UGANDA COFFEE TRADE FEDERATION [UCTF]

Response and Comments to the Draft proposed National Coffee Policy;

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1.0 Preamble

1.1 Introduction

- UCTF – Uganda Coffee Trade Federation is registered as a non-profit company, limited by guarantee. Its membership includes; coffee exporters, coffee processors, farmers, companies that supply equipment and supplies to coffee exporters and processors, clearing and forwarding companies, insurance companies, banks and international coffee trading houses in Europe.
- Membership is voluntary, and the Federations' operational costs are met through membership subscriptions, with token support from UCDA for some programmes, albeit UCDA is itself funded by UCTF members (exporters) through a mandatory 1% levy of cess on export proceeds.

1.2 The Past

- Uganda was a leader in the area of liberalisation in the global coffee industry. The government policy of liberalisation has progressively led to all areas of production, processing and marketing being placed in the control of the private sector, with increasing investments.
- Given that liberalisation placed immense responsibility in the hands of the private sector, there was need for the industry to take full charge of the affairs that impinged on their efficiency, profitability and future investments. It is against this background that the Uganda Trade Coffee Federation (UCTF) was formed, and played a key role in giving direction in the *modus operandi,* in all the aspects of the coffee trade.

1.3 The Present

- UCTF members account for an investment in coffee plant and machinery worth over US$100 million, with other related infrastructure, such as buying/receiving centres,
- UCTF Members employ thousands of people in technical, semi skilled and unskilled work,
- **Most of the coffee exporters are working with farmer out grower schemes, investing money in good agricultural and management practices, certifications and premium payments.**

2.0 Comments and Responses to the Draft National Coffee Policy

2.1 General Observation

- A policy is supposed to give a framework on the "what and the why" and less on the "how" – and is usually brief. The draft policy is quite extensive and reads more as a strategy and/or an industry work plan.
- The thrust of the draft policy seems to be aimed at reversing some of the liberalised aspects of the industry – including recommending the re-establishment of some monopolies at different stages in the value chain – this is quite worrying given the current government policy on PMA (Plan for the Modernization of Agriculture).
- The government of Uganda liberalised the coffee industry to achieve inter alia two main objectives; 1. To solve the chronic problem of crop finance; 2. To increase production.
  The former was achieved 100% instantly, whilst the latter has had mixed results, mainly due to coffee wilt disease, harsh weather, older trees, lack of training in good agricultural practices at small holder level and weak coffee research facilities.

2.2 Selected Explicit Comments

- **The vision, mission and objective of the draft coffee policy is to promote a farmer ownership model – i.e. to allow coffee farmers to produce, process and export their coffee.** The current coffee law, Statute and Act, allows everyone, including the farmers to produce, process and export their coffee and some farmer associations like Gumutindo, Bugisu Cooperative and Ankole Coffee Producers, are already doing so. We may not need another policy to reconfirm an already permissible activity under the existing policy framework.

- **Establishment of national farmers' organization;** Cooperative unions and societies were in existence in Uganda for over 50 years and a few still operate. They, however, failed the farmers and that is why government liberalised the industry. The law governing their establishment and operation is still in place. The Draft National Coffee Policy is recommending that government establish a national farmer organization with district structures. We feel this is really going backwards because even in neighbouring Kenya and Tanzania, most of their unions are failing, with the biggest in Kenya [Kenya Planters' Cooperative Union], that used to process 90% of the Kenyan coffee, now under receivership. How will the organization get crop finance, how long will the farmers take to get their payments? We need to be very careful with such propositions that may reverse the benefits of liberalisation.
- **Extension services; the Draft policy is recommending that NUCAFE gets involved in the provision of farmer extension services;** we are wondering about the consistency of their recommendation in light of the PMA and NAADS. While NAADS had selected 20 sub-counties as coffee extension priority areas in 2006, it has now focused considerable resources on coffee with over 200 sub counties in 20 districts. Will NUCAFE become a government arm? How will the government funds be accounted for? Does NUCAFE have the capacity or can we make NAADS more effective? These are issues that need to be thoroughly looked at before rushed conclusions are made.
- **The Draft Policy indicated that farmers are receiving low prices;** This is a distortion of facts because it is well documented that farmers in Uganda receive at least 70% of the export price, which is amongst the highest in the coffee producing world. This is demonstrated by the fact that farmers in Bukoba in Tanzania, Western Kenya and other neighbouring producers are willing to sell their coffee to Uganda, which is further evidence of the level of prices farmers receive and confirms the efficiency of the Ugandan coffee industry and economy in general.
- **The Draft Policy alludes to the fact that coffee farmers are denied a chance to upgrade and undertake activities higher in the value chain;** again this is a distortion of facts because the current Act allows farmers to produce, process and export their coffee and Coffee farmer associations like Nile Highland Arabica, Ankole Coffee Processors and Gumutindo to mention some of them, are indeed doing so.
- **The Draft Policy recommends that coffee processing becomes a preserve of farmer Coops and associations;** this action may be only theoretical in significance, as farmers do not have the funds or know how to manage and run the factories. Nor do they have the necessary economies of scale to defray large capital investment costs and highly significant fixed and variable costs. Unless government wishes to go back to funding the cooperatives, such a policy could be more academic like it is in Tanzania, where farmer coops and associations work as fronts for other players that possess the required resources.

3.0 Conclusion/Recommendation/Way Forward

- **UCTF believes the National Coffee Policy THRUST** should give a framework and guidance on how to **improve productivity, quality and coffee research while consolidating the gains of the current trading order**. In particular we believe the NCP should address the following set of systematic issues;
- **How to revamp the literally obsolete coffee research function** in terms of institutional, human resource and funding framework, to meet the demand for both quantity and quality planting materials amongst other issues;
- **How to make extension services through NAADS program become more efficient and effective** to improve farmers' good agricultural and management practices and thus productivity and quality;
- **How to ensure that agro inputs are affordable, authentic and available** to farmers to improve productivity and quality.

The Ugandan government policy is to have a private sector led industry with government providing an enabling environment. The recommendation of making a farmer ownership model a policy negates the current government policy of liberalisation. The farmer ownership model could be a strategy or program of government, which should be allowed to compete with the market forces, to ensure that it is efficient and effective, instead of locking out certain players in some aspects of the value chain which may breed inefficiencies in the whole value chain.