

Why Strong Farmer Groups are Ideal in the Marketing of Rice in Eastern Uganda

Executive Statement

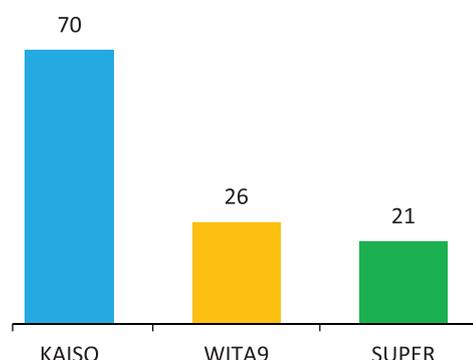
Avenues for marketing rice in three districts of Butaleja, Tororo, and Bugiri in Eastern Uganda are studied based on data collected from a community and market survey. Survey results reveal that majority of farmers sell their rice to traders and middlemen, followed by processors and individual consumers. Consistently, relatively high prices are earned when rice marketing is undertaken in groups across all the three districts, and premium prices are realised from improved rice varieties like WITA9 grown by only 26 percent of the farmers. This demonstrates proof that there are income benefits from economies of scale in rice marketing that accrue to farmers that opt to market their rice as a group. However, the majority (over 79%) of farmers still operate as individuals. The study establishes that there are overriding considerations at community level (like urgent need to offset personal needs, lack of information, and limited group storage infrastructure) that weaken farmer groups for bulk marketing, hence sending farmers to operate as individuals. This leads to loss of farm income, and keeps farmers perpetually in poverty; and makes the case stronger to expedite the implementation of government projects such as the “produce storage facilities development project”, spelt out in the Second National Development Plan (NDP II) in the predominately rice growing Eastern Uganda. The findings further strengthen the case for reviving farmers’ cooperative societies in the country.

Background

The Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) identified rice as one of the strategic commodities with the potential to remarkably contribute to rural income¹. Consequently, commercial rice farming has economic implications for people of eastern Uganda dependent on rice as one of the major economic activities². So it is compelling and imperative that households that largely depend on rice as a source of income must market the crop in ways that maximise the ensuing proceeds. This brief focuses on marketing methods and uses part of the rice value chain community and market survey data that were collected by the Economic Policy Research Centre (EPRC) in May 2015. The brief provides an understanding of the marketing methods used by farmers and estimates the in-

come forgone by farmers when they sell their rice as individuals rather than through a group marketing approach.

Figure 1: Major Rice varieties grown in Eastern Uganda, %



Source: Authors' calculations based on the 2015 Focus Group Discussions with farmers in Butaleja and Tororo

Rice Varieties Grown and Marketing Processes

Farmers in eastern Uganda grow several rice varieties, however the main varieties are Kaiso, Super, WITA9 (**Figure 1**). Seven out of every ten rice farmers (70%) grow Kaiso, followed by WITA9 (26%), and Super (21%).

The purchase of rice from farmers is led by traders; who happen to be retailers, wholesalers and middlemen (**Table 1**), whose role is categorized as follows: village collectors/middlemen (66%); traders (58%); millers (53%); and individual consumers (16%). The dominance of traders in the marketing activities are critical but tend to encroach on likely potential incomes that could be earned by farmers.

The opinions solicited from the selected representatives of the rice growing communities, overwhelmingly reveal that majority of farmers market rice as individuals rather than in groups (**Figure 2**). The fundamentals at community level that drive farmers to act discretely during rice marketing are brought about by factors like; the urgent need to offset personal needs, lack of information, and limited group storage infrastructure. Apparently the reasons advanced by the community to market rice on an individual basis tend to outweigh pros of group marketing approach (**Figure 3**).

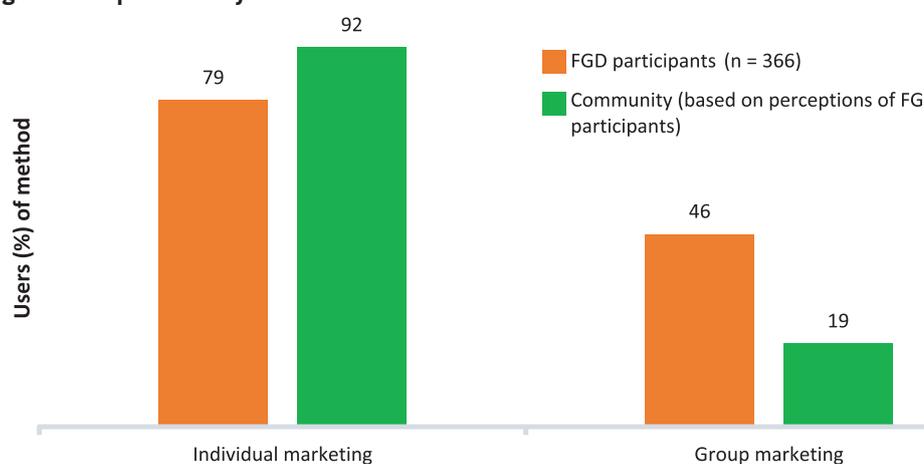
This implies that there is need to address the views expressed by farmers for shunning group marketing activities; as these are bound to weaken the promotion and development of farmer groups as a means to mobilize smallholder farmers into institutions that can undertake bulk marketing. This result can be used to inform initiatives by government and development partners like the International Fertilizer Development Centre (IFDC) to develop agribusiness clusters for mobilizing farmers into groups at village and sub-regional (district level).

Table 1: Buyers of rice

Category of rice buyer	Percent that sells to each buyer	
	FGD participants (n = 366)	Observed Community Occurrence
Traders (retailers / wholesalers)	41	58
Processors / millers	33	53
Village collectors/middlemen	45	66
Individual consumers	8	16
Others	6	7

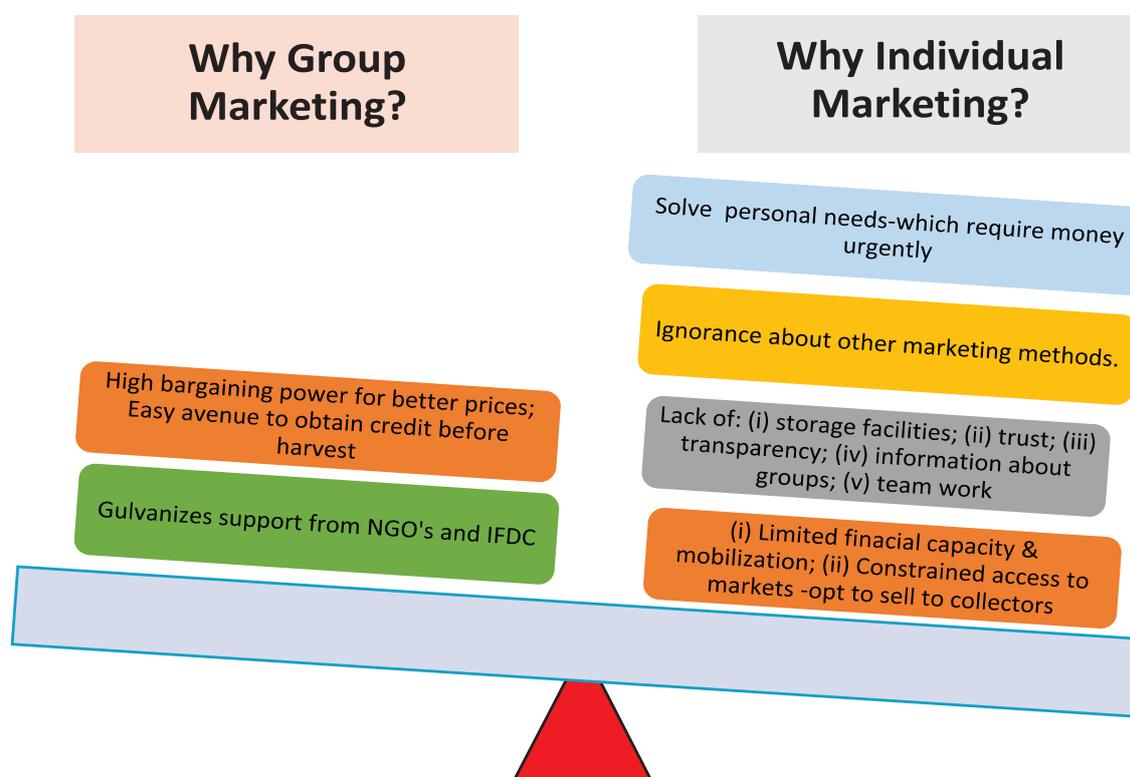
Source: 2015 Focus Group Discussions with rice farmers in Bugiri, Butaleja and Tororo

Figure 2: Marketing methods practiced by rice farmers



Source: 2015 Focus Group Discussions with rice farmers in Bugiri, Butaleja and Tororo

Figure 3: Reasons for choice of marketing methods used by farmers



Source: 2015 Focus Group Discussions with rice farmers in Bugiri, Butaleja and Tororo

Benefits foregone when selling rice using individual approach

Findings presented in **Table 2** indicate that farmers who sell rice on an individual basis are disadvantaged because they receive lower prices per kilogram compared to their counterparts who sell in groups. The magnitude of foregone income per kilogram of rice sold individually ranges from UGX 70 to 1,408 depending on the variety. For every kilogram of WITA9 sold on an individual basis, a farmer loses UGX 1,408. This translates

to an income loss of UGX 140,800 per 100kg of WITA9 sold on an individual basis. The reported differences in prices associated with the marketing methods are primarily explained by the fact that individual farmers have less bargaining power and are therefore more easily manipulated by traders and middle men when compared to farmers who sell their rice collectively as a group. Additionally, it is important to note that WITA9 is a high premium rice variety (**Table 2**), which needs to be promoted to bolster incomes earned by farmers.

Table 2: Variations in selling prices (Ugx/Kg) of major rice varieties by marketing method

District	Kaiso			Super			WITA9		
	Individual	Group	Difference	Individual	Group	Difference	Individual	Group	Difference
Bugiri	2,250	2,333	83	2,933	-	-	-	-	-
Tororo	2,220	2,350	130	2,920	3,000	80	1,600	5,000	3,400
Butaleja	2,100	2,350	250	2,833	-	-	-	-	-
<i>All districts</i>	<i>2,201</i>	<i>2,343</i>	<i>142</i>	<i>2,830</i>	<i>2,900</i>	<i>70</i>	<i>2,217</i>	<i>3,625</i>	<i>1,408</i>

Source: 2015 Focus Group Discussions with rice farmers in Bugiri, Butaleja and Tororo

Note: The study did not capture transaction costs

Recent Policy Briefs

“The Constraints to Irish Potato Value Chain Financing in Uganda”
No. 69 June 2016
Francis Mwesigye and Swaibu Mbowa

“Informality of actors and its implications for Potato Value Chain upgrading in Uganda”
No. 68 June 2016
Francis Mwesigye and Swaibu Mbowa

“Indicative Lost Income due to Limited Technology use in Irish Potato Production”
No. 67 June 2016
Swaibu Mbowa and Francis Mwesigye

About the Authors

Mildred Barungi is a Research Fellow at the Economic Policy Research Centre (EPRC)

Tonny Odokonyero is a Research Fellow at the Economic Policy Research Centre (EPRC)

Swaibu Mbowa is a Senior Research Fellow at the Economic Policy Research Centre (EPRC)

The views expressed in this publication are those of the authors and do not necessarily represent the views of the Economic Policy Research Centre (EPRC) or its management.

Copyright © 2016

Economic Policy Research Centre

Emerging policy implications

The fundamentals at community level that cause farmers to shun group marketing need to be comprehensively dealt with for farmers to earn the relatively high revenues that accrue from group marketing of rice in the three districts of Eastern Uganda. This would be one of the pathways to accelerate poverty reduction efforts among agricultural communities in the region. The following measures are suggested to strengthen farmer groups as institutions in this part of the country:

- Widely educate and popularize the advantages of group marketing of rice and the associated benefits. This will automatically strengthen the ability of farmers to link and access rice markets within and outside their districts or region. This can be achieved, for example, by replicating what IFDC has started - linking some farmer groups to markets, so Government and other non-state actors can leverage on such existing efforts.
- Encourage all rice farmers to join groups and through education and training, remove inefficiencies (such as poor mobilisation and mistrust) from existing groups to encourage collective action/marketing. Capacities within these groups can be gradually developed into rice growing community owned and managed Savings and Credit Cooperatives (SACCOs) that can extend credit to off-set urgent family needs of farmers.
- Encourage farmers to grow premium and high value rice varieties like WITA9. This can be achieved through creation of more awareness about such improved varieties and creating effective and efficient seed systems.
- Individual marketing is partly blamed on the shortage of appropriate storage facilities. Thus, Government and NGOs should consider investment in storage facilities to enable farmer groups to store and market rice collectively and in bulk. Therefore, implementation of government led projects such as the “produce storage facilities development project”³ that are still in the pipeline need to be expedited.

Endnotes

- 1 MAAIF (2012). Proposed plan to operationalise the Non-ATAAS component of the Agriculture Sector Development Strategy and Investment Plan.

- 2 MAAIF (2009). Uganda National Rice Development Strategy (UNRDS). Second Draft.
- 3 NPA (2015). National Planning Authority. Second National Development Plan (NDPII) 2015/16 – 2019/20

The Economic Policy Research Centre (EPRC) is an autonomous not-for-profit organization established in 1993 with a mission to foster sustainable growth and development in Uganda through advancement of research – based knowledge and policy analysis.

Learn more at:

 www.eprcug.org

 TWITTER: @EPRC_official

 www.facebook.com/EPRCUGanda

 eprcug.org/blog

Address:

Economic Policy Research Centre
51, Pool Road, Makerere University Campus,
P. O. Box 7841 Kampala, Uganda
Tel: +256414541023/4 Fax: +256414541022
Email: eprc@eprcug.org, Website: www.eprcug.org