

Standard Bank agricultural fund – making a difference on the ground

Uganda, like most African countries, is a net importer of staple foods. Unlocking the country's agricultural potential means offering the right kind of support to its farmers and agricultural businesses. The Agricultural Guarantee Fund Scheme, a partnership between Standard Bank, the Alliance for a Green Revolution in Africa (AGRA), OPEC Fund for International Development (OFID), Kilimo Trust, Millennium Challenge Account (MCA) and Millennium Development Authority, seeks to do exactly this. This innovative fund for Africa's smallholder farmers, initiated in March 2009, is operating not only in Uganda but also in Ghana, Mozambique and Tanzania. Pe Yero Millers in Gulu, northern Uganda, is one such business benefiting from the fund.

Pe Yero Millers has been in operation since 2004 and what initially starting off as a cereal farming operation is now a toll milling factory in the heart of Gulu that specializes in buying in rice from the surrounding subsistence farmers, milling the rice and selling it. Pe Yero Millers have received working capital and a vehicle and asset facility to finance a new rice mill from China. Pe Yero Director, Mrs Aber Harriet said, "We will be using the loans to increase the capacity of the mill. In Northern Uganda, over 25,000 hectares of rice is being planted by mostly subsistence farmers. These loans will allow Pe Yero to operate under improved economies of scale and thus capture a higher market share." The loans have been provided by Standard Bank with support from AGRA, The Kilimo Trust and OFID. These partners have provided Standard Bank with a 1st loss guarantee/50% risk sharing agreement. Through this loan Pe Yero to provide direct market access to about 3,500 local farmers, the majority of which are living below \$1 a day, thereby improving their livelihoods

There are a number of farmers and companies that are engaged in rice farming for commercial purposes in Gulu but competitors don't have sufficient capacity to produce over 10 tons a day. "This gives Pe Yero the edge since we will have the capacity to produce 60 tons a day" says Harriet. The factory is strategically located with easy access to the markets in Northern region, West Nile region and Southern Sudan. The company employs two management and eight technical staff. The bulk of rice cereal producers are based in Uganda's Northern region, particularly from Pabo and Purongo in the Amuru district. This is only 40km from the Pe Yero Mill, giving them a competitive advantage over other millers based further away in Kampala and other parts of Western/Eastern Uganda. In addition Pe Yero have a warehouse on site with a storage capacity of over 100 tons and they rent other outlets in Gulu from time to time.

Rice is a staple food crop in Uganda with 2 seasons in a year and is experiencing rising demand but insufficient supply for the growing population. The Agricultural sector in Uganda is generally exposed to favourable weather and climatic patterns and with various donors and agencies targeting the north and west Nile, the region stands to become the bread basket for the area. Jacques Taylor, Director of Agricultural Banking, Standard Bank Africa says, "Ultimately The Agriculture Guarantee Fund Scheme aims to reach +-750 000 small farmers and Small/Medium sized Enterprises (SME's) over a three year period with businesses such as Pe Yero Millers benefitting across the African continent and ultimately contributing to Africa's green revolution."