IMPROVING EXPORT FINANCING AND MANAGEMENT: A CASE OF GREAT LAKES COFFEE COMPANY LTD

ABSTRACT

Although audit control systems manages and audits stock existent in the warehouse and issue a stock warrant in form of a warehouse receipt against which export companies can draw money on its overdraft facility with existing banks in Uganda, companies can not request for funds without a receipt. This results in challenges of accessing funds to facilitate export business; with export sales dropping by 30% - 40% between 2003 and 2008 and pushing Great Lakes Coffee Company, our case study for this research to fifth position because of failure to finance purchases of coffee for export. This growing need for continuous financing of Small and Medium Enterprises to facilitate export activities therefore demands more pragmatic measures that can be used to improve export financing and management Using a research Questionnaire titled "Improving Export Financing And Management" to solicit information from respondents, this study assessed the Warehouse Receipt System of export financing and the challenges to Warehouse Receipt Financing. The objective is to establish the relationship between Warehouse Receipt financing, export sales management and market growth opportunities in order to identify strategies to improve export financing. Findings from the analysis of collected data showed that Warehouse Receipt financing is widely acceptable and its challenges are attached to price volatility. The experience of several companies that have tried to establish Warehouse Receipt Systems indicates that, in order to be efficient, Warehouse Receipts need to be regularized in the laws of microfinance as an alternative, so that the ownership established by the receipt is not challenged. Other recommendations were made based on our findings.

Key Words: Warehouse, Receipt, System, Export, Financing, Management

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Introduction

Small and medium-sized enterprises substantially contribute to country exports around the world, (Fletcher, 2004).Small firms are increasingly becoming international, they appear to be entering the international arena at an earlier age than had been the case in previous decades, (Anderson *et al.*, 2004). Exporters face daunting challenges that limit their ability to realize such growth opportunities. Smaller and younger firms are particularly susceptible to export barriers, as resource constraints and organizational limitations increase their vulnerability. Exporting tends to be the most common form of internationalization, (Leonidou and Adams-Florou, 1999), as it provides the firm with high levels of flexibility and a cost-effective way of penetrating new foreign markets quickly. Drawing on previous empirical efforts in the broader sales management literature, it is possible to suggest that management in highly performing export sales organizations is involved to a greater extent in monitoring, directing, evaluating, and rewarding activities, compared to relatively poorly performing exporters. Specifically, Piercy *et al.* (1997a, b) found significant differences between high and low sales unit effectiveness groups in terms of the directing, monitoring, evaluating, and rewarding they receive of their superiors. Commercial banks are the largest financing source for external business debt, (Berger & Udell, 2002), including working capital loans.

Great Lakes Coffee (GLC) is a privately owned coffee exporting company with over 40 years experience in the coffee industry in Central Europe, North America and East Africa. It is a limited liability company incorporated in Uganda on the 11th day of January 1999 with the initial capital of US. Dollars 250,000 fully paid. The core business involves buying raw coffee from farmers through its regional branches, directly at their Kampala premises, processing, and exporting. In 2002 and 2003, Great Lakes Coffee Company was presented with the president's gold award for the best coffee exporting company in Uganda (U.E.P.B, 2003). However, the company has not maintained its top spot in terms of quantity, individual and cumulative market share ever since. The product range consists of all commercial and premium grades Arabica (30%) and Robusta (70%) green coffee beans, retailing, cupping, and transportation. The company also deals in rare specialty Arabica from Lake Kivu in the Democratic Republic of Congo because their business extends to North Kivu region of DRC, trading as Coffeelac SPRL in Goma and Planoki SPRL in Beni. GLC is currently the fifth leading exporter of quality coffee products. GLC's strength lies in pure variety-wise purchase and processing at the factory premises which enables the company to maintain and market its Coffee all round the year. It is also a member of "East African Fine Coffees Association". All the company premium grades are regularly exhibited at the East African annual trade show held under the Uganda Coffee Development Authority.

Although Audit Control and Expertise Ltd audits stock existent in the warehouse and issue a stock warrant in form of a warehouse receipt against which Great Lakes Coffee Company can draw money on its overdraft facility with Stanbic Bank, the company cannot request for funds without a receipt. As a result, the company has had challenges of funds to facilitate its export business; with export sales dropping by 30% - 40% between 2003 and 2008 (Uganda Coffee Development Authority, 2008). This challenge pushed the company's position to fifth because of failure to finance purchases of coffee for export. The remaining part of the paper is organized as follows: Related literature is x-rayed in Section 2. The methodology for the research is detailed in Section 3 while data presentation and analysis is discussed in section 4 the research concludes in Section 5 with recommendations, implication for policy and practices and direction for future work.

Theoretical Background and Literature

Prior research on exporting has provided a foundation for understanding the specific aspects of this internationalization strategy and the implications it presents for the firm's manager. Various researchers have investigated the problems facing exporting firms. Bilkey (1998) found that lack of finances, foreign government restrictions, inadequate knowledge of foreign sales practices, inadequate distribution and lack of foreign market contacts were common problems in exporting. Exporting may also be inhibited by the SME's limited resources and management skills, language inability, cultural differences, and psychic distance (Fletcher, 2004; Miesenböck, 1988; O'Farrell *et al.*, 1998). According to Jones and George (2003), the efficiency of a firm is a measure of how productively it uses its resources to achieve its goals and the effectiveness of a firm is a measure of the appropriateness of its goals and the degree to which those goals are achieved. Given the nature of its operations, the efficiency of an exporting firm represents the efficiency with which it provides exporting services to its clientele. One key basis of exporting firms in a long term relationship with customers is the efficiency of its export operations i.e., the cost savings it generates (Bello and Williamson, 1998). Therefore, the more efficient the firm is in providing the transaction-creating and the physical-fulfillment services, the greater the trust and commitment it can develop with its customers for larger sales volumes over the long term. We discuss literature under the sub headings of *Export Growth, Export Price Fluctuations, Trade Financing and Warehouse receipt financing* as follows;

Export Growth

Anderson *et al*. (2004) argue that if globalization is defined as being the broader opening up of national economies to the international marketplace, then it has implications for small firms as well as large. Increased participation of small firms in the international marketplace is an important part of globalization (Ferrell *et al*., 2000). The importance of exporting lies in the substantial benefits that can be gained from this activity for both governments and corporations. At the government level, exporting provides economies with social prosperity and development, generates foreign exchange to support other economic activities, creates backward and forward linkages in the economy, and increases employment opportunities (Czinkota and Ronkainen, 2001; Leonidou, 1998; Marin, 1992; Onkvisit and Shaw, 1993; Sharpe, 1995). In an export setting, managers are responsible for export decisions, and in making such decisions, they are assumed to have several export objectives in mind. In this context, it must be appreciated that exporting is a strategic choice for a firm. Therefore, the role and expectations of exporting can vary widely from one firm to another, even with firms with the same intensities or volumes of sales from exporting (Aksoy and Kaynak, 1994).

Regardless of the specific export objectives a firm pursues, the goal model suggests that when managers evaluate their firms' export success, they consider the actual performance outcomes against their expectations; more specifically, actual results, which are typically measured in financial terms such as sales and profits; are interpreted or adjudged by management according to its expectations for them (Jones and George, 2003). Treat Exporting as a Bundle of Business Relationships (Brasch, 2001). Export managers should treat exporting as a portfolio of behavioral interactions with their foreign customers and not just as a series of financial transactions. These interactions are not static; rather, they may develop in different directions: Some are problematic and need elimination, others are inert and require improvement, and still others are healthy and demand close attention (Ford and Rosson, 2000). Therefore, managers must set up a monitoring mechanism with a view to obtaining the appropriate mix of foreign business relationships, which will eventually help the company, expand successfully abroad. Each relationship should be treated both as a separate case and in conjunction with other relationships in the company's portfolio.

Fingar (2001) emphasizes that management has to demonstrate greater inter-firm commitment. Accepting short-term sacrifices, costs, or restrictions required to produce and enjoy common benefits with the other party is essential in guaranteeing long-term prosperity of the relationship. As does trust, commitment takes time to develop and requires the continuous support of management in allocating adequate human, financial, and allied resources to the relationship. However, there must be a fair exchange of commitment in the relationship; otherwise, one of the parties will believe that it is only giving, without taking anything in return. To overcome problems associated with national, organizational, and personal differences, there is a need to establish proper communication procedures that will improve the frequency, clarity, and type of the information exchanged. Participation in cross-cultural training programs is one way to improve the communication process, especially if it involves a personal presence in foreign markets by company officials at any hierarchical level. Communication can also be facilitated through the use of interactive online computer technology, which allows for a cheap, fast, and constant flow of information. Keep conflict at manageable levels as stated by Brasch, (2001). Some conflict is healthy for the relationship; otherwise, it will become passive, non-innovative, and eventually unreliable (Stern and El-Ansary 1988).

Export Price fluctuation

Better access to credit has been driving demand for commodity price hedging in the developed market economies. The same should be true in developing countries in future decades. Consider commodity exporters, domestic processors, traders, and their exposure to commodity prices between purchase and eventual sale, which fluctuates from a few weeks for an efficient exporter to a year for processors. Over this period, it is natural for them to wish to borrow against their inventories, a standard practice in the developed market economies. The collateral value of inventory is substantially enhanced if it is hedged; enabling firms to borrow a larger proportion of inventory value (typically up to 80 percent) on more attractive terms. Similarly, producers’ risk should be considered smaller by their local bank when part of their production is hedged (World Bank, 1999). The paper continues to discuss that improved credit access should also help level the playing field. Local traders now find themselves at a competitive disadvantage to multinational firms or firms with international links that can obtain credit on good terms and hedge their price risk through their parent or affiliate. Ford *et al*., (2000), confer that access to commodity risk management can level the playing field, allowing indigenous firms to compete on closer to equal terms. It also may persuade such firms that market liberalization to their advantage.

Export performance is broadly defined as the outcome of a firm’s activities in export markets (Shoham, 1996). It includes economic (e.g. export sales intensity, sales growth and profit ratio) and non-economic (e.g. export market number, new products exported and number of export transactions) aspects (Katsikeas *et al*., 2000). Effectiveness of a particular export sales unit (of the firm), on the other hand, is construed as a summary evaluation of specific organisational outcomes pertaining to the unit’s export sales volume, market share, profitability and foreign customer satisfaction (Babakus *et al*., 1996; Piercy *et al*., 1997). This evaluation can be for the entire export sales unit or for subsets of the export sales organization such as specific foreign markets, regions or customer groups (segments). Appraisal of the aforementioned organizational results is a simple and practical way for senior management to prioritize attention and identify strategies for improving performance, productivity and competitiveness (Ingram *et al*., 2000). The effective export sales organization is the one which meets and exceeds the goals set for it by the management and beats foreign market competition in sales, market share, profitability and customer satisfaction (Piercy and Cravens, 1997).

An issue pertinent to exporting, but which has received no empirical attention in the extant literature, concerns those sales strategies which firms adopt to enter, penetrate and grow in export markets (Ferell *et al*., 2000). This is regrettable considering that sales management activities are critical to the survival, growth and profitability of the firm (Hyman and Yang, 2001). This can be attributed to the vitally important role which the sales function plays in the implementation of effective marketing strategies in many business organizations (Churchill *et al*., 2000). From the traditional marketing mix point of view, many scholars have conducted empirical research on the relationships and influences of different variables on export performance of the firm. For example, pricing strategy (Cavusgil and Zou, 1994; Koh, 1991), country-of-destination (Sriram and Manu, 1995), firm size (Bonaccorsi, 1992; Samiee and Walters, 1990), export marketing research and information utilization (Souchon and Diamantopoulos, 1996), promotion (Madsen, 1998), product strategy (Cavusgil and Zou, 1994), distribution channel (Kohli, 1999; Rosson and Ford, 2000), and marketing mix standardization (Aulakh *et al*., 2000).

Distribution and channel management capabilities, including relationship management competencies, have also been identified as critical success factors in international marketing of agribusiness products. Chryssoichoidis (1996a) and Aksoy and Kaynak (1994), for example, observed in their separate studies that successful exporters tend to have effective distribution networks in international markets. The relevance of relationship management skills in achieving this international distribution effectiveness was also highlighted independently by Leake (2000), Shaw and Young (2000) and Lawson (1998). Leake (2000), for example, reported on the extensive foreign visits and other relationship-building efforts of a US meat exporter, while Lawson (1998, p. 18) underlined the critical importance of "strong, long-term, well-crafted relationships" for successful marketing in the agribusiness sector. Some evidence of the impact of firms' promotional and pricing effectiveness in generating international success was also reported by Aksoy and Kaynak (1994). The last mentioned study, for example, concluded that successful international firms tend to engage in extensive promotion and prestige pricing, and generally exploit favorable "country of origin" cues in their promotional messages. Denh and Dart (1994) also suggested, based on their study of Cyprus wine marketing in the UK, that low promotional awareness and perceived lack of value in foreign markets generally had a detrimental effect on international market performance. Further supportive evidence regarding the performance enhancing effects of appropriate pricing strategies was reported by Mauget and Declerck (1996) and van Rooyen *et al.* (2002) based on their respective studies of European and South African agribusiness enterprises.

Researchers have also underlined the relevance of firm's marketing research and planning capabilities in achieving international market success. These include Aksoy and Kaynak (1994), who associated successful fruit and vegetable exporters with critical marketing research capabilities; Crick *et al.* (2000), who found that better performing British agribusiness exporters are more likely to plan and use marketing intelligence; Charlet and Henneberry (1996), who observed a higher incidence of semi-formal marketing research among the more successful US agribusinesses; Leake (2000), who reported the use of several information sources (including foreign contacts, potential clients, public and private sector services) by the successful US meat-exporting firm. The last named researcher also highlighted the strategic fit between the study company's core competencies and the characteristics of its target export markets. As this author observed, the Japanese, Mexican and Korean markets look for quality and tend to pay premium price for products modified to suit their unique specifications. It also helped that these countries feature rapidly expanding, Western-style retailers or supermarket chains that work directly with international meat exporters (Leake, 2000).

Regarding physical resources such as size, location, financial base, plant and equipment, respective studies by Grisprud (1990), Byford and Henneberry (1996), and Carter and Rosa (1998), involving Norwegian fishery exporters, and US and British agribusiness firms, found higher export performance levels among larger firms; they linked this to the larger firms' stronger resource profile relative to their smaller counterparts (see also Reid, 1983; Ford and Leonidou, 1991; and Prasad, 2001). Grisprud (1990) found evidence among Norwegian fishery exporters that larger firms appeared to have moved into the Japanese markets to a greater extent than smaller firms. Also, Carter and Rosa's (1998) study of UK farm businesses observed a significant relationship between exporting and hectarage. A plausible explanation for this lies in the greater tendency of larger firms to achieve higher efficiencies and productivity (Gorelick, 2000) both of which are likely to result in more internationally competitive prices. Other studies that reported relevant supportive evidence include Aksoy and Kaynak (1994), who found that successful international firms tend to leverage external resource factors, including geographical location, natural resource endowments, and climatic advantages; Murray (1997) and van Rooyen *et al.* (2002) highlighted the importance of financial resource base to the international success of agribusiness firms.

Trade Financing

Collateral based lending offered by traditional banks and finance companies is usually made up of a combination of asset-based finance, contribution based finance, and factoring based finance, using reliable debtors or contracts (Cook, 1999). Berkowitz & White (2004) argue that an asset based business line of credit is usually designed for the purpose as a normal business line of credit to allow the company to bridge itself between the timing of cash flows of payments it receives and expenses. The primary timing issue involves what are known as accounts receivables – the delay between selling something to a customer and receiving payment for it. They continue to note that a non asset based line of credit will have a credit limit set on account opening by the accounts receivables size, to ensure that it is used for the correct purpose. An asset based line of credit however, will generally have a revolving credit limit that fluctuates based on the actual accounts receivables balances that the company has on an ongoing basis (Berkowitz & White, 2004). This requires the lender to monitor and audit the company to evaluate the accounts receivables size, but allows for larger limit lines of credits, and can allow companies to borrow that normally would not be able to.

Furthermore, all businesses invest in some amount of inventory, from a law firm’s stock of office supplies to the large inventories needed by retail and wholesale enterprises (Cook, 1999). He notes that without some amount of working capital finance, businesses could not open and operate. Here, working capital finance supports the buildup of short-term assets needed to generate revenue, but which come before the receipt of cash. Berger & Udell (2002) affirm that since most businesses do not receive prepayment for goods and services, they need to finance these purchase, production, sales, and collection costs prior to receiving payment from customers. Adequate and appropriate working capital financing ensures that a firm has sufficient cash flow to pay its bills as it conducts ongoing investments in product and process improvement and market expansion (Cook, 1999) therefore, often must be addressed through working capital financing. Just as working capital has several meanings, firms use it in many ways. Most fundamentally, working capital investment is the lifeblood of a company. Without it, a firm cannot stay in business. Thus, the first, and most critical, use of working capital is providing the ongoing investment in short-term assets that a company needs to operate. A second purpose of working capital is addressing seasonal or cyclical financing needs. Here, working capital finance supports the buildup of short-term assets needed to generate revenue, but which come before the receipt of cash (Brealey and Myers, 2002).

Working capital is also needed to sustain a firm's growth. As a business grows, it needs larger investments in inventory, accounts receivable, personnel, and other items to realize increased sales. New facilities and equipment are not the only assets required for growth; firms also must finance the working capital needed to support sales growth (Harris, 2005). The use of working capital is to undertake activities to improve business operations and remain competitive, such as product development, ongoing product and process improvements, and cultivating new markets. With firms facing heightened competition, these improvements often need to be integrated into operations on a continuous basis.

Warehouse Receipt Financing

Coulter and Onumah (2002) describe warehouse receipts as documents issued by warehouse operators as evidence that specified commodities, of stated quantity and quality, have been deposited at particular locations by named depositors. The depositor may be a producer, farmer group, trader, exporter, processor or indeed any individual or body corporate. The warehouse operator holds the stored commodity by way of safe custody; implying he is legally liable to make good any value lost through theft or damage by fire and other catastrophes but has no legal or beneficial interest in it. However, in case of liquidation, the warehouse operator's creditors will not be able to seek recourse to the commodities stored as legal title remains with the depositor or *bona fide* holder of the receipt. The only exception is the warehouse operator's lien covering outstanding storage costs. Lenders can mitigate credit risk by using the stored commodity as collateral. This form of collateral is more readily available to rural producers and may be less difficult to liquidate than most assets traditionally accepted by Financial Institutions as collateral. Bessis (1998) gives an example that availability risk associated with movable collateral can be reduced by the warehouse operator's guarantee of delivery from a stated location.

The risk of loss of value of the collateral can be reduced by monitoring movements in its market value as well as by margining and the use of price risk management instruments (Coulter and Onumah, 2002). Foreclosure can be made simple and low cost, without any resort to the courts depending on how the financing is structured. The WRS will also make it less necessary for lenders to monitor a large number of small borrowers as a few warehouse operators assure loan performance (Budd, 2001). This will reduce monitoring costs and encourage commercial lending to the rural sector, helping to capitalize the rural trade. The idea of a Warehouse Receipt System in Uganda was conceived in 1995 after realizing that the rural producers and cooperative societies were being edged out of the market because they could not access trade finance and production credit (Mwesigye, 2006). Secondly the quality of commodities was deteriorating due to fierce competition as the new buyers who entered the market were more interested in volumes than the quality.

The Uganda government in conjunction with the Common Fund for Commodities (CFC) is piloting the scheme using cotton and coffee. So far the scheme has been piloted for three coffee seasons and one cotton season (World Bank, 1999). The depositors are mainly cooperatives and the benefits according to Akiyama *et al*., (2003) are that farmers have realized premium price of 20cts per kg for coffee and the premium for 600bales was US$ 5,000. The quality of coffee and cotton deposits on WRS is better. Farmers have reduced the marketing chain by getting close to the export market. Coffee farmers are able to get access to market information to enable them bargain better. The system has received additional funding from the European Union (EU) through the Ministry of Tourism, Trade and Industry, to promote the use of WRS. The Warehouse Receipts System (WRS) Bill was passed by the Parliament on April 5, 2006 (U.C.D.A, 2006). The passing of the WRS ensures the establishment of a framework for regulating warehouses and warehouse operators, who can issue authorized Warehouse Receipts. The WRS is being used in the development of a system for commodity trade and financing based on inventory collateralization as a means of trade financing. The WRS allows farmers to obtain market information and quality assurance, and its certification system enables farmers and traders to obtain financing from financial institutions using their produce as collateral (Akiyama *et al.*, 2003). The warehouse receipt system, or warehouse inventory credit, achieves two important purposes: first, as a facilitator of credit delivery for inventory or products held in storage; and second, as a means of improving the bargaining position of the depositor (U.C.D.A, 2006).

The development of field warehouse receipt lending in several developing countries has generally relied on the promotional effort of credit-support companies with experience in credit structuring and management, as well as technical competence in field warehouse establishment and operation, including management of inventories and accounts receivable as credit collateral. ACE – Audit Control and Expertise and similar companies have mounted training and educational programmes for bankers, producers, agro-processors and government functionaries in the use of field warehouse receipt as a financing instrument (Mwesigye, 2006).Most of the field warehouses issuing warehouse receipts for credit, in general, have been established by warehouse companies at the insistence of banks. Growth of the use of field warehouse receipts as a lending instrument will require banks to develop a suitable credit-appraisal system that will lead to the evolution of a special credit standard and procedures to minimize default risk. In the early period of building their internal capacity, it will be advantageous for banks to maintain a close working relationship with an experienced credit-support company (World Bank, 1999). Akiyama (2003) adds that indeed, asset-based lending requires assessment of two important elements namely; the creditworthiness of the borrower and the quality of the collateral provided.

As already mentioned, asset-based lending is used by banks for clients with marginal creditworthiness; therefore, the credit rating of asset-based lending is dependent more upon the quality of the collateral (Budd, 2001). In field warehouse financing, using inventory and accounts receivable as collateral, banks will depend, to a large extent, on the services of a credit-support company or warehousing company for evaluating the quality of the collateral, and for assuring maintenance of collateral quality during the credit period, since most banks in developing countries have limited technical competence to evaluate the quality of the collateral, and to control the inventory serving as collateral (Coulter, 2002). Coulter *et al*., (2002) continue to stress that extension of field warehouse receipt credit therefore requires financier's confidence, not only in the borrower, but also in the independent credit-support company or warehousing company. Five credit elements are considered when evaluating field warehouse receipt financing. The first three relate to determining the quality of the collateral.

In developing countries where banks are less conversant with field warehouse receipt financing, a credit-support company that combines credit design, appraisal and management with technical competence in field warehouse establishment and management will be preferred to a pure warehouse company with competence only in the latter (Akiyama *et al*., 2003). The bank should evaluate the company as to technical competence in programme design, appraisal and credit management; quality and quantity certification and control as will be reflected in past performances; experience; range of services; financial status and responsibility; integrity and reliability of its warehouse receipt; cost of operation relative to quality and range of services provided; and the amount, coverage, reliability and worth of its bond. Coulter (2002) also says that the field warehouse should be assessed with respect to the adequacy of the physical conditions, including suitability for storage of the commodity concerned; accessibility; security arrangements; facilities for quality and quantity certification; natural-disaster proneness; the validity of the lease/sub-lease agreement; existence of landlord waiver and consent; the extent, value coverage and reliability of casualty insurance carried by the depositor; competence and integrity of the custodian; and independent and exclusive warehouse management by the warehouse company.

In addition, Budd (2001) argues affirms that the merchandise constituting the collateral will be assessed as to susceptibility to deterioration, breadth of market, value, price fluctuation, ease of liquidating the inventory, inventory obsoleteness and legal impediments to liquidating collateral. In cases where accounts receivable constitute part of the collateral, the trade-credit policy of the borrowing firm and collectability of receivables are major factors for assessment. The borrowing business enterprise will be assessed as to its financial strength and capital base; management capability and technical ability to complete the transaction cycle; character; moral and financial responsibility of its principles; financial policies including trade-credit practice, working-capital management; and cost-control measures (Berger and Udell, 2002). Legal and regulatory aspects should be considered, such as recognition within the country's legal framework of field warehouse receipt as an instrument for secured lending, and assurance that the laws on secured transactions give practical protection and remedies for instance interim relief, including unimpeded recourse to assets pledged as collateral to the lender in the case of default by a debtor (Budd, 2001). In addition, the integrity and functionality of the judicial system itself requires examination by local and international lenders. Akiyama *et al*., (2003) add that the history of the application of legal self-help mechanisms, such as rights of seizure and the civil procedure for execution of judgment debts. However, Budd (2001) argues that regulations and policies that interfere with free-market operations should be recognized as risks, which may influence market accessibility and price fluctuations.

Research Design and Data collection

A cross-sectional study was conducted. Both descriptive and quantitative statistics were derived to achieve the objectives of the study. The study population was 110 comprised of (40) management employees of Great Lakes Coffee Co. Ltd, Buyers' inspectors (25); Audit Control and Expertise employees (20); (5) Uganda Coffee Development Authority officials and (20) shippers' representatives. The primary data for the research was obtained through personal interviews and by self administered questionnaires. Managers at different levels responded to questionnaires from which data was collected and analyzed. Secondary Data was obtained from review of journals, published reports and management reports of Great Lakes Coffee Company Limited. A documentary review was also used to collect data on financing and management to incorporate perceptions from particular individuals in order to obtain adequate explanations and minimize on non-response.

Data Collection Instrument

A Questionnaire titled "Improving Export Financing and Management" was used to assess the Warehouse Receipts system of export financing, questionnaires were administered to management staff to fill, collected and analyzed. A documentary review was also used to collect data on financing to incorporate perceptions from particular individuals in order to obtain adequate explanation and minimize on non-response.

Findings and Analysis

Descriptive and inferential statistics are used to present the background information of the respondents, study variables, and correlation tests to establish the contribution of the warehouse receipt on export sales management and market growth opportunities.

The research instrument used to collect data for this research was used to establish statistics about respondents, and assessment on how the warehouse receipt system of financing has contributed to coffee export management. Secondary data from the books of Great Lakes Coffee Company Limited (GLC) about sales variations over a period of time was also used to relay the impact of price fluctuations, management and eventual sales volume. Analysis and interpretation of the study was carried out with the guidance of the following research objectives;- 1) Assessing the Warehouse Receipt System of export financing. 2) Examination of t challenges to Ware House Receipt Financing. 3) Establishing the relationship between Warehouse Receipt financing, export sales management and market growth opportunities. 5) Identification of strategies to improve export financing

Response Rate

The study established the gender distribution of 80 management personnel out of the targeted 110 respondents from Great Lakes Coffee Company as illustrated below.

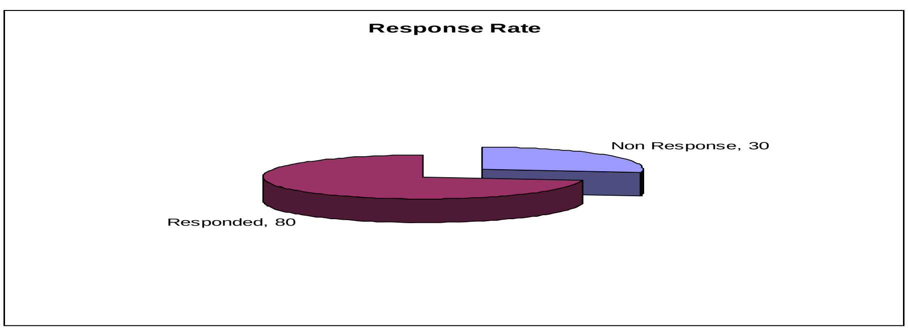

Fig. 1: Response Rate (Source: Primary data)

According to the chart above, (72.7%) responded to the administered questionnaires. However, (27.3%) did not respond. Those who responded consisted of (40) managers of Great Lakes Coffee, buyers' inspectors (15), Audit Control and Expertise (10), U.C.D.A officials (5) and (10) shipping representatives.

Table 1: Cross Tabulation of Gender and Levels of Management

Variables	Description	Frequency	Percentage	Cumulative %
Gender	Male	62	77.5	77.5
	Female	18	22.5	100.0
	Total	80	100.0	
Levels of Management				
	General Manager	1	1.25	1.25

	Finance Manager	1	1.25	2.50
	Operations Manager	1	1.25	3.75
	Other	77	96.25	100.0
	Total	80	100	

Source: Primary Data

Findings in the above table 4.1 show (77.5%) male and (22.5%) female respondents participated in the study. Among these, (3.75%) were top managers of Great Lakes Coffee Company and (96.25%) consisted of other export personnel from whom data was collected giving a total of (100%) respondents. The male respondents hold higher positions of management as compared to the female respondents.

Table 2: Cross Tabulation of Age Group of Respondents

Variables	Description	Frequency	Percentage	Cumulative Percentage
Age Bracket				
	20-29	20	25.0	25.0
	30-39	40	50.0	75.0
	40-49	14	17.5	92.5
	50 and above	6	7.5	100.0
	Total	80	100.0	

Source: Primary Data

Table 2 above shows that (25.0%) were between the ages brackets (20-29); (50.0%) between (30-39). All the respondents are above the age of 20 years but age bracket (30 – 39) represented the highest percentage of 50.0%. This implies that all the respondents were adults and could provide the required information for the study.

Table 3: Cross Tabulation of Working Experience of Respondents

Variables	Description	Frequency	Percentage	Cumulative Percentage
Working Experience				
	1-3 years	20	25.0	25.0
	4-6 years	34	42.5	67.5
	6-9 years	24	30.0	97.5
	10 and above	2	2.5	100.0
	Total	80	100.0	

Source: Primary Data

Table 3 revealed that (25.0%) had working experience of (1-3) years. According to the table, (42.5%) of the respondents had experience of between (4 – 6) years followed by (30.0%) between (6 – 9) years; this means that they had enough experience and knowledge about the study.

Table 4: Cross Tabulation of Levels of Education of Respondents

Variables	Description	Frequency	Percentage	Cumulative Percentage
Levels of Education				
	A Level	1	1.25	1.25
	Degree	34	42.5	43.75
	Tertiary	11	13.75	57.5
	Post Graduate	34	42.5	100.0
	Total	80	100.0	

Source: Primary Data

Table 4 above shows that (13.75%) had tertiary qualification; (42.5%) of the respondents were both degree and post graduate degree holders respectively, implying that they were able to read and understand the research instrument, interpret and provide the required information.

Objective One: Assessing the Ware House Receipt System of Export Financing Commodity Financing

Respondents in this study addressed the section on commodity financing schemes to find out which commercial facilities among others are most utilized by organizations. A likert scale was used against each of the financing options available to exporting companies. Data collected was further analyze and presented in table 4.5 below.

Table 5: Ranks of Commodity Financing Schemes

Commercial Facilities available to companies	Rank	Percentage
Factoring	6	46.2
Leasing	2	76.9
Credit rating	4	66.7
Overdraft	1	92.3
Corporate guarantee	3	71.7
WRS	5	64.1

Source: Primary Data

Apparent from table 5, factoring is the least utilized commercial facility with 46.2%. The overdraft facility takes up the biggest percentage of bank lending at 92.3%. Notably, results about the Warehouse Receipt System of financing indicate that 64.1% of the respondents use this facility as an option. However, being ranked 5 means that majority of commercial banks have not yet fully adopted the WHS.

Warehouse Receipt Financing

In order to establish the level of usability, acceptability and flexibility of the WHR system of financing, the study used a four likert scale questionnaire, ranging from strongly disagree to strongly agree. The degree to which this system has assisted Great Lakes Coffee Company was determined by adding agree to strongly agree, and disagree to strongly disagree. Descriptive statistics were used to further identify usability of WRS. Results are reflected in table.6 below:-

Table 6: Warehouse Receipt Financing

Statement	N	Min.	Max.	Mean	Std. D
Exporters use the Warehouse Receipt System as a financing option	80	3.00	4.00	3.6207	.49380
We identify transaction risks through Warehouse receipt financing	80	1.00	4.00	2.5000	.72232
WRS has facilitated access to credit at lower lending rates	80	1.00	4.00	2.4000	.81650
WRS offers a higher level of security for the bank	80	1.00	4.00	2.9583	.80645
WRS has enabled the bank to reach a new segment of clientele	80	1.00	4.00	2.8750	.74089
WRS has helped to develop the trade finance sector	80	1.00	4.00	2.5417	.77903
We verify receivable congruence with invoice for the borrower	80	2.00	4.00	3.0000	.58977

We receive ageing reports through WRS from the bank	80	1.00	4.00	2.9167	.65386
WRS has ensured an efficient alerting mechanism with the bank	80	2.00	4.00	2.8261	.49103
WRS allows for constant follow up	80	1.00	4.00	3.0435	.70571
WRS allows for constant reporting	80	1.00	4.00	3.0870	.66831
We find the WRS tailored to our requirements	80	2.00	4.00	2.8696	.62554
We find the WRS tailored to bank requirements	80	2.00	4.00	2.9167	.65386
WRS helps to reduce the physical risk attached to commodities	80	1.00	4.00	2.2917	.99909
WRS enables easy transferability of responsibility	80	1.00	4.00	2.2500	.98907
The WRS has guaranteed insurance	80	1.00	4.00	2.5833	1.05981
WRS is a flexible method of financing	80	1.00	4.00	2.7500	.79400
The WRS has facilitated performance	80	1.00	4.00	2.6087	.89133
We have fully adopted the Warehouse Receipt System	80	1.00	4.00	2.5862	1.05279
WRS is widely acceptable	80	1.00	4.00	3.5172	.68768
There are no delays to funds disbursement under this system	80	2.00	4.00	3.2083	.77903

Source: Primary Data

From table 6, the data set therefore confirms that (3.6207); of the respondents agree that GLC uses WHR system as a financing option. However, (2.4000); disagree with the postulation that WRS has facilitated access to credit at lower lending rates. This further explains why the overdraft facility is more preferred. (2.8696); find the system tailored to their requirements. In other wads it favours their borrowing requirements. (2.7500); agree that it is a flexible method of financing. (2.6087); also agree that the WRS has facilitated their performance to which (3.2083); affirm that there are no delays to funds disbursement under this system.

Trade and Working Capital Financing

Further analysis of trade and working capital was used to explain how the WRS of financing has contributed to export management. Results are shown in table 4.7 below.

Table 7: Trade and Working Capital Financing

Statement	N	Min.	Max.	Mean	Std. D
We forecast the impact of market downturn or upturn on working capital	80	1.00	4.00	2.9730	.79884
We assess the trade finance position to request for more funds	80	2.00	4.00	3.0789	.67310
We apply payment pressure on customers to sustain our working capital	80	1.00	4.00	2.8684	.74148
We have put in place restrictions on internal use of cash	80	1.00	4.00	2.9189	.82927
We hold high levels of cash	80	1.00	4.00	2.8108	.73929
We hold high levels of inventory	80	1.00	4.00	2.2432	1.06472
We have high levels of accounts payable	80	1.00	4.00	2.2105	1.04385

Source: Primary Data

Apparent from the table, is that (2.9730) forecast the impact of market downturn or upturn on working capital. More still, (3.0789); assess their trade finance position in order to request for more funding from the bank. This ensures that the GLC is able to fund the difference between short-term assets and short-term liabilities. As a result, the company can be limited in its ability to weather unforeseen or adverse events and ensure that cash is readily available where it is needed, regardless of the circumstances. Still from table 4.7, the reason why (2.8684); of the respondents apply payment pressure on customers in order to sustain working capital is that under WRS, the maximum loan amount is tied to a percentage of the borrower's accounts receivable. When accounts receivable increase, the allowable loan principal also rises. However, GLC must use customer payments on these receivables to reduce the loan balance. Since accounts receivable are pledged as collateral, when the company does not repay the loan, the bank will collect the receivables directly from the customer and apply it to loan payments. Also apparent from table 4.7, is that (2.9189); of respondents put in place restrictions on internal use of funds, (2.8108); hold high levels of cash, (2.2432); hold high levels of inventory, and (2.2105); hold high levels of accounts payable. This is because GLC generally concentrate on the right processes, such as cash, payables and their supply chain.

Export Management

The study shows an analysis of some of the indicators that correspond most closely to GLC's performance. A four likert scale ranging from inappropriate to most appropriate was used to determine which of the measures can be relied upon to portray company performance. It should be noted that the researcher aggregated the statistics of inappropriate with less appropriate, and appropriate with most appropriate in order to determine which of the indicators can be relied upon.

Table 8: Measures of Performance Management Ranks

Performance Measures	Rank	Percentage
Profits	2	74.4
Sales	3	66.6
Costs/Expenditure	1	79.5
Market Price Indicators	4	25.6

Source: Primary Data

The measures in table 8 above were ranked and certainly, 25.6% of the respondents confirm that market price indicators inappropriately depict a clear image about the company's performance. Profits represent 74.4% appropriateness, 66.6% represents sales and 79.5% expenditure. This means that if GLC is operating in a steady state condition such that all conditions are constant over time, then the maximization of annual returns will be equivalent to the maximization of the present value of all net returns. On the other hand, excessive expenditure for example on advertisement, factory and office expenses, drain the available resources necessary to maintain performance efficiently.

Improving Commodity Export

If management is focused purely on top-line growth, insufficient attention may be applied to cash flow management and forecasting. Consider the impact on working capital of a year-end sales push where coffee purchases have been building up inventory, which may not be the appropriate inventory, to meet demand and yet the quality of receivables deteriorates during the early part of the following year. Proper cash flow management is essential to successful commodity export. To do this effectively, GLC must take into account internal and external financial drivers and consider the sensitivity of those drivers to changes in the business or market. Table 4.9 below further investigated how Ware House Receipt financing contributes to improvement of coffee export.

Table 9: Improving Commodity Export

Statement	N	Min.	Max.	Mean	Std. D
Warehouse receipts extend sales beyond the harvesting season	80	1.00	4.00	2.6667	.87706
Warehouse receipt financing has contributed to market confidence	80	1.00	4.00	2.4231	.80861
Working capital is always guaranteed to facilitate work-in-progress	80	2.00	4.00	3.0000	.67937
Funds are always available to meet subsequent purchases	80	1.00	4.00	2.8519	.81824
We always have enough stock to fulfill buyers' contract requirements	80	1.00	4.00	2.5769	.75753
There are no delays on delivery schedules to our customers	80	1.00	4.00	2.2400	1.01160
Warehouse personnel take responsibility for managing quality	80	1.00	4.00	2.2500	.98907
Very reliable stock information is always made available	80	1.00	4.00	2.7692	1.03180
There is flexibility of the terms of sale between the exporter and buyer	80	1.00	4.00	2.3846	.98293
The WRS has reduced transportation costs	80	1.00	4.00	2.2000	.81650
The WRS has helped to reduce storage costs	80	1.00	4.00	2.2593	1.02254
Funds are readily available to pay employees	80	1.00	4.00	2.7037	.91209
We share management information with employees	80	1.00	4.00	2.6000	1.09006
We set targets for sales, costs, profits, quality, & productivity	80	1.00	4.00	2.7143	.93718
We benchmark our performance against other companies in the industry	80	1.00	4.00	2.8929	.83174

Source: Primary Data

Results from table 4.9 reveal that (3.0000) agree that WRS has guaranteed availability of working capital to the company in order to facilitate work-in-progress. In addition, (2.8519) agree that funds are always available to meet subsequent purchases of raw coffee beans from farmers; to which (2.5769) confirm that there is always enough stock to fulfill export customers' requirements as opposed to (0.75753) who say they do not have enough stock. The WRS has neither reduced transportation costs nor reduced storage costs as represented by (2.2000); and (2.2593) respectively. However, (2.7037) show that funds are readily available to pay employees. Critically, (2.6000); of the respondents share management information with their employees contrary to standard deviation (0.93718); of those who do not. This is more or less a balanced perspective. Sharing management information with employees facilitates integration of specialized activities by keeping each department aware of the challenge and requirements of other departments. It connects all decision centers in the organization and enables management to evaluate and improve performance. Table 4.9, also revealed that (2.8929); benchmark their performance against other companies in the industry.

Objective Two: Examining the Challenges to Ware House Receipt Financing

The following figures were extracted from the accounts of Great Lakes coffee Company representing sales from 2003 to 2008. A trends analysis was carried out to reflect changes in the quantity of coffee exported and value realized from these sales over a period of time. This helped the researcher analyse the impact of price fluctuation on sales revenue.

Table 10: Great Lakes Coffee Company Export Sales

YEAR	2003	2004	2005	2006	2007	2008
Quantity (Kgs)	15,207,659	14,553,836	12,667,985	12,447,344	13,492,586	13,270,888
Value (USD)	30,415,318	21,830,754	19,698,717	19,200,031	23,310,057	27,149,445

Source: Secondary Data

Table 10 represents coffee exports by type, grade and unit price realised in the period 2003 to 2008. Exports in 2008 amounted to (13,270,888Kgs) valued at $ (27.1m), representing a drop in volume of 1.6% and rise in value of 16.5 %, respectively. According to the Uganda Coffee Development Authority report of 2008, the weighted average price for the year 2008 was 213 cents/kilo, a cent up compared to 2007; Robusta - 204 cents/kilo up from 201 cents and Arabica – 256 cents up from 251 cents.

The chart below is based on the quantity and revenue figures from Table 10 as illustrated below: -

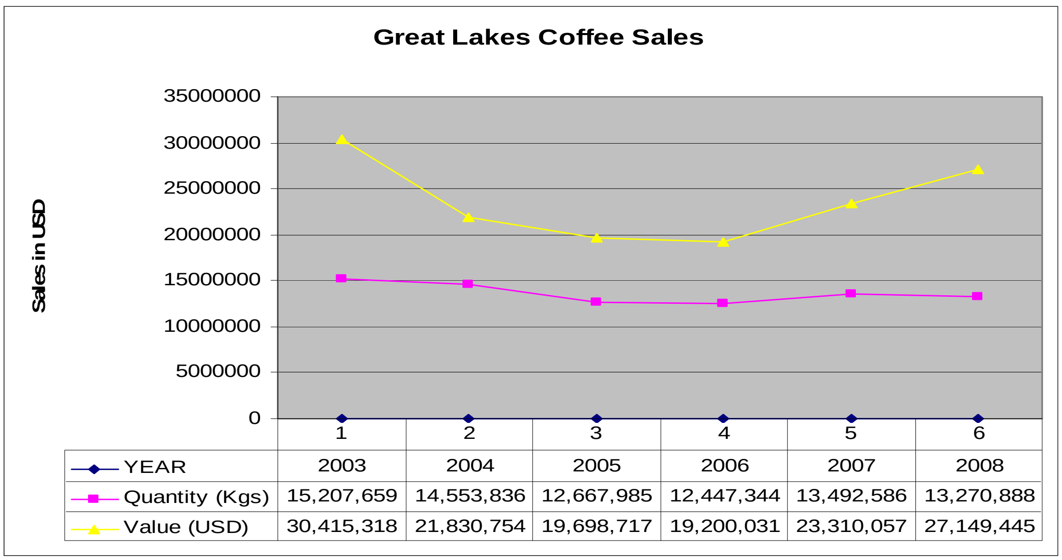

Fig. 2: Sales Revenue Chart (Source: Primary Data)

According to Fig 2, the value realized from sales of 2003 of (30.4m) as compared with that of 2004 of (21.8m) reveals that quantity exported dropped by 4.3% and yet the value by 28.2%. This means that there was a drastic decline in coffee prices in that particular season. Prices continued to fall as well as quantity exported from 2004 to 2006. International market prices rose between 2006 and 2008. It indicated that export sales significantly increased in 2006 to 2008. It should therefore be noted that quantity exported in 2004 of (14,553,836Kgs) yielded ($ 21,830,754) and yet a lesser quantity of (13,270,888Kgs) in 2008 brought in more money ($ 27,149,445); due to increase in prices. The quality of coffee played a dominant role in price determination prompting farmers and GLC to take necessary precautions, however, WHR could not combat the discrepancy in sales and seasonal price variations.

In order to establish how the Ware House Receipt has assisted GLC boost sales and expand their market share, table 4.11 below was used to gather descriptive information.

Table 11: Sales and Market Growth

Statement	N	Min.	Max.	Mean	Std. D
We have a strategy to explore new market opportunities	80	2.00	4.00	3.2632	.60109
Our market share is steadily growing	80	1.00	4.00	2.7632	.88330
Our sales growth has helped combat competition over the last 12 months	80	1.00	4.00	2.4737	.89252
The value of our sales is rising	80	1.00	4.00	2.5263	.89252
We set sales targets every month	80	1.00	4.00	2.8684	.70408
We monitor sales against set targets	80	1.00	4.00	2.9487	.72361
Employees are informed of sales targets	80	1.00	4.00	2.8421	.82286
The internet assisted us market our products	80	1.00	4.00	2.3421	1.12169

Source: Primary Data

Observations from table 11 above reveal that (3.2632) of the respondents agree that the company has a strategy to explore new market opportunities. 2.7632; affirm that their market share is steadily growing. 2.8684; set sales targets every month and (2.9487) monitor sales against the set targets. In addition, (2.8421) agree that employees are always informed about sales targets. The internet has assisted GLC by (2.3421) to market their products contrary to (1.12169) who disagreed.

Further analysis was conducted using Pearson's correlation test to verify the relationship between Warehouse Receipt financing, Export management and Market growth opportunities.

Table 12: Correlations to determine the significance of the Warehouse Receipt

		1	2	3	4
1. Ware House Receipt	Pearson Correlation	1			
	Sig. (2-tailed)				
2. Trade Financing	Pearson Correlation	.199	1		
	Sig. (2-tailed)	.230			
3. Export Management	Pearson Correlation	.718(**)	.203	1	
	Sig. (2-tailed)	.000	.215		
4.Sales/Market Growth	Pearson Correlation	.051(**)	-.048	.240	1
	Sig. (2-tailed)	.761	.773	.142	
** Correlation is significant at the 0.01 level (2-tailed).					

Source: Primary data

According to table 12, Ware House Receipt financing had a significant positive relationship with export management ($r = 0.718$, P-Value ≤ 0.01). This implied that increasing levels of performance put financial stress on the company, as it is required to source for funding to support the increased levels. Secondly, sales growth is positively associated with WHR financing ($r = 0.51$, P-Value ≤ 0.01). The underlying phenomenon is perhaps that GLC is in a high growth phase and tends to have an increased need for cash, export inventory, and accounts payable. Possible measures to improving export financing were presented in Table 13; as illustrated below.

Table 13: Possible Measures

Statement	N	Min.	Max.	Mean	Std. D
Management has clear plans to finance future activities aimed at meeting set goals	80	2.00	4.00	3.3412	.60230
Future Markets can be used to enable us hedge against price risk	80	1.00	4.00	2.5822	.88320
We investigate historical against current financial data	80	1.00	4.00	2.6717	.89323
Management investigates issues of potential insolvency	80	1.00	4.00	2.9256	.89200

We re-negotiate bank facilities to reduce charges	80	1.00	4.00	2.9561	.60451
We extend debt repayment periods	80	1.00	4.00	2.9382	.82740
Management makes short-term cash flow forecasts	80	1.00	4.00	2.8325	.81336
Management raises additional equity	80	1.00	4.00	2.1462	1.11875

Source:primary data

From table 3, (3.3412) agree that management has clear plans to finance future activities aimed at meeting set goals. GLC managers constituting (2.5822) agree that future markets can be used to enable the company hedge against price risk. (2.9256) state that management investigates issues of potential insolvency. This acts as a buffer to GLC's working capital. In addition, (2.9382) also agree that the company extends debt repayment periods. GLC gains a tax shield advantage as a result of delayed debt repayment. 2.8325 of the respondents agree that management makes short-term cash flow forecasts and (2.1462) raise additional equity. This assists the company to sustain coffee purchases for export.

DISCUSSON OF FINDINGS, CONCLUSIONS & RECCOMMENDATION

The findings indicated that the WHR is widely acceptable and (3.6207) of the respondents use it as a financing option. Mwesigye (2006) argued that the liberalization of commodity trade in Uganda will result into better returns to the small rural producers. This intervention shields producers from exploitation by the private traders who are better facilitated and more exposed to international trade. He further confirms that as a way forward, government intends to role out the WRS and UCE as a mechanism to promote better quality commodities and improved returns to the producers and a way to ease access to finance. Uganda has a relatively competitive banking sector, comprising about 20 banks with capitalization estimated at over $900 million (Mwesigye, 2006).

As a result of the reduced public sector borrowing, banks in Ugandan have excess loanable funds and are under pressure to explore profitable, but relatively low-risk lending opportunities. Banks like Stanbic Bank, Standard Chartered Bank and Orient Bank, have engaged in structuring inventory-based finance, especially for cotton traders and ginners, under collateral management agreements involving mainly Audit Control and Expertise (ACE) as collateral managers. Furthermore, since lending rates depend on the perceived level of risk, a WRS that assures greater security will drive down borrowing costs (Coulter, 2002). Companies must also adopt an entrepreneurial mindset according to Constantine (1996). They must act quickly to drive change by combining operational and financial skills, and expand their thinking beyond the finance organization to gain a more complete view of overall operations.

The results of the study show that price volatility has to a small extent affected Great Lakes Coffee Company sales. This is in accordance with management effort to combat the variations. Stock held in warehouses is subject to risks that ensue from price volatility. The price of the commodity may have so declined that the realisation upon sale is less than the credit made available to the borrower. For this reason, producers, processors and traders may use a combination of Warehouse Receipts and futures contracts to eliminate physical risk of the commodity while it is in inventory and hedge against the impact of a price decline (World Bank, 1999). For the same reason, banks lending against Warehouse Receipts often require borrowers to hedge the value of the underlying collateral in a futures market. Futures contracts and Warehouse Receipts can thus be used jointly to manage price risk and physical risk of commodities.

The study established a significant positive correlation between Ware house receipt financing and export management ($r = 0.718$, P-Value ≤ 0.01). It also established an association with sales growth ($r = 0.51$, P-Value ≤ 0.01). The structure of the current coffee market in Uganda lacks real-time transparency. Eight firms control 70% of the export market (U.C.D.A, 2007). The result of this level of market concentration is a restricted flow of information from the market to producers. Mwesigye (2006) says that Uganda needs to enhance the flow of market information to small coffee traders and farmers by providing public information on volumes, quality, price, transport costs and market channels in near real-time (same day or weekly). A common complaint of coffee farmers is that they lack market information. It also needs to be stressed that small traders and producers need to be trained on how to interpret and use market information. Simply providing information to someone without the tools and skills to use it is a waste of time and money. The UCDA does a good job of collecting statistics and distributing this data to the industry on an annual basis (U.C.D.A, 2008).

Conclusions

Countries in transition and developing countries where commodity sub-sectors have undergone liberalization, the quick establishment of credit flows is crucial to the success of reforms. Warehouse Receipts provide a method of collateralizing commodities and lowering the risk to the lender, thereby lowering financing charges to the borrower. In addition, Warehouse Receipts provide a marketing tool to the emerging private sector, thereby allowing the orderly withdrawal of the government from commodity marketing. The experience of several companies that have tried to establish Warehouse Receipt Systems indicates that, in order to work well, Warehouse Receipts need a recognized basis in law, so that the ownership established by the receipt is not challenged. Equally important are provisions for performance guarantees and the establishment of systems for warehouse inspection and export quality determination.

Policy Recommendations

According to the study, banks should;-

Provide a good opportunity for working capital borrowing by making inventories and accounts receivable bankable through asset-based lending. Asset-based lending involves lending to a borrower on the basis of assets made available by the borrower to serve as collateral. Such assets could include inventories, accounts receivable, machinery, equipment and other tangible and intangible assets. Asset-based lending, using inventories and receivables as collateral, is self-liquidating if cash received from sales are applied to the repayment of the loan.

Provide a good credit device for enterprises whose business is seasonal or cyclical, such as agricultural and agro-processing industries and import-export trading concerns, which need to carry inventories or receivables due to the seasonal or cyclical nature of their operations and for economic reasons. For example, an agri-business may need to hold large inventory to take advantage of better off-season prices; an agro-processor may need to buy agricultural commodities at harvest to assure supply of raw material for processing at off-season. Create an investor-friendly climate by improving opportunities for profitable operation for borrowers as well as lenders, while improving protection against loss of investment.

On the other hand, exporting companies should;-

Reduce commodity losses as it provides the opportunity for well-managed commercial storage by a warehousing company with a high level of technical and managerial competence. It also minimizes price instability through inter-temporal and inter-regional market integration. Costs of storage are kept low since goods are held in the warehouse of the producer, thus eliminating the transport and handling costs of moving commodities to the terminal or any other forms of warehouse.

Enjoy certain advantages of WRH as a security document, even under the laws of many developing countries. For example, a Warehouse Receipt held by a lender cuts off claims of other encumbrances and does not need to be either registered or attorned in the case of non-negotiable Warehouse Receipts. Furthermore, a lender holding a Warehouse Receipt has a claim against the issuer and borrower in the case of non-existence of the commodity or unauthorized release of goods serving as collateral.

In the case of a loan default, goods covered in the Warehouse Receipt can be sold promptly and at minimal cost either by negotiation of the Warehouse Receipt or auctioning of the goods. In the case of bankruptcy of the borrower or the warehouse company, goods covered by Warehouse Receipt have fewer disputes as to ownership, thereby avoiding competing claims.

Policy Implications

The present study contributes to the limited platform of knowledge in this area, by investigating sales activities and managerial characteristics that play a significant role in influencing export sales unit effectiveness. Coffee export volumes have grown by 15.2 percent and coffee prices rose by 11.6 percent (Budget Speech, 2007/08). Financing through Ware House Receipts is a new concept to be explored. Significant unilateral trade liberalisation has been implemented in Uganda since 1992. This was designed to reverse and even eliminate the trade deficit through increasing export earnings. Incentives geared towards export-oriented sectors combined with market-determined exchange rate policies are expected to encourage both traditional and non-traditional exports (Akiyama, 2003). This study added knowledge to existing financing frameworks and addressed some gaps within the Warehouse Receipt financing system in Uganda. It will also assist Banks that progressively extend pre-export financing or credit to their clients. Different companies also stand to benefit because they are part of the industrial chain, hence their requirement for external financing.

5.4 Areas for Further Research

Further research can be carried out in the following areas;-
Conceptualization and measurement of export performance across national settings because cross-cultural differences among companies may exist.

The relationship between WRS contextual aspects and export management assessments. As such, the time considerations involved in the assessment of any export objective attained may be subject to country-specific influences that reflect the unique emphasis that different countries place on exporting.

Long term strategic considerations of the WRS in a more extensive learning process.

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