SHEA VALUE CHAIN ANALYSIS

Promoting Rural Development in Northern Uganda
PRUDEV

Implemented by:

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Contents

Abbreviations

BMZ	Federal Ministry for Economic Development
CBOs	Community based organizations
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
FEBEA	Fédération des Entreprises de la Beauté
FOB	Free on Board
MSME	Micro, small and medium enterprises
NEMA	National Environment Management Authority
NGOs	Non-governmental organizations
PRUDEV	Promoting Rural Development Program
SDS	Safety data sheet
SME	Small and medium enterprises
TDS	Technical data sheet
TORS	Terms of Reference
UEPB	Uganda Export Promotion Board
UNBS	Uganda National Bureau of Standards

USSIA Uganda Small Scale Industry Association

UWEAL Uganda Women Entrepreneurs Association Ltd.

EXECUTIVE SUMMARY

The GIZ Promoting Rural Development (PRUDEV) Program aims to improve agriculturally based development of the rural economy in selected regions of Northern Uganda. Within that context the GIZ PRUDEV-Program is taking into consideration the East African shea tree(Vitellaria *paradoxa*, subspecies Nilotica) which has significant potential for the national and international market of cosmetic ingredients. In view of the promotion of international competitiveness of shea Nilotica products GIZ PRUDEV-Program has commissioned the present study. Ugandan actors of the shea value chain shall be supported to improve competitiveness and export performance with Europe as target market.

Within that framework, the **value chain of shea nilotica products in Uganda and Europe** should be presented. The value chain of shea butter starts with the collection of the fresh shea fruit pulp and ends with cosmetic manufacturers and food manufacturers selling their products in the European/international market. The map of the shea nilotica products of Uganda presents the actors active at the micro-level; the providers of support services and the macro level are also taken into consideration.

At the micro level, different actors are involved: Collectors and groups of collectors, village-based processors and households involved in the processing of fresh shea fruits pulp, and retailers distributing shea nuts and shea butter, village pickers and traders (middlemen) providing industrial processors, transformation enterprises and exporters with shea nuts. It is distinguished between the local, national and regional market and the international market (Europe) which is analyzed more in detail in view of the promotion of the export of shea butter. In Europe, the main actors at the micro-level are the importers, refiners, wholesalers, formulators, and manufacturers of conventional and natural cosmetics and food.

The data available on the potential of production of shea nuts and shea products differs considerably depending on the respective sources and the underlying methods of calculation. UEPB estimates that Uganda has the potential to produce annually 30 000 – 35 000 tons of shea butter. As the presented data show, however, the **present production (2019: 185 965 kg of shea butter products) does not seem to make use of the existing potential**.

The largest part of the shea butter products – including only registered trades - are exported. Taking into consideration the destination of these exports, a considerable part of the exports is going to Europe (2017: 68% and 2019: 52%). Another important market is North America. The role of Uganda in the international market, however, seems to be very limited, even when exact data on international trade of shea are not available. It is estimated that the **part of Uganda in the international trade of shea is less than 1%.**

Competitiveness of a value chain depends on the one hand on the situation at the level of the value chain itself, this means its actors, their knowhow and experiences, their relations, the provision and offer of support services and the framework conditions, as rules and regulations, physical infrastructure (roads, provision with electricity and water etc.) and government policy. But the **factors external** to the value chain, which cannot be influenced by it, are also **decisive regarding its competitiveness**. Within that context, the economic, social , and technological environment of the shea value chain are taken into consideration. As important external (positive) factors of competitiveness have been identified the unexploited production base, the favorable production conditions for natural, organic shea butter, the superior properties of shea butter of Uganda for the use in production of high priced, luxury cosmetics, **i**ncreasing production of cosmetics at the international level and the positive export policies of the government. Furthermore, women in Uganda are highly interested in the production of shea butter products and production of shea products allows realization of income for disadvantaged groups.

However, besides development opportunities, **a large number of constraints** were also identified as insufficient information on shea, insufficient access to financial resources in view of improvement of processing technology and equipment, high price level compared to West-African competitors.

In view of **promoting exporting activities of the SMEs of Uganda** it is proposed that some of their representatives **participate in a first step as guests in the fair "in-cosm**etics". Importers/distributors are the most interesting channels. Participation in a fair as guests will allow the SMEs to know the scene, the working conditions there, existing competition, to establish first direct contacts with various importers/distributors and let them know their portfolio and prices. In a next step the **SMEs could participate as exhibitors** in that fair and after having eventually got the required certifications and fulfilling the asked for standards (organic, natural etc.), they could also participate as

exhibitors in the fair “vivaness” specialized on organic and natural cosmetics for acquiring access to related orders. Support of PRUDEV will be mainly required for the participation as guest in “in-cosmetics”.

1. INTRODUCTION

The GIZ Promoting Rural Development (PRUDEV) Program is a bilateral program of the Ministry of Local Government on behalf of the Government of Uganda and the Federal Ministry for Economic Development (BMZ) on behalf of the Government of the Federal Republic of Germany. The program aims to improve agricultural based development of the rural economy in selected regions of Northern Uganda. It applies a multi-level and multi-actor approach by being active in five complementary fields:

- **Area 1**: Strengthening of capacities for local agricultural-based economic development with focus of building capacities of public institutions, civil society and the private sector to promote agricultural based local economic development and mainstreaming of climate smart agriculture in local planning processes;

- **Area 2**: Supporting improved market integration aiming to increase the market and entrepreneurial focus of agricultural producers, of micro, small and medium sized enterprises (MSME), service providers upstream and downstream from agriculture.

- **Area 3**: Facilitating access to financial services oriented towards improving access to demand-driven financial services for farming enterprises and MSMEs upstream and downstream from agriculture in selected districts.

- **Area 4**: Supporting enhanced awareness and capacities on monitoring, reporting and verification (MRV) of Greenhouse Gas (GHG) Emissions in the agricultural sector with the target of supporting a system which is basic and small scale with special focus on monitoring GHG at district level.

- **Area 5**: Improving water resources management/ water for production.

Within that context the GIZ PRUDEV-Program is taking into consideration the East African shea tree which has significant potential for the national and international market of cosmetic ingredients. The program has commissioned the study "National Market Study for Shea Products in Uganda" and the study "International Shea Market Study". In view of the promotion of international competitiveness of shea Nilotica products GIZ PRUDEV-Program has commissioned the present study. The objective of the assignment is to

further analyze specific characteristics and international potentials of shea nilotica products and to identify strategic intervention areas and entry points for the GIZ PRUDEV-Program. Ugandan actors of the shea value chain shall be supported to improve competitiveness and export performance with Europe as target market. Within the framework of that study mainly the following tasks have to be fulfilled:

- Mapping of the value chain of shea nilotica products in Uganda and Europe (actors of the chain, their links, power relations and operations of the actors)
- Analysis of the value chain activities and their performance (external sources of competitiveness, economic performance analysis and benchmarking against potential competitors)
- Identification of value chain constraints and development opportunities
- Formulation of a value chain upgrading strategy
- Priorisation of strategic intervention areas for eventual uptake by GIZ (PRUDEV-program)

The detailed terms of reference are added to the annex. The methodology used for the elaboration of the study was based on the ValueLinks approach. It included desk research and analysis of available data, studies and other relevant documents. For collection of additional information interviews with relevant stakeholders in Uganda and Germany involved in shea collection, processing, trading and promoting, have taken place with help of guided questionnaires. The study was realized by Dr. Agnes GEROLD, international expert, and the national experts Herbert WAMAGALE and John Paul OTEGERA during the period of October – December 2021.

As a result of Covid 19, no travelling by the international expert could take place. Communication between the experts was limited to exchange by e-mail and MS-Teams.

2. THE MAP OF THE VALUE CHAIN OF NILOTICA SHEA PRODUCTS

The map of a value chain presents all the activities carried out by the different categories of actors beginning with the provision of agricultural inputs up to the final market (micro level). Providers of operational services being active at the micro-level, as mechanics, plumbers etc., are generally not presented in the map of a value chain. They would be explicitly presented only if their services are not offered in sufficiently or only of bad quality. Besides the micro level also the meso level and the macro level are presented in the map. The meso-level concerns providers of support services as research, market information etc., this means services which cannot be offered by a single person but have to be provided by institutions or organizations. At the macro-level the government is the dominant body mandated with creating the framework conditions for the actors at the micro level, influencing the business climate by formulation of policies and guidelines, creation of infrastructure, passing and implementation of laws and regulations. The value chain map also presents the boundaries of the chain taken into consideration.

Within the present study the value chain of nilotica shea products in Uganda and Europe has to be presented. Shea nilotica is a tree having its fruits only at the age of around 12 – 15 years for the naturally regenerating trees, however full maturity is realised after a period of 40-45 years. For grafted trees, the maturity is between 6 - 8 years. It grows only in Northern and North Eastern Uganda, in the districts of Kotido, Kaboong, Abim, Otuke, Agago, Kitgum, Pader, Alebtong,and parts of Teso (Soroti, Amuria and Kapelebyong districts) as well as the West Nile region, in the districts of Yumbe, Adjumani,Nebbi, Okollo. Its lifetime is considered to be around of 200 – 400 years. Hence shea trees have generally naturally germinated and grown individually. However, efforts are underway by various stakeholders to have the trees planted in the fields.

Different methods are presented in the related literature regarding the "domestication" of the shea tree, even when mostly still not generally applied, they will be presented shortly in the following.[1]

[1] The current state of knowledge of shea butter tree (*Vitellaria paradoxa* C. F. Gaertner) for Nutritional Value and Tree improvement in West and Central Africa, Patrick Nguekeng et al., 2021 , https://www.mdpi.com/journal /forests

Tree management: When clearing the field for cultivation, local farmers generally proceed to a first step, this means, they conserve trees selectively which seem particularly valuable to them. They mostly use a variety of criteria as the space between, phytosanitary conditions, fruit characteristics of the individual trees as well as its yield characteristics. However, these methods are considered as insufficient regarding management of shea trees in (recently) cultivated fields. It is recommended to identify young shea tree plants having grown naturally or young shea twigs from a dead stump, till the soil around in form of a bowl and protect the young plants.

Besides this method, other ways for multiplying shea plants are available covering generative and vegetative multiplication (grafting, stem cutting and air layering).

Generative multiplication is generally done by directly growing seeds in nurseries. The germination of shea trees nuts is relatively low, and the seeds have poor longevity. The seeds must be in good health and factors such as temperature and humidity must also be considered. Tests carried out showed that the seeds can germinate in a greenhouse and also in shelters covered with straw.

Vegetative methods of multiplication allow reducing the time for reaching maturity, increasing yields and possible fruit production in the off-season. (Source?)

Application of grafting technique used in the fields of the farmers shows high success rates. Different methods are available: side cleft, side tongue, top cleft, and chip budding and side veneer.

Stem cutting: It seems that rooting ability depends on the maturity of the cutting source. Cuttings from mature trees show low rooting ability (28%) compared to trees of 45 years (41%). Studies also showed that the use of rice husk as rooting substrate led to higher rooting ability as when substrates as sand –sandy loam (1:1) are used.

The technique of air layering includes the peeling of the bark and application of a mixture of soil and sand, covering it than with a transparent paper for the development of roots. However, the success rates of that technique are low (22% to 33%). Vegetative methods allow fruiting of the trees after 3 – 4 years with young cuttings and grafted seedlings. However, these methods for multiplication of the shea trees are still not applied at a larger scope giving rise to corresponding commercial activities.

The kernels, obtained after de-pulping the collected fresh shea fruit pulps, are commercialized; but they are also transformed directly by the collectors into shea butter being sold. Shea butter is used as input in the production of cosmetics and in food production.

Hence, within the framework of the present study the value chain of shea butter starts with collection of the fresh shea fruit pulp and - taking into consideration the task to fulfill corresponding to the TORs – ends with cosmetic manufacturers and food manufacturers selling their products in the European/international market ("boundaries of the value chain"). The map of the shea nilotica products of Uganda is presented on page 14). It presents the actors active at the micro-level; the providers of support services and the macro level are also taken into consideration. In view of a clear presentation the value chain is presented on 2 separate pages.

2.1 The actors at the micro level

A large number of actors is involved at the micro level of the value chain of shea butter that is eventually used in Europe in the production of food products and cosmetics. These include individual collectors and groups of collectors, village based processors and households involved in processing of fresh shea fruits pulp, and retailers distributing shea nuts and shea butter, village pickers and traders (middlemen) providing industrial processors, transformation enterprises and exporters with shea nuts. In the presented maps, it is distinguished between the local, national and regional market and the international market (Europe) which is analyzed more in detail in view of the promotion of the export of shea butter. In Europe, the main actors at the micro level are the importers, refiners, wholesalers, formulators and manufacturers of conventional and natural cosmetics and food.

2.2 Chain operations and links

Collection

Individual collectors, mostly women and youth, but also groups of collectors pick by hand the fallen shea fruits once a year (April – August) and store them temporarily at household level in readiness for processing. Collection is often done on family land, but also on

communal land. However, the private land ownership has been lately increasing. This leads occasionally, mainly on community land, to scrambles between the pickers regarding access to the trees; private owners of land ask sometimes for a small remuneration. Different problems are encountered in collection. The collectors are exposed to rains and risks of snake bites. They lack protective clothes and boots. Bush fires reduce the yields of the trees. The maximum yield per tree is up to 45 kg; the average yield/ tree is of 15 – 20 kg. In a good harvest year up to 100 kg – 300 kg of kernels / household can be collected.

Village based processing

Processing of the collected shea fruits into shea butter is generally done by a group of collector women. The group collects shea butter for self-consumption by its members, but also for selling. These groups are not only involved in marketing of shea butter, but also sell other agricultural products for their members, such as sunflower or sesame. A kilogram of fresh shea fruit pulp gives approximately 400 grams of dry seeds (kernels). 4 kg of shea nuts give 1 kg of shea butter. As the shelf-life of fresh shea fruit pulp is short (2 days), the fruits are sorted immediately to remove immature fallen fruits and foreign materials (sticks, leaves etc.) and fruits affected by fungi for impeding contamination of the other fruits. After de-pulping the shea fruits by hand, the women crack the outer shell of the kernel and take out the nuts. Sorting fresh fruits is not always done with sufficient care. The nuts are then dried for around one week to reduce the moisture content to below 6.5 %.

The collectors partly complain to have not enough space for sun-drying the nuts. For producing shea butter for home consumption generally the traditional boiling method (hot press) is used. Cold pressing method is mainly used when the shea butter is for sale. Cold pressing allows to produce shea butter of better quality and with higher efficiency (see annex for detailed presentation of the two different processing methods). The used equipment is often outdated (no use of stainless-steel utensils) and allows hence to produce shea butter of only lower quality with impurities. Sometimes the women groups also buy kernels from individual collectors for processing.

Commercialization of shea butter (of women groups) and kernels

The shea butter produced by the women groups is often sold in either in weekly markets, or to **retailers** operating in local markets, in small trading centers and urban areas.

Collectors do not always transform all the collected kernels. But they sell a part of the kernels to **village-based processors, village pickers and collectors** in the local market and trading centers or directly to **middlemen** acting as whole sellers. Men dominate the wholesale of shea kernels, while women dominate collection and primary production of shea butter by traditional methods and the whole sale of shea butter. Organized women groups, consisting of up to 30 women, sell shea kernels also directly to small scale processors. In this case the group makes a contract with the processor on the sale of the kernels.

Middlemen play a key role in trading of shea kernels. They buy the kernels from collectors in the local market or trading centers and sort the kernels according to size, moisture content and breakage. Middlemen sell the kernels to **large and small scale processors of shea butter,** act as commission agents by buying for shea butter processing companies such as Guru Nanak Oil Mill, and **companies exporting** shea kernels as KFP International. It is reported that large quantities of kernels are informally exported mainly to Kenya, South Sudan and RDC without recording of the traded volumes (see the map of the value chain presented in the following).

Industrial processing

There are some large-scale processors (using mechanical extraction), but most of the industrial processors producing shea butter are cottage firms, small family-owned units in the backyards of homes, trading centers or small towns. Interviews with some of these processors showed that they considerably underutilize the installed production capacities.

Commercialization of (industrially processed) shea butter and transformation of shea butter in Uganda

The produced shea butter is distributed along 3 different channels. A part of it is sold in local/ national markets and in the regional market directly to final consumers.

Another part of the shea butter produced by small- and large-scale processors is sold to **transformation enterprises,** mostly SME, in Uganda. They use shea butter as input for producing cosmetic products for skin care, as hand and body creams, aftershave shea lotion and toilet soap, and hair related cosmetic products, as hair pomade, hair conditioner and hair spray. The products are often not labeled and branded and do hence not meet standard certification requirements. The large majority of the small-scale transformation enterprises have insufficient market information, very limited access to financial resources and are hardly informed about export procedures and processes. Exports are related for them to relatively high costs as certification and transport; their linkages to export agencies are weak. The products of the Uganda transformation enterprises are sold in the national market but are also exported to the countries of the East African region, as South Africa, COMESA and EAC. The third part of the shea butter is sold by some (large scale) processors, as Guru Nanak Oil Millls, to exporters acting in the international market (Europe etc.).

Export of shea butter to Europe

Export from Uganda to Europe **concerns kernels and shea butter from *Nilotica* shea. However, export of kernels is of very little importance. The transport of** kernels/nuts is relatively expensive, compared to the transport of butter. Only few international companies, as the Swedish enterprise AAK, have extraction facilities outside of Africa. Very large quantities of kernels are required for making import of kernels and their processing in Europe cost efficient. Regarding the export to Europe, only shea butter is hence considered in the map of the value chain.

The shea butter which is exported from Uganda to Europe is unrefined; there are no refining facilities in Uganda. A part of the exported **unrefined shea butter is sold by the importers to mainstream ingredient importers and wholesalers and formulators.** They sell this unrefined (hand-crafted or cold-pressed) shea butter to (a small number of) **manufacturers of natural cosmetics**. These manufacturers supply pure shea butter for skin care or creams with shea butter as main ingredient to the final consumers. This unrefined shea butter, however, has to be filtered in the country of origin for removing all impurities.

Most of the (conventional) cosmetic manufacturers, however, ask for refined shea butter. Refining means that the shea butter has been deodorized and bleached. The use of refined

shea butter reduces the risk of variations between different batches, increased shelf life and the stability of the cosmetic product it is used in. Refining takes place generally in Europe.

Importers sell hence shea butter also **to refiners who are** selling the refined shea butter to wholesalers and formulators and to manufacturers of conventional and natural cosmetics and food manufacturers. Refiners often work with batches of 6 -7 tons; they are hence only interested in the supply of full container loads of 20 tons. Partly the refiners do not even buy the unrefined shea butter; but they get orders (against payment) from **wholesalers and formulators** for refining the shea butter. Unrefined shea butter can hence be sold by exporters to wholesalers of cosmetic ingredients, formulators and refiners, too.

The refined shea butter is then **sold to manufacturers of cosmetics and food**. These manufacturers are generally not interested in importing unrefined shea butter. They have only limited know-how on refining. Shea butter is one of the different inputs they use, so they are not interested in deepening their know-how. The relations in the international market are generally based on formalized relations (contracts).

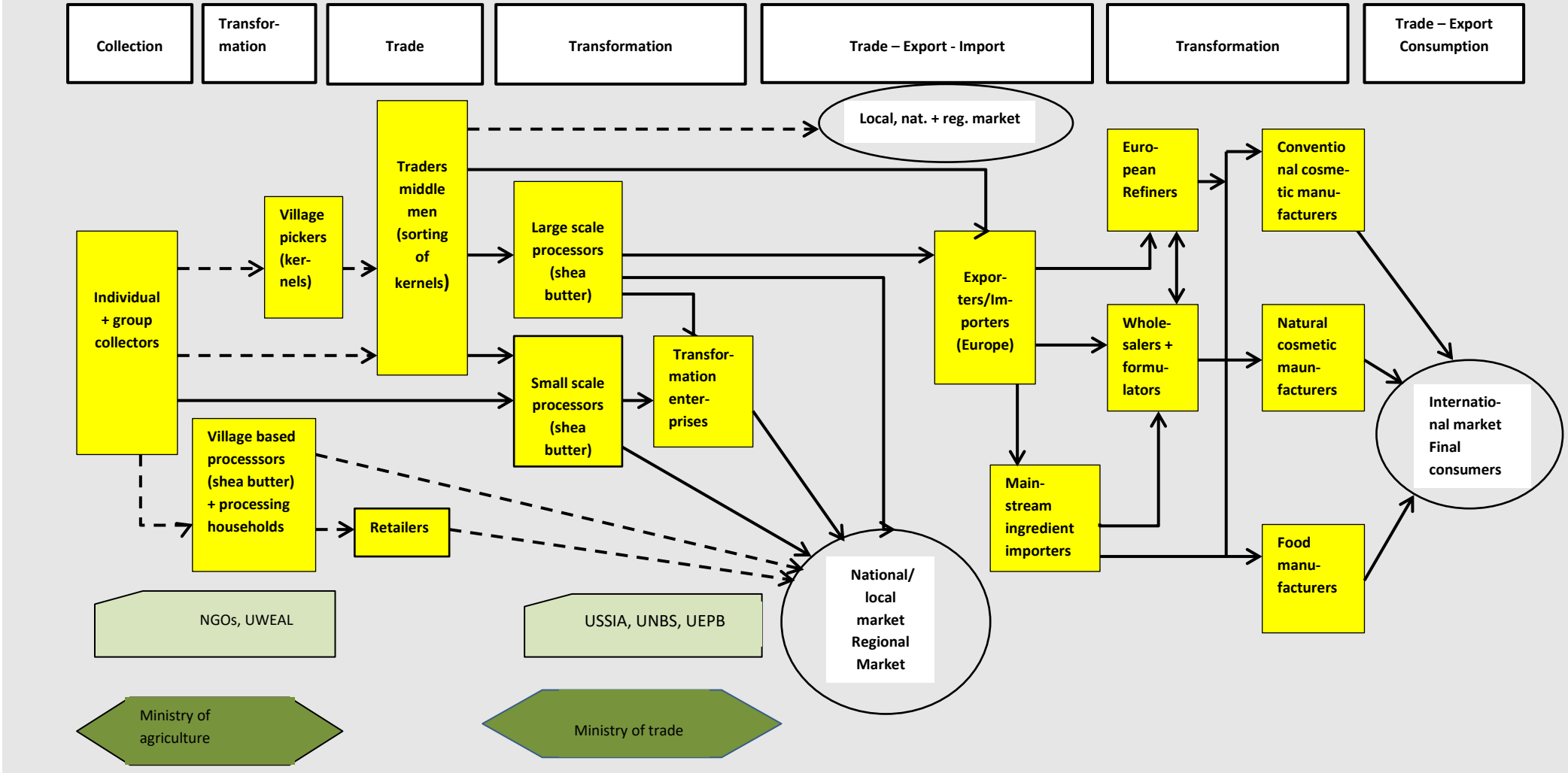
Even when not explicitly presented in the map of the shea value chain **providers of operational services** in Uganda have also been considered within the framework of study. A producer of high quality (stainless steel) processing machinery and an exporter of shea butter are providing training on production practices and technologies. Furthermore, laboratory testing services are offered to processors to ensure that they comply with the required parameters. These services are offered to producer (groups) against payment. Another enterprise dealing in organic shea butter offers training on post harvesting handling to collection groups against payment.

The links between the actors

The **links between a large number of actors**, i.e., the collectors and groups, the village-based processors, the retailers, and middlemen are mainly informal. The nuts and shea butter are sold in the weekly markets. In some cases, the operations involving middlemen, processing and transformation enterprises and exporters are formalized through contracts.

Partly there are no well-established communication relations between the (small scale) industrial processors and the transformation enterprises (orders); hence these processors produce a certain quantity of shea butter without having corresponding orders and sell it. Once it is sold, they buy shea nuts and start again the production of shea butter.

Value chain shea butter



Bargaining power

The various actors of the shea value chain have different bargaining power. At the time of harvesting the shea fruits, collectors are generally in high need of cash, so they sell the nuts immediately after drying them. These sales take place during the harvesting season when the prices in the market are at the lowest level (April - June)**.** Furthermore, collectors generally have very limited storage capacities, obliging them to sell at the harvesting time. Middlemen are generally traders of food products and have mostly facilities for stocking large quantities of nuts (10 tons) and up to one ton of shea butter. As a study[2] has shown the selling prices of the shea nuts vary partly considerably. Hence in 5 districts, the highest price recorded was of 2205 Ush/kg (Otuke district) with in comparison 1033 Ush/kg in Kitgum (2015). The reasons behind can be, as mentioned by the author, the different level of accessibility of the respective district (transport costs), the different level of awareness of the communities on the economic value of the shea nuts and the level of organization of the collectors.

2.3 Meso level – Providers of support services

Another category, besides the providers of operational services, are the providers of support services situated at the meso level. The services they provide cannot generally be offered by a single person, but by organizations and institutions, as research activities, market information, financial services etc. Within the framework of the shea value chain NGOs/CBOs, government programs/ projects, training institutions (ADRAA Cultural Institute) and financial institutions (banks) have been considered as potential service providers at the meso level.

Depending on the respective services they are providing to forest dependent communities especially in the Westnile region and Lamwo district, collector groups, women groups and households, processors or the overall actors of the value chain.

The **services,** as training, advice, experience sharing, which are **provided** to collector / women groups and households, concern the following subjects: Information on shea and conservation of shea tress, post-harvest handling, processing, establishing of trade and

[2] Value Chain Analysis of Shea Butter to Assess Options for Value Addition, p.15, NEMA

marketing linkages, financial services, advocacy and lobbying for conservation and protection of forest resources.

The investigation has shown that no financial services are provided explicitly for actors of the shea value chain. However, the local government of Otuke district is managing a revolving fund for women groups engaged in collection and trade of shea nuts.

Within the framework of government programs and the related activities (also within the framework of donor funded programs) at the local level the following services are provided through the local governments: Dissemination of information on the shea value chain, provision of shea seedling for free and at subsidized prices, inspection and training. The Uganda National Bureau of Standards (UNBS) plays a specific role by offering certification, training and inspection. Regarding the shea value chain its target groups are all (registered and certified) collectors, processors and exporters traders. The local government of Otuke district has been managing the Uganda Women Entrepreneurs Project which supported also women involved in collection and processing of shea.

A survey carried out on behalf of GIZ in Northern Uganda (Agago, Pader and Otuke) in September 2021, however showed that 35% of the covered shea collector and processor women had not got access to any service during the year.

The different support services are generally offered free of cost. The members of the Agago District Farmers Association, however, have to pay their membership fees; a further exception is the certification. Associations, cooperatives etc. can also offer services to their members and fulfil then the role of a service provider. An investigation carried out on behalf of GIZ in Agago, Pader and Otuke, however, showed that existing cooperatives hardly offered any service to their members. Within that context it seems also to be necessary to mention that small scale enterprises have established the Uganda Small Scale Industry Association (USSIA); some of the small-scale processors are members of that association. Furthermore, there exists the Uganda Women Entrepreneurs Association (UWEAL). The respective potentials of these organizations must be analyzed more in depth.

The problems at the level of the shea value chain presented by the providers of support services concern mainly indiscriminate felling of shea trees for charcoal production and the low level of information of the local farmers on market opportunities. As these service

providers presented the current income realized through shea trees is still relatively low, hence, when the local population needs immediate cash, they cut down the trees. It was also mentioned that it seems to be difficult to comply with the existing standards for certification particularly concerning the level of oleic acid contents.

The proposed solutions deal with the development of alternatives for cutting of shea trees, the organization of market linkages events, showing the communities the economic value of the resource of the shea trees, supporting joint decision making at the level of the communities regarding the conservation of the shea trees, doing more research on the trees, development of a platform that engages public actors to facilitate the operating of the private actors of the value chain, development of bee keeping on the shea trees, so that in view of sustainability the farmers can benefit from the shea trees and the honey.

2.4 Macro Level - Legal framework

The Government of Uganda since some time considers explicitly shea trees and the related products. Several strategies and acts (see below) have been passed. The focus, however, is on the conservation of the shea trees.

- National Forestry and Tree Planting Act (2003)
- Global Strategic Plan for Biodiversity (2011-2020)
- National Shea Nut Tree Conservation Strategy (2015)
- National Biodiversity Strategy and Action Plan (NBSAP, 2015 – 2025)
- District specific by-laws regulating mainly aspects of environmental protection (e. g. no-cutting of shea trees, penalties for misuse of shea trees, collection of shea nuts)
- National standards for shea nuts and shea butter products (2018, UNBS)
- National Strategy for the Conservation and Sustainable Use of the Threatened Shea Butter Trees in Uganda (2013 - 2017, NEMA)
- National Export Strategy for Shea Products – 2019 - 2023 (2019, UEPB)
- Vision 2040 and Presidential Directive on Shea Tree Conservation

Even when the poor database is taken into consideration it seems that there is a considerable untapped production potential for shea kernels and shea butter not used at present.

2. 5 Quantification - Production, exports/ imports and destination

The data available on the potential of production of shea nuts and shea products differs considerably depending on the different sources and the underlying methods of calculation. Corresponding to official data Uganda has the potential to produce 70,000 – 300,000 tons of nuts /year, if all the trees are fully exploited. However, it is considered that due to the often-remote landscape only around 1/3 of the available nuts are collected annually. Corresponding to studies carried out, the total annual production of shea nuts was 34 993 kg in Amuria, Abim, Yumbe, Adjumani, Lira, Agago, Kitgum and Amuru. UEPB estimates that Uganda has the potential to produce annually 30,000 – 35,000 tons of shea butter. As the data presented in the following, however, the present production does not seem to make use of the existing potential.

Table 1: **Quantity of shea butter products traded by Uganda (kg)**

Quantity (kg)	**2017**	**2018**	**2019**
Export	68 067 (70%) (323 305 $)	311 965 (71%) (474 228 $)	131 390 (71%) (332 240 $)
Domestic	27 227	124 786	52 556
Total	97 311	438 769	185 965

Source: National Market Study for Shea Products in Uganda survey, p. 13, exports.go.ug/ statistics

As the table shows, the largest part of the shea butter products – including only registered trades - are exported. As reported, there are important informal exports of kernels to different markets in Africa. This means that the part of the exported shea related products is still higher compared to domestic consumption.

Table 2: **Destination of shea butter products exported by Uganda**

	2017		**2018**		**2019**	
Destination	**Volume** (kg)	**Value** ($)	**Volume** (kg)	**Value** ($)	**Volume** (kg)	**Value** ($)
Africa	12 110	14 884	35 593	43 286	11 507	14 174
Europe	45 824 (68%)	232 742	1 714	5 470	67 798 (52%)	155 712

North America	9 166	66 460	263 984	405 782	51 515	161 492
Middle East	673	2 966	608	1997	570	862
East Asia	-	-	8 806	15 858	-	-
Latin America	-	-	1 260	1 825	-	-
Total	**67 773**	**317 052**	**311 965**	**474 228**	**131 390**	**332 240**

Source: Uganda exports.go.ug/statistics

Taking into consideration the destination of these exports, the available data show that a considerable part of the exports is going to Europe (2017: 68% and 2019: 52%). Another important market is North America.

Table 3: **Countries importing the largest quantities of shea butter**

Country	**Import Quantity** (2020, kg)	**Import Value** (2020,$)	**Share in Import** Value (%)	**3-Year Growth in Import Value** (2017-2020, %)	**5-Year Growth in Import Value** (2015-2020, %)
China	53 730	454 010	15.68	+13	+64.8
Germany	15 587	257 560	8.9	+2.7	+4.3
France	15 549	226 380	7.8	- 10.1	- 0.52
United States	11 358	176 530	6.1	+1.9	+12.9
Netherlands	9 951	145 490	5.0	-9.9	-13.5
Canada	6 187	134 130	4.6	+1.8	+6.9
Ireland	9 282	121 270	4.2	+1.0	+21.5
Poland	9 282	120 640	4.2	+7.4	+22.6
UK	5 231	82 990	2.9	+68.5	-25.6

Source: www.tridge.com/intelligences/shea butter/import

The numbers also show that corresponding to the imported quantity as the import value the market of China is the most important. At the level of Europe Germany and France are the countries showing in 2020 the highest import as well regarding the quantities as the value of the imports. Regarding development of imports of these two countries, Germany

shows a small increase; the imports of France, however, seem to decrease. The available data do not inform about the origin of the traded shea butter.

The role of Uganda in the international market, however, seems to be very limited, even when exact data on international trade of shea are not available. It is estimated that the part of Uganda in the international trade of shea is less than 1%.

3. ANALYSIS OF THE VALUE CHAIN ACTIVITIES AND PERFORMANCE

3.1 External sources of competitiveness

Competitiveness of a value chain depends on one hand on the situation at the level of the value chain itself, this means its actors, their knowhow and experiences, their relations, the provision and offer of support services and the framework conditions, as rules and regulations, physical infrastructure (roads, provision with electricity and water etc.) and government policy.

But the factors external to the value chain, which cannot be influenced by it, are also decisive regarding its competitiveness. Within that context the economic environment, social environment and technological environment of the shea value chain are taken into consideration.

Economic environment

Unexploited production base: It seems that there is only a small part of the shea trees which is exploited. Hence there is considerable potential for increasing production of shea nuts and shea butter. UEPB estimates that Uganda has the potential to produce annually 30 000 – 35 000 tons of shea butter. However, in 2019 only 186 tons of shea butter products have been traded.

Favorable production conditions for natural, organic shea butter: Demand for organic and natural cosmetics is strongly increasing in the international market. Making use of this potential requires collection of organic, natural shea nuts which can be used as inputs for these cosmetics. Farmers in the relevant regions generally use no or only low quantities of chemical inputs, as herbicides, pesticides etc. (in the fields with shea trees). This facilitates production and offer of organic shea nuts and butter.

Superior properties of shea butter of Uganda for the use in production of high priced, luxury cosmetics:

- The qualities of nilotica shea butter from Uganda (mild aroma, soft consistence, fragrant) make it particularly suitable for (high price, luxury) cosmetics
- Shea butter has a relatively long shelf life facilitating its exportation

Increasing production of cosmetics at the international level: The international production of cosmetics is growing rapidly. Shea butter can be an important input in the production of cosmetics. Within that context it should be distinguished between conventional cosmetics and natural cosmetics. At present natural cosmetics account for only around 5% of the total cosmetics market. However, its growth rate is significantly higher than that of conventional cosmetics.

Export policies: Exports of shea butter products are not hindered by government regulations, but the processors can make use of a favorable tax regime. Exports of shea butter and shea nuts are not restricted, and no export license is needed. However, a phytosanitary certificate issued by the Ministry of agriculture Animal industries and fisheries is needed when exporting the butter. A certificate of origin can be issued if the exporter applies for.

Technological environment

European manufacturers prefer shea butter which has been refined in Europe**:** There are no refining facilities in Uganda; all the exported shea butter is unrefined. Establishment of refining facilities would make necessary very high investments.

Some manufacturers of natural cosmetics use (unrefined) handcrafted butter**:** However, the used unrefined shea butter has to be very pure and has hence to be filtered in the country of origin for removing all impurities. This requires the use of corresponding equipment (stainless steel).

Social environment

The story behind a product becomes more and more a selling point: European consumers are increasingly aware not only of the harmfulness of chemical products, but also of children labor and disadvantages of women. Hence the story behind a product (involved actors, working conditions, concerned region etc.) is of increasing importance in marketing. The production of shea butter of Uganda involves to a large extent woman and can be clearly related to a specific region (traceability). Shea butter products sold under the socio-economic labels as Fair Trade etc. are hence in a favorable position.

Women in Uganda are highly interested in the production of shea butter products: Collection and (traditional) production of shea butter is dominated by women. These are

particularly important sources of income for rural women and youth. Selling of shea butter /oil provides more income than brewing and farming. Women are also involved in the cultivation of other agricultural products; these products, however, are sold by men (head of households); hence the women do not have access to the realized income. The money made through shea, however, is only for the women. The shea products (butter) are produced and sold by the women producers and their groups. This income is used to a large extent for the education of the children.

Production of shea products allows realization of income for disadvantaged groups: The districts with a large part of shea trees are situated in economically disadvantaged regions of Uganda. In relation to the activities of LRA (Lord's Resistance Army) over a million people were displaced between 1986 and 2006. The dislocated population has now partly returned to their settlements. Shea nuts and their transformation are important sources of income for them.

3.2 Economic performance compared to potential competitors

The main potential competitors of shea products of Uganda are the West-African countries, with Ghana and Burkina Faso as main competitors. They transform and export shea nuts at quite a larger scale and developed strongly in the past two decades driven largely by rising demand from chocolate industry. Competitiveness in the shea sector is determined by four main factors: The available quantity, product quality, processing capacities and prices. The corresponding situation in Uganda and the West African countries is presented in the table below.

Table 4**: Shea in Uganda and in West Africa - Quantities, product quality, processing capacities and prices**

Uganda	**West-Africa**
Available quantities	

There is no documentation of shea nuts or shea butter produced at district level (and household level). However it is estimated that 3500 tons of shea nuts have been collected (2020) In Uganda shea nuts only grow in a limited area, in the districts of Kotido, Kaboong, Moroto, Abim, Otuke, Agagao, Kitgum, Pader, Aleptong, West Nile Region) The existing population of shea trees in Uganda is threatened by the use of shea trees for production of charcoal. The income realized by using a shea tree for the production of charcoal (150 000 UGX) is higher as the income realized by selling the nuts of the tree or producing shea butter by traditional or mechanized technology. Only when the shea butter is exported the realized income is considerably higher (357 000 UGX). However, Uganda, too, has started establishment of shea tree nurseries. There are a number of laws and acts mainly in view of protecting the shea trees. Enforcement of that legal and regulatory framework, however, is weak.	The production of shea nuts in West-Africa is estimated at 795 000 (collection in tons). The West-African countries concerned are Nigeria, Mali, Burkina Faso, Ghana, Ivory Coast, Benin and Togo. The countries with the highest production are Nigeria, Ghana, Burkina Faso and Mali. However in Nigeria auto-consumption of the households is quite high. In Ghana there is the risk of decreasing tree population resulting from ongoing conversation of land into farm land. Strategies leading to sustainable future exploitation of shea have been difficult to implement. Within that framework Ghana is establishing new shea nurseries. 500000 seedlings shall be planted in the coming years. Regulation of West.-African shea sector is weak and ineffective. Its growth is mainly driven by the private sector, foreign donors and NGOs.

Uganda shea butter is hardly known in the international market;	Importers in Europe have long lasting relations with suppliers in West-Africa.
Product quality	
The shea trees growing in Uganda and West-Africa Shea belong to two different subspecies, Vitellaria paradoxa nilotica in Uganda and Vitellaria paradoxa paradoxa in West-Africa. This leads to slightly different characteristics	
Uganda	**West-Africa**
Its chemical characteristics make the shea butter more suitable for cosmetics (buttery soft at 25°C, cream to pale yellow colored, creamy butter, mild characteristic, melting point at 26 – 32°C) For the cosmetic market the qualities of shea of Uganda are considered as a comparative advantage compared to shea nuts/butter of West-Africa –For the food industry the west African version of shea is considerably more suitable. But because of its higher price (see below) shea butter from Uganda is most appropriate for production of luxury cosmetics Poor post-harvesting methods lead to reduced quality of shea nuts and butter Recently the Uganda National Bureau of Standards (UNBS) developed (5)	The characteristics of shea butter make is suitable for substituting cocoa butter and also for the production of cosmetics (hard, crumbly to waxy, white to ivory yellow, melting point at 34 -44°C, needs to be softened or melted first to apply to skin). It is used in cosmetics as emollient (softening and smoothing the skin). Ghana is known for higher quality of nuts as Mali and Burkina Faso. This is mainly related to the method used for processing the dried kernels, traditionally applied. Furthermore the climate in northern Ghana offers the opportunity to collect the nuts during favorable weather conditions. There have been different attempts to introduce standards, but at present generally applied standards do not exist. However, within the framework of a

standards for shea products and a certification scheme for small enterprises.[3] Few large processing companies have certified their product. Most of the farmers, collectors and local processing enterprises, however, are not informed about the opportunities of certification. Hence, the majority of the products does not meet national certification standards and are not labeled or branded (limited value addition).	program led by Global Shea Alliance (GSA) efforts are made to develop appropriate shea quality standards. National standard which are ignored by most of the traders shall be revised. .
Processing capacities	
Uganda	**West-Africa**
Most of the enterprises processing and producing shea butter and shea butter cosmetics have been established in the last five to ten years and are operating on a small scale. The entrepreneurs have often only low entrepreneurial skills. The use of traditional processing methods dominates and leads to low yields. There is no information about the installed processing capacities. The weak linkages and communication between producers, processors and exporters lead to	In West-Africa mainly make use of industrial processing techniques (mechanical process-sing and extraction of shea butter). New technologies are available for reducing water consumption and increasing energy efficiency. Partly, however, as in Ghana with installed processing capacities of 226 000 MT, under-utilization is observed. The production of kernels in Ghana, is of 94 000 MT/year. Hence local factories rely on

[3] National Market Study for Shea Products in Uganda, C. Asiimwe, 2020, p. 23 (https:// members.wot.org/crnattachments/2016/TBT/UGA/16_1200_00_e.pdf; …….UGA/16_1201_00_e.pdf and …..crnattachements/2017/TBT/UGA/17_5634_00_e.pdf

insufficient information and underutilization of installed processing capacities. The enterprises have only very limited access to financial resources. There are rather no financial services provided to the actors of the shea value chain in view of improving transformation processes and adopting more effective technologies.	kernels imported from neighboring countries. In the field of handcrafted shea butter there is number of processing and exporting agencies offering pre-financing models. 40 – 60 % of the value of the order is advanced to the shea butter supplier.
Prices	
Uganda	**West-Africa**
The price of the shea butter is of US$ 6-7/kg (2020) FOB. The price of shea butter differs considerably from district to district; it varies between 3200 and 9500 UGX per kg of shea butter and between 600 and 1600 UGX for 1 kg of shea nuts. The processors do not seem to have clear pricing strategies (lack of adequate market information, export procedures and processes).	The price of (mechanically processed) shea butter is of around €2 / kg FOB (2020). This means it is a cheap alternative for the more expensive cocoa butter for manufacturing of chocolate. The chocolate industry is mostly interested in stearin fraction which differs clearly between the shea butter of West-Africa (42%) and Uganda (32%).

The production and production potential of Uganda is considerably lower than that of West–Africa. In Uganda only some regions are concerned by shea production, whereas in

West-Africa 7 countries are concerned. Population of shea trees is threatened in Uganda and West-Africa, however, by different reasons (production of charcoal vs. conversation of land into farmland). Regulation of the shea sector is weak and ineffective in Uganda and in West-Africa.

Quality and chemical and physical characteristic of the shea (butter) from Uganda and West-African shea trees differ (different subspecies) making the shea butter from Uganda more appropriate for the production of (luxury) cosmetics. The shea butter from West-Africa is, besides its use for the production of cosmetics, mainly used as substitute of cacao butter. Quality of the shea butter of Uganda, however, is (negatively) influenced by poor post-harvesting methods. Quality standards are at present but hardly applied in the countries of West-Africa. However, the UNBS has developed national certification standards, which are, however, not observed by the large majority of the farmers, collectors and processors.

There are considerable differences regarding the **processing capacities** of Uganda and the West-African countries and the used technologies. The processing capacities alone of Ghana are of 226 000 MT. In Uganda mainly traditional processing technologies are applied by the installed smallscale enterprises, in opposition to West-Africa using industrial (mechanical) methods. In both the regions, however, underutilization of the processing capacities is partly observed. In Uganda this is mainly related to the insufficient linkages and communication between the actors of the shea value chain.

The **price of shea butter** of Uganda is considerably higher (US$ 6-7/kg FOB (2020) as the price of shea butter (mechanically processed) from West-Africa (€2 / kg FOB (2020).

4. CONSTRAINTS AND DEVELOPMENT OPPORTUNITIES

Vision: In 2032 Uganda exports X tons of shea products to the European market for the production of conventional and also for the production of organic, natural cosmetics.

Objectives: In 2027 (women) groups of collectors and processors and small-scale processors export X tons for the production of conventional cosmetics by applying European certification schemes

Constraints	
Insufficient information on shea	Lack of data on number of trees, average yield, annual potential production **Leads to** difficulties in planning and conclusion of contracts with exporters and other actors in the international market
Post-Harvesting:	Unsatisfactory primary sorting of nuts **Leads to r**eduction of quality of shea products, problems in marketing (reduction of demand) and low selling price
Processing	• Use of outdated equipment for processing (unclean shea butter) • Inefficient processing methods • Farmers, collectors and processing SME have hardly any information about certification schemes • No observation of quality standards and certification only few traded shea products are certified

	Lead to lower quality of shea products, problems in marketing (reduction of demand) and lower selling price
Financing	• Insufficient access to financial resources in view of improvement of processing technology and equipment **Leads to** continuous use of outdated equipment and technologies of low efficiency and shea products of lower quality (see above)
Entrepreneurship skills and business relations	• Low level of entrepreneurial skills and pricing strategies of village processors and small-scale enterprises • Weak linkages between collector groups, processing and transformation enterprises **Lead to** insufficient communication and collaboration with forward and backward actors, problems in planning at the level of the individual enterprise, reduced production and income of these actors and hence reduced overall efficiency of the chain (underutilization of production capacities of processing enterprises etc.)
Associations and cooperatives	• Insufficient capacities of cooperatives and farmer organizations to offer services (training, advice etc.) to their members, traditional processors and smallscale processing enterprises)

	Leads to members of the association and cooperatives who cannot improve their production activities and increase their efficiency
Marketing and market information	• Selling of kernels directly after harvest because of high need for cash income • Insufficient storage space for kernels by women • Unorganized selling of shea products (roadside, small quantities, no contact with middlemen or processors before harvest etc.) • Insufficient market information on prices, quality requirements and procedures for certification, labelling etc. • Large number of West African shea actors try to buy shea nuts in Uganda at low prices **Lead to** realization of less income of collectors and processors, but relatively low prices for buyers (middlemen, transformation enterprises)
Price and information level	• High price level compared to West-African competitors • Shea nuts of Uganda hardly known at international level • Hardly any experience of small-scale processors in exporting **Lead to** difficulties for processing enterprises in increasing their part in the international market
Access to shea trees and conditions for collection	• Difficult, unregulated access to shea trees • Theft of shea nuts from the farmland

	• Insufficient equipment (boots, protection cloths) of collectors **Lead to** reduction of collected quantities of shea nuts, thus finally reducing quantity of inputs for processing and transformation
<u>Conservation of shea trees</u>	• Cutting of shea trees in spite of ordinances in place (not observed and applied by authorities) reduces quantities of nuts • The income resulting from charcoal production is higher than the income from shea; farmers are hence not much interested in conserving the shea trees (need for immediate cash) **Lead in the long run to** the loss of the production base of shea products
Development opportunities	
• Shea collection and processing is a traditional activity (knowhow, acceptance at the level of the families of women) • High interest of women in shea collection and processing (income source for women) • Potential for production of shea nuts not fully used (quantity can be easily increased) • Shea nuts allow (when appropriate technologies etc. are applied) to produce shea products of high quality (organic certification) • Reduced use of herbicides etc. by farmers /owners of the land facilitates production of organic, natural shea nuts	

- Existence of basic organization structures and structures for service provision (cooperatives, NGO etc.)
- Development of 5 standards for shea products by UNBS for guiding certification
- Refining facilities are not required for entering the European market
- Some companies are already organically certified
- Need for collector trainings to ease the Organic certification processes
- Increasing demand for nuts and shea butter in Europe
- Story behind the product (involvement of women, traceability etc.) becomes more and more important for European buyers
- Shea sector gives income to disadvantages groups
- Political will of government is positive) (protection of shea trees, taxes etc.)

5. EXPORT PROMOTION AND VALUE CHAIN UP-GRADING STRATEGY

5.1 General aspects

Certification standards: For being imported into the European market the shea butter has to correspond to the mandatory legal requirement for natural ingredients for cosmetics of the European Union (www.cbi.eu/market-information/natural-ingredients-cosmetics/buyer-requirements).

Regarding natural and organic cosmetic certification standards in Europe the website of **NaTrue,** a Brussels based international non-profit organization and certification agency for natural and organic personal care products and ingredients, and **Cosmos,** another Brussels based non-profit association, provide certification for natural and organic personal care products and raw material. Information on certification schemes, products and ingredients already certified and details on important natural and organic personal care companies are presented on their websites.

There are over 10 other natural and organic cosmetic standards in Europe including Demeter and Organic Farmers and Growers. The majority of demand for natural cosmetic ingredients in Europe comes from Germany and France. Fair trade is also more and more popular among European cosmetic manufacturers. The different fair-trade standards include Fairtrade International, Ecocert, Fair for Life, FairWild promoting the use of sustainable collection, social responsibility and fair-trade principles.

Dossier of data and information: Such a dossier should include

- Technical data sheets (TDS): Information on common applications of the shea butter, industry standards specifications, operating requirements, information on composition and warnings
- Safety Data sheets (SDS): Information on handling, storage, hazards and emergency measures in case of an accident
- Certificates of Analysis: Analytical data that support product specification

The differences between East-African shea butter and West-African shea butter should be highlighted in the documents. European buyers may have specific requirements depending on their intended use in their formulations. The “Story behind” should present

how the nuts are collected, information on collectors and processors, the regions where the nuts come from, sustainability and traceability.

Contact with sector associations: Sector associations in Europe can provide support regarding the regulations to be followed, important market players and potential buyers. Generally, these associations present their member lists in the internet. Most important sector associations are European Federation for Cosmetic Ingredients (EFCI) and Cosmetics Europe. Other important associations at the country level are Fédération des Entreprises de la Beauté (FEBEA) and the Industrieverband Körperpflege und Waschmittel (IKW).

The different market segments for shea butter: The market for shea butter in Europe is divided mainly into 2 different segments. On the one hand are the producers (manufacturers) of conventional cosmetics and on the other hand are the producers (manufacturers) of organic, natural cosmetics.

Among both the groups are very large manufacturers but also a large number of (partly very) small producers (mainly in the field of natural cosmetics) using shea butter are f. ex. L'Oreal; large manufacturers of natural cosmetics include f. ex. WELEDA, Dr. Hauschka, lavera. Besides these large enterprises, there are also a large number of (partly very) small enterprises selling often in the internet and producing only small quantities of natural, organic cosmetics. The use of shea butter of Uganda in food production should not be considered as a potential market. It is too expensive compared to the shea butter of West-Africa; furthermore because of its specific qualities the shea butter of Uganda it is more suitable for expensive, luxury cosmetics.

Producers (manufacturers) of conventional cosmetics make an (additional) selling argument through the use of shea butter in their products; they add shea butter among other ingredients. Generally, they do not sell products made only /mainly with shea butter and they do not sell pure shea butter. Therefore, they are not so much interested neither in the "story" behind the shea butter and its production, neither in the used method of production. They hence buy large quantities of shea butter (independently of the used production method etc.). The representatives of these enterprises, the corresponding importers and distributors visit the fair "in-cosmetics".

On the other hand, there are the producers of organic, natural cosmetics. For them the story behind the production is often of considerable importance. They are more exigent regarding certification (Fair for Life etc.) of the shea butter. Sometimes they establish very tight relations with the producers (transformation enterprises) by visiting them in their respective country and partly they even sell raw shea butter, not refined. One of the most important event for the related importers, distributors and users of organic, natural shea butter is the fair "vivaness". The products presented there have to fulfill the specific standards of "vivaness".

In view of promoting exporting activities of the SME of Uganda it is proposed that some representatives participate in a first step as guests in the fair "in-cosmetics". Contacting of potential buyers (importers/distributors) directly, by phone etc., is not efficient (the responsible person cannot be contacted through the first call, he is away on an official trip etc.).

Importers/distributors are the most interesting channels. Unrefined shea butter is usually processed in Europe. Importers supply shea butter to processors or personal care manufacturers. Shea butter is traded in volumes from 1 – 5 kg, but also in larger volumes up to some tons. European processors often travel personally to developing countries to meet directly their suppliers and to assess their credibility as potential trading partner. A growing number of cosmetics companies and distributors set up sourcing projects; this gives them more control over the supply chain and provides traceability of ingredients.

The next fair of In-Cosmetics Global will take place on 5 – 7 April 2022 in Paris/France and Vivaness is scheduled for 15 – 18 February 2022 in Nuernberg/ Germany**.** The lists of participants are already now published in the internet. All natural cosmetic products which are not certified corresponding to a standard recognized by BIOFACH/ VIVANESS have to comply with the admission criteria for not certified natural cosmetic products.

Participation in a fair first as guests will allow the SME to know the scene, the working conditions there, existing competition, to establish first direct contact with various importers/distributors and let them know their portfolio and prices.

In a next step the SME could participate as exhibitors in that fair and after having eventually got the required certifications and fulfilling the asked for standards organic, natural etc.), they could also participate as exhibitors in the fair "vivaness" for acquiring

access to related orders. Support of PRUDEV will be mainly required for the participation as guest in “in-cosmetics”.

5.2 Presentation of the strategy

The strategy which is presented in the following is based on the above shown constraints and includes several steps of implementation. The most important constraints taken into consideration are

- the low level of organization of collectors.
- the missing experience of small and medium scale processors with exports to the European market and
- the low level of information of the actors of the European cosmetic market on shea butter from Uganda.

The main steps for implementing the proposed strategy are presented in the following.

Result 1: The collectors of shea fruit pulp have established functioning links with small scale processors

Activities

1.1 Inform collectors about the existing export potential and the intended export activities
1.2 Organize the collectors and help them to establish functioning groups (1-2 leaders)
1.3 Train the leaders regarding the management of groups
1.4 Train the collectors in good collecting practices and production of kernels/nuts
1.5 Support the members of the collector groups in making agreements at the level of the group regarding the quantity of collected kernels/nuts (to renew every season)
1.6 Provide the collectors with storage place
1.7 Organize selling and transportation of the kernels/nuts by processors interested in developing export activities

Result 2: Small scale processors interested in developing export activities are informed about requirements for exporting shea butter to Europe

Activities

2.1 Inform small scale processors about the potential of exporting shea butter to Europe

2.2 Support interested small and medium scale (SME) processors in establishing a working group (group formation, selection of 1-2 representatives…)

2.3 Support the representatives of the group in identifying the requirements for exporting shea butter to Europe (technology, quality of product, estimation of the quantity of produced shea butter which can be made available by the interested enterprises for export, certificates etc.)

2.4 Facilitate access of the interested SME to the required financing for investment necessary for meeting exportation standards (improved equipment and quality) and to the required corresponding training

2.5 Support a small group of interested SME (representatives of the working group, some processors, members of UEPB) in participating as **guests** (who do not have their own stand etc.) in the fair "in-cosmetics" (inscription, visa, preparation of information documents, samples of shea butter etc.)

2.6 Support the SME to estimate the quantities of shea butter they can offer realistically for export

2.7 Inform other SME interested in exporting to Europe about the participation in the fair "in-cosmetics" and the related results.

Result 3: SME have acquired orders for exporting conventional shea butter to Europe by participating in in the fair "in-cosmetics"

Activities

3.1 Support the working group of SMES in elaborating a strategy and schedule based on the experiences of the visit of the fair "in-cosmetics" in view of participating in the fair the following year as **exhibitors**

3.2 Support the working group of interested SME in preparing their participation as exhibitors (required documents for export, samples of shea butter, story behind, information material, visa etc.)

3.3 Inform the other small and medium scale processors members of the exporting group and the collectors about the results of the participation (number of collected orders etc.) after being returned

3.4 Support the exporting SME in fulfilling their export orders

Result 4: Small and medium scale processors export organic and fair trade shea butter to Europe

Activities

4.1 Support SME interested in exportation of organic and certified shea butter (Fair for Life etc.) in getting the required documents

4.2 Inform collectors in view of the exportation of organic etc. shea butter and train them in view of the required quality

4.3 Support the corresponding SME in participating in the fair "vivaness" dealing only with for acquiring corresponding orders

4.3 Support the SME in fulfilling the orders for exporting organic and natural shea butter

Annex

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A2. TORs

Terms of reference (ToR) for the procurement of services up to the value of

EUR 20,000

Contents

General information

a. Brief information on the project

The GIZ Promoting Rural Development (PRUDEV) Programme is a bilateral programme of the Ministry of Local Government on behalf of the Government of Uganda and the Federal Ministry for Economic Cooperation and Development (BMZ) on behalf of the Government of the Federal Republic of Germany. The aim of the programme is to improve the agriculturebased development of the rural economy in selected regions of Northern Uganda. The main implementing partners are the Ministry of Local Government and District Local Governments. Part of the PRUDEV programme is the EU co-funded "Promotion of Climate Smart Agriculture" (ProCSA) Project, with the overall objective to strengthen the rural population in six districts against the effects of climate change through climate-smart agriculture (CSA). The capacity development approach taken by the programme includes; supporting the improvement of; capacities of selected local governments, partnerships and networks between public, private and civil society actors; and building the skills of individual actors. The technical cooperation measure takes a multi-level and multi-actor approach in five complementary areas of activity:

Area of Activity 1: Capacity for local agriculture-based economic development; aims to build the capacity of public institutions, civil society and the private sector to promote agriculture based Local Economic Development and mainstreaming of Climate Smart Agriculture in local planning processes.

Area of Activity 2: Improved market integration; is designed to increase the market and entrepreneurial focus of agricultural producers and of micro, small and medium-sized enterprises (MSMEs) and service providers upstream and downstream from agriculture, for example by strengthening farmer organizations (associations, cooperatives), promotion and implementation of climate smart agricultural practices

Area of Activity 3: Access to financial services; complements the other two areas of activity and is geared towards improving access to demand-driven financial services for farming enterprises and MSMEs upstream and downstream from agriculture in selected districts.

Area of Activity 4: Enhanced awareness and capacities on Monitoring, Reporting andVerification (MRV) of Greenhouse Gas Emissions in the agricultural sector; this interventionarea targets the support of a system which is basic, small scale, with special focus onmonitoring of GHG at district level.

Area of Activity 5: Water Resources management/ water for production

b. Context

Shea butter from the East African shea tree, vitellaria paradoxa ssp. nilotica (further referred to as Shea Nilotica), differs in composition from West African shea butter and is therefore less demanded in the international chocolate and confectionary industry. However, it harbours significant potential for the national and international cosmetic ingredients market. The GIZ Rural Development Programme in Uganda earlier commissioned a market study that provided valuable insights in the current and potential market for Shea Nilotica products in Europe and partly China, including recommendations on how Ugandan Shea stakeholders can improve their access to international markets.

For long-term economic success on the world markets as well as regional or national markets, the coordination of collection, processing and marketing processes is important.

Individual value chain actors' competitive positions depend on each other. The rules are often controlled by international trading or processing companies and national stakeholders have no option but to adapt to these conditions. Transparency and an understanding of these challenges are imperative to enable the private and public sector in Uganda as well as development partners to promote the international competitiveness for Shea Nilotica Products in a targeted way. It's upon these insights that the GIZ PRUDEV programme conducts a value chain analysis to understand the shea value chain characteristics and potential in Europe and partly beyond.

c. GIZ shall hire the contractor for the anticipated contract term, from October 4th 2021 to December 15th 2021

d. The contractor shall provide the following service:

The objective of the assignment is to further analyse the special characteristics and potential of the international Shea Nilotica products value chains with the goal to identify strategic intervention areas/ points of entry for GIZ PRUDEV and a possible follow on programme for supporting Ugandan value chain actors to improve competitiveness and export performance. The target market will be Europe. If the data available allows, the USA and China markets can be considered as well.

The contractor is responsible for providing the following tasks:

Task 1: Mapping the value chain

In consultation with stakeholders, the team will carry out the value chain mapping exercise, which includes:

• Collecting data from the secondary sources as well as key informant interviews to describe the structure and flow of the chain in logical clusters – the various actors of the chain, the links among them, the power relations, and the whole range of chain operations from supply of inputs, collection, to processing and marketing.

• If data is available - quantifying the value chain. This involves adding detail to the basic maps drawn initially (structure and flow) with a focus on processed volume, import/export volume and destinations. Note: numbers regarding collection, processing etc. are hardly available in Uganda, here data after export/ import might be more available. The "International Nomenclature for Cosmetic Ingredients" lists Shea Nilotica

under the same name as its West African relative, Butyrospermum parkii, thus making the quantification of Shea Nilotica traded internationally difficult.

Task 2: Analysing value chain activities and performance

• Analyze the value chain external sources of competitiveness, including its economic and social environment and its technological environment

- Carrying out an economic performance analysis and benchmarking against potential competitors

Task 3: Identifying value chain performance constraints and development opportunities

- Facilitating the definition of the value chain vision and objectives by taking into consideration the findings of the mapping exercise
- Identifying constraints and ranking them by assessing their impact on backward and
- forward linkages.Identifying and ranking potential development opportunities in the chain.

Task 4: Formulation of value chain upgrading strategy

• Formulation of the value chain upgrading and export promotion strategy on macro and meso levels which should define the short-term targets and medium-term objectives (five to ten years). Suggested improvements should include, but shouldn't be restricted to:

i. improvement of activities on the level of individual chain segments/ actors;

ii. business connections between chain segments/ actors

iii. Improvement of non-financial and/or financial services for the players

iv. Introduction/ further development/ enforcement of norms and standards;

Task 6: Prioritisation of strategic intervention areas for eventual uptake by GIZ.1

Methodology and main activities:

The expert supported by assigned PRUDEV technical staff will carry out the analysis by applying an internationally recognized methodology of value chain analysis (e.g. GIZ Value Links or other generally approved methods analysing export value chains). The

expert will lead the assigned colleagues through the process, they will support with providing obtainable data/ information from within Uganda.

The analysis includes several methodological steps:

• Desk research/ familiarisation with all available data, studies, documents available and connecting with relevant stakeholders;

• Additional data collection, research and analysis; interviewing of relevant stakeholders via telephone conversations and online exchange using guided questionnaires;

• Consulting with private and public stakeholders involved in Shea collection, processing, trading and marketing as well agencies and institutions promoting or regulating the aforementioned;

• Analysis of interviews, reports and other findings

• Summarizing of results and report writing.

Milestone Deadline	**Deadline**
Inception meeting with the GIZ PRUDEV team to discuss the assignment	Up to one week after signing the contract, around October 7th
Mission design developed; mission programme prepared, inception report available	Until October 11th
Introduction of seconded local GIZ staff to the applied value chain analysis tool	Until October 15th
Mission conducted, draft Analysis available	Until November 30th
Online meeting/validation workshop with selected stakeholders and GIZ PRUDEV staff	Until December 7th

Final report	Until December 14th

GIZ PRUDEV will make the following available:

Organisation and logistics of (online meeetings) with relevant stakeholders in Uganda, addressing stakeholders in Uganda, collecting and providing information from within Uganda (under the guidance of the contractor).

Tender requirements

1. Qualifications of proposed staff

1.1 Consultant:

The qualifications listed below correspond to the requirements for achieving the maximum number of points in the price evaluation.

- Education (2.1.1): University degree (Diploma/Master) in agricultural science, economics or comparable degrees.

- Language (2.1.2): German and negotiation skills in English (C1)

- General professional experience (2.1.3): 10 years of professional experience in the rural development sector.

- Specific professional experience (2.1.4): 10 years of experience in advising and accompanying technical cooperation in the field of rural development and value chain development, global supply chains, export promotion; 10 years of experience in participatory processes in technical cooperation and facilitation of workshops.

- Leadership experience/management (2.1.5): 5 years of leadership experience andmanaging teams as team or mission leader in projects

- Regional experience (2.1.6): 10 years of experience in sub-Saharan Africa

- DC experience (2.1.7): 10 years of experience in development cooperation

2. Specification of inputs

Fee days	**Number of experts**	**Number of days per expert**	**Comments**
Preparation/debriefing	1	12	
Implementation 1 18	1	18	
Travel expenses	**Number of experts**	**Number of days/nights per experts**	**Comments**
Per-diem allowance in country of assignment	1	5	Please see note below
Overnight allowance in country of assignment	1	5	Please see note below
Travel costs (train, private vehicle)	1	5	Please see note below
Flights	**Number of experts**	**Number of flights per experts**	**Comments**
International flights	0	0	
Domestic flights 0 0	0	0	
Other costs	**Number of experts**	**Amount per expert**	**Comments**
	/	/	

Note: An on-site assignment in Uganda is not planned due to the COVID 19 situation. Cross border travels within Europe shall be avoided as well. In case a) trips for meeting key stakeholders in Germany are essential, b) these meetings are accepted by the stakeholder and c) the COVID 19 situation at the time allows safe travelling, travel costs are to be included.

Calculate your financial bid exactly in line with the quantitative requirements of the specification of inputs above. There is no contractual right to use up the full days/travel or workshops or budgets. The number of days/travel/workshops and the budgets will be contractually agreed as **maximum amounts**. The regulations on pricing are contained in the price sheet.

Note:

If restrictions are introduced to combat coronavirus/COVID-19 (restrictions on air travel and travel in general, entry restrictions, quarantine measures, etc.), GIZ and the contractor are obliged to make adjustments to their contractual services to reflect the changed circumstances on the basis of good faith; this may involve changes to the service delivery period, the services to be delivered and, if necessary, to the remuneration.

Annex:

„GIZ International Market Study Shea Nilotica“