

University of Applied Sciences



**VAN HALL
LARENSTEIN**
PART OF WAGENINGEN UR

Establishing a common understanding: An analysis of firm-farmer partnerships and contracting on oil seed production in Uganda

A Case of Netherlands Development Organisation (SNV) and Agency for Accelerated Regional Development (AFARD)



A Research Project submitted to Van Hall Larenstein University of Applied Sciences in partial fulfillment of the requirements for the award of Professional Master Degree in Management of Development with specialization: Rural Development and Food Security

CAROLINE THANDIWE CHAUMBA

September 2012

© Copyright Caroline. T. Chaumba 2012.

Dedication

To mum and dad, you have made me who I am today and you deserve to see me through.
I love you.

Acknowledgements

This thesis came into being from the teachings of great men and women in the academic, social and business fraternity. Notable is the staff at Van Hall Lareinstein with particular mention to my course coordinator Eddy Hesselink for their unwavering support, theoretical input and guidance from my period of my inception. I acknowledge the support I received from my supervisor, Tracey Campbell for tirelessly coaching me and guiding me. Her contribution to this work can not be understated.

Also appreciated is the support I got from SNV and AFARD management and staff whom I interacted with during my research and for making it possible to carry out field work in the West Nile region of Uganda. A special thanks goes to Agri- Pro Focus (APF) and Centre for Development Innovation (CDI) for giving me the opportunity to undertake this research and have an experience in another country. I will be forever indebted to you.

My studies would not have taken place without the assistance from the Dutch government. Many thanks to Nuffic for financing my study program at VHL.

Friends and relatives who made this thesis successfully completed deserve a mention. Of note are Alfred Kamara, Theresa, Jerry Oluk, Shephard, Muktar, Lovemore, Chene, Johannes Chikarate and my three sisters. All those not mentioned individually here, kindly take my heart felt appreciation for your support. May the Lord bless you all.

Table of Contents

Dedication.....	i
Acknowledgements.....	ii
List of Figures	v
List of Tables	v
Abbreviations and Acronyms.....	vi
Abstract.....	vii
Chapter One: Introduction	1
1.1 Introduction.....	1
1.2 Justification of the study	2
1.3 Background (Problem context)	3
1.4 Problem Definition	3
1.5 Objective	3
1.6 Research Questions	4
Chapter Two: Literature Review and Conceptual Framework.....	5
2.1. Working definitions	5
2.2 Conceptual Framework.....	6
2.3 Oil seed production in Uganda.....	7
2.4 Market status of the oilseed subsector.....	10
2.4 Role of SNV and AFARD in oil seed production.....	11
2.5 Development of contract farming	14
2.5.1 Benefits of contract farming.....	14
2.5.2 Risks associated with contract farming.....	15
Chapter Three: Methodology.....	18
3.1 Research area.....	18
3.2 Research design.....	19
3.3 Desk study.....	19

3.5 Analysis of Results	22
3.6 Recommendations.....	23
Chapter Four: Research Findings	24
4.1 Business case description	24
4.2 Questionnaire	24
4.3 Production Risks.....	25
4.4 Functioning of farmer groups	26
4.5 Access to markets	28
4.6 Contract.....	29
4.7 Price Risks	31
4.8 Benefits of contract farming	32
4.9 Overall Scores	34
Chapter Five: Discussion of results	38
5.1 Overall results	38
5.2 Production Risks.....	38
5.2 Functioning of farmer groups	39
5.3 Access to markets	40
5.4 Contract.....	41
5.5 Price Risks	41
5.6 Benefits of contract farming	42
Chapter 6: Conclusion and Recommendations	44
6.1 Conclusion.....	44
6.2 Recommendations.....	45
References	48
ANNEX 1: Checklist	50
ANNEX 2: Questionnaire	55
ANNEX 3: Photo gallery.....	58

List of Figures

Figure 1: Map of Uganda	1
Figure 2: RISE Framework.....	7
Figure 3: Trends in oilseed acreage in Uganda	8
Figure 4: Trends in oilseed production in Uganda	9
Figure 5: World Sesame Production 2008.....	10
Figure 6: Oil seed sub sector chain map	13
Figure 7: Contract farming (CF) model.....	17
Figure 8: Map of West Nile region from the map of Uganda	18
Figure 9: Research stages	19
Figure 10: Implementation context	23
Figure 11a: Production risks score	26
Figure 11b: Level of agreement – production risks.....	26
Figure 12a: Functioning of farmer group scores.....	28
Figure 12b: Level of agreement- Functioning of farmer group	28
Figure 13a: Access to markets scores	29
Figure 14b: Level of agreement - Contract Score.....	31
Figure 15a: Price risks scores	32
Figure 16a: Benefits of contract farming scores	33
Figure 16b: Level of agreement - Benefits of contract farming	34
Figure 17a: Overall scores	35
Figure 17b: Level of agreement	35
Figure 18: Bagging of soya bean at AFARD warehouse	37

List of Tables

Table 1: Breakdown of Respondents	20
Table 2: Breakdown of farmers for the survey	22
Table 3: Challenge areas in questionnaire	25
Table 4: Challenge areas for production	25
Table 5: Statements for functioning of farmer groups.....	27
Table 6: Challenge areas for access to markets.....	28
Table 7: Statements for Contract.....	30
Table 8: Statements for Price Risks	31
Table 9: Statements for benefits of contract farming	33
Table 10: Key issues on findings.....	36
Table 11: SWOT Analysis of AFRAD's oil seed sector	43

Abbreviations and Acronyms

AFARD	Agency for Accelerated Regional Development
CDI	Center for Development Innovation
CF	Contract Farming
BC	Business Case
FAO	Food and Agricultural Organization
FGD	Focus Group Discussions
FO	Farmer Organisation
M & E	Monitoring and Evaluation
Mt	Metric Tones
NARO	National Agricultural Research Organisation
OSSUP	Oil Seed Sub Sector Uganda Platform
POs	Producer Organizations
RISE	Rural Innovation System and Entrepreneurship
SHF	Small Holder Farmers
SNV	Stichting Nederlandse Vrijwilligers (Netherlands Development Organization)
UOSPA	Ugandan Oil Producers and Processors Association
UGX	Ugandan Shillings

Abstract

The expansion of globalization, rural infrastructure, market liberalization, and new market opportunities for high value crops in developing countries has led to the development of contract farming. In remote poor areas where there is a lack of well-established institutions to facilitate market exchange, contract farming has been introduced to provide farmers with the assured sell of their crops and agro business firms to provide a steady supply of agricultural output. Empirical studies have demonstrated that contract farming can lead to improved income of farmers with contract compared to those farmers growing the same crop without a contract. The oil seed industry ranks high on the Uganda government agenda due to its poverty reduction potential. In particular, sesame and soya beans the main oil seeds produced in north-eastern Uganda has the potential to transform the lives of millions of people. However, many actors have continued to implement interventions aimed at promoting relationships between farmers and firms but with a number of challenges. In developing countries, contract farming has seen many challenges to include side selling, low prices and contract breach.

Agency for Accelerated Regional Development (AFARD) seeks to build the capacities of small holder farmers through the creation of markets for soya bean and sesame. The firm has established a contract partnership with oil seed farmers in the West Nile. This study explores and analyzes the modalities of firm - farmer relations on oil seed production so as to suggest possible solutions to achieve a common understanding and improve these relations. The research was carried out in the West Nile region of Uganda and interviewed 14 key informants. Data was collected through a survey using a '2 – 2 Tango' questionnaires administered to 32 random sampled participants. 2 – 2 Tango is a participatory tool for assessing the firm-farmer relations and it helps to harness the views of farmers and firms on their business relation and is based on the same set of statements. FGDs were held as a debriefing method to get further insights into the results of the survey. The findings of this research were presented according to the challenge areas and statements as presented in the questionnaire. For every challenge area, two graphs were generated. One showing the scores from both farmers and firm and the average score whilst the other graph shows the level of agreement or disagreement.

The perceptions of farmers and the firm are quite different for the challenge areas of contract, access to markets and production risks. This is evidenced by the high levels of disagreement given on the issues that farmers are abiding to the contract and not side selling. Findings also revealed that farmer group meetings are less effective and abiding to contract terms is a challenge for some farmers. It has also been evident that farmer groups are not strengthened and there are high production risks. In a bid to improve relations between the company and the firm, the study gave recommendations to AFARD to strengthen the farmer groups to know their roles and responsibilities, importance of contracts and abiding to contracts terms. The study also recommended the increase of trainings to farmers and the staff to prevent production risks. Improved relations between the farmers and the firms will lead to farmers being more food secure through improved income from the provision of reliable markets.

Chapter One: Introduction

1.1 Introduction

Uganda is a landlocked country which lies along the equator between the Democratic Republic of Congo and Kenya in the East African Region (see Figure 1). It has a population of almost 36 million people (World Fact book, 2012). Kampala as its capital city and 39 districts and more than two-thirds of the country is a plateau, lying between 1 000 - 2 500 meters above sea level (FAO, 2009). The country has a total area of 241,000 square kilometres of which 197,000 is arable land and the rest are lakes and swamps (Cook, 2004). Agriculture is the most important sector in Uganda and is regarded as the backbone of the economy employing over 80% of the work force (World Fact book, 2012). Agriculture contributes over 40% to the Gross Domestic Product (GDP) and over 90% to the country's foreign exchange earnings (Mwebaze, 2000). The rural areas are resident with 90% of the country's population (Cook, 2004) and these are largely dependent on agriculture for their livelihoods. At least 95% of the population farms (both crops and livestock) on small farms for food and cash income, and on fairly large farms, including ranches of an average size of 1 200 ha and crop farms (5 - 20 ha) (FAO, 2009). According to the 2011 statistics, 35% of the population in Uganda lies below the poverty datum line (World Fact Book, 2012). Nearly 1.4 million people are currently food insecure in Uganda, including at least 900,000 highly food insecure people in Karamoja (Fewsnet, 2010). The situation of Uganda and their large dependence on agriculture has seen more attention been given to the improvement of food security situation through agricultural production.



Figure 1: Map of Uganda (Source: World Fact book, 2012)

Historically the oil seed sector grew from the 1950s through to the 70s as Uganda developed the capacity to process seeds and extract oil in addition to producing oil seed (SNV, 2009). The sector then declined due to an economic breakdown and social unrest in the country. However, efforts were made by the government and other stakeholders to include donors to revamp the oil seed sector again in the late 80s considering the suitability and the profitability of the sector. This saw the formation of producer associations which have helped increase seed supplies and improve the processing capacity (Kamonga, 2011).

The oil seed sector is one of the strategic commodities selected by the Ugandan government for transforming agriculture from subsistence to commercial farming within the Poverty Eradication Action Plan (Kamonga, 2011). The oil seed sub sector directly influences livelihoods of over 12 million Ugandans mainly in North Eastern Uganda and accounts for over 70% of vegetable oil production in the country (Mwesige, 2008). There are an estimated 74,000 oil seed farmers in the North Eastern region of Uganda (SNV, 2009). Of the total oil seed produced in Uganda 49.9% is produced in the Northern region, 35.2 % in eastern districts, 4.9% in central and 10% in the western parts (Mwesige, 2008). There are 6 different types of oilseed which are cultivated and processed in Eastern and Northern Uganda and these are groundnuts, cotton, sesame, soya bean, sunflower and sheanut.

Oil crops play an important role in the rural economy of Uganda more specifically in West Nile region as they are a source of food and income security in the region. Sesame and soya bean are one of the crops that have emerged to fill the void left by the demise of traditional cash crops like coffee and cotton. Sesame in the West Nile region in Northern Uganda has demonstrated tremendous growth, production and demand has increased significantly (AFARD, 2011). There is evidence of considerable increase in both soya bean production and total acreage owing to the growing demand of the crop. These two crops were identified and selected as key enterprises that would enable the farmers in West Nile region and Northern Uganda to improve on their income security through access to lucrative markets both locally and regionally. For the purposes of this study, the focus will be on sesame and soya bean amongst the oil seeds present in Uganda.

Under the sustainable agriculture value chain development program, Netherlands Development Organization (SNV) and Agency for Accelerated Regional Development (AFARD) seek to build the capacities of small holder farmers and intermediate partner organizations to engage in and maximize benefits from current and emerging market opportunities. SNV is a non-governmental organisation that works to strengthen producer groups by encouraging partnerships between farmers and local businesses to work together so as to increase their influence and bargaining power for better prices and policies. SNV started its operations in Uganda in 1989 in Kampala, Mbale, Fort Portal and West Nile (SNV, 2012). This organisation has amongst its functions the role to enhance the inclusion of smallholder farmers into supply schemes. SNV enhanced the inclusion of smallholder farmers into AFARD's supply scheme. AFARD is a non profit making organisation founded in 2000 with a mandate to improve the food security, income opportunities and healthy living among peoples of the West Nile region. In pursuit of this business objective, AFARD has set up a business wing to promote commercial interests of its members and beneficiaries as a strategy for creating a sustainable market for the farm produce by its member (AFARD, 2011).

1.2 Justification of the study

Firm-Farm relationships have largely allowed industries and exporters to work with small holder and larger farmers, to produce and market agricultural produce for processing and export. Market outlet, input services and inputs are provided to farmers by an investor or a firm. The farmers promise the investor a regular supply of a quality product in a pre-harvest contract. A

properly designed contract farming arrangement can create important wins for farmers, investors, input dealers and service providers (Ton, 2012). Many actors have continued to implement interventions aimed at promoting relationships between farmers and firms but with a number of challenges. In developing countries, contract farming has seen many challenges as many investors face problems in making the win-win agreement work. It has been observed that proposals by investors are based on optimistic assumptions of win-win and the maintenance of cordial relations, without clearly analyzing the probabilities that might go out of hand (Ton, 2012).

1.3 Background (Problem context)

Despite clear progress towards poverty alleviation by engaging into contract farming, poverty remains a paramount problem in Uganda to date. Firms and small holder farmers often do not speak the same “language” as issues like traceability and quality certification are terminologies and stages that most farmers will not be aware of. Moreover farmers have multiple occupations and pressing social needs of a large family network such that many of them may be unable to meet the requirements of the contract whenever something happens in the family that requires attention. As such there is a large social and physical gap between farmers and firms.

Farmers and their organizations are often insufficiently prepared to be trustworthy suppliers of produce in sufficient quantity and of sufficient quality (Schrader, 2012). Farmers are involved in the side selling of inputs and produce to other buyers hence the failure to provide the required amount to the firms. Whilst, on the same note, farmers argue that there is late supply on inputs which leads to low production and failure to supply the required amounts. Stereotype mutual perceptions are a common thing amongst the farmers and the firms as evidenced by some quotes being lamented from both ends. These include firms saying that working with farmers is quite tricky whilst farmers are saying, they have understood firms but firms have not understood them (Schrader, 2012). Such relations are likely to affect food availability, food sustainability and food utilization if farmers and firms do not understand each other very well.

1.4 Problem Definition

Given the above scenario of the perceived problems, it would be just to say that there is a lack of common understanding amongst the farmers and the firms. There seem to be problems arising from the challenges faced in the relations of both firms and oil seed farmers as evidenced by the stereotype mutual perceptions, misunderstandings and mistrust amongst the two groups in discussion.

1.5 Objective

To explore and analyze the modalities of firm - farmer relations on oil seed production so as to suggest possible solutions to achieve a common understanding and improve these relations.

1.6 Research Questions

Main Question 1:

- To what extent are issues of accountability and transparency substantiated in firm – farmer relations?

Sub Questions:

- How are contract terms agreed between the farmers and firms?
- How is contract information shared between the two groups and how efficient are the information channels?
- What is the level of accountability for firms/farmers towards the contract?
- Is the firm clear on the amount of oil seed it intends to buy from farmers?
- Are farmers aware of the roles and responsibilities of farmer groups?
- What are the price risks faced by famers and firms in oil seed production?
- How do farmers and firm view the benefits of their relations in terms of access to markets and income?

Chapter Two: Literature Review and Conceptual Framework

2.1. Working definitions

i. Definition of contract farming (CF)

Contract farming (CF) has been defined as arrangements whereby development assistance or agricultural services are provided to the farmer and these could include improved farming practices, provision of extension services, credit and market for products (Setboonsarng, 2000). CF has also been defined as a contract between a farmer and a purchaser established in advance of the growing season for a specific quantity, quality and date of delivery of an agricultural output at a price fixed in advance (Binswager, 2005). The contract provides the farmer with assured sell of the crop and it often provides technical assistance, credit, services or inputs from the purchaser. However, for the purposes of this study, contract farming has been defined as an agreement between farmers and processing and/or marketing firms for supplying and buying agricultural products under stipulated conditions to include the following possible advantages for farmers and companies:

- For farmers: Inputs, credit, technology, Know-how, Market access and fixed price
- For firms : Access to primary produce, traceability, certification, Known/fixed price, and timely marketing

ii. Definition of firm - farmer partnership

Firm- farmer partnership can be defined as an agreement between farmers and processing and/or marketing firms for the production and supply of agricultural products under forward agreements, frequently at predetermined prices (FAO, 2011). The arrangement also invariably involves the purchaser in providing a degree of production support through, for example, the supply of inputs and the provision of technical advice. However, in this study firm farmer partnership will be defined as an agreement or association between a farmer and a firm that have agreed to work together in the pursuit of common goals. This will take place through the creation of a bond of trust and demonstration of openness, working as a team and consultation. Partnerships and relations will be used interchangeably with the same definition.

iii. Definition of oil seed

A wide variety of seeds are grown as a source of oils, e.g. cottonseed, sesame, groundnut, sunflower, soya beans, and nuts such as coconut, groundnut and palm nut. Oilseed production is one of the most vibrant and promising business sectors in Uganda, with both local and export markets (Kamoga, 2011). This study will focus on sesame and soya bean production as part of the oil seed sector.

iv. Definition of chain operators, supporters and enablers

Chain operators are entrepreneurs / enterprises performing functions in a value chain. They create value and own the product at some stage (Schrader, 2012). These are producers, processors, traders, wholesalers, exporters and retailers.

Chain supporters provide support services to chain operators. Chain supporters have a stake in the value chain, but do not own the product. These can be input dealers, transporters, banks, research, training, extension and financial advisors.

Chain enablers / Influencers – These create and define conditions for private sector players to do business. They set the policy environment and business climate. They are mainly composed of governmental bodies at different levels and public services, such as courts and police.

2.2 Conceptual Framework

2.2.1 Rural Innovation System and Entrepreneurship (RISE) Framework

RISE is a conceptual framework that guides work on promoting farmer entrepreneurship. It integrates approaches and concepts related to value chain development, institutional economics, market system development, transaction economics, rural innovation systems, and others (Schrader, 2012).

Actor groups

In RISE three major actor groups are distinguished: Chain operators, Chain supporters and Chain enablers/influencers. The key aspect of the framework (Figure 2) is that these different players need to interact in order to have well-functioning agrifood market systems, reduce transaction risks and costs and to arrive at competitive, sustainable and inclusive value chain development. These are public-private partnerships in practice.

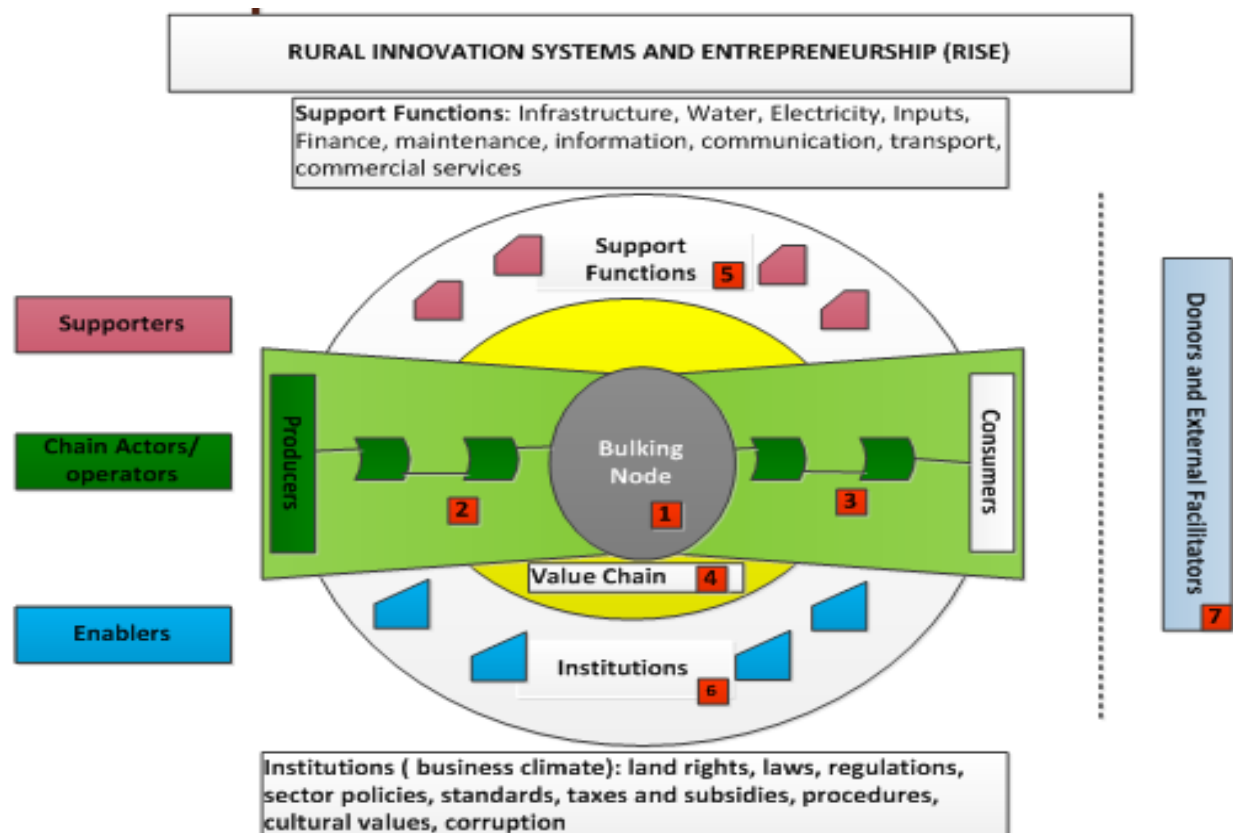


Figure 2: RISE Framework (Source: Schrader, 2012)

The RISE model also shows a fourth group which consists of donor agencies and external facilitators. These are part of rural innovation systems and the reality of agribusiness development in Africa. Dynamics around bulking nodes include local markets, trade hub and the processing unit, collection center where volume, quality, labour, storage, product development and use of by-products are observed. Pre-harvest processes also take place: farmers' production practices, productivity and quality, farmers' organization rate, modalities of selling of primary produce to traders and processors. Downstream relations among stakeholders which include sellers and buyers of processed and or not processed products through bulking node (millers, traders, wholesale) and relations further down the line are retailers and consumers (Schrader, 2012).

2.3 Oil seed production in Uganda

The oil seed industry ranks high on the government agenda due to its poverty reduction potential. In particular, sesame, the main oil seed produced in north-eastern Uganda, has the potential to transform the lives of some 12 million people (Mukarugwiza, 2011). One reason oilseed is so attractive is because it has many uses: the raw nuts/seeds are roasted and consumed, they are also processed into edible oil and paste, the seedcake is used for animal

feed, the crop is converted into biofuel, oilseed is used to make soap and as an essential ingredient for medicinal oils (SNV, 2009). Other reasons oilseeds are attractive include the facts that they are profitable and require as little as three months to complete one growing cycle. The oilseed subsector is dominated by small holder farmers with average acreage of 1.9 hectares. Oil seeds are mostly grown in the second season of the year (July-October) (Excel Hort Consult Ltd, 2010).

West Nile region boasts of fertile soils to support oilseed production in all districts. In the post-conflict areas of eastern, northern and north-western Uganda, the oil seed industry was revived and annual production rose steadily from 70,000 mt in 2005 to over 300,000 mt in 2009 (Aster, 2009). The price of oilseeds also grew from some UGX 200/kg (€0.05) in 2007 to UGX 700/kg (€0.18)¹ in 2010, with a corresponding rise in farmer incomes (Aster, 2009). This increase in prices was partly due to an increase in global market prices; however the OSSUP platform also created more stability in prices through more co-ordination between members of the platform. Poor households also benefited from more stable conditions for marketing their product. At least 100,000 farmers now produce oilseed, benefiting more than 500,000 people. It is estimated that in the long term, some 400,000 farmers and their families could benefit (Kamoga, 2011).

Sesame production

Sesame is grown on the lower plains along the river Nile belt. The three major varieties of sesame are Sesame II, Sesame I and the local brown variety. Sesame II is known for producing better yields than the other varieties. Sesame II particularly yields up to 900 – 1000kgs/hectare.

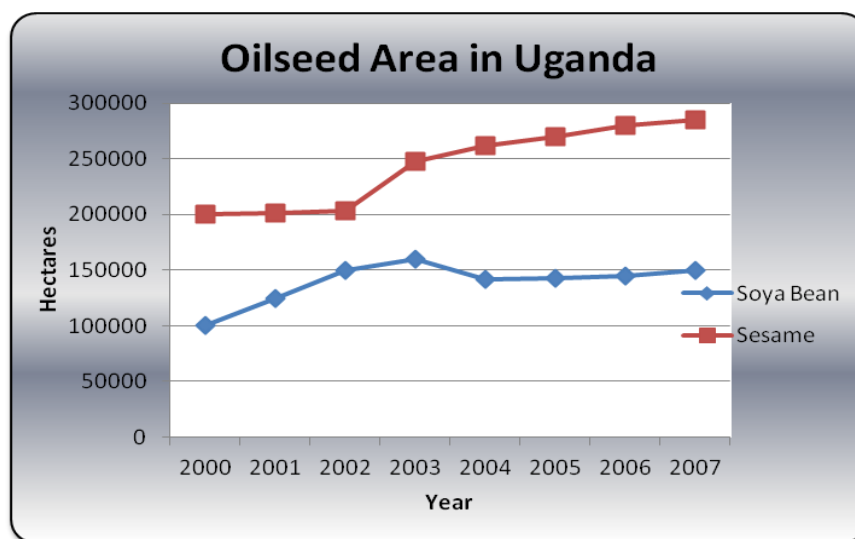


Figure 3: Trends in oilseed acreage in Uganda

Source: FAOSTAT, 2009

¹ Currency Conversion ratio of 1.00 Euro = 3,2025.01 Ugandan Shilling

The area allocated for Sesame has been increasing over the past years (see Figure 3). Sesame is one of the most prominent seeds grown in West Nile and production has been increasing over the past years. Sesame is by far the leading commercial crop in the West Nile region and has demonstrated tremendous growth and production (see Figure 4). Production in 2010 for West Nile was estimated at 31, 847 mt, with 19,108mt available for market.

Soya bean production

Soya bean is grown in the highlands of West Nile region. Soya bean varieties are Maksoy 1N, Namsoy 4M and Maksoy 2N. While good agronomic practices result in yields of up to 1,500 kgs per acre, current yields from farmers in the West Nile range from 500 – 600kgs per acre (AFARD, 2011) However, soya bean production in the region has never taken off beyond pilot stages though the acreage has begin to increase due to the increased attention given to the crop of late (see Figure 3).

Previous trials have shown that soya bean does well in most parts of the West Nile and can grow comfortable wherever maize can grow. Soya bean has not yet been embraced as a commercial oilseed crop; the phobia is attributed to being nonexistent in the traditional food chain of the region. It does not play any direct role of the food chain at household levels. This has been one major constraint to its production in the region and in most parts of the country. The demand for soya bean is mainly domestic demand and there has been no export demand for Uganda's soya bean. Despite the decline in production in 2004, the crop has started to see an improvement in its production (see Figure 4). As a peripheral crop there is evidence of considerable increase both in production owing to the great demand from vegetable oil and feed manufacturers.

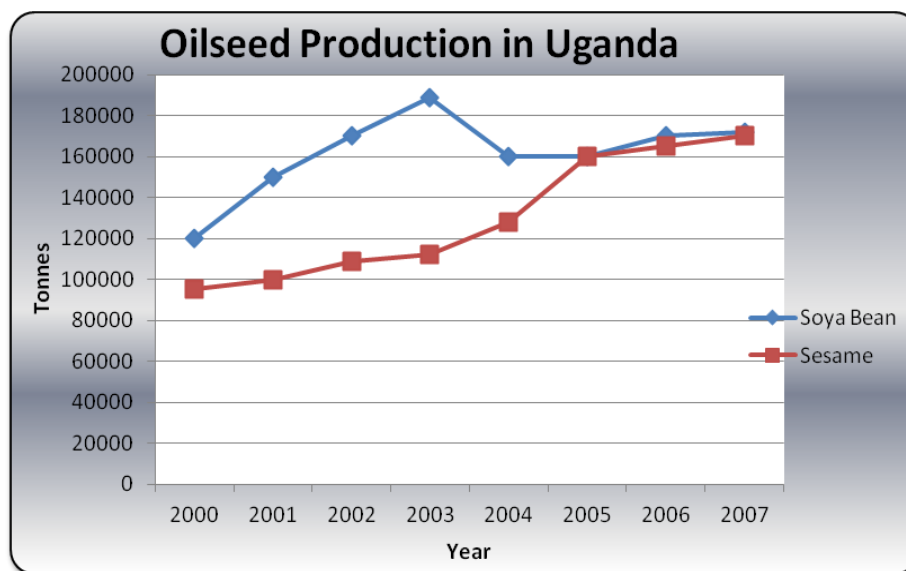


Figure 4: Trends in oilseed production in Uganda

Source: FAOSTAT, 2009

2.4 Market status of the oilseed subsector

Sesame

The national demand for Sesame largely comes from the urban households and industrial users. India and Myanmar are the world's leading producers of Sesame contributing up to 45% of world production and Africa grows 26% of the world's sesame (Excel Hort Consult Ltd, 2010). Uganda ranks sixth in the world sesame production contributing 5.9% (see Figure 5). Recent statistics of 2010 has seen Uganda still being the sixth world producer and Myanmar taking the lead before India. Whereas Asia and Africa lead in sesame production, they are also the world's leading consumers of the oil seed.

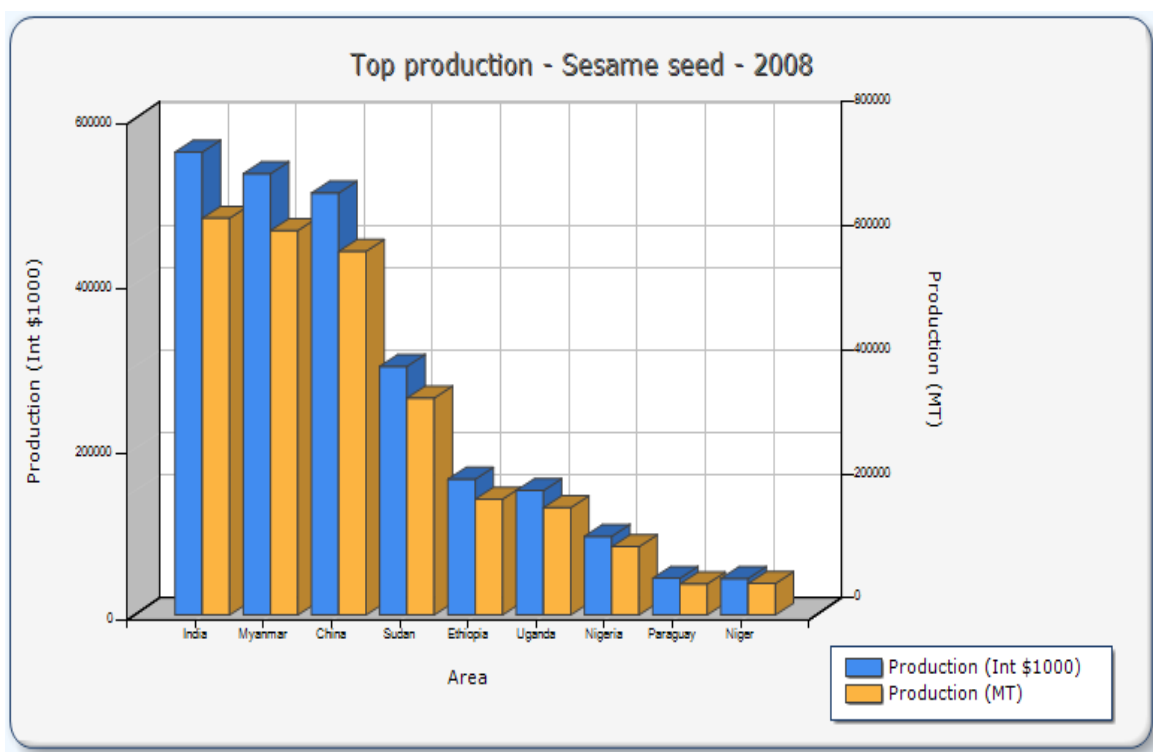


Figure 5: World Sesame Production 2008

Source: FAO Stat, 2008

Up to 80% of Uganda's sesame production comes from the West Nile and Northern Uganda regions (AFARD, 2011). In domestic market, the major outlets for sesame are the urban households markets, rural household markets and the cottage industry market. These markets account for 10% of all the sesame sold in the country. In 2008, 40% of the total farm production was retained by farmers for household food security. Sesame can be transformed for human consumption and industrial uses in various ways such as sesame paste, roasted sesame grains, sesame oil and sesame leisure crackers. In Uganda oil extraction from sesame is largely

for export with the main exporters being Japan, India, China, USA and Europe. In Turkey, Egypt and Iran, 248, 788MT was imported and in USA demand for Sesame oil has been growing in spite of the fact that price is three times that of other oils (AFARD, 2011).

Soya bean

Soya bean crop has origins from Asia. The demand for soya bean is mainly domestic industrial demand. Soya bean can be used for household consumption, in form of oil, flour, soya-based infant formula (SBIF) which is used for infants who are allergic to pasteurized cow milk, and as a low cost substitute in meat and poultry products. Soya beans are also used in industrial products including oils, soap, cosmetics, plastics, inks, crayons and cattle feeds. Soya bean oil is the primary source of bio diesel in the United States, accounting for 80% of domestic biodiesel production (Excel Hort Consult, 2010).

The USA and Brazil are the world's leading producers of soya bean closely followed by Argentina. Uganda ranks 22nd among the world's producers of soya bean (AFARD, 2011). Soya bean is one of the major oilseeds used for vegetable oil production by leading millers in the country. There is regional demand for soya bean besides the current local industrial demand. In Kenya, there is a market for over 100,000MT and 50,000MT in Rwanda and Tanzania (AFARD, 2011)

2.4 Role of SNV and AFARD in oil seed production

Towards the end of 2011, SNV Uganda and AFARD Industries signed a partnership agreement to implement a business model aimed at expanding the capacity of rural farmers to be able to participate in the oil seed value chain (SNV, 2012). The overall business objective of AFARD is to engage into fair trade by buying of farm produce from smallholder farmers and selling this produce to bulk industrial buyers and exporters of agricultural farm products at a profit to increase household economic security. SNV has three delivery channels namely advisory services, local capacity builders and advocacy.

SNV Uganda has four intervention areas namely rural information systems, producer group strengthening, value chain financing and multi-stakeholder platforms are closely intertwined and cannot be implemented in isolation (Mwesige, 2008). Some of the challenges faced in oil seed production include inadequate access to good quality seed, lack of market information, poor input supply systems, weak producer groups, poor bulking and post-harvest handling facilities and technologies, and limited access to affordable finance. For farmers to participate in the oil seed value chain and realise their economic potential these constraints had to be addressed which led to the SNV-AFARD partnership. SNV Uganda worked with AFARD to enable producer market access by addressing physical access to markets, the structure of the markets, and producer skills. This was seen as a critical element for producers to increase their household incomes while enhancing their food security (Beyssac, 2012).

AFARD's works with smallholder farmers who specialise in sesame and soya bean production in the West Nile district. The roles of AFARD are as follows:

- Mobilise farmers and promote the production of Sesame II and soya bean Maksoy varieties for the market
- Provide farmers with farm extension services to support the production and increase farm productivity through effective technology transfer and use of better agronomic principles
- Train farmers on farm records, harvest and post handling techniques to ensure quality assurance of the final farm output and traceability of batches
- Procure inputs in bulk from input suppliers for onward transmission/sale to farmers
- Promote seed banking
- Buy the produce and sell to Olam Limited an exporter and Mt Meru a processing plant in West Nile

Functioning of Farmer Groups

Farmers' Organizations (FOs) are essential institutions for the empowerment, poverty alleviation and advancement of farmers and the rural poor. Farmers' and rural producers' organizations refer to independent, non-governmental, membership-based rural organizations of part or fulltime self-employed smallholders and family farmers, landless people, women, small entrepreneurs and indigenous peoples. They range from formal groups covered by national legislation, such as cooperatives and national farmers unions, to looser self-help groupings and associations (Birchall, 2007). SNV Uganda and AFARD offer training to AFARD agricultural extension personnel and group executives on producer organisation and leadership development. As such 78 farmer groups were organized with an average of 20 – 30 members in 5 districts of West Nile (SNV, 2012). As a result of this support, PO members were able to access improved production technologies and inputs.

Oil seed sector analysis

Figure 6 presents the value chain map of oil seed. The main actors in the oil seed subsector are input suppliers, producers, rural vendors, small and large scale produce buyers, processors, retailers and consumers. AFARD supplies sesame and soya bean inputs to small scale farmers in organised groups for planting. AFARD received funds from 2 organisations, Gorta and Irish Aid to finance the implementation of production and training activities of the market intervention for 78 producer organizations supported by AFARD in the districts of Nebbi, Zombo, Arua, Yumbe and Moyo. Pure seed is accessed directly by AFARD through Makerere University department of Agriculture for multiplication. The government supported agriculture research institutes are responsible for breeding crops and genotype development under the National Agriculture Research Organisation (NARO) whilst seed houses to include Victoria Seeds are responsible for seed supply (Aagaba, 2012).

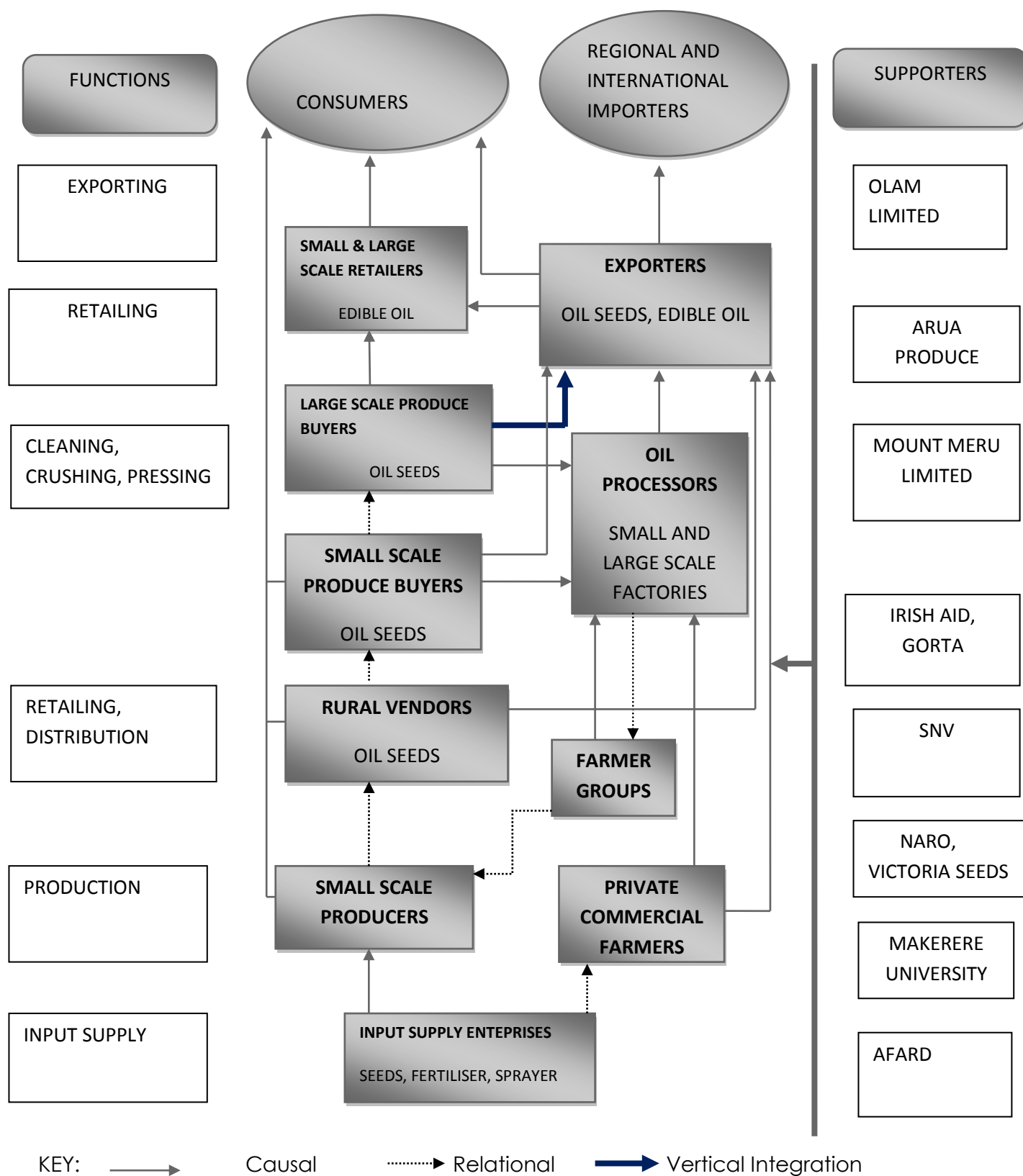


Figure 6: Oil seed sub sector chain map (Source: Excel Hort Consult Ltd, 2010)

SNV through Local Capacity Builders (LCBs) that include JP Management & Training Consultants Limited has supported AFARD to strengthen production and marketing capacity of the producer organizations and AFARD's business wing. AFARD through the business wing purchases the produce from the farmers; add value by cleaning the grains, package and warehouse ready to be marketed to Olam and Mount Meru Limited. Olam Limited and Mount Meru Limited are responsible for processing, distributing to retailer and exporting oil seed products. Arua Produce is one of the retailers involved in the chain. While partnering with AFARD in the consolidation of its supply chain, SNV is also responsible for facilitating local and national multi-stakeholder dialogues to promote co-ordination and co-operation among value chain actors and service providers. This is aimed at sustaining local-level business relationships.

The farmers in some parts of the West Nile like Arua and Moyo districts and particularly in the border areas also have developed a strong backward integration with the Sudan and Congo input suppliers as well as forward linkage with the wholesalers. These farmers also, to a certain extent, have developed their own market channel by the use of traders for selling their products.

2.5 Development of contract farming

The expansion of globalisation, market liberalisation, rural infrastructure and new market opportunities for high value crops in developing countries have translated into the use of contract farming. Contract farming has seen the establishment of market linkages for the poor in developing countries (Setboonsarng, 2008). In remote poor areas where smallholder subsistence production is the norm and lack of well-established institutions to facilitate market exchange, contract farming has been introduced to provide farmers with the assured sell of their crops and agro business firms to provide a steady supply of agricultural output.

2.5.1 Benefits of contract farming

Small holder farmers (SHF) face a major constraint of an assured market with fair price. This has motivated farmers to enter into contract farming agreements to access markets so as to get a steady and better income. Contract farming serves to link farmers to markets where the demand for and price of crops are often more favorable. Empirical studies from around the world have demonstrated that contract farming can lead to improved income of farmers with contract compared to those farmers growing the same crop without a contract. SHF have little access to information and face the risk of losing income if prices fluctuates downward. In contract farming, however a predetermined price for the crop is generally established during contract negotiations at the onset of the growing season. As a rule, firms typically purchase the crop that falls within the specified quantity and quality in accordance with the contract and farmers are not subjected to incur losses in sales due to price fluctuations. In this respect, farmers can lower their price risk in addition to gaining market access (Binswager, 2005).

2.5.2 Risks associated with contract farming

Although there is a range of benefits in contract farming, it is by no means a guarantee to agricultural commercialization and poverty reduction. Several concerns have been raised regarding the desirability of contract farming from a poverty and equity standpoint, foremost of which involves the opportunistic nature of such arrangements (Setboonsarng, 2008). This section will describe the major constraints.

Contracts

Many developing countries lack the laws and legal framework to support contractual agreements. Agreements themselves may not be easily enforceable or legally binding which can result in opportunism from both parties. Contract farming arrangements are usually operated in accordance to traditional values and norms rather than legal agreements (Glover and Gee, 2002). With the absence of legally binding contracts, firms can suffer from the effects of extra contractual sales of outputs (Eaton and Shepherd, 2001). Contract default by farmers often increases with a rise in the number of willing purchasers. When alternative markets develop and competing buyers offer competitive prices, farmers are given the incentive to break their contracts, often failing to repay input credit to the contractor (Coulter *et al.*, 2009). The absence of an effective legal system and the lack of collateral held by small farms can result in considerable risks for agro-business firms. An issue involving input diversion occurs when farmers are tempted to use inputs supplied by the firm for non-intended purposes (Eaton and Shepherd, 2001). However, local government bodies and NGOs can ensure a firm's capacity to offer profitable contracts to farmers prior to the establishment of agreements by checking a contracting firm's financial and managerial capacities though this has not been happening in reality.

Price Risks

Firms are required to bear increased risk in contract farming. Most contracts stipulate that the firm will purchase all the produce, usually at a price higher than the prevailing market price. The firm may bear the price risk as well as the risk of crop failure due to poor management or seasonal factors. Moreover, farmers also face greater production risk in the case of newly introduced crops which may take time to adapt to new growing environment and required new growing techniques which are new to farmers. The CF model (Figure 7) apart from showing the relationship of actors also highlights potential benefits and threats of contract farming (Schrader, 2012).

Figure 7 shows diagrammatically a hypothetical contract farming framework. It sets out those aspects that must be considered when planning and implementing a venture. The model reviews both the major advantages of contract farming and the problems associated with it. From the point of view of farmers, contractual arrangements can provide them with access to production services and credit as well as knowledge of new technology. Pricing arrangements

can reduce risk and uncertainty. Some contract farming ventures give farmers the opportunity to diversify into new crops, which would not be possible without the processing and/or marketing facilities provided by the company (FAO, 2011). Offsetting these benefits, however, are the risks associated with the cultivation of a new crop, the fact that the company may fail to honour its commitments and the danger of indebtedness if problems arise. It can give them access to land that would not otherwise be available and the opportunity to organize a reliable supply of products of the desired quality, which probably could not be obtained on the open market. On the other hand, from the companies' perspective contract farming is not without difficulties. On occasion farmers may sell their outputs to outsiders and competitors and side selling, even though they were produced using company-supplied inputs. On the other hand however, firms might not provide good quantity and timely delivery of inputs and issues of traceability can be at stake. This will lead to conflicts arising between the farmer and the firms (Schrader, 2012).

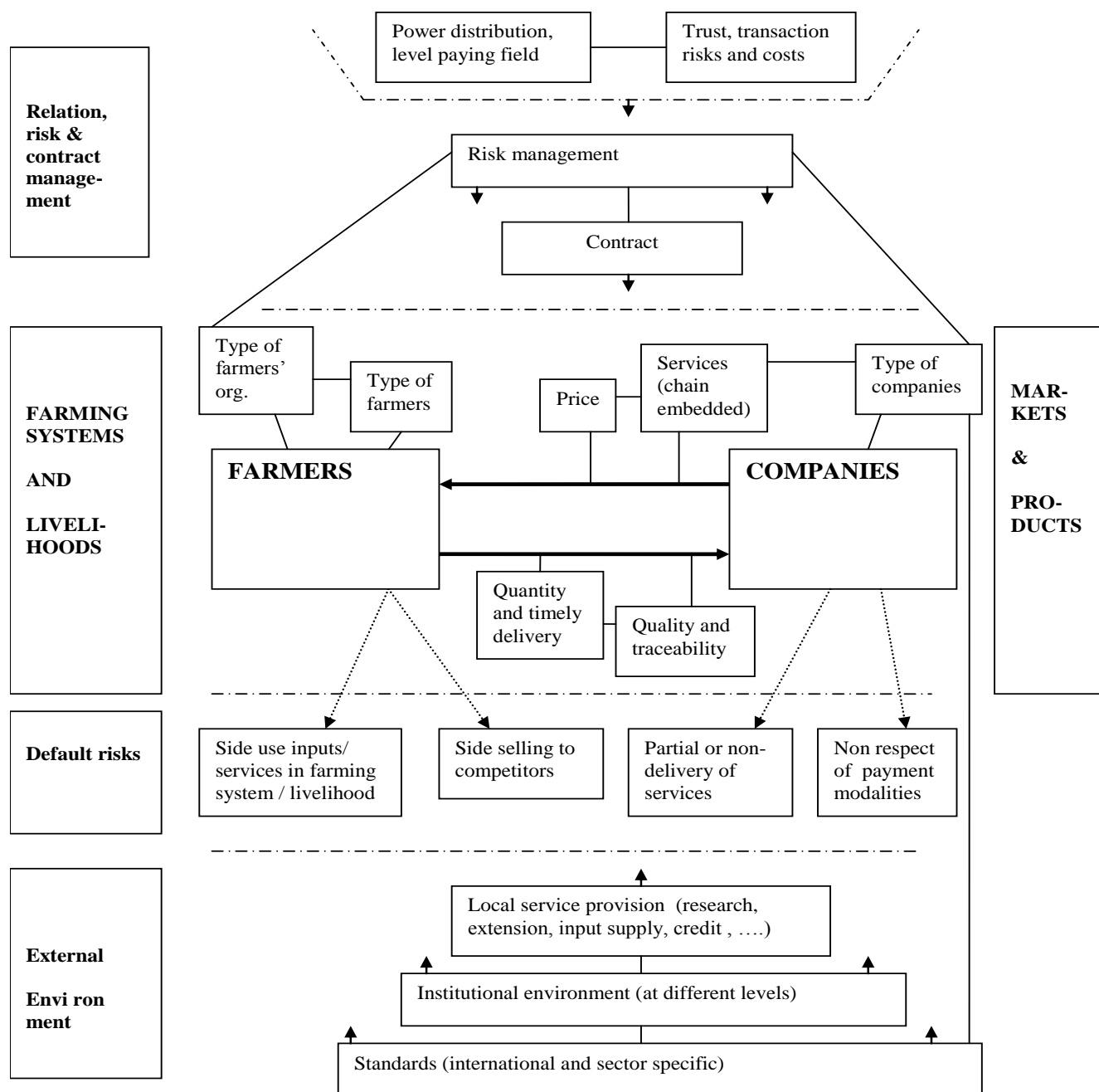


Figure 7: Contract farming (CF) model (Source: Schrader, 2012)

Chapter Three: Methodology

3.1 Research area

AFARD is working with oil seed farmers in the West Nile region in Uganda. The research was carried out in Nebbi town and Arua in the West Nile region of Uganda in AFARD's districts of operation (see Figure 8). West Nile district is in the Northern Uganda, 480 kilometers from the capital Kampala. Nearly 60% of people in Uganda's West Nile region live below the poverty line compared to the national average of 35% (Uganda Bureau of Statistics, 2012). The population is predominantly rural, so agriculture is the backbone of the regional economy with cassava, sesame, soya bean, cotton, tobacco and groundnuts as the major commercial crops. This case focuses on the contract farming model which AFARD developed, together with SNV. According to 2011 Uganda National Household Survey, Northern Uganda where West Nile lies, income poverty has significantly remained high as compared to other regions making Northern Uganda the poorest region in the country (Aagaba, 2012).

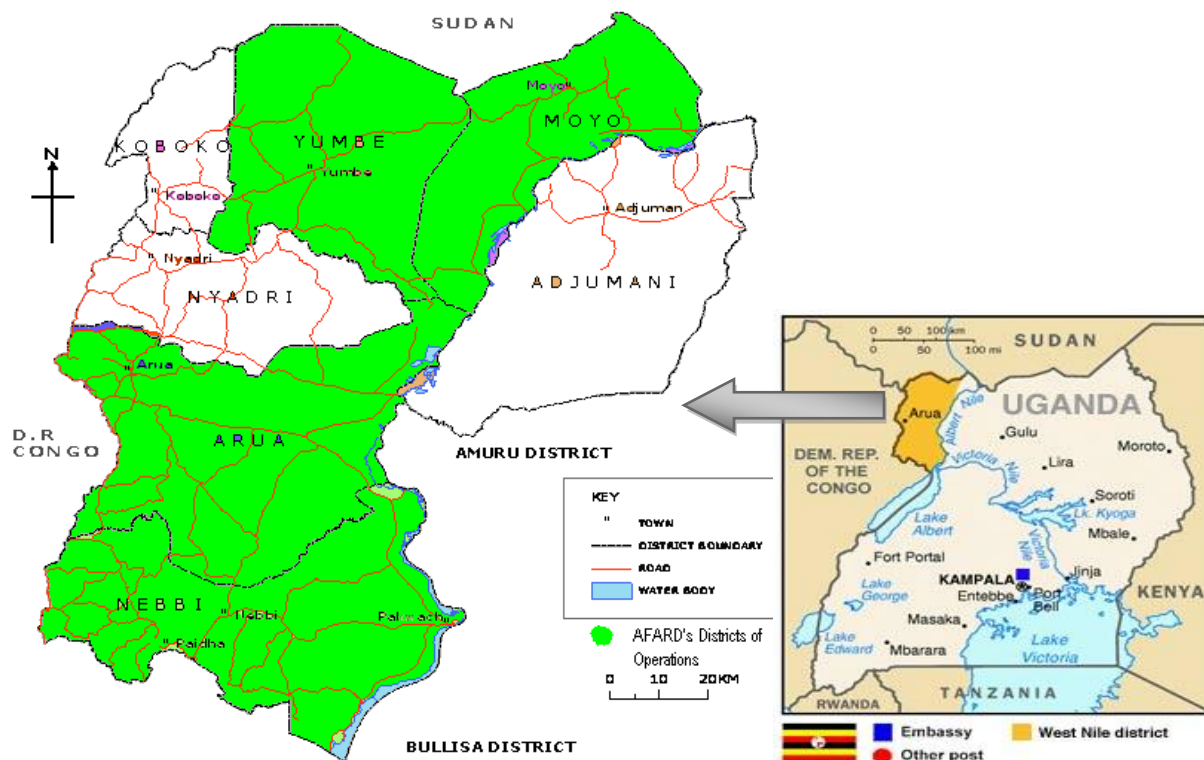


Figure 8: Map of West Nile region from the map of Uganda (Source: AFARD, 2011)

3.2 Research design

The study used qualitative and quantitative approach and was based on both empirical data and literature through desk study and field study. Interviews and questionnaires were used in this research. These questionnaires were administered to key informants from SNV, AFARD, soya bean and sesame farmers in West Nile district. A key informant is a knowledgeable participant of a particular subject which is an important part of the investigation. This will assist in acquiring accurate and up to date information. Figure 9 shows the research stages that were followed from the desk study to the writing of the final report. A business case (BC) in this study is defined as comprehensive and highly structured document with information on the background of the project, description and overview of the project, challenges and expected benefits.

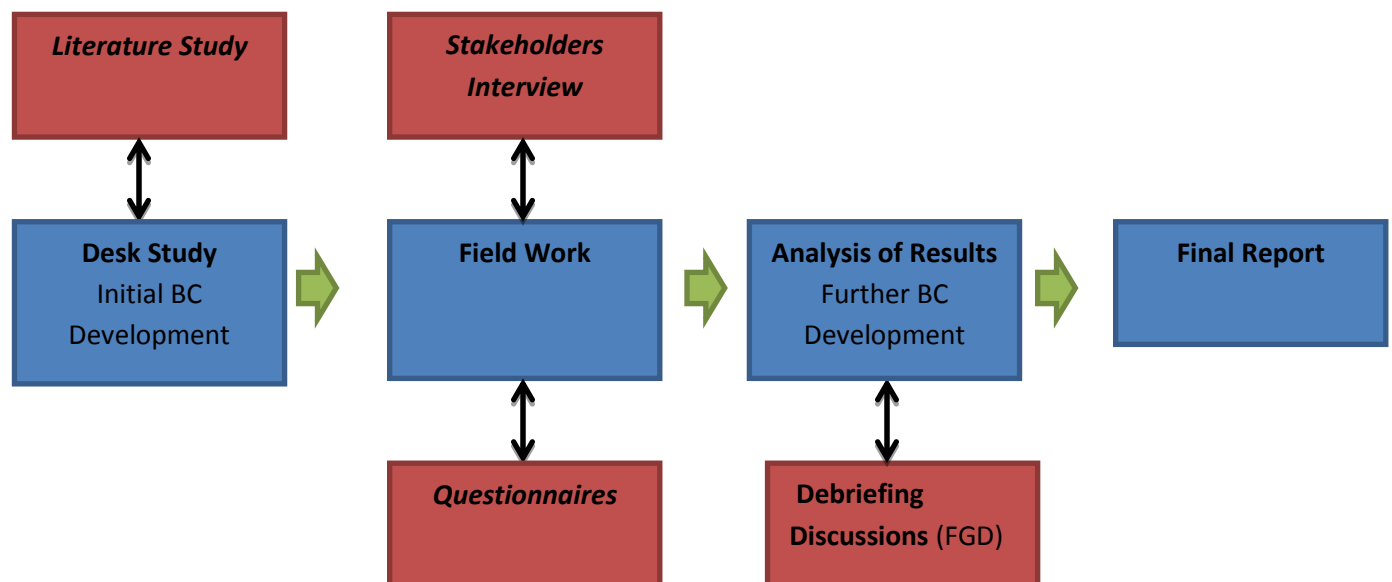


Figure 9: Research stages

3.3 Desk study

This was the first stage of research and it involved the collection and use of secondary information. Basically it was done through literature study.

3.3.1 Literature study

The information was collected using mainly electronic search to access the digital library of WUR, as well as other internet sources, books, journals, reports and unpublished documents from the research area. Collecting and using available documents is very important to get an overview of the case. This was done to find relevant information on the agricultural sector, production trends on soya bean and sesame and market information, statistics and agricultural practices. Furthermore, the desk study was done to get the literature review and background

information on oil seed production and an overview of the relation between SNV, AFARD and oil seed farmers. With this information on the business case, the next stage was to brainstorm about the challenge areas. What are the key challenges, issues, problems, tensions, opportunities that were frequently mentioned? The result of the literature study helped answer these questions and a checklist with challenge areas was developed.

3.4 Field work

The field work data collection is was second step of the research. It involved gathering primary information and used interviews and a survey as strategies.

3.4.1 Key informant Interviews

Informative interviews were organised with SNV and AFARD project staff and the oil seed farmers to get the views of the company and the farmers on their relation. This was done by using the checklist (see Annex 1) which addresses the sub topics to include oil seed market situation, farmer group functioning, contract contents and understanding, price setting modalities and production risks. These interviews were done to verify and get more information on the business case hence further developing it. Interviews were held with 14 participants, 7 farmers (2 PO leaders and 5 farmers) and 7 staff members. Farmers who are chairpersons were selected to observe if these farmer representatives share the same views with the rest of the farmers. Table 2 shows the type of respondents selected from SNV and AFARD staff members. The number of participants of farmers and staff was the same to get an equal overview of both groups that was not biased by the number of participants.

Table 1: Breakdown of Respondents

Method of Data Collection	Type of Respondent	Number of Respondents
Key Informant Interviews using the checklist	PO Chairpersons	2
	Farmers/Beneficiaries	5
	AFARD Field Officers	5
	AFARD Director	1
	SNV Food Security Advisor	1
Surveys through questionnaire (2 -2 Tango)	Farmers/Beneficiaries	32
	AFARD Director	1
	SNV Food Security Advisors	2
	AFARD Project Coordinator	1

	AFARD Field Officers	4
Method of Data Collection	Type of Respondent	Number of Respondents
Focus Group Discussions	1 st Group of farmers	15
	2 nd Group of farmers	15
	SNV staff	5

3.4.2 Questionnaire

A specific tool has been designed under the theme 2- 2Tango for data collection in this research. Below is a brief overview of the 2 - 2 Tango questionnaire.

2-Tango Questionnaire

2 – 2 Tango is a participatory tool for assessing the firm-farmer relations and it helps to harness the views of farmers and firms on their business relation (Schrader, 2012). The tool is based on the same set of statements and is meant to substantiate and fuel exchange and dialogue between farmers and firm on issues at stake and options to improve the relation. This tool was developed by Agri Pro Focus in 2012 under the theme ‘organised farmers as partners in agribusiness’ and it has been pilot tested in countries to include Kenya and Ethiopia. Agri Pro Focus is a Dutch organisation that promotes farmer entrepreneurship in developing countries. This organisation has partnership with members which are organisations and companies and these gather, train, connect and provide inputs and credit to farmer entrepreneurs and producer organisations (Schrader, 2012).

2 – 2 Tango has scoring statements presented by smileys on a scale of 0 – 3. Scoring options will be explained from strongly disagree being represented by 0 to strongly agree being represented with a 3 (see Annex 2). Smileys can help to explain the (0-3) Linkert scale. Linkert scale is a psychometric scale commonly involved in research that employs questionnaires. It is the most widely used approach to scaling responses in survey research, such that the term is often used interchangeably with rating scale (Allen, 2007). In order to capture perceptions of as many people as possible individuals scored the statements. In some cases, pair wise scoring was a good option as well (persons with comparable situation and background). Previous experiments in the pilot study has shown that the scoring does not take very long and that everybody can do it, even illiterate farmers (Schrader, 2012). As such the farmers were able to score the questionnaire (see photos in Annex 3).

A total of 32 farmers were selected for the use of the questionnaire and this was also administered to 8 staff members from AFARD and SNV. Purposive sampling was used for the selection of the staff members as all those who were directly involved in the oil seed project was automatically selected. Purposive sampling was also used to select the chairpersons of the farmer groups and random sampling was used to select the members of the farmer groups. (see

Table 3). This tool resulted in obtaining the views of the farmers, AFARD and SNV on their relation on oil seed production. Hence, the identification of areas that needs attention.

Table 2: Breakdown of farmers for the survey

Name of Farmer Group	Crop Specialty	Number of group chairpersons	Number of Members
Pongo	Soya bean	1	5
Sirigamba	Soya bean	1	4
Wendy	Soya bean	1	4
Murusi	Sesame	1	4
Olandu	Sesame	1	5
Dei PTC	Sesame	1	4

3.5 Analysis of Results

The 2 - 2 Tango tool works with Excel for data entry, processing and the preparation of graphs. The reason is that Excel is broadly available and well-known. It allows calculating the total and average scores, minimum and maximum scores and standard deviation (Schrader, 2012). The latter can help to analyse the level of agreement among respondents. A predefined Excel workbook was prepared by Agri Pro Focus and it is prepared for 8 challenge areas with 9 statements per challenge area just in line with the questionnaire. The Excel work book contains tables with formulas and has generated graphs. Excel work sheets were matched with the tailored list of statements using an existing workbook developed by Agri Pro Focus. Once the data was entered, graphs were automatically generated as the workbook already had formulas.

3.5.1 Focus Group Discussions (FGDs)

Sharing and discussing the self-assessment results is very crucial otherwise the tool is confined to mere data collection and the production of 'nice looking graphs' (Schrader, 2012). Focus Group Discussions (FGDs) were held as a way of debriefing farmers and AFARD staff on the results generated from the survey. The self-assessment results showed the subjective perception of the firm and farmers. It did not explain why scores were high, low or intermediate. This interpretation was to be done by the actors involved: firm and farmers. Why are high or low scores given? Why are farmers and firms having different views? These were answered through discussions in 3 sessions. These discussions contributed to the study being able to assess the feasibility of firm-farmer relations on oil seed production. Hence, it was possible to suggest possible solutions for bettering these relations in the final report. Two groups of farmers with 15 members each and one group of staff with 5 members were debriefed. These numbers were manageable for FGD and ensured maximum participation from the participants. Table 2 shows the breakdown of respondents for the FGDs. Basically the methodology as explained above followed the implementation context described in Figure 10.

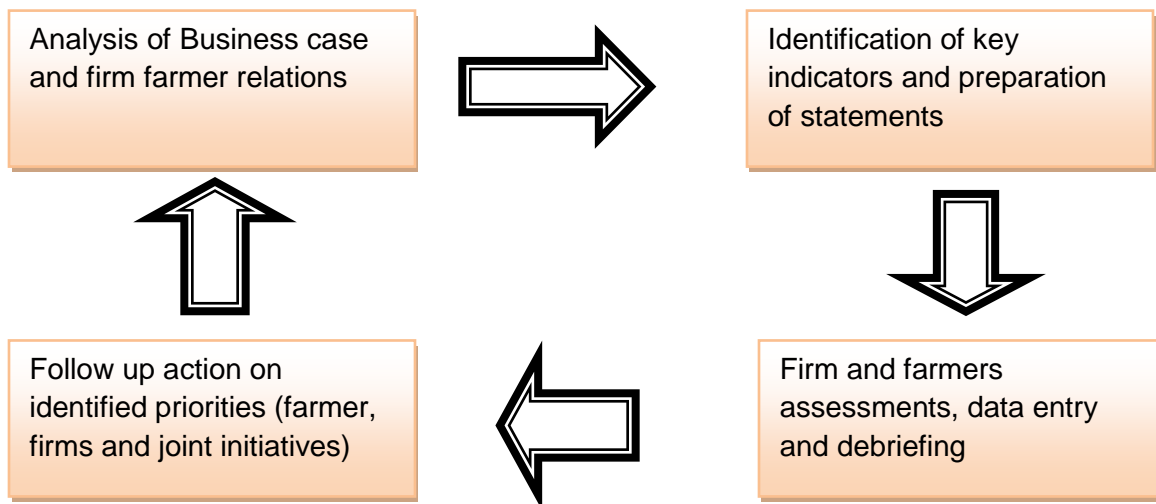


Figure 10: Implementation context

3.6 Recommendations

The debriefing meetings were a platform to get the perceptions of the company and the firms on the scores that they had given on the questionnaires. The discussions necessitated to get a deeper insight into issues. Meaning data was collected which sufficed the analysis hence the development of recommendations to the company with an objective to improve firm – farmer relations.

Chapter Four: Research Findings

4.1 Business case description

AFARD was founded in 2000 with a vision of a prosperous, healthy and informed people of the West Nile district. It is headquartered in Nebbi town and has a social development focus and a business wing. This research was focusing on the business wing of this organisation where it promotes the production of sesame and soya beans. The organisation works with 7300 households in the West Nile. The overall objective of AFARD's project is to establish an intensive production scheme producing and marketing high quality produce for both the national and international market year round. Each farmer is expected to cultivate at least 1 acre of sesame and or one acre of soya bean. AFARD procures seed and sells to farmers at UGX 2 300 for sesame and UGX 1 000 for soya beans. Farmers are allowed to pay part of the seed cost at time of requisition then pay the rest after harvest. The company then buys from the farmers at a cost of UGX 2 500 and UGX 4 000 for soya bean and sesame respectively and sells to processors in Uganda (AFARD, 2011). The field extension team carries out field demonstrations and farmer field schools as part of the tools for technology development.

Through this, intervention AFARD has been able to build 1 warehouse of 24 metric tonnes capacity in Yumbe district, procure and distribute to 78 producer organizations 150MT of soybean seed, 52MT of sesame seeds worth UGX 843,585,000 (US\$ equivalent of 337,434), 78 weighing scales, 702 tarpaulins, moisture meter, different types of agrochemicals and 167 spray pumps and buy one 7 tonne lorry (Aagaba, 2012). The firm trained 78 Production and Marketing Committees (with 390 members; 103 women and 287 men) in bulking and marketing. AFARD has signed contracts with farmer groups in West Nile. Farmer groups are contracted to utilize all the given inputs and sell all the produce to AFARD. The findings of this research will be based on the contract and firm farm relations based on the business wing of AFARD.

4.2 Questionnaire

The findings of this research will be presented according to the challenge areas and statements as presented in the questionnaire. The key informant interviews gave an insight into the challenges being faced by the farmers and the firms. This led to the development of the questionnaire. The questionnaire had 6 challenge areas (see Table 3) and for every challenge area, there were 9 statements. For every challenge area, two graphs were generated. One graph showing scores from both farmers and firm whilst the other graph shows the level of agreement or disagreement for every statement. High scoring by respondents is interpreted to agree with a statement. A high score means a positive perspective by respondents to the statement. The higher the level of disagreement is shown by the level of deviation from 0. The higher the score is from 0 means the higher the level of disagreement and vice versa the lower the score is from 0, the lower the level of disagreement.

Table 3: Challenge areas in questionnaire

Challenge areas	
C1	Production Risks
C2	Functioning of Farmer Groups
C3	Access to Markets
C4	Contract
C5	Price Risks
C6	Benefits of Contract Farming

4.3 Production Risks

Under the challenge area of production there were quite a number of statements (see Table 4) ranging from the distribution of oil seeds on time, the trainings provided to farmers and farmers being able to follow the taught agronomic principles.

Table 4: Challenge areas for production

Challenge areas for production	
S1	Oil seeds are distributed on time for planting
S2	Farmers get sufficient amount of sesame and soya bean
S3	AFARD has provided farmers sufficient know-how on oil seed production
S4	Farmers are making use of the trainings provided by the AFARD
S5	Farmers' oil seed yields are increasing
S6	Farmers are able to calculate the production costs per kg of sesame/soya bean produced
S7	AFARD provides quick feedback to farmers' questions related to production
S8	Farmers are happy with the variety of seed given
S9	Farmers follow good agronomic principles as taught through demonstrations

The average score in this area of Production Risks is 77% (see Figure 11a). It clearly comes out that the farmers scored higher than the firm above average on all other statements except for S1 where the firm scored higher. The farmers gave the lowest score for S1. Farmers scored exceptionally high with a score of 100% in S2 and S3. Farmers are totally positive on these statements. The firm is slightly positive across all challenge areas except in S4, S5 and S9 where they scored 53% on all the 3 statements.

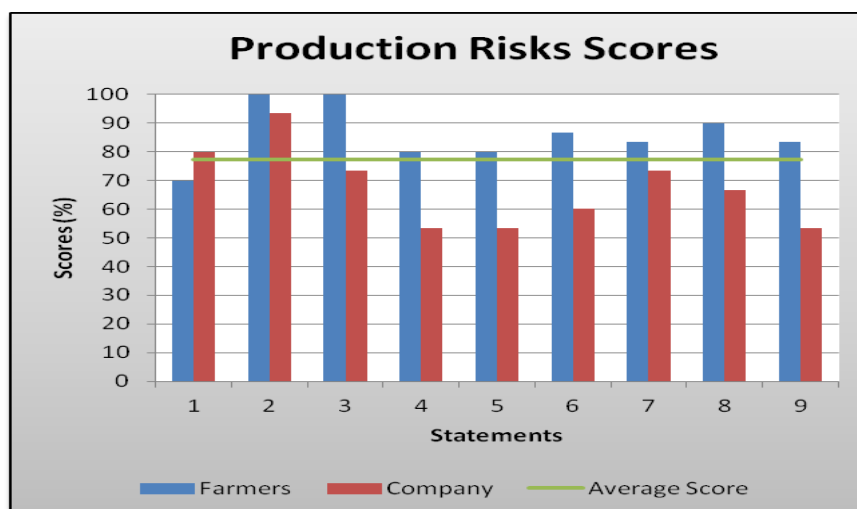


Figure 11a: Production risks score

It can be observed that in this area the level of agreement is not very high (see Figure 11b). The highest level of disagreement is shown under S9 with -15% followed by S3, S4, S5 and S6 with the same score of -13%. It is remarkable that there are slight levels of agreement in S2 as evidenced by the -3% level of disagreement.

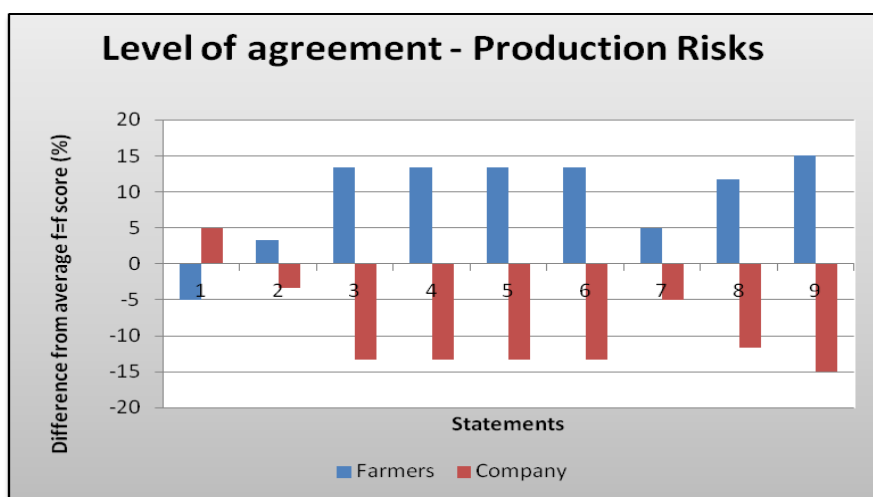


Figure 11b: Level of agreement – production risks

4.4 Functioning of farmer groups

Statements under the challenge area of functioning of farmer groups included the farmers being aware of the benefits of working as a farmer groups and whether farmer groups are effective in their operations. Table 5 presents the 9 statements for this challenge area.

Table 5: Statements for functioning of farmer groups

Challenge areas	
S1	Farmers are aware of the benefits of working as a farmer group
S2	Farmers sell produce as a group, and not as individuals
S3	AFARD does not interfere with the running of the farmer group
S4	The group chairperson adhere to the tasks and responsibilities defined in group regulations
S5	Farmer group meetings are effective
S6	All farmers are informed of group financial issues
S7	The farmer group keep records on amount of oil seed delivered to AFARD
S8	The farmer group leaders always represent the common interest of the farmers
S9	The farmer group helps preserve the rights of the farmers

The overall total score is 77% for this challenge area. It can be observed that farmers gave an exceedingly higher score than the company on S1 where they totally agreed with 100%. Farmers are more positive across most of the challenge areas (see Figure 12a).

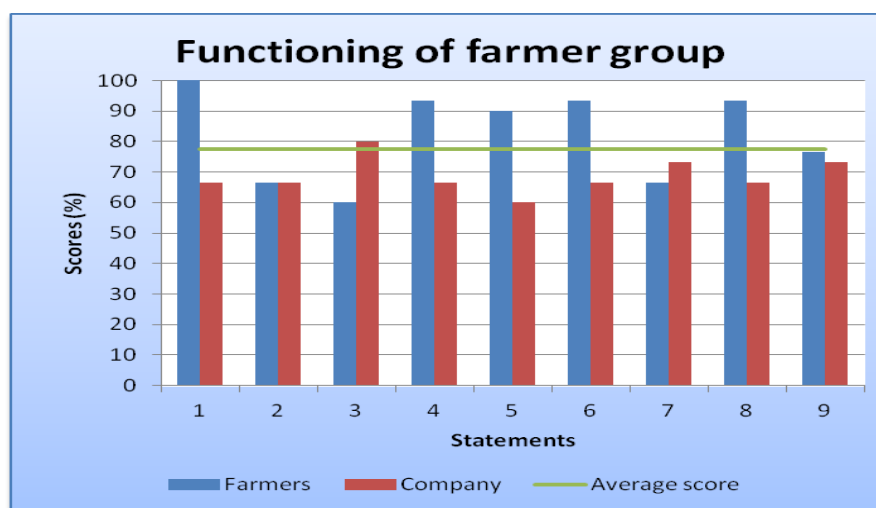


Figure 12a: Functioning of farmer group scores

The firm is more positive than the farmers in S3 where they gave a score of 80%. Both the firm and the farmers scored 66% below average on S2. The firm scores 73%, a score slightly higher than the farmers it is below the average score.

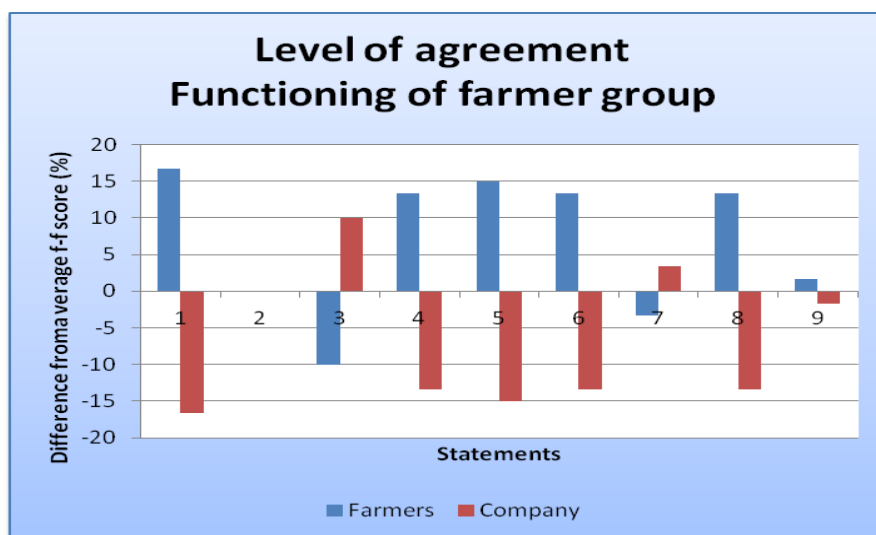


Figure 12b: Level of agreement- Functioning of farmer group

It looks like there is a total agreement on S2 with both the firm and the farmers agreeing to 67%. Low levels of disagreement clearly shown in S9 with 2%. It is clear that there are high levels of disagreement on S1 and S5 with scores of -17% and -15% respectively (Figure 12b).

4.5 Access to markets

This challenge area covered statements to do with the presence of other oil seed buyers and the satisfaction of farmers on the methods of payment to farmers (see Table 6).

Table 6: Challenge areas for access to markets

Challenge areas	
S1	AFARD is clear about the amount of produce they want to buy from the farmers
S2	AFARD clearly informs farmers about quality requirements of oil seed
S3	There are other oil seed buyers on the market
S4	Farmers know the final price of oil seed at consumer level
S5	Quality standards and reasons for rejection are clear
S6	AFARD pays farmers according to agreed schedule
S7	Farmers are satisfied being paid in cash
S8	Farmers sell all their produce to the company only
S9	Farmers are sensitised about production costs before starting oil seed production

The average score under this challenge area is 78%. Generally it can be observed that both farmers and the firm gave scores below average on S3 and S8. Farmers scored 53% and 73% respectively whilst the firm scored 66% and 26%. The firm is less positive about S8 as shown by the lowest score. Farmers scored higher than the firm on most statements (see Figure 13a).

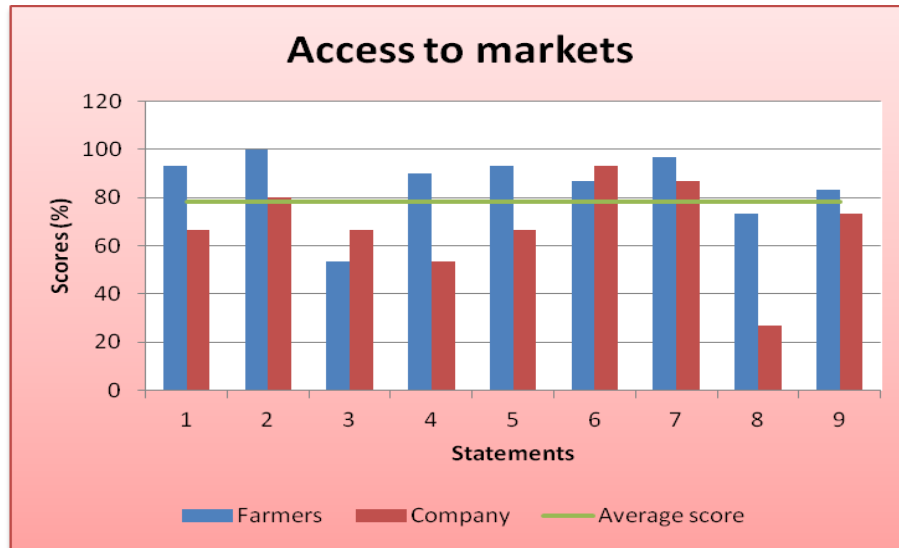


Figure 13a: Access to markets scores

It can be noted that the perceptions of farmers and the firm are quite different for every statement though exceedingly different for S4 and S8 with scores of -18% and -23%. At first sight, there is much more agreement for S6 with 3%. Slight levels of disagreement are also shown on S6 and S7 with -3% and -5% respectively (see Figure 13b).

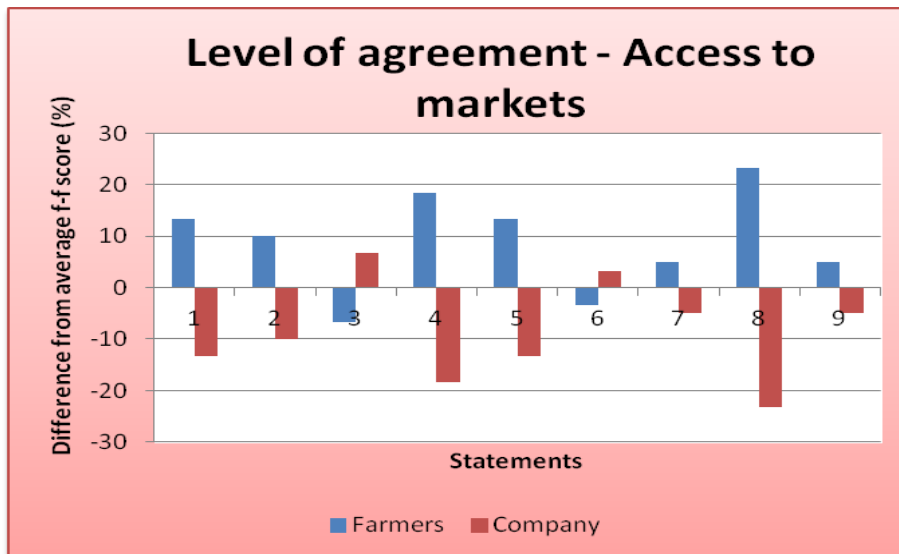


Figure 13b: Level of agreement -Access to markets

4.6 Contract

Understanding of contract contents and communications on contract issues were part of the statements under this section. Abiding by the contract of both the farmers and the firm were also some of statements which were part of the contract section. Table 7 shows the list of statements.

Table 7: Statements for Contract

Challenge areas	
S1	Each individual farmer understand the content of the contract with AFARD
S2	Farmer group can always discuss contract issues with AFARD
S3	Farmer groups can always discuss contract issues themselves
S4	AFARD takes farmers' opinion on contract issues into consideration
S5	The group chairperson signs contract with consent from members
S6	The farmer group follows the rules laid down in the contract
S7	Farmer group penalize members for breach of contract
S8	AFARD takes measures for breach of contract
S9	Farmers pack clean oil seed (without sand & stones) for AFARD

The average score is 73% and in the area of 'Contract', it clearly comes out that the firm is not so positive on quite a number of statements. The firm gave the lowest scores of 46% and 33% for S6 and S7 respectively. Farmers gave the lowest scores on S4 and S8 with 50% and 56%.

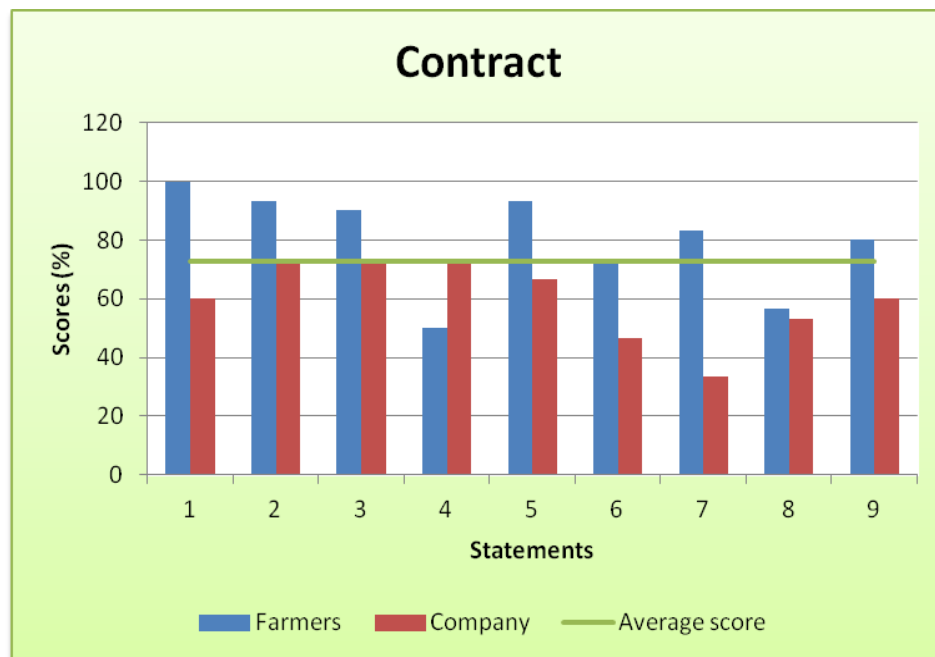


Figure 14a: Contract Scores

It is remarkable that both the farmers and the firms are not so positive in the area of contracts and evidenced by the general low scores (see Figure 14a). It can be observed that there is a high level of agreement on a low score in S8. There are 2 statements with a high level of disagreement of -20% and -25% for S1 and S8. The levels of agreement are not very high across all other statements (Figure 14b).

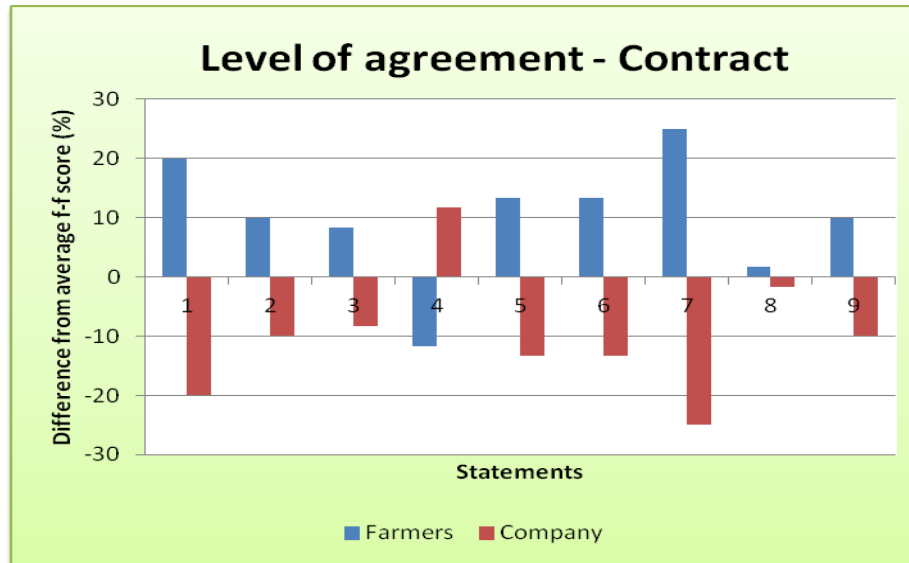


Figure 14b: Level of agreement - Contract Score

4.7 Price Risks

The study tried to find out the price risks associated with firm farmer relations and in a bid to address this challenge area, the statements in Table 8 were formulated. These statements included the fairness of the oil seed and produce prices, side selling issues and accountability.

Table 8: Statements for Price Risks

Challenge areas	
S1	Price for oil seed is fair
S2	Farmers have savings accounts
S3	Farmers are made aware before production of the price AFARD will buy their produce
S4	Farmers price for seed is subsidised by the company
S5	Farmers are paid a fair price for the produce
S6	Farmers are not side selling seed given by AFARD
S7	Farmers do not side sell produce to other buyers
S8	Farmers provide the required amount of produce to AFARD
S9	Quality of oil seed produced matches with the price offered

The average score is 60% which is the least score on all challenge areas. It can be observed that farmers gave an exceedingly higher score above average than the company on S7 and S8 where they scored 76% and 66% respectively whilst the firm scored 26% for both statements. It is clear that the company is less positive on these statements. The company is more positive with scores above average than the farmers in S4 and S5 where they scored 80% and 73%.

whilst the farmers scored 43% and 46%. The lowest scores are given on S6 when both the firm and the farmers score below average (see Figure 15a).

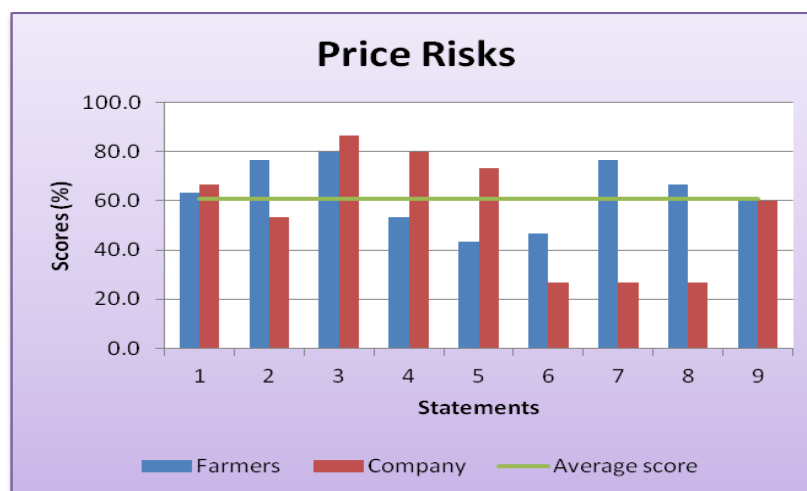


Figure 15a: Price risks scores

Apparently, there is high level of disagreement on S7 and S8 with scores of -25% and -20% (see Figure 15b). These statements have the highest levels of disagreement amongst all the statements in the questionnaire. A total agreement on a high score is seen on S9 as both the firm and the farmer gave the same score of 60%. Very low levels of disagreement are also visible on S1 with – 1.7%.

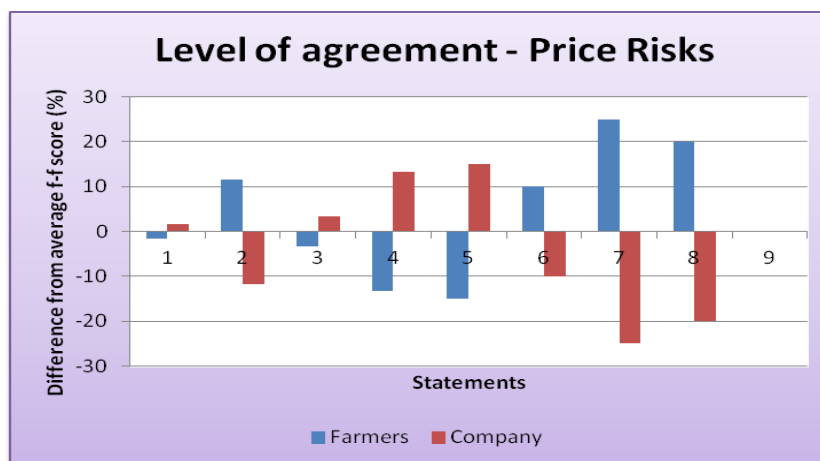


Figure 15b: Level of agreement – Price risks

4.8 Benefits of contract farming

The statements under the challenge area were meant to find the effects on the firm farmer relation on the farmer's access to income and markets. Table 9 highlights the statements for the challenge area benefits of contract farming.

Table 9: Statements for benefits of contract farming

Challenge areas	
S1	AFARD provides farmers a guaranteed market for oil seed
S2	Oil seed contract provides farmers with a steady income
S3	Farmers are happy with the services offered by AFARD
S4	The money from oil seed farming is the most important income of the farmers
S5	Oil seed farmers are able to get loans
S6	Oil seed revenues are invested in other crops
S7	Oil seed farmers are developing other income generating activities
S8	AFARD assists farmers with other income generating activity they pursue

The overall average score is 84% under this challenge area. Generally It can be observed that farmers are more positive than farmers on most of the statements except S1 where they scored 76%, a score below average (Figure 16a). The company scored below average across all statements.

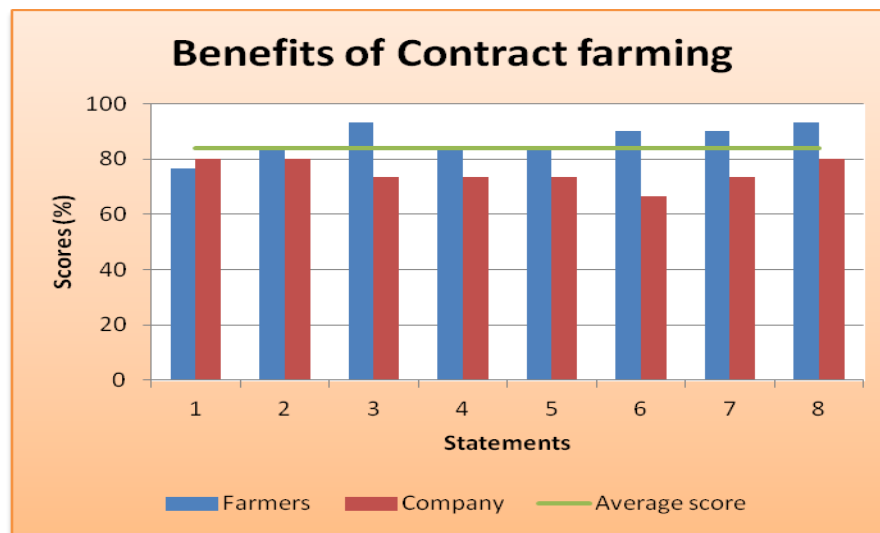


Figure 16a: Benefits of contract farming scores

It can also be noted that the perceptions of farmers and the company are quite different for almost every challenge area though exceedingly different for S3 and S6 with a score of -10% and -12% respectively (see Figure 16b). At first sight, there is much more agreement for S1 and S2 with the same score of -1.7%.

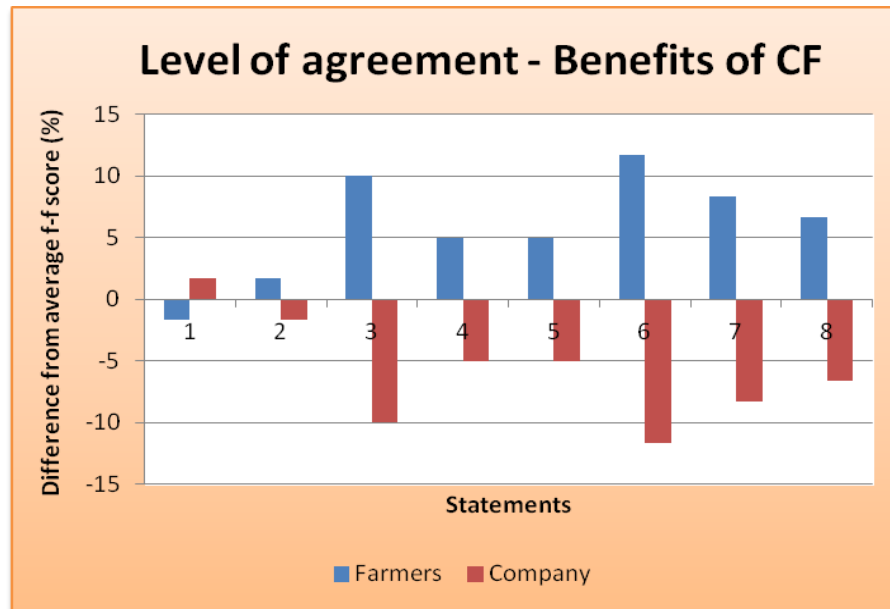


Figure 16b: Level of agreement - Benefits of contract farming

4.9 Overall Scores

The overall scores across all the challenge areas are quite comparable for the farmers and the company. Farmers are clearly more positive about than the company on all challenge areas as evidenced by them scoring higher than the company (see Figure 17a). The average total score is 75.2% meaning that both the firm and the farmers agree with a fairly high score to most of the statements. Generally it can be observed that farmers gave the high scores above average on almost all the challenge area except for S5 where they gave the lowest score of 66%. Firm scores are below average across all challenge areas except for S6 where there gave the highest score of 91%. Similar to the farmers, the firm also gave the lowest score of S5 where they scored 55% (Figure 17a). Table 3 highlights the areas where farmers and firms scored very low and areas where there were high levels of disagreements with the major challenge areas being production, contract and price risks.

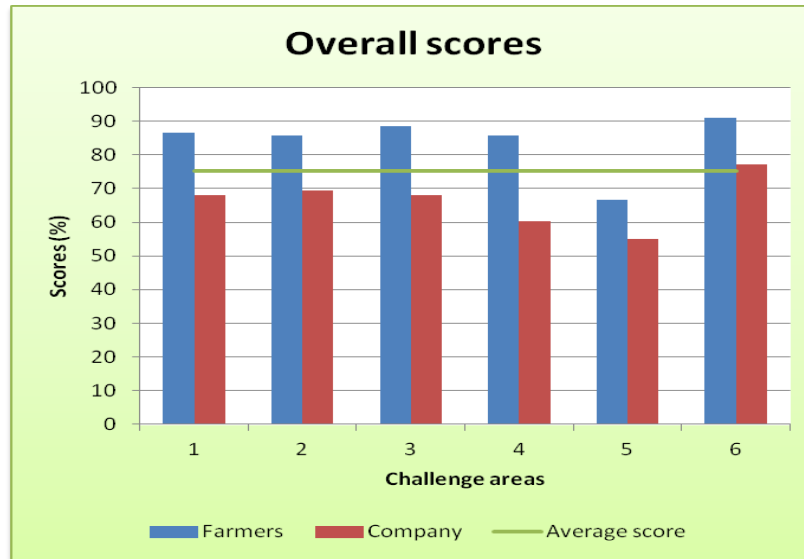


Figure 17a: Overall scores

It can also be noted that the perceptions of farmers and the company are quite different for every challenge area. Figure 17b shows the level of agreement across all the challenge areas. The highest level of disagreement is shown in -12% under S4. S3 also shows some levels of disagreement with a score of 10%. There is slight disagreement on S5 and S6 with -6% and -7% respectively.

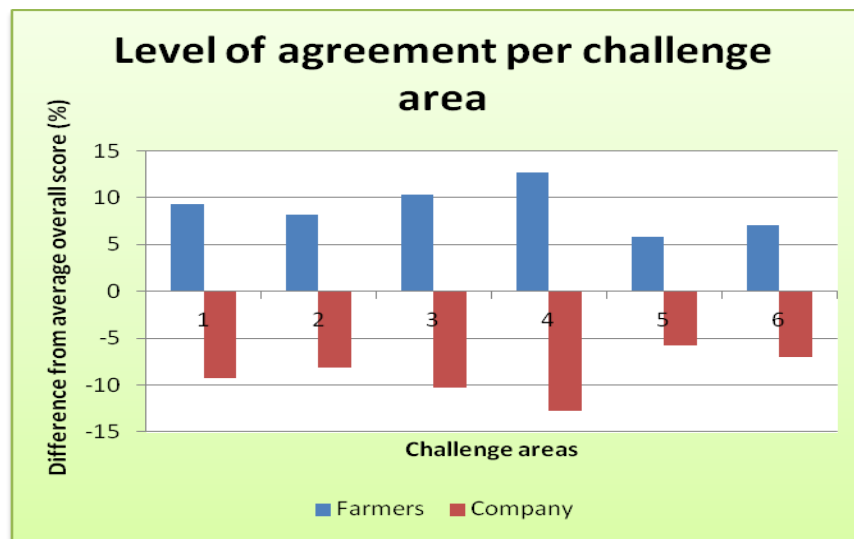


Figure 17b: Level of agreement

4.9.1 Summary of findings

Table 10 highlights the major statements and challenge areas that highlighted key issues in the negative context. The following statements have at least one low score below average from either the farmers or the firm. A high level of agreement on a low score is also regarded as a key issue in the negative context.

Table 10: Key issues on findings

Challenge Area & Statement	Farmer Score (%)	Firm Score (%)	Average Score (%)
Production			
S4. Farmers are making use of the trainings provided by the AFARD	80	53	67
S5. Farmers' oil seed yields are increasing	80	53	67
S9. Farmers follow good agronomic principles as taught through demonstrations	83	53	68
Functioning of farmer groups			
S1. Farmers are aware of the benefits of working as a farmer group	100	66	83
S5. Farmer group meetings are effective	90	60	75
Access to markets			
S4. Farmers know the final price of oil seed at consumer level	90	53	71
S8. Farmers sell all their produce to the company only	73	26	50
Contract			
S1. Each individual farmer understand the content of the contract with AFARD	100	60	80
S7. Farmer group penalize members for breach of contract	83	33	58
S9. Farmers pack clean oil seed (without sand & stones) for AFARD	80	60	70
Price Risks			
S6. Farmers are not side selling seed given by AFARD	46	27	37
S7. Farmers do not side sell produce to other buyers	76	26	52
S8. Farmers provide the required amount of produce to AFARD	66	26	47
Benefits of contract farming			
S6. Oil seed revenues are invested in other crops	90	66	78

The following statements showed slight levels of disagreement between the farmers and the firms on a positive note. There was less than - 2% levels of disagreements on the following issues and some having a total agreement. Both the farmers and firms are positive on these statements:

- ✚ Farmers get sufficient amount of sesame and soya bean
- ✚ Farmers sell produce as a group, and not as individuals
- ✚ AFARD pays farmers according to agreed schedule
- ✚ Farmers are satisfied being paid in cash
- ✚ Price for oil seed is fair
- ✚ AFARD provides farmers a guaranteed market for oil seed
- ✚ Oil seed contract provides farmers with a steady income

Figure 18 shows the warehouse where the produce from oil seed farmers is taken to and packaged into bags in preparation for delivery to the processing companies.



Figure 18: Bagging of soya bean at AFARD warehouse
Source: Aagaba, 2012

Chapter Five: Discussion of results

5.1 Overall results

Generally farmers and the firm scored very high with an average of 75% for all the challenge areas. It seems the firm and the farmers are positive about most of the issues addressed in the challenge areas. There seems to be agreements to high scores on most of the challenge areas. However, there are some statements in some challenge areas where both the farmers and the firm agree to a low score. This means that they both agree to disagree as evidenced by the low score and these areas need attention. It seems a low score has been given to the sector of price risks which means this area has quite a number of challenges and both the firm and the farmers are not so positive with the areas under this sub section. High scores were mostly given to the benefits of contract farming. It clearly comes out that there is more agreement to high scores which means they are both positive about the statements in this section.

5.2 Production Risks

Under this challenge area of production risks, there seem to be significant differences in the increase of oil seed yields with particular attention to soya beans yield. Farmers argued that amongst the reasons of poor rainfall patterns, the seeds were not being given on time. The perceptions of farmers and the firm differ on the distribution of seeds on time for planting. Farmers scored below average whilst the firm scored high on this statement. During a focus group discussion in Rhino Camp in Arua, sesame farmers indicated that they received seeds in the last season around the 26th of July whilst they intended to start planting at the beginning of July. However, from the production and marketing calendar designed by farmers, sesame can also be planted early August. Farmers seemed to have allocated this reason for the failure to produce much better yields. Early planted sesame generally gives the best yields and the fewest pest problems (MacDonald, 2009). Planting on time is one of the three principles of agriculture, hence giving the farmers seed on time before the planting season will motivate them to work on the crop in anticipation of high yields.

Farmers scored higher than the firm on the statement that AFARD has provided farmers with sufficient know how on oil seed production. Due to the trainings and demonstrations the farmers received, the farmers totally felt that they were being provided with sufficient trainings despite the failure to produce the required output. The firm has been providing trainings to farmers but there seems to be a lack of enough training on the staff members themselves. The staff felt that they were partly responsible for the failure of the project to produce the expected quantities from the yield. Being a new project, the personal needed to be well trained to transmit sufficient information to the farmers. Even though the staff was trained on agronomic principles and farming as a business, there needed to be more practical trainings to the field officers.

The highest level of disagreement in this challenge area was also noted on two related issues of farmers following the good agronomic principles. It seems the firm is negative about this issue as evidenced by the score which is below average. The firm is of the view that most of the farmers are not making use of the trainings provided by the firm. During an interview with one of the field officers, it was highlighted that demonstrations are done by AFARD showing farmers

the required spacing for soya beans and sesame. However, it was noted from the monitoring visits that farmers were not following the recommended spacing and the weeding that is supposed to be done after every two weeks. On an acre of land, farmers do not seem to plant the required 25kgs of seed but rather plant half of the seeds using the broadcasting method. During an FGD held with farmers, the farmers raised the issue that planting soya bean is very laborious for them as it requires first and second ploughing and it need to be planted in rows. It can be explained that soya bean being a new crop that was introduced to farmers in the last season, they are not yet familiar with it. As contract farmers are often required to grow new crops or adopt unfamiliar farming techniques, they tend to encounter greater production risks (Key, 2009). Farmers are still hesitant and some even used a few seeds than they had bought for the planting season. The tended to follow agronomic principles used for planting crops like maize which they were used to planting. Hence, as a pilot crop, farmers were still trying to experiment the crop on their own, at the same time not following the taught agronomic principles. On the same note, as a new crop to the field officers, it can be said that they might have also lacked enough trainings on soya bean related topics.

On a positive note, there seems to be agreements on a high score on the statement of the amount of seed provided to farmers by AFARD. This shows that the firm and farmers are positive and agree to this notion. Lack of enough seed is not a challenge as the farmers can always buy more than the required 25kgs. The firm has not failed to supply the farmers with sufficient seed.

5.2 Functioning of farmer groups

Generally there were slight differences in agreement between the farmers and the firm though farmers tend to agree more than the firm across all areas. It is clear under this challenge area that there are levels of disagreement on the issue of farmers being aware of the benefits of working as farmer groups. Farmers seem to be of the view that they are aware of the benefits of working as farmer groups whilst the firm thinks otherwise. This might be because farmers were sensitized about the benefits of working as farmer groups when they formed groups. Farmers seem to sell their produce individually and not through the farmer group though they are part of formalized farmer groups. It can be said that farmers know the theoretical benefits of working as farmer groups whilst on the other hand, the actions and how they operate says something else.

Under the same challenge, the farmers are of the view that farmer group meetings are effective whilst the firm does not share the same sentiments. During an interview with one of the field officers, it was noted that sometimes there is lack of communication between the chairpersons and the members of the groups as sometimes information is not conveyed to farmers. Despite the regular meetings of the farmer groups, it seems to the firm that the bulk of the issues discussed might be local political issues and not issues to do with their source of livelihoods to include agricultural issues. Farmer group chairpersons do not really have a drafted agenda on the issues to be discussed which is likely to lead to meetings being ineffective.

5.3 Access to markets

Apparently, there are slight levels of agreement between the firm and the farmers under this challenge area. There is the disagreement to the fact that farmers sell all their produce to the firm as stipulated in the contract. The firm scored very low with 26% which was far below the average score. The firm noted that farmers are practicing side selling at the expense of the firm. Despite the levels of yields which were not perfect, farmers are believed to be side selling to other buyers of oil seed who just appear. There are said to be buyers who come in from DRC to buy from the farmers even those who are under the contract with AFARD. In the last season, 150MT and 56MT of soya bean and sesame respectively were distributed to farmers. At the time of harvest, the firm got 141MT of soya beans – a quantity that is less than the seeds supplied and 82MT - only 14% of the expected output of sesame (AFARD, 2011). One of the firm staff interviewed is quoted to have said, ***“Farmers are very difficult to work with, they burnt our fingers.”*** AFARD had provided inputs to farmers with informal contracts on the basis that they had created relations with farmers and with the trust that farmers were not going to fail them. The yield produced was a blow to the firm as it was the least of their expectations. This led to the firm having a binding formal contract with the farmers. The failure of farmers to meet the stipulated quantities of produce due to side selling has soured relations between the farmers and the firms. This is in agreement and confirms to what Eaton and Shepherd (2001) says on the effects of lack of formal contracts. The absence of an effective legal system and the lack of collateral held by small farms can result in considerable risks for agro-business firms. An issue involving input diversion occurs when farmers are tempted to use inputs supplied by the firm for non-intended purposes (Eaton and Shepherd, 2001).

During a debriefing meeting with farmers, the chairperson of one farmer group mentioned that farmers side sell inputs to other buyers because of extreme poverty that would have crippled the households. This has led households to be desperately in need of money for food or school children’s school fees. Given the views of the two groups, it can be said that farmers do not seem to oblige to the contracts terms as they are supposed to sell all their produce to the firm. However, on the same note, putting into consideration that these farmers are vulnerable and not yet food secure there is great likelihood that farmers need to get rid of their produce through any means possible as survival strategies. This can happen especially where the produce is not collected immediately after harvest.

There is also a high level of disagreement on the statement that farmers know the final price of oil seed. The firm seems to be of the view that this information was made known to farmers whilst farmers disagree. During sensitizations for the project, most of the crucial information is passed on to farmers but mostly to the chairpersons. During a FGD, the chairperson of one farmer group even quoted the price that AFARD will go on to sell to sesame to Olam Limited where the firm goes on to sell the produce. It seems chairpersons have the information on the finger tips and it might be the issue of lack of communication in the farmer groups.

5.4 Contract

The success of contract farming depends primarily on the degree of trust that is developed among the contracting partners. When trust is present, contracts can be very simple; including only those clauses that establish the general conditions under a relationship can be developed. When trust is not present, contractual complexity is likely to grow, as more clauses tend to be added to safeguard the parties (FAO, 2011). Apparently, farmers are strongly positive about understanding the contents of the contract with AFARD whilst the firm is of that view that farmers do not understand the contents of the contract as evidenced by the score that is below average. The previous experience of the firm with the farmers has led them to think farmers do not understand what is expected from them. These issues include the issues mentioned above of side selling and failure to meet the required trainings. Moreover, as evidenced from the results farmer groups do not penalise group members for breach of contracts. It seems nothing has been put in place as a reaction when farmers fail to meet the contract requirements. The absence of actions to penalise such farmers might have led to farmers being reluctant to take farming as a business.

Moreover, on statement 9 of this challenge area, the firm is also negative on the view that farmers pack clean oil seed produce. This was so due to the last season where farmers packed sesame that had sand and stones. The farmer's failure to meet the required amount led them to breach the contract and supply sesame that was not of quality. If payment is made after the crop is harvested the farmer depends entirely on the contractor's trustworthiness (MacDonald, 2009). Likewise the firm depends of the farmer's trustworthiness for quality and the expected quantity and do not expect them to breach the contract. The failure of the farmers to supply AFARD enough quantities created a situation where farmers thought they would cheat by adding sand to the sacks of sesame. The firm seemed to have not put any monitoring measures in place to observe the produce that was packed by farmers before taking it from the field.

5.5 Price Risks

It can be clearly said that the firm and farmers scored higher than the farmers on the issue of farmers being paid a fair price for their produce. The firm is buying from farmers at a cost of UGX 2 500/kg for soya bean and UGX 4 000/kg for sesame. The farmers lamented the same statements during a FDG though one chairperson of the farmer group seemed to share a different perception. Farmers said they are able to calculate production costs but they are of the view that the money used for storing, transportation to the central point and weighing on the day of supply to the firm has not been included. Farmers felt they would be happy with selling the soya bean produce for at least UGX 3 000/kg. Farmers mentioned that they are facing costs for transporting the produce to the central point which should also be put into consideration. However, it seemed that farmers are share different views in terms of the calculation of production costs and they did not seem to have all the calculations on their tips. However, under the same section, there seem to be an agreement between the farmers and the firms on a positive agreement on the statement that the price of oil seed inputs is fair. Farmers buy seed from AFARD at UGX 2 300/kg for sesame and UGX 1000/kg for soya beans.

With the absence of legally binding contracts, firms can suffer from the effects of extra contractual sales of outputs (Eaton and Shepherd, 2001). The side selling of inputs and produce to other buyers has confirmed the views of Eaton and Shepherd (2001) and they attribute this to the lack of binding contracts in firm farmer partnerships. As such the firm has made changes to make the contracts more binding. Schrader (2012) also had the same view of the risks of contract farming that farmers may sell their outputs to outsiders and competitors and side selling, even though they were produced using company-supplied inputs. The prevailing situation and experience that AFARD had with oil seed farmers confirms these views.

5.6 Benefits of contract farming

Contract farming is beneficial to farmers because it opens up unavailable markets especially to smallholder farmers, providing technological and financial support, and reducing farmers' costs and the risks involved in selling products. It also benefits contractors by allowing them to establish close relationships with farmers and by reducing uncertainties in purchases through predetermined timing, prices, and quality standards (Setboonsarng, 2008).

The firm and farmers seemed to have high levels of agreement on high scores under this challenge area. There is an agreement that AFARD provides farmers a guaranteed market for oil seed which provides farmers a steady income. AFARD has been working with these farmers for 10 years and both seem to agree that besides the challenges being faced, contracting farming has provided benefits in terms of household income. This impact is noticed to those farmers who would have managed to supply the required amount of sesame and soya beans.

This act of purchasing and marketing all the produce from the farmers amounting to 141,158 MT of soybean and 81,587 MT of sesame (AFARD, 2011) ensured that the farmers were guaranteed a market for their produce and benefit from the leverage provided by the AFARD business wing to negotiate for better prices with major buyers. One farmer in Arua mentioned that, ***“I planted 5 acres of sesame, sold the produce to AFARD and managed to buy a motorbike which I use for transport.”*** However, the impact of getting a steady income and asset acquisition can be strengthened so that a farmers benefit through the partnership with AFARD if all challenges are looked into.

Table 11: SWOT Analysis of AFRAD's oil seed sector

<i>Strengths, Weaknesses ,Opportunities and Threats (SWOT) Analysis of The Oilseed sector of AFARD</i>	
Strengths <ul style="list-style-type: none"> • Higher yield through adoption of improved production technology • A team of experienced technical and managerial staff • Strong collaboration with organized farmers (farmer groups) • Good business relations and networking with most organisations engaged in agricultural development • Strong networks with other NGOs in the oil seed sector 	Weaknesses <ul style="list-style-type: none"> • Learning curve likely to be long as some concepts are being internalized • High seasonal prices variation • Lack of formal contracts with farmer groups
Opportunities <ul style="list-style-type: none"> • Strong goodwill among the farmers who have already worked with and benefited from AFARD projects • Availability of high yielding and drought disease resistant varieties • New markets development • Capacity to expand production due to land availability • Diversified land topography and soils supports cultivation of different oilseed crops 	Threats <ul style="list-style-type: none"> • Unreliable rainfall patterns • Attractiveness of the sector will attract other well-resourced investments which will increase competition

AFARD seems to have relations with organisations engaged in agricultural development as evidenced from the trainings they receive from Makerere University research institute and the support they have from SNV. The intervention by SNV “Partnership for Development Capacity Consult” (PDCC) has strengthened the capacity of AFARD and the producer organizations’ to implement an inclusive business model through the enterprise development approach.

Whilst this prevails as strengths to the firm, there are also a number of weaknesses that might retard the growth of the oil seed sector. The firm is still in internalizing some new concepts in the oil seed industry. However, there are quite some opportunities for the firm to make use of and strengthen the sector. Recommendations were developed with great consideration of the exploitation of strengths and not addressing the weaknesses alone.

Chapter 6: Conclusion and Recommendations

6.1 Conclusion

The firm farmer relations in the production of oil seed seem to have many strengths and opportunities than weaknesses. The firm seems to be working well with farmers and the relationship that have been built ever since the firm was founded is evident. Overall, the results show that oil seed contract farming brings a number of benefits. AFARD's business unit has social development impacts at two major levels: to increase household incomes and increase development financing through locally generated resources. Through contract farming, income earning opportunities were created to produce high-value oil seed for the export market with minimal expense. Most importantly, by promoting farming practices in which the poor in remote areas have a comparative advantage, AFARD and SNV successfully facilitated coordination to provide market access for farmers living in remote areas. Farmers are now able to get a steady income with minimized costs of marketing. Up to 80% of the produced oil seed in the region is used for household consumption, as such this sector has managed to contribute to the food availability of the rural poor in the West Nile Region.

Farmers in new contract farming ventures should be prepared to balance the prospect of higher returns with the possibility of greater risk. Such risk is more likely when the agribusiness venture is introducing a new crop to the area. There may be production risks, particularly where prior field tests are inadequate, resulting in lower-than-expected yields for the farmers (FAO, 2011). Even though AFARD had been working with small holder farmers, the introduction of contract farming was introduced in 2011. This transition was a big one to farmers who had become so dependent to the firm and they did not have any requirements previously to do farming as a business where they have to produce and sell. It seems they are still going through the learning curve since the business wing was introduced.

The findings revealed that the issues of accountability to the contract terms are quite questionable especially to the farmers. This has been evidenced by the breach of contract in terms of failure to provide required quantities and side selling of inputs and produce to other buyers. Previous experiences have led to the firm drafting formal contracts with the farmer organisations. This had led to lack of trust between the farmers and the firm. Shortfalls were expected considering contract farming had just been introduced to the small holder farmers. Challenges arose from the learning curve due to some mistakes in the business strategy. However, the business project of AFARD seems viable and is most likely to achieve its intended objectives.

It can be observed that the 2-2 Tango tool is quite efficient in highlighting the different challenges faced in the relationship. It successfully harnesses the views of the farmers and the firms and fosters dialogue. The tool presented an opportunity for farmers and firms to open up and discuss issues that they might not have discussed without the tool. The FGDs were an opportunity for farmers and firms to air out their views, expectations and anticipations. However it should be emphasized that there is need to make use of the recommendations that were developed by the study in a bid to foster sustainable firm farmer relations.

6.2 Recommendations

Informant interviews presented highlights and insights on the business relations between SNV, AFARD and farmers. This led to the formulation of challenge areas which were administered through the survey. Debriefing meetings presented an opportunity for farmers and the firm to express their concern and further highlight why challenges are prevailing. This led to the development of the following recommendations:

Training of farmers

AFARD has been supporting farmers for the past ten years before the introduction of the business wing that requires them to be more independent. This has led farmers to be so dependent on the firm. However, overdependence on a contractor not only makes farmers less adaptive and hence more vulnerable to economic shocks (Key, 2009). AFARD may fail to realize its business objective if the learning curve is prolonged for too long. This may lead to substantial losses during the learning phase. Farmers should specifically be trained by field officers on issues with focus on farm business management and new business approaches. Refresher trainings can be ongoing and helps farmers to remember and implement.

Staff capacity building

Staff training is vital to internalize the business and improve firm farmer relations. It can be recommended that there should be an increase in capacity building through training field officers. Building capacity of AFARD staff and other partners in business skills and collective market initiatives will improve their skills. Field officers and partners should be equipped with pro-poor and community livelihood approaches of enhancing productivity at all levels of the chain.

Timely input delivery

It can be recommended that farmers acquire the purchased seed from the firm on time to avoid delay in planting which might lead to low and poor quality yields. The firm should make sure that towards the planting of the next season, seeds have been procured.

Timely harvest collection

It can also be recommended that AFARD makes a plan and effort to collect harvest from the farmers immediately after the harvesting periods. This will limit the challenges of side selling for convenience purposes by the farmers. There is a need to dispatch produce quickly from the warehouse to necessitate for the other harvested produce in a bid to delay the collection. A construction of a second warehouse can be put into consideration as a strategy to accommodate more tonnage of produce.

Improved monitoring

Farmers following good agronomic principles can be a challenge especially when the principles are quite different to the crops that they were familiar with. Farmers are facing challenges in following soya bean farming methods. It is important that extension services are intensified in

terms of monitoring progress and application of the taught agronomic principles. AFARD's Monitoring and Evaluation Officer can come up with a monitoring tool for field officers to administer to farmers monthly from the time of land preparation. This tool can focus on how well farmers are following agronomic principles. As such field officers will be able to observe the major challenges faced by farmers in the adoption of the techniques.

Increased monitoring will assist farmers to make use of the trainings provided into practice. Farmers might need a little push before there are able to be independent as they seem to have dependent so much on the firm. Monitoring projects as they progress gives an opportunity to advise and assist farmers in making changes for the better if they are doing things differently from the expected. Ongoing monitoring on the same hand can lead to the improvement of quality standards especially during the packaging of produce. It is important to keep track and be able to identify submitted bags and be able to track down the farmer through a good monitoring system.

It might also be vital to carry out a post planting survey after the planting season in a bid to find out how many seeds farmers are making use of and why farmers are not making use of all the seed inputs. This can be done with a small sample size to minimize costs. Getting to know why farmers behave in the way they do is good for improving relations as it calls for adjustments to be made in order to meet halfway with them.

Strengthening of farmer groups

The associations of farmer is an outcome of natural demand for knowledge and experience sharing, hence further strengthening of these farmer groups can increase various service provisions to the farmers and at the same time collectively bargain their interest with the firm. Increased information from effective meetings will result in farmer groups valuing and respecting their contract with the firm. It is important to convey information to all farmer group members and this is most importantly the role of the chairpersons. There might be need for farmer groups to have a set agenda to issues to be discussed during farmer group meetings to make them more effective. It is important to build the capacity of farmer groups in management, entrepreneurship, and group dynamics so they can engage in value chain activities such as cost benefit analysis and collective marketing.

Refresher Trainings for farmer groups

In a bid to highlight to farmer groups the benefits of working as a farmer group and empower them. It would be necessary for SNV to provide some refresher trainings to the farmer groups in oil seed production. This can also be an opportunity to further highlight to the farmers the following issues and their importance:

- ✚ Importance of abiding to the contract
- ✚ Sensitization on production costs
- ✚ Quality standards
- ✚ Effects of side selling

Enforcement of contract terms

Given the issues on contract breach that are taking place with the relations, it would be important to explain contract terms and conditions to farmers so that they understand them and their importance. It is also to have a farmer representative to attend meetings alongside with the chairpersons of farmer groups. This would increase the spread of important information across to all farmers in the farmer groups. The introduction of formal contracts should be upheld so that both the firm and the firm are aware of the importance to value the contract.

Key Issues to be strengthened by AFARD and farmers

Despite the challenges faced in the modalities of firm farmer relations between AFARD and farmer groups, they are also certain areas where there is positive actions and these areas need to be strengthened to keep the relationship going smoothly. These areas include the method of payment, the amount of seed and its fair price. Below are the areas that should be maintained and further developed:

- ✚ Farmers get sufficient amount of sesame and soya bean
- ✚ Farmers sell produce as a group, and not as individuals
- ✚ AFARD pays farmers according to agreed schedule
- ✚ Farmers are satisfied being paid in cash
- ✚ Price for oil seed is fair
- ✚ AFARD provides farmers a guaranteed market for oil seed
- ✚ Oil seed contract provides farmers with a steady income

References

- AFARD., 2011. AFARD Business Plan 2011 – 2013. Nebbi Town. Uganda
- Aagaba, A., 2012. Oilseed Production for the Market: Increasing Income and Asset Acquisition for Smallholders in West Nile.
- Aster,C., 2009. Assessing Vocational Training Needs in Ugandan Oil Seed Sub Sector, Columbia
- Beyssac, BC., 2012. Oil seeds in Uganda: Combining business-led development and multi-stakeholder dynamics in boosting a diverse national sub-sector
- Binswager, HK., 2005. Power Distortions, Revolt and Reform in Agriculture Land Relations in Jere Behrman. Handbook of Development Economics, Amsterdam
- Birchall, J. 2007. Cooperatives and the Millennium Development Goals, International Labour Organisation, Geneva.
- Cook,W., 2004. Feasibility Study on Oil Seed Production,. USAID. Uganda
- Coulter, J., A. Goodland, A. Tallontire, and R. Stringfellow. 2009. Marrying Farmer Cooperation and Contract Farming for Service Provision in a Liberalizing SubSaharan Africa. Natural Resource Perspective. Oxon: CAB International.
- Eaton, C. S., and Andrew W. Shepherd. 2001. Contract Farming - Partnerships for Growth. AGS Bulletin No. 145. Rome: Food and Agriculture Organization.
- Excel Hort Consult., 2010. Value Chain Analysis – West Nile Region. Uganda
- FAOSTAT | © FAO Statistics Division 2009
- FAO., 2009. FAO Statistical Year Book. Uganda Country Profile
- FAO, 2011, Contract Farming, [Online] Available at
< <http://www.fao.org/docrep/004/y0937e/y0937e02.htm#TopOfPage> > Accessed on 9 July 2012
- Fewsnet, 2010, Uganda Food Security Update, USAID, Uganda
- Giel, T.I, 2012, Sense and Sensibilities in Contract Farming, Wageningen
- Ghee, L. K., and R. Dorell. 2002. Contract Farming in Malaysia in Glover, D.J., and L.K. Ghee, eds. Contract Farming in Southeast Asia, 71-118. Kuala Lumpur: University of Malaysia.
- Glover, D.J. 2007. Increasing the Benefits to Smallholders from Contract Farming: Problems for Farmers Organisations and Policy Makers. World Development, 15(4): 441-448.

Glover, D. and Ghee, L.K., 2002. Increasing the benefits to smallholders from contract farming: Problems for farmer organisation and Policy Makers, Malaysia

Habwe, G., 2002. The Accomplishments and Constraints of Sunflower Research in Uganda,. Uganda

Kamoga,E., 2011 Planting the Seed: Improving oilseed supply in north-eastern Uganda, SNV

Key, N. and Runsten, D., 2009. Contract farming, smallholders, and rural development in Latin America: The organization of agro processing firms and the scale of out grower production. World Development.

MAAIF., 2012 -Uganda National Bureau of Statistics. Uganda

MacDonald, J., J. Perry, M. Ahearn, D. Banker, W. Chambers, C. Dimitri, N. Key, K. Nelson, and L. Southard. 2009. Contracts, markets, and prices: Organizing the production and use of agricultural commodities. Agricultural Economic Report no. 837. United States Department of Agriculture.

Mukarugwiza,E., 2011. Firm Farm Partnerships and Contracting: Taking Market Linkages to the next level. The Netherlands

Mwebaze S., 2000. Working with Value Chains. Uganda

Mwesige,D., 2008. Oilseed Case study – MSP UGANDA. SNV

Schrader T.,2012. Firm-farmer partnerships and contracting: Taking market linkages to the next level. Agrihub Kenya –Nairobi

Setboonsarng S., 2008. Global partnership in Poverty Reduction: Contract Farming and Regional Cooperation, ADBI Institute, Tokyo

SNV Uganda., 2008. Oilseed Sub Sector Analysis Report on the Ugandan Vegetable Oil Seed Sub Sector Profile. Uganda

SNV Uganda., 2012. Summary Report North-Eastern Portfolio. Uganda [Online] Available at: <http://apf-uganda.ning.com/group/organized-farmers-for-business/page/reports-and-documents?xg_source=activity > [Accessed 23 June 2012]

Uganda Bureau of Statistics., 2012. Uganda Demographic & Health Survey 2006.

World Factbook.,2012. [Online] Available at: <<https://www.cia.gov/library/publications/the-world-factbook/geos/ug.html> > [accessed 20 June 2012].

ANNEX 1: Checklist

Firm-farmer partnerships and contracting

Firm-farmer relationships challenges

- Researchers views to be given , experiences and comments on the selected 'challenge areas'
- Researcher to give a weight to the relative importance of the challenge by indicating one of the three levels of importance: +, ++, or +++

F-F challenge areas	Comments	Importance
Contextual factors <ul style="list-style-type: none"> • Power distribution / level playing field • Information asymmetry • Trust between farmers and companies / previous experiences • Transaction risks and costs • Project orientation 		
Availability of local services <ul style="list-style-type: none"> • Research • Extension services • Agro-input dealers • Banks and MFI's • Transport 		
Crop / produce and related market situation <ul style="list-style-type: none"> • Export market • High-end domestic market • Bulk product for local market • Alternative crops that farmers can choose • Alternative market channels for farmers • Alternative suppliers or sourcing areas for firm 		

F-F challenge areas	Comments	Importance
Institutional environment <ul style="list-style-type: none"> • Legal system • Informal and formal contract enforcement • Dispute settlement • Witnesses of (contract) agreements • Bureaucracy 		

<ul style="list-style-type: none"> • Corruption 		
Standards <ul style="list-style-type: none"> • International and sector specific standards • Hygiene and food safety standards and inspection • Certification and traceability 		

The actors : Firms and Farmers

F-F challenge areas	Comments	Importance
Firm (firm) <ul style="list-style-type: none"> • Legal status • Experience of firm • Credibility ('good name') • Size and turnover • Resource endowment of firm • Range of sourcing (local, national, international) • Open door policy • Orientation on CSR • Qualified staff • Reliable staff 		
Farmers <ul style="list-style-type: none"> • Resource endowment • Food & livelihood security • Level of specialization on targeted product • Market-economic orientation • Modalities for selecting farmers 		
Farmer group functioning <ul style="list-style-type: none"> • Membership base (profile of members) • Size and experience of FG • Leadership / accountability to members • Internal communication, transparency • Internal control mechanisms (GAP, quality, delivery) • Record keeping and administration • Financial management • Autonomy for organizational costs 		

Risks

F-F challenge areas	Comments	Importance
Production risks <ul style="list-style-type: none"> • Climate • Pests and diseases • GAP • Distribution of risks over producers and firm • Possibilities for insurance • Likelihood of producing contracted volumes 		
Market risks <ul style="list-style-type: none"> • Competitors (domestic and international) • Price fluctuations • Quality standard risks • Transport risks • Possibilities for insurance 		
Institutional risks <ul style="list-style-type: none"> • Sudden change in : policies, standards, subsidies, taxes, ... 		
Default risks (see below) <ul style="list-style-type: none"> • <i>Non-respect of delivery agreement (time, volume, quality)</i> • <i>Side use of inputs provided</i> • <i>Side selling</i> • <i>Partial on non-delivery of services</i> • <i>Partial, late or non-payment</i> 		

The agreement / the contract

F-F challenge areas	Comments	Importance
Contract contents and understanding <ul style="list-style-type: none"> • Elements covered : embedded services, prices, delivery modalities, record keeping and traceability, payment modalities, dispute settlement, • Language • Terminology • Explanation (firm and within FG) • Understanding among different farmer categories • Signatories (centralized / decentralized), Witnesses 		

F-F challenge areas	Comments	Importance
Prices, price transparency and price setting modalities <ul style="list-style-type: none"> • Fixed prices • Min-max prices • Flexible prices (responding to market price fluctuations (reference market prices) • Differential prices for quality (1st and 2nd grade) • Bonus for higher volume 		
Embedded services <ul style="list-style-type: none"> • Provision of inputs • Provision of credit • Training, demonstration and monitoring • Services beyond targeted product 		
Delivery agreements <ul style="list-style-type: none"> • Timeliness • Volume • Quality and grading, • Traceability and record keeping • Certification requirements 		
Payment modalities <ul style="list-style-type: none"> • Group/individual payment • Cash payment • Bank account • Time of payment 		

Farmers' default

F-F challenge areas	Comments	Importance
Side use of inputs <ul style="list-style-type: none"> • Use of inputs on other crops • Sale of received inputs 		
Side selling <ul style="list-style-type: none"> • Farmers' respect of contract • Farmers credit discipline • New entrants / predatory purchasing • Horizontal coordination (code of conduct with other buyers) • Vertical coordination (interaction firm-farmers) 		

<ul style="list-style-type: none"> Firm goodwill with farmers (firm interest in farmers' constraints or other activities than target product) 		
--	--	--

F-F challenge areas	Comments	Importance
Non-compliance with delivery agreements <ul style="list-style-type: none"> Collection point Time of delivery Volume Quality Grading and sorting services Traceability and administration Certification requirements 		

Firm default

F-F challenge areas	Comments	Importance
Firm default on service provision <ul style="list-style-type: none"> Inputs (time, price, quality) Credit (sum, time, interest) Training, demonstration and monitoring (time, quality) 		
Weight and quality transparency <ul style="list-style-type: none"> Scales Units of measurement Delivery receipts and signatures Firm staff side selling or theft 		
Non-respect of agreed payment modalities <ul style="list-style-type: none"> Adaptation of agreed price Delay of payment Non-payment 		

ANNEX 2: Questionnaire

Statements		Scores			
		0	1	2	3
		Strongly disagree	Disagree	Agree	Strongly agree
		☹☹	☹	☺	☺☺
1 Production Risks					
1.1	Oil seed is distributed on time for planting				
1.2	Farmers get sufficient amount of oil seed				
1.3	AFARD has provided farmers sufficient know-how on oil seed production				
1.4	Farmers are making use of the trainings provided by the AFARD				
1.5	Farmers' oil seed yields are increasing				
1.6	Farmers are able to calculate the production costs per kg of sesame/soya bean produced				
1.7	AFARD provides quick feedback to farmers' questions related to production				
1.8	Farmers are happy with the variety of oil seed given				
1.9	Farmers follow good agronomic principles as taught through demonstrations				
2 Functioning of farmer groups					
2.1	Farmers are aware of the benefits of working as a farmer group				
2.2	Farmers sell oil seed as a group, and not as individuals				
2.3	AFARD does not interfere with the running of the farmer group				
2.4	The group chairperson adhere to the tasks and responsibilities defined in group regulations				
2.5	Farmer group meetings are effective				
2.6	All farmers are informed of group financial issues				
2.7	The farmer group keep records on amount of oil seed delivered to AFARD				
2.8	The farmer group leaders always represent the common interest of the farmers				
2.9	The farmer group helps preserve the rights of the farmers				
3 Access to Markets					
3.1	AFARD is clear about the amount of oil seed they want to buy from the farmers				
3.2	AFARD clearly informs farmers about quality requirements of oil seed				

3.3	There are other oil seed buyers on the market				
3.4	Farmers know the final price of oil seed at consumer level				
3.5	Quality standards and reasons for rejection are clear				
3.6	AFARD pays farmers according to agreed schedule				
3.7	Farmers are satisfied being paid in cash				
3.8	Farmers sell all their produce to the company only				
3.9	Farmers are sensitised about production costs before starting oil seed production				
4	Contract				
4.1	Each individual farmer understand the content of the contract with AFARD				
4.2	Farmer group can always discuss contract issues with AFARD				
4.3	Farmer groups can always discuss contract issues themselves				
4.4	AFARD takes farmers' opinion on contract issues into consideration				
4.5	The group chairperson signs contract with consent from members				
4.6	The farmer group follows the rules laid down in the contract				
4.7	Farmer group penalize members for breach of contract				
4.8	AFARD takes measures for breach of contract				
4.9	Farmers pack clean oil seed (without sand & stones) for AFARD				
5	Price Risks				
5.1	Price for oil seed is fair				
5.2	Farmers have savings accounts				
5.3	Farmers are made aware before production of the price AFARD will buy their produce				
5.4	Farmers price for seed is subsidised by the company				
5.5	Farmers are paid a fair price for the produce				
5.6	Farmers are not side selling seed given by AFARD				
5.7	Farmers do not side sell produce to other buyers				
5.8	Farmers provide the required amount of produce to AFARD				
5.9	Quality of oil seed produced matches with the price offered				
6	Benefits of contract farming				
6.1	AFARD provides farmers a guaranteed market for oil seed				
6.2	Oil seed contract provides farmers with a steady income				
6.3	Farmers are happy with the services offered by AFARD				
6.4	The money from oil seed farming is the most important income of the farmers				

6.5	Oil seed farmers are able to get loans				
6.6	Oil seed revenues are invested in other crops				
6.7	Oil seed farmers are developing other income generating activities				
6.8	AFARD assists farmers with other income generating activities they pursue				

ANNEX 3: Photo gallery

