



Rural Urban Development Initiatives

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COMPETE →
The Competitiveness and Trade Expansion Program

I. General Information

Grant Agreement No.: RUD – STA- 008
Grantee Institution: Rural Urban Development Initiatives (RUDI)
Project Title: Expansion of Warehouse Receipt Programs for rice and maize in Kilombero, Iringa Rural and Handeni districts of Tanzania

Type of report: Quarter
Period covered by this report: From 1st October 2010 to 31st December 2010

II. Background

USAID-COMPETE PARTNER FUNDING SUPPORT TO RUDI

4th Quarter Report 2010 (October – December 2010)

This report from Rural Urban Development Initiatives (RUDI) is for the 4th quarter for 2010 covering USAID COMPETE support to RUDI for 2 years period. The report covers the activities achieved and the expenditure report.

Project overview

RUDI is implementing two years project on Warehouse expansion in three districts of Tanzania. The project is funded by USAID COMPETE.

III Executive summary

The primary objective of the COMPETE grant to RUDI is to assist smallholder rice and maize farmers in three districts of Tanzania – Iringa Rural, Kilombero and Handeni. The grant aims at assisting three Associations in the three districts to establish collective marketing through WRS, procuring milling equipment and convert paddy to milled rice and maize to flour at the source. This is expected to lead to a tripling in the value of the milled rice/flour and contribute to better

returns to the farmers. This activity also assists the finished rice/flour product to be traded across the region without further transport to a processor.

The grant also helps farmers to increase their access to finance while working to increase their incomes through the sale of rice/maize produce. Grant funds is also used to reduce transaction costs through collective marketing which reduces post harvest losses of rice/maize and facilitate a more favorable rice trading environment.

The major activities and key achievements of the Quarter under review were as summarized below:

Summary of key indicators

Table 1: USAID COMPETE supported Associations

Base year 2009

| | Dec 2009 | Jan – Nov 2010 |
|--|-----------------|--|
| Number of groups | 0 | 5 |
| Access to finance | 0 | 3 groups received credit from NMB and Stanbic bank |
| Number of warehouses in operation | 0 | 5 |
| Amount of paddy/maize in the warehouse in tons | 0 | I. Mbingu 120.1 tons II. Mangalali 60 tons III. Kaning’ombe 15 tons IV. SUWA 60 tons V. Amani – 4 tons |
| Number of farmers join Associations | 0 | 636 |

NB The project created new 4 warehouses – Mbingu, Mangalali, Kaning’ombe, Amani and SUWA.



Paddy in the Mbingu warehouse.

IV. Detailed activities.

Activities conducted during Q 4 of the project

Strengthening capacity of farmer groups: Training

1. Development of business plan Mbingu, Amani and Suwa.
2. Post harvest training and proper drying techniques for paddy farmers in Mbingu.
3. Training for post harvest handling in Mangalali and Kaning'ombe
4. Specialized training on crop husbandry and post harvest in Handeni
5. Warehouse management and record keeping Handeni and Kilombero
6. Collect daily Market information
7. Leadership training and registration of Association Amani and Suwa



Example of poor drying conditions for maize as observed in one of the farmers in Handeni district with stray animals eating and contaminating the produce.

Key achievements.

a. Meetings

- i. Five meetings were conducted between RUDI/Associations and National Microfinance Bank (NMB) and Stanbic. Mangalali received loan of Tshs 11.2 from Stanbic to pay advance to the farmers. Mbingu received loan of Tshs 100million through Apex to pay advance to the farmers. Stanbic approved a loan of Tshs 50 million but because the loan came late in the season most farmers did not use it. The same apply to Mbingu farmers. On the other hand SUWA and Amani did not need loan because by the time the bank approved the loan the prices were quite high. Stanbic senior staff visited Mangalali.
- ii. Two meetings between the buyer and Association leaders took place in Mangalali – Union Service Store of Moshi and Smart Logistics of Nairobi. Both buyers showed interest of buying from the farmers next season.
- iii. Meetings between RUDI and WFP were held in December 2010. WFP has agreed to purchase maize from USAID COMPETE maize farmers.

- b) Although the loan from Stanbic came late, it is the first time for the farmers to get loan from reputable financial institution. New relationship has been built and very likely the bank will process loan for next season very fast.
- c) It is the first time for these farmers to sell collectively. They have never been able to negotiate price with the buyers. They have been price takers for quite some time. They are proud of this initiative.
- d) Local government has shown support to these farmers. Our managers have been appointed to attend meeting organized by the government on issues concerning farmers. They are members of subsidized fertilizer committee, District Business Council, Public Private Sector Forum etc., and Public Private Sector Forum etc.

Table 1: Summary of warehouses supported by the project in the Quarter

| No. | Warehouse/Group | Membership | | Consolidated Vol. (MT) | Sold Vol. (MT) | Value (Tshs) | Avail. Balance (MT) |
|---------------------|-----------------|------------|------------|------------------------|----------------|-------------------|---------------------|
| | | Total | Women | | | | |
| IRINGA RURAL | | | | | | | |
| 1. | Mangalali | 72 | 22 | 60 (maize) | 60 | 18,000,000 | 0 |
| 2. | Kaning'ombe | 75 | 29 | 16 (maize) | 16 | 4,800,000 | 0 |
| SUB TOTAL | | 147 | 51 | 76 | 76 | 22,800,000 | 69 |
| HANDENI | | | | | | | |
| 3. | Mbingu | 104 | 35 | 120.1 (paddy) | 0 | 40,000,000 | 104 |
| SUB TOTAL | | 104 | 35 | 120 | 0 | 40,000,000 | 104 |
| HANDENI | | | | | | | |
| 4. | Amani | 300 | 172 | 5 (maize) | 0 | 1,500,000 | 5 |
| 5. | Suwa | 85 | 40 | 60 (maize) | 10 | 15,000,000 | 50 |
| SUB TOTAL | | 385 | 212 | 65 | 0 | 19,500,000 | 65 |
| GRAND TOTAL | | 633 | 298 | 261 | 86 | 82,300,000 | 238 |

v) Challenges carrying out the project

- a) The main challenge in the season has been inability of the farmers to store big volume of their produce in the warehouse because of the delay in getting loan from the bank. Although the loan from Stanbic bank was approved in August, it was deposited into Association accounts in November 2010. The farmers lost hope of getting the loan and started selling their maize/paddy to traders at low prices.

- b) Another challenge is the high expectations farmers have of price increase of the maize/paddy in the warehouse. Farmers expected the price 100% price increase. The prices have increased slowly over the season and farmers did money in January to pay for school fees.
- c) Another challenge is lack of competition in the villages. There are not many big buyers in the villages. Small traders collude and set low prices.

VI) Lessons learnt

- a) To avoid the problem of obtaining bank loan late, Associations will submit business plans to the bank early in February 2011 to give enough time to the bank to process the loan.
- b) Prices of rice in major markets in Dar es Salaam have increased. Farmers will be facilitated to sell rice instead of paddy in 2011.
- c) Farmers need several meetings on awareness creation on marketing and contracts. When to sell at which price is an issue for small farmers.

VII) Major activities for January – March 2011

- a) Finalize preparation of business plans and submit to the NMB and Stanbic banks
- b) Continue to conduct training on productivity and quality
- c) Continue to sensitize farmers on warehouse receipt system.
- d) Continue the discussion with WFP to purchase maize from our Associations.
- e) Identify new warehouses.
- f) Sensitize more farmers to join the Associations.
- g) Identify potential buyer to manage milling machines on farmer's behalf.
- h) Conduct planning meeting with field managers