

# UGANDA POSITION PAPER

## Present Status Of Regional Trade For Horticultural Produce

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### I. Opportunities for Fresh Fruit and Vegetables (FFV) and flowers trade in the region

1. The East African region has an area of 1.82 million km<sup>2</sup> with a population of about 126 million. The regional GDP is US\$ 75 billion, with a per capita GDP of US\$ 576. Uganda - with its fertile soils and favourable climate, provides excellent conditions for agriculture compared to Kenya and Tanzania that have large areas of semi arid hinterlands or Burundi and Rwanda that are very congested.

2. Horticulture is one of the fastest growing sectors in Uganda and is listed as a strategic export in the Uganda Strategic Exports Program. The sector employs a large number of people and horticulture exports are worth US\$35 million per year<sup>i</sup>. Uganda is currently the second largest producer of FFV in sub-Saharan Africa, after Nigeria, producing about 1.1 million mt/yr. In 2004, Uganda's fruit and vegetable production was equivalent to about one percent of the world's total production. For cut flowers, Uganda was third in the list of exporters to the EU in 2005, with two percent of total exports to the EU, behind Kenya (40 percent) and Ecuador (six percent). The monetary value of both FFV and cut flowers has been increasing steadily since 2003. Organic agriculture in Uganda has grown in value from US\$7.7 million in 2005 to US\$22.5 million in 2008. These are important opportunities considering that over 40 percent of current production of FFV is undertaken by smallholders, and that the population in Uganda is growing at a rate of 3.3 percent per year, needing jobs in the future.

3. It is widely held that the rate of urbanization in the region will continue to fuel growth in trade of food stuffs in general, though not necessarily FFV due to the urban poverty phenomenon<sup>ii</sup>. Agricultural trade patterns within the East African region are typified by informality and hence up to 80% of it not being statistically recorded. Trade via the 'Panya Roads' (mouse roads) has evolved largely due to the complicated approval procedures, poor management of transport and logistics infrastructure and border controls that make official trading practically impossible, particularly in the case of small consignments of goods or perishable products.

**Table 1:** Urbanization Levels and Projected Urban Population in East Africa

	% Urban 2008	Growth Rates, 2005–2010		Ratio of urban to rural growth rates	% Urban 2030 projection
		Urban	Rural		
World	3	2.0	0.4	5.4	60
Tanzania	25	4.2	1.9	2.2	39
Eritrea	21	5.4	2.7	2.0	34
Kenya	19	4.0	2.3	1.7	33
Rwanda	18	4.2	2.4	1.7	28
Ethiopia	16	4.3	2.2	2.0	27
Uganda	13	4.4	3.1	1.4	21
Burundi	10	6.8	3.6	1.9	20

**Note:** Somalia is not included due to low reliability of estimates. **Sources:** Carl Haub and Mary Mederios Kent, 2008 *World Population Data Sheet*.

4. Regional demand for Uganda's exports of goods and services remains strong, following the restoration of relative peace and security in the Great Lakes region since 2005. Exports of Ugandan goods to the region increased from US\$ 775 million in the first half of FY 2007/08 to US 851 million in the same period in FY 2008/09, a 9.7% growth. This trend is likely to continue in the medium term, albeit at a slightly slower pace, on account of a slowing in growth in demand of Uganda's exports from the regional export destinations due to second round effects of the global economic downturn. Most of the trade is with Kenya and Rwanda, Tanzania having limited trade with Uganda, relative to its trade with its other neighbors. Apart from passion fruit and mangoes, most of the horticulture trade from Kenya to Uganda is processed foods whereas the reverse direction comprises mostly unprocessed, lower value products.

5. Uganda's cross-border trade in horticulture is larger than exports to Europe and there must be considerable opportunities to expand it further. Currently, most of the exports are matooke and apple bananas to Kenya, but opportunities exist for other products to other countries. In addition, there are interesting opportunities for food aid to Democratic Republic of the Congo (DRC) and other neighbouring countries although horticulture does not usually make it to the shopping list of aid agencies. However the presence of large contingents of foreign armed forces stationed in the region (Djibouti, DRC, Southern Sudan, Somalia, Uganda) offers some unique opportunities for FFV.

The Rwanda data presented below shows a typical spread of trade across the region.

Table 1: Rwanda cross-border trade in fresh produce, 2008

Produce	DRC	Burundi	Uganda	Tanzania	Total
Imports (mt)					
Total FFVs	125,691	35,780	19,247	378	181,096
Other fresh produce	54,837	36,776	9,634	651	101,898
Total fresh produce	180,527	72,556	28,881	1,029	282,994
Exports (mt)					
Total FFVs	58,228	52,003	1,092	1,399	112,723
Other fresh produce	8,184	6,031	2	2	14,220
Total fresh produce	66,413	58,034	1,094	1,401	126,943

Source: Word Bank Group (2009)

6. Whereas the market for cut flowers in the ESA is limited, the situation for vegetables and fruit is more promising. Intra-COMESA vegetables trade represented almost US\$12 millions in 2001 (HS chapter 07 edible vegetables and certain roots and tubers). (COMESA, 2002) Vegetable trade flows within COMESA are growing. In 1998, chapter 07 ranked 37<sup>th</sup> and in 2001 it was ranked 19<sup>th</sup>. In the same period, total intra-COMESA trade increased from US\$1,118 to US\$1,273

7. But the recently witnessed slow supply response to the high regional demand for Uganda's farm produce has contributed to high food prices in the domestic economy and consequently inflation, thereby making it difficult to benefit fully from the increased demand and high food prices such as those experienced in 2008. Slow supply response is a reflection of a number of constraints including pests and diseases, poor infrastructure, inadequate policies etc. Uganda's small-scale production structures and low level of mechanization and fertilizer use are too inflexible to respond to rapid changes in demand.

## 2. Trading Blocs and Impacts on FFV and Flowers

8. The major context within which trade could take place is currently influenced a great deal by the trading arrangements that Uganda is a signatory to. There are three important regional blocs that relevant to Uganda's position in regional trade. They are the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC). At a Tripartite Summit in October 2008, SADC, the East African Community (EAC) and the Common Market for East and Southern Africa (COMESA) announced their intention to create, within six months, an FTA comprising the regional economic communities, stretching from South Africa to Egypt<sup>iii</sup>, which will end the many months of isolation of the members of the EAC that

had opted out of it, because they are not yet ready. The proposed free trade zone would comprise 527 million citizens in 38 countries. Notably, the Democratic Republic of the Congo and Angola are not part of the free trade zone. The common concern for all the partners is the lack of harmony with regard to non-tariff measures, rules of origin, standards, customs management and trade facilitation, which will have to be addressed on top of the more mundane tariff reduction that is inevitable. Trade liberalisation has not made equal progression in the region because (1) national budgets still rely on tax revenue drawn from specific sectors of the economy and (2) most of the labor force in the region is in the agriculture sector thus giving the national governments reason to protect the sector through tariffs and similar measures.

9. Decision-making within the EAC is the sole responsibility of the Council of Ministers, through consensus, making the processes complicated and protracted. EA assembly does not have legislative authority so any resolution it passes must first be implemented under national laws of the member states<sup>iv</sup>. To complicate the matter even further, all EAC countries have statutory marketing standards for fruit and vegetables, but they have not yet been harmonized, so that a unified code of trading in this category still lies a long way away.

### **3. Constraints Facing Regional Trade In Horticulture**

10. Besides the bureaucratic red tape from the trading blocs, there are NTBs bedeviling Uganda's trade within the wider ESA region, the principal ones being:

- i. Health, Safety and Environment NTBs that include exports bans, misuse of sanitary and phytosanitary (SPS) requirements, technical standards (TBT) and conformance requirements (national legislation). South Africa has been cited as a case in point because it has endorsed high food safety standards in its own legislation besides compliance with international sanitary and phytosanitary standards comparable to the EU or the United States. Entry into this market is therefore already practically highly barricaded by this alone.
- ii. Trade Policy NTBs include misuse of policy measures including rules of origin, public export assistance, export taxes, import licenses, import quotas, production subsidies, state trading and import monopolies, tax concessions and trade remedy practices (such as anti-dumping, safeguard and countervailing measures). In such cases the Southern Africa, the rules of origin (RoO) issue is quite prominent for the textile industry in the region, as the fibres are mainly imported from non-SADC countries. In the agricultural sector, however RoO should not be a big problem as most resources are sourced locally, but it has been reported that the principles for RoO are quite complicated and not very transparent leaving space for intentional misinterpretation. Misuse can also occur, when cheap maize from subsidised markets is imported and labelled as a local product, which then receives preferential access to SADC markets.
- iii. Administrative NTBs include customs clearance delays, lack of transparency and consistency in customs procedures, overly bureaucratic and often arbitrary processing and documentation requirements for consignments. Customs authorisations and procedures may be used to impede the passage of products and traders. Another administrative NTB is the requirement to exchange a substantial amount of foreign currency at the border for all traders (especially in Zimbabwe). Excessive freight and transport charges above the international level, such as export license fees, administrative charges, transit bonds and special deposits hinder trade. Services that are not user-friendly include the misuse of legal measures concerning immigration and movement of persons (passports, visas, health documents), inadequate trade support services for finance, insurance, transport services, market information, electronic communications systems and standards authorities. Finally, the lack of harmonised Sanitary and Phytosanitary Measures (SPS) and other quality standards within the region may also constitute an NTB. All ECA countries do not have a harmonised customs control system (single administrative documentation) in place, which slows down customs controls and allows for bureaucratic procedures and delays.
- iv. Inadequate trade infrastructure NTBs include poor physical structures such as of existing harbours, airports, road and rail systems, the infrastructure capacity for large volumes of transit traffic, the logistical capacities for handling and loading/unloading goods at certain spots, and the availability of storage and cool house facilities. South Africa has good infrastructure, with corridor roads (Durban harbour - Gauteng - Zimbabwe/Botswana and Windhoek - Gauteng - Maputo harbour), but road capacities are not always sufficient for non-perishable horticultural or for and high tonnages. Although rail transport is cheaper than road transport and would be suitable for some fruits and starchy staples such as matooke, cassava, sweet potatoes and potatoes. But the railways in East Africa, including Ethiopia, are 1000mm gauge while the so called Cape gauge of 1,067mm is in use from South Africa,

Tanzania, DR Congo, Angola and the line from Khartoum to Port Sudan. Less than 15% of world railways are still this specification, known as Narrow Gauge, and the percentage is decreasing gradually. Egypt and other North African countries have standard gauge systems of 1,435mm, which is also the European and American standard. As it is there is no possibility to move horticultural produce around the continent in continuous travel without loss of time and incurring loading/offloading costs. Rather than investing in costly dual-fitted rolling stock or transfer stations, which still cause delays in transit, the governments of Uganda and Kenya have opted to go for standardizing the gauge to 1,435mm. A \$US10 million feasibility study with preliminary designs is underway and if the line is implemented, it will be possible to use improved locomotives and double stack containers on the Mombasa – Kampala – Kasese mainline service. Moreover Uganda and Tanzania are considering a possible linking the port at Tanga to Southern Sudan (Anon., 2009b). The existing Tanzanian railway from Tanga ends at Arusha (about 400km) and a new extension would be needed to Musoma (about 400km) on Lake Victoria. Freight would be conveyed from there by ferry to Port Bell (about 350km) in Uganda, then onto rail again via Tororo to Gulu (about 600km) on the Pakwach branch. North of Gulu, a new line of roughly 250km would have to be constructed to Juba, and a further 550km to the Wao railhead in Southern Sudan. Due to its poor status, rail road transport handles less than 6% of cargo that goes around Kenya, Uganda, Rwanda, Burundi, Democratic Republic of Congo, parts of Tanzania, south Sudan and Ethiopia.

- v. 'Soft' trade infrastructure such as current market information systems is also often inadequate or lacking for virtually all products. RATIN, the Regional Agriculture Trade Information Network does not work on horticulture.
- vi. Natural barriers (rivers, mountain ranges or lakes) divide regional markets, thus limiting trade flows. Often natural barriers are not overcome due to political or historical reasons. This is the case with Uganda and Tanzania and Uganda and the DRC for instance. RVR is rehabilitating the ferry MV Uhuru for service on Lake Victoria to renew the transport links between Port Bell and both Musoma and Mwanza in Tanzania, which will open new routes to the Dar el Salaam Port.

11. The retail sector is slowly being dominated by supermarkets although they still control only 4% of fresh fruits and vegetables in Kenya and much less in other EAC countries. Even where they are still not so dominant, supermarkets are already showing a trend of directly sourcing from farms which allows them to inspect the farm to judge potential reliability in volumes and quality. They are looking for larger farms, presence of irrigation, and reliable water sources. Studies show that they also prefer farms that can produce a wide variety of products. This places pressure on small farms to invest in land acquisition, technology and management in order to meet these requirements. It also implies a much higher inclination towards local sourcing on their part than usually perceived. However, it should be noted that the main driving force on the part of the supermarkets is the need to reduce their transaction costs and therefore when many farmers are unable to meet the requirements, they will look to intermediaries that are able to consolidate and guarantee the supply from small farms.

12. Another constraint is the high level of post harvest losses for fresh produce, sometimes reaching 50%. This is linked to the poor transport and storage infrastructure and the general lack of technology deployment in the chain of FFV in Uganda.

13. In general, the data relating to cost of doing business places Uganda rather favorably compared to the other EAC countries apart from Tanzania. But there are oddities that stick out: for example it is far more costly to export from Uganda than it is from Burundi, which is further into the hinterland, yet Uganda has fewer documents to go through and takes less time than Burundi.

**Table 2:** World Bank Doing Business Report 2009 and 2010

Category	Kenya	Tanzania	Uganda	Rwanda	Burundi
Trading across borders (rank)	149/147	103/108	145/145	171/170	173/175
Documents to export (number)	9/9	5/5	6/6	9/9	9/9
Time to export (days)	29/27	2424	39/37	42/38	47/47
Cost to export (US\$ per container)	2055/2055	1262/1262	3090/3190	3275/3275	2347/2747
Documents to import (number)	8/8	7/7	7/7	10/9	10/10
Time to import (days)	26/25	31/31	37/34	42/35	71/71
Cost to import (US\$ per container)	2190/2190	1475/1475	3290/3390	5070/5070	4035/4285

Source: World Bank (2008 and 2009 in Pannhausen and Untied ii)

14. As a landlocked country, competitive air cargo rates for both imports and exports are vital for Uganda. Efforts to develop Entebbe airport to handle cargo and even become a “regional hub” have been underway for sometime now but need more support. When these plans are implemented, it will have considerable benefits for the flower and FFV industries. Currently, the loaded pallets have to be transported almost 2 km to the aeroplane and loading takes place in the often sunny open. A cargo village with sheds, ramps and other facilities will reduce quality losses of fresh produce at the airport. It will also make Entebbe a more attractive airport for cargo planes to include in their routing, thus giving greater freight options for exporters. It has to be financially attractive for air freighters to land and offload and load cargo. Unfortunately, tariffs on aviation fuel and landing and cargo handling costs are higher than in neighbouring countries. In an industry where fuel accounts for 75 % of the operational cost of cargo flights, airline companies are discouraged from landing at Entebbe airport.

15. Fruit flies invasion of the region is threatening exports to Europe and the Middle East. *Bactrocera invadens* is a fruit fly originally from Asia, reported for the first time in Kenya in 2003, and subsequently in 32 Sub-Saharan African countries<sup>v</sup>. It can fly long distances, and be transported with infested fruits. Fruit flies management costs. *B. invadens* attacks mangoes, citrus, guavas and papayas, but also fruits of around 40 tropical plants (bananas, melons, etc.). It can cause production losses of up to 70% and requires millions of Dollars to control, therefore not manageable by the small growers in the region. Having intercepted *B. invadens* on mangoes from Cameroon to Switzerland 2005, the European and Mediterranean Plant Protection Organisation (EPPO) entered it on its alert list. At present, there have been no works on *Bactrocera invadens* with regard to the African continent, although around ten trial colonies of mutant strains are being maintained. There is an active program for fruit fly research at Sokoine University in Tanzania, which collaborates with eh EPPO.

16. Underdeveloped packaging industry in the region contributes to losses all round. Peeling fruits and vegetables just like preparation of meats at home leads to losses of 10-60% that goes directly to the rubbish bin, whereas the food industry uses these materials – sometimes up to 100%.<sup>vi</sup> Other opportunities that are jeopardized by lack of packaging are in storage, distribution of preservation and provision of food safe from germs and insects. While the carton packaging sector has been improving, glass containerization still lags behind due to energy inconsistency. There is no producer of glass containers in Uganda, despite having suitable raw materials by way of silica sand and felspar. At the moment there are three major glass jar manufacturers in the region. Kioo Ltd operates a plant in Dar es Salaam that produces glass bottles and containers, 80% of them exported mostly to other EAC counties and some to Southern Africa. In July 2002, Kioo announced plans to invest \$2 million to purchase new equipment and to increase efficiency and increase production to 55,000 t/yr from 40,000 t/yr. The other manufacturers are East African Breweries and Central glass works both located in Nairobi Kenya. Glass jars are important for horticulture value added products like table sauces, pickled products and pasta/wet/cooking sauces, seen as a growth market as the middle class expands in the region.

17. Seed systems are still rudimentary in the region, including horticulture ones. One of the issues they faced in the past has been lack of harmony between the national seed certification and inspection services that had differing standards and performance testing procedures. ASARECA initiated a program in 1999 to address this and the seed certification systems of Kenya, Uganda and Tanzania now have an agreed framework and structures to conduct performance testing procedures in similar ways, and to have similar standards for seeds, including vegetable seeds<sup>vii</sup>.

#### **4. Organized Collective Action Response to Constraints**

18. Various national commodity associations have taken lead in promoting regional trade in horticulture, including FFV and dried derivatives. Most of the work is Collective and Coordinated Action whereby players that perceive themselves to have a common interest come together to deliberately implement one or more events or influence the outcome of events implemented by others. Typically there is a sense of “voluntary action taken by a group to achieve common interests” (Meinzen-Dick and Di Gregorio 2004) and action may or may not be outside their routine activities as farming groups, associations, academics, regulators, service providers, civil society activists or any other grouping of actors. Various apex organisations embrace smaller commodity focus associations as well as farm level organisations found in Uganda. Their focus is not necessarily on regional trade but tends to encompass internal trade and exports as well. Still the sector is small and fragmented as in all the other countries and as such has achieved precious little in terms of integrating the sector in the wider regional economy. The organisations are the Horticulture Promotion Organization of Uganda (HPOU) specifically for horticulture, NOGAMU for organics including horticulture, UNFFE for all farmers and the Agriculture Council of Uganda incorporating other players besides farmers. Some achievements are highlighted below:

1. Affiliation to the African Horticultural Council (AHC) and affiliation to the International Federation of Agricultural Producers (IFAP)
2. Lobbying various policy and procedure changes
3. Fundraising for their members to capitalize their businesses and to obtain technical assistance
4. Formation of structures to gain certifications for their members on Global Gap and other standards.

19. The AHC is not yet strong relative to other Regional Trade Associations like the ones set up under the USAID-supported Regional Agricultural Trade Expansion Support Program (RATES) to position the private sector as a driving force and partner in policy development in the region for maize, milk, coffee, cotton and textiles.

20. ASARECA is addressing the issues of seed for high value horticulture through one of its programs. Working with the major research organisations in the region to ASARECA has funded development of new varieties of snap beans as response to the inaccessibility to patented snap beans seed for varieties accepted in European markets.

21. Regional market information and forecasting systems for prices, harvests and market supply situations could play a key role in promoting farmers’ marketing efficiency and competitiveness. Horticulture, horticulture still lags far behind grains in setting up a regional market information service to provide information on overview of purchasers, sellers, quantities, prices and logistics as important for the development of regional trade. There is a weekly bulletin on market information run by FIT Uganda and another parallel but slightly dissimilar one, FOONET, run by ASARECA/IITA in the same country. The two services go a long way to address the issues of the Uganda Statistic bureau supplying historical statistical data, not helpful for making decisions in the here and now situation. The opportunities to tap market information that exists at markets and planting returns at farm level are not utilized to inform decision makers in the agribusiness sector, the way they should.

22. Among the university sector there is no program to research on regional trade in a focused way but there two strong horticulture courses at Makerere and Mountains of the Moon Universities.

#### **5. Public Sector Response to Constraints**

23. GoU responded to some constraints by using public expenditure to address constraints to production and supply in the economy, including supply of seeds and other planting materials as well disease and pest control, particularly in the North and North-East<sup>viii</sup>. Other initiatives include upgrading the road infrastructure linking the country to regional markets. The following roads have been identified for the completion and/or upgrading: Northern Transport Corridor from Busia/Malaba to Mbarara/Katuna and Kampala to Gulu/Nimule and its attendant tributaries such as Tororo- Mbale-Soroti Road; an alternative highway between Kampala and Entebbe; Fort-Portal-Bundibugyo-Lamia road (103km); Kabale-Kisoro-Bunagana (98km); Soroti-Dokolo-Lira; (124km); Gayaza-Zirobwe (55km); Kaiso-Tonya-Hoima (78km); Mattugga-Semuto-Kapeeka (42km); and Kampala-Mbarara (264km). During FY2009/10, GoU has prioritized the preparation of a Railway Master Plan and the opening up of the Southern Route through upgrading of the Port Bell and Jinja piers to handle containers. To link Western Uganda’s industrial belt of Kasese and Northern Uganda, feasibility

studies for development of water transport on Lake Albert and the upper White Nile have been initiated in FY 2009/10. GoU has also embarked on revamping the power sector and to interconnection with the regional power grid.

24. The EAC legislative assembly sitting in Kampala in February 2010 resolved, as priority number 2, to accelerate the fertilizer program it initiated with the support of African Development Bank, aimed at regionally coordinated procurement and/or manufacture of fertilizers. The first priority was to promote free movement of food across the region and the third priority was to improve policies, strategies and programming, all aiming to improve food security in the region. These initiatives are expected to benefit the horticulture sector and regional trade therein.

## 6. Some questions still need to be answered

1. **What role can be played by commodity associations and similar collective action processes and structures in promoting regional trade? How can these be supported? How can they work with existing political establishments without tension? What role can they play in arbitrating between buyers and sellers?**

25. In this regard the Kilimo trust is sponsoring a series of seminars to address (i) promoting commodity associations to make them more relevant (ii) investing in engineering initiatives that can promote small scale value addition and (iii) last mile infrastructure investments that can promote income generating enterprises.

2. **Where regional coordination is embarked upon, which entities should be in charge of regionally coordinated programs?**

3. **How can statistical data best be gathered so that it remains relevant to everyday decision making in trade, is cost effective/cost shared, does not burden the public or private sector entities involved and accurate enough to facilitate growth.**

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<sup>i</sup> **Ogwal F, Guloba M and Weick V (2010):** Horticulture production and biodiversity in Uganda: Benefits and risks associated with export growth strategies. *Bridges Trade BioRes Review* • Volume 4 • Number 2 • July 2010. *International Centre For Trade And Sustainable Development*.

<sup>ii</sup> **Dorélien A (2008):** Population's Role in the Current Food Crisis: Focus on East Africa. Population Reference Bureau report. <http://www.prb.org/Articles/2008/foodsecurityeastfrica.aspx>

<sup>iii</sup> **Pannhausen C and Untied B (2010):** Regional Agricultural Trade in Southern Africa: The dominance of South Africa within the SADC region. *Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) Eschborn*

<sup>iv</sup> **Pannhausen C and Untied B (2010):** Regional Agricultural Trade in East Africa: A focus on Kenya, Tanzania and Uganda. *Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) Eschborn*

<sup>v</sup> **Brunel S and Françoise Petter F (2009):** Fighting the fruit flies regionally in sub-Saharan Africa. *Information letter No. 5, 2009. CLEACP, CIRAD, EPPO Publication.*

<sup>vi</sup> **Onusseit H:** Environmentally Benign Packaging with Innovative Adhesives *Henkel KGaA, Düsseldorf, Germany.*

<sup>vii</sup> **Anon (2010):** Tracing the story of seed variety evaluation, release and registration in the ASARECA sub-region. *Agriforum Newsletter, ASARECA Publication, May-October 2010.*

<sup>viii</sup> **Anon (2009):** National Budget Framework Paper, FY 2009/10 – FY 2013-2014.