

Local Food Aid Procurement in Uganda

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Executive summary

Background

This report is the first of two case studies that document the initial findings of a research project to develop good practice guidelines for maximising the developmental impact of local and regional food aid procurement. The report focuses on Uganda, with a particular emphasis on maize and on procurement by the United Nations World Food Programme (WFP). Findings from this study will inform a final position paper that draws also on insights from the second case study (Ethiopia) and from a literature review.

WFP local procurement activities

In Uganda, food aid is required to support both refugees that have fled conflicts in surrounding countries and internally displaced people (IDPs) sheltering from the Lord's Resistance Army (LRA), an armed insurgency movement operating in the north of the country. Uganda is also the source of some of the food aid purchased for surrounding countries, in particular Rwanda, Burundi and the Democratic Republic of Congo (DRC).

WFP is the main agency involved in food aid activities in Uganda. In 1991, it initiated procurement of food aid commodities in East and Central Africa to support food aid programmes in Uganda, Rwanda, Burundi, Tanzania, and Eastern Democratic Republic of Congo. Since the year 2000, over 365,000 tonnes of food aid commodities, valued at US\$86 million, have been procured in Uganda. Maize grain and meal, beans and Unimix (a maize meal base fortified food) have been the focus of local procurement; 80% of purchases are maize or maize based products.

WFP standards for locally purchased grain are high in comparison with the quality of the grain marketed locally but out of line with those in the region, most importantly with regards to maximum moisture content. WFP may sometimes show some flexibility in the application of its standards for grain to avoid disrupting supplies and causing financial losses to suppliers.

Most food aid procured in Uganda is purchased from medium and large agricultural trading and processing firms. Since the year 2000, WFP has purchased from 28 different companies, of which about 15 are regular suppliers. However, sales remain

heavily concentrated in a very small number of firms, an indication that the formal agricultural trading sector in Uganda is still incipient.

From 2000 onwards, WFP has also been procuring maize grain and beans directly from farmers' associations. Standard procurement guidelines were significantly relaxed to enable farmer participation. Targeted groups have received training from partner organisations and benefiting from free transport to WFP warehouses. WFP's target is to purchase up to 10 percent of locally procured maize and beans from farmers' groups, but to date it has achieved not more than 4.7 percent in a given year. The maximum number of groups able to supply WFP in a particular year was 11, and only five have been involved more than once. Supplies are heavily concentrated in a very small number of groups. This situation reflects the early stage of development of farmer-controlled enterprises in Uganda.

The impact of local food aid procurement

Local food aid purchases, alongside cross-border exports to Kenya, have been driving the development of the Ugandan maize sub-sector, generating significant employment and income in the farming and trading sectors and benefiting a wide range of other service providers. Local procurement activities have also provided a stimulus to the production and marketing of beans, and are behind the emergence of a small blended-foods manufacturing sector.

Nevertheless, WFP purchases may have had an adverse impact on regional trade. More specifically, very significant maize and bean purchases during the past two years may, to some extent, have reduced cross-border flows from Uganda to Kenya and other neighbouring countries. On the other hand, by encouraging the emergence of a formal grain trading sector, local food aid procurement could provide a platform for successful export development.

The most visible impact of local procurement activities in Uganda has been the development of a formal grain trading sector, supplying significant tonnages to a high specification and under strict deadlines. However, few firms have been able to supply the food aid market. At the same time, there have been no visible changes in the structure and conduct of grain trading at the lower levels of the marketing chain.

The positive impact of local food aid purchases can only be sustained over the long-term if medium and large grain trading companies are able to diversify into regional markets, particularly Kenya. At the moment, most would cease their involvement in the grain trade if WFP were to make large reductions in local procurement. In order to make significant inroads into the Kenyan market, these companies require improved access to bank finance so that they can operate from a stock position. Quality is also an issue since the main off-shore competitors, particularly South African exporters, are currently able to supply maize of a much higher specification than Ugandan firms.

Recommendations

There is scope for improving local food aid procurement activities in Uganda while contributing to the development of domestic grain marketing systems and the transition towards more sustainable markets. The main recommendations of the study are as follows:

1. *Persuade donors to make multi-annual cash commitments.* At present, donor countries make annual cash contributions to WFP. This leads to significant fluctuations between years in the availability of funds and financial bottlenecks during specific periods due to delays in releasing funds. Donors should be persuaded to make multi-annual cash commitments that would enable WFP to improve the management of its procurement operations and provide producers, traders and processors with a clearer indication of its future purchasing intentions and their timing.
2. *Manage local procurement in the context of regional trade flows.* Ideally, WFP local procurement operations should be managed in ways that avoid undue disruption to local markets and commercial cross-border flows. For example, during normal production years, the amount of maize procured in Uganda should be inversely related to exports to neighbouring countries, particularly Kenya.
3. *Consider the rationale for buying maize meal.* WFP purchase and distribution of maize meal (unfortified) is presumably done so that beneficiaries do not have to make their own arrangements for milling. However, there are several disadvantages of maize meal as food aid, including shorter shelf-life than grain, difficulties in assessing quality, and the loss of opportunity for small-scale agro-

processing enterprises in distribution areas. These need to be balanced against the advantages of financing large millers to add value to a local commodity.

4. *Assess the rationale for buying directly from farmers.* It is recommended that WFP gives careful consideration to the rationale for developing a second phase of the Agriculture and Marketing Support Project, particularly with regards to its marketing component, under which WFP purchases directly from farmers' groups. Direct procurement from farmers can be seen as diverting attention and resources away from the much-needed development of direct links between marketing groups and urban-based traders. These links could potentially benefit a much larger number of farmers and have more sustainable positive impacts on Uganda's grain marketing system than the development of a highly subsidised marketing channel serving a limited number of participants.
5. *Harmonise quality standards with those of potential export markets.* It is recommended that WFP reduces the maximum moisture content from the current 14% to 13.5% as a way of disciplining the local grain trade and as a means of purchasing a product that will retain better quality over a longer period in storage.
6. *Promote the development of a warehouse receipt system for grains.* WFP could benefit much from a well-functioning warehouse receipt system for grains, which would reduce the risk of contract default, enhance participation by farmers' associations and smaller traders in local procurement activities, and reduce the costs to WFP associated with their involvement. Moreover, in addition to its obvious positive impact upon domestic grain markets, a well developed warehouse receipt system would address three major constraints currently limiting the potential of medium and large grain traders to penetrate regional markets, namely: access to finance, ownership of stocks when deficit countries in the region are importing, and access to grain of high and uniform quality.

Given the above, WFP should consider promoting the establishment of a warehouse receipt system for grains in Uganda. As the largest buyer in the country, WFP has the critical mass to ensure a rapid take-off of a regulated warehouse receipt system.

7. *Support the training of private sector traders and processors.* Training of private sector traders in areas such as warehouse management, pest and quality control, procurement systems, accounting and costing was identified as a major need during the discussions with different stakeholders in Uganda. Weaknesses in these areas are partly responsible for the current dearth of suppliers able to meet WFP quality requirements. WFP has an interest in reducing procurement costs and ensuring compliance with contract specifications. It is therefore recommended that WFP should promote training initiatives targeting a wide range of grain traders and processors.

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Abbreviations and acronyms

ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
AT	Appropriate Technology
APEP	Agricultural Productivity Enhancement Programme
DRC	Democratic Republic of the Congo
DFID	Department for International Development (UK)
EU	European Union
GDP	Gross Domestic Product
HACCP	Hazard Analysis Critical Control Point
IDP	Internally Displaced Persons
IDEA	Investment for the Development of Export Agriculture Project
IITA	International Institute for Tropical Agriculture
LRA	Lord's Resistance Army
MAAIF	Ministry of Agriculture, Animal Industries and Fisheries
NAADS	National Agricultural Advisory Services
NCPB	National Cereals and Produce Board (Kenya)
NGO	Non-governmental organisation
NRI	Natural Resources Institute (UK)
PMA	Programme for the Modernisation of Agriculture
SGS	Société Générale de Surveillance
UCA	Ugandan Co-operative Alliance
UGTL	Uganda Grain Traders Ltd
UNBS	Uganda National Board of Statistics
UNDDE	Union National Droits et Devoirs des Enfants
WFP	World Food Programme (UN)

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1. Introduction

This case study was undertaken as part of a research project that aims to develop good practice guidelines for maximising the developmental impact of local and regional food aid procurement. The project is funded under the EC-PREP research programme of the United Kingdom's Department for International Development (DFID) and designed to enhance the pro-poor development activities of the European Union. In particular, it is intended to contribute towards achieving the International Development Goal of halving the number of people living in extreme poverty by 2015. The provision of food aid is recognised as an important element in achieving this goal.

Food aid has become a marginal component of aid, with its share of overseas development assistance falling from 22 percent in 1965 to 1-3 percent in the late 1990s (Abdulai *et al.*, 2004). As a result, food aid now accounts for a small and declining share of cross-border food flows. However, many developing countries, especially in Sub-Saharan Africa, continue to receive large amounts of food aid and the situation is unlikely to change significantly in the foreseeable future due to low and often declining per capita food production and emergency needs arising from man-made and natural disasters. Annual food aid flows to Sub-Saharan Africa typically vary between 2 and 4 million tonnes, after having peaked at over 6 million tonnes in the early 1990s (Abdulai *et al.*, 2004).¹ Managing food aid flows in ways that contribute to the development of recipient countries' economies and minimise its potentially disruptive effects should therefore constitute a priority to all agencies and governments involved. This report seeks to inform such efforts.

Over the past decade, significant attempts have been made to increase the proportion of food aid, mainly grain, procured in the recipient country or within neighbouring countries. These efforts reflect the widely held perception that local and regional purchases (sometimes referred to as triangular purchases) provide a more efficient and effective means of meeting emergency and non-emergency food aid requirements than the alternative of importing food aid from donor countries. The potential advantages of local or regional procurement include lower purchasing, transport and

¹ Leading food aid recipients in the region include Angola, Ethiopia, Eritrea, Kenya, Mozambique and Sudan

handling costs, reduced delivery time, and the provision of more appropriate types of food that are more acceptable to beneficiaries. In addition, local and regional procurement may contribute to agricultural and wider economic growth, a more transparent and efficient domestic marketing system, especially for grain, and reduced food aid dependency in the countries concerned.

Yet, these perceptions are not based on any systematic and critical review of the role that local food aid procurement is playing and whether it is fulfilling its potential as a development tool. These are areas to be addressed by this study. More specifically, answers to the following questions are being sought through a literature review and comparative case studies in Uganda and Ethiopia, countries with very different agricultural sectors and food aid procurement and delivery systems:

- Does local procurement of food aid give producers sustainable futures in market-oriented production, or is it just creating dependency on unsustainable public purchases?
- Should food aid agencies procure through conventional tender systems, or should they deal more with small-scale producers and traders, either directly or through intermediaries such as NGOs?
- Can local procurement do more to stimulate development of local marketing systems through direct and indirect impacts in areas such as quality control and grading of produce, contracting, contract dispute settlement, market information, warehouse receipts, commodity exchanges, and electronic trading?
- Which donor regulations and procedures are in most need of change in order to maximise the impact of local and/or regional procurement, and how should this be achieved?
- What key indicators can be used, if any, to guide decisions on whether or not food aid commodities, and grain in particular, should be procured locally?

This first case study focuses on Uganda, where we test the hypothesis that ***“local or regional procurement of food aid can make a much larger contribution to the economies of developing countries, and poor people in particular, and policies can be put in place to increase such benefits”***. Insights from the two case studies and the review of the literature will inform a final position paper on good practice for

maximising the impact of local and regional food aid purchases on the economies of the countries concerned.

The authors of this report spent two weeks in Uganda in October 2004 gathering relevant documentation and data and discussing local food aid procurement and its impact with key stakeholders and informants. The report focuses on maize, the main locally procured food aid commodity, and on the activities undertaken by the World Food Programme (WFP), by far the most important food aid purchasing agency in Uganda.

Following this introduction, the next two chapters provide background information on Uganda's agricultural sector and maize sub-sector, respectively. Chapter four describes local food aid procurement activities by WFP, while their impact on production and local markets are discussed in the fifth chapter. Finally, chapter six draws key conclusions and provides some recommendations on potential good practice in the prevailing situation of Uganda.

2. The Agricultural Sector in Uganda

2.1 Policies and strategies for the agricultural sector

The Programme for the Modernisation of Agriculture (PMA) outlines the Ugandan government's medium and long-term vision for the agricultural sector, whose development and transformation is regarded as critical for achieving food security and reducing poverty (Government of Uganda, 2000). Launched in December 2000, this 20-year programme consists of an action-oriented and evolving framework aimed at guiding and informing policy and investment interventions in agriculture and allied activities by central and local governments, civil society organisations and development partners. It makes an assessment of the diverse and complex range of constraints affecting Uganda's agricultural sector, from production to marketing and processing, while identifying multi-sector strategies and interventions to address them and assigning roles and responsibilities to key government agencies and other stakeholders.

In Uganda the private sector is seen as the main engine of agricultural growth and much emphasis is given within PMA to the need for developing production that is competitive and responsive to market demand and opportunities, both domestically and abroad. Government, in turn, has the responsibility of facilitating the process of agricultural transformation, for example by improving economic infrastructure, developing effective agricultural research and extension systems, investing in relevant market information services, and creating an enabling business environment. The support of the donor community, strategic partnerships with non-government organisations (NGOs) and the commercial sector, and wide participation of farmers and other stakeholders in decision-making processes are considered essential for the design and implementation of effective investment and policy interventions by government.

The PMA pays considerable attention to the institutional conditions for the development of the agricultural sector and allied activities. Of particular relevance is the role attributed to farmers' organisations in improving access by producers to relevant extension and advisory services, reducing transaction costs, and overcoming market access limitations. Through the National Agricultural Advisory Services (NAADS), the government is working towards a pluralistic and decentralised

agricultural extension system, partly self-funded and open to private sector provision. In this context, great emphasis is given to the development of farmer's organisations as vehicles for delivering agricultural services and developing collective marketing activities. By July 2003, 5,005 farmer groups were registered with NAADS and a further 3,633 were in the process of joining the programme.

Economic liberalisation and privatisation have been key features of Uganda's economic policy since the late 1980s. Agricultural sector policies should be seen in this context. Cash and food crop trading have been largely liberalised and government marketing boards dismantled or privatised. Traders and agribusiness firms now face relatively few regulatory barriers to participate in agricultural marketing and prices are largely determined by supply and demand forces. Yet high transaction costs and a still incipient private sector remain key obstacles to the development of input and output markets, resulting in poor market access and adverse terms of trade for farmers.

2.2 The economic and social importance of agriculture²

Agriculture in Uganda accounts for a declining but still very significant share of Uganda's gross domestic product (GDP). According to official statistics, the current contribution of the agricultural sector (including fisheries and livestock) to the country's GDP is estimated at approximately 40 percent, compared to nearly 55 percent in the late 1980s. Agriculture provides a major source of livelihoods for the 87 percent of Ugandans living in rural areas, where poverty is most intense, and accounts for nearly 70 percent of total employment. The sector also plays a strategic role in generating foreign exchange, accounting for approximately 85 percent of total export earnings, while also supplying raw materials to a wide range of industries.

2.3 Key features of the agricultural sector in Uganda

Smallholder, semi-subsistence farming is the dominant mode of agricultural production in Uganda. The vast majority of farmers cultivate between 1 and 5 hectares of land, use few or no external inputs such as hired labour and purchased seed and agro-chemicals, and market a relatively small share of production. Agricultural productivity and incomes are low as a result.

² This section is largely based upon Fowler (2004).

Women play an essential role in the agricultural sector, especially in the production and processing of food crops, comprising over 70 percent of the agricultural labour force (Kleih *et al.*, 1999). Gender roles in agriculture are changing fast, not only as a result of the spread of the AIDS epidemic and the consequent increase in the proportion of female-headed households, but also as a consequence of the fact that crops traditionally grown for home consumption are increasingly being sold in the market, leading to greater male involvement, especially during the marketing stages.

In Uganda food crops account for approximately two-thirds of value added from crop production (Fowler, 2004). Bananas (*matooke*), cassava and sweet potatoes are the three leading food crops, accounting for nearly half of the crop harvest value, followed by maize and beans. Bananas are the most commonly grown and consumed staple, covering nearly 30 per cent of total cropped area, while cereals and root crops account for approximately 25 and 20 percent of farmed land, respectively. Pulses are also significant, occupying about 15 percent of the total planted area.

Coffee remains by far the main cash crop in Uganda, despite the significant decline in production since 1999 as a consequence of falling world market prices and the spread of the coffee wilt disease. The crop is cultivated by an estimated 1.5 million households and generates over 10 percent of the total crop harvest value (Fowler, 2004). Other important industrial crops include cotton, tea, sugar and tobacco. Cotton and tobacco are largely grown in dispersed, smallholder farms, whereas tea and sugar are mainly produced on large estates. Nearly all cotton and tea production is exported. In contrast, the entire sugar production and a significant share of the tobacco harvest are sold domestically.

Livestock rearing is an increasingly important activity and source of income for the rural population. In 2000, an estimated 20 percent of rural households owned cattle, compared to 12 percent in 1992 (Fowler, 2004). The expansion of livestock rearing has been possible due to improved security in many parts of Uganda and reflects efforts by rural households to diversify away from coffee growing.

2.4 Recent trends in the agricultural sector

The agricultural value added has, on average, expanded at an annual rate of 4.6 percent in real terms between 1995 and 2003, compared to an annual population

growth rate of 3.4 percent over the same period (Fowler, 2004). The livestock and forestry sectors recorded the most stable and consistent growth rates. Growth in cash crop production has fluctuated sharply according to weather and world market conditions, and varied considerably across sub-sectors. As mentioned, the performance of the coffee sub-sector has been rather disappointing, and instead fish is likely to become Uganda's leading export commodity in the coming years. The cotton sub-sector has also performed poorly. In contrast, tea, sugar and tobacco production expanded significantly during the past decade. Non-traditional export crops, such as flowers and vanilla, have also recorded strong growth.

Despite relatively high growth rates, the share of the agricultural sector in the Ugandan economy has been declining as a result of structural change. While this process is likely to continue in the foreseeable future, agricultural development will remain critical to economic growth and poverty reduction due to the large number of people directly involved in agriculture and its strong growth multiplier effects. Increased land and labour productivity through intensification is of paramount importance in the context of declining soil fertility, high population growth, and limited availability of new productive land for cultivation, especially in the most populated western and eastern regions. Diversification into high-value crops and the development of agro-processing can also play an important role.

3. The Maize Sub-sector in Uganda

3.1 Maize production

While maize is not a major staple in Uganda, the crop is widely cultivated throughout the country in pure stand or as part of mixed cropping systems. There are two growing seasons. The first starts around March, with harvesting activities being concentrated during the months of July and August. The second planting season begins in July and the crop is harvested during January-March.

The eastern region accounts for over 50 percent of domestic maize production, while the hotter dryer areas adjoining Sudan, which have traditionally specialised in sorghum and millet, contribute little to national output. This situation may change in the future, as Internally Displaced People (IDP) from the north return to their villages and resume farming activities. IDPs have been receiving relief maize for many years and this may have led to permanent changes in their food consumption habits. It is considered likely that they will start growing maize alongside sorghum and millet upon their return home.

The main net surplus producing districts are Iganga, Mbale and Kapchorwa in the east, Masindi in the Centre, and Kasese in the West. Local maize varieties are commonly grown in Iganga, Masindi, and Kasese, whereas in Mbale and Kapchorwa hybrid varieties are frequently used. Unlike most other maize producing districts, Mbale and Kapchorwa have only one growing season. In Kapchorwa maize is harvested early, between October and December. The Kapchorwa crop is planted in March and April and matures within 180 days, while the main maize crop matures in 120 days.

Maize production in Uganda is dominated by smallholder, semi-subsistence farming households using very few external inputs growing white maize varieties with low yields and high average production costs. Maize yields tend to vary between 1 and 1.8 tonnes per hectare, depending on the region, while production costs typically vary between US\$60 and US\$90 per tonne (RATES, 2003). However, there is an emerging small and medium-scale commercial farming sector producing mainly for the market and employing more input-intensive technologies. This sector has benefited from initiatives implemented by projects and NGOs such as IDEA, Sasakawa 2000, ACIDI/VOCA and Appropriate Technology (AT) Uganda, which have been training producers in farming as a business, linking them to institutional sources of credit, and promoting the concept of group marketing. A move towards more input-intensive and commercial practices, including greater attention to quality,

is considered essential for raising the profitability of maize farming and boosting its competitive position in regional markets, but is difficult in a context where farmers have poor access to affordable credit and markets are prone to instability and downturns.

Significant demand from Kenya and WFP has been driving maize production and the crop is gradually gaining importance as a source of cash. Domestic consumption of maize is also reported to be expanding, particularly in urban areas, as a result of growth in incomes and the lower cost of maize flour (*posho*) vis-à-vis cooked bananas (RATES, 2003; Spilsbury and Luwandagga, 2004). These factors have led to considerable growth in maize production since the mid-1990s (Table 3.1). Official and unofficial figures converge in terms of underlying trends, although the former are considered to be somewhat exaggerated and therefore unreliable. Estimates by IDEA project (Investment for the Development of Export Agriculture) and some large grain trading companies, which are regarded as more realistic, put current annual production levels between 550,000 and 750,000 tonnes.

Table 3.1: Maize production 1997-2002 (tonnes)

<i>Year</i>	<i>IDEA estimates</i>	<i>National Statistics</i>
1997	455,840	592,000
1998	480,480	739,200
1999	505,440	842,400
2000	526,080	876,800
2001	563,520	939,200
2002	535,480	973,600
Average (last 3 years)	532,690	929,870

Source: RATES (2003) based on data from IDEA Project and the Ministry of Finance, Planning and Economic Development.

3.2 Maize markets

The maize marketable surplus in Uganda is estimated at between 300,000 and 400,000 tonnes per annum³, with more than half of it coming from the eastern part of the country (see Table 3.2). The quantity of maize channelled to the market is intimately linked to production levels, although price levels during the harvesting months may also influence farmers' decisions regarding the amount of the crop to be sold rather than consumed.

³ The marketable surplus refers to the quantities available for sale after deducting consumption by producing households, post-harvest losses, and grain used as seed.

Table 3.2: Estimated production and surplus by leading districts (tonnes)

<i>Leading production districts</i>	<i>Production levels</i>	<i>Marketable surplus</i>
Iganga, Bugiri, Kamuli (East)	120,000	90,000
Kapchorwa, Mbale (East)	100,000	70,000
Masindi, Hoima (Central)	80,000	65,000
Kabarole, Kamwenge, Kasese (West)	40,000	30,000
Total	340,000	255,000

Sources: RATES (2003)

Over half of the marketable surplus is processed into maize flour (*posho*) and sold to the population through retail outlets and to institutions such as the army and prisons (Spilsbury and Luwandagga, 2004). Kampala is the main consumption centre. In addition, every year between 100,000 and 200,000 tonnes of maize are available for sale to WFP and export to neighbouring countries (Table 3.3). WFP is a major player in the market, purchasing large quantities of maize grain and meal. Regarding exports, Kenya is the main destination for Ugandan maize, although cross-border flows to the Democratic Republic of Congo, Tanzania and Rwanda are also common. According to data presented in the RATES study, recent maize exports to Kenya varied between 16,000 and 44,000 tonnes per annum, but these figures should be treated with caution given the unrecorded nature of cross-border trade flows. Other authors mention magnitudes around 100,000 tonnes per annum (NRI/IITA, 2002; Spilsbury and Luwandagga, 2004).

Table 3.3: WFP purchases and Kenya and Zambia exports from Uganda (tonnes)

	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
WFP					
Maize grain	15,375	26,402	8,037	63,133	101,571
Maize meal (in grain equivalent)*	14,942	3,796	25,638	59,538	18,700
Kenya	44,702	39,858	16,337	n.a.	n.a.
Zambia	0	9,680	21,000	0	0

** Assuming a milling rate of 50 percent, two tonnes of maize grain required to produce one tonne of maize meal.

Sources: RATES (2003) and WFP

Significant tonnages of maize were exported to Zambia in late 2001 and early 2002. The export contract with Zambia was a one-off, opportunistic operation prompted by the collapse in maize prices within Uganda (Fig. 3.1). Given the seriousness of the situation, sixteen medium and large trading firms in Kampala joined efforts to secure a contract with the

Zambian Government to supply its food reserve. The Ugandan Grain Traders Ltd (UGTL) was formed in September 2001 to fulfil this large contract, which was only viable because of extremely low prices within Uganda. More could have been exported during that period, but the Zambian authorities discontinued the operation due to the poor quality of Ugandan maize. Since 2002, UGTL has not been very active in the export of maize.

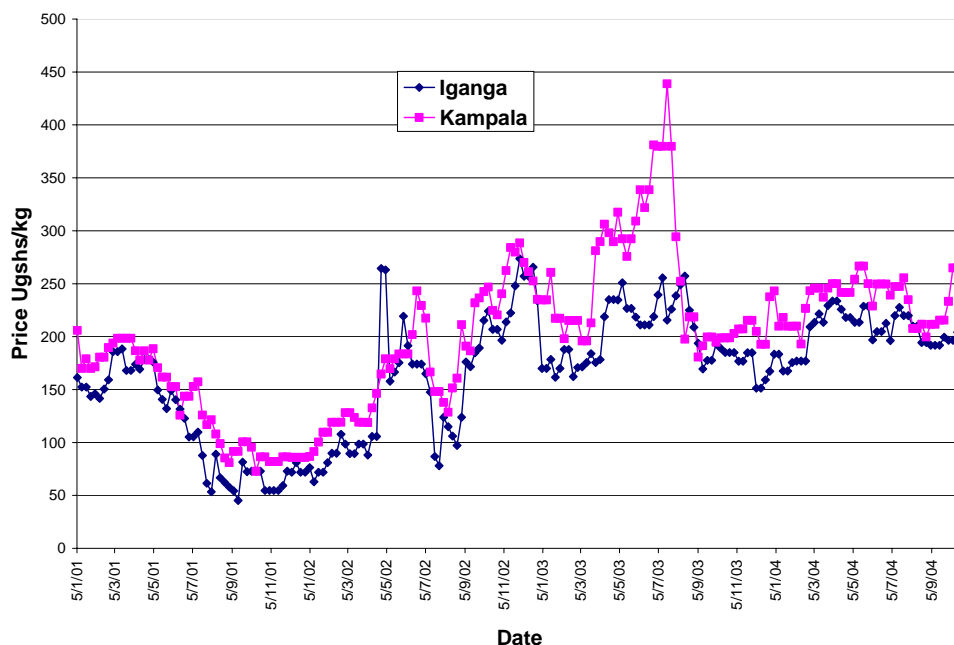


Figure 3.1 Trend in real prices for wholesale maize in Iganga and Kampala, 2001-2004
Source: FOODNET

A collapse in the WFP or Kenya markets would have disastrous consequences for the Ugandan maize sub-sector, as illustrated by the severe decline in prices in mid-2001. Uganda then had a very good maize harvest, but until the later months of the year WFP was nearly absent from the market while Kenya was importing very little due to a bumper harvest, which normally occurs once every four or five years. Kenya also shut the border for Ugandan maize in mid-2001 in an attempt to support prices in its domestic market. Kenya imposed another temporary ban on cross-border imports of maize from Uganda in 2004 due to an outbreak of aflatoxin poisoning, allegedly caused by the sale of contaminated maize originating from Uganda.

Prices in Uganda have increased significantly since late 2001 and have remained high thereafter (Fig. 3.1). This can be largely explained by maize deficits in Kenya and other countries in the region as well as significant procurement activity by WFP. The decline in maize production in Uganda during 2002, a direct consequence of low prices in the previous

year, has also contributed to firm prices. Prices in Kampala are closely linked to those in the major surplus producing areas in western, central and eastern Uganda. However, during the second half of 2003 prices in the capital diverged significantly from those in eastern Uganda, reflecting intense purchasing activity from WFP, which has a major influence in the Kampala market.

3.3 Maize marketing chains

Maize marketing chains are typically long, with many intermediaries operating between farmers in surplus producing areas and consumers in Uganda and neighbouring countries (see Fig. 3.2 for a simplified representation of the maize marketing chain). Production is dominated by small-scale, dispersed and often remote farmers while marketing is largely undertaken by under-capitalised traders who can only handle small volumes at a time. As a result, several levels of product aggregation are required before maize supplies reach distant, urban-based buyers.

Farmers tend to sell small tonnages to itinerant traders and roadside store owners at the farm-gate and in temporary or rotating village markets. Sales are generally concentrated during the peak harvesting months due to the pressing cash needs of farming households and their lack of access to credit. However, in order to benefit from higher off-season prices, larger and more commercially oriented producers may store their crop for some time before releasing it into the market. They often sell to traders based in nearby market centres and district towns, which constitutes a more remunerative channel than sales to smaller, village-level buyers. Despite the current donor and NGO emphasis on farmer group development, collective maize marketing is still rare.

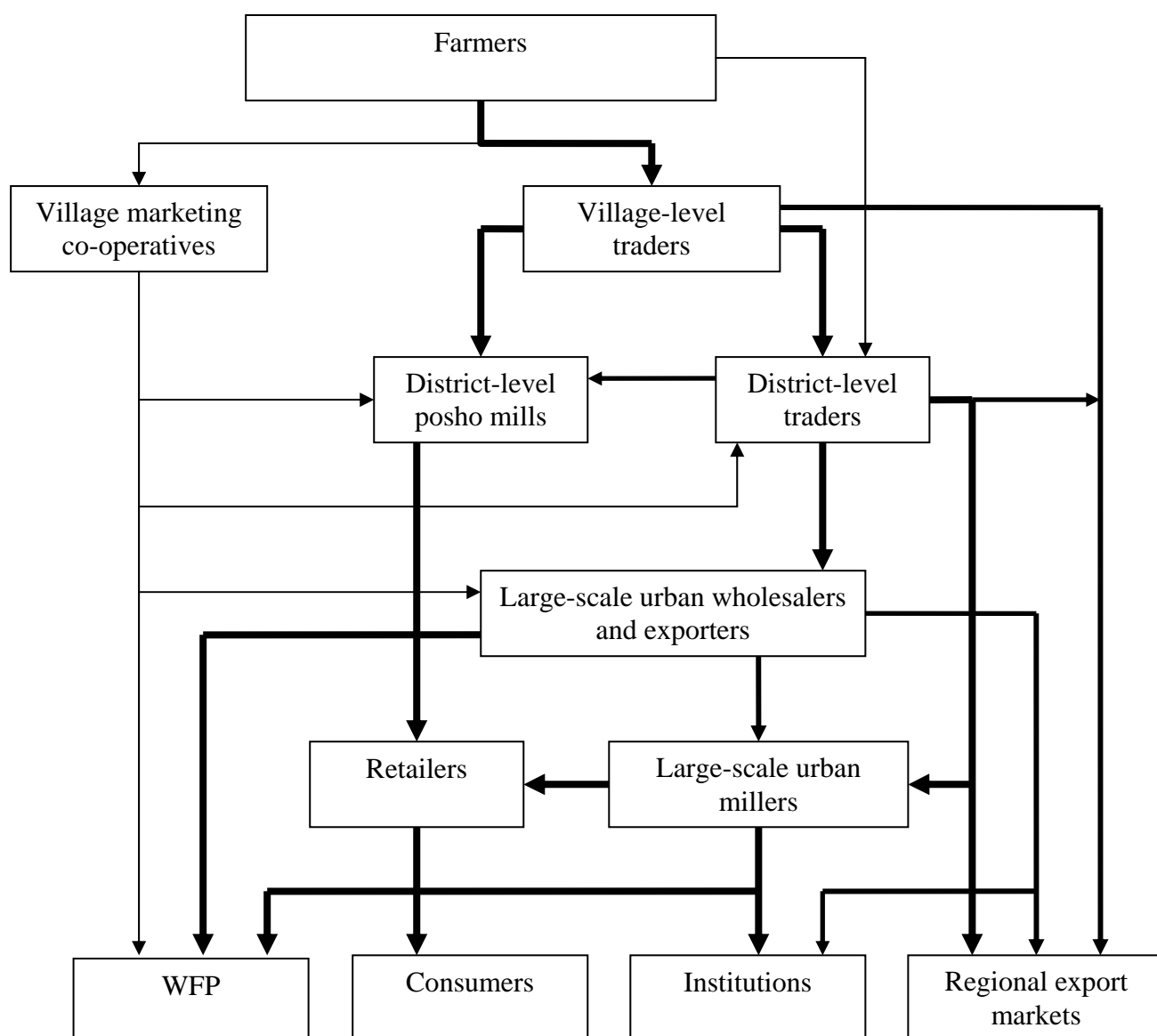


Figure 3.2 Grain marketing chain in Uganda

Village-level traders may act as agents for urban-based traders or operate on their own account. They deal with small tonnages at a time and rely on bicycles as the main means of transport. Other commonly used means of transport include hired labour, donkeys, and pick-up trucks. Village-level traders are an essential link in the product chain, aggregating supplies from small and dispersed farmers before selling to medium-size traders and millers operating in local marketing centres and district headquarter towns. Village-level traders are also involved in informal cross-border exports to neighbouring countries. They account for approximately 90 percent of all maize marketing agents and handle about 60 percent of marketed tonnages (RATES, 2003).

Traders in market centres and district headquarter towns assemble maize and dry and clean the produce before supplying it to local millers, buyers from neighbouring countries, or large-scale trading and milling companies based in urban centres outside the district, especially Kampala and Jinja. These traders often own or rent grain stores but face acute working capital constraints and therefore rarely keep maize for more than one or two weeks.

District-level millers target the local urban market but may also supply institutions such as schools and hospitals. The size of milling firms is positively correlated with the size of the locality where they are based. In larger district centres, millers tend to process maize purchased from village and district-level traders, but in smaller locations they may undertake service milling. Bran is an increasingly important by-product and is normally sold to feed mills.

Most large-scale grain trading companies are located in Kampala. There are about 20 medium to large formal grain traders operating in the capital, 16 of which are members of UGTL. These companies are run as individual businesses, but use UGTL as a platform for participating in policy fora and conducting major export operations, such as the supply of maize to Zambia in late 2001 and early 2002 and the sale of beans to Angola in late 2002. Kampala-based formal grain trading firms have warehousing facilities and modern cleaning and drying equipment, and may also own pick-up trucks and lorries for transporting produce. These companies cater essentially for the relief market, but may occasionally supply institutions and foreign buyers. Lack of access to sizeable bank loans without a WFP contract is a major constraint to the development of their business, preventing them from storing significant tonnages and bidding for contracts from a stock position.

Larger milling firms also tend to be based in Kampala. They sell to consumers through retailers and supply institutional buyers such as the army, the police and prisons. Currently, only one large firm supplies the relief market due to the strict WFP quality requirements. Millers based in Kisenyi market have formed an association, but only cooperate for policy advocacy and market infrastructure and management purposes. They tend to operate below full capacity due to working capital and storage constraints.

3.4 The efficiency of maize marketing systems

Marketing costs and margins provide a good measure of efficiency in marketing systems. According to estimates of marketing costs for maize produced in three districts of Uganda

and channelled to Kampala, farmers receive only 34 to 50 percent of the mill-gate or wholesale purchasing price (Table 3.4). While low farm-gate prices are often perceived as a consequence of significant market power by traders, who are seen as realising considerable profits at the expense of farmers, the data in Table 3.4 does not support such a view. There would appear to be scope for increasing competition at the farm-gate level but the low prices accruing to Ugandan maize farmers are largely a consequence of the high costs associated with small purchases made from dispersed and often remote producers, the large number of intermediaries required to aggregate sufficient quantities that justify transport over long distances, and the poor quality of traded maize.

Table 3.4: Marketing costs from farm-gate to Kampala, early 2002

	<i>Unit Cost (Ushs per kg)</i>		
	<i>Kapchorwa</i>	<i>Iganga</i>	<i>Masindi</i>
Farm-gate price	50.00	60.00	60.00
Bagging materials	1.00	2.00	5.00
Labour costs (loading, sorting, etc)	-	-	3.00
Weighing costs	-	-	-
Transport to primary market	10.00	10.00	10.00
Market fees/local taxes	-	2.00	2.00
Net margin	4.00	6.00	5.00
Primary market price	65.00	80.00	85.00
Bagging materials	-	2.00	2.00
Labour costs (loading, sorting, unloading, weighing, etc)	4.00	5.00	4.00
Transport to secondary market	10.00	5.00	10.00
Storage	0.50	1.00	1.00
Losses	2.00	2.00	2.00
Market fees/local taxes	1.00	1.00	1.00
Trading license/security	-	0.50	0.50
Net margin	5.00	5.00	4.50
Secondary market price	90.00	101.50	110.00
Transport to Kampala	45.00	20.00	25.00
Wholesale/mill-gate purchasing price, Kampala	135.00	121.50	135.00

Source: NRI/IITA (2002)

The level of integration of spatially dispersed maize markets is another important indicator of efficiency within marketing systems. Competitive and efficient markets are well integrated: produce flows from lower towards higher price areas and price differentials between these

different markets are largely accounted by transport and other marketing costs. A recent study of spatial integration in Ugandan maize markets has found that seven out of the eight districts sampled shared common price trends, an indication of a fair degree of integration (Rashid, 2002). Gulu district was the exception due to the high levels of insecurity resulting from the armed insurgency in northern Uganda and poor transport infrastructure. Kampala emerges as the most dominant market in long-run price formation, followed by Jinja. The study has also found an increase in the extent of market integration since the early 1990s, attributing this outcome to the development of the trading sector and improvements in transport infrastructure and information flows. The spread of mobile phones in rural areas during the past few years and the FOODNET market information system have certainly contributed to the latter.

A third important dimension of efficiency relates to the extent of temporal arbitrage, which is linked to the development of storage activity along supply chains. The capacity of the marketing system to smoothen maize supply over time through storage generally constitutes an important determinant of seasonal price variations. In other words, an increase in storage activity is generally associated with lower price variations within the year. Farm-gate prices will increase during the peak marketing seasons and consumer prices will decline during the off-season periods as a result, with benefits to both farmers and consumers.

However, in Uganda the scale and timing of WFP purchases and Kenyan imports, together with the size of the two maize harvests, seem more important in determining seasonal price behaviour than the extent of storage activity along the supply chain. The reasons for this lie in the fact that demand for Ugandan maize from WFP and Kenya⁴, two major determinants of prices in domestic markets, varies considerably from one year to another. This leads to a rather erratic pattern of seasonal price variations, especially during the June-September months, which is the most active period for export to Kenya (Fig. 3.3).

⁴ Inter-annual changes in Kenyan maize imports are not only a consequence of fluctuations in production and the size of the deficit, but also a reflection of significant variations in government purchases to restock the country's strategic grain reserve.

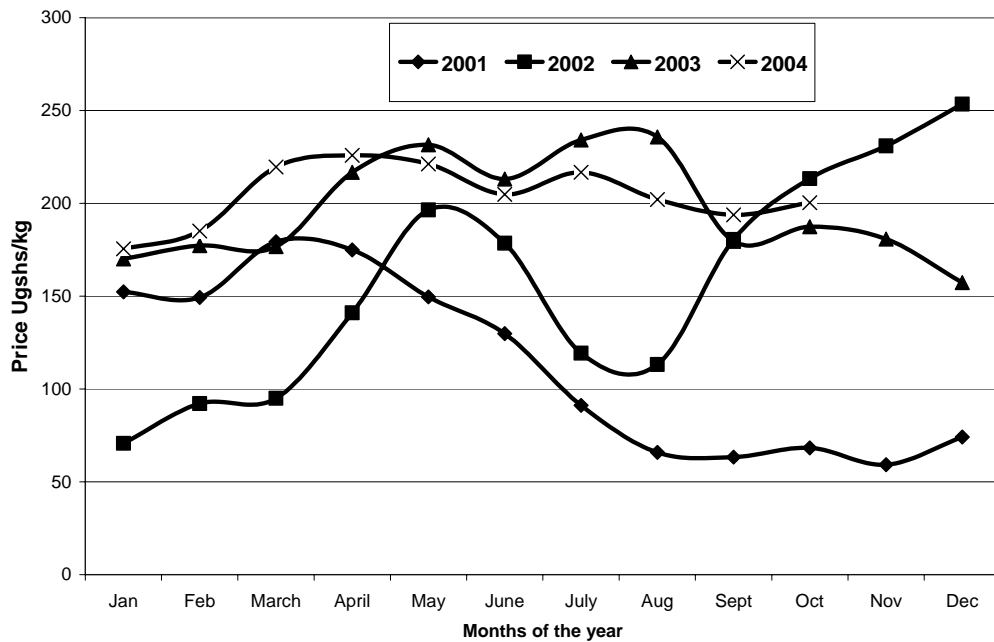


Figure 3.3 Seasonality of real prices for wholesale maize in Iganga, 2001-2004
Source: FOODNET

Given the above, prices in Ugandan maize markets do not always follow a clear bimodal pattern, as might be expected (Fig. 3.1). In 2001, maize prices declined sharply throughout the June-August harvesting season due to the lack of purchasing activity by WFP and Kenyan traders, but in the same period of 2003 and 2004 prices showed a surprising increasing trend, following intense buying activity in the context of local food aid procurement and a resumption of cross-border export trade to normal levels.

A fourth significant dimension of efficiency relates to the ability of the maize marketing system to add value to the grain and minimise post-harvest losses. The Ugandan maize marketing system has performed rather poorly in this regard (RATES, 2003; Spilsbury and Luwandagga, 2004). The grain channelled along the supply chain is generally of very poor quality, a problem that has come to the fore following the Kenyan temporary ban on cross-border maize imports from Uganda in 2004. Farmers generally sell maize at very high moisture content and with a significant percentage of discoloured, broken and diseased grain. During the subsequent marketing stages, the produce is often sold without having been properly dried, cleaned and graded. This results in a high percentage of rejections by companies targeting WFP or export markets, with the supplying traders having no option but to sell the maize at a discount to *posho* mills.

Quality problems are largely associated with the inability of the marketing system to provide an incentive for farmers and rural traders to undertake proper drying, cleaning and grading of their grain. In other words, price premiums for higher quality produce are not trickling down the supply chain, as a result of which there is no price incentive for investing in quality. Part of the reason seems to lie in the small-scale and informality of maize transactions, with produce of different origins being mixed as it moves along the supply chain. At present, formal or informal contracts based on a clear system of grades and standards are virtually absent.

The poor quality of locally marketed grain and flour has several negative implications. First, the risk that buyers will reject supplies of maize grain and the high costs associated with processing poor quality grain impact negatively on farm-gate prices. Second, the poor quality of the Ugandan grain constitutes a significant obstacle to the development of formal export market channels to Kenya and other countries in the region. Last but not least, the sale of poor quality maize flour has potentially serious health implications for consumers.

3.5 Improving the performance of maize marketing systems

The PMA Marketing and Agro-Processing Strategy identifies a series of priority investments and interventions which can contribute significantly to improving the performance of maize marketing systems (PMA, 2004). Below are some examples:

- Increased investment in transport infrastructure, with a renewed emphasis on district and community access roads, is planned. Such investment is essential for reducing marketing costs and encouraging spatial produce flows.
- There is an on-going, five-year rural energy development programme. An expansion of the national electricity grid to rural areas can be instrumental in lowering milling costs.
- A review of local market, sales and transit taxes is strongly recommended by PMA in order to reduce agricultural marketing costs and encourage greater participation in markets.
- Continued investment in the collection and dissemination of market information is envisaged with a view to stimulating competition along agricultural supply chains, improving spatial and temporal arbitrage, and enabling informed investment in production, marketing and processing activities.

- Finally, much emphasis is currently being given to the development of effective and sustainable farmer-controlled enterprises. While it will take some time before farmers' organisations are in a position to play a major role in maize marketing, such a development would enable producers to engage in direct contractual relationships with large buyers, thereby reducing transaction costs for the parties involved and facilitating the emergence of differentiated pricing structures that reward quality. Large, Kampala-based grain trading companies could contribute to these outcomes by investing in warehousing and processing capacity within major surplus producing areas.

Improvements in the functioning of credit markets would also contribute to addressing a major source of inefficiency in Uganda's maize marketing system. Financial constraints limit the ability of traders to expand their activity and leave millers with no option but to operate below full capacity, which results in high average milling costs. The PMA's strategy for addressing these constraints focuses on the development of a warehouse receipt system, which enables the use of stored commodities as collateral for bank loans. In addition, warehouse receipt systems have the advantage of reducing transaction costs through the use of standardised grades and trading by description and easier links between different actors in the marketing system. Such systems also encourage storage by traders and farmers' associations, thereby reducing seasonal price fluctuations.

Collateral management services are used in Uganda for agricultural export commodities such as coffee and cotton but they are expensive and inaccessible to practically all those producing and trading in crops for local and regional markets. UGTL has attempted to organise a pilot warehouse receipt system for grains, but so far with no success due to the late withdrawal of the chosen bank from the initiative. Under the PMA, there is an attempt to develop a pilot warehouse receipt initiative for food crops with EU funding. A "warehouse receipts task force" has already been established and a Warehouse Law drafted for submission to Parliament. A provisional decision has been taken to license the Ugandan Commodity Exchange as the agency responsible for regulating warehouses and warehouse operators.

4. WFP Local Procurement Activities in Uganda

4.1 Food aid needs and purposes

In Uganda, food aid is required to support both refugees that have fled conflicts in surrounding countries and internally displaced people (IDPs). At the time of writing, there are believed to be over 230,000 refugees in Uganda originating from Sudan (200,000), Rwanda (22,000), DRC (13,000) and Somalia (1,000). IDPs are sheltering from the Lord's Resistance Army (LRA), a rebel group which is active in parts of northern areas of Uganda and across the border with Sudan. At their height in 2003, the numbers of IDPs reached about 1.8 million sheltered in 188 camps across seven districts of northern Uganda. As of February 2005, 1.4 million remain in rural IDP camps in four districts (Gulu, Kitgum, Pader and Lira).

Besides IDPs and refugees, WFP also provides food aid to food-insecure people displaced in urban centres and outside the conflict-affected region. Peace efforts underway give some optimism that IDPs will begin to return home in 2005. For IDPs, refugees and other vulnerable groups such as HIV/AIDS affected families, there is a school feeding programme, with 400,000 children currently receiving food in LRA-affected and refugee hosting areas. Uganda is also the source of some of the food aid purchased for surrounding countries, in particular Rwanda, Burundi and DRC.

WFP is the main agency involved in food aid activities in Uganda, both with respect to tonnages distributed and local purchases, although several NGOs also participate in relief aid efforts as WFP partners. A new three-year food aid programme is being developed by WFP for implementation in 2005, with a total budget of about US\$263 million, the same allocation as at present. It is assumed that about 40% of food aid commodities for Uganda will be sourced locally and that there will be a move away from relief operations in favour of resettlement and development activities. These will include an expanded school feeding programme, support for HIV-affected households, and food for assets in the context of resettlement of IDPs. There is a government consensus in favour of expanded school feeding activities. In addition, it is believed there will be continued demand for food aid to Rwanda, Burundi and DRC.

4.2 Local food aid procurement activities

4.2.1 Commodities and quantities purchased

WFP initiated procurement of food aid commodities in East and Central Africa in 1991 to support food aid programmes in Uganda, Rwanda, Burundi, Tanzania, and Eastern DRC. Uganda is the main source of food aid procured in the region. More than half of locally purchased commodities are distributed within Uganda itself⁵, with the remainder being used in WFP operations in the Great Lakes region. These purchases are made with cash donations from a large number of countries.

Maize and beans have been the focus of WFP procurement in Uganda. White maize and many varieties of beans are available locally. WFP also buys maize meal and Unimix from local suppliers. In the past it has occasionally purchased some sorghum, traditionally the main staple of the displaced population in northern Uganda, but this crop is usually not available in the market in sufficient quantities due to security problems in the main production areas and the consequent displacement of farming households. Locally produced vegetable oil is considered too costly and therefore excluded from local procurement activities, although the fact that it is readily available through in-kind donations by the US is certainly a contributing factor.

Since 2000, WFP has procured over 365,000 tonnes of food aid commodities in Uganda, valued at US\$86 million. While local procurement expanded gradually between 2000 and 2002, it showed a very marked growth over the past two years, when nearly 260,000 tonnes of food commodities were purchased (Table 4.1). This largely reflects increased availability of funds and the financial advantages of procuring food aid locally rather than importing it from donor countries.⁶

⁵ For example, in 2004 approximately three-quarters of food aid commodities purchased in Uganda were distributed within the country.

⁶ For example, according to simulations by UGTL, the cost of food aid commodities imported in 2004 from the USA under the Food for Peace scheme was 2.6 times higher than if the same commodities had been purchased locally.

Table 4.1 Quantities of food aid commodities procured in Uganda by WFP (tonnes)

	2000	2001	2002	2003	2004	Total
Maize grain	15,375	26,402	8,037	63,133	101,571	214,518
Maize meal	7,471	1,898	12,819	29,769	10,140	61,307
Beans	3,625	5,321	18,976	19,021	22,776	69,719
Biscuits	-	-	-	58	-	58
Salt	-	295	556	343	-	1,194
Sorghum	517	1,923	-	-	-	2,440
Unimix	474	1,772	1,795	6,485	7,058	17,584
Total	27,462	37,611	42,183	118,809	141,545	367,610

Source: WFP

4.2.2 WFP quality standards

WFP sets the quality standards for locally purchased for food commodities. Such standards are high in comparison with the quality of locally marketed products but in the case of maize grain are out of line with those in the region, most importantly with regards to maximum moisture content (Table 4.2). While WFP quality specifications may be appropriate in the context of local and regional distribution of food aid, discrepancies between these specifications and regional standards have negative implications for the future development of formal maize exports, an issue that will be discussed in section 5.3.

Similar considerations apply to the enforcement of WFP standards. It has been reported that WFP may sometimes show some flexibility in the application of its standards for grain, albeit within certain limits so as not to endanger the health of beneficiary consumers. Such practices seem motivated by pragmatic considerations, particularly the need to avoid disrupting supplies and causing financial losses to suppliers. On the other hand, stricter implementation of quality requirements would contribute to the development of a grain trading sector with the capacity to compete with South Africa and other major grain exporters in regional markets. Again, this issue will be discussed in more detail in section 5.3.

Table 4.2 Current maize quality factor maxima for WFP, Uganda National Board of Standards (UNBS), Kenya's National Cereal and Produce Board (NCPB) and East African standard (draft)

Grading factor	WFP	UNBS grades			NCPB Kenya	E. Africa (draft)	
		No. 1	No. 2	No. 3		No. 1	No. 2
% moisture content	14	14	14	14	13.5	13.0	13.5
% insect damage	3	2	3	4	3	3	4
% broken	2	2	3	4	2	2	4
% shrivelled, diseased & discoloured	2	0.2	0.4	1.5	2	-	-
% rotten, diseased, discoloured	-	-	-	-	-	2	4
% immature/ shrivelled	-	-	-	-	-	1	2
% foreign matter	0.5	1	1.5	2	1	1	1
% inorganic matter	-	-	-	-	-	0.5	0.5
% filth						0	0
No. of live weevils	0	-	-	-	0	-	-
Aflatoxin B1 (ppb)	-	-	-	-	-	5	5
Total aflatoxins (ppb)	10					10	10

4.2.3 Purchases from medium and large suppliers

Most food aid procured in Uganda by WFP is purchased from medium and large agricultural trading and processing firms. Since 2000, WFP has purchased from 28 different companies, of which approximately 15 are regular suppliers.⁷ However, while the number of supplying firms has doubled since 2000, sales to WFP remain concentrated in a very small number of companies (Table 4.3). Concentration of supplies is lowest for maize meal, but the situation might change in future years due to WFP concerns regarding the low-quality and limited shelf-life of the local product. As a result, milling firms must now have formal quality control systems in place using Hazard Analysis Critical Control Point (HACCP) if they are to become eligible for WFP contracts.

⁷ The names of companies supplying WFP, about half of which are members of UGTL, and the quantities supplied are presented in detail in Appendix 4.

Table 4.3 Quantities of food aid commodities procured from medium and large wholesalers and processors in Uganda by WFP (tonnes)

	2000	2001	2002	2003	2004
Maize grain					
Tonnage	15,375	25,211	7,951	60,267	96,224
Number of suppliers	5	7	5	14	10
Share of 3 largest suppliers (%)	75	65	90	64	68
Maize meal					
Tonnage	7,471	1,898	12,819	29,769	10,140
Number of suppliers	6	4	12	12	12
Share of 3 largest suppliers (%)	71	88	62	51	44
Beans					
Tonnage	3,110	4,847	17,975	18,794	22,476
Number of suppliers	5	6	8	6	10
Share of 3 largest suppliers (%)	75	84	64	77	82
Unimix					
Tonnage	474	1,772	1,795	6,485	7,058
Number of suppliers	1	1	2	4	4
Share of 3 largest suppliers (%)	100	100	100	92	79
Totals					
Tonnage	26,430	33,728	45,540	115,315	135,898
Number of suppliers*	8	8	15	20	16

*For each year, the total number of suppliers differs from the sum of suppliers for each commodity since many companies sell more than one commodity to WFP.

Source: WFP

Purchases from established companies follow regular tender procedures. When a tender is launched, bidding firms must provide a bond equivalent to 3 percent of the bid value, which will be cashed in by WFP if they decide not to sign an awarded contract. This bid bond serves as a screening device to ensure that firms are committed to supplying WFP and submit realistic bids with regards to price as well as quantities. Upon signature of a contract, firms must also supply a performance bond, which is equivalent to 5 percent of the contract's value. Performance bonds may be cashed in by WFP when suppliers fail to meet contract specifications regarding delivery date, tonnages and/or quality. While such situations are not uncommon, WFP has often opted for giving additional time to the supplier instead of imposing financial sanctions. Also, it has been suggested that on some occasions WFP has accepted produce that does not exactly meet its quality standards.

The fact that a relatively small number of firms dominate supplies to WFP is an indication that the formal agricultural trading sector in Uganda is still incipient. In the case of maize and beans, a minimum of 500 tonnes is normally supplied to WFP under each contract, which should be within reach of medium-sized agricultural trading firms. The fact that many companies bid for WFP contracts from a no stock position should also have led to wider participation in the food aid market, since bank loans for product purchases can be secured using the awarded contract as collateral. This is a risky strategy, however, as it leaves companies with limited time to fulfil the contract and exposes them to adverse changes in local wholesale buying prices, thereby increasing the likelihood of default.

While WFP's policy of only buying stocks has not been rigorously enforced, many companies that were supplying the food aid market in 2000 and 2001 no longer do so due to their poor track record in meeting contract clauses. New entrants in the market with access to international finance, such as Export Trading and Swift Commodities, have been able to bid for large contracts from a stock position and offer competitive but realistic prices. These companies have quickly gained a dominant position in the food aid market. Hence in 2004, five companies alone supplied 84 percent of all the maize and beans procured by WFP in Uganda. Three of them started supplying WFP in 2002, whereas the other two initiated such activity in 2001 and 2003, respectively.

4.2.4 Purchases from farmers' groups

WFP started procuring maize grain and beans directly from farmers' groups in 2000. Since 2002, these purchases have been undertaken under the "Agricultural and Marketing Support" project, implemented in the framework of an operational agreement signed with the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). Support to farmer groups and direct purchases from these organisations is one of the project components, the other being "food for assets" activities aimed at improving land productivity and developing community assets in marginally food insecure regions. The PMA Committee on Projects and Programmes has recently reiterated the relevance of the Agricultural and Marketing Support Project in light of the Poverty Eradication Action Plan. The project ends in December 2005 and it is still unclear whether there will be a second phase.

Direct purchases from farmers reflect efforts to enhance the benefits of local food aid procurement accruing to farming communities. Producers supplying WFP directly benefit from remunerative prices as well as exposure to a quality-conscious market. Targeted groups have received training on storage and post-harvest practices, assistance for the construction of improved drying cribs, training on costing methods, and market information. These services are provided by partner organisations, such as NGOs and agricultural development projects, in collaboration with WFP.⁸

It is important to note that standard WFP procurement guidelines were adjusted to enable farmer participation. The three most important changes relate to minimum supplies, transport and bid bond. Groups have to bid for at least 50 tonnes, which is much less than the minimum lot applying to companies. In addition, WFP organises and pays for the transport of produce up to its warehouse. Finally, a letter of recommendation from a partner organisation is accepted in lieu of the bid bond, although a performance bond is still mandatory. These more relaxed procedures result in considerable additional expenses and staff costs over and above those incurred when procuring from grain traders.

WFP's target is to purchase up to 10 percent of locally procured maize and beans from farmers' groups. However, to date it has achieved not more than 4.7 percent in a given year, i.e. a maximum of 5,647 tonnes in 2004 (Table 4.4). The maximum number of groups able to supply WFP in a particular year was 11, and only five have been involved in such activity more than once.⁹ In 2003 the three largest supplying groups accounted for 74 percent of maize grain delivered to WFP, while in 2004 that share increased to 84 percent. During those two years, only one association supplied beans. It has also been reported that WFP has occasionally purchased from local traders and large commercial farmers who have the resources to mobilise producers but are not part of a genuine farmers' association (Archambault, 2003).

⁸ Partner organisations and projects include NAADS, IITA/FOODNET, IDEA, APEP, Sasakawa Global 2000, UCA, UNDDDE and ACIDI-VOCA.

⁹ The names of groups supplying WFP and the quantities supplied are presented in detail in Appendix 5.

Table 4.4 Food aid procured by WFP from farmers groups in Uganda, details of tonnages and numbers of groups

	2000	2001	2002	2003	2004
Maize grain					
Tonnes	-	1,191	86	2,866	5,347
Number of supplying groups	-	9	1	11	7
Share of 3 largest suppliers (%)	-	55	100	74	84
Beans					
Tonnes	515	474	1,001	227	300
Number of supplying groups	2	2	2	1	1
Share of 3 largest suppliers (%)	100	100	100	100	100
Totals					
Tonnes	515	1,665	1,087	3,093	5,647
Number of groups	2	9	2	11	8

Source: WFP

The difficulties in purchasing from farmers' groups reflect their incipient stage of development in Uganda and the barriers to participation in WFP tenders, even under relaxed rules and procedures (Archambault, 2004). Associations must own or rent storage premises, be able to assemble a minimum of 50 tonnes of maize grain or beans, and have a bank account and enough deposited funds to raise a performance bond. In addition, the leadership and management structures must have a sound understanding of the market situation and the competence to develop profitable but competitive bids. The need to send someone to WFP offices in Kampala several times to obtain and return registration forms and tender documents, sign contracts, and collect bagging materials poses another significant constraint. Finally, the group must be able to meet WFP quality specifications, which requires proper quality management systems and effective supervision of fumigation services delivered by contracted companies.

Unsurprisingly, many groups have felt that supplying WFP directly is beyond their reach. Other groups have supplied WFP successfully but only once, an indication that members may be unwilling to participate regularly in such activity due to its high transaction costs and the problems arising from delayed payment. While WFP normally pays its suppliers within one month upon receiving the produce, delays in collecting supplies and disbursing funds are not uncommon and may further increase the preference for sales to traders and spot payments.

WFP is well aware of these problems and is currently reviewing its procedures for developmental, small-scale procurement. The abolition of tender procedures is one of the options being considered. This would entail using tender prices for large suppliers as the basis for fixing the price offered to farmers' associations. Given that the prices paid for supplies from farmers and companies do not appear to differ much, this should not present major problems.¹⁰ Another option under consideration is the elimination of the performance bond. A further reduction in the size of the minimum lot seems unlikely given the very high management costs associated with such move.

¹⁰ In 2004, for example, the weighted average price for twelve farmer contracts, totalling 1,852 tonnes of maize, was US\$200.5 per tonne, while prices for twelve contracts for 16,987 tonnes of grain awarded to traders and delivered at similar times of the year averaged US\$194.

5. Impact of Local Food Aid Procurement

5.1 General overview

The main impacts of WFP local food aid procurement activities have been felt in the maize sub-sector. WFP has been a driving force behind the emergence of maize as an important cash crop in Uganda and the growth of the maize sub-sector as a whole. Local purchases of maize grain and meal have injected significant incomes into the local economy, benefiting not only farmers, traders and millers, but also input and service providers, including seed and fertiliser distribution agents, manufacturers and suppliers of bags, inspection and fumigation companies, and transporters. Local procurement has had similar but less significant effects on the bean sub-sector on account of smaller purchases and the need for little if any value added processing.

The purchase of blended foods has benefited four companies involved in the manufacturing of Unimix, but there is significant underutilisation of existing capacity in the sector. It is alleged that each of the Unimix manufacturers only uses approximately 10% of its installed manufacturing capacity. Local consumption of Unimix is increasing but is still very low, although there is potential for introducing this product in school feeding programmes. The potential institutional market for Unimix in Uganda, excluding WFP, is estimated at 500 tonnes.

Although the present study did not estimate the price effects of local procurement, it seems reasonable to conclude that the mere presence of WFP in the market increases the cost to consumers of maize grain, maize flour and beans compared to a scenario where these commodities are supplied by in-kind food aid imports. However, it is important to note that such negative effects on consumers are likely to be relatively minor since maize and beans are not major staples for the vast majority of Ugandans living outside the refugee camps. Moreover, adverse price effects have been mitigated by the significant supply response of Ugandan farmers to the increased demand for maize and beans from WFP.

The possible negative impact of WFP purchases on regional trade also merits careful consideration and should be the focus of a detailed study. The level of maize and bean purchases during the past two years and the consequent impact on prices may have crowded-out to some extent cross-border flows from Uganda to Kenya and other

neighbouring countries, thus undermining regional trade in food commodities. On the other hand, by encouraging the emergence of a formal grain trading sector, local food aid procurement could provide a platform for the development of markets in Kenya, where a large milling sector is involved in large-scale imports from South Africa and other large players in the world market, but for reasons detailed in section 5.3, this has not yet happened.

Unless accompanied by the development of alternative markets, a phasing out of WFP local procurement activities would clearly have an adverse effect on the Ugandan economy. The maize sub-sector would suffer the most via a significant reduction in maize prices and the amount produced and marketed. The incomes of maize farmers would decline alongside those active in the maize supply chain. The consequences would also be felt elsewhere through a contraction in consumption of agricultural and non-agricultural goods by maize farmers and other sub-sector participants.

5.2 Changes in the structure and efficiency of the grain trade

The most visible impacts of WFP local procurement activities in Uganda has been the development of a formal grain trading sector and Unimix industry. WFP has provided companies with the opportunity to access a large and remunerative domestic market outlet under relatively strict contractual arrangements. It has also provided many firms with the means for accessing the working capital necessary for engaging in the grain trade through the use of contracts as security for bank loans. Combined access to an attractive market and finance has led to significant investment in grain drying and cleaning equipment.

Clearly, local food aid procurement has contributed to the strengthening of the Uganda's still incipient agribusiness sector, a significant outcome in a largely agricultural-based economy where the private sector is expected to act as the main engine of growth. However, it is interesting to note that long-established small and medium-size Ugandan traders active in the marketing of maize and beans are not amongst the major suppliers to WFP, lacking the capital to invest in large warehouses, acquire appropriate drying and cleaning equipment, and build enough stocks. The inability to implement sound warehouse and quality management systems also seems to have played a role.

Most WFP suppliers are new entrants into the Ugandan grain trade, although many had been active in the marketing of agricultural inputs and produce, including fish. These companies saw the domestic food aid market as an opportunity to diversify their activities, benefiting not only from an increase in turnover and profits as a result, but also from exposure to strict contractual arrangements and increased interaction with the banking sector. In order to supply WFP, they had to develop improved procurement strategies and warehouse and quality management systems.

Supply to WFP remains the preserve of a few companies. Although other players in the marketing chain also benefit from local food aid purchases through linkages with these firms, the presence of WFP in the market has not generated major changes in the structure and conduct of grain trading at the lower levels of the marketing chain, which remain largely informal. The vast majority of traders and millers have been unable to scale-up their activity in a significant manner due to lack of access to finance. In addition, there have been no significant improvements in the extent of value addition along the supply chain, particularly with regards to produce quality, which remains very poor.

5.3 The sustainability of the Ugandan formal grain trade

An ending to the internal conflict in northern Uganda and the return of IDPs to their homes would significantly reduce the need for food aid. Resettlement activities could provide some respite but only for a limited period of time. Local procurement for distribution in the region could continue and there is scope for increasing local purchases for use in school feeding programmes and interventions targeting HIV/AIDS-affected households and communities within Uganda. However, it is unlikely that in the long-term, food aid requirements would remain at their current level.

A sudden phasing-out of WFP operations in Uganda would seriously undermine the viability of grain trading by Kampala-based companies, which have no other major buyers in Uganda. These companies would therefore need to diversify into regional markets if they were to remain active in the grain trade.

Due to its sizeable structural deficit, Kenya constitutes the main export market for Ugandan maize (Table 5.1). Current exports consist of low quality produce which

crosses the border informally. Cross-border transactions are too small in scale to be attractive to Kampala-based grain trading companies, and it is doubtful that they could compete on price with existing operators. However, Kenya's well-developed, large-scale milling sector offers a more promising alternative. This sector imports large quantities of high-quality maize through formal commercial channels, mainly from South Africa and countries such as the USA, Argentina and Italy.

Table 5.1 Maize production and consumption in Kenya (tonnes), 1997 – 2002

	1997/98	1998/99	1999/00	2000/01	2001/02
Maize production	2,197,491	2,464,101	2,265,913	2,234,758	2,775,926
Maize consumption	2,506,872	2,556,195	2,610,261	2,656,856	2,708,193
Deficit/surplus	-309,381	-92,095	-344,348	-422,098	67,733

Source: Nyameino *et al.* (2003)

Kampala-based companies active in the grain trade rarely, if ever, export to Kenya. Significant purchases from WFP are part of the reason, as this is a more accessible and less demanding client than the large Kenyan millers. In other words, the mere presence of WFP is likely to discourage efforts by these companies to target the Kenyan market. However, there are other reasons why Kampala-based maize traders have not yet managed to make inroads into a market that is so strategic for their long-term survival.

Large millers in Kenya operate on the basis of sizeable contracts when dealing directly with foreign suppliers and like to buy from companies holding considerable stocks, as this enables them to verify product quality and acts as a guarantee that the exporter is able to deliver the tonnages specified in the contract. As mentioned, most grain trading companies in Uganda face acute difficulties in accessing bank finance, which prevents them from buying large tonnages during the January and February months, when prices are at their lowest, and bidding from a stock position when Kenyan millers enter the market.

Quality is also an issue. South African exporters are able to supply maize of a much higher specification than their Ugandan counterparts. Long and largely informal supply chains within Uganda would seem to have negative quality implications. The fact that WFP product specifications are less strict than Kenyan millers' standards, particularly with regards to moisture content, is another important factor.

Consequently, the Ugandan formal maize trading sector has no experience of meeting the higher quality standards demanded by large maize buyers in Kenya, although existing drying and cleaning equipment should enable them to achieve this.

A third major competitive disadvantage faced by the major Ugandan grain trading companies is their concentration in Kampala, away from the main surplus producing areas. This raises procurement costs, increases crop deterioration before it gets to a drying facility, and makes it more difficult to deliver extension messages and develop pricing structures that reward quality.

Given the above, the likely impact of a significant reduction in WFP local food aid procurement activities in Uganda would be a scaling down and informalization of the maize sub-sector. The main market outlet for medium and large-scale grain companies would be lost and these firms would find it difficult to stay in the maize business. This would lead to a decline in maize prices all along the supply chain and reduced incentives for farmers, with negative repercussion on production levels. A reduction in domestic prices would, however, boost informal cross-border trade to neighbouring countries.

The negative impacts of a drastic reduction of WFP local procurement make such a reduction unlikely in the short or medium term. In other words, there is a major incentive for perpetuating WFP local procurement activities at current levels, which may in fact be undesirable once the conflict in northern Uganda is resolved and the IDPs resettled. WFP should therefore develop a long-term strategy aimed at facilitating a significant reduction of its activities in the country. This will be discussed in section 6.2.

5.4 The impact of direct procurement from farmers

Despite the efforts of WFP and several partner organisations, procuring maize and beans directly from farmers' associations has proved a rather challenging task. In seeking to buy directly from farmers' associations, WFP has inadvertently created a small but highly subsidised and artificial marketing channel. Associations have been receiving a price similar to that paid to medium and large suppliers but have incurred no transport costs. Still, very few farmers' groups have been able to participate in local food aid procurement activities, an indication that, at their current level of

development, most associations are ill-equipped to supply substantial tonnages of high quality maize or beans and follow rather bureaucratic contractual procedures.

6. Conclusions and Recommendations

6.1 Key conclusions

Uganda is a special case in that the country has significant food aid needs due to the enduring insurgency in the north and is located in a conflict-prone region, while having the capacity to produce maize and beans well beyond its consumption needs. Local food aid purchases, alongside cross-border exports to Kenya, have been driving the development of the Ugandan maize sub-sector, generating significant employment and income in the farming and trading sectors and benefiting a wide range of other service providers. Local procurement activities have also provided a stimulus to the production and marketing of beans, and are behind the emergence of a small blended foods manufacturing sector.

The most visible impact of local procurement activities in Uganda has been the development of a formal grain trading sector, supplying significant tonnages to a high specification and under strict deadlines. However, while local food aid procurement has certainly contributed to strengthening Uganda's agribusiness sector, the latter remains very weak. Few firms have been able to participate in local tenders and win WFP contracts. At the same time, there have been no major changes in the structure and conduct of grain trading at the lower levels of the marketing chain, which remains largely informal.

Efforts to enhance the developmental impact of local food aid procurement through direct purchases from farmers' associations have not yielded the expected results, although the fact that this approach is a relatively recent introduction is a contributory factor. Taking into account the resource and capacity constraints of farmers' associations, WFP has relaxed procurement procedures and paid for transport, but very few farmers' groups have been able to participate in local tenders, an indication that, given their current development stage, they are poorly equipped to supply substantial amounts of maize or beans to high quality specifications and to comply with relatively bureaucratic contractual procedures. Nevertheless a few groups, for example the Lira District Farmers' Association, are growing rapidly in their ability to provide larger quantities of grain more regularly.

The impact of local food aid purchases can only be sustained over the long-term if medium and large grain trading companies are able to diversify into regional markets, particularly Kenya. At the moment, they are over-reliant on the domestic food aid market and most would not remain active in the grain trade if WFP were to phase-out its local procurement activities. In order to make significant inroads into the Kenyan market, these companies require improved access to bank finance. Quality is also an issue since the main off-shore competitors in regional markets, particularly South African exporters, are currently able to supply maize of a much higher specification than their Ugandan counterparts. Finally, Uganda's larger grain trading companies need to develop procurement and storage infrastructure in major surplus production areas within the country if they are to reduce transport costs and improve the quality of procured grain, which are essential for their competitiveness in regional markets.

The following sections provide some recommendations for improving local food aid procurement activities in Uganda, while at the same time contributing to the development of domestic grain marketing systems and enhancing the competitiveness of the formal trading sector in regional export markets, which is critical for its long-term survival. In other words, it is argued that WFP operations in Uganda can be designed in ways that further enhance the development of domestic grain marketing systems while facilitating the transition towards more sustainable markets.

6.2 Recommendations

6.2.1 Work with donors towards multi-annual cash commitments

At present, donor countries make cash contributions to WFP on an annual basis, which not only leads to significant inter-annual fluctuations in the availability of funds, but also results in financial bottlenecks during specific periods due to delays in the release of committed funds. Both outcomes undermine the capacity of WFP to manage its procurement operations based on technical criteria alone, such as the number and needs of target beneficiaries and the impact of local purchases on markets. Multi-annual cash commitments would also enable WFP to provide producers, traders, and processors with a clearer indication of its future purchasing intentions with regards to both quantities and timing. This would reduce production and marketing risks and the likelihood of significant mismatches between anticipated and realised demand.

6.2.2 Manage local procurement in the context of regional trade flows

Local procurement operations should not seek to maximise purchases within a particular country or region. Rather, the objective should be to manage purchases according to production and trade data for the country and the region so as to avoid causing undue disruption on local markets and commercial cross-border flows. This should not be difficult given the availability of data from local and regional market information and early warning systems. A dialogue with agencies responsible for managing food reserves in different countries within the region would also be desirable in order to better project future demand.

During normal production years, the amount of maize procured in Uganda should be inversely related to commercial imports from neighbouring countries, particularly Kenya. This has not always been the case. In mid-2001 WFP purchased very little grain in Uganda, despite the country's bumper maize crop and the limited opportunities for exporting to Kenya and other neighbouring in the region, which also enjoyed favourable harvests. In contrast, WFP scaled-up its local procurement operations significantly during 2003 and 2004, at a time when Kenyan maize imports from Uganda had recovered to normal levels.

6.2.3 Consider the rationale for buying maize meal

WFP purchases and distributes maize meal which is usually not nutritionally fortified. This is presumably done so that beneficiaries do not have to make their own arrangements for milling and may be justified in circumstances where milling presents a significant problem. However, this is not likely to happen frequently and there are several disadvantages of maize meal as food aid, as follows:

- The shelf life of maize meal is many months less than maize grain
- It is more difficult to assess the quality of maize meal than maize grain
- There is a significant danger that poor quality maize is mixed with good quality maize during processing
- The supply of maize meal may deny small-scale agro-processing opportunities in target areas.

Maize meal should only be supplied in circumstances where it has a proven advantage over maize grain.

6.2.4 Assess the rationale for buying directly from farmers

It is recommended that WFP gives careful consideration to the rationale for developing a second phase of the Agriculture and Marketing Support Project, namely with regards to its marketing component. Direct procurement from farmers can be seen as diverting attention and resources away from the much-needed development of direct links between marketing groups and large-scale traders, including those supplying WFP. These links could potentially benefit a much larger number of farmers and have more sustainable positive impacts on Uganda's grain marketing system than attempts to develop a highly subsidised marketing channel serving a limited number of participants.

Improved linkages between farmers' associations and large private sector traders can generate mutual and tangible benefits while placing much fewer demands on the management capacity, marketing skills and resources of associations. Association members would benefit from improved prices vis-à-vis sales to local town wholesalers, which are currently the main outlet for marketing groups and associations in Uganda. At the same time, purchases from farmers' associations would enable large grain buyers to reduce purchasing costs and improve the quality of procured grain, particularly by linking prices to product specifications, thereby improving their competitive position in domestic and export markets.

The above remarks do not imply that WFP should cease buying from farmer associations. Those groups with the ability to serve the food aid market should continue to do so, as much as any other enterprise. What is being questioned is the amount of resources and time allocated to the development of this market channel in relation to the results achieved. It is argued that the problems encountered reflect, to a large extent, the fact that farmer-controlled enterprises in Uganda may not be the most effective and efficient vehicle for undertaking strict quality control of large grain quantities, in line with the requirements of very strict end-clients

6.2.5 Harmonise quality standards with those of potential export markets

WFP quality specifications are not in line with those of major grain buyers in Kenya and other countries in east and southern Africa, particularly with regards to moisture content (See Section 4.2.2). As a result, medium and large grain trading firms within Uganda are not accustomed to delivering grain to the higher specification required by

large foreign buyers. It is recommended, therefore, that WFP reduces the maximum moisture content from the current 14% to 13.5% as a way of disciplining the local grain trade. This change is within the ability of the larger grain traders that have access to drying equipment. While this would initially increase the entry barriers into the WFP market, over the medium to long-term, such a measure would force grain traders to develop stricter quality management systems, which are essential for survival in the regional market.

6.2.6 Promote the development of a warehouse receipt system for grains

WFP could benefit much from a well-functioning warehouse receipt system for grains. Such a system would reduce the risk of contract default due to late delivery or sub-standard produce supplies. At the same time, the system can contribute to enhancing participation by farmers' associations and smaller traders in local procurement activities while reducing the costs to WFP associated with their involvement in the system.

Moreover, in addition to their contribution to the development of grain marketing in Uganda (see section 3.5), well developed warehouse receipt systems would address three major constraints currently limiting the potential of medium and large grain traders to penetrate regional markets, namely access to finance, ownership of stocks when deficit countries in the region are importing, and access to grain of high and uniform quality.

Given the advantages of collateral management systems to the management of local procurement activities, and the potential benefits accruing to the whole economy, it is recommended that WFP, along with the other agencies already involved (see Section 3.5), should consider promoting the establishment of a warehouse receipt system for grains in Uganda. As the largest buyer in the country, WFP has the critical mass to ensure a rapid take-off of a regulated warehouse receipt system. Other major buyers in the region, such as the large Kenyan millers and food aid agencies, could be attracted to this system once it is well established.

WFP's participation in the system would generate demand for collateral management services amongst farmers' associations and grain traders and processors. At the same time, it could secure the required involvement of the commercial banking sector by

assuring a demand for stored produce. WFP is also well placed to influence positively the development of the warehouse receipt system in Uganda, helping ensure that the regulatory system performs to the highest standards, and it should therefore consider building up its professional capabilities in the area and becoming actively involved in the warehouse receipts task force.

We recommend further study to decide exactly how the system can be integrated into WFP's operations, and how it should be phased in. At this point in time, we can only make preliminary suggestions. For example, a trader tendering to supply WFP could be required to deliver a warehouse receipt for a certain percentage of the required stock. Unlike the present system, whereby most companies tender having little or no stocks, and use their contract with the WFP to raise finance, they would now be expected to start buying in advance of the tender, while raising funds against warehouse receipts. Stocks delivered in this way would also serve as a performance guarantee, like the bid-bond; if the trader fails to deliver against contract then WFP may seize grain to cover the liability for non-performance. Licensed warehouses could be also used as delivery points. Whichever approach is adopted, WFP should be prepared to modify its rulebook where this is needed and build up its professional capabilities in the warehouse receipts area to facilitate its involvement.

6.2.7 Promote the training of private sector traders and processors

Training of private sector traders in areas such as warehouse management, pest and quality control, procurement systems, accounting and costing was identified as a major need during the discussions with different stakeholders in Uganda. Weaknesses in these areas are partly responsible for the current dearth of suppliers able to meet WFP quality requirements. WFP has an interest in reducing procurement costs and ensuring compliance with contract specifications, and therefore could promote training initiatives in collaboration with private sector development agencies and projects targeted at a wide range of grain traders and processors as a way of promoting wider participation in its tenders and reducing the incidence of contract default. Training is already being provided to farmers' groups and could be extended to other market players.

Training can be delivered under the auspices of the warehouse receipts initiative. By getting involved in the warehouse receipts task force, WFP can ensure that its training

requirements are met, along with those of other stakeholders which have overlapping needs (millers, bankers etc.).

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Summary of WFP procedures for procurement from farmers' groups

Step 1 – Registration with WFP

The group must be registered with the Uganda National Federation of Farmers (UNFFA), Uganda Cooperative Alliance (UCA), APEP, ACDI-VOCA, or other certifying agency and register with WFP procurement as a supplier.

Step 2 – Recommendation

The group must be referred to WFP to participate in the tendering process, there should be proof that the group is not strictly a trader/middleman and has the capacity to provide at least 50 tonnes of grain.

Step 3 – Tendering process, completion of a bid form

A bid form is filled out in respect of all or part of a WFP tender. It is sent to WFP by fax, post or hand by the tender deadline.

Step 4 – Contracts

Groups to be offered contracts are notified in about one week and a group representative will have to travel to Kampala to sign a contract. At the same time the group will have to submit a guarantee (performance bond) to ensure that the contract will be honoured, this will be a cheque for 5% of the value of the contract issued by a Commercial Bank that is a member of the Uganda Bankers Association. The conditions of the contract will specify the type of bag into which the grain is to be packed and the minimum grain quality. A bag company will supply these bags on credit and will not expect payment until after the grain is collected by WFP. The group will have to ensure that its produce is fumigated. It will then need to request quality inspection by an agent (Chemiphar/SGS) hired at WFP expense. A satisfactory inspection report is required before the produce can be collected.

Step 5 – Transportation and loading

Subject to a satisfactory inspection report WFP will provide the trucks to transfer the grain to the WFP delivery point. At the time of loading and delivery a member of

WFP staff and a Superintendent (SGS) will be present to verify quality, quantity and bagging.

Step 6 – Payment

Payment to the supplier will be made in 15-30 days on presentation of the commercial invoice duplicate, duplicate weight quality and packaging certificate from SGS, delivery note endorsed by SGS and WFP representative and a final Certificate of Receipt by the WFP warehouse manager.

Itinerary

- 4 Oct. am Arrive Kampala
pm Meeting Martin Fowler – Ministry of Agriculture, Animal Industry and Fisheries
- 5 Oct am John Magnay, Uganda Grain Traders Ltd
pm Ken Davies and Dominique Leclercq, World Food Programme
- 7 Oct am WFP/Foodnet quarterly meeting
Bruno Okwir, Apac Farmers’ Association
pm Mark Wood, Agricultural Productivity Enhancement Programme (APEP)
- 8 Oct pm Charles Sembatya & Rugema Semaana Hilary, Sasakawa Global 2000
pm Chris Kaijuka, Afro-Kai Ltd
- 9 Oct am Moses Balikowa, Nakisenhe Adult Literacy Group (NALG)
pm Christopher Tenua, Bukiri Commercial Farmers’ Association Ltd
- 11 Oct am Dr Steffen Abele, IITA-Foodnet
pm Lode Deneker, Chemiphar
- 12 Oct am Dr Willie Odwongo, Plan for the Modernisation of Agriculture
- 13 Oct pm Quarterly meeting of the Plan for Modernisation of Agriculture
Dr Shaun Ferris, CIAT
- 14 Oct am Dr Steffen Abele, IITA-Foodnet
pm Dr Joseph Oryokot, NAADS Secretariat

Persons Met

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Purchase of maize, beans and other commodities by WFP from grain traders in 2000-2004 (a few minor purchases omitted)

Appendix 4

Supplier	2000				2001					2002				2003			
	Maize	M. meal	Beans	Unimix	Maize	M. meal	Beans	Sorgh.	Unimix	Maize	M. meal	Beans	Unimix	Maize	M. meal	Beans	Unimix
CTI Ltd	3300	1327	600		6731	500	300				1000	256					
Lira millers	5488	700	500													213	
CEI Ltd	2197	500	1236		2430	575	2142	1261			650	1960		761	1753		
Afro-Kai Ltd	1690	1750	274		3750	600	232			261	2920	5210		2544	1150	1683	
Biyinzika Ent	2700				4603		260			550		2354		2450			1090
Nsmaba Coffee Factory		2194	500														
Tropical Commodity Suppliers		1000															
Eden Commodities					4941		300	572		4932	50	3804		5575	4719		
Magric				474					1772				479				2140
Rafiki					1000		1613					395					
Value Ent.					1756	223											
Aponye										978	96	2721		6965	2725	5810	
Proctor and Allan											3024		1316		1400		2729
Swift Commodities										1230	280	1275		24523	6132	4359	
Agro-processing											1940						
Maganjo Grain Millers											1555			412	1136		
Professional Millers											200						
Export trading											854			6847	4251	4330	526
UGTL														3830		2399	
Babito Industries															2750		
S.R.S.											250			1000	400		
Eastern grain Millers															1853		
Central Purchasing															1500		
Ets Barungu																	
Ets Bon Marche																	
Roka Ale														2100			
Sunrise Commodities																	
Nyiragongo														1485			
Louis Dreyfus														1456			
Bemo-nyero														319			
Totals	15375	7471	3110	474	25211	1898	4847	1833	1772	7951	12819	17975	1795	60267	29769	18794	6485

Sorgh. = Sorghum, Unimix = maize-meal based fortified food, Bean = Kidney beans (*Phaseolus vulgaris*)

Appendix 4 contd

Supplier	2004			
	Maize	M. meal	Beans	Unimix
CTI Ltd				
Lira millers				
CEI Ltd				
Afro-Kai Ltd				
Biyinzika Ent				1637
Nsmaba Coffee Factory				
Tropical Commodity Suppliers				
Eden Commodities	7278			
Magric				1503
Rafiki				
Value Ent.				
Aponye	12810	2070	9389	
Proctor and Allan		300		2461
Swift Commodities	33473	2634	4767	
Agro-processing				
Maganjo Grain Millers	400	250		
Professional Millers				
Export trading	19344	1147	4370	1457
UGTL	7199		1089	
Babito Industries				
S.R.S.	6249	400	613	
Eastern grain Millers		908		
Central Purchasing	2000	468		
Ets Barungu		290		
Ets Bon Marche		500		
Roka Ale	3000		100	
Sunrise Commodities	4471	1173		
Nyiragongo				
Louis Dreyfus				
Bemo-nyero				
Totals	96224	10140	22476	7058

Purchase of maize, beans and sorghum by WFP from farmers' associations and other groups 2000-2004

Supplier	2000		2001			2002		2003		2004	
	Maize	Beans	Maize	Beans	Sorghum	Maize	Beans	Maize	Beans	Maize	Beans
Gulu District Farmers Ass. (Gulu)		355	360	100	90	86	260	403			
World Vision (Gulu)		160									
TechnoServe (Arua)			50	374							
Masindi Grain Growers Ass. (Masindi)			88								
Tambach Farmers Ass (Kapchorwa)			100								
Lira District Farmers Ass (Lira)			143					180	227	1000	300
Siroti District Farmers Ass (Soroti)			100								
Nakisenhe Adult Literacy Group (Iganga)			150					50		97	
LAWODA (Apach)			100								
Agrico (Wakiso)			100								
Nile Produce Trading Co.							741				
Kinoni Produce Farm (Nakasongola)								1508		500	
Kakundwa Dairy Farm (Fort Portal)								200			
Kapchorwa Commercial Farmers										3000	
Zirobwe (Luwero)								80			
Diet Commodities (Mbale)								50			
Bugiri Commercial Farmers (Bugiri)								200			
Alito Tropical Farmers (Lira)								45			
North Equator Agro Ass. (Fort Portal)								100		150	
Bulima Farmers (Hoima)								50			
Bukaya Coffee Factory (Jinja)										200	
Bencher Investments (Bweyale-Masindi)										300	
Apac District Farmers Ass.										100	
Totals	0	515	1191	474	90	86	1001	2866	227	5347	300