust to negotiate for a special rate

and to ensure that the rate is about 22, the women asked the bank but the bank told them that the system could not show at that time but promised them a good rate. This made the women to transfer money blindly without knowing the rate. It was after the money had been received in which it was established that the bank used 18.3, a rate which was so much lower than the current rate. As a remedy to this, the women discussed in their meeting and decided to open a bank account with Diamond Trust Bank which is said to have better exchange rates. Speaking to Josephine, the group's secretary, she said "you warned us on the exchange rate and asked us to shop around for the best exchange rate but it's unfortunate that the bank conned us. They never disclosed to us the rate they were using and we acted out of no information"



Team from Cheptarit Star Ltd, KPD PLC and Kilimo Trust who participated in the trade negotiation meeting in Karagwe, Tanzania

The second lesson is that in every contract, all parties need to honor their part of the bargain; the beans delivered from Tanzania were not fully to what was agreed. The parties agreed on 100bags of Canadian wonder and 100bags of mixed variety dominated by Rosecoco but what Cheptarit Star Ltd received was 195 bags of Canadian wonder and 5bags of a white variety. This has given the company hard task of convincing her buyers to accept this variety. This in turn has affected the way they have made their payment to the seller as they still have more bags in store which has not been sold.

Face to face meeting between the buyer and seller for the first time enhances trust, transparency and commitment. Following the negotiations, the seller appreciated Cheptarit's visit and transported the beans to the Busia border. Transparency in sharing experiences in trade negotiations leads to a win-win situation. Because KPD and Cheptarit openly shared and

brought on board their experiences on handling cross border trade at Mutukula and Busia respectively, the transaction costs were substantially lowered by the border between Tanzania and Kenya.

The trade involved using foreign currency (TSHs) for Cheptarit to pay the buyer. However, the seller did not explore the various financial institutions to establish one with best exchange rate (KSH to TSHS), and the profitability margin for Cheptarit reduced.

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