Partnership for Market Access; towards a sustainable market-oriented horticultural sector in Uganda

Wageningen UR Position paper on the export horticulture in Uganda

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1 Background

During the World Conference on Sustainable Development (WSSD) held in Johannesburg in 2002, a number of partnership initiatives were launched, aiming at collaborative efforts of governments, private partners, and civil society organisations to reach common objectives in a particular field of interest. They are based on mutual respect and shared responsibility of the partners involved.

The Netherlands has taken the initiative for a Partnership on Market Access through meeting quality standards for food and agricultural products, for which a number of countries showed interest. With the respective governments of Kenya, Tanzania, Uganda en Zambia it has been agreed to start a partnership programme on horticulture, whereby in Zambia the first priority will be given to phytosanitary issues.

The main objective of the partnership initiative is to improve access of horticultural products to the markets of Europe and other industrialized countries by enhancing cooperation in the field of quality standards, the natural environment and phytosanitary issues. The ultimate aim is to increase the global competitiveness of horticulture sector in developing countries thereby contributing to poverty reduction and sustainable production and consumer concerns.

In Kenya a process has been started in which public and private partners identified the main bottlenecks to the export horticulture in that country and formulated project outlines. After further discussions, a number of selected outlines were further developed into project proposal that are currently being evaluated for approval. Now, a similar process has been launched in Tanzania and Uganda.

The specific objective of this study is to develop an agenda for public – private activities in the framework of the WSSD partnership program in Uganda. The topics of this agenda need to address issues identified by the major private as well as public partners and civil society organizations that will enhance the development of the Ugandan horticulture industry.

This position paper is the result of preliminary research and a fact finding mission by a team under coordination of the Wageningen University and Research centre (WUR). The analysis and conclusions expressed are the team's view based upon views of the stakeholder interviewed and the paper does not reflect the position of the Netherlands Ministries of Foreign Affairs and Agriculture.

This position paper and the formulated topics for public-private activities will be the input for a first stakeholder meeting in October 2005 in Kampala, Uganda. The final objective is to formulate concrete and feasible Terms of Reference for action plans formulated by committed partners in the framework of the WSSD partnership program, in line with partnership criteria.

2 Approach

In view of ample documentation on the horticultural sector of Uganda, a desk study was conducted, in combination with a short fact-finding mission in Uganda (5 days), mainly consisting of joint meetings with key stakeholders. In view of the public-private partnerships to be developed, the consultants aimed at obtaining insight in relevant personal and institutional networks. Unfortunately, the timeframe of the mission does not allow for grounded conclusions on the matter, other than stating its importance.

The time frame did not allow meeting with farmers' representatives at district level, to assess the degree of organization of (small) farmers for market access of specific product groups.

The desk study and opinions expressed by interviewees show that there is a general agreement on the main issues involved for the development of the horticultural sector for export. More questions were raised on the feasibility and pace of required changes: "how to make it happen". As a result, the report will also address some process issues.

The needs assessment was conducted by the Agricultural Economics Research Institute LEI (Olga van der Valk) and a Ugandan consultant (Paschal Nyabuntu). We would like to thank the Royal Netherlands Embassy, in particular Wendy Engelberts, for their efforts and kind collaboration. It needs not saying that the hospitality and flexibility of all people visited and interviewed is very much appreciated.

3 Uganda economy

3.1 Macro-economic reforms

Uganda undertook far reaching economic and institutional reforms after 1987 to revitalize its economy. The major reforms included the unification and market-determination of the exchange rate (November 1993); the abolition of the official foreign exchange allocation system; the simplification of export and import licensing procedures; and reduction of import duties. In 1999 the East African Community (EAC) was created between Uganda, Kenya, and Tanzania to harmonize tariff and custom regimes, establish a customs union, facilitate free movement of people, and improve infrastructure.

The reforms resulted in macroeconomic stability with annual inflation rates below 5 percent per year for most of the second half of the 1990s, an increase of average income per capita of 65 percent in ten years (1990-2000), and a reduction in the incidence of poverty from 56 percent of the total population in the 1992 to 35 percent in 2000.

In response to its reforms and solid performance, foreign aid has been plentiful, amounting in 2000 to some 53 percent of the total Government budget, or 13 percent of GDP.

3.2 Agricultural sector

The Uganda economy is still dominated by the agricultural sector, which accounts for 39% (2003) of the GDP, 85% of export earnings, and 80% of employment. It provides most of the raw materials to the mainly agro-based industrial sector.
Of the population of 25 million, 85% live in the rural areas and depend mainly on agriculture for their livelihoods. Agricultural output comes almost exclusively from approximately 3 million rural small holder households, most of whom have less than 2 ha of land.

Food crops dominate the agricultural sector, in terms of acreage accounting for 92 percent of the area under cultivation, while export crops account for 5 per cent (MAAIF, 1998). The traditional cash crop sub sector (coffee, cotton, tea, and tobacco) contributes 10 per cent to the GDP, but is more important in terms of foreign exchange earnings (60% of the total).

The government's strategic decision to enhance the performance of agriculture to alleviate rural poverty has not achieved the expected results, largely due to the drop of world prices for Robusta coffee in the ‘90s. Coffee is Uganda's main export crop and foreign exchange earner.

With more emphasis on higher value horticulture crops such as flowers, young plants, fruits and vegetables, vanilla and others, this sub-sector is now the fastest growing export sector. Growth is mainly due to the fast growing flower sector that has emerged as a major non-traditional agricultural export with volumes of 4160MT valued at US$ 22 million FOB for 2001/2002.

The products that are currently exported include flowers, (roses and chrysanthemum cuttings), fresh chilli, passion fruits, okra, vanilla and sun dried fruits.

Uganda being landlocked, exports agricultural produce mainly by air (from Entebbe airport) or by sea through Mombassa, Kenya.

The HIV/AIDS epidemic has had a negative impact on general development and agricultural production in particular. It has affected the availability of skilled and unskilled labour for production, and general service delivery. Current HIV/AIDS infection rate evolves around 6 per cent of the total population, coming down from two digits rates a decade ago.

3.3 Employment by horticulture sector

Although exact figures are lacking, the horticulture industry in Uganda generates a significant number of jobs in Uganda.

The floricultural industry directly employs approximately 6,000 people, the majority of whom (60%) are women. The employed labour force not only consists of pickers and packers, but offers a wide range of jobs (e.g. construction of greenhouses, maintenance, fertilisation, transport, guards, administration, catering) and includes a substantial number of middle management and management staff.

About 3,000 small-scale farmers grow fresh fruits and vegetables for export; more than 20,000 smallholders grow vanilla and many more base their livelihoods on production of fruits and vegetables for the domestic, regional and international markets. In addition, input supply, transport, marketing, packaging and handling operations offer other job opportunities.

4 Institutional context

The Government of Uganda, under the Poverty Eradication Action Plan (PEAP), is currently modernizing Uganda’s agriculture through the Plan for Modernization of Agriculture (PMA). Several other government programmes are also focusing on agriculture, e.g. the Medium-Term Competitiveness Strategy (MTCS), the Marketing and Agro-Processing Strategy (MAPS) and the National Agricultural Advisory Services (NAADS). Most of these programmes are co-financed by donors. At the same time there are a great number of development projects funded by donor agencies, which address different issues in the field of agriculture. For instance, there are several programmes funded by USAID (APEP, SCOPE, and Rural SPEED), by DANIDA (ASPS), by SIDA (EPOPA), by DFID (ILO-BSMD) and the EU (PMA), just to name a few. For a short description of programs, see annex 2.

5 Factors influencing an enabling environment in horticulture

For the development of the export-oriented horticulture in Uganda, all interviewed stakeholders stressed the importance of public policies that stimulate long-term investments and strengthen the international market position of horticultural products from Uganda. The private sector focuses on Kenya as leading competitor, with lower costs, particularly airfreight costs. Ethiopia, where the government is seen as more active on export promoting policies, is considered a "dangerous" runner-up.

Some of the problems that pose the greatest problems for agricultural exports:

1. Public deficit and overvaluation.
Through either an appreciated shilling or high interest rates, large amounts of foreign aid can hurt export competitiveness and domestic investment. Economic growth is mostly induced by donor funds. Private sector and producers agree that donor funds are not channelled effectively to the productive sectors. The prominent presence of donor programs undermines the dynamism of the private sector, the very sector required for sustainable growth and poverty reduction. High interests on T-bills mean that banks can ensure high and safe returns simply by devoting a large part proportion of their portfolio to T-bills. They have little incentive to seek new lending opportunities in the productive sector.

2. Inefficiency of public institutions.
While Ugandan laws and regulations are published in the Government Gazette, the regulatory system lacks internal transparency and varies substantially by regulatory body. A 2004 United Nations report found that it takes on average 17 days (and 36 separate steps) to start a business in Uganda. Further, public responsibility for handling issues is fragmented among numerous ministries and agencies, contributing to duplication and "bureaucratic fights". An example is the fragmentation of Food safety regulation. Responsibilities of setting and/or enforcing regulations/standards in the food safety and quality area under provision given in 17 Acts/Statutes are being shared between four Ministries and six departments/agencies. A new ''National Food Safety Strategic Plan'', still in Parliament for adoption, emphasises the need for one lead agency to be competent authority in all food safety matters and to establish one system of laboratory support with accredited laboratories.

There is evidence of some level of corruption in Uganda. While outright bribe taking (and requesting) does exist, the often occurring bureaucratic apathy and ignorance of rules within public organizations contribute to the perceptions of corruption.

There is little trust in the ability of commercial courts to enforce justice e.g. enforce contracts and collect debts. With donor assistance, the GOU has set out a four-year program to reform the commercial justice system. The court strives to deliver to the commercial community an efficient, expeditious and cost effective mode of adjudicating disputes.

3. Coordination of government departments to avoid duplication of efforts.
Coordination and determination (separation) of roles among government departments, engaged in the development of the export sector, could be improved upon. There is a need for the harmonisation of activities carried out by the UIRI, UNBS, MAAIF and Export Promotion Board.

4. Export promoting policies

The GOU plans to use a USD 24 million credit from the World Bank to set up export processing zones (EPZs) to stimulate investment and promote exports. Investors locating in these zones will be provided with a variety of incentives, including tax holidays, duty drawbacks, and the removal of export taxes on goods produced within the EPZs.

5. Deficient and Unreliable Public Infrastructure and Utility Services

Infrastructure problems are predominant in Uganda. A 1998 survey of private businesses estimated that 90 operating days a year are lost due to interruptions of electrical power supply (Government of the Republic of Uganda, 2001a). Two surveys of foreign investors (1994, 1998) identified poor infrastructure, e.g., poor road transport and telecommunications, and unreliable utility supply as key liabilities for investing in Uganda (CIC, 1999). Though there have been improvements since then, erratic electricity supply is still problematic. For perishable high-value horticulture, these infrastructure and utility issues are of crucial importance.

6. Costly and unavailable finance.

Accessible finance is a key factor in increasing competitiveness. Financial institutions are extremely reluctant to lend to agriculture, especially to individual farmers. Interest rates are high, and this is only partially accounted for by perceived risk. Financial institutions primarily lend medium term against prime real estate collateral (long term assets), and do very little business / cash flow lending. Appropriate financing is necessary to support innovations in products and production organization. Small and Medium Enterprises (SME) are poorly served as they typically lack connections and/or secured collateral. They are too small for established banks and too big for micro-financial institutions.

6 The Floriculture Sector

6.1 Overview of the sub sector

The Uganda floriculture sector consists of 20 commercial farms cultivating 180 hectares (2005). According to UFEA, short-term expansion will result in an additional 82 ha's. Most of the flower industry is centred near Lake Victoria; some operations are located in Mukono and Wakiso districts.

The Ugandan floriculture industry is concentrated almost entirely on two product groups: roses and chrysanthemum cuttings. The cuttings cover 31 ha (after expansion 36 ha) and roses 149 ha (after expansion 226 has.) For details on varieties see annex 4.

Rose production consists of sweetheart roses, which have small heads and are well adapted to the Ugandan climate. The other type is the intermediate rose, which have bigger heads. Chrysanthemum cuttings production is done by Fiduga, Royal Van Zanten and Waggagai flower farms, while potted plants and chrysanthemums are produced and traded by two subsidiaries of the latter. These are produced for mother companies in Holland namely, Fides, Van Zanten and Deliflores.

Together, the five larger firms represent foreign direct investment (FDI) from the Netherlands in development of Ugandan floriculture. Five of Uganda's floriculture firms are joint ventures between Ugandan and various outside interests. Nine of the firms within the floriculture segment are 100% Ugandan owned. All Ugandan growers who are members of UFEA are registered with MPS and are EurepGAP certified.

According to UFEA all flower farms have facilities for childcare, health care (clinics) for workers and their families, childcare, etc. Social policies, including labour rights, form part of EurepGAP requirements.

UFEA estimates that the average investment for setting up a small minimum feasible commercial flower farm amounts to around 1 million dollar. The most successful exporting firms have invested US$ 2.5 to 3.0 million per farm in land, technology and equipment. Current investments in floriculture are shared in the ratio of 80% foreign and 20% local capital. Up to 2004, total investments of all UFEA associated flower farms were estimated at approximately $60 million dollars.

Fresh Handling Ltd. is a joint-venture between the major exporters of cut flowers and fresh produce (UFEA / Hortexa). The company offers cold storage, palletising, and airport handling services, including consolidation, chartering, handling, documentation, storage, market clearance, and delivery into the main European airports of London, Brussels, and Amsterdam. The facility has enabled exporters to consolidate and finance their own freight, which in turn has led to a reduction in airfreight rates. Currently, Fresh Handling has outgrown the current capacity of cold stores to handle all the export flower and vegetable exports. There are plans for expansion for additional flower and vegetable pack houses, to be financed by the EC and the GoU for a total of 3 million dollars.

The members of UFA are flower producers and dealers who supply to the local market. UFA runs a flower shop in Kampala, where the produce is collected and which serves as a distribution centre. The association started in 1991 with 20 members but according to their website, at the moment there are 189 fully registered members, 143 women and 46 men.

Figure 1 shows the different forms of supply chain organization in the floriculture. It should be noted that the production of flowers by small farmers and outgrowers is only a fraction of the total volumes and values generated by the commercial farms / exporters.

Figure 1: Supply chains in floriculture

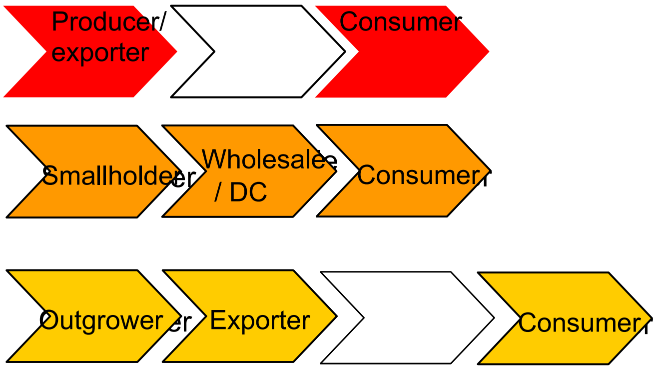


Table 1: Uganda's Flower Exports 1994-2003

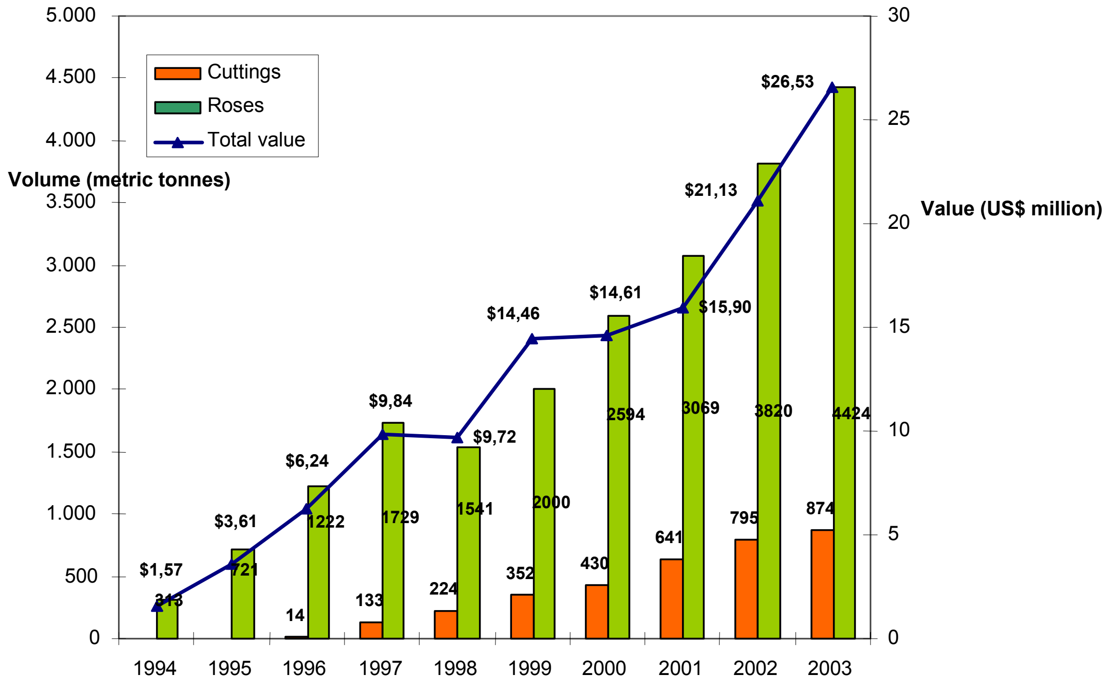
	Volume (in MT)		Value FOB (in million US$)		Av. Price Roses US$/kg	Total value	Growth rate
	Cuttings	Roses	Cuttings	Roses			
1994		313		$1,57	N.A.	$1,57	
1995		721		$3,61	$5,01	$3,61	130%
1996	14	1.222	$0,13	$6,11	$5,00	$6,24	73%
1997	33	1.729	$1,19	$8,65	$4,83	$9,84	58%
1998	224	1.541	$2,02	$7,71	$5,00	$9,72	-1%
1999	352	2.000	$4,51	$9,95	$4,98	$14,46	49%
2000	430	2.594	$3,54	$11,07	$4,27	$14,61	1%
2001	641	3.069	$4,97	$10,93	$3,56	$15,90	9%
2002	795	3.820	$7,04	$14,10	$3,69	$21,13	33%
2003	874	4.424	$7,86	$18,67	$4,22	$26,53	26%

Source: ADC / IDEA, in Floriculture VEK adviesgroep

Combined Ugandan exports of the two market segments of cut flowers and cuttings, have grown into a significant export industry in just ten years. Export sales for 2003 were estimated at $26.5M, up from a figure of $21 Million for 2002. In 2003, export of cut flowers accounted for approximately $21 million of the total; with the remainder representing that portion of Uganda's floriculture exports derived from production and sale of cuttings and assorted other floriculture products.

Figure 2 provides a comparison of flower export volumes and values from 1994 – 2003. Growth rates from year to year are shown in Table 1 above.

Figure 2: Volume and Value of Uganda's Flower Exports 1994-2004



Source: Ugandan Floriculture Strategy, 2004

Within the region Uganda has developed into the second largest floriculture producer after Kenya (Table 2). While in Tanzania and Zambia the growth of the sector appears to be stagnating, in Uganda there is still a growing trend observed. Also in Kenya and especially Ethiopia the floriculture sector is growing.

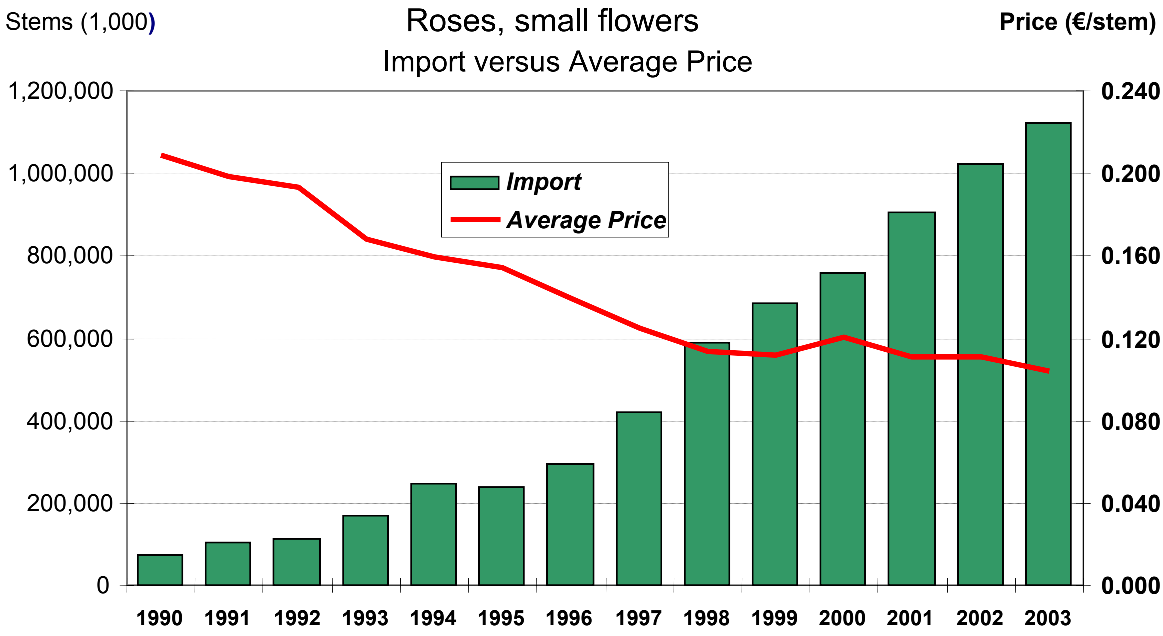
Table 2: Production area, number of companies and export values of floriculture in Tanzania, Kenya, Uganda, Ethiopia and Zambia in 2004/2005

	Tanzania	Kenya	Uganda	Ethiopia	Zambia
Production area (ha)	90	2180	180	120	120
Number of companies	8	140	20	11	25
Export value (million €)	7	216	28	5	20
Industry growth	+/-	+	+	++	+/-

Source: Various, adapted by Verschoor

From 1990 to 2003 there has been a huge growth of small cut flowers imported through the Dutch auction, resulting in declining prices for the small the Ugandan Roses (Figure 3). The Ugandan prices may come under increasing threat, since also in Kenya and Ethiopia increases in planted areas of small and intermediate flowers are observed.

Figure 3: Import of small roses to the Dutch Auctions

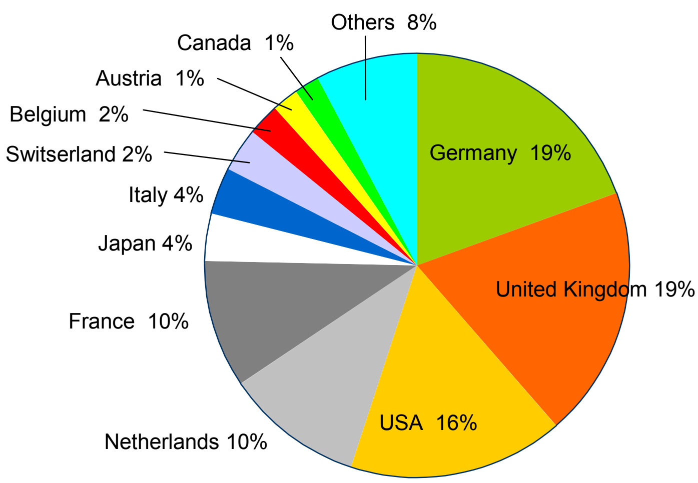


Source: Uganda's floriculture and horticultural sectors, VEK Adviesgroep

6.2 World market for cut flowers

Figure 4 below illustrates the strong position of the European cut flower markets. The only top-five country not located in Europe is the United States. Of these countries, only the Netherlands is a major player in both import and export markets (Table 3).

Figure 4: Top 20 Flower Importing Countries in 2002



Source: ITC in Ugandan Floriculture Strategy

The Dutch auction houses operate as trading centres for the entire industry worldwide. Over the years, they have been the first port of entry for African countries into export flower markets. The USA mainly imports from Colombia, Ecuador and the Netherlands.

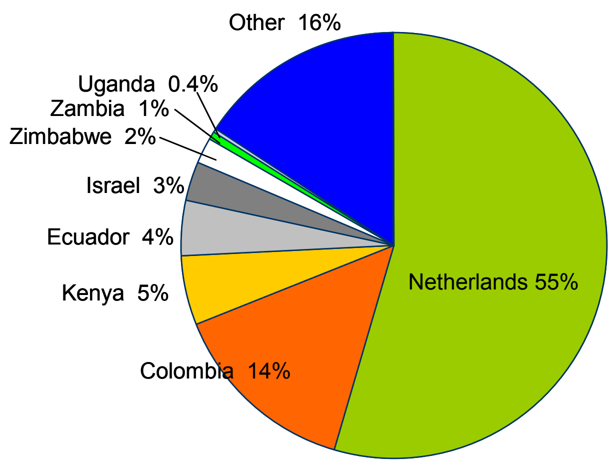
Table 3: Top 20 Flower Importing Countries in 2002

	Country	Value in US$ Millions		Country	Value in US$ Millions
1	United Kingdom	816,7	11	Canada	75,3
2	Germany	803,8	12	Denmark	63,6
3	USA	684,0	13	Russian Federation	50,2
4	Netherlands	440,3	14	Sweden	47,0
5	France	408,2	15	Spain	45,8
6	Italy	154,1	16	Ireland	30,9
7	Japan	150,7	17	Norway	26,3
8	Switzerland	141,1	18	Czech Republic	26,0
9	Belgium	107,4	19	Hong Kong	19,4
10	Austria	84,9	20	Singapore	19,1

Source: Uganda's floriculture and horticultural sectors, VEK Adviesgroep

As already mentioned above, the Netherlands dominates the world's export of flowers with a 55% market share in 2002 and is the major supplier of the European countries. Uganda participates with only 0.4% (Figure 5).

Figure 5: World flower export, 2002



Source: Uganda's floriculture and horticultural sectors, VEK Adviesgroep

Colombia is the second largest flower exporting country, and has its natural and main market in the United States (Table 4). Kenya is the third largest exporter in the world. Uganda could take advantage of declining output from Israel, Zambia and Zimbabwe.

Table 4: World flower export, 2002

Country	Value in US$ Millions	Market share
Netherlands	2110	54,7%
Colombia	550	14,2%
Kenya	210	5,4%
Ecuador	155	4,0%
Israel	120	3,1%
Zimbabwe	70	1,8%
Zambia	23	0,6%
Uganda	16	0,4%
Other	606	15,7%
Total	3860	100,0%

Source: Uganda's floriculture and horticultural sectors, VEK Adviesgroep

7 Assessment of strengths, weaknesses, opportunities and threats (SWOT) in the flower sector

7.1 Strengths

Organized flower sector
The flower sector is highly organized, for local and export markets alike (UFA and UFEA respectively). As the members of UFEA are producers as well as exporters, they control large part of the supply chain.
In 2004, the Uganda flower strategy 2005-2010 was elaborated; build directly upon earlier studies under sponsorship of the Environmentally & Socially Sustainable Development Network (ESSDN) and the Private Sector Department (PSD) of the World Bank. This study recommended that the floriculture industry receive access to support in such areas as: expansion of the industry to new areas, product diversification, incentives, financing, research and development.

Integration in supply chain
All commercial farms are well integrated in the supply chain, are either subsidiaries of international companies or have direct links with the export markets. The flower sector has the market expertise and access to market intelligence. All farms comply with EurepGAP standards.

Ugandan climate
With the proper infrastructure, Uganda has a good climate for horticulture in terms of altitude, available land and availability of water.

Macro-economic stability
The political climate of Uganda is stable (apart from a restricted area in the North, bordering Sudan). Economic and institutional reforms after 1987 have resulted in macroeconomic stability with low inflation rates. Furthermore, the GoU has implemented policies for the development of non traditional commodities, like flowers.

Labour costs
Low labour costs, also in comparison to Kenya, remain an attractive factor for the development of the labour-intensive floriculture sector.

7.2 Weaknesses

Investment climate
According to most interviewees, Uganda’s investment incentives cannot attract new investors because neighbouring countries (Kenya and Ethiopia) offer better incentives. For foreign investors Uganda is not competitive. For example the country abolished the 10-year tax holiday that was of interest to foreigners. Nevertheless, there are additional incentives proposed under the EPZ Bill that will benefit investors under gazetted EPZs.

Financial climate
According to UFEA, growers are frustrated by the fact that financial institutions are not providing long-term loan facilities. The longest loan term is usually eight years, unlike countries in Europe who extend agricultural loans for up to thirty-five years. Commercial banking institutions charge high interest rates (as high as 25%) and

have relatively short repayment periods (up to 8 years, e.g. the APEX funds). Funds for agriculture development are currently channelled through the Bank of Uganda, which charges a 3% interest before passing on these funds to the commercial banks, which in turn will add up to a further 6% - 8% interest making a total of 12 – 14%.

Appropriate cold chain
Cold chain management is a critical factor in successful floriculture export. Uganda's flower exporters must control three key factors: (a) ensure availability of on-farm cooling facilities; (b) provide access to transport facilities able to maintain correct temperatures and (c) deliver product in a timely fashion. Ugandan growers currently operate with on-farm cool storage facilities, but a number of them do not transport flowers to the airport in refrigerated, or even insulated, trucks. This means that flowers, even if cool enough when leaving the farm, can heat up again on the way to the airport. To support competitive industry expansion, effective cold chain management activities will become increasingly critical as the volume of exports increases.

Fresh Handling Ltd. indicated that, besides offering relative expensive handling services, the main destination airports like Schiphol represent risks in the cold chain. Delays do occur when cargo is not dealt efficiently at arrival.

Research & Development
UFEA initiatives provide important support and most firms in the industry carry out some breeding and research activities as part of their ongoing business activities. Nevertheless, the association acknowledges that the industry does not have sufficient training and/or research and demonstration (R&D) capacity to carry out the product trials and research needed to support industry expansion.

Research and development are also needed for improved integration of the small producers of flowers in national markets (outlets / supermarkets) and for a better integration in international supply chains (by strategic alliances with large exporters).

Skilled and trained labour
Although some training initiatives have started, there is still a need for well trained technical, middle and high management staff focused on the floricultural sector. In addition technical training is needed to develop the skills and expertise needed for maintenance and repair of infrastructure in horticulture, like cold chain facilities.

7.3 Opportunities

Diversification of exported flowers
What buyers in U.S. and European markets refer to as "hot" flowers grow well in Uganda. These are tropical flowers such as heliconia, strelitzia, gingers, etc., which sell in significant quantities in niche markets around the world. Moving into production and export of these flowers, which bring higher per stem prices but cost more to produce, package and transport, will depend upon Uganda's ability to expand markets, increase productivity, and decrease costs.

Better (continuity in) quality will help stabilise prices. It is also important that the Ugandan producers recognise that the main competition comes from other African countries and that they should work together to promote Ugandan quality and establish the critical mass to keep costs under control.

New market channels and added-value
Arguably the most important market shift in the past 10 years has been the rise of the supermarket as a distribution channel and the resulting increase in demand for cut flowers in large retail markets. Demand in the large supermarkets for flowers organized in bouquets composed of various kinds of cut flowers and fillers (e.g., leatherleaf and asparagus fern) has opened a growing retail segment which is not served directly by the auctions. The imperative to serve this retail, special package segment, has led to the development of a new form of floriculture enterprise, the bouquet house, which operates as a centre from which bouquets are assembled and shipped. The development of bouquet houses would increase market opportunities for small growers of flowers, as they produce the "fillers".

New appropriate locations for flower production
For the planned extension of floriculture farms, current locations need to be expanded, and new locations identified and developed. Potential upland growing areas have been identified, with a cooler climate more suitable to growing larger roses and other cut flower varieties. There are possibilities for high altitude investment in the areas of Mbale and Fort Portal.
Newly to be developed location areas, however, lack adequate infrastructure, a fact that increases investment costs, unless an effective public-private infrastructure development partnership is in place.

Before expanding into upland areas, cost structures (remoteness to airport) and Ugandan international market position need to be reconsidered to assess whether the new locations will be able to compete with the targeted product-markets (in the case of upland areas particularly with the long stemmed roses from Kenya).

7.4 Threats

Competitive position of Uganda in world market
The average prices obtained for Ugandan flowers reflect another trend on the world market: a satisfied market. From 1990 to 2003 there has been a huge growth of small cut flowers imported through the Dutch auction, main channel for the Ugandan Roses (see figure 5 on the next page). If the market oversupply continues, the Ugandan prices may come under increasing threat and some of the smallest flowers might not even be sold. The supply situation from Africa is also changing. Recently significant increases in planted areas were realised in Kenya and Ethiopia and to a lesser degree in Uganda. Whilst most of these plantings are of the intermediate types, they will have a negative impact on the price of the small-flowered roses.

A side-effect of a saturated export market, signalled by UFA, is the oversupply and subsequent lower prices on local markets, where export flowers are dumped when they cannot compete in quality or price for export.

7.5 Summary and conclusions

Strengths	Weaknesses
• Organised sector • Integration in supply chain • Physical climate • Macro-economic stability • Labour costs	• Investment climate • Financial climate • Cold chain • Skilled and trained labour • Research and development
Opportunities	**Threats**
• Diversification of export flowers • New market channels • Added-value • New locations with different climate	• Competitive position in small flowers

It can be concluded that the floriculture in Uganda is a small and growing sector, with various opportunities to further growth. Additional (foreign) investors are required to attain a structural growth in the sector and increase the competitive position. A joint public-private sector initiative is required to address the observed weaknesses. Hereby the investment and financial climate are essential to attract additional foreign investors. A further support to research and training in the floriculture sector is essential to increase the competitive position of the sector and to ensure that quality on the small and mediate flowers increases as well as the required search into a diversification of the assortment.

7.6 Strategies

The Uganda Floriculture Strategy 2005 – 2010 aims at growing from a volume of 6,000 MT and export earnings of close to $30 million dollars to an export volume of 20,000 MT and export earnings of at least $80 million dollars by 2010. At this level, the industry will support 15,000 direct jobs and approximately 75,000 livelihoods, and will put approximately $20M a year into the economy in the form of wages, transport fees, packaging, inputs and other purchases.

According to the plan, Uganda's floriculture industry must shift the current competitive advantage factors (costs of labour and costs of production) to a wider range of factors which will lead to new positioning for Ugandan flowers in international marketplaces. Only then will Uganda be able to compete within a global marketplace characterised by shifting patterns in world floriculture.

According to the consultants the strategy should encompass four major aspects:

- Further explore and develop Uganda's competitive position as supplier of sweetheart roses.
- Focus on diversification of the product assortment in potential niche markets ("hot flowers" such as heliconia, strelitzia, gingers)
- Exploring potential value-adding activities (production of bouquets)
- Shift to production of cuttings

8 The Fruit and Vegetables Sector

8.1 Overview of the sub sector

The agricultural sector consists mainly of smallholder farming with just a few larger commercial plantations. The smallholder farmers cultivate on average 1.5 ha using mainly traditional production methods, without mechanisation. There is very little irrigation or use of fertilizers and pesticides, leading to relatively low yields of naturally produced agricultural products.

In addition to staple food crops (banana (*matooke*), beans, cassava), horticulture (cabbages, tomatoes, onions, spinach, carrots, eggplants, greens and mushrooms among other crops) provides some extra income for smallholders. Most of the fruit and vegetables are produced for own consumption and the local market. An often-overlooked Ugandan product with excellent quality is honey.

Banana is a major crop in Uganda (95% of the fruit production) and competitive within the region. Pineapple production is competitive as well, with a share of 27% in comparison with Kenya and South Africa.

The majority of small farmers are not associated to farmers groups or marketing associations to facilitate the marketing process. As a result, farmers are basically price-takers.

There are three main producers' and exporters' associations in Uganda. The Uganda National Farmer' Federation (UNFFE), which integrates producers' groups at district level. The Federation represents its members towards third parties (donors, GoU) and offers information and extension services to its members. The UNFFE has a program to streamline all district projects on the subject of HIV/Aids and collaborates with NGO's specialized in the theme.

Where HORTEXA represents around 500 FFV (small) producers, AFPEC, established in 2003, is an association of fruits and vegetables exporters supplying commercial services to its members. AFPEC coordinates shipments (aircargo) with the fish industry (Icemark).

For the purpose of involving small farmers in export supply chains and train them in quality, food safety and traceability standards, MAAIF has established 14 collection centres (of the 20 centres planned), the so-called export villages. Almost none of the export villages have reached EurepGAP certification as yet.

The private sector has invested in outgrower schemes for the production of vegetables and (dried) fruit to supply their own niche markets (dried fruits, ethnic vegetables and organics). Those exporters with stable export channels, audit their outgrowers to ensure compliance with international standards.

Commercial vegetable production in Uganda was introduced in the early 1990s, following implementation of the Structural Adjustment Programmes by the Government of Uganda. Initially vegetable trials received technical support from the IDEA project, funded by USAID. Commercial vegetable production is still at a low level and dominated by smallholder production. They supply mostly to local rural markets, which is a limited market due to low purchasing power and the fact that the majority of the population lives in rural areas where each household produces for its own requirements.

Table 5: Uganda Exports of Fresh Fruit and Vegetables
(Value in US $ 1,000 and Volume in metric tons)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Value	630	1,420	2,050	2,300	3,280	3,650	3,561	4,437	5,327
Volume	792	1,518	2,153	2,874	3,280	3,500	4,528	6,083	10,043

Source: *IDEA Project Final Report, in "Successful Supply Chains in Uganda".*

From table 5 we can deduct that fresh fruit and vegetable (FFV) exports have shown steady growth, even if the total value was still relatively small in 2003. Uganda remains an insignificant supplier on the world market, with the EU as the main export destination. Within the region Kenya remains the largest producers and exports of FFV (Table 6).

Table 6: Production area, number of companies and export values of fresh vegetables in Tanzania, Kenya, Uganda, Ethiopia and Zambia in 2004/2005

	Tanzania	Kenya	Uganda	Ethiopia	Zambia
Production area (ha)	> 2000	> 250,000	> 90,000	> 2500	2500
Number of commercial export farms	2	50,000	30 - 40	8	3
Export value (million €)	6	216	8 - 10	10 - 12	25
Industry growth	+/-	+	+	+	-

Source: Various, adapted by Verschoor

The market size of the dried fruit sector in Uganda is estimated at 90 Mt per annum. Five major companies are involved in fruit drying and export, with Fruits of the Nile enjoying a 76% share, AMFRI Farms Ltd 10%, Masaka Organic Producers 9%, Tefu Ltd 4% and Flona Commodities 1% (2002).

Fresh Handling Ltd. estimates that 30 to 40 companies export fresh fruits and vegetables, mostly chillies and matooke. Business practices of traders in the horticulture sector do not always aim at the development of long-term relationships with suppliers or market chain partners.

Malpractices (fraud, non-payment, unfair competition) have resulted in intermittent relations between traders and producers, lack of loyalty, commitment and reliability. This has led to the formulation of Trading Principles for the Ugandan Agro Business Sector (April 2005) by the BSMD.

8.2 Supply Chain

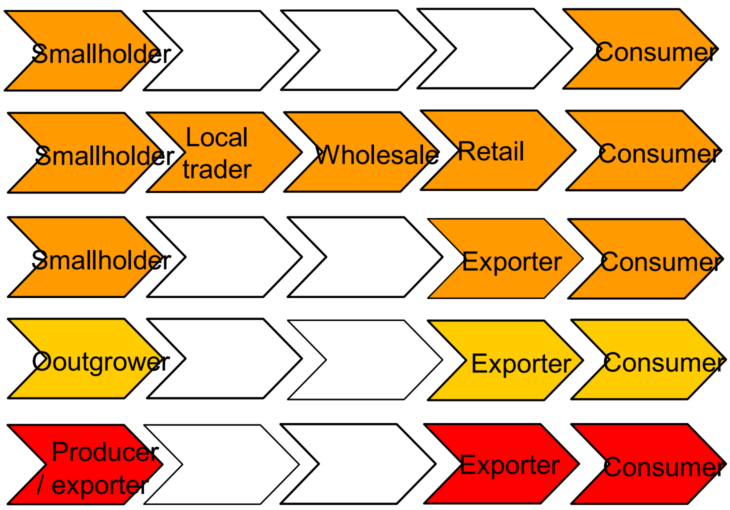
A wide variety in supply chains in the fruits and vegetable sector exist, determined by the he existing different farm types (subsistence farmers, small-scale commercial farmers, and large-scale commercial farmers) and their markets. The subsistence farmers have the shortest supply chain – often just the farmer and the buyer. For the main urban and regional markets, locally based traders will collect from the small-scale commercial farms and distribute to other market intermediaries. For local-traders the access to international markets has been inhibited by regulations such as EurepGAP and the need for traceability. Currently, traders operate with minimal facilities and sell to price driven importers, usually located in the wholesale markets of UK and Holland. This is a shrinking business, since the wholesale markets are gradually losing out their share to supermarket chains, which operate procurement contracts with a small group of approved importers.

The large-scale export farms appear to be in the best position to deal with regulations and requirements in the export markets and are likely to play an increasing role in export of fruits and vegetables. The modern farms with year-round irrigation, hygienic pack houses and cold chains are essential for competing on the international market.

However, also a role for some local traders is foreseen, acting as agents for large-scale exporters. The agents would then co-ordinate production from a limited number of small-farmers. Currently, exporters prefer to buy directly form small farmers, for reasons of traceability and quality control.

In terms of importance, only a small part of the total volume of fresh fruits and vegetables produced in Uganda passes through national and regional retail or are exported. The main part of all crops produced, is sold directly to the consumers on rural markets, or through small intermediary traders (see figure 6).

Figure 6 Forms of supply chain organization FFV



9 Assessment of strengths, weaknesses, opportunities and threats (SWOT) of the fruits and vegetable sector

9.1 Strengths

Ugandan climate
As already said for the flower sector, Uganda has a very good climate for horticulture in terms of altitude, available land and availability of water. However, for most of the fruits and vegetables for the European market the rather warm and humid climatic conditions are considered a weak point.

Economic climate
Likewise, the FFV sector benefits from the stable political and macro-economic climate of Uganda.

Costs of labour
Low labour costs, also in comparison to Kenya, remain an attractive factor for the development of the labour-intensive fruits and vegetable sector.

9.2 Weaknesses

The main barriers that exist for expanding the fruits and vegetable exports are the weak organisation of the private sector and the low level of organisation and coordination in the supply chain. All other observed weaknesses are considered to be a result of these two observations.

Weak organisation of private sector
The actors in the fruits and vegetable sector are lacking an efficient organisation, if compared to the floriculture sector in Uganda and the fruits and vegetable sector in neighbouring Kenya.

Low level of organisation and coordination in supply chain
The fruits and vegetable export supply sector is characterised by many relatively small-scale producers and middlemen and assemblers, with only a few semi-professional exporters. Coordination of the various activities is weak. Malpractices (fraud, non-payment, unfair competition) have resulted in intermittent relations between traders and producers, lack of loyalty, commitment and reliability.

Competitive position
Due to the weak organisation and absence of unique strong points compared to neighbouring countries, the competitive position of the sector in Uganda is considered to be low.

Lack of post-harvest / pre-packaging / processing facilities and management / Quality Control
Lack of adequate facilities and management skills result in sub-optimal harvesting, sorting, packaging and transportation of produce. As a result, there is a high incidence of post harvest losses, especially for perishable commodities. Quality control in horticultural production is not organised centrally. The lack of assurance of quality by producers often results in very poor prices or non-payment for delivered products.

For the development of added-value markets, both the export niche markets and the regional retail outlets, expansion of the number as well as quality of post harvest facilities for washing, grading and pre-packing in the rural areas is needed.
Furthermore, most of the infrastructure needs to be improved to effectively support the horticultural sector growth and expansion, such as roads, competitively priced and reliable power, and an efficient airport and cold chains from the farm to the airport.

Lack of private sector investment
Investments in new farms and processing facilities are essential. For example, only one of the vegetable exporters has cold chain facilities and there are only two professional pack houses (and a few rudimentary ones that do not meet international standards). Based on experiences in Kenya and Zimbabwe, specialized products require investment in integrated production and market systems by large-scale commercial growers with links to organized groups of out growers.

Economy of scale by organizing small farmers for commercial production
The small size of farms hampers the feasibility of export–oriented production in view of the international standards on traceability and registration of farmers' practices.
For successful integration in international supply chains, small farmers will need to establish minimal organization of production and post-harvest management.
At this moment, the largest part of small farmers consists of subsistence farmers without any knowledge of the requirements of international markets.

To assess sustainability, further research is needed on the break-even point between (a) minimum economy of scale needed (volumes, farm size, organization), (b) farm investments (agricultural practices, quality control, management systems) and (c) added value received by the farmer. Other factors, like the financial position of the farmer, market awareness, and entrepreneurship, determine successful integration in supply chains. Therefore a minimal profiling of farmers is needed

Though different farmers and branch organizations are active for (small) farmer's members and associates, actual market linkage and market chain integration is done by individual estates and exporter companies. Strategically, linking existing organized farmer groups at district or county level with market partners has a high potential of mutual benefit for partners.

Lack of improved varieties
An organisation is lacking providing and distributing good quality seed or planting materials of fruits and vegetables. Some farmers retain seeds themselves, but do not preserve them properly. Private nurseries for production and supply of quality planting materials are very scarce.

Farm management practices
Land, soil and crop management technologies are poorly adopted and not applied continuously. This has resulted in diseases and pests that lead to low yields and quality. In cases where insecticides and pesticides are used, their application is conducted according to a fixed time schedule, ignoring the level of incidence and degree of damage. This may result in marketing of fruits and vegetables, which are sometimes contaminated with chemical residues. Use of inputs by small-scale farmers is in general constrained by relatively high prices of inputs and unreliable availability, while also often the quality of inputs is below standards.

Land rotation complicates the establishing of an appropriate cold chain, as distances from the harvesting areas to the cold stores may vary. Scarce irrigation facilities impede year-round supply.

Finance/credit
Access to finance and credit are structural problems for agribusiness investors, due to the intrinsic risks involved. Procedures and processes to access the financial services have not been streamlined even for those who can afford them. In particular the easier accessible source of micro-finance is very expensive, and not profitable for farming. It is only suitable for traders with high rates of capital turnover in short periods of operation.

EUREPGAP certification
Only a few actors are EUREPGAP certified, limiting the access to the international markets.

Lack of expertise / technical skills
Although the daily cost of labour is highly competitive, labour efficiency is low at all levels. At national level, training is weak. The public extension service delivery has been decentralized to the districts. There are only two public officers responsible for horticultural crops, at district and sub county level respectively, to provide services for all enterprises. The officers are poorly facilitated causing a very limited impact of extension services on production of horticultural crops.

In the area of horticultural research and technology transfer, there is minimal public sector capacity. Despite its importance to the Ugandan economy, NARO targets a relatively small amount of its research on horticulture.

There are no technical bulletins or handouts for reference by farmers on general aspects of production of horticultural crops. There is insufficient market information for export opportunities as well. Major access to market information and trade principles will have a beneficial influence on existing distrust and malpractices between market partners in the horticultural sector.

9.3 Opportunities

High Value niche markets
Because of Uganda's dependence on airfreight for extra-regional horticultural exports, the sector is restricted to very high value products that can support the cost of airfreight. Uganda is therefore not competitive in the high volume markets for bulk fruits and vegetables, but can competitively utilize its potential in the niche markets, including that for organically produced products and honey.

Some processing of fruits and vegetables is already taking place and there is a good long-term potential for growth. Small market niches exist for solar-dried banana, pineapple, mango, papaya, and chilli as well as passion fruit juice and concentrate.

Growth of regional and domestic markets
There is great potential for increasing regional exports of horticultural products from Uganda into neighbouring countries of Kenya, Sudan, DRC, Tanzania, and Rwanda.
Further urbanisation processes will also give a boost to the development of the domestic market for horticultural products. The focus of development policies should

include development of the domestic market for fruit and vegetables (investments in infrastructure), in addition to export orientation.

9.4 Threats

Cost structure
As mentioned already, the international position of Uganda as an exporter of fruits and vegetables depends on the cost structure of the fruit and vegetable supply chain in comparison with the costs of other exporting countries, in and outside Africa.

Costs of airfreight
The cost of airfreight is strongly related to price levels of crude oil and is therefore considered to be a threat.

Fragmented donor support
Support to the fruits and vegetable sector is fragmented and not well coordinated. This lack of coordination and the high interest of many donors in the sector, have a negative influence on the level of necessary private sector investments (for instance by exporters).

Other, non-economic threats include the ongoing social problems caused by HIV/Aids, possible destabilization caused by regional conflict and / or civil wars.

9.5 Summary and conclusions

Strengths	Weaknesses
• Biophysical climate • Economic climate • Labour costs	• Supply chain organisation • Organisation of the private sector • Competitive position • Quality management • Private sector investment • Economies of scale • Improved varieties • Farm management • Finance / credit facilities • EUREPGAP certification • Expertise / technical skills
Opportunities	**Threats**
• High value niche markets • Regional market development • Domestic market development	• Cost structure • Costs of airfreight • Too much fragmented donor support

The fruits and vegetable sector is dominated by smallholder farmers, small-scale traders and a few large-scale exporters and is in general poorly equipped to further develop the highly competitive export market. Hardly any competitive advantage for the international and regional market is observed with the current level of organisation, low professionalism of the sector and assortment of fruits and vegetables. Opportunities are observed in exploring high value niche markets and targeting the domestic and regional markets.

9.6 Strategies

Based upon the above-mentioned analysis two basic strategies are considered to be appropriate to further develop the fruits and vegetable sector:

- Increase professionalism in the sector through knowledge development and chain organisation
- Attract (foreign) investors through improvement of investment conditions and optimising the investment process

10 The definition of partnership

Within the WSSD framework for the fulfilment of the Millennium Development Goals, the Dutch Government has described the concept of partnership. It defines a partnership as a special form of collaboration between partners from different sectors, like governments, civil society organisations, the business sector and knowledge institutes. In a partnership every partner brings in 'his' resources, be it money, knowledge, networks or labour. Partners in a partnership share risks, responsibilities and rewards.

The Kenya stakeholders meeting emphasised collaborative efforts of governments, private partners and civil society organizations, in the Netherlands and the countries concerned, to reach common objectives in a particular field of interest. Partnerships are based on mutual respect, and shared responsibility of the partners involved. Such a partnerships type of co-operation typically addresses issues that a single partner, either from the public or the private side, find difficult to tackle, but can be addressed by the partners together. For further details see annex 3 of the report in the stakeholders Consultation of 20 January 2005 in Nairobi.

For the assessment of partnership initiatives, the following guiding criteria have been given (in terms of reference and position papers Kenya):

- Evident commitment of partners (financial and regarding content)
- Specific attention to the position of small holders and out growers and how they and their organizations (if any) could benefit from improved regional dialogue and co-operation
- Imbedded in already existing regional institutions
- Expected positive impact on market access in 3-5 years
- Spin-off impacts on national and regional market development and poverty reduction
- No overlap and where possible linkages with existing programs and activities

11 Proposals for Public Private Partnerships

During the mission an attempt was made to "pick the mind" of all interviewees to come up with global ideas for partnership activities.

In the consultants' view, the following options merit attention for potential partnerships:

Floriculture
Establishment of a research and development fund to facilitate expansion, diversification and value-addition
Private-sector-led training facilities at management level
Facilitation of smallholder involvement in the floriculture sector (among other identification of appropriate types of flowers, pilot project etc.).

Fruits and vegetables
Facilitating sector professionalism o Support to knowledge and chain development at various levels o Pilot activities in certification processes
Programme to improve investment conditions and facilitate investment processes

In a 2-year period prior to this mission, a number of Dutch initiated initiatives, to support the horticultural sector in Uganda were undertaken. This has resulted in two proposals:

- Strengthening the Ugandan phytosanitary services in export-oriented floriculture and fruit and vegetable sub-sectors, including the emission of e-certificates (Client pilot project);
- Establishment of a Horticultural Training and Development Centre UFEA.

The training needs were clearly prioritised again during the mission, also for the fruits and vegetable sector. However, during the mission none of the stakeholders identified the need for strengthening of phytosanitary services or reduction of administrative burdens during the export process. This may be due to the fact that these initiatives are already addressed in these initiatives, but it is definitely recommended verifying the priority of these issues during the stakeholders' consultation. The proposed activities in the areas of phytosanitary issues, export administration (CLIENT) and training in its current form don't match the criteria for inclusion in the partnership programme both in terms of character and budget. It is therefore recommended to review the existing proposals during the stakeholders' consultation and explore the possibility of including appropriate components of these proposals in the partnership programme. A summary of these proposals is presented in annexes 5 and 6.

12 Methodology and process management

In view of the ample documentation existing on the Ugandan horticulture, stakeholders are frequently consulted for their opinions, strategic plans.

Talking from experience, stakeholders expressed some views and recommendations on the process of donor programs in general and the WSSD program in particular:

1. Description and interpretation of the concept "partnership", clear to all involved in the process. It is recommended to have partnerships formalized with specification of quantitative goals within a specified timeframe.
2. Appoint specific persons of participating institutions who will function as instigators and motivators in the partnerships. They should have sufficient mandate for efficient decision-making.
3. The owner of the problem should participate in the partnership addressing it.
4. External finance must stimulate entrepreneurship by offering opportunities of improvement, more than financing them.
5. Install a process-controller as auditor of the partnership process. He / she will supervise and support the quality of proposals activities, see that commitments are met, help out when problems arise, be a contact person for the WSSD program, etc.
6. There was a request to ascertain that during the whole process, the same persons per institution attend, with knowledge of antecedents and previous commitments made.
7. There was a plea for more coordination among Dutch institutions and follow-up of missions / research conducted and proposals elaborated.

Several interviewees suggested that the WSSD program directly selects and works with a limited number of partnerships, without holding stakeholders meetings for that purpose. Thus focusing efforts from the start, the quality of the proposed activities would benefit, as well as facilitate "obtaining tangible results". Notwithstanding these comments, all recognized the importance of stakeholders'' platforms for discussion, coordination and commitment to chosen strategies.

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Annex 1 List of acronyms

ACP	Africa, Caribbean and Pacific
AFPEC	Association of Fresh Produce Exporting Companies
APEP	Uganda Agricultural Productivity Enhancement Program, core program by USAID for the development of the agricultural sector
ASPS	Agricultural Sector Program Support
BSMD	Business Services Marketing Development Project Uganda
BOU	Bank of Uganda
EAC	East African Community
EPOPA	Export Promotion of Organic Products from Africa (financed by Sida and AgroEco)
FFV	Fresh Fruits and Vegetables
GOU	Government of Uganda
HORTEXA	Horticultural Exporters Association of Uganda
IDEA	Investment in Developing Export Agriculture
IFC	International Financial Company
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MFPED	Ministry of Finance, Planning and Economic Development
MTCS	Medium Term Competitive strategy
MTTI	Ministry of Tourism, Trade and Industry
NARO	National Agricultural Research Organization
NEMA	National Environment Management Authority
NOGAMU	National Organic Agriculture Movement of Uganda (UgoCert)
PEAP	Poverty Eradication Plan
PMA	Program for Modernization of Agriculture
PSOM	Program for Co-operation with Emergent Markets (for its acronyms in Dutch), Program of Dutch Ministry of economic Affairs
SCOPE	Strengthening the Competitiveness of Private Enterprise (USAID)
SPEED	Support for Private Enterprise Expansion and Development (USAID)
UCB	Uganda Commercial Bank
UDB	Uganda Development Bank
UEPB	Uganda Export Promotion Board
UFA	Uganda Floricultural Association
UFEA	Uganda Flower Exporters Association
UIA	Uganda Investment Authority
UIRI	Uganda Industry Research Institute (MTTI)
UNBS	Uganda National Bureau of Standards (MTTI-NSC National Standards Council)
UNFFE	Uganda National Farmers' Federation
UPQIS	Uganda Phytosanitary and Quarantine Inspection Services
USAID	United States Agency for International Development

Annex 2 Relevant Institutions

Three types of institutions involved in horticultural related activities can be identified: public institutions, branch organizations (farmers associations and private institutions), and development partners.

Public Organizations

Uganda National Bureau of Standards (UNBS)
The bureau is responsible for development, promotion and enforcement of standards, quality assurance, metrology, and testing practices. It protects consumer interests and equity in the market place and maintenance of an international tracking system.

Uganda Investment Authority (UIA)
Assists in the issuing of licences, work permits, and loan approvals, industrial and agricultural land, contacts for those interested in joint ventures, and makes recommendations to the government to facilitate a sector or category of investors.

Uganda Export Promotion Board (UEPB)
UEPB provides trade and market information services, customized advisory services, formulate and recommend to government export plans and strategies.

National Agricultural Research Organisation (NARO)
Has a mandate to undertake, promote and coordinate research in all aspects of crops, livestock, fishery and forestry. Kawanda Agricultural Research Institute (KARI) one of NARO's institute is responsible for horticultural research and development. New varieties of horticultural crops are developed or introduced and new inputs are tested at KARI.

National Agricultural Advisory Services (NAADS)
The National Agricultural Advisory Services (NAADS) is one of the seven programmes under the Plan for Modernisation of Agriculture (PMA) put in place to increase the efficiency and effectiveness of advisory service delivery. It is aimed at increasing farmer access to information, knowledge and technology.

Ministry of Tourism, Trade and Industry (MTTI)
The role of the MTTI is to coordinate domestic, regional and international trade and marketing (including WTO), agro processing and industrial use of raw materials.

Ministry of Agriculture Animal Industry and Fisheries (MAAIF)
The ministry deals with agricultural policy formulation, planning, sector monitoring and guidance.

Ministry of Finance Planning and Economic Development (MFPED)
The MFPED deals with public funding, coordinating with donors, national planning and monitoring.

Makerere University (MU)
MU is the leading institution of higher learning producing graduates in agriculture and agro-industry. The key role of the Faculty of Agriculture is to develop human resources required in the agricultural sector.

Branch organizations

Uganda National Farmers Federation (UNFFE)
UNFFE is an umbrella organisation bringing together all farmers in Uganda.

Horticultural Exporters Association (HORTEXA)
The organisation serves horticultural growers and exporters by promoting horticultural production for local and international markets, ensuring product quality to meet international standards, provide technical assistance and serves as a medium for negotiating competitive and uniform prices.

Uganda Flower Exporters Association (UFEA)
The UFEA is an umbrella organisation bringing together all the stakeholders in the flower industry in Uganda. It provides support services to the flower growers.

National Organic Agriculture Movement (NOGAMU)
This is an umbrella organisation bringing together all organic crops producers and exporters.

Uganda National Chamber of Commerce and Industry (UNCCI)
The organisation is responsible for coordinating the commercial and industrial sectors in Uganda.

Private Sector Foundation (PSI)
Is an apex body of the private sector organisations in Uganda and advocates for policies, carries out studies related to private sector competitiveness and participation in economic development.

Uganda Floriculture Association (UFA)
UFA promotes and encourages floricultural production and marketing mainly for the local market.

Development partners (donor funding)

DANIDA /ASPS – Agriculture Sector Programme Support
DANIDA finances the Agricultural Sector Programme Support (ASPS), that will run from 1999 to 2009. The ASPS is a Uganda agricultural development Programme under the PMA. The Programme has its focus on poverty reduction and household food security. It aims at improving the livelihood of small-scale farmers by increasing production in the rural areas. The ASPS is targeting the agricultural sector in a broad sense, providing assistance to a diversified number of activities including agricultural education, establishment of district agricultural training and information centres, support for rural households, assistance to livestock research, support to farmers' organizations and the provision of rural financial services.

DFID - BSMD
DFID finances the Business Services Marketing Development Project Uganda. The BSMD (also receiving funding from ILO) has conducted several supply chain studies and elaborated the Agro-business Trading Principles

USAID
USAID finances to APEP and other donor programs such as SCOPE, SPEED.

SCOPE – Strengthening the Competitiveness of Private Enterprise
SCOPE assists private sector leaders in targeted sub sectors to identify markets and set market targets, develop market strategies and plans. The program works with different (traditional) commodities, and works with private and public sector actors.

Rural SPEED - Support for Private Enterprise Expansion and Development
Designed to meet the needs of microenterprises and small and medium enterprises (SMEs), SPEED focuses on access to finance and business skills development.

Annex 3 List of People met during the Mission

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Annex 4 UFEA Production Area February 2005

	Company	Products exported	Area in production	Future expansion	Total area	Area on Hydroponics
			(in hectares)			
1	Aurum Roses	Jupiter, Chelsea, Sunbeam, Red Calypso, Escimo, Red Giant, Valentino, Banjo	6	4	10	3,5
2	African Agro Industries / Xpressions	Escimo, Lambada, First Red, Frisco, Tina, Maxine, B. Beauty, Hocus P., Sacha	10	2	12	0
3	Bellflowers	Iceberg, Sunbeam, Escimo, Red Giant, Aloha, Revue, Goldy	8	3	11	3
4	Figuga	Chrysanthemum cuttings	14	4	18	0
5	Jambo Roses	Escada, Frisco, Valentino, Odelia, Inka, Lambada, Noblesse, Tineke, Sacha, Gotcha	9	4	13	4
6	Kajjansi Roses		5,5	3,2	8,7	0
7	Magic Roses	Red Calypso, Poeme, Chelsea, Sunbeam, Viva	8	0	8	2
8	Mairey Estate	Poeme, Sunbeam, Sacha	11	2	13	2
9	Mellissa Flowers	Chelsea, Frisco, Escimo, Sacha, Maxime, Souvenir, Lambada	12,5	0	12,5	8,3
10	Oasis Nurseries	Amore, Dream, Escimo, Gabriella, Golden Gate, Maxime	7	4	11	0
11	Pearl Flowers	Frisco, Rodeo, Black Beauty, Safari, Chelsea	5	4	9	4
12	Rosebud I & III	Marie Claire, Akito, Dream, Lambada, Escimo, Chelsea, Revue, Samoa, Tivoli, Meera, Yellow Chelsea, Red Calypso, Poeme, Viva	29	29,5	58,5	18
13	Uganda Hortec	First Red, Konfetti, Sunbeam, Iceberg, Frisco, Chelsea	6	6	12	0
14	UgaRose	First Red, Lambada, Golden Gate, Dream, Escimo	6	4	10	0
15	Royal van Zanten	Chrysanthemums	8	0	8	0
16	Venus Farms (U) Ltd.	Sunbeam, Konfetti, Frisco, Chelsea, Sacha, Escimo, Poeme	8	4	12	0
17	Victoria Flowers (U) Ltd.	Lambada, Escimo, Birdy, Inka, Bixa, Red Calypso, Sunbeam, Akito	8	2	10	1
18	Wagagai Ltd.	Poeme, Jamilla, Bikini, Tivoli, Red Calypso	10	0	10	9,5
19	Wagagai Chrysanthemums Ltd.	Chrysanthemum cuttings	8	0	8	
20	Wagai Select Ltd.	Tivoli & pot plant cuttings	1,1	1,2	2,3	1,1
21	Sai Farms			5	5	0
			180,1	**81,9**	**262**	**56,4**

Annex 5 Project proposal Strengthening Phytosanitary Services

Strengthening the Ugandan Phytosanitary Services in the export-oriented floriculture and fruit and vegetable sub-sectors

20 May 2005 – Tentative Project Outline

Ugandan Stakeholders:

Main stakeholders:

- Uganda Flower Exporters Association (UFEA), which represents the interests of the commercial producers in the floriculture sector. Roses are the main exported products; other commodities are chrysanthemum and gerberas. In 2004 the total exported volume was 6,300 metric tonnes of flowers, cuttings and potted plants with a total FOB value of USD 32 million. Annual sector growth averaged 25% over the past few years. The Ugandan floriculture sector has the plan to expand total area under flower production to 360 ha by 2007, bringing in export revenue of USD 50 million and providing employment to around 10,000 people.
- Horticultural Export Association of Uganda (Hortexa), which represents the interests of the export-oriented fruit and vegetable growers. Exported fruit and vegetables are mainly peppers, chillies, okra, avocado, pineapple, ginger and passion fruits. In terms of volume and value the fruit and vegetable volumes are not as substantial as the floriculture sector, but like the flower exports the sub-sectors have grown over the past years.
- Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), Crop Protection Department, which supervises the Uganda Phytosanitary and Quarantine Inspection Services (UPQIS); the UPQIS is generally understaffed and has limited facilities. Main port of export is the Entebbe International Airport where UPQIS has a small office. At the National Agricultural Research Organisation outside Kampala the UPQIS has a diagnostic laboratory.

Other stakeholders:

- Fresh Handling Ltd. (FHL), which was created a few years ago with the assistance of USAID. FHL handles 95% of the flower exports and around half of all fruit and vegetable exports to Europe. FHL manages a cold storage near Entebbe airport and has introduced grades and standards for various products.
- Uganda National Bureau of Standards (UNBS) is the accredited laboratory for analyses for amongst others pesticide residues; UNBS is also the accreditation authority for other laboratories.

Some prevailing issues related to phytosanitary inspections and other plant health matters:

- Phytosanitary export inspection capacities and facilities (transport, communication, etc.) are limited; issuing of export certificates is done at another location from the place of inspection itself (usually at the premises of FHL); no diagnostic possibilities at the airport premises.
- There are no monitoring and surveillance programmes to back up the ‘reduced phytosanitary check’ status of flower exports from Uganda; establishment of Pest Free

Areas is therefore also not possible. The capacities for diagnostics are limited, but MAAIF plans are made (implemented?) to construct a new diagnostic laboratory.

- There is currently no dedicated programme or institute that focuses on preventative measures or quality enhancements in the export-oriented horticultural sector. Through the export growers' associations attention is given to some of these matters (note: UFEA growers are certified for MPS and Eurep-GAP), but technical support, training and information services centred on these matters are not institutionalised.

Proposed objectives and interventions:

Goal	The project will contribute to the following overall objective: ⇒ The Ugandan horticultural export sector has access to the EU markets without phytosanitary constraints.
Purpose	By the end of the project the following will have to be achieved: ⇒ The public and private partners involved in phytosanitary inspections and the prevention of plant health problems in the export-oriented horticultural sector have adequate organisational and institutional capacity to effectively and efficiently address challenges linked to prevailing phytosanitary and quality standards on the EU markets.
Outputs	The following outputs will be produced by the project: 1. UFEA, MAAIF, UPQIS and HORTEXA have jointly identified and prioritised strategies for phytosanitary improvements in the export-oriented horticultural sector 2. Phytosanitary export inspections of flowers, fruits and vegetables destined for the EU market are implemented reliably and more efficiently 3. Effective and efficient cooperation between phytosanitary services and export growers on the monitoring and surveillance of jointly selected harmful organisms 4. Institutional arrangements and organisational capacities to prepare and deliver demand-driven training and information services on phytosanitary regulations, preventative measures and other plant health issues to the horticultural export production sector are established.
Activities	In order to produce the four outputs listed above the project partners will undertake the following main activities: 1. Towards the join definition and prioritisation of phytosanitary improvement strategies in the export oriented horticultural sector: 1.1. Planning and implementation of a four-day technical workshop for training and informing MAAIF (Directorate for Crop Protection) and UPQIS staff as well as participants selected by UFEA and HORTEXA on (a) EU phytosanitary developments, (b) ISPM 7 Export Certification Systems (c) import inspection procedures in EU countries and (d) public sector quality assurance systems prevailing in the horticultural sector

	1.2. One-week study tour of delegates (3 – 4) from MAAIF, UFEA and HORTEXA to the Netherlands to study the phytosanitary import inspection systems, including electronic certification (CLIENT system) in the Netherlands (note: following on from this tour a LNV mission will visit Uganda to check the practical feasibility of piloting the CLIENT-system in Uganda) 1.3. Planning and implementation of a broad stakeholder workshop to assess and decide on: ▪ The scope and need for improving the export inspection and certification procedures between UPQIS-staff at the airport and FHL (and other handling agents) ▪ The feasibility of piloting the CLIENT – system as project running parallel to this project to address issues related to speeding up the issuing of export certificates ▪ The need for more effective monitoring and surveillance and the selection of possible pilots, including determining the potential benefits and feasibility of establishing pest free areas ▪ The need and opportunities for improving the phytosanitary diagnostic services to support the various initiatives in the export-oriented horticultural sector ▪ Assessment of the professional training needs among the staff of the public and private partners involved in the implementation of the project activities 2. Towards the further development of reliable and efficient export inspections: 2.1. Technical advice on streamlining the phytosanitary export inspection procedures at Entebbe Airport, including the ways and means to enhance the efficiency in cooperation between UPQIS inspectors and FHL 2.2. Procurement and installation of computers, communication equipment and transport as well as phytosanitary inspection tools and basic diagnostic facilities for UPQIS export inspectors at Entebbe airport 2.3. Possibility of development of a manual with improved export inspection techniques in line with ISPM 7 will be investigated; when considered appropriate technical assistance may be provided for the formulation and introduction of the guidelines in the form of technical staff training. 3. Towards effective and efficient cooperation between the phytosanitary services and export growers on the monitoring and surveillance of harmful organisms: 3.1. Technical training of selected MAAIF staff and designated export growers' personnel involved in monitoring and surveillance: 3.1.1. Part A: training on (a) surveillance design and analysis techniques and reporting in accordance with ISPM 6 and (b) the establishment of pest free areas (ISPM 4 and 10) 3.1.2. Part B: practical training on field-level monitoring and scouting, data recording and pest / disease identification techniques for field inspectors and scouts working for export growers 3.2. Improving the diagnostic facilities of MAAIF at NARO (where necessary) to support the monitoring and surveillance programmes 3.3. Preparation of an operational plan for a first series of surveillance programmes in flower or fruit/vegetable export growing regions aimed at either assessing the pest risk status or establishing a pest free area. 3.4. Implementation of the surveillance programmes by field scouts and phytosanitary staff

	3.5. Evaluation and reporting on the outcome of the first series of surveillance programmes and joint decision making on possible expansion of the monitoring and surveillance programmes. 4. Towards the development of institutional arrangements and organisational capacities for training, information and backstopping services on phytosanitary regulations, preventative measures and other horticultural plant health issues: 4.1. Development of training modules for field staff on preventative measures and other plant health issues in the horticultural export sector through cooperation between technical and training specialists of the Ugandan training partner, Dutch TA and possibly other institutes in the region. 4.2. Upgrading of training facilities and supply of equipment (where necessary) for the implementation of the training modules 4.3. Provision of technical backstopping services on the implementation of preventative plant health measures 4.4. Establishing information exchange linkages between Ugandan and Dutch partner organisations on developments in phytosanitary regulations and their practical implications.

<u>Activities required before the start of project</u>:

0. Towards meeting the preconditions for project implementation, the following activities are recommended to take place prior to the formal start of the project:

   0.1. Establishment of consensus and commitment among the main project partners – UFEA, MAAIF / UPQIS, HORTEXA and RNE – on the objectives and partnership approach of the proposed project
   0.2. Establishment of a project coordination group with active participation of key stakeholders
   0.3. Agreement on the contributions (staffing, equipment, budgets or other types of resources) to be made by the various partners towards the implementation of the project activities
   0.4. Identification of a suitable training partner(s) for plant health issues in the export-oriented horticultural sector; opportunity to link potential Ugandan training providers with institutes in Kenya and/or Zambia (NRTT?) will be explored; the possible need for specialised training equipment in the context of this project will be investigated
   0.5. Inventory of existing development initiatives in the export-oriented horticultural sector related to plant health, quality and phytosanitary inspection issues.

Abbreviations used:

EU	European Union
FHL	Fresh Handling Ltd.
ISPM	International Standards for Phytosanitary Measures
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
RNE	Royal Netherlands' Embassy
UFEA	Uganda Flower Export Association
UNBS	Uganda National Bureau of Standards
UPQIS	Uganda Phytosanitary and Quarantine Inspection Services

Annex 6 Porject proposal Horticultural Training and Development Centre UFEA

Business plan for the Horticultural Training and Development Centre UFEA For: Ugandan Flowers Exporters Association (UFEA)

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Executive Summary

Horticulture in Uganda is a business activity that is easy to practice with a profit since the main production conditions are present by nature: climate, water, land and labour. Horticulture provides the nation with food, but it can also create export, foreign exchange earnings and ideally it can do both: feed the people and export high value produce.

Flowers are, together with Vanilla, vegetables and fish, since the early nineties Ugandan export products.
In 2003 flowers (both cut roses and cuttings) represented the main income out of export, with an export value of 26,52 million US Dollar, followed by vanilla (24,85 million US Dollar). The total export value of other high value agricultural produce brought some 12 million US Dollar to the country.

At this moment, some 142 hectares of flowers and 32 hectares of cuttings employ 6000 workers of whom the majority (54%) are women.

The market for flowers worldwide is estimated to be 3,5 billion Euro and is growing yearly 3% or 100 million Euro p.a.
With an export of 26.5 million US dollars Uganda is supplying only a fraction of the total market. The promising aspect is that the traditional production countries like Holland, Spain and Israel are hardly growing which give the producers in Africa the opportunity to take a share of the market bit by bit. Kenya is doing just that, and Uganda, that has less export than Kenya has a few unbeatable advantages: lower production costs due to an ideal climate and sufficient good water. At roses Uganda produces flowers that will open 100% in a vase of a European consumer, which is unique (Kenyan roses only open 60%) and at cuttings more and better cuttings are produced than in any other country in Africa.
But unfortunately, Uganda has not enough critical mass for export; the industry has to double at least to be able to set own conditions in logistics and in the market. It also lacks sufficient infrastructure to support the growth and profitability of the industry.

In this emerging industry cooperation is essential and exactly that is present in Uganda. Cooperation is the existing reason of UFEA, the Ugandan Flower Exporters Association. UFEA was established in 1995 as an umbrella organization bringing together all the stakeholders in the flower Industry in Uganda.
Wellantcollege, a group of vocational secondary education colleges and PPO, (Praktijkonderzoek Plant en Omgeving, Applied Plant Research) in The Netherlands work together with UFEA in writing this business plan.

To support growth of the flower industry and to improve the reinvestment margin for the Ugandan entrepreneurs, while creating a sustainable development of horticulture, continuous improvement is required to meet the customer’s expectations in and outside Uganda. As to

allow improvement, the industry has to be aware of weaknesses and opportunities. Invited by UFEA, a delegation of Dutch authorities visited Uganda at the end of 2002. As a result, a SWOT of the Ugandan Horticulture was confectioned, which served as a basis for the elaboration of this Business Plan for the Horticultural Training and Development Centre UFEA.

During our research visit to Uganda in the first week of March 2004, we first of all inquired from the Ugandan growers the needs to enhance the performances of the farms. Training of all staff has the highest priority followed by problem solving capacity and permanent education of future workforce. With this and other additional information, we could state that this SWOT still reflected quite accurately the actual situation, but a few elements had changed specially on the weaknesses and the threats side. We also became aware of new opportunities for the sector. With this new information we could actualise the SWOT of November 2002 (see SWOT of the industry on chapter 1). We concluded that a number of the weak points of the Ugandan Horticultural Industry like limited infrastructure, lowly skilled workforce, lack of market information, being too monocultural, not having enough critical mass, could be overcome by means of a centre where practical knowledge is generated and widespread among growers and workers.

The future Horticultural Training and Development Centre UFEA (=Uganda Flower Exporters Association) for which this business plan is written will provide continuous improvement of the nowadays weaknesses of Ugandan horticulture by training, applied research and advisory services. This Centre will work for other branches of horticulture and fishery as well: vegetables, Vanilla and fish and others.

The plan for the Horticultural Training and Development Centre is written keeping in mind the following conditions:

1- that the Centre will support itself once it is founded
2- that it will contribute to increase competitiveness of the sector
3- It will significantly contribute to poverty alleviation
4- that the Centre will not only benefit the floricultural industry, but other horticultural organisations as well

All this information is worked out in a technical plan for the Horticultural Training and Development Centre to be located near Lutembe Resort on the road between Kampala and Entebbe.
The plan will be worked out in several phases, starting with minimum facilities and staff, and gradually appointing more people as the activities and numbers of students increase. It consists on offices, a lecture room combined with two classrooms, 0,5 hectare of greenhouses and with outdoor trial fields. Total planned surface of the Centre once it is completed and fully operational will be 10 acres.

The Horticultural Training and Development Centre is planned to be a Trust. A Managing Director, will report directly to the Board of Trustees. The managing director will be responsible for the general management of the company and delegate responsibilities to a facility manager, a farm manager and a training manager.

The estimated costs of the capital investments to establish the Centre is 868.000 US dollar after which we think that the Centre can make a living on their own by initiating the following activities:

- Training
- Development activities and projects
- Internal audits service to farms

- Renting offices to horticulture related associations and suppliers
- Running the lecture hall
- Procurement for farms
- Light transmission measurements

The sales forecast of these activities start at 32.000 US dollar in 2004 and gradually will increase to 392.000 US dollar in 2008. The projected expenditure starts at 56.000 US dollar in 2004 and rise to 333.000 in 2008. In 2006 the break even point will be reached and the maximum accumulated loss can be seen in 2005 with 68.000 US dollar. In 2006 we see a small profit that gradually will increase over the years and will reduce the accumulated losses soon after 2007.

The Centre will apply for official acknowledgement of the Ministry of Education in order to provide students with official certificates or diplomas.

All consulted stakeholders agree that the Horticultural Training and Development Centre for Uganda will be the propelling force for allowing a substantial growth of the industry. It is estimated that the Centre will allow the projected doubling of the size of the actually existing industry in a period of 5 years. HTDC will have a huge impact on:

- industry growth: 85 new Hectares cultivated by the establishment of new companies, and another 85 new Hectares by expansion of existing companies
- employment: 6.000 more people directly employed and 30.000 more people indirectly
- spin-off to small stakeholders
- revenues for the country through export will increase from 26 million dollar to 52 million
- income for the country through direct tax on labour and export , and taxes on energy and input supply
- Environment by facilitating the implementation of methods for integrated pest management

The Floriculture Industry, already an Ugandan success story, will become with these efforts an example and a vehicle for other Industries in the Ugandan Primary Sector.