

## Human Capacity Development for Income Generation and Organic Market Linkages in Uganda

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### Abstract:

*Rapid economic growth in Uganda has resulted from the strong emphasis on the market liberalization policies tied to export promotion. Commercialization of smallholder farmers' products has been at the heart of the country's development program since the year 2000. This study describes how the organic farming sector links farmers to markets through community empowerment, resource development and market linkage intervention strategies using a qualitative analysis of the institutional support provided by the organic sector. The private sector assures technical commodity related support, organic export linkage, and higher incomes while the civil service society emphasizes facilitation to a wide range of market linkages and builds capacities along aspects of the market chain. They both contribute to the empowerment of the communities to make decisions on various aspects of their farm lives. Further studies to assess the impact of the respective farmer market interventions on the livelihoods of the rural population are required.*

### Introduction:

Organic Agriculture (OA) is one of the fastest growing segments of the food sector worldwide (SCIALABBA & HATTAM 2002). The International Trade Centre (ITC) estimated organic sale figures between 2000 and 2001 at 25% (ITC, 2002). Organic markets form 1% - 2% of the total food market share, hence qualifying this segment as a niche market. Despite the nature of the organic market as a niche market, these sale figures have the potential to increase. Sub-saharan Africa has 46,211 ha of organically managed land of which Uganda has the highest share in Africa. In Uganda, smallholder farmers form about 75% of the farmer population. Climatic, economic and social capital are strong motivating factors in stimulating production, however, the quality of natural resources such as soil fertility continue to decline. The predominant farm management practice is traditional agriculture<sup>4</sup>, however, land managed using organic methods form 1.4% of the total agricultural area. Smallholder farmers often have low levels of literacy, minimal access to information on production practices and potential markets. Their holdings are rural based and characterised by severe poverty. Market liberalization policies of the early 1980's have resulted in rapid economic growth in Uganda. However, the reduction in the prices of Uganda's primary exports and oversupply in turn led to commodity prices falling to a 40 year low. High transaction costs of output trading caused predominantly by fuel costs (in turn caused by taxation of petroleum products), information asymmetry between farmers and

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<sup>4</sup>Traditional farming as characterised by FAO, (2002) are farming management practices that have evolved through centuries to create agricultural systems adapted to local environmental, cultural and economic conditions

traders due to remoteness in the farmer locations; and poor product quality continue to mar the market chain (NKONYA 2002). Strategies for sustainable farmer market linkages include policy intervention, attention to the natural resource management and the investment in the market chain (KAARIA & ASHBY 2001). Studies on the market chain interventions include KINDNESS & GORDON 2001 and in Uganda specific case studies include NKONYA 2002 and SANGINGA et al. 2004. This study in a broader sense compares the methodologies employed to invest in the farmer-to-market linkages applied by the NGO's committed to organic agriculture, and the formal private organic sector.

#### **Methods:**

Key informant interviews with the marketing personnel and field visits were made to farmers for the NGO and the private sector. Annual reports from the NGO's were reviewed. Literature was more inaccessible for the private organic sector. Using an interview guide, factors such as capacity building, institutional and infrastructural development within the community empowerment, natural resource development and commodity linkage strategies was assessed. The format used for the different thematic characterisations in the content analysis was adapted from SCHUFFENHAUER (2004). Sample selection was conducted at four hierarchical levels along the NGO's and the formal private organic sector institutional stratifications. NGO and private agricultural organisations that facilitate organic farmer to market linkages and have a large scale of operation and outreach were selected. The sampling frame for agro-based NGO's and private sector were obtained from the NGO board of Uganda and the National Organic Movement of Uganda (NOGAMU) respectively. Three NGO's and private organisations were purposively selected at the first three levels and randomly at the last level.

#### **Results:**

Different NGO's use different methods and models to engage farmers. The NGO 'Kulika' provides class room training to individual farmers where they graduate as Trainer of Trainers (TOT's). These graduates use their farms as model farms to teach neighbouring farmers as a technology outreach program. The NGO 'SG 2000' uses the One Stop Centre (OSC) model, to legally register associations, build institutional capacities and viable enterprises. A multi purpose structure is jointly constructed with the farmers, to facilitate the groups to aggregate demands for services and it reduces on the transaction costs of the farmers. The NGO 'Africa 2000 Network' uses the resource to consumption model to engage farmers. Pilot sites are selected, strategic partnerships are built and a collective community Strength-Weakness-Opportunities-Threats (SWOT) analysis is conducted. Farmer groups assess the market demand characteristics to match them with the biophysical and socio-economic potential in a market visit. Agro-enterprise options are then designed and implemented, through business support services and market institutions and promoting gender equity.

Tab. 1: Evaluation of the capacity development aspect of service provision by sector.

Capacity development		
NGO sector		
Community empowerment	Resource development	Link to the commodity chain
Gender	Sustainable agricultural practices	Markets
Production technologies	Demonstrations	Market information
Participatory methods	Participatory technology development	Credit for market linkages
Training of trainers		Post harvest handling
Cross cutting issues		Agro-processing
Groups strengthening		Provide production finance/credit
Private sector		
On-farm trials	Organic approaches Integrated soil management	Marketing

Private sector organizations build capacities in organic production methods to improve skills and to reduce price risks due to lower quality than stipulated by the contractual agreements. The private sector organisation 'BoWeevii' finances crop and inputs through the production wing of the tripartite agreement, the Lango Organic Farming Promotion (LOFP). The Internal Control System (ICS) is set up in accordance with European standards. Inspectors pay annual random visits to ensure compliance with organic requirements. Farmer participation is ensured through contractual production to guarantee adherence to the organic principles, and high quality production for the export market.

Tab. 2: Evaluation of the institutional development aspects of the service provision by sector.

Institutional development		
NGO sector		
Community empowerment	Resource Development	Link to the commodity chain
Formation of farmers into groups one or more committees	Engage in partnerships Input delivery	Initiate market linkages Micro finance linkages
Legalization of farmer groups		Institutional linkages (input & output)
Second order associations		Collective marketing
Establish partnerships		Facilitate production to market transactions
Establish linkages		Market development & intelligence
Integrate the disadvantaged		Financial assistance for crop storage
Private Sector		
Large farmer groups	Internal control system	Purchase produce
Have no, or one committee	Contracts	Sell to export market
One woman in each committee	Certified production Use organic inputs	Contract out growers Financial access Group certification Cash on the spot payment Absorption of transaction costs

All NGO linkages operate through farmer groups to reap the economies of scale in service delivery and communication (Tab. 2). Africa 2000 Network and SG 2000 also work with larger groups called second order associations (SOA's). The SOA's are registered with the sub-county or district. The formalization of group structures facilitates group recognition to demand services. The private sector deals with out growers rather than with groups. The 'groups' (comprising 200 farmers) are organized

according to their aerial zones. While the BoWeevil and AMFRI Farms farmers have a committee, the Masaka Organic Producers (MOP) farmers do not have a committee. Less emphasis is paid on group strengthening/dynamics. The demand for services in the private organic sector is confined to the organic production requirements of the product. However, formalized contractual arrangements in the private organic sector enable the inputs to be supplied by the buyer on credit and removed from the sales proceeds, and compliance with the set and agreed standards, hence improved product quantity and quality. The NGO sector associates its farmers with varying levels of linkages to the local, national and export markets, while the formal private sector predominantly serves the certified organic export market.

#### **Discussion:**

The NGO sector is dynamic in its strategies to engage farmers for community empowerment, however is challenged in the scale of operation, scale out strategies, low adoption and adaptation rates. The largely profit oriented private sector, attempts to utilize cost effective strategies hence hampering community empowerment through human capacity development aspect. It does however, contribute to market linkage infrastructure development, facilitate the organisation of the farmers under the ICS and absorb the transaction costs along the market chain. However, this contribution, because of the limited human capital development is insufficient to empower farmers to establish their own market linkages. This sector also improves farmers' livelihoods through increased incomes, while the NGO sector provides linkages to the private sector but may not quickly impact on farmer incomes due to market chain dynamics.

#### **Recommendations:**

The private organic and the NGO sectors face challenges that compliment one another. Lack of adherence to market demands due to low production and poor quality still challenges the NGO sector, while the former easily absorbs these challenges with the use of the ICS and contracting large numbers of farmers. It however lacks in the human capacity development to empower communities. It is therefore inevitable that continued collaboration between these two sectors could draw lessons strengthening farmer empowerment within the market chain.

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