

Using Multiple Partners to Strengthen the Honey Value Chain in West Nile

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Sector: Economic Development - Agriculture

CONTEXT

The demand for Ugandan honey and other bee products like wax and propolis has increased sharply from an estimated 200 to over 3000 metric tonnes since 1990. Markets in Kenya, the EU and Middle East have looked to Uganda to supplement their own local supplies as bee products are increasingly used by innovative investors in alcohol, cosmetics and sugar substitutes.

While more local processors and packers sprang up in Uganda in anticipation of a larger market for bee products, Ugandan beekeepers could not keep pace with the increased demand. Lending institutions see agriculture as a risky investment, so poor farmers could not get loans to access inputs and equipment that would modernise their beekeeping practices. As a result, processors and packers had to compete with many other buyers for the little honey, wax and propolis that was available. The shortage was exacerbated by the low quality of honey produced at the household level, which high-end supermarkets would not purchase.

The lead processing company in West Nile, *Bee Natural Uganda* (BNU), recognised that beekeepers' (i.e. BNU suppliers') lack of access to capital was constraining the value chain from meeting its full potential. Lenders were uncertain of beekeepers' ability to repay loans, while processors like BNU were unable to provide skills training to turn smallholder farmers into commercial beekeepers on their own. SNV saw that leveraging multi-sector partnerships through collaboration across the value chain had the potential to bring in funding for beekeepers to increase production. In partnership with Kilimo Trust and Centenary Bank, it conceived a project to increase supply, improve production and better market honey in the region.

CLIENTS & PARTNERS

BNU, the lead firm in this case, is a private company involved in processing and packaging honey for sale in Uganda, East Africa and throughout the world. BNU was prepared to provide beekeepers with a ready market, as it has the capacity to process over 600 MT of honey annually. Further, the company also provides services to beekeepers who supply honey to it, such as training in production technologies and post-harvest handling as well as provision of recyclable harvesting equipment, making it an optimal partner through which SNV could provide capacity building services to increase beekeepers' productivity.

The role of Kilimo Trust was to increase beekeepers' access to financing by providing the required funds for the project and thus acting as a guarantee in case any farmer defaulted on a loan. The funds were deposited with Centenary Bank. Although most Ugandan banks are not structured to deal with small loans for farmers, Centenary Bank is a rural financial institution with a strong agricultural loan department. It has loan officers and credit administrators in place and employs a head office staff that constantly scans the market to tap emerging opportunities in agricultural lending.

Partner	Role
Beekeepers	<ul style="list-style-type: none"> • Provide honey for the market • Sell honey to BNU on contractual arrangement and pay back hive loans
Bee Natural Uganda	<ul style="list-style-type: none"> • Provides a market for the honey • Purchases honey and other bee products • Collects honey from collection centres and beekeepers • Assists in assessment of beekeepers for loans • Trains farmers in group management and production technologies
District local governments	<ul style="list-style-type: none"> • Oversee intervention so that it aligns with government strategies • Serve on the district level steering committee, which provides recourse to higher leadership
Kilimo Trust	<ul style="list-style-type: none"> • Finances project activities • Supports the project at the oversight level • Integrates the project with emerging agricultural themes (e.g. climate change and food security) • Replicates the project in a way that addresses lessons learned in this pilot
Centenary Bank	<ul style="list-style-type: none"> • Assesses farmers' eligibility for credit • Opens accounts for interested farmers • Trains beekeepers in loan management • Provides loans to farmers in the form of beekeeping equipment • Recovers loans from farmers
SNV Uganda	<ul style="list-style-type: none"> • Leads implementation of the project • Provides capacity development for beekeepers, such as skills training • Forms linkages with public, private and civil society stakeholders • Co-funds the project

INTERVENTION LOGIC AND METHOD

The goal of the intervention was to increase the incomes of West Nile farmer groups through improved beekeeping. It sought to assist 600-1200 beekeepers to increase production to 15 kg of high-quality honey per season and sell it directly to processors.

In an effort to link actors in the value chain who could help each other, SNV began the intervention by facilitating a multi-stakeholder platform (MSP) with stakeholders to determine capacity gaps in the value chain and analyse their root causes. SNV could then facilitate an intervention to overcome the low production levels in the honey sub-sector by tackling these root causes. During this facilitation process, it became clear that there were four causes to gaps in the production end of the value chain.

First, farmers were not sharing good practices with each other. Regional beekeepers had no unifying body, so there was no mechanism to collaborate. The SNV intervention addressed this by strengthening producer groups and planning exchange visits with other farmer groups. Steering committees oversaw the project at different levels and were instrumental in acting as entry points for service providers to reach out to their localities. Further, to ensure group cohesion, the West Nile Private Sector Company, which works on development issues, piloted community-based financial services (such as village savings and loans) to generate seed money for productive activities. This process has not only helped members save for agricultural production but also strengthened group cohesion by incentivising collaboration.

Second, farmers could not access extension services. To address this, local capacity builders (LCBs) first sensitised beekeepers on the value of adopting new practises and provided training on using modern beekeeping technologies and methods, such as higher-quality hives that increase colonisation rates or food-grade containers that decrease post-harvest loss. To sustain the process, they

also built the capacity of some farmers to become private sector service providers who advise fellow beekeepers for a fee.

Third, most beekeepers had little or no links to equipment suppliers. The intervention provided farmer groups with hives and tools and also increased groups' access to credit and suitable value chain finance. However, some of the hives supplied by East African Beekeepers began warping. This challenge was overcome when the supplier agreed to replace the bad hives and Centenary Bank provided a line of credit to the manufacturer to ensure the business had adequate working capital. The manufacturer's hives had over a 90% rate of colonisation, as they were pre-baited with wax to attract the bees.

Last, the farmers lacked information on up-to-date market prices. The LCB trained farmers to use mobile phones to compare market prices in their area. The intervention also established a system of community-led honey marketing. Specific locations in the community have been targeted for use as honey collection centres so that the bulked honey can be easily marketed and transported to the factory.

Yet addressing these issues was not enough to bridge the gap between low supply and high demand. To truly commercialise their apiaries, smallholder farmers who had a sideline in honey production needed funds to scale up production. Kilimo Trust and Centenary Bank provided loans in the form of beekeeping equipment, confident that their financial investment would be repaid because BNU and SNV worked with beekeepers to maximise production. The loan beneficiaries had 18 months to strengthen their colonies and begin harvesting honey from their new hives, at which point they had to repay their loans to Centenary Bank. BNU, meanwhile, assured the farmers they would purchase their honey, easing beekeepers' concerns about the profitability of the enterprise.

The remainder of the intervention will focus on training beekeepers in queen rearing and colony multiplication; mapping beekeepers and their hives using advanced GPS technology; strengthening the management information system of the project; building the capacity of local extension workers; and strengthening collection centres to serve as community-based honey marketing systems.

OUTCOMES

This project is ongoing, so it is too early to make final rulings. However, addressing these gaps has led to better linkages between stakeholders, improved apiary practices among beekeepers and increased capacity of beekeeping extension workers in the community. There are several observable positive outcomes:

- Beekeepers' skills have increased due to trainings from LCBs working with SNV. 715 farmers have been trained in modern apiculture practices and honey production—and appreciate the benefits of these improved methods. Teaching farmers improved apiary management practices has led to increased production for the hives the beekeepers owned prior to the intervention.
- Beekeepers have acquired knowledge about entrepreneurship, marketing, apiary management and record-keeping.
- The project started with a 95% colonisation rate. This rate reduced as some of the bees in Kijomoro escaped due to overzealous beekeepers crowding many hives within one location, which starved off several colonies and forced them to move elsewhere. However, the average colonisation rate remained at about 85% before improving to 90% during the latest swarming season due to good apiary management practices by the beekeepers.

IMPACT

- Farmers' capacities to handle loans have been strengthened. The agricultural loan officers trained, assessed and opened accounts for the beekeepers. To date, loans have been disbursed to 19 beekeepers and an additional 105 farmers have been assessed to benefit from the scheme. In total, USD \$18,000 worth of loans have been given out in the form of 468 hives. (The number might have been higher, but Centenary Bank experienced an unforeseen shortage of manpower that slowed down its progress in handing out loans. The bank has since moved quickly to appoint new officials to work on the project and the credit reference procedures are now moving smoothly.) The goal for 2011 is to supply 300 beekeepers with loans in the form of 7,500 hives.
- BNU has strengthened its relationship with the beekeepers so they can continue working together for mutual long-term benefit. BNU has continued to buy from the farmers and support capacity-building activities.

The project has had a positive impact in the following areas:

- Using newer hives with better practices has increased farmers' incomes. BNU purchased 80 metric tonnes this season from West Nile farmers for processing and marketing—an increase of 30 tonnes over the previous year. The beekeepers grossed over USD \$90,000 from these sales because market prices kept rising throughout the season as honey supplies ran low.
- The increased income has helped farmers see the benefit of adopting large-scale commercial beekeeping practices. Over 10 farmers own at least 50 hives apiece. One farmer even has 400 hives.
- A presidential advisor on agriculture recently visited the project and was impressed with the market model being used. Indeed, as the region begins to dominate in beekeeping, it is attracting the attention of policymakers and external markets, who want to learn from the model and replicate it, either with honey enterprises or across other value chains. Inspired Africa, an agriculture consulting firm in Uganda, is using the model in its maize interventions in Masindi. Over 3,000 farmers will grow maize and supply to millers in Kawempe.

LESSONS LEARNED

Whereas it is true that the project is still at an early stage—the multiple partnerships seem to be effectively creating synergies that leverage better performance of the value chain. When replicating the project, the following lessons should be considered:

- When a market is assured for a product and the profitability and gross margins are positive, partners find it easy to collaborate.
- Partnerships come with challenges, as in this case. Any one partner has little control over the activity of the other partners, which can lead to setbacks. If these setbacks are not addressed, project goals may not be met.
- Monitoring and evaluation has been easy due to the fact that the project is small. However, as the project increases in scope, partners must develop new strategies to capture data and enable quick decision making. This has already begun through the use of GPS to capture hive coordinates.
- Agricultural loan administration does not easily fit within Uganda's current banking system. Although it takes about 18 months (three seasons) for the hives given out to farmers to yield strong colonies and become

productive, the loan agreements between the beekeepers and Centenary Bank only have an eight month grace period. Thus, the beekeepers have been using older hives and alternative funding sources to make repayments once the eight months have elapsed. Centenary Bank has acknowledged that financing beekeeping requires greater flexibility for loan recovery. It is giving extensions while the colonies strengthen and begin producing honey.

- Appraising beekeepers has been a challenge for the agricultural loan officers as many farmers live in remote areas.
- Most farmers do not see beekeeping as a full-time job. Thus, large-scale commercial beekeeping has not yet taken off, making it difficult for the project to rely on the beekeepers, who often go long stretches without visiting their apiaries. By the time they do, they may find that pests like ants and rodents have disturbed the bees and forced them to flee.
- Farmers are tempted to renege on long-term arrangements when there are price fluctuations in the market. BNU has addressed this problem by purchasing honey at the prevailing market rates, earning beekeepers' loyalty and trust. As honey production increases, prices will stabilise due to supply and demand. SNV will lead in enabling beekeepers to adopt entrepreneurial methods and easily calculate their gross margins. It will also encourage farmers to work with firms to develop long-term relationships rather than seek out short-term gains.
- High inflation has had an effect on beekeeping's profitability. The hive supplier increased hives prices from 65,000 Ugandan shillings (€19) to 70,000 (€20.50), inclusive of transportation to a project site in Arua.
- As a result of the slow pace taken for the colony to become strong enough before producing adequate volumes of honey, the project is pursuing training for selected beekeepers in bee queen rearing and colony multiplication. The idea is to use the reared queen to strengthen the colonies. The queen rearing training will be conducted by experienced International Centre of Insect Physiology and Ecology (ICIPE) trainers in Nairobi, Kenya.

This innovation is sustainable because it is market-led and beneficial to all members of the value chain. Still, donors are needed to provide loan guarantees for rural farmers without bank accounts. Bee Natural Uganda's CEO made a presentation about the intervention to Kilimo Trust's main donor, who appreciated the work done and requested the project be scaled up to benefit more farmers.

SUSTAINABILITY

STANDARD DATA

Start and end date of Memorandum of Understanding	1 st August 2009 – 1 st September 2011
Assignment Agreement	1 st January 2011 - 31 st December 2011
Composition of SNV team	Aldo Hope, Agaba Anthony, Apollo Muyanja
Number of primary process days SNV advisors till date	120 PPD
Number of primary process days LCB till date	70 PPD
Involved partnerships	SNV, BNU, Kilimo Trust, Centenary Bank
Financial resources invested (except PPD)	Kilimo Trust: USD \$16,000; SNV: USD \$35,500; Kilimo Guarantee Fund to Centenary Bank: USD \$34,000