

Research Application Summary

Promoting farmer entrepreneurship among smallholders in Uganda

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Abstract

Smallholder farmers typify agricultural production in Uganda. Smallholder farmers have severally been criticised for the lack of entrepreneurship yet farmer entrepreneurship is generally defined by two facets; the managerial skills needed to start and run a profitable farm business and an entrepreneurial spirit. In this, regard several smallholders have proven to be good managers of their farm enterprises as they take decisions at farm level. However, their limited ability at risk taking, innovativeness and initiative for growth and farm estate expansion has led to them being defined as marginal entrepreneurs. This paper discusses the efforts by two young non-government organisations initiated by dynamic youth from various professional backgrounds undertaking actions towards developing smallholder farmer entrepreneurship in Uganda. Building on the work of Agri-ProFocus thematic areas for developing farmer entrepreneurship, the Research and Education Agency and the Kampala Legal Aid have added the legal services as an additional thematic area into the framework. The rationale is to ensure that smallholder farmers are in better position to articulate their engagements and contracts particularly as they seek to exploit the business partnership models such as contract farming that are on the increase in Uganda. Further, there are numerous potential areas for farmer entrepreneurship in Uganda from the farm level to exploitation of various value chains, new technologies, and financial inclusion opportunities. The paper acknowledges that smallholder farmers operate in a dynamic and complex ecosystem and therefore, the range of moderators and players in this ecosystem present both opportunities and constraints towards farmer entrepreneurship in Uganda.

Key words: Entrepreneurship, farmer, legal aid, smallholder farmers

Résumé

Les petits exploitants agricoles caractérisent la production agricole en Ouganda. Les petits agriculteurs ont souvent été critiqués pour le manque d'esprit d'entreprise alors que l'entrepreneuriat agricole est généralement défini par deux facettes; les compétences managériales nécessaires pour démarrer et gérer une entreprise agricole rentable, et un

esprit d'entreprise. A cet égard, plusieurs petits exploitants agricoles se sont révélés être de bons gestionnaires de leurs entreprises agricoles quand ils prennent des décisions au niveau des exploitations. Cependant, leur capacité limitée à la prise de risque, l'innovation et l'initiative pour l'expansion de la ferme a conduit à leur définition comme étant entrepreneurs marginaux. Cet article traite des efforts déployés par les deux jeunes organisations non gouvernementales initiées par des jeunes dynamiques de différents milieux professionnels qui entreprennent des actions en vue de développer l'esprit d'entreprise des petits exploitants agricoles en Ouganda. Partant du travail effectué par Agri-ProFocus dans des domaines thématiques pour le développement de l'esprit d'entreprise agricole, l'Agence pour la recherche et l'éducation et de l'aide juridique à Kampala ont ajouté les services juridiques comme un domaine thématique supplémentaire dans le cadre. L'objectif est de veiller à ce que les petits agriculteurs soient en meilleure position pour articuler leurs engagements et contrats notamment quand ils cherchent à exploiter les modèles de partenariat d'affaires, tels que l'agriculture contractuelle qui sont à la hausse en Ouganda. En outre, il existe de nombreux domaines potentiels pour l'entrepreneuriat paysan en Ouganda à partir du niveau de la ferme à l'exploitation des différentes chaînes de valeur, les nouvelles technologies et les possibilités d'inclusion financière. Le document reconnaît que les petits exploitants agricoles évoluent dans un écosystème dynamique et complexe et, par conséquent, la variété des modérateurs et acteurs de cet écosystème présente des opportunités et des contraintes à l'esprit d'entreprise agricole en Ouganda.

Mot clés: L'entrepreneuriat, agriculteur, l'aide juridique, les petits exploitants agricoles

Background

Agriculture is key to Uganda's economic development. At 23.1% contribution to the Gross Domestic Product (GDP), employing over 73% (10+ years) of Uganda's population either directly or indirectly, contributing to 40% of total manufacturing agriculture remains a single most important sector that can absorb the burgeoning population in Uganda (MAAIF, 2011; Mugonola and Baliddawa, 2014). Its share contribution to GDP has been declining since the 1980s (70%) to the present 23.1% (2015) as other sectors in the economy begin to evolve and take route (Lwakuba, 2011). Some of the contributing factors to this shrinkage in agriculture's contribution to GDP is the lack of efficient development of agricultural value chains, a poor agricultural integration and a low farmer entrepreneurship and enterprise development. Agriculture in Uganda is still practiced at subsistence level; the concept of agriculture as a business is still alien to many smallholder farmers. A business analysis of many smallholder agricultural production systems in Uganda such as among the rice lowland producers in eastern Uganda and maize in highland areas revealed many with limited input application but their enterprises become more profitable with addition of inputs such as fertilizers (Okoboi *et al.*, 2012; Bymolt, 2015). This however does not mean that agriculture in Uganda is a non-profit making venture; there are several testimonies and examples where farmers are making profit from their farming practices. The distinction between these testimony farmers (champion farmers) and the other ordinary smallholder farmers is a decision to approach farming as a business (Kahan, 2012; Rokani *et al.*, 2014).

Transforming smallholder agricultural enterprises into functional and viable ventures has become a central focus in the recent past as one of the strategic decisions that is hoped will help move millions of Uganda's smallholder farming households out of poverty. These initiatives initiated at various fronts have had stalemates especially because they are more focused on ensuring that farmers make profits rather than a transformation of smallholder farmers into entrepreneurs. Farmer entrepreneurship entails three critical facets; (i) risk taking, (ii) innovativeness, and (iii) the desire for growth and expansion. Considering the three facets, then the focus of farmer entrepreneurship would be guided by the articulation of Lwakuba (2011) that farmer entrepreneurship is a process and action of having farmers engaged in the organisation and management of any of the farming enterprise whilst innovatively applying relevant skills and experiences to achieve sustainable expansion of their farming operations. They should periodically be in position to shoulder the level of uncertainty associated with the farming enterprise by undertaking calculated economic risk to maximise profits.

There is no doubt that smallholder farmers in Uganda by every detail cannot be comparable to say smallholder farmers in the European Union and United States of America. These differences arise from differences in development and available opportunities. There is certainly no reason why smallholder farmers in Uganda cannot exploit the available opportunities. However, getting farmers to take advantage of these available opportunities in the agricultural sector depends on the level with which the farmers' entrepreneurial capacity and acumen is developed and operationalised. Farmer entrepreneurship is an important component for exploiting the available opportunities and making a transition from marketing what they have to produce to a market based production (Njuki *et al.*, 2005). Further, the ISSD (2013) asserts that farmer entrepreneurship is a strong incentive for investment and development in the agricultural value chains such as the seed sector, and further serves as a catalyst to improving the functioning and performance of the agricultural value chains. Whilst aware that farming is such not a homogeneous sector especially because smallholder farmers operate in highly constrained, regulated and unregulated, complex, dynamic and multi-faceted environment that imposes constraints to entrepreneurial activity (McElwee, 2006), developing farmer entrepreneurship still offers opportunity that can catalyse Africa's transformation (Montpellier Panel Report, 2014). The Montpellier Panel argued that harnessing and enabling the entrepreneurial skill and spirit among smallholder farmers, young people and women in the rural economies such as Uganda ought to be at forefront of key focus issues such as food security and the growth agenda (A Montpellier Panel Report, 2014). Therefore, this paper provides a discussion on strengthening farmer entrepreneurship in rural areas of eastern Uganda.

Research Education Agency and Kampala Legal Aid evolving to support farmer entrepreneurship

Two non-governmental organisations formed by a group of young and dynamic youth from varied disciplines based in Uganda have allied to drive farmer entrepreneurship at grassroots level. Research Education Agency (RAE) is a research based organisation focused on delivering innovative research in formal and non-formal education for rural transformation. Its engagement with smallholder farmers has been through the school garden program as

the learning centre and technology dissemination for sustainability. The RAE has further engaged across sectors with energy based institutions and other agricultural research institutions in developing a vibrant seed sector value chain particularly for legumes. Through this engagement with the research institutions, farmers, youth and other stakeholder groups, it became apparent that farmers were particularly vulnerable to exploitation in a range of issues including from the traditional ecological knowledge, and contract farmers engagements and arrangements with middlemen and business enterprises. The para-legal system that could help farmers over-come some of these debacles was simply unavailable. It is this realisation that catalysed the collaboration with the Kampala Legal Aid. Kampala Legal Aid has engaged with smallholder farmers in supporting their rights and voices to be heard in agricultural space. As a non-governmental organisation formed by young lawyers, focused on championing the rights of farmers, youth and women, KLA focuses on providing probono legal services and holding legal aid clinics with the vulnerable groups. The level of farmer knowledge deficit in the legal issues relating to their agricultural enterprises is considerably high. This is particularly, so because in Uganda several societies, have a high informality in undertaking transactions. As such, contracts are based on trust, knowledge of the clients urgency and need at hand and the commodity under consideration. Yet, the terrain has considerably changed over the last several decades of jurisprudence in the country.

The Research and Education Agency and Kampala Legal Aid partnership to strengthen farmer entrepreneurship developed a framework (Fig. 1) based on a modification of the Agri-ProFocus (2012) thematic areas approach for developing farmer entrepreneurship based on agri-hubs. The inclusion of legal services as part of agri-hubs is expected to operate at a level of enhancing organised farmers for business and facilitating gender equity in agriculture. From the organised farmers for agriculture which the Research and Education Agency are focused on facilitating and the gender equity in agriculture that the Kampala Legal Aid has focused partly, an interface that brings both issues to be addressed simultaneously. Building on these farmers will therefore be in position to have a better

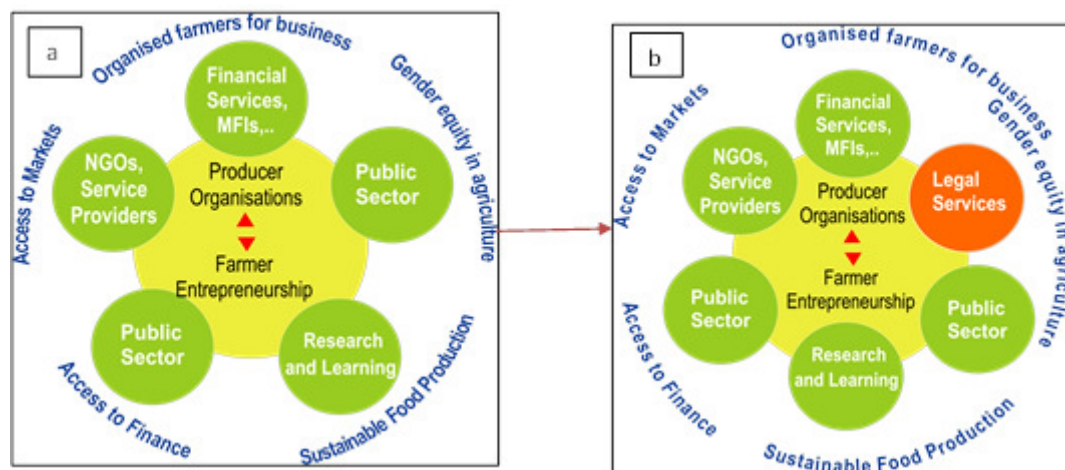


Figure 1. Thematic areas for developing farmer entrepreneurship (Agri-ProFocus, 2011). a) Agri-ProFocus thematic areas, b) Modified RAE and KLA implemented thematic areas

access to financial services by becoming more attractive in the financial inclusion sector and have a better access to markets through better organised, informed and well negotiated contracts and engagements with the world within and outside their sphere of influence.

Farmer entrepreneurship opportunities in Uganda

Opportunities for farmer entrepreneurship in Uganda are increasing especially in light of the focus to move the agricultural sector from a largely subsistence based sector to commercial based sector. With farmers being encouraged to produce for the market rather than marketing what they have (Njuki *et al.*, 2005), and the Vision 2040 focus on securing livelihoods of farmers through a diversified and profitable agricultural sector that is commercially oriented, farmer entrepreneurship is a vital foci and an area of investment. Table 1 provides sample opportunities for farmer entrepreneurship in Uganda. While the list is non-exhaustive, what is apparent is that the spectrum upon which to develop farmer entrepreneurship is vast whilst staying to the focus and key tenets of ensuring that; (i) risk taking, (ii) innovativeness, and (iii) the desire for growth and expansion among smallholder farmers is not only initiated but is enhanced and sustainably developed.

From conceptualisation to building farmer entrepreneurship

Through the engagements of both Research and Education Agency and Kampala Legal Aid, developing farmer entrepreneurship is not such a free-phased and straight line that can be achieved over night. Negotiating through the path and various interests along the agricultural terrain brings to core the need to understand what the entry points and spark points may be in the process. Figure 2, is a conceptualisation of the key steps in the rural agro-enterprise approach development that RAE and KLA have utilised for entry in communities in the areas of operations. While this framework and process does not describe in entirety the intricacies involved, it at least provides a summary of key steps and stages that agencies and actors need to take into consideration. The RAE and KLA engagements with various farmers and actors are at different stages and still evolving; at present with two farmer groups the engagement has research level three where partnerships and joint research and service development is being thought through in a negotiated space. The negotiated space is largely executed within an environment of research in development that facilitates the opportunity for various actors to engage in an environment that facilitates knowledge co-creation proposition, capacity development and knowledge sharing (Douthwaite *et al.*, 2015). Other organisations such as Popular Knowledge Women's Initiative (P'KWI) and Gulu University have implemented similar programs in eastern and northern Uganda (Ton *et al.*, 2010; Opio, 2012; Mugonola and Baliddawa, 2014) to transform rural smallholder farmers to entrepreneurs and there is evidence of positive change.

It is widely published in literature that for successful farmer entrepreneurship development, a range of conditions have to be met before implementation of any entrepreneurial activity (LEISA Magazine, 2009). While this is true to any venture, smallholder farmers in Uganda have often engaged in agricultural enterprise without pre-conditions for involvement. This engagement provides us an opportunity to distinguish between the two facets of

Table 1. Sample opportunities for farmer entrepreneurship

Opportunity	Source	Description
New technologies	World Bank, 2011; African Development Bank, 2014	New and emergent technologies provide opportunities for farmers in Uganda to develop entrepreneurial abilities at various scale from technologies that enhance soils management, biotechnology for better crop yields, plant health monitoring, livestock and poultry management technologies to technologies to reduce markets space divide. Maximising the high mobile telephone penetration and adoption could be exploited and lessons learned to further help link farmers, maximise the opportunities that technologies bring. The understanding is that making use of these technologies could increase labour productivity, reduce drudgery and post-harvest losses and particularly make agriculture more attractive to youth- 'cool farming concept' and further make women make the best of their time investment
Seed sector and agro-inputs	ISSD, 2013; Okori <i>et al.</i> , 2016.	The seed sector and other agro-inputs services in Uganda is not well developed and structured. In the seed sector three levels exist: informal cluster with farmer saved seed, intermediary cluster with a community based seed system and the formal cluster that is still an emerging trend with private operators at regional and national level. A well-developed seed system is at the centre of increasing agricultural production and productivity; farmer entrepreneurship can be built around exploiting opportunities that a vibrant and functional and agro-input system delivers on the close and organised farmers for business. The ISSD has identified six incentives that can facilitate development of functional seed sector value chains and other agro-inputs to include: (i) good profit margins for quality seed; (ii) access to improved varieties; (iii) an efficient quality assurance system; (iv) capacity building of seed producers; (v) access to information; and (vi) an enabling business environment
Financial inclusion	Msemakweli, 2012; Nayebare. 2016; GoU, 2015	Financial inclusion is a major facet in ensuring farmer entrepreneurship is sustainably developed. Only 28% of Uganda's population has access to formal financial services. In Uganda, one of the emergent components of the financial inclusion is the savings and cooperative societies (SACCOs)

Table 1. Contd.

Opportunity	Source	Description
		It is estimated that to date, there are some 16,400 registered cooperatives in Uganda, 1000 of these were registered in 2015 alone and most of them are savings and credit cooperative societies (SACCOs) and agricultural cooperatives. Several of these cooperatives are struggling with compliance to several legal issues, their regulation and monitoring as well as developing a clear product line with the farming communities to sustain their operations; this also includes taking advantage of the business partnerships models that are on increase. Agricultural financing including agricultural insurance are still weakly developed in the country particularly following the collapse of the Cooperative Bank. Several of the current commercial banks are risk averse when it comes to engaging with smallholder farmers
Organised farmers for business	The Uhuru Institute, Centre for Basic Research and ActionAid, 2013.	Models for engaging smallholder farmers as production units that are better organised and aligned have bounced back as a strategic fit. The Cooperative movement in Uganda declined when most cooperative bodies collapsed such as Teso Cooperative Union, Lango Cooperative Union, and Acholi Cooperative Union. Cooperative Unions that remained such as the Bugisu Cooperative Union have been in position to continue providing evidence and basis for a farmer aggregating umbrella. Accordingly, farmer groups models have become vital, the National Agricultural and Advisory Services (NAADS) implemented a farmer group model. The success of the approach has been based on a commodity based cooperative rather than a comprehensive cooperative. Social capital is a key adhesive for a strong and organised cooperatives that help drive organised farmers for business

entrepreneurship: managerial skills needed to start and run a profitable farm business and an entrepreneurial spirit. According to Kahan (2012), the managerial skills can be taught but an entrepreneurial spirit can barely be taught. This is because many smallholder farmers are often good managers of their farms and some also do have an entrepreneurial spirit. However, where they fall short is to the fact that most of them are simply 'price takers', do not take risks, and lack the drive often linked to an entrepreneurial spirit (Kahan, 2012).

However, it is logical to appreciate that the world of a farmer-entrepreneur is dynamic lased with several other players in the cosmic agricultural value chain including among others,



Figure 2. Key steps in the rural agroenterprise approach (Source: Njuki *et al.*, 2005)

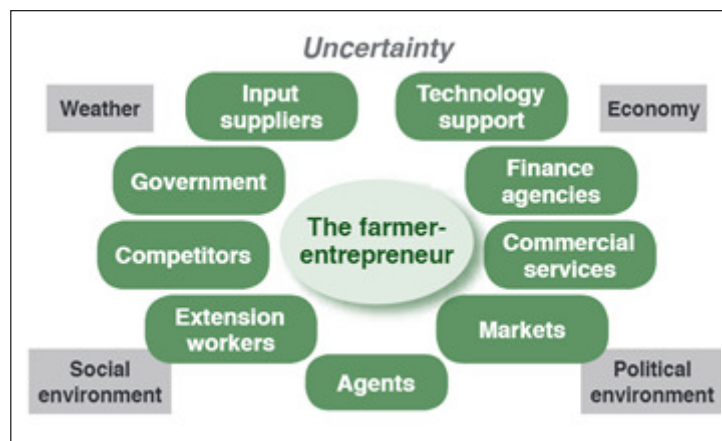


Figure 3. The world of the farmer-entrepreneur. Source: Kahan (2012)

other farmers, suppliers, processors and governments (Fig. 3). As such, in that complex reality are moderators that operate as constraints in terms of social barriers, economic barriers, regulations, access to finance and information, weather and climate and other uncertainties such as farmer own abilities to manage sprawling risks and take advantage of the likely opportunities accruing from the farming enterprise (Kahan, 2012).

Conclusion

Engaging smallholders in a transformation process of entrepreneurship requires that actors accept to take risk, try new ideas and opportunities whilst aware of the potential resistance and strategically navigating through the hurdles to achieve reality. The RAE and KLA team believes that a good plan is only good until the first success of addressing potentially a

crippling wave is overcome. Accordingly, while agencies involved in building farmer entrepreneurship have to be concerned about preconditions for success, they ought to experiment within the available opportunities and be open to explore other potential and even more complex opportunities and realities. But in doing so, it is important to build organisational capacity of smallholder farmer groups, and indeed of other enterprise groups, that help to strengthen their business drive/acumen while at the same time protecting their rights.

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