THE RIGHT TO FOOD OF MILK AND MAIZE FARMERS

Report of an investigative mission to Uganda

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This document has been produced with the financial assistance of the European Union. The contents of this document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

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Acronyms

ACORD	Agency for Cooperation and Research in Development
ACP	African, Caribbean, and Pacific
AU	African Union
BUDAC	Bugiri District Advocacy Coalition
CBO	Community Based Organisation
CESCR	United Nations' Committee on Economic, Social, and Cultural Rights
COMESA	Common Market for Eastern and Southern Africa
CONSENT	Consumer Education Trust
CPA	Cotonou Partnership Agreement
DCL	Dairy Corporation Limited
DDA	Dairy Development Authority
EAC	East African Community
EBA	Everything But Arms
EC	European Commission
EDF	European Development Fund
EPA	Economic Partnership Agreement
ERP	Economic Recovery Programme
ESA	Eastern and Southern Africa
ETO	Extra Territorial Obligations
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FIAN	Food First Information and Action Network
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
ha	hectare
ICESCR	International Covenant on Economic, Social and Cultural Rights
IDA	International Development Association
IDP	Internally Displaced People
IMF	International Monetary Fund
ISFG	Integrated Support for Farmers Groups
kg	kilogramme
l	litres
LDC	Least Developed Country
MAAIF	Ministry of Agriculture, Animal Industry and Fishery
NAADS	National Agricultural Advisory and Development Service
NDTPF	National Development and Trade Policy Forum

NEMA	National Environmental Management Authority
NGO	Non-Governmental Organisation
PEAP	Poverty Eradication Action Plan
PMA	Plan for Modernisation of Agriculture
PMB	Produce Marketing Board
PRSP	Poverty Reduction Strategy Paper
RNF	Regional Negotiating Forum
SAP	Structural Adjustment Program
UDC	Uganda Dairy Corporation
UGS	Uganda Shilling
UNDP	United Nations Development Program
USD	USDollar
WFP	World Food Programme
WTO	World Trade Organisation

Acknowledgements

FIAN would like to extend its appreciation to Mr. John Mwemba, of the Magoye Smallholder Dairy Farmers Cooperative Zambia, and to Mrs. Caroline Adio of Acord Uganda for taking part in the investigative mission. Specific thanks go to Henry Richard Kimera and the team of the Consumer Education Trust Uganda for organising the investigative mission and giving the mission team all the necessary support and service. Further thanks go to Gershom Matsiko from Food Rights Alliance Mbarara and to Mugoya Awali Ogonzaki from Food Rights Alliance Bugiri for organising our field visits. FIAN also thanks all interview partners for their input and contribution, namely:

Geoffey Bakunda, George Walusimbi-Mpanga NGO Trade Forum, Mbarara District Farmers Association, Uganda Crane Creameries Cooperative Union Ltd., Mbarara, Patrick Byaruhanga, Benon Bwemgye, Eduardi Nyamahinja, Moses Rhambarara, Community of Nyakisharara, Bubaare Sub-County, Mbarara District, Bugiri District Farmers Association, Paul Oteba Orisai, George Migero, Community of Bukyansiko, Kasita parish, Nabokalu Sub-County, Bugiri District, Millers Association Bugiri, EU Office Uganda, Ministry of Agriculture, FAO Office Uganda. All other interview partners and supporters

1. Introduction

1.1 Background

In the course of globalization, the impact of international trade has gained overwhelming importance. To guarantee the global flow of goods, the World Trade Organisation (WTO) strives for reduction of import tariffs for all goods in all member States. Developing countries demonstrated resistance against a far reaching multilateral agreement on tariff reduction on agricultural trade during the so-called Doha Round under the umbrella of the WTO, because most developing countries rely on agriculture as a main contributor to their Gross Domestic Product (GDP). Developing countries fear import surges from industrial countries which have the potential to severely damage their agricultural production. Most farmers in developing countries cannot compete with the subsidized and highly mechanised mode of production in industrial countries like the US and EU.

Agriculture, however, is not only relevant for macroeconomic policies of developing countries. It is even more important for the food security of farmers and of the general population. Most agricultural producers, particularly in sub-Saharan African countries, are smallholder farmers who produce at least partly for subsistence.

In the past, the EU granted one-sided tariff free imports of goods from African, Caribbean, and Pacific developing countries (ACP countries) into the EU under the Lomé Conventions (1975-1999). As this practice is not permitted under WTO rules of reciprocal market access arrangements, the Cotonou Agreement, which followed the Lomé Conventions, provided for the negotiation of Economic Partnership Agreements (EPAs). With EPAs, the European Union strives for mutual tariff reductions down to zero in mostly all trade between the EU and the ACP countries. According to the Cotonou Agreement, all ACP countries should have negotiated EPAs with the EU from 2000 until December 2007. However, this period has been too short to allow for the developing countries to finalize the negotiations. Especially among West African countries, there is resistance against EPAs since they see them as unfavourable for their economic and social development. The EU took this into account by adding the step of EPA interim agreements/Framework EPAs which are not as detailed as comprehensive EPAs. In November 2007, Uganda initiated a Framework EPA as a member of the East African Community (EAC).

From a human rights perspective, free trade agreements between industrial and developing countries are criticized, since these agreements often lead to import surges in the developing country- severely affecting its industry or other economic sectors. By doing so, smallholders or workers in the respective developing country lose their market access or their job, and thus their income. This may affect their enjoyment of social and economic human rights in the sense that they may no longer be able to buy enough food, pay school fees for their children and/or pay for health care.

This report highlights the findings of an investigative mission to Uganda from the 14th to the 26th of April 2008. The mission team investigated the impact of agricultural trade policies of the EU on the right to food of smallholder farmers in Uganda. The mission has been part of the project "African Smallholders in focus – a voice in EU trade policy" conducted by the non-governmental organisations (NGOs) Germanwatch, FIAN, UK Food Group, BothENDS, Send Foundation, Civil Society Trade Network, and CONSENT. The Ugandan mission was the third within the project. Similar missions were conducted in Ghana and Zambia[1]. The mission in Uganda focussed on the two products: milk and maize. The following person participated in the mission: Caroline Adio (Acord Uganda), Geraldine Galvaing (UK Food Group), Gertrud Falk (FIAN Germany), Henry Richard Kimera (Consent Uganda), John Mwemba (Magoye Small Holder Dairy Farmers Cooperative Zambia), and Armin Paasch (FIAN Germany).

1.2 The Right to Adequate Food

The human right to food is enshrined in article 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) and is mentioned there as part of the right to an adequate standard of living. The United Nations Committee on Economic, Social and Cultural Rights has interpreted its legal scope in its General Comment No. 12. :

"The right to adequate food is realized when every man, woman and child, alone or in community with others, has physical and economic access at all times to adequate food or means for its procurement."

This means that food has to be available, accessible, culturally accepted, and safe. The Committee interprets the right to food far beyond a purely technical understanding:

"The right to adequate food shall therefore not be interpreted in a narrow or restrictive sense which equates it with a minimum package of calories, proteins and other specific nutrients. The right to adequate food will have to be realized progressively." [CESCR 1999, Italics in original]

The Right to Food implies access to productive resources and an environment, which enables people to feed themselves in dignity. For small-scale farmers, who represent half of the people affected by hunger globally, access to land, water, seeds, extension services and markets are crucial to the enjoyment of their right to food.

"The strategy should address critical issues and measures in regard to all aspects of the food system, including the production, processing, distribution, marketing and consumption of safe food, as well as parallel measures in the fields of health, education, employment and social security." (CESCR 1999; Italics in original)

1 See: http://www.fian.org/resources/documents/others/right-to-food-of-tomato-and-poultry-farmers-ghana/pdf and http://www.fian.org/resources/documents/others/right-to-food-of-milk-and-honey-farmers-report-of-an-invesitagtive-mission-to-zambia/pdf

A human right implies the States' obligations to respect, protect, and fulfil the enjoyment of this right. Human rights and States' obligations are two sides of the same coin. Failure to comply with these obligations is called a violation of human rights. The obligation to respect the enjoyment means that States should not undermine the enjoyment of the respective human right. The obligation to protect means that they should prevent destruction of the enjoyment of the respective human right by third parties like companies or foreign States. The obligation to fulfil enjoyment of a human right of a person or group who lacks enjoyment of the right in question means that States should take measures to the full extent of their available resources, and as expeditiously as possible, in order to establish the enjoyment for this person or group.

Although states are responsible for guaranteeing human rights to the people in their territories, human rights are not a domestic issue alone. States also have human rights obligations to persons outside their territories – extraterritorial obligations (ETOs). International assistance and cooperation are important tools to implement these ETOs. The ICESCR, for example, obliges countries to realize human rights through international assistance and cooperation. Article 2.1 reads:

"Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures."

Regarding the right to food, states are obliged to assist each other in a number of ways, for example in times of famine or in other emergencies which might lead to national food shortages. Extraterritorial obligations to respect the enjoyment of the right to food are relevant in the context of trade agreements as they imply that states must not harm the right to food of people through their trade policies. Governments have to ensure that their trade policies do not have negative effects on the right to food of vulnerable people living in other countries. In his report to the Human Rights Council in February 2009, Olivier De Schutter, the United Nations Special Rapporteur on the Right to Food, explicitly referred to international trade in agriculture as a cause of hunger for poor farmers. In the instance that international trade agreements do not respect the human right to food, he states: "Trading more food will not help them if they are excluded from production and have no means to buy the food which arrives on the markets." Countries must make sure that farmers are not pushed out of markets, nor that they lose their income and face hunger.

Furthermore, international and bilateral trade agreements should not hinder developing countries' obligation to respect, protect and fulfil the right of food of its inhabitants. "States have to ensure that the right to food is adequately considered in international agreements." (FIAN International 2003). Jean Ziegler, former UN Special Rapporteur on the Right to Adequate Food, insisted that: "States should also refrain at all times from policies of which the effects can be foreseen or that they are aware will have negative effects on the right to food." (Ziegler 2005) This is also valid for agricultural trade policies of the EU and EPAs.

1.3 Uganda

Uganda is a landlocked country in Eastern Africa and is classified by the United Nations Development Program (UNDP) as a least developed country (LDC). The grade of urbanisation is low: only 12 percent of the population lives in urban areas. The income of 80 percent of the Ugandans depends on agriculture. Approximately 80 percent of the supplied food is produced by small-scale farmers who cultivate between one and two acres of land per household. Primary traditional export crops are coffee, tea, and cotton. Primary non-traditional export crops are cereals, fish, cut flowers, fruits and vegetables. While the total food production has continiously increased since 1999, the per capita production has decreased due to population growth and shortage of arable land per capita. An estimated 40 percent of the population are food insecure and live in absolute poverty (Kintu 2007, Bertow/Schultheis 2007, Werth et al. 2005).

After its independence was declared in 1962, the country suffered from several internal wars and dictatorships. The current President ,Yoweri Museveni, came to power in 1986 through a military coup but converted the political system into a multi-party democracy. However, there are complaints from the opposition parties and from civil society organisations that democratic procedures are not always followed.

Uganda ratified the International Covenant on Economic, Social and Cultural Rights in 1986 and is therefore obliged to respect, protect and fulfil the right to food of its population. The Right to Food was enshrined into the National Food and Nutrition Policy in 2003. However, the percentage of the population which is undernourished has remained at 19 percent since 2002. More than 38 percent of the children aged 6-59 month have experienced stunted growth, which indicates chronic malnutrition (Rukundo 2008, FAO interview). The most vulnerable groups are internally displaced people, female-headed households, HIV/AIDS affected, disabled, pastoralists in Karamoja and the urban poor. At the same time, Uganda has very high soil fertility, a favourable climate for agriculture, and produces 95 percent of its food within the country, mainly at the hands of small-scale farmers (FAO interview).

The government has established mechanisms to implement food security, but it lacks funds to put those mechanisms into practice. In 2001, the government started a pilot project in 16 districts. In a first step, advisory services were provided. Currently, these advisory services have extended to all 79 districts. In a second step, ISFG programmes (Integrated Support for Farmers

Groups) were started. These programmes give grants to sub-counties to establish farmer managed credit schemes for procurement of technologies and inputs. These programmes have extended to 20 districts. But the funds are limited. The Government spends only 4 percent of its budget on the agricultural sector. Higher priorities are human security in the north, peace, energy, education, and health. The budget for agriculture is mainly financed by donors. The overall budget has decreased because of limited contribution from the government[2].

Uganda is member of the African Union (AU), the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA) and the World Trade Organisation (WTO). Under the WTO regulations, Uganda is treated as a Least Developed Country (LDC) and granted Most-Favoured-Nation status by all trading partner countries (RATES 2007). Uganda is also eligible to benefit from the Everything but Arms (EBA) initiative of the EU.

2. Methodology

The investigative mission to Uganda was conducted under a rights-based approach focussing on the human right to adequate food which is enshrined in article 11 of the International Covenant on Economic, Social and Cultural Rights (see Chapter 1.2).

The dairy and maize sectors were chosen for four reasons:

a. maize and milk are both produced in Uganda and imported from the EU;

b. both are relevant sectors for rural development, food security, contribution to employment and income (thus also for livelihood sustainability) (DENIVA 2006);

c. both are produced by small-scale farmers;

d. for both sectors, necessary data is available.

The following are underlying questions of the mission:

- Have trade policy measures such as dumping or market deregulation significantly contributed to sharp increases of imports of dairy products and maize from EU countries into Uganda?
- Did or do these imports have a negative impact on the incomes of the families of small-scale farmers to such a degree that their access to food is destroyed or limited?
- Has the state of Uganda breached its legal obligation to respect, protect and fulfil the human right to adequate food of the peasant families as the result of its trade and agricultural policies?
- Have EU member states breached their extraterritorial obligations to respect and protect the right to food of these communities through unfair dumping practices, or through pressuring Uganda to reduce support to the farmers or to open up its domestic markets to imports?
- Will the EPA (interim agreement) lead to increased imports of dairy products and maize under unfair conditions, negatively affecting the right to food of peasant families?

To answer the questions raised, the research team has applied a fivefold approach:

- Research studies were used to get relevant background information.
- Focus group discussions, gender-mixed and gender-seperated, were held to get the experience and opinions of members of networks, associations and farmer communities.
- Individual interviews were conducted to verify general findings in individual cases.
- Expert interviews were held to get deeper insights in issues and to cross-check information from focus groups and individual interviews.
- Observations on site helped to complement the information given during the discussions and interviews.

A questionaire with guiding questions was used to structure focus group discussions and interviews (see Annex I).

The researchers were a mixed gender team (three women, three men) comprising two people from Uganda, one from Zambia, two from Germany and one from the UK. Five team members were NGO representatives, one was a farmer.

The investigative mission was organised and conducted in cooperation with local partner organisations. Based on terms of reference, the local partners gave advice on the identification of the two crops, the two regions and the two villages chosen for the mission.

3. Uganda's Agricultural Policy

Agriculture is the main economic sector in Uganda. It accounts for 38.5 percent of the GDP, 69 percent of employment and 48 percent of export earnings (Werth et al. 2005). The majority of the output is produced by smallholder farmers who produce with little technical support. 71 percent of the value of agricultural production is provided by food crops, 5 percent by export crops, 4 percent by fisheries and 3 percent by forestry, and 17 percent by livestock (Werth et al. 2005).

Due to fertile soils and a favourable climate, with temperatures between 15 and 30°C and annual rainfalls of 750-2000 mm, Uganda's farmers produce a wide range of cash and food crops and livestock. Primary traditional

2 European donors add a maximum of 50% as development aid to sector budget. Hence, if a govnement of a developing country reduces a sector budget those donors reduce their development aid for the respective sector.

cash crops are coffee, cotton, tea and tobacco. Non-traditional cash and food crops are root crops, grains, legumes, oilseeds, fruits, vegetables, spices and flowers. Livestock production comprises cattle, goats, sheep, poultry and pigs. The most important agricultural export crop is coffee accounting for almost 20 percent of the total foreign export earnings, followed by cotton, tea and tobacco. The EU is the main export market of Uganda's agricultural sector and accounts for 33 percent of exports followed by COMESA with 27 percent (Werth et al. 2005).

Maize ranks the second most produced crop in terms of planted area. In 2002, 676,000 ha were planted with maize. With a production of 1,217 thousands tons in 2002, it is the most produced cereal in Uganda. 10,609 USD of maize was exported in 2002, while a value of 5,938,335 USD has been imported into Uganda. The crop ranks second in terms of imports in value from the EU. But its revenue contribution for Uganda is low. From 1999 until 2004 the revenue authority received only 457,991 USD in tax from maize production out of export revenue of 573,750,436 USD from 25 top products (Werth et al. 2005).

In 2003, dairy farmers produced 1,100 million litres (l) of milk. From this quantity, 70 percent (770 mio. l) are marketed, while 30 percent (330 mio. l) are retained for domestic consumption. Out of the 770 mio. l of milk marketed, only 154 mio. were processed and 616 mio. were sold unprocessed through the informal market. From 2000 to 2003, the sales of milk have increased from 700 mio. l to 1,100 mio. Post-harvest losses along the market chain total 25 percent per year which led to an average loss of value of 23,000 USD in the years 2000-2003 (DDA 2004).

3.1 Structural Adjustment Programmes and the Ugandan agricultural sector

The first structural adjustment program (SAP) with a long-term impact on the agricultural sector was implemented in Uganda from 1987 to 1995 under the Economic Recovery Programme (ERP). At that time, the Ugandan population and economy had been severely harmed by several wars and dictatorships. "Production was low, the transport system was in disarray, the social infrastructure had collapsed, inflation was over 150 per cent, foreign exchange was limited, the budget was out of control, corruption and black marketeering was wide spread, and skilled personnel had migrated." (Baffoe, 2000) Through the ERP, the Government tried to create a stable macroeconomic environment.

The ERP followed conditions of the International Monetary Fund (IMF) and the World Bank to stabilize monetary and fiscal policies, to deregulate the Ugandan economy and to fight poverty. It prioritised public spending into rural infrastructure, primary education, primary health, and agricultural reseach and extension (SEATINI, 2005a). Between 1991 and 1993, trade-liberalizing policies were introduced into the agricultural sector to increase production. Parastatal marketing and extension services were abolished. Input and output prices were adapted to the world market through deregulation of the exchange rate and drastic reduction of subsidies. Measures were taken to rehabilitate the infrastructure, which had been destroyed during the wars.

Positive effects of the ERP were a decline of inflation from 200 to 7 percent between 1987 and 1996, an increased Gross Domestic Product (GDP) by an average of 6.5 percent, as well as an increased agricultural output by an average of 5.1 percent especially in food crop production. Public investment increased by a remarkable 30 percent and private investment increased more than100 times its original amount between 1987 and 1994. Export revenues increased from 406 million USD to 555 million USD with a decrease in 1993 to only 169 USD due to falling world market prices on coffee – the main export crop.

On the other hand, the increase of imports and external debts led to an increasing trade deficit ranging from 194 million USD in 1987 to 625 million USD in 1996. While 39 percent of the households were defined as absolutely poor by a household survey in 1989/90, this percentage raised slightly to 40 percent in 1992/93. Inequality measured by the GINI Coefficient rose in this period from 0.38 to 0.41, with the strongest increase in urban areas (Baffoe, 2000).

3.2 Impact of Structural Adjustment Programmes on Agriculture

Before the ERP, the parastatal Produce Marketing Board (PMB) controlled marketing of agricultural food crops and their pricing. The PMB also had to sell those commodities to deficit areas within Uganda to guarantee food security. Only surpluses were exported (Bakunda 2006). But due to late or non-adequate payment by cooperatives some farmers also sold their harvest outside the formal channels. The Government of Uganda, on the other hand, subsidised agricultural inputs. Nevertheless, there was a need to modernize production techniques and to improve extension services.

Through the ERP, the Government addressed those shortcomings by setting up the Agricultural Sector Policy Agenda in 1991. The programme was financed by the International Development Association (IDA) and implemented by the Agricultural Policy Committee. It had six major objectives:

- intensifying agricultural production and processing
- increasing agricultural producer prices
- restructuring the finance of production cooperatives
- deregulating agricultural trade
- reorganizing agricultural marketing institutions
- improving agricultural research and extension services.

During the implementation phase of the agenda, all markets for food crops were deregulated and farmers' cooperatives were dissolved. As a result, private traders entered into rural markets. Prices went up. The price for maize increased from 48 UGS per kg in 1992 to 126 UGS (0,12 USD) per kg in 1997.

According to the Ministry of Agriculture, the Government of Uganda destroyed the cooperatives by raising awareness of farmers that they were being exploited by the cooperatives. Cooperatives were poorly managed and the managers tried to profit from their positions.

In the dairy sector, the dairy corporation plant and milk collection centres were reinstalled and the sector opened to private entrepreneurs. Veterinary services were privatised under a Livestock Services Project to improve delivery of their services to small livestock farmers. In the initial step, milk collection and processing increased from 50,000 l in 1990 to 1.2 million l in 1995. This increase occurred mainly due to acreage expansion and increased number of cattle rather than as the result of increased productivity. However, nothing was done to reform land rights to ensure that farmers had access to land, nor to introduce adequate technologies to increase productivity. Price increases of many agricultural inputs made them unaffordable for most farmers. To make it worse, the deregulation of markets led to significant increases in consumer prices, which negatively affected the marketing of dairy products. These developments reduced the net-income of farmers and their families. Bakunda summarizes that, "liberalisation has contributed to the deepening of rural poverty" (Bakunda 2006).

3.3 The Poverty Eradication Action Plan

The ERP was followed by the Poverty Eradication Action Plan (PEAP) 1996, which is the Ugandan version of a Poverty Reduction Strategy Paper (PRSP). It was developed as a response to a debt relief requirement of the World Bank and IMF. Within the PEAP-framework, the Plan for Modernisation of Agriculture (PMA) was developed as the strategy on the agricultural sector. The objective on poverty reduction outlined in the PEAP is to reduce the percentage of poor people among the population to less than 10 percent by the year 2017. Trade policies are not prioritised under PEAP policies (SEATINI 2005a). Only some sector strategies like the PMA contained trade-related aspects.

The PMA strives for commercialisation of agrarian production. In this context, the extension service for farmers was privatized and became the National Agricultural Advisory and Development Service (NAADS). NAADS was founded in 2001 under Ugandan government legislation. It was created to empower farmers to demand services for payment. The Government of Uganda had planned to set up a procurement committee in each sub-county. But donors, who refused to provide the necessary money, opposed this. Now the district boards perform the procurement without having adequate knowledge (focus group civil society). At the same time, when NAADS started its work, production started to decrease. Today only 14 percent of the farmers use fertilizers. Farmers can hardly afford veterinary services any more (focus group civil society). According to Bakunda, the PEAP and the PMA have not been realized since most of the processing industries are imported.

Still today, the World Bank and IMF strongly influence Ugandan policies. Since the state is heavily indebted, both organisations have a say in national policies (focus group civil society).

3.4. Farming in Uganda

Nowadays Ugandans do not have a positive impression of farming. There is a Ugandan proverb that says: "It is better to be an American cow than to be an African farmer." The youth, in particular, do not see a future in farm life. Many of the rural young migrate to urban areas. The word "farmer" is even used as a threat to children: "If you do not go to school you will end up as a farmer!" This expresses that most of the farmers are illiterate or not well educated even though agriculture is the backbone of the country (focus group civil society). Farmers in remote areas like West Nile, especially, lack sufficient knowledge on farming. Many of them do not produce enough food to feed their families (focus group civil society). Most small-scale farmers do not view farming as a business, but as a way of life. Furthermore, they have the feeling of being ripped off by the private sector.

The Government of Uganda spends only 4 percent of its budget in agriculture. Thus, it does not fulfil the Maputo protocol of the African Union in which States have pledged to spend a minimum of 10 percent of their budget on agriculture. The major part of Uganda's budget is spent on roads, education, public sector management, healthcare and on the armed conflict in the northern region (Rukundo 2009).

Farmers can receive price information on commodities by text message pm mobile phones, but since they do not have bargaining power they often sell at lower prices (focus group civil society). Since the co-operatives have been destroyed, there is hardly any solidarity or trust among farmers. They hesitate to market collectively. As many of them have bad experiences with the Government in the previous co-operatives, they have become very suspicious (focus group civil society).

Small-scale farmers face a dual disadvantage. Developed markets do not favour them, thus they deal with middlemen who also do not favour them (Expert EU).

One of the major problems is the poor quality of production inputs. While initially all seeds were produced in Uganda, they are increasingly imported from foreign countries like from India (focus group civil society). Furthermore, the deregulated market does not reward good quality. The Ministry of Agriculture recognizes the responsibility of the government to enact laws that address this issue. The government should improve monitoring mechanisms and install systems to trace the origin of inputs. According to the FAO, the Government of

Uganda has addressed this problem by supporting the National Agricultural Research Organisation (NARO) to improve the quality and diversity of seeds and livestock.

Another constraint is extension services. In the past, extension services have been financed and implemented by the government. While the Ministry of Agriculture praised the high quality of the service in the past (since all staff members at least held a diploma), the FAO criticized a lack of efficiency. In 2003, NAADS was introduced. NAADS is financed by public funds but services are delivered by the private sector. Farmers form groups at the community level and select three key enterprises (crops). These steps are repeated at the parish and then at the sub-county level. The government provides the necessary money to hire services from the private extension sector and channels the services through the district and sub-county authorities to the community. If the service is bad, the farmers can cancel the agreement. The government's intention in introducing this system was to create a demand and to place a value on extension services. The FAO views NAADS as a better alternative than the previous system, but also still sees it as a constraint.

According to civil society, farmers are not aware of EPAs. The Commissioner for Crop Production and Marketing of the Ministry of Agriculture was also not aware of the content of the EPA framework at the time of the interview during the investigative mission.

From a gender perspective, it is important to note that the majority of Ugandan women do not own land even though they perform the primary agricultural work (focus group civil society). Traditionally, women do not inherit land and there is nothing that contradicts this in national law. Thus, only rich women can manage to own land by purchasing it outright.

3.5 Dairy

Milk has always been both a food crop and a cash crop in Uganda. In 1992, the parastatal Uganda Dairy Cooperative was privatized and transformed into the company Dairy Corporation Limited (DCL). At this time, the first major private companies entered the dairy sector, which was completely liberalized in the mid nineties.

According to a study based on data from the 2002/03 Uganda National Household Survey, the average number of cows per dairy farm was 19 and they produced 113 l of milk per day, of which 78 l were sold. This means that each cow produced an average of 6 l per day of which 4 were sold. Most of the farms (82 percent) were located in rural areas and the majority of the farmers sold to local markets. Large-scale farmers with more than 50 cows received higher prices per litre than small-scale or medium-scale dairy farmers. They could sell a litre for up to 900 UGS (0,52 USD) while the average price was 316 UGS (0,18 USD) (Mwebaze 2004). Since the majority of cows were grass fed, production of milk fluctuated between wet and dry seasons. Production during wet season was much higher than during the dry season.

Before deregulation, the parastatal Uganda Dairy Corporation (UDC) operated under near monopsony conditions as it was the only institution in the formal market which bought milk from farmers' cooperatives and which supplied milk to the formal market. The cooperatives could bargain the selling price and since there were hardly any competitors, UDC could agree on a price that also benefited the farmers. Generators for cooling the milk were subsidized by the Government. When subsidies were removed, farmers and their cooperatives could not cover the costs and the infrastructure collapsed. As another consequence of liberalisation, the prices for imports of inputs like drugs for treatment of cows rose tremendously, some even doubled. Veterinary services were privatized and the government stopped offering extension services free of charge. Trainings were offered by NGOs or CBOs only, and they did not operate in all regions.

In the course of deregulation, dairy companies were allowed to purchase milk from individual farmers, not just from farmers' cooperatives. This was attractive for farmers since they received only vouchers from UDC and had to wait for payment. The opportunity for farmers, as individuals, to sell milk led to a collapse of the cooperative system. But the emerging companies did not invest in collecting and cooling infrastructure. Consequently, there is no guarantee that the farmers will be able to sell their entire production of milk, nor is there a guarantee that they will be paid at the market price for their milk. "The collapse of the cooperatives meant that the voice of farmers has been removed from the marketing system." (Bakunda 2006) Furthermore, the quality control systems broke down which led to a deterioration of the quality of milk.

As a response to the lack of quality, the Dairy Industry Act was enacted in1998, and in 2000 the Dairy Development Authority (DDA) was established to regulate the sector. But even today, the DDA hardly possesses any infrastructure outside Kampala.

In response to the signals of market deregulation, dairy farmers either successfully changed their herds from indigenous to exotic breeds or cross-bred to get higher yields. Between 1992 and 2004, milk production almost tripled from 511 million to 1,450 million l. This positive development was undermined by a lack of corresponding expansion of the processing and marketing sub-sectors. Especially during wet seasons, dairy supply was much higher than demand. In Mbarara, this gap led to the closure of most of the milk processing factories (Bakunda 2006).

The deregulation of the milk sector also led to a decline of milk the farm gate price[3]. Milk buyers did not consider the production costs of farmers as the UDC did. While in 1995 the farm gate price for one litre of raw milk was 200 UGS (0,20 USD), in 2004 farmers received only 200 UGS (0,11 USD) due to inflation. Farmers can hardly cover their production costs by this price. At the same time, consumer prices for pasteurized milk went up from 600 UGS (0,60 USD) per litre in 1995 to 1,200 UGS (0,64 USD) per litre in 2004. Thus, dairy farmers were at a double disadvantage resulting from deregulation. They lost the guarantee to sell all their milk and they received lower prices. In reaction to falling prices at farm gate, new dairy cooperatives emerged from 2004 onwards (Bakunda 2006). On August 1st, 2006, UDC was taken over by Sameer Ltd. Since this takeover, the farmers' cooperatives generally sell to Sameer.

During the wet season, when raw milk is abundant, farmers sometimes throw the milk out since they cannot sell all the milk which they produce, not even on the informal market. Experts estimate that a daily average of 100,000 l of milk is wasted because of inadequate cooling and processing capacities (Interview Bakunda).

Recently, local micro markets and informal markets have gained more importance. Experts estimate that 80 percent of the milk produced is sold through these channels (Bakunda 2006). However, this milk is not processed, which can pose health risks for the consumers (Interview Bakunda). While the informal sector helps the farmers sell their products, cooperatives complain that low prices on the informal market undermine prices on the formal market. Firstly, to maximise profits, many traders mix milk with water before they sell it to the consumer. Secondly, cooling, storing and packing systems in the informal market are poor. Since milk is a highly perishable good, it often perishes before the consumer reaches home. Thirdly, during the wet season, when milk is abundant and the price is low, informal traders often sell at an even lower than average price. These trading practices have led to the collapse of some processing plants and discourage potential formal investors.

The Ministry of Agriculture sees a big potential in dairy farming to contribute to the alleviation of poverty, since dairy is not a seasonal business. According to the Commissioner for Crop Production and Marketing, the national market is more promising compared to the external market. The Commissioner is not aware that imports may harm the development of the internal market. Neither does he see any way to prevent potential impacts due to Uganda being bound by international law under the WTO. But he is aware of the government's responsibility to develop the dairy sector. The commissioner believes that the sector should develop cattle breeds that can best adapt to the Ugandan environment. Furthermore, it should train farmers, support proper transport facilities, processing and marketing. At the same time, he states that he is unable to facilitate this due to the general policy of the government to fully liberalize the Ugandan economy.

In the big supermarkets in Kampala, milk products from various processing companies and various countries are sold. Fresh and UHT milk from Ugandan and Kenyan companies are offered. Among the suppliers of milk powder, Nestlé possesses the biggest share with its product "Nido", followed by Pearl from New Zealand and Hassani Baby Food and Milk Powder, with its product "Safa", from the United Arabic Emirates. The Ugandan branch of the Kenyan-based dairy Company Sameer, started milk powder production only in May 2008[4]. Its product is offered in big supermarkets for a slightly cheaper price than its competitors Quoted prices at Shoprite from January 5th, 2009: Nido: 10,000 UGS/500g (6 USD/500g); Safa: 8,000 UGS/500g (4.80 USD/500g); Sameer: 7500 UGS/500g (4.50 USD/500g)). Cheese is produced by the dairy company Paramount and imported from EU countries. Milk, in general, is hardly processed and exported. When it is, export countries are the neighbouring countries of Kenya, Sudan, Rwanda, Burundi and Congo.

Milk consumption in Uganda per capita is 50 l per year, which is relatively low. But the demand for milk powder and fresh milk has increased since 2006. The local dairy companies cannot always supply the demand,, especially not during peak seasons like the beginning of school terms. Imports are necessary to fulfil the demand and discourage local companies to invest in processing plants and milk collecting centres. The prices of dairy products have increased, while they have increased more slowly for fresh milk slower than for other milk products. Unlike at farm gate, there is hardly any seasonal price fluctuation for the supermarkets.

3 The farm gate value of a cultivated product in agriculture is the net value of the product when it leaves the farm, after marketing costs have been subtracted. Since many farms do not have significant marketing costs, it is often understood as the price of the product at which it is sold by the farm (the farm gate price). The farm gate value is typically lower than the retail price consumers pay in a store as it does not include costs for shipping, handling, storage, marketing, and profit margins of the involved companies. (http://en.wikipedia.org/wiki/Farm_gate_price)

4 NewVision, 6th May 2008

3.6 Maize

Traditionally, maize has not been a staple food in Uganda. It was typically seen as a food that serves institutions – like boarding schools, orphanages or prisons - and as an export to Kenya and Tanzania. This tradition has changed, but maize is still mainly a commercial crop. In the early 1980s, the Government of Uganda identified maize as one of five non-traditional agricultural export crops for promotion. The government offered Export Guarantee Schemes to promote export, which were supported by the Bank of Uganda and USAID (RATES 2003). The Produce Marketing Board (PMB), established as a state-trading enterprise in 1968, procured, stored, graded and marketed the commodities. All maize was sold to the PMB[5]. Furthermore, the PMB sold maize to areas in Uganda suffering from food shortages in order to guarantee food security. Procurement prices were discussed with the farmers and fixed for one season. Only after serving the national markets and needs was the surplus was exported. Nevertheless, among the main shortcomings of the PMB was an inability to reach rural farmers and lack of prompt payment to farmers (Bakunda 2006).

In the framework of the ERP, the Ugandan Government started to deregulate the maize sector in the early 1990s. This policy was aimed at increasing efficiency and at restoring price incentives. The PMB was privatised in 1993 through the Public Enterprise Diversification Program (PEDP), which was set-up under the Privatisation Unit of the Ministry of Finance. After its dissolution, many companies have stepped into trade. The market was opened to any person or company who wanted to step in. As a consequence, the number of traders increased drastically. The increased demand has impacted traditional food consumption patterns in that nowadays more people eat maize as a staple food.

Since the trade sector has been under-capitalized and faces shortage of liquidity, small-scale traders mainly appeared on the market scene who did not invest in infrastructure and storing facilities. Those small traders offer low prices and cannot purchase all available quantities for sale. Furthermore, post-harvest losses are high and reach approximately 20 percent (Bakunda 2006).

At the same time Government did not set any standard regarding maize grading and classification. Consequently, the quality of maize declined. This is an obstacle to the export opportunities for Uganda's maize and for approaching the largest buyer in the region: the World Food Programme (WFP). The WFP has certain procurement criteria on quantities and quality. Although WFP's procurement of Ugandan maize has increased from 20,000 metric tons in 1995 to approximately 60,000 metric tons in 2003, small-scale farmers have not benefited due to low quantities and poor quality of their own production (Bakunda 2006).

The maize sector was totally deregulated in the mid-nineties. The area planted with maize increased between 1999 and 2004 from 608 thousand hectares to 750 thousand hectares and production increased from 1,053 metric tonnes (t) to 1,330 metric tonnes (2004 figures estimated, Werth et al. 2005). This increase was possible due to an expansion of land sizes of farmers and the use of improved technologies, mainly ox ploughing. But the market for the increased quantities had not been developed.

Maize provides an income or contributes to food security for approximately 2.5 – 3.0 million Ugandan households. The crop is predominantly grown by small-scale farmers who cultivate 0.2 – 0.8 ha and medium-scale farmers who cultivate 0.8 – 2.0 ha. Maize production in Uganda is generally characterized by low yields (Bakunda 2006).

The price for maize at farm gate has been declining since the mid 1990s, while price volatility has increased. Farmers could sell one kg of maize for 300 – 350 UGS (0,30 – 0,35 USD) in 1995, and currently they receive only 80 – 100 UGS (0,04 – 0,06 USD). At the same time, costs for inputs, labour and livelihood have increased. While in the past farmers paid a worker 1,000 UGS per day, today the worker receives between 1,500 and 2,500 UGS per day. The costs for maintenance of ox ploughs have increased from approximately 80,000 UGS (52 USD) in 2000 to 200,000 UGS (114 USD) in 2005. However, while farmers complain about low farm gate prices they appreciate that they are paid cash directly since the abolition of the PMB.

Despite declining farm gate prices, the consumer price for maize flour has continuously increased. In the year 2008, one kg of maize flour was sold for 1,000 UGS (0,60 USD), while the milling and transport costs remained relatively low at 100 UGS/kg (0,06 USD/kg) and 50 UGS/kg (0,03 USD/kg), respectively. Thus it is obvious that the traders are benefiting at the expense of the farmers. Farmers need to sell all of their maize produc-

5 This has not been confirmed by farmers in Bugiri. See chapter 8

tion to gain money for basic goods like salt and soap. They cannot wait for the off-season to get a higher price. One NGO representative who tried to organise farmers to bargain collectively has received threats by traders and claims that she may unorganise farmers since they refuse to sell. NGOs are convinced that there is political power behind the maize traders, and that this power is determining prices (focus group civil society).

A positive impact of deregulation of the maize sector can be seen in the appearance of mills, which add value to the crop by processing maize flour. Due to the large number of mills, competition has reduced the milling costs for farmers. This development not only diversified farmers' markets but also their diets. Before opening up the market, farmers could eat only maize cobs, but now can eat more maize-based products (Bakunda 2006).

Agrofuels

Maize is not yet exported for production of agrofuels. However, according to the Ministry of Agriculture, an Indian investor has already announced interest to grow maize for agrofuel production in Uganda. The Ministry of Agriculture and civil society organisations fear that farmers will sell all maize and will not have food if the agrofuels boom reaches Uganda. This happened when vanilla production was introduced as a cash crop in Uganda a few years ago. But the Ministry does not see any way to stop investors from carrying out their plans. The only solution the Ministry strives for is to increase production. Civil society organisations refer to the example of a palm oil plantation at Sese Islands when they complain about the lack of transparent information on agrofuel projects. This project has been promoted by the Government, which states that a) the palm oil is meant for cooking oil (instead of agrofuels) and b) that due to palm oil production, every Ugandan will become rich (focus group civil society).

In the course of liberalisation, Uganda has stopped storing grain in centralized silos of the PMB, which previously served the needs of Ugandans in times of food insecurity. The silos, constructed in Jinja in 1990 with aid from the Danish Development Agency, lost their function as a national food security institution due to privatisation policies of the PEAP "as a condition of multinational finance institutions – the World Bank and IMF" (Rukundo 2009). Today, they are leased to private companies. Instead, the Government now promotes storing food households. The export ban has been lifted and Uganda sells maize to neighbouring countries. However, due to lack of quality standards maize is exported mostly through informal channels (Bakunda 2006).

4. Uganda's trade policy since 1996

Uganda has been a member of COMESA since its foundation in 1994. In compliance with WTO rules, COMESA members strive for preferential treatment in the form of duty reductions on imports to each other on a reciprocal basis.

Uganda became a member of the WTO in 1995. The Ugandan Government has adopted the policy of deregulation in all sectors, including agriculture. The Government implemented the WTO Agreement on Agriculture (AoA) and the Agreement on Customs Valuation – using transaction value as the first method for assessing taxes on importers. The current bound tariff[6] for Uganda under the WTO for milk products (tariff lines 401 to 406) and for maize (tariff lines under 1005) is 80 percent. On the applied level, parastatal marketing institutions and so-called trade barriers have been abolished or reduced one by one. In 1998, the Government reduced tariff bands to two (0.7% and 15%) and lifted almost all import bans.

An important step took place in 2005: the East African Community Customs Union entered into force. Within the Union, Uganda adopted the common external tariff (CET) system with two bands: 0.10 percent on raw material and capital goods and 25 percent on intermediate goods and finished products (DENIVA 2006). The applied tariffs for most milk products are 25 percent. According to the WTO, two tariffs are applied to maize: 25 percent for tariff line 100510 (maize seed) and 50 percent for tariff line 100590 (all maize except seed corn) (WTO Consolidated Tariff Schedules Data Base).

Currently, Uganda has the lowest tariffs in Africa and the lowest among LDCs. The average tariff for agricultural crops is 11 percent. From 2010 onwards, trade within the EAC will be tariff free (Interview Bakunda).

6 Bound tariff is the maximum rate of tariff allowed by the WTO to any member state for imports from other member states.

4.1 Uganda's trade relation with the European Union

The European Union (EU) is a major export market for Ugandan products. It accounts for 47 percent of all exported goods. Main destinations are the United Kingdom, Germany and the Netherlands (DENIVA 2006). At the same time, the EU also exports many goods to Uganda. Between 2000 und 2004, Uganda imported from the EU maize (corn) totalling a value of 11,748,036 USD and dairy products totalling a value of 3,408,760 USD (DENIVA 2006, calculations of the author)

The EU is also a primary external supplier of agricultural products for Uganda. EU exports have a huge impact on the Ugandan Economy since there is a tremendous imbalance between the agricultural sectors in the EU and in Uganda. The EU exports products in approximately 150 tariff lines and hence discourages value additions within Uganda. Small-scale farmers and those who have invested in processing cannot compete with EU products. Thus, the local market share of agro-processing industries is declining in Uganda (Interview Bakunda).

For example, while the EU is the biggest milk producer worldwide, the dairy sector is still developing in Uganda. Despite the set limitation of maximum quantities, the EU produces a surplus of milk that is exported mainly to developing countries where it is processed into milk powder or butter. EU dairy exports are generally subsidised to be competitive on the world market, while Ugandan dairy farmers do not receive any support from their Government.

4.1.1 Trade under the Lomé Conventions

Uganda is a least developed country (LDC) and a member of the group of Africa, Caribbean, and Pacific countries (ACP countries), which had special trade agreements with the EU. Under the four Lomé Conventions, between 1975 and 2000 all ACP countries were been granted duty-free access to the EU on most of their products (except sugar andrice). Under the Lomé Conventions, these non-reciprocal preferences were not in conformity with rules of the World Trade Organisation (WTO) on most-favoured-nations and non-preferential treatment. Thus in 2000, EU and ACP countries established a new trade agreement providing for negotiations on reciprocal trade rules between the two parties. This so-called Cotonou Partnership Agreement (CPA) is valid for 20 years and provides the framework for negotiations and implementation between EU and ACP countries on Economic Partnership Agreements (EPAs). It arranges for negotiations on EPAs between 2000 and 2007 and for an implementation phase from January 2008 onwards (CPA Art. 37). EPAs should be compatible with WTO regulations, thus providing for reciprocal market access arrangements.

4.1.2 Trade under the Everything But Arms Initiative

Parallel to the CPA, the EU started the Everything But Arms (EBA) Initiative in 2001.

The EBA is part of the EU Generalised System of Preferences (GSP) to least developed countries. Currently it offers duty- and quota-free access to the EU market for all products of LDCs except arms, ammunition, rice and sugar. The tariffs for rice and sugar were reduced to zero until 2009, and then only arms and ammunition will continue to be excluded. Uganda already exports goods under the EBA. It is a unilateral offer of the EU to LDCs and not a bilateral agreement. Therefore it may not provide the same level of legal predictability as EPAs would (DENIVA 2006, Werth et al. 2005).

4.2 Dairy sector and trade relations

In the dairy sector, the EU is the biggest external supplier[7] to Uganda. Together with the Middle East and South Africa, the EU supplies 50% of the market with increasing tendency to supply more. Additionally, the EU exports to Uganda via South Africa (with which the EU has a Free Trade Agreement) (Interview Bakunda). The total value of imports of dairy products into Uganda in the years 2005 and 2006 averaged 289 mio. USD. The value of direct imports of dairy products from the EU fell between 2005 and 2006 from 488,000 USD to 289,000 USD. The primary imported dairy product from the EU is milk powder. In 2006, its import value was 273,810 USD (Reichert et al 2009).

7 "External" refers to countries outside the EAC countries.

4.2.1 Ugandan dairy imports from the EU

The data on dairy exports from the EU to Uganda reflect the increasing prices at the world market since 2004 and the parallel emerging dairy production in Kenya and South Africa:

EXPORT OF DAIRY PRODUCTS FROM THE EU TO UGANDA BY VALUE (USD) AND NET WEIGHT (KG)

	TARIFF LINE	2007	2006	2005	2004	2003	2002	2001	2000
401	milk & cream not concentrated or sweetened	3459 $ 1600 kg	9,603 $ 5,011 kg	3,750 $ 400 kg	no data	147 $ 100 kg	22,772 $ 17,400 kg	no data	no data
402	milk & cream concentrated or sweetened	38,844 $ 8,413 kg	214,539 $ 54,100 kg	538,439 $ 150,800 kg	654,685 $ 208,300 kg	767,831$ 260,600 kg	674,127 $ 277,500 kg	973,112 $ 371,100 kg	493,417 $ 230,900 kg
40221	milk powder	38,789 $ 8,400 kg	193,359 $ 47,200 kg	497,346 $ 141,200 kg	650,742 $ 205,700 kg	762,272 $ 258,300 kg	641,515 $ 250,200 kg	972,118 $ 370,800 kg	483,644 $ 229,100 kg
403	buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream	13,039 $ 16,300 kg	2,275 $ 300 kg	no data	36,888 $ 36,000 kg	58,227 $ 62,500 kg	1,711 $ 600 kg	17,416 $ 16,700 kg	no data
404	whey	no data	no data	no data	11,728 $ 900 kg	no data	no data	no data	32,456 $ 16,000 kg
405	butter and other fats and oil derived from milk	76,562 $ 7,100 kg	5,028 $ 700 kg	no data	no data	5,140 $ 1,700 kg	no data	no data	no data
406	cheese and curd	363,098 $ 52,912 kg	57,104 $ 9,432 kg	76,994 $ 15,161 kg	22,386 $ 2,300 kg	64,703 $ 14,219 kg	383,028 $ 74,100 kg	2,748 $ 600 kg	15,888 $ 3,607 kg

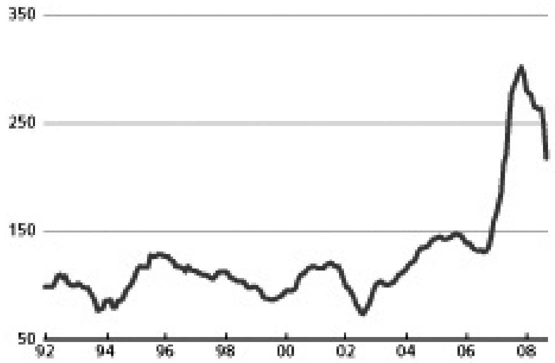
Source: www.comtrade.un.org

4.2.2. Recent developments in EU milk policy

While during the time of the Investigative Mission, there was little evidence that EU imports have a major impact on marketing opportunities of domestic milk producers in Uganda, there are reasons to fear that this might change in the future:

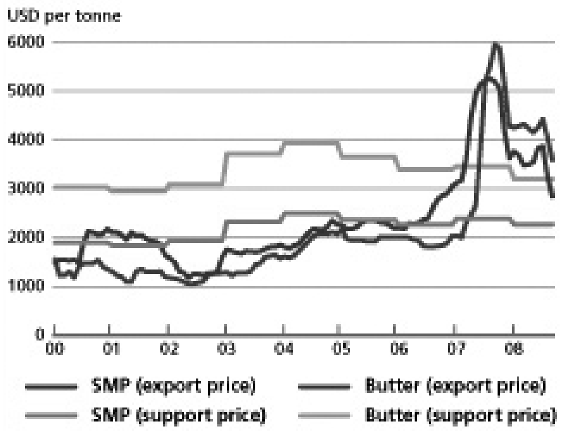
1. Milk quota: In April 2008, the EU decided to increase its milk quota (the ceiling for milk production in the EU) by 2 percent. In November, in its "Health Check" decision, the EU council agreed to further increase this quota annually by one percent until 2013, after which the quota would be abolished entirely. "In general terms," according to the EU Commission, "the phasing-out of milk quotas would expand production, lower prices and increase the competitiveness of the sector." (European Commission 2008: 9). The EU hopes to increase exports, not least for skimmed milk powder, which in the past has often been sold in great quantities on African markets. A change as little as 0.3 percent, according to the estimates of the Dutch bank Rabobank, can determine whether the world market price is ruinous or bearable (Reichert 2008). If production increases, according to the calculation of the Commission, the European milk price will sink, and European milk products will find their way into the world market even without export subsidies.
2. Export subsidies: Since mid-2007 the EU had not paid export subsidies on dairy products. However, in January 2009, the EU Commission took the decision to reintroduce such export subsidies on butter, cheese and milk powder. While shortly after the announcement of new export subsidies, the German Minister of Agriculture promised that these would not be granted for exports to poor countries, the actual list of excepted countries reveals the opposite: While countries like the US, Australia and Canada are exempted, all developing countries but South Africa are not. Thus, there is nothing that prevents the EU from granting export subsidies to ACP countries, including Uganda. The statement of the EC that only very few dairy exports end up in poor countries, is not true. Instead, in 2007, 68 percent of EU exports reached developing countries. 13 percent of EU exports ended up in ACP countries (Oxfam 2009).
3. International prices: The main reason for the EU not providing export subsidies for awhile, was the high level of world market prices for dairy products, especially in 2007. However, since 2007, prices have fallen dramatically. According to the FAO, skim milk powder (SMP) prices fell to USD 3,025 per tonne in September, 41 percent below their peak in mid 2007, and whole milk powder prices fell to USD 3,262 per tonne, 34 percent below their previous peak. In November 2008, the FAO warned: "An important issue will be if prices decline much further, as export prices for the European Union may again fall below intervention levels and induce a reinstatement of export subsidies. Previous experience suggests that if this were to occur, price declines could then accelerate as other exporters try to compete with subsidized product." (FAO 2008)

Figure 45. Monthly index of international prices of selected dairy products (1998-2000=100)



The index is derived from a trade-weighted average of a selection of representative internationally traded dairy products.

Figure 46. EU support prices vs export prices of SMP and butter



Source: FAO 2008

Meanwhile, what the FAO had feared has become a reality. The decline of international prices has accelerated, especially since the reintroduction of export subsidies from the EU. Comprehensive studies of the FAO on import surges suggest that these surges have generally occurred in times of low world market prices. Thus the danger of such import surges is increasing, not least in African countries, which have generally been most affected by import surges in the past (FAO 2006).

- As a reaction to the reintroduction of export subsidies, countries like Russia have increased their import tariffs on dairy products to protect their farmers from dumping. Such an increase of tariffs will no longer be possible in Uganda under the EPA framework agreement (see chapter 5).

4.2.3. Trade on dairy products with Kenya

Uganda also exports and imports milk powder to and from Kenya. Since the EAC Customs Union has been launched in 2005, trade of milk powder has increased between the two countries.

SPECIFIC EXPORTS OF MILK POWDER FROM KENYA TO UGANDA

Year	Total Exports in Kg	Infant Formula in Kgs
2007	429,288	384,731
2006	375,335	353,334
2004	278,153	287,153
2003	2550	2000

EXPORTS OF DAIRY PRODUCTS FROM UGANDA TO KENYA

Year	Total imports in litres
2007	230,120
2006	442,298
2005	400,760
2004	0
2003	0

Source: Kenya Dairy Board

4.3 Maize sector and Trade relations

Uganda's maize exports and imports enjoy lower tariffs within the COMESA countries (RATES 2003). As a member of the East African Community (EAC), together with the other four EAC members, Uganda strives for the establishment of a common customs union. Uganda offers preferential tariffs on maize imports from Kenya and Tanzania ranging between 0 and 4 percent. Maize has become the most traded commodity within the EAC and COMESA (Bakunda 2006). But the increase in trade has not led to an increase in the price farmers received for selling their crop.

Uganda imports some maize seeds and maize/corn from the EU, but the majority of its imports are for food aid for internally displaced people (IDP) who live in camps in the war regions in Northern Uganda as well as in Rwanda and the Democratic Republic of Congo. The World Food Programme (WFP) implements the distribution of the food aid. At the same time, the WFP is the main maize buyer in Uganda. According to the Ministry of Agriculture, Uganda does not compete in maize exports/imports with the EU (Interview MAAIF).

Since the WFP buys only the best maize, some traders developed the strategy to follow the WFP trucks to buy maize from internally displaced people (Interview Bakunda).Hence, although unintended, maize supplied as food aid reaches the local markets. This could cause dumping effects on the Ugandan maize market since those traders can offer high quality maize for low prices.

Maize is also exported to neighbouring countries like Sudan and Kenya. Due to the political crisis in Kenya in the first months of 2008, agricultural production went down. Since maize is a staple food in Kenya, Kenyan traders bought huge quantities in Uganda. But despite this increased demand, Ugandan farmers did not receive a higher farm gate price.

The import data for maize show volatility in weight and value[8].

MAIZE IMPORTS FROM EU BY WEIGHT (KG) & VALUE (UGX)

Tariff line	Product	2000	2001	2002	2003
1005.10.0	Maize Seeds	500 556,849	2,168,200 889,836,148	5,044,692 4,253,833,937	999,028 759,560,327
1005.90.00	Other maize (not seeds), and corn	4,012,030 1,530,340,230	4,904,102 1,347,525,589	10,988,561 8,342,206,321	9,105,800 4,209,892,829

Tariff line	Product	2004	2005	2006	2007
1005.10.0	Maize Seeds	668,000 356,539,112	226,741 585,427,294	no data	no data
1005.90.00	Other maize (not seeds), and corn	3,231,000 1,563,475,137	7,907,610 4,148,725,054	3,722,400 1,844,894,385	no data

Source: Uganda Bureau of Statistics

5. Uganda's negotiations on an Economic Partnership Agreement

Uganda started the first phase of its EPA-negotiations within the regional group of East and Southern African countries (ESA[9]) on February 7th, 2004. At that time, the Government of Uganda did not have an explicit national trade policy[10] (SEATINI 2005a). ESA had agreed on a three step process towards EPAs:

1. March – August 2004: setting of priorities and negotiation procedures; (Preparatory period according to CPA Chapter 2, article 37 (3));
2. September 2004 – December 2005: substantive negotiations in the six clusters (Development Issues, Market Access, Agriculture, Fisheries, Trade in Services and Trade-Related Issues) with the aim to have a draft EPA at the end of the period;
3. January 2006 – December 2007: solving issues of disagreement, finalising and ratifying the EPA.
4. In eac country, the ESA States agreed to set-up a multi-stakeholder National Development and Trade Policy Fora (NDTPF) representing the public and private sectors, civil society and academia. The idea of the NDTPF was to develop national positions, which would then be presented at the Regional Negotiating Forum (RNF) by three representatives per country. The RNF would meet at least quarterly to find common positions. A Brussels-based Ambassador and a Minister led negotiations on each of the six clusters.

8 The data are questionable, for example the incresase of value for maize seeds from 2004 (534 UGX/kg) to 2005 (2582 UGX/kg)

9 ESA countries comprise Burundi, Comoror, Democratic Republic Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe.

10 The first draft of a national trade policy was elaborated by Premium Consulting Limited and presented in April 2005.

Uganda organised its NDTPF accordingly and invited representatives of the four stakeholder groups (DENIVA 2006).

5.1 Negotiations between the EU and EAC

Due to the diverging interests of the 16 ESA countries on sensitive products, no agreement was reached. Due to this reason, the EAC[11] started to negotiate on its own. Lead negotiator for the Ugandan Government was the Ministry of Foreign Affairs (MFA). On November 14th, 2007 the EU and EAC concluded, at a meeting in Brussels, that they would finalize an EPA framework no later than only 9 days later on November 23rd. The EPA framework "fell from the sky" as a Ugandan civil society representative described it, "it was not negotiated". In Uganda, the framework EPA has been initialled by the Cabinet. The Parliament Committee on Trade had been briefed but not consulted. Parliament would only later ratify the comprehensive EPA.

Civil society organisations assume that the EAC, itself, might have been interested in this EPA framework since its members have not been in line with the ESA. There are speculations that the private sector (the East African Business Council), and mainly the flower and fish exporters within the private sector, pushed the framework through in order to safeguard their favourable access to the European market (focus groups civil society).

The framework EPA provides a transition period of 15 years that should begin 7 years after the signing of the comprehensive EPA, which is scheduled for July 2009

11 EAC members are Burundi, Kenya, Rwanda, Tanzania and Uganda

(MTTI 2008). From 2015 to 2030, substantially all trade (82 percent of the tariff lines) will be affected. The EAC agreed on a list of sensitive products, amongst which are dairy products and maize (Reichert et al. 2009). With the framework EPA in force, the EAC cannot offer better conditions to the EU than to EAC partners (Interview Bakunda).

The EPA framework leaves the EAC with limited policy space to negotiate mainly because of:

- the stand still clause (article 13) which does not allow for the increase of tariffs after the signing of the framework except to prevent dumping and comparable policies and to apply safeguard measures for a limited time period. In any case, the EU has to agree to the measures taken. By accepting this rule, the EAC loses its policy space provided under the WTO to increase its tariff up to the bound tariff of 80 percent if a national economy sector is threatened.
- the prohibition to negotiate any other free trade agreement with more favourable conditions for the EAC (article 16). This might mean that the EAC will have to consult the EU before it can sign agreements with other countries[12].

According to trade experts, the Interim EPA is not favourable for Ugandan farmers. In the long run it may impoverish them (Interview Bakunda).

5.2 EU position

According to the EU office in Uganda, the EU perceives the overall impact of an EPA to be positive for Uganda because it would create opportunities for the Ugandan economy, since the EU is the biggest export market for Uganda. An EPA would create a legal basis for trade between the two regions and simplify the rules of origin. 64 percent of the 80 percent of commodities that have to be liberalized under EPA already, reach the EAC tariff free. However, one has to take into account that, despite the Lomé Conventions, Uganda exports mainly raw products. It remains unclear how an EPA would help Uganda to export processed goods since the EU continues to demand high quality standards for imports.

According to the EU, most agricultural products and value additions are listed as sensitive products in the Interim EPA. At the same time, Uganda is not among the main future target markets of the EU. Instead, these target markets areare the US, Japan and Australia. Thus, the very limited space to adjust tariffs due to the stand still clause of the Interim EPA , would not have a major impact on Uganda. The interest of the EU is to support development via trade and to encourage European companies to invest in developing countries like Uganda. The EU expert does not see a solution in a more protective policy since Uganda has been protecting its economy in the past, without progressing it.

12 It can be supposed that this clause has been integrated for geoplitical reasons, to prevent that EAC signes favorable contracts with China (Interview Bakunda).

Internal constraints of the Ugandan economy would be addressed under the European Development Fund. Among these problems are how to organise farmers to increase their bargaining power and how to improve the overall infrastructure. The EU expert does not see a link between internal constraints and any impact on EU exports to Uganda.

The EU already supports the solution of internal constraints by funding 70 percent of the PMA and 80 percent of NAADS. At the time of the interview, the EU office in Uganda was finalizing the Uganda country strategy within the 10th European Development Fund (EDF). Approximately 435 mio. Euro will be provided for five years for budget support and for development projects on infrastructure, rural development and other sectors. The priorities have been discussed with the Government of Uganda.

The EU office in Uganda sees a significant problem in that political leaders mislead farmers. Their claims do not merge with the capacities of farmers and markets. The message of the Government of Uganda is to "go big". But there is still a lack of demand within the national market, which hinders the growth of the processing industries.

According to the EU expert, import shares of milk powder from the EU are currently below 1 percent and there will be no significant increase in imports in the course of the EPA. The EU expert is also not aware of maize imports from EU. However, he does not realize that even a slight increase in imports might harm Ugandan dairy farmers and discourage national dairy companies to invest, since dairy farming in Uganda is neither mechanised nor subsidised like it is in the EU.

The key issue for the negotiation on a comprehensive EPA will be market access in the course of sanitary and phytosanitary standards (SPS) for EAC exports, since the standards of supermarkets regarding documentation of production within the EU are high.

5.3 Civil society position on EPA

The strategy of the Ugandan civil society coalition regarding the EPA negotiations was to convince the Government not just to sign an EPA, but also to cooperate with civil society during the preparation phase. The coalition demanded that the Parliament stand up and insist to be involved in the negotiations. Furthermore, civil society undertook efforts to raise public awareness on the EPA.

NGOs presented three petitions on the EPA. The first one was presented to the Parliament on October 1st,2007 (Action Aid International Uganda et.al. 2007). In that petition, CSOs expressed their concern about the potential negative impact of an EPA on Uganda's development, mainly on livelihoods, employment, and regional integration. They pointed out that Uganda's exports continue to be unprocessed goods, despite the long-term preferential trading relationship with the EU. At the same time, the share of EU imports coming from ACP countries has declined. Hence, CSOs do not see how the EPA will change this. Instead they fear a negative impact on livelihoods and employment, which is an obstacle to regional integration. They demanded Parliament to engage itself more actively in trade related policies, and to scrunitize the EPA negotiations to ensure that the Government protects the livelihoods of Ugandans.

The second petition of the CSOs was addressed to the meeting of the EAC and EU on EPA negotiations in Brussels on November 14th, 2007 (Uganda Joint Christian Council et.al. 2007[13]). CSOs expressed their concern regarding the agreements on market access and development, mainly that the EAC had offered to deregulate 81 percent of its imports from the EU after a certain transition period, without a commitment of the EU to reduce their export subsidies and other non-trade barriers and to provide a precise commitment to development cooperation. The signing organisations forecasted deindustrialisation and further impoverishment of EAC inhabitants and economies due to the EPA. They recognise the offer of the EU to guarantee duty-free and quota-free market access, but they do not see anything new about this offer since this was already guaranteed to ACP countries under the Lomé Conventions. They demand that development should be a core issue of EPAs and point out that EU had repulsed all stakeholders who reject the proposed EPA framework.

The third petition was handed in to Parliament on March 11th, 2008 (Oxfam GB in Uganda et.al. 2008). It criticised the content of the EPA framework, as did the petition of November 14th, and the Rendez-vous Clause (article 37) which provides for the continuation of negotiations on wide-ranging areas which will limit Government's policy space to realize development. They conclude that the EPA is not only in line with SAPs, but it will even be more harmful for the country than SAPs, since the EPA strives not only for tariff reduction, but also for irreversible tariff elimination. The undersigning NGOs do not think the sensitive products are protected enough since the provided trade defence measures like antidumping and countervailing measures have been adapted from the WTO. According to them, most developing countries had difficulties applying them in the past.

In article 16(2) of the framework EPA, the CSO see a threat to regional trade integration since this commits EAC to avoid making better trading arrangements with other trading partners.

Furthermore, CSOs expressed their concerns about a lack of democratic procedures since stakeholders, such as Parliaments, have not been consulted. Thus they demanded Parliament to debate the agreement and to monitor the developments in the negotiations.

Later, CSOs organised a peace march, three radio talk shows and a workshop (focus group civil society) to raise awareness on the devastating effects of EPAs on Uganda.

Civil society organisations predict that the full implementation of the EPA will lead to the death of the farming sector, because the farming sector cannot compete with imports from the EU. They fear that Genetically Modified Organisms (GMO) will enter through the back door and create dependency. Farmers will not be in a position to determine what they sell (focus group civil society).

6. Dairy farming in Mbarara District

Mbarara is a district in Western Uganda. Its capital is also called Mbarara. Mbarara known in Uganda as the main cattle raising area t It is even called the "home of milk". Milk is an important income earner in this region. While in the past, cattle were mainly held to show the status of a farmer they are now kept for business. Most farmers do mixed farming. Apart from cattle raising, they grow mainly millet, groundnuts, maize and matoke (banana). The majority of farmers have only small plots for cultivation. They do not use preservation technologies and face food scarcity from October to December.

Due to land scarcity, Mbarara dairy farmers had crossbred the traditional cattle breed, the Ankole Long Horn Cattle, by artificial insemination with exotic breeds. Crossbreeds produce more milk than the traditional breed. Thus the farmers need fewer acres of pasture to produce the same amount of milk. Dominant is the black and white breed (Friesen/Schleswig Holsteiner), for which farmers use sperm from Germany. Other breeds are Usher and Jersey. The disadvantage of the black and white is that it is not resistant against droughts.

According to dairy farmers, production has increased during the last years because of high yielding cows. Cows are generally fed with grass. Farmers have not yet adopted the techniques of haymaking. Only 400 cows in Mbarara are on zero grazing - not fed by grass but by grain. The average price for one Jersey cow is 1 million UGS (600 USD). Friesen cows cost a bit less.

13 Uganda Joint Christian Council et.al. 2007; www.epa2007.org/print.asp?id=499 , [28.01.2008])

Nyakisharara Village

Nyakisharara is a small village with 34 farms 16 km away from the town of Mbarara. On average, seven people live on every farm. The village has a local council with a chairman and an executive committee comprising 9 people.

Nyakisharara is not connected to the national electricity network. Only 4 farms have running water as the result of to their own efforts. The village has a primary school. The next hospital is 16 km away. By tradition, all households are headed by men.In Nyakisharara, all land is owned individually. The average acreage per farm is 50 acres. Farmers calculate that 1 acre is need for every 2 cows. Most of the farms have less than 100 cows. Out of the 34 farms, a maximum of 3 households have only up to 3 cows, 5 households have between 4 and 10 cows, 10 households have between 11 and 20 cows. All the others own anywhere up to 200 cows. But there is a tradition in Ankole not to talk about the number of cows a farmer owns: "Never mention the number of your animals, otherwise they will die." Farmers perform farming in a semi-commercial way. None of them is a member of a cooperative.

In the village the main human diseases are malaria and anaemia from which mainly the children suffer. Medicine to treat malaria is available at the hospital. HIV/AIDS and tuberculosis are not common, nor is there a high child mortality rate.

Most processing materials have to be imported from other countries. Packing papers, for example, are imported from Kenya. During the Kenyan political crisis in January/February 2008 it was difficult to get those packaging materials. Also liquid nitrogen, which is needed to clean the flasks for the milk, is scarce due to the Kenyan crisis.

But the main bottleneck for the farmers is the marketing of milk. Marketing is difficult since the important market in Kampala has been flooded with milk from farmers around Kampala. To be closer to the main market, some farmers have moved from Mbarara to Kampala. This indicates that cooling and transporting infrastructure is a major problem within the supply chain.

The dependence on grass to feed their cows makes farmers easily affected by the seasons and other climate conditions. During the rainy season their milk abounds. Cows may deliver 10 l per day. Then the buyers say: "Coolers are full, do not bring milk tomorrow." In the dry season a cow delivers between 0 and 7 l per day.

In 2005, the Uganda Crane Creameries Cooperative Union Ltd. was founded to market milk collectively. The cooperative members see a high potential to increase milk production and consumption in Uganda. Production is already steadily growing. The following quantities of milk are sold in the formal markets of the districts:

- Bushenyi: 150,000 l/day
- Mbarara: over 150,000 l/day
- Ibanda: over 160,000 l/day

In the informal markets, where most people buy milk, almost the same quantities are sold

Members of Cooperative Union see imported milk as a threat to their business. Ugandan farmers cannot compete with imported milk powder, because they do not receive subsidies. According to the members of the cooperative, most farmers are not well-educated. They do not incorporate modern technology into their farming practices.

Members of cooperatives and farmers in the village prefer the system, when the Uganda Dairy Cooperative was active and bought the milk. Compared to today, farmers had the following advantages:

- they could approach the management, while today management does not listen to them;
- the price was fixed and fair; the working environment was positive;
- due to fixed prices production went up;
- each collection point had to handle fewer farmers

On the other hand, members mentioned a negative aspect of working under the Uganda Dairy Cooperative was that that they had no bargaining power. Farmers in the village have the opposite view. Before deregulation, farmers' representatives were active in the cooperative and bargained with Government in the interest of farmers, while today they have no bargaining power. The price of milk is just set by the trader.

The farmers in the village find extension services inadequate since they were privatised. The Government provides extension services if the farmers ask and pay for them, but the services are weak. Farmers also have to pay the veterinary and transport costs. Furthermore, there is only one veterinary at the sub-county level.

Dairy farmers in Nyakisharara

Most of dairy farmers in Nyakisharara hold land as customary tenants. The majority of their cows are cross-bred. In dairy farming, the farmers all depend on seasons. No farmers use the zero grazing method for dairy production. On average, during the wet season, their cows produce between 5 and 8 l per day. During the dry season they produce less, and some cows even dry up. None of the farmers sell to the formal market. Many of them employ farm workers. Apart from dairy farming, the families grow bananas for commercial purposes and beans, maize, cassava, groundnuts, soybeans and sweet potatoes for home consumption.

Their farming costs are higher during the dry season than during the wet season because the cows need to be watered during dry periods. The farmers do not receive any support from the Government. Those who have the necessary knowledge even vaccinate their cows themselves.

6.1 Dairy Supply Chain

Farmers who are members of a cooperative bring their milk to a milk collection centre. Those centres are, on average,5-6 kilometres away from the farms. Farmers have to cross that distance by bike. From there, the milk is brought to the District Dairy Farmers Cooperative Union and then brought to the umbrella organization, the Uganda Crane Creameries Cooperative Union Ltd. The latter cooperative markets the milk.

One problem is that milk is highly perishable. Bacteria begin affecting the quality of the milk after 6 hours and the milk also loses quality via the bike transport.

A major marketing problem is the fact that farmers do not collect all milk produced during the wet season when there is surplus. They sell the surplus to informal traders at low farm gate prices. In April 2008 the price of milk at the informal market was 100-150 UGS/litre (0.06 – 0.09 USD/l) while the cooperative price was 300 UGS/litre (0.18 USD/l). In Kampala, one litre of pasteurised and packaged milk is sold at 1,500 UGS/litre (0.90 USD/l). While the trader in the informal market sets the price, the cooperative negotiates and prices are fixed for three months.

During the wet season, the price per litre of milk paid to cooperatives is higher than the price on the informal market,. This can switch during the dry season. In this case, the cooperative renegotiates the price.

On its way from the farm to the consumer, the milk sold in the formal sector is tested three times. To avoid that farmers dilute the supplied milk, the cooperatives test temperature, alcohol, and water when they receive the milk at the collection centre. Before the collected milk is loaded into a tanker it is tested again. And a third test is made when the tanker reaches the processing plant in Kampala.

Main processors are the private companies Sameer Agricultural Livestock Processors, JBK Processing and Alpha Dairies. Farmers claim that they are at the mercy of those processing companies. The companies do not honour different qualities. In 2007, two months of production were lost due to poor processing. The cooperative does its own lactoscan, but when the milk reaches the processors they often report that water has been added. One cooperative member claimed: "They cheat farmers just to discourage them." One farmer from Nyakisharara had tried to sell to Alpha Dairies but he stopped when the company offered a lower price than the vendor. However, the non-organised farmers did not experience cheating by processing companies. It seems that the companies uses this practice only on cooperatives, which might become competitors in future.

To produce better quality milk, farmers see the need to have processing plants closer to production sites. That is why the Uganda Crane Creameries Cooperative Union Ltd. plans to set up its own processing plant. The business plan is in place. The National Environmental Management Authority (NEMA) has already awarded the certificate. Members of cooperatives are convinced that a successful dairy sector needs to hold production, processing and marketing in one hand.

Sumpca Dairies

Sumpca Dairies is a milk trading company. The company runs one collection point and three selling points in Mbarara and has 11 employees. Sumpca only cools the milk; it does not process it. The company buys from farmers and vendors and sells to private people and to the dairy companies Paramount, Alpha and others. In one of their selling points they have a tank with a capacity of 800 l and sell up to 1,000 l per day from 7 am to 8 pm. The other two selling points have capacities of 500 and 400 l. They buy milk for 300 UGS/litre (0.18 USD) and sell it at selling points for 400 UGS/litre (0.24 USD/l) during the wet season. To the dairy companies they sell 1 litre for 420 UGS (0.25 USD). During the dry season they buy 1 litre for 400 UGS (0.24 USD) and sell it for 500-600 UGS (0.30 – 0.36 USD). According to one of their employees, the price of milk has not changed during the last four years.

Since the privatisation of the Uganda Dairy Cooperation in 1992, all the farmers in Nyakisharara sell their milk to local vendors in the informal market. Those vendors sell to families, coolers, restaurants and the factories of the dairy processing companies GBK, Alpha and Sameer. The vendors are not organised. Everybody works on his own. Therefore, it is very important for the vendors to keep good relations with their farmers and customers. Otherwise, they might lose business due to high competition. The vendors have to guarantee the farmers that they will collect the milk every day. If they are sick, they need to find someone to replace them. If they do not collect the milk, they have to refund the farmer his loss of income. From the surpluses, the wives of milk farmers make butter mainly for home consumption.

The vendors sell milk on the open market in Mbarara for 500 UGS/l (0.30 USD/l) during wet season and for 700 UGS/l (0.42 USD/l) during dry season. Some of them see supermarkets as a competitor.

Vendor A

Vendor A buys milk from three farmers only in the morning and sells the milk in Mbarara. During the wet season he buys 150 l/day and he pays 250 UGS/l (0.15 USD/l). He sells the milk for 300 UGS/l (0.18 USD/l). During the dry season he buys 100l/day and pays 300 UGS/l. He sells at 400 UGS/l (0.24 USD/l). He collects the milk by motorcycle and always buys all the milk the three farmers are willing to sell. He sells to hotels, private families and coolers. All his customers pay the same price. He pays 7,000 UGS (4.20 USD) for fuel per day. Thus, his daily profit during the wet season is 500 UGS (0.30 USD), and during dry season it is 3,000 UGS (1.8 USD). He uses his own lactometer to test the quality of the milk. The time he needs for buying and selling is 3 hours per day, from 7h to 10h am. He pays the farmers every 10 days. He gets paid by hotels and families once a week and by coolers every 5 days.

Apart from trading milk, he works as a carpenter in his own workshop in Mbarara. From carpentry work he gets a daily income of approximately 8,000 UGS (4.80 USD).

His customers determine the price, and he calculates it according to demand. He does not compete with supermarkets since his customers prefer raw milk.

6.2 Development of Prices and Costs

Before deregulation the farm gate price was stable. According to farmers, one could earn enough income from six cows to feed a family and to pay school fees up to the university level. But according to a dairy farmer "the good old days have gone by." 15 years ago farmers got 50-80 UGS/litre (0.05 – 0.08 USD/l) while production costs remained steady at around 40-50 UGS/litre (0.40 – 0.50 USD/l). But in the last couple of years costs for drugs have increased faster than farm gate prices. At first glance, when only considering the farm gate prices, which have increased to 300 UGS (0.18 USD), farmers should be better off today (at the time of publication, 1 USD was equivalent to 1,700 UGS while 15 years ago, 1 USD was equivalent to 500-600 UGS). However, considering the increase of living and production costs, it is obvious that farm gate prices have decreased dramatically in real value.15 years ago, 1litre of fuel was 200 UGS (0.20 USD). Today the price is 2590 UGS (1.56 USD) for 1 liter of fuel. 15 years ago, 100 kg of maize was 1,000 UGS (1 USD), today 1 USD can only buy 1 kg of maize.

According to the members of the Crane Creameries Cooperative Union, in 2003 costs of milk production averaged 150 UGS/litre (0.09 USD/l). The farm gate price was 200-250 UGS/liter (0.12 – 0.15 USD/l). Currently, costs of production are 200-225 UGS/litre (0.12 – 0.14 USD/l), while the cooperative receives 300 UGS/l (0.18 USD/l). Since part of the overall price of a liter of milk is kept by the cooperative, the overall profit of the farmer who sells to the cooperative makes is 50 UGS/litre (0.03 USD/l). Only the hope that they will someday own their own processing plant makes the members of the cooperative stay members. Meanwhile, some farmers have already shifted from dairy to beef. Those who still produce butter can sell 1kg for 6,000 UGS (3.60 USD). On the open market in Mbarara, butter is sold for 7,000 UGS/kg (4.20 USD/kg) during the wet season, and for 8,000 UGS/kg (4.80 USD/kg) during the dry season.

Main factors of milk production costs are:

- drugs for medical treatment of cows
- food supplements
- iinjectables
- vaccinations
- acaricides (pesticides that kill mites)

Farmers in Nyakisharara do not belong to a cooperative. They do not have the same opinions on cooperatives as people in Mbarara. Some famers in Nyakisharara think that their profits would rise if they had a national cooperative that could subsidise vaccines and other production factors. Others still remember the past when farmers were not paid in a timely fashion. They are also aware that the cooperatives need to pay their staff, which reduces the farmer's income. The farmers interviewed in Nyakisharara are not aware of their production costs. They estimate that they spend half of their money on farm costs, but they do not calculate costs of their own labour.

Besides the production costs, members of the cooperative rank the costs which take up most of their income in the following order:

1. education;
2. medical care
3. transportation
4. telecommunication

Housing is not a significant cost for them and clothes are bought only seasonally (e.g., at Christmas and Easter). Still, farmers cannot cover just the costs listed above. They commonly borrow money from different sources. Some farmers are heavily indebted since interest rates from banks are high.

6.3 Gender

In the village men traditionally head the family. When a head of a family dies, the family sits together and decides on a successor, which is typically one of the sons of the deceased. The new head of the family can sell the land only if the widow of the former head of the household agrees.

Farm work is shared between men and women but each has his/her special tasks. The men do the milking, the watering of cattle, the fencing and the general maintenance, and they sell the milk. Women do the churning of butter and crop husbandry. In the past, women have produced and sold ghee (butter), but nowadays men sell all milk and receive all the money earned by dairy production.

Besides the dairy production, women grow bananas, cassava, sweet potatoes, groundnuts, peas, beans, millet, maize, oranges, watermelon and mangoes. The farmers sell only the milk, livestock and bananas. All other crops are for home consumption. Thus, women contribute mainly to the food security of the family.

6.4 Food Security

The members of the cooperatives stated that dairy farmers do not face food shortages since they also have banana plantations and gardens. Small farmers cultivate sweet potatoes and cassava. Only the landless do not enjoy food security.

Some farmers in the village face hunger during the dry season. Among the individually interviewed farmers, two were obviously exposed to food shortages. Especially small-scale farmers, who have only 3 cows, have no milk during the dry season. They may also borrow a cow from their neighbours and milk it until it dries up. While farmers were able to save money before deregulation, incomes are currently too low for the farmers to save money. Therefore they cannot compensate for their lower income during the dry season. Products that have become too expensive for farmers to be able to afford them during the dry season are sugar, bread and meat. The Government does not help in those times.

Therefore, the Ankole Food Security Network, of NGOs, plans to introduce food collection centres to prevent food shortages in future.

Farmer B

Dairy Farmer B is 35 years old. He is married and has five children. The economic basis of the family is dairy farming. They have 10 cows of which 5 produce milk in the rainy season. Today, the cows produce 17 l of milk in total. B sells all this milk for 300 UGS /liter to a private vendor who sells the unprocessed milk directly to local people in the villages. According to B, there is no contract between himself and the vendor that would guarantee a stable and secure market. Sometimes the vendor does not stop by B's farm on his rounds. B then has no income for that day.

B complains that the dairy business does not provide him enough income to feed his family. Without his small cultivation of banana, sweet potato and beans, the family would suffer from hunger throughout the year. In the dry season, the harvest is still not big enough to feed his family. These are the times when the family is forced to buy maize flour for 800 UGS/kg. As this is too expensive, the family must reduce the number of meals to two.

The main reason for low incomes and food shortage are low farm gate prices, the small number of cows and high living and production costs. Every three weeks B spends 15,000 UGS for paraffin. He spends 10,000 UGS per trimester on school fees for his two eldest children. Currently he has to pay high fees for malaria treatment for his 8-year-old daughter. "In the hospital, last time, they asked almost 30,000 UGS", he says.

Furthermore, problems are caused by storms that sometimes occur in September/October and destroy banana gardens. According to the farmers, this problem has been considered by the Government, which plans to set up a drying plant to produce banana flour to make banana bread.

6.5 Findings in Mbarara

There is no direct competition between local milk production in the Mbarara village and imports from the EU. The local production reaches the informal market while imports reach the formal market. Only the members of cooperatives may be affected by imports since they supply the formal market chain. The farmers fear that imports reduce prices and discourage investments in processing plants. The Uganda Crane Creameries Cooperative Union's plan to set up their own processing plant might be threatened by the EPA since an increase of imports of dairy products might undermine the building up of their new business.

Even if there is no direct competition of imports with local products in the local markets, imports might affect marketing opportunities of farmers in Mbarara. According to expert interviews, imports occupy a large share of the formal market and might be one of the reasons why local milk is not processed and does not ultimately enter the formal market.

Dairy farming is associated with some accumulation of wealth. Nevertheless the investigative team observed that hunger occurs amongst dairy farmers, as well. The team found evidence that some dairy farmers suffer food shortages. One of the four farmers interviewed said that he faces food shortages during the dry season. The paradox exists of a growing production of milk, a growing demand of dairy products and at the same time a growing poverty among dairy farmers. This situation can be attributed to two main factors. First, the increase of production required considerable investment to replace indigenous cows by crossbreeds and Friesian cows. Second, following the deregulation and the privatisation of processing and marketing since 1992, farmers have entirely lost access to the formal dairy supply chain and only sell their milk to local informal vendors. According to the farmers, for the last 15 years, the nominal average price per litre of milk, during wet season, has increased only from 50 to 200 UGS, which in real terms means a drastic decrease in purchasing power due to inflation, and increasing consumer prices for daily needs like medicine, school fees, food, and increasing production costs.

Farmers reported that more milk collecting points were in place before privatisation of the Uganda Dairy Corporation. Farmers could sell all their milk to UDC, received a higher and more stable price while production costs were lower than today. Thus the farmers were better off before deregulation. New private companies entering the sector have not been motivated or forced by law or other governmental regulations to invest in this infrastructure.

The level of financial recordkeeping is low at the village. Farmers do not know and/or record their costs of production. They have not developed techniques (like making hay) to become more independent from the effects of the seasons and the environment, which is necessary to ensure the food security of the poorest of the farmers. Government has released farmers into the deregulation climate without preparing and assisting them properly in coping with the new situation, in which everybody struggles on his own.

The women have lost access to milk, markets and income due to privatisation of UDC and deregulation of the sector. While they usually received a share of the milk to produce and sell butter, the men now sell all marketable milk. Thus the women have lost a source of income.

While experts and members of Uganda Crane Creameries Cooperative say that milk is poured at the farms, this was not reported by any of the farmers in Nyakasharara. Two factors might explain this: the farmers sold only to the informal market and the village is relatively close to the market in Mbarara town. Due to the fact that milk is a perishable good, the distance to the market is probably a crucial factor. Farmers who live far away from Mbarara or from a cooling facility may not be able to sell all the milk. Thus, there is a need for the Government to invest more in infrastructure like roads and electricity.

Dairy farmers have not experienced any real bargaining power in the last 20 years. Since the production of good quality milk is not honoured by the market, the Government should introduce a regulation on quality and assist farmers to bargain a price accordingly.

"Cheating" of farmers by processors has not been experienced by the community and the vendors, but only by the cooperative (bulk selling). The reason for this might be the fact that the cooperative is a future competitor for the processors since it plans to build its own processing plant. Government should not view farmers' cooperatives only as economic actors on the market like they view solely commercial companies since the cooperatives contribute to food security. Instead, Government should set rules to strengthen the cooperatives and make them more attractive to farmers. Part of this strengthening could come fromoffering the farmers legal advice and improving the judicial system so that cooperatives and their members have easier access to courts and receive judgments in a reasonable time frame.

7. Maize farming in Bugiri District

Bugiri, a district in Southeast Uganda, is one of the main maize growing regions of the country. It extends to the Uganda-Kenya border in the east and to Lake Victoria in the south. It has a total population of 413,477 people. According to the findings of the Bugiri District Advocacy Coalition (BUDAC), 86 percent of the households are food insecure for four to six months per year. Approximately 40 percent of the households have access to safe water. Most of the farmers practice subsistence farming (BUDAC 2007). Farmers themselves call Bugiri a food basket due to its fertile soil. Since 2003, farmers have struggled against Stryga, a disease that affects maize.

Farmers in Bugiri have formed an association, which is called Bugiri Farmers District Association. In 1993 they started to organise themselves at the village level, in 1998 at the district level and finally joined the Uganda Farmers Federation. In 2008, the association had 4,950 individual members, men and women, incorporated into 132 community-based groups. In addition, farmers are grouped according to the crops they produce. The association undertakes surveys, capacity building and advocacy on production and marketing. The construction of its office has been funded by DANIDA, the Danish development organisation; the district authorities have donated the compound. The NGO VECO supports them with seeds, goats and coffee plants. Together they address issues of food security and household income.

The majority of the farmers (approx. 60 percent) are small-scale farmers who cultivate less then 2 acres. 30 percent have between 2 and 15 acres of arable land and 10 percent cultivate more than 15 acres. For commercial purposes, farmers produce maize, coffee, rice and some plan to start dairy farming. Maize is a cash crop and a food crop. Almost every farmer in Bugiri grows maize. Farmers do not do monocropping. They plant only certain shares of their land with maize. Since the year 2000, the members of the farmers association have been growing maize commercially and using oxen to plough. They would like to produce more but they lack skills and are discouraged by bad roads and poor transport, which lowers the farm gate price. Furthermore, the market chain is too long due to middlemen.

Farmers have been encouraged by a rural farmers' project scheme of the Ministry of Agriculture to produce maize. At the time of that project there was a demand on maize. But farmers did not benefit from lending schemes to invest in the new crop. Loans had to be paid back during the off-season. The farmers also felt that bank policies on lending were unfavourable for farmers. Their interest rates are very high, reaching up to 30 percent, and loans have to be paid back within 6 months. One of the interviewed farmers was harassed by his bank to force him to pay back his credit. "The bank came with policemen even at night." Microcredit agencies are also active in Bugiri. They offer loans for farmers, but according to those interviewed, the farmers remain indebted.

Some farmers use hybrid seeds. In 2003, when Uganda Seed was still under the Ministry of Agriculture, they grew the brand 2b. Since 2005, Uganda Seed has been privatised and called FICA. President Museveni, of Uganda, owns FICA. In 2008, some farmers used hybrid seeds grew Long 6h and 6h7, which did not germinate. Thus the farmers will have to buy new seeds every season. Since deregulation, the quality of seeds has dropped while the price has increased. There are projects to introduce high yielding maize, but those projects have failed to create markets. Thus farmers do not see an incentive to use them.

The farmers wish that Government would retain the manufacturing of seeds and fertilizers since the quality of those products was better under the Government. They appreciate that the Government did not work on a profit-oriented level. They also wish that the Government would introduce irrigation to them. Farmers wish to receive subsidies from the Government so that they can compete with subsidized crops from other countries.

One big buyer of crops is the World Food Programme (WFP), but it is hardly possible for small-scale farmers to sell to the WFP due to its specific criteria (see chapter 8). Farmers could take out credits from banks to meet the WFP criteria, but the banks demand repayment after six months. Due to late payment by the WFP, farmers are not yet able to refund the banks on time.

Farmers are aware of the maize imported into the US in 1980, from Zimbabwe between 1990 and 1993 and from South Africa in 1997. They have never heard of maize imports into the EU. GMO maize is imported from South Africa and the US. Farmers have not heard about agrofuels.

Bukyansiko village

110 families, with an average of five household members in each family, live in Bukyansiko, which is $9km^2$ large. Women head ten of the households. The village has a chief and a local council.The village does not have a school, but it has a health centre. The next school is 2 km away. People get water from 5 boreholes. Bukyansiko is not connected to the electricity network. The inhabitants faced droughts and famines in 1939/40, 1980 and 1990-93 that led to migration. In the past, they also suffered from sleeping sickness.

There are two types of land ownership: customary owned land and bought land Neither group holds formal land titles. 90 out of 110 families cultivate their own land. 60 percent of the farmers own less than 2 acres.

70 percent of the land is cultivated with maize. Other crops are rice, groundnuts, cotton, coffee, beans, cassava, sweet potatoes and soya beans. The whole village produces approximately 500 t of maize per season. All farmers sell maize to middlemen. There is no maize mill in the village.

60 farmers are members of the farmers' association. Only these members get support from the Government through its extension services (NAADS). Farmers have observde a loss of soil fertility during the last 20 years. Additionally, the Stryga disease reduced the harvest.

Farmers have never sold to the Ugandan Produce Marketing Board.

7.1 Maize Supply Chain

Maize farming in Bugiri has two seasons. The first is from January to July and the second from July to December. January is the time of ploughing. In February the seeds are planted. Farmers apply the fertilizer DAB in March and the women weed in April and May. When the maize is knee high they apply a fertilizer called Urea The harvest starts in June and ends in July. After harvest the farmers directly start to plough.

Maize is sold in three ways:

- as green corn within its leaves
- as whole corn
- as grain already shelled.

Farmers produce maize for consumption, either for their families, for food aid or for the market. They do not mill the maize. Milling is done exclusively by millers. Millers produce maize flour for consumption and for animal feed. They sell the maize flour back to the farmers, at the time of the research at 1,000 UGS/kg (0.60 USD/kg). Out of 100 kg maize, they get 75 kg of high quality flour or 80 kg of lower quality flour.

Middlemen buy at farm gate. They know when farmers are under pressure to sell and come, for example, at times when parents have to pay school fees. Sometimes farmers even sell to middlemen before harvest. "A farmer is like a beggar. He cannot take a decision on the price he sells the crop for. The middlemen dictate the price." The price also depends on the distance to the market in Bugiri.

Some farmers store maize, but only in small quantities, which they sell during off season. The middlemen, however, do the storing.

The main maize market had been shifted from Busia, a town at the border to Kenya, to Jinja. According to the farmers, the shift is due to political reasons. "People in Busia do not respect the Government." Farmers believe that President Mujseveni's daughter, Natasha, is behind this shift. According to the farmers, she trades maize in huge quantities even to Zambia. The FAO explains that she is a middlewoman who manages to sell huge quantities and supply the WFP.

In the past, some middlemen sold to the auction in Busia. But during the political crisis in Kenya in 2007, the market broke down. However, Kenyan traders do not buy Bugiri maize ndirectly from the farmers. They buy only from middlemen and the farmers do not know at what price the traders purchase the maize.

Millers in Bugiri buy mainly from the middlemen. They sell flour locally to shops, traders or boarding schools. Only some bring it to Kampala. Their market in Bugiri is limited and challenges are transportation, costs for electricity, and lack of capital. A few of them do milling and trading. The middlemen are independent, but sometimes millers pay the middlemen to buy maize for them. At the time of investigation, there were 15 millers in Bugiri. According to some of the remaining millers, seven had to close down prior to the investigation due to power problems,.

The Bugiri District Commercial Office also sees the marketing deficit. According to its staff, the main problem is that the farmers cannot sell in bulk, neither to the auction in Busia, nor to the WFP. Thus, farmers depend on middlemen. They see the following main challenges for farmers:

- Farmers do not control the weather, and insurance against unfavourable weather does not exist.
- Farmers have to sell at low prices, which do not allow them to buy seeds for the next season.
- Exploitation by middlemen occurs, since farmers bargain individually.
- Harvest handling: farmers do not have proper storage facilities.
- Some cooperatives do not pay immediately; therefore farmers lose trust.
- Limited support: lack of training on value adding.
- Lack of access to loans with lower interest rates.

The district has a District Livelihood Support Programme approach on natural resource management and agricultural development. Farmers are also supported by NGOs: mainly GOAL Uganda, and FOCRIF.

According to the commercial officers, production was easier for farmers in the time of the Uganda Produce Marketing Board because the UPMB connected smoothly with farmers. Today, a quality problem can be observed. While the UPMB used to control quality, nowadays everybody can sell bad quality maize, but for lower prices. The officers blame corruption for the decease of the cooperative system. One farmer said, "It died by itself due to corruption." Farmers sold their maize to the cooperative but never got paid. Thus, they left the cooperatives when the market was deregulated.

From the perspective of the local government, the PMA functions but does not focus on the maize sector. District authorities and NAADS support maize farmers, but NAADS could create markets. For the years 2007/8, Bugiri District received 215 mio. UGS (129,000 USD) under the PMA. This amount will mainly be spent for agriculture, roads, water and dairy. Before the money arrived, sub-county chiefs were informed to consult the farmers. Additionally, the district selected 30 villages randomly for interviews. The NAADS approach is to respond to farmers' demands. The community has to identify an enterprise (eg. maize). Local authorities can use the money for needs they have identified. But one does not feel that the funds will have a strong impact on agriculture.

The farmers criticise the District Commercial Office because it does not know their real problems. They also see a lack of participation. Although Commercial Office invites the farmers for consultation, the farmers are only allowed to listen. Demands to also let the farmers talk have been rejected. Additionally, those hearings are announced only with short notice, approx. three days in advance.

Maize farmer 1

He and his wife are customary tenants and cultivate maize (hybrids), soy, groundnuts, beans and cotton on 11 acres. Out of these, they sell maize, soy and cotton. For maize growing they use the fertilizers DAB and Urea. The farmer sells the maize to different middlemen. The family normally eats three times a day, but in May and June they eat only twice a day. In contrast to the general observation, their income generated by maize is better now than it was during the 1980s. This might be because the farmer always sold to middlemen and not to the Produce Marketing Board.

7.2. The World Food Programme

A few farmers have sold to the WFP through commercial farmers' associations or private companies. But they do not continue selling because of the late payment.

WFP has strict criteria on quality and quantity:

- The minimum quantity of maize, which WFP buys from a supplier, is 50 t per season.
- The whole 50 t must be kept in one place.
- WFP does not pay on the spot, but only three months later.
- The moisture of the grain must be within a certain range.
- The grain needs to be uniform and whole.
- The grain must be free of insects.

Small-scale farmers can hardly comply with this criterion, especially not with the quantity component.

One of the farmers sold 250 t in 2005 to the WFP, but he did not continue because of the late payment by the WFP. He had to take a credit to be able to supply the WFP and the banks harassed him to pay the money back even before the WFP paid him.

7.3 Development of Prices and Costs

Farmers complain about high costs of production. From 1999 to 2002, they harvested 18 to 22 bags (1 bag = 100 kg) per acre per growing season. For this harvest, they needed 10 kg of seeds, 50 kg of DAB fertilizer and 50 kg of Urea fertilizer. They could sell a kilogramme (kg) for 50 UGS (0.03 USD). Farmers estimate that they had seasonal earnings of approximately 100,000 UGS (66 USD) per acre. In 2008, the members of the Bugiri District Farmers Association received 200 UGS/kg (0.12 USD/kg), but the outcome is only between 8 and 12 bags per acre per growing season. Thus they have a seasonal income per acre of 200,000 UGS (120 USD). Costs, however, have increased faster than the selling price.

According to the farmers they would need:

10 kg of seeds	32,000 UGS
ox ploughing	40,000 UGS
DAB fertilizer	85,000 UGS
Urea fertilizer	85,000 UGS
2 x weeding labour	80,000 UGS
planting	10,000 UGS
harvesting	20,000 UGS
shelling	20,000 UGS
Total Amount	**372,000 UGS (223 USD)**

If the farmers would spend this on maize cultivation they would make a loss of 172,000 UGS (103 USD) per acre and season.

Farmers in the village Bukyansiko receive between only 100 and 150 UGS/kg (0.06 – 0.09 USD/kg) and harvest only 7 bags per acre per season. None of the farmers use fertilizers or pesticides and only two of them use ox ploughing and buy hybrid seeds. They have seasonal production costs of 40,000 UGS (24 USD). The selling price at farm gate has remained stable since 2001, while the buying price for maize flour has doubled from 500 UGS/kg (0.30 USD/kg) to 1,000 UGS/kg (0.60 USD/kg) from the year 2007 to 2008. From 2005 – 2007 the price was stable. Prices for maize flour have increased tremendously from 2007 to 2008. While the price for one kg levelled out to 600 UGS/kg (0.35 USD/kg) in 2003, it increased suddenly to 1,000 UGS/kg in 2008. According to the FAO, this was caused by the procurement of huge quantities of maize by Kenya and Tanzania. Additionally, prices for energy and transport have increased significantly.

The prices for non-hybrids have increased during the last five years. While 1 kg of seeds was 700 UGS (0.41 USD) in 2003, prices went up to 3,200 UGS (1.92 USD) in 2008. And the quality is sometimes bad. Hybrid seeds were at 1,200 UGS/kg (0.84 USD/kg) in 1999, 2,000 UGS/kg (1.16 USD/kg) in 2002 and 2,800 UGS/kg (1.68 USD/kg) in 2008. The price of fertilizer followed a similar pattern. While 1 kg was 500 UGS (0.29 USD) in 2003, in 2008 the price was 1,900 UGS (1.14 USD). Fertilizers are the inputs that cause the highest production costs. Due to the negative relation between earnings and production costs, many farmers have already dropped out of commercial maize farming. They have diversified to rice and groundnuts, which have a better market.

At the same time, the selling price at farm gate hasn't really changed since 2003. Since then it has stayed at about 200 UGS/kg (0.12 USD/kg). Farmers get the highest prices in March and September when the school semester starts and the demand for maize is high, because schools need it to prepare students' meals. But farmers cannot store maize until that time, because insects easily invade it.

The millers buy one kg of maize for 450 UGS (0.27 USD) during the off-season. During harvest season they pay less[14]. Out of a bag of 100 kg, the middlemen make 1,000 UGS (0.60 USD) profit. Millers sell maize flour for 750-800 UGS/kg (0.45 – 0.48 USD/kg). The price decreases for larger quantities. For a bag of 100 kg, millers take 35,000 UGS (21 USD). Since boarding schools do not pay on time of supply but only at the end of a term middlemen demand a higher price of 900 UGS/kg from them (0.54 USD/kg). In Kampala, they get 820 UGS/kg (0.49 USD/kg) cash. Millers give a commission to young boys to sell the maize flour. Millers are aware that there are many competitors. They do not control the quality of maize flour and have never sold maize to the WFP. Millers are aware that traders from other countries buy maize flour in Kampala, but according to them, they do not buy in Bugiri.

When a farmer brings maize, including maize bran, for milling and takes it back to his farm then the price is 100 UGS/kg (0.06 USD/kg). When the farmer wants to leave the maize bran, then the price is 80 UGS/kg (0.05 USD/kg). A miller processes 80 bags per day (24 hours) – if there is no loss of electricity. He employs three workers for that the processing. None of the millers in Bugiri has a generator. Costs for electricity are 500 UGS/unit (0.30 USD/unit). They need 12 units to process 100 kg, which costs6,000 UGS (3.60 USD). One of the millers had a electricity bill for 70 mio. Millers get loans from banks, but conditions of payment are not favourable for them. Even the most successful miller had lost his house to the bank due to high interest rates.

The highest household expenditures of farmers in Bugiri district are medical care, followed by food and education. Those three items consume 70 percent of the farmers' income.

14 The price they indicated (150 UGS) was too low to be reasonable; otherwise middlemen wouldn't benefit at all.

7.4 Gender

In general, women do most work at the farm. While the men do bush clearing, ox ploughing, planting, applying of fertilizer, and harvesting, the women do planting, weeding, harvesting, applying of fertilizer, drying and shelling. But there are also families where the women do all the work and men perform just the selling and control the money. In most of the families, men make the decisions on how the money is spent. Therefore, women depend financially on their husbands.

According to the men, women want them to take the lead in the family. "Women have the attitude to ask the men to take decisions." Women have a different view. They are not satisfied with the situation that they bear most of the workload, but earn only little money and do not own land. Some women run a small business to earn their own money. They sell tomatoes or cabbage. Although women do most of the work on the field they do not wear protective clothes like gumboots, while some of their husbands do.

In the past, women organisations existed to support women economically. But those organisations died off due to low selling prices at the market. None of the interviewed women are members of Bugiri District Farmers Association, but some of their men are.

According to the women, domestic violence is common. Many of the women are beaten when they use their husband's money to buy food or soap, even in times of famine.

While the men stated, that during the meals at home the husbands are served last, the women said that the husbands are served first. Both agreed that his plate is fuller than the plates of the other household members. Women say that fill their mens' plates higher to encourage their husbands to buy more food.

To improve their situation, the women wish to have improved seeds, oxen for ploughing, ox ploughs, land rights and an available market for their products,which includes a clear policy to defend them in selling and keeping the price stable.

Female farmer A

"My husband, I, and our five children are landless. We have leased 1.5 acres from a farmer to grow maize and groundnuts. I use traditional seeds because I experienced losses when I tried the hybrids. We harvest 7-8 bags of maize per season of which we use 4 for home consumption. I never received any training on agriculture. We face food shortages from April to June. During those times we eat posho, potatoes and groundnuts only once a day. Sometimes I can take only tea with roasted grundnuts the whole day. My husband does not help me to cultivate. But we are a group of women who help each other. When I'm in the field my children are alone at home."

7.5 Food Security

There is strong evidence that farmers and their families face hunger. Main periods of food shortage are from April to June, and from October to December. This has been the case as long as our interview partners can remember. According to the farmers, the families that suffer from food shortages mainly live around Bugiri town. Most of the farmers in the village still eat twice a day, but out of 12, three eat only once a day. Famine affects even medium-scale farmers. In times of famine, poor farmers used to work for fellow farmers who were faring better to sustain their livelihoods.

Total land area in relation to the population is low, and therefore land sizes are often too small to feed a family. Additionally, the crop disease Stryga[15] has affected production. To be food secure, farmers plant cassava and potatoes

Farmers in the village faced hunger even at the time of the investigative mission. The harvest in December 2007 was poor. Therefore, many farmers didn't earn enough money to feed their families. "We used to have three meals, but now we have only one."

Members of Bugiri District Farmers Association, however, claim to be food secure. Some said that they even assist their hungry neighbours with food.

Poverty in Bugiri district forces young people to migrate to urban centres to find employment in factories. "For the youth, farming means to remain in poverty. And when they go to the cities they never come back." Farmers from Bukyansiko reported that so far the young people have not left the village. But they are aware that the district faces this problem.

Millers reported that only those with large families suffer from food shortages.

Small scale maize farmers' desire the following from the Government

The male farmers wish for:

- One tractor for the sub-county
- Supply of inputs (fertilizers, etc.)
- Better prices
- Better market access through processing, packaging, etc.
- A food safety net scheme whereby Government buys maize at minimum prices and redistributes it during famine
- Reduction of high interest rates

The female farmers wish for:

- Improved seeds
- Oxen and oxploughs
- A policy to protect women against men so that they can market their goods
- Land rights
- An available y market for their products
- Stable prices

7.6 Findings Bugiri

There is no impact of EU-policy on the Bugiri maize sector. None of the interviewed persons had information about imported maize from EU. They only suspected that the WFP buys imported maize instead of local maize.

There is an alarmingly high level of hunger and malnutrition among small-scale maize farmers in the village of Bukyansiko in Bugiri District. Although small-scale farmers acknowledge that there is a market for maize, they express the wish to shift to other crops due to low farm gate prices, which hardly cover their production costs. Before harvest, between April and June, families of smallholders suffer food shortages and hunger. Most of those affected are women. They reportedly face discrimination regarding food consumption while they shoulder the biggest part of the workload in food production.

The consumer price of maize has doubled in the last year while the price at farm gate has remained stable. This causes a risk of food security. Medium- scale farmers do not face hunger, but individual interviews showed that they have to cut down on food before harvest. Small scale farmers are disadvantaged since they get lower prices for maize than medium-scale farmers.

Women hardly have access to land since they can neither inherit it by tradition nor by law. As they lack the right to inherit land they depend on their husbands or must lease land to acquire it. Furthermore, they have no access to the market since their husbands take all harvested maize to sell it. Thus, they cannot generate income out of their maize production. Additionally, they face domestic violence even when they try to feed the family.

15 Stryga reduces nutrients in the soil. It can stay in the soil for over 20 years.

Production of maize has gone down due to the Stryga disease and due to the deteriorating quality of seeds and fertilizers since liberalisation of the market. At the same time, production costs have increased tremendously since privatisation of input supplies.

Furthermore, farmers do not have access to credits since loan conditions are not favourable for them. That is one reason why they cannot take advantage of the purchasing policy of WFP.

There is a lack of market information for farmers. They do not know the prices on the national level. Additionally, since the cooperatives have been destroyed, every farmer bargains on his or her own. Both factors diminish the bargaining power of farmers. The governmental programme to promote marketing organisations does not reach the interviewed smallholder farmers yet. They get lower prices than the medium-scale farmers.

Farmers are neither well informed about national and international policies like the current boom of agrofuels. Thus, they can hardly adapt timely to market demands. Even the district administration concluded that deregulation of the maize sector has failed.

Only large-scale farmers and traders seem to benefit from the deregulation of the market - among them the President's family. While President Museveni himself owns a company, which supplies farming inputs, one of his daughters is a large-scale maize trader.

To summarize, in the course of deregulation, risks within the maize supply chain and risks of food security have shifted towards farmers and benefits have shifted towards traders.

8. Impact of EU Agricultural and Trade Policies

So far, a direct impact of EU agricultural trade policy on the interviewed small-scale maize farmers could not be found. Current imports of European dairy products do not compete directly with the products of small and medium dairy farmers, as these imported products usually do not enter the informal markets. However, studies as well as interviews with experts, retailers and government officials indicate that imports of processed dairy products like milk powder, butter, cheese and yoghurt together already represent about 50 percent of the formal dairy supply, partly as a result of the rise in supermarkets in Kampala. The EU is the third biggest external supplier of dairy products for Uganda.

The market for processed milk products have been growing quite fast together with the growth of supermarkets in Kampala. Supermarket managers confirmed the sales of imported milk products are increasing much faster than for local milk. It is difficult to understand why milk products are imported in large quantities, when 100,000 l of local milk are poured out (wasted) on average every day. There is a danger that imports impede the development of the domestic dairy industry and thereby hinder the progressive fulfilment of the right to food of smallholder dairy farmers.

Even though direct European imports are not the main share of Ugandan imports, there is some evidence that European imports in South Africa and Kenya indirectly lead to an increase of Ugandan imports coming from these countries as well. The fact that the EU has increased and is further increasing the milk quota and recently reintroduced export subsidies on dairy products, raises fears that Ugandan dairy farmers will face more competition from the EU in the future.

Dairy imports from the EU might significantly increase in the future as a result of the ongoing reform of the EU milk market regime and the framework EPA inititated in November 2007 between the EU and the East African Community (EAC). This might happen because:

- In 2008,the EU decided to increase its milk quota by 2 percent, which, according to its own projections, will allow for a significant increase in milk powder production and exports. In November 2008, the EU Council decided to further increase the quota by 1 percent annually until 2013, after which the quota system would be abolished entirely. This would pave the way for unlimited production and exports. It is especially concerning that, in the Health Check decision in November 2008, the EC has kept the door open for the maintenance of the instrument of export subsidies even after 2013, even though in the WTO negotiations, it had already committed itself to end these subsidies by 2013. Contrary to this commitment, the EC reintroduced export subsidies in January 2009. The EC thereby accelerates the rapid downwards trend of international dairy prices and increases the danger of import surges.

- Even though the EPA does not require a further reduction of import tariffs on European dairy imports, a standstill clause does not allow for increasing tariffs in the future except with the consent of the European Commission. This provision eliminates the policy space previously granted within the WTO up to the bound level of 80 percent. While other countries, like Russia, as a reaction to the reintroduction of export subsidies, have increased import tariffs, Ugandan dairy tariffs will have to remain at the currently low applied level of 25 percent. Uganda has lost the policy space that might be necessary to properly protect the market and the right to adequate food of Ugandan dairy farmers in the near future.

9. Recommendations

Based on the findings, the recommendation to the EU and EAC are:

1. to conduct a Human Rights Impact Assessment on the EPA before any further negotiations are held – as recommended by the Special Rapporteur on the Right to Food, Oliver De Schutter, in his recent report to the Human Rights Council on the relationship between trade agreements under WTO and the State's obligation to respect the human right to food (De Schutter 2009).
2. to revise the Interim EPA: Both the EU and the EAC have to make sure that the EPA will not limit the policy space of Uganda to protect and promote the right to adequate food for small-scale farmers. No liberalisation commitment or standstill clause shall hinder the Ugandan Government to increase tariffs whenever European imports threaten market access and incomes of food insecure people. The revision process, as well as further EPA negotiations, must allow substantial participation of parliaments and civil society organisations. We urgently request the EU not to put pressure on the EAC to conclude a comprehensive EPA, which would include services, investment, intellectual property rights or public procurement;
3. to revise the EU decision to increase the milk quota by 2 percent. Furthermore, we recommend to maintain the milk quota system beyond 2013 and to phase out export subsidies immediately. The recently reintroduced export subsidies need to be withdrawn. The EU must make sure that surplus dairy products are not exported to Uganda at dumping prices.
4. to support smallholder food production in its desire for official development assistance. Smallholder farmers feed the people and should get more support from governments and donors.

The World Food Programme should increase its efforts to purchase maize from Ugandan smallholder farmers. Measures could be:

- to pay on the spot,
- to assist the Ugandan Government to set up a credit scheme, which benefits smallholders, and which is accessible to them
- to accept lower quantities than 50 t.

The Ugandan Government should:

1. increase the efforts to facilitate access to internal markets through self determined marketing groups of farmers. These marketing groups will likely strengthen the bargaining power, especially of smallholders, towards informal vendors or middlemen and facilitate access to formal markets at fair prices that allow for a life in dignity and free from hunger;
2. increase the public spending on agriculture from 4 to 10 percent, as agreed in the Maputo Declaration. Uganda, with support of its development partners, should put special emphasis on promoting the access of smallholder farmers to inputs like high quality seeds (locally adapted in close cooperation with local communities), extension services, low interest loans, storing and processing facilities at affordable prices.
3. guarantee women the right to inherit land by law. This law should be developed together with women's rights organisations and be enforced by public awareness raising campaigns and trainings for local authorities and land registrars. Furthermore, a policy needs to be put in place to fight domestic violence.
4. increase its efforts to improve quality of public schools and to reduce or to abolish school fees of secondary schools. School fees are the highest expenditures of the farmers and might discourage them from sending their children to secondary school. A higher educational level will help the future generation of farmers to improve their production and gain more bargaining power against traders.

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Annex I: Questionnaire

Questionnaire for semi-structured interviews

A) Interview with resource persons/experts belonging to important reference groups outside the community itself ("the most inside of the outsiders")

0. Personal data: Name, function, institution

1. Basic data on milk and maize: farming, commerce and consumption

1.1 Agro-economic structure of production (per regions & per type of producers)

1.2 Processing and marketing structure

1.3 Development of production, prices and markets since the 1990s (including major peaks)

1.4 Development of imports and their impact on national prices (farm gate prices and consumer prices)

1.5 Development of national consumption

1.6 Geographical origin of imports and possible relevance of (trade in) agriculture policies of the exporting countries (including dumping).

2. Policies

2.1 Trade in agriculture policies: Liberalisation of the milk and maize market (how and when)

2.2 Domestic agriculture policies: Protection of the national producers (how and when)

2.3 Role of political actors and specific responsibilities: (government, political parties, influence of business, social groups, international actors (World Bank, IMF, WTO, others)

2.4 Trade Strategy (Uganda's policy in EAC, esp. common external tariff)

2.5 Food security strategy (and relation to EPA negotiations)

3. Consequences and effects (in the past and perception of future developments)

3.1 Beneficiaries of the policies described above

3.2 Effects of these policies on Ugandan society (urban/rural segments of society, gender effects, producers/consumers, most vulnerable groups)

3.3 Effects on the community level: producers/ consumers

3.4 Hunger, malnutrition, food insecurity (when, where, in which context) in relation to the market liberalisation

Statistical data required (1990 – 2008)

- **National production**
- **Destination of produce & processing**
- **National consumption**
- **imports & origin of imports**
- **exports**
- **prices (producer prices, consumer prices and import prices)**
- **Tariffs and quota systems**
- **Poverty rates - for specific groups**
- **Food insecurity and chronic malnutrition – broken down to vulnerable groups**

B) Interview with experts/community leaders inside the community

0. Personal data: Name, function, institution

1. General information

1.1 Name and location of the community

1.2 Formal status of the community and the producers (cooperative, association etc.)

1.3 Number of persons/families living in the community/belonging to the group

1.4 Total number of farmers in the community / number of female producers. How many are involved in milk/maize

1.5 Existing infrastructure: streets, schools, health post, drinking water, sanitation, electricity etc.

1.6 Community history (regional context, migration, conflicts, natural disaster, environmental problems etc.)

2. Community organization

2.1 Political organization / local authorities / societal leadership

2.2 Organization of the milk/maize production (including gender relations)

2.3 Production / Marketing

2.4 Collective / Individual (Mechanisms of redistribution, collective assistance to the most vulnerable)

2.5 Land tenure / conflicts

3. **Agricultural production**

   3.1 Quantity and value of milk/maize production in relation to other agricultural products

   3.2 Type of production (agro-industrial/ sustainable)

   3.3 Aim of production (auto consumption / market-oriented production)

   3.4 Commercial & trade structure / buyers of the milk/maize

   3.5 Agro-technical assistance/credits/inputs

   3.6 Marketing support programs

   3.7 Profitability calculation

4 **Change since 1990**

   4. 1 Development of production and marketing since 1990

   4.2 Collapse of production / farm gate prices / markets during 1990 – 2008, including explication of the reasons from the community's viewpoint

   4.3 Role of imports within the reasons

   4.4 Have the collapses described above been of general or of specific nature (describe how the neighbouring communities / the region / the nation have been affected)

   4.5 Responsibilities and key factors for these collapses

   4.6 Alternative sources of livelihood / economic/ agricultural options for the community

5. **Effects of the changing milk/maize market**

   5.1 At the economic/agro-economic level (hunger / change in crops / land tenure)

   5.2 At the social level (forms and functions of organizational structures / migration / gender / youth / elderly)

   5.3 Vulnerable groups in the community

C) Interview at the household level

0. **Personal data: Name, sex, age, profession**

1. **Basic information**

   1.1 Family members, age, profession and sex

   1.2 Since when you are living in the community / productive entity?

   1.3 Size of productive land & where it is located

   1.4 Type of land tenure / financial situation (including possible indebtedness) / credits

   1.5 Housing (house garden and agricultural land nearby?)

2. **Production**

   2.1 Current milk/maize production

   2.2 Development of production since 1990

   2.3 Relationship between self consumption and market oriented production

   2.4 Collapse of production / farm gate prices / markets during 1990 – 2008, including explication of the reasons from the viewpoint of the family

   2.5 Total family income / income from milk/ maize production and changes since 1990

   2.6 Profitability calculation of milk/maize (if possible: profitability in different periods over the last years and in relation to market liberalization)

   2.7 Support, subsidies, extension services provided by the government or other actors

3. **Effects of the changing rice market**

   3.1 Hunger / malnutrition / food insecurity / sources to get food

   3.2 Consequences for production / impact on rural development: changing crops, loss of investments, loss of means of production

   3.3 Purchasing power / change in consumption patterns

   3.4 Vulnerability of different family members (men, women, boys and girls)

   3.5 Economic alternatives inside and outside the community / migration

Annex II: Persons interviewed

Expert Interview:
- Geoffrey Bakunda
- George Walusimbi-Mpanga

Focus Group Interview with Civil Society
- Jacqueline Amongin, PAM
- Miriam Talwisa, ACTADE
- Mouson Rwakakamba, Uganda National Farmers Federation
- Happy James, Suswatch Network
- Godfrey Ssali, SEATINI
- Paul Walakila, UNBS
- Caroline Mayiga Nabalema, Katosi Women Development Trust
- Olive Zaale Otete, LDR Consultants
- Agnes Kirabo, VEDCO
- Samuel Kasirye, SEATINI
- Kaweese M.B., CAA

Focus Group Interview with Mbarara District Farmers Association and Uganda Crane Creameries Cooperative Union Ltd., Mbarara:
- Tumwebaze Lauben, farmer
- Rev. Canon Ganaafa, Rukaka d.f.c.s. ltd.
- Dr. William Mwebembezi, vet. Officer
- Moses Turyaramya, Chairman Uganda Crane Creameries Cooperative Union
- George Nuwagira, Vice Chairman Uganda Crane Creameries Cooperative Union
- Capt. Dick Kajugiira, treasurer Mbarara District Farmers Association
- Elly Karegire, Chairman Mbarara District Farmers Association
- Timothy K. Bitter, Chariman Kashari Dairy Farmers Cooperative

Focus Group Interview with dairy farmers in Nyakisharara
- Edward Nyamalya
- Peninah Besigye
- A. Tibesigwa
- Justus Mambo Kurinogira
- Robert Kasasi Shokye
- Benon Bwengye
- Patrick Byaruhanga
- Emmanuel Muzoora
- Elly Beinomugisha

Expert Interview with representatives of Bugiri District Farmers Association in Bugiri town: Paul Oteba, Chairman
- George Migero, Vice Chairman
- James ?, Farmer

Focus Group Interviews with Bugiri District Farmers Association in Bugiri town
- Mugoya Awali Ogonzaki
- Ekisa Longino, Hope Farmers Association
- Nulu Namusoke
- Rose Simuye
- Joseph Wakhonya
- Agnes Nangobi
- Timothy Tibita
- Sam Kyerekizibu
- Awoli Mugoya, treasurer
- Sulay Musenero, Tufungize farmers group
- James Mangeni, advisor
- Mutamba Mabango Twaha
- George Migero
- John Odongo
- Richard Buyinza
- Christopher Maka
- Paul Oteba Opisai
- Moses Makaka
- Mutwalibu Kyebanbe
- Henry Bageja
- David Mudhalya
- Sam Muhoya
- Bane Nyende

Expert Interviews in Bugiri District Commercial Office
- Hussen Musikho (Commercial Officer)
- Mulabya Esau (Assistant Commercial Officer)
- Francis Ekiro Etomet (Chairman Production)

Focus Group Interviews in Bugiri with representatives of small millers
- Skiria Ddalaus Haji
- Musoga Abdullah
- Jakola Samwe
- Hadji Asamwe
- Lawrence Kiago

Expert Interviews in: Bukyansiko, Kasita Parish, Nabukalu Sub-county, Bugiri District
- George Migero, Vise Chairman of Bugiri District Farmers Association
- Musa Kabwangu, General Secretary of Local Council and Chairman of Parish

Individual Interviews in: Bukyansiko, Kasita Parish, Nabukalu Sub-county, Bugiri District
- Skovia Timogiva
- Acord Fatma
- Mutumba Mohamad
- Lukia Tibaga

Focus group interviews in: Bukyansiko, Kasita Parish, Nabukalu Sub-county, Bugiri District

- with women:
  Idah Mukama
  Jane Mukana
  Kekulina Mutumba
  Fawuza Nawkreya
  Zabiya Naigoga
  Babuletenda
  Fatuma Namuganza
  Joy Mwondia
  Pro Mutisi
  Rose Namusabya
  H. Nangobi
  T. Namutamba
  Zaniza Mutesi
  Sarah Nabirye
  Lulinja Musobya

- with men
  Lukungu Hussein
  Bakumo Maliki
  Kiremu Abumani
  Mukama Jamal
  Kaabwangu
  Naluswa Senefansiyo
  Mafaala Muhamad
  Bagoye Wilson
  Pasikali Katabagi
  Were Fred
  Wachana S.
  Kasolo Mukamal
  Kowa James
  Ichuma
  Migero George

Expert Interview: EU Office Uganda:

- Alex Nakajjo
- Uwe Bergheimer

Expert Interview: Ministry of Agriculture:

- Kaasai Opolot, Commissioner for Crop Production and Marketing

Expert Interview: FAO

- Percy Msika
- Charles Owach

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