Agriculture and small scale producers in Uganda: Issues, challenges and options for policy

Background

Undernourishment due to poverty and food insufficiency is a major policy challenge worldwide. Close to 1 billion people are estimated worldwide to be undernourished. Developing countries account for 98% of the world’s undernourished people. This signifies a breakdown in the world’s food production system.

In Uganda, 2.3 million children under the age of 5 are chronically malnourished, 16% of children under 5 are underweight while 7% are wasted and 12% of women are malnourished (Uganda Nutrition Action Plan). A transition is therefore needed to move to a model of agricultural production that works. Hence the endorsement of International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) model of agriculture that has been adopted by more than 60 countries worldwide, including Uganda and Ireland.

The Campaigns Ask for Lent 2012, spearheaded by Trocaire and Uganda partners, seeks to push agricultural based development for poverty reduction in Uganda and Ireland. The Top Line Ask “Small scale farmers, especially women, should be supported to increase their yields in order to increase their livelihood security and wellbeing”

Agriculture and the National Economy

Uganda’s economic growth pattern has been positive since the late 1980s. Despite the negative effects of the global financial crisis in recent years, the economy has grown at an average GDP growth of 7.8 percent between FY 2005/06 and FY 2010/11, much higher than the previous periods. Part of this growth can be attributed to the role of agriculture. This notwithstanding, The share of agriculture in total GDP has declined over the years from 18.3 percent in FY 2005/06 to 13.9 percent in FY 2010/11 (Fig 3.1), indicative of structural transformation in the economy. The agriculture sector growth rate has been rather disappointing at about 1.3 percent in the last six years (Table 3.1).

While the % share contribution of agriculture is declining, it continues to play a critical role in sustaining the wellbeing of many Ugandans. 51.5% households in 2009/10 reported agriculture as the most important source of income declined although this declined from 57.3% in 2005/06.

Similarly, while the proportion of poor persons in Uganda declined from 56% in 1992 to 24.5% in 2009/2010, majority of these are engaged in agriculture (Table 1). Poverty is highest in rural areas (27.2 percent) than urban areas (9.1 percent) and most concentrated in the Northern region.
Table 1: Poverty by most important source of income

<table>
<thead>
<tr>
<th>Income Source</th>
<th>2005/06</th>
<th></th>
<th>2009/10</th>
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<tbody>
<tr>
<td></td>
<td>Population share (%)</td>
<td>Poverty estimate %</td>
<td>Population share (%)</td>
<td>Poverty estimate %</td>
</tr>
<tr>
<td>Agriculture</td>
<td>57.3</td>
<td>34.7</td>
<td>51.5</td>
<td>28.6</td>
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<tr>
<td>Wage employment</td>
<td>17.0</td>
<td>23.3</td>
<td>21.3</td>
<td>17.1</td>
</tr>
<tr>
<td>Non-agric enterprise</td>
<td>18.1</td>
<td>20.4</td>
<td>20.4</td>
<td>22.1</td>
</tr>
<tr>
<td>Remittances</td>
<td>3.4</td>
<td>19.1</td>
<td>4.5</td>
<td>20.5</td>
</tr>
<tr>
<td>Others</td>
<td>4.2</td>
<td>69.3</td>
<td>2.3</td>
<td>29.1</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td></td>
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</tbody>
</table>

Source: Uganda National Household Surveys

Declining poverty trends have not translated into improved human nutrition. Over the years, the proportion of households taking one meal a day as opposed to traditional 3 meals a day increased from 6.0 in 2002 to 10.1% in 2009/10. Similarly, the number of households who bought salt reduced from 68.2% in 2005/6 to 54.4% in 2009/10. Further still, average land size declined from 1.8 hectares in 2005 to 1.4 hectares in 2010/11. According to the IFPRI, with enhanced agricultural development, the absolute number of poor persons would decline from 8.4 million in 2005 to 6.9 million in 2015. Realizing this decline requires tilting the focus to small holder farmers who constitute over 80% of persons engaged in agriculture.

Who are the small holder farmers?

In Uganda, small scale farmers are the majority constituting about 85% of the farming community; 12% are medium scale farmers while 3% are large scale farmers.

Smallholder farmers usually cultivate less than one hectare of land and own a few heads of cattle; often produce crops, fish or farm animals for family consumption (subsistence farming) with little surplus for the market. Farming is labour intensive, done using rudimentary technologies, especially the hoe. All farming is done by the family, particularly by women and children in Uganda with limited ability hire of farm labour. They usually lack transport means to take the surplus produce to the market centers, hence they sell their produce to local traders who pay them low prices.

Constraints to smallholder farmers in Uganda

Smallholder farmers in Uganda face a multitude of constraints along the value chain which limit their ability to increase production and productivity and access markets for their produce. Some are broader development challenges while others occur at farm level. The constraints are most pronounced among female small holder producers. Key among these are:

a) Limited capacity individual or as a community to manage risks, especially related to weather and climate variability. The design of NAADS cannot support small holders to manage risks, this is a state responsibility as in other countries.

b) Limited access to credit for production
   I. Of the households that received the limited credit, 63.4% were males and 36.6% females
   II. Lack of access to land is the biggest barrier to women’s access to credit

c) Limited market information

d) Lack of access to extension services - proportion of households receiving trainings from NAADs marginally increased from 18.5% in 2009/10 to 19% in 2011.

e) Poor rural infrastructure and high transport costs increase the transaction costs along the value chains.

f) Low application of modern technologies - Fertilizer use is at an average of 1 kg of nutrients per hectare (ha), well below the recommended standard of 200kg by Abuja declaration of 2006.

g) Lack of transport for farm produce - only 5.4% of the women farmers used vehicles to transport their goods against 20% of men.

h) Limited access to and control of land (women provide over 70% of agricultural labour in Uganda, few have rights to own (7%) or control land. Elizabeth Eilor et al, 2002

i) Use of rudimentary farm equipment - about 3.4 (95.8%) out of 3.6 agricultural households in Uganda still use the hoe as the main farm tool for cultivation. (UBOS, 2011).

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Other constraints that impact negatively on smallholder farming in Uganda include: the multiplicity of policy reforms in the agricultural sector that are never fully implemented or financed; inadequate agricultural sector financing and institutional weaknesses whereby the central government level institutions responsible for agriculture are not well coordinated with those at the decentralized level.
Public Expenditure in Agriculture and how it has benefited small holder farmers

Though African Governments pledged to allocate 10 percent of their total budgets to the agricultural sector in the Maputo Declaration, Uganda is yet to meet this target. According to the Agriculture Sector Public Expenditure Review (2007)\(^2\), while agriculture received on average 4 percent of the GoU financed budget in the early 1980s, the sector has rarely received more than 3% of the budget in any year since 1991/92. In some years, the share has been below 2%. Adding donor financing raises the allocation substantially but it has never exceeded 5 percent. It is estimated that the agricultural sector’s share in the national budget will be 3.2 percent in 2012/13, much lower than what has been allocated in previous years.

The bulk of funding to the agricultural sector goes to the National Agricultural Advisory Services (NAADS). However, the grants given to farmers are still small to make sustainable impact on the problems that are affecting small holder farmers. Most smallholder farmers are found in remote areas and are not in groups. Hence, they rarely get timely information on availability of inputs under NAADS. The services under NAADS are demand driven, yet smallholder farmers are not empowered enough to demand for services. This has reduced the reach of NAADS services among smallholder farmers in Uganda.

Aid to Agriculture

Like in the national budget, agriculture continues to be among the least funded sectors by the donors. Specifically, there was a reduction in aid from 2009 to 2010. This decrease in part reflected fiscal constraints in several DAC countries which affected their ODA budgets. The decline could also be partly explained by changes in donors’ sectoral priorities from agriculture towards the social sectors and this is in line with recent trends in structural transformation of the economy.

Fig 2: Total Official Development Assistance (ODA) (commitment Vs disbursements) to the Agriculture sector (2000-2010)

Source: OECD STATISTICS

It can be noted from Figure 3 below that the agriculture sector received the least AID from the donors (26.065) yet it’s a very key sector in poverty reduction and employing majority of the Ugandan population.

Fig 3: Comparison of the Agriculture sector with key selected sectors in aid received (USD Millions)

Source: OECD STATISTICS

As seen in the figure 4 below, 96% of total donor contributions to agriculture was classified as agriculture development and agriculture policy management. This allocation does not respond to the constraints faced by small holder farmers. For example, while the question of application of new technologies (categorized under agricultural training/research), is a big challenge for small holder farmers, aid allocated to promoting this only amounted to 1% of total aid to agriculture. A breakdown of the aid under agricultural development reveals that most of it goes to small isolated projects which further contribute to the challenge of fragmentation of agricultural efforts.

Fig 4: Breakdown of allocations of Donor aid to different agricultural Sub-sectors in 2010

Source: OECD STATISTICS

\(^2\) GoU, 2007a.
Break down of Aid for Agricultural development

<table>
<thead>
<tr>
<th>Project title</th>
<th>Objectives/Purpose/description</th>
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<tbody>
<tr>
<td>ASPS II-Agricultural Advisory Services Component</td>
<td>The objectives of the programme are increased incomes, improved household food security and improved quality of life for economically active, low income, small farmers in Uganda.</td>
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<tr>
<td>Agricultural project of raising chickens - Lugazi</td>
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<tr>
<td>Committee on Earth - the purchase of materials for agriculture - Arua</td>
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<tr>
<td>Produzioni alimentari per contadini</td>
<td>Strengthening of food production for small farmers in North and East of Uganda</td>
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<tr>
<td>Livelihood improvement through sustainable and environmentally friendly agricultural production - USEFAP, Rakai district</td>
<td>Förderung nachhaltiger und ökologischer Landwirtschaft im Distrikt Rakai im Rahmen des Global Marshall Plan</td>
</tr>
<tr>
<td>Northern Uganda Agricultural Recovery Programme (ALREP)</td>
<td>This intervention responds to Strategic Objective 3 of the PRDP which intends to promote both subsistence and commercialized economic activity within the region while SO3 has a focus on wider economic recovery.</td>
</tr>
<tr>
<td>Karamoja Livelihoods Programme</td>
<td>The overall goal of the Karamoja Livelihoods Programme is to promote development as an incentive to peace in the region by offering livelihood alternatives and income generation opportunities to the pastoral communities.</td>
</tr>
</tbody>
</table>

Source: OECD STATISTICS

In conclusion, while the Government of Uganda has demonstrated a commitment to improve agriculture through a multiplicity of strategies contained in the National Development Plan (NDP) and agricultural sector plans, the renewed call for a specific focus on small holder farmers comes in the wake of the appalling economic growth rates, relatively high poverty rates and increasing food insecurity, particularly in Northern Uganda.

Smallholder farmers in Uganda face a multitude of constraints and barriers that limit their contribution to agriculture. The constraints are most pronounced among female small holder farmers. They include limited capacity to manage weather-related risks, access to credit and financing for production, inadequate extension services, use of rudimentary equipment, low application of modern technologies, lack of transport for farm produce, limited access to land control climate change, among other constraints.

The policy strategies that have been put in place have not been well matched with adequate resourcing: public spending in agriculture has never exceeded 5% since the 1980s. Similarly, the programmes that currently receive the largest share of the agriculture budget and aid do not necessarily target or respond to the key needs of small holder farmers. Implementation of these programmes is bogged down by institutional weaknesses in the agricultural sector.

Proposed Recommendations

**Broad development policy options**

i. Allocating at least 10% of the national budget to agriculture, focusing on the removal of barriers facing small holder farmers in Uganda.

ii. Promote the development of and increase funding for cooperatives especially in Northern Uganda.

iii. NAADS should consider using a voucher system and work with reputable input traders – where farmers redeem input subsidy vouchers for inputs rather than the present lengthy procurement process, prone with rigidities and fraud.

iv. Explore and develop market opportunities for agricultural products for small holder farmers – small – scale producers are currently vulnerable to international market factors.

v. Farmer education enables farmers to increase their productivity, save food and produce for the market. MAAIF and partners should facilitate awareness creation on good agricultural practices and guide small holder farmers in acquiring appropriate technology and new skills to increase productivity.

**Farm level policy options**

i. Government should promote the development and increased outreach in rural areas of private credit targeting low interest credit schemes to small holder farmers, particularly women to help expand production buy fertilizers and other farming inputs and technologies.

ii. Need to develop crop or rain insurance for small scale holder producers

iii. Improve smallholder farmers’ access to inputs and improved technologies such as hybrid seeds, labour saving equipment and fertilizer to maximize productivity of their land.

iv. Promote institutional mechanisms that foster female smallholder farmers’ active participation in farmer groups such as those under NAADS.

v. Construct storage facilities at community level to enable the smallholders to bulk their produce before marketing. This will reduce post-harvest losses that are experienced at farm level.