



Agriculture in Uganda: Performance and policy implementation

Dr. Patience B. Rwamigisa
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Agriculture as a driver of growth in Uganda



Key Policy Goals of the government are:

- 1) Transformation of agriculture from subsistence to commercial farming.
 - 2) Production of globally competitive agricultural products for export.
 - 3) Ensure national food security and increased household incomes
- Maintained recovery, with sectoral growth of 3.8% in FY 2018/19.
 - Exports mainly driven by coffee and other agricultural commodities

Production Challenges in Uganda



Society level	Observations
Community	Poor saving culture, outdated production tools, inefficient input systems, market failures, weak farmer organizations, lack of credit for agriculture, weak extension service delivery system.
Business	The inclination of enterprising Ugandans towards import trades, NGO-formations, Consultancies, etc., as opposed to venturing into production-related businesses along value chains.
Political & Technical	<p>A pattern of failures to “turn into gold” the numerous trade offers extended to Uganda: AGOA, Honey offer from EU, Beef offer from Egypt, to name but a few.</p> <p>Conceptual, behavioral and process related challenges.</p> <p>Limited use of scientific evidence in decision making at all levels that hinders technical progress and political performance.</p>
Outcome There are very few products from Uganda that can go to regional/outside markets in form of value-added manufactured goods. Even our own shopping malls are in short supply of Ugandan products.	

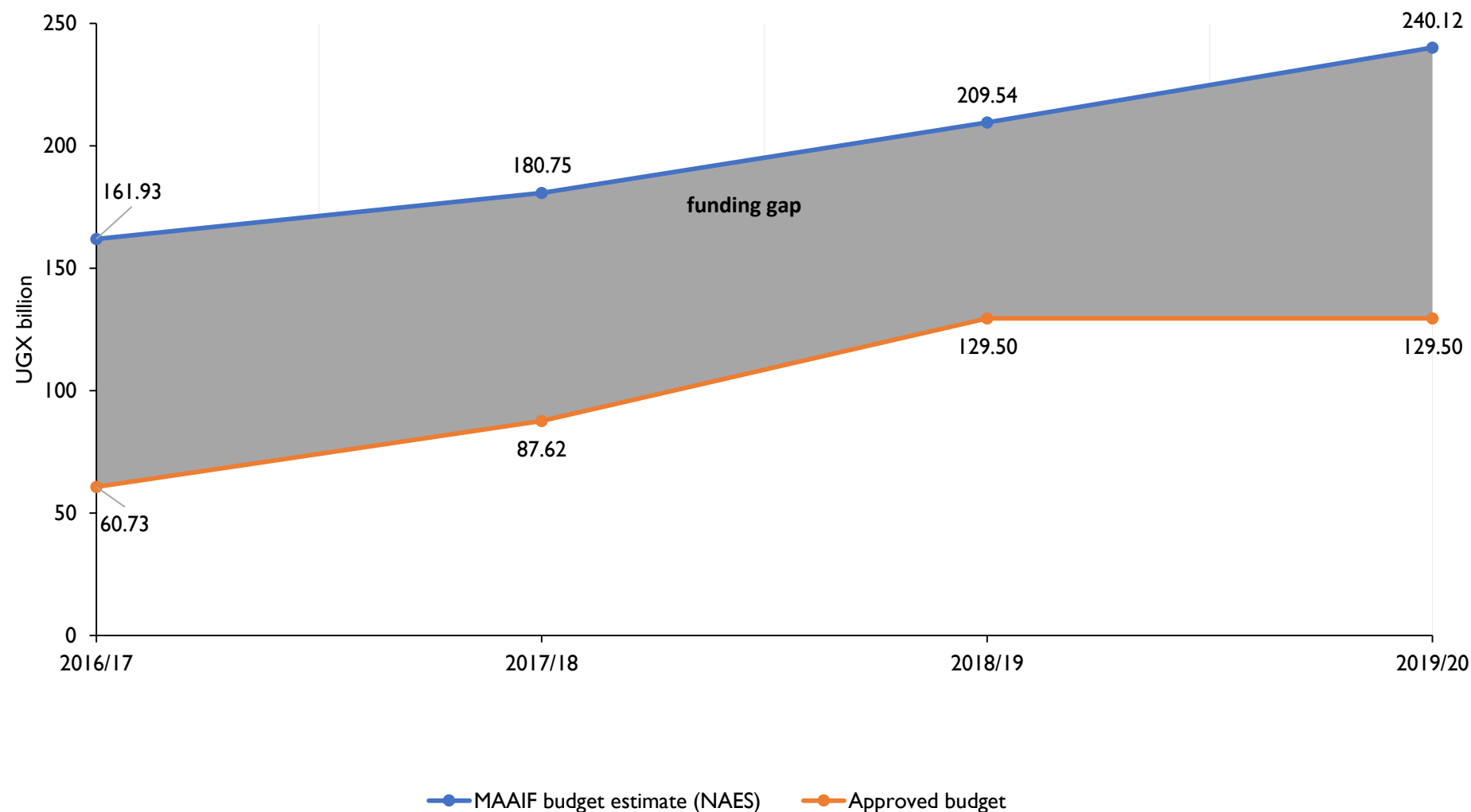
Uganda's Dilemma: Growth without transformation



	Results in ...	Economic and social outcomes
Presence of a “science culture”	High ‘total factor productivity (TFP)’	A growing and transforming economy
Absence of a “science culture”	Low ‘total factor productivity’ <i>TFP is the engine of transformational growth. It accounts for 60% of this growth; capital & labor account for the remaining 40%.</i>	A growing but un-transforming economy. This type of economy is characterized by limited capacity for inclusive growth, job creation, etc. This is probably Uganda’s biggest Dilemma.

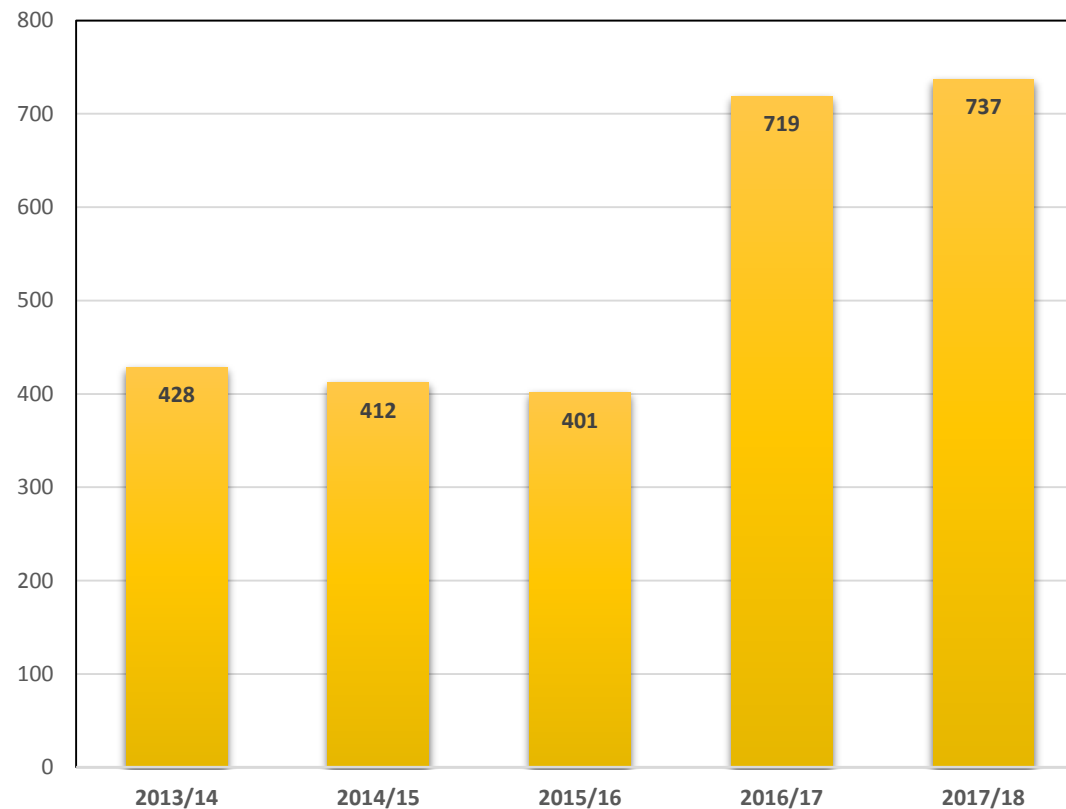
This table explains why Uganda’s investment into S&T will grow to benefit the ‘global science system’ with limited effects locally. World Bank Report 2018 indicate that TFP in agriculture has been on the decline for the last 18 years.

Sub optimal financing of policy: Funding gap for agricultural extension services in local governments

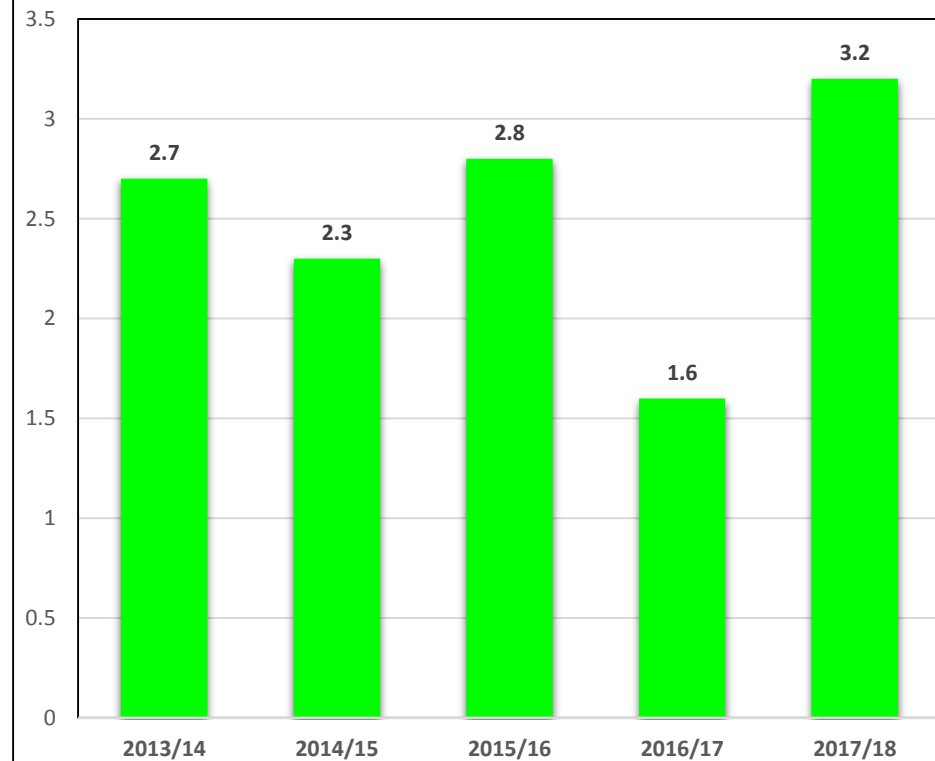


Agricultural Sector Performance: Budget Expenditure and Sector Growth 2013/14-2017/2018

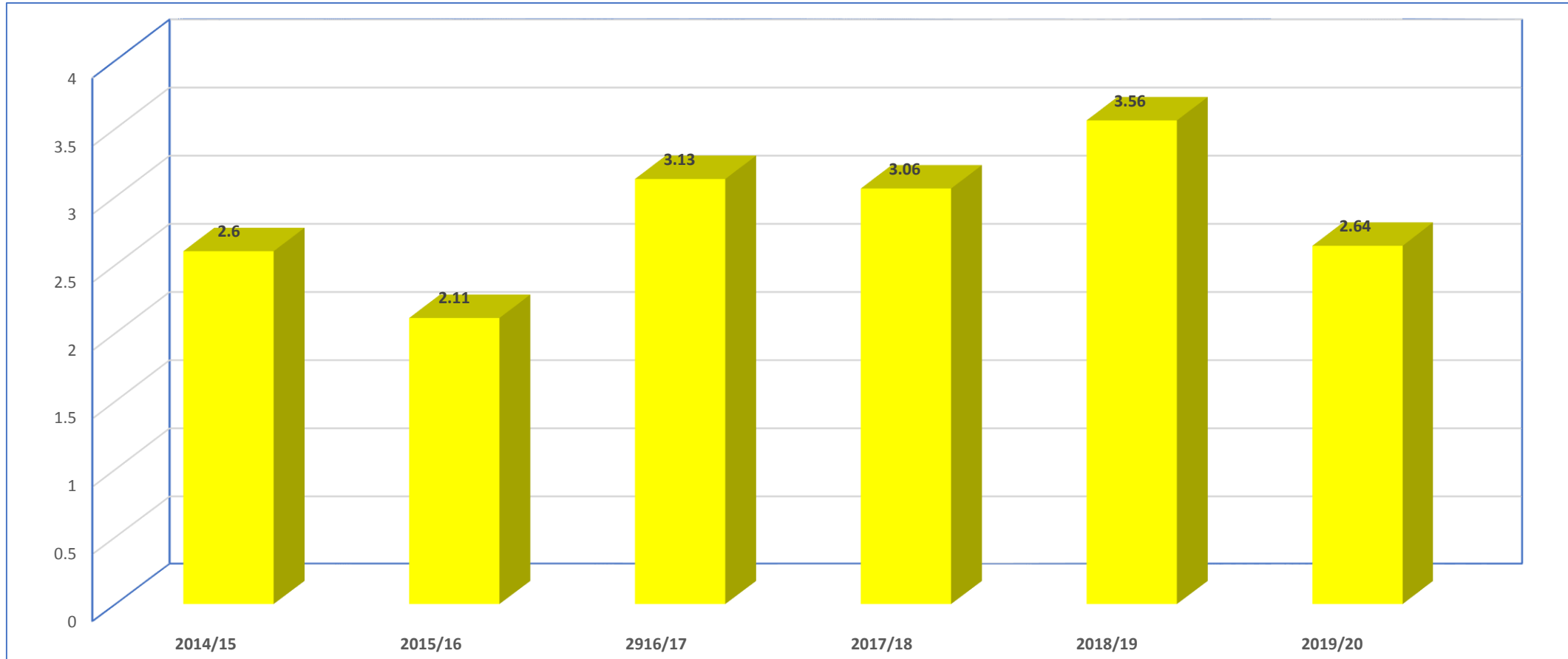
Agric Sector Expenditure Incl Donor projects (Bn)



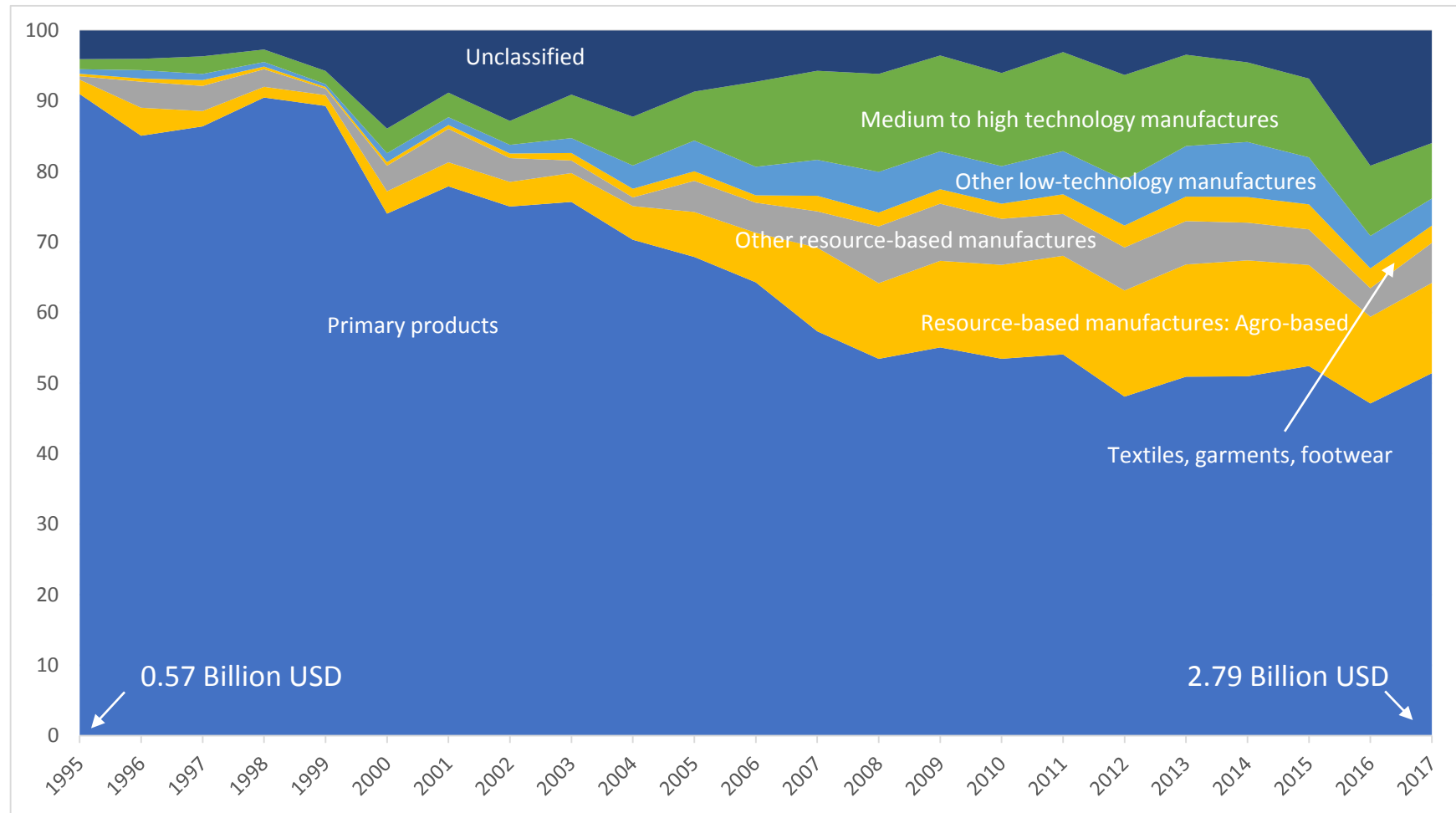
Agric Sector GDP Growth Rates (%)



Agricultural Sector Budget Allocation 2014/15 – 2019/2020

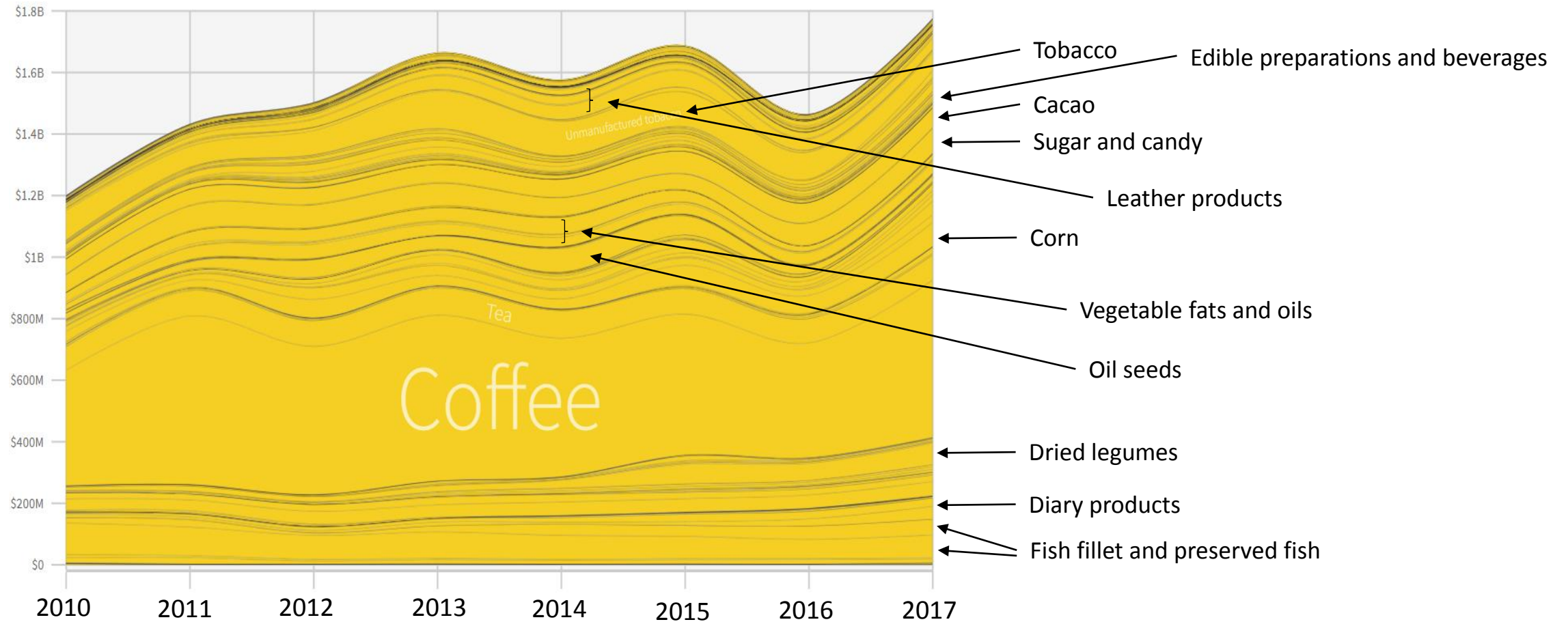


Sector performance: Agro-based exports are rising



Source: UNCTAD (2019). Classification of goods according to Lall (2000): : Lall, S. (2000), "The Technological Structure and Performance of Developing Country Manufactured Exports 1985-1998", QEH Working Paper series-QEHWPS44, University of Oxford.

Sector performance: Agro-based exports are rising



Source: Atlas of Economic Complexity (2019)

Recommended policy actions from EGF I and II

Actions agreed on at Economic Growth Forum (EGF) I and II include:

- Enhance regulation to improve quality of agricultural inputs
- Build production and processing capacity for tradeable agricultural commodities
- Increased funding of UNBS/NAADS to limit counterfeit products on the market and control quality
- Improve agricultural financing e.g. through the ACF
- Develop and operationalize an agro-industrial policy and strategy
- Provision of improved extension services, R&D and irrigation
- Enhance linkages between smallholder farmers and markets/supply chains
- Better coordination of donor and government funding in the sector

Action	Implementation	Score (1 = no progress, 2 = some progress, 3 = action achieved)
Increased funding of UNBS/NAADS	<p>UNBS: Funding increased from 3.66 Ug shs billion in fiscal year (FY) 16/17 to 9.58 Ug shs billion in FY 17/18</p> <p>NAADS Secretariat: Funding consistently decreasing from 318.61 Ug shs billion in FY 16/17 to 249.98 Ug shs billion in FY 18/19.</p>	2
Improve agricultural financing	<p>Credit access – Agricultural production: Total amount loaned increased from 6,437,602 Ug shs to 7,866,089 Ug shs between FY 16/17 to 17/18.</p> <p>Credit access – Agricultural processing & marketing: Total amount loaned increased from 727,340 Ug shs to 12,240,758 Ug shs between FY 16/17 to 17/18.</p> <p>Policy: <i>National Agricultural Finance Policy</i> under development to increase the diversity of financial products.</p>	2
Develop and operationalize an agro-industrial policy and strategy	Not undertaken. The draft Industrial Policy under the Ministry of Trade and Industry makes some reference to key strategic agricultural value chains. However, agro-industrialization is the adopted theme for design of the agricultural chapter in NDPIII and ASSP II. MAAIF developed the Agro-processing strategies for Maize and Rice.	1

Action	Implementation	Score (1 = no progress, 2 = some progress, 3 = action achieved)
Provision of improved extension services, R&D and irrigation	<p>Extension services:</p> <ul style="list-style-type: none"> - Capacity building of agricultural extension workers: increased from 116 trained in FY 17/18 to 2,988 trained in FY 18/19 - Budget support - agricultural training institutions: increased from 1.2 UGX billion in FY 17/18 to 1.7 UGX billion in FY 18/19 - Policy: Agricultural Extension Act being drafted in MAAIF <p>R&D: 48% of generated improved agricultural technologies adopted in FY 17/18 relative to 30% in baseline year 2014</p> <p>Irrigation:</p> <ul style="list-style-type: none"> - Irrigated land: 8% of arable land under irrigation in FY 18/19 relative to 5% in baseline year 2014 - Budget support - irrigation scheme development in Central and Eastern Uganda (JICA supported project): decreased from 0.844 UGX billion in FY 18/19 to 0.819 UGX billion in FY 18/19 - Policy: Irrigation policy approved by Cabinet to ensure proper, adequate, and sustainable use of water in irrigation 	2

Sources

- Annual budget monitoring report Financial Year 2016/17
- Annual budget monitoring report Financial Year 2017/18
- Semi-annual budget monitoring report 2018/19
- Bank of Uganda Credit to the Private Sector
- Ministry of Finance, Planning and Economic Development
- National Budget Framework Paper FY 2019/20
- Ministerial Policy Statement: Ministry of Agriculture, Animals, & Fisheries (18/19)



AGRO-INDUSTRIALIZATION IN UGANDA

CURRENT STATUS, FUTURE PROSPECTS AND POSSIBLE SOLUTIONS TO PRESSING CHALLENGES

MARTIN FOWLER

SENIOR AGRICULTURAL ADVISER

USAID

KAMPALA

PRESENTATION OUTLINE

- Agro-industrialization focus: its genesis
- The place of agriculture & agro-industries in the economy, manufacturing, dietary transition, exports
- Agro-industrialization strategy: a review of some of its features
- Policy recommendations

AGRO-INDUSTRIALIZATION FOCUS: ITS GENESIS

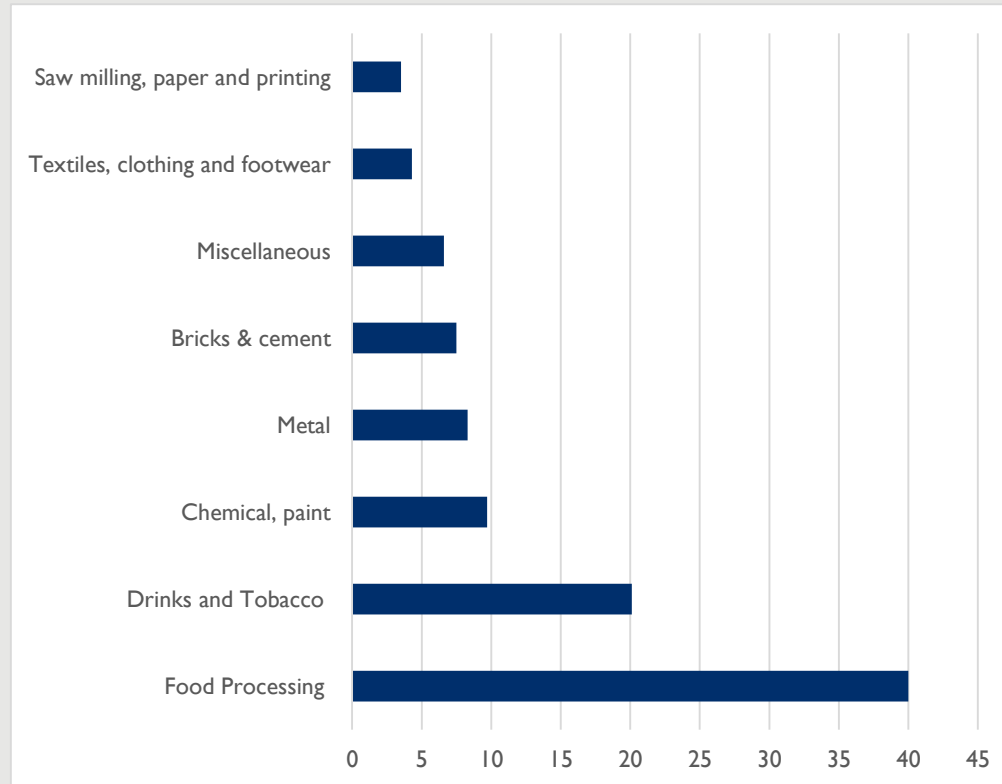
- EPRC 2018 study
- NDP III
- 2019 Budget speech
- ASSP 2020/21-2024/25

THE PLACE OF AGRICULTURE AND AGRO-INDUSTRIES IN UGANDA'S ECONOMY

- 24% GDP, down from 50% in 1995 (*cf.* 8% Manufacturing)
- > 50% export earnings
- Employs 70% of working population (78% of total population are “rural”)
- Agro-processing accounts for *approx.* 60% manufacturing output
 - Food processing: 40% (half of this provided by sugar, coffee and tea processing)
 - Drinks: 17%
 - Textiles...
- 2013-2017: 6% annual rate of growth in manufacturing (*esp.* ag-related: cotton ginning, textiles, drinks, meat, fish & dairy)

THE PLACE OF AGRICULTURE AND AGRO-INDUSTRIES IN UGANDA'S ECONOMY (*cont.*)

Share of manufacturing output by sub-sector (*in %*)

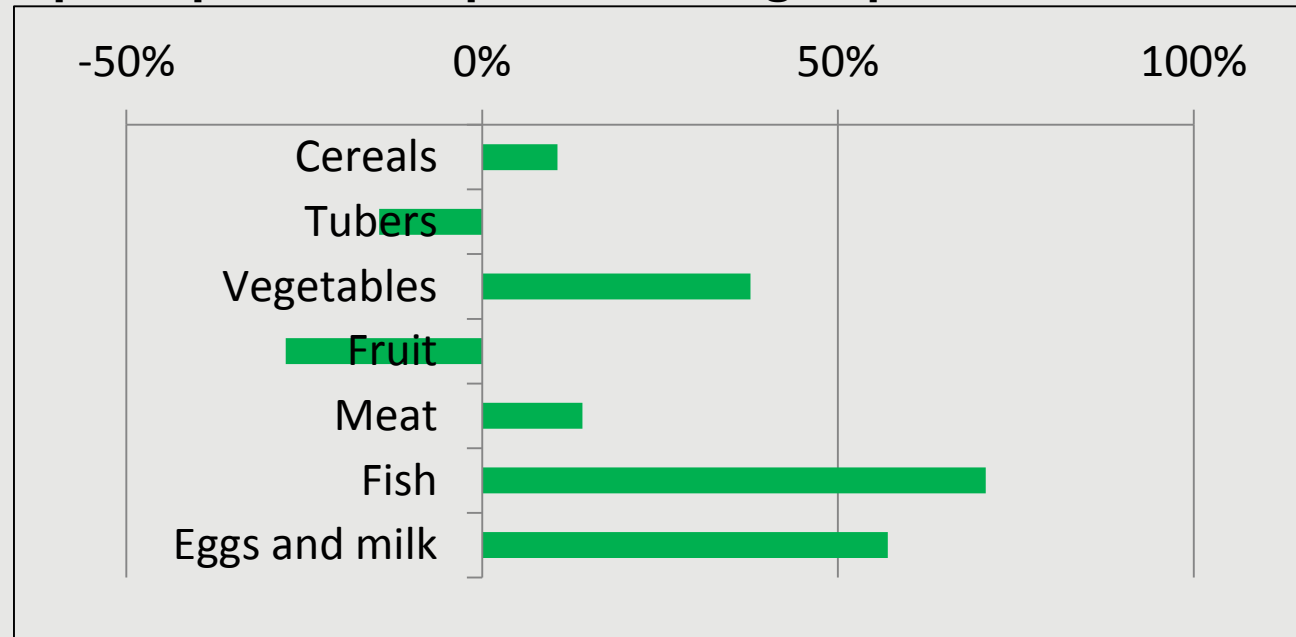


Source: UBoS (various)

FOOD AND THE DIETARY TRANSITION

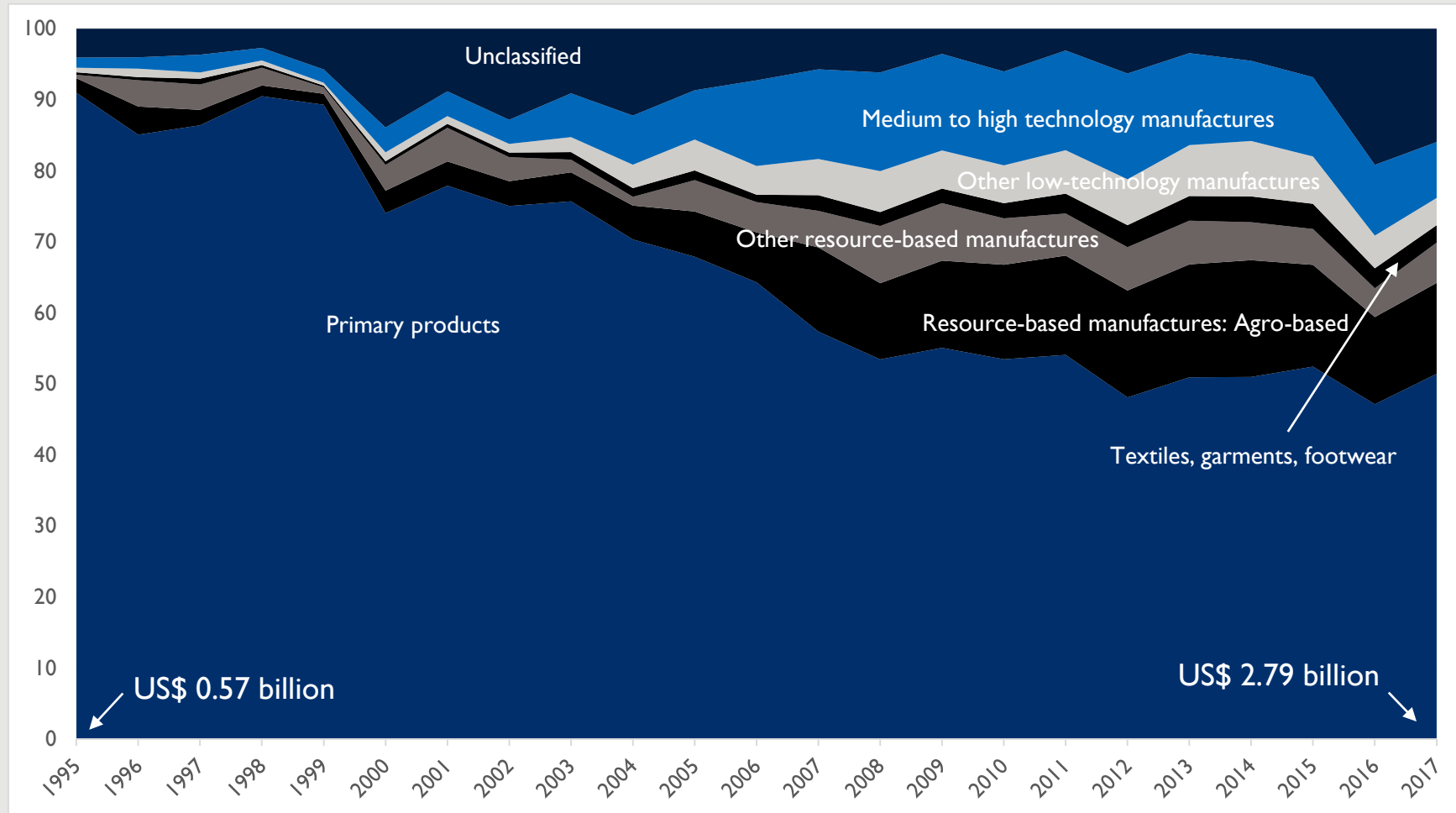
- Rapid growth in food demand (population growth *approx.* 3.2%)
- Stimulating food processing, packaging and marketing industries
- Changing food tastes resulting from both urbanization (convenience foods, quality, consistency, etc.) and income growth

Changes in per capita consumption of food groups between 2000 and 2011 (in %)



Source: Minot *et al*, 2015 [FAO food balance sheets]

UGANDA'S EXPORTS: TRANSITIONING INTO HIGHER-VALUE PRODUCTS



Source: UNCTAD, 2019. Classification of goods according to Lal, 2000

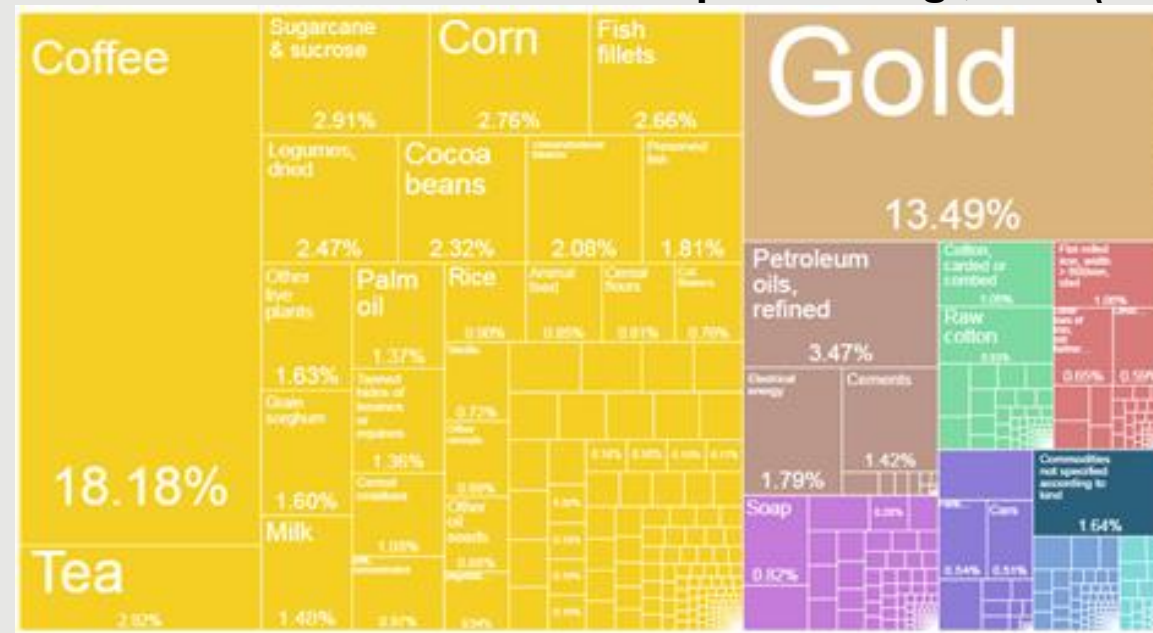
UGANDA'S EXPORTS: THE ROLE OF AGRICULTURE

- Exports less dominated by raw materials (50%, down from 90% in 1995)
- But agriculture exports still account for the bulk of exports
- Increasing diversification of the export 'basket': less dominated by "traditional" export commodities (coffee, cotton, tea, tobacco):

1990-1999: 82%

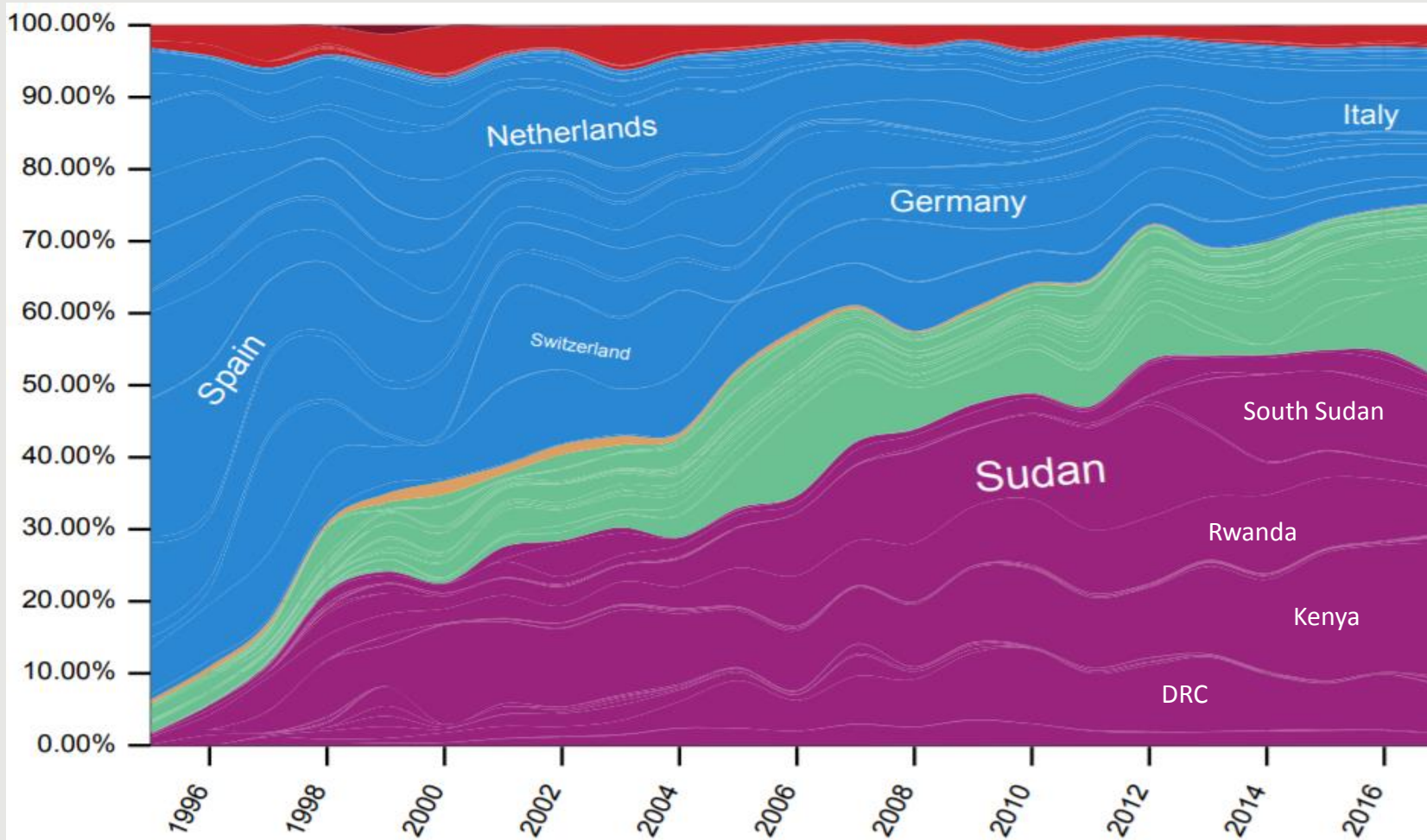
2002-2011: 62%

Breakdown of sources of formal export earnings, 2017 (in %)

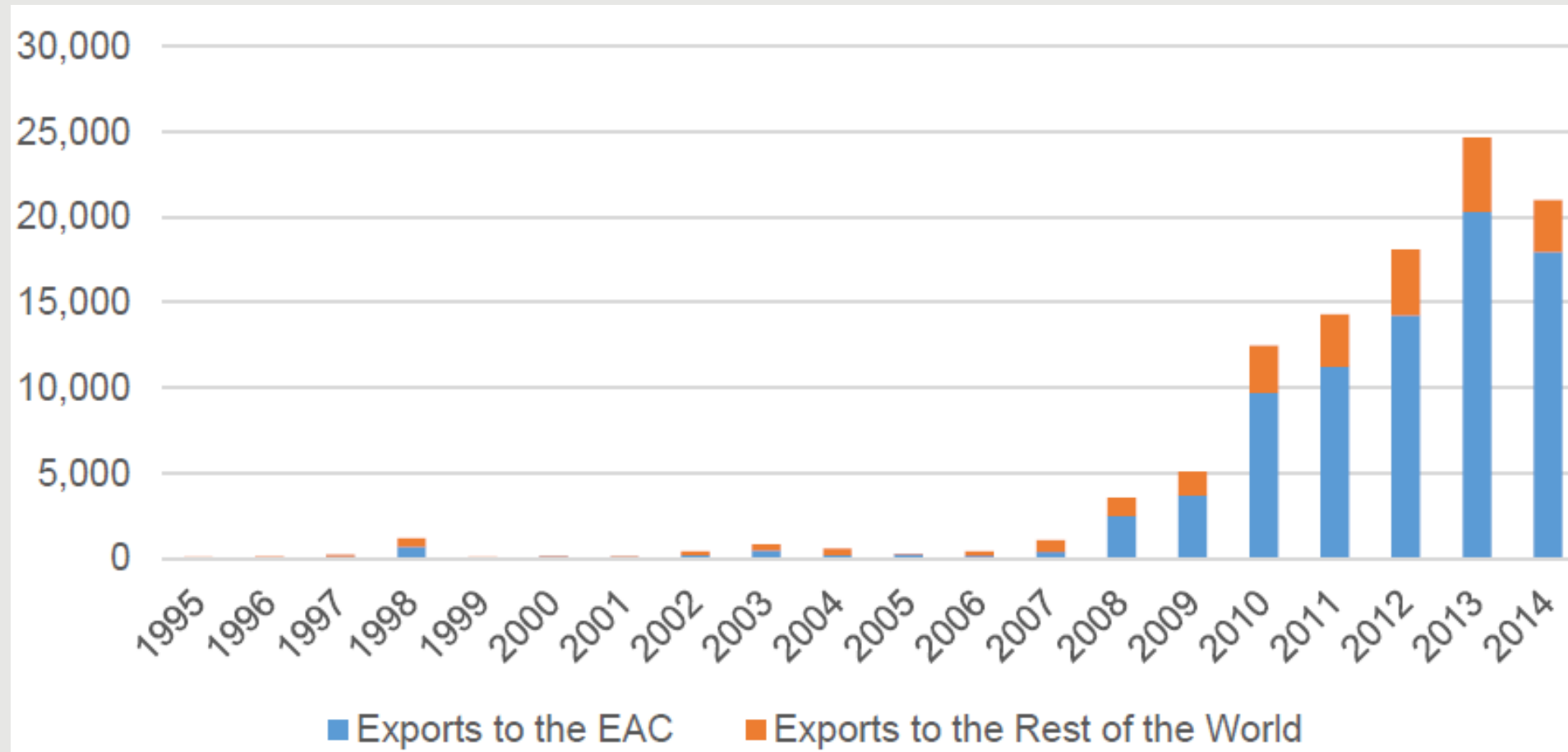


Source: Hausmann et al, 2019

UGANDA'S EXPORTS: IN THE PAST DECADE THE EAC HAS BECOME THE MAIN EXPORT MARKET ...



UGANDA'S EXPORTS: ... AND HAS SERVED AS A SPRINGBOARD TO INTERNATIONAL MARKETS



Source: Karingi et al, 2016. Uganda's exports of milk, cream, and milk products (excluding butter and cheese), by destination (US\$ '000)

UGANDA'S AGRO-INDUSTRIALIZATION STRATEGY: A REVIEW OF SOME OF ITS FEATURES

I. **Nucleus farms** (Nucleus estate/smallholder out-growers)

- Justification: economies of scale
- Past efforts: rice in Kyoga Plains (1960s); oilseeds in Teso Mukwano; AFGRI maize; Kaveri coffee; Kinyara sugar; BIDCO Kalangala oil palm
- Challenges
 - » charges do not justify the fees levied
 - » limited out-grower participation in management
 - » advisory services provision – weak – resulting in low productivity
 - » side-selling
 - » low quality
- Benefits
 - » guaranteed market; price stability
 - » Kalangala scheme: sustainable and mutually-beneficial partnership
- Other
 - » lengthy establishment process, continuous consultation, crop specific

UGANDA'S AGRO-INDUSTRIALIZATION STRATEGY: A REVIEW OF SOME OF ITS FEATURES (*cont.*)

2. Agriculture value-chains on which agro-industrial investment is to be focused:

- EPRC, NPA, MAAIF and MoFPED would appear to be promoting different crop, fish and livestock value-chains (#, list revised)
- Criteria used to guide selection are unknown – no market analyses made available
- “Missing” value-chains: fruit (Soroti), sorghum (breweries), *Matooke* (*important food staple*)

3. Capacity utilisation

- Most agro-industries are operating well below capacity: cotton ginneries (40%); sunflower (25%); rice (20%); maize (22%); honey (17%); fish (*less than 30%*); beef (*less than 20%*); coffee (40%) and dairy (66%)
 - *Attributed to: limited supplies of raw material, high cost & intermittent electricity supply, poor quality raw materials, limited end-market for product*

UGANDA'S AGRO-INDUSTRIALIZATION STRATEGY: A REVIEW OF SOME OF ITS FEATURES (*cont.*)

4. The enabling environment

- World Bank's EBA report (2017) on the legal and regulatory framework: Uganda registers low scores for fertilizer and seed import/registration

5. Access to finance

- Shortage of credit for agro-industrialization reported for many years
- Mainly allocated to marketing, rather than production/processing
- Several new sources of loan (loan guarantee) and equity finance: aBi, AgDevCo, Yield Uganda, IFC

6. Size of target enterprises

- Much emphasis on large-scale investments, whereas experience shows that SMEs may bring about more inclusive transformation: greater employment-creation impact, etc.

7. Statistics

- Worrying absence of ag/agro-industry statistics for policy/enterprise planning, monitoring and impact-assessment purposes (NDP II Review highlighted this)

POLICY RECOMMENDATIONS

1. Focus value-chains

- Urgent need to rationalize and prioritize the value-chains that are to form the focus of future national agro-industrialization efforts (NDP III, etc.)

2. Agricultural productivity

- Large and persistent agricultural productivity gaps, in almost all agricultural enterprises, which must be narrowed if adequate raw materials are to be made available to existing and planned agro-industries

3. Role of government

- Appropriate role of GoU in fostering agro-industrial sector growth needs to be defined and respected; increased budgetary support for a more-enabling environment (electricity grid expansion, land tenure security, effective regulatory environment for ag. inputs, cost-effective agricultural research & extension)

4. Statistics

- Parlous state of agricultural/agro-industrial sector statistics needs to be addressed as a matter of urgency