





FARMER'S-LED SUCCESSFUL BUSINESS CASES

Cooperative Business Models in Uganda: The Case of Nyakyera-Rukoni Area Cooperative Enterprise (NRACE)

Paul Thangata, Agricultural Economist

Table of Contents

List of Acronyms	iii
1. Background	1
1.1. Cooperatives Business Models in Uganda	1
1.2. Historical overview of Cooperatives and Policies in Uganda	1
1.3. Present Government Cooperative Policy in Uganda	2
1.4. The Uganda Cooperative Alliance (UCA) Revives Cooperatives in Uganda	4
2. The Nyakyera-Rukoni Area Cooperative Enterprise (NRACE)	5
2.1. Objectives, Membership, Organisational Structure	6
2.2. Nyakyera Rukoni ACE Governance Structure	6
3. The Business Model Nyakyera Rukoni ACE (NRACE): Achievements and Challenges	7
3.1. How the Area Cooperative Enterprises (ACE) Business Model works	8
3.2. The Different roles of the RPO, SACCO and ACE in Business Model	8
4. Achievements of Nyakyera Rukoni ACE (NRACE) and the ACE Business Model	9
4.1. Membership Growth	
4.2. Increased Sales	9
4.3. Construction of 100MT satellite collection point:	11
4.4. Establishment of an Information Resource Center (IRC)	11
4.5. Professionalization of the ACE and use of ICT	11
4.6. Leadership and Trust	12
4.7. Advocacy Partnerships and linkage creation	12
4.8. Mobilization and strengthening of RPOs	12
4.9. Challenges of Nyakyera Rukoni ACE (NRACE)	13
5. Underlying Factors for Success and Lessons Learnt	13
5.1. Bulking of produce through the ACEs	13
5.2. Bulk procurement of inputs through the ACEs	14
5.3. Farmer Training and Capacity development interventions	14
5.4. Value addition services	14
5.5. Marketing services	14
5.6. Level and use of ICT by ACEs	14
5.7. Faster payments	15
5.8. Continuous member education including Gender and HIV/AIDS training	15
6. Policy Implications	15
7. Conclusions	16
Acknowledgements	17
References	18
Annex 1: Number of RPOs and enterprise produced and sold (2008-2015)	19

List of Tables	
Table 1: Nyakyera-Rukoni ACE Membership as of November 2015	10
Table 2: Nyakyera-Rukoni ACE bean sales information for mid 2016	11
Table 3: Existing and proposed partnerships by Nyakyera Rukoni ACE to support its RPOs	12
List of Figures	
Figure 1: Societies by region, economic activity in 2012	
Figure 2: NRACE offices in Ntungamo, Uganda	5
Figure 3: Nyakyera-Rukoni ACE Organizational Structure	
Figure 4: The Integrated Tripartite System Cooperative Model (also called the Triangular Model))7
Figure 5: Nyakyera-Rukoni ACE maize and bean sales information from 2008-2015	11
Figure 6: WFP has become the main buyer for Nyakyera-Rukoni ACE beans	12
Figure 7: Trainings include agronomy and management of postharvest losses	14
Figure 8: Maize mill for value addition	
Figure 9: Partners such as WFP support gender training	

List of Acronyms

ACEs Area Cooperative Enterprises

BoD Board of Directors

HIV/AIDS Human Immune Virus/Acquired Immune Deficiency Syndrome

ICT Information, Communications and Technology

IRC Information Resource Center

MoTIC Ministry of Trade, Industry and Cooperatives

MSC Microfinance Support Center

MT Metric Tonnes

NGOs Non Government Organizations

NRACE Nyakyera-Rukoni Area Cooperative Enterprise PACE Promoting Area Cooperative Enterprises

PCs Primary Cooperatives

RPOs Rural Producer Organizations
SACCOs Savings and Credit Cooperatives
UCA Uganda Cooperative Alliance

UCSCU Uganda Cooperative Savings and Credit Union Limited

WFP World Food Programme

1. Background

1.1. Cooperatives Business Models in Uganda

The new agribusiness era is characterized by a shift from family farms to strategically placed commercial production and processing units linked to exporters and modern retailers¹. The cooperative approach to the management of business is not new. Cooperatives appear more or less simultaneously with the economic and social demands of populations². This changing agribusiness environment places increasing pressure on ministries of agriculture (MOAs) to engage in agribusiness and agro-industry development. Cooperatives in Uganda play a major role in financial resources mobilization, agro-processing and marketing of agricultural produce. They also contribute significantly to eradicating poverty, improving food security, providing employment, ensuring environmental sustainability, tackling the HIV/AIDS and malaria pandemic, and mainstreaming gender. Cooperatives therefore offer enormous potential for delivering growth by providing opportunities and empowering the vulnerable to participate in the development process³.

The Uganda Cooperative Alliance (UCA) is an umbrella organization of cooperatives, formed and registered in 1961 and owned by member co-operatives. The aim of UCA is to promote the economic and social interests of cooperatives in Uganda. It has led the restructuring process of the cooperative movement in Uganda, by focusing on uniting and strengthening grassroots farmer organisations to maximise membership, build commitment among members and remain financially viable (Msemakweli, 2008). UCA encourages Area Cooperative Enterprises (ACEs) to bulk and market at least three products to ensure an all-year business pattern. Diversification of member production reduces the risks of crop failure and low prices during the peak production season. The reformed cooperative bodies promote diversification of their marketing enterprises beyond the traditional cash crops of cotton and coffee.

1.2. Historical overview of Cooperatives and Policies in Uganda

The beginning of the cooperative movement in Uganda can be traced back to 1913, when the first Farmers' Association was founded by African farmers. They became known as "The Kinuakulya Growers". This was in response to the exploitative colonial marketing systems that were against the native farmers, who produced the cash crops, but benefited European and Indian middlemen, who would concentrate on processing and marketing. The Africans realized that forming cooperatives would give them a common voice, purpose and strong bargaining power (Mukasa, 1997). Continued exploitation of African farmers ignited strikes that culminated in the formation of many other parallel farmers' associations, such as the Buganda Growers Association in 1923 and the Uganda Growers Cooperative Society in 1933. Groups of farmers from other regions shared this vision. The colonial government considered the emergence of formally organised cooperatives as premature and subversive, and made it an offense for any financial institution to lend money to an African farmer. A Registrar for co-operatives was appointed and a Department for Co-operative Development created. However, many co-operatives refused to register, as they perceived this as a way of increasing government interference in their activities. The cooperatives were forced to operate underground

¹FAO. 2014. Public sector support for inclusive agribusiness development – An appraisal of institutional models in Uganda. Country case studies – Africa. Rome.

²Kyazze, L. 2010. Cooperatives: The sleeping economic and social giants in Uganda, Dar es Salaam, International Labor Organization (ILO).

³Nannyonjo, J. 2013. Enabling Agricultural Cooperatives through Public Policy and the State: The Case of Uganda. Draft paper prepared for the UNRISD Conference: Potential and Limits of Social and Solidarity Economy, 6–8 May 2013, Geneva, Switzerland.

⁴Ahimbisibwe, F. Overview of Cooperatives in Uganda. Ministry of Trade, Industry and Cooperatives. Undated. https://www.mtic.go.ug/index.php?/doc_download/120-overview-of-the-cooperative-sector-in-uganda. Available June 2016.
⁵See Ahimbisibwe (as above).

until 1946 when the cooperative ordinance was enacted to legalise their operations. The 1946 ordinance meant increasing government control in cooperative business and many groups refused to register under it.

Under Sir Andrew Cohen, the new British Governor from 1952-1962, government amended the Coop Societies ordinance of 1946, giving rise to the Cooperative Societies Act 1952, which provided the framework for rapid economic development. It also provided for the elimination of discriminatory price policies and offered private African access to coffee processing. Thus, between 1952 and 1962 coop membership increased eight-fold and the tonnage of crops increased six-fold. By 1962, there were 14 cotton ginneries and seven coffee curing works in the hands of cooperative unions.

Post-colonial period

Following Uganda's independence in 1962, government favoured co-operatives as policy instruments for rural development. Government enacted the first Cooperative Societies Act in 1963 and promoted the establishment and diversification of the cooperative movement in the country. The performance of cooperatives in the immediate post-colonial period was impressive, with the government offering them a monopoly status in agricultural marketing. By 1970, cooperatives were the largest employer in Uganda, reaching almost every economic sector. However, political interference and insecurity soon emerged. The 1970 Cooperative Societies Act removed all autonomy and gave the cooperatives minister direct control over the affairs of registered cooperative societies. The military governance from 1971 to 1978 was unfavourable for cooperative development, as cooperatives lost investment and capital assets to wars and conflict. Coffee and cotton prices dropped, as did production.

Some of the federations that had been formed in the 1960s and early 1970s, such as the Uganda Cooperative Central Union, the Uganda Wholesale Consumer Cooperative Union, and the Cooperative Bank, were adversely affected and many simply collapsed. By the time the NRM government adopted structural adjustment policies, such as economic liberalization, decentralization, restructuring, downsizing of staff and autonomy of the cooperative movement in the late 1980s, the cooperative movement was largely unprepared for them (Beijuka, 1993; Mukasa, 1997). The result was the onset of another decline in the performance of cooperatives in Uganda.

The agricultural cooperative structure in Uganda needed reforms to help farmers adjust to the changing business environment of a liberalized market economy and to revive the fallen cooperative movement. In 1991 a cooperative societies statute was enacted. It was later transformed into an Act Cap 112 in the laws of Uganda; this is still the legislation for coops today.

1.3. Present Government Cooperative Policy in Uganda

In recent years, the Ugandan government has shown commitment to reviving the cooperative sector. The National Cooperative Policy (2010) provides guidelines for cooperative development in Uganda. The general objective of the Government is to develop and strengthen the cooperative movement to enable it to play a leading role in poverty alleviation, employment creation and social-economic transformation of the country. The Government recognizes savings and credit cooperatives (SACCOS) to be significant drivers in the mobilization of people to save as individuals or groups for purposes of enhancing production, investment and capital accumulation. The Government's goal is to establish a SACCO in each Sub-County to spearhead savings mobilization and increased household incomes. In addition, the objectives of Government in cooperative development include:

- Re-building the cooperative movement to efficiently and effectively respond to members' needs
- Developing and reviewing the legal and regulatory framework and promoting and enhancing good governance in the cooperative movement;
- Developing the capacity of cooperatives to compete in the domestic, regional and international markets, as well as to provide a framework for improving capitalization and diversification of financing tools appropriate for the movement;
- Facilitating improvement of supply chain efficiency and marketing infrastructure and diversifying the type and range of enterprises that cooperatives undertake;
- Strengthening the technical capacity of the Department of Cooperative Development and the local government;
- Building an efficient and modern cooperative management information system;
- Addressing the crosscutting issues of gender balance and fair representation of marginalized groups, sustainable natural resources use, HIV/AIDS and malaria.

Nationally in 2010, there were over 64,000 individual members of 352 Rural Producer Organizations (RPOs) forming 55 Area Cooperative Enterprises (ACEs). The reformed cooperatives are meant to be managed as profitable business units competing with other private traders in agricultural output markets. To effectively compete and make a profit to benefit their members, RPOs and ACEs must minimize their overhead costs and market large volumes of their member farmers' produce. To kick-start the operations of newly established ACEs, UCA provides payments to cover the wages of ACE managers during the first year to reduce ACE operational overhead costs, and provides some office equipment and logistics. Thereafter, the cooperatives are expected to make profits from their business and operate relatively independently.

Today, In terms of institutional mandates, all cooperatives in Uganda are regulated by the Ministry of Trade, Industry and Cooperatives (MoTIC) and the significance of cooperatives for development in Uganda cannot be overemphasized. The Government has continued its role of registration, but delegated its supervisory, monitoring and control roles to local governments through the decentralization policy. Some of these roles have also been taken up by other agencies such as the Uganda Cooperative Alliance (UCA), Uganda Cooperative Savings and Credit Union Limited (UCSCU) and Non Government Organizations (NGOs).

In Uganda, cooperatives are typically associated with three sectors – smallholder agriculture, credit unions (or micro-finance firms), and revolving savings schemes for micro-to-small-entrepreneurs who are often seen as non-bankables by the commercial banks and private creditors⁶. Although there are various types of cooperatives in Uganda, the most common ones include agricultural marketing cooperatives, fishing cooperatives, consumer cooperatives, savings and credit cooperatives (SACCOs), farm supply cooperatives, dairy cooperatives, insurance cooperatives, transport cooperatives, cooperatives in crafts services, housing and building cooperatives, poultry cooperatives, mining cooperatives, industrial cooperatives, health cooperative, education cooperatives, and rural electrification cooperatives. Indeed, there could be as many types of cooperatives as the number of economic activities that are undertaken in the country.

A paper by Ahimbisibwe (undated) has documented that by 2012, 46% of the SACCOs were located in the central region, followed by western (24%), eastern (21%) and northern (9%). The Western region

-

 $^{^{6}}$ UNDP, 2016. Reengineering Cooperatives into Enablers of Agricultural Transformation in Uganda

dominated in dairy and livestock (54%), while the Eastern region dominated in crop farming and marking (47%) (Figure 1) 7 .

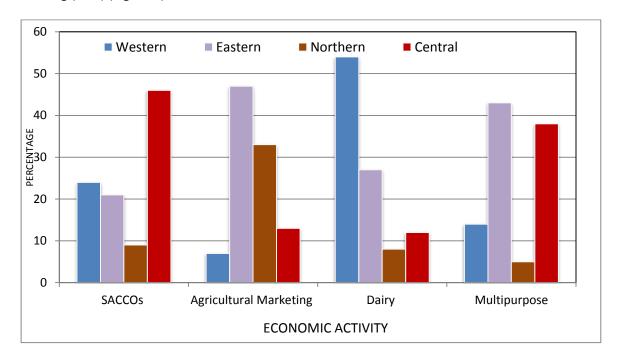


Figure 1: Societies by region, economic activity in 2012

1.4. The Uganda Cooperative Alliance (UCA) Revives Cooperatives in Uganda

Efforts to revive the cooperative movement started in the late 1990s. The Uganda Cooperative Alliance (UCA) emerged as a result of trade liberalisation supporting the re-establishment of cooperatives⁸⁹. The restructuring process also included the introduction of initiatives, such as Area Cooperative Enterprises (ACEs). The new approach to cooperative development has focused efforts at the grassroots level to address the weaknesses that led to the near-complete collapse of the cooperative sector, such as poor management, inability to compete in evolving liberalised markets, huge debt accumulation and political interference (Kyazze, 2010; UCA, 2009; Kwapong and Korugyendo, 2010). The ACE offers marketing services for their members. The UCA has focused on organizing and strengthening grassroots farmer organizations to maximize membership and build the commitment of members. Grassroots community-based organizations, parish farmers associations and other smaller farmer groups were all organized under Rural Producer Organizations (RPOs). These are primary cooperative organizations located at the village or parish level. At the sub-county level, the Area Cooperative Enterprises (ACEs) are created to act as smaller cooperative unions for the RPOs. A number of RPOs (5-20) in a sub-county merge to form an ACE.¹⁰ This is termed the 'tripartite cooperative model'.

Today, the mandate of UCA includes the following:

- To carry out advocacy and representation of the Ugandan cooperatives
- To provide education and training at all levels of the cooperative movement and;

⁷Ahimbisibwe, F. *cit*.

⁸Msemakweli, L. 2013. The UCA Integrated Model and Agriculture Finance. Presentation at the ICA General Assembly – Cape Town, November 2013.

⁹Action Aid, 2013. The cooperative movement and the challenge of development a search for alternative wealth creation and citizen vitality approaches in Uganda

¹⁰Nannyonjo, J. 2013. cit.

To mobilise resources for the development of the cooperative movement.

The UCA is specifically involved in the following activities:

- Advocacy for Uganda's Co-operative movement
- Mobilizing resources for the development of the Co-operative movement.
- Building the capacities of agriculture cooperatives
- Mobilizing and guiding communities to form non-agriculture co-operatives
- Conducting internal audit and supervision of co-operatives to ensure that they comply with the co-operative law, their by laws, operating policies, procedures and guidelines so that they remain safe, sound and sustainable institutions.
- Integration of women and youth in cooperatives.

In the early days, cooperatives assisted the less privileged to improve their living conditions. They have contributed to poverty reduction through the establishment of income generating activities and employment opportunities. Cooperatives provide social protection by educating members about HIV/AIDS¹¹.

The Ugandan government's program of "Bonna Bagaggawale" (Prosperity for All), intended to address inadequate access to financial services, boosted SACCOs. This program was designed to use a SACCO per sub-county strategy to channel both agricultural and commercial loans at below market rates to borrowers. The services were to be channelled through the government-owned Microfinance Support Center (MSC) to the SACCOs to support individuals and small businesses with subsidized loans¹².

2. The Nyakyera-Rukoni Area Cooperative Enterprise (NRACE)

The Nyakyera-Rukoni Area Cooperative Enterprise (NRACE) is a farmer led secondary cooperative legally instituted in 2005 with Registration Certificate No. 7399. The Nyakyera Rukoni ACE is located in Nyakyera Trading centre near Nyakyera Farmers SACCO along Ntungamo-Rukoni Road, about 20km from Kahunga on the Mbarara-Kabale Road in Nykayera sub county, Ruhaama county, Ntungamo (Figure 2).

Three Rural Producer Organizations (RPOs) founded the Area Cooperative Enterprises (ACEs) with support from the Uganda Cooperative



Figure 2: NRACE offices in Ntungamo, Uganda

Alliance (UCA) programme on Promoting Area Cooperative Enterprises (PACE). The original RPO members are: Nyakyera Matookye Cooperative Society, Kyentaama Matookye Cooperative Society and Nyakabale Gamba Nokora Cooperative Society. Overtime, other RPOs joined NRACE.

Currently the ACE operates in 4 sub-counties of Ruhaama, Kitwe town council, Rukoni West and Nyakyera and is involved in facilitating RPOs in production, bulking and marketing. The major enterprises are: Beans and Maize, while Dairy and Honey have been taken on after farmers have

¹¹Kyazze, L. (2010), cit.

¹²Mugenyi, A.R. 2011. Corporate Governance and Strategy in SACCOs in Uganda. Available:

https://mmumf.files.wordpress.com/2011/06/mugenyi-2010-corporate-governance-and-strategy-in-saccos-in-uganda.pdf. Accessed: July 2016.

mobilized reasonable volumes to be marketed. Farmers interested in other enterprises are welcome to join the ACE.

2.1. Objectives, Membership, Organisational Structure

The NRACE cooperative aspires to be "A prosperous and sustainable ACE serving leading commercial

farmers."

Its strategic objectives are:

- a) To increase bulk marketing of maize from 70 metric tons to 82 Mt annually by end of 2017
- b) To increase bulk marketing of beans from 137 to 162 Mt annually by end of 2017
- To have conducted 3 capacity building trainings for board and staff in good governance and management practices by end of 2016
- d) To conduct and also increase NRACE profitability by 10% by 2017
- e) To increase ACE membership from the current 23 RPOs to 40 RPOs by 2017

Vision

A prosperous and sustainable ACE serving leading commercial farmers

Mission

To meet marketing needs of members through quantity collective marketing and value addition for high prices

Core values

- Team work
- Accountability
- Accessibility

2.2. Nyakyera Rukoni ACE Governance Structure

The Nyakyera Rukoni ACE (NRACE) has a governance structure that includes an Annual General Meeting (AGM) as the supreme policy making organ composed of representatives of member RPOs. The AGM meets to elect the Board of Directors (BOD) every 3 years. Currently, the board has 9 members, composed of 6 males and 3 females with diverse professional expertise and hands on agrienterprise management.

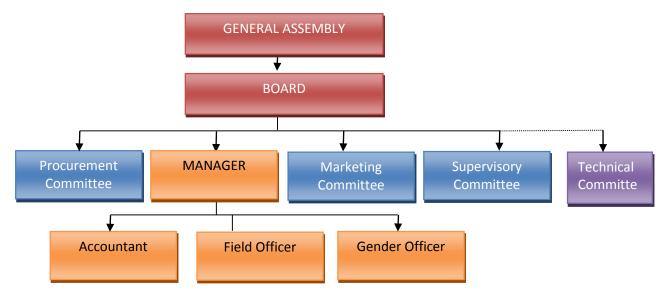


Figure 3: Nyakyera-Rukoni ACE Organizational Structure

The Board of Directors (BoD) is mandated to provide policy guidance and oversight roles to employed management staff. The NRACE has a supervisory, marketing and procurement committee. There is also a Technical planning committee comprised of 3 members from ACE and 3 from SACCO.

The day-to-day business operations of NRACE are implemented by members of staff headed by a manager. The management possesses both professional and technical training in finance and accounting, management, administration, crop and animal husbandry, gender mainstreaming and HIV/AIDS trainings. The staff has varied working experience in agribusiness, thus making it a competent and professional team to take up the mantle of running NRACE day to day business affairs (Figure 3).

3. The Business Model Nyakyera Rukoni ACE (NRACE): Achievements and Challenges

The Nyakyera Rukoni ACE (NRACE), like all other Area Cooperative Enterprises in Uganda, employs a Triangular model of approach in fighting poverty among her member RPOs. Figure 4 illustrates the relationship of the three components in the model (SACCO, RPO and ACE).

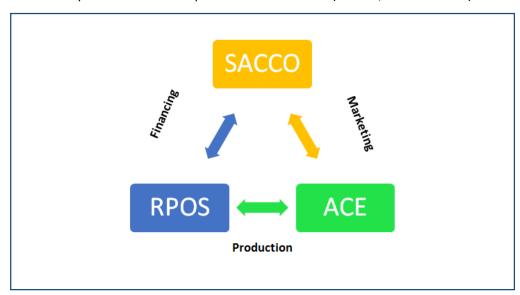


Figure 4: The Integrated Tripartite System Cooperative Model (also called the Triangular Model)

The Uganda Co-operative Alliance (UCA) Integrated Cooperative (Triangular) Model aims at transforming smallholder farmers from subsistence to commercial farmers using self-driven and self-directed cooperatives¹³.

The ACEs were formed as a vehicle for empowering member farmers in agricultural production, value addition and marketing. Each ACE has primary societies, commonly called Rural Producer Organisations (RPOs) with common objectives and usually engaged in common enterprises or activities. It is through this ACE-RPO-Farmer channel that UCA delivers services to the beneficiaries.

The model has developed as a result of lessons learned over time. Firstly, it was realised that farmers needed a minimum package of coordinated services for any transformation to happen. This package included financial services, extension services, marketing and value addition services. As time went by, it became clear that in order to have successful agriculture cooperatives that fully benefit the farmers, it was necessary to link them to financing institutions.

Therefore the SACCOs model was seen as the vehicle for supporting rural agriculture. Uganda has had experience with SACCOs. However, the SACCOs belonged to employees such as teachers and those

-

¹³Msemakweli, L. 2013. The UCA Integrated Model and Agriculture Finance. Presentation at the ICA General Assembly – Cape Town, November 2013.

employed in parastatals. The SACCOs were introduced to the rural areas to support the financing RPOs.

3.1. How the Area Cooperative Enterprises (ACE) Business Model works

To survive and revive the fallen cooperative movement, the UCA focused on organizing and strengthening grassroots farmer organizations to maximize membership and build the commitment of members. Grassroots community based organizations, parish farmers associations and other smaller farmer groups are all organized under Rural Producer Organizations (RPOs). These are primary cooperative organizations located at the village or parish level. RPOs were strengthened to act as cooperatives, where produce supplied by members is bulked and marketed collectively. At the subcounty level, the Area Cooperative Enterprises (ACEs) are introduced to act as smaller cooperative unions for the RPOs. Another function of the RPOs is to ease information dissemination, incorporate small farmers into large-scale production, promote collective marketing and encourage use of new technologies of crop production¹⁴.

A number of RPOs in a sub-county merge to form an ACE. The ACEs enable farmers to access markets and have better bargaining power through bulking of farmers' agricultural commodities, which they sell to the most competitive buyers, handling input distribution and value addition. An ACE may also trade with the cooperative union of which it is a part, if the union offers a competitive price. The ACEs do not only market the whole range of crops produced by their members, they also collect and disseminate market information, add value to members' produce through processing or simply by sorting and grading. They also link producers and input dealers, support agricultural extension services (for example by inviting extension agents or input dealers to come and talk to the members, set up demonstrations, organise farmer exchange of ideas etc.), are involved in production planning, and many others functions. The ACE is paid a commission and therefore works hard to get a good price for its farmers.

An important aspect of the restructured cooperatives is the linkage between RPOs, ACEs and SACCOs, which has been termed a "tripartite system" or triangular model (Figure 3). The RPOs, who are the producers, supply produce to the ACE, which looks for markets for the produce. The SACCOs provide financial assistance to the farmers, who are registered members of the SACCO, and to the ACE. Members can access loans from the SACCO using the produce that they supply to the ACE as security. Payments are made to the individual SACCO accounts of farmers after sales of produce. This system works like a micro-warehouse receipt system.

The reformed cooperatives engage in self-sustaining business practices where cooperatives ensure that both the ACE and the RPO are organized as business entities. In addition, some ACEs engage in diversified businesses beyond marketing, such as promoting value-addition to the produce they handle.

3.2. The Different roles of the RPO, SACCO and ACE in Business Model

a) Roles of Primary Co-operative Societies

The primary societies (RPOs) are responsible for guiding their members in:

¹⁴Mugisha, J., Ajar, B. and Elepu, G. 2012. Contribution of Uganda cooperative alliance to farmers' adoption of improved agricultural technologies. J. Agric. Soc. Sci., 8: 1–9

- Selecting a maximum of 3 enterprises to undertake, based on factors such as the market, relative profitability, etc.
- Developing members' seasonal production plans so that they move in harmony as they target a certain market.
- Accessing farming inputs and other services such as extension services.
- Accessing credit services from SACCOs
- Initial bulking of members' produce after harvesting
- Linking with the Area Co-operative Enterprise

b) Roles of the Saving and Credit Co-operative Societies (SACCOs)

- Accepting savings from all categories of members
- Providing credit/loans to individuals and primary and secondary cooperatives
- Safe depository
- Financial literacy education

c) Roles of the Area Co-operative Enterprises (ACEs)

- Collecting and disseminating market information
- Collaborating with the primaries to guides members in the selection of 3 enterprises to focus on during production.
- Storing members' produce after it has been bulked and delivered by the primary cooperatives. It can also just keep the records of what produce is where.
- Checking the quality of produce delivered by the members
- Drying, storage and adding value to members' produce where it is desirable and feasible.
- Bulking of members' produce and marketing on behalf of the members
- Issuing stores receipts to the primary co-operatives members for their produce which they can use for accessing credit from SACCOs
- Managing the produce stores (in most cases jointly with the SACCOs)

4. Achievements of Nyakyera Rukoni ACE (NRACE) and the ACE Business Model

The achievements of the Nyakyera Rukoni can be traced back to the adoption of the UCA triangular model. The model has allowed farmers to secure loans from SACCOs at close proximity to improve their farming. The SACCO manager, who is based nearby the ACE, knows the farmer by name and is able to give advice both formally and informally. There is a close relationship among the three components. The SACCO is closer to the members and knows who is credit-worthy and how to recover the loans. With their presence in the system, the SACCOs have become the bridge between the farmers on one hand and the financial institutions on the other. With that kind of relationship, the banks feel much more comfortable than when they are operating in a vacuum. Specific achievements by the Nyakyera Rukoni include:

4.1. Membership Growth

The NRACE membership has grown over time (Annex 1). The number of participating farmers as of November 2015 is presented in Table 1.

4.2. Increased Sales

The ACE has already sold almost 151 MT of beans. Furthermore, the number of participating farmers has grown over time (Annex 1).

Table 1: Nyakyera-Rukoni ACE Membership as of November 2015

Name RPO	Total Membership	Males	Females
Rusa Nyarhuanga	11	6	5
Rusa Tweyambe	26	7	19
Kagorora Bahingi Bariisa	26	9	17
Kaberebere Kwetunguura	14	7	7
Nyakyera Bee keepers	13	11	2
Ngomba Rural Produce	39	22	17
Kyentaama Matookye	63	44	19
Kibingo Transporters	24	9	15
Ncipa	386	172	214
Kibingo Model Parish	213	99	114
Kibingo United Farmers	63	47	16
Kabobo Bahingi Barisa	12	7	5
Kiziba Farmers	326	228	98
Nyakabaare Gamba Nokora	84	62	22
Burebero Matookye Cooperative	101	88	13
Nyakyera Matookye Cooperative	206	125	78
Ngomba bahingi bariisa biika oguze	130	87	43
Obumwe Group	24	2	22
Rwerazi Matookye	37	28	9
Abaizire Mwimukye	16	11	5
Kigarama bahingi bariisa	30	7	23
Kiyoora bean growers	22	6	16
Kiyoora central coffee growers	21	14	7
Rwakibaizi Bahingi bariisa	25	17	8
Kyakashambara WCS	103	15	88
Rwenyonyozi bakyara	30	10	20
Ngoma Matookye	48	30	18
Rwebihoko bean growers	20	20 15	
Bintuntu bahingi bariisa	21	18	3
Ankole farmers association	20	15	5
ljuka watermelon growers	18	12	6
Nyakyera bahingi bariisa	140	100	40
Total	2,312	1,330	979

Figure 5 shows that from 2008 to 2015, Nyakyera Rukoni sold a total of 651 MT of Beans and 47 MT of Maize.

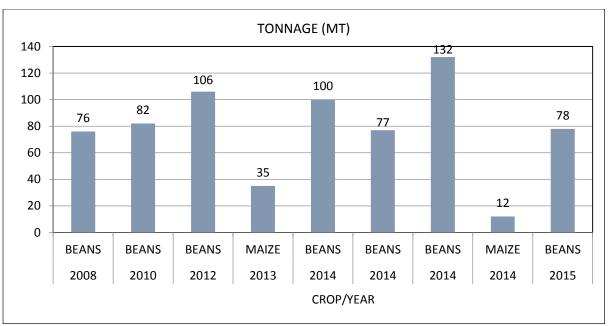


Figure 5: Nyakyera-Rukoni ACE maize and bean sales information from 2008-2015

4.3. Construction of 100MT satellite collection point:

Due to increase in production, the ACE needed a bigger satellite collection point. This was financed with support from USAID. Table 2 shows data for mid 2016 bean sales alone. There is a big increase in the marketing services of the NRACE compared to beans sold from 2008 to 2015.

Table 2: Nyakyera-Rukoni ACE bean sales information for mid 2016

NYAKYERA-RUKONI ACE SALES INFORMATION: Mid 2016 SEASON B CROP/ENTERPRISE: BEANS								
TOTAL SA	LES VOLUMES	TOTAL CALES	TOTAL RPOS					
QTY (KGS)	PRICE	TOTAL SALES (UGX)	SOLD SOLD	BUYER	TRADER CATEGORY			
83,000	2,040	169,320,000	16	WFP	International			
3,122	1,350	4,214,700	3	Kabagambe Silgi	Regional			
4,177	1,425	5,951,200	5	Abudu Rumaanzi	Regional			
666	1,550	1,032,300	5	Bangirana Stephene	Local			
59,714	1,430	85,391,020	12	Rutaaga Mustafa	Regional			
150,679		265,909,220		•	-			

4.4. Establishment of an Information Resource Center (IRC)

This has been established at the ACE to support research and provide information to farmers.

4.5. Professionalization of the ACE and use of ICT

The ACE has becomes a very trusted partner of the SACCO and RPOs. It has been able to develop its own bankable business plans, develop policies, set up committees, and acquire Tally accounting software.

4.6. Leadership and Trust

The new manager has the trust of the RPOS and the SACCO.

4.7. Advocacy Partnerships and linkage creation

The ACE has been able to create linkages for knowledge access and sharing with local, national and international organizations. As a young ACE, Nyakyera Rukoni has established partnerships with other organization to provide capacity development interventions in different areas and for marketing of produce (Table 3).

Table 3: Existing and proposed partnerships by Nyakyera Rukoni ACE to support its RPOs

NAME OF PARTNER	TYPE OF RELATIONSHIP	STATUS
Uganda cooperative Alliance	Advocacy, Linkage facilitation, Capacity building consultancy, Information dissemination.	Active
Nyakyera Farmers SACCO	Financial Advisory	Active
Private Sector Development	Capacity building consultancy	Active
aBi Trust	Capacity building	Active
Uganda Development Bank	Financial	Pending
East African Farmer's	Linkage facilitation, capacity building, p	Active
The Grain Council of Uganda	Linkage facilitation	Active
Agriterra	Capacity building, linkage facilitation	On hold
REMCU	Capacity building information	Active
Agropro Focus Uganda	Linkage facilitation	Active
WFP	Buyer & Capacity Development	Active
GOU	Monitoring & Capacity Development building	On going
USADF	Capacity building	Pending
Makerere University	Research & Capacity Development	On going
MUMA Investments	Buyer	

4.8. Mobilization and strengthening of RPOs





Figure 6: WFP has become the main buyer for Nyakyera-Rukoni ACE beans

The RPOs have increased produce volumes and quality enhancement, resulting in them being able to sell to many organizations and have contracts with international bodies such as World Food programme (WFP). Over time, WFP has become the main buyer. The Nyakyera ACE has worn several WFP tenders, mostly for supplying beans (Figure 6).

4.9. Challenges of Nyakyera Rukoni ACE (NRACE)

The Nyakyera Rukoni ACE (NRACE) has grown so quickly in terms of membership and increase in production. Therefore the most critical challenge is warehousing infrastructure. Specifically, the challenges include:

- a) Warehousing: The 100MT new warehouse by USAID will not be large enough due to increased production and more farmers joining the ACE.
- b) Lack of value adding equipment
- c) Limited training of the board and management in cooperative business and methodologies
- d) Inadequate tools and equipment for effective service delivery to farmers
- e) Member commitment and adoption of new technology, mainly due to un-met member expectations from the ACE.
- f) Limited capacity and information regarding Climate change

In response to these issues, Nyakyera Rukoni ACE (NRACE) was successful in partnering with USAID to construct a new warehouse. However, as more and more farmers are joining the ACE, it is very likely this will not be enough space.

In order to address some of the issues, Nyakyera Rukoni ACE (NRACE) is working with UCA and other stakeholders to support:

- a) Capacity building of the BoD and management
- b) Work with East Africa Farmers Federation support NRACE to travel to India for training.

Future plans for the NRACE include investing in the following:

- a) Coffee processing plant: This will be possible due to the easy access to financial resources (from the SACCO).
- b) Purchase of own ACE land for own sustainable production.
- c) Resource mobilization and acquisition of crop finance
- d) Establishment of bulking centers at RPOs
- e) Training of farmers in GAPs and farmer leaders in management and marketing.
- f) Employment of more ACE staff.

5. Underlying Factors for Success and Lessons Learnt

The success of Nyakyera Rukoni ACE (NRACE) is a result of many factors, the first being the "tripartite business model". Specific factors include:

5.1. Bulking of produce through the ACEs

The method of bulking used by the cooperatives reduces the need for huge financing volumes, which means it is more efficient, cheaper and safer. With the new system, the funds used to pay for the members' produce are supplied by the buyers and the cooperatives do not carry any risk or pay so much in interest. This is one of the contributions to agriculture finance. With the integrated model, the famers are sure to get not only quality but also cheaper agro-inputs because they purchase jointly using the advances from their SACCO in collaboration with the ACE.

5.2. Bulk procurement of inputs through the ACEs

Since the farmers get the inputs at a lower price, the cost of production is also lowered. This means higher returns from farming. The inputs that are bought through the ACEs are usually of high quality and therefore farmers are sure they will perform well. There is a lot of input adulteration in the open market, especially with seeds. Reliability in supply is also increased because of the arrangements between ACEs and input dealers. Since some of these farmers belong to both the ACEs and SACCOs they receive soft loans to procure improved inputs.

5.3. Farmer Training and Capacity development interventions

ACE has been able to support capacity development in the RPOs. Some of the farmer training includes: agronomic aspects, enterprise selection, value addition, post-harvest handling (PHH), GAPs, Recordkeeping, gender mainstreaming and environmental conservation technologies. Through the RPOs, the members have also been trained in improved fish farming techniques including pond construction, stocking, feeding and harvesting. Farmers, both men and women, participate in enterprise selection exercises (Figure 7).

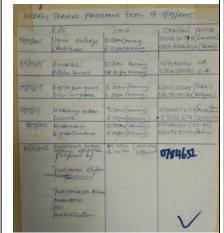






Figure 7: Trainings include agronomy and management of postharvest losses

5.4. Value addition services

Another area where ACEs and their RPOs are making an impact in agriculture is in the promotion of value addition to members' produce. For example one of the RPOs has a maize mill next to the ACE office that serves the community (Figure 8).

5.5. Marketing services

Previously, the Nyakyera Rukoni ACE faced limited access to markets. Now the RPOs are linked to international buyers like WFP in addition to regional and local buyers. Collective marketing has been the method used to link farmers to markets. Under the new system, producers are linked to more than one possible buyer. This ensures competition among the buyers and hence strengthens the producers.

5.6. Level and use of ICT by ACEs



Figure 8: Maize mill for value addition

The use of ICT improves record keeping for the RPOs and therefore improves the marketing of produce. With easily accessible data, the SACCO is aware of the transactions of the ACE and RPOs. This gives the SACCO confidence in what the RPOs can produce and sell, and hence access to loans if needed.

5.7. Faster payments

With the integrated model, the payment system which is used by the buyers to pay the farmers has become easier, faster and safer. Farmers have accounts with the SACCO where the accounts are credited with the value due to each one of them. In an environment where the banks have been absent in rural areas, this is progress in getting the farmers into the banking culture and with improved payments we should expect more buyers and more finance to come in using their money.

5.8. Continuous member education including Gender and HIV/AIDS training

Farmer empowerment has been remarkably increased through training. The training goes beyond

farming to include HIV/AIDS awareness trainings, environmental protection and water collection techniques. Not only have ACEs and RPOs empowered their respective members in agricultural production and marketing, but also in other cross-cutting issues particularly gender and HIV/AIDS. This training is offered to both male and female participants. Community leaders have deemed the training a success, as men have changed their financial management by allowing their wives to take charge of some household monetary issues.



Figure 9: Partners such as WFP support gender training

Co-operatives have enabled women to access products and services, and also improve their business and entrepreneurial skills and knowledge. Some of the women involved in cooperatives have assumed management and leadership positions. This has also provided a platform for advocacy, leadership training, management and skills development. The promotion of women dominated activities has increased the number of women participating in cooperatives. The technologies used on a cooperative basis like tractors and ox-ploughs have eased labour burdens for women. This has led to accelerated improvement in social aspects such as employment, education and health of women. Women now have more time to look after their families and also to venture into other economic and social activities. Partners like WFP are also involved in such training to empower women (Figure 9).

6. Policy Implications

There is evidence that the tripartite cooperative model has achieved considerable success and growth since its implementation. In the triangular model, there are basically 3 types of services being offered in sequence by the 3 entities, SACCOs, ACEs and RPOs. The SACCOs have become the most important microfinance institutions due to overall number and outreach. Government of Uganda recognises SACCOs as an important mechanism for supporting wealth generation across the country by providing financial services to the rural and urban poor. The SACCOS also support SMEs in both rural and urban areas. However, since SACCOs are not supervised by the Bank of Uganda, there have been some cases of malpractices. The recent discussions to bring SACCOs under Bank of Uganda supervision is a

welcome idea¹⁵ as it would bring an integrated policy and regulatory framework for the microfinance and banking industry.

The triangular/ACE model seems to be an effective vehicle to bring about rural development as ACEs are supporting members to market a whole range of commodities/ products based on area specific value chains. However, a single ACE must specialize in 3 commodities/ products. Nonetheless, the NRACE intends to support farmers in different value chains. In Uganda there are ACEs that support more than ten value chains and other non-traditional agricultural products such as honey. It is therefore important that the policy environment remains conducive for the growth of cooperatives in Uganda, especially to enable SACCOs to extend appropriate loans to Primary Societies and ACEs. As production increases, it is likely ACEs will need more storage facilities for effective handling of the members' produce. These are huge investments that will require long-term credit facilities.

7. Conclusions

There is evidence that the tripartite cooperative model has achieved considerable success and growth since its implementation¹⁶. It has become a profitable business model in agricultural output markets. This has been achieved because smallholders linked to service providers. The model creates a critical mass which attracts both local and international business partners. The smallholders have access to agro-inputs with support from their SACCOs.

The NRACE is seen as a vehicle for supporting women's issues by empowering them through equal participation in different fora and the inclusion of women members in decision-making processes, and it has also encouraged the participation of women in cooperative activities. Also of importance was the provision of training services to build members' capacity and increase their productivity.

¹⁵ At the time of this study, here were discussions to move SACCOs from Tier 4 to a tier similar to some deposit taking banks.

¹⁶ Kwapong N.A. (2013), "Restructured agricultural cooperative marketing system in Uganda: study of the "Tripartite Cooperative Model", Euricse Working Paper n. 57 | 13.

Acknowledgements

The author would like to thank the following individuals and institutions for their invaluable contributions to this publication, for their guidance and support:

- Allan Turyatunga (Manager, Project Coordinator), Nyakyera-Rukoni ACE
- Mr L. Msemakweli, UCA, Kampala, Uganda
- Ms Elizabeth Nsimadala, UCA, Kampala, Uganda
- Mr. Joseph Okellowange, WFP, Mbarara, Uganda
- Nyakyera-Rukoni ACE staff
- Nyakyera-Rukoni ACE BoD chair

References

Action Aid, 2013. The cooperative movement and the challenge of development a search for alternative wealth creation and citizen vitality approaches in Uganda

Ahimbisibwe, F. Overview of Cooperatives in Uganda. Ministry of Trade, Industry and Cooperatives. Undated. https://www.mtic.go.ug/index.php?/doc_download/120-overview-of-the-cooperative-sector-in-uganda. Available June 2016.

Beijuka, J. 1993. The state and business prospects of the Uganda Cooperative Movement. Uganda Cooperative Alliance, Kampala.

FAO. 2014. Public sector support for inclusive agribusiness development – An appraisal of institutional models in Uganda. Country case studies – Africa. Rome.

Kwapong N.A. 2013. Restructured agricultural cooperative marketing system in Uganda: study of the "Tripartite Cooperative Model", Euricse Working Paper n. 57 | 13

Kwapong, N. A. and Korugyendo, P.L. 2010. Revival of agricultural cooperatives in Uganda". IFPRI USSP Policy Note No. 11. Washington, DC. Available at: http://www.ifpri.org/sites/default/files/publications/ussppn10.pdf (retrieved 20 August

Kyazze, L. 2010. Cooperatives: The sleeping economic and social giants in Uganda, Dar es Salaam, International Labor Organization (ILO).

Msemakweli, L. 2008. Cooperative marketing reforms in Uganda: History of cooperative marketing in Uganda". Available at http://www.uca.co.ug/publications/marketingreforms.pdf (retrieved 20 August 2013).

Msemakweli, L. 2013. The UCA Integrated Model and Agriculture Finance. Presentation at the ICA General Assembly – Cape Town, November 2013.

Mugenyi, A. R. 2011. Corporate Governance and Strategy in SACCOs in Uganda. Available: https://mmumf.files.wordpress.com/2011/06/mugenyi-2010-corporate-governance-and-strategy-in-saccos-in-uganda.pdf. Accessed: July 2016.

Mugisha, J., B. Ajar and G. Elepu, 2012. Contribution of Uganda cooperative alliance to farmers' adoption of improved agricultural technologies. J. Agric. Soc. Sci., 8: 1–9

Mukasa, J. 1997. The performance of cooperative unions under liberalization: A study of East Mengo Growers Cooperative Union Limited. Makerere University, Kampala, Unpublished dissertation.

Nannyonjo, J. 2013. Enabling Agricultural Cooperatives through Public Policy and the State: The Case of Uganda. Draft paper prepared for the UNRISD Conference: Potential and Limits of Social and Solidarity Economy, 6–8 May 2013, Geneva, Switzerland.

UCA, 2009. Annual reports, Uganda Cooperative Alliance, Kampala.

UNDP, 2016. Reengineering Cooperatives into Enablers of Agricultural Transformation in Uganda

Annex 1: Number of RPOs and enterprise produced and sold $(2008-2015)^{17}$

RPO	NO. OF FARMER S	ENTERPRISE	ACRA GE	AV. COST INPUTS USED (UGX)	QTY. PRODUCED (Kg)	QTY SOLD (Kg)	PRICE (UGX)	TOTAL SALES (UGX)
Kibingo united to save	,	Beans	97	9,700,000	29,100	19,100	1,200	22,920,000
for the future	97	Maize	97	4,850,000	38,800	28,800	700	20,160,000
		Beans	206	14,420,000	41,200	31,200	1,200	37,440,000
Nyakyera matookye	206	Maize	206	10,300,000	41,200	31,200	7,000	21,840,000
		Beans	160	15,200,000	24,000	15,000	1,200	18,000,000
Kyentaama matookye	80	Maize	160	9,600,000	36,000	28,000	700	1,960,000
Nyakabare gamba		Beans	98	7,840,000	29,400	19,400	1,200	23,280,000
nokora	98	Maize	98	5,390,000	19,600	10,000	7,000	7,000,000
Kyakashambara women		Beans	125	12,500,000	25,000	20,000	1,200	24,000,000
coop society	125	Maize	125	6,750,000	25,000	20,000	700	14,000,000
		Beans	200	20,000,000	98,400	83,400	1,200	100,080,000
Nyakyera Bahingi Barisa	246	Maize	200	19,000,000	73,800	63,800	7,000	44,660,000
Rwenyonyozi Bakyara		Beans	80	5,600,000	19,800	10,000	1,200	12,000,000
mwimukye Tukore	99	Maize	80	5,280,000	29,700	19,700	700	13,790,000
		Beans	68	5,440,000	6,800	6,000	1,200	12,000,000
Rusa tweyambe group	34	Maize	68	4,760,000	10,200	5,200	7,000	3,640,000
		Beans	78	3,800,000	9,750	9,000	1,200	7,200,000
Nyakyera beekeepers	39	Maize	78	6,080,000	11,700	10,000	700	100,000
Kibingo model parish		Beans	50	5,000,000	8,750	8,000	1,200	5,600,000
banana growers	25	Maize	50	3,000,000	11,250	10,000	7,000	7,000,000
Rwebihoko bean		Beans	108	8,100,000	6,200	10,000	1,200	12,000,000
growers	54	Maize	54	2,700,000	21,600	19,900	700	23,880,000
Ijuka watermelon		Beans	70	5,600,000	7,000	6,000	1,200	4,200,000
growers	35	Maize	70	4,900,000	14,000	10,000	7,000	7,000,000
		Beans	78	5,070,000	1,700	1,200	1,200	1,440,000
Kabobo bahingi barisa	39	Maize	39	1,950,000	19,500	19,000	700	13,300,000
Rwakibaizi bahingi		Beans	116	5,800,000	14,500	13,500	1,200	16,200,000
barisa	58	Maize	116	5,800,000	29,000	19,000	7,000	13,300,000
		Beans	58	5,800,000	10,150	8,150	1,200	9,780,000
Ngomba rural produce	29	Maize	58	3,480,000	13,050	10,000	700	7,000,000
		Beans	114	12,540,000	22,800	21,800	1,200	26,160,000
Ngoma matookye	57	Maize	114	4,980,000	38,500	20,000	7,000	13,999,600
		Beans	122	6,100,000	16,470	15,470	1,200	18,564,000
Bituntu bahingi barisa	61	Maize	122	9,760,000	36,600	35,400	700	24,780,000
Abaizire Mwimukye		Beans	45	2,700,000	13,500	10,000	1,200	12,000,000
tukore	45	Maize	45	1,800,000	18,000	10,000	7,000	7,000,000
		Beans	120	8,400,000	27,000	22,000	1,200	26,400,400
Kagorora bahingi barisa	60	Maize	120	6,000,000	36,000	30,000	700	21,000,000
	112	Beans	336	50,400,000	52,640	42,640	1,200	51,168,000

¹⁷No all sales might be included

Ngomba bahingi barisa								
biika oguze		Maize	336	30,240,000	78,400	68,400	7,000	47,880,000
Kiziba farmers savings &		Beans	44	2,200,000	5,500	40,500	1,200	48,600,000
credit society	22	Maize	44	1,100,000	8,800	7,800	700	5,460,000
		Beans	23	1,380,000	10,350	9,350	1,200	11,220,000
NCIPA-Nyakyera	23	Maize	23	690,000	13,800	10,000	7,000	7,000,000
		Beans	15	1,125,000	5,250	5,000	1,200	6,000,000
Kibingo Transporters	15	Maize	15	750,000	6,750	6,000	700	4,200,000
		Beans	28	700,000	3,500	2,500	1,200	3,000,000
Burebero Matookye	14	Maize	28	1,120,000	5,600	4,600	7,000	3,220,000
		Beans	16	960,000	2,800	1,800	1,200	2,160,000
Kiyoora Bean Growers	8	Maize	16	940,000	4,800	3,800	700	2,660,000
Ankole Farmers		Beans	20	600,000	2,500	2,000	1,200	2,400,000
Association	10	Maize	20	800,000	3,500	2,500	7,000	1,750,000
Rusa Nyaruhanga		Beans	29	1,450,000	7,250	6,250	1,200	7,500,000
Coffee Growers	29	Maize	29	725,000	1,150	8,900	700	6,230,000
Kiyoora Central Coffee		Beans	42	2,520,000	8,400	7,400	1,200	8,880,000
Growers	42	Maize	84	4,620,000	16,800	15,800	7,000	11,060,000
Kaberebere		Beans	62	4,340,000	17,360	16,360	1,200	19,632,000
Kwetungura Goupe	62	Maize	62	3,100,000	37,200	37,200	700	26,040,000
Obumwe Tukore		Beans	46	3,680,000	1,500	1,000	1,200	1,200,000
Groupe	46	Maize	92	3,680,000	27,600	2,600	7,000	19,320,000
		Beans	26	4,040,000	2,600	2,000	1,200	2,400,000
Kigarama Bahingi Barisa	13	Maize	26	650,000	2,900	1,900	700	1,330,000
TOTAL	1,883		5,355	397,800,000	1,261,970	1,035,520		954,984,000