



**THE REPUBLIC OF UGANDA**

**MINISTRY OF TRADE, INDUSTRY AND COOPERATIVES**

# **NATIONAL GRAIN TRADE POLICY**

**Ministry of Trade, Industry and Cooperatives**

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**September 2015**

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

<b>ACF</b>	Agriculture Credit Facility
<b>ARVs</b>	Anti-retroviral
<b>BTVET</b>	Business Technical Vocational Education and Training
<b>COMESA</b>	Common Market for East and Southern Africa
<b>DSIP</b>	Development Strategy and Investment Plan
<b>EAC</b>	East African Community
<b>EAGC</b>	East Africa Grain Council
<b>GDP</b>	Gross Domestic Product
<b>GOU</b>	Government of Uganda
<b>GIMS</b>	Grain Information Management System
<b>HIV/AIDS</b>	Human Immunodeficiency Virus/Acquired Immuno Deficiency Syndrome
<b>ICT</b>	Information Communication Technology
<b>MAAIF</b>	Ministry of Agriculture, Animal Industry and Fisheries
<b>MDGs</b>	Millennium Development Goals
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MEMD</b>	Ministry of Energy and Mineral Development
<b>MEACA</b>	Ministry of East African Community Affairs
<b>MFPEd</b>	Ministry Finance, Planning and Economic Development
<b>MICT</b>	Ministry of Information and Communication Technology
<b>MLHUD</b>	Ministry of Lands, Housing and Urban Development
<b>MOESTS</b>	Ministry of Education, Science, Technology and Sports
<b>MOH</b>	Ministry of Health
<b>MOLG</b>	Ministry of Local Government
<b>MT</b>	Metric Tonne
<b>MWE</b>	Ministry of Water and Environment
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>NAADS</b>	National Agricultural and Advisory Services
<b>NAP</b>	National Agriculture Policy

<b>NCF</b>	National Coordination Forum
<b>NDP</b>	National Development Plan
<b>PEAP</b>	Poverty Eradication Action Plan
<b>PMA</b>	Plan for Modernization of Agriculture
<b>PPP</b>	Public Private Partnership
<b>ROM</b>	Results Oriented Management
<b>SNV</b>	Netherlands Development Organisation
<b>TGCU</b>	The Grain Council of Uganda
<b>UBOS</b>	Uganda Bureau of Statistics
<b>UNCE</b>	Uganda National Commodity Exchange
<b>UEPB</b>	Uganda Export Promotion Board
<b>UGTA</b>	Uganda Grain Traders Association
<b>UIRI</b>	Uganda Industrial Research Institute
<b>UNAIDS</b>	United Nations AIDS Programme
<b>UNBS</b>	Uganda National Bureau of Standards
<b>USAID</b>	United States Agency for International Development
<b>WFP</b>	World Food Programme
<b>WRS</b>	Uganda Warehouse Receipt System Authority

## **Foreword**

Grain has an economic, social and political importance in the country, regionally and internationally. With the fast growing population in Uganda and internationally, urbanization and advancement in the industrialization process, the demand for grain as food for consumption, ingredients for manufacturing animal feeds and other industrial products is increasing. Although, grain trade plays a critical role in the national economy, the sector faces a number of challenges. There are many key players in the grain trade sector and grain is traded extremely widely and hence information networks are needed to operate on a global scale. This necessitates the need for policies and strategies to increase production, address post-harvest handling and value addition which will result into competitive supply of higher quality grain and grain products.

This National Grain Trade Policy therefore, focuses on interventions aimed at improving the supply of quality grain through adoption of good post-harvest handling practices, use of standard storage facilities as well as modern value addition facilities. It outlines the vision, mission and strategic objectives to be pursued during the implementation process. The strategic policy actions have been highlighted as fundamental insights that will transform the present and future efforts at ensuring sustained and accelerated growth in grain production, quality storage, value addition and trade volumes.

The National Grain Trade Policy is in line with the Government Vision 2040, National Development Plan II in respect to provision of food security, improving income generation and industrialization advancement. Implementation of the National Grain Trade Policy will be multi-sectoral including the public-private partnerships arrangement. Implementation of this policy is expected to increase the country wide network of standardized warehouses and rural storage facilities; improve on the quality of grain for trade, food consumption and value added products. Increased incomes shall be distributed across the country and will stimulate increased production.

I therefore encourage all the key players in the grain sub sector to embrace and support this policy as we enhance the national economy.

Amelia Kyambadde (MP)

**MINISTER OF TRADE, INDUSTRY AND COOPERATIVES**

## VISION AND OBJECTIVES

### ***1.1 Introduction***

Uganda is majorly an agricultural economy well-endowed with other natural resources, fertile soils and favorable good climate. Most Ugandans, especially, in rural areas (68 percent) depend on agriculture for both livelihood and income generation. The major agricultural commodities grown include coffee, tea, cassava, maize, beans, groundnuts, rice and bananas. Coffee and tea are traditional cash crops mainly for export, while maize, beans, groundnuts and rice are the main primary agricultural commodities traded locally and within the EAC and COMESA region. Uganda has a comparative advantage in the region for grain production and is considered to the food basket of the region capable of creating wealth for the country. Almost every household grows some grains in addition to other crops or livestock management. Over 2.5 million households derive their income and employment from the grain sub sector in Uganda.

The grain sub-sector occupies a strategic position in ensuring the country's food security alongside other crops such as bananas, cassava and sweet potatoes. It provides producers, produce buyers, transporters, processors and exporters with income from business transactions undertaken along the grain sub sector value chain. Grain also provides raw materials for making livestock feeds. Grains are therefore, important crops for both food security and income-generation and thus directly affect women in agriculture in addition to men.

However, this huge potential has not been realized due to lack of a specific clear policy that can address constraints related to inadequate infrastructure facilities, agro-industries and agri-business facilities along the grain value chain. The limited access to key inputs and other resources by women is also constraining production and incomes. Grain Processors and traders cannot meet the demand for grain because much of what farmers supply is sub-standard due to poor post-harvest handling. The shortage of standardized storage facilities, high power costs and other infrastructure facilities as well as high interest rate financing

among others pose serious challenges to the sub-sector. Such circumstances drive up the operating costs and compress profit margins for all stakeholders involved in the value chain. The importance of food security, trade and income generation was emphasized by the declaration of the Abuja Summit of December 2010 and the November 2009 EAC Treaty for the EAC common market. Food security also remains an important Millennium Development Goal (MDG).

In all the past development programs, such as the Poverty Eradication and Action Plan (PEAP) of 1997 and 2004, the Plan for the Modernization of Agriculture (PMA), and MAAIF's Development Strategic Investment Plan (DSIP) and the recent National Agricultural Policy (NAP), strategic initiatives to increase production and productivity of primary commodities have been implemented. The recent NDP 2010/11-2014/15, National Trade Policy (2008), National Industrial Policy (2008) and Uganda Vision 2040 focus on increased and diversified production, value addition and marketing that will transform the country into a modern, vibrant and prosperous industrialized country.

As a liberalized economy, the key players in the grain subsector have organized themselves into an Association, Uganda Grain Traders Association-(UGTA) and have constructed some storage and processing facilities (12 percent) as well as trading in large volumes with some organizations like World Food Program (WFP). Currently, the national standardized storage facilities for maize can cater for 550,000MT out of 3.2 million MT (MAAIF 2014 Projections) of total production. Due to inadequate storage facilities and poor post-harvest handling practices, Uganda has experienced an increased loss of the competitive grain market from large customers such as World Food Program. Most grain is now traded as second grade across the borders.

Uganda Government therefore, considers grain sub sector as one of the strategic areas in the socio-economic transformation of the country owing to the fact that grains are grown countrywide thereby creating opportunities for Ugandans across the entire value chain from the supply of quality inputs for farming up to the final product in the market (grains, flour

and value added products). This includes women who play significant roles in the production of grains.

Therefore, formulation of this policy is in line with national, regional and international development agenda that will unlock the full potential of the grain farmers, processors and traders. It will thus promote the competitiveness of the sector and growth of the economy.



## **1.2 Vision**

The vision of the Grain Trade Policy is to have a globally *competitive grain sub sector for food security, income generation and industrialization*

## **1.3 Mission**

The Mission of the Policy is to: *ensure consistent quantity and quality supply of grains and grain products to the market to improve incomes of the actors through efficient postharvest handling, value addition, and effective regulation*

## **1.4 Strategic Objectives**

The following are the Strategic Objectives that shall be pursued in this regard and these define the principle focus areas of intervention:

1. To improve institutional, policy and regulatory framework that enhances the competitiveness of the grain sub sector
2. To promote value addition and innovation
3. To promote research, product development and technology transfer
4. To promote development, harmonization and enforcement of standards
5. To Promote farmers and traders bulk handling and marketing of grains through improved storage facilities and enhanced market infrastructure
6. To enhance skilled human capacity development including for women and youth
7. To improve access to affordable credit

## **1.5 Basic target indicators**

1. Increased exports of grain value added products by 25%
2. Effective institutional framework including functional market infrastructure
3. Improved standard grain storage facilities from 5 percent to 40 percent
4. Reduced postharvest losses from 37 percent to 25 percent
5. Increased access to agro processing facilities (cleaning, drying and grading) facilities from 12 percent to 50 percent

### ***1.6 Consultative Process***

A consultative process that involved task force meetings and a stakeholder consultative workshop of policy makers from Government ministries and agencies including Ministry of Agriculture, Animal Industries and Fisheries; Ministry of Finance, Planning and Economic Development; Ministry Water and Environment; Uganda National Bureau of Standards; Uganda Industrial Research Institute; National Planning Authority; and Uganda Export Promotion Board. The Private sector stakeholders included Private Sector Foundation of Uganda; Uganda Manufacturers Association; Uganda Small Scale Industries Association; Uganda Federation of Farmers; The Grain Council of Uganda; East African Grain Council; Civil Society, researchers and international aid and development agencies including United States Agency for International Development, World Food Program and Food and Agriculture Organization.

## 2 SITUATION ANALYSIS

### 2.1 Strengths

The grain sub sector is considered as one of the most strategic areas for the countries socio-economic transformation through creation of opportunities for Ugandans across the entire value chain. There are strengths that Uganda can take advantage of to boost the national economy. These strengths include:

#### Progressive Increase in Grains Production

Over the past seven years, there has been progressive increase in the production of major grains and this therefore calls for guided investments in standard storage and marketing infrastructure and processing facilities. The table below illustrates Uganda's grains production trends since 2008

**Grains Production Capacity by Volume ('000 Tones) 2008 - 2012**

Product	Production Output (MT)				
	2008	2009	2010	2011	2012
Maize	2315	2355	2374	2551	2734
Beans	912	925	949	915	870
Wheat	19	20	20	23	20
Sunflower	0	0	0	265	230
Groundnuts	230	258	276	327	295
Millet	275	250	268	257	244
Sorghum	342	374	391	437	336
Rice	178	206	218	233	212
Simsim	99	115	119	142	124
Soya Beans	22	27	27	32	23
Peas	34	41	42	42	35
<i>Total</i>	4426	4571	4684	5224	5123

### **Progressive Increase in Grains Trade**

Since 2010, there has been a progressive increase in grains trade and this has been attributed to by the high rate of population growth that needs food security and expanding markets at both local and regional level. This therefore calls for a holistic favorable policy environment that ensures grains with higher value and high quality products on the market. The table below illustrates the trend in grain exports since 2008

#### **Formal Grains Exports by Volume (Tones), 2008-2012**

<b>Commodity</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Maize	66,671	94,990	166,251	89,246	174,776
Rice	25,426	38,289	33,323	38,254	69,914
Beans and other legumes	37,252	38,191	24,427	35,920	30,357
Sesame Seeds	14,154	12,107	12,065	14,841	11,503
Soya beans	3,250	2,630	918	1,579	2,613
Groundnuts	81	163	88	299	2,810

### **Strong Institutional Framework for standards development, harmonization and enforcement**

Existence of organizations and institutions to develop and promote the use of grain standards such as Uganda National Bureau of Standards, National Agricultural Research Organization, The Grain Council of Uganda (TGCU) at national level and East African Grain Council (EAGC), Common Markets for Eastern and Southern Africa (COMESA), East African Community (EAC) at regional levels. With expanding markets, there is a need for quality grain with higher value.

### **Favorable Climate**

Availability of natural fertile soils, land for commercialization in some districts and two annual production seasons. Uganda has a potential within the region for sustained food supply at affordable competitive prices;

## **Economic Stability**

Macroeconomic stability and policy framework and the existence of various policy frameworks and programs that are directly or indirectly linked to the grain-sub sector aimed at increasing production, processing, food security and access to markets. .

## **Availability of Policy Synergies and Complementarities**

Existence of complimentary government policies and Strategies like National development Plan, Agricultural Sector Development Strategy and Investment Plan for the Ministry of Agriculture, National Industrial Policy, National Cooperatives Development Policy and National Trade Policy and a conducive political and economic environment

## **Strong Base for Public Private Partnerships**

Growing synergies among actors and existence of private sector associations/actors such as Private Sector Foundation Uganda, Uganda Manufacturers Association, The Grain Council Uganda, The Uganda Commodity Exchange and Cooperatives that links the Government and the Private Sector to enhance regulatory framework for promoting Public Private Partnership (PPP), identify market opportunities and innovative mechanisms for value addition along the grain sub sector.

## ***2.2 Constraints and Challenges***

Grain trade is faced by various challenges from the farm level to the market level. These challenges include the following;

### **2.2.1 Inadequate Policy, Regulatory and Institutional Framework**

Currently, the existing laws are out of date such as the Produce Protection Act of 1913 and there is no policy that comprehensively addresses issues of trade and infrastructure development in the grain sub sector. There are various policies and strategies that concern production, agro-processing and marketing such as the National Agricultural Policy, Industrial Policy, National Trade Policy and NAADS. However, coordination and implementation of these policies and strategies among multiple stakeholders involved in this sector is very weak, resulting in duplication of efforts and wastage of resources. There is need for a specific enabling policy concerning grain sub sector for linking production, processing and marketing. The institutional framework to support and enable market access can be developed along the lines of Warehouse Receipt System and The Uganda Commodity Exchange where regulated and organized marketing would take place.

### **2.2.2 Limited Agro-processing and value addition facilities**

Enhanced production and increased processing of the grains will boost household incomes, food security and livelihoods for most rural areas. It will encourage and increase value addition in the food sector and contribute to national GDP.

Products from smallholder farmers are usually sold as raw materials rather than processed products and are mainly dependent on sun drying. There is lack of the technology to add value at source and drying facilities are limited hence limiting the farmer's profitability.

Regarding adding value, the installed capacity (drying, cleaning, grading and agro-processing) stands at 12 percent only, and 88 percent of grains is transacted as raw grains. The sector faces a challenge of acquiring food grade processing machinery and other basic implements that can assist handlers and processors to ease their operations. Obsolete

technologies contribute to poor quality products and high cost of production whilst improved technology improves the production efficiency that results in low cost of production and high quality products. Ultimately, availability of spare parts and maintenance operations influence machinery capacity utilization and efficiency. To obtain machinery and spares requires some ample finance, which is lacking for most value chain players. The challenge of finance can be addressed by appropriate long term financing for the grain processing infrastructure development and machinery acquisition including machinery appropriate for women.

As a result of the above persistent grain sub sector challenges, the growth in production capacity and export by volume of major grain products has been at minimal level.

### **2.2.3 Inadequate infrastructure**

Development of the grain subsector has been hampered by poor storage infrastructure like road networks power and irrigation systems. Access and the cost of power to run grain processing equipment has been a challenge especially in the rural communities that produce grains. Poor rural infrastructure especially feeder roads have affected the grain trading mainly during the rainy seasons. Despite the construction of good highways and main roads, and some feeder roads in the rural areas, there are still many impassable feeder roads during the rainy seasons which limit accessibility thus increasing the cost of doing business and this affects grains trade competitiveness. Some potential businesses suffer from poor or inadequate access to power supply around their locations. Installation of electricity supply facilities in areas where national grid does not reach is usually the most expensive for new business establishments. There are high costs associated with insufficient electricity supply which ultimately leads to more costs that causes illegal connections and use of motorised or diesel engines that increases the cost of doing business and affects the quality of value added products.

#### **2.2.4 Limited Crop Financing**

Limited access to finance and affordable credit is a major concern in the grain sub sector. Despite the rising number of commercial banks, it is clear that there is still lack of affordable credit (most banks currently charge between 18- 22 percent on commercial loans). This leaves out many emerging entrepreneurs who require financial support for grain sub-sector. Due to limited personal savings and lack of access to collateral to access bank loans, many farmers and processors have difficulties in accessing bank loans and rely on loans from family and friends or informal credit sources. This is particularly the case for smallholder farmers including women who do not own fixed assets including land. Targeted incentives should be given to farmers, agribusiness enterprises, private individuals and MSMEs including women and youth participating in the grain value chain. However, this does not mean that banks should issue loans without corresponding collateral or security. Mobilising organized cooperatives (including those led by women and/or youth) and use of WRS are highly encouraged. Microfinance institutions too can play a key role but their lending rates are sometimes also very high.

#### **2.2.5 Inadequate collective bulking centres and standard storage facilities**

In Uganda, post-harvest losses range between 26 - 37 percent of the total harvests (UBOS 2013). This is mainly due to poor handling methods (at harvesting, inadequate drying methods, inadequate cleaning and grading), inappropriate storage methods and low storage capacity on farm and at distribution levels in the country. There are very few standardised warehouses for both grains and processed products; and their management is also inefficient to some extent. For the maize grains, we have standardized storage facilities for only 550,000MT out of 3.2 Million MT of total production (MAAIF 2014 Projections). Therefore, there is need to enhance both pre-harvest and post-harvest handling and management of grains.

Most of the small scale farmers including women market their products individually and this has denied them the advantage of cluster/group marketing or marketing cooperatives (such as bulking for small producers, better prices, group branding, etc.). Limited collection and



bulking centers has also contributed to farmers' inability to bargain for better prices and improved quality of grains along the grain subsector.

#### **2.2.6 Weak market linkages and unreliable market information systems**

Production of grain is mainly done by small holder farmers including women. These are largely based in rural areas with limited access to market information about grain markets and prices. Lack of adequate information on markets (demand, prices, off takers, transport services) militates against smallholder farmers and traders and affects commercialization opportunities. Women, because of the time and mobility related constraints, have even less access to this needed information. Due to lack of a formal trading system that provides a platform for the interaction of buyers and sellers as well as collective market outlets (as producer cooperatives), individual farmers are subjected to few customers and volatile prices that do not motivate improved productivity and investment in quality practices.

#### **2.2.7 Limited awareness and enforcement of the grain standards**

Standards for most grains have been developed and harmonized under the EAC standards framework. However, there is little awareness about them and generally not in use. Traders are therefore not making purchases based on grades and standards resulting into no motivation by traders and processors to promote quality grains. There is a need to promote the use of standards and grading mechanisms for better quality grain for higher prices and to use outreach tools that reach all sector actors.

#### **2.2.8 Potential for high infestation of grains with aflatoxins**

Aflatoxins are metabolic products of food spoilage fungi that induce toxic responses when consumed by humans and animals. Maize, groundnuts and sorghum are the most contaminated foods with aflatoxins in Africa but can also occur in other grain crops. Aflatoxins are highly toxic to humans, livestock and poultry. The growth of aflatoxins emanates from the infestation and growth of the fungi mould in grain which is favoured by high temperatures and high humidity as well as poor handling mechanisms. One of the key

determinants of aflatoxin accumulation in maize, peanuts and other crops is moisture content.

About 75 percent of the grains in Uganda are contaminated by aflatoxins with an average concentration level of 21  $\mu\text{g/kg}^1$ . It is expected to be much higher in groundnuts. This further explains why poultry feeds are more susceptible to aflatoxin contamination since grains are raw materials for making animal and poultry feeds. They render both health and economic risks to human beings and over 4.5 billion people globally are exposed to health hazards caused by aflatoxins (Kaaya A.N., Kyamuhangire W. The effect of storage time and agro ecological zone on mould incidence and aflatoxin contamination of maize from traders in Uganda).

Over 25 percent of the global food supply is contaminated with aflatoxins and they have led to 64 percent reduction in food quality in Africa. It can cause diseases and death for animals. Human consumption of foods contaminated with aflatoxins can lead to Hepatocarcinogen, immune-suppression, liver diseases, liver cancer, and kwashiorkor and stunted growth in children. It is currently estimated that Africa loses \$450 million annually due to trade in products contaminated with aflatoxins. Strong, consistent and enforced standards result in improved economic benefits in the long term because they support larger and more stable markets for aflatoxin free products which incentivise aflatoxin control technologies and this directly result in a reduced negative health impacts.

There is, therefore, a great need to develop practical and cost effective methods of pre- and post-harvest handling systems as well as standardized storage and appropriate transport facilities to prevent grains infestation by aflatoxins to acceptable levels

### **2.2.9 Shortage and high crisis of inputs**

Inputs availability, affordability and quality have become a huge challenge for farmers. Improved inputs (mainly seed, pesticides and fertilisers) are often not available in most parts of rural Uganda where farmers are based. Women have disproportionately lower access to key inputs due to their role in decision making and control over income generated and this has constrained production. Agro dealers are largely located in urban centres that are isolated and far removed from the farmlands and few efforts to decentralize input distribution which could represent employment opportunities for women and youth exist. Even these few agro dealers are observed to handle rather small stock consignments that do not meet the farmer's requirements.

The unit prices for most of these inputs are perceived as being expensive. This is compounded by the high transport costs that are incurred in distribution and delivery of these inputs to the rural areas. The quality of these inputs leaves a lot to be desired. Accordingly, MAAIF estimates that 25-40 percent of the inputs on the market are either fake or adulterated. This further discourages farmers from investing in these yield enhancing technologies.

### **2.3 Inadequate technically skilled human resource**

Technically skilled manpower is required for the sub sector in order to increase on the value addition. There is an acknowledged dearth of technical skills in the milling and grain storage facilities which causes inefficient operations and low productivity at the processing level. There is a need for intensive programmes of training and human resource development for efficient operation and enhanced productivity of machinery. This calls for short and medium term training of artisans and technicians relevant for the sub sector.

### **2.3.1 High level of informal grain trade in the country and the region**

Uganda is the largest informal supplier of grains to the region contributing over 70 percent and it's recognized that informal grain trade between Uganda and its neighbor's is around five times higher than that of the formal grain trade. This therefore demonstrates the importance of informal trade in the region and the need to formalize it. Grain processors who have invested in quality grain handling have not realised realistic returns on investment due to informal operations. Proper grain handling infrastructure ensures competitiveness in terms of price and quality.

The revitalisation of the Uganda Commodity Exchange and the establishment of the Warehouse Receipt System Authority are aimed at enhancing grain quality, improve transparency in commodity trading, enhance commodity pricing, and bring out the advantages of structured financing to the grain sub sector.

## ***2.4 Opportunities***

Uganda grain production has the potential and capacity to satisfy the local grains requirements as well as the regional markets. It greatly can contribute to both local and regional food security. The potential opportunities of the sector are due to the following:

### **2.4.1 National, regional and global markets**

The national market for grains and their byproducts is growing especially for maize, rice and beans. The main demand is from the institutional buyers such as schools, police, prisons, hospitals, the army, and WFP. There a major demand for grains and their byproducts is in the urban areas, because of the growing urban population, where for most average income household's posho and beans have become a daily dish. Maize is consumed by almost all households in urban centres at varying degrees. At the regional level, within the EAC and other neighbours, the market is available and growing. Kenya alone has demand of over 800,000 MT of maize per annum since 2009 and there is increasing demand for grains in South Sudan, DR Congo, and Rwanda. Uganda can export to the other regions outside of the EAC such the COMESA region to which it is part of the COMESA customs union. This market needs to be developed.

### **2.4.2 Emerging small and commercial farmers:**

Due to the rising food prices generally and within the region, many people especially the youth have ventured into farming on small, medium and large scale farming. There has been an increase in the number of grains and grain byproducts consumer institutions like Uganda Prisons, Unions, Uganda Police, Uganda Peoples Defense Forces and other institutions.

### **2.4.3 Government's priority to promote Value Addition:**

Through implementation of various value addition initiatives and revitalization of Uganda Development Cooperation, the government is promoting value addition to agricultural products and these efforts are being supplemented by the private sector players. However, a lot needs to be done in promoting and establishment of value addition facilities countrywide.

### **2.4.4 Government's priority on infrastructure developing :**

The Government's priority on developing infrastructure for power and transport is very crucial not only for national development but also for expanding regional processing facilities and access to both national and regional markets.

## ***2.5 Threats***

Growth of the grain sub sector in Uganda is hampered by a number of threats including:

1. Limited market access
2. Low cost competitors in other developed and developing countries
3. Subsidized grain production
4. Effects of climatic change and weather shocks:

The climatic change threats include change in seasons which have not only affected agriculture production, but also the weather patterns. These in turn have been manifested in form of floods and droughts that affect the poor. The above climatic changes have affected people's productivity and also contributed to drought and floods which in turn have contributed to increased food insecurity.

### 3 GUIDING PRINCIPLES AND POLICY ACTIONS

#### *3.1 Guiding Principles:*

This Policy shall be guided by principles derived from experiences and practices in the grain subsector. They include the following:

- i. **Enhancing policy, regulatory and institutional frameworks for a more favorable environment for grains subsector:** The Government, in collaboration with the private sector actors will ensure that it develops and promotes grain post production policy objectives in line with the National Development Plan (NDP).
- ii. **Promoting dialogue and transparency among all key stakeholders:** The implementation of the Policy shall be done in an effective consultation and cooperation with all key stakeholders including women and youth and players along the entire grains value chain in a transparent and non-discriminatory manner.
- iii. **Building partnerships with a broad spectrum of actors:** The government shall promote and sustain strong partnerships specifically the Public Private Partnerships (PPP) and development partners to effectively develop and enhance production, storage, processing and marketing infrastructure for grains.
- iv. **Coordinating harmonization, review and dissemination of Standards:** The government will coordinate the development and periodic review of standards, and promote harmonization and dissemination of EAC standards with national standards in order to promote quality in the grain sub-sector.
- v. **Promoting institutional collaboration:** The government will promote policy synergies between this Policy and other relevant policies.

- vi. **Promoting regional trade and complementarities within the framework of regional economic communities such as EAC and COMESA**

### ***3.2 Policy Actions***

This section presents the key priority areas of action envisaged under each strategic objective:

#### **3.2.1 Improving policy, regulatory and institutional framework in the Grain Subsector**

It is essential to establish an effective policy, regulatory and institutional framework for coordination and collaboration among the key players in the grain subsector including producers, storage facilities operators, processors, transporters and distributors. For the government to optimally utilize synergies among the agencies and related institutions, the following interventions will be undertaken:

- i. Strengthen UNBS for effective development, harmonization and enforcement of standards
- ii. Establish a National Coordination Forum (NCF) for discussing performance of the subsector
- iii. Establish a mechanism for timely dissemination of information on the grain subsector.
- iv. Coordinate with the lower local governments on making bylaws to ensure quality grains at farmer and trader level
- v. Government, working jointly with the private sector to coordinate promotion of quality grains for local consumption and exports.
- vi. Operationalize the WRS Authority as an institutional framework for the grains WRS where warehouse operators will be regulated and accredited



### **3.2.2 Promoting value addition**

Value addition, packaging and branding activities should be promoted to improve and strengthen the producers, traders, and processors knowledge about products quality, processing and quality control requirements. To achieve this above objective, the following interventions shall be undertaken:

- a) Provide incentives to support establishment and revitalization of grains processing facilities
- b) Promote food processing and fortification for enriched products targeting the existing different market segments
- c) Enhance capacity building in value addition, quality control and processing best practices through the grains value chain.

### **3.2.3 Establishing strategic food storage facilities**

There is insufficient standardized grain storage capacity across the country to cater for a range of seasonal products. The existing bulk storage facilities suffer from high cost of energy and poor management practices. This objective is aimed at harnessing the resources of the public and private sector increase infrastructure to handle grains. The activities to increase to achieve this include construction of conventional cribs in rural areas at farm level and standardized bulk storage facilities (warehouses and silos). Consistent demand for quality and sufficient quantities has become more important in grain trade. With improved storage facilities and proper management as well as energy infrastructure, commitment can be made to the quality of the final products.

To achieve the above objective, the following priority interventions shall be undertaken:

- a) Revisit and sensitize farmers, including women and youth on the role and importance of traditional /conventional storage cribs
- b) Promote innovative post-harvest management and processing technologies; and undertake management training for producers, traders, processors, transporters and storage facilities operators. Consider production or post-production labor-saving technology that is appropriate for women, in terms of size and weight, technical requirements and training needs.
- c) Identify and certify additional storage facilities as bulking centres in strategic areas in the country
- d) Establish an inventory system for storage facilities and laboratories
- e) Promote low-cost appropriate cribs which are easy to build, use and maintain for farmers and traders in rural areas including women
- f) Link the value chain actors to financial institutions and other possible sources of credit for construction of standard storage facilities.
- g) Support establishment of standard warehouses and silos for food security reserves through a PPP arrangements
- h) Engage relevant Ministries and other stakeholders to support the construction of transport networks and to distribute power to productive areas

#### **3.2.4 Promoting research & product development, technology transfer and innovation**

Research and product development, Technology transfer, as well as innovation activities should be promoted to improve and strengthen the key players along the grains value chain on technology and product quality requirements. The area of research and product development along the grain value chain in Uganda is still in its infancy stage and it is characterized by a number of challenges that include limited funding for research, product development and infrastructure development. As a result of the above challenges, there are a limited number of institutions that are promoting research and

business incubation services along the grain value chain. Over the past two decades the government has attracted investors into this sector but the biggest percentage of grain is still being exported in raw form without value addition and this has reduced income generation for stakeholders along the grain value chain. It has also inhibited the grain product diversification process

To achieve this above objective, the following interventions shall be undertaken:

- a) Provide incentives to support establishment of technology transfer and business development services
- b) Strengthen institutions that provide research and product development services
- c) Promote access to business incubation services, including for women and youth by facilitating establishment of linkages between institutions and the key players along the grain value chain Establish a research and product development fund for researchers and innovators along the grain value chain
- d) Increase access to postharvest handling, trade extension and advisory services through local governments and commercial officers, ensuring that advisory services are delivered fairly to all relevant actors.
- e) Link cooperatives/firms, including those led by women and / or youth, to key institutions such as UIRI, UNBS, UEPB, and academia for research and innovation, standardization, and marketing; among others
- f) Promote forward and backward linkages along the grains value chain

### **3.2.5 Promoting bulk handling and marketing of grains**

Bulk handling and marketing improves efficiency and quality in storage, processing, packaging, labeling, advertising, and transportation and labour costs to farmers and traders. It also increases information access opportunities for the markets, prices, required quality and quantity. Traders can often find the quantities of the product they want. The strategic interventions shall include:

- a) Encourage bulk handling and marketing by mobilizing a network of organized farmers/producer groups, associations or cooperatives and processors and including those which have representation or leadership by women and youth.
- b) Promote establishment of firm level collection facilities (cribs), group level storage facilities (warehouses and silos) and revitalize Uganda Commodity Exchange (UCE)
- c) Provide an enabling environment for strengthening the WRS for grading, standardization and quality control of grains
- d) Establish monitoring and evaluation programs in warehouses and other storage facilities as well as processing facilities
- e) Mobilize and train farmer groups, traders, processors and transporters on good bulk grain handling practices using training methods appropriate for all targeted actors.
- f) Disseminate information regarding grading systems and quality features of grain and in ways which address the time, mobility and literacy constraints facing women farmers.

### **3.2.6 Enhancing skilled human capacity development**

Inadequacy of qualified personnel is one of the major constraints to the rapid expansion to agribusiness in Uganda especially with agri-processing. The government under the “Skilling Uganda” program is aiming at addressing this problem. In line with the BITVET strategic plan, technical colleges and vocational institutions will be strengthened to create employable skills and competencies relevant in the labour market.

- a) Promote innovative post-harvest management and processing technologies and management training for producers, traders, processors, transporters, and storage facilities operators including women and youth.
- b) Strengthen the existing business management institutions to enhance business incubation, entrepreneurship and innovation
- c) Coordinate collaborative arrangements between the private sector, academia, and technical institutions to develop relevant technical skills for the grain subsector
- d) Promote participatory involvement of the grain subsector stakeholders, including women and youth, in the process of developing relevant human capacity development programs

### **3.2.7 Enhancing access to information on Markets and Storage Facilities**

Reliable information is crucial for farmers in production planning and marketing, and by storage facilities’ operators, processors and other market participants in making optimal trading decisions. The more accurate, detailed and timely the information, the easier it is to develop appropriate market plans and decisions. The existence and dissemination of complete and accurate marketing information is the key to achieving both operational and pricing efficiency in the marketing system.

A marketing information system backed by strong and adequate infrastructure is at the core of agricultural marketing. Market infrastructure is important not only for the

performance of various marketing functions and expansion of the size of the market but also for transfer of appropriate price signals leading to improved marketing efficiency.

Government aims at having a fully functional Warehouse Receipt System (WRS), Commodity Exchange (CE) and a more coordinated cluster of grain private sector players. The key priority area for this strategic objective is promotion of access to timely and reliable information to all stakeholders.

To realize this objective, the following interventions shall be undertaken

- a. Create awareness and training, including for women and youth on the use and benefits of WRS and Commodity Exchange
- b. Promote business fairs or trade shows to link chain actors including women and youth.
- c. Establish traceability systems along the grains value chains
- d. Scaling up access to information through the use of ICT applications across the grain value chain with emphasis on mobile phones as a mechanism to reach women actors.
- e. Establish and enhance district business information centres and communication networks for reliable information, including via channels that effectively reach women or youth producers and other chain actors
- f. Develop a Grain Information Management System (GIMS) web portal to provide linkages to various web sites in order to access all information
- g. Conduct research aligned to the sub sector requirements
- h. Strengthen information flow to harness synergies amongst government, private sector and other stakeholders

### **3.2.8 Improving Access to Crop Financing**

Limited access to affordable financing for agri-business development for the grain sub-sector is another priority area that requires improvements. There is a need to strengthen the WRS in the country for several benefits such as increased liquidity in rural areas, lower costs of financing, shorter and more efficient supply chains, enhanced rewards for grading and quality grains.

This will result in higher returns to farmers, better service to consumers (involving lower prices, better quality and greater variety) and macro-economic benefits through a more healthy trade balance in agricultural commodities. The aim of this objective is to greatly expand the availability of warehousing services while making warehouse receipts a prime tool of trade and trade financing throughout the country. It promotes bulk storage systems. Bulk systems allow a more efficient handling within the processing plant, and more effective pest control. It will also enable the banks to improve the quality of their lending portfolio to the agricultural sector.

To achieve this objective following interventions have been prioritized:

- a) Promote and strengthen grain value chain actors for bulking, value addition and marketing of grains
- b) Promote the available low cost financing options for agribusiness related credit with emphasis on options which de-emphasize ownership of fixed assets as criteria for beneficiaries.
- c) Encourage the use of commercial and subsidized credit for value chain stakeholders with particular focus on low income women and youth.
- d) Promote the use of the WRS as a source of credit
- e) Promote business networking including for women and youth.

### **3.2.9 Cross Cutting Issues**

In line with the Guiding Principles, the Policy is aimed at addressing existing and emerging cross-cutting issues in the grain trade sub-sector. These include, but are not limited to, the following:

- a) Promoting gender equity participation and empowerment: Gender mainstreaming needs to be strengthened and more support is highly required in this area to enhance value addition and increase job creation especially for women and youth.
- b) HIV /AIDs: Diseases, particularly HIV/AIDS, have had devastating impact on the grain sub sector. It directly affects production as it robs farmers of labour, weakens agro processing and trade. In collaboration with other policies such as *Food and Nutrition Policy*, all the value chain actors including people with HIV/AIDs will be encouraged to participate in the sector to ensure that quality food and nutritional requirements are maintained at healthy levels.
- c) Climate change: Climate change increases risk of drought and high temperatures which affect seasonal production output in terms of quality and the volumes harvested per acre.
- d) Improved governance and accountability: Requiring capacity building through training for better management within the public and private institutions, enterprises and associations of the private actors and ensuring an effective M&E system to improve planning, implementation and monitoring, evaluation and developing action plans to improve performance in the sector
- e) Cleaner production and environmental management: Ensuring that all value chain actors have been sensitized about the benefits of cleaner production and friendly technologies for sound environmental management. Promoting efficient use of resources and best practices within the sector shall be highly considered during the implementation process.



#### **4 IMPLEMENTATION AND MONITORING MECHANISM OF THE POLICY**

To derive the benefits of synergy resulting from the implementation of different activities, various components will be implemented in a holistic manner and through the PPP arrangements. A strong and sustained commitment from both policy makers and private sector including private sector associations will be essential for realization of the strategic policy objective. Development and operationalization of the result based monitoring (ROM) and evaluation system shall be done in a participatory manner.

The overall coordination of the policy implementation shall be done by the lead ministry, MTIC in collaboration with and other relevant government ministries that include MAAIF, MoFPED, MoLG, MGLSD, MoESTS, MICT, MEMD, MWE, MoH, and MEACA.

An implementation strategic Plan following the approval of the policy will be developed. The Ministry shall also collaborate with other institutions and agencies, academia, civil society organizations and private sector organizations on the implementation of the strategy. The overall process of monitoring the implementation of the policy shall be based on a set of performance indicators developed in a participatory manner and coordinated by the Policy Unit in the Ministry of Trade, Industry and Cooperatives through a consultative process that will involve all the key stakeholders in the grain sub sector.

## **5 CONCLUSION**

The Grain trade policy aims at promoting agro-processing and value addition, information sharing and marketing, storage and post-harvest handling services. Existing

markets not only require consistent quantities but also quality grains. Adhering to grain standards will keep traders and processors competitive in the available markets. This will help farmers improve grain production efficiency, trading in large quality grain volumes and improved storage and food security.

The government, therefore encourages forging of meaningful partnerships across public, private, community based organizations and development partners' institutions in implementation of the policy.