

BAT: tailor-made for Uganda

INTERVIEW WITH RICARDO FONSECA

MANAGING DIRECTOR, BRITISH AMERICAN TOBACCO UGANDA



RICARDO FONSECA is a graduate of Engineering and Marketing with an MBA from Dom Cabral Foundation, Brazil. In his 14-year career with British American Tobacco he has occupied senior engineering, projects and management roles in BAT's largest Leaf Operation – Souza Cruz, Brazil to being President Director of Export Leaf Indonesia. He joined BAT Uganda in June 2008 as Managing Director with a mandate to develop a sustainable business concern.

What is the history of BAT's investment and contribution to the agricultural and economic development of Uganda?

BAT Uganda has been operating in Uganda for over 80 years as a value-added agro exporter. Until 2006, BAT Uganda was also involved in the manufacture of quality cigarettes for the Ugandan market. To date the manufacturing arm is managed by our sister company BAT Kenya while BAT Uganda continues to trade and distribute our brands in Uganda. Our business strategy over the years has supported our contracted farmers to grow international quality tobacco in a socially responsible manner and also enable Ugandan business enterprises to independently trade in our products, thus creating direct and indirect linkages to our business development.

The company grows tobacco in over 18 districts of Uganda and currently supports up to 36,000 farmers through our leaf operations. Each year BAT Uganda pays out over US\$ 19 million in farmer incomes. This is a valuable contribution to the development of the communities in which we do our business.

I am proud to say that in 2008 BAT Uganda was awarded the prestigious Platinum President's Exporter Award as the highest foreign exchange earner. Our company is also among the leading top tax payers in Uganda over the past decade. In 2008 BAT Uganda contributed over US\$ 27 million to government revenues in the form of taxes and this contribution increases each passing year.

What are the unique conditions which make Uganda an attractive destination for agricultural investment, in particular for tobacco growing – with its associated added value operations?

Uganda is largely an agricultural country, endowed with good soils with high fertility and good weather patterns that can allow crop growth throughout the year. It has a well defined bimodal rainfall pattern that can enable two growing seasons per year for most annual crops. For the past two decades there has been political stability with progressive efforts to have a peaceful environment for doing business and indeed, agricultural investments have flourished with the noted political goodwill to support investments. Uganda is also blessed with an amiable hard-working populace with a willingness to learn new skills. The BAT Group

has seized all these opportunities to transfer skills to BAT Uganda in improved tobacco growing, processing and export with commendable returns.

While the end-product of the tobacco industry attracts a certain controversy, what are the positive benefits of the industry to a country like Uganda, beyond direct crop income and net revenues to the government?

Taking BAT Uganda to represent the tobacco industry, it is perhaps the only company in Uganda that provides agricultural extension expertise in the agricultural sector for better crop productivity. We are directly involved in the development of afforestation and biodiversity projects and proactively advocate for integrated crop management with positive environmental management, urge our farmers to grow other crops, especially food crops to ensure food security and diversify income sources. Our farmers are supported with crop inputs as well as full facilitation during and until the crop is harvested and sold. In a country like Uganda where access to Bank credit is unheard of, to subsistence farmers with no credible securities, our contribution to agricultural support cannot be overstated.

In addition to the above, many students from higher institutions of learning are sent for research and internship with BAT Uganda. This greatly contributes to training and skills development of Uganda's nascent work force. Through its Corporate Social Responsibility programme, BAT Uganda offers study scholarships to farmers' children, is involved in community capacity development programmes and has a structured, funded and vibrant programme for elimination of child labour in tobacco production that includes a vocational institute, among other things.

Apart from directly employing the rural community in the growing process, other people in the community are contracted as seasonal employees especially during leaf-buying and processing periods.

What are the particular benefits to Uganda arising from BAT being an international and global company?

Being an international enterprise affords BAT priceless opportunities for skills and resources transfer, increased diversity in resources including people, finance, information and technology, tools and equipment.

Local Ugandan staff are exposed to different skills and experiences through international assignments to and from the country. The British American Tobacco Group also has a well developed and funded global R&D support centre at Southampton that supports its world-wide operations with innovative business solutions and the development of new technologies from which Uganda has benefited immensely.

You have been Managing Director at BAT Uganda since the 2nd quarter of 2008. What have been the challenges you've faced and your priority objectives since coming into this post?

Ambulatory foreign exchange rates are the biggest challenge to doing business in Uganda. They are very unpredictable and yet they constitute a key factor to international business. It affects us so much in as much as we sell tobacco in dollars and a lot of our tobacco supply chain processes and services are denominated in the Ugandan Shilling. Tobacco is a bulky product and the infrastructure, particularly roads, are poor including the vehicles that ply such roads. Being a landlocked country the other challenge in our export and import operations is the transportation logistics which are expensive, slow and often inadequate to cope with increased business speed. My priorities are centered at rolling out a new farmer model aimed at improving farmer productivity of contract-committed farmers. The model enables farmers to be well supported to raise their productivity even from their small fields through better methods of farming – call it putting in place sustainable model farmers that will produce tobacco today, tomorrow and in the future.

How do you see the future prospects in Uganda for tobacco cultivation in particular and agricultural development in general.

The future of agricultural development in general is full of potential. The necessary conditions for improved quality crop production such as weather, soils and the people are excellent. The government continues to commit resources to the development of agriculture generally and there is great potential for improvement especially in the northern part of the country which has of recent experienced peace after years of civil conflict. The current drive by BAT Uganda is to continuously improve productivity while maintaining the already good quality improvement practices that have made BAT Uganda one of the best quality leaf sources by world standards over the past four years. We will take advantage of these good underlying factors to progressively and sustainably increase our production to meet demand.

What lessons can be learnt from BAT's model of engagement in Uganda and elsewhere for the developing world in general?

BAT Uganda believes in empowering the local populace as partners in its business. We enter into contracts with selected farmers where we offer tobacco growing skills, financial support, input sourcing and technical advice, and above all provide an assured, ready market for their produce once harvested. We partner with the communities in social responsibility initiatives, development projects, support and embrace the use of Good Agricultural Practices for sustainable operations, environment and biodiversity conservation programmes. **F**

Uganda is blessed with an amiable, hard-working populace, excellent weather and fertile soils



Tobacco cultivation in Uganda: the country produces some of the highest quality leaf in the world