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Application of Internal Control Systems in Organic Export Companies: Two Case Studies from Uganda

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Abstract

The organic agricultural sector of Uganda is considered the most developed in Africa with a total of 296 203 ha organic certified land and the most certified organic producers worldwide (206 800), 90 % of whom are small scale farmers. They are certified organic under contract production by export and processing companies, using an Internal Control System (ICS) as a group certification scheme defined by IFOAM (2004). The ICS is a viable and well accepted tool to certify small scale producers in developing countries all over the world. In Uganda however, certification difficulties are stated among the main constraints for the organic sector development.

Therefore, a qualitative study was conducted from June to August 2008 that aimed at better understanding the organisational context in which the ICS is implemented and at outlining factors for improving ICS performance. Overall, 34 expert interviews after were conducted with two small- to medium-sized organic export and processing companies and their contracted farmers in two districts of central Uganda. Data analysis was carried out according to RITCHIE & LEWIS (2003). Relevant areas influencing ICS implementation were identified as company management, farmers' production, farmers' group structures, external consultation and ICS requirements.

Contracted organic producers produce quality organic products with a positive environmental effect and comply with the organic regulations. Nevertheless, the results indicate varied constraints in the situation of the contract farming, e.g. the focus on only the export crops, unsatisfactory amounts of purchases, and an increased need for controlling farmers challenging the companies' working capacities. Developing a good ICS staff structure is hampered by inapplicable consultation and management resulting in fluctuation and conflict of interest. Although the ICS is meant to involve producers, the companies studied bear all the ICS-responsibilities.

Sharing responsibilities with producers is a promising new strategy. It is complicated by a lack of trust between the companies and farmers. Farmers' knowledge on organic farming practices needs to be developed, additional marketing options provided and farmers' group structures strengthened. Possibilities for improving the ICS concept are in the areas of regulating control by inspectors and farmers, controlling crop purchases, adapting yield estimation and clarifying multiple registration rules.

The results obtained from the two companies hint towards opportunities and constraints for improving certification of small scale farmers in developing countries.

Keywords: Contract farming, group certification, internal control systems, organic agriculture, organic certification, qualitative research, social research, Uganda

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