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# **AGRO-INDUSTRIALISATION IN UGANDA:**

## **CURRENT STATUS, FUTURE PROSPECTS AND POSSIBLE SOLUTIONS TO PRESSING CHALLENGES**

*Ministry of Finance, Economic Planning and Development: Private Sector Development Unit*

*October 2020*

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# Presentation outline

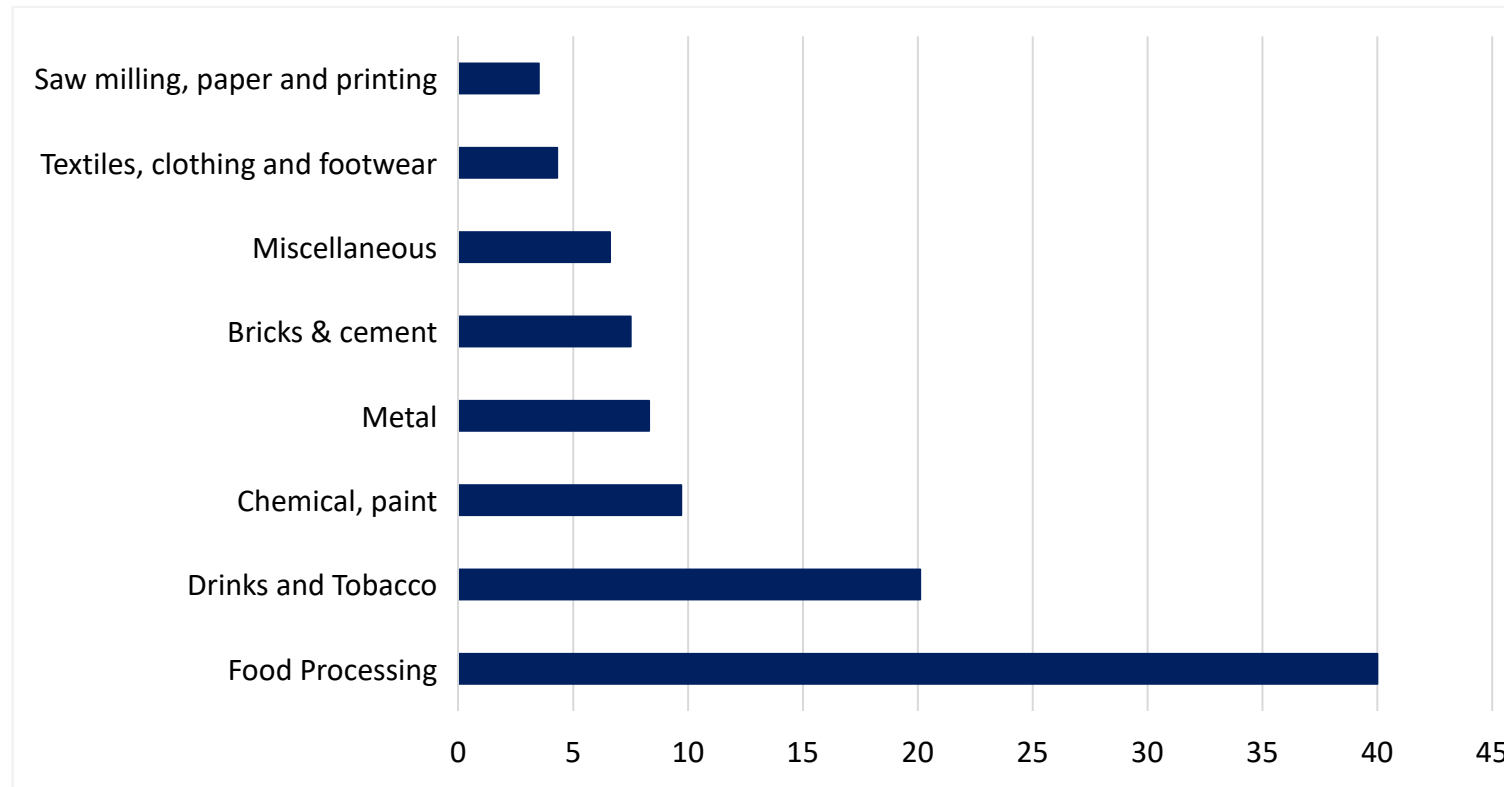
- The place of agriculture & agro-industries in the domestic economy
- Uganda's exports: Diversifying into higher-value goods and regional markets
- Challenges to expanding agro-industrialisation
- Recommendations: Suggested priorities for a five-year agenda

# The place of agriculture and agro-industries in the domestic economy

- Agriculture: 22% GDP in 2019; down from 50% in 1995 (*cf.* Manufacturing: 15.5%)
- Employs 70% of working population (78% of total population are “rural”)
- Agro-processing accounts for *approx.* 60% manufacturing output
  - Food processing: 40% (two-thirds of this provided by sugar, coffee and tea processing)
  - Drinks: 18%
  - Textiles, wood...
- 2014-2018: 5.5% annual rate of growth of manufacturing (*esp.* ag-related: dairy, sugar, fish, tea, coffee, soap & cotton ginning)

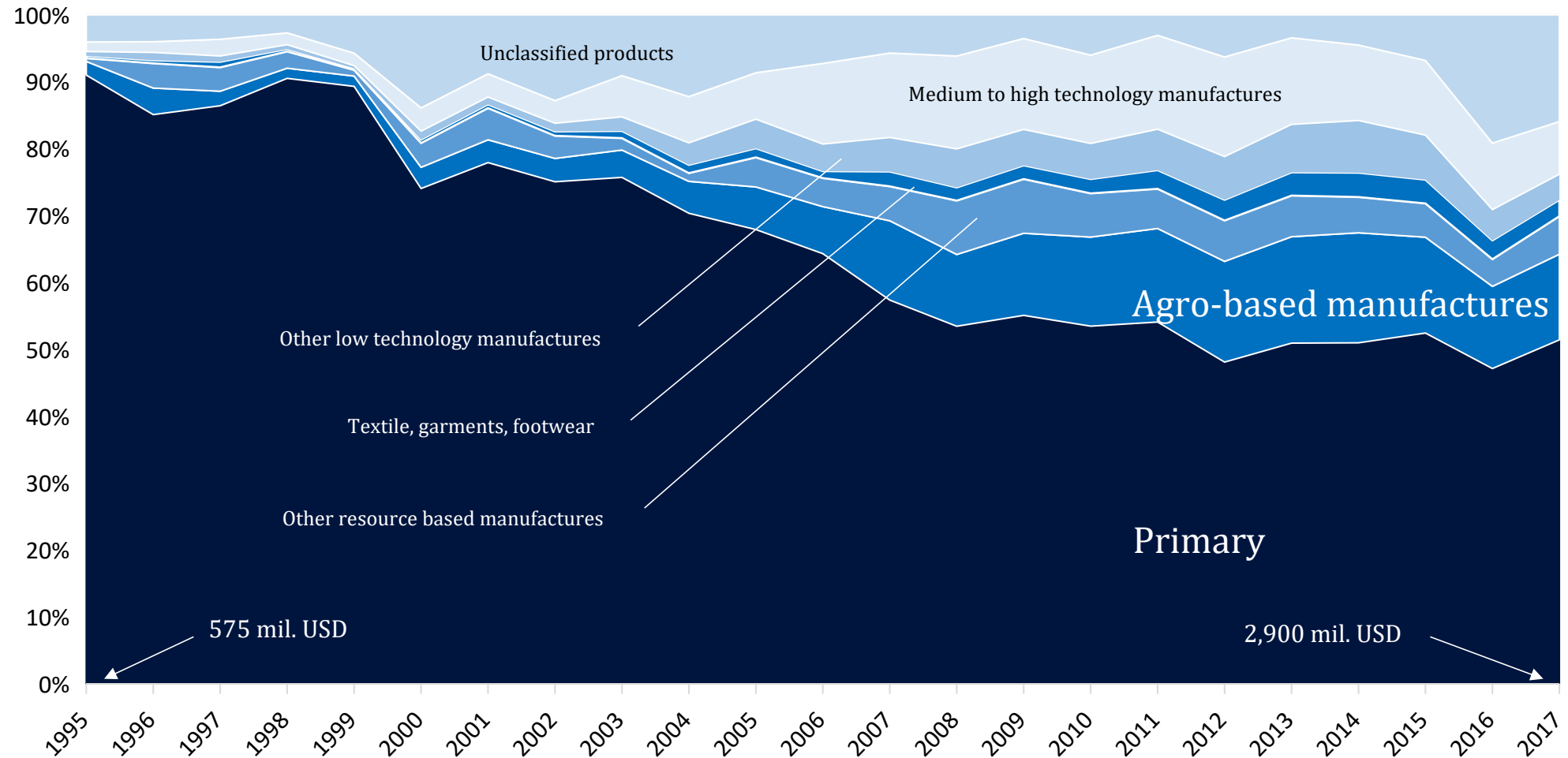
# The place of agriculture and agro-industries in the domestic economy

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



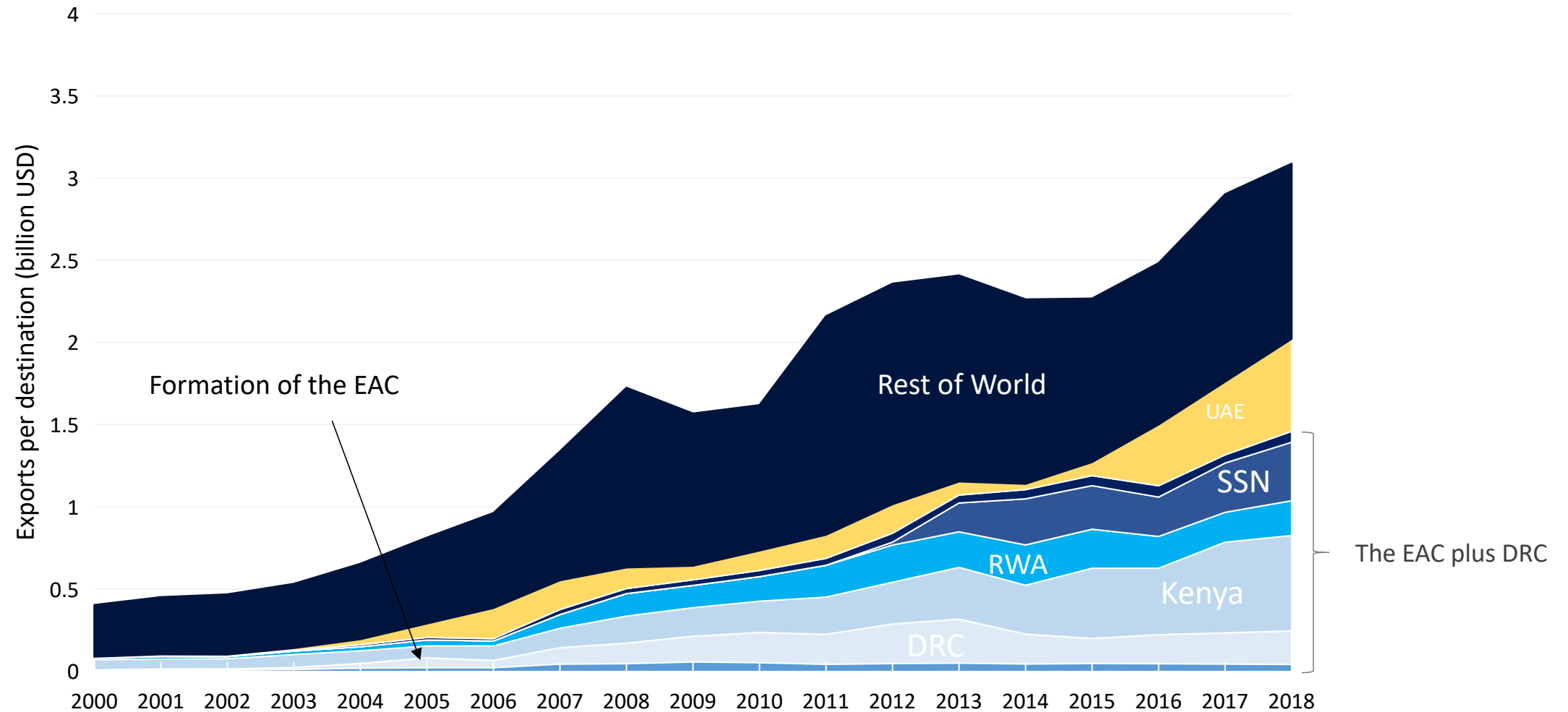
Source: Uganda Bureau of Statistics (various).

# Uganda's exports: Diversifying into higher-value products ....



**Source:** UNCTAD (2019) and UNComtrade 2020). Classification of goods in line with Lal, 2000. Composition of Uganda's export basket over time in line with broad product categories.

# Uganda's exports: ... and into regional markets.



Sources: UNComtrade (2020) and Bank of Uganda for *Informal Cross Border Trade* exports data (2020).

# Challenges to expanding agro-industrialisation

## **Agricultural exports**

### **(Preserving) market access**

- The EAC is vital for Uganda's export success but under pressure.
- Currently free access to key markets
  - EU-EBA, AGOA, unilateral PTAs [India, China], EAC, COMESA.

### **Supply side constraints**

- Transport costs and time
- Procedural barriers to trade are rife (and often homemade)
- Standards, certification, testing

# Challenges to expanding agro-industrialisation

**Policy contradictions are common: Agriculture value-chains prioritised by different institutions in 2019**

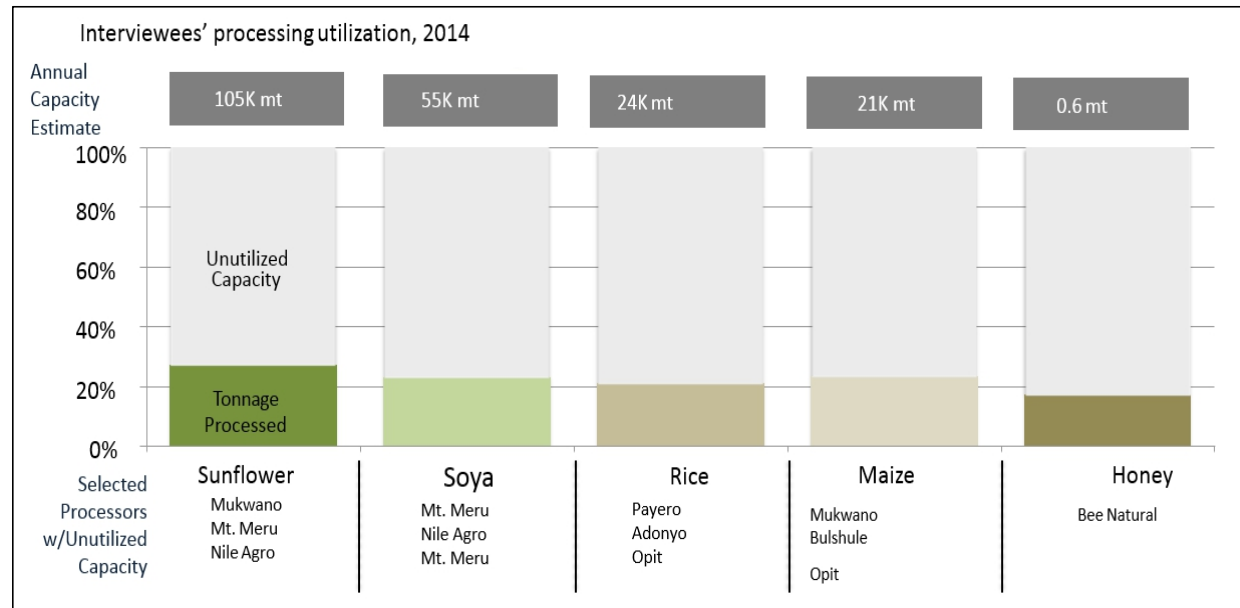
	Coffee	Tea	Cotton	Cassava	Maize	Veg. oil	Fish	Dairy	Beef	Citrus	Beans	Rice	Cocoa	Millet	Sorghum	Barley	Wheat	Peas	Groundnuts	Livestock	Silk	Fruit	Sugar	Yams	Bananas	Vegetables
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NPA (C)	*	*	*	*	*	*	*	*		*			*		*					*			*		*	
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MTIC: NIDP	*	*	*		*	*	*	*	*												*					
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# Challenges to expanding agro-industrialisation

## Low capacity utilisation of processing units

- 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: insufficient supply of raw materials, high cost & intermittent electricity supply, poor transport infrastructure, poor quality raw materials, limited end-market for product



Source: Onward Resources International (2016)

# Recommendations: Suggested priorities for a five-year agenda

## **1. Focus value-chains**

- Urgent need to rationalise and prioritise the value-chains that are to form the focus of future national agro-industrialisation efforts (NDP III, ASPS IV, *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

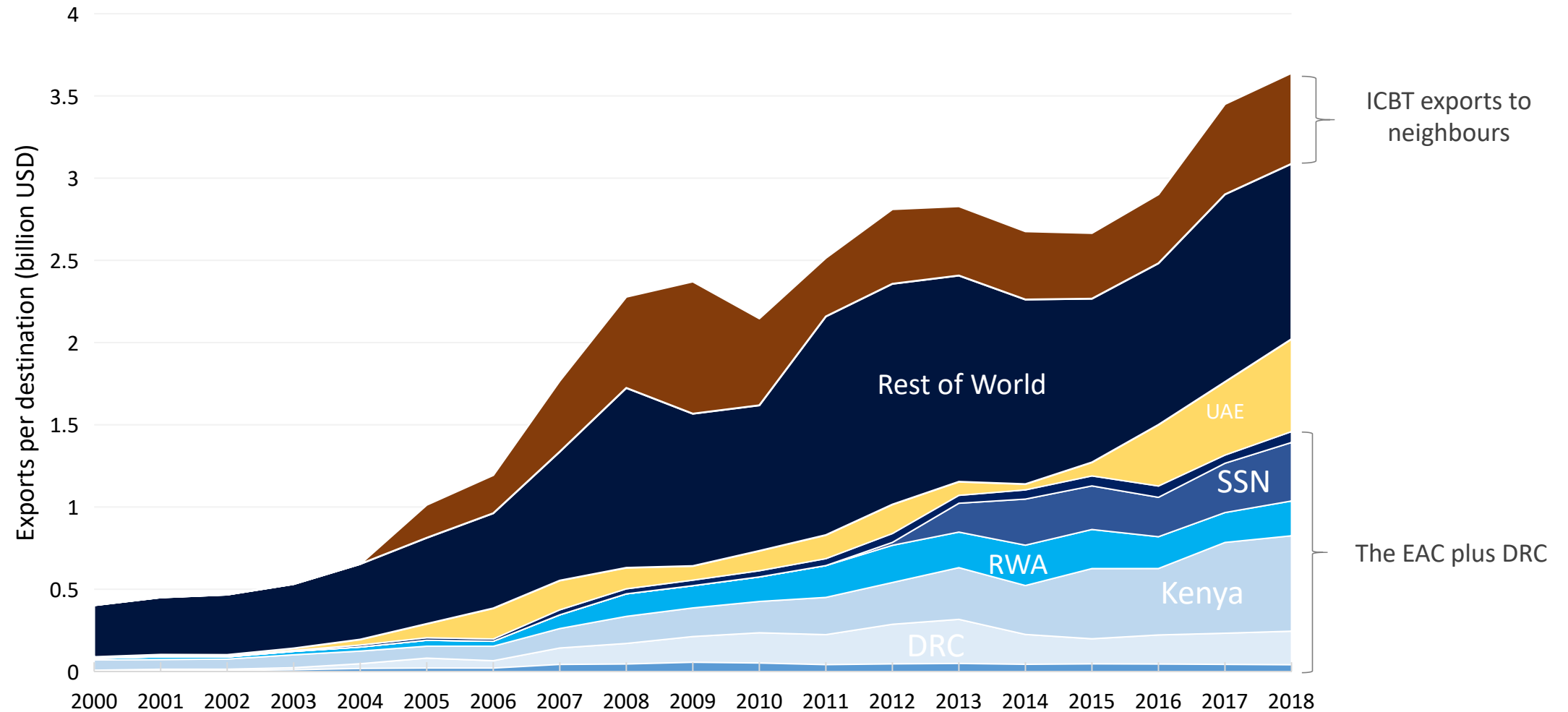
## **3. Role of government**

- Appropriate role of GoU in fostering agro-industrial sector growth needs to be defined and respected; increased budgetary support required for a more-enabling environment (including: electricity grid expansion, land tenure security, address supply constraints to trading through a review of NTMs and better trade infrastructure, ensure continued access to regional and global markets)

## **4. Statistics**

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

# Uganda's exports: ... and into regional markets.



Sources: UNComtrade (2020) and Bank of Uganda for *Informal Cross Border Trade* exports data (2020).