

Assessing the Extent of Banana Market Distortions In Uganda – 2007

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Problem statement

- About 77% (18.8 mill.) of Ugandan population depend on agric. for livelihoods (employment, food and income)
- The latest rural poverty rates of 46, 63 and 43% respectively for Eastern, Northern and Western are high compared to National average 37%
- Banana is staple food crop for 13 mill. Rural population who consume 200 -300kg/capita/yr.
- Banana is the most expensive food item to urban consumers costing Ush 7,000 to 15,000 per 40kg bunch – accounting 16% of food consumer basket.

- **Farmers receive less than 20% of market share. High price fluctuations, Farm gate price/40kg bunch Ush 300 to 2,000 lower than production costs**
- **Major urban markets are Kampala, Entebbe, Mukono and Jinja**
- **Major source of supply 70% Western, 20% central and 10% Eastern**
- **Many (6-9) middlemen monopolise market information and obtain excessive returns.**
- **Farmers are scattered, disorganised, ignorant about markets, lack bargaining power and being exploited.**

Objectives

General Objective

- To establish the extent to which farmers are selling individually through middlemen and quantify farm gate price distortions by the banana market agents.

Specific objectives

- a) To examine the causes/consequences of banana market price distortions in Uganda.
- b) To determine proportion of farmers selling individually through middlemen affected by the banana market price distortions.
- c) To assess the extent to which farm gate prices are being distorted by market agents.

Methodology

- A multi-stage systematic random sampling of 8 leading banana producing districts were picked from Eastern (Mbale), Central (Masaka, Ssembabule, Rakai) and Western (Mbarara, Isingiro, Bushenyi and Ntungamo) regions based on the volume of bananas produced.
- Two Sub counties from the 8 districts were randomly selected based on:
 - i. Importance of banana production in the district
 - ii. Remoteness/ inaccessible
 - iii. Easily accessible to markets.

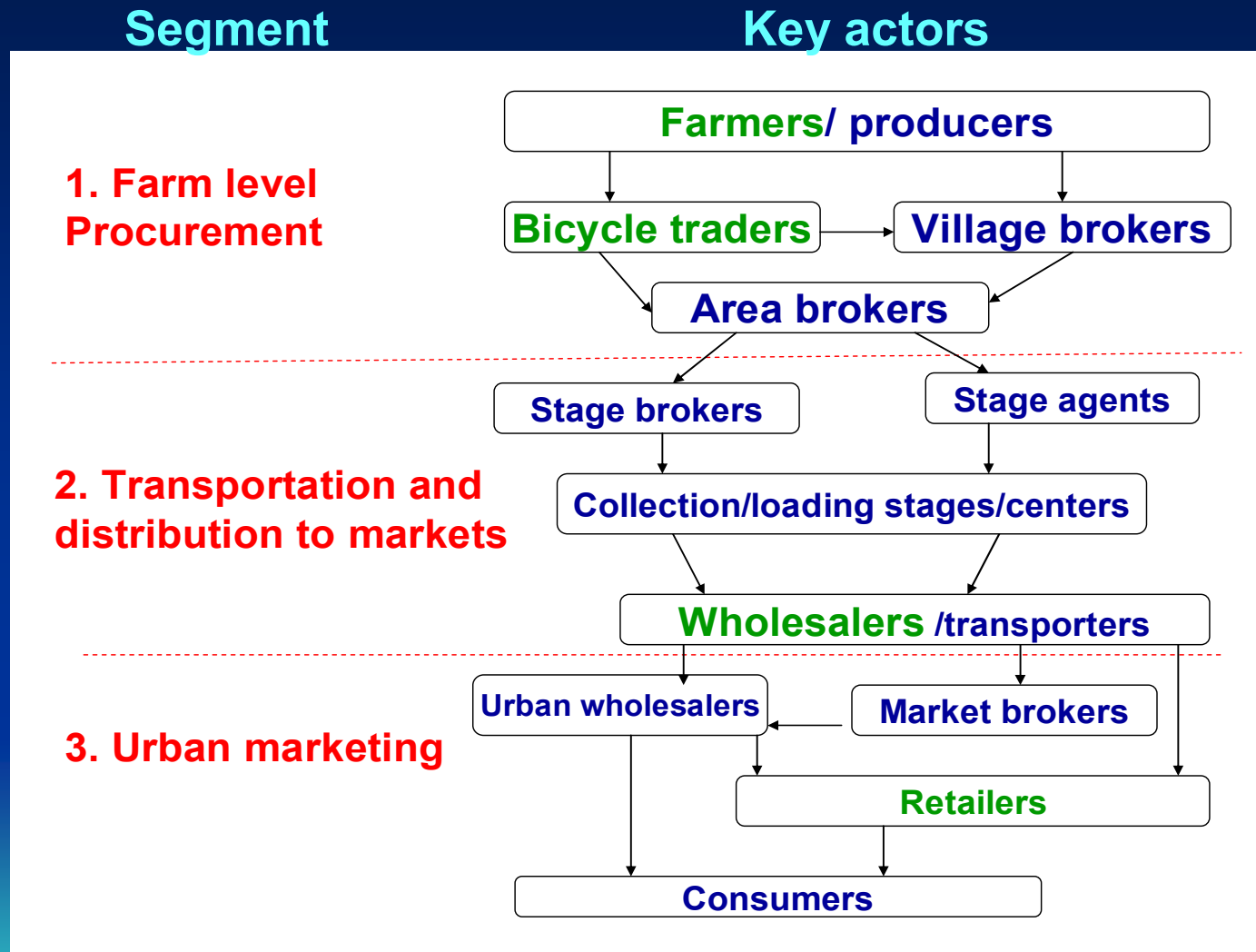
Methods cont'd

- **Two Villages were chosen from two different parishes**
- **Twelve to thirteen farmers were sampled from each selected village, making a total sample of 200 respondents**
- **Field data collection was carried out in July 2007, using semi-structured questionnaires covering farmer characteristics, organisation for marketing, farm-gate prices, volume of sales and type of buyers**
- **Descriptive data analysis using SPSS.**

Table 1: Social-economic characteristics of banana farmers in Uganda 2007

Region	Av. age (Yrs)	Gender % female	Cash Crops (%)	
			Banana	Coffee
N= 200				
Central	42.4	45.8	88.0	7.5
Eastern	39.3	39.3	86.0	9.4
Western	44.4	25.9	92.0	2.0

Fig.1. Functional and organizational analysis of existing Banana Marketing structure



Banana market functions



Bicycle Trader



Collection/Loading Centre

Fig 2: Assemblage of bananas

Financing, Grading and transportation



Grading



Truck Transportation

Fig. 3: Sorting & loading



**Urban wholesaler
cooking bananas**



**Urban wholesaler
Dessert bananas**

**Fig 4: Urban
Wholesale**

Fig. 5: Urban retail



Table 2. The percentage farmers affected by price distortions due to presence of many middlemen in Uganda

Region	Farmers selling individually through middlemen	Farmers in informal groups or open markets	Farmers in organised groups selling to whole salers
Central	19%	4%	7%
Eastern	9%	1%	1%
Western	42%	6%	11%
Total	70%	11%	19%
Grand total	100%		

Table 3. The average current banana farmers' price distorted by middlemen.

Region	Wholesalers' price at nearest loading centre	Farmers selling individually through middlemen	Farmers in informal groups or open markets	Farmer groups selling to whole salers
Central	5500	1194±380	2087±490	3621±661
Eastern	5000	2500±115	3000±108	3600±150
Western	4500	1104±400	1920±460	3170±252
Average	5000	1408±500	2200±600	3360±921

Source: Field Survey of banana market distortions, 2007

Table 4. Magnitude of price distortions as (%) of the wholesalers' loading price at nearest collection centre

Region	Wholesalers price at nearest loading centre	Farmers selling individually through middlemen	Farmer in informal groups or open markets	Farmer in organised groups selling to wholesalers
Central	5500	21.7%	37.9%	65.8%
Eastern	5000	50%	60%	72.5%
Western	4500	24.5%	42.7%	70.4%
average	5000	28.16%	44%	67.2%

Table 5.1 Causes/consequences of farmers' banana market price distortions in Uganda

a) Farmers being scattered, disorganised, remote locations with limited market outlets

	%farmers	Price
• Remote villages	60	1716
• Accessible	40	2650

b) In access to / sources of farmers market information

source	%farmers	Price
• Traders	50	1200
• Fellow farmers	19	2500
• Radio	17	2400
• Farmer groups	11	2571

c) Limited bargaining power/ traders determine farm gate prices:

	%farmers	Price
• Traders	59	1500
• Fellow farmers	9	2166
• Mass media (Radio)	20.1	2750
• Farmer groups	9.5	3500

d) Type of buyers/ traders

	%farmers	Price
• Bicycle traders	36.4	1089
• Brokers/ Agents	44.2	2549
• Whole salers	11.2	3300
• Contract buyers	7.3	4000

Table 5.3 e) Selling in small quantities: Volume of bunches sold per person or group

	Bunches (Nos)	%farmers	Price
As individuals	39	76	1200
With others	80	7.8	1500
Village market	125	5.8	3280
Organised groups	420	11	3481

Conclusions

1. **Banana farmers are marginalised in Uganda and continuously exploited by large price distortions of 33% to 72% of loading price.**
2. **About 70% of the farmers sell individually through many middlemen and receive very low prices of 1402 to 2200 Ugshs/ bunch being 24% to 40% of the loading price or 20% of consumer price: that may not pay for production costs**
3. **Farmers' exploitative market price distortions are being caused by:**
 - **Working individually, disorganised and poor feeder roads that make them inaccessible.**

Conclusions cont'd

- **Lack of independent source of market information**
 - **Lack of bargaining power to determine farm gate prices**
 - **Inappropriate marketing methods**
- 4. Farmers are being locked out of mainstream economy, becoming retro-progressively poorer & poorer without any alternative means of livelihood.**

Conclusions cont'd

5. But formation of farmer groups & collective marketing significantly increase prices while reduce farm price distortions
6. Banana markets in Uganda badly need appropriate interventions to remove the distortions and improve farmers income and livelihoods.