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# Players and stakeholders in the cocoa value chain of Bundibugyo

*By Lutheran World Relief (U)*

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Coca Value Chain Actors and Facilitators Mapping Report in Nov. 2014)

## **Executive Summary**

Cocoa is the main cash crop of Bundibugyo District in Western Uganda. The potential of cocoa has been expanding substantially with a steadily rising world market price. However, farmers in Bundibugyo appear not to have reaped the benefits of this potential.

It is to this background that Lutheran World Relief carried out a survey of the players and stakeholders of the cocoa value chain in Bundibugyo, as part of an exploration for a project to support local farmer organizations.

The paper provides both the methodology of the survey and value chain mapping exercise, and the findings along the value chain including farmers (production), support actors like research organizations, (micro)financial institutions etc, and buyer-exporters.

## **The Author**

Lutheran World Relief (LWR) is a ministry of the Evangelical Lutheran Church in America (ELCA), The Lutheran Church—Missouri Synod (LCMS), individuals and parish groups in international relief, development, advocacy and social responsibility. With 100 local partners worldwide, Lutheran World Relief works to improve livelihoods through improved harvests, health and education in some 35 countries each year. In Uganda, Lutheran World Relief works through grassroots organizations to seek lasting solutions to rural poverty. Guided by a philosophy and framework of ‘accompaniment’, LWR seeks to empower local communities economically by emphasizing shared values and jointly-developed objectives.

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## **List of Acronyms and Abbreviation**

COREC	Coffee Research Centre
LWR	Lutheran World Relief
MMU	Mountains of the Moon University
NARO	National Agricultural Research Organisation
UBOS	Uganda Bureau of Statistics
VC	Value Chain

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# 1 Introduction

Bundibugyo district is one of the core stakeholders of Mountains of the Moon University (MMU). Bundibugyo district local government holds a seat on MMU Council.

Lutheran World Relief (LWR) has been working in Africa for decades, responding to drought and food crises in West Africa, helping refugees in East Africa find shelter and services, and fighting malaria across the continent. They have ongoing projects in Niger, Burkina Faso, Mali, Kenya, Tanzania, and Uganda.

LWR has experience in the cocoa value chain in South America. Its approach is to invest in small-scale farmers, helping them gain the knowledge, skills and access to services they need to thrive. Among others, LWR works with farmers and agricultural cooperatives who may benefit from information on how to prevent and treat malaria. LWR also invests in their environments, helping farmers adapt to the effects of changing climates.

To that backdrop, LWR started exploring to work in Bundibugyo, where farmers have been growing cocoa since the 1930s. As cocoa world market prices have been soaring in the past decades, cocoa has become the major cash crop in Uganda's Western-most district.

Part of the exploration was a survey of all the stakeholders of the cocoa value chain (VC) in Bundibugyo in 2014. This paper presents an overview of the cocoa sector in Uganda (section 2), the methodology of the survey (section 3) and its findings and conclusions (section 4).

## 2 Uganda's cocoa subsector overview

### 2.1 Production and markets

Prices for cocoa on world markets have been rising over the last few years. This is mainly the result of increasing consumption and low supply. Political disturbances in Cote d'Ivoire, the largest producer of the crop, have been one of the key drivers of low supply and rising global prices for the commodity in recent years.

Annual current global production of cocoa beans is estimated at 3 million metric tons valued at USD5.1 billion at current prices ([www.worldcocoafoundation.org](http://www.worldcocoafoundation.org)). Cocoa is grown in Africa, Asia, Central and South America in countries that lie within 20° north and south of the Equator. The main growing countries in Africa are Cote d'Ivoire, Ghana, Nigeria and Cameroon. Africa contributes 70% to the world cocoa supply. Cocoa is primarily a smallholder farmer crop. It is estimated that there are 5-6 million smallholder cocoa farmers worldwide. The mean land holding devoted to cocoa production by smallholder farmers is 2-2.5 acres.

Cocoa can be successfully grown in Uganda given the country's geographical location and agro-climatic conditions. Under the PMA, cocoa has been promoted as a cash crop as a strategy to diversify imports and increase opportunities for farmers, especially in areas affected by coffee wilt disease. The main cocoa growing areas in Uganda are Mukono, Jinja, Iganga, Kamuli, Bundibugyo, Hoima, Masindi, Kabale, Mpigi and Luwero. It is estimated that there are about 20,000 cocoa farmers in Uganda and 10,000 of these are registered as organic growers. The area under cocoa trees in Uganda is currently estimated at 19,000 hectares (Daily Monitor, 20 December 2011). MAAIF aims to increase the area under cocoa trees and support farmers with training, extension and inputs to

enable Uganda to produce at least 50,000 metric tons of cocoa beans by 2016. Due to the increasing support given to cocoa farmers, production in Uganda has gradually increased over the last ten years as shown in Table 1.

**Table 1: Cocoa beans exports: 2003-2011**

Year	Volume (metric tons)	Value (USD)
2003	4,328	7,001,000
2004	5,155	6,801,000
2005	7,600	9,638,000
2006	7,632	10,016,000
2007	9,404	15,936,000
2008	8,982	22,834,000
2009	11,882	27,829,000
2010	14,529	35,123,000
2011	16,478	52,700,000
2012	18,000	55,000,000

Source: UEPB Statistics. Volume and value figures for 2012 are estimates

Cocoa is an internationally traded commodity and nearly all cocoa beans produced in Uganda are exported. In the last two years the world price of cocoa has fluctuated between USD 2500 to USD 3000 per metric ton, FOT Kampala. This has provided a big incentive to farmers to increase production in Uganda and other cocoa producing countries. The price has however dropped to about USD: 2,700 per metric ton as a result of exceptionally good weather in the major cocoa growing countries in the last 18 months. The price is however still considered profitable for cocoa growers. Local farm-gate prices in Uganda currently range from UGX 4,200 /kg – 7,000/ kg for dry cocoa with 7.5 -7.8 moisture content . -

## **2.2 Competitiveness of cocoa production in Uganda**

Cocoa is primarily grown by smallholder farmers in all producing countries around the world. Ugandan farmers enjoy a competitive advantage in the production of cocoa due to adequate rainfall (1,000-1,500mm) and fertile soils in the cocoa growing areas such as Bundibugyo. Uganda straddles the equator and this also gives local farmers a competitive advantage in terms of suitable humidity for cocoa production. The altitude of the cocoa growing areas (1,200-1,500 metres above sea level) is also more favourable than that of the largest cocoa producing countries like Cote d'voire, Ghana and Cameroon whose altitudes generally lie between 300 and 500 metres above sea level. Higher altitude reduces the incidence of pests and diseases.

Local cocoa growers also rely on family labour and cheap hired labour which makes their production costs competitive. A study carried out in 2009 showed that cocoa is one of the most profitable enterprises for smallholder farmers in Uganda (Kraybill and Kidoido, 2009). Ugandan cocoa is reputed to have special aromatic properties that are favoured by chocolates manufacturers. This increases the demand of Ugandan cocoa by the large chocolate companies that manufacture special flavour chocolates.

In the first three years, farmers intercrop cocoa with food crops, especially bananas. From the fourth year onwards, cocoa trees develop a canopy and intercropping with food crops is no longer possible. Unless farmers have access to additional land for production of food crops, household food production can be threatened. Cocoa

Pods can be used to produce manure which enhances soil fertility and productivity of the trees and reduces the use of inorganic fertilisers.

### 2.3 Challenges of the cocoa value chain in Bundibugyo

According to the census survey data of 2008/2009, major crop production trends in Bundibugyo have decreased especially for the food crops, except for Cocoa as depicted in table 2. Based on UBOS (2013), study results which indicated that the district had a total population of 276,600 of which about 70% reside in the low lands with an average of an acre allocated to cocoa growing.

**Table 2: Status of crop production in Bundibugyo**

Crop	Acreage (Ha) 2008/9	Yield (MT) 2008/9	Current yield Estimate	Remarks
Cocoa	4, 741	15, 000	18, 000	Increased 20%
Cassava	7, 784	23, 144	21, 040	Decreased 10%
Beans	2, 502	3, 650	3, 318	Decreased 10%
Banana (Eating)	4, 752	22, 092	11, 000	Decreased 57%
Banana (beer)	386	1,090	654	Decreased 40%
Banana (sweet)	37	752	75	Decreased 70%
Sweet potatoes	1, 168	3, 380	3, 314	Decreased 2%
Soya bean	568	440	440	Static
Rice	110	71	28	Decreased 60%

Source: UCA Census Survey Data 2008/2009

Among the main causes of the decreased Food Production trends is the high prevalence of pests and diseases (majorly Banana Bacterial Wilt, cassava mosaic, cassava brown streak disease, among others). The other causes of the reduce production include the following;

- Cocoa crop has taken up most of the cultivable land e. g. in Kasitu and Busaru S/Cs.
- Rural- urban migration (especially the productive youth, most of whom are in Boda boda).
- Redundancy, laziness and alcoholism (most men don't do productive work, apart from getting the harvest from women).
- An increase in shifting of people from the most productive mountainous zone to put more pressure on the low lands for cocoa growing.
- Effects of climate change, such as sudden changes in season regimes, floods hail storms, land slide, among others.
- Food storage for future home use is a myth these days. No cribs in homes/ community level.
- Food storage is done in the fields which exposes the crops to serious damage/hazards.

However, the cocoa sector is complex and beset with many problems, which impact most heavily on farmers in producer countries. Despite the vast revenues generated by confectionary companies, farmers of chocolate's key raw material remain trapped in poverty. Uganda has an estimated 15,000 cocoa farmers who produced around 20,000 tonnes of cocoa in 2013. It is also imperative to note that approximately 90% of the Cocoa exported from Uganda is actually from Bundibugyo district. As with the rest of East Africa, it has had small scale cocoa production

for many years but has never developed the crop in comparison to its major export crop; coffee, despite the potential that the crop has to pull smallholder farmers out of poverty<sup>1</sup>.

Government of Uganda through the DSIP and National Development plan and the agricultural zoning, processing and marketing strategy has identified cocoa growing as the main cash crop that is adaptable to the climatic conditions around Mt. Rwenzori region in Bundibugyo district<sup>2</sup>. However the potential for cocoa growing in the area is not fully exploited. Projections of the cocoa potential can be made with assumptions of an average annual production of 2,000 Kgs or (2 MT) of dry cocoa per acre per annum. Implying that the potential production if computed would be: (70% of (Popn) \* Average production per acre per annum) = 387,240 MT per annum. As such, the production potential is way beyond the current estimated 18,000 MT per annum.

Partly, there are a number of vulnerabilities that inhibit farmers from exploring their potential. The vulnerabilities include; Climate change manifesting itself in increased rain intensity and decreased rain duration. Increasing rainfall intensity leads to landslides, flooding. Whilst decreasing rain duration has led to high temperatures and sometimes prolonged droughts. Farmers in Bundibugyo district are not maximising their potential yields from cocoa farming. In the district, **old trees** are not being replaced by new planting. **Low levels of knowledge** in relation to inadequate use of good and recommended agronomical practices lead to lower yields and increase the risk of trees being affected by disease. The main fungal **diseases** are black pod, witches' broom, frosty pod rot, and vascular streak dieback. In some areas **poor knowledge of post-harvest techniques such as fermenting and drying** means farmers often do not receive as high a price as they could if they produced better quality cocoa <sup>3</sup>.

However even knowledgeable farmers face the difficulty of **lack of inputs and facilities**. This can be due to lack of availability e.g. lack of good planting stock to replace old trees or lack of suitable pesticides or fertilisers.

LWR is considering including cocoa on its supported enterprise portfolios but lacks important information on farmer organizations, other players and facilitators of the cocoa value Chain. LWR has therefore decided to facilitate a scoping mission in the area with the main objective of identifying Cocoa producing Organisation and other value chain players and facilitators. This will gather enough background information to guide next steps including organization capacity assessments for the farmer organizations and technical design workshop for a project.

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<sup>1</sup> LWR Cocoa Land Scape Report, June 2014

<sup>2</sup> A Plan for Zonal Agricultural Production, Agro-processing and Marketing , Uganda 2004

<sup>3</sup> LWR Cocoa Land Scape Report, June 2014

## **3 Study Design**

### **3.1 Objectives of the study**

The overall objective goal of assignment was to map out a cocoa value chain actors and facilitators in Bundibugyo District. The specific objectives of the assignment were:

1. To conduct a scoping exercise in Kasese and Bundibugyo district to identify cocoa producing organizations and identify key challenges related to production, processing and marketing of cocoa specific to the above organizations
2. To identify key stakeholders and their roles in the cocoa value chain (VC).

### **3.2 Sample selection**

The survey to map out cocoa value chain actors and facilitators was conducted in Bundibugyo District with a follow up of some of the actors to the neighbouring districts of Kasese, Kabarole and Ntoroko.

Views from the a representative number of the cocoa value chain actors that included among others; agro-input dealers, nursery operators, financial institutions, public and private business support service providers (including extension services), cocoa producer organizations, cocoa traders/middlemen, processors and local government were solicited via a one day's workshop in Bundibugyo town.

Consideration was given to have at least a representative from each of the cocoa growing sub counties in Bundibugyo. Bundibugyo has been divided into two food economy zones. These include the Highland zone and the low land Agricultural zone with a majority of the cocoa farmers lying in the low land Agricultural zone.

### **3.3 Data collection methods**

Data was collected from all the cocoa value chain actors using interviewer administered questionnaires. This was preceded by having a consensus building discussion on the key challenges and opportunities of each of the actors involved in the cocoa value chain. This was later followed by a session where each of the actors explained in detail their role in the chain and key challenges and opportunities in the cocoa sub sector in relation to their position in the cocoa value chain.

The key informants with key staff at district level included: Local governments officials (technical and politicians) such as Deputy Chief Administration Officer (D/CAO), District Production Officers/District Fisheries officer, Secretary for Production at LC V level, NAADS coordinators, District Commercial Officer and the Community Development Officer. In all, holding interviews with key informants, it helped to capture data from knowledgeable and experienced respondents in the cocoa sub sector on the general economic situation in Bundibugyo district, relevancy of cocoa to the livelihoods of those involved in it, challenges/gaps in existing agricultural programmes supporting cocoa farmers in the district and gaps in production and marketing among others.

Key informant interviews were also held with Cocoa buying companies in Bundibugyo with a focus on obtaining detailed information on aspects related to quality, prices and other cocoa market dynamics. Field observation of key issues of interest in the cocoa sub sector in Bundibugyo for example fermentation practices, farming practices,

Cocoa collection stores spread, cocoa buying patterns and food security concerns helped the consultant understand in detail and draw logical causations of the key findings. For more information about respondents involved in this survey, see list of respondents attached on this report.

## 4 Challenges and opportunities at each node in the Cocoa VC

**Table 3: Cocoa Value chain actors and their roles**

Sno.	Value chain actors	Roles
1	NARO/COREC	Cocoa research and selection of better varieties for adoption by growers
2	Nursery operators	Multiplication of cocoa seedlings
3	Input dealers /Stockists	Stock and sell of agro-inputs and provide one to one training of farmers
4	Cocoa Development Project	Coordinate national cocoa production and marketing activities
5	Service providers	Provide training, finance and consultancies
6	Growers	Produce cocoa
7	Brokers /buying agents	Provide linkage between growers and exporters but also buy cocoa from farmers and sell to exporters
8	Buyers /exporters	Provide cocoa seedlings to farmer groups, buy cocoa directly from farmers, provide training and certification of given standards, assist farmers in group development, provide crop finance to individual farmers as well as farmer groups , provide drying facilities and provide market information to farmers
9	Importers /distributors	Import bulk from exporters, retail, process and distribute to various countries around the world, disseminate quality and market information to exporters
10	Consumers	Buy and use the finished cocoa products

Annex 1 visualizes the roles and challenges of the VC actors discussed in this chapter.

### 4.1 Research institutions - Cocoa Research

Much as the research institution responsible for cocoa research isn't located within Bundibugyo or within the South-western region, it was prudent to look out for where Cocoa research is conducted. From literature it was identified that Cocoa research is conducted at COREC Kituza in Mukono district. Research on cocoa in Uganda started in the 1960s. However, subsequent political instabilities led to a halt in research at Kituza in 1973. No significant cocoa research results have been obtained at Kituza for many years.

In 1988, some hybrid seeds were introduced from Costa Rica and Trinidad and planted on the island of Ddamba, to broaden the basis for cocoa breeding in Uganda. It appeared that these seeds were uncontrolled hybrids from identified clones (mainly Upper Amazons and Trinitarios).

The key activities and roles of COREC include:

- Evaluation of the germ-plasm introduced on the island of Ddamba
- Rehabilitation of neglected cocoa (demonstration plots started in May 1999) under the former USAID/IDEA project
- Survey of cocoa pests and diseases
- Inventory of possible bio-control agents for pests and diseases
- Testing of insecticides for pest control

The recent attempt in Cocoa research was conducted in April 2010, by the Coffee Research Centre (COREC), National Agricultural Crop Resources Research Institute (NaCRRI) and Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) through the Cocoa Development Project (CDP). The study undertaken by COREC was funded by the French Embassy on the Farm level situation analysis for the specific districts of Mukono, Jinja, Mayuge and Kamuli. The survey provided the most recent data on cocoa production activities in Uganda.

## **4.2 Nursery operators and input dealers/ stockists**

The scoping exercise identified only three certified nursery operators for the entire Bundibugyo district. These were located in the following sub-counties; Busaru, Bubukwanga and Kirumya. Discussions with the district production officer indicated that output per nursery is about 165,000 seedlings per year implying that the total cocoa seedlings production in Bundibugyo is estimated at about 495,000 seedlings annually.

As per the scoping exercise, the nursery operators reported that they had been given some cocoa seedlings for free by government and government had paid them UGX 300 per seedling to freely give out to the farmers. Respondents suggested that they would like government to increase the price per seedling to at least UGX 500 given their intended supply portfolio and costs involved in establishment and maintenance of the nurseries. From the key informant interviews, the cost of establishment of a cocoa nursery of 50ft by 100ft was estimated at about UGX 3,250,000 using the locally available material which will last a maximum of 3 years. The nursery operators further indicated that the Life span of cocoa trees is between 60 – 100 years because in Nyaruru Sub County, there is a demo-plot which was planted in 1939 and up to now it is still producing cocoa. A list of the nursery operators is attached in the appendix.

Challenges faced by nursery operators:

- Delayed payments by government on the cocoa seedlings
- Low price per seedling
- Delayed demand
- Difficulty in finding the Polyethylene materials for potting seeds

Opportunities for cocoa nursery operators:

- There exists potential to supply the current farmers with seedlings for expansion of production through gap filling in already grown up fields
- Gap exists for farmers to replace low productive and infected cocoa trees with new and high yielding cocoa varieties
- Increased productivity per unit area owing to the favorable climate that favours seedlings multiplication.

### 4.3 Cocoa producing organizations/ producer groups

Key informant interviews held with the district production and commercial officer, indicated that the main varieties of cocoa grown in Bundibugyo were Trinitario and Upper Amazon. The majority of cocoa growers are largely subsistence farmers transitioning to a commercial level with each on average owing about one acre of land. Farmers in the district are organized into farmer groups, while some are registered under cooperatives. Majority of these groups have evolved through cocoa buyers and exporters organizing them and facilitating with pre-season financing, though some groups have evolved through the NAADs programme and some through farmers' own initiatives.

Owing to the fact that cocoa seedlings can be found for free at the nurseries at sub-county level, has in the long run given opportunity to every farmer to open up his/her garden for cocoa growing. However in the process and over time, the cocoa crop has taken up most of the cultivable land particularly in Kasitu and Busaru sub counties. As such there is land pressure in most cocoa growing areas in Bundibugyo, with farmers in the highland zones where food production is supposed to occur shifting down to the lowlands to take advantage of the cocoa price boom during harvest. In addition, given the fact that cocoa is harvested all year round every 15<sup>th</sup> and 30<sup>th</sup> of each month (every after two weeks); these dates are set in the local bye-laws to prevent theft of cocoa. Farmers adhere this bye-law and when broken a punishment. .

Through a key Informant interview held with the Deputy LC.V; he acknowledged that it was alarming that most of the food now consumed in Bundibugyo district was imported from the neighboring districts of Kabarole, Kasese, Kibale, Hoima and Masindi, and DRC. The food include; Matooke (including banana leaves), sweet and Irish potatoes, cabbages, avocados, sugar canes, rice, G/nuts, peas, and other green vegetables, yet the district has the potential to produce all the above crops the district. This actually has rendered the district food insecure since most farmers have resorted to cocoa planting forgetting other food crops.

Challenges faced by cocoa producers/ producer organizations:

#### Production related challenges

- Limited land
- Limited credit for inputs – available
- Crop diseases for most cocoa growers, the crop disease identified as the biggest challenge was pod rotting.
- Lack of enough tree shed for cocoa growing

#### Marketing related challenges

- Cocoa farmers are forced to sell their cocoa from the source (in the gardens) in raw form at cheap prices in order to buy food, which comes from the neighboring districts of Kabarole, Kasese, Kibale, Masindi and

Hoima, and DRC. This contributes to the high food prices, and has further in turn constrained investment by cocoa farmers.

- Farmers reported that traders were amplifying the buying of “wet cocoa”. This high moisture cocoa is bought from farmers due to competition among the traders and later dried at the premises of the buyers. A critical look at the comparative analysis of selling wet vis-à-vis dry cocoa ought to be conducted. Anecdotal analysis by the district production officer indicated that wet cocoa selling seems to be lucrative as compared to dry cocoa.
- Inconsistencies in moisture measurements by buyers were also reported in some scenarios where farmers had dried their cocoa.
- Storage challenges- Most farmers have no recommended facilities for fermentation. Postharvest challenges at farmer level included:
- Lack of fermentation boxes and drying racks – Some cocoa farmers in Bundibugyo district experience spoilage of the beans especially during the rainy season which is actually the peak harvesting season. The spoilage is attributed to the fact that cocoa is not easily dried during the wet season due to lack of drying facilities.- Only one of the buyers i.e. ICAM has the ability of buying wet cocoa and fermenting it properly at their fermentation center as well as dry it to the recommended moisture levels. Currently there is also new initiative by Mubuku and Devine Chocolate in Bunyagule of buying wet cocoa and testing its quality after drying it using different technologies.
- Lack of drying tarpaulins by cocoa producers
- Lack of stores – this has resulted into cocoa farmers storing wet cocoa in their living rooms and yet wet cocoa has been known to be very poisonous to the extent that it is reported to have made majority of the iron roofs in the district to rapidly deteriorate.
- Lack of packaging materials – farmers lack the gunny bags which are recommended for storage.
- The most important marketing challenge for the farmer was the fluctuating prices which seem to happen monthly and sometimes weekly. This has affected the farmers’ planning system since they have little knowledge when prices may drop or rise. As per the time of the scoping exercise a kilogram of cocoa was fetching between UGX: 7000 and 7,500.
- Producers also lack market information on the price trends. They only receive information that seeps through the cocoa buyer and export companies.
- Effects of climate change, such as sudden changes in season regimes, floods hail storms, landslides, among others adversely affect cocoa production.
- At village level, much as the distribution of land between households is said to be relatively even. Cases of domestic violence have been reported. This has mainly been attributed to differences in sharing of cocoa proceeds. Although women are reported by far to be the main contributors to the cultivation of cocoa fields in its initial growth stages.

Opportunities for cocoa producers/ producer organizations:

- Availability of fertile land and favorable climatic conditions (see box 1)
- Low cost of production
- Government support

## 4.4 Certifiers

Most of the exporting companies use the two most common certifiers:

- Ceres through Ugocert in Uganda
- IMO

The most common standards that exporters tend to go for certification include;

- EU regulations especially for food safety
- NOP for organic certification targeting America
- UTZ (good inside) for all EU countries but started in Germany

It is estimated that the cost of actual certification according to one of the exporters Esco Uganda is UGX: 50,000,000 (fifty millions) for 4,741 farmers. In addition, the company meets preparation costs prior to certification estimated at UGX: 20,000,000 (Twenty millions) for activities like training, developing farmer group structures, internal inspection and monitoring. Some farmers are certified UTZ and NOP and this means extra costs which were estimated at UGX: 15,000,000 (fifteen million).

For producer organisations Fairtrade application fee is UGX 1,716,000 and the certification fees range from UGX 5,940,000- 23,100,000 depending on the number of farmers and the category of applicant.

The advantages of certification according to the different standards include;

- Improved yield and quality for individual farmers
- Premium above normal local market prices
- Easy access to markets
- Due diligence on the side of the suppliers

## 4.5 Cocoa buyers and exporters

Most of the buyers of cocoa are local traders spread in the different sub counties in Bundibugyo. They buy cocoa at farm gate and sometimes at the stores they' have established at the different collection centres or the agents to reach farmers. The buyers later aggregate the cocoa at main stores at the district from where cocoa is later transported to Kampala for further cleaning and aggregation before export. The key cocoa buyers then transport the produce to the cocoa clients outside the country for further processing into finished products. No cocoa processing is currently being conducted in the country though Uganda Cocoa and Commodities Ltd has a processing project in the pipeline and still resource mobilising as the investment is very expensive.

Cocoa is harvested and sold all year around to farmer organizations and private buyers. The biggest buyers of cocoa in Bundibugyo included; ESCO (U) Ltd, OLAM, UGADEN, Agro Crop, Vanish, UCCL Brukam and ICAM. ESCO takes the biggest percentage of about 40%, Olam about 30%, and the balance of 30% is shared amongst the remaining exporters. However of recent some of the cocoa producers (Bundibugyo Cocoa Association (BCA), Western Bundibugyo Farmers Development Association (WEBUFADA), Bundibugyo Improved Cocoa Farmers Co-op Society) have been able to link up directly with international buyers (from Switzerland) and have managed to sell to them. In addition, these organized farmer groups have been able to attract trade financing, with low interest rate from Rabo Bank in the Netherlands, to a total tune of atleast UGX 350,000,000 per farmer

organization for procurement of cocoa. The above groups are the only ones that have been able to upgrade in the chain and as such they have caused intense price wars and competition to prevailing buyers after realising that the export companies were reaping off big margins. This though is at the benefit of the farmers who have received record highs in prices.

Challenges faced by cocoa buyers and exporters:

- Competition between buyers has often led to some buyers compromising on cocoa quality
- The nature of the contracts between some buyers and farmers is through giving advances to the farmers during the main season or before harvest. Much as this guarantees the buyer/ exporter a certain amount of cocoa; in the long run it has led to some farmers defaulting payment.
- Complaints about minimal price differentials between organic and conventional cocoa
- The terrain of the area and poor roads make transportation of produce from the distant villages very expensive
- Increased expenses in fuel (diesel and firewood) used to run dryers during the wet season.
- Some of the farmers' cocoa fields are old hence producing double seeds which are not easily marketable
- High cost of maintaining dryers during the wet season; - Some of the exporters like Esco Uganda have put up dryers in order to maintain moisture content during the peak season which coincides with heavy rains in Bundibugyo. However the cost of maintenance of these dryers is very high
- For companies such as ICAM that buys wet beans, some farmers add water to increase weight
- Poor field maintenance by farmers have time and again resulted into poor yields i.e. light beans
- Poor land use planning by majority of the farmers has resulted into food security issues

Opportunities faced by cocoa buyers and exporters:

- Overall, there is low production volumes by farmers and as such low total cocoa exports by all companies combined. This presents an opportunity for buyers to support cocoa growing in other districts were cocoa could do well if volumes are to increase in the future with increases in world demand. Esco (U) Ltd with support from GIZ is promoting cocoa farming in Mayuge, Hoima and Kibaale
- Opportunities to attract Investments into a local cocoa processing industry do exist. This could in the long run open up more opportunities into cocoa related industries with the potential to supply the region with cocoa products and reverse the importation. UCCL is trying to mobilize for this kind of investment in Uganda.

#### **4.6 Service providers e.g. financial institutions**

The only accredited Micro finance that provided financial services in Bundibugyo was HOFOKAM. Some of the cooperatives said they in some instances sought services from centenary bank that is located in Fortportal town (83Kms from Bundibugyo). HOFOKAM has its headquarters in Fortportal, with branches in Bundibugyo, Kasese, Hoima, Masindi, Kibaale, Kagadi, Kyenjojo and Kamwenge. It Started business in Bundibugyo in 2003. Some of its clients double as cocoa growers. They offer different loan products like: Agriculture loans, Business loans, salary loans and home loans among others. Through the key informant interviews with the branch manager,

Bundibugyo, she indicated that so far repayment has been good but with some difficulty for some of clients. The cost of lending is: 2% loaning processing, 2.5 % interest per month and 1 % insurance fee.

Some Cocoa Farmers Associations/Co-operatives have managed to directly access trade finance loans from an international Bank, Rabo bank at an interest rate of 8% per annum.

Challenges faced by financial institutions:

- Seasonality of cocoa against which farmers have to get income to pay
- High default rates especially among cocoa farmers who intentionally fail to pay

Opportunities available for financial institutions:

- Numerous buyer spread within the district with high demand for credit to purchase cocoa.
- Currently there's high need of developing loan products that are in sync with the cocoa harvesting and production cycle.



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### 5 References

LWR (2014): Cocoa Sector Landscape Analysis, Kampala.

UBOS (2013):

### Annexure

#### Annex 1: A list of farmer organizations engaged in Cocoa production in Bundibugyo district

Sn o.	Name of farmer group	Membership			Sub county	Registration details	Main Buyers	Contact
		M	F	Total				
1	Bundibugyo Cocoa Association (BCA)	158	82	238	Bubukwanga	Registrar of companies	- Agro Crop, - Vansh Agro - Cocoa Source SA	Balyesiima Methodius Coordinator 0772-861416
2	Bundimukerewa Coop Society Ltd	40	20	60	Ntotoro	Min of Trade &coop 24/02/2014 Reg no:4169/RCS	- Agro Crop, - Vansh Agro,	Happy Wilson Chairperson 0772-231543
3	Bundibugyo Improved Cocoa Farmers Coop Society Ltd			4850	Bundibugyo Town council	Min of Trade &coop 2014 Reg no: P4612/RCS		Tebandeke Lubega Godfrey CEO/Treasurer 0784-367028
4	Bumadu Abagwane Coop Group	9	7	16	Bundibugyo Town council	N/A	Brkam Ltd	Bamunobere John Chairperson 0778-464783
5	Bundikahungu Tulidhedwa coop Group	30	23	53	Nyahuka Town Council	N/A	ICAM chocolate	Bampiga William Chairperson 0777-077696
6	Mirambi Abaghwane CooP Group	78	30	108	Mirambi	2010	Esco Ltd, Bundibugyo	Tirumanya Sulaiman Chairman 0779-389093
7	Katumba Umoja Coop Group	30	68	98	Kirumya	N/A	ICAM chocolate	Bwinge Augustine General Secretary 0789-668158/ 0772-

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Sn o.	Name of farmer group	Membership			Sub county	Registration details	Main Buyers	Contact
		M	F	Total				
								997291
8	Bundimulinga Kwekulakulaniya cocoa group	12	10	22	Nyahuka Town Council	N/A	Green Organic Watch , BCA	Balikhamba John Kuupa Chairperson 0788-445741
9	Nyambaro Manibughuda Coop Group	35	15	50	Bubandi	N/A	ICAM, BRUKA M	Festo Mujuni Secretary 0779-484569
10	Bhamba Tususumuke Group	40	22	62	Nyahuka Town council	N/A	ICAM	Byensi Julius Chairperson 0785-404395/ 0789-114806
11	Bundingoma Farmers Coop Group	25	7	32	Bubandi	N/A	ICAM	Magezi Nnianabho Chairperson 0785-462344 0785-364625
12	Busaru Abaghwane Coop Society	73	66	139	Busaru	Min of Trade &coop 24/02/2014 Regno: P4175/RCS	ICAM	Happy Jailence Chairperson 0774-553674
13	Lamia Abakundane Coop Group	60	44	104	Bubandi	N/A	Brukam	Luhandiya Eziron Chairperson 0786-981244
14	Mulungitana Coop society	29	40	69	Bubandi	Min of Trade &coop Regno: P.4178/RCS	Agro Crop, Brukam, Vanis	Kabalisa Rhoda Chair Person 0775-059032
15	Busu Farmers Coop Group	65	35	100	Bubandi	N/A	ICAM	Tibesigwa Thomas Chairperson 0773-255186
16	Masule II Cocoa Farmers Assn	18	12	30	Halugali	N/A	Brukam	Kesi Muntuwabo Chairperson 0782-227364
17	Nyansoro Coop. Society Ltd	32	14	46	Ntotoro	Min of Trade &coop Regno: P.4777/RCS	Agro Crop and Vanish	Musinguzi David Chairperson 0779296527/078546 1561
18	Mataisa Coop Society Ltd	19	10	29	Bubukwanga	Min of Trade &coop	Brukam, Olam	Kyalimpa Seith Secretary

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Sn o.	Name of farmer group	Membership			Sub county	Registration details	Main Buyers	Contact
		M	F	Total				
						2013 Reg. no: 1026/RCS	GoW, ICAM	0781267286
19	Kinyante Coop Group	23	49	72	Busaru	N/A	Vanish Agro	Abdul Mupele Chairperson 078486363
20	Bugombwa Coop Society	31	46	77	Busaru	Min of Trade &coop Regno: P4173/RCS	Esco U Ltd, Agrocrop, Varnish, BCFA, Three Farmer	Mugisha Edward Chairman 0774785572
21	Kisubba Kwehimukya Coop Society Ltd	52	70	122	Kisubba	Min of Trade &coop Regno: P4168/RCS	Local traders, ESCO, OLAM, ICAM, METL, Agrocrop	Mugisa Enos General Secretary 0772966179/070127 2829
22	Kaghema Agheterane CooP Society Ltd	50	45	95	Kisubba	Min of Trade &coop Regno: P4170/RCS	Agrocrop	Mugisa Jackson Chairperson 0772454276
23	Nsuka Tedima Coop Farmers Group	34	24	58	Bubukwanga	N/A	Local traders	Geoffrey Agubba Byaruhanga Chairman: 0773356259
24	Bundinyama Coop Society Ltd	55	29	84	Bubukwanga	Min of Trade &coop 2014 Regno:P4176/ RCS	Agrocrop, Vanish, METL, BCFA	Bazara Paul Gen Secretary 0782597465/078402 1342
25	Busoru Coop Society Ltd	87	47	134	Kisubba	Min of Trade &coop 1/8/2013 Regno:10344/R CS	Agro Crop, Vanish, METL	Tumwebaze Jackson General Secretary 0787735742
26	Bunyaruta Balitiweghomba Group	11	16	27	Bubukwanga	N/A		Gumwine Joseph General Sec: 0774091274

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Sn o.	Name of farmer group	Membership			Sub county	Registration details	Main Buyers	Contact
		M	F	Total				
27	Bugando Tweheyo Coop Group	70	20	90	Ntotoro	Min of Trade &coop		Komunjara Ernest Chairperson: 0788128836
28	Bubomboli Kweya Coop Society Ltd	128	96	224	Kissubba	Min of Trade &coop 24/02/2014 Regno: P4171/RCS	Bundibugyo cocoa marketing association	Musinguzi Steven Chairperson 0773654542/0701168878
29	Kinyankende Coop Group	40	38	78	Ntotoro	N/A	Agro Crop and Vanish	Mpekya Stephene Chairman 0789642855
30	Goone United Farmers Association	30	40	70	Nduguto	N/A	ICAM	Magezi Jeremiah Chairperson: 0774507393
31	Kasili/Bundikuyali Baghayaonji framer group	32	40	72	Nyahuka Town Council	N/A	Brukam	Abawayi William Chairperson 0778907023/0773983177/ 0784719922
32	Bulidimwendi Coop Society	41	30	71	Busaru	Min of Trade &coop	Agro-crop	Nkwira Richard Secretary: 0775058908
33	Nyahungu Kisonko Coop Society	20	10	30	Mirambi	N/A		Kasenge Cohen Secretary: 0773821510
34	Hakitengya Cocoa Farmers Group	43	42	85	Bubukwanga	Bundibugyo District LG 2014 Reg no: 2022	OLAM	Ngirisi Meshach Gen Secretary 0785494299/0781151398
35	Mampongya Coop Group	30	35	65	Bubukwanga	N/A	Brukam	Tibamwenda Smith Gen secretary 0779813616/0701166812 smigoderd@gmail.com

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### Annex 2: A list of other actors involved in the Cocoa value chain

Sno.	Actors	Title	Contact
<b>A</b>	<b>Nursery Operators</b>		
1	Balyesiima Everest	Nursery Operator	0782498183
2	Ngwabusa Fobiano	Nursery Operator	0779501396
3	Rwatoro	Nursery Operator	-
<b>B</b>	<b>Exporters and buyers</b>		
1	ESCO (U) LTD	Aliganyira Wilfred	0772540337
2	OLAM (U)	Manyiraguha Emmy	-
3	ICAM CHOCOLATE	Patrick	0789125705
4	THREE FARMERS	Muhammad	0776030303
5	WORLD BOTANIC LTD	Martin	0774614212
6	MABBU ENTERPRISES	Ngonzi Moses	0772840546
7	BAKWANYE	Bwambale Ganatia	0392614992
<b>C</b>	<b>Transporters</b>	<b>Email</b>	<b>Website</b>
1	Interfreight Forwarders, Nakawa	kampala@interfreight2000.com	+256 414 50 58 05/06
<b>D</b>	<b>Certifiers</b>	<b>Email</b>	<b>Website</b>
	Ceres through Ugocert in Uganda	<a href="mailto:ceo@ugocert.org">ceo@ugocert.org</a>	<a href="http://www.ugocert.org">www.ugocert.org</a>
	IMO	<a href="mailto:info@imo.org">info@imo.org</a>	<a href="http://www.imo.org">www.imo.org</a>
	Fair trade USA	<a href="mailto:kalema78@gmail.com">kalema78@gmail.com</a>	<a href="http://www.fairtradeusa.org">www.fairtradeusa.org</a>



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### Annex 3: A list of facilitators of the cocoa value chain in Bundibugyo district

Sno.	Actors	Key contact	Title	Telephone
<b>A</b>	<b>Advisory services providers</b>			
1	District Production office	Bishaka Edmund	District Production Officer	0772514818
<b>B</b>	<b>Financers</b>			
1	HOFOKAM in Bundibugyo	Nanyerya Agnes	Branch Manager	+256702825853
2	Centenary Bank, Fort portal			+256 483-422791
<b>D</b>	<b>Market information providers</b>			
	UBC Radio			
<b>E</b>	<b>NGOs</b>			
1	SAVE THE CHILDREN UGANDA	Mukirani Samuel	Manager	0414 341 714
2	SNV RWENZORI	Kazahura Felix	Agric Advisor	0414 563200
3	WORLD VISION		Manager	0414-251642
4	NORRACOL	Mutabazi Wilson	Director	0753 656 731
5	SWISS CONTACT	Asiimwe Caroline	Project Officer	0782011286/ 0702 011286
<b>F</b>	<b>LOCAL GOVERNMENTS (Policy &amp; regulation)</b>			
	<b>Cocoa growing sub counties</b>			
1	Kasitu S/C	Kitobi Complex	LC3 Chairman	0782129913
2	Ngamba	Kamalha	LC3 Chairman	0783492537
3	Ntotoro	Mpigwa Francis	LC3 Chairman	0787843401
4	Bubukwanga	Tindyebwa Amos	LC3 Chairman	0788254082
5	Kirumya	Bwambale Asanasio	LC3 Chairman	0784682706
6	Busaru	Mugerwa Tibbs	LC3 Chairman	0775398979
7	Kisubba	Ndikyemarira Julius	LC3 Chairman	0774084598
8	Bubandi	Kahigwa Milton	LC3 Chairman	0775932532
9	Nduguto	Nzirapande Jophes	LC3 Chairman	0772911584
10	Mirambi	Agaba Tekwira	LC3 Chairman	0788650162
11	Kasitu Sc	Atulinde Alfred	Sub county Chief	0782780977
12	Ngamba	Simbulireki Elijah	Sub county Chief	-
13	Ntotoro	Sikawa Robert	Sub county Chief	-
14	Bubukwanga	Guma Nicholus	Sub county Chief	0772975903
15	Kirumya	Bwambale Sam	Sub county Chief	0782011486

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Sno.	Actors	Key contact	Title	Telephone
16	Busaru	Sangayo Silver	Sub county Chief	0774264218
17	Kisubba	Baguma Riach	Sub county Chief	0777088709
18	Bubandi	Kamwi Jim	Sub county Chief	0772381590
19	Nduguto	Kusiima Gerald	Sub county Chief	0772981174
20	Mirambi	Kabulha	Sub county Chief	0775116919

### **Annex 4: Visualized summary of the cocoa value chain actors, challenges and opportunities**



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