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Bee Natural Uganda: Unlocking the Potential of Smallholder Farmers in the West Nile

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Abstract

Bee Natural Uganda, Ltd. (BNU) is the largest producer of quality honey and honey products in Uganda, selling 61 tonnes of honey in 2012 with an average growth in sales of 20% per year. BNU's unique business model follows their honey from the hives of smallholder farmers trained by BNU to a state of the art processing facility in Arua, West Nile, Uganda. The company attributes its success to this model, which allows employees to continue checking the quality of their product at every step leading to the sale of BNU's products. In a highly competitive honey market, this consistency in quality has set BNU high above their competition. As Bee Natural Uganda looks to the future, management must develop a strategy to overcome the challenges associated with continued growth and unmet demand in Uganda and the East Africa region.

Keywords: woman-owned business, Uganda, apiculture, honey, SME

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Company Background

Based in Kampala Uganda, Bee Natural Uganda, Ltd. was formed in 2007 by Maria Odido. Maria is a dynamic, driven entrepreneur whose previous ventures included exporting pineapples, sesame seeds and other food products from Uganda. BNU was founded following the bankruptcy of its predecessor Bee Natural Products in 2006. Bee Natural Products had the same goals as Bee Natural Uganda, but had a higher demand for the products than it could supply. Customers were unhappy with the inconsistent supply of honey and stopped buying from Bee Natural Products. When Bee Natural Uganda was formed management decided to grow at a much slower pace to avoid this problem. In 2013, Bee Natural Uganda employed 12 full time employees between the headquarters in Kampala and the honey processing plant in Arua. Additionally, BNU hires 10 mostly female seasonal workers annually, to assist in the processing of honey during the peak production months of February – May.

The idea for a honey business was conceived in 1997 when Maria learned that China, one of the world's largest exporters of honey, had been barred from the European market. Maria, who knew of the high quality honey produced traditionally in the northwest region of West Nile in Uganda, thought that Ugandan honey could help fill the gap left by China in the global honey market. When Maria first visited the city of Arua and the West Nile region in 2007 she was struck by the extreme poverty that she witnessed. The Lord's Resistance Army (rebel activity), was still sporadic in the region, but Maria was steadfast in her resolve to base the heart of her honey production enterprise in the West Nile. Maria saw a unique opportunity to enhance the economic status of a severely depressed region by unlocking the West Nile's potential to produce quality honey.

To make her plan a reality, Maria used her personal funds to finance the endeavor. She travelled to Denmark to purchase state of the art honey-processing equipment, and began construction of the processing plant in Arua. The plant became operational as part of Bee Natural Products in 2002. At the same time the company began to visit smallholder farmers in the West Nile region to interest them in learning more about apiculture. Through partnerships with SNV Netherlands Development Organization, the Government of Uganda, Kilimo Trust and Centenary Bank, Bee Natural Uganda was able to set up a program to train smallholder farmers in modern apiculture techniques. The program also provided financing and access to markets. The financing allows farmers to purchase modern beehives and the connection to a market gives them a legitimate location to sell their honey.

Since 2002, the number of farmers who were registered via MoU with Bee Natural Uganda has increased to 720 smallholder farmers. BNU purchased honey through agents who sought out other farmers who produced honey in addition to their other crops. Three agents, who were trained by BNU, provided the majority of this additional honey to BNU.



Bee Natural Uganda produces high-grade honey in a variety of containers and sizes that are distributed to mid-to high-end supermarkets, as well as small glass containers that are available at high-end hotels. Beeswax is sold for industrial use as well as bee baiting for new beehives.

Current Management Structure

The Kampala office of Bee Natural Uganda is the headquarters for the senior management of the company. Maria, the CEO, oversees decisions for both the Kampala and Arua offices and manages relationships with partner organizations. The Business Manager, who has been with the company since its inception, manages the day-to-day work in the Kampala office and partners with the Operations Manager at the Arua office. The Kampala office also houses BNU's sales and marketing staff. Quarterly meetings of the Bee Natural Uganda board of directors are held in Kampala.

The Arua office and processing plant is managed by the Operations Manager, a recent college graduate intent on transforming the efficiency of the processing plant. He works closely with the Field Manager who manages the relationships with the local smallholder farmers and agents. Additionally, he manages the upkeep of the processing plant and the proper storage of finished honey products.

The Business Manager and Operations Manager coordinate the supply of honey processing in the West Nile and delivery to Kampala for distribution to retailers. Regular and consistent communication between the Kampala and Arua offices is critical to maintaining the smooth transition between the amount of product requested by retailers—from the processing plant in Arua to the distribution center in Kampala.

Key Success Factors

Bee Natural Uganda is the only honey producer in Uganda to carry the seal of the Uganda Bureau of Standards. This allows BNU to be the sole honey producer in Uganda that can legally export honey products. BNU's focus on consistent and high-quality standards is essential to achieving this recognition. Of the honey brought to the BNU processing plant by BNU-trained farmers, 10% of the raw honey is rejected. The honey brought by agents from non-BNU trained farmers is rejected at an even higher rate—as much as 45%. Once the honey is processed, only the honey that meets the highest grade is sold under the Bee Natural Uganda label. Due to the growing demand for honey in Uganda, BNU was only a domestic producer in 2013. BNU expects to fully meet the domestic market demand in the next five years. BNU can also use its export privilege to begin supplying to other countries in East Africa. A long-term goal is to export to the African continent in general, and the rest of the world.

Through BNU's ongoing partnerships, which provide training and financial assistance to its farmers, BNU ensures that the farmers are trained in high quality honey production practices. BNU's guarantee to purchase honey with cash, on site, has given BNU an advantage over other purchasers who often do not pay at the time of pick-up and offer lower prices. BNU set their purchasing price at fair market value, about 4,000 UGX/KG for raw honey in 2013. As the benefits of working with BNU became well known, more farmers joined their network. Moreover, those farmers already involved continued purchasing high quality modern hives to increase their productivity.

The processing plant in Arua has the capacity to adjust to increases in honey availability, with its top production capacity at 600 tones of honey per year, the largest capacity of any honey processor in East Africa.

Bee Natural Uganda's consistent quality helps influence its strong brand recognition. BNU's products are found in most major retailers in Kampala, and throughout Uganda, and Bee Natural Uganda is commonly the recommended and requested brand at all outlets. Through strong brand recognition, Bee Natural Uganda is able to successfully introduce specialty honey products such as cream honey in addition to their standard honey. BNU does not formally advertise their products. Until they are able to meet the growing demand for honey, they plan to rely on word of mouth and customer satisfaction to drive sales of BNU's products.

Strategic Issues for Bee Natural Uganda, Ltd.

In order to produce a sufficient supply of honey for export to East Africa and globally while meeting Uganda's domestic demand, Bee Natural Uganda needs to produce at least 250 tonnes of honey annually. The largest amount of honey produced by BNU was in 2011, and they were only able to produce 78.5 tonnes. Although BNU has already met the Uganda Bureau of Standards needed to export their honey globally, BNU still faces competition in the domestic market from Ugandan, East African and global honey producers.

To increase honey production, Bee Natural Uganda faces a number of obstacles from farmers, competition and the environment. The primary goal of BNU is to increase the amount of honey purchased from BNU-trained farmers, since trained farmers produce higher quality honey with lower BNU rejected percentages than untrained farmers. In 2012, only 20% of all honey purchased was from BNU-trained farmers. The majority of the honey came to the BNU processing plant via agents who brought low quality honey from local farmers in Uganda. Often, they brought even lesser quality honey from across the border in South Sudan and Democratic Republic of Congo.



Many farmers who were approached about purchasing beehives for their farms declined because of the slow initial rate of return from honey production. Farmers are accustomed to purchasing seeds that yield profitable produce within one season. Beehives on the other hand take up to two years to become colonized by honeybees. This means that the first harvest of honey usually occurs in the third year after purchase of the hive. Paying off debt from the purchase of the hive may take a number of years depending on the model of beehive purchased. This leaves farmers in debt much longer than they would be from their other agricultural endeavors.

The inconsistent rainfall experienced in the region due to climate change also affects the amount of honey that can be produced annually, making farmers increasingly cautious about investing in beehives. Despite the larger return from honey production over a longer period of time, many farmers do not want to take the risk.

BNU's inability to pick up all of the honey produced by farmers also decreases the amount of honey that is purchased by the company. Poor infrastructure in the region makes many roads nearly impassable and most farmers are rarely visited. The Arua Operations Manager is considering purchasing a four-wheel drive vehicle to more easily reach farmers. If farmers store honey and BNU is not able to pick it up within a reasonable

amount of time, the farmers will often sell their honey to other buyers. When side-selling occurs, BNU feels the farmers are being disloyal to the investment the company has made in the farmers' training. As a result, relations with these farmers become strained in future transactions.

Looking Ahead

Bee Natural Uganda is faced with the decision of either focusing on exporting their honey or continuing to grow within their domestic market. If BNU is able to expand their honey production to meet the 250 tonne export minimum, the company could begin to export to the East African community within a few years. Alternatively, BNU is weighing the company's options to continue increasing honey production for the domestic market, while also utilizing their brand recognition to introduce new products such as candies, jams, and beeswax-based cosmetics.