



Rural Urban Development Initiatives

Plot no 217/218 Msasani Village P. O. Box 78741, Tel: +255 22 260 1873 Fax +255 22 260 1874 Mobile No.: 0255 0754)2 88 151,
Dar es Salaam
Tanzania E-Mail: ruditz@yahoo.com,



USAID
FROM THE AMERICAN PEOPLE

COMPETE
The Competitiveness and Trade Expansion Program

EXPANSION OF WAREHOUSE RECEIPT PROGRAMS FOR RICE AND MAIZE IN IFAKARA, IRINGA AND HANDENI (TANGA) DISTRICTS OF TANZANIA

Grant Agreement: No: RUD – STA-008

I. Background

USAID-COMPETE PARTNER FUNDING SUPPORT TO RUDI

2nd Quarter Report 2010 (April – June 2010)

This report from Rural Urban Development Initiatives (RUDI) is for the 2nd 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 has identified the suboptimal performance of the rice & maize marketing system as one of the key areas for intervention. The factors contributing to the under-performance of the marketing system in fact exclude smallholder producers' from participating gainfully in the rice value chain. These factors can be grouped into three main categories: i) marketing constraints – poor access to market information, weak farmer organizations and selling at harvest pressure occasioned by lack of adapted credit facilities to meet farmers' immediate capital needs as well as limited access to storage facilities, and limited access to reliable market outlets; ii) low rice productivity because of low technical (husbandry) know-how, poor access to rice production inputs because of lack of credit facilities and poor network of agro-dealers, and inappropriate input usage (e.g. of fertilizers and agrochemicals); iii) policy related issues especially export bans and other government interventions that distort markets, inappropriate grades and standards, export licensing requirements, high cess tax, and lack of forums where policy-related matters impacting smallholder farmers' access to markets can be raised, debated, discussed and agreed upon for implementation.

To address this anomaly, RUDI is using the grant from the COMPETE to help smallholder producers acquire the skills needed to participate effectively in rice/maize value chains in order to increase their incomes, improve access to finance, reduce post-harvest losses, reduce transaction costs through collective marketing, and improve rice trading environment.

The grant is being used in the fight against poverty and in improving food security by stimulating smallholder rice productivity through an inclusive and functioning rice marketing system.

Activities conducted during Q2 of the project

During the quarter RUDI was advised by USAID COMPETE to implement important activities because of financial constraint. RUDI asked the field managers to identify important activities to get support during the quarter. After discussions the following activities were selected and implemented by RUDI from April to June 2010.

Activity for COMPETE Milestones table for Warehouse Receipt System

<u>Year 1</u>	<u>Responsible Institution(s)</u>				
Quarters		Q 1 Jan – March 10	Q 2 April - June 10	Q3 July –Sept 10	Q4 Oct - Dec 10
Initial assessment capacities & constraints , conduct baseline surveys	RUDI				
Local leaders awareness & training	RUDI				
Training of producers and business operators	RUDI				
Training Warehouse Receipt System	RUDI				
Warehouse repairs, maintenance and insurance	Consultant				
Assist Associations to identify and buy 3 quality milling machines	Consultant				
Making pallets	Consultant				
Purchase 6 weighing scales	Consultant				
Purchase 6 moisture meters	Consultant				
Warehouse rent for 3 warehouses	Associations				
Purchase 6 fire extinguishers	Consultant				
Purchase 2 @ 10MT grain cocoons	Associations				
Purchase 10 tarpaulins	Associations				
Purchase PPP bags-parking materials	Associations				
Output marketing support – info & infrastructure	Consultant				
Training in access to credit	Consultant				
Specialized technical training	Consultant				
Training standards as per EAC	Consultant				
Warehouse security					
Monitoring & Evaluation	Consultant				

a) Identify/Sensitize farmers on the project

During the quarter RUDI continued to sensitize farmers on the project. In order to use the resources effectively RUDI added new Association to the project. Kaning'ombe Association is a member of Iringa High Quality Farmers Products. It is situated in Kaning'ombe village new Association. Kaning'ombe is very close to Mangalali Farmers Association. We will use the same resources to support the two Associations. Kaning'ombe Farmers Association has 85 members, 40% women.



Some of the participants attending sensitization meetings on the COMPETE USAID project in Kaning'ombe village, Iringa rural district.

b) Warehouse Receipt Sensitization and management training.

During the quarter the project conducted sensitization and warehouse management training to 182 members and 20 leaders of Mbingu, Mangalali and Amani Associations.

The training methodology was designed in such a way that suits adult learning environments and enhances interactions among trainees and trainers.

2.2 Objectives of the training

The main objective of the this training for smallholders farmers was to capacitate the trainees with skills and knowledge to facilitate training to warehouse and Warehouse Receipt System (WRS), quality and post harvest control, competitive market as well as purchasing management skills. Therefore smallholder's farmers are become able to fit into competitive markets that normally provide good prices of crops as well as accessing financial support from financial entities.

To that capacity the training aimed at:

- To equip trainees with knowledge and skills in post harvest management at household level, village and storage level
- To introduce/ revive the concept of Warehouse Receipt System and impart to trainees on the important steps they should go to implement the system at their locality as well as understanding Government act on warehouse receipts systems and its objective.
- To enable trainees to plan for and implement interventions necessary to improve quantity and quality of produce through proper produce and warehouse management, focus at understanding basic principles of good storage practices of commodities at their commercial warehouse or household stores as well as various levels of commodity infestations and best fumigants/ or pesticides they should apply at each particular stage.
- To equip trainee the best methodological approach on business record keeping of their produce from farming process, harvesting, storage, and transportations that in turn to help them to set a profitable price as well as prepare business report

To equip trainees with the basic knowledge on marketing activities focusing at market research for

- Selling their produce at profitable prices, which goes along with purchasing management skills.



Participants of the workshop on WRS in Mbingu village

c) Development of Business Plans. During the Quarter Business plans training was conducted to 80 leaders of USAID COMPETE assisted Associations. Through the training 3 Business plans were developed and submitted to the Stanbic bank and NMB.

The Business Plan for Mangalali, Handeni and Kaning'ombe was prepared to support an overdraft application of Tshs 100,293,000/= to finance an expanded Warehouse Receipt system in iringa Rural and Handeni districts. The overdraft will assist over 1,000 small-scale maize farmers with post-harvest seasonal credit against the storage and eventual sale of approximately 500 tons of maize. The facility will be used to finance an advance, post-harvest payment to farmers, insurance, and some other warehouse operational overheads.

As maize is ready to be harvested, most farmers are short of cash for their immediate needs. Normally they would have sold a significant part of their crop to traders for low prices immediately after harvest. In the following months, as commodity prices rise, it is the traders rather than the farmers who gain the benefits of this price increase. By being part of the organized Warehouse Receipt System; farmers are able to access credit for an initial cash payment against the security of that part of their crop which is stored on their behalf, in a well organized warehouse. The maize is then sold later in the season once the price has risen.

The maize in storage in the warehouse belongs to the farmers in the association. In order to obtain a good price, the paddy is collectively sold, the larger volume or economies of scale involved improving the bargaining position.



Leaders of USAID COMPETE supported Associations participated in training on Business Plan preparation. RUDI CEO Mr. Abel Lyimo (on the right) conducted the training.

d) Warehouse infrastructure – repairs, making pallets etc

During the quarter the project assisted Mbingu, Handeni, and Mangalali Associations to make pallets, certify the weighing scales, and purchasing empty bags.

The Associations warehouses are ready to store maize/paddy for this season.

During the quarter RUDI organized five meetings between Stanbic bank and Associations leaders on financing loan for WRS.

Stanbic Bank received guarantee Fund to support small farmers to access credit. We expect the Associations to get the requested loan any time from now.

During the quarter RUDI held several discussions with buyers of maize and rice. WFP has showed interest of purchasing maize from Mangalali and Kaning'ombe through P4P program. No Agreement is signed yet.

e) Challenges related to Operationalization of the WRS

Unreliable markets for deposited rice

This is indeed the biggest challenges facing members of the warehouses in the area. Although the system has been adopted to increase chances of market opportunities in the area, there are few reliable buyers at profitable prices.

Delays in securing loans

The experience from the previous seasons is that loan negotiations with the banks took very long time to conclude, causing delays in initial payments to the depositors. RUDI played critical role in positive outcome of the negotiations, by taking position of farmers and negotiate on their behalves. Associated with this, banks offer interest rate of 18 percent which is very high considering low profitability of rice production and marketing.

Infrastructure

Poor infrastructure (markets, roads processing facilities)

Capacity building – expensive (farmers)

Warehouses that qualify for the system

Lending procedures and availability of financial services close to farmers.