



Rural Urban Development Initiatives

P. O. Box 78741, Tel No.: +255 (022) 260 1873,
Dar es Salaam Fax No.: +255 (022) 260 1874,
Tanzania E-Mail: ruditz@yahoo.com,
Plot # 217/218, Off Kimweri Road - Msasani Village



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COMPETE
The Competitiveness and Trade Expansion Program

I. General Information

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

Type of report: Quarter
Period covered by this report: From 1st July 2010 to 30th September 2010

II. Background

USAID-COMPETE PARTNER FUNDING SUPPORT TO RUDI

3rd Quarter Report 2010 (July – September 2010)

This report from Rural Urban Development Initiatives (RUDI) is for the 3rd quarter for 2010 covering USAID COMPETE support to RUDI for 2 years period. The report covers the activities achieved and the expenditure report.

Project overview

Rural Urban Development Initiatives (RUDI) is a local NGO registered in Tanzania. Since its establishment in 2007, RUDI has facilitated the training of farmer groups on the importance of bulking rice and in mobilization of their resources. In return rice farmers have been able to market their rice and procure joint inputs leading to receiving better prices from traders.

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

III Executive summary

The primary objective of the COMPETE grant to RUDI is to assist smallholder rice and maize farmers in three districts of Tanzania. The grant aims at assisting three Associations in three districts to establish milling machines (procuring milling equipment only) into the collection points and convert paddy to milled rice and maize to flour at the source. This is expected to lead to a tripling in the value of the milled rice/flour and contribute to better returns to the farmers. This activity also assists the finished rice/flour product to be traded across the region without further transport to a processor.

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

The grant assists RUDI to work with farmers to develop a marketing plan for the rice/maize for both wholesale and retail buyers as well as relief agencies. 50 kg bags will be used for the milled rice/maize to be transported directly to the production areas and then loaded onto trucks going directly to Kenya, Rwanda and the DRC (where rice/maize is in deficit). Once the 50 kg bulk plan has been established, COMPETE plans to work with the RUDI grant to introduce smaller size rice packaging for marketing directly into the retail chain through regional supermarkets such as Nakumatt, Uchumi and Shoprite. The objective is to eventually establish a direct link from FBO to retailer, thereby assisting smallholders to access commercial markets.

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

1. For the first time since its establishment in 2004, Mangalali members stored their maize in the warehouse. For the first time they were able to meet big maize buyer. Union Service Store Ltd, the leading grain miller in Moshi, visited the Mangalali Farmers Association and committed to buy any grain that is suitably consolidated and warehoused. Farmers have started storing their maize in the warehouse. Also for the first time Mangalali has secured a loan from Stanbic to pay advance to members when they bring their produce to the warehouses.
2. Mbingu and Amani farmers put their produce to the warehouse. Mbingu warehouse was last used 20 years ago. Mbingu received loan from National Microfinance Bank for the first time. Although Amani warehouse was built a few years ago, it had never store any grain. This is the first time the farmers are storing their produce in the warehouse.
3. Five warehouse (Stores) have been established and are now in operation- One in Mbingu, Kilombero district, two in Iringa rural (Mangalali and Kaning'ombe) and two in Handeni (Amani

and SUWA). All warehouses are refurbished and equipped with basic grain handling facilities: pallets, weighing scales, moisture meters, and Fire Extinguisher, Insurance and accounting books.

4. The National Microfinance Bank (NMB) approved a loan of USD 100,000 for Kilombero Apex to pay advance payments to farmers when they bring their paddy to the warehouse.
5. Stanbic bank approved a loan to Mangalali and Amani farmers; however the money has not been given to farmers because of the technical problems with the bank.



Sign post shows direction to Mangalali warehouse.

IV. Detailed activities.

Activities conducted during Q3 of the project

A. Strengthening capacity of farmer groups: Training

1. Post harvest training was conducted to 342 members (146 male) of Amani Farmers Association

2. Training on record keeping, and warehouse management was conducted to 123(51 male) members of Mangalali Farmers Association
3. Training on leadership, good governance and Association development was conducted to 50 members of Mbingu Farmers Association
4. Training on cost of production, pricing and marketing was conducted to 182 members of Mbingu Farmers Association.
5. Training on cost of production, pricing and marketing was conducted to 260 members (90 female)
6. Specialized Technical training on productivity increase was conducted to 241members (82 Female) of Mangalali farmers Association
7. Training on awareness creation amongst farmers on govern support program to 372 members (101 female)

Please see the Annex for names of trainees.



Sign post for Mbingu Warehouse Receipt System

B. Newly Established farmer groups and increased membership

Two (2) new farmer groups were mobilized and formed to bring the total number of farmer groups RUDI is working with in the project area to 5 from 3. The new groups are

Kaning'ombe (branch of Mangalali) and Suwa in Handeni. The total membership has grown to 1,225.



RUDI CEO Abel Lyimo is sensitizing Amani farmers on Warehouse Receipt System.

C. Warehouse infrastructure

During the quarter the grant was used on the following:

- i. To purchase one rice milling machine, rice grader and destoner.
- ii. To purchase 2000 empty bags.
- iii. To make Pallets.
- iv. To purchase 6 weighing scales.
- v. To purchase one moisture meter.

D. Meetings

- i. Sensitization meetings were conducted to 1,200 members of USAID COMPETE support Association members.
- ii. Three meetings between Stanbic/RUDI and supported Association leaders were held in Dar es Salaam and in the field. Stanbic senior staff visited Mangalali.

- iii. Two meetings with reputable Insurance companies took place during the quarter. REO Insurance Company was selected to insure warehouses for RUDI supported Association in 2010/11 season.
- iv. One meeting between the buyer and Association leaders took place in Mangalali.

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

No.	Warehouse/Group	Membership		Consolidated Vol. (MT)	Sold Vol. (MT)	Value (Tshs)	Avail. Balance (MT)
		Total	Women				
IRINGA RURAL							
1.	Mangalali	72	22	60 (maize)	0	18,000,000	60
2.	Kaning'ombe	75	29	9 (maize)	0	2,700,000	9
SUB TOTAL		147	51	69	0	20,700,000	69
HANDENI							
3.	Mbingu	104	35	100 (paddy)	0	40,000,000	104
SUB TOTAL		104	35	104	0	40,000,000	104
HANDENI							
4.	Amani	300	172	5 (maize)	0	1,500,000	5
5.	Suwa	85	40	60 (maize)	0	18,000,000	60
SUB TOTAL		385	212	65	0	19,500,000	65
GRAND TOTAL				173			238(
		636	298		0	80,200,000	104 paddy)



Mbingu warehouse committee member is inspecting the quality of paddy before weighing and deposit in the warehouse

v) Challenges carrying out the project

- a) The main challenge in the season has been the delay in getting the loan from the financial institutions. The Associations submitted the Business Plans to the bank in April 2010. Mbingu received the loan from National Micro Finance bank in September 2010. The loan for Mangalali and Amani was approved in August but the money has not been given to the farmers. The delay has affected the WRS because farmers are in need of cash and they are reluctant to bring their maize to the warehouse. The worse thing is the season is almost over. The farmers who deposited the maize in the warehouse in Mangalali and Amani are losing hope of getting the loan and have started selling their maize to traders at low prices. Incidentally AGRA put money in Stanbic bank to guarantee small holder farmers who are participating in WRS. Stanbic has no experience in dealing with small farmers, and are asking too many questions. They have no idea how WRS works. They have no branches in the districts. They promised to give the loan before October 11, 2010.
- b) In general farmers are slow in delivering their produce to the warehouses. Some of them had bad experience with the cooperatives and are afraid they will not receive the second payment. Others are complaining the advance payment of 60% of the farm gate, they are receiving when they deposit their produce in the warehouse is too small. Although several sensitizations seminars on Warehouse Receipt System have been conducted, some of the farmers don't believe in the System.

- c) Another challenge is the Tanzania Warehouse Receipt Act. Warehouses of high which qualify for Licenses are very few. The qualified warehouses are owned by private individuals and are few and very expensive. Tanzania Warehouse Licensing Board (TWLB) has no capacity to inspect the warehouses. According to TWLB, the warehouses are supposed to be inspected before issuing licensing.
- d) The interest rates charged by the bank are quite high. Banks charge 15 to 18% per year. Besides the interest rates banks charge establishment fee 1% of the loan, penalty of 5% a month if the loan is not paid on time.
- e) Another challenge is lack of big buyer's presence in the villages. There are several middlemen in the villages who collude and pay less to the farmers.
- f) World Food Programme (through P4P) purchases from farmers from selected regions. Unfortunately WFP does not purchase from the districts covered by the project.

VI) Lessons learnt

- a) Loan negotiations with the banks take very long time to conclude, causing delays in initial payments to the depositors. Associated with this, banks offer interest rate of 15 to 18 percent which is very high considering low profitability of rice/maize production and marketing.
- b) Small farmers cannot deposit their crop in the warehouse if the advance payment is not available. There are costs involved in harvesting and transportation to warehouses. Farmers want to make sure there is money before delivering to the warehouses.
- c) Farmers need several meetings on awareness creation on WRS. The meetings/workshops are expensive.
- d) Laws regarding WRS operations are not suitable for small farmers. Few warehouses qualify for the system.

VII) Major activities for October – December 2010

- a) Follow up with stanbic on the loan to Mangalali and Amani
- b) Continue to identify buyers of maize and rice
- c) Conduct study tour to Uganda to learn on rice/maize handling
- d) Continue to sensitize farmers on government farmer support program
- e) Collect daily price information from major markets and disseminate to the farmers.