Value Chain Analysis in Uganda
Preliminary findings

2019 June
Uganda was the main sourcing country for WFP’s local procurement in 2018, with over 188,000 mt purchased (cereals, pulses);

Important source of food for WFP operations in East Africa;

80 to 90% of the production come from smallholders, but smallholder purchases were lower than 0.5% of the total tonnage procured;

WFP purchases injected USD 49.7 million in the local economy:

- How was this value distributed along the value chain?
- How much have the farmers benefited?
Recent Purchases

- 72% of total purchases were from only five traders – WFP mostly purchases from a few known vendors
- 22 farmers organizations (FOs) were contracted for an average contract size of 80 mt
- 92% of the purchases were done through the Global Commodity Management Fund (GCMF) in the East Africa region
- On average, the prices for purchases from smallholders and non-smallholders are the same
Qualitative Findings

- Loose value chain with multiple flows
- Low-level of integration between different actors
- The oligopolistic power of the traders is limited by regional integration and presence of millers in the market
- Value-addition throughout the value chain
  - FOs mainly focus on aggregation and upgrading the quality of produce
  - Local buyers are involved in aggregation, transportation and immediate cash payments to farmers
  - Traders undertake bulking and upgrading the quality of commodities
Quantitative Findings

**Regular contract**

- Cost: 888.45
- Margin: 658.33
- Costs: 158.12
- Margin: 72.00
- Costs: 79.29
- Margin: 6.58
- Costs: 87.29
- Margin: 7.58

**Indirect Pro-smallholder contract**

- Cost: 888.45
- Margin: 658.33
- Costs: 158.12
- Margin: 72.00
- Costs: 572.46
- Margin: 72.00
- Costs: 79.29
- Margin: 6.58
- Costs: 87.29
- Margin: 7.58

**Direct Pro-smallholder contract**

- Cost: 758.45
- Margin: 658.33
- Costs: 158.12
- Margin: 72.00
- Costs: 572.46
- Margin: 72.00
- Costs: 79.29
- Margin: 72.00
- Costs: 87.29
- Margin: 72.00

*Values in UGS/kg*

**Smallholder**

- Cost: 470.00
- Margin: 888.45
- Costs: 198.12
- Margin: 72.00
- Costs: 119.19
- Margin: 69.14
- Costs: 572.46
- Margin: 72.00
- Costs: 79.29
- Margin: 6.58
- Costs: 87.29
- Margin: 7.58
Conclusion

• With the current procurement arrangement, 53% of the total purchase value of USD 49.7 million goes to smallholder farmers

• Potentially, the smallholder incomes can be increased further by adopting pro-smallholder contractual modalities with no additional costs to WFP

• How can this be achieved?
  • Strengthen the relationship traders and FOs
  • Increase WFP’s knowledge of and access to local FOs
  • Enhance FOs aggregation capacities and cash flow to cover operational costs
  • Robust traceability systems