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Agricultural Cooperative Marketing and Credit Policy Reform in Uganda: An Opportunity for Poverty Reduction

Francis Onyilo[1,3]* and Annet Adong[2]

Francis Onyilo

*Lead author email: francisonyilo@gmail.com

[1]Department of Agriculture production, College of Agriculture and Environmental Sciences, Makerere University Kampala Uganda

[2]Economic Policy Research Centre, Makerere University Kampala Uganda

[3]Department of Agriculture, Muni University Arua Uganda

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Abstract
Academics and development practitioners increasingly view cooperatives as the cornerstone for agricultural transformation and poverty reduction in sub-Saharan Africa. Cooperatives play a crucial role in promoting bulk storage and sale by smallholder farmers, which can play a major role in poverty reduction for farmers otherwise unable to commercialize. Despite the significant role of cooperatives, the reforms associated with economic liberalisation have caused many cooperatives in the region to fail. While efforts were made in Uganda to ameliorate this situation through the passing of the National Co-operative Policy (NCP), this has done little to enhance the survival of these cooperatives. In this opinion paper, we identify challenges faced by cooperatives that negatively impact performance and survival, such political interference, lack of administrative support, human resource constraints, inadequate knowledge of the operations by members and poor governance. This paper recommends stronger linkages between the Ministry of Trade, Industry and Cooperatives and the Ministry of Agriculture Animal Industry and Fisheries (MAAIF). Integrating cooperatives into the decentralisation framework and formalising existing village savings and loan association groups into formal cooperatives. Most importantly, the government needs to take on a more proactive approach toward cooperative development, as seen in some countries such as South Africa and Rwanda.

Key words: Cooperatives, Marketing, Credit Policy, and Poverty Reduction and Uganda

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Introduction

Seven out of every hundred African households belong to a cooperative organization (Develtere *et al*., 2008). In the 1970's many African governments, increasingly took interest in the establishment of cooperatives as a means of promoting local participation in the modernization process and linking local endeavours to national socio-economic objectives (Hamer, 1981). This interest stems from the fact that agricultural growth and development in many sub-Saharan countries is smallholder based and often constrained by persistent market failures (Tanguy and Spielman, 2009).

In many countries particularly in the developing world, middlemen tend to be exploitative to both farmers and consumers; as they buy produce at a very low price from the farmers and later sell to the consumers at a much higher price (Nayak, 2014). This creates an opportunity for the middlemen to have high profit at the expense of farmers and consumers. For example, in India the role of middlemen in marketing agricultural produce has led to rising cost of food especially in the fruits and vegetable (Nayak, 2014). Middlemen provide advance loan to the farmers to cover the cost of production and at the end, it is paid back in form of produce. Consequently, these middlemen or intermediaries add value to the produce and increase the price of produce that they receive while the farmers remain at losses. Cooperatives' action provides opportunities for small holder farmers to aggregate their output, achieve economies of scale in marketing and obtain better terms of trade in the market place (World Bank (WB), 2003).

Currently in Uganda, the prevailing conditions of marketing farmer's produce are not any different from that of India. Since the market reforms of the late 1980s in which centralised agriculture marketing reforms were replaced with private and competitive agriculture marketing, small holder farmers have been left at the exploitative hands of middlemen (Nkonya, 2002). Many challenges related to infrastructure also remain binding to agricultural commodity marketing within the country (Adong *et al*., 2013.

Uganda remains an agriculture dominated economy with the sector employing more than 72 percent of the population, contributing to about 25 percent of the Gross Domestic Product (GDP) and generating 40 percent of the country's exports (Government of Uganda (GoU), 2015). In the country's medium- and long-term planning framework (GoU), 2015); the sector is envisioned as key in transforming the economy to a second developing country by 2040. As such, poverty reduction which currently stands at 19.7 percent (WB, 2016) can only be achieved when appropriate policy reforms are introduced and implemented in the agriculture sector.

In this paper, we analyse the Agricultural cooperative marketing and credit policy reform needed in the sector as an opportunity for poverty reduction**.** Despite the presence of the National Cooperative Policy (NCP) passed in 2011, cooperative societies in Uganda have not regained the prominence exhibited before the liberalisation period of the 1980s. Many of the cooperatives have failed to link farmers to the market and farmers continue to be exploited by middlemen (UNDP, 2016). Agricultural market reforms which were meant to stabilize domestic markets from inefficient marketing institutions did not take in to account the rural small holder

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farmers who pay a high cost associated with the risk of liberal agricultural marketing system (Bategeka *et al*., 2013). Specific objectives of this paper are:

i. To provide more understanding about the role of cooperative marketing and credit policy reform in reducing poverty in Uganda or making a case for revitalising of agricultural cooperatives in Uganda.

ii. To identify binding constraints that have hindered existing cooperatives in Uganda from reclaiming their past glory.

iii. To articulate the required reforms in agriculture cooperative marketing and credit access to reduce poverty.

History and institutions in the twin functioning of agriculture cooperatives and credit access in Uganda

The first formal cooperative in Uganda was the Kinakulya Cooperative Society, established in 1913 in the Central region (Kabuga and Kitandwe, 1995; Kwapong and Karugyendo, 2010 a). The Buganda Growers Association and the Uganda Growers Cooperative Society followed suit in 1923 and 1933 respectively (Kyazze, 2010). Until the 1950's, the aim of starting cooperatives was to combat the dominance of Asian traders involved in marketing of cash crops like cotton and coffee. Cooperatives also played a role in blocking colonial powers that monopolised domestic and export marketing. Cooperatives provided an opportunity to sell cash crops outside of the exploitative system of Asian traders and colonial administrators who would buy cash crops from farmers cheaply and realise extraordinary profits.

In 1952, a cooperative act was enacted in Uganda, which spurred rapid economic development over the following decade. The cooperative act eliminated price discrimination policies and increased smallholder farmers access to coffee processing facilities (Kyamulesire, 1988). Subsequently, cooperative membership increased eight-fold and the amount of crop sales through cooperatives increased six-fold (Kyamulesire, 1988). Following independence in 1962, the success of these cooperatives is said to have dwindled under the newly-established government control. This was due to corrupt practices among cooperative leaders, and the appointment of political leaders as cooperative managers who were largely focused on their personal interests (Kwapong and Korugyendo, 2010 a). Nevertheless, cooperatives continued functioning as government entities until the 1980s in the form of cooperative marketing boards, cooperative unions and primary cooperative societies. In late 1980s, agricultural cooperative societies, marketing boards and the Uganda Cooperative Bank collapsed upon introduction of economic reforms of liberation encouraged by the World Bank. Liberalisation was followed by cessation of government control over cooperative societies, and ultimately caused many to fail. The government marketing boards on which the cooperatives largely depended for crop and marketing finance were abolished and with that, the provision of crop finance by government stopped completely (Nannyonjo, 2013). Private companies came to predominate agricultural marketing, and many cooperative societies could not withstand the competition without government support.

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Since liberalisation, the Government of Uganda has taken considerable efforts to ensure the survival of cooperatives. Currently cooperatives are organised under the Uganda Cooperative Alliance (UCA), whose focus has been to strengthen grassroots farmer organisations. The tripartite cooperative model, which consists of Area Cooperative Enterprises (ACEs), Rural Producer Organisations (RPO) and Savings and Credit Cooperative Organisations (SACCOs), has also been adopted to address challenges such as lack of market access, low agricultural productivity and unaffordable rural services. Each of the structures in the tripartite model fills a specific niche: ACEs are meant to promote bulk marketing, RPOs to produce the required crop supply and SACCOs to address financial challenges faced by farmers. In 2015, there were 16,408 registered co-operatives, the majority being SACCOs and agricultural marketing cooperative societies. With regard to financial access, a micro finance support centre was developed to provide agricultural loans at lower interest rates of up to 9 percent annually (Kasekende, 2015).

Despite these governmental organization efforts, cooperatives have not explicitly appeared in key policy plans such as the Poverty Action Plan (PEAP) and National Development Plans. These government efforts have also been insufficient to counteract the effects of the unfavourable market positions for smallholder farmers in Uganda. This paper presents the reforms necessary to position agriculture cooperatives to make meaningful contributions to poverty reduction efforts.

Private sector in Agricultural marketing and credit services

Liberalisation reform policy opened doors for the private sector to compete in the agricultural market and credit system. However, lack of institutional structures and incomplete market reform have caused the private sector to be largely inefficient in agricultural marketing (Jayne *et al.*, 2001). This has hindered competition and has given private buyers opportunities to exploit farmers.

In the absence of cooperatives, farmers do not have common standards for selling their products. A typical example is banana farmers in Uganda. When sold at the farm gate to middlemen, the sale price of bananas is determined by the size of the bunch and not the weight. If farmers were cooperative members, the collection centre would have equipment and storage availability and farmers would be able to sell per weight unit. Buyers also would have improved quality assurance. Another example is the Mukwano Group of Companies that buys sunflower seeds from contract farmers through company agents. However, because farmers do not have bargaining power, prices are largely determined by the company and this leads to price undercutting at the farm level.

Despite several attempts to streamline market reforms in the private sector, under the umbrella of Uganda National Farmers Federation, it is either the representatives of big commercial farmers, middlemen or elite who are able to participate. Similarly, it is the large farmers, legislators from coffee dominated districts that represent the traders and millers in the Uganda Coffee Development Authority (UCDA) and not the smallholder growers (Akiyama *et al.*, 2001). However, if the government of Uganda and other

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stakeholders actively participate in the establishment and proper structuring of agricultural cooperatives and credit, more types of farmers would be represented in the policy reform process. Below we cite the examples of sugarcane and tobacco marketing, which show that smallholder farmers are price takers.

Marketing of sugarcane in Uganda is directly controlled by the sugar companies such as Kinyara Sugar Works Limited while the sugarcane growers operate under their loose umbrella of out grower's association (Masindi Sugarcane Farmers' Association). Marketing is done under contract farming with the out growers who supply sugarcane for milling. Credit is provided to out growers in terms of inputs (cane seed, fertilizers, labour for harvesting, transport). The main challenge is that under their loose umbrella association, the farmers lack enough power to negotiate for the price of sugarcane. Similarly, Alliance One Tobacco Uganda Limited (formerly British American Tobacco) gives no room for the farmers to negotiate or determine prices of tobacco that is sold to them.

Discussion of the Objectives

In this review paper, we synthesise available secondary research information to address specific objectives of this paper: First to provide an in- depth understanding on the role of cooperative marketing and credit policy reform in reducing poverty. Secondly, to identify constraints to successful performance of existing cooperatives in Uganda. Lastly, to present possible reforms in agriculture cooperative marketing and credit access to reduce poverty.

Revitalising Agricultural Cooperatives in Uganda

A cooperative is defined as a group of individuals with common interest who voluntarily come together to meet their economic, social and cultural needs by having a jointly owned and democratically managed business enterprise. A cooperative is guided by the values of the members such as trust, self-help, self-responsibility, democracy, equality and solidarity. As long as the values and principles of cooperatives are respected and followed, cooperatives have the potential to reduce poverty and drive socioeconomic development. In Uganda, there is significant progress in addressing poverty and vulnerability, with the national poverty rate declining from 56 percent in 1992 to 19.7 percent in 2012/13 (GoU, 2015).

A cooperative matches the needs of smallholder farmers and are a channel by which smallholders can commercialize their on-farm production. Through cooperative participation, farmers can increase their competitiveness though a joint business venture. Most importantly, cooperatives create opportunities to empower smallholder farmers to lift themselves out of poverty (Somavia, 2002). Cooperative members also have strong bargaining power. There is a collective decision-making process, which takes into account the welfare of both the members and the community they belong to. Therefore, the cooperative plays a key role in agricultural risk management and increases the efficacy and efficiency of smallholder production and marketing (Henehan, 1997).

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Through cooperatives, quality and quantity of the produce are more tightly controlled. This allows equal competition at local, regional, national and international markets. Hence allowing equal distribution of resources or benefits at both national, international level and no social groups are excluded in human development (Levin, 2002). With regard to national economic development, cooperatives provide a wider tax base at national and international marketing levels. Through Agricultural cooperatives, smallholder farmers are able to access low interest credit for production, establishing storage facilities and collection centres and processing machine especially in value addition. Small-holder farmers can use cooperative as security that would guarantee access to loans or credit facilities than when they are as individuals.

Because cooperatives are "grassroot based", democracy dependent and allows voluntary participation, this makes it a good conduit for socio- economic development. The structuring and development process of cooperatives is a driving factor for identity, community spirit and social organisation. After the independence in 1962, the existence of cooperatives developed leadership skills and capacity for many individuals who later took up political leadership positions in Uganda. The state used cooperatives as a way of combating what the Late President Apollo Milton Obote termed as the "three enemies of Africa;" Poverty, Disease and Ignorance. In reality cooperatives are an important tool in poverty reduction, job creation economic growth and social development (Gertler, 2001; Kyamulesire, 1988, Gibson, 2005).

Success Stories of the role of cooperatives in reducing poverty

In Kenya, Githunguri Dairy Farmers' Cooperative Society provides a good example of a successful cooperative society that is based on good leadership and management through a cooperative committee. Githunguri Dairy Farmers' Cooperative Society recruits staff that runs the business and management of the cooperative on a day to day basis. The cooperative not only creates employment opportunities for the nationals but also offers extension services, provides feeds, and buys milk from farmers at a competitive price. Consequently, there has been an increase in milk production and increase in the tax base for the government. The cooperatives collect milk from farmers and process approximately 80,000 litres of milk daily. After the establishment of the milk processing plant in 2004, by 2005 the cooperative turnover was more than one billion Kenya Shillings (Approx. USD 9,784,920) with share capital of more than 100 million Kenya shillings (Approx. USD 978,492) (Develtere *et al*., 2008).

In Ethiopia, cooperative coffee farmers managed to place the smallholder coffee farmers in the global coffee market (Birchall, 2003; Myers, 2004). This means that the smallholder coffee farmers have access to continuous income flow and improved livelihoods. The Oromia Coffee Cooperative Union established in 1999, started with 34 primary cooperatives and 11, 334 members with operating capital of 825, 000 Ethiopian Birr (Approx. USD 38,314.24). The number of cooperatives increased to 101 primary cooperatives with share increase to 67,207,846 Ethiopian Birr (Approx. USD 3,121,233.18) and turnover total increased to 67,207,846 Ethiopian Birr (Approx. USD 3,121,233.18) in 2005 from 2,271,157 Ethiopian Birr (Approx. USD 105,475.94) in 2001. In terms of employment, cooperatives are one of the biggest employers in the

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country. In 2005, an estimated 28,000 people were employed in the cooperative union (Develtere *et al*., 2008).

For the case of Tanzania, the Tanga Dairy Cooperative Union Limited (TDCU) and Kalali Women's Dairy Cooperative Society Limited (KWDCS) provide true cooperative success stories in reduction of poverty. KWDCS is women owned dairy cooperative in the Kilimanjaro region with 250 women members. KWDCS have got a milk processing plant with a processing capacity of up to 600 litres per day. The cooperative supplies milk to the Kilimanjaro region. One of the unique significant benefits of KWDCS to the community is its provision of milk products to primary and secondary school children, which has greatly assisted in reducing the levels of malnutrition amongst children. In addition, KWDCS supports orphans by paying school fees, meaning KWDCS is providing a future for the next generation leaders of Tanzania (Sumelius *et al*., 2013). In addition, KWDCS has improved the livelihood of the community especially of women dairy farmers.

Cooperative reform in Uganda is being led by the Uganda Cooperative Alliance, through promotion of sustainable cooperative to provide services to the rural poor. This is by combining financial services and bulk marketing through Savings and Credit Organisations (SACCOs), Area Cooperative Enterprises (ACEs) and Rural Producers Organisations (RPOs). Through the RPOs and ACEs, there is already evidence of improvement of the rural livelihoods. About 90 percent of members in small cooperative groups have registered significant increase in their income levels and easy marketing of produce upon joining the cooperative movement. Fifty to seventy five percent of income increase was due to their participation in the cooperative (Kwapong and Korugyendo, 2010 b). With strong linkage between ACEs and SACCOs there is significant evidence that, producers' organisations have the ability to access bulk market with good prices while having access to financial services.

Binding Constraints for Cooperatives in Uganda

Challenges that are faced by many cooperatives in Uganda are akin to most of the cooperatives elsewhere in Africa. In Uganda agricultural cooperative unions are literally extinct with exception of Bugisu Coffee Cooperative, which is facing tough challenges from competition. In 2000, Lango Cooperative Union went into sesame (simsim) export business which was very profitable for the union but the union was thrown out of business by other private business owners who have got access to capital and flexible business management systems (Develtere *et al*., 2008). Several challenges facing agricultural cooperatives in Uganda have been discussed in a number of research papers. Some of these challenges are discussed below.

Inadequate finance and capital

Limited source of cooperative financing is a hindrance to cooperative operations. Usually cooperatives rely on entrance fees, share capital, annual subscription fees and retained earnings which are usually inadequate for operation. Most financial institutions are not willing to give loans for agricultural purposes. Due to the liberal market in Uganda, several commercial banks exist but all these banks have got very high interest

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rates and tough conditions of borrowing that do not favour the smallholder farmers. The SACCOs which are meant to support cooperatives usually have limited capital to provide adequate amounts as loans to cooperatives. The immediate trouble faced by cooperatives upon liberalisation was denying them access to finances by the government. This rendered cooperative unions unable to do business and compete in the liberal market economy. For example, the Bugisu Cooperative Union (BCU) does not have broad base finances that would make them procure all the coffee produced by the farmers. Therefore, BCU has no power of protecting farmers from the exploitative middle men and control over quality of coffee beans in the market. It is critical for the government to set up low interest rate agricultural credit systems with the Central Bank, that can lend money to the cooperative unions to help run the business. However, in 2009, the Bank of Uganda started operating an agricultural credit facility that will offer loans to borrowers with maximum interest rate of 12 percent per annum through existing commercial banks (Kasekende, 2015).

Inadequate education and human resource constraints

Unlike Tanzania that has four cooperative colleges, Uganda currently has only one- Uganda Cooperative College, Kigumba- that offers only certificate and diploma qualifications, which are unable to match with the ever-changing global business environment. Due to the limited capital base, most cooperatives in Uganda can only recruit personnel that are unskilled with regard to numeracy and accounting. They, therefore, cannot operate to the required standards for the success of cooperatives.

Inadequate knowledge of cooperative management

Most members seem to be inadequately educated and trained in cooperative matters, which is one of the major reasons why cooperatives get exploited and have poor accountability. Members lack the knowledge on formation of cooperatives, leadership and governance, supply sources and cost analysis**.** Ideally, cooperatives are meant to be democratic in nature, able to elect leaders and appoint competent personnel. However, this is usually not the case and leadership of cooperatives has always been dominated by a few members, lack democracy and accountability. These attributes undermine the sustainability of cooperatives in Uganda.

Lack of positive government support

The government of Uganda has failed to realise and recognise agricultural cooperative marketing and credit as a major driving force for socio- economic development of Uganda.

There is a need for the government to create a political and administrative environment that supports cooperative development, leadership and management of farmers' cooperative unions and societies in order to support agricultural production and marketing. This should be completely non-political, separated from political groups or political parties and with no political interference. The current cooperatives do not involve the farmers. If they do, the farmers are more of passengers than drivers of the cooperatives. For years, Uganda Cooperative College trained several of professionals in cooperative management at both diploma and certificate levels. This human resource

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could fill up the management of cooperative unions and societies for technical support to the farmers, thus making farmers' cooperatives more independent and sustainable.

Political interference

SACCOs similar to those supported by the Uganda Cooperative Alliance have been organised by the government to help the local people save and get low interest loans in order to improve their livelihoods. However, political influence in many cases interferes with SACCO's leadership. For example, the Presidential Initiative that involved local council leaders' level two (II) and five (V) led to the collapse of majority of the SACCOs, since the politicians used SACCOs as a point for supporting their political goals (Okello, 2013). The success of a SACCO or farmers' cooperative union is highly dependent on its quality of leadership and management of the board members and must be driven by the members and not the political leaders.

Limited access to premium export markets

The Bugisu Cooperative Union has lost its premium export market since the quality of the produce was compromised in order to retain business. Liberalisation brought in the private buyers who did not care about quality. Despite liberalisation, government should have actively protected cooperative unions in as far as quality is concerned; also, competition should have only been allowed at Union level and not at society level. In other words, privately owned business should purchase from the cooperative unions and not directly from farmers. This arrangement avoids exploitation of farmers and also ensures quality standards.

Weak information management system

Existing cooperatives have poor information management systems that ideally should allow them access the current market prices, and be able to market their products to domestic and international markets. However, these systems are weak or non-existent and require government investment to support the cooperative improvement for adequate functionality.

Required reforms in agriculture cooperative marketing and credit access to reduce poverty

Most agricultural cooperatives were unable to survive following the liberalisation process, the ones that survived such as the Bugisu Cooperative Union received external support from development partners and the Government (Kwapong and Korugyendo, 2010 b), cooperatives require some regulatory and governmental support framework. Government's role can be facilitative rather than controlling. The success of cooperatives in Kenya was a decision by the Government to intervene (Develtere *et al.*, 2008). Supervision by the Commissioner of Cooperatives is separate from support services provided by the Department of Cooperatives in Kenya.

Governments can take on a legislative and institutional framework that could leave cooperatives on their own or not interfere in the affairs of the cooperative sector which can be supportive or controlling. In countries such as South Africa, Rwanda and Ethiopia, the governments have taken on a more proactive approach towards the cooperative sector. In South Africa, a cooperative development unit was established

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and cooperative development policy adopted- a move undertaken to bridge the divide between the formal and informal economies and to create employment for disadvantaged groups such as women and youth. In Rwanda, an instrumental task-force was established to reorganise and strengthen cooperatives through adequate legislation, training programs and support structures.

In Uganda, the government has made considerable efforts to revive agriculture cooperative marketing and credit access to reduce poverty over the years. It has undertaken several interventions such as the passing of the National Cooperative Policy in 2011, ensuring Cabinet approval of the Cooperatives Society Act 1991, and Cooperative Societies Bill 2014, encouraged the formation of SACCOs and establishment of the warehouse receipt system, and lastly the establishment of the microfinance support centre. Much as these efforts have been undertaken, the growth and survival of cooperatives in the country have been relatively slow and not visibly seen across many segments of the population. In this section, we discuss the required reforms to boost their growth.

There is need for a stronger linkage between the Ministry of Trade Industry and Cooperatives (MTIC) and Ministry of Agriculture Animal Industry and Fisheries (MAAIF): Currently, MTIC is directly responsible for the activities of cooperatives in Uganda. MTIC should develop strong cooperation with MAAIF, given that most of the existing cooperatives in Uganda are agricultural based, it is crucial that MAAIF plays a central role in coordinating and implementing their activities. A cooperative development unit should be set up at MAAIF under the auspices of extension directorate.

Currently, agricultural cooperatives operate under the integrated model of the Uganda Cooperative Alliance. The UCA; the apex body coordinating cooperatives in Uganda adopted an integrated model to provide a comprehensive package of providing financial services, extension services, marketing and value addition services to its members. The integrated model Figure One is made up of primary cooperative societies formed at the parish level; Area Cooperative Enterprise which combines all primary cooperative societies at sub county levels and SACCOs comprising individuals, primary societies and Area cooperatives a financial institution. This model allows for farmers to secure loans from SACCOs through their cooperatives, and get access to cheaper quality inputs due to bulk purchasing (ultimately lower production costs and higher incomes).

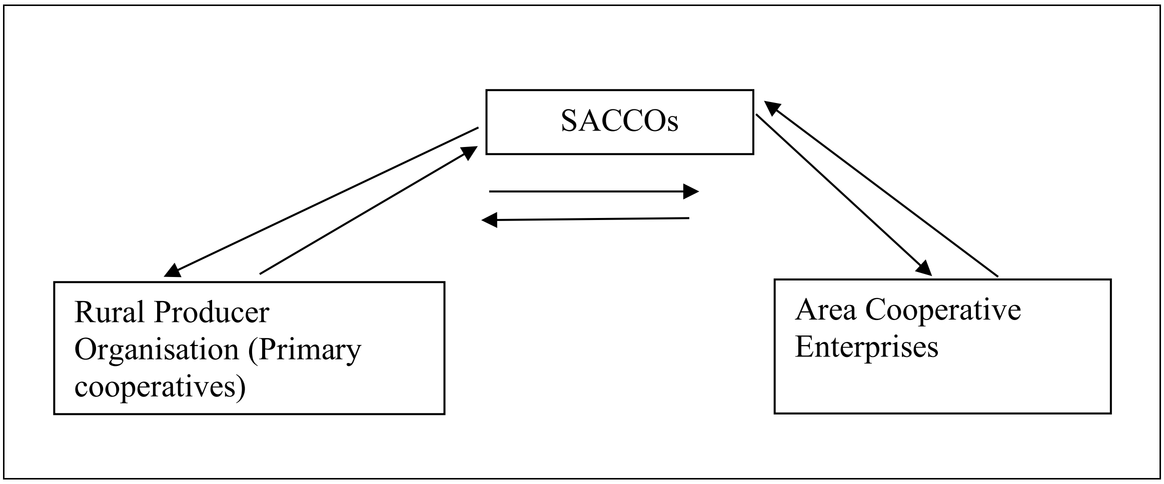

Figure 1: Uganda Cooperative Alliance Integrated Model

Within this structure and operations of the UCA, there are no clear linkages to the relevant ministries such as the directorate of extension in MAAIF. The rural producer organisations as well as the area cooperative enterprises provide clear institutional frameworks that can be used by the extension provision framework. Whilst respecting the norm that cooperatives are best when built from members' own funds and are voluntarily formed, the framework for proving extension at the local government level could rely on the already formed social networks in these cooperatives. To access extension support from the government would, therefore, require that farmers to get into rural producer organisations that are a member of area cooperative enterprises. Linking extension to primary societies to area cooperatives, SACCOs and finally to warehouse receipt system provides a complete package across the value chain.

Policies that support cooperatives need to be streamlined into the decentralisation framework. Key players in this policy include MTIC, District/Municipal Commercial/Co-operative Offices, tertiary cooperative societies, primary cooperative societies and development partners. With the cooperative structure extending up to the parish levels, it is crucial that cooperative societies have representation in the lower levels of administration such as the parish or village so as to ensure their activities become familiar at the lowest grassroots levels.

A number of agricultural groups are already in existence under such programs as National Agricultural Advisory Delivery Services (NAADS), Uganda National Farmers' Federation (UNFFE), village savings and loan associations and employee associations that can be mobilised into formal cooperatives with relative ease. Once these are formed into cooperatives, the Government can rely on them to deliver certain services to the communities such as improved inputs through operation wealth creation programmes.

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Conclusion

Uganda is one of the African nations that initiated programmes of trade liberalisation including agricultural marketing in the 1980s. Agricultural market liberalisation has contributed to the crisis facing smallholder farmers. The private sector and NGO response has been too slow and too weak to spur development. There are clear indicators that agricultural market liberalisation is skewed in favour of consumers and middlemen in the private sector. The long- term benefits of market liberalisation were to remove the official prices associated with producer price increases, and create more incentives for farmers to intensify production through increased input use. However, this has not been the case for smallholder farmers in Uganda. Aside from the Bugisu Cooperative Union, the coffee and lint marketing boards were either dissolved or liberalised to the private sector. Agricultural cooperatives have not been able to survive in the liberalised market economy, and as a result smallholder farmer have limited access to inputs, subsidies, credit and agricultural market service. This led to increased poverty and food insecurity amongst rural smallholders.

Policy reform for agricultural cooperative development will be important for multiple reasons. First, cooperatives can spur socio-economic development due to community collaboration increasing individual competitiveness. Second, women and other marginalized stakeholders can be prioritized in the organization of new cooperatives and re-designing laws and policies.

Cooperative arrangements provide the feasible solution for empowering smallholder farmers to participate in the socio- economic development of Uganda. Grassroots based cooperatives that can provide participation opportunities are a conduit for socio-economic development. Through cooperatives, smallholder farmers can access market information, participate in marketing policy reform and access lower interest rates for credit. A stronger linkage between the MTIC and MAAIF would be supportive to cooperative organization, given the fact that most cooperatives in Uganda are agricultural based. Further, the establishment of a cooperative unit under the Directorate of Agricultural Extension would increase advisory service provision to farmers engaged in cooperatives.

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