

# Fostering a **Sustainable** Agro-industrialisation (AGI) Agenda in Uganda



# Why Uganda should prioritise agro-industry?

## Quest for inclusive growth

- Promote rural Growth
- Closing regional income disparities

## Ready market for raw materials & agro-industrial products

- Population growth rate, growing middle income class & urbanisation (national, regional and continental)
- A significant number of SME's are sourcing raw materials locally & operating under capacity

## Forward & backward linkages with multiplier effects

- Agriculture supplies industry & industry supplies agriculture

## Upgrading export value chains from low to high value agro-products

# What has been done!

## Gov't initiatives to support Agro-industry Development



### SUPPORT TO PRODUCTION

- OWC / NAADS (subsidised inputs distribution)
- Irrigation & piloting agriculture insurance
- R&D
  - NARO
  - NAGRIC & DB
  - Academia



### AGRO-MANUFACTURING :

- **BIDCO (Palm oil-Kalangala)**
- **Banana Industrial Dev't (PIBID) -Bushenyi,**
- **Soroti Fruit Factory (UDC Project)**
- **Nakaseke Tomato processing plant**
- **Kisoro Potato Processing Industries (KPPIL)**
- **Meat processing factory (Luwero)**
- **Dairy industry**
- **Agricultural Credit Facility**
- Gazetting regional industrial parks
- R&D
  - *Uganda Industrial Research Institute*



### SUPPORT MARKETING

- Infrastructure
- Warehouse receipt system
- EAC integration
- Bilateral trade agreements
- Trade facilitation (one-stop border post)

# Uganda's agro-industrial policy in context

## Uganda's agro-industrialisation policy not clear:-

- Follows a **generic** approach
  - *Lacks prioritisation within many priority commodities*
  - *Ad hoc, uncoordinated, unsustainable agro-industry initiatives*
- *Export biased*

## Countries where agro-industrialisation has worked (e.g. Chile, Malaysia):-

- Have adopted a specific model
- Prioritised fewer commodities
- Protected the selected agro-industries especially at infant stage

Priority/strategic Commodities (9/15):	High impact export potential:-	<i>Coffee, Tea, Fisheries</i>
	High potential for import replacement:-	<i>Cotton, Veg oil, beef (by-products)</i>
	Food/nutrition security & exports:-	<i>Maize, Dairy, Cassava</i>

# **What are the Key Challenges to AGI?**

# Institutional Challenges

Institutional structures are a major driver for the AGI agenda:

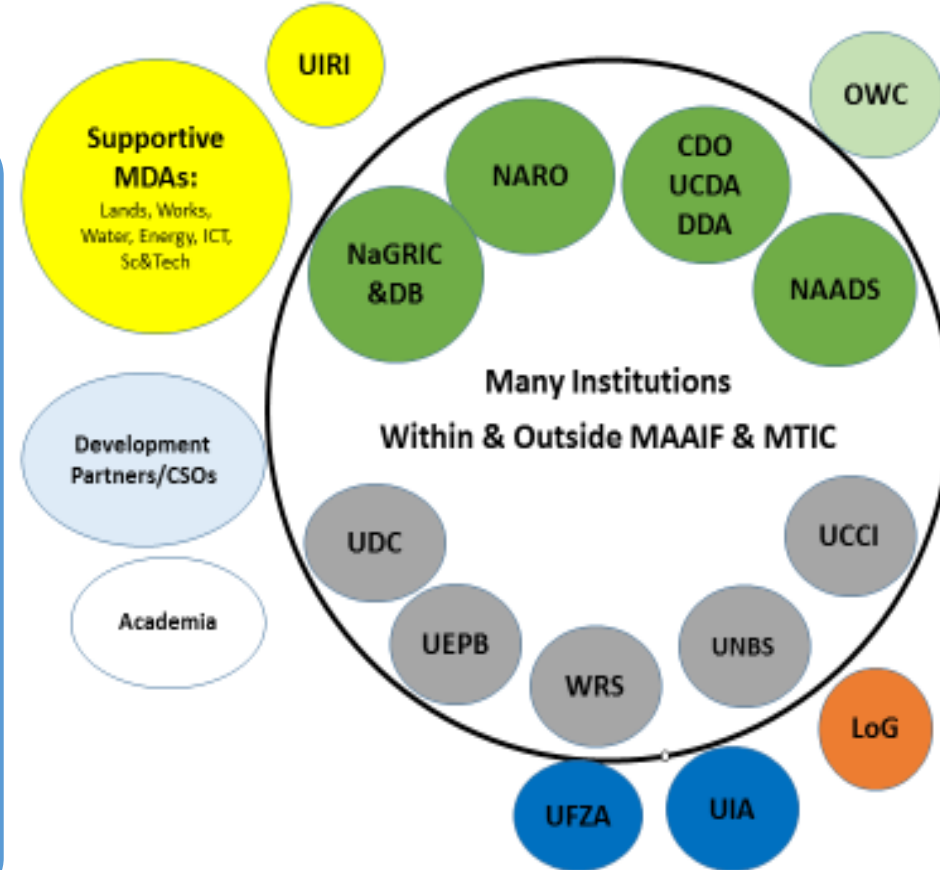
**Weak capacity  
& poor  
coordination  
of  
institutions:-**



**Complicates  
programs to  
consolidate  
institutional  
efforts  
towards a  
common  
AGI goal  
resulting  
into;**



**Limited  
translation of  
meager  
resources into  
services/good  
s**



# Weak Raw Material Production Base

## (Investment perspective)

### Current Budget Outlook

Budget plays more of a subsidy function to the cost of farming  
*(free inputs, tax incentives, etc.)*

Less of productivity function  
*(use of improved inputs i.e. superior varieties/breeds, technology, knowledge transfer in extension);*

### Commercial financing (by both the private and public sector):

Is skewed more towards less risky agro-processing & agro-marketing

Less supportive to production critical to address raw material **quality & volume gaps** constraining agro-industrialization

### Projects account for a large share of the sectors budget:

The pace of actual investment in the agriculture led by project is too slow (under performing):

(i) rate of return on that investment, and (ii) the high cost of doing business in the sector.

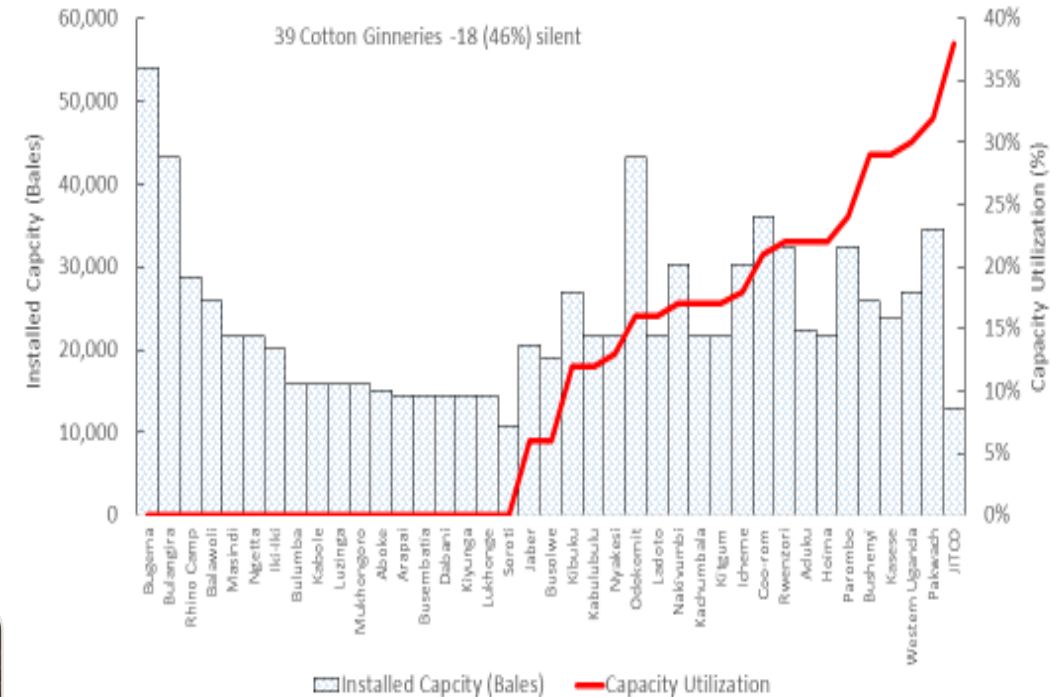
**Limited Transformative Agro-  
manufacturing  
(Limited Product Space)**



# Cotton Textile Industry VC (import replacement)

Investment is needed to improve productivity

## Cotton Ginning Industry



- Public investment is needed to stimulate domestic demand for cotton



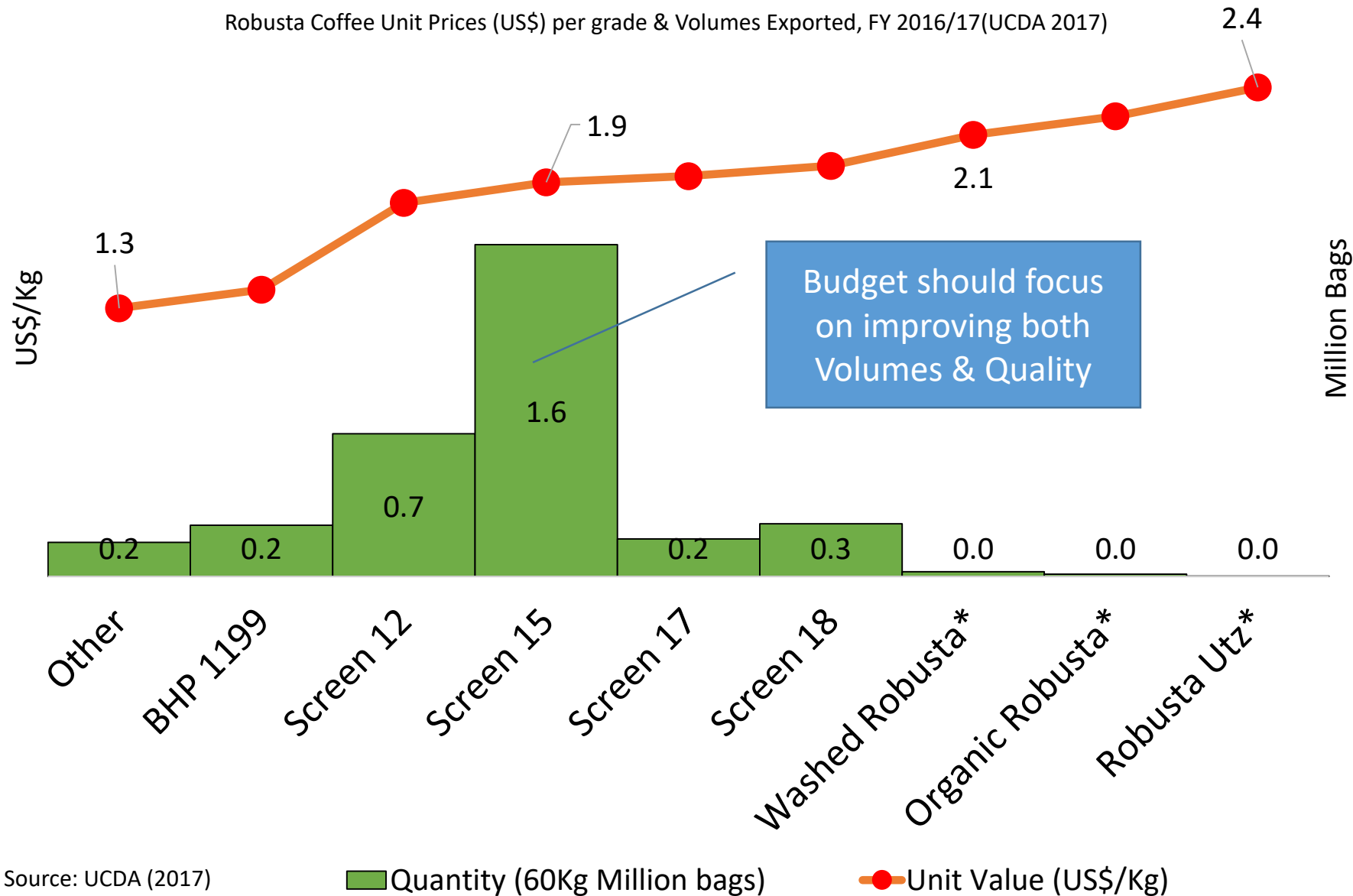
- 95% of lint is exported by Uganda Ginners & Cotton Exporters Association (UGCED)
- Limited investment in high-end value added products (yarn, fabrics)



# Coffee (Export Promotion)

## International Market rewards for High Grade Coffee

Robusta Coffee Unit Prices (US\$) per grade & Volumes Exported, FY 2016/17(UCDA 2017)

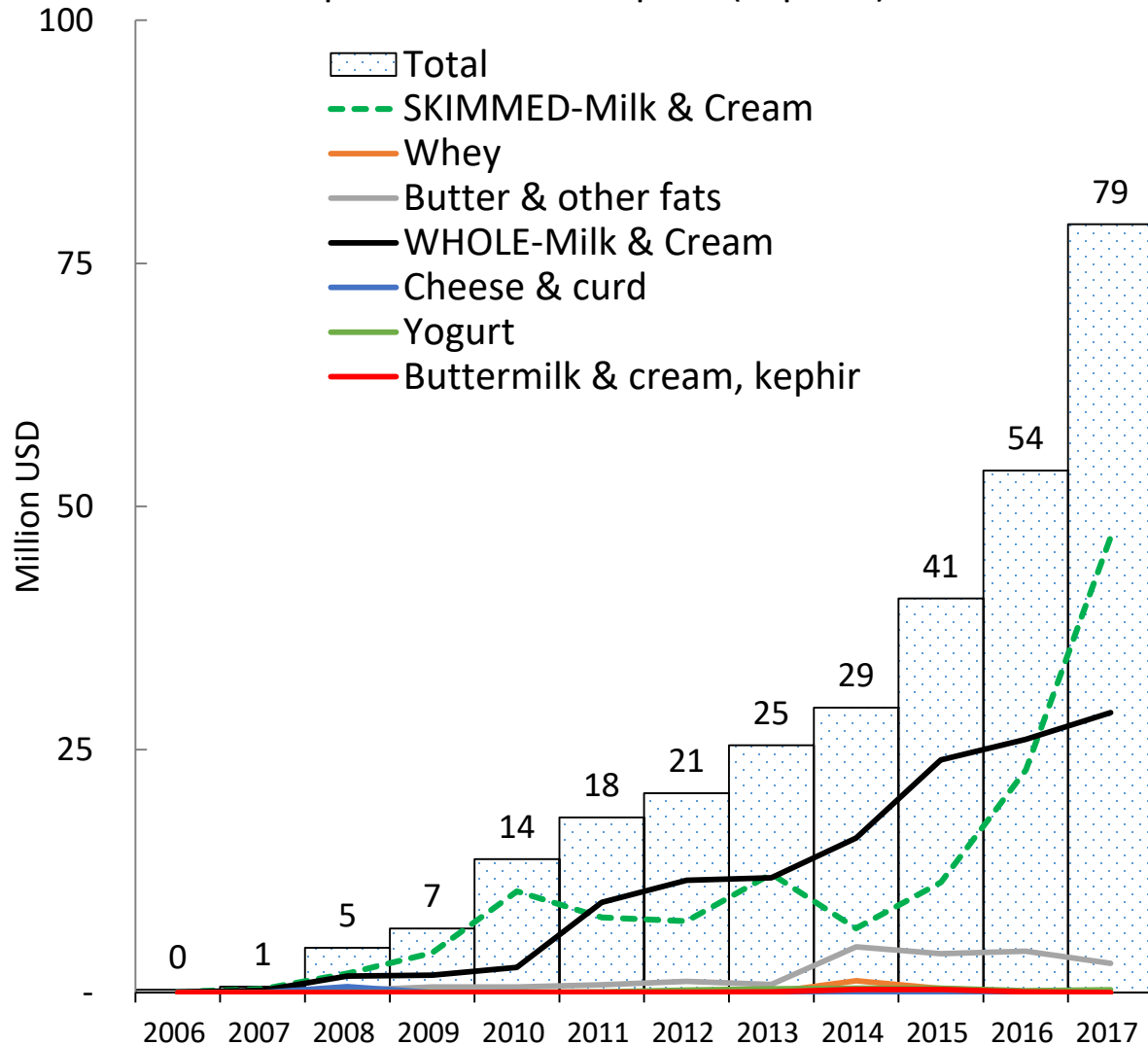


Source: UCDA (2017)

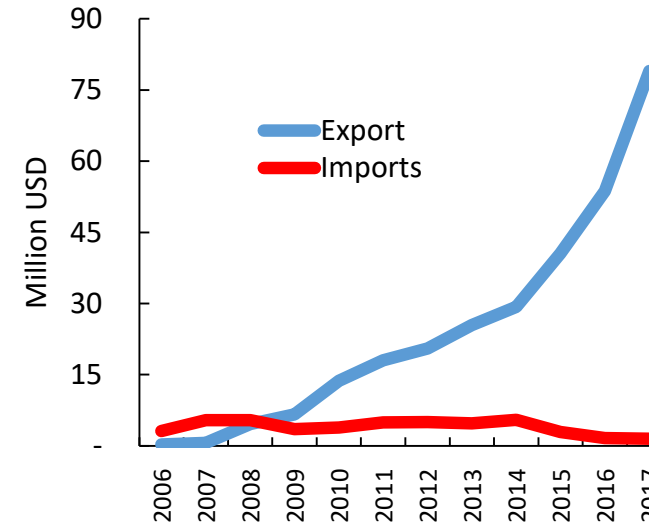


# Near Success Story (Dairy Industry)

Expanded Product Space (Exports)

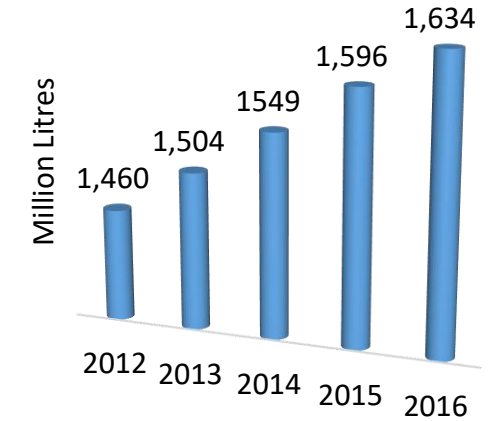


Trade Balance (million USD) in Dairy Industry



Source: Trademap, 2018

Raw Milk Production (Million Litres)



Source: UBoS Statistical Abstract(2017)

Number of Firms	Installed Capacity	Utilized capacity	Utilized capacity (%)
	Liters per day (average)		
9 Large Scale	288,557	163,888.9	56.8
13 Medium Scale	6,900.0	3,580.8	51.9
45 Small-scale	804.9	545.0	67.7
33 Cottages	96.2	83.9	87.2
100 Overall			65.9

Source: Dairy Development Authority (2018)

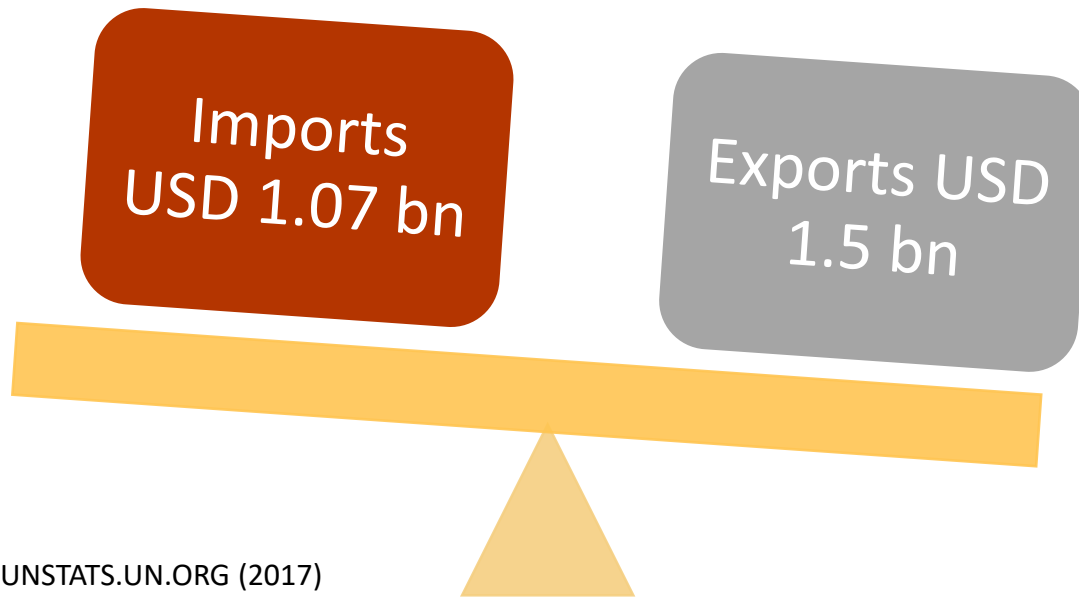
# Market Access

## Domestic & External



# Market Access

Positive Trade Balance Agro-products,  
USD 420 million in 2017



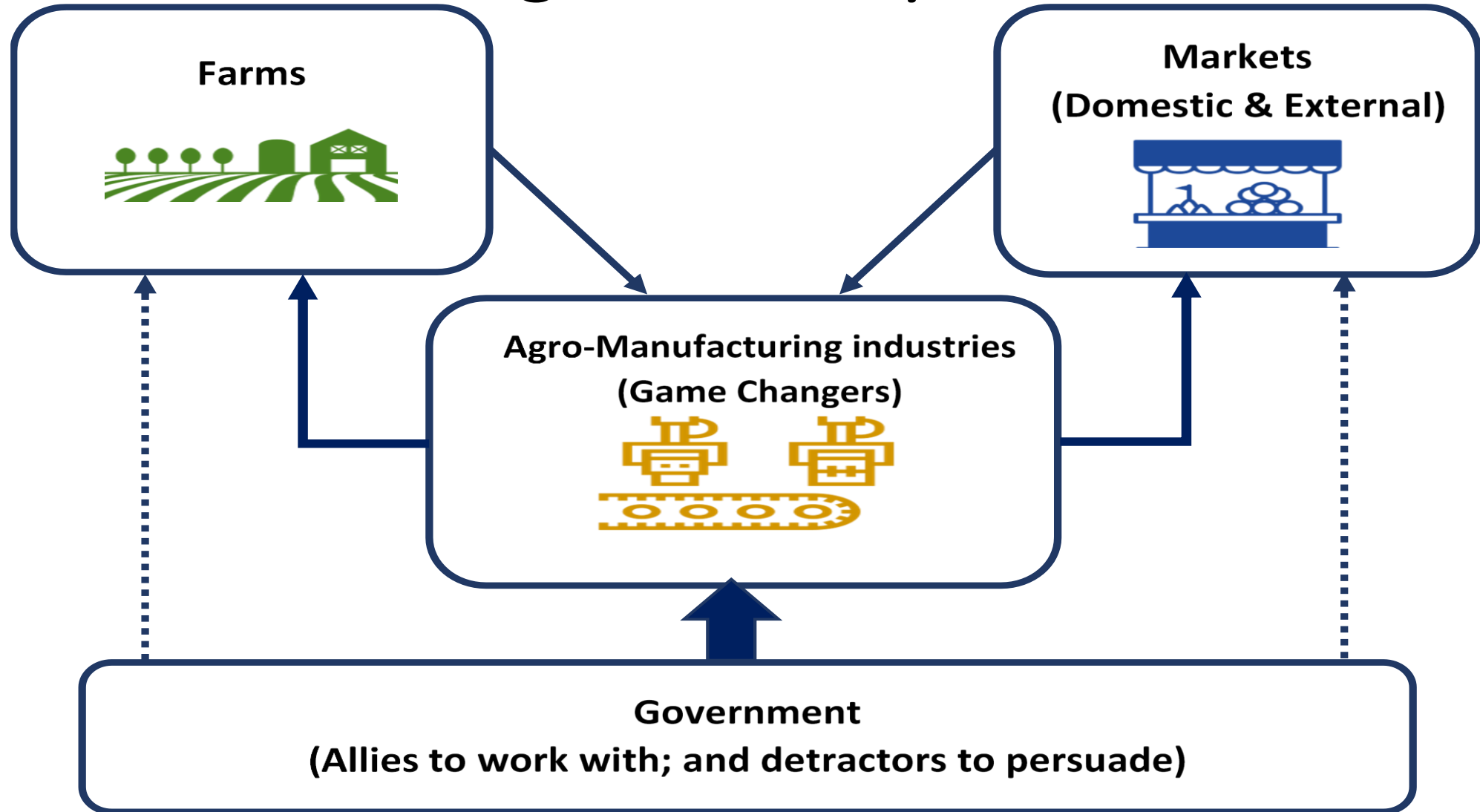
Source: UNSTATS.UN.ORG (2017)

Untapped opportunities to improve trade balance further through:

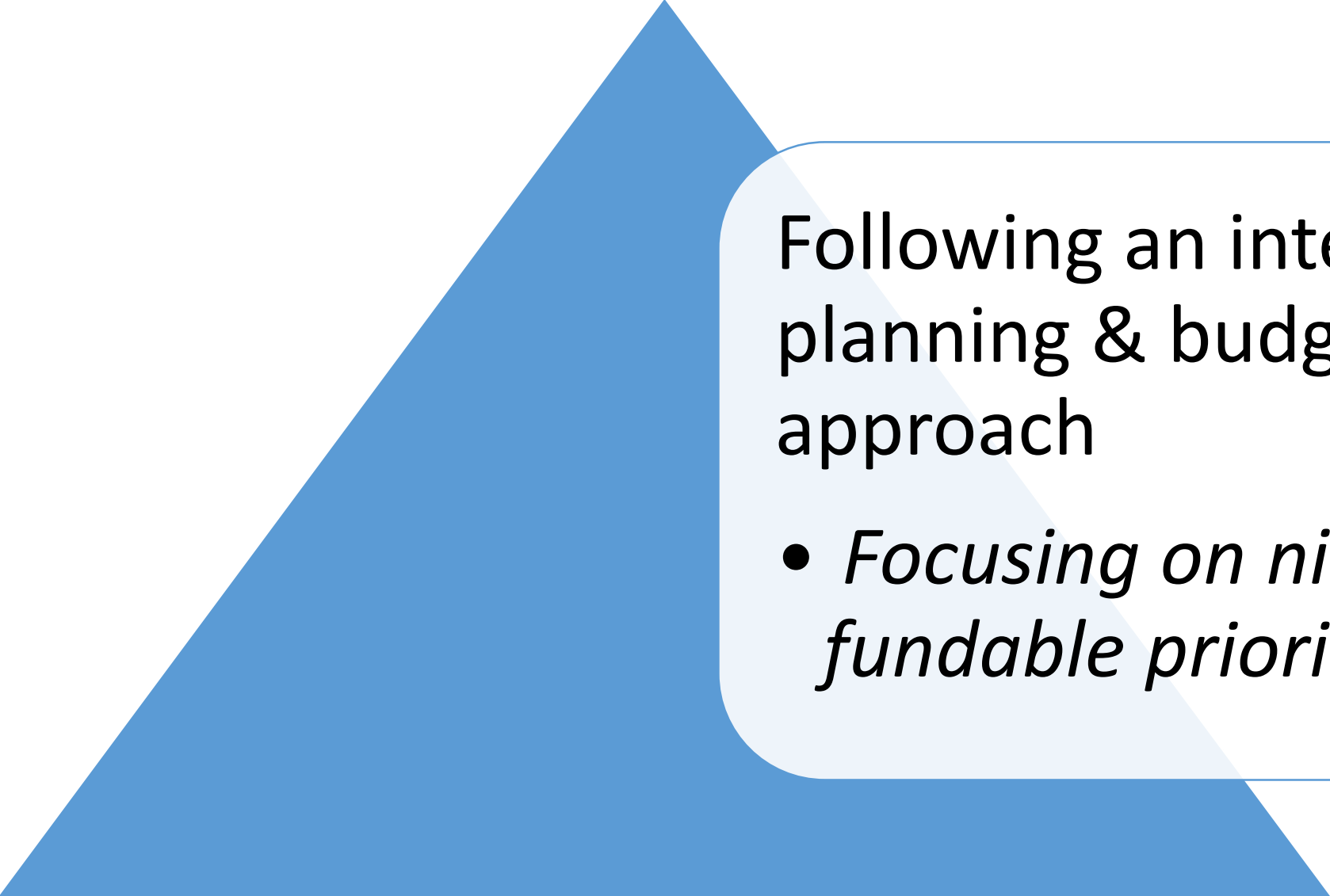
- **Import replacement** – edible oil, footwear & textiles; paper products,  
✓ *Growing urbanisation, growing middle class, growing population*
- **Export expansion** – Coffee, Tea, Fisheries
- Use **bilateral trade agreements** to promote **structured demand**
- Target **regional market** using success in domestic market as a platform

# **Proposals for sustainable agro-industrialisation**

# Proposed Integrated model for a sustainable agro-industry



# Program approach to Agro-industrialisation



Following an integrated  
planning & budgeting  
approach

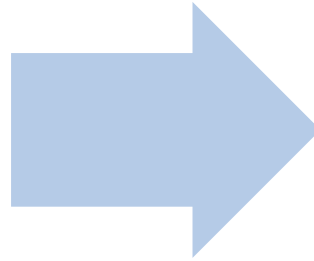
- *Focusing on nine (9)  
fundable priorities*



# Five (5) Key Strategic Result Areas to drive agro-industry over the medium term

## 1) IMPROVED FUNCTIONALITY OF DOMESTIC RAW MATERIAL SUPPLY CHAINS:

- Invest to strengthen the production & supply of quality raw materials needed by industries.
  - *Requires an institutional framework (cooperatives) to enhance backward & forward linkages between farmers and agro-industrialists;*



## 2) QUALITY & STANDARDS:

- Invest focusing on ensuring quality & standards of the raw materials as well as agro-industrial products.
- *The key ingredients are:*
  - *A stronger, effective and adaptive regulatory system backed by policies,*
  - *Right infrastructure (such as regional hubs, industry commodity specific traceability platforms).*

# Five Key Strategic Result Areas Cont.....

## 3) DYNAMIC, ADAPTIVE & FLEXIBLE AGRO-MANUFACTURING SECTOR:

- Requires agro-manufacturing industries to be innovative & responsive to needs of domestic and external markets.
- *This calls for enhanced capacity to widen & deepen product space by agro-manufacturers guided by market dynamics.*



## 4) MARKET PENETRATION:

- Requires the promotion of demand for local products through import replacement; and deeper integration into global value chains.
- *This calls for capacity to incentivize and enforce compliance with international standards and best practices.*



## 5) FINANCING:

- Requires long-term financing to foster and sustain the Agro-Industry (AGI) agenda, achievable through:-
  - *re-organisation of the scattered public resources*
  - *adjusting the available funding mechanisms such as Agriculture Credit Facility to target AGI;*
  - *Recapitalisation of UDB and UDC; and promotion of equity financing.*

Thank You