

The Link

A Value Chain Approach to Doing Business in Africa



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COMPETE
The Competitiveness and Trade Expansion Program

The Newsletter of the USAID Competitiveness and Trade Expansion Program (COMPETE)

USAID COMPETE Poised to Launch Purchase Order Finance Pilot Program

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USAID COMPETE's staple foods and finance teams are working together to roll out innovative finance solutions to promote greater intraregional trade of staple foods within East and Central Africa. One such instrument is Purchase Order Finance (POF), which is a transaction-specific form of obtaining working capital and trade financing. It is a short-term loan

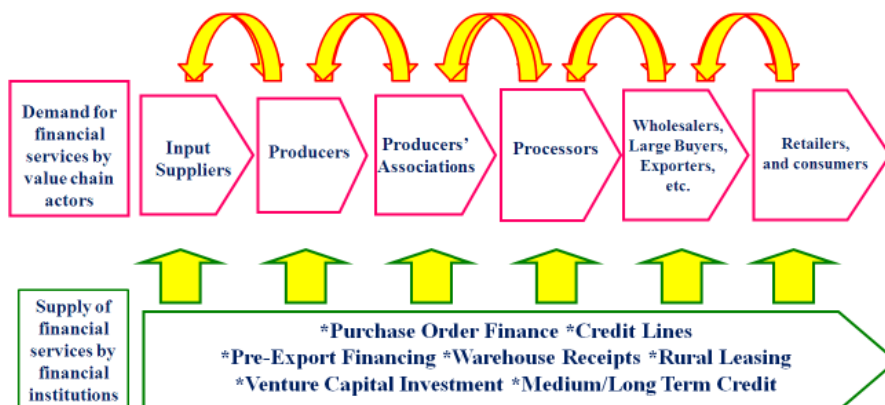
cross border trade transactions. To address this issue, USAID COMPETE is launching a Purchase Order Finance (POF) Pilot Program which will improve access to finance for regional small and medium enterprises (SMEs), and will in turn, increase food security, trade, growth, employment, and overall competitiveness in the East Africa region.

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POF as a Value Chain Financing product

Value Chain



secured by purchase orders or contracts used to pay for raw materials, packaging, inputs, goods for resale, etc., needed to produce and ship a product or deliver a service and complete a unique customer order.

Small farmers, processors, traders, logistics firms, collection centers, warehouses, as well as small and large scale buyers, are all key critical players in the regional food value chains. However, it is extremely difficult for these actors in the value chains to obtain the financing they need to complete

Through the POF Pilot Program, COMPETE will assist selected regional commercial banks to successfully develop, introduce and market purchase order finance to SMEs. The focus will be on COMPETE's value chains which include speciality coffee; cotton, textiles and apparel; and staple foods, specifically beans, rice, wheat, sorghum, millet, bananas, and vegetables. By the end of the pilot program, the participating commercial banks will be able to offer purchase order financing to SMEs on a sustainable, replicable



COMPETE Director of SME, Rural and Agricultural Finance, Ramiro Ortega Landa

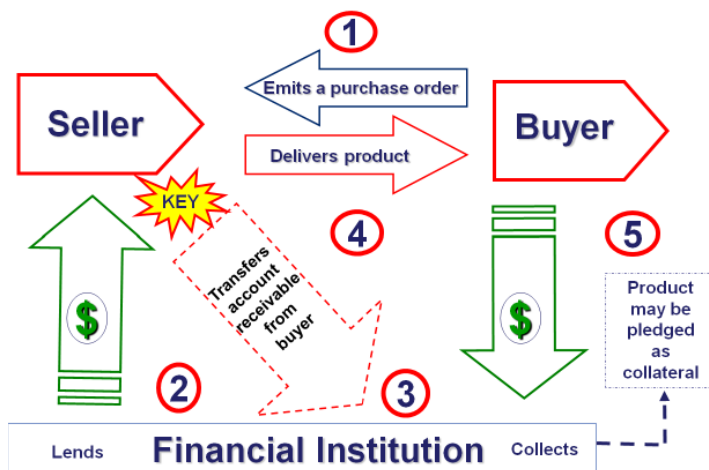
USAID COMPETE Poised to Launch Purchase Order Finance Pilot Program

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and scalable basis, fully integrated into their product line.

Throughout January and February, the USAID COMPETE finance team met with financial institutions and key private and public sector traders from across the region in an effort to find suitable POF partners. In addition to a number of private meetings, COMPETE held a luncheon on February 3rd, 2011 in Dar es Salaam for 22 private sector participants from across the agricultural and finance sector. COMPETE Director of SME, Rural and Agricultural Finance, Ramiro Ortega Landa, presented “New Trends in Commodity Trade Financing” to the group and elicited feedback. Questions were raised regarding risk mitigation and loan structuring, but overall the group agreed that more financing options, like

POF: The Basic Model



POF, are necessary if SMEs are to succeed in East Africa.

To help partners implement the POF pilot program, COMPETE will provide technical assistance and suitable marketing materials. To date, COMPETE has received seven Expressions of Interest

(EOI) from regional banks who would like to participate in the POF Pilot Program. By the end of March, COMPETE plans to negotiate and sign Memorandums of Understanding (MOUs) with partners and officially launch the POF Pilot Program.

COMPETE Grantee, Ten Senses Africa, Sets Itself Apart through Fair Trade Certification

In November, 2010, Ten Senses Africa's Taita grower association (WAMATTA) became the first macadamia farmer group in the world to become Fair Trade certified. The Fair Trade certification was made possible through a USAID COMPETE grant to Ten Senses. Fair trade is a social/marketing movement that promotes sustainability and aims to help producers in developing countries create better trading conditions, including higher social and environmental standards. WAMATTA will now receive a social premium of an additional 5 Kenya Shillings per kilogram of macadamia nuts. Fair Trade also dictates that the price per kilo of macadamia nut

cannot dip below 30 Kenya Shillings per kilogram. Allan Bussard, the Chairman of Ten Senses Ltd, commented that “We (Ten Senses) are pleased with the WAMATTA progress, and sincerely hope it will

be a forerunner, rather than the exception.” To that end, Ten Senses is currently evaluating new farmer groups to engage in the Fair Trade audit for 2011.

FLO-CERT GmbH CERTIFICATION FOR DEVELOPMENT

Bonn, Germany
02/11/2010

CERTIFICATE of Conformity

FLO-CERT GmbH hereby certifies that

Organization name	'Wakulima wa Macadamia Taita Taveta Association
FLO ID	21494
Address	P O Box 1102
Town	Wundanyi
Country	Kenya

is in compliance with the FAIRTRADE standards and FLO-CERT certification requirements listed in appendix 1.

The Relationship Information Tracking System (RITS), Connecting Rural Coffee Farmers to the World

Ernest Munuo of Messengarony, TZ searches for a signal. He's holding a light weight iBook complete with safari USB port modem. He's surrounded by several smallholder coffee farmers who are taking pictures with their iPhones and recording video. We're at a coffee washing station at the base of Mt. Meru in rural Tanzania, surrounded by dense foliage and clucking chickens. It is in this rural setting that Sustainable Harvest is piloting their Relationship Information Tracking System, RITS for short, a technology initiative to change the way Tanzanian coffee farmers do business.



Tracking coffee through user-friendly technology – the RITS iPhone application

RITS is a web based database that provides transparency and logistical clarity to all members of the coffee supply chain. It works by providing usable technology and training to farmer groups who then collect data to both enhance their coffee quality and appeal to international buyers' need for transparency.

Sustainable Harvest received a grant from the USAID Competitiveness and Trade Expansion Program (COMPETE) in January 2010 to begin piloting RITS, and the accompanying iPhone application. They chose Kilicafe, a coffee cooperative with 1,225 smallholder farmers working in four separate coffee washing stations, all in the Mt. Meru area. In the past year, these farmers have tracked over 150,000 kilos of coffee cherries. One RITS user reflects on the success of the program: "The farmers have much more faith now that they are being paid accurately because we can show them the exact number of kilos they sold in the system."

How it works: Through Sustainable Harvest, Kilicafe provides iPhones to their washing station managers. These managers use the RITS iPhone application to track the smallholder coffee farmers who contribute to each coffee lot. They include information such as when and where the lot was washed, dried, and stored. The Kilicafe quality control team then tests each coffee lot and adds the average cupping score. All this information is uploaded into the larger RITS system, a web-based database to which every Kilicafe farmer has access. Any farmer can view their own batches or the batches of their peers. This transparency allows farmers to replicate, or improve upon, the steps that produced the highest cupping scores. The end result is better-tasting coffee and complete transparency – a winning combination for establishing long-term buying relationships with coffee buyers.

This year, the Kilicafe washing

stations of Messengarony, and Amkeni sold 2 containers, 80,000 pounds of coffee, to Green Mountain Coffee, fetching the premium price of \$2.25 per pound. The two containers represent over \$180,000 in revenue for Kilicafe. "Buyers are willing to pay more when everything is transparent" – "people want to know the story" (Boss Farijallah, Africa Program Agronomist, Sustainable Harvest). Kilicafe is supporting Green Mountain Coffee's mission to develop direct relationships with coffee farmers and coffee producing communities.

In just one year, RITS has helped 1,225 Kilicafe members raise their standard of living through organization and transparency. Tanzanian coffee cooperatives now have the technological means to collect the data they need to "connect" and compete in a global specialty coffee market.

Kenyan sister companies, Premier Foods and Frigoken, take US Specialty Food Markets by Storm

By Jim Thaller, Managing Director of Talier Trading Group, Inc

“Shamba” is the Swahili word for “farm”, and “Choma” the word for “grilled”...these are two Swahili words that American consumers are getting to know quite well, thanks to the efforts of USAID/COMPETE. Following an intensive technical assistance program with USAID/COMPETE specialty

food consultants Talier Trading Group, two Kenyan sister companies, Premier Foods and Frigoken, have taken US specialty food markets by storm.

Within three months of the technical assistance program, which included packaging, product development, pricing, brand development, and value-chain assessment, the two created brands, Shamba Farms bundled vegetables

and Choma “wild grilling” BBQ sauce, had an importer, two of the largest distributors in the United States, and a rapidly expanding customer base. All of this happened before the companies even arrived in New York City for the USAID/COMPETE-sponsored Fancy Food Show.

“I like these products for a few reasons”, says Talier managing director Jim Thaller. “First, they use commodities that have limited export potential on their own (green beans, carrots, tomatoes, onions, etc). Second, because they help brand a little story from Kenya; letting people know what “choma” is and sharing a brief excerpt about Kenyan culture. Finally, they are two great companies and were an absolute pleasure to work with.”



The Shamba Farms brand has three products; all-natural, bundled green beans, carrots and yellow beans. The Choma, “wild grilling” brand has four products; Traditional, Pili Pili, Hot Sweet and Garlic BBQ sauces.

The two companies plan on continuing their assault on the US specialty food market, while also approaching additional international markets, including the UK, Japan and South Africa.



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The Link is the newsletter of the USAID Competitiveness and Trade Expansion Program and the East and Central African Trade Hub.

USAID COMPETE works to:

- Reduce barriers to trade
- Enhance the competitiveness of selected value chains including staple foods
- Promote investment and trade between the U.S. and East and Central Africa

For more information about COMPETE, visit our website, www.competeafrica.org or

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