

ETHICAL TRADE AND SUSTAINABLE RURAL LIVELIHOODS – CASE STUDIES

Fruits of the Nile, Fairtrade Processing case study

Annabelle Malins

Mick Blowfield

DRAFT

CONTEXT

TYPE OF SCHEME

Fruits of the Nile is a Ugandan company established in 1990 and exporting dried fruit for the European health food and fair trade markets since 1993. The company works with smallholders who account for most of Uganda's agricultural output, and the majority of whom have limited access to markets. Plantains are a staple food in much of Uganda and are produced by smallholders, often for subsistence. They are grown alongside other banana varieties such as apple banana and *bogoya* which are largely for domestic consumption. Fruits of the Nile's dried fruit trade has been built around the surplus production of the non-staple varieties which do not have a particularly strong local market and at certain times of the year would otherwise be left to rot in the fields.

SECTORAL BACKGROUND

The present government is implementing a programme of modernisation which includes the encouragement of agricultural exports. This has led to a number of different government departments as well as the offices of the president and vice president becoming involved in agricultural policy. This involves a two pronged strategy that distinguishes between high and low value crops. Although some people question the long-term impact of the low value crop programme (e.g. the impact of promoting maize over traditional crops of millet and sorghum on food security), the encouragement of export production of high value horticultural products by smallholders is generally supported.

EXTERNAL FACTORS

Uganda has been a high priority for donors in recent years. Assistance to agriculture has been channelled through a variety of government departments, and there is also a significant NGO presence. The USAID-funded Investment in Developing Export Agriculture (IDEA) project is the only donor project dealing in horticultural exports, although there is an EU-funded project for smallholder tea growers, and CDC is investing in developing tea plantations. There is a Dutch fair trade programme trading organic cotton and pulses. The World Bank provides funding to the Ministry of Agriculture for research and extension. At the community level, the most evident projects are those of NGOs in health and community development.

Businesses in Uganda are subject to 30% tax on net profits, and there are differing tax levels for different types of imported goods. There are no special taxes on exports, although unofficial payments to officials are common (e.g. for phytosanitary certificates).

LOCAL FACTORS

There are a few good metalled roads which link the major urban markets, but within rural areas transport can be difficult. Many earth roads are difficult to access during the rains, and there are many farming areas that are only accessible by foot or bike. In such areas, low volume-high value produce is a more practical marketing option than bulkier, lower value produce.

Many high value horticultural exports are shipped by air, and Uganda has some of the lowest air freight rates in Africa. This is partly because of the large volume of imports, but also the export of wet fish. The fish market is now under threat because of poor hygiene standards, and already some airlines have cancelled flights. Fruits of the Nile, which is not supplying the fresh food market, ships to Europe through Mombasa, Kenya, which involves road and inland water transport.

Credit is not surprisingly referred to as a constraint by farmers. Larger smallholders, particularly in the south, may have access to bank credit, but informal credit, often using social networks of relatives and friends, are more common. Traders are also an important source of credit, particularly before planting and prior to harvest.

POLITICAL CONTEXT

Fruits of the Nile source from smallholders in nine districts. Until recently Uganda as a whole has been in political turmoil, and even now insurgents are operating in some of the areas where the company is sourcing from. In some districts such as Rakai the AIDS epidemic has been particularly devastating leading to large households because of orphans and many female-headed households.

ENVIRONMENTAL CONTEXT

There are four types of land tenure: individual tenure, rented/leasehold, customary land and *mailo* land. The relative importance of the different types of access varies according to the region, but at least 60% of land is under customary tenure. Land is an important issue, particularly in the Kibale district where the government is trying to free up the buying and selling of *mailo* land given to tribal leaders by the colonial government in 1900. Women do not normally inherit land, although there is no legal barrier to them owning land and widows may manage land in custody for their children.

The average farm size is 3-4 acres although there is considerable regional variation. Theoretically there is not a shortage of land despite Uganda's rapid population growth and the predominantly rural population. However, in some areas there is serious land degradation which is reflected in production figures. Northerly districts such as

Lira, Apac and Soroti have been neglected in terms of agricultural development compared to those in the south and west, but nonetheless export crops such as cotton and coffee are still grown by smallholders. In parts of the south land disputes plus growing demand mean that many people cannot obtain farm land. There are also signs of changes in land use: for instance, in Mbarara district there is urban growth and some grazing areas are being converted to farm land.

Rainfall is the key determinant of seasonality and there is considerable regional variation. This encourages buyers to source from different regions to reduce seasonal fluctuations in supply, although the main periods for drying fruit are May-September and November-February.

SOCIAL DIFFERENTIATION

Despite urban growth and the development of some commercial farming, smallholder cultivation is the main economic activity. There are several key social variables in the rural communities. Custom and social norms mean that opportunities for men and women are very different although women have achieved greater legal equality in recent years. Women have limited access to land except through their husbands, but many men, particularly those who have left their home areas, also have difficulty obtaining long-term land use rights. For such people, renting land may be an option but the short-term nature of agreements means that they cannot cultivate perennial crops such as banana and coffee. Men without land often look for permanent employment on others' farms, but the waged labour force also comprises people (men and women) from families with insufficient land to meet their subsistence needs.

Family labour is typically preferred to waged labour, but the availability of family labour depends on age, gender, educational opportunities, marital status, and other employment opportunities. Education of children is an indicator of wealth as until recently even primary education opportunities were limited and relatively expensive. Children of wealthier farmers will often seek off-farm employment, and the farmers themselves may have urban-based income generating activities which in turn affect their farm management strategies and investment. Poorer farmers or those without contact with urban areas may also be shop-owners or local traders. It is possible that higher degree of dependence on incomes from farming activities is an indicator of poverty, but this needs to be viewed with caution as diversification of livelihoods is common in all rural social categories and owning a small shop, for instance, may be a sign of relative wealth or a sign of having insufficient land or access to marketing opportunities for farm produce.

LIVELIHOOD COMPONENTS

NATURAL CAPITAL

Fruits of the Nile sources from nine districts, but we were only able to visit two areas, Mbarara and Mukono.

Mbarara: Banana intercropped with annual food crops is the predominant farming regime in the fertile valleys of this hilly region. Smallholders account for most of the land and agricultural production. Until relatively recently, limited access to markets and dependence on family labour has meant land distribution is relatively even. The exception to this is cattle rearing which is dominated by wealthier farmers who have significant areas of pasture on the upper slopes.

Fruit dryers do not need access to land provided they are able to buy bananas from smallholders. To set up a drier requires only a small area of land in the family compound, and the dryers are designed to maximise the use of locally available materials. Water is also necessary for washing prior to drying.

Mukono : The relatively flat land in easy reach of Kampala is subject to competing demands from agriculture, housing and urban development. Smallholder agriculture still predominates, with holdings often fragmented because of the land tenure system. A typical smallholder farm consists of several fields in different locations, at least one of which will be fallow at any one time. Most of the remaining area will normally be intercropped with a mixture of subsistence and cash crops, although some land may be allocated purely for subsistence. Coffee intercropped with banana and in the initial stages with beans or other staple crops was typical, but more recently there has been a growth in the intercropping of pineapple and banana, and an apparent decline in replanting coffee. Fruit trees for subsistence are common, and some farmers have started to cultivate new species such as passion fruit and vanilla on a commercial scale, the former primarily for the domestic market where it is particularly enjoyed by AIDS sufferers.

On the smallest holdings there may be insufficient land to use this rotation system which heightens the risk of land degradation. Some farmers have relatively large holdings (40 acres or more) often stemming from royal grants. Such land is currently under attack by the government which blames it for inefficiencies in agricultural production and also depriving land poor farmers of adequate resources.

ECONOMIC CAPITAL

Farming is the main economic activity, and the vast majority of farming is undertaken by smallholders using family and or hired labour. Where producing regions are near large urban centres, there

are a wide range of investment opportunities but in all except the largest towns agriculture remains the major form of investment.

Fruits of the Nile producers have varied economic backgrounds. There are, for instance, relatively wealthy farmers that view solar drying as a way of adding value to part of their own harvest; there are young men and women who were engaged in off-farm activities such as small-scale coffee trading and tailoring and sometimes had no land of their own; there are older women who were part of the family labour force or had small local enterprises. Fruits of the Nile accepts that the need for some start-up capital and entering into credit arrangements to buy the dryers means that solar drying is not suited to the poorest of the poor. However, the size of investment and the availability of credit from the company means that solar drying is accessible to many poorer people, including those considered marginalised such as poor women, widows, young people and refugees.

HUMAN CAPITAL

Education and health care are major factors in encouraging farmers to enter the cash economy. The government has a programme of universal primary education with subsidised school fees. Formal education opportunities are increasing but there is still a shortage of schools and opportunities decrease the further one is from Kampala. Primary school fees are approximately US\$ 5 per term; secondary school fees over US\$ 100 per term.

Medical facilities in rural areas are often limited to health clinics run on some form of cost recovery basis. One women's group originally contacted Fruits of the Nile in order to establish an income generating activity to support its local clinic.

Fruits of the Nile producers have very different levels of education, from university level to no formal education whatsoever. No formal education is required to operate the solar drier or prepare the fruit, but there is a need for record-keeping of produce sold and income received.

NGOs and government offer a variety of non-formal education activities. Response to the AIDS epidemic has given health a high profile, although the epidemic and the years of unrest have also affected the smallholder system by increasing the number of household members. This in turn has increased the need for non-traditional employment opportunities as farms are no longer able to meet subsistence. Under-employment is a common problem, and in some areas, particularly in the northern parts of the country there are fears about food security.

SOCIAL CAPITAL

The majority of Fruits of the Nile's producers are members of producer groups. Some of these already existed (e.g. as the result of NGO

activities) and approached Fruits of the Nile in order to extend their income generating opportunities. Other groups were formed as a result of Fruits of the Nile's activities.

The groups tend to have separate male or female membership, and comprise people of a similar age, religion or marital status. Although the extended family is important to Ugandan society, the groups comprise both relatives and friends, the important element being that they live in the same area and are directly involved in buying and processing.

Fruits of the Nile initially worked with several co-operatives that were already in existence.

INSTITUTIONS AND ORGANISATIONS

Fruits of the Nile was established in 1990 and started regular trading in 1993. It is a Ugandan registered company with two Ugandan and two British directors. The company exports sun-dried fruit for the health food and fair trade markets, sourcing from about 100 groups and individuals. From 50 kg at the outset, the company now exports 36-40 tonnes annually with a net export value of about US\$ 130,000. The company believes that overall demand is 20% higher than current production, although for some product lines (e.g. mushrooms) the market may already be saturated unless the producer price can be reduced.

The company had start-up capital of about £30,000 over three years provided by one of the directors. Although the company makes a paper profit, none of the directors has yet received any dividend, although the two Ugandan directors receive salaries as part of the full-time staff. The operation is run by five full-time staff that cover management and administration, training of producers, construction and repair of dryers, sorting, packing and export. They source from producers throughout the country who bring the dried product to Fruits of the Nile's Kampala office for selection and packing, before Fruits of the Nile exports by road and sea via Mombasa to the UK.

Fruits of the Nile sells exclusively to the UK company Tropical Wholefoods which played an important part in setting up the company and which still sources up to 80% of its total product from Fruits of the Nile. There are close family ties between the two companies. Tropical Wholefoods has been extensively involved in promotion, gaining its operation a high public profile relative to its turnover (approximately £200,000 per annum).

A number of the groups that Fruits of the Nile sources from have links with development projects. For instance, a women's group in Kirumba (Mbarara district) were helped by ACORD to establish a health clinic, and the connection with Fruits of the Nile resulted from the need to obtain funds to run the clinic. However, linkages with development projects are not always positive. For instance, two co-

operatives funded by the European Development Fund did not prove reliable producers. In Kibale another women's group's success in selling mushrooms to Fruits of the Nile led to a funding agency providing US\$ 90,000 to expand production. Only after production had increased, did the organisation concerned meet Fruits of the Nile by which time the company had found itself with more mushrooms than the market could absorb.

STRATEGIES

The production and marketing chain for Fruits of the Nile's product is given in Figure (to be completed ?????).

PRODUCTION

Fruits of the Nile's entry into dried fruit exporting was the result of seeking a means to increase rural livelihoods. The founders, including a UK agricultural economist, looked at a number of options with different products that could diversify income generating opportunities, add value at the community level, use simple and affordable technology, be transportable using existing infrastructure, reduce perishability, and would not have a negative effect on other African economies. Fruit drying was finally chosen because of the potential of the solar drying technology.

The founders then assessed the most appropriate organisational arrangement, and decided that a small company sourcing directly from independent producers was more viable than contract farming, partnership with an established company, co-operatives or establishing a commercial farm. Its main products are dried pineapple and two varieties of dried banana, but it also exports dried papaya, mango, mushroom and some chilli.

Fruits of the Nile buys directly from individuals and groups who own and operate solar dryers. Each potential producer is assessed on criteria including:

- The availability of sufficient suitable fresh fruit in the area at a price to allow the purchase and profitable operation of the drier;
- The profitability of solar drying compared to other available income generating opportunities;
- Their ability and willingness to invest in the dryers and other production costs (e.g. knives, slicing and storage space, capital for buying fresh produce); and
- Their willingness to supply all produce to Fruits of the Nile.

Once a producer (individual or group) has been approved, Fruits of the Nile works with them to build a drier. The producer must provide all or part of the materials (depending on an assessment of capacity)

except for UVI plastic sheeting which is provided on credit by the company and repaid in instalments. The solar technology is provided by Fruits of the Nile which has developed different models of drier using all locally available materials except for the plastic sheeting which the company imports.

Fruits of the Nile trains the producer in using the technology and preparing the fruit for drying. The producer is then responsible for finding fresh produce. This may be from the producer's own farms or from other farmers, in which case the producer needs capital to purchase the raw material. Typically, Fruits of the Nile helps a group or individual establish a single drier and if it is managed successfully, then the company will provide further credit for expansion. In many instances, the company begins by helping establish group-managed dryers and then individual members will use the profits from the group activity to establish their own dryers. In a few cases, dryers have been paid for by funding agencies.

There is no written contract between producer and Fruits of the Nile, and the company emphasises the need for trust and long-term partnerships. The company uses the following principles to govern its relations with producers:

- To buy produce at a fair and consistent price;
- A commitment to buy all product of a sufficient quality from its producers;
- Maximising the marketing opportunities of existing producers before establishing new producers; and
- Assisting with technical and managerial capacity building.

In return, the producer must only sell to Fruits of the Nile, must bring the produce to Kampala, and agree to contact the company on a regular basis. Fruits of the Nile does not place any requirements on its producers regarding the price paid to farmers or any labourers.

Fruits of the Nile estimates that producers receive 55% of the UK wholesale price, which means that Fruits of the Nile are operating at a relatively low margin given their volume of sales. There is no basis to estimate whether the price paid to producers is 'fair' as Fruits of the Nile has a unique marketing niche in Uganda, and unlike some fair trade schemes, there is not a social premium paid to producer groups. The fairness for the producer stems from the added value solar drying allows at the producer level. For instance, dried apple bananas have nine times the net unit value of the fresh product.

Environmental performance is not measured either at the farm or processing level. The solar drying technology does not require non-renewable resources other than the plastic sheeting, but the primary reason for selecting the technology was that it was affordable and made use of locally available resources. Fruits of the Nile has explored organic certification but this would involve certifying all farms that

dryers source from, and although most smallholder fruit production in Uganda does not rely on chemicals, the requirements of formal certification are considered too strict and impracticable for Fruits of the Nile's operation.

MARKETING

Fruits of the Nile sells exclusively to Tropical Wholefoods which is responsible for marketing and market development. After initially selling directly to consumers at street markets and festivals, Tropical Wholefoods began to sell wholesale to health food shops. Unable to generate enough volume to sell to major retailers, it then also approached fair trade organisations.

It took two years from 1995 to obtain recognition as a fair trade supplier to Oxfam Trading. The process included two independent two-week assessments of Fruits of the Nile producers. Since then Traidcraft has paid one visit and the Irish Association of Fair Trade Shops conducted a one month assessment in 1997. The assessments, which were funded by the organisations concerned, appear to have covered the types of producer Fruits of the Nile sources from and the relations between the producers and the company, although it is unclear whether the different fair trade organisations use common criteria or whether they exchange information to reduce the cost of assessment. Fruits of the Nile did not receive any formal certification following the assessment and there are no product traceability mechanisms of the kind employed in organic certification.

The fair trade buyers emphasise the need to pay producers a fair price, and to achieve this have at times artificially maintained price levels by imposing quotas on Fruits of the Nile's products. Fruits of the Nile questions this approach, arguing that producers would earn more if they accepted lower prices for a greater volume of sales.

Despite the attention Fruits of the Nile and Tropical Wholefoods have attracted, marketing and product promotion remain problematic. NGO and donor support is largely targeted at production which means that the costs of marketing and promotion have to be borne by Fruits of the Nile and Tropical Wholefoods. Even the export-supporting IDEA project is only able to support this type of activity indirectly through producer groups. Inadequate investment in this area seems partly to blame for Tropical Wholefoods losing some of its account with the Holland and Barrett health food chain. In terms of business viability, attracting and retaining large accounts is essential for a small company as each account has its own overhead, and dealing with numerous buyers is expensive given the low margin at which Tropical Wholefoods operates.

OUTCOMES

LIVELIHOOD CREATION

Solar drying has created a new means of livelihood for producers, 70% of whom are women who would otherwise normally have been a non-cash earning part of the family labour pool. In some instances drying has replaced previous activities that were less profitable, but in the majority of cases the production and sale of dried produce has become an additional income generating activity. This has been possible because the drying operation takes place locally, and has absorbed under-utilised labour. Only transporting the produce to Kampala requires producers to leave their villages, and this task is normally delegated to particular group members so that others' activities are not disrupted.

The operations are seasonal depending on rains and cloud cover, with the main drying seasons being May to September and November to February. In Mbarara, where over 30% of Fruits of the Nile's bananas are sourced, the drying season coincides with periods of low demand for on-farm labour so that other income generating activities such as drying are particularly attractive.

Producers with one or two dryers typically use family labour, but those who have several dryers have started to employ waged labour. The remaining group-owned dryers are now normally operated by waged labour.

Outside of the producers and their employees, the drying operation has had little impact on livelihood creation as fruit is sourced from local farms and demand is not sufficient to require additional on-farm investment. Construction of dryers has created some work for local carpenters.

POVERTY REDUCTION

By providing a market for dried produce, Fruits of the Nile has increased rural cash incomes. This is most evident amongst the producers. For instance, a group member processing apple bananas can earn US\$ 250 per year net. For someone who has repaid the cost of the drier and has not invested in additional dryers, this would mean a profit of US\$ 225 assuming that no hired labour is used and that all fruit is bought.

Other product lines offer higher returns. The gross profit on pineapple and papaya is as high as US\$ 2.70 per kilogramme. Actual profits per individual can be higher than this because some producers source all or part of their raw material from their own farms. Under-employment amongst household members as a whole and the lack of alternative income generating opportunities means that the opportunity cost of processing is not significant.

Producers with several dryers or groups with commonly owned dryers typically use hired labour paid at the local rate. Raw materials are bought at the local market price, but by providing an additional outlet for produce of which particularly at peak times there might be a surplus, the producers are helping to increase farmers' incomes without affecting the availability of staple foods.

It needs to be emphasised that Fruits of the Nile's present operation is relatively small with approximately 600 households as beneficiaries including producers and growers. The company sees that there is potential for expansion, but at present Fruits of the Nile is the only regular buyer of solar dried fruit in Uganda and overseas buyers are said to doubt Uganda's potential as a major supplier because of the climatic conditions. Nonetheless, if Fruits of the Nile can continue to develop its niche markets and reach genuine profitability, then its potential for increasing the incomes of its producers remains.

CAPABILITIES

Human capital

Many Fruits of the Nile producers have invested in education and health care with many of their children attending school for the first time. In at least one case, profits from drying have been invested in maintaining and expanding local health care facilities, and in another instance profits have helped establish a school.

The existence of the drying scheme has also attracted investment by funding agencies, although this has not been without its problems (see above). Fruits of the Nile has provided training in construction, maintenance and use of the dryers as well as assistance in record-keeping and administration which has allowed illiterate people to become producers.

In some instances, larger producers have installed solar panels to operate fans in the dryers which also generate enough power for domestic electricity.

For certain marginalised groups such as women and young people, whose opportunities have hitherto depended on husbands or parents, participation in drying has increased their independence and status. For instance, women group members have been able to pay for their children's school fees, allowing children, particularly girls, to attend school for the first time; young, unmarried men and women have been able to rent or buy land; and in at least one instance a widow has been able to keep control of her land despite not having family labour to work it.

Social capital

Early experiences of working with co-operatives proved unsuccessful because of poor management of communal dryers or mismanagement of funds, and the company now only sources from one co-operative. However, most of Fruits of the Nile's product is sourced from producer groups of ten or less people. These are informal groups which have started with one or two group-owned dryers, and then shared the profits from these to invest in individually owned dryers. The groups have helped reduce the start-up costs of any given member, and despite the inevitable problems of any new venture less than two per cent of producers have dropped out. On the limited sample interviewed, individual producers without any links to groups tend to be wealthier farmers.

There is some reluctance amongst established groups to allow new members to join, and a tendency to impose requirements that would exclude poorer people (e.g. by requiring that they buy a drier before they join). Fruits of the Nile's policy of prioritising existing producers means that expansion takes place slowly, although given the negative experience of rapid expansion of mushroom production this caution is understandable.

VULNERABILITY AND RESILIENCE

The seasonal nature of processing means that incomes and availability of cash vary. At the start of the new drying season, producers need capital to buy raw materials and repair the plastic sheeting on the dryers. Fruits of the Nile provides some credit but part of its own working capital is tied up in loans and any unexported produce. The need to pay school fees each term also makes demands on producers' cash resources that do not always coincide with income from processing.

The producer price is relatively stable throughout the year because Fruits of the Nile does not pass on fluctuations resulting either from the changes in the exchange rate or the UK wholesale price. This appears acceptable to producers because even when the price of raw materials reaches a seasonal high, the dried produce remains profitable and the price producers are able to pay to farmers is normally competitive. However, it cannot be proven whether producers prefer long-term stable prices over short-term profit taking as there are no alternatives to selling through Fruits of the Nile. It remains to be seen what would happen if the producer price fell or the cost of raw materials rose.

Because of its small scale and because of its focus on non-staple crops, Fruits of the Nile does not pose a threat to food security. By offering new income generating opportunities based on existing resources, the company reduces smallholder vulnerability both to

fluctuating market prices for locally marketed produce and to any shortfall in subsistence crops.

The income from Fruits of the Nile is often being invested in human capital development that in the longer terms will allow diversification and possibly less dependence on agriculture. Some producers are using the income to invest in other activities such as trading or cultivation of new crops varieties.

Such diversification is probably wise given that investment in solar drying alone would raise dependence on Fruits of the Nile as the only major buyer and on product lines for which the long term prospects are unknown.

NATURAL RESOURCE BASE

Fruits of the Nile's operations have a relatively benign impact on the resource base because to date they have been built upon established farming systems and crops. It is possible that future production may be affected if soil degradation becomes a serious environmental problem, but production for Fruits of the Nile at its present scale is not a significant contributing factor to this problem.

By using solar power, Fruits of the Nile has harnessed a renewable energy source for members of the rural community. Adding value near the farms to produce a lower volume, higher value product also means that energy for transport is being used more efficiently, although the normal concerns about the real cost of exported foodstuffs will apply.

CONCLUSIONS

Fruits of the Nile is an example of a relatively small commercial operation that has succeeded in increasing the capital and capabilities of people typical of Uganda's rural population, including marginalised groups. It has managed to do this by using a commercial operation as the catalyst for a range of mostly group-centred development activities (extension, technology transfer, credit, capacity building) some of which it has initiated itself and some of which have been facilitated by other organisations.

The most evident benefits for producers are increased incomes and income generating opportunities. However, participation has also had a clear positive impact on human and social capital. The impact on the natural resource base is less clear because the activities of any producer or producer group are small and are build on the capacity of existing farming systems.

There are legitimate questions about the viability of the company which are outside the terms of reference of this study. However, it has managed to operate and expand for five years without significant donor funding or commercial loans. This has not always been

through choice as it has found that funding is not available for areas important to establishing its business (e.g. marketing and promotion). At times it has also found that its role as buyer has not been taken into consideration by funding agencies which have sought to expand producer capacity without consulting the company.

Fruits of the Nile's operation is run with a clear ethical vision, but it is a reluctant member of any particular ethical camp. Although it supplies to the fair trade market, it does not use a written fair trade standard and its main reason for seeking fair trade recognition was because it could not access larger volume markets. This does not imply that Fruits of the Nile fails to meet fair trade standards as it has been assessed by several fair trade organisations. However, the company questions certain fair trade principles such as the emphasis on unit price paid to producer rather than trying to expand total production. It also does not use certain elements found in other fair trade initiatives such as written contracts, although it does provide the commitment to producers and guaranteed prices which are normally the subject of these contracts.

The company has largely rejected working with co-operatives which are favoured by other fair trade organisations in Uganda. It has found smaller informal groups more effective as a starting point, but will also work with individuals. Small groups have also allowed better targeting of different sections of the rural society as the membership tends to share certain characteristics (e.g. age, religion, gender). Although wealthier members have certain advantages (e.g. they can source more raw materials from their own land; have better access to labour), solar drying only excludes the very poorest who have neither the time nor the initial financial capital to participate.

Fruits of the Nile does not pay the social premium found in some other fair trade schemes. It has also not looked for organic certification which would allow it access to the higher value organic market because it feels the requirements are too strict and inappropriate for Ugandan smallholders.

The favourable price paid to producers therefore derives from a combination of dealing directly with producers and supplying a relatively high value niche market for which there are currently no competing buyers in Uganda. The importance of this combination should not be overlooked. There is evidence in Uganda that fair trade initiatives which concentrate on achieving better producer prices by reducing the market chain but do not have a specialised market are unable to compete in the longer term. Indeed, by offering higher prices for a short period and then withdrawing from the market when these become unsustainable, they might actually reduce farmer incomes.