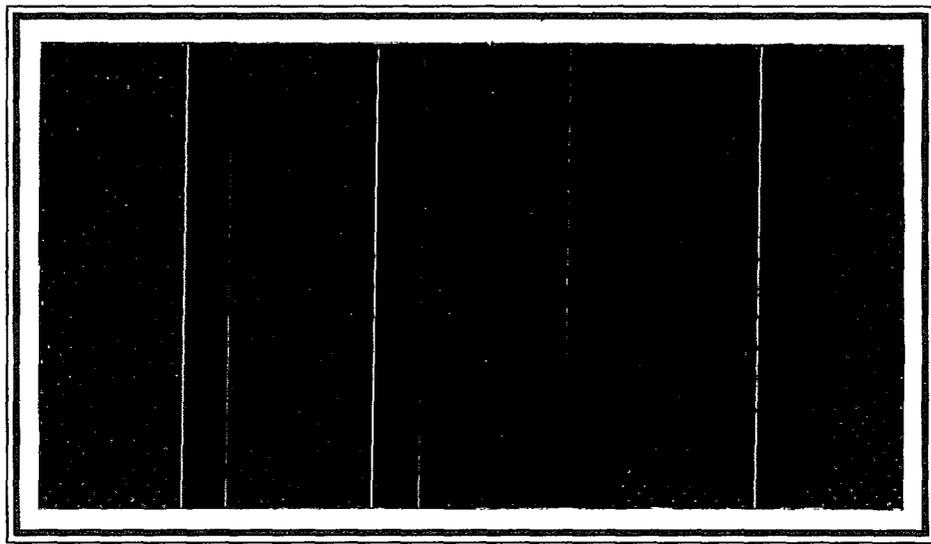


PN-ACF-104
101555



**Uganda Flowers Exporters Association
UFEA**

Prepared by
Agribusiness Development Centre (ADC)
Uganda's Investment in Developing Export Agriculture (IDEA) Project

A USAID-funded Project
Contract #623-0125-C-00-5040-00

PN-ACF-104
101555

UGAFLO^r'98

*"Consolidating the Uganda
Flower Export Industry"*

September 16, 1998 at Hotel Africana

CONFERENCE PROCEEDINGS

Table of Contents

	page
Executive Summary	I
OPENING SESSION	
Introductory remarks by <i>Mr Vincent Ssenyonjo, Chairman-UFEA</i>	1
Introductory remarks by <i>Mr Clive Drew, Chief of Party, ADC/IDEA Project</i>	3
Official Opening by <i>Hon Syda Bbumba - Minister of state for Economic Monitoring</i>	5
PART ONE	
Past Performance and Future Challenges of the Uganda Flower Industry by <i>Dr Steve New (ADC/IDEA Project)</i>	9
PART TWO	
Post Project Financing by <i>Mr Moses Kibirige - African Project Development Facility (APDF)</i>	38
The Financier's point of view by <i>Mr G R Ruhurira (East African Development Bank)</i>	40
Direct marketing of flowers versus the auction markets by <i>Ms Marie Fran toise Petitjean (COLEACP)</i>	45
Direct marketing of flowers A grower's perspective by <i>Mr Vincent Ssenyonjo, Chairman/ UFEA/ MD Nile Roses Ltd</i>	52
PART THREE	
Report on Development of Code of Practice for the Ugandan Flower Industry by <i>Ms Marielle Winkler - Consultant, Consultancy and Research for Environment Management (CREM) & Ms Marie Fran toise Petitjean(COLEACP)</i>	53
PART FOUR	
Panel discussions, reactions and resolutions by <i>Clive Drew, Rapporteur/ Chief of Party ADC-IDEA Project</i>	64
Appendices	
Appendix I Conference programme	70
Appendix II List of participants	71

EXECUTIVE SUMMARY

1 The third annual conference of the Uganda Flower Growers Association (UFEA), Ugaflor' 98, was held on September 16th, 1998, with sponsorship and technical assistance provided by the USAID funded IDEA Project

2 The theme of the conference was "Consolidating the Uganda Flower Export Industry" The major topics covered were varietal performance, market strategy, codes of practice and finance, with specific reference to Ugandan conditions

3 In her opening speech, Hon Syda Bbumba, Minister of state for Economic Monitoring, stressed the vital role of the flower industry as a foreign exchange earner, in providing employment, especially for women, and in the diversification of agriculture She urged growers to concentrate on direct marketing for better prices, and requested bankers to be more efficient in the approval of loan applications

4 Steve New of the ADC presented a detailed report, analyzing the performance of 35 rose varieties grown commercially in Uganda since 1993 The main conclusions were

- Uganda has the potential to produce very high yields of some varieties at a low cost price
- High yielding varieties of small-flowered roses should be the basis of all rose farms in the future
- Continuous varietal testing is essential to identify varieties which perform well under Ugandan conditions
- Specific techniques need to be developed for growing roses in Uganda, where temperature and humidity are high relative to most other producing countries
- Since the productive life of rose plants seems to be shorter in Uganda than elsewhere, feasibility studies and business plans need to be adjusted before re-financing can be considered
- Consultants and managers should be screened and monitored more carefully in future, for their ability to work effectively in Uganda and to train supervisory staff and workers
- Training of supervisors should be increased to enable them to develop local knowledge on production systems appropriate for Uganda

5 Moses Kibirige of the African Project Development Facility (APDF) reviewed the various types of finance which have been used for setting up rose farms in Uganda He stressed the need for adequate equity to be available and pointed out that delays in release of loan capital were usually because the sponsors did not have either their equity or documentation available at the right time The banks are not well equipped for monitoring financial performance of rose farms so it is essential that the borrowers keep good records and communicate regularly with their banks to retain their confidence He said the business is a dynamic one, with changing conditions, but that finance is still available for good projects

6 Godfrey Ruhurira of the East African Development Bank described how the bank had financed eight rose projects in Uganda since 1983, through a mix of loan and equity finance Three of these loans have already been repaid Most of the EADB investments are family owned private companies with shareholders participating in the day-to-day running of the farm This can be a disadvantage and Mr Ruhurira highlighted the need for competent, independent management on most projects Under current market conditions, EADB regards three hectares as the minimum start-up size for a rose project, increasing to at least five hectares within three years Some

projects have overstated costs, and taken on excessive loans at the beginning, coupled with short-term credit facilities, which have overburdened them with interest and principal repayments. Floriculture is in line with the objectives of the EADB and other development banks, to promote economic development in Uganda. However, for investments to continue, it is essential that the banks are able to recover their debts from existing projects.

7 Marie-Francoise Petitjean of COLEACP, an EU agency based in Paris which provides marketing assistance to developing ACP countries, compared the marketing performance of the Dutch auctions with the services offered by direct buyers. The main differences between auctions and direct buyers are

- Auctions can take large volumes, different varieties and most flower lengths. Direct buyers do not generally have the same capacity and are far more specific with regard to variety, colour and stem length.
- Auctions can usually provide better promotional and technical assistance, since they are serving many growers. However, the direct buyers give a more personal service and provide better opportunities for "specialist" products such as bouquets.
- Auctions have a longer delivery time to final buyers, whereas direct buyers are typically located close to their retail customers. However, direct buyers also need direct and regular flights from the country of origin of the flowers.
- Auctions maintain efficient and transparent administrative systems, with weekly payments and objective quality reports. Direct buyers cannot provide such an objective service.
- The direct costs of marketing through an auction are higher than with a direct buyer. However, the indirect costs of communication and general administration and market management are much higher with direct buyers.

Ms Petitjean suggested that direct marketing is good for experienced growers with a range of varieties and the management capacity to cover the additional administration and risks. Some marketing flair is also essential. For start-up growers with limited production and experience, auctions are still the best option.

8 Vincent Ssenyonjo of Nile Roses, Chairman of UFEA, agreed with most of the presentation from COLEACP. However, as an experienced grower he suggested that the price advantages of direct sales outweighed the reliability of the auctions, and that with margins decreasing every year, it will be essential for more growers to establish direct selling arrangements. He also thought there was a possibility of growers marketing on a collective basis to direct buyers, particularly in the UK, where the auctions are at a disadvantage due to the high cost of trucking flowers across the English channel.

9 Marielle Winkler, a consultant working with UFEA, COLEACP, and the IDEA Project to set up a code of practice for Ugandan flower growers, described progress to date. Uganda has joined with other countries in East and Southern Africa to prepare a harmonised code of practice. A draft is now available. She is working with the IDEA Project to finalize a Ugandan code of practice based upon the harmonized version. The code will cover environmental, health and labour issues and a system will be developed to enable all farms to apply for registration and certification that they are following production practices which meet the terms of the code. This will become essential for marketing flowers in Europe in the future.

10 Following all the presentations and discussions, the following resolutions were adopted for follow-up action by UFEA.

- UEFA, on behalf of all flower farms, should request GOU to review taxation issues which are constraining the growth of the industry. In particular, capital items for flower farms should be exempt from VAT, and there should be a duty drawback on items such as cartons which are re-exported
- The GOU should provide a facility, possibly using STABEX funds, to underwrite natural disasters such as *El Nino* which affect the profitability of the industry
- ENHAS and CAA should be encouraged to cooperate in improving handling systems at Entebbe, to bring the USAID-funded cold store into operation at a realistic cost, and to look at the possibility of consolidating shipments to reduce costs
- GOU and donors should be approached to set up a permanent research programme which will serve the long-term interests of the flower industry
- Donors and Makerere University should be approached to fund increased levels of training in codes of practice, management and agronomy, based upon the work already initiated by MU and the IDEA Project
- A list of reliable and well-qualified floriculture consultants should be prepared and made available to floriculture investors and donors
- A system should be established for joint tendering to reduce the cost of essential farm inputs
- A final draft of the Code of Practice should be completed by January 1999, with proposals for an appropriate training programme
- Investors in the floriculture industry should be assisted in the re-structuring of their loans on realistic terms, and in re-financing where necessary

UGAFLOR '98

OPENING SESSION

- Introductory remarks by *Mr Vincent Ssenyonjo, Chairman-UFEA*
- Introductory remarks by *Mr Clive Drew, Chief of Party, ADC/IDEA Project*
- Official Opening by *Hon Syda Bbumba - Minister of state for Economic Monitoring*

Introductory Remarks:

By

Mr Vincent Ssenyonjo, Chairman - UFEA

On behalf of the Uganda Flowers Exporters Association (UFEA), I would like to extend a special welcome to our Chief Guest, Hon Syda Bbumba, I thank you for having accepted to officiate and participate in this Conference We welcome all the dignitaries, and all the participants here today for our annual flower conference, Ugaflor'98

I will take this opportunity to once again congratulate the growers for having survived the previous export season, knowing well how hazardous it treated us all Let us hope that this new season will be more favourable

The objective of Ugaflor is to bring together all the stakeholders in the flower industry in Uganda to discuss and solve problems, achievements, and strategies for strengthening the flower industry in Uganda and making Uganda more competitive and reputable on the world market

Since Ugaflor '96, we have covered many topical issues We concentrated a lot on the future prospects of the flower industry in Uganda, in relation to the market, professionalism/experience of the grower and investment During Ugaflor '97, we looked at some of the factors that might affect our marketing, these include labour, environmental issues and the quality of the flowers that we produce For this year, we are going to concentrate on specific varieties of flowers suitable for our climate, the performance of the varieties that we have presently, future challenges, financing in the flower industry, and direct marketing as the best marketing alternative

The Uganda Flowers Exporters Association (UFEA) is charged with member activities, Ugaflor being one of them, others including membership development, promotion of the flower industry in Uganda both locally and internationally In the future we intend to embark on more activities which include, research into specific varieties, information and data processing, consultancy, just to mention a few

We appreciate and further advocate for government's support in policy issues affecting the industry, for example VAT and other representations we made you Honorable Minister

We cannot forget to thank all efforts put in by non-government organizations that have and continue to assist us in developing the flower industry

We would however request you to continue assist us in our struggles, as you see we are still a baby in this sector, and as such still in need of a lot of assistance

As the flower industry in Uganda progresses, the market demands too are getting fussier We have to be very professional in the way we handle consumer demand, as to satisfy the market The competition is stiff but we too are ready to give it our best shot Our

efforts are very evident, even in this very conference, as you will here from the various presentations

I would like to particularly mention the USAID ADC/IDEA Project for the tremendous support offered to both our Association, and respective farms. And as I speak, they are the very engine behind the ability to hold these annual conferences. Please members, let us give them a big handclap.

Fellow participants, I hope that at the end of this conference our interaction will have created more fertile ground for the excellence of the floricultural sector in Uganda.

UGAFLOR '98

INTRODUCTORY REMARKS

**Clive Drew
Chief of Party
ADC/IDEA Project**

Mr Chairman, Chief Guest Hon Syda Bbumba, Distinguished Guests, Flower Exporters, Ladies and Gentlemen, all other protocol observed

It gives me great pleasure to be in attendance at this third annual event, Ugaflor '98

The USAID funded Agribusiness Development Centre (ADC) has been a partner in the development of Uganda's flowers industry. We have a broad portfolio of NTAE commodities that we deal with, and certainly the flowers industry has been an outstanding success story. The hard currency earnings, employment generation, poverty eradication and enterprise development, plus other spinoffs for Uganda are all positive benefits.

The Uganda Flowers Exporters Association (UFEA) partnership with the ADC has existed for some time. UFEA provides input to the design of the ADC/IDEA project and has remained an active participant on our steering committee. Have we contributed anything in return? Let me just briefly report on some of the direct assistance we have provided to the industry over the past year.

- ▶ Assisting the UFEA Secretariat with some office equipment,
- ▶ Training 20 mid-level managers in a certificate course in applied tropical floriculture, in conjunction with MUFAP Continuing Agricultural Education Centre. This indigenous capacity building initiative has now been conducted twice, and the current participants will be going on a study tour to Kenya next week,
- ▶ Providing a weekly market news bulletin on high value horticulture crops, including a selection of rose varieties, recently upgraded to include specific information on relative performance of Uganda roses in the market,
- ▶ Conducting a performance evaluation of rose varieties in Uganda, including assessment of auction market performance, which Steve New will be presenting today,
- ▶ Providing assistance in the preparation of a set of harmonised regional guidelines and a

Ugandan code of practice for the flowers industry We have just returned from a conference in Zimbabwe last week and there will be a presentation today by COLEACP/CREM - which is a demand driven response to a Ugaflor '97 resolution,

- ▶ Assistance to some of the new firms entering the flowers industry via IDEA funding to the Africa Project Development Facility (APDF) for feasibility studies and cost-sharing on initial management, a subject that Moses Kibirige will cover on today's agenda,
- ▶ Other one-on-one technical counsel to individual firms on a demand-driven basis, and consultations with the financial institutions,
- ▶ Advising potential new entrants on what it takes to be a rose producer and exporter, and
- ▶ Cost-sharing on this conference

Mr Chairman, distinguished guests, ladies and gentlemen, I am sure you will agree that the above interventions by the ADC have been tangible contributions to the development of the industry

I want to particularly thank my colleagues in the ADC, Steve New and Umran Kaggwa, plus Alphine Karimarimo and Asaph Besigye for the time they have devoted to UFEA and to individual firms

It is gratifying that UFEA is able to organise Ugaflor '98 for the third successive year The Uganda flowers industry is one of the most cohesive groups of flowers firms in the entire world! I must encourage all of you to support UFEA and to recognise that we as the donor will continue to phase ourselves out of the picture and expect greater contribution from the individual firms to further strengthen YOUR industry Individual benefits will accrue if you are united

As a challenge, I must state that we are still seeking an adequate critical mass for the industry to be self-sustaining/viable The veterans may recall my paper at Ugaflor '96 where I felt a 200 hectare industry would meet the minimal criteria I still maintain that as realistic, of which most of it must come from expansion of existing firms to benefit from economies of scale The challenge rests with you as individual firms to manage your resources, technology and marketing to your advantage, so during my tenure in Uganda I can witness this realisation

I could say much more, but I see there is a full technical agenda ahead for the day, and we all realise that the topics being covered are of benefit to the entire industry, and further justify the need for producers to work together I will close by saying it gives me great pride to be associated with the industry I thank USAID through Mr Ron Stryker, for the funding support to ADC/IDEA, to all the subsequent presenters and my wishes for successful deliberations today As I look around the room I see a large representation of the industry and other stakeholders, which bears testimony to the relevance of this event

**SPEECH DELIVERED
BY**

**HON. SYDA BBUMBA
MINISTER OF STATE FOR ECONOMIC MONITORING
OFFICE OF THE PRESIDENT**

**AT THE OPENING OF THE FLOWER CONFERENCE UGAFLOR'98
ON 16TH SEPTEMBER, 1998
AT AFRICANA HOTEL**

The Role of Flower Industry in Uganda

The Chairman Uganda Flowers Export Association, the patron of Uganda Flowers Export Association, other dignitaries, the Director from USAID, officials from ADC/IDEA Project, invited guests, ladies and gentlemen

First of all, I would like to thank the organizers of this conference, for having invited me to officiate and participate in this important function

The theme chosen for this year has a very important bearing on the current world trend in the flower export industry and is very timely and relevant to the present situation of the flower sector in Uganda

1 0 Introduction

As you are all aware, Uganda has for the last 20 years been depending on foreign exchange earnings from traditional cash crops like coffee, cotton, tea and tobacco. Where coffee has been dominating the export sector while contributing about 64% of the total exports to GDP

Unfortunately, coffee contribution to GDP has been unstable due to the fluctuation in world prices and quality control, hence the need for diversification of the economy

As a way of diversifying the economy, the NRM Government looks at non-traditional crops as key players in this effort. The promotion of non-traditional exports was to reinforce the government economic policy reform after the introduction of the structural adjustment program

In this regard that his excellency the President himself advocated for the introduction and growth of flower industry in Uganda

2 0 Flower Industry in Uganda

The government recognizes and appreciates the role played by the flower industry in Uganda. It contributes to foreign exchange earnings and other economic and social activities. In just five (5) years since the inception of this sector, a lot has been achieved in this sector

- The flower industry plays a vital role in foreign exchange earnings
- It has created employment. Currently it employs over 4,000 people of whom 85% are women
- It has played a big role in diversification of the economy by increasing export of non-traditional crops
- It has contributed to the government objectives of widening the tax base
- It has played a vital role in poverty eradication through provision of jobs and increasing income of rural community

- It has created new opportunities for technical skills and careers in modernizing agriculture
- It has provided training to the personnel in the specialized skills of flower production
- It has promoted the production of high value crops where we have a comparative advantage

I am grateful for the work done by the Uganda Flowers Exporters Association in bringing together all flower stakeholders in Uganda. The NRM government is willing to join you in reviewing and streamlining policies to strengthen and promote the rapid growth of the flower industry. I would like to encourage this togetherness where you speak with one voice. Government will continue to support you in this effort.

I also wish to thank donors such as World Bank, USAID, through its programmes of ADC/IDEA Project, Private Sector Foundation, PRESTO and Business Uganda Development Scheme for the continuous support they are giving to the flower industry in Uganda.

3 0 Problems

Government is fully aware of the problems faced by investors in the flower industry in Uganda especially with regards to unfavourable market, unfavourable loan terms and conditions, foreign exchange rate fluctuations especially now, the effect of El-Nino, lack of adequate facilities at the airport and low cargo air transport.

1 Lack of Direct Market

This is the most outstanding problem with the flower industry. All flower exports were designed to supply flower Dutch auctions managed by Dutch growers. Due to competition in this industry, Dutch growers developed strategies to keep non-Dutch growers out of the market by under selling the local produced flowers compared to the imported ones.

- Non-Dutch flowers are always second grade at auctions, hence they fetch lower prices than normal
- If you sell through auctions, a commission of 21% on gross sale is charged, reducing net profits
- Whereas payments on sales are made in Dutch guilders, loans are given in US\$ and the currency exchange rates of US\$ vis-a-vis the Dutch guilders keep on fluctuating, causing losses on the suppliers side

2 Borrowing

Banks play a vital role in giving loans to investors in this sector. However, formalities involved in getting these loans are complicated and long hence hindering investor's speedy credit accessibility for rapid development.

The interest rates are very high on long term loans whereas inflation is low

3 Inadequate Infrastructure

Most flower firms are located in rural areas where facilities like roads, electricity etc are poor. Sometimes investors tend to over-borrow to meet the cost of these facilities since flowers are perishable commodities and therefore need proper preservation to maintain the quality.

The problem is made worse by lack of adequate facilities at the airport. Lack of easy air connections to certain countries and the low cargo traffic calling at Entebbe.

4 Weather

Although Uganda has favourable climatic conditions recently changes occurred with el-nino rains which affected most agricultural production. Government is now trying to forewarn farmers on weather changes through constant meteorological monitoring.

4 0 Suggestions

I wish to encourage you continue with the following efforts you have already started on exploring ways and means of entering direct markets to avoid auctions so that you maximize profits.

- Improved on the quality of flowers through selection of good varieties and value added through proper packaging methods, to suit the international standards
- Proper management is extremely necessary for proper implementation of your projects especially in production, and financial management
- Flower investors where possible should use more of equity financing than loan products and employ specialized management for better results

It is my hope that at the end of this conference, you will come out with solutions and the way forward that will enhance Uganda's position internationally as a reputable and reliable supplier of excellent quality flowers.



UGAFLO^R '98

PART ONE

- Past Performance and Future Challenges of the Uganda Flower Industry by *Dr Steve New ADC/IDEA Project*



**Performance of Rose Varieties Grown
Commercially in Uganda 1993-98**

September, 1998

Prepared by the
Agribusiness Development Centre (ADC)
Uganda's Investment in Developing Export Agriculture (IDEA) Project

A USAID-funded Project
Chemonics International, Inc
Technical assistance for this report provided by Fintrac, Inc
Contract # 623-C-00-95-00040-00

<u>CONTENTS</u>		Page
1	INTRODUCTION	3
2	ROSE VARIETIES GROWN COMMERCIALY IN UGANDA	4
3	ROOTSTOCKS	6
4	YIELDS	8
5	PRICES	11
6	GROSS REVENUES OBTAINED FROM ROSE PRODUCTION IN UGANDA	14
7	COST OF ROSE PRODUCTION IN UGANDA	16
8	POTENTIAL VARIETIES FOR UGANDA	17
9	RETURNS FOR ROSE VARIETIES IN UGANDA AND AFRICA	20
10	DISCUSSION	24
11	RECOMMENDATIONS	26

Graphs

Graph 4 4	Life cycle of tea and sweetheart varieties in Uganda
Graph 5 2	Prices of tea roses
Graph 5 4	Prices of sweetheart roses
Graph 12 1	Market share for tea roses
Graph 12 2	Market share for sweetheart roses

Tables

Table 2 1	Rose varieties grown commercially in Uganda
Table 4 1	Yields of tea varieties
Table 4 2	Yields of sweetheart varieties
Table 4 3	Yields of spray varieties
Table 5 1	Average prices of teas from different countries (inclusive total import)
Table 5 3	Average prices of sweethearts from different countries (inclusive total import)

Table 6 1	Average yields per square meter in Uganda
Table 6 2	Average auction prices for Ugandan roses
Table 6 3	Average return per square meter in Uganda
Table 6 4	Returns for tea varieties from Uganda
Table 6 5	Returns for sweetheart varieties from Uganda
Table 6 6	Returns for spray varieties from Uganda
Table 7 1	Cost price per stem
Table 7 2	Profit per square meter
Table 8 1	Top 11 tea varieties in Uganda
Table 8 2	Top 24 tea varieties in Africa
Table 8 3	Top 10 sweetheart varieties in Uganda
Table 8 4	Top 28 sweetheart varieties in Africa
Table 9 1	Returns for tea varieties in Uganda
Table 9 2	Returns for tea varieties in Africa
Table 9 3	Returns for sweetheart varieties in Uganda
Table 9 4	Returns for sweetheart varieties in Africa

1. Introduction

Rose production for export started in Uganda in 1992. The initial feasibility studies predicted higher returns on investment in roses than for any other potential export crop. Experts saw the Ugandan climatic conditions and low labour costs, plus the ready availability of irrigation water, as significant comparative advantages.

Although the early results were good, a combination of falling prices and unexpected technical problems have recently raised doubts about Uganda as an important player in the flower industry. Over the six years that Uganda has been producing roses, the US\$ has appreciated almost 20% against the Dutch guilder, with corresponding effects on production costs and interest charges. At the same time there has been a decrease in real selling price of 30% for tea roses and 27% for sweethearts. These events were not foreseen in the original feasibility studies.

Despite these problems, some farms have continued to perform well, and there is a great variability in the yields and quality being achieved by others. Different growers and buyers give many different reasons for the apparent failure of the industry to meet the original targets. However, the issues of inexperienced "management", and the poor field performance of some popular varieties of rose under Ugandan conditions, appear to be particularly relevant.

The purpose of this report is to analyse the essential facts available from growers and buyers on production levels, quality and prices obtained for different varieties of roses grown to date, and to give recommendations for the future direction of the industry.

Production statistics were collected by ADC staff from the majority of rose farms in Uganda and from UFEA records. Market data was obtained from the VBN, the association of Dutch flower auctions, where the majority of the Ugandan roses are sent. Analysis of this data and preparation of the final report were carried out by Steve New of the ADC and Loek Koop of BVH.

2. Rose Varieties Grown Commercially in Uganda

Table 2 1 shows the different rose varieties currently grown in Uganda. Total area estimated to be under production is 75 hectares, comprising 35 varieties, divided almost equally between hybrid tea and sweetheart types. The most recent farms have planted relatively more sweetheart types, as it has become generally accepted that the traditional tea roses are not performing as well as expected (see below). Data for some promising sweetheart varieties such as "Dream" do not include a full season, and the figures given in table 2 1 may improve as more data becomes available.

Discussions with growers indicated that choice of varieties was based primarily on recommendations from consultants. Very few growers had detailed discussions with buyers, or sought other opinions, before deciding on varieties to plant. Until recently it appears that consultants selected varieties largely on the basis of their previous production experience (often in very different climatic conditions) and the availability of plants at the time of planting.

Uganda has a relatively high average temperature of 24 degrees centigrade and a high relative humidity, whereas greenhouses in Europe are maintained at an average temperature of 18 degrees, also with a high humidity. In Israel the average temperature is generally 20-22 degrees, but at a low humidity. Therefore, in retrospect, it is now clear that more attention should have been paid to the physiological characteristics and disease tolerance of both market varieties and rootstocks before major investments were initiated.

Most varieties seem to age relatively faster under Ugandan conditions than in cooler climates, and all varieties produce flower buds with a lower average number of petals. Varietal trials on various rootstocks (see below) are urgently required so that a list of recommended varieties for Uganda, with good production and market characteristics, can be developed.

Table 2 1 Rose varieties grown commercially in Uganda

Variety	Area (ha)	Type	Colour
Frisco	7,3	sweetheart	Yellow
Lambada	5,5	sweetheart	Orange
Souvenir	4,0	sweetheart	Purple
Rodeo	3,0	sweetheart	Red
Dream	2,8	sweetheart	Pink
Sacha	2,5	sweetheart	Red
Europa	1,9	sweetheart	Pink
Escimo	1,5	sweetheart	White
Gabriella	1,2	sweetheart	Red
Golden times	1,0	sweetheart	Yellow
(Stacey) Steffi	1,0	sweetheart	Pink
Lambada	1,0	sweetheart	Orange
Golden Gate	1,0	sweetheart	Yellow
Jaquar	0,7	sweetheart	Red
Vanilla	0,6	sweetheart	Yellow
Baronesse	0,3	sweetheart	Red
Royal Dream	0,3	sweetheart	Pink
First Red	18,0	tea	Red
Prophyta	5,1	tea	Cream/pink
Konfetti	3,5	tea	Yellow (bicolour)
Nicole	1,7	tea	Two colours
Cream Prophyta	1,3	tea	Cream
Black Magic	1,2	tea	Red
Corvette	1,1	tea	Red
Ravel	1	tea	Rose
Aalsmeer Gold	0,6	tea	Yellow
Escada	0,5	tea	Red
Orange Unique	0,5	tea	Orange
Saphir	0,5	tea	Pink
Ambiance	0,5	tea	Two colours
(La) Minuette	0,4	tea	Rose
Noblesse	0,3	tea	Pink
Starlite	0,3	tea	Yellow
Naomi	0,3	tea	Rose
Rumba	1,1	spray rose	Yellow

3. Rootstocks

Commercial Rose varieties are commonly weak on their own roots and for that reason are grafted on to a rootstock with known growth characteristics and disease tolerance. Other advantages such as a higher yield and increased stem length may also result from grafting. Therefore, the performance of a rose variety should always be evaluated in combination with its rootstock.

Most varieties in Uganda are grafted on *Rosa chinensis* 'Indica', a fast-growing rootstock which is popular in Israel, or on *Rosa canina* 'Inermis', a common rootstock in Holland. Table 4.1 shows most of the combinations of variety and rootstock which have been planted to date. Differences in performance between varieties and between individual farms were so great, that it was impossible from the data collected to show any significant differences between rootstocks. Nevertheless, it is possible that the fast-growing characteristics of Indica combined with climatic conditions in Uganda which favour continuous vegetative growth, may lead to rapid ageing of the plant. This may not be a disadvantage if the plant can also produce a very high yield of flowers during its productive period, but the shorter economic life will have a significant effect on the cash flow forecasts previously used in feasibility studies.

For future guidance it is essential that different rootstocks be compared in controlled trials under Ugandan conditions. The following rootstocks are available and recommended for testing, and their main characteristics are listed below.

- 1 *Rosa chinensis* 'Indica'
- 2 *R. canina* 'Inermis'
- 3 *R. canina* 'Natal Briar'
- 4 *R. multiflora*
- 5 *R. manetti*

R Indica advantages

- grows fast at high pH and in a range of soil structures
- gives increased stem length (as does *R. Natal Briar*)
- good producer (like *R. Natal Briar* and *R. multiflora*)

disadvantages

- sensitive to *Agro-bacterium tumefaciens*
- sensitive to powdery mildew (especially in Uganda)
- sensitive to some viruses
- bud shape performance is lower than other rootstock
- often a pale colour with soft colours

R Inermis

advantages

- good colour and good bud appearance
- longer economical lifecycle (7 years)
- rootstock always healthy (seedlings)

disadvantage

- requires a good soil structure and an adequate fertilisation

R. Natal Briar

advantages

- produces an increased stem length (as R. Indica)
- good colour and good bud appearance

disadvantages

- not suitable for all varieties
- sensitive to "stress" caused by adverse climate or other factors

R multiflora

advantages

- high producer like R. Indica and R. Natal Briar
- starts producing fast
- good recovery capacity
- reacts fast to irrigation

disadvantages

- often produces pale colours (particularly for yellow and orange varieties)
- short economic lifecycle (maximum 4 years)

R manetti

Little known on the performance in Africa. However it is expected to give higher production, but with reduced quality of blooms

4. Yields

The average marketable yields of all varieties grown commercially in Uganda are shown in tables 4 1-4 3 and graph 4 4 The data was provided by farm owners, managers or consultants, either from farm records or, where these were not available, from their best estimates The figures given are averages, usually from 5-10 farms, depending on variety, although the areas for some recently-introduced varieties are very small and may not reflect a complete season No attempt was made to adjust data for differences in management or cultivation systems used on different farms

The yields given refer to *marketable* yield and some growers made the valid point that since market quality requirements have increased in recent years, figures quoted for 1994 may not be exactly comparable to yields for 1997 Despite these limitations in the data collection, the figures are the best available estimates which growers could provide of their *actual* yields

Table 4 1 Yields of Tea Hybrid Varieties

	Root-stock	First year	Second year	Third year	Fourth year	Fifth year	Average
Aalsmeer gold	Indica	110	120	160			130
Ambiance	Indica	36	86	36			53
Black magic	Indica	40	96	120			85
Corvette	Indica	100	190				145
Cream Prophyta	Inermis	71	120	42			78
First Red	Indica	110	125	125	120	100	116
First Red	Inermis	95	134	115	110	110	113
Konfetti	Inermis	140	165	150	120		144
Naomi	Indica	100	120	140			120
Nicole	Indica	110	80	80			90
Nicole	Inermis	60	100	100	60	50	74
Prophyta	Indica	198	155	140			164
Prophyta	Inermis	156	179	138	130		151
Ravel	Inermis	80	80	75			78
Versilia	Indica	52	150	60			87
Average		97	127	106	108	87	105

Average yields of hybrid tea roses over five years, as shown above, range from 53 flowers per square metre for Ambiance to 164 for Prophyta, with an overall average of 105 marketable flowers per square metre per year for all varieties Differences between rootstocks were not significant

Yields appear to reach a peak in the second year of full production and deteriorate either gradually or rapidly in years 3-5, depending on variety (see graph 4 4) Many reasons were given for this deterioration, which can be summarised as

- lack of vigour, resulting in low yields
- poor quality because of small flower size, malformations and leaf appearance

The need for high levels of chemical application under high humidity conditions was also suggested as a possible contributory factor to the short life of some disease susceptible varieties

Table 4.2 Yields of Sweetheart Varieties

	Root-stock	First year	Second year	Third year	Fourth year	Fifth year	Average
Dream	Inermis	180	220				200
Eskimo	Indica	150	300				225
Europa	Indica	164	209	270			214
Frisco	Indica	300	285	338	330	260	303
Gabriella	Inermis	150	220	220	190	150	186
Golden times	Indica	120	250				185
Jaquar	Inermis	150	220	220	190	150	186
Lambada	Indica	170	350				260
Lambada	Manetti	225	270	370			288
Rodeo	Inermis	119	328	326			258
Sacha	Indica	200	300				250
Souvenir	Indica	100	200				150
Souvenir	Inermis	210	240	245	220	200	223
Average		172	261	284	233	190	228

Average yields of sweetheart varieties over five years, as shown above, ranged from 150 blooms per square metre for Souvenir, to 303 for Frisco, with an overall average of 228 marketable blooms per square metre per year for all varieties. For Lambada and Souvenir there appears to be some significant differences between rootstocks, but this requires further controlled investigation.

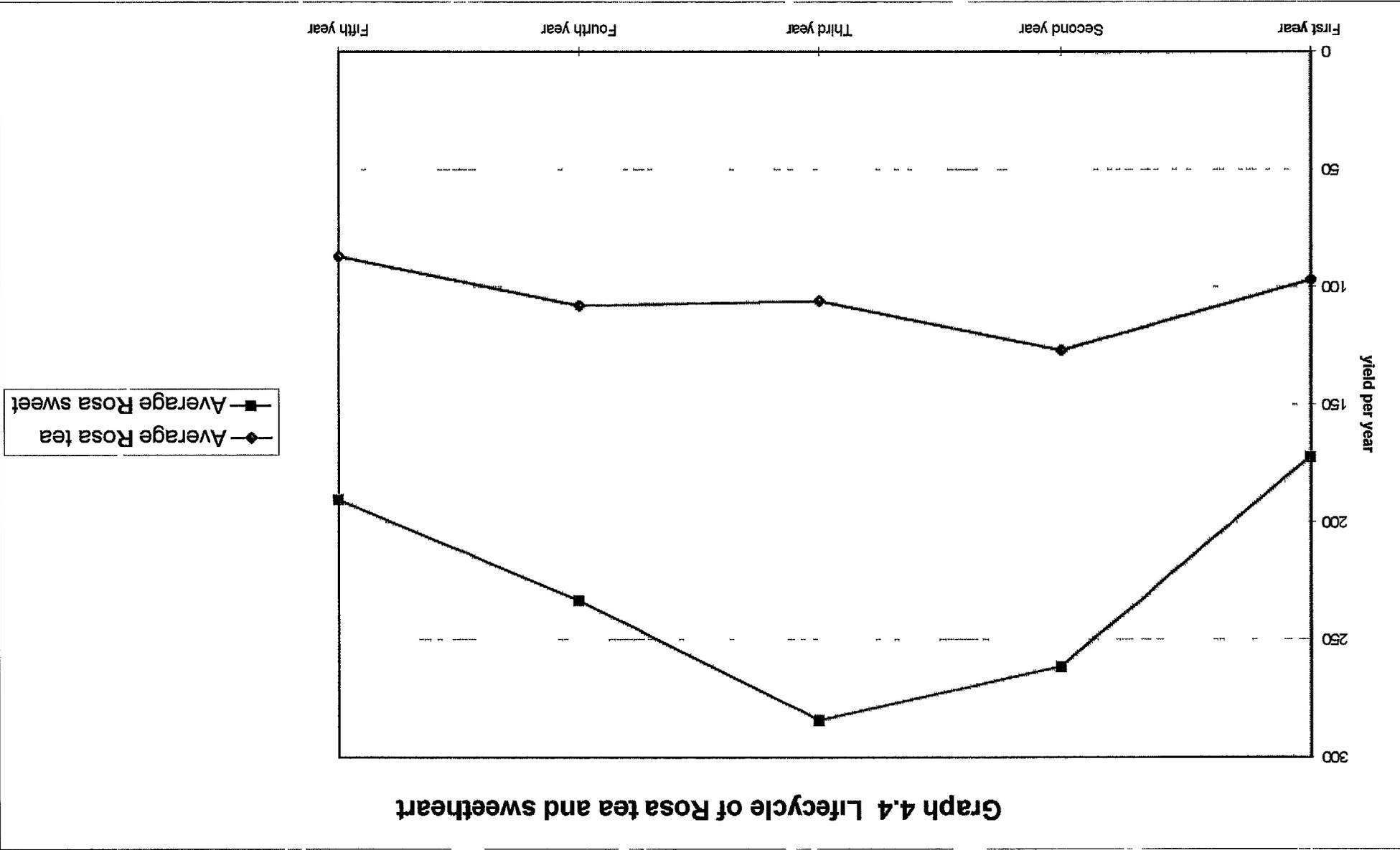
For most varieties, production reached a peak in the third full season and decreased in years 4-5 but not at the same rate as for hybrid tea types. Quality problems for sweethearts were generally less than for tea varieties, particularly for the high yielding types such as Frisco, Rodeo and Lambada.

Table 4.3 Yields of Spray (outdoor) Varieties

	Root-stock	First year	Second year	Third year	Fourth year	Fifth year	Average
Rumba	Inermis	85	133	110	88		104
Average		85	133	110	88		104

Outdoor roses were only grown by three farms, and yields are given above for Rumba to indicate that the same pattern of production occurred with a peak in year 2, followed by deterioration in yield and quality in years 3-4.

Graph 4.4 Lifecycle of Rosa tea and sweetheart



5. Prices

Average prices obtained by Ugandan roses in all the Dutch Auctions for the past three seasons are shown below in tables 5 1 & 5 3 and graphs 5 2 & 5 4 They are compared with the prices obtained for all imports and for other selected countries

Table 5 1 Average Prices of Hybrid Tea Varieties

	1995/1996	1996/1997	1997/1998
Zimbabwe	0.40	0.37	0.35
Zambia	0.41	0.38	0.36
India	0.42	0.36	0.38
Uganda	0.43	0.38	0.30
Israel	0.47	0.34	0.28
Kenya	0.47	0.42	0.39
Tanzania	0.48	0.47	0.43
Netherlands	0.67	0.65	0.69
All imports	0.44	0.37	0.35

As shown above, prices for all imports of hybrid tea roses have dropped by 20% over the past three years Ugandan performance has deteriorated slightly and in 1997/98 Ugandan average prices were lower than those obtained by Tanzania, Zambia and India Although average prices for all imports went down, prices for Dutch home-produced roses increased slightly, illustrating the higher quality awareness of the market

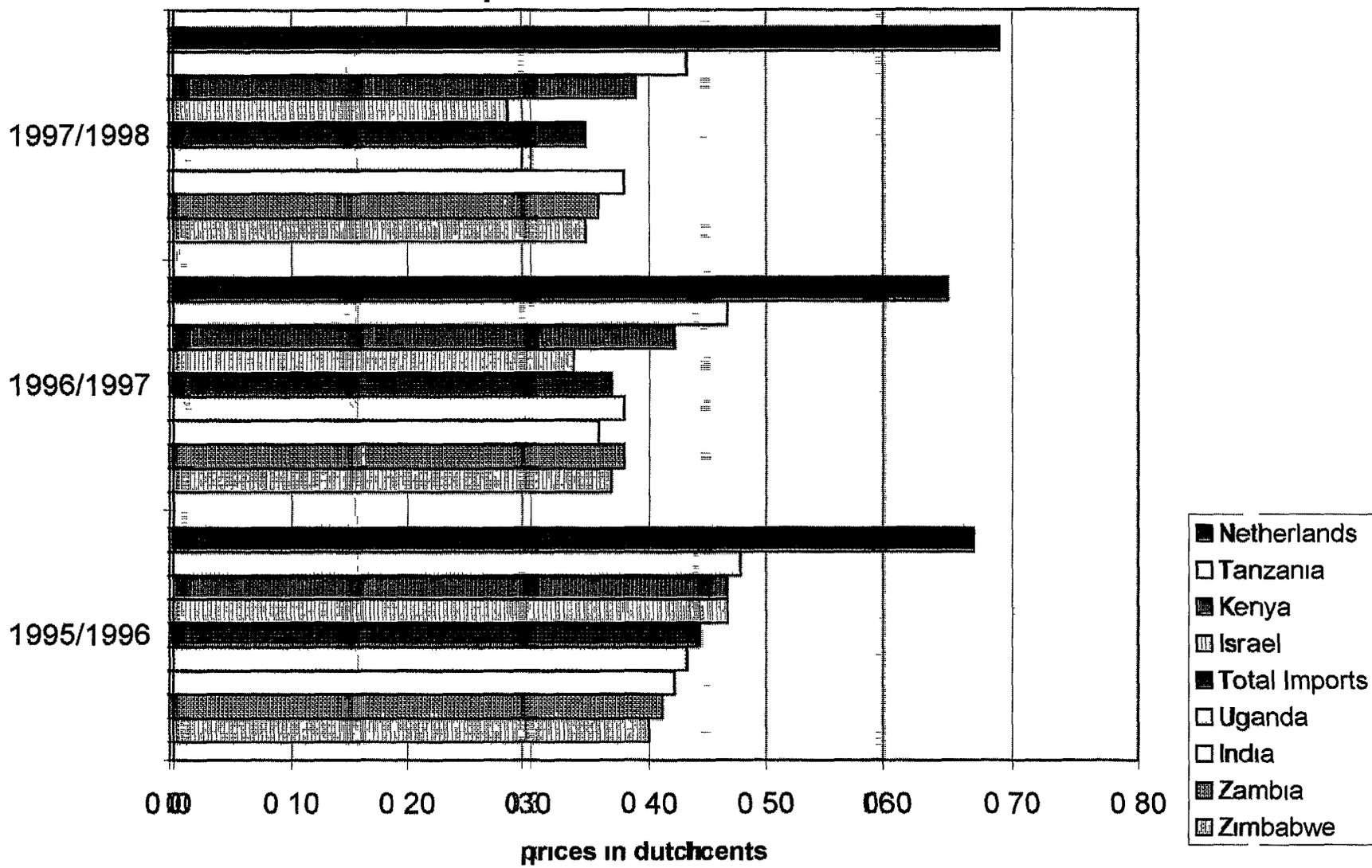
Table 5 3 Average Prices of Sweetheart Varieties

Source	1995/1996	1996/1997	1997/1998
Zimbabwe	0.32	0.28	0.25
Zambia	0.34	0.32	0.27
India	0.28	0.27	0.24
Uganda	0.29	0.24	0.21
Israel	0.40	0.30	0.27
Kenya	0.32	0.30	0.25
Tanzania	0.31	0.32	0.27
Netherlands	0.36	0.32	0.31
All Imports	0.36	0.32	0.27

As shown above, average prices of all imported sweetheart roses went down by 25% over the past three seasons, with Dutch sweetheart prices decreasing by 13% This reflects the over-supply of small roses at certain times of the year

In 1997/98 Ugandan sweethearts, on average, were the lowest priced roses of this type on the market

Graph 5.2 Prices of roses



6. Gross Revenues Obtained from Rose Production in Uganda

6.1 Analysis by Type

Tables 6.1 and 6.2 summarise the yield and price data given above in sections 4 and 5. The data is combined in table 6.3 to calculate the gross market returns per square metre per year obtained by Ugandan tea and sweetheart roses, over the past three years.

Table 6.1 Average Yield per square meter in Uganda

Variety	95/96	96/97	97/98	Average
Tea	108	115	108	110
Sweetheart	225	196	257	226

Table 6.2 Average auction prices Uganda

Variety	95/96	96/97	97/98	Average
Tea	0,43	0,38	0,30	0,37
Sweetheart	0,29	0,24	0,21	0,25

Table 6.3 Average return per square meter in Uganda

Variety	95/96	96/97	97/98	Average
Tea	46,44	43,70	32,40	40,85
Sweetheart	65,25	47,04	53,97	55,42

On the basis of these figures, which are based on *actual* prices obtained, and *actual* yield data provided by growers, it is clear that sweetheart types in general are significantly more profitable than hybrid tea types in Uganda. It is also clear that financial returns in guilders have decreased by 12% for tea roses and 15% for sweethearts over the past three years. Any future financial planning should take these results into consideration, since they vary significantly from the figures used in most of the existing feasibility studies.

6.2 Analysis by Variety

Tables 6.4, 6.5 and 6.6 utilise the same data to show market returns per square metre for most varieties grown in Uganda. The number of flowers of each variety sold at the Dutch auctions is also shown for the season 1997/1998, to indicate the relative importance of each variety in Uganda.

Konfetti, First Red, Prophyta and Corvette are the most successful large roses. However, returns for the top nine sweetheart types are all higher than returns for Konfetti and First Red. Frisco, Lambada, Eskimo, Sacha and Rodeo are the top five sweethearts. Returns from Rumba, the only spray rose reported, were low compared to the best performing tea and sweetheart types.

Table 6 4 Returns for Hybrid Tea Varieties

Rosa tea	Number of flowers in 1997/1998	Production per M2 per year	Prices in 1997/1998	Return per M2
Konfetti	1 317 560	144	0,27	f1 38,88
First Red	7 166 460	115	0,33	f1 37,95
Prophyta	895 880	158	0,24	f1 37,92
Corvette	577 890	145	0,25	f1 36,25
Naomi	144 720	120	0,29	f1 34,80
Nicole	136 960	82	0,40	f1 32,80
Aalsmeer Gold	395 920	130	0,23	f1 29,90
Black Magic	830 595	85	0,28	f1 23,80
Ravel	155 360	78	0,30	f1 23,40
Ambiance	349 840	53	0,27	f1 14,31
Saphir	283 960		0,24	
Orange unique	130 200		0,33	

Table 6 5 Returns for Sweetheart Varieties

Rosa sweetheart	Number of flowers in 1997/1998	Production per M2 per year	Prices in 1997/1998	Return per M2
Frisco	3 112 770	303	0,22	f1 66,66
Lambada	2 235 460	274	0,23	f1 63,02
Escimo	388 560	225	0,26	f1 58,50
Sacha	958 780	250	0,23	f1 57,50
Rodeo	1 151 180	258	0,22	f1 56,76
Golden times	754 420	185	0,26	f1 48,10
Gabrielle	21 780	186	0,23	f1 42,78
Europa	800 620	214	0,19	f1 40,66
Dream	193 440	200	0,20	f1 40,00
Souvenir	1 413 280	187	0,20	f1 37,40
Vanilla	1 885 260		0,16	
Steffi	723 280		0,19	
Calibra	252 640		0,11	

Table 6 6 Returns for Spray Varieties

Spray Roses	Number of flowers in 1997/1998	Production per M2 per year	Prices in 1997/1998	Return per M2
Rumba	329 670	104	0,19	f1 19,78

It is clear from the data shown above that sweetheart roses in Uganda give the best return per square meter compared to tea roses and spray roses. There are also substantial differences between varieties within each group. However, these are average figures and the effect of different management systems is not considered. It is known from well-documented studies in Holland that it is possible to measure yield differences of 100% within the same variety, between different growers. This effect was also observed during data collection in Uganda.

7. Cost of Rose Production in Uganda

Costs of production vary significantly between farms, and it is difficult to obtain accurate data. Nevertheless, some attempt is made below to calculate average figures for Uganda and for other countries in East and Southern Africa.

Calculations are based on a report of ABN AMRO Bank (N N, Position of Dutch growers in comparison with African growers, June 1995, Amsterdam) and from data collected by the ADC. All calculations have been adjusted to take account of exchange rate changes which have taken place, and the rate used for calculation is US\$1.00 to f203.00. It is assumed that 75% of the cost price will be paid in dollars.

Table 7.1. Cost price per stem (Dutch guilders)

	Sweetheart	Tea
Uganda	0,22 - 0,24	0,46 - 0,48
Africa	0,23 - 0,27	0,47 - 0,54
Netherlands	0,29 - 0,45	0,45 - 0,65

Comparing table 7.1 and the average yield from table 6.1, the costs per square meter in Uganda for 'sweetheart' and 'tea' can be calculated. Thus, the cost price for sweetheart is f51,98 and for tea f51,70 per square meter. With the average returns from table 6.3 and the cost price per stem in table 7.1 (multiplied by the production per m²) it is possible to calculate the net profit margin per square meter (table 7.2).

Table 7.2 Profit per square meter

	Sweetheart	Tea
Return (earnings)	55,42	40,85
Cost price	51,98	51,70
Profit	3,44	-10,85

These figures indicate that sweetheart roses, *on average*, generate a gross profit of f34,000 per hectare in Uganda, but that tea roses, *on average*, are produced at a loss of over f100,000 per hectare.

Since Uganda can produce high yields of some varieties of sweetheart rose at a relatively low cost price, this should be the basis of all future varietal selection and marketing strategies.

8. Potential Rose Varieties for Uganda

Research into rose varieties which can be grown and marketed profitably under Ugandan conditions is clearly essential for the survival of the industry

To illustrate the range of varieties with possible potential for Uganda, four tables are given below to show the varieties grown in Uganda, compared with other African countries (Kenya, Tanzania, Zimbabwe, Zambia) The key parameters of market volume, colour, yield (production), average stem length and vase life are shown for every variety

Each table contains the following information

- (1) Varietal ranking in number of stems supplied to the auctions in 1997/98
- (2) The correct name of the variety,
- (3) Total quantity of stems supplied to the auctions in 1997/98
- (4) The main countries of production (tables 8 2 and 8 4)
- (5) The colour of the variety
- (6) Production per M2 per year
- (7) Average stem length (cm)
- (8) Average vase life (days)

Table 8 1 Top 11 Hybrid Tea Roses in Uganda

	Variety	Amount	Colour	Production	Stem length	Vase life
1	First Red	7 164 760	Red	120 - 140	60-80	9-10
2	Konfetti	1 322 260	Yellow (bicolour)			
3	Prophyta	895 260	Cream	220 - 240	50-55	12-14
4	Black Magic	820 455	Red	160 - 180	70-100	10-12
5	Corvette	583 540	Red	180 - 200	70-80	10-12
6	Aalsmeer Gold	393 840	Yellow	180 - 200	50-70	9-11
7	Ambiance	349 840	Yellow/red	140 - 170	50-75	9-10
8	Saphir	283 960	Pink	160 - 180	60-80	12-14
9	Ravel	151 100	Purple	120 - 140	80-100	10-12
10	Naomi	144 720	Pink	130 - 140	80-90	11-12
11	Nicole	137 980	White/purple	80 - 90	50-70	6-7

Table 8 2 Top 24 Hybrid Tea Roses in Africa

	Variety	Amount	Main country	Colour	Production	Stem length	Vase life
1	First Red	53 800 140	Kenia, Uganda	Red	120 - 140	60-80	9-10
2	Noblesse	29 746 890	Zimbabwe, Zambia	Pink	160 - 200	50-80	10-12
3	Konfetti	20 598 284	Kenia, Tanzania	Yellow (bicolour)	-		
4	Tineke	15 703 600	Kenia	White	150 - 170	70-80	7-9
5	Prophyta	13 744 852	Kenia	Cream	220 - 240	50-55	12-14
6	Cream Prophyta	9 530 506	Kenia, Zambia	Cream	220 - 240	50-55	12-14
7	Escada	9 181 810	Zimbabwe	Red	180 - 200	50-75	12-14
8	Suplesse	9 034 700	Zimbabwe, Zambia	White/pink	160 - 200	50-80	9-12
9	Corvette	8 109 150	Kenia	Red	180 - 200	70-80	10-12
10	La Minuette	7 176 150	Zimbabwe, Zambia	Pink	-		
11	Saphir	6 098 950	Kenia, Zimbabwe	Pink	160 - 180	60-80	12-14
12	Sweetnesse	6 010 210	Zimbabwe	Pink	160 - 200	50-80	9-12
13	Grand Gala	4 995 195	Zimbabwe	Red	120 - 140	60-80	7-9
14	Vivaldi	4 983 380	Kenia	Pink	120 - 140	80-100	10-12
15	White Noblesse	4 432 120	Zimbabwe	White	160 - 200	50-80	9-12
16	Black Magic	4 011 950	Tanzania	Red	160 - 180	70-100	10-12
17	Monica	3 680 210	Kenia	Orange/yellow	80 - 120	40-60	7-9
18	Ravel	3 145 190	Kenia	Purple	120 - 140	80-100	10-12
19	Pareo	2 702 885	Kenia	Orange/cream	150 - 170	60-70	10-12
20	Bo	2 658 440	Kenia	Salmon	110 - 120	70-100	8-10
21	Starlite	2 397 070	Kenia	Yellow	160 - 180	60-80	10-12
22	Nicole	1 732 170	all countries	White/purple	80 - 90	50-70	6-7
23	Golden Monica	1 711 670	Kenia	Yellow	80 - 120	40-60	10-14
24	Ambiance	1 468 900	Kenia	Yellow/red	140 - 170	50-75	9-10
	Aalsmeer Gold	423 660	Uganda	Yellow	180 - 200	50-70	9-11
	Naomi	160 360	Uganda	Pink	130 - 140	80-90	11-12

Variety	Amount	Main country	Colour	Production	Stem length	Vase life
1 Golden Times	23 618 896	Kenia	Yellow	160 - 180	50-60	8-11
2 Lambada	20 105 280	Kenia	Orange	180 - 200	40-60	10-12
3 Frisco	18 259 662	Kenia	Yellow	300 - 320	35-55	17-20
4 Baronesse	12 697 905	Kenia	Red	210 - 240	50-70	10-12
5 Sacha	11 277 341	Kenia, Zimbabwe	Red	240 - 260	45-55	14-16
6 Ilseta	9 438 800	Zambia, Zimbabwe	Pink	170 - 190	50-70	12-14
7 Vanilla	8 431 170	Kenia	Yellow	220 - 260	45-65	12-14
8 Maasai	8 201 170	Tanzania	Red	-		
9 Rodeo	8 130 540	Kenia	Red	300 - 320	35-55	15-17
10 Kiss	7 433 557	Kenia	Pink	220 - 260	45-65	12-14
11 Dream	7 249 918	Kenia	Pink	220 - 250	50-70	12-14
12 Jazz	5 838 740	Zimbabwe	Orange	250 - 320	40-60	12-15
13 Escimo	5 633 692	Kenia	White	300 - 320	35-55	14-17
14 Souvenir	5 479 900	Kenia, Uganda	Purple	280 - 310	40-50	12-14
15 Tina	4 444 980	Kenia	Orange	360 - 400	40-50	12-14
16 Europa	3 348 488	Kenia, Uganda	Pink	280 - 310	40-50	12-14
17 Gabrielle	2 762 440	Kenia	Red	180 - 210	40-55	9-11
18 Calibra	1 944 734	Zimbabwe	Red	250 - 300	40-55	14-16
19 Amore	1 891 642	Kenia	Purple	300 - 320	35-55	17-20
20 Mercedes	1 642 342	Zimbabwe	Red	180 - 210	40-55	9-11
21 Angelika	1 584 900	Zimbabwe	Pink	-		
22 Pistache	1 436 720	Kenia	Green/yellow	260 - 280	50-60	12-14
23 Renee	1 273 800	Kenia	Pink	260 - 280	40-60	12-14
24 Safari	1 242 680	Kenia	Cream	300 - 320	35-55	15-17
25 Jaguar	1 154 560	Kenia	Red	-		
26 Steffi	1 027 600	Uganda	Pink	200 - 250	50-70	14-16
27 Kardinal	927 140	Kenia	Red	150 - 170	45-55	8-9
28 Cora	922 780	Zambia	Red	-		

Table 8 4 Top 28 Sweetheart Roses in Africa

Variety	Amount	Colour	Production	Stem length	Vase life
1 Frisco	3 138 450	Yellow	300 - 320	35-55	17-20
2 Lambada	2 236 740	Orange	180 - 200	40-60	10-12
3 Vanilla	1 870 860	Yellow	220 - 260	45-65	12-14
4 Souvenir	1 440 720	Purple	280 - 310	40-50	12-14
5 Rodeo	1 210 620	Red	300 - 320	35-55	15-17
6 Sacha	948 140	Red	240 - 260	45-55	14-16
7 Europa	809 740	Pink	280 - 310	40-50	12-14
8 Golden Times	772 560	Yellow	160 - 180	50-60	8-11
9 Steffi	723 280	Pink	200 - 250	50-70	14-16
10 Escimo	413 440	White	300 - 320	35-55	14-17

Table 8 3 Top 10 Sweetheart Roses in Uganda

9. Returns for Rose Varieties in Uganda and Africa

Utilising data given above in sections 6-8, a series of tables are given below to compare potential returns for a wide range of varieties grown in Uganda and other African countries (Kenya, Tanzania, Zimbabwe and Zambia) The returns for other African countries are based on the estimated production, provided to BVH by growers in each country, and the average price of the main country in the season 1997/1998

Each table contains the following information

- (1) Ranking in terms of stems supplied to the auctions in 1997/98
- (2) The correct name of the variety
- (3) Selling price in season 1997/1998
- (4) The number of years sold at Dutch auctions if it is a recent variety
- (5) Production per M2 per year,
- (6) Production forecast in original feasibility studies (tables 9 2 and 9 4)
- (7) Return per square meter

In most cases, the yield figures used in feasibility studies, as shown in tables 9 2 and 9 4, are averages for the rest of Africa, and are significantly higher than the actual yields obtained in Uganda.

Table 9 1 Returns for Hybrid Tea Varieties in Uganda

	Variety	Price in 19'97/1998	n	Production per m2 per year in Uganda	Return per m2
1	First Red	0,33		115	f1 37,95
2	Konfetti	0,27		144	f1 38,88
3	Prophyta	0,24		158	f1 37,92
4	Black Magic	0,28	2	85	f1 23,80
5	Corvette	0,25	2	145	f1 36,25
6	Aalsmeer Gold	0,23	2	130	f1 29,90
7	Ambiance	0,27		53	f1 14,31
8	Saphir	0,24			
9	Ravel	0,30		78	f1 23,40
10	Naomi	0,29	2	120	f1 34,80
11	Nicole	0,40	2	82	f1 32,80

Table 9 2 Returns of Hybrid Tea Roses in Africa (Compared to Uganda Production)

	Variety	Price in 19'97/1998	n	Uganda production	Forecast-Production per m2 per year	Return per m2
1	First Red	0,45		115	130	f1 58,50
2	Noblesse	0,35			180	f1 63,00
3	Konfetti	0,47		144		
4	Tineke	0,37			160	f1 59,20
5	Prophyta	0,31		158	230	f1 71,30
6	Cream Prophyta	0,30		78	230	f1 69,00
7	Escada	0,33			190	f1 62,70
8	Suplesse	0,29			180	f1 52,20
9	Corvette	0,33		145	190	f1 62,70
10	Minuette	0,29				
11	Saphir	0,32			170	f1 54,40
12	Sweetnesse	0,31	2		180	f1 55,80
13	Grand Gala	0,47			130	f1 61,10
14	Vivaldi	0,41			130	f1 53,30
15	White Noblesse	0,35			180	f1 63,00
16	Black Magic	0,45	2	85	170	f1 76,50
17	Monica	0,32			100	f1 32,00
18	Ravel	0,43		78	130	f1 55,90
19	Pareo	0,42			160	f1 67,20
20	Bo	0,32			115	f1 36,80
21	Starlite	0,29			170	f1 49,30
22	Nicole	0,51		82	85	f1 43,35
23	Golden Monica	0,25			100	f1 25,00
24	Ambiance	0,31		53	155	f1 48,05
25	Aalsmeer Gold	0,23	2	130	190	f1 43,70
26	Naomi	0,29	2	120	135	f1 39,15

Table 9 3 Returns of Rosa sweetheart in Uganda

	Variety	Price in 19'97/1998	n	Production per m2 per year in Uganda	Return per m2
1	Frisco	0,22		303	f1 66,66
2	Lambada	0,23	2	274	f1 63,02
3	Vanilla	0,16			
4	Souvenir	0,20		187	f1 37,40
5	Rodeo	0,22		258	f1 56,76
6	Sacha	0,23		250	f1 57,50
7	Europa	0,19		214	f1 40,66
8	Golden times	0,26		185	f1 48,10
9	Steffi	0,19	2		
10	Escimo	0,26	2	225	f1 58,50
11	Gabrielle	0,23	1	186	f1 42,78
12	Dream	0,20	1	200	f1 40,00

Table 9 4 Returns of Rosa sweetheart in Africa

	Variety	Price in 19'97/1998	n	Uganda production	Forecast-Production per m2 per year	Return per m2
1	Golden times	0,27		185	170	f1 45,90
2	Lambada	0,28		260	190	f1 53,20
3	Frisco	0,24		303	310	f1 74,40
4	Baronesse	0,26			225	f1 58,50
5	Sacha	0,24		250	250	f1 60,00
6	Ilseta	0,31			180	f1 55,80
7	Vanilla	0,20			240	f1 48,00
8	Maasai	0,28	2			
9	Rodeo	0,23		258	310	f1 71,30
10	Kiss	0,23			240	f1 55,20
11	Dream	0,26		200	235	f1 61,10
12	Jazz	0,27			285	f1 76,95
13	Escimo	0,26		225	310	f1 80,60
14	Souvenir	0,21		223	295	f1 61,95
15	Tina	0,28			380	f1 106,40
16	Europa	0,26		214	295	f1 76,70
17	Gabriella	0,28		186	195	f1 54,60
18	Calibra	0,21			275	f1 57,75
19	Amore	0,24	1		310	f1 74,40
20	Mercedes	0,31			195	f1 60,45
21	Angelika	0,21				
22	Pistache	0,24	1		270	f1 64,80
23	Renee	0,27	1		270	f1 72,90
24	Safan	0,33			310	f1 102,30
25	Jaquar	0,21		186		
26	Steffi	0,19			225	f1 42,75
27	Kardinal	0,28			160	f1 44,80
28	Cora	0,31				

A number of significant conclusions can be drawn from the tables shown above

- With the exception of Nicole, Golden Times, Lambada, Frisco and Sacha, the yields predicted in feasibility studies, based upon average African production, have been significantly higher than the actual yields achieved in Uganda
- Lambada is the only variety which appears to give higher returns in Uganda compared with other countries, although Frisco and Sacha are not significantly lower than average
- Based upon the statistics, more data should be collected on the performance of high yielding varieties such as Dream, Jazz and Tina under Ugandan conditions

10. Discussion

From the production figures it is evident that, in Uganda, all varieties decline in production volume after the third year. This effect is more significant for large-headed, hybrid tea varieties and less significant for high-yielding, small-headed, sweetheart types. Since previous feasibility studies have predicted an economic life for plants of five years, and yields significantly higher than those actually achieved, all farms need to review their business plans.

The selling price of Dutch hybrid tea roses increased over the last three years, while prices from all African sources, including Uganda, decreased in price. For sweethearts, all selling prices went down. The explanation for this is that quality standards are higher for tea roses compared to sweethearts. As a result, Dutch growers are switching now to the production of tea roses, where they have a comparative advantage, and leaving the production of sweethearts mainly to African countries.

This provides an opportunity for Uganda, since the adverse climatic effects which seem to exist for tea rose production, have less impact on the production of sweethearts. It seems possible that some sweetheart varieties may produce higher yields if grown well under Ugandan conditions.

The main quality standards for tea roses are, impeccable outlook, no damages of any kind, and a daily supply in even quantities. The head should be as big as possible, preferably like the shape of a tulip, as from Ecuador. Price is less important since these flowers go mainly to specialist florists. It is clear from the data collected that Uganda can never meet these requirements, and that tea roses should be gradually phased out of commercial production.

The quality standards for sweethearts are good vase life, good appearance, price as low as possible, because they all end up in the supermarket, and consistent availability in large numbers of homogeneous quality. With appropriate varietal selection, Uganda should be able to compete on price and volume. Vase life, flower appearance and other quality factors depend upon individual management, efficient post-harvest handling systems and the availability of airport infrastructure. There is still room for improvement in all of these areas in Uganda.

Given the unusual climate in Uganda for rose production and the lack of experience of all growers and consultants of production under Ugandan conditions, it is not surprising that results have not been entirely successful. Nevertheless, there are enough positive signs to suggest that if on-farm research continues to be carried out and information shared, it will be possible to develop production systems, and identify appropriate varieties to ensure the future success of the industry. Other factors such as financial re-structuring and alternative marketing systems are also important, but these depend upon efficient production systems and competitive yields being achieved.

Buyers interviewed in Holland did not indicate any prejudice against Ugandan flowers. They commented that sweetheart roses from Uganda are as good as from any other African country, but the delays in transport, plus the continuous danger of a botrytis which follows from these delays, can affect prices. However, if farms can supply regular, good quality, which some already do, they will find a ready market.

Buyers are aware that inadequate airport handling facilities, and irregular air transport are areas of great concern. Quality is often lost due to exposure at the airport to long waiting times in hot and warm weather. In Zambia similar problems existed until 1997/98, when ZEGA, the Zambian growers organisation, took the initiative to improve on airport handling, and to consolidate shipments in order to obtain reliable charters. Zambian prices have now overtaken Uganda in the auctions. A similar initiative is needed in Uganda.

Most farm owners in Uganda are new to the business and have no technical training. This means that they depend on a reliable plan (feasibility study), qualified managers/supervisors and competent consultants. Much more detailed attention should be paid to these key areas of planning and technical management in the future. Most growers in Holland do not have any higher education. However, they live on the farm, spend more than eight hours every day with their roses, share information with each other, and learn from their own mistakes rather than paying expensive managers and consultants. This has ensured their sustainability. The farms most likely to succeed in Uganda in the future will be those which adopt a similar management approach.

11. Conclusions and Recommendations

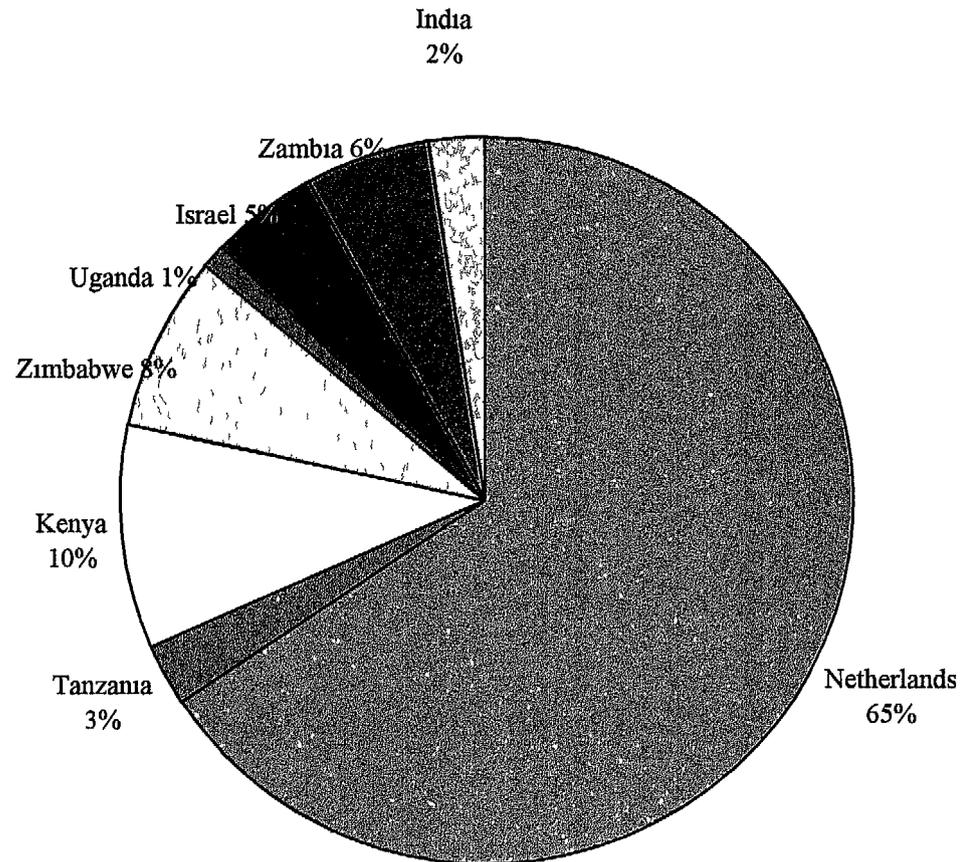
As with any other product or country, there is room for improvement in all aspects of rose growing and marketing in Uganda. The recommendations below relate specifically to the needs identified in this study to

- Identify suitable varieties for Uganda
- Develop production systems which can exploit the potential in Uganda to produce very high volumes of sweetheart roses at low unit cost
- Develop the local expertise and management capability to ensure that sustainable production systems are maintained and improved cost-effectively

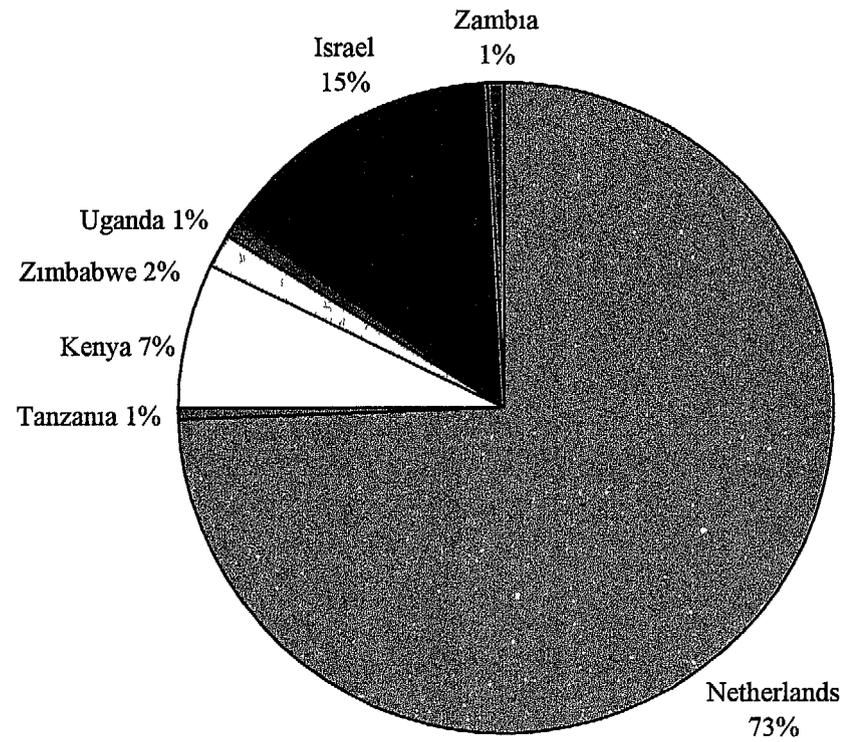
The recommendations are that

- 11 1 High yielding varieties of sweetheart roses should be the basis of all rose farms in the future
- 11 2 Continuous varietal testing in a pilot nursery is essential to identify varieties which perform well under Ugandan conditions. Trials should be carried out on a range of different rootstocks
- 11 3 Specific techniques for growing roses in Uganda need to be developed. Uganda has the potential to produce very high volumes of some varieties at low cost price, but the production systems necessary to achieve this are still lacking
- 11 4 Greenhouses need to be adapted to the hot, humid climate. Steel frames and clean plastic are essential to ensure maximum light conditions. All-round ventilation, greenhouse height and irrigation systems should be designed to minimise temperature
- 11 5 Since the life cycle of roses is shorter than elsewhere, feasibility studies and business plans need to be adjusted before re-financing can be considered
- 11 6 Consultants and managers should be screened more objectively, for their ability to work effectively in Uganda, and to train supervisory staff
- 11 7 Training of supervisors should be increased to enable them to develop local knowledge on production systems appropriate for Uganda

Graph 12 1 Market Share Rosa tea 1997/1998



Graph 12.2 Market Share Rosa sweetheart 1997/1998



UGAFLOR '98



PART TWO

- Post Project Financing by *Mr Moses Kibirige - African Project Development Facility (APDF)*
- The Financier's point of view by *Mr G R Ruhurira, East African Development Bank (EADB)*
- Direct marketing of flowers versus the auction markets by *Ms Marie Fran toise Petitjean (COLEACP)*
- Direct marketing of flowers A grower's perspective by *Mr Vincent Ssenyonjo, Chairman/ UFEA/ MD Nile Roses Ltd*



POST PROJECT FINANCING

Moses Kibirige
African Project Development Facility (APDF)

Introduction

Moses Kibirige of the African Project Development Facility (APDF) reviewed the various types of finance which have been used for setting up rose farms in Uganda. He stressed the need for adequate equity to be available and pointed out that delays in release of loan capital were usually because the sponsors did not have either their equity or documentation available at the right time. The banks are not well equipped for monitoring financial performance of rose farms so it is essential that the borrowers keep good records and communicate regularly with their banks to retain their confidence. He said the business is a dynamic one, with changing conditions, but that finance is still available for good projects.

Below is the framework he used for the presentation with the thematic view of “realities of life” in project financing.

1 SPONSORSHIP

- ◆ Sponsor
- ◆ Administration/Management
- ◆ Financial control
- ◆ Relationship with Bankers

2 TECHNICAL ASPECTS

- ◆ Infrastructure Development (delays/sub-standard)
- ◆ Cost Effective Methods
- ◆ Variety Selection (Review when placing order)
- ◆ Procurement, delays, suppliers, bargain
- ◆ Production, output, quality
- ◆ Market, direct/auction sales, prices (increase/decrease)
- ◆ Projections- Estimates (sensitivity)

3. MANAGEMENT

- ◆ Technical Manager (Technical Assistance)
- ◆ Sponsors Involvement
- ◆ Salary/Benefits

4 FINANCIAL ASPECTS

- ◆ Loans-Banks
- ◆ Equity (source)- sponsors
- ◆ Revenue Management
- ◆ Company Funds
- ◆ Personal (sponsor) funds
- ◆ Mixing Funds
- ◆ Record Keeping/ Accountability
- ◆ Debt Servicing (Principal & Interest)

UGAFLOR'98 

THE FINANCIER'S POINT OF VIEW

BY

G. R. RUHURIRA

EAST AFRICAN DEVELOPMENT BANK

September 1998

10 PREAMBLE

East African Development Bank (EADB) participated in the financing of the pioneer cut rose growing project in Uganda in 1992/93. The Bank has since continued to finance projects in the subsector. The finance extended to the projects has been in one or a combination of the following financial products:

- I Medium/Long Term Loan
- II Equity finance

During the past five years, EADB has financed 8 cut roses projects in Uganda, some of which have retired their loans as tabulated below -

Stage of Development	No	Percentage
Retired Loans	3	38%
Under production	3	38%
Under Implementation	2	24%
Total	8	100%

In all the cases, the Bank has co-financed the investments with other financial institutions (Development Banks and/or commercial Banks)

The co-financing has been deliberate so as to introduce diversification in project evaluation and supervision. It has also enabled sharing of associated risks between the co-financiers.

Most of the projects financed are located within the drainage area of Lake Victoria and have abundant water supplies required for irrigation. The farm sites also have excellent road network connection to Entebbe International Airport through which the flowers are exported. The farm management teams have adequate consciousness on environmental aspects at the farms in application and handling of chemicals, fertilisers, pesticides etc.

The following discussion highlights the key observations in the financier's point of view with a major impact on a successful planning, implementation and operation of a flower growing investment. The presentation is intended to generate a discussion on how to improve the returns for the benefit of the shareholders and financiers of these investments.

20 THE KEY OBSERVATIONS

21 The Project Sponsors

Most of the EADB funded investments are family owned private companies with the shareholders/Directors participating in the day to day management of the projects. This type of arrangement has a major influence on the decision-making mechanism of the company and may in some instances be a disadvantage. It is highly recommended to hire competent

independent management team to run the projects. It is also recommended to have a diversified representation on the Board of Directors beyond the shareholders/family members.

Joint ventures involving local or foreign partners and/or financial institutions introduce opportunities for diversification of ideas in the decision making process.

2.2 Project Planning and Implementation

The cut roses production is mainly for export. In order to maximise returns, the planning and implementation of the new projects should be timed such that they are able to enter the export market in the winter season of Europe. This aspect calls for co-ordinated actions and decisions between the financiers and project promoters. Cases where the timing has not been right, the projects accumulate early financial charges without corresponding projected revenues.

2.3 The Selected Varieties

The projects grow both the large and small flowered hybrids. A minimum of four varieties are grown on each farm. Commercial rose growing in Uganda, however, is not yet fully developed. As a young industry there seem to be difficulties in identifying varieties which suit Uganda's climate and which are attractive to buyers in the external markets. A feedback on the performance of selected varieties should help the growers to select appropriate varieties.

2.4 The Size of the Farm

Initially, development of a 2 hectare farm under roses was considered optimal. The growing of the roses is highly technical and require high initial investment costs. The costs are financed by a mixture of loans from financial institutions and equity. The above optimal farm size has been considered to offer good returns to investors without overly equity contributions by the promoters. The recent trends in the export market (particularly the Dutch Auction Market) however, seem to indicate that growers require initial development of a minimum farm of at least 3 ha. The Bank's recent investments have taken this aspect into consideration.

2.5 Expansion Programmes

Invariably, all the Bank funded investments have undertaken expansions within the first two years of operation. The main reasons being the need to attain economic size thus maximise returns and/or to utilise the excess capacities often embedded in the designs of cold storage, grading hall, generator capacity, water supply, etc. Whereas the expansion programmes are undertaken to benefit all stakeholders, in many cases, the funding has been sourced from expensive Short Term Sources and resulted into impaired cashflows at the detriment of long

term lenders. The expansion programmes should therefore be well planned with appropriate financing.

2.6 Management

The complexity of putting up and operating a rose farm requires a lot of commitment from all stakeholders. The planning stage provides for associated costs of technical management during implementation and operation of the farms. For reasons associated with costs, some entrepreneurs have exhibited reluctance to hire the necessary technical staff to run the farm.

The financial management aspects of the farm are as crucial as the technical management. It is important that implementation of the project include establishment of company's financial policies with appropriate recruitment(s) to manage financial resources of the company. Where this aspect has been lacking, the operations have become cash starved with resultant poor debt service record.

In a related aspect, it is likely that initial project costs have been overstated by entrepreneurs, to maximise loan sizes thereby burdening the projects with higher levels of indebtedness than necessary. It is recommended that start-up investments should aim at minimum debt equity ratios. In cases where entrepreneurs do not contribute the proportionate equity, the projects do not have financial buffers to withstand low operational margins.

2.7 Markets

Rose production is mainly for export market to Europe. The prices' trend has however been unfavourable for the Uganda growers. Margins are becoming thinner and the projected prices have not materialised. Flower production seem to be increasing all over the world, and has become more of a high volume, low margin activity. As Ugandan growers struggle to maintain their competitiveness in the market, it calls for quality production.

In addition to the Dutch Auctions market, the Uganda growers should continue exploring Options for direct sales and other markets.

2.8 Terms and Conditions of Borrowing

The projects are financed by a mixture of medium/long term loans, short term and working capital facilities. It is important to match the sources of finance with items to be financed. For instance, the medium/long term facilities should be utilised to finance capital items. The short term/working capital should not be utilised to finance the capital items. The entrepreneurs should always negotiate the best terms with the lenders. As earlier emphasised, minimum debt equity ratios should always be maintained.

The short term/working capital loans, in local currency, from commercial Banks currently attract an average interest rate of 25% p a The development banks offer medium and long term loans mainly in foreign currency at an average interest rate of 12% p a The interest rates reflect the market rates

Other notable features of the term financing are as follows

i) **Grace Period** This is provided to allow full implementation of the Project before commencement of Principal loan payments During the Grace Period, interest on loan(s) is payable The project costing takes this aspect into consideration and a maximum grace period allowed is 2 years

ii) **Repayment Period** This is determined by the projected cashflows and economic life of the Project An average repayment period of 6 years (including a grace period) is adequate for cut roses projects

iii) **Security**

The term loans are secured by a mortgage of the farm assets, collaterals and guarantees from the company directors The term lenders share the securities with short term lenders on agreed pari passu basis

iv) **Commission**

A commission charge of 1 - 2%, depending on the source of finance, is charged This is paid up-front

2 9 Others

There are other aspects of the project planning, implementation and operation which require attention These may include lending policies, customs and regulations, UFEA's role in marketing, Research and Development to assist the industry etc

3 0 CONCLUSION

The flower growing industry is increasingly becoming a recognised contributor to foreign exchange earning of Uganda It is also a major employer and provides opportunities for training of Ugandans in the flower growing activity

The continued support of the industry by financial institutions is in line with their objectives for promotion of economic development in Uganda The survival of the institutions however depend on mutual benefits i e ability for the financier to recover the debt, good returns to the entrepreneur and linkage to the benefit of the economy

The discussion above offers an opportunity for check list of some of the key aspects in the financiers' point of view likely to affect the planning implementation and operation of a flower growing enterprise

DIRECT MARKETING OF FLOWERS VERSUS THE AUCTION MARKETS

BY

Marie Françoise Petitjean, COLEACP

Introduction

This paper compares the marketing performance of the Dutch auctions with the services offered by direct buyers. The main differences between auctions and direct buyers are

- Auctions can take large volumes, different varieties and most flower lengths. Direct buyers do not generally have the same capacity and are far more specific with regard to variety, colour and stem length.
- Auctions can usually provide better promotional and technical assistance, since they are serving many growers. However, the direct buyers give a more personal service and provide better opportunities for "specialist" products such as bouquets.
- Auctions have a longer delivery time to final buyers, whereas direct buyers are typically located close to their retail customers. However, direct buyers also need direct and regular flights from the country of origin of the flowers.
- Auctions maintain efficient and transparent administrative systems, with weekly payments and objective quality reports. Direct buyers cannot provide such an objective service.
- The direct costs of marketing through an auction are higher than with a direct buyer. However, the indirect costs of communication and general administration and market management are much higher with direct buyers.

Direct marketing is good for experienced growers with a range of varieties and the management capacity to cover the additional administration and risks. Some marketing flair is also essential. For start-up growers with limited production and experience, auctions are still the best option.

The market requirements for direct or auction sales and advantages that accrue from each is summarised in the tables below

AUCTIONING

ADVANTAGES	DRAWBACKS	REQUIREMENTS FOR THE EXPORTER
<p>PRODUCT/SERVICES</p> <ul style="list-style-type: none"> - Repacking flowers in water at arrival - Good and objective quality control - Feed-back to the exporter (quality remarks) - Technical support to the suppliers (post-harvest treatments) - Marketing/promotion totally undertaken by the auction - Provide Price information 	<ul style="list-style-type: none"> - Longer delivery time to final consumer affects quality - Ask for commitment for production (incentives for 100% suppliers) 	<ul style="list-style-type: none"> - Meet quality requirements
<p>MARKET</p> <ul style="list-style-type: none"> - Capacity to absorb big volumes, and the whole range - Concentration of demand and supply Wide range offer attract many of the best buyers - Easy accessible - Strong marketing/promotion to support consumption - Auction buyers sell all over the world _ access to many markets - Possibility of direct sales through BB 	<ul style="list-style-type: none"> - Exporter does not get knowledge of the requirement of the final market - Dependence on import policy fixed by Dutch growers - Difficult to impose a "personal image", except for excellent quality products 	

AUCTIONING (Continuation)

ADVANTAGES	DRAWBACKS	REQUIREMENTS FOR THE EXPORTER
<p>LOGISTIC</p> <ul style="list-style-type: none"> - Strong logistic at the auctions (handling, marketing) - Good availability of freight from East Africa to the Netherlands - Accept simple packaging (brown boxes) 	<ul style="list-style-type: none"> - Long transportation to final market 	
<p>FINANCE</p> <ul style="list-style-type: none"> - Neutral and transparent price setting - Precise costing, including all services - Marketing costs charged only on effective sales - Weekly payments - Guaranty of payment - Give a bonus for consistent and faithful supplier 	<ul style="list-style-type: none"> - Volatility of prices - Global marketing costs charged to the exporter can be high for low value product due to structural cost of clock system and services supplied (10-25%) - Inflexibility in terms 	

DIRECT SALES

ADVANTAGES	DRAWBACKS	REQUIREMENTS FOR THE EXPORTER
PRODUCT <ul style="list-style-type: none"> - Better freshness due to shorter delivery time - Better opportunities for "speciality" products - Possibility to adapt a product to a specific market 	<ul style="list-style-type: none"> - No objective quality control - No technical support - Small volumes for these items - Difficulty to take big volumes - Ask for a wide range - Do not repack the flowers in water 	<ul style="list-style-type: none"> - Good technical experience - Own quality control - Very clear specifications agreed by the importer - have a good knowledge of the market segmentation and of operators - Good range of products/ or consolidated shipments - Good post-harvest treatments, packaging and cooling
MARKET <ul style="list-style-type: none"> - Diversity of markets - 12 months market - Good knowledge of the requirement of the final market 	<ul style="list-style-type: none"> - Little marketing /promotion 	<ul style="list-style-type: none"> - Follow-up of the different markets
LOGISTIC <ul style="list-style-type: none"> - Shorter Transportation chain 	<ul style="list-style-type: none"> - Needs direct flights - Want better and more attractive packaging/ sometimes different boxes per country or client 	<ul style="list-style-type: none"> - Good availability of flights to the target market, with an acceptable freight cost - Good local or imported packaging

DIRECT SALES (continuation)

ADVANTAGES	DRAWBACKS	REQUIREMENTS FOR THE EXPORTER
<p>ORGANISATION/ SERVICE</p> <ul style="list-style-type: none"> - More personal relationship with the exporter - Importers needs more predictable better ability to plan production - Ability to promote flowers at low consumption periods 	<ul style="list-style-type: none"> - Necessity to have several clients - More dependance on loyalty and communication - More demanding for respect of orders - Ask for more specific services associated to the product 	<ul style="list-style-type: none"> - Needs an export manager - Needs a regular follow-up of clients, as well as canvassing the market - Needs a promotion programme visa-viz potential buyers - "Willingness" to fit the clients' requirements
<p>FINANCE</p> <ul style="list-style-type: none"> - Lower distribution costs due to less intermediaries and less handling of flowers _ expectation of a better price - Possibility to negotiate more regular prices over a season or a period and to negotiate payment terms - Predictable cash flow for fixed prices 	<ul style="list-style-type: none"> - No transparency of price setting especially with consignment sales - Importers are focused on clock prices - Long terms of payment - Credit risk (reliability) - Higher marketing costs at the charge of the company itself (communication, promotion, follow of exports, packaging) - Fixed marketing costs, not related to effective turnover 	<ul style="list-style-type: none"> - Build partnership and long term trustful relationship - Good financial capacity to pre-finance the client credit - Get finance information on the new clients - Management of the credit risk (maximum outstanding credit by client) - Minimum size of the company

REQUIREMENTS FOR DIRECT SALES

- Already experienced exporter,
- Minimum size (several hectares of greenhouses)
- Wide range of products (species or varieties), or speciality product
- Good administrative export organisation
- Good logistics for the country
- Good financial situation
- "Willingness" to export direct and fit the importers' requirements

CONCLUSION

✓ DIRECT SALES

- ◆ DIRECT SALES IMPOSES YOU TO BE A MARKETER BEFORE A GROWER, WITH THE HOPE OF GETTING A BETTER CASHFLOW**
- ◆ MARKETING COSTS, SERVICES AND RISKS ARE THE ENTIRE RESPONSIBILITY OF THE EXPORTER.**
- ◆ REQUIRES THE EXPORTER TO BE EXPERIENCED**

✓ AUCTIONING

- ◆ AUCTIONING RELEASES YOU FROM ANY MARKETING CONCERN AND ALLOWS FOR CONCENTRATING ON PRODUCTION ASPECTS.**
- ◆ AUCTION COSTS INCLUDE ALL MARKETING COSTS.**
- ◆ AUCTIONING RELEASES THE MARKETING AND CREDIT RISK.**
- ◆ AUCTIONS REMAIN THE ONLY VIABLE SYSTEM FOR SMALL SCALE, OR NEW GROWERS.**

AUCTIONS AND DIRECT MARKETING CAN BE COMBINED, WITH THE RISK OF LOOSING A "FIDELITY BONUS"

DIRECT MARKETING OF FLOWERS. A GROWERS PERSPECTIVE

BY

Vincent Ssenyonjo, Managing Director/ Nile Roses Ltd

Introduction

This was delivered by a rose growers to share his experiences of direct marketing of flowers with the conference participants. The presenter was not able to write a paper presentation, however, the following major points were recorded by the rapporteur

Direct Marketing

Direct marketing provides a solution to

- Low and un secured returns
- Low colors assortment

However, a supplier is required to

- ▶ be reliable and consistent
- ▶ follow the bunching style and deliver in time by the buyer

Advantages of direct marketing

- There is a possibility of working year around as against the 9 months auction period
- There is a possibility of a year price
- There are no marketing costs as price is agreed on before hand subject to maintenance of quality
- There is direct buyer/ supplier contact partnership
- There is a chance of introducing the exporter to other buyers
- Payment terms are negotiable
- There is no need to rush into a trade deal, as things are taken into account before a decision is made
- There is Exact knowledge of the market position

UGAFLOR '98



PART THREE

- Report on development of Code of Practice for the Ugandan Flower Industry by *Ms Marielle Winkler - Consultant, Consultancy and Research for Environment Management (CREM) & Ms Marie Fran toise Petitjean (COLEACP)*



**REPORT ON DEVELOPMENT OF A DRAFT CODE OF PRACTICE FOR
HORTICULTURAL EXPORTERS OF UGANDA**

Organising agencies ADC, UFEA, HORTEXA
Sponsored by USAID / IDEA Project and COLEACP
Dates of field visit 27-31 August 1998
Consultants CREM, The Netherlands
NRI, UK



CONTENTS

Background

Objective

Approach

Findings

Recommendations

Annex 1 Terms of reference

Annex 2 Programme of visits

1 BACKGROUND

In order to respond to the increasing demand from the market place for acceptable social and environmental conditions of production, and to improve market recognition and acceptance of African produce, COLEACP has initiated and is encouraging discussions between seven horticultural export associations from 5 eastern and southern African countries towards harmonisation of their Codes of Practice. COLEACP's support to the export associations has included a comparison of codes of practice for horticultural exports and the preparation of proposals for a harmonised framework for codes of practice in the region. These proposals are now under consideration by the export associations in the region.

The Investment in Developing Export Agriculture (IDEA) Project in Uganda assists agribusiness firms and associations in expanding production and marketing of selected non-traditional agricultural export (NTAE) crops and products through the activities of the Agribusiness Development Centre (ADC). At the Ugaflor 97 meeting in Kampala in July 1997, the IDEA Project was requested to assist the Uganda Flower Exporters Association to develop a suitable code for Uganda.

Due to its relatively new re-emergence on the export market for horticultural products, Uganda has been selected as the target for testing the feasibility and impact of a harmonised framework for codes of practice in the region, before extension to other countries.

2 OBJECTIVE OF THE STUDY

The purpose of the study is to set up a code of practice for production of horticultural export crops in Uganda, which will serve as a test and validation for the harmonisation of the existing codes for eastern and southern Africa. The code of practice for Uganda will be based on the common framework proposed by COLEACP and will include the general areas of:

- Environmental conservation,
- Social responsibility, including social welfare and workers safety,
- Food safety, food hygiene and traceability

The full terms of reference for the study are shown in Annex 1.

The consultancy was conducted jointly by CREM and NRI, with each consultant working under complimentary but different terms of reference to fulfil those presented in Annex 1.

This report summarises the work carried out by the consultants during their joint field visit to Uganda 27-31 August 1998 and presents recommendations for follow-up activities.

3 APPROACH

Visits were made to a cross section of cut flower and fresh produce farms as suggested by the ADC. During each visit facilities and operations were investigated.

to identify factors relevant to the drafting of environmental, social and consumer safety requirements (indicators) based on the common framework. Information on relevant national legislation was reviewed and the National Bureau of Standards (NBS) and the National Environmental Management Authority (NEMA) were visited to investigate regulatory issues and options for auditing. The programme of visits made is shown in Annex 2. A meeting with exporters was held on the final day to sensitise exporters to the background of the study and to allow discussion of some of the key points arising from the visits.

4 FINDINGS

The Ugandan horticultural export sector is comparatively young and the businesses involved are very diverse in terms of product range, volumes of production, staff numbers, management systems and sourcing strategies.

Cut flower exporters

Cut flower farms, now 18 in number, make up the highest value of horticultural exports (US\$ 10-15 million F O B). Most farms are of the same size range (5-10 ha), with broadly similar management systems often with the support of expatriate managers or technical consultants. Facilities on the farms vary considerably as some farms are still at a very early stage of development and facilities are still under construction. Greenhouse construction is mostly of wooden frame, although several farms use aluminium frame. Several farms are situated in areas of particular environmental sensitivity, such as close to wetlands and Lake Victoria. Most farms use drip fertigation and have central spray lines for pesticide application. Methyl bromide fumigation is used sometimes at first planting and usually before replanting. In common with cut flower production elsewhere inputs of fertiliser and pesticides are high. The farms are large employers, commonly providing jobs for approximately 200 employees, of which 75% may be female. No formal labour organisations exist at present. Some farms use labour from local villages, other more remote farms bus in labour from urban centres and / or provide housing on site. Overall the ADC estimates that cut flower and plant exports provide 3850 jobs from more than 80 hectares of production.

Fresh produce exporters

Fresh produce exporters account for just US\$ 1.5 million F O B value but exports in this area are growing fast and prospects are considered good for continued rapid expansion. Only one exporter, Mairye Estates, is producing crops on a large scale for direct sales to supermarkets. This producer/exporter has already developed comprehensive quality assurance systems to meet supermarket requirements and has been approved by supermarket customers. In addition there are 10 very active small scale fresh produce exporters and also over 20 exporters involved in less regular exports. These exporters source most, or all, of their production from outgrowers. Arrangements between exporter and outgrowers are relatively informal and in general documentation of activities is limited. Most exporters supply the traditional ethnic market with matoke being a major export product. However, some products such as passionfruit and apple banana, are being sold to the mainstream market supermarket suppliers. Production is mostly rainfed and low input with limited pesticide use. Much of the production is from traditional farms which use intercropping and rotation as standard practices. Bush fires are commonly used to

clear land before planting. Some areas are susceptible to soil erosion. Apart from the one exporter involved in direct sales to supermarkets the exporters have very limited facilities. In many cases product is simply packed on the outgrower's farm and assembled at Entebbe airport before shipment. Most outgrowers have limited access to electricity or water of reliable potable quality. Staff numbers in the fresh produce export businesses are difficult to estimate. Outgrowers may rely entirely on family labour or may hire seasonal or occasional labour. Exporters may use family labour and casual labour on harvesting and shipping days. The ADC estimated that 3500 jobs are provided by the fresh produce exports of which 75% may be for women, based on a production acreage of approximately 475 hectares.

Legislative background

Overall the legislation in Uganda appears to provide limited guidance for determining the requirements of a code of practice for horticulture. National labour legislation is not widely recognised by businesses in Uganda. The regulations that exist are not generally enforced and some parts of the regulations, for example those regarding minimum age, are widely regarded as impractical to implement in current economic circumstances. In some cases the legislation has not been reviewed since Idi Amin's government, e.g. the Workmen's Regulations. In contrast to this new regulations have recently come into force governing water abstraction and environmental impact. However, the requirements of these newer regulations have not been widely disseminated and are not known to most exporters. The National Bureau of Standards (NBS) is currently conducting a needs assessment survey to prioritise areas for standardisation which will include food and agriculture products. NBS are able to conduct certification of products although the actual testing for certification is mostly contracted out to other laboratories such as those at Makerere University. National regulatory procedures for control of pesticides are very ineffective. Although legislation is in place to prevent use of chemicals not approved by the Uganda Agro-chemicals Board, trade in and use of pesticides are not well controlled. The most recent review of the approvals list was in 1995(?) and exporters are not generally aware about the national approval status of the pesticides they use.

Farmer support services

Agricultural extension services are very limited and have recently been decentralised and put under district control which may further limit their capacity to service farmers due to reduced funding. General knowledge on hazards of agrochemical use and safe use of pesticides is poor, as is knowledge of food hygiene and food safety practices. The rapid growth of the cut flower sector in particular means that a large number of inexperienced employees are involved in production who may be using agro-chemicals for the first time. To all practical purposes the only form of technical advice to farmers involved in exports is from the exporter themselves or from the Agribusiness Development Centre. Exporters also often supply inputs such as seeds and pesticides on credit to their outgrowers.

Trade organisation

As a new industry the trade associations representing the industry, UFEA and HORTEXA, are both young organisations. Both organisations rely entirely on membership fees. While UFEA has a small full-time secretariat, which received some support from the IDEA Project for setting-up, HORTEXA has no full-time staff. Both Associations rely heavily on the commitment of their executive committee members to develop their activities. Neither of the Associations has any technical staff to

assist exporters, for example in implementing or auditing a code of practice. At the moment there are only weak links between the two Associations

5 CONCLUSIONS

The diverse nature and level of development of the Ugandan export industry requires careful consideration in the development of the code of practice. A system of categorising exporters is proposed to allow exporters to be covered by a single code as detailed in the separate report "Proposal for a harmonised Code of Practice for the African Horticulture sector". Each export business will need to be categorised on application to the voluntary code based on the characteristics of their business. Category 1 will apply to large exporters, including cut flower and fresh produce exporters. Category 2 will apply to smaller exporters. While the requirements (indicators) of the code will in most cases be the same for both categories 1 and 2, the code will specify different verifiers for the two categories against some of the requirements. In addition there will be some additional requirements which apply only to Category 1 or 2 exporters. Full details and draft definitions of category 1 and 2 exporters are provided in the report "Proposal for a harmonised Code of Practice for the African Horticulture sector".

While the code of practice should aim to fully satisfy the market requirements and conform to the common framework proposed by COLEACP, it is also important that the requirements (indicators) are sensitive to the particular circumstances in which Ugandan exporters operate. This will be reflected particularly in requirements covering the social and environmental conditions of the code. These aspects are discussed more fully in the report "Proposal for a harmonised Code of Practice for the African Horticulture sector".

Based on the evidence of the visits made none of the Ugandan exporters are expected to immediately comply with the requirements of the draft code of practice. The following recommendations detail actions required in order to assist exporters in preparing for certification as well as follow up required to further develop the draft code presented in the report.

6 RECOMMENDATIONS

Recommendations for follow up activities are presented in three main areas: preparation for implementation of the code of practice, further development of the draft code of practice, and development of certification procedures.

RECOMMENDATION	SUGGESTED TIMEFRAME
<p><i>1 Preparation for implementing the code of practice</i></p> <ul style="list-style-type: none"> • Sensitisation of exporters to the need for a code of practice and the requirements of the draft code • Presentation of draft code of practice at Ugaflor '98 	<p>Sept 98</p>

<ul style="list-style-type: none"> • Exporter meetings • Training programme for all exporters, supervisors and spray operators in safe pesticide use, based on new ADC guidelines, and to include pesticide waste disposal, pesticide storage, re-entry intervals, pesticide environmental and human toxicology, and hazard signs (particular problems areas identified in farm visits) • Training programme for fresh produce exporters and farm staff in food safety and hygiene to include traceability, personal hygiene, water quality and risk assessment techniques (e.g. HACCP) to avoid product contamination (particular problem areas identified in farm visits) • Training workshop for selected staff from all exporters in first aid and emergency procedures including accidents with agro-chemicals • Develop guidelines for fresh produce exporters in packhouse construction, including field pack sheds for small growers and mobile packing stations • Training workshop for fresh produce exporters in packhouse construction, including field pack sheds for small growers and mobile packing stations • Develop guidelines on record keeping for fresh produce exporters • Training workshop for fresh produce exporters in record keeping 	<p>Sept '98 Dec '98</p> <p>Sept '98 Mar '99</p> <p>Jan '99 - Mar '99</p> <p>April '99</p> <p>Nov - Dec '98</p> <p>Jan / Feb '99</p> <p>Jan '99 - Mar '99</p> <p>April '99</p>
<p><i>2 Further development of the draft code of practice</i></p> <ul style="list-style-type: none"> • Consultation with exporters on the requirements of the draft code • Consultation with national authorities in the requirements of the draft code including, Pesticide Approval Authority, NEMA, NBS and labour organisations • Consultation with market representatives • Liaison with Pesticide Approval Authority on procedures for approval of pesticides relevant to horticultural export sector • Development of detailed guidelines to support the code (including those areas outlined under 1) 	<p>Sept '98 - Oct '98</p> <p>Nov '98 Dec '98</p> <p>Jan '99</p> <p>Sept '98 on-going</p> <p>Sept '98 - Mar '99</p>

<ul style="list-style-type: none"> • Development of a checklist for exporters to allow self assessment • Development of mark or label for use by certified exporters and marketing of the code in Europe • Continued participation in harmonisation initiative • Agreement of arrangements for on-going review and development of the Ugandan code, including the possibility of setting up a Standards Committee incorporating trade association members and members of other national organisations, such as NEMA and NBS, and possibly the organisation responsible for certification 	<p>Sept '98 Mar 99</p> <p>Jan '99 - Mar '99</p> <p>on-going</p> <p>Jan 99 Mar 99</p>
<p><i>3 Development of certification procedures</i></p> <ul style="list-style-type: none"> • Investigation of auditing / certification options (see separate report) • Investigate costs of using SGS or Intertec as the external auditor • Investigate the feasibility of forming a new organisation to carry out the auditing function through discussions with NBS, NEMA and an appropriate labour organisation • Investigate the feasibility of UFEA and HORTEXA and / or ADC carrying out an auditing function • Identify the detailed training needs of a new organisation and of the ADC / export associations themselves in order for them to be competent to carry out auditing • Draw up costed proposals for the feasible alternatives and establish possible start up dates • Consult with key buyers on the acceptability of the preferred auditing option • Appointment of organisation for certification 	<p>Sept '98 - Jan '99</p> <p>Mar '99</p>

Presentation on the Code of Practice for the Ugandan Horticultural sector

Contents

Introduction

- What is a Code of Practice
- What is the importance of a Code
- Background of the development of the Ugandan Code

Structure and contents of the Code of Practice

- Structure of the Code of Practice
- Objective, principles and criteria

Follow up activities for Uganda

- Implementation of the Code
- Further development of the Code
- Development of certification/auditing procedures

Background

The export marketing of horticultural products destined for the European market is increasingly influenced by both consumer concerns on environmental and social issues in countries of production, as well as new regulations regarding food safety and product responsibility. In order to respond to this trend, several Codes of Practice have emerged. In order to improve the recognition and acceptance of African produce on the market place, COLEACP took the initiative to encourage seven horticultural export associations from 5 eastern and southern African countries to move towards harmonisation of their national Codes of Practice. At the moment, a generic framework has been developed, which will serve as the basis for the national Codes of Practice. This framework has been tested in Uganda. The fieldwork and the development of the Ugandan Code has been supported by the IDEA project.

Structure and contents of the Code of Practice

The structure of the Code of Practice is formed by an overall objective, specific objectives, criteria and requirements. The hierarchy of these components is as follows:

Specific objectives	<i>Elements essential to the areas covered by the code (environmental conservation, social responsibility, food safety)</i>
Criteria	<i>Conditions that must be achieved to support the principles</i>
Requirements	<i>Measurable states that indicate a criterion is being met</i>

The objective

The objective sets out what is trying to be achieved, who is trying to achieve it, and whom it is being achieved for. The objective formulated for the generic framework is:

To promote safe and responsible production in the African horticultural sector in APC countries, in order to improve export recognition and acceptance of African horticultural products, in a manner that addresses the concerns and requirements of producers, consumers and intermediate stakeholders

The Code applies to all horticultural products:

- floricultural products
- fruits and vegetables
- herbs

excluding manufactured products, and covers the practices at every stage from production to shipment, including post-harvest packaging and storage

The specific objectives

The objective is supported by specific objectives. They set out elements necessary to achieve the objective and form the basic framework for the Code. The specific objectives for the generic framework are as follows:

- To ensure the wellbeing of workers and outgrowers, through
Ensuring the welfare of workers and outgrowers and
Ensuring workers occupational safety and health
- To preserve environmental integrity, through
Control and reduction of environmental degradation by agrochemical use and
Safeguarding soil, water, and air and ensure the general conservation of the
environment
- To ensure consumer health

Criteria

Specific objectives are elaborated by criteria that describe the conditions that must be met if safe and responsible production is to be realised. The following criteria have been elaborated:

To ensure the welfare of workers and outgrowers

- Fair remuneration for employees
- Fair labour conditions for employees
- Non exploitation of minors
- Fair purchasing policy for outgrowers

To ensure workers occupational health and safety

- Prevention of health and safety risks
- Provision of adequate health services

To control and reduce environmental degradation by agrochemical use

- Reduction in quantity and hazard level of agrochemical use
- Safe and appropriate application and handling of agrochemicals, including storage, transport and disposal

To safeguard soil, water and air and ensure the general conservation of the environment

- Sustainable management of water resources, land and use of non-renewable energy
- Responsible management of non-hazardous waste
- Use of environmentally friendly packaging

Consumer health shall be safeguarded

- Due diligence in crop production and pesticide use
- Protection of products from contamination during post-harvest handling
- Personal hygiene and health of produce handlers
- Temperature control to avoid contamination and spoilage

Follow up activities for Uganda

The recommended follow up activities for Uganda cover three main areas:

Preparation for implementation of the Code of Practice

Further development of the Code of Practice

Development of certification/auditing procedures

(see for further detail chapter 6 of the enclosed "Report on development of a draft Code of Practice for Horticultural exporters of Uganda")

UGAFLOR '98



PART FOUR

- Panel discussions, reactions and resolutions by *Clive Drew, Rapporteur/ Chief of Party ADC-IDEA Project*



PANEL DISCUSSIONS, REACTIONS AND RESOLUTIONS

Clive Drew, Rapporteur/Chief of Party ADC/IDEA Project

Issues raised, discussed and resolutions reached are presented below. These were synthesised into 9 key topics.

1 TAXATION

Issues

- a VAT on Capital Items. Flower farms are being charged VAT on capital items such as
 - planting materials
 - green house hardware (plastic sheeting, steel structures, etc)
 - cold stores and refrigeration equipment
 - irrigation equipment
 - other equipment e.g. fertigation equipment
- b Duty Drawback. Some of the flower farms are importing cardboard cartons, which are then re-exported with flowers.
- c Taxes on goods imported by air. It is often necessary to use air transport for importing inputs for flower production because they are critically needed or season-dependent for which ocean/overland transport is not a feasible option. Flower farms also want to promote inward air transport because this then gives greater cargo space for back haul (outward) transport of Uganda's exports such as flowers, fish and fresh produce. The difficulty is that inputs imported by air are assessed at CIF value for computation of duties and VAT. This makes the inputs more expensive and poses a competitive disadvantage compared to ocean freight.

Discussions

- All of the above taxes place Uganda as a higher cost producer, making it less competitive in the market place.
- Many of these taxes were not included in the feasibility studies and loan requests to the banks, now the flower farms have to draw down their lines of credit to meet these taxes, of which they have to pay high interest.

Resolutions

UFEA, on behalf of all the flower farms is making a clear request to Government of Uganda to review these taxation issues which are constraining the growth of the industry and cash flow during early start up and expansion of capital intensive flower farms. The specific request is for GOU to allow

- ◆ Capital items for flower farms to be exempted from VAT
- ◆ There is a clear case for duty drawback on items such as cartons that are re-exported

- ◆ Any duties and taxes on goods received by air should be based on FOB value
- ◆ For inputs imported by air, the alternative to use FOB basis for computation of duties and taxes

2 DISASTER PREPAREDNESS

Issues

Natural disasters can result in depressed production and damage to green houses and threaten the growing crop. Such was the case during El Nino in 1997/98

Discussions

- These natural disasters can be of various forms, such as storms which are particularly damaging to greenhouses and predispose the crop to losses from diseases, etc
- There can be other forms of disaster. For example, operators have to provide standby generators to maintain cold rooms during power shedding. Disasters such as floods blocking roads or disruptions at Entebbe airport could be disastrous for perishable crops such as flowers
- The effects of these disasters is the expense of repair to facilities, and the loss in revenues from decreased production of quality product. As a result, investors find it difficult to service their loans. Industry can document an assessment of such losses

Resolutions

- ◆ Government of Uganda should be approached to provide a facility such as STABEX Funds (and for other purposes in support of the industry) to underwrite losses suffered by the flower growers

3 DUTCH UGANDA PRICE DIFFERENCE

Issues

Analysis of market performance has shown a significant Dutch Uganda price difference. This applies particularly to the large roses

Discussions

- Some of this price difference is related to the superior rose quality that can be produced under the Netherlands environment, some of it is also due to freshness of Dutch roses hitting the market
- However, given that Uganda also has a lower price for many varieties than its African competition, there are some local factors causing this. One such factor is post-harvest handling, particularly at the airport

Resolutions

- ◆ ENHAS and CAA will participate in PH handling at Entebbe airport. A sensitization workshop will be held on the cold storage handling facility and how consolidated shipments benefit individual exporters
- ◆ Low price is related to many other factors such as management, and weather/climate which calls for re-designing optimal green house height, ground net, windows, etc which all need to be researched and documented to develop some specific recommendations for growing roses in the Uganda climatic conditions
- ◆ To continue monitoring Uganda and other prices in the European market and provide this information to the industry

4 RESEARCH

Issues

- a The Uganda flowers industry is relatively new, and most of the existing investors have been pioneers in experimenting with what will work best
- b There is a need to do research under **Ugandan** conditions

Discussions

- Results of individual farm experiments/trial and error have been mixed
- Whereas it is ideal to conduct on-farm (real world) research, initial design, supervision and data collection are often deficient areas

Resolutions

- ◆ There needs to be commitment to long term research. As such, this requires a funding facility for these activities. Sources need to be explored such as STABEX, donors and industry cost-sharing. Some of the research is long term, such as varietal testing, determining optimal rotation length, etc
- ◆ Other research topics to be addressed include economies of scale, economic rotation length
- ◆ On-farm research initiatives will require a dedicated scientist to follow-up the research activity, particularly accurate design and data collection

5 TRAINING AND EXTENSION

Issues

Training and extension is an important activity for a new non-traditional export industry such as flowers. It is also an ongoing activity.

Discussions

- Expatriate management in the initial period is an expensive element of start-up costs. Cost-sharing by donors is almost exhausted.
- There is a particular need for training at the mid-level (supervisor level) and lower levels.
- Developing local capacity is key to a sustainable industry.
- The IDEA/UFEA certificate course comprises 12 modules, and it may be more effective to have different participants for each of the modules.

Resolutions

- ◆ Approach "COLEACP" to assist in providing quality training.
- ◆ Training is needed in the areas of Management and Code of Practice.
- ◆ MUFAF should institute a dedicated curriculum course on flowers.
- ◆ UFEA should be strengthened through training e.g. in conducting internal audits for the Code of Practice (similar to FPEAK).
- ◆ In addition to IDEA, there is PSF assistance available through BUDS consulting/training.

6. CONSULTANT COSTS

Issues

The cost of good regular consultants is very high for relatively small scale individual farms.

Discussions

- It would be more cost-effective if consultants were engaged for the industry (UFEA wide) or at least for several farms that wanted the services.

Resolutions

- ◆ UFEA seeks to identify and short list consultants.

7 HIGH COST OF INPUTS

Issues

Uganda has extremely expensive inputs (fertilizers, crop chemicals etc) This coupled with relatively low prices significantly reduces margins

Discussions

- Part of the high cost of inputs is related to Taxation Issues (above)
- The Uganda flowers industry still needs to expand so there is an adequate critical mass of demand for inputs so they can be procured in reasonable quantities at lower unit cost
- Farms need to programme in advance so some of the inputs are on-hand and are not imported under crisis situations using air freight

Resolutions

- ◆ UFEA to explore periodic tendering for the industry e g the ZEGA model in Zambia Coupled with this is a credit facility with 30 day terms

8 CODE OF PRACTICE

Issues

The Code of Practice is being demanded by consumers in the importing countries Other exporting countries are in the process of developing their codes Uganda has to follow suit to remain in the export business - essentially the only market for flowers

Discussions

- Uganda is party to the harmonised regional guidelines for Codes of Practice
- The Draft of the Uganda Code has been tabled

Resolutions

- ◆ UFEA review of the draft code to be completed by Dec 31, 1998
- ◆ Code to be consistent with local codes pertaining to labour, environment, crop chemicals, etc
- ◆ UFEA to assist in sensitising, training and preparing companies to be certified

9 FINANCING

Issues

- a Finance costs of $\pm 12\%$ on medium/long term loans of 6+ years are relatively high
- b The grace period on principal repayments is short and should be reviewed

Discussions

- There is a technical learning curve for a new industry, so part of this should also be viewed as a development experience allowing underwriting of some of the risks because of the benefits the industry can bring to Uganda
- The industry is basically sound
- Business structure in the flowers industry is family partnerships, joint ventures are needed for reinvestment, expansion, and diversification
- Flowers represent a high capital investment, which must only be undertaken by investors with demonstrated financial resources (equity and debt financing) Investors must also take care of their commitments to banks and trade creditors and leave adequate retained earnings before declaring themselves any dividends Investors should not commingle
- Investors should keep their banks and other creditors informed of developments and not go into hiding when there is a problem Communication builds trust

Resolutions

- ◆ 'Development' banks should restructure loans when there are legitimate difficulties
- ◆ The grace period on principal repayment should be more than 1 year
- ◆ Other equity financing should also be explored e.g. PSF equity fund

UGAFLOR '98



APPENDICES

- Appendix I. Conference Programme
- Appendix II. List of participants



Appendix I Conference programme

UGAFOR' 98

“ Consolidating the Uganda Flower Export Industry”
16th September 1998 at Hotel Africana, Wampewo Avenue-Kampala

Conference Programme

8 00 a m -8 30 a m	Registration
8 30 a m-9 00 a m	Introductory Remarks Mr Vincent Ssenyonjo, Chairman-UFEA Mr Clive Drew, Chief of Party, ADC/IDEA Project
9 00 a m-9 15 a m	Official opening, Hon Syda Bbumba-Minister of state for Economic Monitoring
<u>SESSION ONE</u>	
9 15 a m-10 00 a m	Past Performance and Future Challenges of the Ugandan Flower Industry Dr Steve New ADC/IDEA Project
10 00 a m-10 45 a m	Direct marketing of flowers Mr Vincent Ssesnyonjo, Managing Director- Nile Roses Ltd
10 45 a.m-11 15 a m	TEA BREAK
<u>SESSION TWO</u>	
11 15 a m-12 30 p m	Code of Practice for the Ugandan Flower Industry Ms Marielle Winkler-Consultant, Consultancy and Research for Environment Management (CREM) & Ms Marie Francoise Petitjean
12 30 p m-1 00 p m	The Financier's point of view Mr Godfrey Ruhurira, Project Appraisal Manager-East Africa Development Bank (EADB)
1 00 p m-2 00 p m	LUNCH BREAK
<u>SESSION THREE</u>	
2 00 p m-2 45 p m	Financial performance in relation to feasibility study Mr Kibirige Moses-African Project Development Finance
2 45 p m-3 45 p m	Panel discussions and reactions
3 45 p m-4 15 p m	Resolutions
4 15 p m-5 00 p m	Closing

Appendix II List of participants

	VISITOR	COMPANY	ADDRESS/CONTACT
1	J F Burke Manager BUDS	BUDS/ PSF	43 Nakasero Road Kampala
2	John Clark VP Aviation	Jacksonville - Port Authority	P O Box 3005, Jacksonville fl 32006
3	Bill Pettit Director, Commercial Service	Jacksonville - Port Authority	P O Box 3005, Jacksonville fl 32006
4	Tytems George CEO ENHAS	ENHAS, Entebbe	Entebbe, airport
5	Kayimbye M	Uganda Development Bank	P O Box 7210, Kampala
6	Avivi	Victoria Flowers	P O Box 5389, Kampala
7	Mukasa Fred Ag Export Supt	ENHAS, Entebbe	P O Box 560, Entebbe airport
8	David Byabazaire	Royal Flowers	P O Box 5907, Kampala
9	Wasswa Kajubi	Private Sector Foundation	P O Box 7683, Kampala
10	Karimario Alphine	ADC/IDEA Project	P O Box 7856, Kampala
11	Margaret Najjingo Mangheni	Faculty of Agriculture and Forestry, Makerere University	P O Box 7062, Kampala
12	Dr Mwesiga	M K Flora	P O Box 7665, Kampala
13	J Lyomu	M K. Flora	P O Box 7665, Kampala
14	Arthur Muhangi	Danida Private Sector Program	P O Box 11243, Kampala
15	Walusimbi N Flora	Uganda Development Bank	P O Box 7210, Kampala Tel 230701/527
16	Petitjean Marie Fancoise	COLEACP	5, Rue de las Corderie Rings France
17	Winkler Marielle	CREM	Spnstraatroyd Amsterdam Holland
18	Fred Otunnu	Civil Aviation Authority	P O Box 5536, Kampala
19	Jim Bitwire	Civil Aviation Authority	P O Box 5536, Kampala
20	Shalina Jaffer	Ugathings	c/o Flavia- UFEA

	VISITOR	COMPANY	ADDRESS/CONTACT
21	R Sandhu	Pearl Flowers	P O Box 2301, Kampala Tel 344519
22	David Nsereko	Nsimbe Estates Ltd	
23	M K Kibirige	APDF Nairobi	P O Box 46534 Nairobi
24	Steve New	ADC	Tel 255482/3/68
25	Clive Drew	ADC	Tel 255482/3
26	Asaph Besigye	ADC	Tel 255482/3/68
27	Themb Wilfred Mwesigwa	Balton (U) Ltd	Box 852, Kampala Tel 255852
28	G R. Huhurira	East African Dev Bank	P O Box 7128, Kampala Tel 230021/5
29	Paul A Kagimu	Tropical Flowers Ltd	Tel 346447
30	Bariel N Chege	Uganda Hortech Ltd	P O Box 1, Lugazi
31	Karemente	Uganda Investment Authority	P O Box 7418, Kampala
32	Edward Mulondo	Seracoatings E A Ltd	P O Box 42825, Nairobi, Kenya Tel 530699 Kampala
33	Titus W Kakembo	The Monitor	Tel 236939
34	Annemarie	Ziwa Horticulture	075 765433/ 344241
35	Richard Muro	Faculty of Agriculture and Forestry, MUK	Tel 532141
36	S Mulumba	Uga Rose Flowers	Tel 221244
37	M Rathnavel	Scoul Lugazi	Tel 044-48279
38	Naguib Kamoga	NBA Roses	P O Box 3777, Kampala Tel 530240
39	B Kajuka	Equator Flowers	BOX 3028, Kampala
40	Mayanja Awali	NBA Roses	P O Box 3777, Kampala
41	Arthur Turakira	Packaging Products (U) Ltd	P O Box 22763, Kampala
42	Okello	UIA, Executive Director	P O Box 7418, Kampala
43	Katwere Godfrey	Cyanmid Trans National Corp	P O Box 21102, Kampala Tel 075 690506/348984
44	Washington Mbioki	NBA Roses	Tel 075 732673

VISITOR	COMPANY	ADDRESS/CONTACT
45 Masagazi Richard	Murphy Chemicals (U) Ltd	P O Box 3503 Kampala Tel 271001
46 Musime Stanley	Ugarose Flowers	P O Box 2487 Kampala
47 Ogwal Moses	Uganda Export Promotion Board	Tel 230250 Fax 259779
48 P Kimbowa	Jambo Roses Ltd	Box 600 kampala
49 D Kyeranyi	ADC/IDEA Project	Box 7856 Kampala
50 S Ddingiro	Ziwa Horticultural Exporters Ltd	P O Box 5480 Kampala
51 Charles Lwanga	Ziwa Horticultural Exporters Ltd	P O Box 5480 Kampala
52 Ron Stryker	USAID	P O Box 7007 Kampala