

A Techfortrade Training Deal for Bonde Soko

By Moses Gichuru ¹



Moses Gichuru, CEO of Bonde Soko Services, describes a techfortrade (T4T) Academy training deal for cassava flour. He explains how his

Transaction Security Service (TSS) deals are serving both the smallholder farmers and the base of the pyramid buyers.

A Cash Crop for Smallholders

Cassava is produced by small-scale farmers in Uganda and consumed by those on low incomes in Kenya. Cassava is the main cash crop for smallholders in Kyere, Uganda. We are able to help these farmers by bringing them together and by setting up a business network that allows the farmers to export to a foreign country, which by themselves they couldn't do. This by itself I would say is a big achievement for TSS.

Small Scale Processors to BOP market

We supply the processors Mummy Foods and Kemwa Foods with cassava flour, their final products go to the low income market in our cities and the reason that we want to hit that base of the pyramid market is that it is extremely huge and has great potential. So with the cassava business, first we are able to give the farmers more money, but at the same time because of the TSS efficiency we are able to sell to the processors at a competitive price. They are then able to sell their finished product at a low price to the base of the pyramid consumers.

TSS Registered Deal tMG14-205

Cross-border deals can be tricky, with transport difficulties, changes in exchange rates etc. But I have had a lot of experience sourcing produce through Engineer Opio, my agent in Uganda, and over time we have learned most of the lessons on the cross-border issues.

This TSS deal tMG14-205 for cassava flour, took place in February 2014. My agent responsible for the sellers was Engineer Opio who organized the collection from his farmer network in Kyere, near Soroti in Uganda. The 150 bags (15 tons) of dry white cassava flour



were due to be collected on 12/2/14 for delivery on 13/2/14 to the buyer, Kemwa Foods in Nakuru, Kenya.

My agent Engineer Opio

The Buyer: Kemwa Foods

Our buyer, Kemwa Foods, makes Jari porridge from cassava flour, millet and red sorghum. I have been sourcing produce for Kemwa since 2009, but this was the first time that I used the T4T training cash-on-the-bag (COB) fund. The amount agreed to be paid by the buyer was 330,000/ KES.



Middle Costs, Commissions and COB

We calculated that we would have middle costs of 115,626/ KES, this included 90,000/ KES for transport, 12,000/ KES for taxes and fees in transit in addition to packaging material, financing and loading and unloading costs. We planned to take a TSS commission of 8%; with 2% for my seller agent Engineer Opio, 4% for myself as the buyer agent and coordinator, and with 2% to the T4T Academy. The total TSS commission was 17,150/ KES. The sellers were paid 1,312/ KES cash-on-the-bag (COB) per unit (bag) to allow a bonus of 3/ KES per unit. The financing needed for the deal was 306,300/ KES.

The Farmers

To use the T4T COB fund I provided a Local Purchase Order from Kemwa Foods and details of my agent and of the farmers supplying the cassava flour: Anyagan Lekoboam, from Ogobai village, (2 tons); Olir William from Omorio, supplied (5 tons); Onaga Robert, from Moru, (3 tons); Titin Mary, from Kobwakol, (3 tons); and Aisu Martin, from Kaloaki, (2 tons).

¹ Edited by Anne Dennig in 2014



William Olir (right) with some of the cassava farmers

The farmers harvest their cassava, wash and cut it in chips and then dry it in the sun on rocks or tarpaulins. They then take these chips to the local mill where they are milled and bagged ready for pick up.



A dusty business; the cassava mill in Kyere

The T4T COB Fund and TSS

I wanted to use the T4T COB fund because this will enable me to increase my business. TSS is a good system but it also has its own problems too. Number one you still have to spend a lot of money going to mobilize products from the farmer. You must call those farmers for meetings and try to explain what TSS is. Putting the groups together for that kind of capacity building is very expensive for a network manager. Other conventional business people do not have to go through all that, they don't care what they pay the farmer or about the quality and so their business is a bit cheaper. However in the long run when you have been able to establish those farmers in the groups it becomes easier but initially you

have to spend a lot of time and money doing that mobilization.

Lessons Learned from the Deal

I left for Soroti on Thursday 13th February, as the money to finance the deal was not available until late on Wednesday 12th, due to some hitches on the administration side. I arrived on Friday 14th and passed the money for the sellers to Opio and also part of the money for transport, loading and the council tax payments. After making the transport arrangements I left for Nakuru on Saturday 15th. Engineer Opio then mobilized and paid the farmers in Kyere, and had the cassava loaded onto the truck for transport to Nakuru. The loading was done late on Monday 17th and the lorry crossed the border at 1 a.m. in the morning of Tuesday 18th. We finished delivery to Kemwa at 12 noon on Wednesday 19th.

We were late for collection because it was the first time that we were doing a T4T training deal, there were administrative hitches and we couldn't get all the documents needed ready on time.

- Next time we'll start early to beat the LPO deadline.
- RAVI and T4T will work on clearer communication of the deal status.

I had planned my deal on the assumption that the exchange rate of 29/UGX would not change, only to find that it had dropped to 28/UGX .

- I should always negotiate the buyers' price with some margins to hedge the deal against the vagaries of volatile exchange rate.

At the Malaba crossing I had to pay a newly introduced 15% VAT tax. I had not factored this in as a middle cost as I was unaware of it at that time.

- Always crosscheck on all levies regardless of our past deals and experiences.

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