

**PRIVATE SECTOR POSITION PAPER ON THE CONTRACT FARMING
BILL 2023 AND ITS IMPACT TO THE PRIVATE SECTOR**

SUBMITTED TO THE

**PARLIAMENTARY COMMITTEE ON AGRICULTURE, ANIMAL INDUSTRY
AND FISHERIES**

BY

Ms. SHIRLEY KONGAI

**CHAIRPERSON POLICY ADVOCACY COMMITTEE OF THE BOARD
PRIVATE SECTOR FOUNDATION UGANDA (PSFU)**

8TH AUGUST 2024

TABLE OF CONTENTS

1.0 Appreciation/ Introduction:	2
2.0 General comments on the Bill by the Private sector Members	3
3.0 Matrix of Private Sector Positions on the Contract farming Bill 2023	4
4.0 Conclusion.	12

1.0 Appreciation/ Introduction:

The Private Sector Foundation Uganda (PSFU) extends its appreciation to the Parliament of the Republic of Uganda, specifically the Committee on Agriculture, Animal Industry, and Fisheries, for their support of private sector development in Uganda through legislation, budgeting, and resource allocation. Special recognition and thanks are due to Hon. Abed Bwanika for leading the drafting of the Private Members' Bill on Contract Farming in Uganda 2022. This initiative underscores the commitment of this Parliamentary House to the private sector. We also commend the committee for incorporating many of the comments we provided during our interaction regarding the Bill on September 27, 2022.

This paper presents proposals that the private sector believes will significantly contribute to stimulating Uganda's economy and creating more employment opportunities for young people, once adopted and implemented.

Private Sector Foundation Uganda (PSFU) is the apex body of the private sector representing over 335 associations and bodies across 12 sectors, impacting over 3.5 million businesses and indirectly influencing over 10 million livelihoods. Established in 1995, PSFU has been a central point for private sector advocacy and capacity building and continues to engage positively with the government on behalf of the private sector.

PSFU also serves as the government's implementation partner for several projects and programs designed to strengthen the private sector as a driver of economic growth in Uganda. It is a value-based and ethically driven entity encompassing 12 key sectors crucial to Uganda's economic development. These sectors include Agriculture, Agribusiness and Forestry; Construction and Real Estate; Financial Services; Professional Services; Tourism; Manufacturing; Human Resources (Skills, Health, and Education); Transport and Logistics; Trade and Commerce; ICT; Culture and Creative Industries; and Energy, Mining, Oil, and Gas.

The Agriculture, Agribusiness and Forestry sector is one of the 12 sectors under PSFU and plays a pivotal role in advancing the agro-industrialization agenda and creating employment opportunities for youth. Members of this sector have been consulted in the development of this position paper.

2.0 General comments on the Bill by the Private sector Members

This Bill is very timely, and we believe that once implemented well, it will contribute to the commercialisation of agriculture and further, will contribute to the National Development Plan III and IV flagship programme of Agro-industrialisation. While we believe that the intentions are good, the following general comments have been made.

- i. **Business Model:** Contract farming is a recognized business model that significantly contributes to industrialization. This model has gained traction largely due to the weak performance of cooperatives, which are primarily responsible for promoting joint marketing, stabilizing prices, improving access to credit, and protecting farmers from middlemen. These critical aspects form the foundation for regulation under this Bill. However, the following considerations are necessary for this action
 - a. **Price Controls:** Evidence and experience from other jurisdictions indicate that prices are most effectively determined by market forces of supply and demand. Interventions to address market failures are often more successful when achieved through direct government investment, monetary policies (such as buffer stocks), or the promotion of cooperatives, in addition to the provisions of this legislation..
 - b. **Policy implementation:** The agriculture sector is governed by a complex web of existing policies and laws. However, the failure to properly implement these policies has stifled innovation and investment, particularly among youth in the industry. For example, despite existing contracts in industries such as oilseeds, farmers may still engage in 'side selling' of their produce, and companies may fail to adhere to minimum price regulations. Although the Contracts and Sale of Goods Act addresses these issues, enforcement remains challenging due to social and practical constraints.
- ii. **Increase in Documentation:** In certain sub-sectors, such as horticulture, stakeholders may find the volume of paperwork required for official agreements to be excessive, leading them to opt for informal agreements. We request that the Bill take this into consideration. The Bill could allow for the recognition of informal agreements, provided that the parties involved can substantiate their terms and conditions.

- iii. **Regulation of the Entire Agricultural Value Chain:** We face a challenge with consistency in the production of quality goods, particularly for export, largely due to the use of poor-quality inputs in agricultural production. To address this issue, we recommend that Parliament expedite the establishment and strengthening of the Food and Agriculture Authority, as proposed by the Ministry of Agriculture, Animal Industry, and Fisheries, to enhance regulation across the entire value chain
- iv. **Consideration of Agricultural Insurance:** As we process this Bill, it is crucial to incorporate the component of agricultural insurance. Agriculture is inherently risky and often unpredictable. The Bill should address scenarios where a farming agreement is in place, and unforeseen events such as droughts or floods disrupt agricultural production.
- v. **Fisheries and Aquaculture;** Aquaculture is practiced on both land and water (page 4), with water bodies being public resources and sources for capture fisheries. The bill must ensure harmony and avoid misinterpretations, like the notion that 'lakes were sold' (Part II, Section 2(1)). The relationship in Part II, Section 2(b) should be with the government. Aquaculture establishments represent production capabilities, not space, and cannot be aggregated into a single land unit. Clearly define land and water-based aquaculture systems as 'Aquaculture Establishments' and maintain consistency in referencing Agriculture and Aquaculture Establishments throughout the bill.

3.0 Matrix of Private Sector Positions on the Contract farming Bill 2023

S.No.	Section of the bill	Private Sector Position/ Proposal	Justification
1	<p>Principles of the Bill</p> <p>To establish a legal framework for governing transactions related to the:</p> <p>(b) sale of future agricultural produce at prices mutually agreed upon.</p>	<p>Section 1(b) of the Bill should be reworded to read</p> <p>Sale of agricultural produce with specified terms and conditions, including quality, quantity, and delivery schedule, at mutually agreed prices.</p>	<p>Inclusion of terms and conditions will specify whether the produce is for immediate or future delivery and outline the details required by the buyer.</p>
2	<p>2. Gaps in the law, Page 1.</p> <p>The agriculture sector remains central to Uganda's economy, contributing approximately 23.1% of GDP, 45% of</p>	<p>Update of figures in the text to read as follows.</p> <p>"Agriculture sector contributes about 23.8% of</p>	<p>Updating the figures to reflect current statistics enhances clarity in the implementation of the law. This will ensure that</p>

S.No.	Section of the bill	Private Sector Position/ Proposal	Justification
	export earnings, and employing 64% of the total population.	Uganda' GDP, employs 61.4% the countries working population and contributes 45% of export earnings (UBOS, 2023) ¹	the law stands the test of time and serves as a reference for many.
Part 1: Preliminary			
3	Cause 2: Interpretation "Agricultural produce" includes anything which can be reared or grown by a farmer;	Change the interpretation to state that "agricultural produce" includes crops, animals, and fisheries grown and reared by a farmer.	The term "anything" in the definition is too broad and can easily lead to abuse or misinterpretation.
4	" buyer " means a person who has executed a farming agreement with a farmer for the production, purchase and sale of agricultural produce;	"Buyer" means a person who has executed a farming agreement with a farmer for the production, purchase, and sale of agricultural produce within a specified time.	Inclusion of time in the definition provides context for the buyer. Leaving the definition open can lead to misinterpretation.
5	" farmer " means a person engaged in the commercial production of agricultural produce, and includes a legal entity, a block farming committee, cooperative society, association of farmers or any other farming group;	"Farmer" means a person engaged in the commercial production of agricultural produce, and includes a legal entity, a block farming committee, cooperative society, association of farmers, or any other	Inclusion of time in the definition provides context for the buyer. Leaving the definition open can lead to misinterpretation.

¹UBOS 2023 Statistical Abstract, <https://www.ubos.org/wp-content/uploads/publications/2023-Statistical-Abstract.pdf>

S.No.	Section of the bill	Private Sector Position/ Proposal	Justification
		farming group within a specified time.	
6	"Financial institution" has the meaning assigned to it under the Financial Institutions Act, 2004;	A financial institution, as defined by the Financial Institutions Act, 2004, is a company licensed to conduct financial business in Uganda. This includes commercial banks, which accept deposits and provide loans; merchant banks, specializing in corporate finance services; mortgage banks, focusing on real estate loans; post office savings banks, offering savings and financial services through the postal system; credit institutions, providing various loan and credit services; building societies, facilitating savings and home loans; acceptance houses, dealing in commercial paper and short-term instruments; discount houses, specializing in short-term financial instruments at a discount; finance houses, offering	A comprehensive definition of a financial institution makes the Bill more applicable and provides greater clarity for its implementers.

S.No.	Section of the bill	Private Sector Position/ Proposal	Justification
		credit and leasing services; and Islamic financial institutions, operating in accordance with Sharia law. Additionally, the definition encompasses any institution classified as a financial institution by regulations issued by the Central Bank of Uganda.	
7	"Minister" means the Minister responsible for Agriculture;	"Minister" means the Minister responsible for Agriculture, Animal Industry, and Fisheries.	Inclusion of the Animal Industry and Fisheries provides a true reflection of the current Minister responsible for overseeing the implementation of the Bill.
8	"Money lender" has the meaning assigned to it under the Tier 4 Microfinance Institutions and Money Lenders Act, 2016'	A comprehensive definition of "moneylender" needs to be provided. Instead of merely referencing the Act, which lacks a clear definition of "moneylender" and only directs readers to Section 79—detailing the issuance of a moneylender's license with minimal information—specific details should be included in the Bill.	The Tier 4 Microfinance Institutions and Money Lenders Act, 2016, defines a "moneylender" by referring to Section 79 of the Act. However, this section only provides details on the issuance of a money lending license with minimal information about the definition of a moneylender.
9	"tier 4 microfinance institution" has the meaning assigned to	"Tier 4 Microfinance Institutions" means institutions that comprise	A single, well-defined definition will save time and

S.No.	Section of the bill	Private Sector Position/ Proposal	Justification
	it under the Tier 4 Microfinance Institutions and Money Lenders Act,2016.	SACCOs (Savings and Credit Cooperative Organizations), non-deposit taking microfinance institutions, self-help groups, and community-based microfinance institutions.	simplify the implementation of the Act.
Part II – Block Farming			
10	Clause 3 is missing under this subsection and should be included for completeness.	The numbering should be reorganized to ensure a consistent flow throughout the Bill.	Consistent numbering will help provide better organization of the Bill.
11	Clause 6. Appointment of block farming committee. <i>Clause 6, Section 2 states that "Each parcel of land or aquaculture establishment within the land unit shall be represented by one person on the block farming committee."</i>	This procedure is good and simple, but it can become complicated when some people contribute significantly more land than others.	There is a need to consider situations where some individuals contribute to the block land more than ten times that of others. A mechanism for representation on the committee could be devised to address this disparity.
12	Clause 7: Decisions of block farming committee Section 3 of the clause states that "Each member of a block farming committee shall have one vote."	Decisions based on the percentage of contribution to the block farm could be adopted to account for the interests of the major contributors.	Small contributors of land to the block farm may have negative intentions towards the large landowner and could pass a detrimental resolution during meetings.
Part III: Farming Agreement			
13	Clause 13: Farming prospectus Section (1) states that a prospective buyer must, before entering into a farming agreement with a farmer,	i Introduce subsection (g) to include the buyer's business profile.	i The interpretation of "commercial information" will bring clarity and ease of implementation.

S.No.	Section of the bill	Private Sector Position/ Proposal	Justification
	<p>provide the farmer with a farming prospectus and a draft farming agreement.</p> <p>Section (2) describes the details of the farming prospectus. According to subsection (1), the farming prospectus shall include: (a) the prospective buyer's commercial information.</p>	<p>ii Include "commercial information" as part of the definitions.</p> <p>iii Include extension services as part of the information shared in the prospects.</p> <p>iv Include a section on price and payment terms among the prospects.</p>	<p>ii Details about payment are central to the clear implementation of the Bill.</p> <p>iii Extension services are crucial for achieving the desired outcomes in farming agreements.</p>
14	<p>Clause 14. Terms of farming agreement Section (1)(e)(ii) of the clause states that a farming agreement shall include clear terms and conditions for the supply of agricultural produce, specifying the quantity of agricultural produce to be supplied.</p>	<p>In section 14(1)(e)(ii), include the word "estimate" just before "Quantity" to read: "The estimated quantity of agricultural produce to be supplied."</p>	<p>The use of the word "estimate" is appropriate given that agricultural production is often unpredictable.</p>
15	<p>Clause 14. Terms of farming agreement Section (1)(e)(viii) of the clause states that a farming agreement shall include clear terms and conditions for the supply of agricultural produce, including any farm services to be provided.</p>	<p>In section 14(1)(e)(ii), include the phrase "under specified terms and conditions" to read: "Farm services to be provided under specified terms and conditions, if any."</p>	<p>The introduction of the phrase "terms and conditions" for farm services provided will protect the farmer from being cheated at the time of sale of agricultural produce.</p>
16	<p>Clause 14. Terms of farming agreement Section (2) of the clause states that "If a farming agreement contains technical terms or is written</p>	<p>"If a farming agreement includes technical terms or is written in a language unfamiliar to the farmer,</p>	<p>This is important because there are many languages, such as Luganda, Chinese,</p>

S.No.	Section of the bill	Private Sector Position/ Proposal	Justification
	in English, it must be translated into a language that the farmer understands."	the agreement must be translated into a language that the farmer understands."	Swahili, Arabic, and French, among others."
17	Clause 14. Terms of farming agreement Section (3) of the clause outlines the conditions under which a farming agreement becomes null and void due to certain terms.	"Include a term that indicates a compromise with quality and standards as defined by the national standards body."	"Quality is a key area being manipulated by farmers, which is impacting the success of the current farming agreements."
Part IV General provisions relating to Farming Agreements			
18	Clause 15: Pricing of agricultural produce section (1) of the clause states that "The price of agricultural produce shall be determined by the parties to the farming agreement and may be."	"The parties to the farming agreement shall determine the price of agricultural produce in a specified currency and may adjust it as needed."	"Introducing the specific type of currency in the law provides greater clarity during implementation."
19	Clause 15: Pricing of agricultural produce Section (4) of the clause states that "The Minister shall, in determining the indicative price of agricultural produce, take into account: (a) the international price for the agricultural produce, if available; (b) the prevailing market price of the agricultural produce; (c) the price of any goods processed or manufactured from the agricultural produce; or (d) any other matter the Minister deems necessary."	The statement can be rephrased as: "Cost of production shall be one of the factors the Minister considers in determining the indicative prices."	"The cost of production is a major driver of goods' prices and, therefore, should be included."

S.No.	Section of the bill	Private Sector Position/ Proposal	Justification
20	<p>Clause 24 Farm services in form of monetary advances to farmer.</p> <p><i>Section (1)(c) of the clause states that the farming agreement must specify the sum repaid on the monetary advance and the date on which the repayment is made.</i></p>	<p>"This section of the Bill needs to be adjusted to: 'the sum repaid on the monetary advance(s) and the date(s) on which the repayment was made.'"</p>	<p>"This is because the farmer may have received more than one advance and could repay in multiple instalments, necessitating the use of 'advances' and 'instalments' in the wording."</p>
21	<p>Clause 26: Prohibition of payment of compound interest and other fees.</p> <p>Section (a)(i) of the clause states that an agreement under this Act is illegal and unenforceable if it directly or indirectly provides for, as a consequence of a breach of the agreement: (i) the payment of interest, including compound interest.</p>	<p>i Amend the title of the clause to read: "Prohibition of Payment of Interest and Other Fees."</p> <p>ii Include a definition of interest in the interpretation of terms in Clause 1 of the Bill, specifying that it includes both simple and compound interest.</p>	<p>"A mention of compound interest excludes other types of interest rates, such as simple interest, which does not align with the intended spirit of the Bill."</p>
22	<p>Clause 28: Protection of illiterate farmers</p> <p>Section (2) of the clause defines an illiterate farmer as one who is unable to read and understand the script or language in which the farming agreement is written or printed.</p>	<p>"Transfer the definition of an illiterate farmer to Clause 2 of the Bill, where terms requiring interpretation are defined, and delete Clause 28(2) from the Bill."</p>	<p>This is to ensure that the term 'illiterate farmer' is made easily accessible and clearly defined, like other terms in the Bill."</p>
23	<p>Clause 33: Regulation</p> <p>Section (1) of the clause states that "The Minister may, by statutory instrument, make regulations for the</p>	<p>"Change 'may' to 'shall' to ensure the provision is mandatory rather than advisory, as the word 'may'</p>	<p>"There is a risk of misinterpretation with the word 'may,' hence the need to change it to 'shall' to ensure</p>

S.No.	Section of the bill	Private Sector Position/ Proposal	Justification
	better implementation of the provisions of this Act.”	could potentially work against the farmer.”.	clarity and mandatory compliance.”
24	Cross references Some references are missing.	"Include the Financial Institutions Act, 2004 among the references in the Bill."	"Include the Financial Institutions Act, 2004 in the Bill, as it has been used to provide interpretation for the financial institutions mentioned in the Bill."

4.0 Conclusion.

Conclusively, Chairman and Honourable Members, we appreciate your efforts to pass this Bill into law. The Bill is good and timely. We are grateful to the committee for considering most of the comments we provided during the consultation in September 2022. The private sector is making significant efforts to ensure that members understand and support the Bill, given the enormous benefits it presents.

