



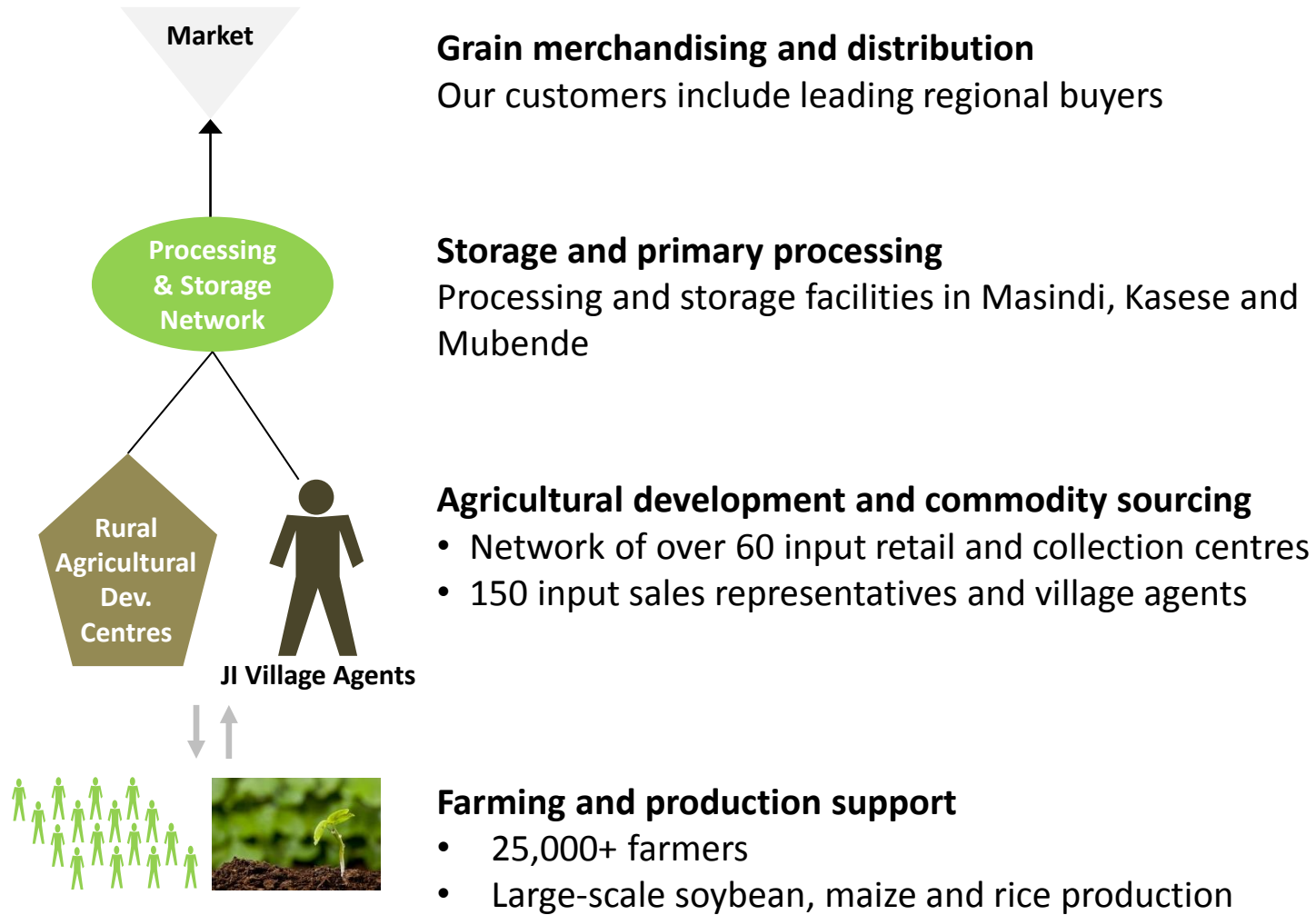
# Agricultural Input Quality in Uganda: A Private Sector Perspective

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Agilis Partners Limited  
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# Agilis Partners is an agricultural development company with interests across the value chain

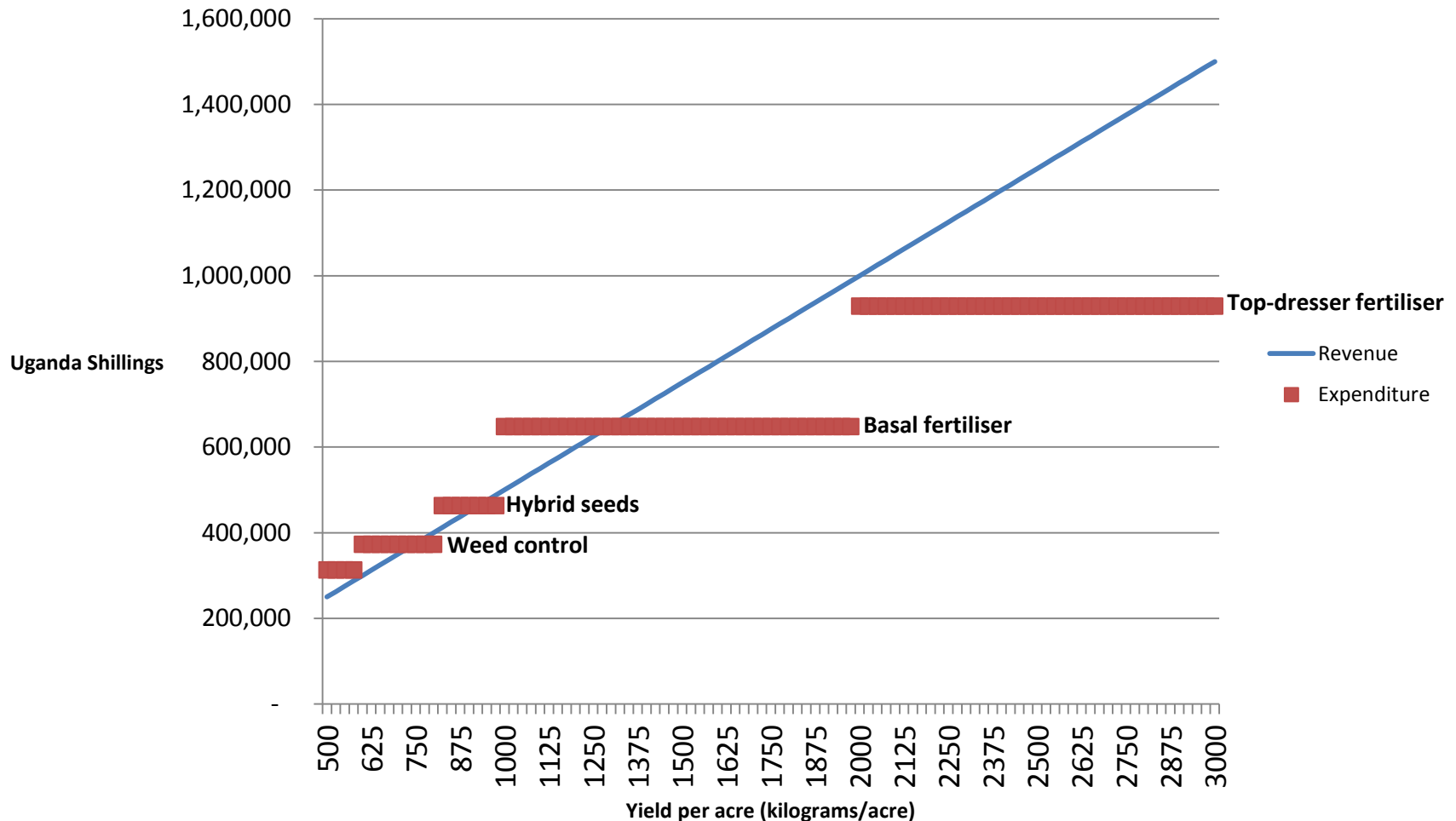
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# Why does this topic matter to us as a farmer?

## Impact of yield and expenditure on profitability

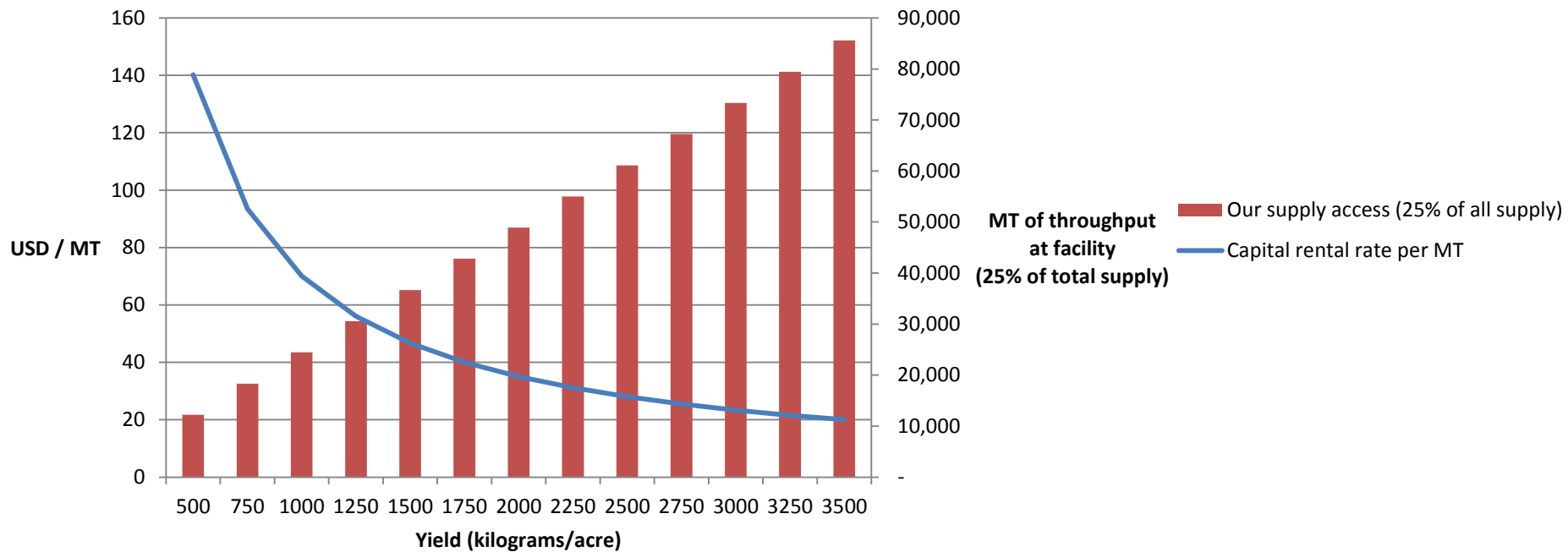
ILLUSTRATIVE



# Why does this topic matter to us as a grain merchandiser?

ILLUSTRATIVE

## The impact of production density on capital rental rates



Annual processing capacity and supply availability	
Total annual processing capacity	115,200
Total acres available	97,812

Capital services requirements	
Capital investment	7,500,000
Years to return capital	7
Required IRR	15%
Annual capital service	1,714,286



# A multi-dimensional challenge prevents producers from achieving their productive potential

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Ugandan farmers lack **reliable & value responsive markets**.  
Because today's markets do not differentiate for quality and are highly unreliable, farmers do not invest in intensive agricultural production.

**Competitive  
Markets**



Access to **financial services** to bridge the working capital requirements between planting and harvest is limited by substantial risks in today's system.

**Financial Services**

**Agricultural Services**

The productive yields of the industry are fractions of the potential yield. **High yield variety inputs** are rarely genuine, always costly and largely inaccessible.



## These market failures perpetuate poor quality and low uptake in the Ugandan agri-input industry.

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- Low competition in the input retail industry and limited verifiable real-time information on quality of product (i.e. reputation risk takes a long time to catch up to the retailer) enable short-term profit maximization.
- Output market risk and limited liquidity drive high price sensitivity and low demand for differentiated inputs. This disincentivises input manufacturers and retailers to differentiate product.
- Farmers misconceive the value of inputs due to improper use. This drives low demand for inputs. This disincentivizes input manufacturers and retailers to differentiate product.
- Ineffective implementation of regulatory frameworks / consumer protection enables fraudulent business practices to thrive.



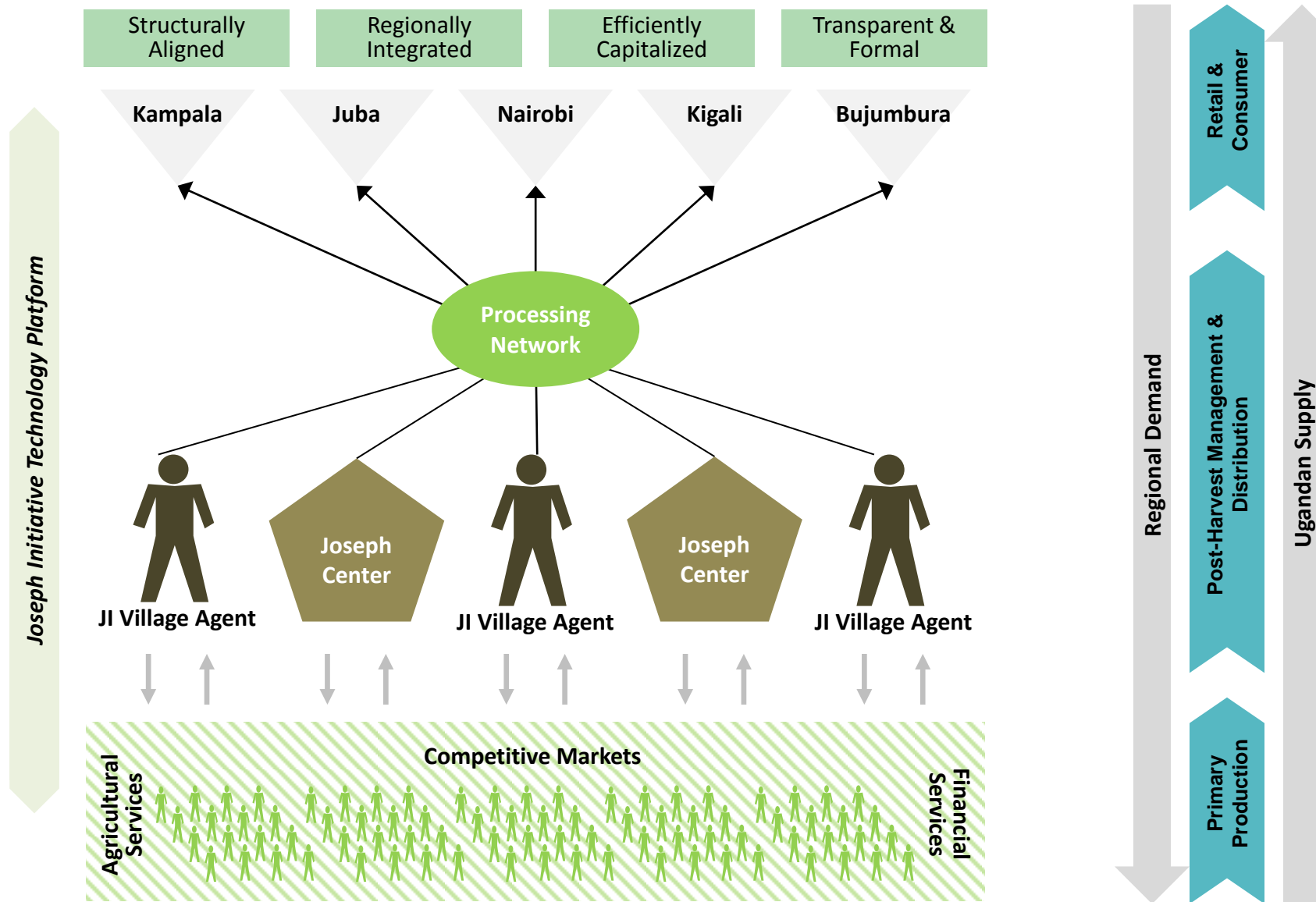
# Agricultural Seeds and Plant Act of 1994

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- **Establishment of a National Seed Industry Authority:** 'There is established a National Seed Industry Authority'
- **Roles of the Authority:** 'Establishing a system of implementing seed policies...coordinating and monitoring the public and private seed sector'
- **Labelling and packaging:** 'All seed offered for sale shall be properly labelled and sealed...Any person who sells for sowing any seed under a description other than its varietal name commits an offence.'
- **Quality verification:** 'All...domestic varieties of seeds or breeding materials shall be tested for a minimum of three successive generations before their release'
- **Consequences:** 'Forfeiture or destruction without compensation of that substandard prescribed seed.'

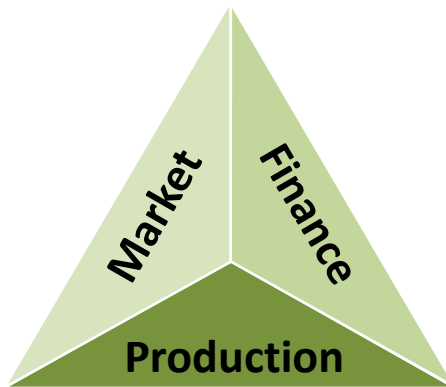


# Our solution to this challenges starts with end-to-end intensification and integration of the agricultural value chain



# This supports a village-based smallholder development ecosystem that addresses input, output and capital market failures in-unison.

Currently, we operate **60** rural input distribution and grain collection hubs



## Market:

We are the only reliable and value responsive buyer of maize grain accessible to smallholders. Our fluid access to regional markets and working capital and our village-based penetration, increases farmers' liquidity, reduces market risk and drives demand for quality inputs.



## Finance:

We arrange financing for farmers in partnership with Opportunity Bank. Our post-harvest and marketing capabilities and infrastructure reduce default risk and ensure farmers' bankability; our village network of thousands of farmers delivers transactional volumes for lenders.



## Production:

We stock high quality productive inputs like seeds and fertilizers. We negotiate with suppliers to obtain bulk pricing, guarantee genuine products and we localize distribution through our Joseph Centre's production storage centres and human network.



## We are strengthening the production link of the agricultural value chain.

- As a production nucleus, Asili Farms enables **rapid commodity diversification and reduces raw material risk**. This supports Agilis's investments in post-harvest and grain merchandising infrastructure by increasing throughput.
- **Bulk injections of over USD 1,000,000 in input purchases** strengthen local and global suppliers' ability and interest to serve the local industry.
- Asili Farms functions as **a technology transfer center** where we test and transfer technology to smallholders who supply the Joseph Initiative.



*Asili Farms Farmer Appreciation Day Season A 2015*



# Proposed intervention priorities

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- Regulate the industry to drive accountability and eliminate today's widespread fraud
- Promote real-time dissemination of information on quality of agri-inputs
- Increase public sector support of intensification of agricultural production (5-5,000 hectares farmer) to leverage private sector accountability to strengthen the industry and its ability to serve smallholders
- Discontinue donor support for enterprises that engage in fraudulent business practices or supply poor-quality inputs
- Increase public sector support of formal-sector off-takers to spur farmer demand for high quality inputs by reducing market risk for the farmer
- Finance innovative solutions to quality input preservation and distribution to spur farmer demand
- Continue investment in extension services to promote optimal use



