



IGARA GROWERS TEA FACTORY LIMITED, UGANDA

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2nd Briefing for Africa

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Background ...

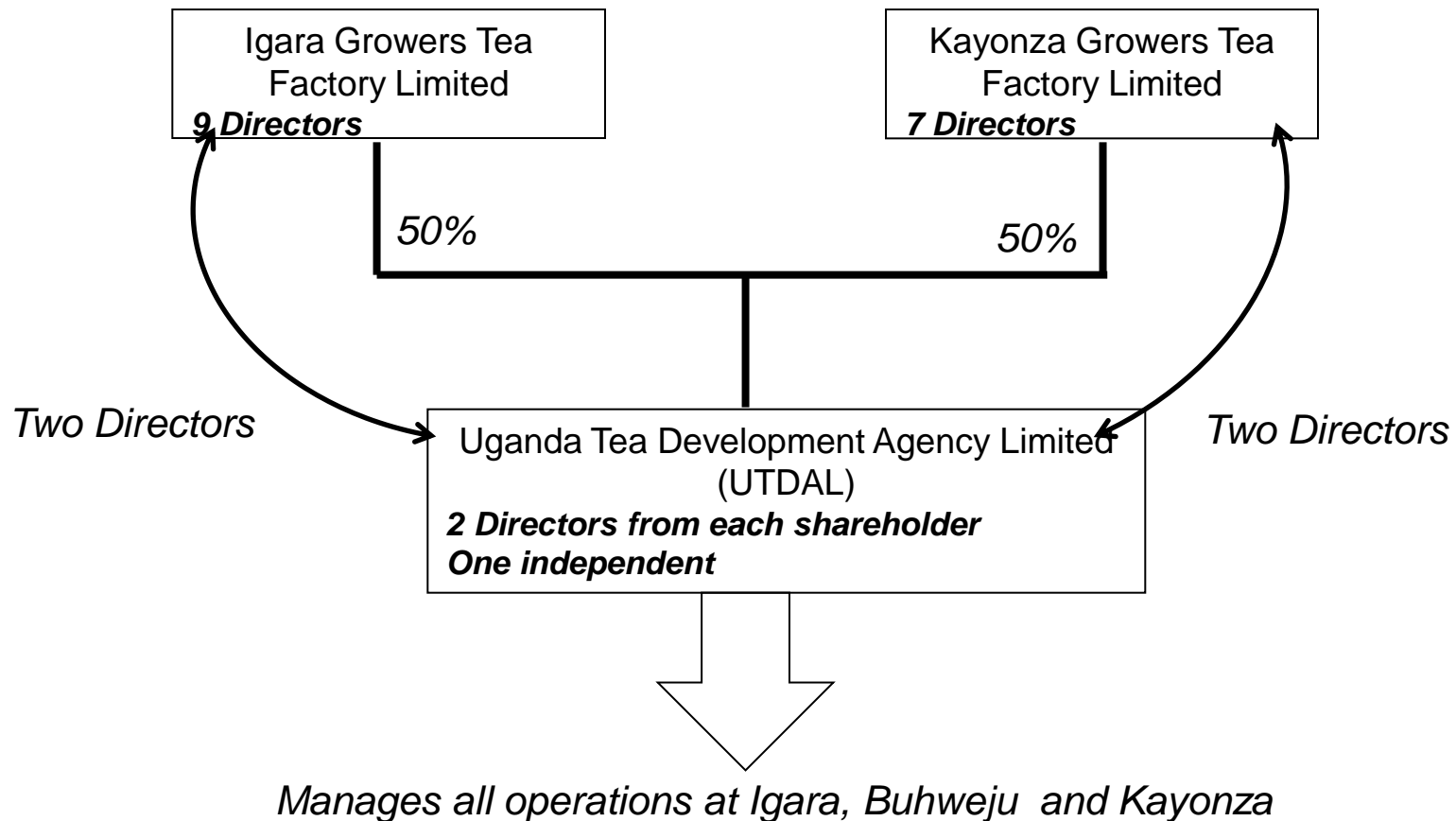
- 1970s: Tea as 4th highest foreign income earner for Uganda.
- Decline in Sector starting 1973 , and near Collapse by 1981.
- During the period of economic recovery after the Amin regime.
 - Uganda Tea Growers designed the Smallholder Tea Development Programme.
 - The Green Leaf Project
 - The Tea Factory Project (4 tea factories)
- The objectives of the programme were as follows:
- Assist smallholder farmers to take control of the factories to which they delivered their green leaf
- Create an attractive investment environment for the medium and large scale farmers
- Improve extension services
- Improve the technical efficiency and capacity of the tea factories

Background ...

- Igara Tea Growers Factory Limited was incorporated in 1995.
 - It is a public company in which ownership is restricted to bona fide tea farmers with a signed green leaf supply contract.
 - Shares are allotted during the production season on the basis of one share for every 500 kg of green leaf delivered.
 - The principal goal of the company is to buy green leaf tea, process it into black tea and sell the black tea on the local and export markets.
- As part of the programme, a management company was established to manage all the tea factories.
 - At the end of the project the other tea factories opted to carry out their own management.
 - Igara and Kayonza opted to create the Uganda Tea Development Agency Limited (UTDAL).

Background ...

- UTDAL is wholly owned by Igara and Kayonza tea growers factories on a 50:50 basis.
- Each shareholder appoints 2 Directors to the UTDAL board and the fifth Director is independent.



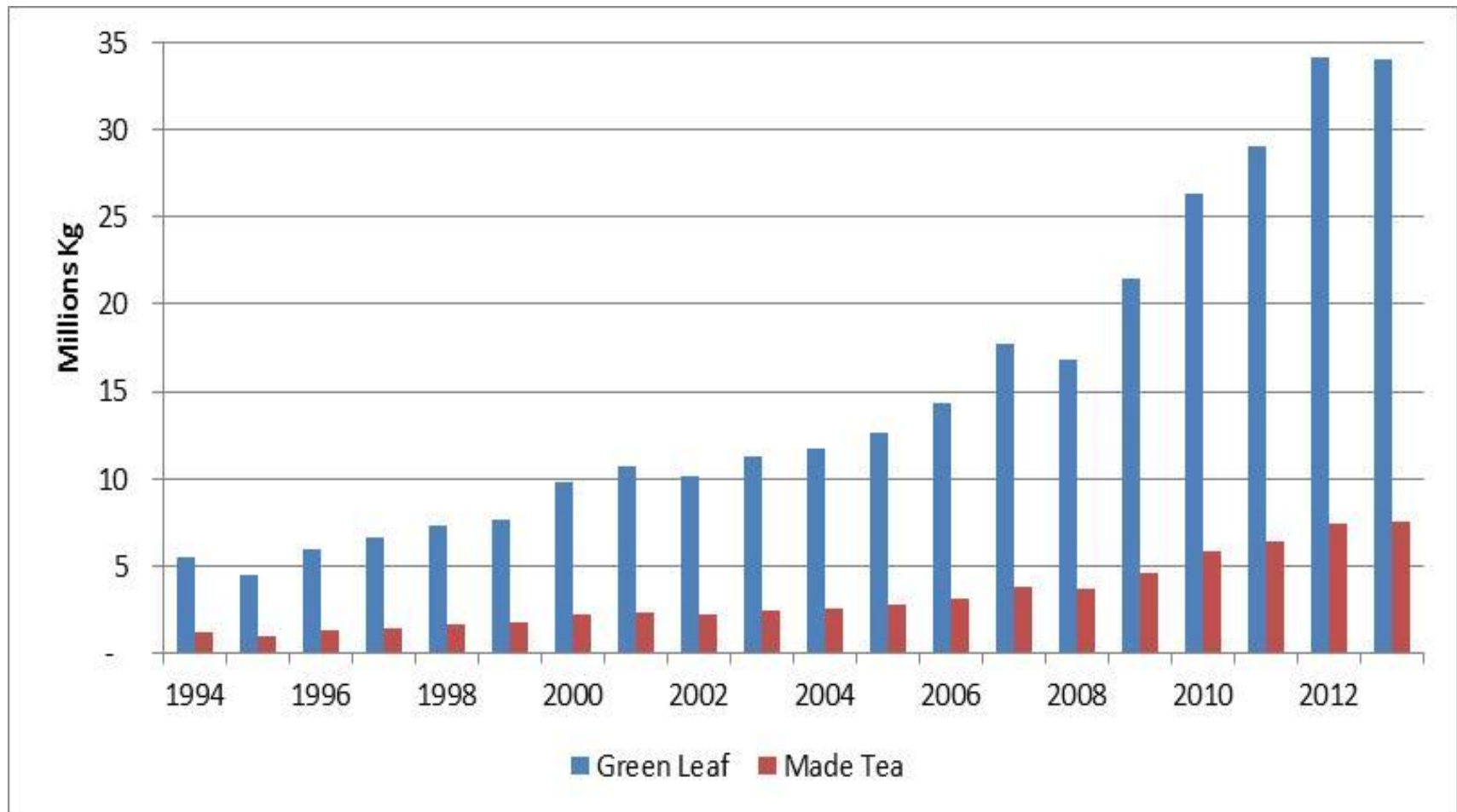
Igara's Journey to Success ...

- Igara Growers Tea Factory Limited has a board of 9 elected members.
 - The board is managed on a rotational system for continuity.
 - Board members are elected to represent specific areas within which they farm.
- Maintain relationship with the farmers through regular engagement ie quarterly meetings
- Igara lobbied and attracted Government support.
 - During 2008 Igara obtained government support for the Buhweju factory in the form of a grant to cover all the buildings valued at US\$ 2.4 million.

Igara's Journey to Success ...

- Igara provides a credit facility to the farmers for inputs such as fertilizer, herbicides, pruning knives and spray pumps.
- Igara has seen its farmer membership increase from about 4,000 farmers to 6,880 farmers between 1995 and 2013.
 - This has been attributed to the recognition given to the farmers, both new and old farmer, and in some instances some farmers are recognised posthumously.
- Igara currently has a green leaf production of about 34 million kg per annum valued at approximately US\$ 7.2 million in the local economy.
 - This is driven by the US\$ 21 cent per kg of green leaf paid to the farmers which is influenced by the prices attained for the made tea and overall management of the production and marketing costs.

Production Trend ...



Achievements of Igara Growers Tea Factory as a farmer-led business ...

- High level of accountability to the farmers
- Emphasis is on adding value to what is already in place
- Made significant improvements to the business such as improved internal control systems
- Payments to the farmers are significantly high. This includes the first, second and bonus payments, In addition to dividends.
- The turnover and profitability of the factory is increasing.
- Increased the capacity of the factory from 86,000 kg in 1995 to the current 100,000 kg per day
- Established and invested in a subsidiary tea factory, the Buhweju Growers Tea Factory, with the withering capacity of 70,000kg per day

Challenges faced by Igara Growers Tea Factory ...

- Poor road infrastructure
- Labour costs for the farmer and the factory.
- Delays in services that should be provided by government.
- Lack of regulation of the tea sector.
- Timely activities and reward of the farmers
- Expensive capital costs(high interest rates)
- Lack of research capacities within the country
- Dependency on international markets,which we don't control
- Low prices facing the tea industry.

Replication of the Business Model ...

- Gives Farmer Organisations an option to attract business and management skills not available within the farmer environment.
- The farmers have the opportunity to remain in control of their destiny.
- Having a management company allows the combining farmer organisations in different activities under one management company.
- The opportunity to share some services and thus lower fixed costs.

**Thank You
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