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**COFFEE AND COTTON MARKET DEVELOPMENT AND TRADE  
PROMOTION IN EASTERN AND SOUTHERN AFRICA**

**Quarterly Report June – August 2005**

**By**

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## **1.0 Background to WRS Project**

This report is submitted in fulfilment of contract between the United Nations Office for Project Services (UNOPS) and the Natural Resources Institute (NRI) for the provision of technical advisory services in establishing “Commodity Trade Finance Systems based on Inventory Collateralisation and Warehouse Receipts” in Uganda, Tanzania and Zimbabwe. The projects, funded by Common Fund for Commodities (CFC), are: Coffee Market Development and Trade Promotion in Eastern and Southern Africa (CFC/ICO/03FA) and Improvement of Cotton Marketing and Trade Systems in Eastern and Southern Africa (CFC/ICA/12FA).

### **1.1 Focus of Activities in the Third Quarter**

During the second quarter, ending May 2005, the focus was on activities related to putting in place the basic elements of the warehouse receipts systems (WRS). This followed from the first quarter during which the concentration was on inception activities, including setting up project management systems. In the third quarter, that is the period from June to August 2005, which this report covers, the focus has been on execution of initial piloting of the WRS in the participating countries.

### **1.2 Report Structure**

The report is structured as follows: Section 2 provides an update on progress made in implementation of the project in the participating countries. The update is in a tabular form as follows: Table 1: Tanzania; Table 2: Uganda and Table 3: Zimbabwe. An assessment of the progress made during the quarter as well as the challenges faced and prospects of following quarter is undertaken in Section 3. This is followed in Section 4 with an outline of forward plans. The conclusions and recommendations are set out in Section 5.

## 2.0 Summary of Activities by Country

**Table 1: Tanzania Deferred and planned Activities for the third quarter (June to August)**

Country	Planned and Deferred Activities	Activity Progress	Remarks/Reasons
<b>Tanzania</b>			
<b>Component I: Promotion of a privately run Warehouse Receipt System</b>	1.1.1 Advise Government of Tanzania on operationalisaiton of the warehouse legislation, including establishment of the regulatory authority.	– The LMU, legal officials and members of the Ministry of Cooperatives and Marketing have developed a draft guidelines on rules and regulations for the WRS.	– The draft is being studied by key stakeholders and NRI. More details are provided in the June 2005 Monthly Report.
<b>Component II: Development of a basic Marketing Information System (MIS) for Cotton and Coffee</b>	1.2.1 Design web-based data collection system for field staff	– Component II has stalled due to delays from consultants who are to advise on IT inputs for the MIS.	– NRI are in discussion with DCDM on the way forward.
	1.2.2 Upgrade websites and information dissemination	– Deferred to next quarter.	– Dependent on completion of 1.2.1.
	1.2.3 Procure (by commodity bodies) of required software and hardware	– Deferred to next quarter.	– Dependent on completion of 1.2.1.
	1.2.4 Provide training in use of software for HQ staff and field officers	– Deferred to next quarter.	– Dependent on completion of 1.2.1.

<p><b>Component III: Development and Testing of a Quality Assurance and Certification System</b></p>	<p>1.3.1 Carry out training for target groups</p> <p>1.3.2 Follow- up arrangements for new ginning stands for Moshi ginnery.</p> <p>1.3.3 Arrange training in warehouse inspection and stock monitoring for staff of commodity boards and LMU</p>	<ul style="list-style-type: none"> <li>- Primary cooperative societies in cotton in the Kilosa participated in awareness programmes on WRS as part of process to include groups in potential pilot</li> <li>- With the Kilosa pilot off, the main concentration has been on the pilot for cotton at Moshi. New ginning stands imported from India were expected to arrive in Tanzania (by end of August 2005.</li> <li>- Training in Warehouse Inspection and Stock Monitoring was provided for nine people the commodity bodies, financing banks and the LMU. The resource person was from the Zambia Agricultural Commodity Agency.</li> </ul>	<ul style="list-style-type: none"> <li>- LMU and CRD officials visited area to assess potential for WRS pilot. Financing declined because the main ginner at Kilosa was facing liquidation. Refer to July 2005 report for details.</li> <li>- Ginning stands arrived in September 2005 and are in the process of being cleared. Further details refer to June Report (1.3.2) and July Report (1.1.1).</li> <li>- For more details, please refer to July Report (1.3.1).</li> </ul>
<p><b>Component IV: Development of a system of Commodity Trade and financing based on Inventory Collateralisation using WRS Financing.</b></p>	<p>1.4.1 Prepare promotional materials targeting traders, exporters and smallholder groups/cooperatives</p> <p>1.4.2 Print standard warehouse receipts</p>	<ul style="list-style-type: none"> <li>- Some promotional materials have been produced and disseminated at the Agricultural Show in August</li> <li>- Deferred to 4<sup>th</sup> Quarter</li> </ul>	<ul style="list-style-type: none"> <li>- See July Report (1.4.1).</li> </ul>

**Table 2: Uganda Deferred and planned Activities for the third quarter (June to August)**

Uganda			
<p><b>Component I: Promotion of a privately run Warehouse Receipt System</b></p>	<p>2.1.1 Publish warehouse standards and regulations and selected locations for pilot WRS</p> <p>2.1.2 Continue to lobby for promulgation of warehouse legislation</p> <p>2.1.3 Select locations for pilot WRS for cotton</p>	<p>- This activity was completed in June</p> <p>- A second workshop was organised for Members of Parliament on the WRS and the Warehouse Receipt Bill in August 2005. Following that a team from the LMU and NRI had discussions with the Parliamentary Sessional Committee in late August 05, during which it was further activities to facilitate promulgation of the law were discussed.</p> <p>- It was agreed during discussions involving NRI and the APC for Cotton that the selection will be made in late September 05 after visits to the pre-selected locations.</p>	<p>- Further details in the July Report (2.1.2). Follow-up activities agreed include:</p> <ul style="list-style-type: none"> <li>• Preparation of simplified version of the Bill by Ministry of Justice for the MPs.</li> <li>• Open forum at Parliament to be organised by LMU.</li> <li>• Tour by selected MPs and two officials of Ministry of Justice.</li> </ul>

<p><b>Component II: Development of a basic Marketing Information System (MIS) for Cotton and Coffee</b></p>	<p>2.2.1 As part of the MIS for the cotton sector, undertake the following:</p> <ol style="list-style-type: none"> <li>a. Design web-based data collection system for field staff;</li> <li>b. Upgrade websites and information dissemination;</li> <li>c. Procure (by commodity bodies) of required software and hardware; and</li> <li>d. Provide training in use of software for HQ staff and field officers.</li> </ol> <p>2.2.2 Dissemination of MIS, activities being undertaken in September</p>	<ul style="list-style-type: none"> <li>- A revised Action Plan for setting up the MIS for coffee was prepared following consultations with some stakeholders and discussions between NRI and UCDA. Implementation of the Plan is to ensure that market information can effectively be disseminated to parties depositing during the Mbale pilot. The specific activities to be undertaken include the following: <ul style="list-style-type: none"> <li>• UCDA selects a service provider through an open tender process to set up required IT inter-phases that will facilitate collection, processing and dissemination of market information.</li> <li>• Arrange with newspapers to publish price information.</li> <li>• Arrange with radio stations in coffee producing areas, especially those contracted by UCDA to broadcast coffee sector bulletins (weekly 15-minute programmes) to also include daily broadcast of price information.</li> <li>• Service providers to set up system to disseminate price information using the mobile phone network.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Implementation of the Action Plan has begun and will inform approach to be adopted in the cotton sector in Uganda as well as in coffee and cotton sectors in Tanzania.</li> </ul>
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<p><b>Component III: Development and Testing of a Quality Assurance and Certification System</b></p>	<p>2.3.1 Agree training programme targeting: producers and traders in cotton pilot locations as well as CDO personnel, staff of exporters, selected warehouse personnel and CM</p> <p>2.3.2 Prepare training materials and manuals for cotton</p> <p>2.3.3 Evaluate training for coffee sector players and revise materials, if necessary</p>	<ul style="list-style-type: none"> <li>- This activity has been deferred to 4<sup>th</sup> quarter when the cotton sector will begin the implementation of the WRS</li> <li>- Training manuals being prepared by NRI</li> <li>- Training has been delivered, and training activities continues to be so. Groups from Mbale are prioritised for sensitising. This activity will include the use of video of other depositors at certified warehouses depositing their crop, and of the auction at UCE, leaflets and weekly press briefing</li> <li>- NRI is evaluating and developing Training Manuals. These manuals will be completed by the end of the next quarter</li> </ul>	<ul style="list-style-type: none"> <li>- See July Report</li> </ul>
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<b>Component IV: Development of a system of Commodity Trade and financing based on Inventory Collateralisation using WRS and Testing the System through Trade Financing.</b>	2.4.1	Produce promotional materials for coffee traders, exporters and smallholder groups	<ul style="list-style-type: none"> <li>- Some materials have been produced and distributed to target audiences</li> </ul>	<ul style="list-style-type: none"> <li>- See comments in June Report 2.4.1</li> </ul>
	2.4.2	Print standard warehouse receipts	<ul style="list-style-type: none"> <li>- The Warehouse Receipt has been designed and finalised with COTECNA (collateral manager), which is issuing it under an interim arrangement pending the establishment of a regulatory agency.</li> </ul>	
	2.4.3	Monitor deposits of coffee	<ul style="list-style-type: none"> <li>- The pilot at Mbarara (Western Uganda) was successfully completed in August 05. Only 25 tonnes of coffee (Robusta) was deposited and 18 tonnes out of this sold by auction, attracting premium prices.</li> <li>- Cotton activities will start again in September 2005</li> </ul>	<ul style="list-style-type: none"> <li>- The amount of coffee deposited was very low, but it demonstrated to farmers and bankers that the WRS can work for the coffee sector. It also provided an opportunity for Uganda Commodity Exchange to trade coffee, an achievement considered significant by many players, including the participating exporters.</li> </ul>

**Table 3: Zimbabwe Deferred and planned Activities for the third quarter (June to August)**

<b>Zimbabwe</b>			
<b>Component I: Promotion of a privately run Warehouse Receipt System</b>	3.1.1 Organise sensitisation events in Harare and Mutare for key stakeholders	<ul style="list-style-type: none"> <li>- Two well-attended workshops were organised for stakeholders: farmers, bankers, warehouse operators and agricultural extension personnel at Harare and Mutare.</li> </ul>	<ul style="list-style-type: none"> <li>- See Annex 3 in June Report</li> </ul>
	3.1.2 Consult MOA and MIIT to place promulgation of WRS Bill on government agenda	<ul style="list-style-type: none"> <li>- This activity has been delayed due to government reshuffle of ministers. A new government entity has been created and is responsible for agricultural marketing issues. The LMU see this as positive, especially in lobbying for promulgation of the warehouse law.</li> </ul>	<ul style="list-style-type: none"> <li>- For more details see July Report 3.1.2</li> </ul>
	3.1.3 Organise workshop for parliamentarians and other stakeholders on warehouse legislation	<ul style="list-style-type: none"> <li>- Deferred for reasons in 3.1.2 above.</li> </ul>	

<p><b>Component II: Development of a basic Marketing Information System (MIS) for Cotton and Coffee</b></p>	<p>3.2.1 Follow-up on MOA's project to improve the MIS.</p>	<ul style="list-style-type: none"> <li>- Progress on the MIS project, into which the coffee MIS was to be linked, has been very slow. It has been agreed the coffee MIS should be integrated into the existing dissemination system, although not the most ideal.</li> </ul>	<ul style="list-style-type: none"> <li>- For more details please refer to July Report 3.2.1</li> </ul>
<p><b>Component III: Development and Testing of a Quality Assurance and Certification System</b></p>	<p>3.3.1 Organise training in quality assurance, particularly for producer groups.</p>	<ul style="list-style-type: none"> <li>- Training in coffee quality has been delivered to two coffee producer associations by the Coffee Research Institute. The WRS Project is awaiting the training report from the trainer.</li> </ul>	<ul style="list-style-type: none"> <li>- Refer to the June and July Reports.</li> </ul>
<p><b>Component IV: Development of a system of Commodity Trade and financing based on Inventory Collateralisation using WRS and Testing the System through Trade Financing.</b></p>	<p>3.4.1 Produce promotional materials for smallholder farmers and traders</p> <p>3.4.2 Print and issue standard warehouse receipts</p>	<ul style="list-style-type: none"> <li>- The promotional targets have been achieved without preparing the required leaflets because most of the target depositors are in one area of Manicaland.</li> <li>- The Warehouse Receipts were printed in August. The Receipts were issued to ZCM Warehouse Operators ready for the coffee intake</li> </ul>	<ul style="list-style-type: none"> <li>- June 05 Report gives further details.</li> <li>- Deposits are expected to come in by end of September with approximately 15 tonnes of coffee.</li> </ul>

### **3.0 Assessment of the quarterly progress, challenges and prospects**

Satisfactory progress was made in all three countries in implementing project activities. The most significant achievement was in Uganda, where the first deposits of coffee were receipted at the designated warehouse at Mbarara. Five smallholder farmer groups deposited 25 tonnes of Robusta coffee and arrangements were made for the coffee to be sold by auction at the Uganda Commodity Exchange. The volume of coffee deposited is rather low. This is partly because by the WRS was ready only towards the tail end of the marketing season in the target region. However, the impact of successfully receipting and marketing the crop, which attracted significant premiums, has been very considerable, well beyond the size of the volumes deposited. The premiums obtained ranged between Ugandan Shillings 250 and 400 above the UCDA indicative prices (i.e. between 18% and 28% respectively above prices that the farmers would otherwise have obtained).

Consequently, farmer interest in the WRS for coffee has increased considerably and it is expected that this will positively impact on uptake of the pilot programme planned for Mbale for Arabica during the harvest season starting in September 2005. Every effort is being made to ensure that all the necessary groundwork for the Mbale pilot is completed before the season opens. Farmers in the Mbarara/Bushenyi areas have also expressed strong interest in using the receipt system to market their crop during the main harvest season beginning in April/May 2006.

The attitude of banks towards the project, which was somewhat sceptical initially, is getting warmer. This is being followed up to ensure the availability of bridging finance to enable the participating primary societies to procure and bulk of coffee from their members.

Details on developments by country are discussed below.

#### **Tanzania**

The focus of activities has been on helping Government initiate processes to operationalised the Warehouse law, which was recently passed by Parliament. For this purpose, training was provided in warehouse licensing and inspection during the month. Participants were drawn from the LMU, commodity bodies, financing banks and participating curing factories. The resource person, provided by NRI, was from the Zambian Agricultural Commodity Agency Ltd., a warehouse certification and inspection agency in Zambia. A delegation of four people also visited Uganda to learn from their experience how challenges in the development of the WRS are being addressed and, therefore, what needs to be taken into account in setting up a system to enforce the law.

Dissemination of information on the WRS is also being pursued, including a sensitization event at Kilosa, to promote use of the receipts for cotton. Promotional materials on the WRS were also produced and disseminated during an Agricultural Show held during the month. The main factor likely to affect the outcome of the pilot WRS for cotton remains the delivery new ginning stands ordered from India by the Government. These are expected to be delivered by end of September 2005.

## Uganda

As noted above, the significant development in Uganda was the deposit of 25 tonnes of coffee during the Mbarara pilot. The receipted coffee was auctioned through the Uganda Commodity Exchange (UCE), creating an opportunity for the UCE, which has been inactive for quite some time, to begin to develop robust trading systems that assure delivery of and payment for commodities sold. This process is seen by the banks as beneficial because it allows them to liquidate collateralized stocks by a transparent means. The auction, though constrained by some teething problems, attracted about 15 export companies. The main attraction for the exporters has been the assured access to coffee of known quantity and premium quality. In conjunction with the management of the UCE, efforts will be made to address the teething problems for the coffee auction system before launch of the Mbale pilot.

The warehouse operator, who participated in the Mbarara pilot, decided to withdraw from the programme after he was refused exclusive rights to procure the deposited coffee. Initial negotiations have been held with another operator in the region for provision of warehousing services during the next harvest season in the region (beginning April/May 2006). There are indications that other operators will be willing to provide warehousing services during the April-August 2006 season.

Preparations for the pilot at Mbale for Arabica coffee have reached an advanced stage and it is anticipated that substantially higher volumes, in the region of about 1,000 tonnes of parchment coffee, will be deposited by smallholder groups, beginning from late September 2005.

Implementation of the MIS for the coffee sector in particular, has become a priority. The MIS Action Plan (Annex 1) is being implemented with a view to replicating the system in cotton sector and Tanzania, if successful.

Lobbying for the passage of the WRS Bill by Parliament is also being pursued in Uganda. As part of this process, another workshop was organized at Jinja for the Members of Parliament (MP), following a request from the MPs. The workshop was sponsored by the Plan for the Modernisation of Agriculture under the Ministry of Agriculture. It is expected to increase interest in the system and move the WRS Bill along. Following discussions with the Parliamentary Sessional Committee, it was agreed that the following should be undertaken:

- Preparation of simplified version of the Warehouse Bill for the MPs by the Ministry of Justice.
- Organising an open forum at Parliament by the LMU for MPs and other stakeholders.
- Tour of Tanzania coffee WRS sites by selected MPs and two officials of Ministry of Justice.

Arrangements have been made to implement these in September 2005.

## **Zimbabwe**

The marketing season for coffee is about to begin, and early deposits are expected early in the next quarter. However, coffee production has been decreasing in recent years, and continues to do so. The uncertainty with regard to ownership of coffee plantations remains, and may affect operations of the designated warehouse operator, ZCM, and therefore the outcome of the pilot. The situation is being watched closely by the project team.

The MIS component for the WRS Project in Zimbabwe is supposed to be linked to the system being set up by the Ministry of Agriculture. It is becoming increasingly unlikely that the MOA will have a working IT system by the time the project comes to an end in 2006. For this reason, the Project has decided to utilise the existing system for disseminating market information and is working with the media and the extension service on this.

It was impossible to receipt soybean as originally planned, because of early marketing of the crop by the commercial producers, who dominate. The strategy is therefore to work towards maintaining interest generated during sensitisation during the current season in order to attract soybean deposits during the next season, in 2006.

### **4.0 Forward Plans**

The main focus of activities for the fourth quarter are as follows:

#### **Tanzania**

- a. Implementation of pilot WRS for cotton at Moshi, including installing new ginning stands at the Moshi ginnery;
- b. Operationalising the newly passed warehouse law, including advising the Government on establishment of a regulatory agency for warehouses licensed to issue warehouse receipts;
- c. Printing of standard warehouse receipts;
- d. Development of MIS; and
- e. Studying financing and marketing options that smallholders can take advantage of following the development of the WRS (as part of the process of determining the post-project agenda for Tanzania).

#### **Uganda**

- a. Piloting WRS for Arabica coffee at Mbale; and related to that sensitisation of farmer groups in Eastern Uganda, to promote participation in the pilot;
- b. Refining procedures for auctioning deposited coffee through the UCE;
- c. Setting up MIS (first for the coffee sector and later for cotton);
- d. Lobbying for promulgation of the warehouse law;
- e. Initiating the launch of the cotton sector WRS; and
- f. Studying financing and marketing options that smallholders can take advantage of following the development of the WRS (as part of the process of determining the post-project agenda for Uganda).

## **Zimbabwe**

- a. Monitoring deposits at designated curing factory for pilot WRS for coffee;
- b. Linking coffee MIS to existing system;
- c. Lobbying for promulgation of the warehouse law; and
- d. Studying financing and marketing options that smallholders can take advantage of following the development of the WRS (as part of the process of determining the post-project agenda for Zimbabwe).

## **5.0 Concluding Remarks and Recommendations**

The outcome of the Mbarara pilot for Robusta coffee confirm experience in Tanzania that smallholder groups can benefit substantially from using the WRS in marketing their crop. There are good prospects for replicating this experience in Eastern Uganda and also for institutionalising the experience with the WRS in Tanzania. However, there is no certainty about what system will emerge for the cotton sector in Uganda, as the choice will depend on the outcome of field evaluations and choices made by the sector authorities. In Zimbabwe, policy-related factors affecting prospects in the agricultural sector in general, and which are beyond the control of the Project Team, are very likely to affect the outcome of the coffee pilot. The Team will watch the situation closely and advise accordingly.

## **ANNEX 1**



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# **ACTION PLAN TO PILOT MARKET INFORMATION SYSTEM FOR COFFEE SECTOR IN UGANDA**

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**SEPTEMBER 2005.**



## 1. Introduction

An appropriate market information system (MIS) is one of the essential building blocks in promoting warehouse receipts systems (WRS). This is recognised by the Natural Resources Institute (NRI), which is sub-contracted by the United Nations Office for Project Services (UNOPS) to provide technical advisory services in implementing projects funded by the Common Fund for Commodities (CFC) to establish Commodity Trade Finance Systems based on Inventory Collateralisation and Warehouse Receipts in Uganda, Tanzania and Zimbabwe. This Action Plan sets out an immediate programme to pilot a MIS in support of the WRS for the coffee sector in Uganda. Lessons from this pilot will help develop strategies for similar systems for the cotton sector in Uganda as well as the coffee and cotton sectors in Tanzania.

The Plan is based on recent consultations with stakeholders undertaken in August 2005 by G. Onumah and C. Baine as well as an earlier report by U. Kleih and R. Butterworth (providing an overview of information needs of stakeholders and existing information systems in Uganda, Tanzania and Zimbabwe) and a review by DCDM consultants of the scope for IT interventions to improve the existing information systems. The following are covered in this document:

- a. Identification of the target population to which information is to be disseminated;
- b. Type of information required by each identifiable group of stakeholders; and
- c. The appropriate means of collecting and disseminating the required information.

Consistent with the approved project workplans and defined functions of the implementing organisations, it is intended that this Plan will be adopted and implemented by the Uganda Coffee Development Authority (UCDA).

## 2. Information needs of key stakeholders

The key stakeholders in the coffee sector are:

- |                             |  |
|-----------------------------|--|
| • Farmer associations       | Main target depositors                 |
| • Medium-scale traders      | Depositors and buyers of stored coffee |
| • Exporters                 | Buyers of stored coffee                |
| • Banks                     | Providing inventory finance            |
| • UCDA                      | Promotional and regulatory functions   |
| • Warehouse operator/CM     | Storage service providers              |
| • Uganda Commodity Exchange | Floor for auctioning stored coffee     |
| • Policymakers              | Enabling environment                   |
| • Legislators               | Regulatory framework                   |
| • General public            |  |

The information needs of these stakeholders are discussed below.

## **2.1 Farmers' information needs**

Farmers need information on the following:

### **a. Functioning of the warehouse receipt system**

Information on the WRS is needed to create awareness of the system, its potential benefits and how farmers can access the system. It is important that the information is provided in an appropriate format, that is easy to understand (i.e. not too long, little technical jargon and appropriate language) and the benefits of a warehouse receipt system are clearly stated. Potential depositors also need information on the cost and conditions, including minimum quality standards, are accepted for receipting at the designated warehouses. When farmers or groups have deposited, they need to be kept informed about the state of their crop.

### **b. Price information**

Farmers need information on international market prices for coffee, and how this translates into indicative local market prices, thus making it possible for them to understand how the indicative prices are obtained and to monitor price trends. The UCDA already provides daily price information from the international exchanges such as London and New York but the information, which is disseminated by emails, appears to reach mainly exporters and policymakers. Other media need to be used to ensure that producers and their organisations are able to access this information.

### **c. Buyer information**

A competitive and transparent system for marketing stored produce is the best means to assure farmers of a fair price. Obviously, sale by auction or through exchange trading would be the most transparent and competitive. Farmer groups who participated in the WRS pilot for coffee in Western Uganda (at Mbarara) sold their crop through an auction conducted at the Uganda Commodity Exchange. They were able to obtain prices, which reflected the quality of the crop and were also well above the UCDA indicative prices. However, in circumstances where such a system is yet to evolve, a database of potential buyers should be maintained to enable depositors "shop around" for competitive offers.

### **d. Information on financing conditions**

Deferred sale to benefit from seasonal price movement is one of the attractions of the WRS. Access to inventory-backed finance facilitates deferred sale. Farmers and traders alike, therefore, need to be informed about banks which are willing to provide inventory credit as well as the terms and conditions under which the facility is provided.

### **e. Crop husbandry and post-harvest issues**

Exporters were interested in the coffee receipted under the Mbarara pilot primarily because of the high quality. Currently, Uganda coffee is discounted on the basis of its variable quality. Hence, it is apparent that the WRS can help improve crop quality and

impact positively on prospects in the sector. To achieve this, quality standards have been set for crop to be receipted under the WRS. To enable farmers meet the set standards, they have to be provided with information on appropriate husbandry and post-harvest management practices.

## **2.2 Traders' information requirements**

In general, traders tend to be better informed about the market than producers, and often exploit their information advantage. However, to promote competitive trade in coffee, it is important that all traders, the medium-scale suppliers (middlemen) as well as exporters have reliable information on the following:

- Functioning of a warehouse receipt system – and especially how it can be used to access trade finance and to procure the crop from farmers as well as market it to other local buyers (including exporters) or even importers. Related to this they need to be informed about the terms and conditions under which the crop is receipted and financing provided by banks.
- International coffee prices and relevant indicative local prices.
- Traders also need information on national crop output in order to determine, in conjunction with international price trends, the likely levels of seasonal price movements within the domestic market.

## **2.3 Bankers' information needs**

In providing inventory finance, bankers need information on the following, which are expected to be stated in the receipts issued, and can be made available to banks by the warehouse operator or collateral manager:

- Name of depositor and location of stocks;
- Quantity and quality of stocks;
- Terms and conditions under which stocks are stored; and
- Name of warehouse operator and/or collateral manager.

Banks also need price information that allows them to value the stock to be financed as well as monitor the market value of the underlying commodity in order to secure the intrinsic value of the collateral. Warehouse receipts embody ownership of a certain market value, which to the bank is equivalent to the net income after liquidation and is determined by the market value of the day, carry-cost obligations and liquidation costs. Furthermore, bankers need to know about the systems for auctioning stored coffee and about potential buyers.

## **2.4 Information needs of Warehouse Operators**

Provision of warehousing services for commodity receipting often involves investing in improving the physical infrastructure, acquiring equipment for quality assurance and obtaining relevant insurance and bonds. In terms of ensuring compliance with the

regulatory framework for the WRS, whether it is statutory or based on private, self-regulating rules, the warehouse operators need information on the functioning of the WRS as well as the specific certification or licensing requirements for operators authorised to issue the warehouse receipts.

In addition, for business planning purposes, the warehouse operator or collateral manager need to establish the profitability of their investment and, therefore, require information on the following:

- Output forecast, in order to estimate potential throughput;
- Information on potential depositors, to enable them define their market and the specific strategies to adopt in optimising their market share.

## **2.5 Information needs of UCE**

To facilitate trading of the receipted coffee, the Uganda Commodity Exchange (UCE) requires a database of potential buyers as well as a list of participating warehouse operators and data on stocks of receipted coffee (including details of quantity delivered, the quality and depositors). The UCE also has to provide information on trading and payment procedures and systems that assure participants of delivery of and payment for traded stocks.

## **2.6 Information needs of UCDA and other policymakers**

The UCDA requires, for purposes of policy formulation and to inform sector stakeholders, information on crop output, local and international prices, the WRS and participating warehouse operators as well as quality standards to be enforced. Other policymaking organisations, including the MTTI and Bank of Uganda require similar information. The legislators are particularly interested in information on the functioning of the WRS, the benefits (especially to smallholder farmers) and the legislative interventions needed to promote the system.

# **3. Collection and dissemination of market information**

It is proposed to use a multi-media approach to communicate market as well as the management information generated under the WRS to the respective stakeholders. The media to be used include the following:

## **1. Radio**

The rapid growth of FM radio stations, including at the district level, offer a good opportunity to disseminate market information. The FM radio, though expensive, is considered to be the most effective way to disseminate information targeted at smallholder farmers. Currently, UCDA broadcasts 15-minute bulletins covering such issues as crop husbandry and post-harvest issues. Similar programmes as well as radio talk and discussion slots have been and will continue to be used to disseminate information on the WRS. The possibility of including daily broadcast of coffee prices

in the news and local announcement programmes by the FM stations is one option which can be explored.

## **2. Print media.**

The use of printed media has played an important role in market information systems. Often, information is disseminated in newspapers, newsletters, and bulletin boards. The UCE is negotiating with two of the major dailies to publish price information bulletins originating from the UCE and/or UCDA in their business columns. This will be similar to the regular reportage on the Uganda Securities Exchange and will be free. Posters written in vernacular languages will also be used to communicate information on the WRS.

## **3. Mobile phones**

Three companies in Uganda have established mobile telephone networks in the country which are currently being used to disseminate price information for various commodities. Most farmers do not have mobile phones but among farmer groups or cooperatives, at least one of the executives has a mobile phone. A process has been initiated to produce a database of mobile phone contact details of the executives of the primary cooperative societies which are likely to deposit coffee under the pilot at Mbale during the September-November 2005 season. Access via the phone costs users Uganda Shillings 120 per SMS displaying coffee prices. UCDA/UCE, which compiles the prices will receive Uganda Shillings 25 out of that amount.

## **4. Internet and telecentres**

The internet, particularly the UCDA website, can be an effective means for disseminating information but it is most suited to traders, processors, exporters, warehouse operators, banks, commodity boards, and government agencies who are most likely to have user knowledge and are located in urban areas where access is not an issue. The number of privately-run internet cafes has been increasing rapidly, offering services such as e-mail and internet access as well as printing services. Telecentres offering similar services are also being promoted by the International Institute of Communication and Development (IICD). It is expected that farmer organisations linked to the telecentres will be able to access information via the internet.

**Table 1: Summary of Information Requirements in the Warehouse Receipts System**

<b>Type of information required</b>	<b>Source of information</b>	<b>Target users of information</b>	<b>Most suitable means for dissemination</b>
Functioning of WRS	Project Management Unit	<ul style="list-style-type: none"> <li>• Farmer associations</li> <li>• Medium-scale traders</li> <li>• Exporters</li> <li>• Banks</li> <li>• Warehouse operator/Collateral managers</li> <li>• Uganda Commodity Exchange</li> <li>• Policymakers, UCDA, Legislators, General public</li> </ul>	<ul style="list-style-type: none"> <li>• Posters/workshops/Radio</li> <li>• Website/Flyers/Radio/Newspapers</li> <li>• Website/Flyers/Radio/Newspapers</li> <li>• Website/Flyers/Radio/Newspapers</li> <li>• Website/Flyers/Radio/Newspapers</li> <li>• Website/Flyers/Radio/Newspapers</li> <li>• Website/Flyers/Radio/Newspapers</li> </ul>
International and local prices	UCDA and UCE	<ul style="list-style-type: none"> <li>• Farmer associations</li> <li>• All others</li> </ul>	<ul style="list-style-type: none"> <li>• Rural radio, mobile phone, Notices at warehouses, extension officers.</li> <li>• UCDA/UCE websites, Radio, mobile phone, newspapers.</li> </ul>
Buyer information	UCE	<ul style="list-style-type: none"> <li>• Farmer associations</li> <li>• Medium-scale traders</li> <li>• Exporters</li> <li>• Banks</li> </ul>	<ul style="list-style-type: none"> <li>• Notices at warehouses, extension officers.</li> <li>• All others via emails and UCE website.</li> </ul>
Depositors and deposits	Warehouse operator or Collateral manager	<ul style="list-style-type: none"> <li>• UCDA</li> <li>• Medium-scale traders</li> <li>• Exporters</li> <li>• Banks</li> <li>• UCE</li> </ul>	<ul style="list-style-type: none"> <li>• Internet-based transmission of individual details to UCDA and banks</li> <li>• Email and website dissemination of aggregate information.</li> </ul>

Financing terms and conditions	Banks	<ul style="list-style-type: none"> <li>Farmer associations</li> <li>Medium-scale traders</li> <li>Exporters</li> <li>Banks</li> <li>Uganda Commodity Exchange</li> <li>UCDA</li> </ul>	<ul style="list-style-type: none"> <li>Posters/workshops/Radio for general information and letters for individual details.</li> <li>All others: UCDA/UCE websites, radio and newspapers on general terms and conditions; and individual letters.</li> </ul>
Crop output (forecast and actual)	UCDA	<ul style="list-style-type: none"> <li>Farmer associations</li> <li>Medium-scale traders/Exporters</li> <li>Banks</li> <li>Warehouse operator/Collateral managers</li> <li>Uganda Commodity Exchange</li> <li>Policymakers, UCDA, Legislators, General public</li> </ul>	<ul style="list-style-type: none"> <li>Rural radio, notices at warehouses and extension officers.</li> <li>All others: UCDA/UCE websites, radio and newspapers.</li> </ul>
Crop husbandry and post-harvest issues	UCDA	<ul style="list-style-type: none"> <li>Farmer associations</li> <li>Medium-scale traders</li> <li>Exporters</li> <li>Warehouse operator/Collateral managers</li> </ul>	<ul style="list-style-type: none"> <li>Rural radio, notices at warehouses and extension officers.</li> <li>All others: UCDA/UCE websites, radio and newspapers.</li> </ul>
Terms and conditions for participation by warehouse operators/collateral managers	Project management unit	<ul style="list-style-type: none"> <li>Farmer associations</li> <li>Medium-scale traders/Exporters</li> <li>Banks</li> <li>Warehouse operator/Collateral managers</li> <li>Uganda Commodity Exchange</li> <li>Policymakers, UCDA, Legislators, General public</li> </ul>	<ul style="list-style-type: none"> <li>Rural radio, notices at warehouses and extension officers.</li> <li>All others: UCDA/UCE websites, radio and newspapers.</li> </ul>

## **4. Specific activities to be undertaken**

### **4.1 Radio dissemination**

**Objective:** FM radio stations in the main coffee growing areas broadcast daily price bulletins as part of their news or announcement programmes.

**Target:** Broadcast by FM radio stations with which UCDA has annual contracts to broadcast weekly 15-minute sector programmes.

**Priority:** Broadcast by FM radio stations in the areas covered under the Mbale pilot.

**Activities:**

- a. UCDA/LMU to negotiate and sign MOUs with target FM radio stations (D. Kiwanuka and C. Baine);
- b. UCDA to agree format for bulletins with radio stations;
- c. UCDA to commit to providing bulletins to stations on very regular basis, by 15.00hrs EST each day to enable them broadcast in the evening (D. Kiwanuka).
- d. Mainly international and indicative local prices will be disseminated in a format suited to particular localities.
- e. Private sector sponsoring of the UCDA radio programmes should be explored. Potential funders include: banks, warehouse operators/ CM, exporters, and input suppliers. In return, the sponsoring company's name will be mentioned with the broadcasts. For example, a banker in Moshi in Tanzania has expressed interest in such an endeavour.

**Date by:** By 26<sup>th</sup> September 2005 - UCDA to begin issuing bulletins and FM radio stations to begin broadcast in Mbale pilot area.

**Cost:** It is expected that UCDA will be able to negotiate free broadcast by FM radio stations.

### **4.2 Use of print media**

Posters on the WRS that have already been produced are being used to promote the system. The main focus will therefore be on dissemination by the newspapers.

**Objective:** Major dailies publish daily price bulletins.

**Target:** At least one of the three major dailies publishes the price bulletins during the September-November 2005 pilot.

**Activities:**

- a. UCDA/LMU/UCE to negotiate and sign MOUs with publishers of the major dailies (D. Kiwanuka, Alex Rwego and C. Baine);



- b. UCDA/UCE agree format for bulletins with publishers (D. Kiwanuka and Alex Rwego);
- c. UCDA/UCE commit to providing bulletins to publishers on very regular basis, by 15.00hrs EST each day (D. Kiwanuka and Alex Rwego).

Date by: Publication begins by 26<sup>th</sup> September 2005.

Cost: This is expected to be a free service.

### **4.3 Disseminating prices via mobile phones**

Objective: Coffee prices, which are updated two times a day, are disseminated via the mobile phone network.

Target: Dissemination by at least one of the networks during the September-November 2005 pilot.

Activities:

- a. UCDA/LMU/UCE to negotiate and sign MOUs with SMS Media and/or True Africa (D. Kiwanuka, Alex Rwego and C. Baine);
- b. UCDA/UCE/LMU agree format for bulletins with selected intermediary (D. Kiwanuka, Alex Rwego and Chris Baine);
- c. UCDA/UCE commit to providing bulletins on very regular basis, by 08.30 and 15.00hrs EST each day (D. Kiwanuka and Alex Rwego).

Date by: Dissemination begins by 26<sup>th</sup> September 2005.

Cost: UCDA/UCE should be *receiving* Ug. Shillings 25 or more for each request.

### **4.4 Internet and emails**

Email dissemination has limited outreach and even those who are able to access it complain it sometimes clogs up their systems. For this reason, we recommend the focus should be on dissemination via the UCDA (and UCE) website(s), with email alerts to subscribers.

Objective: UCDA (and UCE) website(s) become effective media for disseminating information on WRS and market developments.

Target: Website(s) upgraded to include pages covering WRS information and market information beginning during the September-November 2005 pilot.

Activities:

- a. UCDA invites ISPs to tender review, advice and implement recommendations on specific upgrade needed (in terms of hard and soft ware). UCE may do the same (A Rwego and C. Baine);
- b. UCDA contracts selected ISP (D. Kiwanuka);
- c. ISP implements adopted recommendations (D. Kiwanuka).
- d. UCDA/LMU monitor and evaluate implementation by ISP (D. Kiwanuka and C. Baine).

Date by: Recommendations implemented by 15<sup>th</sup> November 2005.

Cost: Not exceeding approved budget for component.

#### **4.5 Transmission of information on receipted commodities**

Objective: Ensure that information on stocks deposited is transmitted to UCDA, UCE (where necessary) and financing banks accurately and on time.

Cotecna, the collateral manager is already doing this and will be required to continue doing so. The LMU will monitor this process to ensure compliance. The ISP contracted by UCDA will be required to help set up a system that automatically updates information sent by email to UCDA by Cotecna. No additional cost is anticipated since the service is included in the fee paid to Cotecna. Follow-up by C. Baine.

#### **4.6 Collation and dissemination of indicative prices**

Objective: Ensure timely transmission, collation and dissemination of information from UCDA field officers.

Activities:

- a. ISPs to advice and implement recommendations on setting up web-based system for transmission of information, which also allows for automatic compilation of data provided (D. Kiwanuka and C. Baine);
- b. UCDA/LMU monitor and evaluate implementation by ISP (D. Kiwanuka and C. Baine).

Date by: Recommendations implemented by 15<sup>th</sup> November 2005.

Cost: Not exceeding approved budget for component.