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VALUE CHAIN FINANCE CASE STUDY: FINANCING UGANDA KENYA CROSS BORDER MAIZE TRADE

Kenya Access to Rural Finance Project



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Introduction

- What is Value Chain Finance?
- The Importance of Maize
- Uganda – Kenya Cross Border Maize Trade Objectives
- Uganda – Kenya Cross Border Maize Trade
- What Happened, Results and Lessons Learned



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What is Value Chain Finance?

- The Lost Art of 3 – 6 – 3 Banking
- Removing Constraints & Targets of Opportunity
- How We Do It in Kenya



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The Importance of Maize

- Kenya consumes 3.2 million metric tons of maize, the primary staple of the Kenyan diet
- Kenya produces 2.9 million metric tons
- The average Kenyan consumes 98 kilograms of maize each year
- Kenyan maize prices are among the highest in sub Saharan Africa and the poorest quarter of the population spends 28 percent of their income on the staple
- Maize is a political crop riddled with government interference



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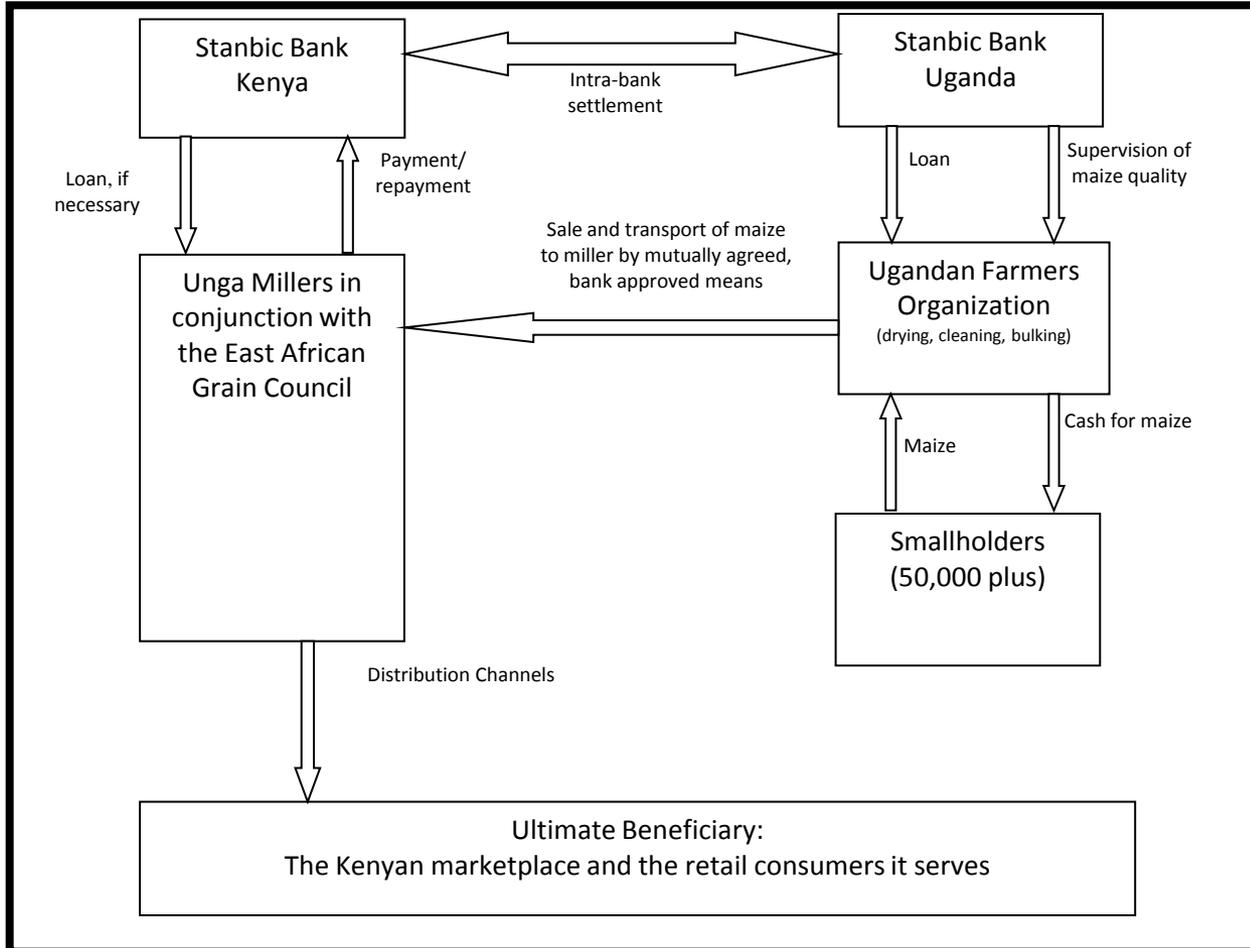
Uganda Kenya Cross Border Maize Trade Objectives

- To better integrate supply and demand on a regional basis underpinned by customized financial solutions necessary to rationalize maize market structures
- To promote regional efficiencies and establish cross border linkages based on untapped comparative advantages as opposed to expensive and irrational procurement from the Americas and South Africa
- To sustainably create commercially-oriented buyer seller relationships to improve overall performance in stable food production, processing and marketing



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Uganda – Kenya Cross Border Maize Trade





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What Happened, What Next and Lessons Learned

- External (government and donor) price movements
- Results: Formal commercial sector collapse; maize shortage exacerbated and prolonged
- Lobby the government the World Food Programme through the EAGC and other relevant actors; pursue the transaction in the upcoming Uganda short harvest
- The government and the WFP are powerful and often irrational forces
- There are other ways to subsidize maize prices for the poor and to improve supply, meet demand and improve food security