



## **GLOBAL DEVELOPMENT ALLIANCE**

**FINAL REPORT**  
**1<sup>st</sup> October 2007 – 30<sup>th</sup> September 2010**

*Submitted to the*  
*United States Agency for International Development*

**October 31<sup>st</sup> 2010**

### **GDA Active Members and Partners**

**Managing Partner - CLUSA**  
**Farmer Network Partners - IKURU SARL**  
**Financing Partners - NOVIB and GAPI**  
**Marketing Partners - Twin Trading Ltd**

**USAID**

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**Administrative Data:**

- A. Country: Mozambique
- B. Name: IKURU Value-Added Services Alliance: Establishing a Production Services Operation and Building Trade Programs in Mozambique
- C. Cooperative Agreement No.: 656-A-00-07-00430-00
- D. Implementing Agency: Cooperative League of the US (CLUSA)
- E. USAID Technical Office: USAID/Mozambique Rural Incomes Team
- F. F. AID Cognizant Technical Officer: Elsa Mapilele

**Financial Data:**

- G. Date of Authorization: October 1<sup>st</sup>, 2007
- H. Period of Implementation: October 1, 2007 - September 30, 2010
- I. Total Estimated USAID Amount: \$748,584.00
- J. Cost Sharing Amount (Non-Federal): \$832,444
- K. Total Obligated Funds: \$748,584.00
- L. Total Expenditures USAID Funds: \$743,908.50

## **I. Background**

### **A. Introduction**

The *IKURU Value-Added Services Alliance: Establishing a Production Services Operation and Building Trade Programs in Mozambique*, funded by the USAID/Global Development Alliance and cash/ in-kind contributions from other alliance members, was formed in 2007 by CLUSA and other Global Development Alliance partners. Its aim is to increase the incomes of IKURU farmer-members, and in turn the viability and long-term sustainability of IKURU as a farmer-owned company, by providing essential value-added services which enhance crop productivity and increase the diversity of market opportunities.

IKURU's unique and essential value is its mission as a farmer-owned business. However, to succeed in strengthening and benefiting farmer members IKURU must succeed as a trading and input supply business. The GDA aims to support IKURU in doing this through its six main objectives:

- 1) Expand IKURU annual volumes traded and increase sales by at least twofold from \$750,000 to \$1.5 million;
- 2) Increase the amount of products exported to Fairtrade, organic and other markets fivefold from 150 tons to 750 tons per year;
- 3) Develop IKURU's processing capacity for at least two products;
- 4) Set up an input supply unit at IKURU with the capacity to procure and supply quality inputs at reasonable prices to its farmer members and the farming community in general;
- 5) Strengthen IKURU's institutional and operational capacity to provide services to its network of farmer members; and
- 6) Increase farmer equity in IKURU from a minority to a majority shareholder owning at least 50% of all shares.

### **B. IKURU background**

IKURU, Sarl was set up as a limited liability company in July 2003 with investments from farmers and two social investors, GAPI sarl (a Mozambican investment company) and Oxfam NOVIB and with institutional support from the Co-operative League of the United States of America (CLUSA). It was born out of efforts in Mozambique since 1995 to build farmer-owned organizations which improve farming practices and result in increased incomes for small-scale producers, allowing producers to take advantage of benefits (such as increased economies of scale, improved access to inputs and the ability to work off forward contracts) that they would not have received on their own. These rural group enterprises (RGEs) then further combined to form secondary-level organizations known as fora, designed to facilitate product aggregation, commercialization and input distribution. IKURU was established when 20 of these strongest performing fora joined together.

IKURU is a hybrid between a limited liability company (buying and selling sesame, groundnuts, cashews, beans, and soya) and a cooperative. It includes an eventual buy-out scheme of two of its main shareholders whereby dividends accruing to the fora are converted to equity (i.e. shareholdings) for its farmer members. IKURU is now made up of 29 farmer fora shareholder groups and many more are interested in joining.

This report serves as a final report for all GDA activities since the project commenced in October 2007, with particular focus on the last period of project implementation from April 1st to September 30<sup>th</sup> 2010. It has been prepared at a time of significant change for IKURU. Although 2007 was a year of substantial profits for the company, challenges such as inadequate working capital and low trading margins meant that company sales and profit margins declined sharply from 2008 onwards and, despite the success of IKURU's seed production and sales program, IKURU has been running at a loss. However, all advisers, directors and managers involved have remained firm in the belief that IKURU continues to have the makings of a successful business.

As a result, for the past year much consultation has taken place regarding a possible restructure for the company. The resulting plan, in addition to IKURU's vision for the future beyond the lifespan of this project, will be discussed in more detail in this report.

### **C. Alliance Partners**

The Alliance included the managing partner, CLUSA as well as:

#### Farmer network partner:

- IKURU Sarl;

#### Marketing/trading partner:

- Twin Trading, Ltd, IKURU's certified commodity trading partner which also provides support for certification and product quality control;

#### Financing partners:

- Oxfam Netherlands – NOVIB. Shareholder in IKURU with a seat on the Board, NOVIB provided the initial start-up capital for IKURU;
- GAPI, sarl - Mozambican microfinance company. GAPI is a shareholder of IKURU with a seat on the Board. Gapi supports IKURU in financial management and administration (though it's delegate representative Manuela Sousa) and provides financial credit for operations;
- Norges Vel and Norsk Felleskjop (FK), Norway – provide technical support to IKURU Inputs Unit through their two main advisors, assist in implementing new systems, seed production plans and financial management.

#### Technical assistance partners:

- Norsk Felleskjop – Norwegian farmers' cooperative carrying out various activities including inputs sales. Norsk Felleskjop provides IKURU with technical support in terms of establishing a successful input company;
- Twin Trading – two main roles are 1) buyer of IKURU certified produce and 2) supports IKURU in quality control, market access, certification of crops and project proposals.

### **D. Project targets**

Figure one below demonstrates GDA targets since the project began. Note that commodity targets are not considered applicable in 2010 due to the fact that IKURU made the decision not to trade commodities this year.

In 2008 IKURU made significant progress (77%) towards its overall aim of selling \$1,500,000 of produce. This was followed by an 84% achievement of the project target in 2009, a year in which despite high sales revenues IKURU also suffered from a lack of financing, an overall slow-down in world commodity markets and reduced profit margins. These difficulties continued into the 2010 purchasing campaign and led to IKURU Board's subsequent decision not to trade commodities at all in 2010. This final year of project implementation, therefore, cannot be considered a reflection of IKURU's success overall during the project.

**Figure 1 – GDA consolidated targets**

Targets	Target 2008	Achieved, 2008	% achieved 2008	Target, 2009	Achieved 2009	% achieved, 2009	Target, 2010	Achieved, 2010	% achieved, 2010
<b>Equity</b>									
NOVIB + Gapi (%)	78	88	N/A	64	80	N/A	45	80	N/A
Producers (%)	20	12	60	32	20	62.5	50	20	40
Others (%)	2	0	0	4	0	0	5	0	0
<b>Seed production</b>									
Total seed production (tons)	55	935	1,700	80	656	820	90	896	994
<b>Sales revenue</b>									
Total Input sales, including seed (000 USD)	96	444	463	142	541	381	221	430	194
Commodity sales, not including seed (000 USD)	1,490	816	55	1,786	893	50	2,087	390	N/A*
Commodity sales incl seeds (tons)	1,855	855	46	2,200	1475	79	2,520	532	N/A*
Increase sales from \$750,000 to \$1,500,000 (incl commod's)	1,500,000	1,155,310	77	1,500,000	1,254,080	84	1,500,000	802,540	53*

\*2010 commodity sales targets not applicable since IKURU did not trade grain in 2010

**E. Goal objectives and the main highlights from this period/from project:**

**Expand IKURU annual volumes traded and increase sales at least two fold from US\$750,000 to US\$1.5 million**

- In 2007 IKURU was awarded the Instituto de Promoção de Exportadores (IPEX, the Mozambican institute for the promotion of exports) award for being the Mozambican medium sized company with the highest growth index. In the first two years of project implementation IKURU came close to its overall objective of *expanding annual volumes traded and increasing sales by at least two fold from \$750,000 to \$1,500,000*, meeting this target by 77% and 84% in 2008 and 2009, respectively;
- A lack of financing, however, in 2009 and 2010, combined with a world-wide slump in commodity markets, meant that IKURU took the decision not to trade commodities in 2010. IKURU's previous successes in the first two years of implementation, however, suggest that given the right support and better access to financing IKURU has the potential to operate as a successful trading business.

**After three years, increase the amount of produce exported to Fair Trade, organic and other markets fivefold from 150 tons to 750 tons per year**

- In order to add value to produce the GDA has focused on the sale of organic and Fairtrade certified produce in addition to sales to the World Food Program (WFP). The WFP purchases more product from IKURU, as part of its Purchase for Progress program, than from any other Mozambican supplier;
- In 2009 IKURU sold 571 tons of produce to these markets, achieving 76% of the project's overall target of trading 750 tons. Given that the quantity sold to these markets had increased by nearly 400% since the year before, it is clear that had IKURU had a normal commodity trading year in 2010 it would very likely have exceeded its target this year;
- These sales have clearly been lucrative for IKURU and a vital element of the company's business operations, representing 56% of total IKURU commodity sales revenues in 2009 (the most recent year in which IKURU traded grain);
- IKURU is one of only two Sub Saharan African shareholders in Liberation Nuts, a UK based ethical trading company specializing in the sale of nuts and confectionary products.

**Develop IKURU's processing capacity for at least two products**

- The GDA project has promoted the addition of value through processing. Over the last three campaigns IKURU has processed bean and groundnut at its Nampula warehouse, sesame at Nacololo, maize in Ribaué and cashew at contracted facilities. New grain sorting and cleaning facilities, to increase IKURU's processing capacity to 10 tons per day, are due to be installed in October 2010;
- However, IKURU's capacity for processing still has room for improvement. During the whole project only 52 tons of sesame was processed at Nacololo due to the lack of a constant power source at the site. IKURU would also benefit from industrial de-shelling facilities for groundnut and mechanized soya threshing equipment.

**Set up an input unit at IKURU with the capacity to procure and supply quality inputs at reasonable prices to its farmer members and the farming community in general**

- IKURU has continually performed exceedingly strongly in terms of its seed production and input supply business. Despite IKURU's challenges in 2010, Inputs Unit sales figures were 27% higher than in 2009. In 2010 IKURU sold over 387 tons of inputs and 138 sprayers to the value of 15,482,191 mt or \$430,060. IKURU is now northern Mozambique's largest seed producing company;
- The GDA project has supported IKURU in becoming Mozambique's key promoter of low cost inputs, improving access to inputs that have until now been out of reach of small scale producers:
  - IKURU is the only Mozambican company producing and marketing sesame seed treated with pesticide in order to protect crops against pests. Throughout the project IKURU has sold 50,229 kg of treated sesame seed, enough to plant over 16,000 ha of treated sesame;
  - IKURU is the only company mixing and supplying liquid fertilizer, more cost effective than traditional fertilizer. By December 2010 IKURU had sold 2,762 liters of the product, sufficient to treat 4,000 ha of land. Clients included NGOs, seed companies and the Department of Agriculture.

**Strengthen IKURU's institutional and operational capacity to provide services to its network of farmers members**

- In order to strengthen its internal management capacity IKURU has focused on strengthening the Board. This has included Board training and exchange visits to companies in South Africa, Malawi and Norway. In addition, new Board members have been elected;

- IKURU has implemented new systems such as an Internal Control System (ICS) team for organic and Fairtrade production, created production manuals and a seed production protocol and commenced a Quality Management System (QMS) manual. IKURU has also introduced finance/stock control packages and developed internal policies/regulations;
- To provide IKURU with the extra support and mentoring required in 2010/11, an Agro-Business Director commenced working at IKURU;
- Staff turnover, however, has been a major challenge to the implementation and integration of new systems in IKURU. In particular IKURU needs to identify a new Inputs Unit Manager and strengthen its Fairtrade/organic ICS team.

### **Increase farmer equity in IKURU from a minority to a majority shareholder owning at least 50% of all shares**

- Since 2007 IKURU membership has risen by 39% to 20,061 members organized into 564 associations and 47 fora. The company is now composed of 30 farmer shareholders, an increase of 43% since the project began;
- Although the transfer of shares from GAPI and Novib to producers has been slow, shares are being transferred. Farmer share-holdership now stands at 20% - an increase of 66% since 2007;
- To address IKURU's recent decline in profits and to strengthen its capacity to serve its farmer members, the IKURU Transition Discussion Paper (to be provided) was presented in late 2010. IKURU is now in the process of creating an action plan for its restructuring in accordance with this, which will take advantage of the new cooperative law in Mozambique by forming a 100% producer owned and controlled cooperative with links with the private sector.

## **II. IKURU organizational development**

### **A. IKURU structure, management and Board**

#### *Board capacity building*

The GDA project has focused on strengthening the capacity of the IKURU Board to participate in business management. Throughout the project Board training was provided by consultants and partners such as SNV. Exchange visits took place to other businesses such as seed companies in South Africa, NASFAM producer organization in Malawi and FK in Norway. However, as noted by a contracted consultant (below), weak support from IKURU Board was one of the factors behind IKURU's decline in profitability over the past two campaigns. Thus, in 2010 new Board members were introduced who include two representatives with a variety of different experience of agribusiness in Mozambique and abroad, in addition to new IKURU farmer members.

After considerable discussions throughout 2009 regarding the future of IKURU, during the last year of GDA implementation the project partners gave much attention to proposing a new structure for IKURU:

#### *IKURU Board Meeting, 2010*

In May 2010 a Board Meeting took place where the following actions were decided:

1. IKURU would focus on inputs, seeds and cashew nut (from last year's harvest) during the 2010 campaign;
2. The Board would look at trading partnerships and relationships with other trading company partners which are relatively low risk, but at the same time allow IKURU to take advantage of the high production capacity of IKURU membership;
3. IKURU's structure would be reviewed.

#### *IKURU assessment by CLUSA contracted consultant*

In August 2010 CLUSA contracted a consultant to undertake an assessment of IKURU. Its aim was to establish the current status of IKURU commercial activities (with particular focus on the Inputs Unit) with regards to business performance and profitability, operational and strategic management and sustainability. The consultant concluded that despite IKURU's unique advantage as a farmer owned and controlled business, its success as a trading company has declined steeply over the past two years. Significant institutional weaknesses were identified such as a lack of working capital, poor financial and accounting systems, low trading volumes, limited infrastructure, managerial weaknesses and weak support from the IKURU Board. In order to address this, the consultant put forward the IKURU Transition Discussion Paper.

#### *IKURU Extraordinary General Assembly and Board meeting*

These two meetings took place in September 2010 where the following was discussed:

1. Evaluation of the campaign so far and availability and necessity of funds;
2. Proposed new short-term structure for IKURU. Including the introduction of an interim Agro-Business Director to support IKURU activities until January 2011. It was also agreed that Moises Raposo would continue to act as both IKURU General Manager and Inputs Unit Manager;
3. Elections took place for new Board members;
4. It was agreed that IKURU needs to 1) improve organizational capacity, management and control at all levels, 2) consolidate and expand trading volumes, with particular focus on strategic crops, 3) improve IKURU's storage and transport capacity, 4) strengthen partnerships with trade and development partners, 5) improve communication with producer owners, and 6) restructure IKURU's shareholder capital and organizational structure.

#### *The resulting proposed restructure for IKURU*

Following the above meetings and discussions, the CLUSA consultant prepared and presented the *IKURU Transition Discussion Paper* which contains three main proposals:

1. IKURU's fora should form their own regional cooperative, with 100% farmer ownership and control;
2. To take charge of all commercialization activities on behalf of the cooperative, a for-profit Fairtrade/organic registered commodity and input trading company should be formed. It should be able to form a strategic partnership with an experienced private trading company or companies which possess the specialist expertise and collateral that IKURU currently lacks;
3. Between October 2010 and December 2011 IKURU should shore up its activities by concentrating only on input supply and strategic crops, whilst the Board of Directors decides upon and implements a strategic plan and seeks suitable private investors.

## **B. Human resources and staff capacity development**

Throughout the project IKURU has suffered from low staff capacity which resulted in a high turnover of staff, particularly for the Inputs Unit Manager. This has been a major challenge to the implementation and integration of new systems in IKURU, as partners invest in building the capacity of various members of staff only for them to be replaced shortly afterwards.

The ICS team for Fairtrade and organic production, created in 2007, has gradually decreased in size over the past three campaigns, with two members of staff leaving their posts and only one member of staff (dedicated to organic production, not Fairtrade) remaining. In order to fully support its Fairtrade and organic producers and comply with FLO-cert/Ecocert compliance criteria, IKURU has now begun looking for a new ICS team member and will continue to seek external support for its certification programs from partners such as the FLO-cert Liaison Officer for Mozambique, CLUSA's SANA project, SNV and AgriFuturo.

In order to strengthen IKURU's financial management capacity an IKURU delegate Board Member from GAPI has undertaken the work of the Finance and Administration Director on a part time basis since February 2010. IKURU contracted a new full time accountant in June 2010, providing support to the accounts team and the delegate Board Member.

### C. Marketing

Like many small and medium sized companies, IKURU does not have a member of staff dedicated to marketing; this role has been carried out by the IKURU General Manager with assistance from CLUSA consultants and partners such as Twin Trading. To enable the General Manager to concentrate on other tasks, IKURU is now considering recruiting a member of staff who could be dedicated to liaising with potential buyers, developing new markets and organizing marketing activities.

#### *Trade fairs*

Since the GDA project began IKURU has utilized trade fairs to showcase its produce on international markets and forge linkages with potential commodity buyers. These have included the Facim (Feira International de Maputo) trade fair in Maputo, the Lyones International Fairtrade fair and Biofach organic trade fair in Nuremberg, Germany. IKURU found that by far the greatest interest from buyers was for cashew, especially organic cashew at Biofach in 2010. However, a lack of financing for field purchases means that IKURU has struggled in finalizing contracts with buyers.

#### *Publicity brochures, IKURU website and bulletin*

IKURU has created publicity leaflets, brochures, posters, roll-ups and a product sample range in order to distribute to potential buyers and support attendance at trade fairs. IKURU also created its own website, [www.ikurunpl.org](http://www.ikurunpl.org). In addition, SNV, Twin Trading and the GDA assisted IKURU in the creation of the IKURU bulletin which provides information to IKURU members regarding prices for products, local and international markets, availability of transport and Fairtrade/organic inspections in addition to IKURU board activities such as general assemblies/elections.

### D. Capitalization and financial development

IKURU's initial start-up capital was \$210,000 with small farmers owning 10% of the shares and GAPI and Oxfam Novib 90%. It was planned that farmer members would buy out these major shareholders over 5 years. However, the transfer of shares has been slower than expected due to lower than expected profits. With 500,000 mt from FK in 2009, farmers were able to purchase further company shares and increase farmer share holdership to 20% - a 66% increase in comparison to 2007. The number of IKURU farmer shareholders (fora) has risen from 21 in October 2007 to 29 farmer shareholder fora today.

When the GDA project commenced in October 2007 IKURU had 14,457 members organized into 44 fora. Since then membership has risen by 39% to 20,061 members organized into 564 associations and 47 fora. 44% of members are female.

**Figure 2 - Total capital subscribed, 30th September 2010**

Shareholders	Value, October 2007 (mt)	% of total capital, October 2007 (%)	Value, 3 <sup>0th</sup> September 2010 (mt)	% of total capital, 30 <sup>th</sup> September 2010 (%)
<b>NOVIB</b>	2,340,000	49.4	2,340,000	40
<b>GAPI</b>	2,340,000	49.4	2,340,000	40
<b>Farmer Associations</b>	54,950	1.2	1,155,462	20
<b>TOTAL</b>	4,734,950	100%	5,835,462	100%

### *Credit*

The timely mobilization of funds for purchases has been a challenge to IKURU over the past two campaigns. IKURU from the outset has been a thinly capitalized business, particularly for a trading company, lacking collateral such as warehouses (most of IKURU's buildings are leased). During the project IKURU has conducted its purchasing operations with financing from GAPI, Banco Terra, Root Capital and the bank BCI, accessing approximately \$1,585,000 in financing since 2007. However, funds have been received well after the harvest has started and as a result the company has struggled to purchase significant quantities of product from the field, received reduced profit margins and in some cases experienced a damaged relationship with some of its farmer members (particularly seed producers). In the future IKURU needs to source other guarantee mechanisms which could enable it to better access credit.

## **E. Business Systems Development**

The GDA and its partners invested in setting up business systems and developing business management capacity at IKURU.

### *IKURU ICS team and ICS manuals*

Much work has been carried out during the project with the support of CLUSA and a Twin Trading consultant to develop IKURU's Internal Control Systems for certified produce. This has included the development of internal control manuals for organic and Fairtrade produce and the implementation of traceability and quality management systems. IKURU's organic production manual and internal control systems for organic production received extremely high praise in the 2010 Ecocert organic inspection. A QMS (Quality Management System) manual is currently in progress.

### *Financial accounting*

Delayed closing of IKURU's books meant that in 2008 the previous IKURU Board recommended outsourcing the company's accounts to the firm CCS in Maputo. However, IKURU continues to experience delays due to the fact that, in order to rectify errors in the accounts, CCS needs to send a technician to Nampula. In addition, until 2010 CCS did not provide IKURU with a breakdown of financial records by project or product type, which limits IKURU's ability to carry out business/enterprise analysis or effective budgeting. IKURU is now considering returning to undertake its accounts in Nampula for 2011.

Other systems developed throughout the project include:

- Policies, operating procedures and manuals developed, including the development of internal contractual, health and safety and environmental policies;
- Stock control software installed;
- Annual audits to certify accounts;
- Inventory control installed and verified for accuracy;
- Templates to facilitate annual business planning were utilized;
- A monthly financial reporting format was used with the aim to help both general managers to summarize key information needed to make sound business decisions

## **III. Commodity production, processing and sales**

### **A. IKURU purchases, including seed**

#### *IKURU purchases this period*

During this period IKURU purchased 102,360 kg of seeds to the value of 2,476,441 mt. In accordance with the Board's decision, no commodities were purchased this period.

**Figure 3 - IKURU purchases this period, including seed**

<b>Product</b>	<b>Purchases, April - September 2010 (kg)</b>	<b>Purchases, April - September 2010 (mt)</b>
<b>Commodities</b>		
Groundnut	0	0
Bean cute/IT 18	0	0
Sesame	0	0
Cashew - Fairtrade	0	0
Soya	0	0
Maize	0	0
<b>Subtotal commodities</b>	<b>0 kg</b>	<b>0 mt</b>
<b>Inputs</b>		
Sesame seed – organic/Fairtrade	0	0
Sesame seed - conventional	28,268	1,236,725
Maize seed	7,025	91,325
Groundnut seed - conventional	7,693	288,469
Groundnut seed – organic/ Fairtrade	0	0
Bean cute IT 18 seed	12,275	153,438
Soya seed - conventional	47,099	706,485
Soya seed - organic	0	0
<b>Subtotal, seeds</b>	<b>102,360</b>	<b>2,476,441</b>
<b>Total, seeds and commodities</b>	<b>102,360 kg</b>	<b>2,476,441 mt</b>

*IKURU purchases, 2010 and project total*

In 2010 IKURU purchased 222,987 kg of commodities and seeds to the value of 3,413,360 mt or \$94,815. The only commodity purchase which took place were of cashew from the previous campaign.

**Figure 4 - IKURU purchases 2008 – 2010**

<b>Product</b>	<b>Purchases, 2008 (kg)</b>	<b>Purchases, 2008 (mt)</b>	<b>Purchases, 2009 (kg)</b>	<b>Purchases, 2009 (mt)</b>	<b>Purchase, 2010 (kg)</b>	<b>Purchases, 2010 (mt)</b>
Groundnut - conventional	372,000	8,059,291	343,900	4,689,782	0	0
Groundnut - Fairtrade and organic	42,000	966,000	65,200	1,003,356	0	0
Cow pea/bean IT 18	141,800	1,480,697	396,300	3,199,915	0	0
Sesame - conventional	139,872	1,214,456	112,000	2,531,910	0	0
Sesame - Fairtrade and organic	0	0	0	0	0	0
Cashew nut - Fairtrade	487,894	3,856,997	24,600	343,434	22,399	335,926
Soya - conventional	100,100	3,561,400	0	0	0	0
Soya - organic	0	0	180,000	2,592,000	0	0
Maize	0	0	230,000	1,361,150	0	0
<b>Subtotal - commodities</b>	<b>1,283,666 kg</b>	<b>19,138,841 mt</b>	<b>1,352,000 kg</b>	<b>15,721,547 mt</b>	<b>22,399 kg</b>	<b>335,926 mt</b>
Sesame – Fairtrade and organic	0	0	0	0	0	0
Sesame – conventional and non-treated	23,000	732,500	39,000	1,077,246	28,268	1,236,725
Sesame – conventional and treated	0	0	0	0	0	0
Maize seed	16,300	578,125	14,500	196,150	14,456	187,928
Groundnut - conventional	57,400	2,293,548	74,600	1,341,959	22,094	828,506
Groundnut – Fairtrade and organic	0	0	0	0	0	0
Bean cute/ IT 18	16,550	248,250	19,700	531,900	12,571	157,138
Soya - conventional	236,250	3,734,900	258,000	4,349,007	108,200	412,138
Bean boer seed					15,000	255,000
Soya - organic	0	0	68,400	957,782	0	0
<b>Subtotal seeds</b>	<b>349,500 kg</b>	<b>7,587,323 mt</b>	<b>474,200 kg</b>	<b>8,454,044 mt</b>	<b>200,588 kg</b>	<b>3,077,434 mt</b>
<b>Total</b>	<b>1,633,166 kg</b>	<b>26,726,164 mt</b>	<b>1,826,200 kg</b>	<b>24,175,591 mt</b>	<b>222,987kg</b>	<b>3,413,360 mt</b>

## B. IKURU sales, including seeds

### *IKURU sales this period*

IKURU sold 72,850 kg of commodities and seeds to the value of 6,028,277 mt this period. This was comprised entirely of seeds, with the exception of one container of cashew exported to Twin Trading. However, given that much cashew is lost as waste product during processing (cashew sales account for a fifth of cashew purchases) it can be considered that IKURU actually sold the equivalent of 136,354 kg of raw produce during this period.

**Figure 5 - IKURU sales (commodities and seeds) this period**

<b>Product</b>	<b>Sales, April - September 2010 (kg)</b>	<b>Sales, April - September 2010 (mt)</b>
<b>Commodities</b>		
Small groundnut - conventional	0	0
Groundnut - Fairtrade and organic	0	0
Large groundnut - conventional	0	0
Bean cute/IT 18	0	0
Sesame - conventional	0	0
Sesame - Fairtrade and organic	0	0
Cashew – Fairtrade	15,876 (equivalent to 79,380 raw product)	4,155,552
Soya – conventional	0	0
Soya – organic	0	0
Maize	0	0
<b>Subtotal commodities</b>	<b>15,876</b>	<b>4,155,552</b>
Sesame seed - Fairtrade and organic	0	0
Sesame seed - conventional, non-treated	350	26,250
Sesame seed - conventional, treated	2,000	230,000
Maize seed	0	0
Groundnut seed - conventional	7,025	421,500
Groundnut seed - organic	0	0
Bean cute IT 18 seed	500	17,500
Bean boer seed	0	0
Soya seed - conventional	47,099	1,177,475
Soya seed – organic	0	0
<b>Subtotal, seeds</b>	<b>56,974 kg</b>	<b>1,872,725 mt</b>
<b>Total, seeds and commodities</b>	<b>72,850 kg</b>	<b>6,028,277 mt</b>

### *IKURU sales, 2010 and total to date*

In 2007 IKURU traded a substantial amount of commodities - 2,100 tons (excluding inputs, which at the time IKURU did not trade) - to the value of over \$514,200. In that year IKURU was awarded IPEX's award for being the Mozambican medium sized company with the highest growth index. Following this, in the 2007/08 campaign IKURU traded over 855 tons of commodities and inputs to the value of \$1,155,310, achieving 77% of its project target to increase sales from \$750,000 to \$1,500,000.

In the 2008/09 campaign, however, IKURU was hit by the world-wide economic recession, lack of access to finances and, despite a larger quantity sold than the year before, lower profit margins. These challenges continued into the 2010 purchasing and sales campaign and, to reduce further losses to the company, it was decided to trade only seeds (which are associated with higher margins and require less capital for purchases). All commodity sales in 2010 were therefore from the previous year, amounting to 154.3 tons of produce. Considering IKURU's previous performance up to 2008, however, it is clear that under better conditions IKURU has the potential to be a successful trading company.

**Figure 6 – IKURU sales, including seeds, this period and total for project**

Product	Sales, 2008 (kg)	Sales, 2008 (mt)	Sales, 2009 (kg)	Sales, 2009 (mt)	Sales, 2010 (kg)	Sales, 2010 (mt)
<b>Commodities</b>						
Groundnut - conventional	213,000	5,549,521	246,400	4,602,785	24,023	446,751
Groundnut - Fairtrade and organic	72,000	1,744,243	36,000	918,000	1,700	71,400
Cow pea/ bean IT 18	63,500	1,572,571	213,300	3,274,524	61,094**	84,532
Sesame - conventional	169,400	4,903,465	72,000	1,871,911	4,846	73,906
Sesame - Fairtrade and organic	0	0	0	0	0	0
Cashew - Fairtrade	43,300 (216,500 raw product)	6,717,053	56,900 (284,500 raw product)	9,456,132	47,628 (238,140 raw product)	12,466,656
Soya - conventional	48,500	1,538,155	180,000	3,060,000	9,750	126,000
Soya - organic	0	0	0	0	0	0
Maize	0	0	300,000	3,600,000	5,295	58,245
<b>Subtotal - commodities</b>	<b>609,700 kg</b>	<b>22,025,008 mt</b>	<b>1,104,600 kg</b>	<b>26,783,352 mt</b>	<b>154,336 kg</b>	<b>14,047,490 mt</b>
<b>Seeds</b>						
Sesame – Fairtrade and organic	0	0	0	0	0	0
Sesame – conventional and non treated	19,200	1,152,000	0	0	13,096	1,188,470
Sesame – conventional and treated	18,000	1,298,950	34,400	3,103,512	6180	278100
Maize seed	9,250	367,500	7,200	273,675	18,372	5,177,977
Groundnut - conventional	67,500	3,038,805	47,000	1,288,910	57,913	2,572,134
Groundnut – Fairtrade and organic	0	0	0	0	0	0.00
Bean cute. IT 18	23,200	811,125	23,300	867,968	38,602	757,352
soya - conventional	108,900	2,950,000	258,000	5,305,000	225,567	3,948,199
Soya - organic	0	0	0	0	0	0
Bean bóer seed	0	0	0	0	18,235	921,750
<b>Subtotal seeds</b>	<b>246,050 kg</b>	<b>9,618,380 mt</b>	<b>369,900 kg</b>	<b>10,839,065 mt</b>	<b>377,965 kg</b>	<b>14,843,982 mt</b>
<b>Total - commodities and seeds</b>	<b>855,750kg</b>	<b>31,193,388 mt</b>	<b>1,474,500 kg</b>	<b>37,622,417 mt</b>	<b>532,301 kg</b>	<b>28,891,472 mt</b>

### C. Summary of purchases and sales

The table below summarizes seed and commodity purchases and sales over the past three campaigns. Note that in all years some product is sold from the previous season, either held over by IKURU as stock or, in the case of cashew, purchased in December of each new campaign. IKURU sales mark-up over the three campaigns was on average 45%.

**Figure 7 - Summary of purchases, 2008 to 2010**

	2008*	2009**	2010***
<b>Purchases (\$)</b>	989,857	805,853	94,815
<b>Purchases (ton)</b>	1,633.2	1,827.3	222.9
<b>Sales (\$)</b>	1,155,310	1,254,080	802,540
<b>Sales (ton)</b>	855.8	1,474.5	532.3

\*27 mt/\$ \*\*30mt/\$ \*\*\*36 mt/\$

### D. IKURU Fairtrade and organic sales and sales to other markets

Fairtrade and organic certification has been one of the project's most successful methods of adding value to produce. Since 2006 IKURU has held a long term contract to supply organic and Fairtrade cashew and groundnut to its UK buyer Twin Trading. In 2008 IKURU developed a major new market outlet for its produce by securing a contract to sell maize and beans to the World Food Program as part of its Purchase for Progress program – the first formal market that IKURU producers have had for maize and beans, crops previously sold informally at local markets or consumed only within the home.

In 2009 IKURU sold 571 tons of produce to these markets, achieving 76% of the project's overall target of selling 750 tons per year and representing 56% of IKURU revenue from commodity sales. Given that the quantity sold to these markets in 2009 had increased by nearly 400% since the year before, it is clear that had IKURU had a normal commodity trading year in 2010 it would very likely have met or even exceeded its target of selling 750 tons.

Sales of certified crops have clearly been lucrative for IKURU and a vital element of the company's business operations. In the coming campaigns IKURU will return to grain trading, with a focus on certified commodities. IKURU is now in the process of confirming contracts to supply a total of 870 tons to these markets during the 2010/11 campaign (720 tons to the World Food Program and 150 tons to Twin Trading).

**Figure 8 - IKURU sales to Fairtrade, organic and other markets during project duration**

Product	Sales, 2008 (kg)	Sales, 2008 (mt)	Sales, 2009 (kg)	Sales, 2009 (mt)	Sales, 2010 (kg)	Sales, 2010 (mt)
Fairtrade/ organic groundnut	72,000	1,744,243	36,000	918,000	1,700	71,400
Fairtrade cashew	43,300	6,717,053	22,000	7,117,785	47,628	12,466,656
Maize	0	0	300,000	3,600,000	5,295	58,245
Beans	0	0	213,300	3,274,524	61,094	804,532
<b>Total</b>	<b>115,300 kg</b>	<b>8,461,296 mt</b>	<b>571,300 kg</b>	<b>14,910,309 mt</b>	<b>115,717 kg</b>	<b>13,400,833 mt</b>
<b>% of total commodity sales</b>	<b>19%</b>	<b>38%</b>	<b>51%</b>	<b>56%</b>	<b>75%</b>	<b>95%</b>
<b>% achieved - trade 750 tons per year</b>	<b>15%</b>		<b>76%</b>		<b>N/A</b>	

## **V. IKURU quality control and the University Lurio/IKURU Bimolecular and Seed Testing Laboratory**

Stringent quality standards is one of the greatest barriers to African exports, and the provision of cost effective, local testing services is crucial in overcoming this. The University Lurio/IKURU Bimolecular Laboratory was established, with assistance from Twin Trading, in 2008 to assist IKURU to address high aflatoxin levels in its groundnut exports to the UK. The laboratory has now become Mozambique's only commercial aflatoxin testing laboratory.

### *Aflatoxin testing*

Before the opening of the University Lurio facilities, produce was tested in South Africa, resulting in significant cost, time delays and logistical constraints. However, with the provision of services based in Nampula clients are now able to conduct regular and systematic diagnostic tests on their produce. Since opening in 2008 the laboratory has conducted over 650 aflatoxin tests for NGOs, research institutions and private trading companies. 147 of these tests were IKURU samples taken from its Nampula warehouse prior to export, which has helped to ensure product quality before being shipped to the UK. In 2008 50% of IKURU's 8 groundnut containers to the UK arrived in excess of the 4 ppb aflatoxin Maximum Allowable Limit (MAL), for two of which IKURU suffered a financial penalty; in 2009, however, containers arrived only just above the maximum limit with no adverse consequences to IKURU.

IKURU has implemented a field study to better understand aflatoxin contamination along the value chain, testing 262 groundnut field samples from the last three campaigns. Results show that 11% of fresh nuts tested had levels more than 4ppb aflatoxin content in comparison to 23% of dried nuts. In addition, results show that the shell provides a degree of protection against aflatoxin contamination - 16% of nuts stored in shell had more than 4ppb aflatoxin content as opposed to 37% of nuts stored out of shell. This reinforces the need for IKURU address the issue of inadequate storage/drying practices and facilities, in addition to further experimenting with the use of mechanical de-shelling equipment to increase the time that produce remains in shell.

The laboratory is in the process of acquiring a Real Time PCR and HPLC equipment which it is hoped will enable it to become Mozambique's primary food standard control laboratory. This will include tests such as micronutrient content, Coliform, salmonella, E. Coli, staphylococcus, yeasts and moulds, protein, fat, ash, fiber and contaminants. Interested clients include trading companies, the World Food Program, NGOs, maize /flour mills and companies focusing on other products such as bottled water and salt. The process of accreditation has begun for aflatoxin testing and the first pre-audit to assess compliance to the internationally recognized ISO standard 1725 is scheduled to take place in November 2010. Once accredited the laboratory will be northern Mozambique's first accredited laboratory.

## **VI. IKURU Inputs Unit**

The GDA also focused on supporting IKURU to establish a profitable inputs supply business which both benefits farmers, through increased access to agricultural inputs, and strengthens IKURU's business activities. Throughout the project duration the Inputs Unit has represented the most lucrative part of IKURU's business activities, with higher margins, lower risk and less capital required for purchases. In addition, IKURU's input supply activities have reached farmers who would not otherwise have had access to agricultural inputs - IKURU has focused not only on seed supply and the introduction of new and improved seed varieties but also on the production and marketing of novel low cost inputs which have never before been used in Mozambique.

**Seed production system established in IKURU with contracted farmers certified by National Seed Authority (NSS)**

#### *Production of Certified 1 and 2 seed*

Despite challenges facing the commodity side of the business, IKURU's program of certified seed production and sales has proven extremely successful and IKURU is now northern Mozambique's largest seed production company. In 2009, its most successful seed production year, IKURU produced over 900 tons of seed.

IKURU Inputs Unit produces both Certified 1 and Certified 2 seed. IKURU purchases basic seed and distributes this to contracted seed producers to be multiplied into Certified 1 seed. IKURU also distributes Certified 1 seed (produced by its network of seed farmers the year before) to be multiplied to produce Certified 2 seed.

At the start of the 2009/10 campaign IKURU distributed 4,700 kg of basic seed to its Certified 1 seed producers, who harvested over 72,000 kg of produce. In the same harvest IKURU's network of 219 contracted Certified 2 seed producers harvested 823,200 kg of produce. IKURU initially planned to purchase all seed produced, however limited financing meant that only 20% of this was purchased.

#### *Introduction of new basic seed varieties*

Repeated multiplication of the same seed stock results in lower yields and poorer quality produce less resistant to pests and shocks and the acquisition of new, good quality basic seed has been a challenge for IKURU. In recent campaigns the Inputs Unit has worked closely alongside agronomic research institutions such as IIAM and IITA to develop, test and multiply new and improved varieties and IKURU has lead the way in introducing these through its network of producers. For multiplication during the 2010/11 campaign, IKURU purchased over 17 tons of basic seed (see Figure 9). With the exception of 5 varieties, all are completely new to the region and producers are using these for the very first time (new varieties are highlighted in bold in the table below).

**Figure 9 - Basic seed bought during 2010 for multiplication in 2010/11 campaign**

<b>Seed</b>	<b>Varieties</b>	<b>Quantity of seed bought (kg)</b>	<b>Source</b>
Milho-Matuba	Matuba	250	IIAM, FAO
Milho-Tsangano	<b>Tsangano</b>	2100	IIAM, FAO
Bean boer	ICEAP 00040	50	IIAM
Groundnut	JL 24	50	IIAM
Groundnut	<b>Virginia</b>	75	OLAM
Soya	<b>TGx 1908-8F</b>	8000	IITA
	<b>TGx 1937-1F</b>	750	IITA
	<b>TGx 1740-2F</b>	1000	IITA
	<b>TGx 1904-6F</b>	800	IITA
	<b>TGx 1485-1D</b>	250	IITA
	<b>TGx 1951-3F</b>	200	IITA
	<b>TGx 1972-1F</b>	250	IITA
	<b>TGx 1963-3F</b>	250	IITA
	<b>TGx 1835-10E</b>	500	IITA
	Bean	IT 18	1000
IT 16		1000	IITA
<b>IT 00K-126-3</b>		700	IITA
<b>IT 97K-1069-6</b>		300	IITA
<b>Total</b>		<b>17,525 kg</b>	

*Seed production protocol and seed certification by the National Seed Service*

In order to establish nationally approved regulations and procedures for seed production, testing, packaging and sales, IKURU has produced a seed production protocol with support from the GDA strategic partners Norges Vel and Norske Felleskjop. In addition, IKURU and its network of contracted seed producers are inspected three times per year by the National Seed Service to ensure that national seed production techniques are being adhered to such as effective separation of varieties and appropriate storage techniques.

*Seed testing at the University Lurio/IKURU Bimolecular and Seed Testing Laboratory*

With project support, the University Lurio laboratory expanded its services to include seed testing for germination, vigor and humidity in late 2008. The 2009/10 campaign was the first campaign in which IKURU fully implemented a seed testing protocol to test all seed prior to sale. Each seed producer's seed was tested three times - prior to purchase, during warehouse storage and once more after concluding negotiations for sale.

IKURU tested a total of 149 seed samples throughout the project and this year 72% of seed was found to be of good quality (more than 80% of seed germinated). This is in comparison to 67% of seed last year - suggesting that IKURU's efforts in introducing and multiplying new basic seed are having a positive effect on seed quality. It is expected that with the introduction of over 172 tons of basic seed in the 201/11 campaign the percentage of seed considered good quality will rise to over 85% next year.

**Stable supply chains for agricultural inputs to IKURU established**

*IKURU Inputs Unit purchases*

As with commodity purchases, a lack of financing for seed purchases was a challenge during the last two campaigns. During 2010 IKURU Board was forced to reduce its seed purchasing plan by to 24% of the planned total. This resulted in lower quantities available to trade and reduced trading margins, as well as jeopardizing seed producers' inability to repay seed production credit to IKURU.

Between April and September 2010 the Inputs Unit purchased a total of 102,378 kg of inputs to the value of 2,562,441 mt. Purchases continued beyond the end of the last reporting period and by the end of 2010 IKURU had purchased 200,588 kg of seed. IKURU's lack of access to funding means that it purchased less than half the quantity of the previous year.

**Figure 10 - Inputs Unit purchases this period**

<b>Inputs</b>	<b>Purchases, April - September 2010 (kg)</b>	<b>Purchases, April - September 2010 (mt)</b>
Sesame seed - organic and Fairtrade	0	0
Sesame seed - conventional, non-treated	28,268	1,236,725
Sesame seed - conventional, treated	0	0
Maize seed	7,025	91,325
Groundnut seed - conventional	7,693	288,469
Groundnut seed - organic and Fairtrade	0	0
Bean cute IT 18 seed	12,275	153,438
Bean boer seed	0	0
Soya seed - conventional	47,099	706,485
Soya seed - organic	0	0
<b>Subtotal, seeds</b>	<b>102,360</b>	<b>2,476,441</b>
Urea	0	0
Insecticide	18	11,000
Lime/calcium	0	0
Foliar feed fertilizer	0	0
Sprayers	50 units	75,000
Fungicide	0	0
<b>Total</b>	<b>102,728 kg and 50 sprayers</b>	<b>2,562,441 mt</b>

**IKURU producers significantly increase their use of inputs**

*Foliar feed fertilizer*

Due to a lack of availability of inputs, the high cost of purchase and a lack of local tradition of input use, the GDA project has supported IKURU to promote the use of low-cost inputs such as foliar feed fertilizer - a cost effective liquid fertilizer which is sprayed directly onto plants' leaves. During the 2009/10 campaign IKURU began mixing this product with water and locally purchased urea before marketing it in bottles of 1.5 liters. Because this is a new product, IKURU complemented this with a training and awareness raising program. IKURU designed and printed an information leaflet to distribute to associations, partners, NGOs and businesses. Strong interest from NGOs and seed companies meant that IKURU by December 2010 IKURU had sold 2,762 liters of the product, sufficient to treat approximately 4,000 ha of land. Clients included NGOs, seed companies and the Department of Agriculture.

*Sesame seed treatment*

IKURU has become northern Mozambique's leading force in terms of the production, promotion and sales of sesame seed treated with pesticide to protect it against the sesame seed flea beetle. Throughout the project IKURU has sold 50,229 kg of treated sesame seed, enough to plant over 16,000 ha of treated sesame.

Clients for treated sesame seed included ALIMMI (the producer cooperative in Niassa province) the Aga Khan Foundation, Helvetus, World Vision, SCIP and seed companies. Whilst last year IKURU sold seed pre-treated with pesticide at IIAM, this year IKURU is putting together its own seed treatment kits, a novel product in Mozambique, whereby within each kit producers receive

4kg of seed together with protective gloves, a mask, seed treatment and information/instruction leaflet. IKURU has worked with AgriFuturo to prepare an information leaflet to increase producer awareness of the use of the kits. In conjunction with CLUSA's SANA project, the Department of Agriculture and Corridor Agro, IKURU plans to undertake training in the use of the kits for 75 SANA project, government extension staff and partner NGO extension staff in October.

As with many inputs, however, the cost of chemicals is high. Thus, a 4 kg kits costs 180% more than 4 kg of non-treated seed. As a result, IKURU's primary clients for treated seed have been NGOs, seed companies and contracted seed producers (who receive treated seed on credit from IKURU), rather than individual producers.

#### *Input Unit sales*

IKURU Inputs Unit sales have been a GDA project success and IKURU has consistently exceeded its targets in terms of Inputs Unit sales. During the period April to September 2010 the Inputs Unit sold 58,969kg of produce and 50 sprayers to the value of 1,973,045 mt.

**Figure 11 - Inputs unit sales this period**

<b>Inputs</b>	<b>Sales, April - September 2010 (kg)</b>	<b>Sales, April - September 201 (mt)</b>
Sesame seed - Fairtrade and organic	0	0
Sesame seed - conventional, non-treated	350	26,250
Sesame seed - conventional, treated	2,000	230,000
Maize seed	0	0
Groundnut seed - conventional	7,025	421,500
Groundnut seed - organic	0	0
Bean cute IT 18 seed	500	17,500
Bean boer seed	0	0
Soya seed - conventional	47,099	1,177,475
Soya seed - organic	0	0
<b>Subtotal, seeds</b>	<b>56,974</b>	<b>1,872,725</b>
Urea	0	0
Insecticide	0	0
Lime/Calcium	0	0
Foliar feed fertilizer	1,995	5,320
Sprayers	50 units	95,000
Fungicide	0	0
<b>Total</b>	<b>58,969 kg and 50 sprayers</b>	<b>1,973,045 mt</b>

Despite IKURU's lack of financing for purchases this campaign, total Inputs Unit sales figures were 27% higher in 2010 than in 2009 and in 2010 IKURU sold 387,556 kg of inputs and 138 sprayers to the value of 15,482,191 mt or \$430,060. This is because IKURU sold stock that was retained from the previous campaign.

**Figure 12 - Inputs Unit sales, 2008, 2009 and 2010**

Inputs	Sales, 2008 (kg)	Sales, 2008 (mt)	Sales, 2009 (kg)	Sales, 2009 (mt)	Sales 2010 (kg)	Sales 2010 (mt)
Sesame – conventional and non treated	19,200	1,152,000	0	0	13,096	1,188,470
Sesame – conventional and treated	18,000	1,298,950	34,400	3,103,512	6180	278100
Maize seed	9,250	367,500	7,200	273,675	18,372	5,177,977
Groundnut, conventional	67,500	3,038,805	47,000	1,288,910	57,913	2,572,134
Bean cute IT 18	23,200	811,125	23,300	867,968	38,602	757,352
Soya, conventional	108,900	2,950,000	258,000	5,305,000	225,567	3,948,199
Bean boer	0	0	0	0	18,235	921,750
<b>Subtotal, seeds</b>	<b>246,050 kg</b>	<b>9,618,380 mt</b>	<b>369,900 kg</b>	<b>10,839,065 mt</b>	<b>377,965 kg</b>	<b>14,843,982 mt</b>
Fertilizer	11,800	413,000	7,100	227,500	3,791	154509
Urea	2,100	73,500	2,300	72,375	3,092	121,220
Insecticide	180	60,000	325	125,445	96	21415
Lime/Calcium	33,300	333,000	11,200	988,600	1,850	22,200
Foliar feed fertilizer	0	0	2,000	1,800	762	42,865
Sprayers	76	144,000	139	264,100	138	276,000
<b>Total, seeds and inputs</b>	<b>281,857 kg and 76 sprayers</b>	<b>11,983,980 mt</b>	<b>333,925 kg and 139 sprayers</b>	<b>12,207,379 mt</b>	<b>387,556 kg and 138 sprayers</b>	<b>15,482,191 mt</b>

## VII. Successes throughout project duration

### Increased capacity for processing

The GDA has supported groundnut and bean processing at IKURU's central Nampula warehouse and sesame processing at the Nacololo facilities, has experimented with mobile groundnut de-shelling units and in October this year will introduce new equipment from the World Food Program which will increase IKURU's overall bean/groundnut processing capacity to 10 tons per day.

### Product certification

IKURU members were the first producer groups in Mozambique to become Fairtrade and organic certified and until recently was the only company in the world supplying both organic and Fairtrade groundnuts. IKURU is the first ever Mozambican company to produce organic certified cashew, a product previously thought difficult or impossible to produce viably because of the need to chemically treat cashew trees. This year 3,745 producers are Fairtrade or organic certified (or both) who produced 4,743,949 kg of certified produce during the 2009/10 campaign. In 2010 IKURU's Fairtrade cashew producers earned a total of \$10,656 in Fairtrade premiums, which were used for activities such as investment in improved warehouse facilities, local

association shops and association centers. However, in order to make its organic and Fairtrade programs viable given the high costs of certification, IKURU needs to increase the volumes traded. Obstacles to this include a lack of markets (soya and groundnut), the inability to meet contracts and fulfill client demand (sesame and cashew) and quality control (groundnuts).

Other certification schemes exist which can support IKURU to access markets. Since 2008 IKURU has also held the “Made in Mozambique” certification mark, certification for Mozambican commodities which helps to differentiate IKURU’s products within a global marketplace.

### **Sales contracts**

IKURU was the first Mozambican company to export groundnut to Europe after independence. Accessing export contracts for high value products aimed at niche markets has enabled IKURU to take advantage of prices of on average 20% more than product destined for the local market. In addition, IKURU’s long-term contract with the World Food Program has enabled IKURU for the first time ever to secure a formal market for maize and beans.

### **IKURU restructuring**

Over the past two years IKURU has invested much time and effort into restructuring itself to improve its efficiency, management and long term sustainability. A new Board Chairman and Board members were elected and IKURU has conducted a critical assessment of its structure. This has resulted in the development of a strategy plan which takes advantage of the new cooperative law in Mozambique and will enable IKURU to form a modern, fully producer owned cooperative with strong private sector linkages.

### **Quality control**

The University Lurio/IKURU Biomolecular Laboratory is northern Mozambique’s only commercial aflatoxin testing laboratory, with the potential to become the primary food quality testing service center in the country. IKURU now has more confidence in the quality of its groundnut exports and suffers fewer rejected shipments. The laboratory has become a renowned center of excellence in the study of aflatoxin in Mozambique, hosting international events and testing state of the art diagnostic products for aflatoxin testing in maize and groundnuts.

### **Seed production**

Traditionally producers in northern Mozambique multiply the same seed year over year, resulting in reduced yields and poor quality produce. IKURU is northern Mozambique’s only seed producing company, introducing seed types that have never previously been available commercially. Producers can now access good quality, tested seed, in the quantity that they require and often on credit. In total during project duration IKURU’s contracted seed producers have produced 2,486 tons of Certified 1 and 2 seed. To take advantage of the high margins involved in seed sales, IKURU will continue to make seed production and trading a focus in future campaigns.

### **Promoting low cost inputs**

IKURU is the only Mozambican company researching, producing, promoting and selling low cost inputs such as sesame seed treatment kits and foliar feed fertilizer mixtures. This is a big success in rural northern Mozambique where inputs are expensive, hard to obtain, expensive or impossible to purchase in small quantities and do not form part of local agricultural practices. The first time use of inputs for many producers can be entirely attributed to IKURU. IKURU will continue to expand these existing programs in addition to constantly searching for further alternative fertilizer and pesticide options to traditional inputs.

## **VIII. Key lessons learned and plans for future continuation of activities**

The implementation of the program *IKURU Value-Added Services Alliance: Establishing a Production Services Operation and Building Trade Programs in Mozambique* has produced several important lessons which are important to highlight:

## **Finances**

- An early-on investment in logistical resources such as transport (trucks, motorbikes and other vehicles) is essential to the running of a commodity trading company in northern Mozambique;
- IKURU learned that timely access to financing is critical to success. Without this, all trading activities and profit margins are greatly reduced;
- A lack of collateral from the outset puts at risk all future trading activities. In the future, project support received by IKURU should be for asset acquisitions or development – such as warehouses, trucks and processing equipment – and a transformer for the Nacololo warehouse. IKURU will also look for alternative ways of guaranteeing loans.

## **IKURU Board, management and human resources**

- A lack of strong leadership and undefined roles and responsibilities results in poor communications, slow decision making and a general passing of responsibility within the company;
- Strong and consistent engagement is required from all leaders, including the board chairman, GAPI and Novib as well as farmers themselves. A lack of understanding among management could undermine IKURU's potential to succeed as a trading company;
- In the future IKURU will focus on training for Board members, in particular farmer member shareholders, regarding the management of their own company. This means that farmer directors will be better able to keep up with the complexity of the company as it grows, rather than defer to outside shareholders;
- IKURU has learned that major changes to its structure are necessary if the company is to be profitable and sustainable. To make the planned transition to a cooperative, IKURU will now begin to seek technical support from specialists and NGOs with experience in cooperative formation and will provide associations and fora with renewed assistance to strengthen and sustain these vital community organizations.

## **IKURU systems to support growth and effective operations**

- IKURU learned the importance of accounting and financial reporting which allows for business and enterprise analysis, effective budgeting and understanding cost of goods sold;
- IKURU also learned the importance of effective leadership management systems which will increase its capacity to develop with less outside support required. To assist in the establishment of these, IKURU will be supported and mentored by an interim Agro-Business Director until January 2011. IKURU management will be carried out through not only the General Manager but also the interim Agribusiness Director and the GAPI delegate Finance Manager.

## **Adding value and increasing profitability**

- IKURU saw first-hand the significant profits that can be associated with product processing. IKURU will now prioritize the acquisition of constant power supply at Nacololo and, in order to capitalize on the strong cashew market, will contract different processing factories such as Condor. In the longer term future IKURU plans to establish an industrial groundnut processing centre at Nametil complete with industrial de-sheller;
- Close attention should be paid at all times to profit margins. The input supply business is a high margin business and, even at reduced volumes, can be more profitable than commodity trading. Commodity trading, however, is of significant value to farmer members and IKURU plans to return to trading grains as soon as the business is in a stronger financial position;
- It is not enough to produce a product and secure a market for it – effective quality control (as was seen with aflatoxin in groundnuts and poorly germinating treated sesame seed) is absolutely vital to ensure that those markets are retained and clients are satisfied with the product;

- IKURU saw that certified crops can represent larger margins than conventional produce. In future campaigns IKURU will conduct an intensive marketing campaign aimed at new markets for these, both regional (e.g. sesame to South Africa) and international (e.g. organic cashew to European buyers);
- Certification, however, comes at a cost. If it were easy, all companies would be certified. In order to maintain certification IKURU will both contract a further member of staff for the ICS team and will work alongside partners such as AgriFuturo to provide necessary support.

## **Annexes**

### **Annex 1. Summary of commodities throughout the GDA project and IKURU future plans**

#### **A. Cashew**

##### *Cashew production and processing*

- After seed sales, cashew has been IKURU's most lucrative business, with exports rising from 32 tons in 2007 to an expected 172 tons in 2011;
- GDA project support for processing initially focused on the use local small cashew processors and the Condor factory in Namialo, however the quality was found to be inconsistent. Quality has increased since IKURU transferred its processing to OLAM in 2008 and the GDA has supported IKURU to improve quality through team quality monitoring visits (Twin Trading, IKURU and CLUSA) to OLAM's facilities;
- Following strong demand for organic cashew at the Biofach organic trade fair in 2010, this year for the first time IKURU applied to certify 134 organic cashew producers from the forum of Calipo (where cashew is not chemically sprayed). IKURU expects certification to be granted by December – in time to market the anticipated 81,360 tons of cashew as organic from December onwards this year.

##### *Sales and marketing*

- IKURU has relied heavily on its export contract with Twin Trading UK. Throughout the project contact has been made with various other cashew buyers such as Umbila (Sweden) and Fairmatch (Holland). However, they do not offer the same conditions Twin Trading such as price and connection with the pre-financing institution provider Root Capital;
- The market for organic cashew is especially strong and IKURU does not anticipate difficulties in finding buyers for its produce from the next few campaigns..

##### *Challenges*

- The primary limiting factor to the expansion of cashew trading over the duration of the GDA project has not been a lack of market but IKURU's capacity to supply buyers. IKURU has supplied on average 6 containers per year whilst a market currently exists for at least 10 containers. This is due to the fact that most buyers require produce throughout the year; however IKURU is unable to hold large quantities in stock since it requires the money for its cereals purchases. In addition, IKURU currently relies solely on OLAM's capacity to process its cashew, which limits the quantities available to trade.

##### *Plans for the future*

- IKURU envisages the bulk of its commodity profits coming from cashew, particularly Fairtrade and organic cashew, in the future and plans to increase its purchases from 500 tons per year to 1,000 tons per year in 2011/12;
- To do this IKURU will need to seek alternative processors and is currently negotiating the renewed use of the Condor factory in Namialo, where much work has been carried out in terms of improving product quality;
- If organic certification from Calipo is a success this year then IKURU plans to expand this program for the 2010/11 campaign – commencing a new cashew planting program in Calipo in addition to encouraging further fora (Murrupula, Chalaua and Nhacapa) to desist from using chemical sprays.

#### **B. Groundnuts**

##### *Production and Processing*

- IKURU's groundnut cleaning and sorting equipment at the central Nampula warehouse has been used to increase the quality of and add value to IKURU product as well as generate revenue by providing services to other companies;

- Project support, alongside support from the SANA project and IIAM, has helped IKURU to improve the Nametil seed variety through seed maintenance/selection and the introduction of new varieties;
- Quality control at producer level has been a major constraint to groundnut production. Alongside the University Lurio and the University of Vienna, producer training has focused on post-harvest techniques as well as experimentation with rapid result in-field aflatoxin testing kits, the first time that these have been used in Mozambique;
- Groundnut production is increasing year on year but has not been matched by increased processing facilities. Approximately 50% of IKURU's groundnut seed purchases remain in shell in warehouses at the time of writing. Both the GDA project and Twin Trading assisted IKURU in the instillation and experimentation of mobile de-shelling equipment in Mogovolas district. However, although found to be a success in terms of de-shelling speed, the machine damaged grains and regularly broke down.

#### *Sales and Market Development*

- Market development throughout the project means that IKURU has exported groundnut to Blancom and V&M in South Africa and sold to large national buyers such as Dimple;
- As with cashew, throughout the project duration IKURU has relied heavily on its export contract with Twin Trading.

#### *Challenges*

- The GDA has had a major impact on aflatoxin contamination through its support to the University Lurio/IKURU Bimolecular Laboratory in Nampula, the first of its kind in Northern Mozambique. IKURU has conducted ongoing monitoring of aflatoxin contamination in its groundnut exports and as a result no shipments in 2009 were subject to subsequent blanching costs to IKURU;
- The Nametil groundnut is too small for many international markets.

#### *Plans for the future*

- With its planned restructuring, IKURU hopes to return to trading groundnut grain, focusing on Fairtrade and organic export markets in South Africa and national conventional markets;
- From October 2010 onwards IKURU will improve quality through the acquisition of cleaning/sorting equipment from World Food Program funds as part of the Payment for Purchase program;
- In order to de-shell the large amounts produced, in addition to improving product quality and reducing aflatoxin contamination, it is vital that IKURU obtains industrial de-shelling equipment. In the longer term future IKURU plans to establish a groundnut processing center at Nametil, installing an industrial de-shelling machine with an 8 ton/day capacity as well as cleaning equipment.

### **C. Sesame**

#### *Production and processing*

- Sesame remains one of Mozambique's untapped commodity markets, with huge demand from countries such as Turkey, China and increasingly demanding European health food markets;
- Throughout the project the GDA has supported IKURU in importing new seed varieties such as Nicaragua and Linde, high quality and high yielding white varieties;
- The GDA project has supported IKURU with testing and maintenance of the 4 ton per day sesame processing facilities at Nacololo. IKURU hopes to resolve the electricity problem with the purchase of a transformer with funds from an AgriFuturo grant in 2011, at the cost of approximately \$20,000;
- In order to address the problems of poorly germinating treated sesame seed during the 2009/10 campaign IKURU established a sesame seed treatment research group in order to investigate the most appropriate product and dosage. During 2010 the group

conducted trials with varying dosages of insecticide from two different sources, enabling IKURU to be sure of the correct dosage to include in its seed treatment packs (see below).

#### *Sesame sales and market development,*

- In 2009 IKURU made its first export of sesame, selling 19 tons to the Kenyan company Earth Oils. Links were also made with buyers in China, although the price offered in addition to a high farm gate price has so far been too low to make this viable to IKURU.

#### *Challenges*

- IKURU needs to vastly increase the quantity of sesame available for sale. A market exists for over 200,000 tons of sesame per year and yet, due to the sesame seed flea beetle and a lack of financing for purchases, IKURU has the capacity to supply only 1/6 of this. Sesame purchases are extremely competitive and buyers cannot afford to suffer insufficient or late acquisition of funds as IKURU has done in recent campaigns;
- IKURU is yet to source a buyer for organic and Fairtrade sesame.

#### *Plans for the future*

- In order to access the strong market that exists for sesame, in the future IKURU plans to:
  - Increase production through encouraging more producers to take up sesame production (particularly those desisting from cotton due to low cotton revenues);
  - Focus on the sale of treated seed and pesticides and carry out training in improved production techniques;
  - Multiply the already purchased Linde variety basic seed to guarantee a better quality crop and introduce three new white varieties from Ethiopia; and
  - Seek private investor business partner which could enable IKURU to access funding for purchases;

## **D. Soya**

#### *Production and Processing*

- Dramatic increases in soya production through the CLUSA managed Prosoya program in Zambezia province mean that producers harvested 4,604 tons of soya, 43% more soya than 2009;
- Soya has seen significantly increased national demand in recent years. This is largely due to the increase in Mozambican chicken producers and poultry feed companies and their acquisition of machinery that removes oil from soya to transform into poultry feed.

#### *Sales and Market Development*

- There is currently very strong national demand for soya from buyers such as Abil Antunes (Chimoio), soya flour producers in Beira and the GETT and Novas Horizontas poultry producers in Nampula;
- Through GDA support, 162 producers produced 251,160 kg of organic certified soya during this campaign. However, a lack of an organic market means that this has been sold as conventional product.

#### *Challenges this period*

- To justify its inspection and certification costs it is vital that IKURU seeks a market for organic soya. However, until now the world price for organic soya has not justified export costs;
- In order to ensure that soya does not spend an excessive period of time in producers' homes and warehouses, where it is prone to loss of quality, IKURU needs to accompany an increase in production by increased availability of mechanized threshing facilities. This campaign, only 12 producers used mechanized threshers this year, processing 45 tons of produce.

*Plans for the future*

- Once IKURU's planned restructuring has taken place, the company plans to re-enter the grain market – selling soya grain to chicken feed companies within Mozambique and working alongside the Norwegian cooperative FK to identify a market for organic soya;
- IKURU will work alongside the CLUSA managed NORAD program to promote improved production and processing technologies.

**E. Cowpea and maize**

*Production and processing*

- Alongside the World Food Program, IKURU has improved post-harvest and storage practices for beans in Ribaue and Malema. During the project 30 producers were trained to construct demonstrative household grain storage silos and approximately 800 producers were trained in drying, processing and storage techniques.

*Sales and Market Development*

- GDA support helped to establish initial links with the World Food Program and the resulting maize and bean contracts to supply the WFP with at least 850 tons until 2011.

*Challenges*

- The challenge, however, is quality control. IKURU is limited by its ability to meet the WFP's strict quality standards. Cowpea is very susceptible to damage by pests just prior to and after harvest, creating post-harvest losses which affect both the quality of produce and quantity that IKURU is able to sell.

*Plans for the future*

- This contract is expected to form one of IKURU's most important trading relationships in the future. IKURU is preparing to sign a contract to supply the WFP with 720 tons during the next campaign;
- Processing, storage capacity and quality control will be vastly improved with the new equipment from the WFP in October 2010 and the new IKURU warehouse due to be constructed in 2011 in Nampula.